TALLAHASSEE
COMMUNITY
COLLEGE

444 Appleyard Drive • Tallahassee, Florida • 32304-2895

ORIGINAL

September 17, 1999

Florida Public Service Commission
Division of Records and Reporting
2540 Shumard Oak Boulevard
Tallahassee, FL 32399

991412 - TC

Enclosed please find a completed application form for a Certificate to provide pay telephone service. Since Tallahassee Community College is considered a political subdivision of the State of Florida, it was difficult to properly address some of the questions contained in the application. I would be most appreciative if you would contact me in the event there are questions about the application.

My telephone number is 922-8129 and email maryansl@mail.tallahassee.cc.fl.us

Thank you for your assistance.

Sincerely,

Liz Maryanski

Liz Maryanski

Enclosure

Check received with filing and forwarded to Fiscal for deposit. Fiscal to forward a copy of check to RAR with proof of deposit.

initials of person who forwarded check:

DOCUMENT NUMBER-DATE

11272 SEP 20 99

FPSC-RECORDS/REPORTING

TALLAHASSEE
COMMUNITY
COLLEGE

444 Appleyard Drive • Tallahassee, Florida • 32304-2895

September 17, 1999

DEPOSIT D196

DATE SEP 20 1999

991412-TC

Florida Public Service Commission
Division of Records and Reporting
2540 Shumard Oak Boulevard
Tallahassee, FL 32399

Enclosed please find a completed application form for a Certificate to provide pay telephone service. Since Tallahassee Community College is considered a political subdivision of the State of Florida, it was difficult to properly address some of the questions contained in the application. I would be most appreciative if you would contact me in the event there are questions about the application.

My telephone number is 922-8129 and email maryansl@mail.tallahassee.cc.fl.us

Thank you for your assistance.

Sincerely,

Liz Maryanski

Liz Maryanski

TALLAHASSEE
COMMUNITY
COLLEGE

DISTRICT BOARD OF TRUSTEES
444 APPLEYARD DRIVE, TALLAHASSEE, FLA., 32304-2895
GENERAL ACCOUNT

63-970
631

090898
CHECK NO.

***********************ONE HUNDRED DOLLARS
00

WAKULLA BANK
CRAWFORDVILLE, FLORIDA

09/1[illegible]999
DATE

VOID AFTER SIX MONTHS

PAY TO THE ORDER OF

FLORIDA PUBLIC SSERVICE COMMISSION
DIVISION OF RECORDS & REPORTIN
2540 SHUMARD OAK BLVD
TALLAHASSEE, FL 323990850

$100.00
AMOUNT

VICE PRESIDENT ... TIVE SERVICES

ATTEST: AUTHORIZED SIGNATURE

⑈090898⑈

99/412-TC

FLORIDA PUBLIC SERVICE COMMISSION

DIVISION OF COMMUNICATIONS
BUREAU OF SERVICE EVALUATION

APPLICATION FORM FOR CERTIFICATE TO PROVIDE PAY TELEPHONE SERVICE WITHIN THE STATE OF FLORIDA

INSTRUCTIONS

- This form is used as an application for an original certificate to provide pay telephone service within the State of Florida.

- **Print or type** all responses to each item requested in the application. If an item is not applicable, please explain.

- Use a separate sheet for each answer which will not fit within the allotted space.

- Once completed, submit the original and two (2) copies of this form and a non-refundable **application fee of $100.00** to:

  Florida Public Service Commission
  Division of Records and Reporting
  2540 Shumard Oak Blvd.
  Tallahassee, Florida 32399-0850
  (850) 413-6770

- If you have questions about completing the form, contact:

  Florida Public Service Commission
  Division of Communications
  Bureau of Service Evaluation
  2540 Shumard Oak Blvd.
  Tallahassee, Florida 32399-0850
  (850) 413-6600

DOCUMENT NUMBER-DATE
11272 SEP 20 8
FPSC-RECORDS/REPORTING

1. Name of company or name of individual (not fictitious name or d/b/a):

District Board of Trustees, Tallahassee Community College, Florida

2. Name under which applicant will do business (fictitious name, etc.):

Tallahassee Community College

3. Official mailing address:

Street: 444 Appleyard Drive

P.O. Box: N/A

City: Tallahassee

State: Florida **Zip:** 32304-2895

4. Florida address:

Street: 444 Appleyard Drive

P.O. Box: N/A

City: Tallahassee

State: Florida **Zip:** 32304-2895

5. Structure of organization:

( ) Individual

( ) Corporation

( ) General Partnership

( ) Limited Partnership

(X) Other: Public Education Institution

6. **If incorporated in Florida**, provide proof of authority to operate in Florida:

Florida Secretary of State Corporate Registration Number: N/A

7. **If using fictitious name d/b/a (doing business as),** provide proof of compliance with the fictitious name statute (Chapter 865.09, Florida Statutes) to operate in Florida:

Florida Fictitious Name Registration Number: N/A, Not a d/b/a

8. **F.E.I. Number (if applicable):** 59-1141270

9. **If individual**, provide:

Name: N/A, Not an individual

Title: ______

Address: ______

City/State/Zip: ______

Telephone No.: ______ **Fax No.:** ______

Internet E-Mail Address: ______

Internet Website Address: ______

10. **If partnership,** provide name, title and address of all partners and a copy of the partnership agreement:

a. **Name:** N/A, Not a partnership

Title: ______

Address: ______

City/State/Zip: ______

Telephone No.: ______ **Fax No.:** ______

Internet E-Mail Address: ______

Internet Website Address: ______

10. Partnership (continued)

b. **Name:** N/A, Not a partnership

Title: ______

Address: ______

City/State/Zip: ______

Telephone No.: ______ **Fax No.:** ______

Internet E-Mail Address: ______

Internet Website Address: ______

11. Who will serve as liaison to the Commission with regard to the following?

a. The application:

Name: Mr. Ed Wilson

Title: Asst. Communications & Services Manager

Address: 444 Appleyard Drive

City/State/Zip: Tallahassee, Florida 32304-2895

Telephone No.: (850) 922-8230 **Fax No.:** (850) 414-7750

Internet E-Mail Address: wilsone@mail.tallahassee.cc.fl.us

Internet Website Address: www.tallahassee.cc.fl.us

b. Official Point of Contact for ongoing company operations including complaints and inquiries:

Name: Mrs. Liz Maryanski

Title: Vice President for Administrative Services

Address: 444 Appleyard Drive

City/State/Zip: Tallahassee, Florida 32304-2895

Telephone No.: (850) 922-8129 **Fax No.:** (850) 922-0186

Internet E-Mail Address: maryansl@mail.tallahassee.cc.fl.us

Internet Website Address: www.tallahassee.cc.fl.us

12. Indicate if applicant or any subsidiary, partner, officers, directors, or any stockholder has been previously adjudged bankrupt, mentally incompetent, or found guilty of any felony or of any crime, or whether such actions may result from pending proceedings.

If so, provide explanation: N/A, Not a corporation

13. Has the applicant or any subsidiary, partner, officer, director, or any stockholder ever been granted or denied a pay telephone certificate in the State of Florida? (This includes active and canceled pay telephone certificates.) If yes, provide explanation and list the certificate holder and certificate number.

N/A, Original application

14. Is the applicant or any subsidiary, partner, officer, director, or any stockholder a subsidiary, partner, or officer in any other Florida certificated pay telephone company? If yes, give name of company and relationship. If no longer associated with company, give reason why not.

N/A, No one associated with pay phone industry

15. List other states in which the applicant:

a. Is currently providing pay telephone service.

N/A, No existing service

b. Has applications pending to be certified as a pay telephone provider.

N/A, No pend applications

c. Has been denied authority to operate as a pay telephone provider. Explain circumstances.

N/A, Original application

d. Has had regulatory penalties imposed for violations of telecommunications statutes, rules, or orders. Explain circumstances.

N/A, No violations past or present

16. Please check (✓) the services that will be provided:

(X) LOCAL
(X) LONG DISTANCE
(X) COIN
(X) CALLING CARD
(X) CREDIT CARD
( ) OTHER (Describe) ____________

17. Proposed number of pay telephone instruments the applicant plans to install/operate in the first year: 25

18. How does the applicant intend to service and maintain each payphone? Check (✓) all that apply.

( ) PERSONALLY
(X) FULL-TIME TECHNICIAN
( ) PART-TIME TECHNICIAN
(X) SERVICE/REPAIR/MAINTENANCE CONTRACT
( ) OTHER (Describe) ____________________

19. Will each of the installed pay telephones provide access to all locally available long distance carriers via 10XXX+0, 10XXXX+0, 101XXXX+0, 950, and toll free (e.g. 800, 877, and 888)? See Rule 25-24.515(10), Florida Administrative Code.

(X) **Yes**
( ) **No Explain:** ____________________

20. Will each of the installed pay telephones conform to subsections 4.28.8.4 and 4.29 of the American National Standard (CABO/ANSI A117.1-1992), Accessible and Usable Buildings and Facilities, approved December 15, 1992 by the American National Standards Institute, Inc.? See Rule 25-24.515(18), Florida Administrative Code.

(X) **Yes**
( ) **No Explain:** ____________________

APPLICANT FEE/TAX STATEMENT

1. **REGULATORY ASSESSMENT FEE:** I understand that all telephone companies must pay a regulatory assessment fee in the amount of **0.15 of one percent** of the gross operating revenue derived from intrastate business. Regardless of the gross operating revenue of a company, a minimum annual assessment fee of $50 is required.

2. **GROSS RECEIPTS TAX:** I understand that all telephone companies must pay a gross receipts tax of **two and one-half percent** on all intra- and interstate business.

3. **SALES TAX:** I understand the a **seven percent** sales tax must be paid on intra- and interstate revenues.

4. **APPLICATION FEE:** I understand that a non-refundable application fee of **$100.00** must be submitted with the application.

UTILITY OFFICIAL:

Liz Maryanski
Print Name

Liz Maryanski
Signature

Vice President for Administrative Services
Title

9/7/99
Date

(850) 922-8129
Telephone No.

(850) 922-0186
Fax No.

Address: 444 Appleyard Drive
Tallahassee, Florida 32304-2895

ACKNOWLEDGMENT

By my signature below, I, the undersigned owner/officer, have read the foregoing and declare that, to the best of my knowledge and belief, the information is true and correct. I attest that I have the authority to sign on behalf of my company and agree to comply, now and in the future, with all applicable Commission rules and orders.

I will comply with all current and future Commission requirements regarding pay telephone service. I understand that I am required to pay a regulatory assessment fee (minimum of $50.00 per calendar year), file an annual pay telephone service report, pay applicable sales tax, and pay gross receipts tax. Furthermore, I agree to keep the Commission advised of any changes in the names and addresses listed in the application within 10 days of the change.

Further, I am aware that, pursuant to Chapter 837.06, Florida Statutes, "Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in s. 775.082 and s. 775.083."

UTILITY OFFICIAL:

Liz Maryanski	Liz Maryanski
Print Name	**Signature**
Vice President for Administrative Services	9/7/99
Title	**Date**
(850) 922-8129	(850) 922-0186
Telephone No.	**Fax No.**

Address: Tallahassee Community College
444 Appleyard Drive
Tallahassee, Florida 32304-2895

APPLICANT ACKNOWLEDGMENT

Applicant: Tallahassee Community College

444 Appleyard Drive, Tallahassee, FL 32304-2895

I acknowledge receipt and understanding of the Florida Public Service Commission's Rules and Requirements relating to my provision of Pay Telephone Service.

Liz Maryanski	
Print Name	**Signature**
Vice President for Administrative Services	
Title	**Date**
(850) 922-8129	(850) 922-0186
Telephone No.	**Fax No.**

Address: 444 Appleyard Drive

Tallahassee, Florida 32304-2895

THIS ACKNOWLEDGMENT FORM MUST BE COMPLETED AND RETURNED AS PART OF THE APPLICATION BEFORE THE CERTIFICATION PROCESS BEGINS. FAILURE TO DO SO WILL RESULT IN A DELAY OF THE CERTIFICATE BEING ISSUED.

991412-JC

Report No. 13393

STATE OF FLORIDA
AUDITOR GENERAL

REPORT ON AUDIT
OF THE

GENERAL PURPOSE FINANCIAL STATEMENTS

OF THE

STATE OF FLORIDA

FOR THE FISCAL YEAR ENDED JUNE 30, 1998

13393

STATE OF FLORIDA

AUDITOR GENERAL

REPORT ON AUDIT
OF THE

GENERAL PURPOSE FINANCIAL STATEMENTS

OF THE

STATE OF FLORIDA

FOR THE FISCAL YEAR ENDED JUNE 30, 1998

GENERAL PURPOSE FINANCIAL STATEMENTS
OF THE
STATE OF FLORIDA

Table of Contents

GENERAL PURPOSE FINANCIAL STATEMENTS
OF THE
STATE OF FLORIDA

Table of Contents (Continued)

CHARLES L. LESTER, CPA
AUDITOR GENERAL

STATE OF FLORIDA

AUDITOR GENERAL

TALLAHASSEE

February 17, 1999

The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that an audit be made of the

GENERAL PURPOSE FINANCIAL STATEMENTS

OF THE

STATE OF FLORIDA

For the Fiscal Year Ended June 30, 1998,

and present this report thereon.

INTRODUCTION

Financial and operational audits are made by the Auditor General as part of the Legislature's oversight responsibilities for operations of the State of Florida. Where appropriate, these audits are structured to include the reporting and auditing requirements for Federal awards.

The Single Audit Act Amendments of 1996 (Public Law 104-156) requires states, local governments, and nonprofit organizations to obtain "Single Audits" conducted in accordance with the provisions of the Single Audit Act Amendments of 1996 and the United States Office of Management and Budget (OMB) Circular No. A-133.

Florida has elected to conduct its Single Audit in two phases: (1) an audit of the State of Florida's general purpose financial statements and a determination of the extent of management compliance with laws, administrative rules, regulations, contracts, and grants noncompliance with which could have a material effect on the State's general purpose financial statements and (2) an audit of the State of Florida's management of its Federal awards. This report presents the results of the first phase of our Single Audit of the State of Florida for the fiscal year ended June 30, 1998, and includes the following reports, applicable to our audit of the general purpose financial statements, required by the Single Audit Act Amendments of 1996 and OMB Circular No. A-133:

-- Independent Auditor's Report on General Purpose Financial Statements.

-- Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of General Purpose Financial Statements performed in accordance with *Government Auditing Standards.*

OBJECTIVES

The objectives of our audit included determinations as to: (1) whether the general purpose financial statements of the State of Florida present fairly, in all material respects, its financial position as of June 30, 1998, and the results of its operations, and the cash flows of its proprietary fund types, nonexpendable trust fund, and discretely presented component units for the fiscal year then ended in accordance with generally accepted accounting principles and (2) whether the State of Florida complied with those provisions of laws, administrative rules, regulations, contracts, and grants noncompliance with which could have a material effect on the State's general purpose financial statements.

The scope of our audit extended to an examination of the general purpose financial statements of the State of Florida reporting entity as defined in note 1 to the financial statements; however, we did not examine the accounts and records of the Legislature, the Florida Department of the Lottery, the Florida Housing Finance Agency, or the discretely presented component units (other than the State's community colleges). The financial statements of these entities are examined by other auditors.

METHODOLOGY

Our audit was made in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of OMB Circular No. A-133.

OTHER REQUIRED EXHIBITS AND REPORTS

OMB Circular No. A-133 requires that states, local governments, and nonprofit organizations prepare and present for audit a schedule of expenditures of Federal awards and that the auditor report on the fairness of schedule presentation, as well as on the audited entity's systems of internal control and compliance with laws and regulations governing the administration of major Federal programs. In accordance with our dual-phase Single Audit of the State of Florida, the schedule of expenditures of Federal awards will be published subsequently, as will the additional auditor report required by the provisions of OMB Circular No. A-133.

AVAILABILITY OF COMPREHENSIVE ANNUAL FINANCIAL REPORT

Detailed financial information is available in the State of Florida Comprehensive Annual Financial Report published by the State Comptroller.

SUMMARY OF FINDINGS

The following provides a summary of the findings of our audit, including the reports of other auditors, of the general purpose financial statements of the State of Florida:

- We found that the State of Florida's general purpose financial statements presented fairly, in all material respects, the financial position of the State of Florida as of June 30, 1998, and the results of its operations, and the cash flows of its proprietary fund types, nonexpendable trust fund, and discretely presented component units for the fiscal year then ended; except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding the year 2000 disclosures and adequate documentation regarding the amount reported for land in the General Fixed Assets Account Group. (Refer herein to our Report on the General Purpose Financial Statements for additional information, pages 7 through 9.)

- The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. (Refer herein to our Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of General Purpose Financial Statements Performed in Accordance with *Government Auditing Standards* for additional information, pages 11 through 13.)

- We noted the following matters involving the State's internal control over financial reporting and its operation: (Refer herein to our Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of General Purpose Financial Statements Performed in Accordance with *Government Auditing Standards* for additional information, pages 11 through 13.)

  -- *Material Weakness* - Records of the Board of Trustees of the Internal Improvement Trust Fund were not adequate to document the ownership and valuation of a substantial portion of land reported in the General Fixed Assets Account Group at June 30, 1998.

-- Other *Matters* - Other matters involving the internal control over financial reporting and its operations which do not constitute reportable conditions or material weaknesses in relation to the general purpose financial statements are routinely reported in separate reports. Matters of lesser significance are discussed with the management of the organizational units during the course of the various audits.

Respectfully submitted,

Charles L. Lester, CPA
Auditor General

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CHARLES L. LESTER, CPA
AUDITOR GENERAL

STATE OF FLORIDA

AUDITOR GENERAL

TALLAHASSEE

February 17, 1999

The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

INDEPENDENT AUDITOR'S REPORT ON GENERAL PURPOSE FINANCIAL STATEMENTS

We have audited the accompanying general purpose financial statements of the State of Florida, as of and for the fiscal year ended June 30, 1998, as listed in the table of contents. These general purpose financial statements are the responsibility of the State's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the Legislature constituting approximately 1 percent of assets and revenues of the General Fund; the Florida Department of the Lottery constituting approximately 45.4 percent and 82.6 percent of the assets and revenues, respectively, of the Enterprise Funds; and the Florida Housing Finance Agency constituting approximately 1.9 percent of the revenues of the Enterprise Funds; nor did we audit the discretely presented component units (other than the State's community colleges, comprising approximately 92 percent and 95.7 percent of the assets and revenues, respectively, of the discretely presented community colleges component unit columns) as described in note 1 to the general purpose financial statements. Those financial statements were audited by other auditors whose reports thereon have been furnished to us and our opinion on the general purpose financial statements, insofar as it relates to the amounts included for these entities, is based solely upon the reports of the other auditors.

Except as discussed in the following paragraphs, we conducted our audit in accordance with generally accepted auditing standards 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 general purpose financial statements are free of material misstatement. The financial statements of a material portion of the discretely presented component units (other than the State's community colleges) were not required to be audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

Governmental Accounting Standards Board Technical Bulletin 98-1, *Disclosures about Year 2000 Issues,* requires disclosure of certain matters regarding the year 2000 issue. The State of Florida has included such disclosures in Notes 8.B. and 25.m. Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Accordingly, insufficient audit evidence exists to support the State of Florida's disclosures with respect to the year 2000 issue made in Notes 8.B. and 25.m. Further, we do not provide assurance that the State of Florida is or will be year 2000 ready, that the State of Florida's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the State of Florida does business will be year 2000 ready.

Records of the Board of Trustees of the Internal Improvement Trust Fund were not adequate to document the ownership and valuation of a substantial portion of land, which is stated at $2.317 billion and constitutes 35.4 percent of the total value of general fixed assets reported in the General Fixed Assets Account Group at June 30, 1998. As a result, it was not practicable in the circumstances for us to determine whether the amount reported for land in the General Fixed Assets Account Group is fairly presented.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding the year 2000 disclosures and adequate documentation regarding the amount reported for land in the General Fixed Assets Account Group, based on our audit and the reports of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the State of Florida as of June 30, 1998, and the results of its operations, and the cash flows of its proprietary fund types, nonexpendable trust fund, and discretely presented component units for the fiscal year then ended in conformity with generally accepted accounting principles.

As discussed in note 1 to the general purpose financial statements, in conformity with generally accepted accounting principles, the State of Florida implemented GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools,* and GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.* As a result of the implementation of GASB Statement No. 31, the most significant changes to the general purpose financial statements include the reporting of a majority of investments at fair value, the reporting of the respective changes in the fair value of those investments as an element of investment income, and the reporting of external investment pool activity in the new Investment Trust Funds (Fiduciary funds). Also, as required by GASB Statement No. 32, the State's Internal Revenue Code Section 457 deferred compensation plan has been reported as an expendable trust fund.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 1999, on our consideration of the State of Florida's internal control over financial reporting and our tests of its compliance with certain provisions of laws, administrative rules, regulations, contracts, and grants.

Respectfully submitted,

Charles L. Lester

Charles L. Lester, CPA
Auditor General

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STATE OF FLORIDA

AUDITOR GENERAL

TALLAHASSEE

CHARLES L. LESTER, CPA
AUDITOR GENERAL

February 17, 1999

The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the general purpose financial statements of the State of Florida, as of and for the fiscal year ended June 30, 1998, and have issued our report thereon dated February 17, 1999, which was qualified because insufficient audit evidence exists to support the State of Florida's disclosures with respect to the year 2000 issue and because of the inadequacy of records to document the ownership and valuation of a substantial portion of land reported in the General Fixed Assets Account Group. Our report on the general purpose financial statements also included disclosures regarding our reference to the reports of other auditors.

Except as discussed above, we conducted our audit in accordance with generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The financial statements of a material portion of the discretely presented component units (other than the State's community colleges) were not required to be audited in accordance with *Government Auditing Standards* and, accordingly, this report does not extend to those component units. Matters relating to the State of Florida's administration of Federal awards are to be reported in a subsequent auditor report.

Compliance. As part of obtaining reasonable assurance about whether the State of Florida's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, administrative rules, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of general purpose financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards*. Matters of lesser significance are routinely reported and/or discussed with the management of the organizational units during the course of various audits.

Internal Control Over Financial Reporting. In planning and performing our audit, we considered the State of Florida's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the State of Florida's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements. We noted the following reportable condition:

- Records of the Board of Trustees of the Internal Improvement Trust Fund were not adequate to document the ownership and valuation of a substantial portion of land reported in the General Fixed Assets Account Group at June 30, 1998. This matter is discussed in, and the auditee's responses are included in, audit report No. 12451, titled *Operational Compliance Audit of the Administration of State-Owned Lands by the Florida Department of Environmental Protection and Other State Agencies*.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above related to the absence of records supporting the existence and valuation of a substantial portion of land reported in the State's General Fixed Assets Account Group at June 30, 1998, is a material weakness.

We also noted other matters involving the State's internal control over financial reporting and its operation which do not constitute reportable conditions as described above. These, and other matters of lesser significance, are routinely reported in separate reports and/or discussed with the management of the organizational units during the course of the various audits.

This report is intended for the information of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, applicable management, and Federal and other awarding agencies. Copies of this report are available pursuant to Section 11.45(7), Florida Statutes, and its distribution is not limited.

Respectfully submitted,

Charles L. Lester

Charles L. Lester, CPA
Auditor General

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GENERAL PURPOSE FINANCIAL STATEMENTS

OF THE

STATE OF FLORIDA

FOR THE FISCAL YEAR ENDED JUNE 30, 1998

EXHIBIT - A

STATE OF FLORIDA
COMBINED BALANCE SHEET -- ALL FUND TYPES, ACCOUNT GROUPS, AND DISCRETELY PRESENTED COMPONENT UNITS
JUNE 30, 1998
(in thousands)

	Governmental				Proprietary	
	General	Special Revenue	Capital Projects	Debt Service	Enterprise	Internal Service
ASSETS AND OTHER DEBITS						
Cash and cash equivalents	$ 5,527	$ 11,371	$	$ 6,627	$ 28,662	$ 16,642
Pooled investments with State Treasury (Note 3)	2,661,396	6,003,442	21,630	......	335,485	154,592
Investments (Note 3)	......	126,694	......	287,125	3,295,021	44,522
Receivables, net (Note 4)	1,288,527	1,616,786	206	3,561	28,897	17,047
Due from other funds (Note 14)	246,860	695,105	153,466	2,647	56,302	18,348
Due from component units/primary	95	239,913	......	......	340	42
Advances to other funds (Note 14)	16,367	114,022	21,930	......	67,962	......
Advances to Component Units	24,827	......	......	......	......	......
Inventories	21,537	179,744	......	......	3,344	529
Loans and notes receivable, net (Note 4)	4,286	719,267	......	......	7	......
Restricted cash and cash equivalents (Note 10)	......	......	......	......	395,333	......
Restricted investments (Note 10)	......	......	......	......	73,489	......
Deferred fiscal charges and other assets	261	992	......	......	17,255	235
Land	......	......	......	......	512,129	......
Buildings and improvements	......	......	......	......	2,129,085	659,775
Furniture and equipment	......	......	......	......	48,853	231,743
Construction in progress	......	......	......	......	584,561	10,273
Accumulated depreciation	......	......	......	......	(75,525)	(277,598)
Amount available in debt service fund	......	......	......	......	......	......
Amount to be provided	......	......	......	......	......	......
TOTAL ASSETS AND OTHER DEBITS	$ 4,269,683	$ 9,707,336	$ 197,232	$ 299,960	$ 7,501,200	$ 876,150
LIABILITIES, EQUITY AND OTHER CREDITS						
Liabilities:						
Accounts payable and accrued liabilities	$ 438,812	$ 1,679,054	$ 14,899	$ 501	$ 2,091,561	$ 666,752
Due to other funds (Note 14)	347,078	941,967	923	......	73,151	27,974
Due to component units/primary	15,700	189,137	10	......	273	......
Advances from other funds (Note 14)	......	30,120	......	......	184,398	2,003
Bonds payable (Note 9)	......	......	......	......	1,714,247	320,023
Certificates of participation payable	......	......	......	......	......	48,543
Notes and leases payable (Note 11)	......	......	......	......	......	98,717
Deferred revenues	......	414,724	......	......	4,194	4,173
Payable from restricted assets (Note 10)	......	......	......	......	28,853	......
Compensated absences	6,616	6,548	......	......	4,186	10,184
Obligations under security lending agreements	146,635	315,379	1,135	......	1,094,844	8,162
Other liabilities	1	562	1	1,386	8,878	29
Total Liabilities	954,842	3,577,491	16,968	1,887	5,204,585	1,186,560
Fund Equity and Other Credits:						
Contributed capital	......	......	......	......	160,297	1,713
Investment in fixed assets	......	......	......	......	......	......
Retained Earnings:						
Reserved	......	......	......	......	446,562	......
Unreserved	......	......	......	......	1,689,756	(312,123)
Fund Balances:						
Reserved (Note 24)	766,070	2,725,553	56,096	298,073	......	......
Unreserved	2,548,771	3,404,292	124,168	......	......	......
Total Fund Equity and Other Credits	3,314,841	6,129,845	180,264	298,073	2,296,615	(310,410)
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	$ 4,269,683	$ 9,707,336	$ 197,232	$ 299,960	$ 7,501,200	$ 876,150

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

Fiduciary Trust and Agency	Account Groups: General Fixed Assets	Account Groups: General Long-Term Debt	State University System Fund Types	Total Primary Government (Memorandum Only) 6/30/98	Total Primary Government (Memorandum Only) 6/30/97	Component Units: Community Colleges	Component Units: Other	Total Reporting Entity (Memorandum Only) 6/30/98
$ 100,894	$	$	$ 33,277	$ 203,000	$ 198,980	$ 50,533	$ 247,205	$ 500,738
3,683,058	......	......	803,455	13,663,058	12,215,363	......	......	13,663,058
113,597,630	......	......	82,498	117,433,490	95,134,350	377,572	1,850,465	119,661,527
1,599,354	......	......	141,997	4,696,375	4,612,897	44,525	388,830	5,129,730
224,557	......	......	641,081	2,038,366	1,826,023	12,641	23,665	2,074,672
......	......	......	4,910	245,300	155,090	567,386	664,333	1,477,019
......	......	......	......	220,281	284,514	......	......	220,281
......	......	......	......	24,827	......	......	......	24,827
2	......	......	12,617	217,773	534,963	10,166	20,343	248,282
601,851	......	......	73,735	1,399,146	2,779,368	11,612	31,089	1,441,847
......	......	......	......	395,333	157,304	......	5,670	401,003
......	......	......	......	73,489	1,423,244	......	254,600	328,089
10,187	......	......	5,771	34,701	61,442	1,897	247,107	283,705
1,882	2,317,263	......	108,141	2,939,415	2,775,663	136,535	1,347,659	4,423,609
......	2,094,956	......	2,831,561	7,715,377	7,140,757	1,941,407	1,550,297	11,207,081
3,324	1,749,574	......	1,578,822	3,612,316	3,620,332	551,574	1,027,899	5,191,789
......	377,436	......	241,796	1,214,066	1,238,452	72,434	258,558	1,545,058
(1,651)	......	......	......	(354,774)	(348,654)	......	(79,029)	(433,803)
......	......	298,073	......	298,073	273,388	......	85,391	383,464
......	......	11,667,977	......	11,667,977	10,543,068	......	316,528	11,984,505
$ 119,821,088	$ 6,539,229	$ 11,966,050	$ 6,559,661	$ 167,737,589	$ 144,626,544	$ 3,778,282	$ 8,240,610	$ 179,756,481
$ 3,049,398	$	$ 20,728	$ 182,006	$ 8,143,711	$ 15,662,751	$ 105,343	$ 556,469	$ 8,805,523
417,600	......	......	229,673	2,038,366	1,826,023	12,641	23,665	2,074,672
982,501	......	......	10,632	1,198,253	973,122	80,999	300,191	1,579,443
2,352	......	......	1,408	220,281	284,514	......	......	220,281
......	......	11,253,815	367,870	13,655,955	14,303,380	44,198	1,886,364	15,586,517
......	......	155	52	48,750	56,544	......	......	48,750
......	......	64,183	3,020	165,920	166,287	16,479	21,822	204,221
......	......	......	23,466	446,557	974,373	5,942	184,791	637,290
......	......	......	......	28,853	116,654	......	......	28,853
1,355	......	620,435	216,996	866,320	790,701	116,812	28,191	1,011,323
10,094,853	......	......	42,225	11,703,233	10,475,702	......	......	11,703,233
8,852,353	......	6,734	26,717	8,896,661	8,158,104	70,605	238,145	9,205,411
23,400,412	......	11,966,050	1,104,065	47,412,860	53,788,155	453,019	3,239,638	51,105,517
......	......	......	......	162,010	160,631	......	112,524	274,534
......	6,539,229	......	4,419,530	10,958,759	10,448,366	2,583,967	2,063,728	15,606,454
......	......	......	......	446,562	253,328	......	149,555	596,117
......	......	......	......	1,377,633	1,507,475	......	117,928	1,495,561
93,688,395	......	......	820,378	98,354,565	71,124,974	499,635	300,996	99,155,196
2,732,281	......	......	215,688	9,025,200	7,343,615	241,661	2,256,241	11,523,102
96,420,676	6,539,229	......	5,455,596	120,324,729	90,838,389	3,325,263	5,000,972	128,650,964
$ 119,821,088	$ 6,539,229	$ 11,966,050	$ 6,559,661	$ 167,737,589	$ 144,626,544	$ 3,778,282	$ 8,240,610	$ 179,756,481

EXHIBIT - B

STATE OF FLORIDA
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES, EXPENDABLE TRUST FUNDS AND DISCRETELY
PRESENTED COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 1998
(in thousands)

	Governmental			
	General	Special Revenue	Capital Projects	Debt Service
REVENUES				
Taxes (Note 5)	$ 15,941,869	$ 5,953,967	$	$ ......
Licenses and permits	68,185	839,843	......	......
Fees and charges	155,444	2,371,662	506	54,881
Grants and donations	2,129	8,929,370	1,648	......
Investment earnings	260,385	302,256	732	25,974
Fines, forfeits and judgments	152,412	186,496	......	......
Flexible benefits contributions	......	56,505	......	......
Refunds	64,497	472,697	200	......
Other	......	7,802	......	58
TOTAL REVENUES	**16,644,921**	**19,120,598**	**3,086**	**80,913**
EXPENDITURES				
Current:				
Expenditures	......	......	......	......
Economic opportunities, agriculture and employment	61,561	861,431	......	......
Public safety	1,976,740	500,595	......	......
Education	6,889,146	2,145,777	......	......
Health and social concerns	3,829,198	7,949,123	......	......
Housing and community development	4,394	164,521	......	......
Natural resources and environmental management	164,545	449,784	......	......
Recreational and cultural opportunities	61,857	88,956	......	......
Transportation	......	871,040	......	......
Governmental direction and support services	1,366,039	2,369,433	......	19,370
Capital outlay	71,121	2,301,884	321,898	......
Debt service:				
Principal retirement	1,624	4,276	3,940	312,053
Interest and fiscal charges	95	849	6,410	575,360
TOTAL EXPENDITURES	**14,426,320**	**17,707,669**	**332,248**	**906,783**
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	**2,218,601**	**1,412,929**	**(329,162)**	**(825,870)**
OTHER FINANCING SOURCES (USES)				
Proceeds of bond issues	......	1,488,310	......	37,122
Proceeds of refunding bonds	......	......	......	438,329
Operating transfers in	2,911,085	7,690,672	593,329	814,339
Operating transfers out	(2,593,994)	(8,359,081)	(274,661)	(2,376)
Transfers to State University System	(1,568,855)	......	......	......
Transfers in from component units/primary	......	3,342	......	......
Transfers out to component units/primary	(638,414)	(531,546)	(24)	......
Proceeds of financing agreements	476	1,403	......	......
Payments to refunded bond agent	......	......	......	(438,329)
TOTAL OTHER FINANCING SOURCES (USES)	**(1,889,702)**	**293,100**	**318,644**	**849,085**
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	**328,899**	**1,706,029**	**(10,518)**	**23,215**
Fund Balances, July 1	2,941,767	4,433,853	230,259	273,388
Adjustments to increase (decrease) beginning fund balances (Note 16)	(778)	(17,466)	3,627	1,470
Fund Balances, July 1, as restated	2,940,989	4,416,387	233,886	274,858
Residual Equity Transfers	43,104	......	(43,104)	......
Change in Reserve for Inventories	1,849	7,429	......	......
FUND BALANCES, JUNE 30	**$ 3,314,841**	**$ 6,129,845**	**$ 180,264**	**$ 298,073**

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

Fiduciary Expendable Trust	Total Primary Government (Memorandum Only) 6/30/98	Total Primary Government (Memorandum Only) 6/30/97	Component Units	Total Reporting Entity (Memorandum Only) 6/30/98
$ 709,274	$ 22,605,110	$ 20,978,978	$ ˙338,688	$ 22,943,798
......	908,028	836,415	12,454	920,482
820,870	3,403,363	2,514,824	1,239,574	4,642,937
19,145	8,952,292	8,960,472	328,572	9,280,864
556,063	1,145,410	736,442	255,267	1,400,677
140,555	479,463	303,378	16	479,479
......	56,505	56,708	......	56,505
7,126	544,520	521,908	48	544,568
4,744	12,604	39,037	81,903	94,507
2,257,777	**38,107,295**	**34,948,162**	**2,256,522**	**40,363,817**
......	......	......	1,649,586	1,649,586
997,561	1,920,553	1,894,610	......	1,920,553
......	2,477,335	2,470,513	......	2,477,335
596	9,035,519	8,727,761	......	9,035,519
27	11,778,348	10,808,057	......	11,778,348
......	168,915	206,695	......	168,915
......	614,329	633,479	......	614,329
......	150,813	169,357	......	150,813
......	871,040	875,463	......	871,040
911,276	4,666,118	4,026,003	......	4,666,118
84	2,694,987	2,262,760	189,342	2,884,329
......	321,893	270,079	7,895	329,788
......	582,714	527,439	19,877	602,591
1,909,544	**35,282,564**	**32,872,216**	**1,866,700**	**37,149,264**
348,233	**2,824,731**	**2,075,946**	**389,822**	**3,214,553**
259,754	1,785,186	1,093,123	......	1,785,186
......	438,329	217,245	......	438,329
45,517	12,054,942	10,774,170	39,139	12,094,081
(163,170)	(11,393,282)	(10,075,381)	(39,139)	(11,432,421)
......	(1,568,855)	(1,294,962)	......	(1,568,855)
......	3,342	1,523	205,721	209,063
(4,957)	(1,174,941)	(1,020,139)	(165,476)	(1,340,417)
......	1,879	1,090	1,335	3,214
......	(438,329)	(217,245)	......	(438,329)
137,144	**(291,729)**	**(520,576)**	**41,580**	**(250,149)**
485,377	**2,533,002**	**1,555,370**	**431,402**	**2,964,404**
2,239,220	10,118,487	8,552,951	2,301,479	12,419,966
10,570	(2,577)	(6,860)	(172,819)	(175,396)
2,249,790	10,115,910	8,546,091	2,128,660	12,244,570
......	......	35,913	(2,825)	(2,825)
1	9,279	(18,887)	......	9,279
$ 2,735,168	**$ 12,658,191**	**$ 10,118,487**	**$ 2,557,237**	**$ 15,215,428**

EXHIBIT - C

STATE OF FLORIDA
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS) - ALL BUDGETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1998
(in thousands)

	General Revenue			Trust		
	Budget	Actual (Budget Basis)	Variance - Favorable (Unfavorable)	Budget	Actual (Budget Basis)	Variance - Favorable (Unfavorable)
Fund balances, July 1, 1997	$ 906,947	$ 906,947	$	$ 7,060,225	$ 7,060,225	$ ......
Reversions	197,398	197,398	......	236,976	236,976	......
Fund balances, July 1, 1997, restated	1,104,345	1,104,345	......	7,297,201	7,297,201	......
REVENUES						
Direct:						
Fees and charges	163,900	151,312	(12,588)	3,880,219	3,696,367	(183,852)
Licenses	60,500	63,441	2,941	775,613	838,501	62,888
Taxes	15,657,804	15,576,091	(81,713)	6,652,847	6,434,262	(218,585)
Miscellaneous	......	855	855	599,835	595,780	(4,055)
Interest	155,700	216,397	60,697	386,147	470,611	84,464
Grants	......	10	10	9,471,690	7,306,521	(2,165,169)
Refunds	......	176,596	176,596	379,873	492,653	112,780
Bond proceeds	......	......	......	1,984,902	2,085,034	100,132
Other	......	152,322	152,322	417,242	836,053	418,811
Total Direct Revenues	16,037,904	16,337,024	299,120	24,548,368	22,755,782	(1,792,586)
Indirect:						
Employee/employer contributions	......	......	......	4,039,353	4,126,191	86,838
Transfers and distributions	2,171,703	2,355,581	183,878	7,907,112	7,930,910	23,798
Sale of investments	......	......	......	2,023,778	2,025,183	1,405
Other	131,000	1,050	(129,950)	1,993,993	2,026,919	32,926
Total Indirect Revenues	2,302,703	2,356,631	53,928	15,964,236	16,109,203	144,967
TOTAL REVENUES	**18,340,607**	**18,693,655**	**353,048**	**40,512,604**	**38,864,985**	**(1,647,619)**
TOTAL AVAILABLE RESOURCES	**19,444,952**	**19,798,000**	**353,048**	**47,809,805**	**46,162,186**	**(1,647,619)**
EXPENDITURES						
Operating:						
Salaries and benefits	3,506,786	3,487,337	19,449	2,904,410	2,787,250	117,160
Other personal services	176,646	173,002	3,644	444,859	383,354	61,505
Expenses	760,100	746,029	14,071	1,119,683	976,825	142,858
Grants and aids	7,554,432	7,551,512	2,920	3,833,064	3,649,103	183,961
Operating capital outlay	92,722	91,524	1,198	181,466	140,685	40,781
Food products	59,451	55,034	4,417	4,603	3,493	1,110
Fixed capital outlay	27,065	27,065	......	2,265,729	2,265,729	......
Lump sum	2,571	523	2,048	68	......	68
Special categories	4,171,145	4,151,861	19,284	7,746,331	6,864,713	881,618
Financial assistance payments	333,831	331,358	2,473	2,523,020	1,411,054	1,111,966
Debt service	......	......	......	17,008	17,008	......
Grants/aids to local govts./NFProfit	67,792	67,792	......	102,022	102,022	......
Payments to U.S. Treasury	......	......	......	11,665	11,665	......
Data processing services	77,296	76,731	565	122,358	119,506	2,852
Pensions and benefits	6,878	6,224	654	1,918,218	1,852,950	65,268
Claim bills and relief acts	1,608	1,608	......	58	58	......
Special expenses	......	......	......	372	372	......
Total Operating Expenditures	16,838,323	16,767,600	70,723	23,194,934	20,585,787	2,609,147
Nonoperating:						
Transfers	914,228	914,228	......	6,730,195	6,730,195	......
Purchase of investments	......	......	......	3,489,136	3,489,136	......
Refunds	206,960	206,960	......	184,799	184,799	......
Other nonoperating	1,163,584	1,163,584	......	6,520,573	6,520,573	......
Reissues	789	789	......	904	904	......
Total Nonoperating Expenditures	2,285,561	2,285,561	......	16,925,607	16,925,607	......
TOTAL EXPENDITURES	**19,123,884**	**19,053,161**	**70,723**	**40,120,541**	**37,511,394**	**2,609,147**
FUND BALANCES, JUNE 30, 1998	**$ 321,068**	**$ 744,839**	**$ 423,771**	**$ 7,689,264**	**$ 8,650,792**	**$ 961,528**

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

Budget Stabilization			Working Capital			Total (Memorandum Only)		
Budget	Actual (Budget Basis)	Variance - Favorable (Unfavorable)	Budget	Actual (Budget Basis)	Variance - Favorable (Unfavorable)	Budget	Actual (Budget Basis)	Variance - Favorable (Unfavorable)
$ 409,390	$ 409,390	$	$ 193,548	$ 193,548	$	$ 8,570,110	$ 8,570,110	$ ......
......	......	......	......	......	......	434,374	434,374	......
409,390	409,390	......	193,548	193,548	......	9,004,484	9,004,484	......
......	......	......	......	......	......	4,044,119	3,847,679	(196,440)
......	......	......	......	......	......	836,113	901,942	65,829
......	......	......	......	......	......	22,310,651	22,010,353	(300,298)
......	......	......	......	......	......	599,835	596,635	(3,200)
......	......	......	3,100	17,890	14,790	544,947	704,898	159,951
......	......	......	......	......	......	9,471,690	7,306,531	(2,165,159)
......	......	......	......	......	......	379,873	669,249	289,376
......	......	......	......	......	......	1,984,902	2,085,034	100,132
......	......	......	......	......	......	417,242	988,375	571,133
......	......	......	3,100	17,890	14,790	40,589,372	39,110,696	(1,478,676)
......	......	......	......	......	......	4,039,353	4,126,191	86,838
276,600	276,600	......	150,700	150,700	......	10,506,115	10,713,791	207,676
......	......	......	......	......	......	2,023,778	2,025,183	1,405
......	......	......	......	......	......	2,124,993	2,027,969	(97,024)
276,600	276,600	......	150,700	150,700	......	18,694,239	18,893,134	198,895
276,600	**276,600**	**......**	**153,800**	**168,590**	**14,790**	**59,283,611**	**58,003,830**	**(1,279,781)**
685,990	**685,990**	**......**	**347,348**	**362,138**	**14,790**	**68,288,095**	**67,008,314**	**(1,279,781)**
......	......	......	......	......	......	6,411,196	6,274,587	136,609
......	......	......	......	......	......	621,505	556,356	65,149
......	......	......	......	......		1,879,783	1,722,854	156,929
......	......	......	......	......	......	11,387,496	11,200,615	186,881
......	......	......	......	......	......	274,188	232,209	41,979
......	......	......	......	......	......	64,054	58,527	5,527
......	......	......	384	384	......	2,293,178	2,293,178	......
......	......	......	......	......	......	2,639	523	2,116
......	......	......	......	......	......	11,917,476	11,016,574	900,902
......	......	......	......	......	......	2,856,851	1,742,412	1,114,439
......	......	......	......	......	......	17,008	17,008	......
......	......	......	......	......	......	169,814	169,814	......
......	......	......	......	......	......	11,665	11,665	......
......	......	......	......	......	......	199,654	196,237	3,417
......	......	......	......	......	......	1,925,096	1,859,174	65,922
......	......	......	......	......	......	1,666	1,666	......
......	......	......	......	......	......	372	372	......
......	......	......	384	384	......	40,033,641	37,353,771	2,679,870
......	......	......	......	......	......	7,644,423	7,644,423	......
......	......	......	......	......	......	3,489,136	3,489,136	......
......	......	......	5,810	5,810	......	397,569	397,569	......
.. ...	......	......	......	......	......	7,684,157	7,684,157	......
......	......	......	......	......	......	1,693	1,693	......
......	......	......	5,810	5,810	......	19,216,978	19,216,978	......
......	**......**	**......**	**6,194**	**6,194**	**......**	**59,250,619**	**56,570,749**	**2,679,870**
$ 685,990	**$ 685,990**	**$ ......**	**$ 341,154**	**$ 355,944**	**$ 14,790**	**$ 9,037,476**	**$ 10,437,565**	**$ 1,400,089**

EXHIBIT - D

STATE OF FLORIDA
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS/FUND BALANCES
ALL PROPRIETARY FUND TYPES, SIMILAR TRUST FUNDS
AND DISCRETELY PRESENTED COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 1998
(in thousands)

	Proprietary		Fiduciary	
	Enterprise	Internal Service	Nonexpendable	Pension
OPERATING REVENUES				
Sales -- state	$ 445	$ 886,330	$	$ ......
Sales -- nonstate	2,440,271	37,401	......	......
Rents -- state	22	70,490	......	......
Rents and royalties -- nonstate	7,414	289	......	......
Investment earnings	......	......	......	109
Program interest	41,779	......	......	......
Pension fund contributions	......	......	......	111,303
Other	1,686	1	......	......
TOTAL OPERATING REVENUES	**2,491,617**	**994,511**	**......**	**111,412**
OPERATING EXPENSES				
Personal services	66,880	83,631	......	55
Contractual services	272,562	430,286	......	82,311
Materials and supplies	25,876	19,698	......	11
Bad debt	3,089	......	......	......
Depreciation	9,407	27,185	......	1
Interest and fiscal charges	247	......	......	......
Insurance claims	......	477,611	......	......
Repairs and maintenance	25	21,895	......	......
Cost of goods sold	24,487	......	......	......
Payment of lottery winnings	1,021,560	......	......	......
TOTAL OPERATING EXPENSES	**1,424,133**	**1,060,306**	**......**	**82,378**
OPERATING INCOME/(LOSS)	**1,067,484**	**(65,795)**	**......**	**29,034**
NONOPERATING REVENUES (EXPENSES)				
Grants and contributions	15,268	229	......	......
Investment earnings	405,465	14,062	132	......
Interest and fiscal charges	(178,039)	(18,456)	......	......
Amortization	(143,329)	......	......	......
Property disposition gain/(loss)	(6,785)	(5,867)	......	......
Escrow distribution	(25,556)	......	......	......
Grant expense and client benefits	(66,665)	......	......	......
Other	45	1	......	......
TOTAL NONOPERATING REVENUES (EXPENSES)	**404**	**(10,031)**	**132**	**......**
INCOME/(LOSS) BEFORE OPERATING TRANSFERS	**1,067,888**	**(75,826)**	**132**	**29,034**
Operating transfers in	1,272,442	126,544	......	......
Operating transfers out	(2,049,532)	(46,800)	(142)	(28,957)
Transfers in from component units/primary	50,771	......	......	......
Transfers out to component units/primary	(376,569)	......	......	......
NET INCOME/(LOSS)	**(35,000)**	**3,918**	**(10)**	**77**
Retained Earnings/Fund Balances, July 1	2,077,343	(316,540)	1,209	360
Adjustments to increase (decrease) beginning retained earnings/fund balances (Note 16)	93,975	499	10	9
Retained Earnings/Fund Balances, July 1, as restated	2,171,318	(316,041)	1,219	369
Residual Equity Transfers	......	......	......	......
RETAINED EARNINGS/FUND BALANCES, JUNE 30	**$ 2,136,318**	**$ (312,123)**	**$ 1,209**	**$ 446**

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

Total Primary Government (Memorandum Only) 6/30/98	Total Primary Government (Memorandum Only) 6/30/97	Component Units	Total Reporting Entity (Memorandum Only) 6/30/98
$ 886,775	$ 889,454	$	$ 886,775
2,477,672	2,497,048	223,449	2,701,121
70,512	66,010	......	70,512
7,703	7,268	......	7,703
109	88	......	109
41,779	81,457	......	41,779
111,303	99,040	......	111,303
1,687	8,215	4,592	6,279
3,597,540	**3,648,580**	**228,041**	**3,825,581**
150,566	153,954	45,596	196,162
785,159	743,683	2,491	787,650
45,585	48,289	5,786	51,371
3,089	8,818	......	3,089
36,593	43,312	4,830	41,423
247	327	17	264
477,611	569,574	19,135	496,746
21,920	33,940	10,074	31,994
24,487	42,547	75,096	99,583
1,021,560	1,026,985	......	1,021,560
2,566,817	**2,671,429**	**163,025**	**2,729,842**
1,030,723	**977,151**	**65,016**	**1,095,739**
15,497	31,028	13,042	28,539
419,659	191,941	28,771	448,430
(196,495)	(291,186)	(60,075)	(256,570)
(143,329)	(1,057)	......	(143,329)
(12,652)	(103,537)	(2,452)	(15,104)
(25,556)	(17,898)	......	(25,556)
(66,665)	(109,215)	(857)	(67,522)
46	1,260	(2,760)	(2,714)
(9,495)	**(298,664)**	**(24,331)**	**(33,826)**
1,021,228	**678,487**	**40,685**	**1,061,913**
1,398,986	368,513	......	1,398,986
(2,125,431)	(1,098,682)	......	(2,125,431)
50,771	......	4,759	55,530
(376,569)	(39,478)	(41,761)	(418,330)
(31,015)	**(91,160)**	**3,683**	**(27,332)**
1,762,372	1,854,554	262,355	2,024,727
94,493	(1,022)	(1,380)	93,113
1,856,865	1,853,532	260,975	2,117,840
......	......	2,825	2,825
$ 1,825,850	**$ 1,762,372**	**$ 267,483**	**$ 2,093,333**

EXHIBIT - E

STATE OF FLORIDA
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES, NONEXPENDABLE TRUST FUND
AND DISCRETELY PRESENTED OTHER COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 1998
(in thousands)

	Proprietary		Fiduciary
	Enterprise	Internal Service	Nonexpendable
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash from customers and users	$ 2,533,250	$ 1,049,821	$ ......
Cash paid to suppliers and vendors	(330,671)	(469,466)	......
Cash paid to employees	(65,843)	(79,142)	......
Cash paid for insurance claims	(4,085)	(484,590)	......
Cash paid for lottery prizes	(1,030,164)	......	......
Cash paid for housing loans issued	(152,702)	......	......
Cash paid for client benefits	(58,315)	......	......
NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES	**891,470**	**16,623**	......
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in from other funds	132,951	129,235	......
Advances from other funds	2	......	......
Transfers out to other funds	(983,331)	(79,940)	......
Advances to other funds	......	......	......
Payment of bonds and loans	(236,416)	......	......
Bond proceeds from loan program	180,497	......	......
Donations	1,190	......	......
NET CAPITAL PROVIDED/(USED) BY NONCAPITAL FINANCING ACTIVITIES	**(905,107)**	**49,295**	......
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from sale of fixed assets	40	351	......
Proceeds from sale of bonds	628,992	11,441	......
Payment of bonds and loans	(222,457)	(7,085)	......
Principal on installment purchases/leases	(6,675)	(6,972)	......
Payment of interest	(91,303)	(17,378)	......
Purchase or construction of fixed assets	(291,146)	(52,729)	......
NET CASH PROVIDED/(USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	**17,451**	**(72,372)**	......
CASH FLOWS FROM INVESTING ACTIVITIES:			
Sale or maturity of investments	1,241,242	500	......
Interest received	127,729	20,404	79
Purchase of investments	(1,139,834)	......	......
NET CASH PROVIDED/(USED) BY INVESTING ACTIVITIES	**229,137**	**20,904**	**79**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	**232,951**	**14,450**	**79**
Cash and cash equivalents, July 1	526,529	156,784	2,016
CASH AND CASH EQUIVALENTS, JUNE 30	**$ 759,480**	**$ 171,234**	**$ 2,095**
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE COMBINED BALANCE SHEET			
Cash and cash equivalents	$ 28,662	$ 16,642	$ ......
Pooled investments with State Treasury	335,485	154,592	2,095
Restricted cash and cash equivalents	395,333	......	......
TOTAL CASH AND CASH EQUIVALENTS	**$ 759,480**	**$ 171,234**	**$ 2,095**

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

Total Primary Government (Memorandum Only)			Component Unit	Total Reporting Entity (Memorandum Only)
6/30/98	6/30/97			6/30/98
$ 3,583,071	$ 3,711,277		$ 211,641	$ 3,794,712
(800,137)	(769,537)		(107,785)	(907,922)
(144,985)	(164,189)		(26,072)	(171,057)
(488,675)	(316,631)		(13,593)	(502,268)
(1,030,164)	(1,053,955)		......	(1,030,164)
(152,702)	(244,404)		......	(152,702)
(58,315)	(11,946)		......	(58,315)
908,093	**1,150,615**		**64,191**	**972,284**
262,186	495,988		14,340	276,526
2	60,710		15,006	15,008
(1,063,271)	(1,572,318)		(1,060)	(1,064,331)
......	(50,443)		(4,901)	(4,901)
(236,416)	(302,041)		......	(236,416)
180,497	527,920		......	180,497
1,190	548		......	1,190
(855,812)	**(839,636)**		**23,385**	**(832,427)**
391	456		29,306	29,697
640,433	22,303		259,984	900,417
(229,542)	(120,072)		(71,191)	(300,733)
(13,647)	(7,700)		(1,645)	(15,292)
(108,681)	(103,691)		(55,202)	(163,883)
(343,875)	(274,745)		(99,403)	(443,278)
(54,921)	**(483,449)**		**61,849**	**6,928**
1,241,742	967,444		378,083	1,619,825
148,212	132,821		25,979	174,191
(1,139,834)	(1,123,698)		(537,649)	(1,677,483)
250,120	**(23,433)**		**(133,587)**	**116,533**
247,480	**(195,903)**		**15,838**	**263,318**
685,329	881,232		15,767	701,096
$ 932,809	**$ 685,329**		**$ 31,605**	**$ 964,414**
$ 45,304	$ 49,808		$ 25,935	$ 71,239
492,172	478,217			492,172
395,333	157,304		5,670	401,003
$ 932,809	**$ 685,329**		**$ 31,605**	**$ 964,414**

EXHIBIT - E (CONTINUED)

STATE OF FLORIDA
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES, NONEXPENDABLE TRUST FUND
AND DISCRETELY PRESENTED OTHER COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 1998
(in thousands)

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	Proprietary		Fiduciary
	Enterprise	Internal Service	Nonexpendable
OPERATING INCOME/LOSS	$ 1,067,484	$ (65,795)	$ ......
Adjustment to reconcile operating income to net cash provided/(used) by operating activities:			
Depreciation and amortization expense	9,407	27,185	......
(Increase)/decrease in accounts receivable	(165,303)	(7,007)	......
(Increase)/decrease in due from other funds	3,063	12,417	......
Increase/(decrease) in allowance for uncollectibles	(657)	......	......
(Increase)/decrease in inventories	1,923	91	......
Increase/(decrease) in accounts payable	17,169	27,961	......
Increase/(decrease) in compensated absences	184	80	......
Increase/(decrease) in due to other funds	(19,996)	21,149	......
Increase/(decrease) in deferred revenues	2,403	542	......
Collection of the loan program	......	......	......
Loan program interest	54,633	......	......
Cash used for client benefits	(73,883)	......	......
Decrease in prize liability	(4,957)	......	......
NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES	**$ 891,470**	**$ 16,623**	**$ ......**

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	Enterprise	Internal Service	Nonexpendable
Capital appreciation	$ 1,486	$	$ ......
Borrowing under capital lease or installment purchase	$	$ 2,984	$ ......
Distributions/transfers in of fixed assets	$ 1,679	$ 151	$ ......

Total Primary Government (Memorandum Only) 6/30/98	Total Primary Government (Memorandum Only) 6/30/97	Component Units	Total Reporting Entity (Memorandum Only) 6/30/98
$ 1,001,689	$ 951,175	$ 65,016	$ 1,066,705
36,592	43,310	4,830	41,422
(172,310)	(261,035)	9,903	(162,407)
15,480	(13,142)	(25,894)	(10,414)
(657)	8,719	......	(657)
2,014	2,680	(597)	1,417
45,130	447,700	355	45,485
264	808	13	277
1,153	(323)	11,325	12,478
2,945	2,864	(760)	2,185
......	(184)	......	......
54,633	76,331	......	54,633
(73,883)	(108,288)	......	(73,883)
(4,957)	......	......	(4,957)
$ 908,093	**$ 1,150,615**	**$ 64,191**	**$ 972,284**
$ 1,486	$ 130,600	$	$ 1,486
$ 2,984	$	$	$ 2,984
$ 1,830	$	$	$ 1,830

EXHIBIT - F

STATE OF FLORIDA
COMBINED STATEMENT OF CHANGES IN NET ASSETS
DEFINED BENEFIT PENSION PLAN AND INVESTMENT TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30,1998
(in thousands)

	Defined Benefit Pension Plan	Investment Trust Funds	Total 6/30/98
ADDITIONS			
Contributions:			
Pension fund contributions - State	$ 844,883	$	$ 844,883
Pension fund contributions - Non-State	2,362,119	......	2,362,119
Purchase of time by employees	30,424	......	30,424
Transfers in from other state funds	55,059	134,754	189,813
Deposits required by law	234	......	234
Total Contributions and Other Deposits	3,292,719	134,754	3,427,473
Investment Income:			
Interest income	1,274,060	534,737	1,808,797
Dividends	770,368	......	770,368
Real estate operating income, net	183,133	......	183,133
Other investment income	3,263	......	3,263
Net appreciation in fair value	12,767,925	......	12,767,925
	14,998,749	534,737	15,533,486
Investment activity expense	(128,246)	......	(128,246)
Transfer out - investment activity expense	......	(2,017)	(2,017)
Net Income from investing activity	14,870,503	532,720	15,403,223
From security lending activities:			
Security lending income	334,485	47,972	382,457
Security lending expense	(315,315)	(45,119)	(360,434)
Net income from security lending	19,170	2,853	22,023
Total net investment income	14,889,673	535,573	15,425,246
TOTAL ADDITIONS	**18,182,392**	**670,327**	**18,852,719**
DEDUCTIONS			
Transfers out to state funds	19,929	103,082	123,011
Benefit payments	1,743,342	......	1,743,342
Property disposition loss	16	......	16
Refund of contributions	2,713	......	2,713
Administrative expense	11,092	521	11,613
TOTAL DEDUCTIONS	**1,777,092**	**103,603**	**1,880,695**
Depositor activity:			
Deposits	......	38,757,057	38,757,057
Withdrawals	......	(38,025,041)	(38,025,041)
Excess of deposits over withdrawals	......	732,016	732,016
Net Increase	**16,405,300**	**1,298,740**	**17,704,040**
FUND BALANCE RESERVED FOR Employees' Pension Benefits and External Investment Pool Participants:			
Fund Balances, July 1	67,374,529	......	67,374,529
Adjustments to increase (decrease) beginning fund balance (Note 16)	2	8,605,282	8,605,284
Fund Balance, July 1, as restated	67,374,531	8,605,282	75,979,813
FUND BALANCES, JUNE 30	**$ 83,779,831**	**$ 9,904,022**	**$93,683,853**

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

EXHIBIT G

STATE OF FLORIDA
COMBINED STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES - STATE UNIVERSITY SYSTEM/COMMUNITY COLLEGES
FOR THE FISCAL YEAR ENDED JUNE 30, 1998
(in thousands)

	Primary Government State University System Unrestricted	Primary Government State University System Restricted	Component Units Community Colleges
REVENUES			
Educational and general:			
Student tuition and fees	$ 476,517	$	$ 312,938
Governmental appropriations - state	1,568,767	88	747,379
Governmental appropriations - federal	......	7,032	......
Grants, contracts, and gifts - governmental	13,277	650,884	279,980
Grants, contracts, and gifts - private	15,581	165,784	14,329
Sales and services of educational activities	41,058	18,830	7,575
Investment income	19,775	304	......
Endowment income	......	......	24
Other sources	9,775	3,013	24,747
Total educational and general	2,144,750	845,935	1,386,972
Auxiliary enterprises:			
Sales and services - operations	235,600	......	60,467
Student fees	72,938	......	......
Investment income	10,350	......	......
Total auxiliary enterprises	318,888	......	60,467
TOTAL REVENUES	**2,463,638**	**845,935**	**1,447,439**
EXPENDITURES AND MANDATORY TRANSFERS			
Educational and general:			
Instruction	903,014	100,436	537,660
Research	213,724	305,591	948
Public service	68,530	70,713	19,680
Academic support	306,105	27,568	122,811
Student services	109,776	8,959	139,044
Institutional support	333,195	14,541	225,376
Operations and maintenance of plant	168,592	2,026	131,097
Scholarships and fellowships	62,864	316,101	191,165
Educational and general expenditures	2,165,800	845,935	1,367,781
Mandatory transfers:			
Principal and interest	12,597	......	6,074
Loan fund matching grants	225	......	......
Other	3,004	(28)	......
Total educational and general	2,181,626	845,907	1,373,855
Auxiliary enterprises:			
Expenditures	276,627	......	51,142
Mandatory transfers:			
Principal and interest	11,503	......	......
Renewals and replacements	2,053	......	......
Total auxiliary enterprises	290,183	......	51,142
TOTAL EXPENDITURES AND MANDATORY TRANSFERS	**2,471,809**	**845,907**	**1,424,997**
OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS)			
Excess of restricted receipts over transfers to revenue	......	7,457	(19,665)
Nonmandatory transfers	7,148	(26,821)	1,865
Component unit transfers	83,882	19,258	......
Refunded to grantors	......	(558)	(435)
Reversions	(948)	......	......
TOTAL OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS)	**90,082**	**(664)**	**(18,235)**
NET INCREASES (DECREASES) IN FUND BALANCES	**$ 81,911**	**$ (636)**	**$ 4,207**

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

EXHIBIT - H

STATE OF FLORIDA
COMBINED STATEMENT OF CHANGES IN FUND BALANCES -
STATE UNIVERSITY SYSTEM/COMMUNITY COLLEGES
FOR THE FISCAL YEAR ENDED JUNE 30, 1998
(in thousands)

	Primary Government			
	Current Funds			
	Unrestricted	Restricted	Loan Funds	Endowment Funds
REVENUES AND OTHER ADDITIONS				
Unrestricted current fund revenues	$ 2,144,750	$	$	$ ......
Auxiliary enterprises revenues	318,888	......	......	......
State appropriations - restricted	......	90	......	......
Federal appropriations - restricted	......	7,032	......	......
Governmental grants and contracts - restricted	......	654,524	816	......
Private gifts, grants and contracts - restricted	......	166,612	350	1
Investment income - restricted	......	4,570	951	66
Realized gains on investments - restricted	......	......	......	......
Federal government advances	......	......	539	......
Interest on loans receivable	......	......	2,080	......
Expended for plant facilities	......	......	......	......
Retirement of indebtedness	......	......	......	......
Other revenues and additions	......	21,013	1,582	......
TOTAL REVENUES AND OTHER ADDITIONS	**2,463,638**	**853,841**	**6,318**	**67**
EXPENDITURES AND OTHER DEDUCTIONS				
Educational and general expenditures	2,165,800	845,935	......	......
Auxiliary enterprises expenditures	276,627	......	......	......
Indirect costs recovered	......	449	......	......
Refunded to grantors	......	558	23	......
Loan cancellations and write-offs	......	......	1,628	......
Administrative and collection costs	......	......	485	......
Expended for plant facilities	......	......	......	......
Retirement of indebtedness	......	......	......	......
Interest on indebtedness	......	......	......	......
Disposal of plant facilities	......	......	......	......
Other expenditures and deductions	......	......	205	47
Reversions	948	......	......	......
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	**2,443,375**	**846,942**	**2,341**	**47**
TRANSFERS AMONG FUNDS-ADDITIONS (DEDUCTIONS)				
Mandatory:				
Principal and interest	(24,100)		......	......
Renewals and replacements	(2,053)	......	......	......
Loan fund matching grants	(225)	......	225	......
Other mandatory transfers	(3,004)	28	......	......
Nonmandatory:				
Interfund	7,148	(26,821)	(1,128)	85
Component units	83,882	19,258	......	......
TOTAL TRANSFERS AMONG FUNDS	**61,648**	**(7,535)**	**(903)**	**85**
NET INCREASE (DECREASE) FOR THE YEAR	**81,911**	**(636)**	**3,074**	**105**
Fund balances, July 1	250,866	160,044	92,934	342
Adjustments to beginning fund balances (Note 16)	......	......	......	3,184
Fund balances, July 1, as restated	250,866	160,044	92,934	3,526
FUND BALANCES, JUNE 30	**$ 332,777**	**$ 159,408**	**$ 96,008**	**$ 3,631**

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

EXHIBIT - H

Primary Government				Component Unit
Plant Fund Group				
Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment in Plant	Community Colleges
$	$	$	$	$ 1,153,661
......	......	......	......	......
162,219	......	......	......	172,886
......	......	......	......	......
280	30	49	......	312,460
6,675	......	......	......	13,522
11,813	564	1,855	......	43,318
......	......	......	......	14,004
......	......	......	......	......
......	......	......	......	......
......	......	......	387,918	154,765
544	......	......	14,720	24,931
2,526	97	2,954	......	26,982
184,057	**691**	**4,858**	**402,638**	**1,916,529**
......	......	......	......	1,399,015
......	......	......	......	51,142
......	......	......	......	2,275
......	......	......	......	......
......	......	......	......	1,896
......	......	31	......	434
247,493	836	......	......	123,392
......	......	13,460	......	24,523
......	......	20,725	......	5,256
......	......	......	65,115	45,897
682	321	1,438	13,947	1,314
9	......	......	......	......
248,184	**1,157**	**35,654**	**79,062**	**1,655,144**
......	......	24,100	......	......
......	464	1,589	......	......
......	......	......	......	......
2,976	......	......	......	......
22,195	993	5,230	(7,702)	......
......	......	......	......	......
25,171	**1,457**	**30,919**	**(7,702)**	**......**
(38,956)	**991**	**123**	**315,874**	**261,385**
439,346	10,798	19,674	4,114,998	2,857,803
11,342	......	924	(11,342)	206,075
450,688	10,798	20,598	4,103,656	3,063,878
$ 411,732	**$ 11,789**	**$ 20,721**	**$ 4,419,530**	**$ 3,325,263**

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EXHIBIT - I

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NOTES TO THE FINANCIAL STATEMENTS

EXHIBIT - I
STATE OF FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 1998

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following summary of Florida's significant accounting policies is presented to assist the reader in interpreting the financial statements. These policies should be viewed as an integral part of the accompanying financial statements.

A. Reporting Entity

The State of Florida reporting entity consists of the State's legislative agencies, the Governor and Cabinet, the State departments, commissions, and boards of the executive branch, and the various offices relating to the judicial branch of State government. Component units, legally separate organizations for which the State is financially accountable, are also included in the State's reporting entity.

Criteria for defining the reporting entity are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. These criteria were used to evaluate potential component units for which the State is financially accountable and 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. GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the State to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State. Additional information pertaining to the individual component units can be obtained from:

The Bureau of Accounting
101 East Gaines Street
Room 414, The Fletcher Building
Tallahassee, Florida 32399
(850) 410-9951 Suncom 210-9951

B. Basis of Presentation

The State's financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and present the financial data of the State of Florida (the primary government) and its component units. The component units are included in the State's reporting entity because of the significance of their operational or financial relationships with the State.

The financial position of the State University System is presented in a separate column on the Combined Balance Sheet - All Fund Types, Account Groups and Discretely Presented Component Units in recognition that the accounting principles applied to the State University System fund types differ materially from those applied to the State's other fund types and account groups. The Combined Statement of Changes in Fund Balances and the Combined Statement of Current Funds Revenues, Expenditures and Other Changes follow a form recommended by the National Association of College and University Business Officers and the American Institute of Certified Public Accountants (AICPA). The Combined Statement of Current Funds Revenues, Expenditures and Other Changes is a statement of financial activities of current funds related to the current reporting period. This statement does not purport to present the results of operations or the net income or loss for the period as would a statement of income or a statement of revenues and expenses.

Total columns on the accompanying combined financial statements are captioned "Memorandum Only" because they are presented only to facilitate financial analyses. Inasmuch as the total columns include fund types, account groups and discretely presented component units that use different bases of accounting, include both restricted and unrestricted amounts, and include interfund transactions that have not been eliminated, data in the total columns are not intended to present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Such data is not comparable to a consolidation.

BLENDED COMPONENT UNITS

Pursuant to Section 240.213, Florida Statutes (F.S.), the State University System's Board of Regents provides medical professional liability insurance through self-insurance programs at the University of Florida and the University of South Florida. As part of these self-insurance programs the Board of Regents has created Captive Insurance Companies. Although legally separate from the State University System, which is a part of the primary government, the Captive Insurance Companies are also reported as if they are part of the primary government because they are wholly owned by the Board of Regents and their sole purpose is to assist in providing liability protection for the universities, the Board of Regents, and affiliated individuals and entities. Additionally, pursuant to Section 376.3075, F.S., the Inland Protection Financing Corporation, which provides financing for the rehabilitation of petroleum contamination sites as further described in Note 9A, is included as a blended component unit.

DISCRETELY PRESENTED COMPONENT UNITS

The following is a description of the State's discretely presented component units:

Community Colleges

Chapter 240, F.S., provides for twenty-eight community colleges located throughout the State and the associated direct-support organizations. Section 240.305, F.S., establishes the State Board of Community Colleges of the Department of Education. The Board is comprised of the Commissioner of Education, one student, and eleven lay citizens appointed by the Governor, approved by four members of the State Board of Education, and confirmed by the Senate. The community colleges follow the same accounting principles as the State University System. Due to the significance of the community colleges and their component units, they are displayed in a separate column from the remaining component units on the combined balance sheet.

Other Component Units

Financial data of discretely presented component units, other than community colleges and their component units, are included in the "other" column of the combined balance sheet. Additional condensed financial statement disclosures for "other" component units are included in Note 26 under the following categories:

Environmental

Water Management Districts - Chapter 373, F.S., created five water management districts in the State. The special districts have a fiscal year-end of September 30. The purpose of these districts is to protect property and the inhabitants in the districts against the effects of water, either from its surplus or deficiency. The Governor, subject to confirmation by the Senate, appoints members of the governing boards. Section 373.503(1), F.S., states that "the general regulatory and administrative functions of the districts...should fully or in part be financed by general appropriations."

Educational

University Direct-Support Organizations - Section 240.299, F.S., defines a direct-support organization (DSO) as an organization which is a Florida corporation, not-for-profit, incorporated under the provisions of Chapter 617, F.S., and approved by the Department of State. Fiscal years are not dictated by State statute. DSOs are organized and operated exclusively to receive, hold, invest and administer property and to make expenditures to, or for, the benefit of the State University System in the State of Florida. The Board of Regents must certify that these organizations are operating in a manner consistent with goals of the university and in the best interest of the State. Any organization which is denied certification cannot use the name of the university which it seeks to serve.

Transportation

Transportation/Expressway Authorities - Any county, or two or more contiguous counties located within a single district of the Department of Transportation, may, by resolution adopted by the board of county commissioners, form an expressway authority which shall be an agency of the State, pursuant to the Florida Expressway Authority Act.

Other

Additional Discretely Presented Component Units - Component units of the State also include various foundations, not-for-profit corporations and direct-support organizations. The fiscal years of these component units may vary.

JOINT VENTURES

A joint venture is a legal entity or other 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. The purpose of a joint venture is to pool resources and share the costs, risks, and rewards of providing goods or services to venture participants directly, or for the benefit of the general public or specific service recipients. Financial data for the joint ventures in which the State participates is not included in these statements. To obtain additional information pertaining to these joint ventures, please refer to Note 1A. The following are descriptions of the State's joint ventures:

Regional Planning Councils - Sections 186.501-.513, F.S., the "Florida Regional Planning Council Act", create regional planning agencies to assist local governments in resolving their common problems. The regional planning councils are designated as the primary organization to address problems and plan solutions that are of greater-than-local concern or scope. The State has eleven (11) regional planning councils. Participants in these councils have no equity interest but are required by statutes to contribute to the support of these programs.

Board of Control for Southern Regional Education - Sections 244.01-.03, F.S., promote 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. There is no equity interest in this joint venture. Support for the Board is appropriated each year.

Southern Growth Policies Agreement - This agreement is intended to assist southern states in meeting their own problems by enhancing their abilities to recognize and analyze regional opportunities and take account of regional influences in planning and implementing their public policies. Appropriation requests under any budget are apportioned among the party states to support operations of the agreement, indicating an ongoing financial responsibility by the party states.

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. Funds are appropriated by the Legislature to support Florida's participation in the compact.

Dade County Expressway Authority – Chapter 348, Part 1, F.S. - The Dade County Expressway Authority was created and established pursuant to the Florida Expressway Authority Act. It has the powers to acquire, hold, construct, improve, maintain, operate, own, and lease an expressway system. Its governing body consists of appointments by the State and county and the State has an indirect ongoing financial interest in the Authority.

Apalachicola-Chattahoochee-Flint River Basin (ACFRB) Commission – Section 373.71, F.S. - The Commission was created as 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. There is no equity interest in this joint venture.

RELATED ORGANIZATIONS

Organizations for which a primary government is accountable because that government appoints a voting majority of the board, but is not financially accountable, are related organizations. Examples of such organizations include selected hospital districts, port authorities and aviation authorities. Since the State is not financially accountable for any of these organizations, applicable financial data is not shown. To obtain additional information pertaining to these related organizations, please refer to Note 1A.

C. Fund Accounting

The State of Florida's accounting systems are organized on the basis of funds and account groups. A fund is a fiscal and accounting entity having a self-balancing set of accounts for recording assets, liabilities, fund equity, revenues, either expenditures or expenses depending on the fund type, and other financing sources and uses.

Governmental fund types, proprietary fund types, fiduciary fund types and account groups are used to record transactions relating to all State activities, except those pertaining to the State University System. State University System transactions are recorded in fund types as described in the AICPA College Guide model which is an acceptable alternative provided by GASB Statement No. 15, *Governmental College and University Accounting and Financial Reporting Models*. The aforementioned funds and account groups are described below.

GOVERNMENTAL FUND TYPES

General Fund - The general fund is the principal fund used to account for general governmental activities of the State. All financial transactions not required to be accounted for in other funds are accounted for in the general fund.

Special Revenue Funds - Special revenue funds are used to account for revenues which are legally restricted to expenditures for specific purposes. Principal sources of legally restricted revenues are motor fuel taxes and Federal grants.

Capital Projects Funds - Capital project funds are used to account for resources used for the acquisition or construction of major capital facilities other than those financed by enterprise funds, internal service funds or trust funds.

Debt Service Fund - The debt service fund is used to account for resources earmarked to pay principal, interest and service charges on general long-term debt.

PROPRIETARY FUND TYPES

Enterprise Funds - Enterprise funds are used to account for activities: (1) that are financed and operated in a manner similar to private business enterprises where the costs of providing goods or services to the general public on a continuing basis are to be financed or recovered primarily through user charges or (2) where the periodic determination of revenues earned, expenses incurred and/or net income is appropriate. Certain segment information relative to enterprise funds is presented in Note 18.

Internal Service Funds - Internal service funds are used to account for the financing of goods or services provided by one department to other departments or other governmental units on a cost-reimbursement basis.

FIDUCIARY FUND TYPES

Fiduciary funds consist of expendable, nonexpendable, pension, and investment trust funds and agency funds which are used to account for financial resources held or administered by the State in a trustee capacity or as an agent for individuals, private organizations, other governmental units or other funds. Each trust fund is classified for accounting measurement purposes as either a governmental-type fund or a proprietary-type fund. Accordingly, expendable trust funds are accounted for in the same manner as governmental funds, whereas the nonexpendable, pension, and investment trust funds are accounted for in the same manner as proprietary funds. Agency funds are purely custodial in nature; that is, all assets are held for others. Therefore, assets equal liabilities. Accounting for an agency fund does not involve measuring results of operations.

ACCOUNT GROUPS

The general fixed assets account group is used to establish accounting control for general fixed assets. General fixed assets are usually acquired with resources of governmental fund types and used in association with governmental fund activities. Fixed assets of the proprietary type funds are reported within those funds.

The general long-term debt account group is used to establish accounting control for unmatured long-term debt and other obligations of governmental fund types not paid with current resources. Obligations of funds using proprietary fund accounting are reported as liabilities in those funds rather than in the general long-term debt account group.

The account groups are not funds. They consist of self-balancing sets of accounts and are used only to establish accounting control over general fixed assets and general long-term obligations. Account groups are not used to account for available resources, the acquisition of fixed assets or payment of liabilities.

STATE UNIVERSITY SYSTEM FUND TYPES

Current Funds - Current funds are used to account for those economic resources which are expendable for operational purposes in performing the primary objectives of the State University System. Resources restricted by donors or other outside agencies for specific current operating purposes are reported as restricted current funds; resources not so restricted are reported as unrestricted current funds.

Loan Funds - Loan funds are used to account for loans to students and the resources available for such loans. The terms of the loan agreements with donors usually specify that the money be used on a revolving basis; that is, repayments of principal and interest by a student borrower are restored to the fund and loaned to other students.

Endowment Funds - Endowment funds are used to account for gifts which the donors or outside agencies have stipulated, as a condition of the gift, that the principal is to be maintained inviolate in perpetuity and invested for the purpose of producing income. The income from these investments is reported in the fund in which it is to be used.

Unexpended Plant Funds - Unexpended plant funds are used to account for unexpended resources received from various sources to finance the acquisition of long-lasting plant assets and liabilities associated with those resources.

Renewals and Replacements Plant Funds - Renewals and replacements plant funds are used to account for resources to be used to provide for the renewal and replacement of plant fund assets as distinguished from resources used for additions and improvements to plant.

Retirement of Indebtedness Funds - Retirement of indebtedness funds are used to account for the accumulation of resources to be used for payment of principal and interest and other debt service charges, including contributions for sinking funds, relating to plant fund indebtedness.

Investment in Plant Fund - The investment in plant fund is used to account for all long-lasting assets and their associated liabilities used in activities of the State University System, except for the assets accounted for as investments in endowment funds. This fund includes all construction in progress at June 30.

Agency Funds - The agency funds are used to account for and report funds held by the institutions of the State University System as custodian or fiscal agent for others.

D. Basis of Accounting

Basis of accounting refers to when revenues, expenditures or expenses, transfers and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the nature of the measurement. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

All governmental fund types, expendable trust funds and agency funds are accounted for using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available to finance expenditures of the current period. When grant terms provide that the expenditure of funds is the primary factor for determining eligibility for grant funds, revenue is recognized at the time the expenditure is made.

Expenditures are recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) expenditures for insurance and similar services extending over more than one accounting period generally are not allocated between or among accounting periods but usually are accounted for as expenditures of the period of acquisition and (2) principal and interest on general long-term debt are recognized when due.

The measurement focus of the governmental fund types and expendable trust funds is the current financial resources method which emphasizes the determination of financial position and changes in financial position, rather than net income determination. Only current assets and current liabilities are generally accounted for in these funds.

All proprietary fund types, State University System fund types, and the nonexpendable, pension, and investment trust funds are accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses or expenditures, as applicable, are recognized when incurred. An exception to this general rule for revenue recognition may occur in State University System restricted current funds when expenditures are made for current operating purposes. The measurement focus of the State University System fund types is on the status of funds and on the flow of resources through the fund entities. The primary obligation of accounting and reporting in the State University System fund types is accounting for resources received and used rather than a determination of net income.

The measurement focus of the proprietary fund types and the nonexpendable, pension, and investment trust funds is on a flow of economic resources method which emphasizes the determination of net income, financial position and cash flows. All fund assets and liabilities, current and noncurrent, are accounted for on the balance sheet. Each proprietary fund has the option under Governmental Accounting Standards Board (GASB), Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting* to elect to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The State of Florida has elected to not apply FASB pronouncements issued after the applicable date.

To the extent that State University System current funds are used to finance plant fixed asset acquisitions, the amount so provided is accounted for as: (1) expenditures, in the case of normal replacement of movable equipment and library books; (2) mandatory transfers, in the case of required provisions for debt amortization, interest and equipment renewal and replacement; and (3) transfers of a nonmandatory nature for all other cases. Transfers are recognized by all funds affected in the accounting period in which the interfund receivable and payable arise.

E. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of money are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the general, special revenue, capital projects, expendable trust and State University System funds. Encumbrances outstanding at fiscal year-end are reported as reservations of fund balances.

F. Reserves of Fund Balance

Reserves are established to indicate that a portion of fund balance is not appropriable or is legally segregated for specific future use. The types of reserves of the State's fund balances are described as follows:

Reserve for encumbrances - represents outstanding purchase orders, contracts and other commitments.

Reserves for inventory, advances and long-term receivables - represents fund assets that are not expendable financial resources.

Reserve for debt service - represents fund assets restricted for payment of debt service.

Reserve for endowment principal - represents trust fund assets that must be held in perpetuity by the donee.

Reserve for employees pension benefits - represents cumulative assets available and restricted for the payment of obligations of the pension plans. The reserve captures the difference between total pension assets and liabilities at the reporting date.

Other reserves - represents fund assets restricted for various reasons including donor-imposed restrictions and statutory guidelines.

G. Cash and Cash Equivalents

Cash includes cash on hand and on deposit in banks, including demand deposits, time deposits, and certificates of deposit. 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 include cash equivalents.

H. Investments

Investments, other than investments of the Local Government Surplus Funds Trust Fund and the Debt Service Escrowed Fund, are reported at fair value at the reporting date. The investments of the Local Government Surplus Funds Trust Fund, a Securities and Exchange Commission Rule 2a7-like external investment pool, are reported at amortized cost. The investments of the Debt Service Escrowed Fund, which meet the requirements of a legal or in-substance defeasance, are reported at cost. The State invests moneys in various authorized investment vehicles including derivatives. Details of these investments are included in Note 3.

I. Inventories

With the exception of the State University System and food stamp inventories as discussed below, most inventories consist of expendable supplies, although the inventories in some funds include small quantities of goods purchased for resale.

Methods of recording expenditures for inventories include both the consumption method and the purchases method, depending on the type of inventory and individual department accounting policy. Under the consumption method, inventories are recorded as expenditures when used or consumed. Under the purchases method, inventories are recorded as expenditures when purchased rather than when subsequently used. Inventories accounted for using the purchases method are included on the combined balance sheet by recording an offsetting reservation of fund balance for the value of such inventories reported.

Accounting methods, including valuation, vary for different inventories. The most common are described below:

General Fund and Special Revenue Funds - Inventories of the general fund and special revenue funds utilize either the purchases or consumption method and are valued using various methods of determining cost. Food stamps are recorded at face value in the Special Revenue Fund.

Proprietary Fund Types - Inventories of proprietary fund types are accounted for using either the consumption or purchases method and are valued using various methods of determining cost.

State University System Funds - Inventories reported by the State University System consist of expendable supplies and goods for resale. Both categories of inventories are expended when consumed or sold. Most of the inventories are valued at cost using the last-invoice-price method of determining cost.

J. Fixed Assets and Depreciation

Expenditures for fixed assets acquired or constructed for general governmental purposes are reported in the governmental fund types and expendable trust funds that financed the acquisition or construction. The fixed assets so acquired are capitalized (recorded) at cost in the general fixed assets account group, except for public domain (infrastructure) general fixed assets which are not capitalized. General fixed assets are not depreciated and interest expenditures during construction are not capitalized.

Fixed assets acquired or constructed by proprietary fund types, the nonexpendable trust fund and the pension trust fund are capitalized in the fund financing the acquisition or construction. The fixed assets are recorded at cost and depreciated principally on a straight-line basis over useful lives ranging from 15 to 50 years for buildings and improvements and 3 to 20 years for machinery, equipment and library resources. Net interest costs are capitalized during the construction period. Revenue-producing toll facilities (roads and bridges) are recorded as "improvements other than buildings." State University System fixed assets are generally stated at cost and are not depreciated.

Not included in reported fixed assets are the collections at various historic sites and museums throughout the State. For example, the Florida Museum of Natural History at the University of Florida contains collections of biological, archaeological, geologic and ethnographic items. 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. Although these collections are considered irreplaceable and quite valuable, no attempt has been made to place a dollar value on them.

K. Long-Term Debt

Long-term obligations that will be financed from resources to be received in the future by governmental fund types and most expendable trust funds are reported in the general long-term debt account group, not in individual funds. Long-term obligations to be financed from proprietary fund types, the nonexpendable trust fund, the pension trust fund, the State University System funds and the Prepaid Postsecondary Education Expense Trust Fund and the Special Disability Trust Fund (expendable trust funds) are recorded in the applicable funds rather than in the general long-term debt account group.

L. Compensated Absences

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 specially 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.

In governmental fund types and expendable trust funds, the expenditure for leave benefits is recognized when payments are made to employees; however, a long-term liability for unused vacation and calculated sick leave benefits is recorded in the general long-term debt account group.

In proprietary fund types, the nonexpendable trust fund and the pension trust fund, the cost of vacation and calculated sick leave benefits is recognized (accrued) in the period they are earned and the corresponding liability for payment of such obligations is recorded in the applicable fund rather than in the general long-term debt account group.

The compensated absences liability of the State University System is recorded in the unrestricted funds. Although the State University System liability is expected to be funded primarily from future appropriations, generally accepted accounting principles for universities following the AICPA College Guide model do not permit the recording of a receivable in the unrestricted current funds in anticipation of future appropriations.

In all funds and the general long-term debt account group, the compensated absences amounts are based on June 30, 1998, salary rates and include employer social security and pension contributions at current rates.

M. Nonmonetary Transactions

Florida participates in various activities which are, in part, represented by nonmonetary transactions. The majority of these nonmonetary transactions are reported within the receiving governmental funds of the State's reporting entity. Examples include nonmonetary assistance in the form of Federal grants, such as food stamps 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 reporting entity. Transactions relating to this activity are not reported in the accompanying 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 27, Florida Statutes. Some counties also provide certain facilities and services to other officers and staff of the judicial branch. The value of these services provided by the counties is not reported as a revenue.

N. Reporting Changes

GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools,* has been implemented for fiscal year 1997-98. This Statement establishes fair value standards for certain investments and accounting and financial reporting standards for all investments held by governmental external investment pools.

GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, has been implemented for fiscal year 1997-98. This Statement rescinds GASB Statement No. 2, *Financial Reporting of Deferred Compensation Plans Adopted under the Provisions of Internal Revenue Code Section 457*, and establishes accounting and financial reporting standards for Internal Revenue Code Section 457 deferred compensation plans of state and local governmental employers. In addition, this Statement amends the investment guidance for Section 457 plans in GASB Statement No. 31 and requires reporting this activity in an expendable trust fund.

Section 420.504, F.S., originally created the Florida Housing Finance Agency (Agency) as a semi-independent state agency administratively attached to the Department of Community Affairs and was included as part of the State's primary government. Effective January 1, 1998, the Agency was reconstituted as the Florida Housing Finance Corporation (Corporation) and all assets and liabilities were transferred to the Corporation. Pursuant to GASB Statement No. 14, the Corporation has been determined to be a discretely presented component unit of the State. However, due to the fact that the Corporation has selected a December year end, its complete financial data will not be included as part of the State's reporting entity until the fiscal year ended June 30, 1999.

NOTE 2 - BUDGETARY PROCESS, REPORTING AND GAAP RECONCILIATION

A. Budget Process

Chapter 216, Florida Statutes, promulgates the process used to develop the budget for the State of Florida. By September 1 of each year, 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. Then, at least 45 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. Estimates for the General Revenue Fund, Budget Stabilization Fund and Working Capital Fund are made by the Revenue Estimating Conference (see the description of the budgetary basis fund types in the next section). 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. In addition to the Revenue Estimating Conference, other consensus estimating conferences cover national and state economics, national and state demographics, the state public education system, criminal justice system, social services system, transportation planning and budgeting, the child welfare system, the juvenile justice system and the career education planning process.

Trust fund revenue estimates are generally made by the agency that administers the fund. These estimates are reviewed by the Governor and then incorporated into his recommended budget.

The Governor's recommended budget forms the basis of the appropriations bill. As amended and 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, establish releases for amounts not appropriated by the Legislature to agencies and the judicial branch, respectively. These releases, called additional appropriations, are made primarily for nonoperating disbursements such as the purchase of investments and the transfer of money between State funds.

The Comptroller, as Chief Fiscal Officer, approves disbursements in accordance with legislative authorizations, which are set forth in the Statement of Intent. The budget is controlled at the account code level, which is defined as an appropriation category (e.g., salaries) within a budget entity. The Governor and the Comptroller are responsible for detecting conditions which could lead to a deficit in any agency's funds and reporting that fact to the Administration 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."

The Legislature is responsible for annually providing direction in the General Appropriations Act regarding the use of the Working Capital Fund to offset General Revenue Fund deficits. Absent any specific direction to the contrary, the Governor and the Chief Justice of the Supreme Court shall comply with guidelines provided in Section 216.221(5), F.S., for reductions in the approved operating budgets of the executive branch and the judicial branch.

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 five percent of the original appropriation or $25,000, whichever is greater. Transfers of general revenue appropriations in excess of five percent or $25,000, whichever is greater, or for fixed capital outlay, must be approved by the Administration Commission or the Chief Justice of the Supreme Court. The Governor and the Chief Justice of the Supreme Court may approve transfers of expenditure authority within any trust fund for agencies and the judicial branch, respectively.

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 certified forward into the next fiscal year. Certifications forward for agencies and the judicial branch are subject to the approval of the Governor and the Chief Justice of the Supreme Court, respectively. Any undisbursed operating appropriation not certified forward reverts to the fund from which it was appropriated as of June 30. Any certified forward operating appropriation remaining after December 31 reverts and is available for reappropriation. Any unexpended appropriation balance for fixed capital outlay subject to, but not under the terms of a binding contract or a general construction contract prior to February 1 of the second fiscal year, or the third fiscal year if it is for educational facilities as defined in Chapter 235, F.S., or a construction project of the Board of Regents, shall revert on February 1 of such year to the fund from which appropriated and shall be available for reappropriation. Universities may carry forward certain unexpended appropriations up to five percent of their total operating budget, which are not subject to reversion.

The State of Florida is progressing toward full implementation of a performance-based budgeting system. Chapter 216, F.S., designates when each department will be phased into this new budgeting method. Some agencies are already subject to the performance-based budgeting standards and all agencies will be under this new system by the fiscal year ended June 30, 2002. With performance-based budgeting, a department receives a lump-sum appropriation from the Legislature for each designated program at the beginning of the year. The Governor for State agencies or the Chief Justice for the judicial branch is responsible for allocating the amounts among the traditional appropriation categories so that specified performance standards can be met. At any time during the year, the agency head or Chief Justice may transfer appropriations between categories within the performance-based program with no limit on the amount of the transfer in order for the designated program to accomplish its objectives.

B. 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, the Budget Stabilization Fund, and the Working Capital 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 State Comptroller. For example, the State Board of Administration operates from such funds.

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 certified forwards, plus current year payables and encumbrances which are 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 certified forward to be paid from the current year budget. The presentation of the budgetary data excludes most fixed capital outlay projects. Many fixed capital outlay projects are funded on a multi-year basis since major construction projects require several years to complete. These are accounted for as capital projects funds. Appropriations are made in total the first year even though they are released and expended over a period of years as required by the projects. Although the State Transportation Trust Fund within the Department of Transportation is reported as a special revenue fund, the projects within the fund are primarily of a multi-year nature, generally requiring several years to complete and are accounted and appropriated for accordingly. Because of the multi-year nature of such projects, these multi-year fixed capital outlay projects and the State Transportation Trust Fund are not presented on the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis) - All Budgetary Fund Types. The total expenditures for these fixed capital outlay projects for the fiscal year ended June 30, 1998, were $106 million for general revenue and $5.4 billion for trust funds.

State agencies maintain the accounting records used in financial statement preparation in accordance with GAAP. However, the State's accounting system has the capability of also accumulating financial data on the budgetary basis. Therefore, the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis) - All Budgetary Fund Types is presented using the following statutorily prescribed fund types: General Revenue, Trust, Budget Stabilization and Working Capital Funds. Expenditures are presented by appropriation category and are divided between operating and nonoperating categories. This presentation reflects the actual appropriation process as adopted by the State.

Additional disclosures of budgetary basis financial information may be obtained from the State Comptroller's Office. Refer to Note 1A for correspondence information.

C. GAAP Reporting Reconciliation

The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis) - All Budgetary Fund Types presents comparisons of the legally adopted budget with actual data on a budgetary basis. Since accounting principles applied for the purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of fund balances for the fiscal year ended June 30, 1998 is presented in the following schedule (in thousands):

	GAAP BASIS FUND TYPES	
	General	Special Revenue
Budgetary basis fund balances:		
General Revenue	$ 744,839	$ ......
Trust	......	8,650,792
Budget Stabilization	685,990	......
Working Capital	355,944	......
	1,786,773	8,650,792
Trust funds budgetary fund balances other than special revenue funds:		
Included in the general fund	2,696	(2,696)
Included in the proprietary fund types	......	(776,592)
Included in the trust and agency fund types	......	(2,883,765)
Included in the State University System funds	......	(628,762)
Security lending investments within the Treasury	191,429	357,497
Special investments within the Treasury	......	140,711
Budgetary basis fund balances within the GAAP basis fund types*	1,980,898	4,857,185
Non-treasury cash and investments	896	108,788
Receivables not certified forward (only certain expenditure refunds are certified forward)	1,569,608	2,640,430
Inventories and prepaid items	21,798	160,158
Liabilities not certified forward (accrual items not recognized in the certified forward process)	(330,284)	(3,604,446)
Encumbrances	71,925	1,165,354
GAAP basis fund balances of budgetary funds within the GAAP basis fund types	3,314,841	5,327,469
GAAP basis fund balances not included in the trust funds budgetary fund balances	......	771,044
GAAP basis fund balances of local (nonbudgetary) funds **	......	31,332
GAAP basis fund balances	$ 3,314,841	$ 6,129,845
Treasury cash and investments	$ 2,661,396	$ 5,615,897
Certified forward receivables	11,239	3,699
Certified forward operations and fixed capital outlay	(691,737)	(762,411)
*Budgetary basis fund balances within GAAP basis fund types	$ 1,980,898	$ 4,857,185
Cash and investments	$ 4,631	$ 28,281
Receivables	115	17,874
Inventories and prepaids	......	2
Liabilities	(4,746)	(14,825)
**GAAP basis fund balances of local (nonbudgetary) funds	$	$ 31,332

NOTE 3 - DEPOSITS AND INVESTMENTS

A. Deposits

At June 30, 1998, the carrying amount of deposits totaled $2,243,751,446 which consisted of the following: $190,997,998 cash and cash equivalents in financial institutions; $395,333,472 restricted cash and cash equivalents in financial institutions; and $1,657,419,976 pooled investments with the State Treasury. The reported carrying amount of component unit deposits totaled $300,222,580 which consisted of cash and cash equivalents in financial institutions.

Chapter 280, F.S., generally requires public funds to be deposited in a bank or savings association that is designated by the State Treasurer as authorized to receive deposits in the State and that meets the collateral requirements. Collateral in the amount of the greater of the average daily balance of public deposits multiplied by the depository's minimum collateral pledging level, established by the State Treasurer, or 25 percent of the average monthly balance of public deposits or 125 percent of the average daily balance of public deposits greater than capital, is required to be deposited with the State Treasurer as security for public deposits. Collateral may be held by another custodian with approval of the Treasurer if conditions are met which protect the State's interests. The amount of collateral may be increased to 125 percent of the average daily balance of public deposits if specified conditions exist. Eligible collateral includes federal, federally-guaranteed, state and local government obligations and corporate bonds.

Statutes provide that if a loss to public depositors is not covered by deposit insurance and the proceeds from the sale of securities pledged by the defaulting depository, the difference will be provided by an assessment levied against other qualified public depositories of the same type as the depository in default.

Deposits held in trust that are fully secured under trust business laws, deposits that are fully secured under Federal regulations, and/or deposits that are outside the country are exempted from being placed with a qualified public depository. Also exempt are deposits of the System Trust Fund, which is used to administer the Florida Retirement System. A number of these deposits, however, are insured or collateralized.

The deposit balances reported by the State's banks totaled $1,547,612,318. Of this amount, $1,546,843,102 was covered by Federal and other depository insurance or the collateral pool described above and $769,216 was uncollateralized. The deposit balances reported by component unit banks totaled $315,227,981. Of this amount, $245,903,905 was covered by Federal and other depository insurance or the collateral pool described above, $36,313,853 was collateralized with securities held by the pledging financial institution's trust department in the Component Unit's name, and $33,010,223 was uncollateralized.

B. Investments

The schedules below disclose the carrying value and fair value of each type of investment classified in categories of credit risk. These categories are as follows:

a. Insured or registered, or securities held by the State or its agent in the State's name.
b. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the State's name.
c. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the State's name.

Certain investments, such as mutual funds, cannot be categorized because they are not evidenced by securities that exist in physical or book entry form. Securities held by the other parties underlying security lending agreements also are not categorized.

1. Pooled Investments with the State Treasury

Unless specifically exempted by statute, all cash of the State must be deposited in the State Treasury. Certain component units are allowed by statute to deposit cash with the State Treasury. The State Treasury, in turn, keeps the funds fully invested to maximize interest earnings. Authorized investment types are set forth in Section 18.10, F.S., and include certificates of deposit, direct obligations of the United States Treasury, obligations of Federal agencies, asset-backed or mortgage-backed securities, commercial paper, bankers' acceptances, medium term corporate obligations, repurchase agreements, commingled and mutual funds, derivatives, negotiable certificates of deposit; and, subject to certain rating conditions, foreign bonds denominated in U.S. dollars and registered with the Securities and Exchange Commission (SEC) for sale in the United States and convertible debt obligations of any corporation domiciled within the United States. The State Treasury is also responsible for safekeeping and servicing funds and securities required to be deposited by insurers and agents as a prerequisite to doing business in the State. Securities held solely in custodial capacity for non-State entities are not reported on the State's combined balance sheet.

State Treasury holdings at June 30 include $115,631,507 held for component units. Deposits held by the State Treasury for component units are reported by the component units as "Due from primary" and may differ in amount due to different component unit reporting periods.

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.

State statutes authorize 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 and bonds and notes to broker/dealers for collateral with a simultaneous agreement to return the collateral for the same securities in the future. Collateral requirements for all lending transactions are 102 percent of the fair value of the underlying security plus accrued interest. Such collateral may consist of cash, government securities, or unconditional, irrevocable standby letters of credit. Cash collateral is invested by the agent in short-term investments authorized by Section 18.10, 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, 1998. 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 which might occur. Total security lending collateral held at June 30 was $1,188,997,277. The reported value of investments purchased with the cash portion of the collateral ($756,110,553) is included in the balance sheet as "Pooled Investments with State Treasury" and "Obligations under Security Lending Agreements." The State Treasury does not have the ability to pledge or sell the non-cash collateral securities so the non-cash portion of the collateral held (U.S. Government and federally-guaranteed obligations valued at $435,078,056) is not reported in the balance sheet. During the fiscal year, the securities lending program generated $49,868,988 in revenues for the State Treasury while incurring $46,644,536 in expenses and $985,859 in agent fees. Securities on loan at June 30, 1998 are presented as nonclassifiable investments in the following Schedule of Pooled Investments.

The State invests in derivatives of asset-backed and mortgage-backed securities to improve yield. Investments in derivatives of mortgage-backed securities include various classes such as "Interest Only" and "Principal Only". These derivatives are based on cash flows from interest and principal payments on underlying mortgages. Therefore, prices of mortgage derivatives are highly sensitive to pre-payments by mortgagees caused by changing market conditions. In the following Schedule of Pooled Investments, the fair value of derivatives is included in the pooled investments categorized as U.S. Government and federally-guaranteed obligations and bond and notes.

Effective for the fiscal year ended June 30, 1998, GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, requires that governmental entities report investments at fair value in the balance sheet, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of less than one year, which may be reported at amortized cost. The State Treasury valued all investments determined internally to be long-term using quoted fair value prices, while investments determined to be short-term with one year or less to maturity from trade date were valued at amortized cost. Accordingly, securities identified in the Carrying Value column in the following Schedule of Pooled Investments include securities reported at amortized cost and fair value. Investment earnings, including the change in the fair value of applicable securities and the realized gains and losses from investments in short-term securities are reported as revenue on the Combined Statement of Revenues, Expenditures and Changes in Fund Balances, All Governmental Fund Types, Expendable Trust Funds and Discretely Presented Component Units.

Detail of the holdings and a reconciliation to the memorandum total of the combined balance sheet, as well as the credit risk of investments held, is as follows (in thousands):

Schedule of Pooled Investments

	Risk Category A	Risk Category B	Carrying Value	Fair Value
Certificates of deposit	$ 92,188	$	$ 92,188	$ 92,188
U. S. Government and federally-guaranteed obligations	4,525,591	......	4,525,591	4,521,816
Bankers' acceptances	862,110	......	862,110	853,995
Commercial paper	2,279,245	493,518	2,772,763	2,764,809
Repurchase agreements	5,881	73,837	79,718	79,718
Bonds and notes	1,848,967	188,756	2,037,723	2,037,705
Classifiable Investments	$ 9,613,982	$ 756,111	10,370,093	10,350,231
Unemployment compensation funds pooled with U. S. Treasury			2,187,750	2,187,750
Mutual funds			412,921	412,921
U.S. Government and federally-guaranteed obligations held by others under security lending agreements			808,797	808,797
Nonclassifiable Investments			3,409,468	3,409,468
Total Investments			13,779,561	13,759,699
Cash on hand			300	300
Cash on deposit			1,657,420	1,657,420
Total State Treasury holdings			15,437,281	15,417,419
Adjustments:				
Outstanding warrants			(779,052)	(779,052)
Unsettled securities liability			(599,844)	(599,844)
Reconciled balance, June 30, 1998			$ 14,058,385	$ 14,038,523
Combined balance sheet presentation:				
Pooled investments with State Treasury (all fund types)			$ 13,663,058	
Restricted assets (see Note 10)			395,327	
Total			$ 14,058,385	

2. Other Investments

Florida Statutes allow investment of funds in a range of instruments including federally-guaranteed obligations, other Federal agency obligations, certain State bonds, commercial paper, obligations of a Florida political subdivision as permitted by law, common stock, repurchase and reverse repurchase agreements and real estate. Securities identified above may be loaned to security dealers, provided the loan is collateralized by cash or United States government securities having a fair value of at least 100 percent of the fair value of the securities loaned. If bond proceeds are invested, investments must be made in accordance with the bond covenants. These covenants usually require investment in federally-guaranteed obligations.

The State actively invests its funds primarily through the State Board of Administration (pension funds, debt service funds, lottery grand prize funds, local government funds, Florida Hurricane Catastrophe Fund and the Florida Prepaid Postsecondary Education Expense Trust Fund).

The State also invests funds on behalf of component units primarily through the State Board of Administration's Local Government Surplus Funds Trust Fund. Component unit investments administered by the State Board of Administration totaled $666,140,775 at June 30, 1998. Investments held by the State for component units are reported by component units as "Due from primary" and may differ in amount due to different component unit reporting periods. The State Board of Administration (SBA) issued a separate report (financial statements and notes) pertaining to the State's Investment Trust Funds, administered through the Local Government Surplus Funds Trust Fund Investment Pool (the Pool), for the period ended June 30, 1998, as required by GASB Statement No. 31. Additional information pertaining to the Investment Trust Funds or a copy of the report may be obtained from the:

Chief Financial Officer
State Board of Administration of Florida
1801 Hermitage Boulevard
Tallahassee, Florida 32308
(850) 488-4406

The Department of Insurance administers for all State employees a deferred compensation plan created in accordance with Section 457, Internal Revenue Code. The Plan permits employees to defer a portion of their salary until future years. The Plan is structured such that participants decide how their contributions are to be invested. To become eligible to receive benefits from the Plan, the employee must terminate employment, retire, die, or suffer an unforeseen emergency. All moneys, pensions, annuities, or other benefits accrued under and pursuant to Section 457, and the deferred compensation plan provided for therein and adopted by this State; and all amounts of compensation deferred thereunder; all property and rights purchased with such amounts, and all income attributable to such amounts, property or rights, are accounted for in the Deferred Compensation Trust Fund in the State Treasury and are held in trust by the State for the exclusive benefit of participants and their beneficiaries. The assets of the Plan remain the property of the State until paid or made available to the participants. The State has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary and prudent investor. Pursuant to GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans,* the fund for the Deferred Compensation Plan was reclassified from an agency fund to an expendable trust fund. The Department is also responsible for the safekeeping and accountability of assets (including investments) of financially troubled insurance companies.

Through the SBA, various funds (primarily the Pension Trust Fund, the Local Government Surplus Funds Trust Fund [an external investment pool], the Florida Lottery Trust Fund, the Florida Hurricane Catastrophe Fund, and the Florida Prepaid Postsecondary Education Expense Trust Fund) participate in a securities lending program. SBA received $10,947,271,250 of cash collateral and $1,848,027,533 of U.S. Government securities for the lending programs. In general, the collateral held for the security lending transactions exceeded the market value of the securities underlying the agreements (including accrued interest). SBA is contractually limited from pledging or selling collateral except in the event of borrower default. Maturities of investments made with cash collateral generally are not matched to maturities of the securities loans, due to securities loan agreements generally being open-ended with no fixed expiration date. As such, investments made with cash collateral are primarily in short-term investments. However, investments purchased with cash collateral for the Local Government Surplus Funds Trust Fund, Florida Lottery Trust Fund, and Florida Hurricane Catastrophe Fund included those with maturities of six months or more of approximately 22 percent, 9 percent, and 14 percent, respectively, of total collateral invested. There are no restrictions on the amount of securities that can be loaned at one time to one borrower for the Pension Trust Fund. For the Local Government Surplus Funds Trust Fund, the SBA has adopted industry practice for SEC Rule 2a 7-like pools, which generally restricts lending activity to no more than one-third of the portfolio. At June 30, 1998, there was a credit risk of $23,367 in one of the security lending programs. SBA has indemnity clauses in all of its lending programs that require the lender to consume any losses resulting from the holding of insufficient collateral. If a loss had occurred on this loan, SBA could recoup the losses from the lender. Total security lending program revenue earned during the 1997-98 fiscal year was $457,522,428 while total costs incurred were $432,251,452.

The State's Defined Benefit Pension Plan investments are valued as of June 30, 1998, at $90,893,153,580. The SBA has established investment policy guidelines for each portfolio within the Defined Benefit Pension Plan. Pursuant to these guidelines, investment derivative instruments are not to be used to speculate in the expectation of earning extremely high returns. Various investment derivative instruments are used as part of the investment strategy to hedge against interest rate risk, currency risk in foreign markets and mortgage-backed security prepayment risk, as well as for yield-curve strategy purposes, diversification, and management of equity market exposure. Investment derivative instruments include futures, options, forward exchange contracts and mortgage-backed security derivative instruments such as collateralized mortgage obligations.

In compliance with GASB Statement Nos. 25 and 31 all investments in the Defined Benefit Pension Plan, including futures contracts, have been reported at fair value. The net gain on futures contracts during the fiscal year was $40,976,998. The Defined Benefit Pension Plan had 2,988 long and 1,071 short futures contracts open at June 30, 1998. The margins receivable and payable on these open contracts as of June 30, 1998 were $641,811 and $255,562, respectively, and are included in the "Receivables" and "Accounts payable and accrued liabilities" totals on the balance sheet. Gains and losses on futures contracts are not deferred until the contracts are closed; they are recognized on a daily basis as fair value changes. As of June 30, 1998, United States Treasury notes with a fair value of $26,908,540 were pledged as collateral for futures positions.

The fair value of option contracts is reported as an investment on the balance sheet. The notional (principal) balance of the option contracts are not reported on the balance sheet nor in the disclosure of custodial risk. The Defined Benefit Pension Plan's investment in options included 25 short put option contracts and a long position in 40,277 ten-year call options. The notional amounts, if the call options were exercised, would represent a long position in 25,000,000 par value corporate bonds with the contracts expiring October 1, 1998, and a long position in 40,277 shares of stock.

Since the options typically are expected to expire without being exercised or are traded prior to expiration date, the potential gain (loss) is generally the premium amount or some small multiple thereof, not the notional value. The premium amount received for the short put options on corporate bonds totaled $142,500.

Forward exchange contracts are reported as accounts payable and accounts receivable on the balance sheet. The State recognizes the gains and losses on the forward exchange contracts on the settlement date. The Defined Benefit Pension Plan's forward exchange contracts for the purchase and sale of foreign currencies, based on the exchange rate in effect as of the date of the forward exchange contracts, had a receivable balance of $186,357,042 with a discount of $1,004,621 and a payable balance of $186,423,149 with a premium of $1,253,259. Upon settlement of the contracts, the receivable and payable balances are reversed and any changes in the foreign currency exchange rates will affect the amount to be paid or received and gains and losses are realized for such difference.

Mortgage-backed security derivative instruments are reported at fair value on the balance sheet and are primarily classified as Federal agencies in the disclosure of custodial risk. The Defined Benefit Pension Plan's investment in mortgage-backed security derivative instruments at fair value totaled $569,349,402, which was greater than the cost of $538,496,574 for an unrealized gain of $30,852,828 at June 30, 1998. During the fiscal year the Defined Benefit Pension Plan participated in a mortgage index swap contract. The swap was based on a notional amount of $150,000,000 and the net gain was $4,061,545 during the term of the agreement. As of June 30, 1998, the Defined Benefit Pension Plan had no direct participation in mortgage index swap contracts.

The Defined Benefit Pension Plan for the 1997-98 fiscal year had investment income, including net gains and losses on the sale of investments, totaling $14,889,673,000. Net gains and losses (realized and unrealized) on the Defined Benefit Pension Plan's investments are reported as "Net appreciation in fair value" in the investment income portion of the Combined Statement of Changes in Net Assets – Defined Benefit Pension Plan and Investment Trust Funds.

The investments of the Prepaid Postsecondary Education Expense Program (an expendable trust fund) were held by the custodian which is also the counterparty. Additionally, the carrying value (securities reported at cost, amortized cost, and fair value) reported in the Other Investments Schedules for the primary government and component units are categorized as follows (in thousands):

Other Investments Schedule
Primary Government

	Risk Category A	Risk Category B	Risk Category C	Carrying Value	Fair Value
Certificates of deposit	$ 794,132	$	$	$ 794,132	$ 794,115
U. S. Government and federally-guaranteed obligations	8,116,786	23,286	1,266,364	9,406,436	9,402,788
Federal agencies obligations	6,517,631	4,666	218,646	6,740,943	6,735,276
Commercial paper	5,548,659	......	......	5,548,659	5,548,010
Canadian bills	69,681	......	......	69,681	69,665
Repurchase agreements	4,384,465	......	397,749	4,782,214	4,782,214
Bonds and notes	11,725,632	17,139	135,736	11,878,507	11,878,426
Stocks	40,394,970	16,225	......	40,411,195	40,411,195
Total classifiable investments	$77,551,956	$ 61,316	$2,018,495	79,631,767	79,621,689
Investments held by others under security lending agreements:					
U. S. obligations				6,923,939	6,924,512
Federal agencies				1,059,780	1,059,736
Bonds and notes				342,885	342,885
Stocks				2,402,022	2,402,022
Investment agreements				417,973	417,973
Real estate agreements				2,474,654	2,474,654
Deferred compensation investments				1,029,536	1,029,536
Money market and mutual funds				23,224,423	23,224,423
Total nonclassifiable investments				37,875,212	37,875,741
Total investments				$ 117,506,979	$ 117,497,430
Combined balance sheet presentations:					
Investments				$ 117,433,490	
Restricted assets - investments				73,489	
Total investments				$ 117,506,979	

Other Investments Schedule
Component Units

	Risk Category A	Risk Category B	Risk Category C	Carrying Value	Fair Value
Certificates of deposit	$ 2,723	$	$	$ 2,723	$ 2,723
U. S. Government and federally-guaranteed obligations	379,196	67,851	346,646	793,693	793,693
Federal agencies obligations	24,423	13,461	10,475	48,359	48,359
Repurchase agreements	23,997	3,878	5,460	33,335	33,335
Bonds and notes	267,155	12,517	25,202	304,874	304,874
Stocks	522,219	122,181	8,505	652,905	652,905
Total classifiable investments	$ 1,219,713	$ 219,888	$ 396,288	1,835,889	1,835,889
Investment agreements				232,077	232,077
Real estate agreements				32,873	32,873
Deferred compensation investments				45,900	45,900
Money market and mutual funds				335,898	335,898
Total nonclassifiable investments				646,748	646,748
Total investments				$ 2,482,637	$ 2,482,637
Combined balance sheet presentations:					
Investments				$ 2,228,037	
Restricted assets - investments				254,600	
Total investments				$ 2,482,637	

NOTE 4 - RECEIVABLES

Receivables are presented on the combined balance sheet net of allowances for uncollectibles. Information regarding gross receivables and related allowances is presented below (in thousands):

	Fund Types								
	Governmental				Proprietary		Fiduciary		
	General	Special Revenue	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	State University System	Total
Accounts receivable	$ 125,612	$ 533,419	$ 130	$	$ 25,924	$15,392	$ 3,316,511	$ 105,173	$ 4,122,161
Less allowances for uncollectibles	88,463	143,034	......	......	1,455	9	2,500,606	12,254	2,745,821
Net accounts receivable	37,149	390,385	130	......	24,469	15,383	815,905	92,919	1,376,340
Taxes receivable	1,226,444	252,877	......	......	......	......	41,523	......	1,520,844
Pension contributions rec.	......	......	......	......	......	......	252,030	......	252,030
Due from Federal gov't	1	916,986	......	......	......	......	......	......	916,987
Interest receivable	24,885	32,614	76	3,561	4,379	1,244	487,646	6,802	561,207
Other receivables	48	23,924	......	......	49	420	2,250	42,276	68,967
Net receivables	$ 1,288,527	$ 1,616,786	$ 206	$ 3,561	$ 28,897	$17,047	$ 1,599,354	$ 141,997	$ 4,696,375
Loans/notes receivable	$ 4,286	$ 719,267	$	$	$ 7	$	$ 604,327	$ 84,312	$ 1,412,199
Less allowances for uncollectibles	......	......	......	......	......	......	2,476	10,577	13,053
Net loans and notes receivable	$ 4,286	$ 719,267	$	$	$ 7	$	$ 601,851	$ 73,735	$ 1,399,146

NOTE 5 - TAX REVENUE

Florida levies neither a personal income tax nor an ad valorem tax on real or tangible personal property. Taxes are, however, the principal means of financing State operations. A schedule of tax revenues by tax type is presented below (in thousands):

	Fund Types			
	Total	General	Special Revenue	Expendable Trust
Sales and use tax	$ 13,349,272	$ 13,349,272	$	$ ......
Motor fuel tax	1,518,286	......	1,518,286	......
Corporate income tax	1,395,566	1,395,566	......	......
Intangible personal property tax	1,164,297	......	1,164,297	......
Documentary stamp tax	1,005,378	......	1,005,378	......
Unemployment compensation tax	573,381	......	......	573,381
Alcoholic beverage tax	566,277	546,371	19,906	......
Gross receipts utilities tax	638,077	......	638,077	......
Cigarette tax	444,838	......	444,838	......
Estate tax	563,665	563,665	......	......
Insurance premium tax	426,511	19,177	407,334	......
Hospital public assistance tax	272,722	......	272,722	......
Workers' compensation special disability tax	207,609	......	71,716	135,893
Pollutant tax	215,992	......	215,992	......
Pari-mutuel wagering tax	63,526	46,817	16,709	......
Citrus excise tax	65,026	......	65,026	......
Solid minerals severance tax	61,269	......	61,269	......
Aviation fuel tax	16,623	......	16,623	......
Utility regulatory tax	27,890	......	27,890	......
Smokeless tobacco tax	21,001	21,001	......	......
Oil and gas production tax	6,539	......	6,539	......
Other taxes	1,365	......	1,365	......
Total	$ 22,605,110	$ 15,941,869	$ 5,953,967	$ 709,274

NOTE 6 - CHANGES IN GENERAL FIXED ASSETS

Changes during the fiscal year in general fixed assets are summarized below (in thousands):

	Balances 7/1/97	Adjustments	Additions	Deletions	Balances 6/30/98
Land	$ 2,242,882	$ (428)	$ 74,946	$ 137	$ 2,317,263
Buildings	1,781,504	86,396	48,441	32,936	1,883,405
Improvements other than buildings	196,058	13,428	2,484	419	211,551
Furniture and equipment	1,492,729	(82,290)	239,057	195,461	1,454,035
Construction in progress	323,003	(37,375)	137,177	45,369	377,436
Library resources	19,408	35	1,378	314	20,507
Other fixed assets	277,784	145	995	3,892	275,032
Total	$ 6,333,368	$ (20,089)	$ 504,478	$ 278,528	$ 6,539,229

NOTE 7 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

The Florida Retirement System (FRS) was created December 1, 1970, with consolidation of the Teachers' Retirement System (Chapter 238, F.S.), the State and County Officers and Employees' Retirement System (Chapter 122, F.S.) and the Highway Patrol Pension Fund (Chapter 321, F.S.). In 1972, the Judicial Retirement System (Chapter 123, F.S.) was also consolidated with the FRS. The FRS was created by Chapter 121, F.S., to provide a defined benefit pension plan for participating public employees. Provisions relating to the FRS are also contained in Chapter 112, F.S.

Except for elected State and county officers and members of the optional retirement programs, FRS membership is compulsory for all employees filling a regularly established position in a State agency, county agency, or district school board. Membership by elected State and county officers is optional. Participation by cities, municipalities and special districts, although optional, is generally irrevocable after election to participate is made.

There are five general classes of membership as follows:

Regular Class - This class consists of members of the FRS who do not qualify for membership in the other classes.

Senior Management Service Class (SMSC) - This class consists of members in senior management level positions in State and local governments.

Special Risk Class - This class consists of members who are employed as law enforcement officers, firefighters, or correctional officers and meet the criteria to qualify for this class.

Special Risk Administrative Support Class - This class consists of Special Risk Class members who are transferred or reassigned to nonspecial risk law enforcement, firefighting, or correctional administrative support positions within an FRS special risk employing agency.

Elected State and County Officers' Class (ESCOC) - This class consists of elected State, county and some city and special district officers.

The FRS provides vesting of benefits after ten years (eight years for ESCOC members, seven years for SMSC members) of creditable service. Members are eligible for normal retirement when they have met the requirements listed below. Early retirement may be taken any time after vesting; however, there is a 5% benefit reduction for each year prior to normal retirement age.

Regular Members - Ten or more years of creditable service and age 62. Thirty years of creditable service regardless of age.

Senior Management - Seven years of SMSC service and age 62. Ten or more years of any creditable service and age 62. Thirty years of any creditable service regardless of age.

Special Risk (Including Administrative Support Class) - Ten or more years of Special Risk Class service and age 55. Twenty-five total years special risk service regardless of age. Thirty years of any creditable service regardless of age.

Elected Officers - Eight years of ESCOC service and age 62. Ten years of any creditable service and age 62. Thirty years of any creditable service regardless of age.

Benefits are computed on the basis of age, average final compensation and service credit. Members are also eligible for in-line-of-duty or regular disability and survivors' benefits. Pension benefits are increased each July 1 by a 3% cost-of-living adjustment.

The FRS is a cost-sharing multiple-employer public-employee defined benefit pension plan administered by the Division of Retirement. Costs of administering the FRS are funded through interest earned on investments made for the pension 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.

Investments are reported at fair value. Short-term investments are reported at amortized cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of expected future principal and interest payments and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair value. No investment in any one organization represents 5% or more of the net assets available for pension benefits.

All participating employers must comply with statutory contribution requirements. Except in those instances where employees have elected to remain in pre-existing plans, employees make no contributions. Statutes require that the unfunded actuarial liability (UAL) be amortized within a 30-fiscal year period. The balance of legally required reserves for all defined benefit pension plans at June 30, 1998 is $83,779,830,843. Of this amount, $83,768,145,564 was attributable to the FRS and was reserved to provide for total current and future benefits, refunds, and administration of the FRS. Section 121.031(3), F.S., requires a biennial actuarial review of the FRS which is provided to the State Legislature as guidance in funding decisions. The conclusions of the review are included in the annual report of the FRS.

FRS Retirement Contribution Rates:

Membership Class	Recommended for Fiscal Year 1997-98	7/1/97 Statutory Rates (Ch. 121, F.S.)
Regular	16.77%	16.77%
Senior Management	21.58%	21.58%
Special Risk	26.44%	26.44%
Special Risk Administration	17.20%	17.20%
Judges	29.55%	29.55%
Legislators/Attorneys/Cabinet	23.07%	23.07%
Elected County, City and Special District Officers	27.33%	27.33%

FRS Participating Employers:

Employer Types	6/30/98
State Agencies	52
County Agencies	397
District School Boards	67
Community Colleges	28
Cities	110*
Special Districts	128*
Hospitals	4*
Other	13
Total Participating Employers	799

*These totals include the 60 cities, 3 independent hospitals and 26 independent special districts that are closed to new FRS members as of January 1, 1996.

FRS Membership:

Member Types	Regular	Senior Management	Special Risk	Special Risk Administrative	Elected State and County Officers	Total 6/30/98
Active						
Non-Vested	294,560	241	29,979	28	962	325,770
Vested	246,690	1,047	25,581	189	1,091	274,598
Current Retirees and Beneficiaries	153,423	324	9,014	78	1,190	164,029
Vested Terminated	37,063	103	2,155	11	487	39,819
Total Members	731,736	1,715	66,729	306	3,730	804,216

Schedules of Funding Progress and Employer Contributions are contained in the State of Florida Comprehensive Annual Financial Report published by the State Comptroller. Additional information about the FRS is contained in the various publications available from the Division of Retirement within the Department of Management Services.

A. Other Postemployment Benefits

Section 112.0801, F.S., provides that retirees may participate in their former employers' group health insurance programs. In general, premiums are paid by the retiree.

The Retiree Health Insurance Subsidy (HIS) established by Section 112.363, F.S., is to assist retirees of most State-administered retirement systems in paying health insurance costs. For the fiscal year ended June 30, 1998, eligible retirees and beneficiaries received a monthly retiree health insurance subsidy payment equal to the number of years of creditable service completed at the time of retirement multiplied by $3. The payments were at least $30 but not more than $90 per month. To be eligible to receive the HIS, 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. Employer contributions are a percentage of payroll for all active FRS employees and are added to the amount submitted for retirement contributions. HIS contributions are deposited in a separate trust fund from which HIS payments are authorized. Section 112.363, F.S., provides for increases in contribution rate and subsidy payments in the 1998-99 fiscal year. In the event contributions fail to provide subsidy benefits to all participants, the subsidy payments may be reduced or canceled. Additional information pertaining to the HIS is as follows:

	1996	1997	1998
HIS recipients as of 6/30	127,335	134,871	142,548
HIS contributions for FY ending 6/30	$107,292,909	$111,966,826	$117,297,218
HIS payments for FY ending 6/30	$94,267,313	$100,511,133	$106,688,003
HIS trust fund net assets at 6/30	$35,913,093	$49,065,272	$62,144,173
HIS contribution rate as of 1/1	0.66%	0.66%	0.66%

B. State of Florida Participation

The State of Florida contributed as required to the FRS as part of a cost-sharing multiple-employer defined benefit pension plan. For the fiscal year ended June 30, 1998, the State's total covered payroll for its 152,049 State employee members amounted to $4,298,249,938 with actual and required employer contributions totaling $844,396,647 or 19.65%. The State's contributions to the FRS for the years ending June 30, 1996 and June 30, 1997 were $756,966,561 and $779,139,574, respectively. These amounts were also equal to the required contributions for each year. Covered payroll refers to all compensation paid by the State to active employees covered by the FRS on which contributions to the defined benefit pension plan are based. The State's contributions represented 26.33% of the total contributions required of all participating employers.

Employees' eligibility and benefits are as previously described. Contributions are by class based on Chapter 121, F.S., as previously described. Employees not filling regular established positions but working under other personal services (OPS) status are not covered by the FRS.

C. Optional Retirement Program (ORP)

Section 121.35, F.S., created the ORP for eligible State University System faculty and administrators. This program was designed to aid universities in recruiting employees who may not remain in the FRS long enough to vest. The ORP is a defined contribution plan which provides full and immediate vesting of all contributions paid on behalf of the participants to the participating provider companies to purchase contracts for retirement and death benefits. Employees in eligible positions are compulsory participants in the ORP unless they elect membership in the FRS.

The employing university contributes the same percentage of the participant's salary as would have been contributed to the FRS for Regular Class membership plus the HIS contribution, totaling 17.43% of covered payroll for July 1997 through June 1998. A portion (5.78%) of the total contribution is transferred to the FRS Trust Fund to help amortize the unfunded actuarial liability, .01% is for the administration of the program, and the remainder (11.64%) is 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 university for purchase of his or her annuity. Additional information pertaining to the ORP is as follows:

Members	9,427	
Payroll	$491,831,763	
Contributions:		
Employee	$ 24,130,246	4.91% of payroll
Employer	$ 85,678,630	17.42% of payroll

D. Senior Management Service Optional Annuity Program (SMSOAP)

An optional retirement program for members of the Senior Management Service Class was created by Section 121.055, F.S. The SMSOAP is a defined contribution plan which provides full and immediate vesting of all contributions paid on behalf of the participants to the participating provider companies to purchase contracts for retirement and death benefits. Employees in eligible positions may make an irrevocable election to participate in the SMSOAP in lieu of the Senior Management Service Class. Employers contribute the same percentage of the participant's salary as would have been contributed to the FRS for Senior Management Service Class membership plus the HIS contribution, totaling 22.24% of covered payroll for July 1997 through June 1998. A portion (8.73%) of the total contribution is transferred to the FRS Trust Fund to help amortize the unfunded actuarial liability and the remainder (13.51%) is 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 for purchase of his or her annuity. Additional information pertaining to the SMSOAP is as follows:

Members	78	
Payroll	$ 6,493,470	
Contributions:		
Employee	$ 38,351	.59% of payroll
Employer	$ 1,455,639	22.42% of payroll

NOTE 8 - OTHER COMMITMENTS

A. Construction

Road and bridge construction projects supervised by the Department of Transportation are administered by the Department of Transportation work program, which is updated during each budget cycle. As of June 30, 1998, the Department has available approximately $3.3 billion in budget authority arising from both current and prior year projects which represents amounts committed on executed contracts. Other major construction commitments of the State of Florida at June 30, 1998, are as follows (in thousands):

Agency	Total Estimated Cost at 6/30/98	Amount Expended Through 6/30/98	Estimated Amount Committed at 6/30/98
Game and Fresh Water Fish Commission	$ 1,456	$ 336	$ 1,120
Department of Highway Safety and Motor Vehicles	1,704	1,299	405
Department of Military Affairs	1,734	379	1,355
Office of the State Courts Administrator	464	84	380
Department of Agriculture and Consumer Services	4,402	2,042	2,360
Department of Veterans' Affairs	11,181	3,236	7,945
Florida School for the Deaf and the Blind	11,276	6,992	4,284
Department of Children and Families	5,116	535	4,581
John and Mable Ringling Museum of Art	23,842	20,126	3,716
Department of Environmental Protection	30,834	29,296	1,538
Department of Management Services	40,569	21,475	19,094
Department of Health	44,733	14,549	30,184
Department of Juvenile Justice	173,866	37,426	136,440
Department of Corrections	297,144	189,670	107,474
State University System	956,048	570,092	385,956
Total	$ 1,604,369	$ 897,537	$ 706,832

B. Year 2000 (Unaudited)

The year 2000 issue is the 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 data altogether. Another factor that may cause problems in programs is the leap-year calculation. Some programs are unable to detect the year 2000 as a leap year.

The State of Florida has been aggressively working on the year 2000 issue within State agency computer systems for several years. This effort has been led by the State's Year 2000 Task Force, a group comprised of both executive and legislative members. These actions are intended to ensure that critical State services remain available as Florida moves into the next century.

Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the State of Florida is or will be year 2000 ready, that the State's remediation efforts will be successful in whole or in part, or that parties with whom the State does business will be year 2000 ready.

The State of Florida 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 to address year 2000 issues:

- Awareness stage - Establishing a budget and project plan for dealing with the year 2000 issue.
- Assessment stage - Identifying the systems and components for which year 2000 compliance work is needed.
- Remediation stage - Making changes to systems and equipment.
- Validation/testing stage - Validating and testing the changes that were made during the remediation stage.

In 1998 the Florida Legislature enacted Chapter 98-331, Laws of Florida, which addressed the following concerns related to the year 2000 issue:

- Applies Florida's existing sovereign immunity provisions to State and local government entities in the event of year 2000 date calculation failures, and
- Grants the Governor the power to transfer resources to address a year 2000 date failure in an agency.

Florida has dedicated $81 million in existing agency budgets and in specific appropriations since 1996 for the remediation of the 492 agency developed mission-critical computer systems. Legislative appropriations have been made to address unanticipated remediation and testing issues in applications and systems, and for systems in which embedded chip technology could introduce errors.

Florida has completed the awareness stage for all of its mission-critical systems and electronic equipment. The Year 2000 Task Force has completed the assessment stage by conducting an agency by agency-wide inventory (primary government) and identifying 492 agency developed mission-critical computer systems that needed year 2000 remediation. All of the mission-critical systems were prioritized, based on the number of citizens affected, failure date, and cost to renovate. Sixteen systems that are most critical to operations of the State were identified as top priority systems. The Year 2000 Task Force established a progress reporting process to monitor remediation in all affected agencies, with special emphasis on the 16 top priority systems. A Year 2000 Progress Report is issued on a monthly basis on both a Statewide Aggregate Progress Plan and a Top Priority Systems Progress Plan. 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.

A significant commitment of resources are required to make year 2000 compliance changes or updates to the State's computer systems and other equipment. As of June 30, 1998, Florida had $19.8 million dollars of resources committed (contracted amounts at the end of the government's reporting period) to make their systems and other equipment year 2000-compliant.

In addition to the 492 mission-critical systems discussed above, significant State agency computer systems exist which are vendor supplied and maintained. These systems are proprietary in nature, and the program code is not available to the State for year 2000 remediation purposes. State agencies' legal staff are seeking vendor supplied Year 2000 compliance and certification statements for these products. Since these remediation efforts are external to the State, their year 2000 compliance efforts are not fully determinable until the year 2000 and thereafter.

NOTE 9 - BONDS PAYABLE

A. Bonds Payable

Bonds payable at June 30, 1998, are as follows (in thousands):

Bond Type	Amount Outstanding	Interest Rates	Annual Maturity To
GENERAL LONG-TERM DEBT ACCOUNT GROUP:			
Road and Bridge Bonds	$ 1,167,910	4.000-6.875	2027
SBE Capital Outlay Bonds	903,335	4.000-6.625	2018
Inland Protection Bonds	233,035	4.250-5.000	2004
Lottery Education Bonds	115,390	4.000-5.125	2018
Public Education Bonds	6,405,920	4.400-9.125	2027
Conservation and Recreation Lands Bonds	28,835	4.500-5.375	2012
Save Our Coast Bonds	219,335	4.300-6.750	2012
Preservation 2000 Bonds	2,122,840	4.000-6.400	2013
Pollution Control Bonds	57,215	4.500-7.500	2014
	11,253,815		
ENTERPRISE FUNDS:			
Toll Facilities Bonds	1,741,437	4.250-10.000	2027
Less Payable from Restricted Assets	27,190		
	1,714,247		
INTERNAL SERVICE FUND:			
Florida Facilities Pool Bonds	320,023	4.000-7.100	2027
STATE UNIVERSITY SYSTEM:			
State University System Bonds	367,870	3.000-7.000	2027
TOTAL BONDS PAYABLE	$ 13,655,955		

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 mature serially and 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.

Inland Protection Bonds are issued by the Inland Protection Financing Corporation (a blended component unit) to finance the payment and settlement of existing reimbursement obligations of the Department of Environmental Protection for the cleanup of contamination from leaking petroleum storage tanks. The bonds mature serially and are secured by a pledge of revenues under a service contract with the Department of Environmental Protection.

Lottery Education Bonds are issued to finance all or a portion of the costs of various local school district educational facilities. The bonds mature serially and 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 the State University System. 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.

Conservation and Recreation Lands Bonds are issued to acquire lands, water areas, and related resources. The bonds mature serially and are primarily secured by a pledge of the documentary stamp tax.

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.

Pollution Control Bonds are issued to make funds available for local government acquisition and construction of pollution control facilities. The bonds are to be serviced by revenues pledged by the local governments and the full faith and credit of the State is pledged as additional security. The bonds mature serially. This amount includes $50,745,000 that has been escrowed by local governments.

Toll Facilities Bonds are issued to provide construction funds for roads and bridges. The bonds are secured by a pledge of toll facility revenues and a portion of the State-assessed gasoline taxes. In addition, the full faith and credit of the State is pledged to service $168,775,000 of the bonds outstanding. The bonds outstanding at June 30, 1998 consist of $1,093,565,000 of serial bonds and $697,880,000 of term bonds. The amount reported is net of $32,379,362 unamortized discount and $17,628,820 unamortized amount deferred on refunding.

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. The amount reported is net of $3,558,174 unamortized discount and $3,909,270 of unamortized amount deferred on refunding.

State University System Bonds and revenues certificates are issued to construct university facilities, including parking garages and student housing. Bonds and revenue certificates outstanding, which include both term and serial bonds, are secured by a pledge of rental revenues, traffic and parking revenues and student fee assessments. The amount reported is net of $3,722,247 unamortized discount.

B. Advanced Refundings and Defeased

During the fiscal year ended June 30, 1998, the State of Florida took advantage of favorable conditions and issued bonds for the purpose of advance refunding previously issued bonds. The advance refunding of these bond series was made in order to obtain lower interest rates and the resulting savings in debt service payments over the life of the bond. The economic gains obtained by these advance refundings are the differences between the present value of old debt service requirements and the new debt service.

The proceeds of the refundings, and in some cases additional funds, were 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 come due.

Bonds 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 (SBA) to service the refunded bonds are reported as agency funds. The following advance refundings occurred during the fiscal year:

General Long-Term Debt Account Group:

The State of Florida, Department of Environmental Protection, Preservation 2000 Revenue Refunding Bonds, Series 1998A, in the amount of $200,020,000, along with other available funds, were used to advance refund $201,600,000 of the outstanding bonds of the originally issued $300,000,000 State of Florida, Department of Natural Resources, Preservation 2000 Revenue Bonds, Series 1992A. This refunding resulted in debt service savings of $20,075,827 and an economic gain of $14,277,379.

The State of Florida, Department of Environmental Protection, Preservation 2000 Revenue Refunding Bonds, Series 1997B, in the amount of $202,595,000, along with other available funds, were used to advance refund $199,700,000 of the outstanding bonds of the originally issued $300,000,000 State of Florida, Department of Natural Resources, Preservation 2000 Revenue Bonds, Series 1991A. This refunding resulted in debt service savings of $22,365,639 and an economic gain of $15,216,229.

Enterprise Fund:

The State of Florida, Department of Transportation, Turnpike Revenue Refunding Bonds, Series 1997A, in the amount of $199,690,000, along with other available funds, were used to advance refund $4,655,000 of the outstanding bonds of the originally issued $219,997,419 State of Florida, Department of Transportation, Turnpike Revenue Bonds, Series 1989A; $99,410,000 of the outstanding bonds of the originally issued

$336,895,000, State of Florida, Department of Transportation, Turnpike Revenue Bonds, Series 1991A; and $84,300,000 of the outstanding bonds of the $193,300,000 State of Florida, Department of Transportation, Turnpike Revenue Bonds, Series 1992A. This refunding resulted in debt service savings of $25,490,677, an economic gain of $15,015,200, and a deferred amount upon refunding of $18,481,665.

State University System:

The State of Florida, Board of Regents, University System Improvement Revenue Refunding Bonds, Series 1997A, in the amount of $45,685,000, were used to advance refund $41,235,000 of the outstanding bonds of the originally issued $55,000,000 State of Florida, Board of Regents, University System Improvement Revenue Certificates, Series 1991. This refunding resulted in debt service savings of $5,789,302 and an economic gain of $3,847,290.

The following bond issues were considered to have been defeased during the year:

Enterprise Fund:

State of Florida, Full Faith and Credit, Hillsborough County Expressway Bonds (Series 1971 and 1978)	$107,070,000

General Long-Term Debt Account Group:

State of Florida, Full Faith and Credit, Pollution Control Bonds (Series W and Y)	$ 81,950,000
State of Florida, Full Faith and Credit, Hernando County Road Bonds (December 1, 1979)	$ 2,815,000

C. 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 6/30/98
General Long-Term Debt:	
SBE Higher Education Bonds	$ 114,465
Pollution Control Bonds	144,420
Public Education Capital Outlay Bonds	1,608,825
Road and Bridge Bonds	154,785
Enterprise Funds:	
Toll Facilities Bonds	$ 676,810
Internal Service Funds:	
Florida Facilities Pool Bonds	$ 97,700
State University System Bonds	$ 4,435

D. Annual Requirements for Debt Service

The annual requirements to amortize bonds and certificates of participation payable at June 30, 1998 are as follows (in thousands):

Fiscal Year Ending 6/30	General Long-Term Debt	Enterprise Funds	Internal Service Funds	State University System	Component Units	Certificates of Participation
1999	$ 965,814	$ 126,896	$ 24,461	$ 31,791	$ 137,514	$ 4,164
2000	964,903	133,210	24,982	32,000	130,849	3,853
2001	962,882	135,322	24,914	31,977	127,365	3,830
2002	961,386	140,997	24,906	31,653	128,256	3,833
2003	958,429	140,717	24,846	31,387	133,349	3,835
Later years	14,901,311	2,619,000	441,951	459,404	2,838,495	57,051
Less restricted	......	27,190	......	......	......	......
Total Debt	19,714,725	3,268,952	566,060	618,212	3,495,828	76,566
Less unamortized	......	50,008	7,467	3,722	102,500	......
Less interest	8,460,910	1,504,697	238,570	246,620	1,462,766	27,816
Principal	$ 11,253,815	$ 1,714,247	$ 320,023	$ 367,870	$ 1,930,562	$ 48,750

NOTE 10 - RESTRICTED ASSETS AND LIABILITIES PAYABLE FROM RESTRICTED ASSETS

Mandatory asset segregation required by bond indentures is presented in various enterprise funds as restricted assets. Restricted assets are composed of cash and investments in those funds with outstanding bonds. Current bonds payable and accrued interest payable in these funds are classified as payable from restricted assets. The amounts are as follows (in thousands):

RESTRICTED ASSETS:	
Cash	$ 6
Pooled investments with the State Treasury	395,327
Investments	73,489
Total	$ 468,822
LIABILITIES PAYABLE FROM RESTRICTED ASSETS:	
Current bonds payable	$ 27,190
Accrued interest payable	1,663
Total	$ 28,853

NOTE 11 - INSTALLMENT PURCHASE CONTRACTS AND CAPITAL LEASES PAYABLE

Florida has a number of installment purchase contracts and capital leases providing for the acquisition of machinery, equipment, and buildings. The following is a schedule of future minimum payments remaining under the contracts at June 30, 1998 (in thousands):

Fiscal Year Ended 6/30	General Long-Term Debt	Proprietary Fund Types	State University System	Component Units	Total
1999	$ 6,846	$ 7,910	$ 747	$ 7,073	$ 22,576
2000	7,125	9,543	747	6,062	23,477
2001	6,646	8,884	461	4,334	20,325
2002	6,213	8,581	369	3,510	18,673
2003	6,020	8,143	120	2,581	16,864
Later Years	69,505	106,190	2,100	35,868	213,663
Total minimum payments	102,355	149,251	4,544	59,428	315,578
Less interest	38,172	50,534	1,524	21,127	111,357
Present value of payments	$ 64,183	$ 98,717	$ 3,020	$ 38,301	$ 204,221
Installment purchases	$ 3,058	$ 3,667	$ 1,775	$ 4,552	$ 13,052
Capital leases	61,125	95,050	1,245	33,749	191,169
Total	$ 64,183	$ 98,717	$ 3,020	$ 38,301	$ 204,221

NOTE 12 - CHANGES IN GENERAL LONG-TERM DEBT AND COMPONENT UNIT LONG-TERM DEBT

Changes during the fiscal year in general long-term debt and component unit long-term debt are summarized below (in thousands):

	Balance 7/1/97	Adjustments	Additions	Deletions	Balance 6/30/98
PRIMARY GOVERNMENT					
Bonds payable:					
Road and Bridge	$ 749,850	$	$ 445,690	$ 27,630	$ 1,167,910
State School	626,095	......	301,705	24,465	903,335
Public Education	6,081,655	......	450,000	125,735	6,405,920
Conservation Act	31,590	......	......	2,755	28,835
Preservation 2000	1,905,610	......	702,615	485,385	2,122,840
Save Our Coast	232,260	......	......	12,925	219,335
Pollution Control	144,885	......	......	87,670	57,215
Inland Protection	......	......	253,335	20,300	233,035
Lottery Education	......	......	115,390	......	115,390
Compensated absences	577,587	......	75,153	32,305	620,435
Certificates of participation	1,850	......	......	1,695	155
Installment-purchase contracts and capital leases payable	68,169	897	1,537	6,420	64,183
Due to other governments:					
Florida Canal Authority	9,088	......	......	5,000	4,088
Federal arbitrage liability	5,051	......	11,900	311	16,640
Other long-term liabilities:					
Petroleum Clean-Up liability	380,479	......	......	374,720	5,759
Other	2,287	......	......	1,312	975
Total Primary Government	$ 10,816,456	$ 897	$ 2,357,325	$ 1,208,628	$ 11,966,050
COMPONENT UNITS					
Bonds payable	$ 1,562,327	$ 6,827	$ 455,300	$ 93,892	$ 1,930,562
Compensated absences	140,357	(843)	6,060	571	145,003
Other	282,418	(9,330)	41,431	112,132	202,387
Total Component Units	$ 1,985,102	$ (3,346)	$ 502,791	$ 206,595	$ 2,277,952

NOTE 13 - OPERATING LEASES

Florida has long-term commitments for assets leased under operating leases. These assets are not recorded on the combined balance sheet and operating lease payments are recorded as expenditures or expenses of the related funds when paid or incurred. Future minimum lease commitments for noncancelable operating leases as of June 30, 1998 are as follows (in thousands):

Fiscal Year Ending 6/30	Primary Government Operating Lease Commitments	Component Units Operating Lease Commitments	Entity Total
1999	$ 154,978	$ 12,788	$ 167,766
2000	138,264	11,205	149,469
2001	115,498	9,610	125,108
2002	94,431	8,150	102,581
2003	72,447	4,973	77,420
Later Years	249,259	28,605	277,864
Total	$ 824,877	$ 75,331	$ 900,208

Total primary government operating lease commitments consisted of $7,861,718 for machinery and equipment and $817,015,610 for land and buildings. Total operating lease commitments for component units consisted of $23,608,862 for machinery and equipment and $51,722,542 for land and buildings.

NOTE 14 - INTERFUND RECEIVABLES AND PAYABLES

During the course of operations, there are numerous transactions between funds. At June 30, 1998, 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. Receivable and payable balances of various state agencies at June 30, 1998 are as follows (in thousands):

	Interfund Receivables		Interfund Payables	
	Due From Other Funds	Advances To Other Funds	Due To Other Funds	Advances From Other Funds
General Fund	$246,860	$16,367	$347,078	$ ......
Special Revenue Funds				
Department of Revenue	90,825	......	424,647	7
Department of Transportation	315,668	107,906	28,993	10,000
Department of Education	50,256	......	274,778	......
Other	238,356	6,116	213,549	20,113
Total Special Revenue Funds	695,105	114,022	941,967	30,120
Capital Projects Funds				
Department of Corrections	74,713	......	......	......
Department of Juvenile Justice	36,313	......	116	......
Department of Transportation	3,847	21,930	70	......
Other	38,593	......	737	......
Total Capital Projects Funds	153,466	21,930	923	......
Debt Service Fund	2,647	......	......	......
Enterprise Funds				
Department of Transportation	54,145	67,962	21,058	184,398
Other	2,157	......	52,093	......
Total Enterprise Funds	56,302	67,962	73,151	184,398
Internal Service Funds				
Department of Management Services	8,595	......	26,161	2,003
Other	9,753	......	1,813	......
Total Internal Service Funds	18,348	......	27,974	2,003
Trust and Agency Funds				
Expendable Trust Funds				
Department of Labor and Employment Security	42,836	......	48,966	......
Other	2,733	......	2,199	......
Nonexpendable Trust Fund				
Department of State	......	......	787	......
Pension Trust Fund	97,888	......	3,996	......
Investment Trust Funds	2,482	......	188	......
Agency Funds				
Department of Insurance	......	......	230,104	......
Department of Banking and Finance	6	......	90,109	......
Department of Revenue	53,070	......	26,531	......
Other	25,542	......	14,720	2,352
Total Trust and Agency Funds	224,557	......	417,600	2,352
State University System Funds	641,081	......	229,673	1,408
Total Interfund Receivables and Payables	$ 2,038,366	$ 220,281	$ 2,038,366	$ 220,281
Total for Component Units	$ 36,306	$	$ 36,306	$ ......

NOTE 15 - RISK MANAGEMENT

A. Property Self-Insurance Fund

The State Property Insurance Trust Fund, an internal service fund, insures 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 Fund provides coverage up to $2 million per loss occurrence subject to an annual aggregate of $5 million, except for losses due to flood. Commercial insurance for losses in excess of coverage provided by the Fund is purchased up to $200 million per loss event, except losses due to flood. The Fund self-insures up to $250,000 coverage per State-owned single family residence and $500,000 coverage per State-owned building for loss or damage due to flood and up to $100,000 and $500,000, respectively, for contents thereof.

The Fund's estimated liability for unpaid claims at fiscal year-end is determined by management analyses. Changes in the Fund's claims liability amount in fiscal years ended June 30, 1997 and June 30, 1998, were as follows (in thousands):

Fiscal Year-Ended	Beginning-of-Fiscal-Year Liability	Current-Year Claims and Changes in Estimate	Claim Payments	Other	Balance at Fiscal Year-End
June 30, 1997	$ 4,479	$ 261	$ (980)	$	$ 3,760
June 30, 1998	$ 3,760	$ (691)	$ (898)	$	$ 2,171

B. Casualty Self-Insurance Fund

The Florida Casualty Insurance Risk Management Trust Fund, an internal service fund, provides insurance for the risks of loss related to Federal civil rights actions, workers' compensation, court awarded attorney fees, automobile liability, and general liability. It is the policy of the State to retain these risks of losses rather than purchasing commercial insurance.

The estimated liability for unpaid claims at June 30, 1998, was $585 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 discounted using a four percent annual percentage rate.

Changes in the Fund's claims liability amount for fiscal years ended June 30, 1997 and June 30, 1998, were as follows (in thousands):

Fiscal Year-Ended	Beginning-of-Fiscal-Year Liability	Current-Year Claims and Changes in Estimate	Claim Payments	Other	Balance at Fiscal Year-End
June 30, 1997	$ 451,033	$ 182,058	$ (83,101)	$	$ 549,990
June 30, 1998	$ 549,990	$ 114,287	$ (78,792)	$	$ 585,485

C. Medical Professional Liability Self-Insurance Program

The Medical Professional Liability Self-Insurance Program provides dental, medical, and veterinary medical professional liability, comprehensive general liability, hospital professional liability, and patient's property liability covering faculty, staff, and students engaged in dental, medical, and veterinary medical programs at the University of Florida, J. Hillis Miller Health Center (JHMHC), the JHMHC at Jacksonville, and the University of South Florida. The funds are reported with the State University System current funds.

The Program's retained risks range from payments on tort claims limited to $100,000 per claim and $200,000 per occurrence to $2 million per occurrence for professional liability up to an aggregate of $6.5 million for all payments made on claims arising during the fiscal year for the University of Florida JHMHC, up to $3 million for the University of South Florida and up to $6.5 million for the JHMHC at Jacksonville. Losses in excess of these individual and aggregate amounts, up to $50 million, are insured commercially. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The Medical Professional Liability Self-Insurance Program's estimated liability for unpaid claims at fiscal year-end is the result of both management and actuarial analyses and includes an amount for claims that have been incurred but not reported. The Program purchases annuity contracts from commercial insurers to satisfy certain liabilities; accordingly, no liability is reported for those claims. At June 30, 1998, none of those covered liabilities were still outstanding. Changes in the Program's claim liability amount in fiscal years ended June 30, 1997 and June 30, 1998, were as follows (in thousands):

Fiscal Year-Ended	Beginning-of-Fiscal-Year Liability	Current-Year Claims and Changes in Estimate	Claim Payments	Other	Balance at Fiscal Year-End
June 30, 1997	$ 34,401	$ 6,239	$ (6,386)	$	$ 34,254
June 30, 1998	$ 34,254	$ 10,465	$ (6,010)	$	$ 38,709

D. Employees Health Insurance Fund

Employees 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 Fund.

The Fund'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 claim liability amounts for fiscal years ended June 30, 1997 and June 30, 1998, were as follows (in thousands):

Fiscal Year-Ended	Beginning-of-Fiscal-Year Liability	Current-Year Claims and Changes in Estimate	Claim Payments	Other	Balance at Fiscal Year-End
June 30, 1997	$ 65,000	$ 387,255	$ (383,755)	$	$ 68,500
June 30, 1998	$ 68,500	$ 363,324	$ (383,023)	$	$ 48,801

NOTE 16 - PRIOR PERIOD ADJUSTMENTS

Fund balances and retained earnings at July 1, 1997 have been increased/(decreased) as follows (in thousands):

GENERAL FUND		
To record the cumulative effect of an overstatement of tax revenues for the prior two years. *Department of Revenue*	$	(25,049)
To correct the overstatement of accounts payable for impact fee refunds. *Department of Highway Safety and Motor Vehicles*	$	1,490
To record the cumulative effect of the implementation of GASB Statement No. 31. *Various agencies*	$	22,781
SPECIAL REVENUE FUNDS		
To record the cumulative effect of the implementation of GASB Statement No. 31. *Various agencies*	$	16,736
To adjust a prior year accrual. *Department of Children and Families*	$	(2,095)
To record an advance received in the prior year but not recorded; to record the cumulative effect of incorrectly recording revenue from long-term receivables. *Department of Environmental Protection*	$	(32,107)
CAPITAL PROJECTS FUNDS		
To record the cumulative effect of the implementation of GASB Statement No. 31. *Various agencies*	$	38
To record advances made in prior years to the Florida Turnpike System (Enterprise Fund). *Department of Transportation*	$	3,589
DEBT SERVICE FUND		
To record the cumulative effect of the implementation of GASB Statement No. 31. *State Board of Administration*	$	1,470
ENTERPRISE FUNDS		
To record the cumulative effect of the implementation of GASB Statement No. 31. *Various agencies*	$	99,302
To record the adjustments for inventory and equipment of the Business Enterprises Vending Facilities. *Department of Labor and Employment Security*	$	(5,327)
INTERNAL SERVICE FUNDS		
To record the cumulative effect of the implementation of GASB Statement No. 31. *Various agencies*	$	499
FIDUCIARY FUNDS		
To record the cumulative effect of the implementation of GASB Statement No. 31 in the Expendable Trust Funds ($10,570); Non-Expendable Trust Fund ($10); Pension Fund ($9); Defined Benefit Pension Fund ($2); and Investment Trust Funds ($8,605,282). *Various agencies*	$	8,615,873
STATE UNIVERSITY SYSTEM		
Endowment Fund: To record the cumulative effect of the implementation of GASB Statement No. 31. *Board of Regents*	$	3,184
Retirement of Indebtedness Fund: To record the cumulative effect of the implementation of GASB Statement No. 31. *Florida International University*	$	924
Unexpended Plant Fund: To correct prior period errors related to reporting liabilities associated with bonded debt. *University of South Florida*	$	11,342

Investment in Plant Fund:		
To correct prior period errors related to reporting liabilities associated with bonded debt.		
University of South Florida	$	(11,342)

COMPONENT UNITS

Governmental Fund Types

To record the cumulative effect of the implementation of SFAS Nos. 116, 117, and 124; the implementation of GASB Statement No. 31; the correction of recording errors, and the effect of the transfer of the DSOs equity to the Community Colleges. In prior years the DSOs were presented as component units of the State rather than component units of the Community Colleges.		
Community Colleges	$	206,075
To record the effect of the transfer of the Community College's DSOs equity to the Community Colleges.		
Other Component Units	$	(173,042)
To record the cumulative effect of the implementation of SFAS Nos. 116 and 124 and GASB Statement No. 31, inclusion of certain investments previously excluded, change in recognition of revenue to match expenses, writeoff of accounts payable, and inclusion of a new component unit.		
State University System Direct Support Organizations	$	1,311
To record the cumulative effect of the implementation of GASB Statement No. 31.		
Department of Transportation	$	(1,088)

Proprietary Fund Types

To record the cumulative effect of the implementation of GASB Statement No. 31.		
Department of Transportation	$	(1,380)

NOTE 17 - GUARANTEES OF INDEBTEDNESS OF OTHERS

The Federal Family Education Loans Program administered by the Florida Department of Education (FDOE) guarantees loans made to eligible students and their parents by financial institutions. At June 30, 1998, $4,952,218,107 of loans were guaranteed under this Program. The United States Department of Education (USDOE) 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 percent. For loans made on or after October 1, 1993, the reimbursement rate for defaulted loans can be 78, 88, or 98 percent. During the 1997-98 fiscal year, the actual rates were 98 and 100 percent. A potential liability exists for loans defaulted in excess of the Federal reimbursement. The specific amount of this potential liability is indeterminable.

Title 20, Section 1072(h)(1), United States Code (Code), requires the USDOE Secretary to recall $1 billion from the reserve funds held by guaranty agencies on September 1, 2002. For purposes of funding this recall, the Code establishes a method for determining each guaranty agency's "required share" of recalled reserve funds. In addition, the Code states that within 90 days after the beginning of each of the fiscal years 1998 through 2002, each guaranty agency shall transfer a portion of the agency's required share to a restricted account established by the agency that is of a type selected by the agency with the approval of the Secretary. The FDOE is required to and has for fiscal year 1997-98 transferred $9,809,184 (first of five equal installments) to a designated account. This amount is included in Other Reserves of Fund Balance in the Special Revenue Funds.

NOTE 18 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

Segment information for the enterprise funds for the fiscal year ended June 30, 1998 is as follows (in thousands):

	Department of Lottery	Department of Transportation	Other	Total
Operating revenue	$ 2,057,372	$ 334,520	$ 99,725	$ 2,491,617
Depreciation	3,003	5,331	1,073	9,407
Operating income (loss)	792,180	219,667	55,637	1,067,484
Transfers in	86	1,231,901	91,226	1,323,213
Transfers out	802,346	1,215,845	407,910	2,426,101
Net income (loss)	116,329	175,577	(326,906)	(35,000)
Current Capital Contributions	......	1,370	......	1,370
Property plant and equipment:				
Additions	2,031	305,616	1,655	309,302
Deletions	6,671	191,670	11,269	209,610
Net working capital	4,784	229,231	24,770	258,785
Total assets	3,403,001	4,062,362	35,837	7,501,200
Long-term debt	2,021,170	1,929,925	23	3,951,118
Total equity	227,241	2,038,563	30,811	2,296,615

1. The Department of Lottery accounts for the operation of Florida's lottery.
2. The Department of Transportation accounts for the construction, operations, and maintenance of toll and turnpike facilities. Transfers include $12,396,757 of gas tax collected by the Department of Revenue.
3. Other includes the Departments of Children and Families, Corrections, Juvenile Justice, Labor and Employment Security, Health, Military Affairs, State, and Florida Housing Finance Agency.
4. The Florida Housing Finance Agency, accounted for within the Department of Community Affairs, was discretely disclosed in the prior fiscal year. Chapter 97-167, Section 7, Laws of Florida, changed the agency into a public corporation (Florida Housing Finance Corporation) which is a component unit and no longer reported as an agency of the State. The transfer of assets and liabilities from the agency to the corporation was effective January 1, 1998. The operating activities of the agency from July 1, 1997, through December 31, 1997, are included within the "Other" column.

NOTE 19 - PREPAID POSTSECONDARY EDUCATION EXPENSE PROGRAM

The Prepaid Postsecondary Education Expense Program was created in 1987 by Section 240.551, F.S., to provide a medium through which the cost of registration 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 Postsecondary Education Expense Board and the State of Florida guarantees to meet the obligations of the Program to qualified beneficiaries if moneys in the Program are insufficient. The Program is accounted for in an expendable trust fund. An actuarial study is performed to determine the Program's funding status. Additional information as of June 30, 1998 is as follows:

Actuarial present value of future benefits payable	$2,212,485,422
Net assets available (Fair Value)	$2,463,019,677
Net assets as a percentage of tuition and housing benefits obligation	111 percent

NOTE 20 - FLORIDA HURRICANE CATASTROPHE FUND

The Florida Hurricane Catastrophe Fund (FHCF) was created in 1993, by Section 215.555, F.S., as a State trust fund to provide reimbursement to qualified insurers for a portion of their catastrophic hurricane losses; thereby creating additional insurance capacity to ensure that covered structures (and their contents) damaged or destroyed in a hurricane may be repaired or reconstructed as soon as possible. The Fund is administered by the State Board of Administration which contracts with each insurer writing covered policies in the State to reimburse the insurer for a percentage of losses incurred from covered events from reimbursement premiums collected. However, payments made to insurers shall not exceed the moneys in the Fund, together with the maximum amount of revenue bonds that may be issued by a county or municipality. The Fund is accounted for as an expendable trust fund. An actuarially determined formula is used to calculate the reimbursement premium collected. Additional information as of June 30, 1998, follows:

Net assets available to meet future catastrophic losses	$	2,181,606,523
Catastrophic losses incurred during the fiscal year (related to prior years' hurricane seasons)	$	2,219,245
Catastrophic losses paid during the fiscal year	$	2,642,714

Subsequent to fiscal year-end, there were some reported residential property losses by qualified insurers within the State of Florida for the 1998 hurricane season. The FHCF will determine its liability to reimburse insurers after the end of the hurricane season on November 30, 1998.

NOTE 21 - OTHER LOSS CONTINGENCIES

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. Any foreseeable disallowances will not have a material adverse effect on the State of Florida's financial position.

NOTE 22 - LITIGATION

Due to its size and broad range of activities, the State is involved in numerous routine legal actions. The departments involved believe that the results of such litigation pending or anticipated will not materially affect the State of Florida's financial position.

A. Coastal Petroleum v. State of Florida

Case No. 90-3195, 2nd Judicial Circuit. This is an inverse condemnation case claiming that the action of the Trustees and Legislature constitute a taking of Coastal's leases for which compensation is due. The Circuit Judge granted the State's motion for summary judgment finding that, as a matter of law, the State had not deprived Coastal of any royalty rights. Coastal appealed to the First District Court of Appeals, but the case was remanded to Circuit Court for trial. On August 6, 1996, final judgment was made in favor of the State. Although Coastal filed for review by the Supreme Court, the Supreme Court denied review and the petition for certiorari.

B. Florida Department of Transportation v. 745 Property Investments, CSX Transportation, Inc., and Continental Equities

Case No. 94-17739 CA 27, Dade County Circuit Court. This case involves the Florida Department of Transportation (FDOT) and CSX Transportation, Inc. FDOT filed an action against the adjoining property owners seeking a declaratory judgment from the Dade County Circuit Court that the Department is not the owner of the property that is subject to a claim by the U.S. Environmental Protection Agency (EPA). Although the Court dismissed the case, the EPA could file a claim against the FDOT for clean-up costs. These costs could exceed $25 million.

C. Jenkins v. Florida Department of Health and Rehabilitative Services

Case No. 79-102-CIV-J-16, United States District Court. This was a class action suit on behalf of clients of residential placement for the developmentally disabled seeking refunds for services where children were entitled to free education under the Education for Handicapped Act. The Department had been collecting maintenance fees from parents of the placed children and various third parties such as SSI and Social Security. The District Court ruled in favor of the Plaintiffs and ordered repayment of the maintenance fees. The Department repaid the $217,694 in maintenance fees paid by the parents; however, amounts estimated at $21.6 million due to various third parties have not been paid since the affected parties have not been identified.

D. Nathan M. Hameroff, M. D. et. al. v. Agency for Health Care Administration, et. al.

Case No. 95-5936, Leon County Circuit Court. The plaintiffs challenge the constitutionality of the Public Medical Assistance Trust Fund (PMATF) annual assessment on net operating revenue of free-standing out-patient facilities offering sophisticated radiology services. A trial has not been scheduled. If the State is unsuccessful in its actions, the potential refund liability could amount to approximately $70 million.

E. Barnett Bank v. Florida Department of Revenue

Case No. 97-02375, 4th Judicial Circuit. This case involves the issue of whether Florida's refund statute for dealer repossessions authorizes the Department to grant a refund to a financial institution as the assignee of numerous security agreements governing the sale of automobiles and other property sold by dealers. The question turns on whether the Legislature intended the statute only to provide a refund or credit to the dealer who actually sold the tangible personal property and collected and remitted the tax or intended that right to be assignable. Final judgment has been issued against the Department; however, the Department plans to appeal the decision. Several banks have applied for refunds; the potential refunds to financial institutions exceed $30 million annually.

F. Tower Environmental v. Florida Department of Environmental Protection

Case No. 98-01312, Hillsborough County Circuit Court. Tower Environmental has sued the State of Florida and the Department of Environmental Protection (DEP) for $60 million alleging that both the State and DEP "breached" contracts with them by first "freezing" the processing of reimbursement applications and then the termination of the petroleum reimbursement process. Alternatively, Tower claims that these actions constitute torts or impairment of contractual obligations. Tower also alleges that the termination of reimbursement claims pursuant to Section 376.3071, F.S., is a breach of contract. In addition to damages, Tower seeks recovery of attorneys fees and costs. If attorneys fees and costs are awarded, the potential liability could be as high as $60 million.

G. Peter and Roy Geraci v. Florida Department of Transportation

Case No. 98-3904, Hillsborough County, 13th Judicial Circuit. The Plaintiffs claim that the Florida Department of Transportation has been responsible for construction of roads and attendant drainage facilities in Hillsborough County and, as a result of its construction, has caused the Plaintiffs' property to become subjected to flooding, thereby amounting to an uncompensated taking. On December 15, 1998, the Court granted the State's Motion for More Definite Statement as to certain portions of the Plaintiffs' complaint. If the State is unsuccessful in its actions, potential losses could exceed $40 million.

H. Barnett Banks, Inc. v. Florida Department of Revenue

Case No. 98-4104, 1st District Court of Appeals. In this case, the taxpayer has challenged the imposition of interest on additional amounts of corporate income tax due as a result of Federal audit adjustments reported to Florida. The Department's historical position is that interest is due from the due date of the return until payment of the additional amount of tax is made. The taxpayer contends that interest should be accrued from the date the Federal audit adjustments were due to be reported to Florida. A Final Order was issued adopting the position asserted by the Department; however, the taxpayer has filed an appeal of the Final Order. Based on the best available information, the potential exposure for refunds or lost revenue is in the range of $12 to $20 million per year.

NOTE 23 - DEFICIT FUND EQUITY

Internal Service Fund - Department of Insurance

The Florida Casualty Insurance Risk Management Trust Fund has deficit retained earnings of approximately $567 million. The liabilities reported in the Fund represent long-term liabilities of the State of Florida as a whole rather than Department of Insurance only. These liabilities include claims pertaining to State Employee Workers' Compensation, Federal civil rights, and general and automotive liability.

Internal Service Fund – Department of Management Services

The State Employees' Group Health Self-Insurance Trust Fund has deficit retained earnings of approximately $27 million. This results from increased claims expense, including an actuarially estimated liability of approximately $49 million for claims incurred but not reported for payment by the third-party claims administrator.

Expendable Trust Fund - Department of Labor and Employment Security

The Special Disability Trust Fund has a deficit fund balance of approximately $1.9 billion. This deficit is the cumulative result of claims expense over net assessment revenue.

Component Units - Department of Transportation

The Tampa-Hillsborough County Expressway Authority has deficit retained earnings of approximately $35 million. This deficit is the result of the change in reporting entity pursuant to Section 348.52, F.S. The Authority assumed infrastructure assets and long-term debt liabilities previously recorded in governmental funds, an agency fund, a general fixed assets account group, and a general long-term debt account group.

NOTE 24 - RESERVES OF FUND BALANCE

The amounts reported in the combined balance sheet identified as reserved fund balance as of June 30, 1998, are comprised of the following (in thousands):

General Fund:	
Reserved for encumbrances	$ 71,925
Reserved for inventories	8,155
Other reserved	685,990
Reserved - General Fund	$ 766,070
Special Revenue Funds:	
Reserved for encumbrances	$ 1,566,765
Reserved for inventories	35,028
Reserved for advances	111,699
Reserved for long-term receivables	929,271
Other reserved	82,790
Reserved - Special Revenue Funds	$ 2,725,553
Capital Projects Funds:	
Reserved for encumbrances	$ 36,596
Reserved for advances	19,500
Reserved - Capital Projects Funds	$ 56,096
Debt Service Fund:	
Reserved for debt service	$ 298,073
Trust and Agency Funds:	
Reserved for encumbrances	$ 63
Reserved for inventories	2
Reserved for endowment principal	1,209
Reserved for employees pension benefits	83,780,277
Reserved for trust fund participants	9,904,022
Other reserved	2,822
Reserved - Trust and Agency Funds	$ 93,688,395
State University System Fund Types:	
Reserved for encumbrances	$ 285,880
Other reserved	534,498
Reserved - State University System Fund Types	$ 820,378
Component Units - Community Colleges:	
Reserved for encumbrances	$ 145,237
Reserve for pension and endowment	131,589
Other reserved	222,809
Reserved - Component Units - Community Colleges	$ 499,635
Component Units - Other:	
Reserved for encumbrances	$ 156,659
Reserved for debt service	85,267
Other reserved	59,070
Reserved - Component Units - Other	$ 300,996

NOTE 25 - SUBSEQUENT EVENTS

A. State Board of Education, Public Education Capital Outlay Bonds:

Series	Amount	Matures	Interest Rate
1997B	$240,200,000	June 1, 1999 - June 1, 2028	4.000%-6.000%
1998A	$250,000,000	June 1, 1999 - June 1, 2028	4.750%-6.000%

B. State Board of Education, Public Education Capital Outlay Refunding Bonds:

Series	Amount	Matures	Interest Rate
1998B	$224,595,000	June 1, 1999 - June 1, 2013	4.200%-5.250%
1998C	$220,370,000	June 1, 1999 - June 1, 2022	4.000%-5.250%
1998D	$226,375,000	June 1, 1999 - June 1, 2024	3.500%-5.250%
1999A	$220,485,000	June 1, 1999 - June 1, 2023	4.000%-6.000%
1999B	$139,525,000	June 1, 1999 - June 1, 2024	3.750%-5.250%

C. Board of Regents, University of Florida Housing Revenue Bonds:

Series	Amount	Matures	Interest Rate
1998	$26,155,000	July 1, 1999 - July 1, 2028	4.000% to 6.000%

D. Board of Regents, University of Florida Parking Facility Revenue Bonds:

Series	Amount	Matures	Interest Rate
1998	$10,000,000	Aug. 1, 2000 – Aug. 1, 2018	3.650% to 4.750%

E. Board of Regents, Florida International University Housing Facility Revenue Bonds:

Series	Amount	Matures	Interest Rate
1998	$26,525,000	July 1, 2001 - July 1, 2028	4.300% to 6.300%

F. Board of Regents, University System Improvement Revenue Bonds:

Series	Amount	Matures	Interest Rate
1998	$50,865,000	July 1, 1999 – July 1, 2023	4.000% to 5.000%

G. Department of Management Services, Florida Facilities Pool Revenue Bonds:

Series	Amount	Matures	Interest Rate
1998B	$45,680,000	Sept. 1, 2000 – Sept. 1, 2028	4.000% to 5.750%

H. State Board of Education, Lottery Revenue Bonds:

Series	Amount	Matures	Interest Rate
1998B	$200,000,000	July 1, 1999 – July 1, 2018	4.000% to 5.750%

I. Department of Environmental Protection, Save Our Coast Refunding Revenue Bonds:

Series	Amount	Matures	Interest Rate
1998A	$75,385,000	July 1, 1999 – July 1, 2010	3.800% to 5.250%

J. In late April and early May, significant wildland fires erupted in South Florida. On May 25, 1998, numerous wildfires broke out Statewide causing a significant economic impact on the State. Numerous homes (337) and businesses (33) were damaged or destroyed, and 500,000 acres of timber were destroyed. Tourism output was decreased for a two-month period. Total estimates of damages were in excess of $645 million.

K. The 1997 Legislature passed legislation which established a new benefit program for eligible Florida Retirement System members to be effective July 1, 1998. The Deferred Retirement Option Program (DROP) is a program under which an eligible member of the Florida Retirement System may elect to participate for a period not to exceed a maximum of 60 calendar months, deferring receipt of retirement benefits while continuing employment with a Florida Retirement System employer. The deferred monthly benefits shall accrue in the System Trust Fund on behalf of the participant, plus interest at an effective annual rate of 6.5 percent compounded monthly, for the specified period of the DROP participation.

L. The parties in State of Florida v. American Tobacco Company, et al., entered into a stipulated settlement agreement on September 11, 1998, which provided additional benefits to the State, including the payment of additional moneys of $1.7 billion. The agreement also specified that the private attorneys representing the State would be paid approximately $3.4 billion from funds provided by the defendants.

M. The State's remediation efforts relating to the year 2000 issue (described in Note 8B) included the following stages of work, as of December 31, 1998. The 492 agency developed mission-critical systems were 100% completed with the awareness stage, 100% completed with the assessment stage, 99% with the remediation stage and 91.5% with the validation/testing stage. The 16 top priority mission-critical systems were 100% completed with the awareness stage, 100% with the assessment stage, 98% with the remediation stage and 87% with the validation/testing stage. **(Unaudited)**

NOTE 26 - COMPONENT UNITS

Component units, as described in Note 1, are legally separate organizations for which the State is financially accountable, and 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. These legally separate organizations are managed independently, outside the State's budgeting process, and their powers generally are vested in a governing board pursuant to various State statutes.

The State's component units are generally supported by revenues derived from their activities, although the State has provided financial assistance, in some cases of a recurring nature, to certain organizations for operating and other expenses. For example, financial assistance, in the form of State appropriations, was provided to the State's community colleges and assistance is expected to continue in future years. Also, the State has issued full faith and credit bonds on behalf of its community colleges.

The State of Florida has over 130 component units. Major component units for the State consist of over 97 organizations classified in the following four categories: educational, transportation, environmental and community colleges. These four categories contain 97 and 94 percent of the total component unit assets and revenues, respectively. The community colleges and community college direct-support organizations are excluded from the condensed presentation because they are presented in a separate column on the combined statements. Substantially all financial data was derived from the latest audited annual financial statements and summarized into the accompanying format. Refer to Note 1 for additional discussion pertaining to discretely presented component unit categories and how to obtain further information on individual component units.

CONDENSED BALANCE SHEET
OTHER COMPONENT UNITS
(in thousands)

	Environmental	Transportation	Educational	Other	Total
ASSETS					
Current assets	$ 339,513	$ 244,651	$ 2,079,159	$ 142,406	$ 2,805,729
Due from component units/primary	334,976	56,657	67,665	205,035	664,333
Property, plant and equipment	2,047,502	1,322,433	668,384	67,065	4,105,384
Amount available in debt service fund	13,672	71,719	......	......	85,391
Amount to be provided	214,526	101,983	......	19	316,528
Other assets	......	259,952	......	3,293	263,245
TOTAL ASSETS	$ 2,950,189	$ 2,057,395	$ 2,815,208	$ 417,818	$ 8,240,610
LIABILITIES AND FUND EQUITY					
Liabilities:					
Current liabilities	$ 117,588	$ 121,619	$ 219,168	$ 239,633	$ 698,008
Due to component units/primary	1,844	149,967	146,754	1,626	300,191
Bonds payable	194,925	1,251,735	439,704	......	1,886,364
Other long-term liabilities	33,405	127,784	160,709	33,177	355,075
Total Liabilities	347,762	1,651,105	966,335	274,436	3,239,638
Fund Equity:					
Contributed capital	......	106,298	......	6,226	112,524
Investments in general fixed assets	2,047,503	15,026	......	1,199	2,063,728
Retained earnings	1,006	202,164	......	64,313	267,483
Fund balance	553,918	82,802	1,848,873	71,644	2,557,237
Total Fund Equity	2,602,427	406,290	1,848,873	143,382	5,000,972
TOTAL LIABILITIES AND FUND EQUITY	$ 2,950,189	$ 2,057,395	$ 2,815,208	$ 417,818	$ 8,240,610

CONDENSED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
OTHER COMPONENT UNITS
(in thousands)

	Environmental	Transportation	Educational	Other	Total
REVENUES	$ 471,507	$ 19,437	$ 1,693,740	$ 112,312	$ 2,296,996
EXPENDITURES					
Current and other	360,251	7,679	1,209,892	110,902	1,688,724
Capital outlay	185,038	4,269	......	35	189,342
Debt service	17,088	9,801	......	884	27,773
TOTAL EXPENDITURES	562,377	21,749	1,209,892	111,821	1,905,839
EXCESS(DEFICIENCY) OF REVENUES OVER EXPENDITURES	(90,870)	(2,312)	483,848	491	391,157
Transfers in/(out) component units/primary	153,615	2,166	(159,756)	44,220	40,245
NET CHANGE IN FUND BALANCES	62,745	(146)	324,092	44,711	431,402
FUND BALANCES - BEGINNING	491,173	86,861	1,696,512	26,933	2,301,479
Adjustments to beginning fund balances	......	(1,088)	(171,731)	......	(172,819)
Fund Balances, July 1, as restated	491,173	85,773	1,524,781	26,933	2,128,660
Residual equity transfers	......	(2,825)	......	......	(2,825)
FUND BALANCES - ENDING	$ 553,918	$ 82,802	$ 1,848,873	$ 71,644	$ 2,557,237

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUNDS
OTHER COMPONENT UNITS
(in thousands)

	Environmental	Transportation	Other	Total
OPERATING REVENUES	$ 3,132	$ 118,583	$ 106,326	$ 228,041
OPERATING EXPENSES				
Operating expenses - depreciation	......	4,774	56	4,830
Other operating	3,003	54,752	100,440	158,195
TOTAL OPERATING EXPENSES	3,003	59,526	100,496	163,025
OPERATING INCOME/(LOSS)	129	59,057	5,830	65,016
Grants and contributions	......	10,584	2,458	13,042
Nonoperating revenues/(expenses)	340	(45,087)	7,374	(37,373)
INCOME/(LOSS) BEFORE TRANSFERS	469	24,554	15,662	40,685
Transfers in/(out) component units/primary	......	(37,002)	......	(37,002)
NET INCOME/(LOSS)	469	(12,448)	15,662	3,683
RETAINED EARNINGS - BEGINNING	537	213,167	48,651	262,355
Adjustments to beginning retained earnings	......	(1,380)	......	(1,380)
Retained Earnings, July 1, as restated	537	211,787	48,651	260,975
Residual equity transfers	......	2,825	......	2,825
RETAINED EARNINGS - ENDING	$ 1,006	$ 202,164	$ 64,313	$ 267,483

OTHER DISCLOSURES

STATE OF FLORIDA
STATEMENT OF PLAN NET ASSETS
DEFINED BENEFIT PENSION PLAN (1)
JUNE 30, 1998
(in thousands)

	Total 6/30/98	Total 6/30/97
ASSETS		
Cash and cash equivalents	$ 35,508	$ 48,283
Pooled investments with State Treasury	695	1,125
	36,203	49,408
Investments:		
Certificates of deposit	239,981	225,975
U.S. government & federally-guaranteed obligations	6,670,228	6,490,159
Federal agencies	4,757,013	3,941,421
Commercial paper	1,398,458	24,934
Repurchase agreements	490,610	1,923,804
Bonds and notes	9,458,589	896,090
Real estate contracts	2,474,654	6,422,087
Short-term investments	1,364,966	1,792,592
Money market and mutual fund/investment agreements	......	686,336
Domestic equity/domestic equity commingled	50,905,543	39,158,424
Limited partnerships	401,366	95,178
Equity group trust	3,940	1,774
International equity/international equity commingled	6,156,304	5,620,525
Canadian bills/foreign currency	......	74,849
Total Investments	84,321,652	67,354,148
Receivables:		
Accounts receivable	504	63,337
Non-State contributions receivable	251,024	236,864
Installment Contributions receivable	......	257
Interest receivable	289,782	229,328
Dividends receivable	48,463	43,270
Pending investment sales	371,339	225,266
Forward contracts/receivable/discount	187,362	118,853
Futures trade equity	642	......
Proceeds from the sale of investments	24,416	26,229
Due from state funds	97,888	1,063
Total Receivables	1,271,420	944,467
Security lending collateral	6,583,159	6,515,275
Fixed assets	3,268	2,608
Accumulated depreciation	(1,650)	(1,297)
Total Fixed Assets	1,618	1,311
Other assets	1,279	1,675
Total Assets	**$92,215,331**	**$74,866,284**
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	$ 24,085	$ 22,474
Pending investment purchases	1,631,678	806,705
Forward contracts payable	187,676	118,853
Broker rebate fees	23,157	24,854
Due to other funds	2,927	2,454
Due to other governments	......	2
Obligations under security lending agreements	6,564,623	6,515,275
Compensated absences liability	1,355	1,138
Total Liabilities	**8,435,501**	**7,491,755**
Fund Balance:		
Reserved for employees' pension benefits	83,779,831	67,374,529
Total Fund Balance	**83,779,831**	**67,374,529**
TOTAL LIABILITIES AND FUND BALANCE	**$92,215,332**	**$74,866,284**

(1) Presented as additional information with separately issued general purpose financial statements as suggested by the "Guide to Implementation of GASB Statements 25, 26 and 27 on Pension Reporting and Disclosure by State and Local Government Plans and Employers."