State of Florida
Division of Bond Finance

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Copies of the printed Official Statement may be obtained from:

Florida Division of Bond Finance
1801 Hermitage Boulevard
Suite 200
Tallahassee, Florida 32308

E-Mail: bond@sbafla.com
Phone: (850) 488-4782
Fax: (850) 413-1315

<u>Refunding Issue - Book-Entry Only</u>
This Official Statement has been prepared by the Division of Bond Finance to provide information about the 2017A Bonds. Selected information is presented on this cover page for the convenience of the reader. ***To make an informed decision, a prospective investor should read this Official Statement in its entirety.*** Unless otherwise indicated, capitalized terms have the meanings given in Appendix B.

$239,705,000
STATE OF FLORIDA
State Board of Education
Lottery Revenue Refunding Bonds, Series 2017A

Dated: Date of Delivery **Due:** July 1, as shown on the inside front cover

Bond Ratings	AA Fitch Ratings A1 Moody's Investors Service AAA Standard & Poor's Ratings Services
Tax Status	In the opinion of Bond Counsel, interest on the 2017A Bonds will be excluded from gross income for federal income tax purposes and will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, interest on the 2017A Bonds will be taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax on corporations. The 2017A Bonds and the income thereon are not subject to taxation under the laws of the State of Florida, except estate taxes and taxes under Chapter 220, Florida Statutes, as amended. See "TAX MATTERS" herein for a description of other tax consequences to holders of the 2017A Bonds.
Redemption	The 2017A Bonds are not subject to redemption prior to maturity.
Security	The 2017A Bonds are payable from the Pledged Revenues consisting of lottery revenues deposited in the Educational Enhancement Trust Fund and certain other funds held pursuant to the Resolution. **The 2017A Bonds are not a general obligation or indebtedness of the State of Florida, and the full faith and credit of the State of Florida is not pledged to payment of the 2017A Bonds.**
Lien Priority	The lien of the 2017A Bonds on the Pledged Revenues is a first lien on such revenues and will be on a parity with the currently Outstanding Bonds and any Additional Bonds hereafter issued. The aggregate principal amount of Outstanding Bonds subsequent to the issuance of the 2017A Bonds will be $1,440,438,000, excluding the principal amount of $315,304,000 of the Bonds to be refunded by the 2017A Bonds which are economically but not legally defeased and are scheduled to be called for redemption on July 1, 2018. See "SECURITY FOR THE 2017A BONDS - Outstanding Bonds" below.
Additional Bonds	Additional Bonds payable on a parity with the 2017A Bonds may be issued if historical Pledged Revenues exceed 300% of maximum annual debt service. This description of the requirements for the issuance of Additional Bonds is only a summary of the complete requirements. See "ADDITIONAL BONDS" herein for more complete information.
Purpose	Proceeds of the 2017A Bonds are being used to refund a portion of the outstanding State of Florida, State Board of Education Lottery Revenue Bonds, Series 2008B and 2009A, and to pay costs of issuance.
Interest Payment Dates	January 1 and July 1, commencing July 1, 2018.
Record Dates	December 15 and June 15.
Form/Denomination	The 2017A Bonds will initially be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases will be made in book-entry form only through Direct Participants (defined herein) in denominations of $1,000 and integral multiples thereof. Purchasers of the 2017A Bonds will not receive physical delivery of the 2017A Bonds.
Closing/Settlement	It is anticipated that the 2017A Bonds will be available for delivery through the facilities of DTC in New York, New York on December 7, 2017.
Bond Registrar/ Paying Agent	U.S. Bank Trust National Association, New York, New York.
Bond Counsel	Bryant Miller Olive P.A., Tallahassee, Florida.
Issuer Contact	Division of Bond Finance, (850) 488-4782, bond@sbafla.com
Maturity Structure	The 2017A Bonds will mature on the dates and bear interest at the rates set forth on the inside front cover.

November 7, 2017

MATURITY STRUCTURE

Initial CUSIP[©]	Due Date	Principal Amount	Interest Rate	Price or Yield*
341507R29	July 1, 2019	$19,055,000	5.00%	1.20%
341507R37	July 1, 2020	20,010,000	5.00	1.30
341507R45	July 1, 2021	21,010,000	5.00	1.39
341507R52	July 1, 2022	22,065,000	5.00	1.49
341507R60	July 1, 2023	23,165,000	5.00	1.62
341507R78	July 1, 2024	24,325,000	5.00	1.73
341507R86	July 1, 2025	25,535,000	5.00	1.84
341507R94	July 1, 2026	26,815,000	5.00	1.95
341507S28	July 1, 2027	28,155,000	5.00	2.05
341507S36	July 1, 2028	29,570,000	5.00	2.16

* Price and yield information provided by the underwriter.

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STATE OFFICIALS

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Division of Bond Finance

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Department of Education

ASHBEL C. WILLIAMS
Executive Director and CIO
State Board of Administration of Florida

BOND COUNSEL
Bryant Miller Olive P.A.
Tallahassee, Florida

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OFFICIAL STATEMENT
Relating to
$239,705,000
STATE OF FLORIDA
State Board of Education
Lottery Revenue Refunding Bonds, Series 2017A

For definitions of capitalized terms not defined in the text hereof, see Appendix B.

INTRODUCTION

This Official Statement sets forth information relating to the sale and issuance of the $239,705,000 State of Florida, State Board of Education Lottery Revenue Refunding Bonds, Series 2017A (the "2017A Bonds"), dated the date of delivery thereof, by the Division of Bond Finance of the State Board of Administration of Florida (the "Division of Bond Finance").

The proceeds of the 2017A Bonds will be used to refund a portion of the outstanding State of Florida, State Board of Education Lottery Revenue Bonds, Series 2008B and 2009A, and to pay costs of issuance. The refunding is being effectuated to achieve debt service savings due to lower interest rates. See "THE REFUNDING PROGRAM" below for more detailed information.

The 2017A Bonds are payable from the Pledged Revenues consisting of lottery revenues deposited in the Educational Enhancement Trust Fund and certain other funds held pursuant to the Resolution. The lien of the 2017A Bonds on the Pledged Revenues is the first lien on such revenues and will be on a parity with previously issued Bonds and any Additional Bonds hereafter issued. The aggregate principal amount of Outstanding Bonds subsequent to the issuance of the 2017A Bonds will be $1,440,438,000, excluding the principal amount of the Bonds to be refunded by the 2017A Bonds in the principal amount of $315,304,000 which are economically but not legally defeased and are scheduled to be called for redemption on July 1, 2018. **The 2017A Bonds are not secured by the full faith and credit of the State of Florida.** See "SECURITY FOR THE 2017A BONDS" below for more detailed information.

Requests for additional information may be made to:

Division of Bond Finance
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Fax: (850) 413-1315
E-mail: bond@sbafla.com
Mail: P. O. Box 13300
Tallahassee, Florida 32317-3300

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Any statements made in this Official Statement which involve opinions or estimates, whether or not expressly stated, are set forth as such and not as representations of fact. No representation is made that any of the opinions or estimates will be realized. To make an informed decision, a full review should be made of the entire Official Statement. The descriptions of the 2017A Bonds and the documents authorizing and securing the same do not purport to be comprehensive or definitive. All references to and descriptions of such documents are qualified by reference to the actual documents. Copies of such documents may be obtained from the Division of Bond Finance.

End of Introduction

AUTHORITY FOR THE ISSUANCE OF THE 2017A BONDS

General Legal Authority

The 2017A Bonds are being issued pursuant to the authority granted by the Florida Constitution and laws of the State of Florida and resolutions of the State Board of Education (the "Board of Education") and the Division of Bond Finance, all as more specifically described herein. Article VII, Section 11(d), of the Florida Constitution provides that revenue bonds payable solely from funds derived directly from sources other than State tax revenues may be issued by the State or its agencies, without a vote of the electors, to finance or refinance capital projects. Sections 215.59(2) and 215.69, Florida Statutes, authorize the issuance of revenue bonds and the refunding of such bonds by the Division of Bond Finance pursuant to Article VII, Section 11(d), of the Florida Constitution.

State Board of Education

The Board of Education is established by Article IX, Section 2 of the Florida Constitution. It consists of seven members appointed by the Governor to staggered four-year terms, subject to confirmation by the Florida Senate. The Commissioner of Education is appointed by the Board of Education. Pam Stewart is currently serving as Commissioner.

The following individuals have been appointed by the Governor to the State Board of Education:

Board Member	Term Expires
Marva Johnson, chair	December 31, 2017
Gary Chartrand	December 31, 2018
Benjamin J. Gibson	December 31, 2020
Tom Grady	December 31, 2018
Rebecca Fishman Lipsey	December 31, 2017
Michael Olenick	December 31, 2016*
Andy Tuck	December 31, 2017

* Will remain in office until reappointed or until a successor is appointed.

Division of Bond Finance

The Division of Bond Finance, a public body corporate created pursuant to the State Bond Act, is authorized to issue bonds on behalf of the State or its agencies. The Governing Board of the Division of Bond Finance (the "Governing Board") is composed of the Governor, as Chairman, and the Cabinet of the State of Florida, consisting of the Attorney General, as Secretary, the Chief Financial Officer, as Treasurer, and the Commissioner of Agriculture. The Director of the Division of Bond Finance may serve as an assistant secretary of the Governing Board.

State Board of Administration of Florida

The State Board of Administration of Florida (the "Board of Administration") was created under Article IV, Section 4, of the Florida Constitution, as revised in 1968 and subsequently amended, and succeeds to all the power, control and authority of the State Board of Administration established pursuant to Article IX, Section 16, of the Constitution of the State of Florida of 1885. It will continue as a body at least for the life of Article XII, Section 9(c) of the Florida Constitution. The Board of Administration is composed of the Governor, as Chairman, the Chief Financial Officer and the Attorney General. Under the State Bond Act, the Board of Administration determines the fiscal sufficiency of all bonds proposed to be issued by the State of Florida or its agencies. The Board of Administration also acts as the fiscal agent of the Board of Education in administering the Sinking Fund, the Rebate Fund, and the Debt Service Reserve Account.

Administrative Approval

The State Board of Education requested the Division of Bond Finance to issue the 2017A Bonds by a resolution adopted on July 17, 2017.

The Governor and Cabinet of the State of Florida, as the Governing Board of the Division of Bond Finance (the "Governing Board"), authorized the issuance of not exceeding $4.4 billion State of Florida, State Board of Education Lottery Revenue Bonds (the "Bonds"), by a resolution adopted on December 16, 1997, which was amended, supplemented and restated in its entirety on December 18, 2007, as amended and supplemented from time to time (the "Original Resolution"). The Original Resolution is included herein as Appendix C. The Governing Board authorized the issuance and sale of State of Florida, State Board of Education Lottery Revenue Refunding Bonds for the purpose of refunding certain Outstanding Lottery Revenue Bonds by supplemental resolution adopted on June 14, 2017 (the "Fifteenth Supplemental Resolution). The Fifteenth Supplemental Resolution is reproduced as Appendix D to this official statement. The Original Resolution and the Fifteenth Supplemental Resolution are referred to collectively as the "Resolution".

The Board of Administration approved the fiscal sufficiency of the 2017A Bonds, as required by the State Bond Act, by resolution adopted on June 14, 2017.

DESCRIPTION OF THE 2017A BONDS

The 2017A Bonds are being issued as fully registered bonds in the denomination of $1,000 or integral multiples thereof. The 2017A Bonds are payable from the Pledged Revenues as described herein. The 2017A Bonds will be dated the date of delivery thereof, and will mature as set forth on the inside front cover. Interest is payable on July 1, 2018, for the period from the date of delivery thereof to July 1, 2018, and semiannually thereafter on January 1 and July 1 of each year until maturity or redemption.

The 2017A Bonds will initially be issued exclusively in "book-entry" form. Ownership of one 2017A Bond for each maturity (as set forth on the inside front cover), each in the aggregate principal amount of such maturity, will be initially registered in the name of "Cede & Co." as registered owner and nominee for the Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the 2017A Bonds. Individual purchases of the 2017A Bonds will be made in book-entry form only, and the purchasers will not receive physical delivery of the 2017A Bonds or any certificate representing their beneficial ownership interest in the 2017A Bonds. See Appendix I, "Provisions For Book-Entry Only System or Registered Bonds" for a description of DTC, certain responsibilities of DTC, the Division of Bond Finance, the Board of Education and the Bond Registrar/Paying Agent, and the provisions for registration and registration for transfer of the 2017A Bonds if the book-entry only system of registration is discontinued.

REDEMPTION PROVISIONS

The 2017A Bonds are not subject to redemption prior to maturity.

THE REFUNDING PROGRAM

The 2017A Bonds, together with other legally available moneys, will be used to refund the outstanding State of Florida, State Board of Education Lottery Revenue Bonds, Series 2008B maturing in the years 2019 through 2028, inclusive (the "Refunded 2008B Bonds"), and the outstanding State of Florida, State Board of Education Lottery Revenue Bonds, Series 2009A maturing in the years 2019 through 2028, inclusive (the "Refunded 2009A Bonds"), in the aggregate outstanding principal amount of $315,304,000 (the Refunded 2008B Bonds and the Refunded 2009A Bonds are collectively referred to as the "Refunded Bonds"), and to pay costs of issuance. This refunding is being effectuated to achieve debt service savings.

Simultaneously with the delivery of the 2017A Bonds, the Division of Bond Finance will cause to be deposited a portion of the proceeds of the 2017A Bonds in an irrevocable escrow account (the "Escrow Deposit Trust Fund"), under an agreement (the "Escrow Deposit Agreement") to be entered into between the Division of Bond Finance and the Board of Administration (the latter, the "Escrow Agent"). Other than uninvested cash balances, the Escrow Agent will invest those proceeds in the State Treasury investment pool, a fund held and invested by the State Treasurer of Florida. Additionally, the Division of Bond Finance will direct the Board of Administration to release moneys currently held in the Debt Service Reserve Account for the 2008B and 2009A Bonds for the redemption of the Refunded Bonds and apply them at the same time and in the same manner as the proceeds of the 2017A Bonds are applied for such purpose.

The amount of proceeds initially deposited in escrow, together with interest thereon plus the 2008B and 2009A Reserve Account moneys, is expected to be sufficient to make all payments with respect to the Refunded Bonds. The Refunded Bonds will be considered as remaining outstanding and economically defeased only, and will continue to have a claim upon the Pledged Revenue, as well as the Escrow Deposit Trust Fund, until they are redeemed.

The Refunded Bonds are expected to be called for redemption on July 1, 2018 (by separate redemption notice) at a redemption price equal to the principal amount thereof plus the required redemption premium equal to one percent of the principal amount plus interest due thereon through the redemption date.

SOURCES AND USES OF FUNDS

Sources of Funds:	
Par Amount of 2017A Bonds	$239,705,000
Plus: Original Issue Premium	45,263,222
Available Sinking Fund Moneys	6,746,368
Reserve Release	41,468,642
Total Sources	$333,183,232
Uses of Funds:	
Deposit to Escrow	$332,670,665
Cost of Issuance	391,516
Underwriter's Discount	121,051
Total Uses	$333,183,232

See "MISCELLANEOUS - Investment of Funds" for policies governing the investment of various funds.

SECURITY FOR THE 2017A BONDS

Pledge of Lottery Revenues

The 2017A Bonds are payable from and secured by a first lien on the first lottery revenues transferred to the Educational Enhancement Trust Fund pursuant to Section 24.121(2), Florida Statutes (the "Pledged Revenues"). See "THE FLORIDA LOTTERY" and "FINANCIAL DATA OF THE DEPARTMENT" for detailed information regarding the Pledged Revenues. The lien of the 2017A Bonds on the Pledged Revenues will be on a parity with the lien of the currently Outstanding Bonds and any Additional Bonds. The aggregate principal amount of Outstanding Bonds subsequent to the issuance of the 2017A Bonds will be $1,440,438,000, excluding the principal amount of the Refunded Bonds of $315,304,000 which are economically but not legally defeased. See "ADDITIONAL BONDS" below.

The 2017A Bonds are "revenue bonds," within the meaning of Article VII, Section 11(d), of the Florida Constitution, and are payable solely from Pledged Revenues. **Neither the full faith and credit nor the taxing powers of the State of Florida or any political subdivision thereof shall be pledged to the payment of the principal of, premium, if any, or interest on the 2017A Bonds. The 2017A Bonds are payable, as to principal, premium, if any, and interest, solely from the Pledged Revenues, as described in the Resolution.**

Statutorily Required Distributions of Lottery Revenues

The percentage of lottery revenues distributed as prizes and transferred to the Educational Enhancement Trust Fund for education purposes is governed by statute. Lottery revenues are statutorily authorized to be distributed as follows: (1) variable percentages of the gross revenue from the sale of Draw and Scratch-Off lottery tickets, as determined by the Department of the Lottery (the "Department"), will be paid as prizes in a manner designed to maximize the amount of funds deposited in the Educational Enhancement Trust Fund; (2) variable percentages of the gross revenue from the sale of Draw and Scratch-Off lottery tickets, as determined by the Department, will be deposited in the Educational Enhancement Trust Fund; (3) the remaining funds will be used for the payment of administrative expenses of the Department, including all costs incurred in the operation and administration of the lottery and all costs resulting from any contracts entered into for the purchase or lease of goods or services required by the Lottery; and (4) the unencumbered balance which remains after such payments at the end of the fiscal year will be transferred to the Educational Enhancement Trust Fund. See "FINANCIAL DATA OF THE DEPARTMENT - Economic Factors and Strategic Plans" for a more detailed description of the variable percentage payout strategy to maximize deposits to the Educational Enhancement Trust Fund.

Based on legislative policy, the Department of Education allocates funds from the Educational Enhancement Trust Fund for various programs for all levels of education within the State's public education system, from kindergarten through the State University System. Funds are distributed to each of the State's school districts, to the State colleges within the Florida College System and to the universities within the State University System. There are also additional specific programs funded for public school facility construction and for scholarship programs for postsecondary education. The $1.8 billion appropriation for Fiscal Year 2016-17 from the Educational Enhancement Trust Fund was distributed among the programs in the following percentages: 51.1% to public school systems, 15.6% to the Florida College System; 17.2% to the State University System; and 16.1% for scholarship programs for higher education.

Debt Service Reserve Account

The Resolution creates the Debt Service Reserve Account within the Sinking Fund, which is to be used for payments of debt service on Bonds when the amounts in the Sinking Fund are insufficient therefor. Pursuant to the Resolution, the Debt Service Reserve Account can be funded with cash or with one or more Reserve Account Credit Facilities. The Resolution authorizes the creation of separate subaccounts within the Debt Service Reserve Account for one or more Series of Bonds. Currently the Debt Service Reserve Account is funded in amounts sufficient to cover the Maximum Annual Debt Service on the outstanding Series 2008B through Series 2009A Bonds by debt service reserve account surety bonds from Financial Guaranty Insurance Company ("FGIC") in the aggregate amount of $132,419,941.25, from Ambac Assurance Corporation ("Ambac") in the aggregate amount of $62,912,679.25, from MBIA Insurance Corporation ("MBIA") in the aggregate amount of $71,885,911.25, a deposit of bond proceeds from the Series 2008B Bonds in the amount of $16,066,175, and a deposit of bond proceeds from the Series 2009A Bonds in the amount of $25,169,417.50. The FGIC surety bonds consist of the 1998A surety in the amount of $9,349,528.05, which terminates on July 1, 2018, the 1998B surety in the amount of $15,705,097, which terminates on July 1, 2018, the 1998C surety in the amount of $19,616,904.95, which terminates on July 1, 2018, the 1999A surety in the amount of $8,197,912.50, which terminates on July 1, 2019, the 2000A surety in the amount of $10,406,456.25, which terminates on July 1, 2019, the 2000B surety in the amount of $13,362,876.25, which terminates on July 1, 2019, the 2000C surety in the amount of $12,237,312.50, which terminates on July 1, 2020, the 2001B surety in the amount of $19,354,231.25, which terminates on July 1, 2020, the 2002A surety in the amount of $12,440,525, which terminates on July 1, 2021, and the 2002B surety in the amount of $11,749,097.50, which terminates on July 1, 2022. The Ambac surety bonds consist of the 2001A surety in the amount of $16,454,112.50, which terminates on July 1, 2020, the 2005A surety in the amount of $16,403,468.75, which terminates on July 1, 2024, the 2006A surety in the amount of $13,468,348, which terminates on July 1, 2025, and the 2007A surety in the amount of $16,586,750, which terminates on July 1, 2026. The MBIA surety bonds consist of the 2002C surety in the amount of $19,110,175, which terminates on January 1, 2022, the 2003A surety in the amount of $15,749,736.25, which terminates on July 1, 2023, the 2007B surety in the amount of $20,373,750, which terminates on July 1, 2027, and the 2008A surety in the amount of $16,652,250, which terminates on July 1, 2027. All of the FGIC, Ambac and MBIA surety bonds secure the bonds for which they were issued and any parity bonds pursuant to the terms of such surety bonds. The Series 2010A&B Bonds and Series 2010C Bonds are secured by separate subaccounts funded by the deposit of bond proceeds in the amounts of $14,646,103 and $26,666,468, respectively. Such subaccounts may also serve as the subaccount for future Additional Bonds. No deposits were made to the Debt Service Reserve Account for the Series 2010D, 2010E, 2010F, 2011A, 2012A, 2014A, 2016A, and 2016B Bonds.

The Fifteenth Supplemental Resolution provides that the Debt Service Reserve Account for the 2017A Bonds may be funded in an amount determined by the Director, which amount may be zero. The Reserve Requirement for the 2017A Bonds has been determined to be zero. No deposit will be made to the Debt Service Reserve Account from the proceeds of the 2017A Bonds. However, the 2017A Bonds will be secured by existing surety bonds in the Debt Service Reserve Account pursuant to the terms of such surety bonds until such time as the surety bonds terminate or are otherwise cancelled.

The portion of the funds on deposit in the Debt Service Reserve Account attributable to the 2008B and 2009A Bonds will be removed as of the July 1, 2018 redemption date of the Refunded Bonds and there will be no 2008B and 2009A Bonds remaining. Additional Bonds issued after the 2017A Bonds may or may not be secured by the existing Debt Service Reserve Account or a separate Debt Service Reserve Account.

See "MISCELLANEOUS - Bond Ratings" below for a discussion of potential and actual rating agency actions with respect to various insurance companies, including Ambac, MBIA and FGIC, currently providing reserve account surety bonds for various series of Outstanding Bonds.

Outstanding Bonds

The Division of Bond Finance has issued several series of State Board of Education Lottery Revenue Bonds since 1998, which are payable from the Pledged Revenues. The 2017A Bonds will be secured by a lien on the Pledged Revenues on a parity with the lien of the Outstanding Bonds. Subsequent to the issuance of the 2017A Bonds, the aggregate principal amount of Outstanding Bonds will be $1,440,438,000, excluding the principal amount of Refunded Bonds of $315,304,000, which are economically but not legally defeased and are scheduled to be called for redemption on July 1, 2018.

Future Bonding

Lottery Revenue Bonds may be issued to finance or refinance the construction, acquisition, reconstruction or renovation of educational facilities in Florida. Historically, Lottery Revenue Bonds have only been used to fund educational facilities for grades K-12. However, the 2011 Florida Legislature amended section 1013.737, Florida Statutes to also permit the issuance of bonds to fund educational facilities at State colleges and universities. Additional Bonds secured on a parity with the Bonds currently authorized or outstanding may be authorized in the future as a source of funding for capital expenditures related to educational facilities. However, at this time, the State does not have any plans for the issuance of Additional Bonds.

Flow of Funds

Collection of Pledged Revenues - After the issuance of any Bonds pursuant to the Resolution and continuing until such time as no Bonds are Outstanding, all Pledged Revenues in an amount sufficient to make all transfers required under the Resolution, will be transferred by the Department of Education to the Board of Administration for deposit into the Revenue Fund.

Application of Moneys on Deposit in the Revenue Fund - Moneys in the Revenue Fund are applied in the following manner and order of priority:

First, for deposit into the Debt Service Account in the Sinking Fund on the 24th day of each month, an amount sufficient to pay one-sixth of the interest becoming due on the Bonds on the next semiannual Interest Payment Date.

Second, for deposit into the Debt Service Account in the Sinking Fund on the 24th day of each month, in the case of Serial Bonds which mature semiannually, one-sixth of the principal amount of the Serial Bonds which will mature and become due on the next semiannual maturity date and, in the case of Serial Bonds which mature annually, one-twelfth of the principal amount of the Serial Bonds which will mature and become due on the next annual maturity date and, in the case of Term Bonds, an amount sufficient for the payment of the next amortization installments which will become due on the Term Bonds.

Third, for deposit into the subaccounts in the Debt Service Reserve Account in the Sinking Fund on the 24th day of each month, such sums as will be sufficient to maintain an amount equal to the Debt Service Reserve Requirement for the Bonds. In lieu of the required deposits into the subaccounts in the Debt Service Reserve Account or in replacement of any prior deposits into the Debt Service Reserve Account, the Division of Bond Finance may cause at any time to be deposited into the Debt Service Reserve Account one or more Reserve Account Credit Facilities for the benefit of the Registered Owners of the Bonds, in an amount or amounts which, together with sums on deposit, equals the Debt Service Reserve Requirement.

Fourth, for deposit into the Rebate Fund on the 24th day of each month, to the extent that any liability for arbitrage rebate, as determined by the Division of Bond Finance, is not fully funded, an amount necessary to fund such liability.

Fifth, on the 24th day of each month, for the payment of any Administrative Expenses.

Sixth, the balance of any money which was transferred to the Board of Administration and is not needed for the payments required above will be returned to the Lottery Capital Outlay and Debt Service Trust Fund; provided, however, that no such use will be made until all payments required above, including any deficiencies for prior payments, have been made in full to the date of such use.

See “MISCELLANEOUS - Investment of Funds” for policies governing investment of moneys in the various funds.

Covenants with Registered Owners

The following covenants are made in Article V of the Resolution:

(A) So long as any of the Bonds or interest thereon are Outstanding and unpaid, all of the Pledged Revenues shall be and are pledged to the payment of the principal of and interest on the Bonds in the manner provided in the Resolution. The Registered Owners of the Bonds will have a valid and enforceable first lien on the Pledged Revenues until paid out and applied in the manner provided in the Resolution.

(B) The Board of Education will punctually collect, deposit and transfer, or cause to be collected, deposited and transferred, the Pledged Revenues in the manner and at the times provided in the Resolution.

(C) The Board of Education and the Division of Bond Finance covenant with the Registered Owners of the Bonds that they will take no action except as permitted by the Resolution which will materially and adversely affect the rights of such Registered Owners so long as Bonds are Outstanding.

In addition, pursuant to Florida law the State of Florida has covenanted with the holders of the Bonds that it will not take any action that will materially and adversely affect the rights of such holders so long as the Bonds are outstanding.

(D) The Division of Bond Finance covenants that new or enhanced lottery games will be operated by the Department of the Lottery and any lottery revenues received by the State therefrom will be deposited into the Educational Enhancement Trust Fund or any successor to such trust fund as required by the Florida Constitution.

The Division of Bond Finance further covenants that any net revenues received by the State from video gaming or other similar activities, regardless of what entity operates these activities, will first be available for payment of debt service on the Bonds or other payments required pursuant to the Resolution prior to use for any other purpose.

The Florida Legislature has confirmed that any future funds generated by the tax on slot machine revenues that are transferred to the Educational Enhancement Trust Fund shall first be available to pay debt service on lottery bonds in the event lottery revenues are insufficient for such purpose or to satisfy debt service reserve requirements for such bonds, subject to annual appropriation by the Legislature (Section 551.106 (2)(c)2, Florida Statutes). See "THE FLORIDA LOTTERY - Competition" below for a discussion of revenues resulting from slot machine operations in Broward and Miami-Dade Counties.

(E) The Division of Bond Finance covenants that the portion of lottery revenues deposited into the Educational Enhancement Trust Fund will not be reduced below 38% of the gross revenue from the sale of lottery tickets and other earned revenue, excluding application processing fees, except upon the written certification of a Lottery Consultant that in its opinion, the amounts deposited into the Educational Enhancement Trust Fund after the reduction would be not less than the amounts projected to be deposited into the Educational Enhancement Trust Fund for each of the next three fiscal years as determined by the Consensus Revenue Estimating Conference's estimates of deposits to such fund at the 38% rate, prepared in connection with the General Appropriations Act for the session of the Florida Legislature at which such reduction is being considered.

Any subsequent reduction in the contribution rate to the Educational Enhancement Trust Fund will require a similar certification of a Lottery Consultant except that the certification will be with respect to the contribution rate then in effect.

Additionally, no reduction in the contribution rate to the Educational Enhancement Trust Fund will be made unless the Lottery Consultant will certify that the amount deposited annually into the Educational Enhancement Trust Fund after the reduction would be not less than 200% of the Maximum Annual Debt Service on the Bonds. A "Lottery Consultant" is a consultant, or a consulting firm or corporation, retained subject to the approval of the Division of Bond Finance, which is nationally known and recognized as having expertise in the area of state operated lotteries.

After obtaining the required Lottery Consultant certifications, the Department implemented programs resulting in lower percentages of gross revenues being transferred to the Educational Enhancement Trust Fund for both scratch-off and on-line games. See "FINANCIAL DATA OF THE DEPARTMENT - Management Discussion and Analysis of Financial History" and "FINANCIAL DATA OF THE DEPARTMENT - Economic Factors and Strategic Plans" for a description of the current status of the contribution of lottery revenues to the Educational Enhancement Trust Fund.

ADDITIONAL BONDS

The Division of Bond Finance has the power to issue Additional Bonds, after the issuance of the 2017A Bonds, for the purpose of financing the cost of educational facilities or for the purpose of refunding Outstanding Bonds, but only under the terms, limitations and conditions set forth in the Resolution.

Section 6.01 of the Resolution requires certain conditions to be complied with before such Additional Bonds may be issued. These conditions include, but are not limited to:

(A) The Board of Education must request the issuance of such Additional Bonds.

(B) The Board of Administration must approve the fiscal sufficiency of the Additional Bonds prior to the sale thereof in accordance with Florida law.

(C) The Board of Education must be current in all deposits into the various funds and accounts and all payments theretofore required to have been deposited or made by it under the provisions of the Resolution except payments made pursuant to Section 4.03(6) of the Resolution for other lawful purposes, and the Board of Education must be currently in compliance with the covenants and provisions of the Resolution, or upon the issuance of such Additional Bonds the Board of Education will be current in all such deposits and payments and will be brought into compliance with all such covenants and provisions.

(D) A certificate must be filed with the Board of Administration and the Division of Bond Finance signed by an Authorized Officer of the Board of Education or other appropriate State official setting forth the amount of Pledged Revenues which would have been available to the Board of Education during the immediately preceding fiscal year or any 12 consecutive months selected by the Board of Education out of the 24 months immediately preceding the date of the issuance of such Additional Bonds.

(E) The Division of Bond Finance must determine that the amount of Pledged Revenues available pursuant to the certificate described in subsection (D) exceeds 300% of the aggregate Maximum Annual Debt Service for all Bonds then Outstanding and the Additional Bonds proposed to be issued. In making this determination, the debt service requirement attributable to Bonds to be refunded or defeased from the proceeds of the Additional Bonds proposed to be issued will not be counted in addition to the debt service requirement of the Additional Bonds issued to refund such Bonds.

The Bonds may be refunded in whole or in part as long as the above requirements are complied with, except that refunding Bonds with an Annual Debt Service Requirement in each fiscal year equal to or less than the Bonds they are refunding do not have to comply with the requirements of (C), (D) and (E) above.

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THE FLORIDA LOTTERY

General

The operation of the Florida Lottery (the "Department") by the State was authorized by a constitutional amendment approved by Florida voters in November 1986 by a margin of nearly two to one. The Department was established as a state agency in 1987 with the enactment of the Florida Public Education Lottery Act, as amended (the "Act"), the purpose of which is to implement Section 15, Article X of the Florida Constitution. Net proceeds of the lottery games are intended to support improvements in public education and not be used as a substitute for existing resources for public education. The Act provides for the Department to operate as an entrepreneurial business enterprise and to be accountable to the Legislature through a system of audits and reports and through compliance with financial disclosure, open meetings and public records laws.

Since the start-up of the lottery games in 1988 and through June 30, 2017, the Department has developed various categories of Scratch-Off ticket and Draw games and promotions, which have generated over $96.6 billion in revenues, including over $56.4 billion in prizes. Since 1988, the Department has transferred approximately $31.8 billion to the Educational Enhancement Trust Fund. For Fiscal Year 2017, weekly sales of Scratch-Off tickets averaged approximately $81.6 million, and weekly sales of Draw game tickets averaged approximately $36.8 million. See "Current Games" below for further descriptions of lottery games.

For Fiscal Year ending June 30, 2016, the Florida lottery games ranked second in total sales and eleventh in per capita sales among the 44 United States lottery jurisdictions. The June 30, 2017 information has not been released at this time.

Administration

General - The Department's headquarters are located in Tallahassee, with nine district offices located throughout the State. Pursuant to the Act, the chief executive officer of the Department is the Secretary, who is appointed by the Governor and subject to confirmation by the Senate. The Secretary is charged with overall management of the Department, with individual functional units responsible to the Secretary for day-to-day operations. Current organizational units of the Department include: Brand Management, Sales, Operations, Product Research and Development, Finance and Budget, and Security.

Key Administrative Personnel -

Jim Poppell - Governor Rick Scott appointed Mr. Poppell as the eighth Secretary for the Florida Lottery in July 2017. Prior to that, he served as both the Chief of Staff (January 2017-July 2017) and General Counsel (August 2015-January 2017) at the Florida Department of Economic Opportunity. As Chief of Staff, Mr. Poppell handled the agency's policy decisions, ensured its mission and goals were achieved, and managed the day-to-day operations of each of its divisions. The legal efforts of the department were his primary focus as General Counsel. Before joining state government, Mr. Poppell served as Executive Vice President of Human Resources at NextEra Energy, Inc., held several leadership positions at Florida Power & Light Company, and was a litigator with Foley & Lardner LLP. He received his Juris Doctor from the University of Missouri, his Master of Arts in Spiritual Formation and Leadership from Spring Arbor University, and his Bachelor of Arts in History from Eckerd University.

David R. Mica, Jr. – Mr. Mica was appointed Florida Lottery Chief of Staff in December 2016. In his role, he is responsible for the day-to-day operation for all facets of the Lottery and serves as advisor to the Secretary. His direct reports are Legislative Affairs, Communications, Human Resources, IT and Security. David began his career as a Special Assistant to the Governor, Northeast Florida in 2008. He held various positions in the Executive Office of the Governor. In 2015, he moved to the Department of Business and Professional Regulation where he most recently served as Legislative Affairs Director. He holds a bachelor's degree in Political Science from the University of Florida and his Juris Doctor from Florida State University College of Law.

Anthony W. Garcia - Mr. Garcia was appointed Florida Lottery Deputy Secretary of Administration in September of 2017. His responsibilities include overseeing the Lottery's Divisions of Finance and Budget, Procurement Management, and Retailer Contracting. Prior to joining the Lottery Mr. Garcia was the General Counsel at the Florida Agency for State Technology. Mr. Garcia's past experience also includes serving as legal counsel at the Florida Department of Management Services, Florida Department of Corrections, Florida Department of Education, Florida Department of Revenue, and the Florida Office of the Attorney General. He also served as the Purchasing Director for the Florida Department of Management Services. Mr. Garcia received his Juris Doctor from the University of Arkansas – Little Rock, and his Bachelor of Arts in Mass Communications from the University of South Florida.

Mike Purcell - Mr. Purcell currently serves as the Deputy Secretary of Sales for the Florida Lottery. He is responsible for overseeing the Lottery's Division of Sales, Division of Special Events, American's With Disabilities Act compliance program, as well as the operations of the nine statewide district offices. Mr. Purcell's duties at the Florida Lottery also include being responsible for developing plans to market Lottery products and increasing the overall volume of sales statewide. Mr. Purcell has also served as both the Director of Sales and ~~as~~ the Tampa District Manager for the Florida Lottery. Prior to joining the Florida Lottery he was a Regional Sales Supervisor for the Virginia Lottery. Mr. Purcell received a Bachelor's of Science degree from George Mason University.

David Guerrieri – Mr. Guerrieri joined the Florida Lottery as General Counsel at the end of July 2017. An alumnus of Florida State University College of Law, Mr. Guerrieri has over 7 years of professional experience as a Florida-licensed attorney. Most recently, he served as General Counsel for the Department of Economic Opportunity where he oversaw all aspects of the agency's legal operations, including litigation, and a large volume of contracts and grant agreements.

Sharon Bradford – Ms. Bradford joined the Florida Lottery in October 2017 as the Chief Financial Officer. In this role, she provides oversight to several key areas including Budget, General Accounting, and Claims Processing. Prior to joining the Lottery Ms. Bradford held the position of Chief of Financial Operations at the Agency for State Technology (AST). Recent employment experiences prior to joining AST include serving as the Deputy Staff Director of Senate Appropriations, and Deputy Director of Budget and Planning at the Agency for Persons with Disabilities. Her 32 years of state employment experience include working within the accounting, finance and budget areas at several state agencies as well as the House and Senate Appropriations Committees.

Randall O'Bar - Mr. O'Bar was appointed Chief Information Officer in May 2004. He has worked a total of 37 years in Information Technology, including the most recent 27 years in the lottery industry. He directs various Lottery functions including software, hardware, telecommunications, and networking support for the Department. As Chief Information Officer, Mr. O'Bar oversees Software and Data Services, Systems and Operations Services (comprised of Systems, Network and Client Services and Computer System Operations), Software Quality Assurance, Games Administration, and manages the contract for the Department's Draw games' vendor, IGT.

Andy Mompeller - Mr. Mompeller was appointed Inspector General of the Department in August 2006. He served as District Manager in the Miami District Office for six years prior to his appointment as Inspector General. Prior to joining the Department, he owned and operated several businesses including a full-service investigative agency. He is a former Deputy Chief Investigator with the U.S. District Courts and a former Sheriff's Deputy for Miami-Dade County, Florida. Mr. Mompeller completed the Florida Police Officer Certification at the South Eastern Institute of Criminal Justice.

Current Games

Current lottery games include a mix of Scratch-Off and Draw games. Players can collect non-reportable winnings from any Lottery retailer, mid-tier prizes from any lottery district office, and jackpot or deferred payment prizes at the Department's headquarters in Tallahassee. Winners of prizes paid over a period of ten years or longer have the option, subject to the provisions of each particular game, to choose a lump sum cash payment or annual payments of such prizes.

Scratch-Off Games - On January 12, 1988, "Millionaire" became the first lottery game to go on sale. To date, the Lottery has introduced more than 1,000 new Scratch-Off games and continues to market approximately 42 new games each year. The portfolio of products offered at any given time provides a wide range of play styles, game themes, and price points in order to appeal to a wide range of players. Prizes have included free tickets, merchandise, vacations and jackpots of up to $10 million. Prices of Scratch-Off game tickets range from $1 to $25. All winning Scratch-Off tickets must be redeemed within 60 days of the official end date of that Scratch-Off game. The shelf life for most Scratch-Off games is approximately 52 weeks. Scratch-Off sales for Fiscal Year ending June 30, 2016 and Fiscal Year ending June 30, 2017 were $4.0 billion and $4.2 billion, respectively. Scratch-Off sales increased 6.2% over the previous year in Fiscal Year 2016 and a subsequent 7.3% in Fiscal Year 2017 comprising 65.2% and 69.0% of total sales, respectively, making Fiscal Year ending June 30, 2017 the highest Scratch-Off sales year in the history of the Lottery. Annual Scratch-Off game sales have increased annually in the past 18 years except once where sales dipped 12.9% in Fiscal Year 2009 during the height of the Great Recession. In September 2002, legislation was enacted that allowed the Department to return a variable percentage of Scratch-Off game revenues as prizes, thus bolstering the Department's ability to market higher priced games as a way to maximize revenues transferred to the Educational Enhancement Trust Fund (see "FINANCIAL DATA OF THE DEPARTMENT-Management Discussion and Analysis of Financial History"). Since that time, annual Scratch-Off game sales surpassed $1 billion in Fiscal Year 2003, $2 billion in Fiscal Year 2006, $3 billion in Fiscal Year 2013, and $4 billion in Fiscal Year 2017. The Department has also had measurable success strategically launching several "families of games" and has highlighted several key Scratch-Off games in the total advertising effort.

Draw Games - The Department currently offers Draw games: FLORIDA LOTTO®, FANTASY 5®, PICK 2™, PICK 3™, PICK 4™, PICK 5™, LUCKY MONEY™, POWERBALL®, MEGA MILLIONS®, CASH4LIFE®, and MILLIONAIRE RAFFLE™. FLORIDA LOTTO®, FANTASY 5®, and LUCKY MONEY™ are pari-mutuel games in which the actual prize amounts depend on the sales and the number of winners for the Draws. Prizes are divided among the winners in each prize category. POWERBALL® and MEGA MILLIONS® are set payout games except that the jackpot is shared pari-mutually among winners in all participating states. PICK 2™, PICK 3™, PICK 4™, PICK 5™, and MILLIONAIRE RAFFLE™ are set prize payout games. Tickets for most games are $1 except that POWERBALL® costs $2. The PICK FAMILY games offer tickets for 50¢ or $1, depending on the type of play selected and MILLIONAIRE RAFFLE™ ticket prices vary depending on the theme of the raffle. Currently, drawings for POWERBALL®, FLORIDA LOTTO®, MEGA MILLIONS® and LUCKY MONEY™ are held twice each week, and the drawing for FANTASY 5® is held nightly. MILLIONAIRE RAFFLE™ drawings are held in accordance with administrative rules based on the game's design. The Department also offers add-on features, such as EZmatch™, Power Play®, Megaplier®, 1-OFF® and XTRA, in conjunction with certain games to increase a player's prize amount for additional dollars. Sales amounts for Draw game tickets for the Fiscal Year ended June 30, 2017 show a decline of 9% to approximately $1.91 billion, representing 31% of combined sales. Regarding the decline in Draw games, there has been a nationwide trend of "jackpot fatigue". Data recently indicate that sales do not substantially increase until the jackpot size grows in excess of $400 million and ticket sales are less responsive to jackpot size over time.

Individual games began at various times, with FLORIDA LOTTO® and PICK 3™ (previously CASH 3™) beginning in April 1988. The game designs and prize structures of the games are revised from time to time to maintain interest and boost ticket sales.

The FLORIDA LOTTO® game is an industry leader and has advertised some of the largest in-state Lotto jackpots in the industry, including $106.5 million in September 1990 and a $104.8 million in December 2002. FLORIDA LOTTO® advertised jackpots are estimated based on ticket sales, funds from rollovers, if any, and anticipated interest earnings on investments purchased for a 29-year period. FLORIDA LOTTO® prize winners of $1 million or more have the option of choosing to receive the jackpot prize in one lump-sum cash payment or in 30 annual installments. Approximately 91% of winners choose the lump sum cash option. The FLORIDA LOTTO® with XTRA feature increases the amount of the non-jackpot prizes for an additional $1.

In January 2009, the Department joined the Multi-State Lottery Association ("MUSL") and added POWERBALL® to its portfolio of games. POWERBALL® is a combination of a big game jackpot and a cash game offering eight set prize levels from $4 to $1,000,000. POWERBALL® can now be purchased in 45 jurisdictions with a combined population of approximately 275 million. POWERBALL® set two new jackpot records in Fiscal Year 2013 including a $587.5 million jackpot in November 2012 and a $590.5 million jackpot in May 2013 that was won by a single player in Florida. In January of 2016, a Florida player was one of three nationally to win the record-setting $1.586 billion jackpot. Players currently choose five numbers from 1 through 69 and one number from 1 to 26 for the POWERBALL®. Drawings are held on Wednesday and Saturday nights, with prizes awarded for matching three, four or five of the winning numbers plus an increase if the POWERBALL® number is matched, and an optional Power Play® feature, which increases the lower tier prizes by a set amount. The current starting jackpot is $40 million. Jackpot winners have the option of choosing to receive the jackpot prize in one discounted lump-sum cash payment or in 30 annual installments.

On October 7, 2009, MUSL and the Mega Millions Consortium, the other multi-state lottery, reached an agreement to allow each group's members to begin selling both POWERBALL® and MEGA MILLIONS® within their own jurisdiction. MEGA MILLIONS® set a new world record with a $656 million jackpot in March 2012. Florida began selling MEGA MILLIONS® on May 15, 2013. In October 2013, MEGA MILLIONS® made game enhancements in which the starting jackpot increased from $12 million to $15 million and the matrix was revised to grow bigger jackpots with better overall odds of winning. Players now choose five numbers from 1 through 75 and one number from 1 to 15 for MEGA MILLIONS®. Drawings are held Tuesday and Friday nights. Players can win by matching three, four or five of the winning numbers plus an increase if the Mega Ball number is matched. Players can add the Megaplier® feature to increase all non-jackpot prizes by 2, 3, 4 or 5 times.

The statewide gaming system was updated on January 31, 2005, with the latest technology in terminals and wireless communications pursuant to a contract with the Department's Draw game provider, IGT (see "Draw Game Service Provider" below). The new system included an expanded base of 12,000 full service terminals, with the capability of an additional 8,000 terminals.

Historical Revenues by Type of Game – The following schedule shows sales by game:

The Florida Lottery
Historical Lottery Sales By Game
(In Thousands)

Fiscal Year Ended 30-Jun	Florida Lotto®[1]	FANTASY 5®[2]	PICK FAMILY OF GAMES[3]	CASH4LIFE[4]	LUCKY MONEY™ /MEGA MONEY™[5]	MILLIONAIRE RAFFLE™[6]	LUCKY LINES™[7]	POWERBALL®[8]	MEGA MILLIONS®[9]	Total Draw	Scratch-Off Tickets[10]	Combined Sales
2008	$778,954	$309,445	$564,036	-	$122,742	$30,818	-	-	-	$1,805,995	$2,368,781	$4,174,776
2009	650,603	287,285	559,114	-	102,190	41,314	-	$233,395	-	1,873,901	2,064,135	3,938,036
2010	445,881	281,963	539,066	-	92,060	29,334	-	434,062	-	1,822,366	2,078,133	3,900,499
2011	411,389	282,777	548,962	-	88,971	12,603	$45,369	392,969	-	1,783,040	2,225,676	4,008,716
2012	419,040	290,672	559,458	-	92,346	-	17,692	503,697	-	1,882,905	2,566,991	4,449,896
2013	352,375	281,492	568,680	-	89,500	12,879	8,582	654,263	$16,698	1,984,469	3,028,527	5,012,996
2014	349,114	288,237	597,388	-	79,483	-	-	469,292	167,573	1,951,087	3,417,143	5,368,230
2015	300,961	287,803	639,468	-	103,196	-	-	375,057	147,370	1,859,336[11]	3,723,995	5,583,331
2016	291,382	296,307	671,408	-	84,881	11,724	-	602,001	149,950	2,107,653	3,954,701	6,062,354
2017	253,039	275,663	672,963	$28,775	89,436	11,357	-	434,263	147,381	1,912,877	4,243,602	6,156,479

Source: Department of the Lottery.

1 Sales of FLORIDA LOTTO® began April 29, 1988.

2 Sales of FANTASY 5® began April 28, 1989.

3 Sales of PLAY 4™ began July 4, 1991. Sales of PICK 3™ (previously, CASH 3™) began April 29, 1988. PICK 2™ and PICK5™ began in August 2016, in addition to Cash 3™ and Play 4™ being renamed to complete the new line of daily PICK games.

4 CASH4LIFE® began in February 2017.

5 Sales of MEGA MONEY™ began February 19, 1998 and ended June 24, 1998. The game was reintroduced on May 29, 1999. LUCKY MONEY™ replaced MEGA MONEY™ as of July, 2014.

6 Sales of MILLIONAIRE RAFFLE™ began November 20, 2006. The game is only offered periodically.

7 Sales of LUCKYLINES™ tickets began October 11, 2010 and ended May 14, 2013.

8 Sales of POWERBALL® Tickets began January 4, 2009.

9 Sales of MEGA MILLIONS® began May 15, 2013.

10 Sales of Scratch-Off Tickets began January 12, 1988. Implementation of increased Scratch-Off prize payouts began September 1, 2002.

11 Total Draw game sales for the Fiscal Year ended June 30, 2015 also includes receipts for the MONOPOLY MILLIONAIRES game, which began October 19, 2014 and was discontinued on December 26, 2014, in the amount of $5.481 million.

Retail Distribution Network

Tickets for Scratch-Off and Draw games are sold to the public through a distribution network of contracted retailers, who receive a commission of 5% on ticket sales as well as a 1% cashing bonus on the redemption of prizes under $600. As of June 30, 2017, there were 13,061 full-service retailers. The current contract with the Draw game vendor, which became effective January 1, 2005, provided for a base of 12,000 full-service retailer terminals, with the ability to expand to 20,000 terminals (see "Draw Game System and Services Provider" below), but the Department's current appropriation allows for payment of 13,500 terminals. The Department would like to increase the number of retailers to 13,500 based on Florida's population.

Retailer applications are subject to various reviews, including financial and criminal background investigations, and require a non-refundable application fee. Retailers who fail to meet financial criteria upon initial application or experience problems with remittance of funds due the Department from the sale of lottery tickets are required to deposit specified types of collateral to secure contract performance.

During the 2009 Legislative Session, the Department was successful in obtaining spending authority to install 1,000 Instant Ticket Vending Machines ("ITVMs") for use by some of the Department's highest selling Scratch-Off retailer locations. The ITVM network was completed by the end of October 2009. In Fiscal Year 2011, the Department increased its ITVM network with an additional 500 units. These ITVMs allow high-volume retailers to sell tickets to players without having to stand in customer service lines. The ITVMs allow players to choose from 24 bins and are "plan-o-grammed" by the Department to showcase a wide variety of tickets. As required by Section 24.105, Florida Statutes, the machines must be under the supervision of and within the direct line of sight of the retailer and be capable of being electronically deactivated by the retailer to prohibit use by underage consumers through the use of a lockout device that maintains the machine's deactivation for a period of no less than 5 minutes. Life to date, ITVMs sales were more than $2.2 billion as of June 30, 2017. The machines are currently averaging $488 per day per unit. The average weekly sales amount for Scratch-Off tickets from the ITVMs is $3,414 per unit. The ITVMs are leased from IGT (as herein defined) on a per unit basis that was presented as an option offered during the procurement process in 2004. These ITVMs communicate with the gaming system.

During the 2012 Legislative Session, the Department obtained spending authority to install 500 Full Service Vending Machines ("FSVMs"). The FSVMs offer players the option to purchase Draw or Scratch-Off tickets. The deployment of the FSVMs was completed the week of November 5, 2012. Most of the FSVMs were installed in locations that already had ITVMs. The ITVMs were relocated to new retail locations that were previously identified as viable locations for the equipment. In the fall of 2016, an additional 500 machines were deployed. Life to date, FSVMs sales were more than $1.4 billion as of June 30, 2017. The machines are currently averaging $1,230 per day per unit and $8,634 per week per unit. The FSVMs are leased from IGT.

Scratch-Off Tickets and Service Providers

Following a competitive procurement process in 2008, the Department entered into a contract with Scientific Games International, Inc. ("Scientific Games") effective October 1, 2008 as the primary provider of Scratch-Off tickets. In addition, the Department also awarded secondary Scratch-Off ticket printing contracts to IGT Printing Corporation and Pollard Banknote. The contracts are for a period of six years through September 20, 2014, with two renewal options for a period of two years each. In September 2013, the Department exercised both two year renewal options, extending the contracts through September 30, 2018.

The shared-risk contract with Scientific Games embodies the following basic elements: retailers purchase books of tickets from the Department, which procures them from Scientific Games. However, Scientific Games is not paid for the tickets until the book is systematically identified as being sold. Scientific Games is responsible for marketing support, research, telemarketing, printing, warehousing, and delivery of the tickets to the retailers as well as destruction of unsold/discontinued game tickets. Scientific Games is compensated using varying rates that correspond to the net Scratch-Off ticket sales at each price point as well as an aggregate threshold each year. The agreement provides for liquidated damages, a performance bond, and other liability coverage to protect the Department's interests. Through leveraging early renewals, the Department negotiated cost savings and increased value options that will result in an estimated $16 million in increased value during the remaining contract term.

Draw Game System and Services Provider

Following a competitive procurement process in 2003, the Department entered into a contract with GTECH Corporation for services necessary to support the Draw games. The contract became effective November 26, 2003 for start-up of production operations on January 31, 2005. In April 2015, GTECH merged with International Game Technology to form a new entity known as International Game Technology PLC ("IGT"). The initial term of the agreement was for six years and had two two-year renewal terms, available at the sole option of the Department. Through leveraging early renewals which expired March 29, 2015, the Department negotiated an estimated additional $21 million in value for the State of Florida. IGT has extensive experience in the operation of gaming systems, and is the vendor for the majority of the U.S. lotteries including New York, California, Massachusetts, Georgia, and Texas. The IGT agreement includes the installation, operation and maintenance of new Draw game hardware, software, retailer terminals, telecommunications network and related services. In May 2015, the Department executed a six month extension of the contract term (through September 27, 2015) to ensure services continued, uninterrupted, until the procurement and implementation of a new gaming system was completed. In June 2015, the Department determined that a new contract could not be successfully procured, awarded and implemented prior to the September 27, 2015 expiration date. As a result, a second, emergency extension was executed to extend the contract term until a date on which the Department has approved of successful conversion to the new gaming system contract and sales have begun or through March 28, 2017, whichever date is sooner. The second emergency extension was amended. The Original Agreement was extended until October 30, 2017 or until the Lottery has approved the successful conversion to the new gaming system and sales have commenced, but in no event later than April 1, 2018 (the "New System Start-up Date").

The system initially included 12,000 full-service retailer terminals, with the ability to expand to 20,000 terminals. The Department's current appropriation allows for the payment of 13,500 terminals. Based on performance data of the top U.S. lotteries, the Department believes that given Florida's population the optimal distribution network would consist of 13,500 retailers. The base compensation rate during the initial six-year term was 1.1499% of net sales of Draw game tickets. This rate changed as of March 27, 2011 to 1.0699% of net sales of Draw game tickets for the remainder of the term.

Litigation Regarding Draw Game System and Services Provider **-** Following a competitive selection process, the Florida Lottery entered into a new multi-year contract in September 2016 with its previous draw game system and services provider. The contract was effective upon execution with production operations to begin on October 30, 2017, and would have increased the number of automated ticket machines capable of selling both scratch-off tickets and tickets for games like Powerball from 2,000 to approximately 5,600. The contract also would have required the Florida Lottery to pay a percentage of total sales rather than (per the earlier contract) a percentage of draw sales plus flat lease costs associated with lottery machines provided by the contractor. Based on projected sales, the amount the Florida Lottery would pay under the new contract would have increased by $12.9 million for the budget year that began July l, 2017. The December 2016 and August 2017 Revenue Estimating conferences did not take the new contract into account in projecting Florida Lottery revenues.

On February 17, 2017, Richard Corcoran, as Speaker of the Florida House of Representatives, filed suit against the Florida Lottery, alleging that the Lottery's new contract exceeds its appropriation authority because the annual dollar amount of the contract in future years exceeds the current year's appropriation for the prior contract. On March 7, 2017, the circuit court ruled that the Florida Lottery lacked legal authority to enter into the contract and declared the contract void and unenforceable.

On March 28, 2017, the Florida Lottery appealed the circuit court's ruling to the Florida First District Court of Appeal. The parties subsequently filed a joint motion to stay the appeal which was granted by the Court. The motion to stay was requested in order to give the parties an opportunity to settle the case. If a settlement between the parties is reached, the parties would dismiss the appeal on their own. If the appeal has not been dismissed in the interim, the parties must file a status report by January 2, 2018, advising the Court of the need for any further proceedings in the matter.

The appeal of the circuit court's decision stays the final judgment until resolution by the appellate court. In the meantime, Florida Lottery operations are continuing under the earlier, extended contract with the same services provider that will remain in effect through April 1, 2018. It is the Florida Lottery's opinion that the circuit court ruling is not anticipated to cause any material interruption in terminal games or have a material financial impact on the Florida Lottery's revenues derived from terminal games.

Additionally, if resolution of the above-mentioned matter cannot be reached by April 1, 2018, options available to the Florida Lottery include reaching agreement with the contractor to further extend the current contract or, in accordance with governing purchasing requirements, proceeding with a new procurement for the operation and administration of terminal game services.

Marketing

Advertising and Promotions - The Legislature appropriates the Department's annual advertising and promotions budget, which is approximately $39.6 million for Fiscal Year 2017-18. The purpose of lottery advertising is to maximize awareness, build player loyalty, communicate with players and maintain market share in the gaming, entertainment and impulse consumer product industries.

The advertising program uses numerous media vehicles including outdoor, television, radio, internet and print to support various branding, promotional and product campaigns in ten Florida media markets. Advertising agencies for the Department have been selected by a formal bidding process by which vendors are requested to submit formal responses to and in accordance with a Request for Proposal or an Invitation to Negotiate. The Department previously contracted with St. John and Partners of Jacksonville (general market advertising). The contract with St. John & Partners went into effect on August 26, 2009, and had an initial term of three years with the option of being renewed for three additional one-year periods. The Department exercised all three one year renewal options. In November 2015, the Department executed an agreement to extend the contract term to the earlier of March 31, 2017 or until a successor agreement for General Marketing Advertising Services and Related Commodities and Services is executed by the Department. The Department executed a new contract with PP+K on September 29, 2016. The Department had a contract with Golin Harris for public relations services. The contract was executed in December 2011 with a base term of three years, plus three, one-year renewal options. The Department exercised one of its three-year renewal options. Funds for public relations services are not paid from the advertising appropriation. The contract with Golin Harris expired on November 28, 2016 and was not renewed.

Business Development

Research - Research for the Department is coordinated by the Director of Product and Research, and is intended to provide timely data and analysis useful in Department planning, decision-making and communication. Both quantitative and qualitative types of market research are also performed by the Department's contracted service providers for Scratch-Off games, Draw games, market research and advertising.

New Product Development - Developing successful new products and strategies helps increase sales and profits for all lotteries. The product development process for Scratch-Off and Draw games is (1) market research; (2) concept development and consumer testing; (3) business analysis; and (4) commercialization. All consumer products have distinct life cycles that include the stages of introduction, growth, maturity, and decline. The life of a Scratch-Off ticket game is approximately 52 weeks, which means the new product development process is extensive and fast-paced. The Scratch-Off ticket multiple game strategy involves the precise timing of approximately 42 new game introductions each year in a variety of play styles, themes, colors, prices, top prizes, and odds to appeal to a broad base of players. The product development process for Draw games tends to be less rapidly paced and requires more research because the Draw game life cycles extend for years. Successful new Draw games must be structured to limit the cannibalization of other Draw games and typically include technology solutions. In addition, strategies such as game enhancements or promotions are developed to extend the life cycles of mature Draw games, depending on current market conditions and sales trends.

Recruitment of Retailers - The Department is continuously trying to increase market penetration by increasing the number of terminals pursuant to the new Draw games contract, expanding the Department's potential retailer base to 13,500 full-service retailers (see "THE FLORIDA LOTTERY - Retail Distribution Network"). The last recent increase in spending authority for terminals was approved in July 2012, when budgetary authority was obtained to allow the retailer network to lease an additional 350 terminals. Recruitment of new full service retailers and the expansion of the network continue. Independent and corporate chain prospects are being identified, engaged and recruited for the purpose of optimizing the retailer-to-population ratio, boosting total sales and increasing transfers to the Educational Enhancement Trust Fund. The Department is also investigating contracting with different types of businesses that have expressed interest in being a lottery retailer.

See "FINANCIAL DATA OF THE DEPARTMENT - Economic Factors and Strategic Plans" for a further discussion of the Department's current strategies for business development.

Information Systems

The Department's Operations area manages the computer and communication systems and includes Software and Data Services, Systems and Operations Services (comprised of Systems, Networks, Client Services, and Computer Systems Operations), Software Quality Assurance, and Games Administration. The staff in Operations performs the analysis, design, programming, testing, coordination, and implementation for the administrative systems and gaming related systems for the Department (with the exception of the Draw game system provided by the contracted Draw game service provider). Each of the systems implemented by Operations is developed in cooperation with the Information Security Management unit and in conjunction with the end-user to ensure that proper data and user authentication security is built into each new business application to preserve the integrity of the Department's information resources. Additionally, the data within each business application system is protected through controlled access authorization and logical file protection mechanisms to ensure accurate storing, processing, and reporting of information. A multitude of gaming support and administrative applications are designed and supported by Operations, ranging from payment of winning tickets, sales reporting, accounts receivable, and office automation.

The Department's headquarters data center operates on a 24-hour-a-day, 7-day-a-week schedule, holidays included. The Department has an emergency backup data center in Orlando, Florida, which is intended for business continuation in the event that the headquarters data center is incapacitated. The major revenue-producing functions and production jobs can be successfully run at the backup data center if and when this becomes necessary. Operations is responsible for maintaining and coordinating the Department's Information Technology Disaster Recovery Plan.

Information Security Management

Information Security Management works across all business units to ensure the confidentiality, integrity and availability of the Department's information and data. The unit works closely with other areas to identify and reduce risk on the Department's business systems. Information Security Management also manages segregation of networks between the Department, gaming vendors and state agencies. Information Security Management also works to make sure laws, standards and best practices are implemented across the Departments computing infrastructure.

Lottery Security

The Act requires that the Department have a Division of Security to ensure the security and integrity of the operation of the Lottery and to promote public confidence in the Department and the lottery games. This division is responsible for maintaining the security of the facilities, data, and drawings, and the integrity of employees, retailers, contractors and major service providers. Background investigations are conducted on all employees of the Department, retailers, and applicants for contracts and service providers for major procurements. The division conducts investigations of complaints received for violations of Chapter 24, Florida Statutes, and conducts covert retailer compliance checks in an effort to maintain the security and integrity of the Lottery. Pursuant to Section 24.108, Florida Statutes, the Florida Lottery must, at least once every two years, engage an independent firm experienced in security procedures to conduct a comprehensive study and evaluation of all aspects of security in the operation of the Lottery. The latest biennial evaluation was completed in June of 2016 with no significant findings.

Scratch-Off ticket security is ensured by a high level of security at the printer location during printing, packing and delivery of the tickets, and by evaluation and testing of the ticket quality and security criteria by the Division of Security. The Department employs an extensive system of internal controls and procedures to ensure the integrity and fairness of lottery drawings for Draw games, including secure storage of Draw machines and ball sets, monitored storage vault with strict access procedures, and drawings recorded by broadcast facility staff and departmental video. An independent verification of the results of each drawing is completed by an employee of the Division of Security, who is a state law enforcement officer, and an accountant from an independent certified public accounting firm. A number of additional Draw game ticket security requirements were implemented in January 2009 to accommodate the sale of POWERBALL® tickets.

The Division of Security is responsible for maintaining and coordinating the Department's Continuity of Operations Plan, in close coordination with the Florida Division of Emergency Management.

Competition

In General - Competition for gaming dollars exists in Florida, as it does in many states. Various forms of competition existed prior to or have come into existence since the initial authorization for the Department to operate lottery games.

Federal law generally allows states to either permit or prohibit gambling within their borders. Gambling is generally illegal in the State of Florida. There are exceptions for pari-mutuel wagering, certain bingo and other penny- ante games, poker at pari-mutuel facilities, slot machines at a limited number of pari-mutuel facilities in Broward and Miami-Dade counties (see "*Broward and Miami-Dade County Slot Machines*" below), drawings by chance conducted by nonprofit organizations, the Florida lottery games and the Indian tribal gaming (see "*Indian Gaming*" below). Currently, the lottery operated by the State of Georgia offers the only border state lottery. Other out-of-state venues, which vie for players from the Florida market, include pari-mutuel gaming, cruise ship gaming, Indian tribal gaming and casino gaming. Internet gaming is another recent competitive factor and is the subject of court cases examining the legalities of the use of the internet to provide gaming opportunities. Although the Department does not currently consider any of these other gaming opportunities to be a serious competitive threat, and has successfully competed with those currently in effect, it can give no assurance that future competition will not adversely affect lottery sales and financial performances.

Additionally, bills were filed in previous sessions of the Florida Legislature which would have permitted the operation of video lottery terminals (VLTs) at qualifying pari-mutuel locations throughout the State. None of these bills were approved. Should such a bill ever be adopted, the Resolution provides that any net revenues received by the State from such activity are required to first be available for payment of debt service on the Bonds. (See "SECURITY FOR THE 2017A BONDS - Covenants with Registered Owners").

Broward and Miami-Dade County Slot Machines - In 2004, Florida's voters approved a constitutional amendment that permitted referenda in Miami-Dade and Broward counties to decide whether to authorize "traditional" slot machines at pari-mutuel establishments. The voters in Broward County approved the measure in March 2005; the voters in Miami-Dade County approved it in January 2008. In 2005, the Florida Legislature adopted legislation implementing the constitutional initiative. Four slot facilities are operating in Broward County, and four facilities are operating in Miami-Dade County. In 2009, the Florida Legislature modified Section 551.102, Florida Statutes, to allow voters to approve slot machines at a countywide referendum held pursuant to a statutory or constitutional authorization enacted after July 1, 2010. This amendment may lead to additional slot facilities in other Florida counties in the future.

The statutory tax on slot machine operations is 35% of revenues, after deducting the value of prizes paid to winners. Such tax revenues must be deposited into the Educational Enhancement Trust Fund and would be available to pay debt service on lottery bonds should lottery revenues be insufficient. These facilities generated $182.2 million and $187.3 million in tax revenues in Fiscal Years 2015 and 2016, respectively. The Consensus Estimating Conference on Slot Machines was held in August 2017 and adopted estimates for such tax revenues of $191.6 million, $193.9 million, $196.3 million, $198.5 million and $200.6, for Fiscal Years 2017, 2018, 2019, 2020 and 2021, respectively. The slot machines are not expected to have a material adverse effect on lottery revenues deposited to the Educational Enhancement Trust Fund.

Indian Gaming - The federal Indian Gaming Regulatory Act ("IGRA") permits Indian tribes to conduct bingo and related games regardless of state laws. Certain other card games are permitted on tribal lands if they are legal in the state. The operation by Indian tribes of any Class III Gaming Devices, including slot machines, lotteries, roulette, craps, keno, VLTs, and banked card games such as blackjack, baccarat and chemin de fer, requires any other entity in the state to have already been permitted by the state to conduct such activity, and also requires a formal agreement between a tribe and the state (a "compact").

Tribes in Florida have operated gambling casinos for several years. There are currently eight casinos in the State, located in Broward (3), Collier (1), Glades (1), Hillsborough (1), Miami-Dade (1) and Hendry (1) Counties. In addition to poker, bingo and electronic bingo, some casinos offer a technologically-assisted bingo game which looks and sounds like a typical Las Vegas-style slot machine. A compact with the Seminole Indian Tribe that expanded the casino games to slot machines and banked card games was entered into on April 7, 2010. The compact provided for guaranteed minimum revenues to the State for the first five years of the compact as long as the Seminole Indian Tribe was given exclusive rights to offer certain games. The Seminole Indian Tribe filed a lawsuit in federal court on October 26, 2015 alleging that the State of Florida had violated the compact by allowing other gambling venues to offer games not permitted by the compact. The Tribe also asked the federal court to allow it to continue to offer banked card games such as blackjack. The Seminole Indian Tribe ultimately settled the litigation. Under the Settlement Agreement, the Seminole Indian Tribe will continue to offer "banked" card games and the State will take aggressive enforcement actions against competing gambling facilities to prevent them from offering "banked" games. In return, the Seminole Indian Tribe will continue to make the guaranteed minimum payment to the State. As a result of the Settlement Agreement, the Department does not anticipate any material adverse impacts on Lottery revenues.

Business Risks

Lottery revenues are affected by and are subject to conditions which may change in the future to an extent and with effects that cannot be determined at this time. Competitive pressures or other factors could lead to an increase in awards from other types of gaming which could result in lower sales by the Department. In addition, unanticipated changes in consumer preferences and buying habits could also result in lower sales. This discussion of business risk factors is not intended to be exhaustive, but should be considered in evaluating the 2017A Bonds.

FINANCIAL DATA OF THE DEPARTMENT

Financial operations of the Department are coordinated by the Lottery's Chief Financial Officer. The Act requires a variety of financial audits and controls. The Department, unlike any other state agency, must submit detailed monthly and annual financial reports to the Governor, the Chief Financial Officer of Florida, the President of the State Senate and the Speaker of the State House of Representatives, disclosing lottery revenues, prize disbursements and all other expenses. Furthermore, the Auditor General performs an annual financial audit of the Department, as well as a study and evaluation of internal accounting controls in effect during the audit period. Additionally, Florida law requires that at least once every two years, an independent firm experienced in security procedures conduct a comprehensive study and evaluation of all aspects of security in the operation of the Department.

Budgetary Process

Florida law requires all moneys received by the Department which remain after payment of prizes and initial compensation paid to retailers to be deposited into the Operating Trust Fund, and further specifies all funds remaining in the Operating Trust Fund after transfers to the Educational Enhancement Trust Fund to be used for the payment of administrative expenses of the Department. These expenses include all costs incurred in the operation and administration of the Department and all costs resulting from any contracts entered into for the purchase or lease of goods or services required by the Department.

The Department's proposed budget is reviewed and approved by the Secretary and is then submitted to the Executive Office of the Governor and the Legislature. Analyses are done periodically to estimate and annualize expenditures for each category. If adjustments to the appropriation are necessary during the fiscal year, budget amendments are requested through the Executive Office of the Governor and must be consistent with legislative policy and intent.

The following table reflects the Department's budgets as appropriated for the respective fiscal year.

Department of the Lottery
Summary of Operating and Administrative Budgets
(In Thousands)

	2013-14	2014-15	2015-16	2016-17	2017-18
Operating/Administrative Expenses	$40,029	$41,241	$40,848	$41,287	$41,637
Scratch-Off and Draw Game Service Providers[1]	77,947	84,911	87,218	89,394	86,194
Advertising and Promotions[2]	37,550	37,550	41,550	39.550	39,550
Total Operating Budget[3]	$155,526	$163,702	$169,616	$170,231	$167,381

Source: Department of the Lottery.
[1] Includes fees paid for ITVM and FSVM.
[2] Includes Advertising Agency Fee.
[3] Total Operating Budget does not include a supplemental transfer to the Educational Enhancement Trust Fund, which only represents a small portion of the total transfer. See "FINANCIAL DATA OF THE DEPARTMENT - Transfers to the Educational Enhancement Trust Fund".

Transfers to the Educational Enhancement Trust Fund

The Act requires certain deposits of lottery revenues be made to the Educational Enhancement Trust Fund in each fiscal year. See "SECURITY FOR THE 2017A BONDS - Statutorily Required Distributions of Lottery Revenues" above. In addition to the statutorily required deposits, since Fiscal Year 1991, the Legislature has estimated how much would remain in the Operating Trust Fund at the end of each Fiscal Year and, based on that estimate, included a supplemental transfer to the Educational Enhancement Trust Fund as a line item appropriation in the Department's annual budget. Beginning in Fiscal Year 2007, the Department changed the calculation method used for monthly transfers. This change resulted in significantly smaller year end supplemental transfers. Given this fact, the annual appropriation no longer includes the year end supplemental transfer, although the transfer will continue to be made upon completion of the annual audit.

Cash transfers are made from the retailers to the Department on a weekly basis. Transfers from the Department to the Educational Enhancement Trust Fund of these funds, net of prizes, commissions and appropriated administrative expenses, are made monthly and are based upon the required statutory distribution to such fund. The Department distributes any unspent appropriation on the date specified in the General Appropriations Act, if any, or as soon as possible following the presentment of audited financial statements after the close of the Fiscal Year.

Historical Summary of Revenues, Expenses and Transfers to the Educational Enhancement Trust Fund

The following schedule shows the revenues, expenses and transfers to the Educational Enhancement Trust Fund for the Department for Fiscal Years 2012-13 through 2015-16, derived from the audited financial statements of the Department. Unaudited financial information for Fiscal Year 2016-17 is also included. The audited financial statements of the Department for Fiscal Year 2015-16 are included in their entirety as Appendix E and the unaudited financial statements of the Department for Fiscal Year 2016-17 are included in their entirety as Appendix F.

Department of the Lottery
Statement of Revenues, Expenses, Changes in Net Position and Transfers to the Educational Enhancement Trust Fund (EETF)
(In Thousands)

	Fiscal Year Ended June 30				
OPERATING REVENUES:	**2013[1]**	**2014[1]**	**2015[1]**	**2016[1]**	**2017[2]**
Ticket sales	$5,012,996	$5,368,230	$5,583,331	$6,062,354	$6,156,479
Bad debt expense[3]	(912)	(1,337)	(12,63)	(1,487)	(1,073)
Terminal game fees and miscellaneous	7,773	7,611	7,456	7,439	7,436
Retailer fees	206	206	196	181	175
Total Operating Revenues	$5,020,063	$5,374,710	$5,589,720	$6,068,487	$6,163,017
OPERATING EXPENSES:					
Prizes	$3,162,889	$3,431,092	$3,627,939	$3,868,970	$3,996,632
Retailer commissions	278,493	298,651	311,981	337,007	343,608
Scratch-off tickets	44,193	48,157	51,665	55,591	58,615
Terminal games	31,012	28,895	29,970	32,650	30,301
Advertising	37,696	37,486	37,513	41,180	39,452
Personal services	25,730	27,614	27,320	28,379	28,858
Other contractual services	6,812	7,656	8,344	7,941	7,611
Material and supplies	2,145	1,057	2,078	1,662	2,180
Depreciation	270	715	441	959	1,570
Total Operating Expenses	$3,589,240	$3,881,323	$4,097,251	$4,374,339	$4,508,827
INCOME FROM OPERATIONS	$1,430,823	$1,493,387	$1,492,469	$1,694,148	$1,654,190
NONOPERATING REVENUES (EXPENSES)					
Interest	$3,984	$2,776	$4,032	$4,695	$4,829
Securities lending income	2,543	1,534	997	1,163	-
Securities lending fees	(1,090)	(327)	(505)	(645)	(10)
Investment management fees	(376)	(532)	(370)	(405)	(409)
Net appreciation (depreciation) in fair market value of investments[4]	13,750	13,718	12,604	34,246	(17,825)
Property disposition (loss)	(60)	124	64	15	(57)
Amortization of grand prizes payable	(29,068)	(22,911)	(18,040)	(14,779)	(12,270)
Total Nonoperating Revenues (Expenses), Net	$(37,817)	($5,618)	($1,218)	$24,290	$(25,742)
INCOME BEFORE OPERATING TRANSFERS	$1,393,006	$1,487,769	$1,491,251	$1,718,438	$1,628,448
TOTAL TRANSFER TO EETF	($1,424,307)	($1,495,409)	($1,496,371	($1,692,551)	($1,656,348)
CHANGE IN NET POSITION	($31,300)	($7,640)	($5,120)	$25,887	($27,900)
Net Position, Beginning	$136,601	$105,301	$97,661	$81,543	$107,430
Implementing effect of GASB 68	-	-	($109,98)	-	-
Net Position, Beginning Restated	$136,601	$105,301	$86,663	-	-
Net Position, End of Year	$105,301	$97,661	$81,543	$107,430	$79,530

Note: numbers may not add due to rounding.

1 Source: Department of the Lottery. Audited Financial Statements for Fiscal Years 2012-13 through 2015-16.

2 Source: Department of the Lottery. Unaudited.

3 Bad debt expense, as required by GASB, was reclassified from an operating expense to a reduction in gross revenue.

4 Net appreciation in fair market value of investments results from implementing GASB Statement 31 to reflect fair market value of investments and represents all changes in fair value that occurred during the year. The investments are being held for Lottery prize winners. Pursuant to the Department's investment policy, such investments are held until maturity and used to pay the amounts due to lottery winners. Accordingly, any change in fair interest value is never realized. However, since the investments are restricted for grand prize winners only, these revenues are not available for transfers to the Educational Enhancement Trust Fund.

Historical Summary of Statement of Net Position Information

The following schedule shows the statement of net position information for the Department for Fiscal Years 2012-13 through 2015-16, derived from the audited financial statements of the Department. Unaudited financial information for Fiscal Year 2016-2017 is also included. The audited financial statements of the Department for Fiscal Year 2015-16 are included in their entirety as Appendix E and the unaudited financial statements of the Department for Fiscal Year 2016-17 are included in their entirety as Appendix F.

Department of the Lottery
Historical Summary of Statement of Net Position Information
(In Thousands)

ASSETS	As of June 30				
CURRENT ASSETS:	2013[1]	2014[1]	2015[1]	2016[1]	2017[2]
Cash and cash equivalents	$146,137	$124,629	$136,697	$266,010	$174,362
Interest receivable	165	35	62	423	496
Accounts receivable, net	46,563	47,003	65,645	31,924	40,472
Inventories	863	1,735	1,090	1,485	1,426
Prepaid expenses	4	8	148	21	-
Security deposits	2,142	2,217	2,104	2,368	2,391
Total Current Assets	$195,874	$175,627	$205,746	$302,231	$219,147
RESTRICTED ASSETS:					
Cash and cash equivalents	$77,063	$30,609	$35,159	$28,268	$30,882
Deposit with MUSL	19,037	19,817	21,766	22,793	24,177
Securities lending income receivable	372	496	76	-	-
Investments, security lending collateral	433,111	348,981	303,460	-	-
Investments, grand prize	523,992	441,503	372,266	348,130	297,370
Total Restricted Assets	$1,053,575	$841,406	$732,727	$399,191	$352,429
CAPITAL ASSETS, NET	3,215	4,243	5,820	6,106	6,138
TOTAL NONCURRENT ASSET	1,056,790	845,649	738,547	-	-
TOTAL ASSETS	$1,252,664	$1,021,276	$944,293	$707,528	$577,714
Pension related items	-	-	$ 3,969	$5,007	$5,007
Total Deferred Outflows of Resources	-	-	$3,969	$5,007	$5,007
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$1,252,664	$1,021,276	$948,262	$712,535	$582,721
LIABILITIES					
CURRENT LIABILITIES:					
Accounts payable and accrued liabilities	$7,196	$5,513	$7,729	$6,138	$3,163
Prizes payable	104,279	104,078	128,514	131,094	143,556
Due to Educational Enhancement Trust Fund	76,111	55,409	67,371	158,551	71,648
Deposits payable	2,143	2,219	2,106	2,445	2,509
Compensated absences payable	769	585	409	384	558
Net pension liability	-	-	192	219	219
Total Current Liabilities	$190,498	$167,704	$206,321	$298,831	$221,653
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS					
Securities lending fees payable	$46	$40	$47	-	-
Obligations under securities lending	494,757	363,953	317,044	-	-
Grand prizes payable	112,751	86,154	66,412	$43,294	$25,589
Total Current Liabilities Payable from Restricted Assets	607,554	450,147	383,503	$43,294	$25,589
NONCURRENT LIABILITIES:					
Grand prizes payable	$343,442	$298,466	$254,154	$237,968	$229,613
Compensated absences payable	2,908	3,189	3,455	3,456	3,230
Net pension liability	-	-	8,492	12,694	12,694
Post employment healthcare benefits payable	-	-	-	-	-
Other long-term liabilities	2,962	4,009	5,085	6,683	8,233
Total Noncurrent Liabilities	$ 349,312	$305,664	$271,186	$260,801	$253,770
Total Liabilities	$1,147,364	$923,615	$861,010	$602,926	$501,012
Pension related items	-	-	$5,709	$2,179	$2,179
Total Deferred Inflows of Resources	-	-	$5,709	$2,179	$2,179
NET POSITION					
Invested in capital assets	$3,215	$4,243	$5,820	$6,106	$6,138
Restricted for undistributed appreciation on restricted investments[3]	67,194	58,009	51,800	70,871	40,581
Restricted for future prizes or special prize promotions[4]	15,854	15,592	21,528	28,268	30,882
Restricted for MUSL	19,037	19,817	21,766	22,793	24,176
Unrestricted	-	-	(19,371)	(20,608)	(22,247)
Total Net Position	$105,300	$97,661	$1,543	$107,430	$79,530
TOTAL LIABILITIES AND NET POSITION	$1,252,664	$1,021,276	$948,262	$712,535	$582,721

Numbers may not add due to rounding.

1 Source: Department of the Lottery. Audited Financial Statements for Fiscal Years 2012-13 through 2015-16.

2 Source: Department of the Lottery. Unaudited.

3 Restricted for undistributed appreciation on restricted investments results from implementing GASB Statement 31 to reflect fair market value of investments and represents the unrealized appreciation on such investments. However, since the investments are restricted for grand prize winners only, the balance is not available for transfer to the Educational Enhancement Trust Fund.

4 Restricted for future prizes or Special prize promotions includes funds restricted by rule for the settlement of claims for the Lotto Plus add-on jackpots. As this feature is not pari-mutuel, funds must be restricted to ensure adequate coverage of potential liability.

Management Discussion and Analysis of Financial History

The Florida Lottery is considered a mature lottery with a full complement of both Scratch-Off and Draw game products. The Department exceeded $4 billion in ticket sales for Fiscal Years 2011 and 2012 and surpassed the $5.0 billion mark in Fiscal Years 2013 through 2015. The Department surpassed $6.0 billion in ticket sales in Fiscal Years 2016 and 2017, reaching almost $6.2 billion in Fiscal Year 2017. Since its inception, the Department has transferred $31.8 billion to the Educational Enhancement Trust Fund, with the Fiscal Year 2017 transfer exceeding $1 billion for the fifteenth consecutive year. Strategies to increase lottery revenues and maximize transfers to the Educational Enhancement Trust Fund are actively pursued by the Department. Despite the impact of the economic downturn, overall ticket sales have increased over the last ten years, primarily due to changes in game structure; targeted promotions; and product enhancements.

Several of the Draw games have undergone modifications with the most recent being changes to FLORIDA LOTTO™® in March 2008 and October 2009. At the beginning of 2009, the Lottery launched POWERBALL® with Power Play®. In May 2008, the Department added a second Drawing per day for both CASH 3™ and PLAY 4™. The Lottery has implemented higher prize payouts for both Scratch-Off and Draw games. In August 2010, CASH 3™ was updated with a new play style called 1-OFF® and POWERBALL® with Power Play® was modified in October 2015. The Lottery added MEGA MILLIONS® with Megaplier® to the Draw games on May 15, 2013.

Of the many factors that affect lottery ticket sales, one of the most important is the size of the jackpot, which is mainly impacted by the number of jackpot rollovers. In the past, a large number of players have waited until the FLORIDA LOTTO™® jackpot rolls over before purchasing a ticket, resulting in relatively flat FLORIDA LOTTO™® sales except when large jackpots occur. In October 1999, the Department revised the format of FLORIDA LOTTO™® to include a larger matrix and increased Drawings and both changes were designed to boost ticket sales by causing more jackpot rollovers resulting in larger jackpots. After the revised format, there have been increases in ticket sales of FLORIDA LOTTO™® during the years with multiple large jackpots. One of the impacts of POWERBALL® on FLORIDA LOTTO™® sales is slower jackpot growth. This result does not appear to be caused by fewer rollovers, but because of the smaller, but consistent player base supporting the jackpots. In the eighteen month period prior to the POWERBALL® launch, 31% of the FLORIDA LOTTO™® jackpots rolled six or more times. The average jackpot at that time for a roll series of 6 was $32 million. After the launch of POWERBALL®, 40% of the FLORIDA LOTTO ™® jackpots have rolled 6 or more times, and the current average jackpot at the sixth roll level is approximately $10 million. In October 2009, the Lottery changed the add-on feature to FLORIDA LOTTO ™® to allow players the option of paying an extra $1 for the chance of increasing their non-jackpot winnings by a randomly selected number between two and five. This feature is called XTRA®.

It has been the experience of the Department and lotteries of other states that a program that increases the prize payout percentages experience higher sales and greater net profits. Since July 1, 2002, the Department has been statutorily authorized to return variable percentages of Scratch-Off game revenues as prizes to maximize revenues transferred to the Educational Enhancement Trust Fund, and has instituted this program upon compliance with the covenants contained in the Resolution (See "SECURITY FOR THE 2017A BONDS - Covenants with Registered Owners"). The implementation of the variable prize payout resulted in strategically varying the payout rate for each of the games within each price level and sales of Scratch-Off tickets increased $3.6 billion from Fiscal Years 2002 to 2017. Effective July 1, 2005, a similar strategy of variable rate prizes was authorized for Draw games. However, the implementation of the Draw strategy is different from the approach taken with Scratch-Off tickets. The Department ran a holiday promotion as a pilot program and implemented the first permanent variable rate Draw game in March 2006. Prior to July 1, 2005, prizes were set at 50% and the deposit to the Educational Enhancement Trust Fund was set at 39%. The Department does not expect the same rate of return for the Draw games as the Scratch-Off games, but has seen a positive return from applying the variable prize payout strategy. The first holiday promotion generated $17.7 million in sales with corresponding Educational Enhancement Trust Fund transfers of $4.7 million. The Draw game enhancement, EZmatch™, which was introduced in March 2006, has generated over $303 million in sales since its launch and enhanced Educational Enhancement Trust Fund transfers by approximately $123 million during that time. The change to the variable rate prize payout for Draw games resulted from a statutory change which provides that 80% of unclaimed prize money is returned directly to the Educational Enhancement Trust Fund; previously, these funds were used to augment prize payouts (a one-time exception to this occurred in September 2003). In Fiscal Year 2017, $69 million of the almost $1.7 billion in Educational Enhancement Trust Fund transfers was from unclaimed prize money.

From Fiscal Year 1996 through Fiscal Year 2008, the Department experienced a steady growth in year-over- year ticket sales. The overall growth in ticket sales for that period was over $2.1 billion, which represents a total increase of 102%. These positive results are attributable to a combination of the previously discussed game revisions, prize payout enhancements, expanded retailer network, and increased technology. As part of the gaming system conversion in January 2005, all of the Scratch-Off only retailers were converted to full service retailers contributing to an increase in Draw game sales. In addition, the Department increased the retailer base from 12,000 in January 2005 to approximately 13,000 as of June 30, 2017. In Fiscal Year 2017, the Educational Enhancement Trust Fund benefited from contributions of over $849 million more than was transferred in Fiscal Year 1999.

In Fiscal Year 2017, ticket sales increased 7.3% for Scratch-Off games, while Draw game sales decreased by 9.2% from the prior year. The Department not only continued to utilize proven techniques, but also created new promotions and products.

During Fiscal Year 2017, the Lottery continued to lead the industry in sales of Scratch-Off games with price points of $20 or above. A $25 game, $10,000,000 World Class Cash, launched in February 2017. In addition, the Lottery reintroduced the GOLD RUSH brand as a family suite of games in January of 2017. The games, launched at the $1, $2, $5 and $10 price points accounted for over $329 million in sales. Other family games launched in Fiscal Year 2017 included Monopoly: Florida Edition and Holiday Millions with various price points for each.

On August 1, 2016 the Department changed Cash 3™ and Play 4™ to PICK 3™ and PICK 4™; PICK 2™ and PICK 5™ were added as additional daily Draw Games to create the PICK Daily Games™. On April 3, 2017 the 1-Off® option was added to PICK 2™ and PICK 5™.

On February 17, 2017 the Department added CASH4LIFE®, a multi-state game, to the line of Draw Games. CASH4LIFE Drawings are held on Monday and Thursday nights offering players a chance to win the top prize of $1,000 a day for life or second tier prize of $1,000 a week for life.

Florida's MEGA MONEY® game was replaced by LUCKY MONEY™ with EZmatch™ in July 2014. A new playtype, *1-OFF*™®, was added to PLAY 4™ and the *1-OFF*™® feature on CASH 3™ was enhanced in March 2015.

In Fiscal Year 2015 approximately 100,000 new Scratch-Off ticket facings were added at retail sites across the state. LED Jackpot Signs were installed at higher volume retailers to promote Powerball, Mega Millions, and Florida LOTTO. Full Service Vending Machines (FSVMs) were relocated to stores with greater sales potential resulting in increases in average weekly FSVM sales. In Fiscal Year 2017, an additional 500 FSVMs were deployed.

One of the Lottery's performance measures, as incorporated by reference in the General Appropriations Act, is operating expense as a percent of total revenue. For the Fiscal Year ended June 30, 2017, this performance measure was again set at 9.52% of total revenue including retailer commissions, Draw games expenses, Scratch-Off ticket expenses, advertising and other administrative expenses. Based on data for Fiscal Year 2017, operating expense, not including prize payouts, were 8.4% of total revenues. Retailer commissions, Draw games expense and Scratch-Off ticket expense are approximately 7.1% of total sales and fluctuate from year to year as they are based on a percentage of sales. All unencumbered amounts not utilized in operations are subsequently transferred to the Educational Enhancement Trust Fund after all data is audited.

Grand prize investments are comprised of Scratch-Off and Draw game prize winnings to be paid on a deferred basis if the cash payment option is not selected. The amount of each grand prize includes the anticipated interest earnings on the U.S. Treasury Strips purchased for the related annuity at the time the grand prize is claimed. Grand prize investments are held for the winners by the State Board of Administration on behalf of the Department.

With the implementation of GASB 31, a requirement to reflect the fair market value of investments, there have been significant fluctuations in income before operating transfers since 1997. The Department purchases U.S. Treasury Strips to fully fund the liability for payment of lottery prizes. These investments, which are held solely for prize winners, mature at the times and in amounts sufficient to pay lottery prize winners and are not sold prior to maturity. Therefore, year-to-year changes in fair market value of those investments, which are reflected in the financial statements, have no real financial impact on the operations of the Department and have no impact on income available for transfer to the Educational Enhancement Trust Fund. Therefore, the calculation of the transfer amount does not consider changes in market value of those restricted investments. These investments and the corresponding payables are recorded as restricted assets and liabilities held for grand prize winners on the Statement of Net Position.

With the implementation of GASB Statement No. 68 – Accounting and Financial Reporting for Pensions effective for fiscal year ended June 30, 2015, the following new line items are required to be reported on the Statement of Net Position: "Pension Payable (also referred to as the "NPL")", "Deferred Outflows of Resources Related to Pension items", and "Deferred Inflows of Resources Related to Pension items". All pension related items are actuarially determined amounts provided to participating employers in the State's Pension Plan (the "Plan"). The NPL includes the Department's proportionate share of the Plan's collective NPL. Deferred Outflows/Inflows of Resources are comprised of items, such as the net difference between projected and actual investment earnings on Plan investments, changes in assumptions, and differences in contributions when compared to the proportionate share of contributions. The line item "Personal Services" now includes the expense related to the change in NPL. The NPL will have no impact on the Transfer to the Educational Enhancement Trust Fund. Beginning net position has been restated on the Statement of Revenues, Expenses, and Changes in Net Position to reflect the initial year of implementation of the standard.

Economic Factors and Strategic Plans

The main economic factors affecting lottery sales are population growth, personal income growth and employment. Based on the July 2017 Florida Economic Estimating Conference, the population is forecasted to increase 1.588% and 1.577% for the Fiscal Years ending June 30, 2018, and June 30, 2019, respectively. Additionally, the July 2017 Conference produced forecasts for real personal income growth of 4.4% and 5.1%, respectively, while total non-farm employment is forecasted to increase by 2.4% and 1.8%, respectively.

The following are some of the strategies to increase lottery revenues that are being actively pursued by the Department:

Increase the Lottery's player base with innovative new products - Because the Florida Lottery's fluctuating sales growth appears to be stabilizing, new game strategies are being adopted to enhance sales. The current Scratch-Off games plan focuses on improved prize structures, clear product positioning between price points, timely display of product information, strategic inventory ordering and improved launch schedules. Licensed property Scratch-Off games, such as Wheel of Fortune®, Monopoly™, Loteria®, and Yahtzee® broaden the appeal to new players.

The Florida Lottery's Draw game development efforts for the past ten years have primarily focused on improvements to its mix of traditional games. Following the phenomenal sales success of the higher price point Scratch-Off games, the Draw game focus in recent years has been with higher price point Draw games. As previously discussed, the Department joined the multi-state game POWERBALL® as another product offering. The base price for POWERBALL® was increased to $2 in 2012. POWERBALL® players continue to be able to add Power Play® for $1 more to increase their non-jackpot prizes. Game enhancements were implemented in October 2015 which will allow jackpots to grow, better overall odds will mean more winners, and higher prizes offered at some of the lower levels. Florida joined MEGA MILLIONS® in May 2013. MEGA MILLIONS® made changes to the game in October 2013. MEGA MILLIONS® still costs $1 to play and players can add the Megaplier® for $1 more per play to increase their payouts on all non-jackpot prizes. The EZmatch™ instant win feature was added to FANTASY 5™® and XTRA® was added to FLORIDA LOTTO™®, which provides opportunities for players to win higher prize amounts for additional ticket prices, and midday Draws were added for PICK 3™ and PICK 4™. Limited-offer raffle style games have become a staple in the product mix. Five of the seven $20 MILLIONAIRE RAFFLE™ games have sold out their limited number of tickets. The $5 raffle games such as "Cars and Cash" and "Summer Cash" provide novel prizes such as hybrid cars or gas for a lifetime to appeal to new players. For the first time in 2011, the Department offered a $10 raffle game with a lower price appealing to another group of players. LUCKY LINES™ was an instant-win Draw game in which players could win prizes by matching numbers in rows similar to Bingo. LUCKY LINES™ was replaced by MEGA MILLIONS® in May 2013.

Refresh the Lottery brand through new approaches with technology- To celebrate the 25th anniversary in January 2013, the Florida Lottery rolled out a new brand image campaign. The Department launched several projects to refresh the interest of loyal customers and reach the 18 to 34 year-old demographic, including a redesign of the flalottery.com website. The Lottery's presence is now seen on various social media allowing interaction not only with current customers, but future customers as well as to increase overall awareness of the Florida Lottery.

Improve market penetration through expansion of the Lottery's retailer network. The Department is continuing to explore multiple venues in an effort to expand the retailer network. The Department not only desires to expand the total number of retailers selling Lottery products, but also to diversify the minority base of the retailer network. The Department is actively recruiting non-traditional retail sites that include minority retailers, as well as new corporate retailers. The Department continues to focus efforts on corporate accounts by exploring joint business promotions aimed at increasing revenue streams for both the Department and its retailers. In addition, increased efforts are being developed to recruit new corporate accounts that have traditionally not carried lottery products. The Department believes the full-service vending machines are a pivotal piece of equipment in recruiting the new corporate accounts. Full service vending machines offer all lottery products as opposed to instant ticket vending machines that only sell instant tickets. The Department currently has approximately 2,500 vending machines, of which 1,000 are full service vending machines and 1,500 are instant ticket (only) vending machines. The Department is considering replacing all instant ticket vending machines with full service vending machines when the new gaming system contract is in place.

Increase the focus of research and product development for the Draw game product segment - Over the past seven years, the Department's Draw game ticket sales have grown by 5.0%, while Scratch-Off ticket sales have increased by 104%. When one excludes the sales decline experienced by the industry as a whole during 2009, there has been a steady growth in the Scratch-Off product segment throughout the United States lottery market during the past seven years with moderate growth in domestic Draw game sales. The Department's net margin for its Draw game product segment is larger than that of the Scratch-Off product segment. The Department continues to balance its efforts to increase Scratch-Off sales while focusing on ways to continue to increase Draw game sales in order to maintain efficient net margins and increase total Educational Enhancement Trust Fund transfers over the long-term. This functional strategy will be accomplished through product extensions, redesign of existing games, Draw game promotions, second chance offers and the exploration of new Draw game concepts that follow conservative and traditional Draw game play styles. An increase in Draw game prize payouts and expansion of the Department's network of full-service retailers as described above is expected to boost total Draw game sales.

Continue to Optimize the prize payout percentages - In an effort to give the Department the flexibility to maximize the amount of revenue available for education purposes, the Florida Legislature has authorized the Department to vary the percentages of Scratch-Off and Draw game ticket revenue distributed as prizes and transferred to the Educational Enhancement Trust Fund. Research indicates that granting the Department the flexibility to vary the prize payout percentage enables it to do two things: 1) increase revenues for transfer to the Educational Enhancement Trust Fund based on a projected increase in ticket sales due to higher prize payouts; and 2) free a portion of the unclaimed prize money that could go directly to the Educational Enhancement Trust Fund. Providing the Department the flexibility to vary the prize payout percentage allows both Scratch-Off and Draw games to operate at or near the levels necessary to maximize revenues for education.

The positive impacts of the above factors may be partially offset by previously described impacts such as (i) less than forecasted POWERBALL™® and FLORIDA LOTTO™® sales due to the lack of rollovers, along with lower interest rates, both of which result in lower jackpots; and (ii) the overall state of the economy; (see "FINANCIAL DATA OF THE DEPARTMENT - Management Discussion and Analysis of Financial History").

The two most recent lottery revenue estimating conferences were held in December 2016 and August 2017. The August 2017 forecast increased projected total sales over the December 2016 forecast by $333.9 million, $342.3 million, $344.8 million, $349.6 million and $354.1 million for Fiscal Years 2018, 2019, 2020, 2021 and 2022 to $6.36 billion, $6.45 billion, $6.53 billion, $6.62 billion and $6.70 billion, respectively. The increases in the forecasts are primarily attributable to increases in sales forecasts for scratch-off tickets. The conference projected that sales for POWERBALL® will remain steady in Fiscal Year 2018, but begin increasing again in Fiscal Year 2019.

The August 2017 projections for non-ticket income increased from the December 2016 projections steadily from $11.6 million in Fiscal Year 2018 to $12.0 million in Fiscal Year 2022. The forecast for the 80% of unclaimed prize money available for immediate transfer to EETF was increased from the previous forecast of $40.2 million in Fiscal Year 2017 to $69.3 million.

The most recent modifications to the forecast were made based on a review of each game's actual sales experienced above or below the prior forecast estimates. In general, prior year pressures placed on the discretionary spending dollar of consumers are waning in the current economic environment as evidenced by a slight increase in disposable income and nominal increases in inflation.

Department of the Lottery
Projections of Lottery Revenues from Revenue Estimating Conferences of December 2016 and August 2017 (In Millions)

	December 2016 Estimates	August 2017 Estimates	Net Change December 2016 to August 2017	% Change December 2016 to August 2017
FY 2017-18				
Total Income	$6,025.0	$6,358.9	$333.9	5.54%
To EETF[1]	1,572.7	1,669.6	96.9	6.16%
FY 2018-19				
Total Income	$6,105.3	$6,447.6	$342.3	5.61%
To EETF[1]	1,620.8	1,721.3	100.5	6.20%
FY 2019-20				
Total Income	$6,186.0	$6,530.8	$344.8	5.57%
To EETF[1]	1,612.1	1,709.1	97.0	6.02%
FY 2020-21				
Total Income	$6,267.4	$6,617.0	$349.5	5.58%
To EETF[1]	1,634.4	1,734.9	100.5	6.15%
FY 2021-22				
Total Income	$6,349.8	$6,703.9	$354.2	5.58%
To EETF[1]	1,703.3	1,756.6	53.3	3.13%

Source: August 2017 Consensus Revenue Estimating Conference.

[1] These figures reflect the transfers to the EETF of the amount of net ticket revenues, unclaimed prizes and other income sources less applicable expenses. They do not reflect any additional distributions resulting from unspent appropriations or transfers of retained earnings. Projections include the transfer of 80% of unclaimed prize moneys. See "Transfers to the Educational Enhancement Trust Fund."

Impact of Hurricane Irma

Hurricane Irma made landfall in Florida on September 10, 2017. In advance of the storm, the Governor declared a state of emergency on September 4, 2017. Under Chapter 252.37, Florida Statutes, this declaration gives the Governor broad spending authority to meet financial needs resulting from a disaster. As of October 9, 2017, State agencies estimate that they will spend a total of approximately $636 million in response to Hurricane Irma. The State continues to monitor this spending and receives daily updates on storm-related expenditures from all State agencies. These expenses will be submitted to the Federal Emergency Management Agency ("FEMA") for reimbursement. The State anticipates that it will receive reimbursements from FEMA for 75%, 90%, or 100% of these costs resulting from Hurricane Irma, with the reimbursement levels dependent on the category of expenses and amount of overall State expenses. In addition, the State will be responsible for paying a portion of the storm-related expenses of counties and the costs of certain categories of individual assistance provided by FEMA to Florida citizens. The net fiscal impact on the State's General Revenue Fund for Hurricane Irma expenses and approved individual assistance to date, excluding the State's share of county costs which will require additional time for assessment, is currently projected to be approximately $110 million after expected reimbursements from FEMA. The State has sufficient reserves to fund these disaster recovery efforts, and has sufficient liquidity to cover expenses in advance of FEMA reimbursements. This preliminary cost estimate does not include any action that the Florida Legislature may take in responding to Hurricane Irma, but no near term actions are expected. Any legislative action would most likely be considered during the regular 60-day legislative session scheduled for January 9, 2018 to March 9, 2018. The costs of Hurricane Irma are not expected to have a material effect on the State's budget or financial position.

The Department does not expect the effects of Hurricane Irma will have a material adverse impact on Lottery Revenues. For the first two months of the current fiscal year, prior to Hurricane Irma, Lottery revenues exceeded projections from the August 2017 Consensus Revenue Estimating Conference by approximately $93 million. For the two-week period ended September 17, 2017, there was a dip in Lottery revenues with actual collections coming in $58 million less than projected; however, revenues subsequently rebounded to again exceed projections during the following week. Overall, actual collections for the current fiscal year through October 8, 2017, are $47.3 million over projections.

The information set forth above is preliminary and subject to change. Cost estimates are based on the best information available at the time of the estimates. Such information and cost estimates are subject to revision as additional information becomes available. Also, estimates are subject to risks and uncertainties which may cause results to differ materially from those estimates set forth above. No assurance is given that final information and cost estimates will not differ materially from the information and cost estimates provided above.

Debt Service Coverage Ratios

The following schedules reflect debt service coverage based upon historical and projected Pledged Revenues, which are deposits into the Educational Enhancement Trust Fund. The amounts for debt service shown in the Debt Service Coverage on Projected Revenues schedule reflects debt service on the Outstanding Bonds and the 2017A Bonds (excluding the Refunded Bonds) and the maximum aggregate annual debt service on the Bonds.

Debt Service Coverage on Historical Pledged Revenues
(In Thousands)

	Fiscal Years Ended June 30				
	2013	**2014**	**2015**	**2016**	**2017**
Pledged Revenues[1]	$1,424,307	$1,495,409	$1,496,371	$1,692,551	$1,656,348
Annual Debt Service for Outstanding Bonds[2]	$313,851	$314,992	$314,181	$312,566	$307,377
Debt Service Coverage on Annual Debt Service for Outstanding Bonds	4.5x	4.7x	4.8x	5.4x	5.4x
Maximum Annual Debt Service for Outstanding Bonds	$33,642	$331,128	$331,128	$320,649	$320,649
Debt Service Coverage on Maximum Annual Debt Service for Outstanding Bonds	4.3x	4.5x	4.5x	5.3x	5.2x

[1] Source: Department of the Lottery Audited Financial Statements for Fiscal Years 2011-12 through 2015-16, and Department of the Lottery Unaudited Financial Statements for Fiscal year 2016-17.

[2] Actual debt service without consideration of receipt of the Federal Subsidy on the 2010B Bonds, which does not constitute Pledged Revenues but was deposited in the Sinking Fund.

Debt Service Coverage on Projected Revenues
(In Thousands)

	Fiscal Years Ending June 30				
	2018	**2019**	**2020**	**2021**	**2022**
Pledged Revenues[1]	$1,669,600	$1,721,300	$1,709,100	$1,734,900	$1,756,600
Annual Debt Service on Outstanding Bonds and 2017A Bonds[2]	$317,995	$259,412	$222,268	$180,399	$168,597
Debt Service Coverage on Annual Debt Service on Outstanding Bonds and 2017A Bonds	5.3x	6.6x	7.7x	9.6x	10.4x
Maximum Annual Debt Service on Outstanding Bonds and 2017A Bonds [3]	$317,995	$259,412	$222,268	$180,399	$168,597
Debt Service Coverage on Maximum Annual Debt Service on Outstanding Bonds and 2017A Bonds	5.3x	6.6x	7.7x	9.6x	10.4x

[1] Projections from the August 2017 Consensus Revenue Estimating Conference. These figures reflect the transfers of the variable percentages of gross lottery revenues permitted by the Act. They do not reflect any additional distributions resulting from unused appropriations or transfers of net assets, but do reflect the estimated transfer of 80% of unclaimed prize money.

[2] Assumes actual debt service on Outstanding Bonds without consideration of the expected receipt of the Federal Subsidy on the 2010B Bonds, which does not constitute Pledged Revenues but is expected to be deposited into the Sinking Fund; excludes annual debt service on the Refunded Bonds which are scheduled to be called for redemption on July 1, 2018 of approximately $16.2 million in 2018, and $41.2 million in 2019 through 2028. Includes approximately $6.7 million in Fiscal Year 2017-18 of accrued debt service on the Refunded Bonds.

[3] Maximum Annual Debt Service for all Outstanding Bonds and the 2017A Bonds occurs in Fiscal Year 2018 and declines annually thereafter.

These projections are based on the best information available when the estimates are made, which is believed to be accurate. ***Investors should be aware that there have been material differences between past projections and actual lottery revenues, and that no assurance can be given that there will not be material differences relating to such amounts in the future. Investors should also be aware that the following information is revised at least twice a year, and, accordingly, such amounts will change. Undue reliance should not be placed on these projections.***

SCHEDULE OF DEBT SERVICE*

The table below shows the debt service on the Outstanding Bonds, the debt service on the 2017A Bonds, and the total debt service.

Fiscal Year	Debt Service on Outstanding Bonds[1,2]	2017A Bonds Debt Service Principal	2017A Bonds Debt Service Interest	2017A Bonds Debt Service Total	Total Debt Service
2018	$311,204,133	-	$6,790,843	$6,790,843	$317,994,976
2019	228,371,529	$19,055,000	11,985,250	31,040,250	259,411,779
2020	191,225,470	20,010,000	11,032,500	31,042,500	222,267,970
2021	149,357,267	21,010,000	10,032,000	31,042,000	180,399,267
2022	137,550,491	22,065,000	8,981,500	31,046,500	168,596,991
2023	108,433,644	23,165,000	7,878,250	31,043,250	139,476,894
2024	92,917,637	24,325,000	6,720,000	31,045,000	123,962,637
2025	78,127,553	25,535,000	5,503,750	31,038,750	109,166,303
2026	66,074,251	26,815,000	4,227,000	31,042,000	97,116,251
2027	51,591,386	28,155,000	2,886,250	31,041,250	82,632,636
2028	19,526,505	29,570,000	1,478,500	31,048,500	50,575,005
2029	19,286,892	-	-	-	19,286,892
2030	6,643,700	-	-	-	6,643,700
2031	6,641,300	-	-	-	6,641,300
2032	6,643,500	-	-	-	6,643,500
	$1,473,595,256	$239,705,000	$77,515,843	$317,220,843	$1,790,816,098

* Totals may not add due to rounding.

1 Interest on the 2010B Bonds was calculated without consideration of the expected receipt of the Federal Subsidy which does not constitute Pledged Revenues but is expected to be deposited into the Sinking Fund.

2 Excludes annual debt service on the Refunded Bonds of approximately $16.2 million in 2018 and $41.2 million in 2019 through 2028. The Refunded Bonds are economically but not legally defeased and are scheduled to be called for redemption on July 1, 2018. Includes approximately $6.7 million in Fiscal Year 2017-18 of accrued debt service on the Refunded Bonds.

PROVISIONS OF STATE LAW

Bonds Legal Investment for Fiduciaries

The State Bond Act provides that all bonds issued by the Division of Bond Finance are legal investments for state, county, municipal or other public funds, and for banks, savings banks, insurance companies, executors, administrators, trustees, and all other fiduciaries and also are securities eligible as collateral deposits for all state, county, municipal, or other public funds.

Negotiability

The 2017A Bonds will have all the qualities and incidents of negotiable instruments under the Uniform Commercial Code - Investment Securities Law of the State.

TAX MATTERS

General

The Internal Revenue Code of 1986, as amended (the "Code") establishes certain requirements which must be met subsequent to the issuance and delivery of the 2017A Bonds in order that interest on the 2017A Bonds be and remain excluded from gross income for purposes of federal income taxation. Non-compliance may cause interest on the 2017A Bonds to be included in federal gross income retroactive to the date of issuance of the 2017A Bonds, regardless of the date on which such non-compliance occurs or is ascertained. These requirements include, but are not limited to, provisions which prescribe yield and other limits within which the proceeds of the 2017A Bonds and the other amounts are to be invested and require that certain investment earnings on the foregoing must be rebated on a periodic basis to the Treasury Department of the United States. The Board of Governors, the Division of Bond Finance and the Board of Administration have covenanted in the Resolution to comply with such requirements in order to maintain the exclusion from federal gross income of the interest on the 2017A Bonds.

In the opinion of Bond Counsel, assuming compliance with the aforementioned covenants, under existing laws, regulations, judicial decisions and rulings, interest on the 2017A Bonds is excluded from gross income of the holders thereof for purposes of federal income taxation. Interest on the 2017A Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or corporations; however, interest on the 2017A Bonds may be subject to the federal alternative minimum tax when any 2017A Bond is held by a corporation. The federal alternative minimum taxable income of a corporation must be increased by seventy-five percent (75%) of the excess of such corporation's adjusted current earnings over its alternative minimum taxable income (before this adjustment and the alternative tax net operating loss deduction). "Adjusted Current Earnings" will include interest on the 2017A Bonds. The 2017A Bonds and the income thereon are not subject to any tax under the laws of the State of Florida except estate taxes imposed by Chapter 198, Florida Statutes, as amended, and net income and franchise taxes imposed by Chapter 220, Florida Statutes, as amended.

Except as described above, Bond Counsel will express no opinion regarding the federal income tax consequences resulting from the ownership of, receipt or accrual of interest on, or disposition of 2017A Bonds. Prospective purchasers of 2017A Bonds should be aware that the ownership of 2017A Bonds may result in collateral federal income tax consequences, including (i) the denial of a deduction for interest on indebtedness incurred or continued to purchase or carry 2017A Bonds; (ii) the reduction of the loss reserve deduction for property and casualty insurance companies by fifteen percent (15%) of certain items, including interest on 2017A Bonds; (iii) the inclusion of interest on 2017A Bonds in earnings of certain foreign corporations doing business in the United States for purposes of the branch profits tax; (iv) the inclusion of interest on 2017A Bonds in passive income subject to federal income taxation of certain Subchapter S corporations with Subchapter C earnings and profits at the close of the taxable year; and (v) the inclusion of interest on 2017A Bonds in "modified adjusted gross income" by recipients of certain Social Security and Railroad Retirement benefits for the purposes of determining whether such benefits are included in gross income for federal income tax purposes.

As to questions of fact material to the opinion of Bond Counsel, Bond Counsel will rely upon representations and covenants made on behalf of the Board of Governors and the Division of Bond Finance, certificates of appropriate officers and certificates of public officials (including certifications as to the use of proceeds of the 2017A Bonds and of the property financed or refinanced thereby), without undertaking to verify the same by independent investigation.

PURCHASE, OWNERSHIP, SALE OR DISPOSITION OF THE 2017A BONDS AND THE RECEIPT OR ACCRUAL OF THE INTEREST THEREON MAY HAVE ADVERSE FEDERAL TAX CONSEQUENCES FOR CERTAIN INDIVIDUAL AND CORPORATE BONDHOLDERS, INCLUDING, BUT NOT LIMITED TO, THE CONSEQUENCES DESCRIBED ABOVE. PROSPECTIVE BONDHOLDERS SHOULD CONSULT WITH THEIR TAX SPECIALISTS FOR INFORMATION IN THAT REGARD.

Information Reporting and Backup Withholding

Interest paid on tax-exempt bonds such as the 2017A Bonds is subject to information reporting to the Internal Revenue Service in a manner similar to interest paid on taxable obligations. This reporting requirement does not affect the excludability of interest on the 2017A Bonds from gross income for federal income tax purposes. However, in conjunction with that information reporting requirement, the Code subjects certain non-corporate owners of 2017A Bonds, under certain circumstances, to "backup withholding" at the rate specified in the Code with respect to payments on the 2017A Bonds and proceeds from the sale of 2017A Bonds. Any amount so withheld would be refunded or allowed as a credit against the federal income tax of such owner of 2017A Bonds. This withholding generally applies if the owner of 2017A Bonds (i) fails to furnish the payor such owner's social security number or other taxpayer identification number ("TIN"), (ii) furnished the payor an incorrect TIN, (iii) fails to properly report interest, dividends, or other "reportable payments" as defined in the Code, or (iv) under certain circumstances, fails to provide the payor or such owner's securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such owner is not subject to backup withholding. Prospective purchasers of the 2017A Bonds may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

Other Tax Matters

During recent years, legislative proposals have been introduced in Congress, and in some cases enacted, that altered certain federal tax consequences resulting from the ownership of obligations that are similar to the 2017A Bonds. In some cases, these proposals have contained provisions that altered these consequences on a retroactive basis. Such alteration of federal tax consequences may have affected the market value of obligations similar to the 2017A Bonds. From time to time, legislative proposals are pending which could have an effect on both the federal tax consequences resulting from ownership of the 2017A Bonds and their market value. No assurance can be given that legislative proposals will not be enacted that would apply to, or have an adverse effect upon, the 2017A Bonds. For example, in connection with federal deficit reduction, job creation and tax law reform efforts, proposals have been and others are likely to be made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the 2017A Bonds. There can be no assurance that any such legislation or proposal will be enacted, and if enacted, what form it may take. The introduction or enactment of any such legislative proposals may affect, perhaps significantly, the market price for, or marketability of, the 2017A Bonds.

Prospective purchasers of the 2017A Bonds should consult their own tax advisors as to the tax consequences of owning the 2017A Bonds in their particular state or local jurisdiction and regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Original Issue Premium

All of the 2017A Bonds were offered and sold to the public at a price in excess of their stated redemption price at maturity (the principal amount). The difference between the principal amount of the 2017A Bonds and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such 2017A Bonds of the same maturity and, if applicable, interest rate, was sold constitutes to an initial purchaser amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each of the 2017A Bonds, which ends on the earlier of the maturity or call date for each of the 2017A Bonds which minimizes the yield on such 2017A Bonds to the purchaser. For purposes of determining gain or loss on the sale or other disposition of a 2017A Bond, an initial purchaser who acquires such obligation in the initial offering is required to decrease such purchaser's adjusted basis in such 2017A Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such 2017A Bonds. Bondholders of the 2017A Bonds are advised that they should consult with their own tax advisors with respect to the state and local tax consequences of owning such 2017A Bonds.

Owners of 2017A Bonds should consult their own tax advisers as to the determination for federal income tax purposes of the amount of bond properly accruable or amortizable in any period with respect to the 2017A Bonds and as to other federal tax consequences and the treatment of bond for purposes of state and local taxes on, or based on, income.

State Taxes

The 2017A Bonds and the income therefrom are not subject to any taxation by the State or any county, municipality, political subdivision, agency, or instrumentality of the State, except estate taxes imposed by Chapter 198, Florida Statutes, as amended, and net income and franchise taxes imposed by Chapter 220, Florida Statutes, as amended.

Florida laws governing the imposition of estate taxes do not provide for an exclusion of state or local bonds from the calculation of the value of the gross estate for tax purposes. Florida's estate tax is generally calculated on the basis of the otherwise unused portion of the federal credit allowed for state estate taxes. Under Chapter 198, Florida Statutes, all values for state estate tax purposes are as finally determined for federal estate tax purposes. Since state and local bonds are included in the valuation of the gross estate for federal tax purposes, such obligations would be included in such calculation for Florida estate tax purposes. Prospective owners of the 2017A Bonds should consult their own attorneys and advisors for the treatment of the ownership of the 2017A Bonds for estate tax purposes.

The 2017A Bonds and the income therefrom are subject to the tax imposed by Chapter 220 on interest, income, or profits on debt obligations owned by corporations and other specified entities.

INDEPENDENT AUDITORS

The financial statements of Florida's Department of the Lottery as of and for the Fiscal Year ended June 30, 2016, included in Appendix E of this Official Statement have been audited by the Florida Auditor General.

MISCELLANEOUS

Investment of Funds

All State funds are invested by either the Chief Financial Officer or the Board of Administration. At closing, the 2017A Bond proceeds (net of issuance costs) will be deposited as described above under the heading "THE REFUNDING PROGRAM".

Funds Held Pursuant to the Resolution - The Resolution directs the manner in which funds held in the various funds and accounts for the Bonds may be invested. After collection, the Pledged Revenues are deposited into the Lottery Trust Fund and from there are transferred monthly to the Educational Enhancement Trust Fund, which are each held in the State Treasury. Funds allocable to the Lottery Bond Program are transferred monthly from the Educational Enhancement Trust Fund to the Lottery Capital Outlay and Debt Service Trust Fund also held in the State Treasury. Thereafter, on the 24th day of each month, revenues are transferred to the Board of Administration for deposit into the Sinking Fund for the next installments of principal and interest. See "*Investment by the Board of Administration*" below for the Board of Administration's investment policy with respect to sinking fund investments.

Investment by the Chief Financial Officer - Funds held in the State Treasury are invested by internal and external investment managers. As of June 30, 2017, the ratio was approximately 46% internally managed funds, 44% externally managed funds, 5% Certificates of Deposit and 5% in an externally managed Security Lending program. The total portfolio market value on June 30, 2017, was $24,498,384,318.70.

Under State law, the Treasury is charged with investing funds of each State agency and the judicial branch. As of June 30, 2017, $17.301 billion of the investments in the Treasury consisted of accounts held by State agencies that are required by law to maintain their investments in the Treasury; additionally, $6.172 billion as of this date consisted of moneys held by certain boards, associations, or entities created by the State Constitution or by State law that are not required to maintain their investments with the Treasury and are permitted to withdraw these funds from the Treasury.

As provided by State law, the Treasury must be able to timely meet all disbursement needs of the State. Accordingly, the Treasury allocates its investments to provide for estimated disbursements plus a cushion for liquidity in instances of greater-than-expected disbursement demand.

To this end, a portion of Treasury's investments are managed for short-term liquidity and preservation of principal. The remainder is managed to obtain maximum yield, given the safety parameters of State law and Treasury's Comprehensive Investment Policy. Investments managed for short-term liquidity and preservation of principal are managed "internally" by Treasury personnel. The majority of investments managed for a maximum return are managed by "external" investment companies hired by the State.

The Externally Managed Investment Program provides long-term value while limiting risk appropriately and provides a backup source of liquidity. External investment strategy focuses on medium-term and long-term fixed income securities, rather than money market instruments, in order to take advantage of higher returns historically achieved by such securities. Portfolio managers are hired to actively manage funds. These funds may be invested in U.S. Treasury government agency obligations, investment grade corporate debt, municipal debt, mortgage backed securities, asset backed securities, and U.S. dollar denominated investment-grade foreign bonds that are registered with the Securities and Exchange Commission. The managers may also use leveraging techniques such as forward purchase commitments, and interest rate futures.

Investment by the Board of Administration - The Board of Administration manages investment of assets on behalf of the members of the Florida Retirement System (the "FRS") Defined Benefit Plan. It also acts as sinking fund trustee for most State bond issues and oversees the management of FRS Investment Plan investment options, Florida Hurricane Catastrophe Fund moneys, a short-term investment pool for local governments and smaller trust accounts on behalf of third party beneficiaries.

The Board of Administration adopts specific investment policy guidelines for the management of its funds which reflect the long-term risk, yield, and diversification requirements necessary to meet its fiduciary obligations. As of June 30, 2017, the Board of Administration directed the investment/administration of 24 funds in 550 portfolios.

As of June 30, 2017 the total market value of the FRS (Defined Benefit) Trust Fund was $153,573,300,932.88. The Board of Administration pursues an investment strategy which allocates assets to different investment types. The long-term objective is to meet liability needs as determined by actuarial assumptions. Asset allocation levels are determined by the liquidity and cash flow requirements of the FRS, absolute and relative valuations of the asset class investments, and opportunities within those asset classes. Funds are invested internally and externally under a Defined Benefit Plan Investment Policy Statement.

The Board of Administration uses a variety of derivative products as part of its overall investment strategy. These products are used to manage risk or to execute strategies more efficiently or more cost effectively than could be done in the cash markets. They are not used to speculate in the expectation of earning extremely high returns. Any of the products used must be within investment policy guidelines designed to control the overall risk of the portfolio.

The Board of Administration invests assets in 23 designated funds other than the FRS (Defined Benefit) Trust Fund. As of June 30, 2017, the total market value of these funds equaled $37,890,376,569.62. Each fund is independently managed by the Board of Administration in accordance with the applicable documents, legal requirements and investment plan. Liquidity and preservation of capital are preeminent investment objectives for most of these funds, so investments for these are restricted to high quality money market instruments (e.g., cash, short-term treasury securities, certificates of deposit, banker's acceptances, and commercial paper). The term of these investments is generally short, but may vary depending upon the requirements of each trust and its investment plan.

Investment of bond sinking funds is controlled by the resolution authorizing issuance of a particular series of bonds. The Board of Administration's investment policy with respect to sinking funds is that only U.S. Treasury securities, and repurchase agreements backed thereby, be used.

Bond Ratings

Standard & Poor's Ratings Services, Moody's Investors Service and Fitch Ratings (herein referred to collectively as "Rating Agencies"), have assigned their municipal bond ratings of AAA, A1 and AA, respectively, to the 2017A Bonds. Such ratings reflect only the respective views of such Rating Agencies at the time such ratings were issued, and an explanation of the significance of such ratings may be obtained from any of the respective rating agencies.

The State furnished to such Rating Agencies certain information and material in respect to the State and the 2017A Bonds. Generally, Rating Agencies base their ratings on such information and materials and on investigations, studies and assumptions made by the Rating Agencies. There is no assurance that such ratings will be maintained for any given period of time or that they may not be lowered, suspended or withdrawn entirely by the Rating Agencies, or any of them, if in their or its judgment, circumstances warrant. Any such downward change in, suspension of or withdrawal of such ratings may have an adverse effect on the market price of the 2017A Bonds.

Certain companies provide either bond insurance or reserve account surety bonds on various series of Outstanding Bonds. The Rating Agencies have evaluated (and are continuing to evaluate) the effects of the downturn in the market for certain structured finance instruments, including collateralized debt obligations and residential mortgage backed securities, on the claims-paying ability of financial guarantors. The results of these evaluations have included and may include additional ratings affirmations, changes in rating outlook, reviews for downgrade, and downgrades. To date, the Rating Agencies have downgraded the following companies as indicated: Assured Guaranty Corp. (Assured) - Moody's/A3; S&P/AA, Assured Guaranty Municipal Corp. (AG Muni - formerly, Financial Security Assurance Inc.) - Moody's/A2, S&P/AA, and MBIA Insurance Corporation - Moody's/Caa1, S&P/CCC. Assured has a stable outlook by Moody's and S&P. AG Muni has a stable outlook by both Moody's and S&P. MBIA has a stable outlook by S&P and a negative outlook by Moody's. Fitch has withdrawn its ratings for Ambac Assurance Corporation (Ambac), Financial Guaranty Insurance Company (FGIC), MBIA, Syncora Guarantee Inc. (Syncora), Assured and AG Muni; Moody's and S&P have withdrawn their ratings for FGIC, Ambac and Syncora. National Public Finance Guarantee Corporation ("National") is currently rated “A” by S&P with a stable outlook and “A3” by Moody's with a negative outlook. Potential investors are directed to the Rating Agencies for additional information on their ongoing evaluations of the financial guaranty industry and individual financial guarantors.

Verification of Mathematical Calculations

The arithmetical accuracy of the mathematical computations supporting the adequacy of the funds deposited pursuant to the Escrow Deposit Agreement and interest earnings thereon to pay principal of, redemption premium and interest on the Refunded Bonds, and the arithmetical accuracy of the mathematical computations relating to the investment of funds in the Escrow Deposit Trust Fund, supporting the conclusion that the 2017A Bonds will not be “arbitrage bonds” under the Internal Revenue Code of 1986, will be verified by Causey Demgen & Moore, P.C., Certified Public Accountants, as a condition of the delivery of the 2017A Bonds. The Refunded Bonds will be economically, but not legally, defeased. See “THE REFUNDING PROGRAM,” above.

Litigation

Currently there is no litigation pending, or to the knowledge of the Department, the Board of Education or the Division of Bond Finance threatened, which if successful would have the effect of restraining or enjoining the issuance or delivery of the 2017A Bonds or questioning or affecting the validity of the 2017A Bonds or the proceedings and authority under which such 2017A Bonds are to be issued. The Department and the Board of Education from time to time engage in litigation the outcome of which would not be expected to have any material adverse effect on the issuance and delivery of the 2017A Bonds.

Legal Opinion and Closing Certificates

The approving legal opinion of Bryant Miller Olive P.A., Tallahassee, Florida, Bond Counsel, will be provided on the date of delivery of the 2017A Bonds, as well as a certificate, executed by appropriate State officials, to the effect that to the best of their knowledge the Official Statement, as of its date and as of the date of delivery of the 2017A Bonds, does not contain an untrue statement of a material fact or omit to state a material fact which should be included herein for the purpose for which the Official Statement is intended to be used, or which is necessary to make the statements contained herein, in the light of the circumstances under which they were made, not misleading. The proposed form of the legal opinion of Bond Counsel is attached hereto as Appendix G.

Continuing Disclosure

The Board of Education and the Department of the Lottery will undertake, for the benefit of the beneficial owners and Registered Owners of the 2017A Bonds, to provide, or cause to be provided, certain financial information and operating data and to provide notices of certain material events. Such financial information and operating data will be transmitted to the Municipal Securities Rulemaking Board (the “MSRB”) using its Electronic Municipal Market Access System (“EMMA”). Any notice of material events will also be transmitted to the MSRB using EMMA. The form of the undertaking is set forth in Appendix H, Form of Continuing Disclosure Agreement. This undertaking is being made in order to assist the underwriters in complying with Rule 15c2-12 of the Securities and Exchange Commission.

Neither the Board of Education, the Department of the Lottery nor the Division of Bond Finance has failed, in the previous five years, to comply in all material aspects with any prior disclosure undertakings.

Underwriting

Wells Fargo Bank, National Association (the “Underwriter”) has agreed to purchase the 2017A Bonds at an aggregate purchase price of $284,847,170.67 (which represents the par amount of the 2017A Bonds plus an original issue premium of $45,263,221.70 and minus the Underwriters’ discount of $121,051.03). The Underwriter may offer and sell the 2017A Bonds to certain dealers (including dealers depositing bonds into investment trusts, including trusts managed by the Underwriters) at prices lower than the initial offering prices. The offering prices or yields on the 2017A Bonds set forth on the inside front cover may be changed after the initial offering by the Underwriter.

Execution of Official Statement

The execution and delivery of this Official Statement have been duly authorized by the Board of Education and the Division of Bond Finance.

STATE OF FLORIDA
DIVISION OF BOND FINANCE

RICK SCOTT
Governor, as Chairman
of the Governing Board

J. BEN WATKINS III
Director, Division of Bond Finance

STATE BOARD OF EDUCATION

MARVA JOHNSON
Chair

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APPENDIX A

STATE OF FLORIDA

STATISTICAL, DEMOGRAPHIC AND FINANCIAL INFORMATION

The information contained in this Appendix is intended to provide an overview of the organization of the State's government, as well as general economic, financial and demographic data which might be of interest in connection with the foregoing Official Statement. All information contained herein has been obtained from sources believed to be accurate and reliable. Estimates of future results are statements of opinion based on the most recent information available, which is believed to be accurate. Such estimates are subject to risks and uncertainties which may cause actual results to differ materially from those set forth herein.

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STATE OF FLORIDA

GENERAL HISTORY AND GEOGRAPHY

Juan Ponce de Leon made the first recorded landing in Florida in 1513, and subsequently claimed the territory for Spain. The Spaniards founded the first permanent settlement, St. Augustine, in 1565. Florida was acquired by the United States from Spain in 1821, became a territory of the United States in 1822, and was admitted to statehood in 1845 as the 27th state. The State capital is the city of Tallahassee.

Florida is the 26th largest state with land area of 54,252 square miles and a water area of 4,308 square miles, with tidal shoreline in excess of 2,200 miles.

Florida has 67 counties and approximately 405 municipalities.

STATE GOVERNMENT

Florida's governmental powers are divided among the executive, legislative and judicial branches.

Executive Branch

In 1998, voters approved amendments to the State constitution which restructured the State Cabinet. Since adoption of the amendments, the State legislature has adopted several measures to implement the constitutional changes and to otherwise reorganize the executive branch of the State government.

The supreme executive power is vested in the Governor. The Lieutenant Governor acts as Governor upon a vacancy in the office or incapacity of the Governor. The executive branch consists of the Governor and Cabinet, which is comprised of the Attorney General, the Chief Financial Officer, and the Commissioner of Agriculture, each of whom is elected for four years. All executive functions are allotted among not more than 25 departments under the direct supervision of the Governor, Lt. Governor, Governor and Cabinet, or a Cabinet Member. The State Constitution limits cabinet members to eight consecutive years in office. A governor who has served for more than 6 years in two consecutive terms may not be re-elected for the succeeding term.

Legislative Branch

The legislative power of the State is vested in a bicameral legislature, consisting of a senate and a house of representatives. There are 40 senatorial districts and 120 representative districts within the State. Senators are elected for four-year terms and representatives for two-year terms. The State Constitution also limits legislators to eight consecutive years in office.

Regular sessions of the legislature convene on the first Tuesday after the first Monday in March of each odd-numbered year, and on the first Tuesday after the first Monday in March, or such other date as may be fixed by law, of each even-numbered year, and shall not exceed 60 days. Special sessions may be called by the Governor or by joint proclamation of the President of the Senate and the Speaker of the House of Representatives.

Judicial Branch

The judicial power is vested in a supreme court, 5 district courts of appeal, 20 circuit courts and 67 county courts. As a result of a constitutional amendment adopted in 1998, as of July 1, 2004 the legislature began funding certain costs of the judicial system previously borne by the counties.

Services Provided by State Government

The State provides a wide range of services to its residents and to its local government units. The education system is the most extensive service provided by the State. On November 5, 2002, voters approved constitutional amendments requiring class size reductions and providing for a free, voluntary pre-kindergarten program for 4-year-olds.

Over half of the State's general revenue appropriations are for education. All tax supported schools, from kindergarten through postsecondary, constitute a single, unified system of public education under the State Board of Education. Each of Florida's 67 counties comprises a single school district operating under an elected district school board. In addition, there are 49 area vocational-technical centers administered by the local school boards. The State's 28 Florida College System institutions (formerly community colleges) and twelve State universities are operated by local boards of trustees, under the oversight of the State Board of Education.

Government services are generally organized along functional or program lines into departments, which constitute the principal administrative units within the executive branch. Listed below are the departments and a brief summary of their respective responsibilities.

Agency for Health Care Administration is the State's chief health policy and planning entity, and oversees the health care industry in the State.

Department of Agriculture and Consumer Services inspects food and other consumer products to assure public safety, and assists in producing and promoting agricultural products as well as conserving agricultural resources. It also protects consumers against unfair and deceptive business practices and licenses private security, investigative and repossession services.

Department of Business and Professional Regulation ensures that regulated industries and certain non-medical professionals meet prescribed standards of education, competency and practice. It also administers the State's child and farm labor laws and oversees workplace regulation and enforcement.

Department of Children and Families provides family and health services to promote self sufficiency. The department addresses neglect, abuse or exploitation of children and adults unable to protect themselves, and provides services to preserve families, prevent inappropriate institutional care and improve quality of life for people with mental illnesses. The *Agency for Persons With Disabilities*, an independent entity housed within the department, is responsible for providing services to developmentally disabled persons.

Department of Citrus exercises its powers to stabilize and protect the citrus industry of the State.

Department of Corrections is responsible for the incarceration, supervision and rehabilitation of criminal offenders. The *Florida Corrections Commission* monitors the State's correctional system and makes correctional policy recommendations.

Department of Economic Opportunity oversees and coordinates economic development, housing, growth management, and community development programs, and unemployment compensation. The department was created by Chapter 2011-142, L.O.F. The department is required to develop a statewide five-year strategic plan to address the promotion of business formation, expansion, recruitment, and retention in order to create jobs for all regions of the state. The department includes the former Office of Tourism, Trade, and Economic Development as well as portions of the former Department of Community Affairs (DCA) and the former Agency for Workforce Innovation (AWI), and the Ready to Work Program from the Department of Education. Remaining portions of DCA and AWI were transferred to several other existing state agencies.

Department of Education, under the direction of the State Board of Education, implements education policy and oversees Florida's education system through curriculum development, student assessment, teacher standards and certification, financial assistance, instructional support, community services, and workforce development and vocational rehabilitation programs. It also participates in oversight of higher education by providing support for the State's Florida College System institutions (formerly community colleges) and the State University System.

Department of Elderly Affairs (also, Elder Affairs) administers services to assist the elderly in maintaining independence and quality of life, and to support their families and caregivers. The department also develops policy recommendations for long-term care.

Department of Environmental Protection implements programs to protect against air and water pollution, ensure domestic water supplies, and coordinate the State's stormwater program. This department also oversees Florida's 160 State parks and other outdoor recreational facilities.

Department of Financial Services, under the Chief Financial Officer, administers the State treasury and oversees accounting and auditing of State agencies. It also administers the State's risk management and fire marshal offices, regulates insurance agents and investigates insurance fraud, and participates in administration of the workers compensation system. *The Financial Services Commission*, an independent agency housed within the Department but consisting of the Governor and Cabinet, regulates securities transactions, financial institutions and insurers operating in the State.

Department of Health oversees a State health plan, as well as a wide range of State and community efforts to prevent diseases and disabilities. The department monitors disease trends, provides health care and early intervention services, gives medical direction for child protection and sexual abuse treatment, promotes innovative and cost effective health care delivery systems, and serves as statewide repository of health data.

Department of Highway Safety and Motor Vehicles promotes safe driving through law enforcement, public education, titling and registering motor vehicles and vessels, licensing drivers, and regulating vehicle exhaust.

Department of Juvenile Justice coordinates the State's programs for juvenile offenders including prevention, diversion, residential and non-residential commitment, delinquency institutions, training, reentry and aftercare.

Department of Law Enforcement conducts criminal investigations, provides criminal analysis laboratories, offers criminal justice training, and compiles statistics and maintains records of criminal activities.

Department of Legal Affairs represents the State in civil lawsuits and in criminal appeals. It also issues formal advisory opinions and is the chief enforcement agency for antitrust, consumer protection, and civil racketeering laws.

Department of the Lottery manages Florida's state lottery as a self-supporting, revenue producing department designed to generate additional funding for public education.

Department of Management Services is responsible for various administrative functions of State government, including facilities management, information technology, administrative hearings, retirement, and state group insurance programs.

Department of Military Affairs implements the National Defense Act as it applies to Florida, and administers the Florida National Guard with the Governor as Commander in Chief.

Department of Revenue administers the collection, enforcement and auditing of taxes, manages tax information systems, provides taxpayer assistance, and administers the federal child support enforcement program in the State.

Department of State oversees the elections process, corporate records, Florida's international relations, cultural entities, libraries and historic preservation.

Department of Transportation is charged with providing a safe, interconnected statewide transportation system. Its responsibilities include planning and implementing transportation policies, designing and constructing facilities, and administering motor carrier compliance and toll operations.

Department of Veterans' Affairs assists military veterans and their dependents in securing benefits to which they are entitled under federal or State law by virtue of their military service.

The Public Employees Relations Commission is a neutral adjudicatory body which resolves public sector labor disputes, career service appeals, veteran's preference appeals, drug testing cases, certain age discrimination cases, and whistle blower appeals.

The *Public Service Commission*, an arm of the legislature, regulates the operation of electric utilities, telecommunications and telephone companies, and water or wastewater utilities within the State.

The State is divided into five *water management districts* to provide water resource planning and development.

In addition to statutorily created departments and commissions, there are several constitutional boards responsible for governmental functions.

A 17-member *Board of Governors* is responsible for managing the State University System. The Board consists of 14 members appointed by the governor, plus the commissioner of education, a faculty representative and a student representative.

Fish and Wildlife Conservation Commission, comprised of seven members appointed by the Governor, exercises the State's regulatory and executive powers with respect to wild animal life, fresh water aquatic life, and marine life.

Government Efficiency Task Force, comprised of members of the public and private sectors, develops recommendations to improve government operations and reduce costs, beginning in 2007 and each fourth year thereafter.

Florida Commission on Ethics enforces the State's code of ethics for public employees and officers not under the jurisdiction of the Judicial Qualification Commission.

Joint Legislative Budget Commission, composed of an equal number of members of the respective houses of the legislature, develops the State's long-range financial outlook and reviews certain proposed budget amendments.

Judicial Qualification Commission investigates and makes recommendations to the Supreme Court with respect to action against any justice or judge whose conduct may warrant disciplinary measures.

Florida Commission on Offender Review is made up of three members appointed by the Governor. It is responsible for determining which prisoners will be granted parole and the terms of conditional release, whether a person has violated parole, and for reporting on persons under consideration for clemency.

Taxation and Budget Reform Commission, established in 2007 and each 20th year thereafter to examine the State's budgetary process, revenue needs and tax policy, to determine funding methods favored by citizens, and to recommend changes.

State Board of Administration, comprised of the Governor, Attorney General and Chief Financial Officer, is the long-term investment body for the State. It also serves as fiscal agent or trustee with respect to bonds issued by the State or its agencies, and manages investment of Florida's retirement system monies.

State Board of Education is the chief policy making and coordinating body of public education and vocational rehabilitation in Florida. It consists of seven members appointed by the Governor.

DEMOGRAPHIC & ECONOMIC INFORMATION

Population

Florida ranks as the third most populous state, with an estimated population of 20.5 million as of April 1, 2017. This represents a 1.6% increase from April 1, 2016.

While the State's population grew by 28.0% between 2000 and 2017, annual population growth has slowed considerably in recent years. Florida's average annual population growth rate was 1.7% from 2000 to 2010, which exceeded the nation's average annual population growth rate of 0.9% over the same period. However, Florida's average annual population growth rate decreased to 0.8% between 2011 and 2013, which was on pace with the US average annual growth rate of 0.8% for the same time period. In 2015 and 2016 Florida's average annual population growth rate rebounded to 1.63% while the U.S. average annual growth rate remained at 0.82%. Typically there are two drivers of population growth – natural increases (births minus deaths) and net migration (people moving into the state minus people moving out of the State). Historically, Florida's population growth has been driven by positive net migration; however, net migration fell to record low levels during much of 2008 and into 2009, during which period natural increase exceeded net migration. Net migration has returned as a decisive factor in 2016 as Florida's population continues to increase.

The age distribution of Florida's population differs from that of the nation because Florida has a somewhat larger elderly population and a slightly smaller working age population than the nation. Florida's 2010 population aged 65 or older was 17.3% of the State's population and is projected to increase to 20.5% by 2020. Whereas the nation's population aged 65 or older is approximately 14.9% and is expected to increase to 16.9% by 2020. Florida's 2010 working age population (18-64) was 61.4% of total population and is expected to decline to 59.3% in 2020, and by comparison, the working age population (18-64) in the US is 59.5% of total population currently and projected to increase to 61%.

Population Change
Florida and U.S., 1980 - 2020
(April 1 census day figures)

	Florida		U. S.	
Year	(in thousands)	% change	(in thousands)	% change
1980	9,747	-	226,546	-
1990	12,938	32.7%	248,710	9.8%
2000	15,983	23.5	281,422	13.2
2010	18,801	17.6	310,233	10.2
2020 (projected)	21,439	14.0	334,503	7.8

Source: Office of Economic and Demographic Research, The Florida Legislature (July, 2017) and U.S. Census Bureau.

Florida Population Age Trends, 2010-2030

	2010		2020		2030	
Age	Population	% of total	Population	% of total	Population	% of total
0-4	1,073,506	5.7%	1,176,869	5.5%	1,305,795	5.4%
5 to 17	2,928,585	15.6%	3,135,226	14.7%	3,450,195	14.3%
18-24	1,739,657	9.3%	1,827,319	8.5%	1,982,195	8.2%
25-44	4,720,799	25.1%	5,306,182	24.8%	5,932,035	24.6%
45-64	5,079,161	27.0%	5,548,386	26.0%	5,507,323	22.9%
65+	3,259,602	17.3%	4,378,225	20.5%	5,893,435	24.5%
Total	18,801,310		21,372,207		24,070,978	

Source: Office of Economic and Demographic Research, The Florida Legislature. (Demographic Estimating Conference, June 2017).

Florida's Gross Domestic Product

Florida's Gross Domestic Product ("GDP") represents the value of goods and services produced by the State, and serves as a broad measure of the State's economy. The State's GDP for 2016 is estimated at $815 billion, which is about 3% higher than 2015 GDP of $791 billion.

Florida's GDP has increased 12.7% over the past five years from $723 billion in 2011 to $815 billion in 2016. Private industry accounted for 88% of the State's 2016 GDP and government accounted for the remaining 12%. Real estate was the largest single industry, accounting for 16% of Florida's 2016 GDP.

The following table compares the components of the State's GDP over the most recent five-year period available.

Florida's Gross Domestic Product by Major Industry 2011 and 2016

(millions of chained 2009 dollars)[1]

Industry	2011	% of Total	2016	% of Total
Agriculture, forestry, fishing and hunting	$4,678	0.6%	$5,423	0.7%
Mining	1,534	0.2	1,147	0.1
Utilities	15,772	2.2	14,997	1.8
Construction	34,299	4.7	38,312	4.7
Manufacturing	36,566	5.1	41,884	5.1
Wholesale trade	47,122	6.5	56,001	6.9
Retail trade	53,524	7.4	63,583	7.8
Transportation and warehousing,	22,491	3.1	25,173	3.1
Information	31,427	4.3	39,419	4.8
Finance and insurance	36,978	5.1	44,561	5.5
Real estate and rental and leasing	120,062	16.6	130,545	16.0
Professional, scientific, and technical services	49,081	6.8	59,740	7.3
Management of companies and enterprises	10,615	1.5	14,215	1.7
Administrative and waste management services	29,309	4.1	36,244	4.4
Educational services	7,590	1.0	7,153	0.9
Health care and social assistance	61,369	8.5	71,879	8.8
Arts, entertainment and recreation	13,235	1.8	15,067	1.8
Accommodation and food services	33,180	4.6	33,512	4.1
Other services, except government	19,470	2.7	21,747	2.7
Government	95,322	13.2	95,038	11.7
Total [2]	$723,624		$815,640	

Source: U.S. Department of Commerce, Bureau of Economic Analysis (June 2017).

1 A measure of real output and prices using 2009 as the base year and applying annual - weighted indexes to allow for changes in relative prices and associated purchasing patterns over time, as developed by the Bureau of Economic Analysis.

2 May not add, due to chaining formula and rounding.

Tourism is not treated as a separate industry sector, but remains an important aspect of the Florida economy. Its financial impact is reflected in a broad range of market sectors, such as transportation, communications, retail trade and services, and in State tax revenues generated by business activities which cater to visitors, such as hotels, restaurants, admissions and gift shops. According to *Visit Florida*, the direct support organization for the Florida Commission on Tourism, approximately 112.3 million people visited the State in 2016, a 5.4% increase over the final 2015 total. Leisure and hospitality services accounted for 14% of the State's non-farm employment in 2015. According to the Florida Department of Business and Professional Regulation, as of July 1, 2017, 52,973 food service establishments were licensed with seating capacity of 4,035,799, and 41,931 lodging establishments were licensed with 1,681,163 total units. According to the Florida Department of Environmental Protection, visitors to the State's public parks and recreation areas totaled 31.1 million for Fiscal Year 2015, a 14.8% increase from the prior year. In 2015, accommodation and food services contributed 4.4% of the State's GDP, and arts, entertainment and recreation contributed 2.0%.

Transportation of goods and passengers is facilitated by Florida's integrated transportation system. The State has approximately 122,659 miles of roads, 15 freight railroads with 2,895 miles of track, and AMTRAK passenger train service. There are 31 fixed route transit systems. There are 779 aviation facilities, of which 128 are available for public use; 20 provide scheduled commercial service and 15 provide international service. According to Federal Aviation Administration figures, based on calendar year 2015 enplanements, five Florida airports were among the top 50 in the U.S. and three were among the top 50 based on cargo weight. In that year, Miami International Airport ranked 10th in North America in passenger traffic and ranked 4th in North America in cargo volume. Florida also has 15 deep water ports, 9 major shallow water ports, and 4 significant river ports, many of which are interconnected by the State's inland waterway system.

In 2016, agriculture, forestry and fishing constituted only about 0.7% of GDP. According to the US Department of Agriculture, in 2015, the State ranked 1st in production of oranges, sugar cane, grapefruit, watermelon, tomatoes, snap beans and cucumbers and ranked 2nd for production of bell peppers, strawberries and corn.

Construction activity, which constituted approximately 4.7% of Florida's 2016 GDP, is another factor to consider in analyzing the State's economy. The following table shows housing starts and construction values from 2006- 2016.

Florida Housing Starts and Construction Value: 2006-2016[1]

	Housing Starts (thous)		Construction Value (millions of current dollars)			
Year	Single Family	Multi-Family	Single Family	Multi-Family	Non-Residential	Total
2006	132.6	84.1	$30,251.0	$11,472.8	$22,002.9	$63,726.6
2007	63.8	53.9	15,484.4	6,406.7	28,431.6	50,322.8
2008	34.5	25.3	9,110.1	3,015.8	20,268.5	32,394.4
2009	24.6	7.7	6,513.0	943.7	17,590.7	25,047.4
2010	29.0	10.2	7,708.0	1,124.4	15,871.7	24,704.1
2011	29.3	12.3	8,180.6	1,486.2	13,140.0	22,806.7
2012	40.0	20.6	11,806.2	2,693.8	14,186.4	28,686.5
2013	53.4	29.6	16,923.1	3,805.7	12,892.3	33,621.1
2014	53.5	39.3	17,212.1	6,900.9	15,861.8	39,975.6
2015	64.5	48.7	21,406.3	7,907.3	21,466.1	50,779.8
2016	71.2	48.1	22,733.8	9,442.1	22,278.7	54,454.5

Source: Office of Economic and Demographic Research, The Florida Legislature (July, 2017).
[1] Data is subject to revision on a monthly basis for up to five years.

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Employment

The following tables provide employment information for Florida and the U.S. As shown below, total employment in Florida increased from 9.0 million in Fiscal Year 2015 to more than 9.2 million in Fiscal Year 2016. The unemployment rate decreased for a sixth consecutive year to 5.0% in Fiscal Year 2016. Florida's unemployment rate continues to trend in line with the nation's unemployment rate.

The total number of non-agricultural jobs in Florida has increased 12.8% since 2010 to 8.1 million in 2015. At the same time, total US non-agricultural jobs have increased 8.8% since 2010 to 141.9 million in 2015.

Unemployment Rate, Florida vs. U.S.
Fiscal Years 2006-2016

Fiscal Year	Total Civilian Labor Force (in thousands)		Total Employment (in thousands)		Annual Average Unemployment Rate (percent)	
	Florida	U.S.	Florida	U.S.	Florida	U.S.
2005-06	8,806.6	150,400.0	8,499.6	143,100.0	3.5%	4.8%
2006-07	9,055.5	152,500.0	8,727.1	145,500.0	3.6	4.5
2007-08	9,220.9	153,700.0	8,790.2	146,100.0	4.7	4.9
2008-09	9,183.0	154,600.0	8,420.6	142,800.0	8.3	7.6
2009-10	9,159.4	153,900.0	8,143.6	138,900.0	11.1	9.7
2010-11	9,195.1	153,600.0	8,186.6	139,400.0	11.0	9.3
2011-12	9,319.9	154,300.0	8,441.0	141,200.0	9.4	8.5
2012-13	9,409.8	155,300.0	8,670.6	143,200.0	7.9	7.8
2013-14	9,497.9	155,500.0	8,869.7	145,000.0	6.6	6.8
2014-15	9,597.0	156,600.0	9,046.0	147,700.0	5.7	5.7
2015-16	9,729.1	158,000.0	9,243.8	150,100.0	5.0	5.0

Source: Office of Economic and Demographic Research, The Florida Legislature (February 2017).

Composition of Nonagricultural Employment
Florida and the Nation
2010 and 2015 [1]
(thousands)

	2010				2015			
	Florida		United States		Florida		United States	
	# of Jobs	% of Total	# of Jobs	% of Total	# of Jobs	% of Total	# of Jobs	% of Total
Mining and Logging	5.4	0.1	705.0	0.5	5.8	0.1	820.0	0.6
Construction	350.8	4.9	5,518.0	4.2	429.3	5.3	6,446.0	4.5
Manufacturing	309.1	4.3	11,528.0	8.8	342.8	4.2	12,318.0	8.7
Transportation & Warehousing	204.5	2.9	4,190.7	3.2	243.3	3.0	4,844.9	3.4
Utilities	22.6	0.3	552.8	0.4	22.4	0.3	558.7	0.4
Wholesale Trade	313.2	4.4	5,452.1	4.2	334.6	4.1	5,875.3	4.1
Retail Trade	934.1	13.0	14,440.4	11.1	1,079.6	13.3	15,641.3	11.0
Information	137.1	1.9	2,707.0	2.1	135.9	1.7	2,750.0	1.9
Financial Activities	478.0	6.7	7,695.0	5.9	534.8	6.6	8,124.0	5.7
Professional & Business Services	1,006.1	14.0	16,728.0	12.8	1,223.0	15.1	19,672.0	13.9
Education & Health Services	1,070.9	14.9	19,975.0	15.3	1,199.4	14.8	22,055.0	15.5
Leisure & Hospitality Services	931.5	13.0	13,049.0	10.0	1,130.4	14.0	15,128.0	10.7
Other Services	297.4	4.1	5,331.0	4.1	331.3	4.1	5,625.0	4.0
Government	1,112.3	15.5	22,490.0	17.3	1,080.9	13.4	22,007.0	15.5
Total Non-farm	7,172.9		130,361.0		8,093.4		141,865.0	

Source: US Department of Labor, Bureau of Labor Statistics (July, 2016).
[1] Not Seasonally adjusted.

Income

Historically, Florida's total personal income has grown at rates similar to those of the U.S. and the other southeastern states. From 2007 to 2016, Florida's total personal income grew by 29% and per capita income increased approximately 15%. For the nation and the Southeast, total personal income increased by 34% and 30%, respectively, while per capita income grew 24% and 20%, respectively, over the same time period.

Florida per capita income remains above the Southeast region, but below the nation. The following table shows total and per capita personal income for the U.S., the Southeast, and Florida for the past ten calendar years.

The table on the following page shows Florida personal income and earnings by major source for calendar years 2011 and 2016. Total Income in Florida has increased approximately 22.9% over the five year time period. Increases and decreases in income varied across industries, with health care realizing the largest increase and construction seeing the biggest decrease.

Total and Per Capita Personal Income U.S., Southeast and Florida

	Total Personal Income (In millions of Current Dollars)						Per Capita Personal Income (In Current Dollars)					
Year	U.S.	% Change	S.E.	% Change	Florida	% Change	U.S.	% Change	S.E.	% Change	Florida	% Change
2007	$11,995,419	5.4%	$2,760,150	5.4%	$730,814	3.8%	$39,821	4.4%	$36,259	4.0%	$39,788	2.7%
2008	12,429,705	4.1	2,856,698	3.5	734,691	0.5	41,082	3.2	37,072	2.2	39,655	(0.3)
2009	12,079,444	(3.3)	2,769,842	(3.0)	691,355	(5.9)	39,376	(4.2)	35,595	(4.0)	37,065	(6.5)
2010	12,459,613	3.1	2,859,182	3.2	728,063	5.3	40,277	2.3	36,392	2.2	38,626	4.2
2011	13,233,436	6.2	3,017,052	5.5	773,315	6.2	42,461	5.4	38,067	4.6	40,494	4.8
2012	13,904,485	5.1	3,136,007	3.9	793,103	2.6	44,282	4.3	39,216	3.0	41,000	1.2
2013	14,068,960	1.2	3,148,451	0.4	798,885	0.7	44,493	0.5	39,066	(0.4)	40,797	(0.5)
2014	14,801,624	5.2	3,312,176	5.2	853,317	6.8	46,464	4.4	40,734	4.3	42,905	5.2
2015 [1]	15,463,981	4.5	3,465,301	4.6	900,636	5.5	48,190	3.7	42,212	3.6	44,487	3.7
2016	16,017,781	3.6	3,601,270	3.9	944,443	4.9	49,571	2.9	43,450	2.9	45,819	3.0

Source: U.S. Department of Commerce, Bureau of Economic Analysis (March, 2017).
[1] 2015 information is preliminary.

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Florida Personal Income and Earnings by Major Source: 2011 vs. 2016

(thousands of current dollars)

	2011	% Total	2016	% Total
Earnings:				
Wages and Salaries:				
Farm	$2,142,362	0.2%	$3,075,691	0.3%
Non Farm	445,589,186	50.3%	575,587,806	52.8%
Private:				
Forestry, fishing and other	1,539,898	0.2%	1,953,932	0.2%
Mining	260,252	0.0%	205,760	0.0%
Utilities	2,738,792	0.3%	3,742,075	0.3%
Construction	26,035,914	2.9%	35,352,634	3.2%
Manufacturing	22,125,261	2.5%	27,989,257	2.6%
Wholesale Trade	24,966,627	2.8%	31,916,337	2.9%
Retail Trade	33,880,004	3.8%	44,688,258	4.1%
Transportation & Warehousing	14,579,094	1.6%	20,827,486	1.9%
Information	13,289,430	1.5%	16,999,679	1.6%
Finance and insurance	28,013,719	3.2%	39,489,906	3.6%
Real estate and rental and leasing	5,393,932	0.6%	13,025,536	1.2%
Professional and technical services	42,153,590	4.8%	57,477,614	5.3%
Management of companies and enterprises	8,936,186	1.0%	12,533,614	1.2%
Administrative and waste services	24,167,402	2.7%	33,252,930	3.1%
Educational services	7,176,602	0.8%	8,536,308	0.8%
Health care and social assistance	58,313,365	6.6%	73,952,163	6.8%
Arts, entertainment and recreation	8,642,495	1.0%	11,250,368	1.0%
Accommodation and food services	22,500,429	2.5%	28,404,470	2.6%
Other services, except public administration	20,424,608	2.3%	26,521,860	2.4%
Total Private	365,137,600	41.2%	488,120,187	44.8%
Government & government enterprises	80,424,586	9.1%	87,467,619	8.0%
Total Wages & Salaries	445,562,186	50.3%	575,587,806	52.8%
Other Income:				
plus: Dividends, Interest & Rent	211,460,697	23.9%	238,616,471	21.9%
plus: Personal current transfer receipts	157,780,542	17.8%	190,486,060	17.5%
plus: Adjustment for residence	3,054,408	0.3%	3,571,053	0.3%
Less: Contributions for social insurance	(46,711,517)	(5.3)%	(66,894,048)	(6.1)%
Total Other Income:	325,584,130	36.7%	365,779,536	33.6%
Total Personal Income	771,146,316	87.0%	941,367,342	86.4%
Other Earnings:				
Supplements to wages and salaries	75,174,825	8.5%	93,155,368	8.5%
Proprietors' income:	40,090,148	4.5%	55,106,318	5.1%
Total Earnings:	115,264,973	13.0%	148,261,686	13.6%
TOTAL INCOME	$886,411,289	100.0%	$1,089,629,028	100.0%

Source: US Department of Commerce, Bureau of Economic Analysis (March 2017).

International Trade

Florida's location lends itself to international trade and travel. Florida was the 7th largest exporter in the nation in 2016. The State's international merchandise trade (imports and exports) totaled $142.8 billion in 2016, a decrease of 2.9% over 2015. Between 2015 and 2016, Florida's merchandise exports declined by 7.3% while imports increased 1.4%. During the same period, the nation's exports and imports decreased by 3.3% and 2.6%, respectively.

The State's top five exports for 2016 were aircraft, telecommunications equipment, vehicles computers and gold. The top imports were vehicles, gold, repairs and returns, aircraft and telecommunications equipment. Florida's top trading partners for 2016 were Brazil, China, Colombia, Japan and Chile. (Source: Enterprise Florida, June 2017)

Florida's International Trade: 2006-2016

(millions of U.S. dollars)

Year	Exports	% Change	Imports	% Change
2006	$51,767	17.3%	$57,399	12.2%
2007	58,915	13.8	55,925	(2.6)
2008	73,022	23.9	57,525	2.9
2009	59,884	(18.0)	43,107	(25.1)
2010	73,064	22.0	53,164	23.3
2011	86,753	18.7	62,413	17.4
2012	90,360	4.2	71,833	15.1
2013	85,460	(5.4)	73,119	1.8
2014	81,776	(4.3)	71,228	(2.6)
2015	73,295	(10.4)	73,835	3.7
2016	67,948	(7.3)	74,852	1.4

Source: Enterprise Florida (June 2017).

Primary Sources of Sales Tax

The following tables illustrate taxable sales by category of expenditure over the past ten years, and compare the top twenty-five types of businesses generating sales tax revenues in Fiscal Years 2010 and 2015.

Florida Taxable Sales and Sales Tax Liability by Category

Fiscal Years ended June 30, 2005-2017

(millions of current dollars)

	Consumer Non-durables				Consumer Durables				Building		Business	
Fiscal	Recreation/Tourism		Other		Autos & Accessories		Other		Investment		Investment	
Year	Sales	Taxes	Sales	Taxes	Sales	Taxes	Sales	Taxes	Sales	Taxes	Sales	Taxes
2005	$58,821	$3,517.3	$84,393	$5,099.0	$60,332	$3,607.6	$25,735	$1,538.9	$22,868	$1,367.4	$63,723	$3,733.4
2006	63,247	3,781.9	92,961	5,616.7	64,883	3,879.9	28,704	1,716.4	26,525	1,586.1	71,783	4,205.0
2007	65,019	3,887.9	97,809	5,909.6	62,511	3,737.9	27,831	1,664.2	23,745	1,419.8	72,464	4,245.5
2008	65,772	3,932.9	98,075	5,925.7	54,885	3,281.9	24,363	1,456.8	20,319	1,215.0	66,612	3,902.7
2009	61,767	3,693.4	92,760	5,604.6	43,547	2,603.9	19,938	1,192.2	16,362	978.4	59,961	3,513.0
2010	60,407	3,610.5	91,404	5,515.3	43,641	2,608.7	18,299	1,094.1	14,845	888.2	55,154	3,233.9
2011	63,818	3,816.1	94,741	5,724.3	45,889	2,744.0	19,271	1,152.3	15,129	904.6	56,836	3,329.9
2012	68,168	4,076.2	98,880	5,974.3	48,803	2,918.3	20,431	1,221.7	15,845	947.4	58,543	3,429.8
2013	72,029	4,306.9	102,711	6,205.6	53,922	3,224.5	21,711	1,298.1	17,893	1,069.8	61,397	3,597.1
2014	77,043	4,606.9	107,830	6,515.1	59,673	3,568.2	23,194	1,386.9	20,061	1,199.5	65,615	3,844.3
2015	83,618	5,000.0	113,922	6,883.2	65,391	3,910.1	25,044	1,497.5	22,039	1,317.8	70,668	4,140.3
2016	88,620	5,299.1	115,902	7,002.8	70,461	4,213.3	26,358	1,576.1	23,945	1,431.8	76,227	4,466.0
2017*	92,455	5,528.5	120,795	7,298.5	73,841	4,415.4	26,632	1,592.5	25,500	1,524.8	80,998	4,745.5

Source: Office of Economic and Demographic Research (June 2017).

* June 2017 data is unaudited. Therefore, June 2017 and Fiscal Year 2016-17 data is subject to change.

State Sales Tax Collections by Top 25 Business Types
Fiscal Years Ended June 30, 2011 vs. 2016 [1]

Type of Business	2011	2016
Automotive Dealers	$2,207,397,913	$3,540,199,739
General Miscellaneous Merchandise Stores	2,551,273,770	3,232,650,131
Restaurants, Lunchrooms, Catering Services	1,743,289,108	2,413,893,912
Leased or Rental of Commercial Real Property	1,324,912,670	1,580,569,765
Hotels/Motels Accommodations & Other Lodging Places	934,969,752	1,439,967,901
Food & Beverage Stores	916,626,654	1,191,456,802
Lumber and Other Building Materials Dealers	661,341,833	1,045,999,222
Apparel & Accessory Stores	710,401,468	906,198,508
Admissions, Amusement & Recreation Services	640,627,487	863,189,680
Wholesale Dealers	478,967,480	805,747,976
Radio, Television, Consumer Electronics, Computers, Music Stores	512,702,428	596,984,129
Manufacturing	414,469,513	594,499,157
Home Furniture, Furnishings & Equipment	358,132,113	547,782,034
Utilities, Electric, Gas, Water, Sewer	501,675,622	537,216,383
Automotive Accessories & Parts	237,533,347	335,514,486
Rental of Tangible Personal Property	244,530,001	325,638,094
Automobile Repair & Services	238,338,881	293,213,073
Communications[2]	131,800,957	241,197,870
Building Contractors	113,905,764	203,471,425
Paint, Wallpaper & Hardware Dealers	127,469,163	191,102,011
Taxable Services (per Chapter 212, F.S.)	145,577,059	172,804,559
Drinking Places (Alcoholic beverages served on premises)	137,933,990	156,840,545
Insurance, Banking, Savings and Loans	131,257,673	155,397,085
Repair of Tangible Personal Property	106,778,598	141,173,645
Boat Dealers	79,484,434	139,742,259

Source: Florida Department of Revenue, Office of Tax Research (July, 2017).

1 Arranged in descending order of collection amounts for Fiscal Year ended June 30, 2016. In that Fiscal Year, "Miscellaneous" and unspecified business types accounted for $188,160,866 in sales tax collections.

2 Includes sales and use tax portion of Communications Service Tax.

STATE FINANCIAL OPERATIONS

Florida law requires that financial operations of the State be maintained through the General Revenue Fund, trust funds, and the Budget Stabilization Fund administered by the Chief Financial Officer. The majority of State tax revenues are deposited in the General Revenue Fund. Trust funds consist of monies which under law or trust agreement are segregated for a specified purpose. State monies are disbursed by the Chief Financial Officer upon warrants or other orders pursuant to appropriations acts. The Governor and Chief Financial Officer are responsible for insuring that sufficient revenues are collected to meet appropriations and that no deficits occur in State funds.

The State Constitution mandates the creation and maintenance of a Budget Stabilization Fund, in an amount not less than 5% nor more than 10% of the last complete fiscal year's net revenue collections for the General Revenue Fund*.* Monies in the Budget Stabilization Fund may be transferred to the General Revenue Fund to offset a deficit therein or to provide emergency funding, including payment of up to $38 million with respect to certain uninsured losses to state property. Monies in this fund are constitutionally prohibited from being obligated or otherwise committed for any other purpose. Any withdrawals from the Budget Stabilization Fund must be restored from general revenues in five equal annual installments, commencing in the third fiscal year after the expenditure, unless the legislature establishes a different restoration schedule.

The State Constitution prohibits the Legislature from appropriating nonrecurring general revenue funds for recurring purposes in an amount that exceeds three percent of the total general revenue funds estimated to be available at the time the appropriation is made. The Legislature may override this prohibition by a three-fifths vote of the membership of each house. Nonrecurring general revenue funds are general revenue funds (such as transfers to the general revenue fund from trust funds) that are not expected to be available on an ongoing basis.

The State budget must be kept in balance from current revenues each State fiscal year (July 1-June 30), and the State may not borrow to fund governmental operations. (See "***Budget Shortfalls"*** below.) Revenues in the General Revenue Fund which exceed amounts needed to fund appropriations or for transfers to the Budget Stabilization Fund are maintained as "unallocated general revenues."

Budgetary Process

The State's budgetary process is an integrated, continuous system of planning, evaluation and controls. State law requires that, no later than each September 15, the Joint Legislative Budget Commission prepare a long-range State financial outlook. The outlook includes major workloads and revenue estimates and recommends fiscal strategies to assist the legislature in making budget decisions. State agencies are also required to develop goals and objectives consistent with the State long-range planning document.

Individual State agencies prepare and submit appropriation requests to the Office of Planning and Budgeting, Executive Office of the Governor, generally no later than October 15 of the year preceding legislative consideration. The Office of Planning and Budgeting conducts a detailed evaluation of all agency requests, after which it makes budget recommendations to the Governor.

From recommended appropriations and revenue estimates, the Governor submits a recommended budget to the legislature. The House and Senate each adopt their respective versions of the appropriations bill and any differences are worked out by a conference committee composed of both House and Senate members. The conference committee adopts a committee version of the appropriations bill which is then voted on by each member of the House and Senate. After passage of the appropriations bill, the bill is sent to the Governor, who has 7 consecutive days (15 days if the Legislature has adjourned or taken a recess of more than 30 days) after the bill is presented to him to sign or exercise his line item veto power before the bill becomes law.

The State has routinely completed the budget for the next fiscal year prior to the end of the current fiscal year. Only one time in at least the last 60 years was the budget not completed prior to the start of the fiscal year. In 1992, the budget was implemented on the first day of the fiscal year, i.e., July 1. In this instance the payment of all financial obligations and the delivery of services occurred normally.

With almost all of the State's debt paid semi-annually, debt service payments generally occur at intervals which would provide additional time before a payment is due if a budget was not adopted before the start of the fiscal year. Debt service payments due at the beginning of a fiscal year are paid from appropriations of the prior fiscal year.

In the event a budget was not adopted before the beginning of the fiscal year, the Legislature and the Governor could authorize appropriations for debt service even if they did not agree on other appropriations.

Revenue Estimates

State law provides for consensus estimating conferences to develop official economic and demographic data and revenue forecasts for use in planning and budgeting. Each conference develops estimates within its area of expertise by unanimous consent of the conference principals. The four principals of the estimating conference are professional staff of the Governor's Office, Senate, House of Representatives and the Legislature's Office of Economic and Demographic Research. Once an estimating conference is convened, an official estimate does not exist until a new consensus is reached.

Consensus revenue estimating conferences are generally held three times each year to estimate revenue collections for the next fiscal year based on current tax laws and administrative procedures. General State and national economic scenarios are agreed upon by the conference principals. Consensus estimating conferences are held in late summer to refresh estimates for the Long Range Financial Outlook (Article III, Section 19(c)1, Florida Constitution), the fall to establish a forecast for the Governor's budget recommendations, and in the spring to determine the revenues available for appropriation during the legislative session. Conferences may reconvene at any time if it is felt that prior recommendations are no longer valid. Conferences are also held during legislative session to determine the fiscal impact of proposed tax law changes, and after each legislative session to review changes in tax legislation and to amend official conference recommendations accordingly.

There are currently ten estimating conferences formally identified in statute: Economic, Demographic, Revenue, Education, Criminal Justice, Social Services, Workforce, Early Learning, Self-Insurance, and Florida Retirement System Actuarial Assumptions.

State Revenue Limitation

The rate of growth in State revenues in a given fiscal year is limited to no more than the average annual growth rate in personal income over the previous five years. Revenues have never exceeded the limitation. Revenues collected in excess of the limitation are to be deposited into the Budget Stabilization Fund unless two-thirds of the members of both houses of the legislature vote to raise the limit. The revenue limit is determined by multiplying the average annual growth rate in personal income over the previous five years by the maximum amount of revenue permitted under the cap for the previous year. State revenues include taxes, licenses, fees, and charges for services imposed by the legislature on individuals, businesses, or agencies outside of State government as well as proceeds from the sale of lottery tickets. State revenues subject to the limitation do not include lottery receipts returned as prizes; balances carried forward from prior years; proceeds from the sale of goods (e.g. land, buildings); funds pledged for debt service on State bonds; State funds used to match federal money for Medicaid (partially exempt); charges imposed on the local governmental level; receipts of the Hurricane Catastrophe Trust Fund; and revenues required to be imposed by amendment to the Constitution after July 1, 1994. The revenue limitation may be adjusted to reflect the transfer of responsibility for funding governmental functions between the State and other levels of government.

Financial Control

After the appropriations bill becomes law, ***the Office of Planning and Budgeting prepares monthly status reports comparing actual revenue receipts to the estimates on which appropriations were based.*** This constant cash flow monitoring system enables the Governor and the Chief Financial Officer to insure that revenues collected will be sufficient to meet appropriations.

All balances of General Revenue Fund appropriations for operations in each fiscal year (except appropriations for fixed capital outlay) expire on the last day of such fiscal year. Amounts identified by agencies as incurred obligations which have not been disbursed as of June 30 are carried forward, with unused amounts expiring on September 30. Because capital projects are often funded on a multi-year basis, with the full appropriation being made in the first year even though payments are actually made over multiple years, unused appropriations for fixed capital outlay revert on February 1 of the second fiscal year (the third fiscal year if for an educational facility or a construction project of a State university).

Budget Shortfalls

Appropriations are maximum amounts available for expenditure in the current fiscal year and are contingent upon the collection of sufficient revenues. The Governor and the Chief Financial Officer are responsible for ensuring that revenues collected will be sufficient to meet appropriations and that no deficit occurs in any state fund. A determination that a deficit has occurred or will occur can be made by either the Governor or the Chief Financial Officer after consultation with the revenue estimating conference. If the Governor fails to certify a deficit, the Speaker of the House of Representatives and President of the Senate may do so after consultation with the revenue estimating conference. A determination made by the Chief Financial Officer is reported to the

Governor, the Speaker of the House and the President of the Senate, and subsequently to the Legislative Budget Commission for further action, if neither the Governor nor the House Speaker and Senate President certifies the existence of a deficit within 10 days after the report by the Chief Financial Officer. Within 30 days after determining that a budget shortfall will occur, the Governor is required to develop a plan of action to eliminate the budget shortfall for the executive branch and the Chief Justice of the Supreme Court is required to develop a plan of action for the judicial branch.

Budget shortfalls of less than 1.5% of the money appropriated from the General Revenue Fund during a fiscal year are resolved by the Governor for the executive branch and by the Chief Justice of the Supreme Court for the judicial branch, with the approval of the Legislative Budget Commission, subject to statutory guidelines and directives contained in the appropriations act. The statutory guidelines include a requirement that all branches of government are generally required to accept a proportional budget reduction. The Governor for the executive branch and the Chief Justice for the judicial branch may reduce appropriations by placing them in mandatory reserve, or withhold appropriations by placing them in budget reserve, in order to prevent deficits or implement legislative directives in the General Appropriations Act.

If the revenue estimating conference projects a shortfall in the General Revenue Fund in excess of 1.5% of the moneys appropriated from the General Revenue Fund during a fiscal year, the shortfall must be resolved by the legislature. Any available State funds may be used in eliminating shortfalls in the General Revenue Fund. Additionally, the legislature may eliminate a shortfall by reducing appropriations.

Evaluation, Accounting and Auditing Procedures

Florida has an integrated general ledger accounting system which provides on-line monitoring of budget commitments by individual agency units. This system prevents agencies from overcommitting available funds.

Each State agency supported by any form of taxation, licenses, fees, imposts, or exactions must file with the Chief Financial Officer financial and other information necessary for preparation of the State's annual financial statements. In addition, each such agency must prepare financial statements showing the financial position and results of agency operations as of June 30 for internal management purposes. The Chief Financial Officer is responsible for preparing the State's combined annual financial report, copies of which are available from the Chief Financial Officer, Division of Accounting and Auditing. The Auditor General conducts annual audits of all officers and agencies in the executive and judicial branches. Individual agency audits are made in accordance with generally accepted auditing standards and governmental auditing standards as adopted by the State Board of Accountancy. In addition to the annual financial and compliance audits, performance audits are made to determine the efficiency and effectiveness of agency operations.

Systems and procedures are in place to enable the State and its component units to comply in a timely manner with Governmental Accounting Standards Board Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.*

REVENUES

Major sources of tax revenues to the General Revenue Fund are the sales and use tax, corporate income tax, intangible personal property tax, beverage tax, and insurance premium tax. Unlike many other jurisdictions, ***the State of Florida does not levy ad valorem taxes on real property or tangible personal property, nor does it impose a personal income tax.***

Sales and Use Tax

The largest single source of tax receipts in Florida is the sales and use tax. It is a uniform tax upon either the sale of tangible personal property at retail or its use irrespective of where it may have been purchased. The sales tax is 6% of the sales price of tangible personal property sold at retail in the State, and the use tax is 6% of the cost price of tangible personal property used or stored for use in this State. In addition, local governments may (by referendum) assess a 0.5% or 1% discretionary sales surtax within their county.

The sales tax is also levied on the following: (1) rental of tangible personal property; (2) rental of transient lodging and non-residential real property; (3) admissions to places of amusement, most sports and recreation events; (4) non-residential utilities (at a 4.35% rate); (5) restaurant meals; (6) cable and non-residential telephone services (at a 6.8% rate-called Communication Services Tax); (7) coin operated amusement machines (at a 4% rate); and (8) mail order sales.

Exemptions include groceries, medicines, hospital rooms and meals, fuels used to produce electricity, electrical energy used in manufacturing, purchases by certain nonprofit institutions, most professional, insurance, and personal service transactions, apartments used as permanent dwellings, the trade-in value of motor vehicles, child car seats, and residential utilities. The Legislature has, from time to time, temporarily waived collection of sales taxes on such items as clothing under certain prices, school supplies, hurricane preparedness items, and energy efficient appliances through sales tax holidays.

Receipts of the ***sales and use tax***, with the exception of the tax on gasoline and special fuels, ***are credited to either the General Revenue Fund, counties and cities, the Ecosystem and Restoration Management Trust Fund, the Public Employees Relations Commission Trust Fund, or may be distributed for the use of sports facilities and to make emergency distributions to qualified counties.*** Legislation was enacted in 2000 which provides that 2.25% of sales tax receipts are to be deposited in the Revenue Sharing Trust Fund for Counties in lieu of intangible personal property taxes which were so distributed under prior law.

Motor Fuel Tax

The second largest source of State tax receipts is the tax on motor and diesel fuels. However, ***these revenues are almost entirely dedicated trust funds*** for specific purposes and are not included in the State General Revenue Fund.

Taxes on motor fuels (gasoline) and diesel fuels include several distinct fuel taxes: (1) the State sales tax on motor and diesel fuels, levied at 6.9 cents per gallon; (2) the State excise tax of four cents per gallon of motor and diesel fuel, with proceeds distributed to local governments; (3) the State Comprehensive Enhanced Transportation System (SCETS) tax, which is levied at a rate in each county equal to two-thirds of the sum of the county's local option motor fuel taxes, not to exceed 4 cents per gallon, for motor fuel and 4 cents per gallon for diesel fuel; (4) aviation fuel, at 6.9 cents per gallon; and (5) local option motor fuel taxes, which may range between one cent to 12 cents per gallon.

Most of the proceeds of the sales tax on motor and diesel fuels are deposited into the State Transportation Trust Fund for road maintenance and construction. The proceeds of the State excise tax of four cents per gallon is distributed by formula to local governments. The first two cents (described as the Constitutional Gas Tax) are primarily pledged for each county's debt service requirements, with any remaining balance deposited into the county's transportation trust fund. The remaining two cents of the excise tax (described as the County and Municipal Gas Taxes) are part of the State Revenue Sharing Program. Proceeds from the SCETS tax are, to the maximum extent possible, expended on road projects in the counties in which the revenues are derived. Local option gas taxes of one to 11 cents per net gallon, and the so-called "ninth cent fuel tax" of one cent per net gallon, of motor and diesel fuel may be levied by counties, for use by local governments for transportation expenditures. Local Option Gas Tax revenues may be pledged for payment of bonds issued by the Division of Bond Finance on behalf of local governments to fund transportation capital improvements.

Alcoholic Beverage Tax

Florida's alcoholic beverage tax is an excise tax on beer, wine, and liquor. Fifty percent of the revenues collected from the taxes on wine produced by manufacturers in this State from products grown in this State are deposited in the Viticulture Trust Fund. The remainder of revenues are deposited into the General Revenue Fund.

Corporate Income Tax

Florida collects a tax upon the net income of corporations, organizations, associations, and other artificial entities for the privilege of conducting business, deriving income, or existing within the State. This tax is currently levied at a rate 5.5% of net corporate income, less a $50,000 exemption. Net income is defined as that share of adjusted federal income which is apportioned to Florida.

All business income is apportioned by weighted factors of sales (50%), property (25%), and payroll (25%).

Florida adopted an emergency excise tax to recoup taxes lost through reductions in adjusted federal income resulting from the Accelerated Cost Recovery System under federal tax law. As a result of the 1986 Tax Reform Act, this tax has been repealed on assets placed in service after January 1, 1987.

All receipts of the corporate income tax are credited to the General Revenue Fund.

Documentary Stamp Tax

Deeds and other documents relating to realty are taxed upon execution or recording at 70 cents per $100 of consideration. Bonds, certificates of indebtedness, promissory notes, wage assignments, and retail charge accounts are taxed upon issuance or renewal at 35 cents per $100 of face value, or actual value if issued without face value.

At its inception, documentary stamp tax proceeds were credited to the General Revenue Fund. However, over the years a series of statutory amendments have dedicated portions of the proceeds to various trust funds for specific purposes. The 2005 legislature enacted legislation which dedicates a portion (currently $541.75 million) of documentary tax collections which otherwise would have gone to the General Revenue Fund, for growth management. In addition, a measure was adopted, effective July 1, 2007, which limits the dollar amount of distributions to certain funds, subject to adjustment, beginning July 1, 2008, if collections exceed the prior year's receipts.

Documentary stamp tax collections are currently distributed as follows:

All documentary stamp taxes are pledged and shall be first made available to pay debt service on Florida Forever Bonds and Everglades Restoration Bonds. Documentary stamp taxes not needed to pay debt service on bonds are subject to an 8% general revenue service charge and costs of the Department of Revenue necessary to collect and enforce the tax.

An amount equal to 33% of all documentary stamp taxes collected, less the amounts paid for debt service on Florida Forever Bonds and Everglades Restoration Bonds and the costs of collection and enforcement, shall be deposited into the Land Acquisition Trust Fund.

After providing for the uses described above, the remainder of the documentary stamp taxes are to be distributed as follows:

The lesser of 24.18442% of the remainder or $541.75 million to the State Transportation Trust Fund;

The lesser of 0.1456% of the remainder or $3.25 million to the Grants and Donations Trust Fund;

11.24% of the remainder to the State Housing Trust Fund;

- first $35 million to the State Economic Enhancement and Development Trust Fund;
- 50% of the remainder to the State Housing Trust Fund;
- 50% of the remainder to the Local Government Housing Trust Fund;

12.93% of the remainder to the State Housing Trust Fund;

- first $40 million to the State Economic Enhancement and Development Trust Fund;
- 12.5% of the remainder to the State Housing Trust Fund;
- 87.5% of the remainder to the Local Government Housing Trust Fund.

The lesser of 0.017% or $300,000 to the General Inspection Trust Fund; and

The balance of the remainder to the General Revenue Fund.

Intangible Personal Property Tax

The State formerly levied an annual, recurring tax on intangible personal property situated in the State, such as stocks, bonds, notes, governmental leaseholds, and interests in limited partnerships registered with the Securities and Exchange Commission. Obligations issued by the State or local governmental entities in Florida, or by the federal government, were exempt from such taxation. The Legislature abolished the annual, recurring tax as of January 1, 2007, effectively eliminating the tax on intangible personal property held on or after January 2, 2006.

A non-recurring 2 mill tax continues to be levied on mortgages and other obligations secured by liens on Florida realty. The tax is payable upon recording the instrument or within 30 days of creation of the obligation. The tax proceeds are deposited to the General Revenue Fund.

Insurance Premium Tax

The insurance premium tax is a tax on insurance premiums received by insurers. The tax is paid by insurance companies at the following rates: 1.75% on gross premiums minus reinsurance and return premiums; 1% on annuity premiums; 1.6% on self insurers; and 5% on surplus lines premiums and independently procured coverage. Corporation income taxes and emergency excise taxes paid to Florida are credited against premium tax liability, as are certain other taxes. In addition to the premium taxes imposed, a $2 surcharge is imposed on homeowner's policies, and a $4 surcharge is imposed on commercial policies issued or renewed on or after May 1, 1993.

Assessments for Police and Firefighter pension funds are distributed to local governments. Fire Marshal assessments, filing fees and $125,000 annually, adjusted by the lessor of 20 percent or the growth in total retaliatory taxes, are deposited into the Insurance Regulatory Trust Fund. The remainder of the Premium Tax is deposited to the General Revenue Fund. Surcharge collections are deposited to the Emergency Management, Preparedness, and Assistance Trust Fund, administered by the Department of Community Affairs.

Gross Receipts Tax

The gross receipts tax is imposed at a rate of 2.5% of the gross receipts of providers of electricity, natural gas, and telecommunications services. Telecommunications services are subject to a unified Telecommunications Services Tax, a portion of which is collected with the gross receipts tax at revenue-neutral rates.

All gross receipts tax collections are credited to the Public Education Capital Outlay and Debt Service Trust Fund. The potential impact of electric utility deregulation on gross receipts tax collections cannot be determined at this time.

Communications Services Tax

The communications services tax is imposed on retail sales of communications services which originate and terminate in Florida, or originate or terminate in Florida and are billed to a Florida address. Communications services include all forms of telecommunications previously taxed by the gross receipts tax plus cable television and direct-to-home satellite service. The communications services tax replaced certain sales and use taxes and gross receipts taxes, at revenue-neutral rates. Communications services tax receipts are included in sales tax and gross receipts tax collections, as appropriate.

Other State Taxes

To the extent not pre-empted to the federal government, the State levies a one-time excise tax on cigarettes, at rates based on their weight and package quantity, and on other tobacco products at the rate of 25% of the wholesale price. The State also imposes a tax on racing and jai-alai admissions, and on contributions to pari-mutuel pools, or "handle."

Tobacco Litigation Settlement

As a result of settling litigation by the State against the tobacco industry in 1997, Florida expects to receive more than $11 billion over 25 years. Payments are subject to adjustment for various factors, including inflation and tobacco product sales volume. Proceeds of the settlement are expected to be used for children's health care coverage and other health-related services, to reimburse the State for medical expenses, for improvements in State efforts to reduce sales of tobacco products to minors, and to promote production of reduced risk tobacco products.

A portion of the tobacco settlement revenues have been deposited in the Lawton Chiles Endowment Fund to provide a perpetual source of funding for health and human services for children and elders, and for biomedical research activities. As of May 31, 2014, the market value of the endowment was $618.2 million.

Lottery

In order to provide additional funding for education, the 1987 Legislature created the Department of the Lottery to operate a State lottery. Revenues generated by the Florida Lottery are used to pay prizes, fund the Educational Enhancement Trust Fund, and pay the administrative costs of operating the lottery.

FLORIDA FINANCIAL INFORMATION

The following tables present information regarding the State's historical and projected financial resources, as well as budgets by program area and appropriations by department.

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Five Year History of Trust Fund and General Revenues[1]

(millions of dollars)

General Revenue Receipts[2]	2011-12	2012-13	2013-14	2014-15	2015-16
Sales and Use Tax[3]	$17,422.0	$18,417.6	$19,707.7	$21,062.7	$21,998.0
Beverage Licenses and Taxes	520.4	481.5	443.8	451.4	357.7
Corporation Income Tax	2,010.8	2,081.0	2,042.5	2,236.3	2,272.1
Documentary Stamp Tax	208.6	381.0	603.7	756.3	744.1
Corporate Filing Fees	275.8	284.1	298.6	309.8	317.4
Tobacco Tax	199.8	202.1	178.2	181.2	187.5
Insurance Premium Tax	662.6	675.9	675.6	666.9	682.8
Indian Gaming	146.3	221.6	230.3	248.5	207.7
Pari-mutuel Fees, Licenses and Taxes	12.5	12.6	14.8	13.8	12.8
Slot Machine Licenses GR	12.0	10.8	10.5	13.0	11.0
Intangible Personal Property Tax	184.6	276.5	256.1	303.9	338.7
Earnings on Investments	117.3	107.3	75.6	106.5	115.8
Auto Title and Lien Fees	242.2	58.2	65.3	92.0	108.9
Oil and Gas Severance Tax	9.0	8.0	7.0	4.2	1.2
Solid Mineral Severance Tax	12.3	13.2	12.9	10.5	10.7
Drivers Licenses and Fees	200.5	194.5	178.4	147.8	106.0
HSMV Misc Fees, Licences & Fines	59.4	72.7	64.4	61.4	66.8
Motor Vehicle and Mobile Home Licenses	425.0	437.2	451.4	180.6	114.9
Article V Fees & Transfers	165.4	284.3	173.7	151.1	138.8
Counties' Medicaid Share GR	235.3	332.1	296.1	289.6	301.6
Motor Vehicle Fees and Charges	101.2	106.2	117.7	104.6	2.9
Fines/Foreitures/Judgements GR	60.9	276.5	24.2	4.0	13.6
Other GR	192.1	183.9	182.0	177.5	201.1
Total GR Collections and Transfers	**23,476.0**	**25,118.7**	**26,110.6**	**27,573.7**	**28,312.0**
Plus Service Charges to GR	449.0	486.2	466.8	500.1	455.2
Less Refunds of GR	(306.2)	(290.3)	(379.5)	(392.7)	(441.7)
Net GR Collections and Transfers	**23,618.8**	**25,314.6**	**26,198.0**	**27,681.1**	**28,325.4**

Trust Fund Revenues[2]	2011-12	2012-13	2013-14	2014-15	2015-16
Major Transportation Revenues:					
Auto Title and Lien Fees	105.7	303.9	319.9	323.8	329.8
Motor Fuel Tax	1,835.5	1,864.7	1,955.3	2,052.0	2,158.5
Motor Vehicle and Mobile Home Licenses	810.5	840.5	867.2	891.0	928.5
Motor Vehicle Fees and Charges	218.3	230.5	250.8	302.0	435.7
Subtotal	2,970.1	3,239.7	3,393.1	3,568.8	3,852.4
Workers Insurance Tax:					
Workers Compensation Assessment	47.8	74.3	82.4	81.6	81.7
Workers' Comp. Special Disability	39.4	43.0	46.6	43.6	45.1
Reemployment Assistance Tax	2,156.2	2,247.8	1,937.4	1,541.6	1,074.1
Subtotal	2,243.4	2,365.1	2,066.4	1,666.7	1,201.0
Conservation and Recreational Lands:					
Documentary Stamp Tax	1,004.9	1,199.4	1,147.3	1,303.1	1,532.8
Solid Mineral Severance Tax	11.8	14.3	15.5	14.0	13.7
Oil and Gas Severance Tax	2.6	1.2	2.2	0.1	0.1
Sales and Use Tax	23.3	23.3	23.3	22.7	22.3
Subtotal	1,042.6	1,238.3	1,188.3	1,340.0	1,568.9
Education - Tuition , Fees and Charges:					
Slot Machine Tax to Education	142.7	142.2	173.1	182.2	187.3
Lottery to Education	1,321.7	1,382.0	1,475.0	1,479.0	1,582.0
Unclaimed Property (State School Trust Fund)	163.6	206.2	142.3	213.0	175.6
Subtotal	1,627.9	1,730.4	1,790.4	1,874.2	1,944.9
Agencies' Administrative Trust Funds:					
Beverage Licenses and Taxes	29.8	28.0	32.0	31.4	33.1
Insurance Premium Tax	52.8	52.3	53.3	50.6	54.0
General Inspection Fees and Licenses	59.9	72.9	57.6	72.0	58.0
Citrus Inspection Fees and Licenses	18.4	15.4	15.4	14.0	13.0
D.F.S. and Treas Fees, Licenses & Taxes	130.1	128.1	132.6	155.8	157.2
Citrus Taxes	42.3	38.7	31.1	25.0	23.3
Hunting and Fishing Licenses	50.8	49.2	53.5	59.1	57.6
Pari-mutuel Fees, Licenses and Taxes	14.4	12.5	12.3	12.4	13.5
Professional Fees and Licenses	71.4	88.2	78.2	86.5	82.7
Drivers' Licenses and Fees	145.9	143.1	139.4	154.6	145.9
HSMV, Misc Fees, Licenses & Fines	32.1	33.2	33.6	33.6	32.5
Slot Machine Licenses and Fees	1.9	7.5	5.6	3.1	7.3
Lottery to Administration	349.7	418.9	420.1	450.9	555.4
Subtotal	999.5	1,088.0	1,064.6	1,149.0	1,233.4

Other Trust Fund Revenues for State Use:	**2011-12**	**2012-13**	**2013-14**	**2014-15**	**2015-16**
Tobacco Tax	1,033.6	1,017.4	987.3	1,004.4	1,020.3
Lottery Prizes	2,792.5	3,223.2	3,482.9	3,664.8	3,938.1
Unclaimed Property DFS Trust (Residual)	213.4	267.8	241.2	269.4	296.8
Tobacco Fines/Forfeitures/Judgements Trust	358.9	366.2	378.0	367.8	368.8
Other Fines/Forfeitures/Judgements Trust	235.8	296.3	260.5	254.2	205.1
Article V Fees	697.6	557.5	122.2	114.8	109.1
Earnings on Investments	162.1	146.1	104.8	184.3	203.5
Miscellaneous Revenues[4]	221.5	180.3	187.4	196.4	237.1
Refunds & Reimbursement	1,377.6	1,573.8	1,468.8	1,833.0	1,959.4
Sales, Concessions, Rent & Leases	53.4	68.7	77.3	136.7	77.2
Other Fees, Licenses and Taxes	3,376.6	3,261.6	3,569.2	3,502.6	2,947.2
Subtotal	10,523.1	10,959.0	10,879.6	11,528.3	11,362.6
Total Trust Fund Revenue for State Use	**19,406.6**	**20,620.4**	**20,382.6**	**21,126.9**	**21,163.2**
Revenues Shared With Local Governments and School Districts					
Sales and Use Tax	2,127.9	2,245.5	2,396.3	2,554.7	2,692.7
Beverage Licenses and Taxes	14.5	14.9	15.5	16.0	16.1
Documentary Stamp Tax	48.1	63.0	61.5	61.4	0.0
Insurance Premium Tax	162.6	165.9	173.1	169.7	175.9
Indian Gaming	3.8	4.5	7.0	7.1	7.7
Motor Fuel Tax	358.9	360.1	368.8	381.7	399.3
Oil and Gas Severance Tax	1.9	2.0	1.8	1.2	0.4
Solid Mineral Severance Tax	10.4	8.3	8.1	6.8	9.4
Gross Receipts Tax[3]	1,035.3	1,003.0	1,005.4	1,152.4	1,157.7
Mtr Vehicle and Mobile Home Licenses	133.6	138.7	147.1	156.9	165.8
Tobacco Taxes	7.6	7.7	7.0	7.2	7.4
Other Fees, Licenses and Taxes[3]	55.2	51.1	54.9	56.9	60.3
Total Local Government	**3,959.7**	**4,064.7**	**4,246.5**	**4,572.1**	**4,692.7**
Federal and Local Assistance					
Counties and Cities	66.5	63.9	66.3	59.1	80.0
U.S. Government	22,826.3	22,778.4	23,874.8	23,915.3	24,946.1
Other Assistance and Donations Grants	123.8	131.8	109.3	180.5	134.7
Total Federal and Local Assistance	**23,016.5**	**22,974.1**	**24,050.4**	**24,155.0**	**25,160.8**
Summary of Trust Fund and General Revenue					
General Revenue	23,618.8	25,314.6	26,198.0	27,681.1	28,325.4
Trust Fund	19,406.6	20,620.4	20,382.6	21,126.9	21,163.2
Revenues Shared with Local Governments	3,959.7	4,064.7	4,246.5	4,572.1	4,692.7
Donations & Fed Assistance	23,016.5	22,974.1	24,050.4	24,155.0	25,160.8
Total Direct Revenues	**$70,001.6**	**$72,973.8**	**$74,877.5**	**$77,535.1**	**$79,342.1**

Source: Florida Office of Economic and Demographic Research (January, 2017).

1 Numbers may not add due to rounding.

2 The Trust Fund portion of each tax source may include an obligatory General Revenue service charge, thereby reducing the dollars available for appropriations out of the trust fund.

3 Includes portion of Communications Services Tax.

4 Includes an unknown amount of General Revenue appropriations.

GENERAL REVENUE FUND
FINANCIAL RETROSPECT AND OUTLOOK STATEMENTS

Retrospect Statement [1]

Fiscal Years 2014-15 and 2015-16

(millions of dollars)

	Recurring Funds	Non-Recurring Funds	Total All Funds
FUNDS AVAILABLE 2014-15			
Balance Forward from 2013-14	$0.0	$2,581.3	$2,581.3
Revenue Collections[1]	27,621.3	66.1	27,687.4
Transfers from Trust Funds	0.0	278.0	278.0
Miscellaneous Adjustments	0.0	0.2	0.2
Fixed Capital Outlay Reversions	0.0	0.3	0.3
Federal Funds Interest Payment	0.0	0.0	0.0
Total 2014-15 Funds Available	$27,621.3	$2,926.0	$30,547.3
EXPENDITURES 2014-15			
Operations	$13,139.2	$452.8	$13,592.0
Aid to Local Governments	13,475.4	94.3	13,569.7
Fixed Capital Outlay	82.6	126.4	209.0
Fixed Capital Outlay/Aid to Local Governments	9.9	223.2	233.1
Transfer to Budget Stabilization Fund	0.0	214.5	214.5
Transfer to PECO Trust Fund	0.0	169.9	169.9
Transfer to Florida Forever Trust Fund	0.0	10.0	10.0
Miscellaneous Nonoperating Expenditures	0.0	9.3	9.3
Total 2014-15 Expenditures	$26,707.1	$1,300.4	$28,007.4
ENDING BALANCE	$914.2	$1,625.6	$2,539.8
Budget Stabilization Fund	-	-	$1,139.2
Available Reserves	-	-	$3,679.0
FUNDS AVAILABLE 2015-16			
Balance Forward from 2014-15	$0.0	$2,539.8	$2,539.8
Revenue Collections[2]	28,490.5	(161.5)	28,329.0
Transfers from Trust Funds	0.0	190.0	190.0
DMS/DOC Bond Proceeds Reimbursement	0.0	7.2	7.2
Miscellaneous Adjustments	0.0	0.1	0.1
Fixed Capital Outlay Reversions	0.0	7.9	7.9
Federal Funds Interest Payment	0.0	0.0	0.0
Total 2015-16 Funds Available	$28,490.5	$2,583.6	$31,074.0
EXPENDITURES 2015-16			
Operations	$14,017.3	$329.7	$14,347.0
Aid to Local Governments	14,120.0	48.8	14,168.8
Fixed Capital Outlay	59.2	80.4	139.6
Fixed Capital Outlay/Aid to Local Governments	3.2	157.4	160.6
Transfer to Budget Stabilization Fund	0.0	214.5	214.5
Transfer to PECO Trust Fund	0.0	128.9	128.9
Transfer to Clerk of Courts Trust Fund	0.0	12.9	12.9
Miscellaneous Nonoperating Expenditures	0.0	10.0	10.0
Total 2015-16 Expenditures	$28,199.7	$982.5	$29,182.3
ENDING BALANCE	$290.7	$1,601.0	$1,891.8
Budget Stabilization Fund	-	-	$1,353.7
Available Reserves	-	-	$3,245.5

Source: Office of Economic and Demographic Research.

[1] The revenue collections for Fiscal Year 2014-15 do not include $136.5 million of receipts associated with the 2.6% commercial electricity tax swap authorized by Chapter 2014-38, Laws of Florida. Pursuant to this law, these funds are now reported as Gross Receipts Tax revenue and are deposited in the PECO Trust Fund.

[2] The revenue collections for Fiscal Year 2015-16 do not include payments received by the State that are related to the continuation of banked card games. These payments are being accounted for separately (effectively held in reserve) and totaled $57.5 million in Fiscal Year 2015-16.

FINANCIAL OUTLOOK STATEMENT [1]

Including Results of August 15, 2017 Revenue Estimating Conference

Fiscal Year 2016-17 through Fiscal Year 2022-23

(millions of dollars)

	Recurring Funds	Non-Recurring Funds	Total All Funds
FUNDS AVAILABLE 2016-17			
Balance Forward from 2015-16	$0.0	$1,891.8	$1,891.8
Estimated Revenues	29,621.9	(27.4)	29,594.5
BP Settlement Agreement Payment[5]	26.7	73.3	100.0
HB 5001 (2016) Transfers from Trust Funds (Net of Vetoes)	0.0	260.9	260.9
FEMA Reimbursements	0.0	19.5	19.5
Fixed Capital Outlay Reversions	0.0	1.5	1.5
Federal Funds Interest Earnings Rebate	(0.3)	0.0	(0.3)
Total 2016-17 Funds Available[2,5]	$29,648.3	$2,219.6	$31,867.9
EFFECTIVE APPROPRIATIONS 2016-17			
State Operations	$15,009.7	$354.6	$15,364.3
Aid to Local Government	14,395.8	170.1	14,565.9
Fixed Capital Outlay	58.9	121.8	180.7
Fixed Capital Outlay/Aid to Local Government	3.2	200.4	203.6
HB 5001 (2016) Transfer to Budget Stabilization Fund[1]	0.0	30.7	30.7
HB 5001 (2016) Reappropriations (Net of Vetoes)	0.0	75.8	75.8
Budget Amendments - Zika Virus Response	0.0	61.2	61.2
Budget Amendment - Bridge Loans	0.0	5.0	5.0
Budget Amendments - Hurricane Response	0.0	71.2	71.2
Budget Amendments - Campaign Finance Match	0.0	0.2	0.2
SB 2500 (2017) Transfer to Clerks of Court Trust Fund	0.0	7.0	7.0
SB 2500 (2017) Reversions	0.0	(55.3)	(55.3)
SB 2500 (2017) Supplemental Appropriations	0.0	61.5	61.5
Regular Session Bills with Appropriations (Net of Vetoes)	0.0	3.0	3.0
SB 2500 (2017) Reversions with Reappropriations (Net of Vetoes)	0.0	(48.0)	(48.0)
Reversion with Reappropriation (Zika Response)	0.0	(22.7)	(22.7)
Reversion with Reappropriation (Chapter 2016-163, L.O.F.)	0.0	(0.1)	(0.1)
Total 2016-17 Effective Appropriations	$29,467.6	$1,036.4	$30,504.0
Ending Balance [2,3,5]	$180.7	$1,183.2	$1,363.9
FUNDS AVAILABLE 2017-18			
Balance Forward from 2016-17	$0.0	$1,363.9	$1,363.9
Estimated Revenues	30,649.4	276.6	30,926.0
BP Settlement Agreement Payment[5]	26.7	(26.7)	0.0
SB 2500 (2017) Transfers from Trust Funds (Net of Vetoes)	0.0	456.3	456.3
Release of Indian Gaming Reserve[4]	0.0	226.8	226.8
Unused Appropriations/Reversions	0.0	95.4	95.4
Fixed Capital Outlay Reversions	0.0	2.0	2.0
Federal Funds Interest Earnings Rebate	(0.7)	0.0	(0.7)
Total 2017-18 Funds Available[2,3,4,5]	$30,675.4	$2,394.3	$33,069.7
EFFECTIVE APPROPRIATIONS 2017-18			
State Operations	$15,545.5	$411.0	$15,956.5
Aid to Local Government	15,101.3	8.0	15,109.3
Fixed Capital Outlay	57.4	234.0	291.4
Fixed Capital Outlay/Aid to Local Government	1.7	149.4	151.1
SB 2500 (2017) Transfer to Budget Stabilization Fund[1]	0.0	32.1	32.1
SB 2500 (2017) Reappropriations (Net of Vetoes)	0.0	48.0	48.0
Reappropriation - Zika Response	0.0	22.7	22.7
Reappropriation (Ch. 2016-163, L.O.F.)	0.0	0.1	0.1
Total 2017-18 Effective Appropriations	$30,705.9	$905.3	$31,611.2
Ending Balance[2,3]	($30.5)	$1,489.0	$1,458.5

FINANCIAL OUTLOOK STATEMENT [1] (cont)

FUNDS AVAILABLE 2018-19			
Balance Forward from 2017-18	$0.0	$1,458.5	$1,458.5
Estimated Revenues	31,925.2	276.2	32,201.4
BP Settlement Payment[5]	26.7	0.0	26.7
Unused Appropriations/Reversions	0.0	96.3	96.3
Fixed Capital Outlay Reversions	0.0	2.0	2.0
Federal Funds Interest Earnings Rebate	(0.4)	0.0	(0.4)
Total 2018-19 Funds Available[1,2,3,5]	$31,951.5	$1,833.0	$33,784.5
FUNDS AVAILABLE 2019-20			
Estimated Revenues	$33,193.7	$281.2	$33,474.9
BP Settlement Payment[5]	26.7	0.0	26.7
Unused Appropriations/Reversions	0.0	96.3	96.3
Fixed Capital Outlay Reversions	0.0	2.0	2.0
Federal Funds Interest Earnings Rebate	(0.4)	0.0	(0.4)
Total 2019-20 Funds Available[1,2,3,5]	$33,220.0	$379.5	$33,599.5
FUNDS AVAILABLE 2020-21			
Estimated Revenues	$34,428.3	$286.2	$34,714.5
BP Settlement Payment[5]	26.7	0.0	26.7
Unused Appropriations/Reversions	0.0	96.3	96.3
Fixed Capital Outlay Reversions	0.0	2.0	2.0
Federal Funds Interest Earnings Rebate	(0.4)	0.0	(0.4)
Total 2020-21 Funds Available[1,2,3,5]	$34,454.6	$384.5	$34,839.1
FUNDS AVAILABLE 2021-22			
Estimated Revenues	$35,686.0	$291.9	$35,977.9
BP Settlement Payment[5]	26.7	0.0	26.7
Unused Appropriations/Reversions	0.0	96.3	96.3
Fixed Capital Outlay Reversions	0.0	2.0	2.0
Federal Funds Interest Earnings Rebate	(0.4)	0.0	(0.4)
Total 2021-22 Funds Available[1,2,3,5]	$35,712.3	$390.2	$36,102.5
FUNDS AVAILABLE 2022-23			
Estimated Revenues	$36,918.8	$295.2	$37,214.0
BP Settlement Payment[5]	26.7	0.0	26.7
Unused Appropriations/Reversions	0.0	96.3	96.3
Fixed Capital Outlay Reversions	0.0	2.0	2.0
Federal Funds Interest Earnings Rebate	(0.4)	0.0	(0.4)
Total 2021-22 Funds Available[1,2,5]	$36,945.1	$393.5	$37,338.6

Source: Office of Economic and Demographic Research.

1 The cash balance in the Budget Stabilization Fund (not shown here) at the time of this statement was $1,384.4 million and included the Fiscal Year 2016-17 transfer of $30.7 million. The required balance for Fiscal Year 2017-18 is $1,416.5 million, requiring a transfer of $32.1 million. Based on the August 2017 forecast, transfers of $68.2 million in Fiscal Year 2018-19, $72.9 million in Fiscal Year 2019-20, $53.8 million in Fiscal Year 2020-21, $63.7 million in Fiscal Year 2021-22, and $62.0 million in Fiscal Year 2022-23 will be required.

2 This financial statement is based on current law as it is currently administered. It does not include the potential effect of any legal actions which might affect revenues or appropriations. The Attorney General periodically issues an update on any such litigation. In addition, it does not recognize any projected deficits or surpluses in any spending programs unless specifically stated.

3 The 2012 General Appropriations Act transferred $350.0 million from the Lawton Chiles Endowment Fund to the General Revenue Fund. House Bill 5301 (Chapter 2012-33, Laws of Florida) requires that an amount equal to the amount of Medical-Hospital Fees collected above the January 2012 revenue estimate be transferred back to the Endowment in the following fiscal years until repayment is complete. The actual revenues collected in Fiscal Year 2016-17 were lower than the January 2012 estimate; thus, no transfer is required for Fiscal Year 2017-18. The estimates of repayments for the term of this outlook statement are zero for Fiscal Year 2018-19, Fiscal Year 2019-20, and Fiscal Year 2020-21. The final repayment of $304.7 million (not shown on this Outlook) will be due in Fiscal Year 2021-22, in accordance with section 409.915(8), F.S.

4 Based on the Settlement Agreement and Stipulation entered into between the Seminole Tribe of Florida and the State of Florida in July 2017, the payments associated with banked card games that the state has held in reserve ($233.8 million) are released as of this Outlook, and no future payments will be placed in reserve. The total reserve release shown on this Outlook is net of the expected $7.0 million local distribution.

5 Payments are associated with the settlement reached in In re: Oil Spill by the Oil Rig "Deepwater Horizon" in the Gulf of Mexico, MDL No. 2179 (April 20, 2010). The payments are in consideration of the full and complete settlement and release of claims by the State for various damages. It provides a total payment to the State of Florida of $2.0 billion over the period Fiscal Year 2016-17 through Fiscal Year 2032-33. The first payment of $400 million was received on July 1, 2016. Annual payments of $106.7 million will begin in Fiscal Year 2018-19. Pursuant to Chapter 2017-63, L.O.F., 75 percent of all payments to the state must be transferred immediately from the General Revenue Fund to the Triumph Gulf Coast Trust Fund for subsequent transfer to a trust account held by Triumph Gulf Coast, Inc. The revenue numbers shown here are net of this transfer.

Actual and Projected General Revenues

The actual general revenue collections for Fiscal Year 2016-17 of $29,594.5 million were $1.27 billion, or 4.5%, more than collections for Fiscal Year 2015-16. General revenue projections adopted at the August 15, 2017, meeting of the Revenue Estimating Conference for Fiscal Years 2017-18 through 2020-21, are shown in the following table.

General Revenues
Fiscal Years 2016-17 through 2020-21
(millions of dollars)

	Actual 2016-17	Est. 2017-18		Est. 2018-19		Est. 2019-20		Est. 2020-21	
	Actual	Estimate	% Change[1]	Estimate	% Change[1]	Estimate	% Change[1]	Estimate	% Change[1]
Sales Tax- GR	$22,987.4	$23,948.2	4.2%	$25,016.8	4.5%	$26,085.6	4.3%	$27,193.2	4.2%
Beverage Tax & Licenses	314.7	293.8	(6.6)%	311.7	6.1%	326.5	4.7%	340.5	4.3%
Corporate Income Tax	2,366.4	2,404.7	1.6%	2,447.9	1.8%	2,455.3	0.3%	2,484.7	1.2%
Documentary Stamp Tax[2]	762.2	871.8	14.4%	903.7	3.7%	934.6	3.4%	965.6	3.3%
Tobacco Tax	183.0	176.5	(3.6)%	177.6	0.6%	176.9	(0.4)%	175.3	(0.9)%
Insurance Premium Tax	708.4	761.7	7.5%	760.2	(0.2)%	803.9	5.7%	823.8	2.5%
Pari-Mutuels Tax	22.8	22.6	(0.9)%	22.2	(1.8)%	22.1	(0.5)%	22.2	0.5%
Intangibles Tax	372.9	390.0	4.6%	406.4	4.2%	422.2	3.9%	437.9	3.7%
Earnings on Investments	131.0	184.0	40.5%	245.1	33.2%	310.3	26.6%	324.9	4.7%
Indian Gaming Revenues	116.0	272.5	134.9%	280.1	2.8%	283.8	1.3%	287.6	1.3%
Highway Safety Licenses & Fees	489.8	525.7	7.3%	546.8	4.0%	554.4	1.4%	555.6	0.2%
Counties Medicaid Share	301.5	292.0	(3.2)%	304.8	4.4%	309.4	1.5%	300.4	(2.9)%
Severance Tax	11.5	10.8	(6.1)%	10.5	(2.8)%	10.5	0.0%	11.0	4.8%
Corporation Filing Fees	352.9	351.7	(0.3)%	354.7	0.9%	360.5	1.6%	366.2	1.6%
Service Charges	464.9	470.5	1.2%	480.5	2.1%	484.3	0.8%	493.8	2.0%
Other Taxes, License & Fees	337.3	304.3	(9.8)%	300.2	(1.3)%	297.1	(1.0)%	296.3	(0.3)%
Total Revenue	29,922.7	31,280.8	4.5%	32,569.2	4.1%	33,837.4	3.9%	35,079.0	3.7%
Less: Refunds	(328.2)	(354.8)	8.1%	(367.8)	3.7%	(362.5)	(1.4)%	(364.5)	0.6%
Net General Revenue:[3]	$29,594.5	$30,926.0	4.5%	$32,201.4	4.1%	$33,474.9	4.0%	$34,714.5	3.7%

Source: Office of Economic and Demographic Research, August 15, 2017 Consensus Revenue Estimating Conference.
[1] Represents percentage change from prior year, based on current estimates.
[2] Florida law redirects to various trust funds Documentary Stamp Tax Collections which otherwise would go into the General Revenue Fund.
[3] May not add due to rounding.

The projections are based on the best information available when the estimates are made. ***Investors should be aware that there have been material differences between past projections and actual general revenue collections; no assurance can be given that there will not continue to be material differences relating to such amounts.***

Operating and Fixed Capital Outlay Budget By Program Area
Fiscal Years 2013-14 through 2017-18

(In Millions of Dollars)

Program	2013-14		2014-15		2015-16		2016-17		2017-18	
General Revenue	**Operating**	**FCO**	**Operating**	**FCO**	**Operating**	**FCO**	**Operating**	**FCO**	**Operating**	**FCO**
Education	$ 14,141.5	$ 9.0	$ 14,523.6	$ 2.0	$ 15,101.7	$ 1.7	$ 15,580.0	$ 29.0	$ 16,616.2	$ 143.8
Human Services	7,580.2	2.9	8,067.4	31.6	8,761.6	12.0	9,479.2	8.4	9,390.8	12.2
Criminal Justice & Corrections	3,318.7	51.4	3,457.2	74.2	3,494.2	77.3	3,586.3	85.1	3,603.1	71.5
Natural Resources , Environment Growth Mngmt, & Transportation	220.1	91.9	274.4	242.2	158.6	140.6	185.7	174.9	190.0	167.2
General Government	629.9	46.9	678.7	73.6	655.6	54.7	678.4	73.0	846.7	44.5
Judicial Branch	362.6	5.5	404.7	10.1	411.1	15.4	420.5	14.0	419.0	3.4
Total General Revenue	$ 26,252.8	$ 207.6	$ 27,406.0	$ 433.7	$ 28,582.7	$ 301.7	$ 29,930.1	$ 384.3	$ 31,065.8	$ 442.5
Trust Funds										
Education	$ 6,131.2	$ 1,761.1	$ 6,172.9	$ 1,944.6	$ 6,014.7	$ 1,804.9	$ 6,291.4	$ 2,009.5	$ 6,457.9	$ 1,699.7
Human Services	22,789.0	15.6	23,637.3	35.5	24,194.8	27.7	24,822.5	20.2	26,452.6	53.6
Criminal Justice & Corrections	670.1	-	679.5	-	681.8	-	808.2	-	797.8	-
Natural Resources , Environment Growth Mngmt, & Transportation	2,760.9	9,451.1	2,792.3	10,272.5	2,823.3	10,246.6	3,142.4	11,082.6	3,088.8	10,992.5
General Government	3,273.9	57.9	3,461.0	92.0	3,573.7	84.4	3,642.8	60.1	3,759.7	50.5
Judicial Branch	111.5	-	116.5	-	92.7	-	91.2	-	91.4	-
Total Trust Funds	$ 35,736.7	$ 11,285.7	$ 36,859.4	$ 12,344.7	$ 37,381.0	$ 12,163.5	$ 38,798.3	$ 13,172.4	$ 40,648.3	$ 12,796.3
Total All Funds										
Education	$ 20,272.7	$ 1,770.1	$ 20,696.4	$ 1,946.6	$ 21,116.5	$ 1,806.6	$ 21,871.3	$ 2,038.5	$ 23,074.1	$ 1,843.4
Human Services	30,369.2	18.5	31,704.7	67.1	32,956.4	39.7	34,301.7	28.6	35,843.4	65.8
Criminal Justice & Corrections	3,988.8	51.4	4,136.7	74.2	4,176.0	77.3	4,394.5	85.1	4,400.9	71.5
Natural Resources , Environment Growth Mngmt, & Transportation	2,981.0	9,543.0	3,066.8	10,514.7	2,981.9	10,387.2	3,328.1	11,257.5	3,278.8	11,159.7
General Government	3,903.8	104.8	4,139.6	165.6	4,229.2	139.1	4,321.2	133.1	4,606.4	95.1
Judicial Branch	474.1	5.5	521.2	10.1	503.8	15.4	511.7	14.0	510.4	3.4
Total All Funds	$ 61,989.5	$ 11,493.2	$ 64,265.4	$ 12,778.4	$ 65,963.7	$ 12,465.2	$ 68,728.5	$ 13,556.8	$ 71,714.1	$ 13,238.8

Source: Executive Office of the Governor. Includes appropriations in annual General Appropriations Bills and other legislation after Governor's vetos.

STATE DEBT

As a general rule, bonds of the State or its agencies are issued by the Division of Bond Finance pursuant to the State Bond Act, ss. 215.57-.83, Florida Statutes. During the 2001 Session the Florida Legislature formalized in statute an annual Debt Affordability Study to be used as a tool for measuring, monitoring and managing the State's debt. The State debt fiscal responsibility policy, s. 215.98, Florida Statutes, establishes debt service to revenues as the benchmark debt ratio to estimate future debt capacity, using a target ratio of 6% and a cap of 7%. The estimated future debt capacity is intended to provide legislative policy makers with information to measure the financial impact of new financing programs and to assist them in formulating capital spending plans.

The study first looks at total State debt outstanding, separating the debt into net tax-supported debt and self supporting debt. Net tax-supported debt is repaid by the State from a specified tax revenue source or general appropriation of the State. Self supporting debt is reasonably expected to be repaid from project revenue or loan repayments. Some but not all of State debt is additionally secured by the full faith and credit of the State.

State Full Faith and Credit Debt

Article VII, Section 11(a) of the Florida Constitution authorizes the issuance of bonds pledging the full faith and credit of the State to finance or refinance State capital outlay projects upon approval by vote of the electors, provided that the outstanding principal amount may not exceed 50% of total State tax revenues for the two preceding fiscal years. There are currently no bonds outstanding under this authorization.

All of Florida's full faith and credit debt which is currently outstanding has been issued under separate constitutional authority which also authorizes the pledge of a dedicated tax or other revenue source as well. Such debt includes bonds for pollution control and abatement and solid waste disposal (operating revenues, assessments); right-of-way acquisition and bridge construction (motor fuel or special fuel taxes); public education capital outlay (gross receipts taxes); roads within a county (second gas tax); and school districts or community colleges (motor vehicle license revenues). Although these bonds are not subject to the above-referenced debt limitation, each program has debt service coverage tests which must be met prior to issuance.

State Revenue Bonds

The Florida Constitution authorizes the issuance of bonds to finance or refinance State capital outlay projects, which are payable from funds derived directly from sources other than State tax revenues.

Bonds outstanding under this authorization include financings for the State University System, individual universities, community colleges, public schools, State owned office facilities, toll roads, ports, and other transportation projects. The Constitution specifically authorizes the issuance of bonds to fund student loans; to finance housing; and to refund outstanding bonds at a lower net interest cost. The Constitution was amended in 1998 to expressly permit the issuance of bonds pledging a dedicated State tax source for the purposes of conservation, outdoor recreation, water resource development, restoration of natural systems, or historic preservation.

Bonds may also be issued, which are payable from documentary stamp taxes deposited in the Land Acquisition Trust Fund for conservation and recreation purposes, including Everglades restoration.

Other Obligations

Although most debt of the State or its agencies is issued through the Division of Bond Finance, there are other entities which issue bonds or incur other long term obligations which are secured by State revenues. These include the Florida Housing Finance Corporation, the Florida Correctional Finance Corporation, the Department of Corrections, the Department of Juvenile Justice, the Department of Children and Families, the Florida Hurricane Catastrophe Fund Finance Corporation and the Inland Protection Financing Corporation. The Florida Legislature has also dedicated 2.59% of cigarette tax collections to the H. Lee Moffitt Cancer Center and Research Institute, for 10 years, which are pledged to secure bonds issued by the City of Tampa. The City of Tallahassee issued bonds to finance relocation of the developmental research school of Florida State University. The bonds are payable from lease revenues appropriated to the University each year. The State's Chief Financial Officer has a consolidated equipment financing program for State agencies and a lease purchase financing for replacement of the State's accounting and cash management systems, which are subject to annual appropriation. The State's five water management districts have authority to issue bonds secured by certain moneys from the Water Management Lands Trust Fund.

The Florida Water Pollution Control Financing Corporation was created to finance projects through the State's Department of Environmental Protection which are authorized under the federal Clean Water Act. The corporation is authorized to issue bonds secured through the repayment of loans to local government entities. The principal amount of such bonds which may be issued shall not exceed $300 million in any Fiscal Year.

Direct Debt Outstanding by Type and Program

As of June 30, 2017

(In Millions Dollars)

Debt Type		Amount
Net Tax-Supported Debt		$18,916.2
Self-Supporting Debt		3,760.8
Total State Debt Outstanding		**$22,677.0**
Net Tax-Supported Debt		
Education		
Public Education Capital Outlay	$8,318.5	
Capital Outlay	165.7	
Lottery	1,516.0	
University System Improvement	123.3	
University Mandatory Fee	76.1	
State (Community) Colleges	81.8	
Total Education		$10,281.4
Environmental		
Florida Forever Bonds	931.5	
Everglades Restoration Bonds	217.4	
Inland Protection	53.8	
Total Environmental		$1,202.6
Transportation		
Right-of-Way Acquisition and Bridge Construction	1,470.0	
State Infrastructure Bank	2.9	
P3 Obligations*	4,309.9	
Florida Ports	331.2	
Total Transportation		$6,113.9
Appropriated Debt / Other		
Facilities	236.1	
Prisons	438.7	
Children & Families	81.9	
Juvenile Justice	3.3	
Lee Moffitt Cancer Center	170.0	
Master Lease	25.6	
Energy Saving Contracts	34.6	
Sports Facility Obligations	327.9	
Total Appropriated Debt / Other		$1,318.2
Total Net Tax-Supported Debt Outstanding		**$18,916.2**
Self-Supporting Debt		
Education		
University Auxiliary Facility Revenue Bonds		$747.5
Environmental		
Florida Water Pollution Control		333.4
Transportation		
Toll Facilities	2,650.4	
State Infrastructure Bank Revenue Bonds	29.4	
Total Transportation		2,679.9
Total Self-Supported Debt Outstanding		**$3,760.8**

*Includes $10.3 million of short-term Department of Transportation P3 contract payments to be made in 2018.

Source: State of Florida Division of Bond Finance, 2017 debt analysis.

Per Capita Tax Supported Debt

For Fiscal Years Ended June 30

Year	Population[1] (thousands)	Total Principal Outstanding[2] (millions)	Per Capita
2008	18,783	$20,329	1,082
2009	18,767	22,373	1,192
2010	18,761	23,557	1,256
2011	18,880	22,945	1,215
2012	19,028	21,593	1,135
2013	19,214	20,348	1,059
2014	19,440	20,013	1,029
2015	19,738	21,406	1,085
2016	20,051	20,077	1,001
2017	20,393	18,870	925

[1] Population estimate by the Office of Economic and Demographic Research, Florida Legislature (August, 2017).

[2] State of Florida 2017 Debt Affordability Report; excludes refunded debt.

State of Florida
Total Debt Outstanding
As of June 30, 2017

Fiscal	Net Tax-Supported Debt Outstanding			Self-Supporting Debt Outstanding			Total Debt Outstanding		
Year	Principal*	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2018	$ 1,573,945,341	$ 724,850,320	$ 2,298,795,660	$ 223,072,153	$ 172,706,106	$ 395,778,259	$ 1,797,017,494	$ 897,556,425	$ 2,694,573,919
2019	1,375,891,288	679,787,511	2,055,678,799	230,514,799	162,267,664	392,782,463	1,606,406,087	842,055,175	2,448,461,262
2020	1,445,685,176	630,981,154	2,076,666,330	222,259,000	151,148,416	373,407,416	1,667,944,176	782,129,570	2,450,073,746
2021	1,442,387,476	628,205,435	2,070,592,911	227,973,000	140,231,703	368,204,703	1,670,360,476	768,437,138	2,438,797,614
2022	1,550,397,932	577,881,479	2,128,279,412	205,655,000	129,113,902	334,768,902	1,756,052,932	706,995,381	2,463,048,313
2023	1,136,538,354	528,501,115	1,665,039,469	203,093,000	119,061,097	322,154,097	1,339,631,354	647,562,212	1,987,193,566
2024	1,055,316,323	460,979,765	1,516,296,089	206,028,000	109,204,625	315,232,625	1,261,344,323	570,184,390	1,831,528,713
2025	1,001,589,001	415,337,526	1,416,926,527	211,058,000	99,690,333	310,748,333	1,212,647,001	515,027,859	1,727,674,860
2026	858,296,909	372,137,687	1,230,434,596	194,849,000	90,097,290	284,946,290	1,053,145,909	462,234,977	1,515,380,886
2027	791,270,934	337,083,089	1,128,354,023	194,207,000	81,591,551	275,798,551	985,477,934	418,674,640	1,404,152,575
2028	717,084,087	307,414,741	1,024,498,827	170,074,000	73,422,399	243,496,399	887,158,087	380,837,140	1,267,995,227
2029	636,259,352	280,616,531	916,875,883	162,510,000	65,847,008	228,357,008	798,769,352	346,463,539	1,145,232,891
2030	591,796,998	257,872,274	849,669,273	150,608,000	58,893,347	209,501,347	742,404,998	316,765,622	1,059,170,620
2031	536,553,803	238,790,050	775,343,854	140,920,000	52,277,290	193,197,290	677,473,803	291,067,340	968,541,144
2032	527,722,325	219,777,724	747,500,049	133,055,000	46,203,883	179,258,883	660,777,325	265,981,606	926,758,931
2033	482,843,251	203,161,530	686,004,781	133,505,000	40,431,320	173,936,320	616,348,251	243,592,850	859,941,101
2034	425,281,498	188,960,335	614,241,834	121,800,000	34,590,053	156,390,053	547,081,498	223,550,388	770,631,886
2035	394,453,914	175,743,428	570,197,341	108,475,000	29,101,809	137,576,809	502,928,914	204,845,236	707,774,150
2036	376,169,866	163,467,717	539,637,584	106,640,000	24,128,933	130,768,933	482,809,866	187,596,650	670,406,516
2037	347,491,476	152,870,738	500,362,214	79,725,000	19,302,159	99,027,159	427,216,476	172,172,896	599,389,373
2038	267,288,078	143,179,061	410,467,139	72,190,000	15,417,279	87,607,279	339,478,078	158,596,340	498,074,418
2039	198,885,591	136,864,293	335,749,884	75,295,000	11,756,421	87,051,421	274,180,591	148,620,715	422,801,305
2040	160,785,350	130,532,391	291,317,741	57,325,000	7,936,363	65,261,363	218,110,350	138,468,753	356,579,104
2041	134,934,791	129,562,779	264,497,570	42,555,000	5,372,075	47,927,075	177,489,791	134,934,854	312,424,645
2042	127,134,292	129,929,930	257,064,222	34,735,000	3,555,331	38,290,331	161,869,292	133,485,261	295,354,553
2043	134,586,576	132,813,955	267,400,531	27,210,000	2,176,925	29,386,925	161,796,576	134,990,880	296,787,456
2044	102,118,935	64,383,869	166,502,804	15,800,000	1,018,200	16,818,200	117,918,935	65,402,069	183,321,004
2045	62,912,045	23,617,481	86,529,526	9,655,000	386,200	10,041,200	72,567,045	24,003,681	96,570,726
2046	50,360,467	20,866,393	71,226,860	-	-	-	50,360,467	20,866,393	71,226,860
2047	45,172,791	18,646,569	63,819,360	-	-	-	45,172,791	18,646,569	63,819,360
2048	41,950,512	16,549,248	58,499,760	-	-	-	41,950,512	16,549,248	58,499,760
2049	43,932,662	14,567,097	58,499,759	-	-	-	43,932,662	14,567,097	58,499,759
2050	46,008,470	12,491,291	58,499,761	-	-	-	46,008,470	12,491,291	58,499,761
2051	48,182,357	10,317,402	58,499,759	-	-	-	48,182,357	10,317,402	58,499,759
2052	50,458,962	8,040,798	58,499,760	-	-	-	50,458,962	8,040,798	58,499,760
2053	52,843,134	5,656,625	58,499,759	-	-	-	52,843,134	5,656,625	58,499,759
2054	55,339,959	3,159,800	58,499,759	-	-	-	55,339,959	3,159,800	58,499,759
2055	16,004,001	150,500	16,154,501	-	-	-	16,004,001	150,500	16,154,501
	$ 18,905,874,280	$ 8,545,749,630	$ 27,451,623,911	$ 3,760,785,952	$ 1,746,929,680	$ 5,507,715,632	$ 22,666,660,232	$ 10,292,679,310	$ 32,959,339,543

*Department of Transportation Public/Private Partnership ("P3") short-term contract payments totaling $10.3 million in 2018 are excluded. The Department's long-term P3 obligations are included in net tax-supported debt at the total annual payment obligation. Although certain payments are expected to be made from non-tax sources, they have not been considered in showing net tax-supported payments.

Source: State of Florida Division of Bond Finance, 2017 debt analysis.

Net Tax-Supported Bonds Issued Since July 1, 2017

(chronological, by date of issuance)

Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds, Series 2017A	$288,705,000
Department of Management Services, Florida Facilities Pool Revenue Refunding Bonds, Series 2017A	190,835,000
Less: Florida Facilities Pool Revenue Bonds refunded	(232,585,000)
State Board of Education, Public Education Capital Outlay Refunding Bonds, 2017 Series A	148,555,000
Less: Public Education Capital Outlay Bonds refunded	(162,065,000)
State Board of Education, Public Education Capital Outlay Refunding Bonds, 2017 Series B	261,635,000
Less: Public Education Capital Outlay Bonds refunded	(285,670,000)
Department of Environmental Protection Florida Forever Revenue Refunding Bonds, Series 2017A*	75,125,000
Less: Florida Forever Revenue Bonds refunded*	(98,805,000)
State Board of Education, Lottery Revenue Refunding Bonds, Series 2017A*	239,705,000
Less: Lottery Revenue Refunding Bonds refunded*	(315,304,000)
	$110,131,000

*Subject to the delivery of the Florida Forever Revenue Refunding Bonds, Series 2017A on November 30, 2017.
*Subject to the delivery of the Lottery Revenue Refunding Bonds, Series 2017A on December 7, 2017.

Self Supporting Bonds Issued Since July 1, 2017

(chronological, by date of issuance)

Department of Transportation Alligator Alley Revenue Refunding Bonds, Series 2017A	$21,635,000
Less: Alligator Alley Revenue Bonds refunded	(26,640,000)
	($5,005,000)

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STATEMENT OF ASSETS AND LIABILITIES

Administered by State Chief Financial Officer

		ASSETS	
		JUNE 30, 2017	JUNE 30, 2016
Currency and Coins		$0.00	$0.00
Unemployment Compensation Investments Due From U.S Treasury -Unemployment TF	(1)	3,597,148,273.72	3,175,547,178.82
Deferred Compensation Assets	(2)	4,041,387,838.90	3,680,087,209.18
Bank Accounts	(3)	(119,159,502.32)	(93,908,757.25)
Consolidated Revolving Account	(4)	213,933.04	115,539.40
Total Cash, Receivables, and Other Assets		$7,519,590,543.34	$6,761,841,170.15
Certificates of Deposit		$1,046,500,000.00	$958,000,000.00
Securities	(5)	22,434,139,155.06	23,069,878,610.63
Total Investments		23,480,639,155.06	24,027,878,610.63
Total Assets of the Division of Treasury		$31,000,229,698.40	$30,789,719,780.78

		LIABILITIES	
		JUNE 30, 2017	JUNE 30, 2016
Due to:			
General Revenue Fund		$3,256,232,411.23	$3,244,177,330.38
Trust Fund	(6)	15,927,054,158.59	15,631,633,443.57
Budget Stabilization Fund		1,384,390,000.00	1,353,690,000.00
Total State Liabilities		$20,567,676,569.82	$20,229,500,773.95
Interest Payable & Securities Liability	(7)	$211,764,928.79	$9,209,363.40
Due to Special Purpose Investment Accounts	(8)	6,179,186,427.85	6,870,806,894.85
Due to Deferred Compensation Participants and/or Program	(2)	4,041,387,838.90	3,680,087,209.18
Due to Consolidated Revolving Account Agency Participants	(4)	213,933.04	115,539.40
Total Liabilities of the Division of Treasury		$31,000,229,698.40	$30,789,719,780.78

Source: Annual Report of the State Chief Financial Officer for the Fiscal Year Ended June 30, 2017.

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

2 Plan assets held in the Deferred Compensation Trust Fund for the exclusive benefit of participants and their beneficiaries.

3 Represents the "Per Reconciled Cash Balance" of $12,980,872.02 as of June 30, 2017 with receipted items in transit of $95,184,884.30 and disbursed items in transit of ($895,500.38) which nets to $94,289,383.92. These items have cleared the bank but have not been posted to the State ledger. The Total Bank Accounts figure does not include $77,889,001.34 held in clearing and\or revolving accounts outside the Treasury.

4 The amount due to agency participants in the Consolidated Revolving Account as of June 30, 2017 is $7,025,933.04. Of this, $213,933.04 is in a financial institution account and $6,812,000.00 is invested in Special Purpose Investment Accounts.

5 Includes Purchased Interest in the amount of $3,370,615.68.

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

7 Represents $9,464,014.03 in interest not yet receipted to State Accounts and Securities Liability Cost of $202,300,914.76 which settled July 2017.

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

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

FLORIDA RETIREMENT SYSTEM

(Source: Florida Department of Management Services, Division of Retirement)

General. The Florida Retirement System ("FRS") was established by the Florida Legislature effective December 1, 1970 pursuant to Chapter 121, Florida Statutes (the "Act") by consolidating the state's existing State-administered retirement systems into one system. In addition to Chapter 121, the FRS is governed by Article X, Section 14 of the State Constitution, which prohibits increasing benefits without concurrently providing for funding the increase on a sound actuarial basis. The FRS provides retirement, disability and death benefits for participating public employees. The FRS is a cost-sharing, multiple employer, retirement plan. The FRS Defined Benefit Program (also referred to as the FRS Pension Plan) is administered by the Division of Retirement in the Department of Management Services. The assets of the FRS Defined Benefit Program are held in the FRS Trust Fund and are invested by the State Board of Administration. The FRS Investment Plan was created by the Florida Legislature as a defined contribution plan alternative to the FRS Pension Plan and is administered by the State Board of Administration. In addition to these two primary, integrated programs there are non-integrated defined contribution plan alternatives available to targeted employee groups in the State University System, the State Community College System, and members of the Senior Management Service Class.

In the defined benefit pension plan, a monthly benefit is paid to retired employees in a fixed amount calculated at the time of retirement as determined by a statutory formula. The amount of the monthly benefit is generally based on the years of service credits and salary. The benefit is paid to the retiree for life and, if applicable, a survivor benefit is paid to the designated beneficiary at the death of the retiree.

In the defined contribution plan, the employee's benefit is comprised of the accumulated required contributions and investment earnings on those contributions. Instead of guaranteed benefits based on a formula, the contributions to the member account are guaranteed by the plan and the investment risk is assumed by the employee. Since the employer's obligation to make contributions to the defined contribution plan does not extend beyond the required contribution from current payroll, the employer's funding obligation for a defined contribution plan is fully funded as long as these contributions are made.

FRS membership is compulsory for employees working in regularly established positions for a state agency, county governmental unit, district school board, state university, state college or participating city, independent special district, charter school or metropolitan planning district, except for retirees initially reemployed on or after July 1, 2010 who may not be enrolled. There are five classes of plan membership: Regular Class, Special Risk Class, Special Risk Administrative Support Class, Elected Officers' Class ("EOC"), and Senior Management Service Class ("SMSC"). Elected officials who are eligible to participate in the EOC may elect to withdraw from the FRS altogether or choose to participate in the SMSC in lieu of the EOC. Regular Class membership covers any position that is not designated to participate in any other membership class.

Participation by cities, municipalities, special districts, charter schools, and metropolitan planning districts although optional, is generally irrevocable once the election to participate is made. As of June 30, 2016, there were 1,029 participating employers, and 1,171,473 individual members, as follows:

Retirees & Beneficiaries	394,527[1]
Terminated Vested Members	116,994
DROP Participants	29,602
Active Vested Members	455,236
Active Non-vested members	175,114
TOTAL	1,171,473 [2]

[1] Excludes Teachers' Retirement System Survivors' Benefit ("TRS-SB"), General Revenue payment recipients and FRS Investment Plan members who received a distribution.

[2] Includes FRS Pension Plan and Investment Plan members.

Benefits. Chapter 2011-68, Laws of Florida, became law on July 1, 2011. Chapter 2011-68 created significant reforms to the FRS, most notably by requiring that FRS members contribute to the FRS and by establishing a "two-tier" benefit system with less generous benefits for employees who became members of the FRS on or after July 1, 2011 ("New Members"), as compared to those provided to employees who were members of the FRS prior to July 1, 2011 ("Existing Members"). See "2011 Legislation Affecting FRS Benefits and Funding" below for further details. FRS Pension Plan members receive one month of service credit for each month in which any salary is paid. Existing Members vest after 6 years of service for all membership classes and New Members vest after 8 years of service for all membership classes. Members vest after 8 years for non-duty related disability benefits. After they are vested, members are eligible for normal retirement when they have met the minimum age or service requirements for their membership class. For Existing Members of the Regular Class, SMSC and the EOC, normal retirement is age 62 and vested, or 30 years of service regardless of age, and age 65 and vested, or 33 years of service regardless of age for New members. For Existing Members of the Special Risk Class and the Special Risk Administrative Support Class, normal retirement is age 55 and vested, or 25 years of service regardless of age, and age 60 and vested, or 30 years of service regardless of age, for New Members. Early retirement may be taken any time after vesting subject to a 5% benefit reduction for each year prior to normal retirement age.

Summary of FRS Pension Plan Benefits

	Vesting Period	Regular Class, SMSC, EOC	Special Risk Classes
Existing Members	6 years	62 years old or 30 years of service	55 years old or 25 years of service
New Members	8 years	65 years old or 33 years of service	60 years old or 30 years of service

Retirement benefits under the FRS Pension Plan are computed using a formula comprised of age and/or years of service at retirement, average final compensation and total percentage based on the accrual value by plan or membership class of service credit.

FRS Pension Plan members who reach normal retirement may participate in the Deferred Retirement Option Program ("DROP"), which allows a member to effectively retire while deferring termination and to continue employment for up to 60 months (or 96 months for some educational personnel under certain conditions). The retirement benefit is calculated as of the beginning of DROP participation and no further service is accrued. During DROP participation the member's retirement benefits accumulate in the FRS Trust Fund, earning monthly interest at an equivalent annual rate of 6.50 percent for members with an effective DROP begin date before July 1, 2011, and an equivalent annual rate of 1.3 percent for members with a effective DROP begin date on or after July 1, 2011. At termination the member's DROP accumulation may be paid out as a lump sum, a rollover, or a combination of these two payout methods and the member begins receiving monthly benefits determined when DROP participation began, increased by annual cost of living adjustments.

FRS Investment Plan members invest their contributions in the investment options offered under the plan. FRS Investment Plan members receive one month of service credit for each month in which any salary is paid and vest in their employer contributions after one year of service under the FRS Investment Plan. Members are immediately vested in their employee contributions. If a present value amount is transferred from the FRS Pension Plan to the member's FRS Investment Plan account as the opening balance, the member must meet the FRS Pension Plan vesting requirement for any such transferred funds and associated earnings.

FRS members vest immediately for in-line-of-duty disability benefits or after eight years for non-duty related disability benefits if totally and permanently disabled from all employment. FRS Pension Plan members receive disability monthly benefits until no longer disabled. Periodic reexamination is conducted to verify continued disability retirement eligibility. FRS Investment Plan members may elect to surrender their account balance to the FRS Trust Fund to receive guaranteed monthly benefits under the FRS Pension Plan. Alternatively, FRS Investment Plan members may retain their account balance to fund their future retirement needs in lieu of guaranteed monthly benefits under the FRS Pension Plan. FRS Investment Plan members who retain their account balances to fund their disability retirement may leave their funds invested in the plan, structure periodic payments, purchase an annuity, receive a lump-sum payment of their account balance, rollover their monies into another eligible plan qualified under the Internal Revenue Code, or a combination of these options.

The service retirement benefits of FRS Investment Plan members are their account balances at the time they choose to retire as managed by the member throughout retirement. FRS Investment Plan members may leave their funds invested in the plan, structure periodic benefit payments under their investment contracts, purchase an annuity, rollover their funds to a different qualified plan, receive a lump-sum payment representing their account balance in part or in whole, annuitize some or all of their account, or a combination of these options.

Certain Senior Management Service Class members, State University System faculty, Executive Service staff, Administrative and Professional Service staff, and Florida College System faculty and certain administrators may elect to participate in the existing, non-integrated optional defined contribution programs for these targeted employee groups instead of either of the two primary integrated programs offered under the FRS, the FRS Pension Plan and the FRS Investment Plan.

Funding. From the establishment of the FRS through 1975 both employers and members were required to pay retirement contributions. Members contributions were made on a post-tax basis. From 1975 through June 30, 2011, employers paid all required contributions. Beginning July 1, 2011, both employer and members are required to pay retirement contributions. Members contribute 3% of their salary as retirement contributions, on a pre-tax basis, with the employer automatically deducting the employee contributions from the members' salary. The contribution rates for the FRS Investment Plan are set by statute and the FRS Pension Plan rates, which are determined annually by the Legislature based on an actuarial valuation and any plan changes adopted during the legislative session. (See "Schedule of Funding Progress" below). These two rates are "blended" to create the uniform contribution rate for the primary, integrated FRS programs as required under Part III of Chapter 121, F.S. FRS employers pay a single rate by membership class or sub-class for members of the two primary, integrated FRS plans. The portion of the required FRS Investment Plan contribution rate destined for the member's account is forwarded to the FRS Investment Plan's administrator and the portion for Pension Plan funding is forwarded to the FRS Trust Fund. The employer contribution rates for the non-integrated defined contribution plans are set by statute and forwarded to the specified provider company under the program.

2011 Legislation Affecting FRS Benefits and Funding. Chapter 2011-68, Laws of Florida, became law on July 1, 2011 and provided for significant reforms to the FRS, most notably by requiring that FRS members contribute to the FRS and phasing out post-retirement cost-of-living adjustments. The changes also effectively establish a "two-tier" benefit system with less generous benefits for employees who are initially enrolled in the FRS on or after July 1, 2011, as compared to those provided to employees who were initially enrolled in the FRS prior to July 1, 2011. Among other changes, Chapter 2011-68 provides:

Employee Contributions -

- Effective July 1, 2011, most FRS members must contribute 3% of their salary as retirement contributions, on a pre-tax basis, automatically deducted by the employer
- Members participating in the Deferred Retirement Option Program ("DROP") and re-employed retirees, who are not allowed to renew membership in the FRS, are not required to make 3% employee contributions

DROP -

- The annualized DROP interest rate will be 1.3% for members whose DROP participation begins on or after July 1, 2011
- Members with an effective DROP begin date on or before June 30, 2011 will retain an annual interest rate of 6.5%

Cost-of-Living Adjustment (COLA) -

- Members with an effective retirement date (includes DROP participation) before August 1, 2011 will retain their 3% post-retirement COLA
- Members with an effective retirement date or DROP begin date on or after August 1, 2011 will have an individually calculated COLA that is a reduction from 3% and will be calculated by dividing the total years of service before July 1, 2011 by the total years of service at retirement, and then multiplying the result by 3% to get the retiree's COLA
- Members initially enrolled on or after July 1, 2011, will not have a post-retirement COLA

Benefit changes for members first enrolled in the FRS on or after July 1, 2011 -

- Vesting requirement for FRS Pension Plan benefit eligibility is increased from 6 to 8 years of creditable service
- The average final compensation used in calculating retirement benefits is increased from the highest 5 fiscal years to the highest 8 fiscal years of salary
- Increased the "normal retirement date" for unreduced benefit eligibility
- For members of the Regular Class, Senior Management Service Class and Elected Officers Class, to
    - The first day of the month the member reaches age 65 (rather than 62) and is vested, or
    - The first day of the month following the month the member completes 33 (rather than 30) years of creditable service, regardless of age before age 65
- For members of the Special Risk Class, to
    - The first day of the month the member reaches age 60 (rather than 55) and is vested, or
    - The first day of the month following the month the member completes 30 (rather than 25) years of creditable service in the Special Risk Class, regardless of age before age 60

The table below shows the number of persons receiving benefits from the FRS Pension Plan, the total benefits paid, and the average benefits for the last five fiscal years.

Annuitants and Annualized Benefit Payments Under the FRS Pension Plan[1,2]
(in thousands where amounts are dollars)

Fiscal Year	2012	2013	2014	2015	2016
Annuitants	334,682	347,962	363,034	377,671	394,907
Benefits Payments (000 omitted)	$6,233,606	$6,691,437	$7,175,496	$7,731,851	$8,389,673
Average Benefits	$18,625	$19,230	$19,765	$20,472	$21,245

Source: Florida Department of Management Services, Division of Retirement. Florida Retirement System Annual Reports for Fiscal Years 2012 and 2013 and the FRS CAFRs for Fiscal Years 2014, 2015 and 2016.

[1] Figures include disability payments, General Revenue, Institute of Food and Agricultural Sciences Supplemental Program and TRS-SB, but do not include refunds of member contributions.

[2] Figures exclude FRS Investment Plan and DROP participants.

Funding and Financial Reporting of the FRS. The Governmental Accounting Standards Board (GASB) has adopted two accounting statements, GASB 67 (for reporting at the pension plan level) and GASB 68 (for employer reporting requirements including their allocation of net pension liability and pension expense), which require pension plans and employers to report total pension plan liabilities (Total Pension Liability), as well as the value of the plans' assets (Fiduciary Net Position) and the unfunded portion of the liability (Net Pension Liability or NPL) in both the plans' and the employers' financial statements. GASB 67 was effective for plan fiscal years beginning after June 15, 2013, and GASB 68 was effective for employer fiscal years beginning after June 15, 2014.

Prior to GASB 67 and GASB 68, GASB 25 and GASB 27 gave public pension plans latitude as to funding methodologies and assumptions used in the determination of liabilities and contributions to meet the accounting standards. As a result of this latitude, it was often difficult to make comparisons between pension plans. GASB 25 required actuaries to develop a schedule of funding progress and an actuarial required contribution (ARC) as tools both to compare to other plans and gage how the contributions from the funding valuation compared to the ARC. Over time, pensions plans adopted the same requirements in their funding valuation as the GASB valuation, blurring the comparison of the results from the funding valuation to the GASB valuation. GASB 67 and GASB 68 have once again separated the funding considerations from the financial reporting requirements. Employers will once again be able to compare the funding valuation contributions to the actuarially determined contribution (ADC) determined under the GASB 67 requirements and comparisons of retirement plans under GASB 67 and 68 will have a common basis. Total Pension Liability (TPL) is required to be reported under the individual entry age normal actuarial cost method regardless of the actuarial cost method used for funding purposes. The plans' Fiduciary Net Position (FNP) assets must be shown on a market value basis rather than the actuarial value of assets which is typically smoothed over a period of years to reduce volatility.

Valuation of Assets. The actuarial value of plan assets is necessary in order to determine the funded ratio of the plan by comparing the plan's actuarial liabilities to its actuarial value of assets. A plan's assets are generally valued either at the market value of assets (GASB valuation) or the Actuarial Value of Assets (funding valuation). The market value of assets looks at the fair market value of the assets as of a given point in time. The Actuarial Value of Assets reflects the value of plan assets as determined by the plans' actuary for purposes of an actuarial valuation. The actuarial valuation measure reflects a five-year smoothing methodology (the "Asset Smoothing Method"), as required by Section 121.031(3)(a), Florida Statutes. Under the Asset Smoothing Method, the expected actuarial value of assets in the Florida Retirement System Trust Fund is determined by crediting the rate of investment return assumed in the valuation to the prior year's actuarial value of assets and net cash flow. Then, 20% of the difference between the actual market value and the expected Actuarial Value of Assets is recognized each year in the smoothing period. The actuarial value of assets are also restricted by a 20% corridor around the market value of assets. The Actuarial Value of Assets used for the valuation is the lesser of the actuarial value described above or 120% of market value but not less than 80% of the market value. The Asset Smoothing Method prevents extreme fluctuations in the Actuarial Value of Assets, the Unfunded Actuarial Liability (UAL) and the funded ratio that may otherwise occur as a result of market volatility. Asset smoothing delays recognition of gains and losses and is intended to decrease the volatility of employer contribution rates. The Actuarial Value of Assets is not the market value of Florida Retirement System Trust Fund assets at the time of measurement. As a result, presenting the Actuarial Value of Assets using the Asset Smoothing Method might provide a more or less favorable presentation of the current financial position of a pension plan than would a method that recognizes the full value of investment gains and losses annually.

The actuarial valuation of the FRS uses a variety of assumptions to calculate the actuarial liability and the Actuarial Value of Assets. No assurance can be given that any of the assumptions underlying the actuarial valuations will reflect the actual results experienced by the FRS. Variances between the assumptions and actual results may cause an increase or decrease in the actuarial value of assets, the actuarial liability, the UAL, or the funded ratio.

As of July 1, 2016, FRS actuarial determinations for funding purposes are based on the following:

Actuarial Cost Method: Entry Age Normal (Alternative Ultimate Entry Age Calculation)

Amortization method:	30 year, Level Percentage of Pay, Closed, Layered
Asset valuation method:	5-year Smoothed Method
Investment rate of return:	7.65%[1]
Payroll growth rate:	3.25%
Inflation level:	2.60%
Post-retirement cost of living adjustments:	3.00%[2]

[1]Changed to 7.60% beginning July 1, 2016.
[2] Granted only for pre-July 1, 2011 service.

The FRS is required to conduct an actuarial valuation of the plan annually. The valuation process includes a review of the major actuarial assumptions used by the plan actuary, which may be changed during the FRS Actuarial Assumptions Conference that occurs each fall. In addition, the FRS conducts an actuarial experience study every five years. The purpose of the experience study is to compare the actual plan experience with the assumptions for the previous five-year period and determine the adequacy of the non-economic actuarial assumptions including, for example, those relating to mortality, retirement, disability, employment, and turnover of the members and beneficiaries of the FRS. Based upon the results of this review and the recommendation of the actuary, the FRS Actuarial Assumptions Conference may adopt changes to such actuarial assumptions as it deems appropriate for incorporation beginning with the valuation following the experience study period.

For GASB 67 reporting purposes, the following assumptions are used:

Actuarial Cost Method:	Individual Entry Age Normal
Amortization method:	30 year, Level Percentage of Pay, Closed, Layered
Asset valuation method:	Fair market value
Investment rate of return:	7.65%[1]
Discount rate:	7.65%[2]
Payroll growth rate:	3.25%
Inflation level:	2.60%
Post-retirement cost of living adjustments:	3.00%[3]

[1]Changed to 7.60% beginning July 1, 2016.
[2] The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees in determining the projected depletion date. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.
[3] Granted only for pre-July 1, 2011 service.

Assumed Investment Rate of Return. Both the actuarial funding valuation and the financial reporting valuation assumes a long-term investment rate of return on the assets in the Florida Retirement System Trust Fund (7.75% through June 30, 2014; 7.65% from July 1, 2014 through June 30, 2016 and 7.60% beginning July 1, 2016). Due to the volatility of the marketplace, however, the actual rate of return earned by the Florida Retirement System Trust Fund on its assets may be higher or lower than the assumed rate. Changes in the Florida Retirement System Trust Fund's assets as a result of market performance will lead to an increase or decrease in the UAL/NPL and the funded ratio. The five-year Asset Smoothing Method required by Florida law for funding purposes attenuates the impact of sudden market fluctuations. Only a portion of these increases or decreases will be recognized in the current year, with the remaining gain or loss spread over the remaining four years.

Adverse market conditions resulted in negative investment returns on the Florida Retirement System Trust Fund's assets in Fiscal Years 2008 and 2009, contributing to (in conjunction with plan experience) a significant reduction in the Funded Ratio and a corresponding increase in the UAL. Investment returns in Fiscal Years 2012 and 2015 fell below the assumed rate, while returns in Fiscal Years 2013 and 2014 surpassed the assumed rate. No assurance can be given about future market performance and its impact on the UAL/NPL.

The assumed rate of investment return for Fiscal Year 2016 was 7.60 percent; the actual return calculated on the basis of fair value was 0.54 percent. As of June 30, 2016, the Florida Retirement System Trust Fund was valued at $141.8 billion (market value), and invested in the classes and approximate percentages as follows:

56.3%	Global Equity
18.9%	Fixed Income
9.4%	Real Estate
6.4%	Private Equity
8.2%	Strategic Investments
0.8%	Cash

For additional information, see the Florida Retirement System Pension Plan Annual Report under the "System Information" tab of the "Publications" page on their website at: http://frs.myflorida.com or contact the Division of Retirement, P.O. Box 9000, Tallahassee, Florida 32315-9000.

Financial statements are prepared using the accrual basis of accounting, and reporting is done in accordance with Government Accounting Standards Board requirements.

For a discussion of investment policies, see "MISCELLANEOUS - Investment of Funds - *Investment by the Board of Administration*" in the body of this Official Statement.

Funded Status. As shown in the tables below, the value of the assets increased from \$138.6 billion in Fiscal Year 2014 to \$143.2 billion in Fiscal Year 2015 on an actuarial basis and decreased from \$150.0 billion to \$148.5 billion on a market value basis. The actuarial liabilities computed for funding purposes increased from \$160.1 billion in Fiscal Year 2014 to \$165.5 billion in Fiscal Year 2015. As of end of Fiscal Year 2015, the FRS had an aggregate UAL of approximately \$22.3 billion on an actuarial basis (using the Asset Smoothing Method) and \$17.1 billion on a market value basis. The respective Funded Ratios for these UALs are 86.50% and 89.67%. For financial reporting purposes, the Total Pension Liability increased from \$156.1 billion in Fiscal Year 2014 to \$161.3 billion in Fiscal Year 2015. As of the end of Fiscal Year 2015, the FRS had an aggregate NPL of approximately \$12.9 billion. The Funded Ratio for the NPL was 92.0%.

The following tables summarize the current financial condition and the funding progress of the FRS. The first table shows the funded ratio using the Actuarial Value of Assets, based on the actuarial assumptions used to determine the appropriate funding level for the FRS each year. The second table shows the funded ratio using the same actuarial assumptions, but using the market value of assets. The third table shows the funding progress using the actuarial assumptions required for GASB 67 reporting purposes.

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Schedule of Funding Progress
Actuarial Value of Assets
(thousands of dollars)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AL) Entry Age (b)	Unfunded AL (UAL) (b-a)	Funded Ratio (%) (a/b)	Covered Payroll [1] (c)	UAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2007	$125,584,704	$118,870,513	($6,714,191)	105.65%	$26,366,086	(25.47)%
July 1, 2008	130,720,547	124,087,214	(6,633,333)	105.35	26,872,418	(24.68)
July 1, 2009	118,764,692	136,375,597	17,610,905	87.09	26,554,114	66.32
July 1, 2010	120,929,666	139,652,377	18,722,711	86.59	25,747,369	72.72
July 1, 2011	126,078,053	145,034,475	18,956,422	86.93	25,668,958	73.85
July 1, 2012	127,891,781	148,049,596	20,157,815	86.38	24,476,272	82.36
July 1, 2013	131,680,615	154,125,953	22,445,338	85.44	24,553,693	91.41
July 1, 2014	138,621,201	160,130,502	21,509,301	86.56	24,723,565	87.00
July 1, 2015	143,195,531	165,548,928	22,353,397	86.50	32,726,034	68.30
July 1, 2016	145,451,612	170,374,609	24,922,997	85.37	33,214,217	75.04

Source: Florida Department of Management Services, Division of Retirement, Florida Retirement System Annual Reports for Fiscal Years 2007 through 2013 and the FRS CAFRS for Fiscal Years 2014 through 2016. Beginning in Fiscal Year 2014, some information is obtained from the FRS Pension Plan Actuarial Valuations.

[1] For the Fiscal Years ending 2014 and before, covered payroll shown includes defined benefit plan actives and members in DROP, but excludes the payroll for Investment Plan members and payroll on which only UAL rates are charged. For the Fiscal Years 2015 and later, covered payroll shown includes the payroll for Investment Plan members, reemployed retirees without membership and other optional program payrolls on which only UAL rates are charged. For comparative purposes, the payroll for Fiscal Year ending 2015 on the basis shown in years 2014 and earlier is $25,063,048,000.

Schedule of Funding Progress
Market Value of Assets
(thousands of dollars)

Fiscal Year	Market Value of Assets[1] (a)	Actuarial Liability (AL) Entry Age[2] (b)	Unfunded AL (UAL) (b-a)	Funded Ratio (%) (a/b)	Covered Payroll[3] (c)	UAL as a Percentage of Coverage Payroll (b-a)/c)
2007	$134,315,241	$118,870,513	($15,444,728)	112.99%	$26,366,086	(58.58)%
2008	124,466,800	124,087,214	(379,586)	100.31	26,872,418	(1.41)
2009	96,503,162	136,375,597	39,872,435	70.76	26,554,114	150.16
2010	107,179,990	139,652,377	32,472,387	76.75	25,747,369	126.12
2011	126,579,720	145,034,475	18,454,755	87.28	25,668,958	71.90
2012	119,981,465	148,049,596	28,068,131	81.04	24,476,272	114.67
2013	129,672,088	154,125,953	24,453,865	84.13	24,553,693	99.59
2014	150,014,292	160,130,502	10,116,210	93.68	24,723,565	40.92
2015	148,454,394	165,548,928	17,094,534	89.67	32,726,034	68.21
2016	141,780,921	170,374,609	28,593,688	83.22	33,214,217	86.09

[1] Source: Florida Department of Management Services, Division of Retirement, Florida Retirement System Annual Reports for Fiscal Years 2007 through 2013 and the FRS CAFRS for Fiscal Years 2014 through 2016. Beginning in Fiscal Year 2014, some information is obtained from the FRS Pension Plan Actuarial Valuations.

[2] Source: Florida Department of Management Services, Division of Retirement, Florida Retirement System Annual Reports for Fiscal Years 2007 through 2013 and the FRS CAFRS for Fiscal Years 2014through 2016. Beginning in Fiscal Year 2014, some information is obtained from the FRS Pension Plan Actuarial Valuations. Actuarial Liability is determined as of the July 1 immediately after the end of each Fiscal Year.

[3] Source: Florida Department of Management Services, Division of Retirement, Florida Retirement System Annual Reports for Fiscal Years 2007 through 2013 and the FRS CAFRS for Fiscal Years 2014 through 2016. Beginning in Fiscal Year 2014, some information is obtained from the FRS Pension Plan Actuarial Valuations. For the Fiscal Years ending 2014 and before, covered payroll shown includes defined benefit plan actives and members in DROP, but excludes the payroll for Investment Plan members and payroll on which only UAL rates are charged. For the Fiscal Years 2015 and later, covered payroll shown includes the payroll for Investment Plan members and payroll on which only UAL rates are charged. For comparative purposes, the payroll for Fiscal Year ending 2015 on the basis shown in years 2014 and earlier is $25,063,048,000.

Schedule of Funding Progress
GASB 67 Reporting
(thousands of dollars)

Fiscal Year	Fiduciary Net Position[1] (a)	Total Pension Liability (TPL) Entry Age[1] (b)	Net Pension Liability (NPL) (b-a)	Funded Ratio (%) (a/b)	Covered Payroll[2] (c)	NPL as a Percentage of Coverage Payroll (b-a)/c)
2013	$133,061,677	$150,276,128	$17,214,451	88.54%	$24,568,642	70.07%
2014	150,014,292	156,115,763	6,101,471	96.09	24,723,565	24.68
2015	148,454,394	161,370,735	12,916,341	92.00	32,726,034	39.47
2016	141,780,921	167,030,999	25,250,078	84.88	33,214,217	76.02

[1] Source: Florida Department of Management Services, Division of Retirement, Florida Retirement System Comprehensive Annual Financial Reports. Fiscal Year 2013 Fiduciary Net Position differs from the market value of assets shown in the previous table as the result of an adjustment for the removal of the DROP liability pursuant to implementation requirements of GASB 67.

[2] Source: Florida Department of Management Services, Division of Retirement, Florida Retirement System Comprehensive Annual Financial Reports. For the Fiscal Years ending 2014 and before, covered payroll includes the normal cost and UAL payroll of active Pension Plan members and reemployed retirees without renewed membership, but excludes the payroll for Investment Plan members and payroll on which only UAL rates are charged. For Fiscal Years 2015 and later, covered payroll includes the normal cost and UAL payroll for active Pension Plan and Investment Plan members and payroll of reemployed retirees without renewed membership and the salaries of SMSOAP, SUSORP, and SCCSORP members. For comparative purposes, the payroll for Fiscal Year ending 2015 on the basis shown in years 2014 and earlier is $25,063,048,000.

The following table shows employer contributions to the FRS Pension Plan for Fiscal Years 2007 through 2016. Annually, the FRS's actuary recommends rates, determined as a percentage of employee payrolls that FRS employers must contribute to fully fund their annual pension obligations. The Actuarially Determined Contribution (the "ADC") is a target contribution to the FRS Pension Plan for the reporting period, determined based on the funding policy and most recent measurement available when the contribution for the reporting period was adopted. The ADC is comprised of the FRS Pension Plan’s Normal Cost plus any Unfunded Actuarial Liability, which is also called the Actuarially Determined Contribution (the "ADC"). The ADC reflects only the actuarially determined employer contributions. The Florida Legislature adopts rates that all participating FRS employers must pay on behalf of their employees, which may or may not correspond to the actuary's recommended rates.

In the table below during Fiscal Years 2007 through 2009, the FRS Pension Plan was in an actuarial surplus position. Florida law allows a portion of the actuarial surplus assets to be recognized to reduce the ADC, therefore lowering the required rates and contributions FRS employers must make on behalf of employees to the FRS Pension Plan. In addition, the Florida Legislature failed to adopt rates sufficient to fully fund the ADC between Fiscal Years 2011 through 2013. Failure to adopt rates sufficient to fully fund the ADC exacerbates the impact of investment earnings below the return assumption that contribute to the decline in the funded status of the FRS.

For Fiscal Years 2014 through 2016, the Florida Legislature adopted the employer contribution rates recommended by the actuary which fully funded the ADC. The Florida Legislature continued to adopt the actuarially recommended employer contribution rates for the FRS Pension Plan for Fiscal Year 2017.

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Employer Contributions to the FRS Pension Fund

(thousands of dollars)

Fiscal Year	State Employer Contributions (a)	Non-State Employer Contributions (b)	Total Employer Contributions (a+b)	Actuarially Determined Contribution (ADC)[1] (c)	Percent of ADC Contributed (a+b)/c	Amount of ADC Unfunded c-(a+b)
2007	$589,123	$2,141,612	$2,730,735	$2,455,255	111.22%	($275,480)
2008	560,990	2,232,013	2,793,002	2,612,672	106.90	(180,330)
2009	575,035	2,229,146	2,804,181	2,535,854	110.58	(268,327)
2010	570,420	2,144,136	2,714,556	2,447,374	110.92	(267,182)
2011	648,006	2,377,183	3,025,189	3,680,042 [2]	82.21	654,853
2012 [3]	226,098	925,901	1,151,999	1,962,816	58.70	810,817
2013 [4]	273,351	1,064,090	1,337,441	2,091,343	63.95	753,902
2014 [5]	474,152	1,716,273	2,190,424	2,190,424	100.00	0
2015 [6]	563,947	1,874,137	2,438,085	2,438,085	100.00	0
2016 [7]	570,786	1,867,874	2,438,659	2,438,659	100.00	0

Source: Florida Department of Management Services, Division of Retirement, Florida Retirement System Annual Reports for Fiscal Years 2007 through 2013 and the FRS CAFRs for Fiscal Years 2014 and 2015. Beginning in Fiscal Year 2014, some information is obtained from the FRS Pension Plan Actuarial Valuations.

[1] For fiscal years prior to 2014 the Annual Required Contribution ("ARC") under GASB Statement No. 27 is shown.

[2] The increase in the ARC between Fiscal Year 2010 and 2011 primarily resulted from elimination of the surplus, which was used to reduce the rates and contributions necessary to fully fund the ADC, and significant market losses, which increased the unfunded liability, and therefore the ADC.

[3] Beginning in Fiscal Year 2012, both the ADC and the employer contributions which fund the ADC, reflects FRS plan changes that reduced retirement benefits and required employees to contribute 3% of their salaries to the FRS. Required employer contributions decreased by the amount of the employee contributions totaling $674.2 million.

[4] Employee contributions totaled $694.9 million.

[5] Employee contributions totaled $699.6 million.

[6] Employee contributions totaled $698.3 million.

[7] Employee contributions totaled $710.7 million.

RETIREE HEALTH INSURANCE SUBSIDY AND OTHER POSTEMPLOYMENT BENEFITS

(The information contained under the heading "RETIREE HEALTH INSURANCE SUBSIDY AND OTHER POSTEMPLOYMENT BENEFITS" has been obtained from the State of Florida's and Florida Retirement System Pension Plan and other State Administered Systems Comprehensive Annual Financial Reports except as otherwise indicated.)

Retiree Health Insurance Subsidy Program

The Retiree Health Insurance Subsidy ("HIS") Program is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, F.S. The Florida Legislature establishes and amends the contribution requirements and benefit terms of the HIS Program. The benefit is a monthly payment to assist eligible retirees and surviving beneficiaries of state-administered retirement systems in paying their health insurance costs and is administered by the Division of Retirement within the Department of Management Services. For the fiscal year ended June 30, 2016, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of creditable service completed at the time of retirement multiplied by $5. The payments are at least $30 but not more than $150 per month, pursuant to Section 112.363, F.S. To be eligible to receive a HIS benefit, 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 as set by the Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. Effective July 1, 2015, the statutorily required contribution rate pursuant to Section 112.363, F.S. increased to 1.66% of payroll. The State has contributed 100% of its statutorily required contributions for the current and preceding two years. HIS contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, the legislature may reduce or cancel HIS payments.

Information relating to the statutorily required State contribution, benefits paid and the resulting trust fund assets is shown below, for Fiscal Years ending June 30.

Retiree Health Insurance Subsidy Program Information
(in thousands where amounts are dollars)

	2012	2013	2014	2015	2016
Recipients	297,303	310,139	323,098	336,529	349,865
Contributions	$322,610	$327,574	$342,566	$382,262	$512,564
Benefits Paid	$374,444	$390,973	$407,276	$425,086	$449,857
Trust Fund Net Assets	$220,346	$157,928	$93,385	$50,774	$113,859

Beginning with Fiscal Year 2007, the Department of Management Services has obtained biennial actuarial valuations of assets and liabilities of the HIS Program, and actuarially determined Annual Required Contributions for the HIS Program.

HIS actuarial determinations are based on the following:

Valuation Date: July 1, 2016
Actuarial Cost Method: Individual Entry Age
Amortization method: Level Percentage of Pay, Open
Equivalent Single amortization period: 30 years[1]
Asset valuation method: Fair Market Value
Actuarial Assumptions:
Discount rate: 2.85%[2,3]
Projected salary increases: 3.25%[2]
Cost of living adjustments: 0.00%

Source: Florida Department of Management Services, Division of Retirement.

[1] Used for GASB Statement #67 reporting purposes.

[2] Includes inflation at 2.60%.

[3] In general, the discount rate used for calculating the HIS liability under GASB 67 is equal to the single rate that results in the same Actuarial Present Value as would be calculated by using two different discount rates as follows: (1) Discount at the long-term expected rate of return for benefit payments prior to the projected depletion of the fiduciary net position (trust assets); and (2) Discount at a municipal bond rate for benefit payments after the projected depletion date. Because the HIS is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to a long-duration, high-quality, tax-exempt municipal bond rate selected by the plan sponsor. In September 2014 the Actuarial Assumptions Conference adopted the Bond Buyer General Obligation 20-Bond Municipal Bond Index as the applicable municipal bond index. As a result, the discount rate will change annually.

The following two tables summarize the funding progress of the Retiree Health Insurance Subsidy Program. The first table shows the funded ratio, using the Actuarial Value of Assets, based on the actuarial assumptions used to determine the appropriate funding level for the Retiree Health Insurance Subsidy Program each year. The second table shows the funding progress using the actuarial assumptions required for GASB 67 reporting purposes.

Retiree Health Insurance Subsidy Program Schedule of Funding Progress
Actuarial Value of Assets
(dollars in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)[2]	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annualized Covered Payroll[1] (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2006	$192,808	$4,667,058	$4,474,250	4.13%	$27,712,320	16.15%
July 1, 2008	$275,139	$5,109,683	$4,834,544	5.38%	$30,665,477	15.77%
July 1, 2010	$291,459	$8,464,530	$8,173,071	3.44%	$31,717,281	25.77%
July 1, 2012	$220,346	$9,018,467	$8,798,121	2.44%	$31,345,990	28.07%

Source: State of Florida Comprehensive Annual Financial Reports and Florida Department of Management Services, Division of Retirement.

[1] Includes DROP and PEORP payroll.

[2] The actuarially assumed investment rate of return fluctuates annually as noted in HIS assumptions on prior page.

Retiree Health Insurance Subsidy Program Schedule of Funding Progress [1]
GASB 67 Reporting
(in thousands where amounts are dollars)

June 30	Fiduciary Net Position (FNP)[2] (a)	Total Pension Liability (TPL) Entry Age[2] (b)	Net Pension Liability (NPL) (b-a)	Funded Ratio (%) (FNP as % of TPL) (a/b)	Covered Payroll[2,3] (c)	NPL as a Percentage of Coverage Payroll (b-a)/c)
2014	$93,385	$9,443,629	$9,350,244	0.99%	$29,676,340	31.51%
2015	$50,774	$10,249,201	$10,198,427	0.50%	$30,340,449	33.61%
2016	$113,859	$11,768,445	$11,654,586	0.97%	$30,875,274	37.75%

1 This schedule will fill in to a ten year schedule as results for new fiscal years are calculated.

2 Source: Florida Department of Management Services, Division of Retirement, Florida Retirement System Comprehensive Annual Financial Reports.

3 Covered payroll includes the normal cost and UAL payroll for active Pension Plan and Investment Plan members and payroll of reemployed retirees without renewed membership.

Schedule of Employer Contributions
(dollars in thousands)

Fiscal Year Ended June 30	Annual Required Contribution (ARC)[1]	Actual Contribution	Contribution as a Percentage of ARC
2007	$363,175	$326,052	90%
2008	$391,847	$334,819	85%
2009	$395,256	$341,569	86%
2010	$409,546	$332,023	81%
2011	$563,907	$334,449	59%
2012	$584,600	$322,610	55%
2013	$539,831	$327,575	60%
2014	n/a	$342,566	n/a
2015	n/a	$382,262	n/a
2016	n/a	$512,564	n/a

Source: State of Florida Comprehensive Annual Financial Reports and Florida Department of Management Services, Division of Retirement.

1 The Annual Required Contribution is the actuarially determined cost of the benefits allocated to the current year, consisting of the normal cost, that is the portion of the actuarial present value of the benefits and expenses which is allocated to a valuation year, and a payment to amortize the unfunded actuarial accrued liability.

Other Postemployment Benefits (OPEB)

The following is based on the July 1, 2015 actuarial valuation of the State Employees' Health Insurance Program.

Plan Description

The State Employees' Group Health Insurance Program ("Program") operates as a cost-sharing multiple-employer defined benefit health plan; however, current administration of the Program is not through a formal trust and therefore disclosure requirements are those applicable to an agent multiple-employer plan. The Division of State Group Insurance within the Department of Management Services is designated by Section 110.123, F.S., to be responsible for all aspects of the purchase of healthcare for state and university employees and retirees under the Program.

The State implicitly subsidizes the healthcare premium rates paid by retirees by allowing them to participate in the same group health plan offered to active employees. Although retirees pay 100% of the premium amount, the premium cost to the retiree is implicitly subsidized due to commingling of the claims experience in a single risk pool with a single premium determination for active employees and retirees under age 65. Section 110.123, F.S., authorizes the offering of health insurance benefits to retired state and university employees. Section 112.0801, F.S., requires all public employers that offer benefits through a group insurance plan to allow their retirees to continue participation in the plan. The law also requires the claims experience of the retirees under 65 group to be combined with the claims experience of active employees for premium determination and the premium offered to retired employees to be no more than the premium applicable to active employees. Retirees under age 65 pay the same premium amounts as applicable to active employees. Retirees over age 65 are included in the overall risk pool but pay a lesser premium amount than is applicable to active employees because the plan is secondary payer to Medicare Parts A and B.

There are 21 participating employers including the primary government of the state, the 12 state universities, and other governmental entities. There was an average enrollment of 167,282 contracts including 36,288 retirees and 130,994 employees and COBRA participants for Fiscal Year 2015. Employees must make an election to participate in the plan within 31 days of the effective date of their retirement to be eligible to continue in the plan as a retiree. Four types of health plans are offered to eligible participants: a standard statewide Preferred Provider Organization ("PPO") Plan, a Health Investor PPO Plan, a standard Health Maintenance Organization ("HMO") Plan, and a Health Investor HMO Plan. HMO coverage is available only to those retirees who live or work in the HMO's service area. The four PPO and HMO options are considered managed-care plans and have specific provider networks.

Funding Policy

Benefit provisions are described by Section 110.123, F.S. and, along with contributions, can be amended by the Florida Legislature. The state has not pre-funded OPEB costs or the net OPEB obligation. The Self-Insurance Estimating Conference develops official information for determining the budget levels needed for the state's planning and budgeting process. The Governor's recommended budget and the General Appropriations Act provide for a premium level necessary for funding the program each year on a pay-as-you-go basis.

Monthly premiums, through June 2015 coverage, for active employees and retirees under the age of 65 for the standard plan were \$641.52 and \$1,444.06 for single and family contracts, respectively. Retirees over the age of 65 pay premiums for a Medicare supplement. Monthly premiums, through June 2015 coverage, for the standard Preferred Provider Organization Plan were \$359.61 for a single contract, \$719.22 for two Medicare eligible members, and \$1,036.90 for a family contract when only one member is Medicare eligible.

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The entry age actuarial cost method was used for the actuarial valuation as of July 1, 2015. This method allocates the value of a member's benefit as a level percentage of pay between entry age and retirement age. Allocating costs as a level percentage of pay, even though the benefits are not pay-related, helps with budgeting for these employee benefits costs as a percentage of payroll. Actuarial assumptions included a 3% inflation rate, a 4% return on invested assets, and a 3.25% payroll growth rate. Initial healthcare cost trend rates used for the Preferred Provider Organization ("PPO") Plans are 4.4%, 8.5%, and 9.3% for the first three years followed by 9.9% and 9.7% for pre-Medicare and post-Medicare, respectively, in the fourth year, then grading to 3.9% over the course of 60 years. For the Health Maintenance Organization ("HMO") Plans - Pre-Medicare, initial healthcare cost trend rates of 3.5%, 6.6% and 7.5% are used for the first three years followed by 8.1% in the fourth year, then grading to 3.9% over the course of 60 years. For the HMO Plans - Post-Medicare, initial healthcare cost trend rates of 3.5%, 6.6% and 7.5% are used for the first three years followed by 7.9% in the fourth year, then grading to 4.0% over the course of 60 years. The unfunded actuarial accrued liability is being amortized as a level percentage of pay - on an open basis, over a 30 year period.

Estimates are based on information available at the time of the estimates. Such estimates are subject to revision as additional information becomes available. Also, estimates are subject to risks and uncertainties which may cause results to differ materially from those estimates set forth above. No assurance is given that actual results will not differ materially from the estimates provided above.

The following disclosure regarding OPEB Schedule of Funding Progress and Schedule of Employer Contributions relate to the cost-sharing plan as a whole, of which the State of Florida is one participating employer.

Other Postemployment Benefits Schedule of Funding Progress
(thousands of dollars)

Actuarial Valuation Date	Actuarial Value of Assets (a)[1]	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annualized Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2007	--	\$3,081,834	\$3,081,834	0.00%	\$6,542,945	47.10%
July 1, 2008	--	\$2,848,428	\$2,848,428	0.00%	\$6,492,858	43.87%
July 1, 2009	--	\$4,831,107	\$4,831,107	0.00%	\$7,318,965	66.01%
July 1, 2010[2]	--	\$4,545,845	\$4,545,845	0.00%	\$7,574,317	60.02%
July 1, 2011	-	\$6,415,754	\$6,415,754	0.00%	\$7,256,798	88.41%
July 1, 2012[2]	-	\$6,782,210	\$6,782,210	0.00%	\$7,188,525	94.35%
July 1, 2013	-	\$7,487,708	\$7,487,708	0.00%	\$7,467,560	100.27%
July 1, 2014[2]	-	\$6,824,971	\$6,824,971	0.00%	\$7,308,275	93.39%
July 1, 2015	-	\$8,900,312	\$8,900,312	0.00%	n/a	n/a

Source: State of Florida Comprehensive Annual Financial Reports and Florida Department of Management Services, Division of State Group Insurance.

[1] The State of Florida does not hold assets in a formal trust, so none are actuarially valued to offset the liability.

[2] Update of the previous year's actuarial valuation. A new valuation was not performed.

Schedule of Employer Contributions
(thousands of dollars)

Fiscal Year Ended June 30	Annual Required Contribution (ARC)[1]	Actual Contribution as a Percentage of ARC
2008	$200,973	43.70%
2009	$186,644	54.36%
2010	$336,419	30.87%
2011	$313,415	32.80%
2012	$455,584	27.07%
2013	$452,658	28.50%
2014	$541,600	22.34%
2015	$489,619	21.48%

Source: State of Florida Comprehensive Annual Financial Reports.
[1] The Annual Required Contribution is the actuarially determined cost of the benefits allocated to the current year, consisting of the normal cost, that is the portion of the actuarial present value of the benefits and expenses which is allocated to a valuation year, and a payment to amortize the unfunded actuarial accrued liability.

The following disclosure relates only to the State of Florida's share of the OPEB. The State of Florida's participation in both the annual required contribution and the actuarial accrued liability is approximately 77%.

Actuarially-Determined Annual OPEB Cost and Net OPEB Obligation as of June 30, 2015 (dollars in thousands):

Annual Required Contribution (ARC)	$ 360,424
Interest on the Net OPEB Obligation	49,713
Adjustments to the ARC	(43,085)
Annual OPEB Cost	367,052
Employer Contribution	(86,057)
Increase/Decrease in the Net OPEB Obligation	280,995
Net OPEB Obligation - July 1, 2014	1,242,824
Net OPEB Obligation - June 30, 2015	$1,523,819
Percent of annual OPEB cost contributed	23.45%

Funded Status

The funded status of the plan as of June 30, 2015, was as follows (dollars in thousands):

Actuarial valuation date	July 1, 2015
Actuarial accrued liability (AAL)	$5,245,067
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	$5,245,067
Actuarial value of assets as a percentage of the AAL	0.00%
Covered payroll	$4,399,327
UAAL as a percentage of covered payroll	119.22%

Source: State of Florida Comprehensive Annual Financial Reports.

APPENDIX B

DEFINITIONS

"Additional Bonds" means any obligations hereafter issued pursuant to the terms and conditions of the Resolution and payable from the Pledged Revenues on a parity with the initial Series of State Board of Education Lottery Revenue Bonds originally issued thereunder. Such Additional Bonds shall be deemed to have been issued pursuant to the Resolution the same as the Bonds originally authorized and issued pursuant to the Resolution, and all of the applicable covenants and other provisions of the Resolution (except as to details of such Additional Bonds inconsistent therewith), shall be for the equal benefit, protection and security of the Registered Owners of the Bonds originally authorized and issued pursuant to the Resolution, and the Registered Owners of any Additional Bonds evidencing additional obligations subsequently issued within the limitations of and in compliance with the Resolution. All of such Additional Bonds, regardless of the time or times of their issuance shall rank equally with other Bonds with respect to their lien on and source and security for payment from the Pledged Revenues without preference or priority of any Bond over any other.

"Administrative Expenses" means, with respect to the Bonds or the administration of any funds under the Resolution, to the extent applicable: (i) reasonable fees or charges, or both, of the Board and the Division; and (ii) such other reasonable fees or charges, or both, as may be approved by the Board or the Division, including, but not limited to, those relating to tax law compliance, disclosure of information, paying agents, rating agencies and providers of credit enhancement; all as may be determined from time to time as necessary.

"Annual Debt Service Requirement" means, at any time, the amount of Pledged Revenues (with respect to the particular Series of Bonds, or all Bonds, as the case may be) required to be deposited in the then current Fiscal Year into the Debt Service Account for the payment of interest, maturing principal and the scheduled redemption of Term Bonds and, if the Division has elected to fund all or a portion of the Debt Service Reserve Requirement from the Pledged Revenues, the required deposit to the Debt Service Reserve Account, as provided in the Resolution; provided that in computing such Annual Debt Service Requirement any Variable Rate Bonds shall be deemed to bear interest at all times to the maturity thereof at a constant rate of interest equal to (a) the highest of (i) the rate borne by such Variable Rate Bonds on the date they were issued (or the initial rate of interest, if established and binding, if the indebtedness is not yet Outstanding) plus one-half (or such greater amount as shall be determined pursuant to a subsequent resolution of the Division) of the difference between such rate and the Maximum Interest Rate, or (ii) the actual rate of interest borne by such Variable Rate Bonds on such date of calculation, or (b) in the event there is a Qualified Interest Rate Agreement, the maximum effective rate of such Variable Rate Bonds adjusted to reflect such Qualified Interest Rate Agreement.

"Authorized Denominations" means the smallest principal denomination in which Bonds of any Series can be issued as determined pursuant to a subsequent resolution of the Division adopted prior to the issuance of such Series.

"Authorized Officer" means any officer or employee authorized to perform specific acts or duties.

"Average Annual Debt Service" means, at any time, the average amount of Pledged Revenues required to be deposited in the Debt Service Account during the then current and all succeeding Fiscal Years for the payment of interest, maturing principal and the scheduled redemption of Term Bonds and, if the Division has elected to fund all or a portion of the Debt Service Reserve Requirement from the Pledged Revenues, the required deposits to the Debt Service Reserve Account, as provided in the Resolution. Term Bonds in the year of maturity shall be included only in the amount of the final scheduled redemption in determining the Average Annual Debt Service. For the purpose of Section 6.01 of the Resolution, governing the issuance of Additional Bonds, in computing Average Annual Debt Service any Variable Rate Bonds or bank reimbursement agreements payable on a parity with the Outstanding Bonds shall be deemed to bear interest at the Maximum Interest Rate.

"Board" means the State Board of Administration of Florida.

"Bond Counsel" means any attorney at law or firm of attorneys, of nationally recognized standing in matters pertaining to the exclusion from gross income of interest on bonds for federal income tax purposes issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States of America or the District of Columbia.

"Bond Insurance Policy" means an insurance policy issued for the benefit of the Registered Owners of any Bond, pursuant to which the issuer of such insurance policy shall be obligated to pay when due the principal of and interest on such Bond to the extent of any deficiency in the amounts in the funds and accounts held under the Resolution, in the manner and in accordance with the terms provided in such Bond Insurance Policy.

"Bond Registrar/Paying Agent" means U.S. Bank Trust National Association, New York, New York, or its successor bond registrar or paying agent, as applicable.

"Bonds" means the initial Series of State of Florida, State Board of Education, Lottery Revenue Bonds issued pursuant to the Resolution, and any Additional Bonds hereafter issued pursuant to the terms and conditions of the Resolution.

"Bond Year" means, with respect to a particular Series of Bonds issued under the Resolution, the annual period relevant to the application of Section 148(f) of the Code to the Series of Bonds, except that the first and last Bond Years may be less than 12 months long. The last day of a Bond Year shall be the close of business on the day preceding the anniversary of the date of issuance of the Series unless the State Board of Education selects another date on which to end a Bond Year in the manner permitted by the Code.

"Code" means the Internal Revenue Code of 1986, the Treasury Regulations (whether proposed, temporary or final) under that Code or the statutory predecessor of that Code, and any amendments of, or successor provisions to, the foregoing and any official rulings, announcements, notices, procedures and judicial determinations regarding any of the foregoing, all as and to the extent applicable. Unless otherwise indicated, references to a section means that section of the Code, including such applicable Treasury Regulations, rulings, announcements, notices, procedures and determinations pertinent to that section.

"Cost of Issuance" means all costs and expenses of the Division and the Board incurred in connection with the authorization, issuance, sale and delivery of the Bonds including, but not limited to, legal fees, financial advisory fees, municipal bond insurance premiums, fiscal or escrow agent fees, printing fees and travel expenses, rating agency fees and credit enhancement fees, and a charge for the services of the Division.

"Debt Service Account" means the Debt Service Account created in Section 4.01 of the Resolution.

"Debt Service Reserve Account"* means the Debt Service Reserve Account created in Section 4.01 of the Resolution.

"Debt Service Reserve Requirement"* means as of any date of calculation, with respect to all Bonds issued under the Resolution, the lessor of:

(i) 125% of the average Annual Debt Service Requirement of the Bonds for the then current and succeeding Fiscal Years;

(ii) the Maximum Annual Debt Service on the Bonds;

(iii) 10% of the par amount of the Bonds; or

(iv) the maximum debt service reserve permitted with respect to tax-exempt obligations under the Code as applicable to the Bonds.

"Defeasance Obligations" means, to the extent permitted by law, direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America, including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States and including advance refunded tax-exempt bonds fully secured by non-callable direct obligations of the United States of America, non-callable obligations guaranteed by the United States of America, or "stripped" interest payment obligations of debt obligations of the Resolution Funding Corporation.

"Department of Education" means the Department of Education of the State of Florida.

"Division" means the Division of Bond Finance of the State Board of Administration of Florida.

"Educational Enhancement Trust Fund" means the Educational Enhancement Trust Fund created in Section 24.121(2), Florida Statutes.

"Fiscal Year" means the period beginning with July 1 of each year and ending with and including the next June 30.

"Governing Board" means the Governor and Cabinet of the State as the governing board of the Division.

"Interest Payment Date" means, for each Series of Bonds, such dates of each Fiscal Year on which interest on Outstanding Bonds of such Series is payable, as determined pursuant to a subsequent resolution of the Division.

"Lottery Consultant" means a consultant, or a consulting firm or corporation, retained subject to the approval of the Division, which is nationally known and recognized as having expertise in the area of state operated lotteries.

"Lottery Revenue Bond Proceeds Account" means the Lottery Revenue Bond Proceeds Account created in Section 3.02 of the Resolution.

"Maximum Annual Debt Service" means, at any time, the maximum amount of Pledged Revenues required to be deposited in the Debt Service Account during the then current or any succeeding Fiscal Year for the payment of interest, maturing principal and the scheduled redemption of Term Bonds and, if the Division has elected to fund all or a portion of the Debt Service Reserve Requirement from the Pledged Revenues, the required deposit to the Debt Service Reserve Account, as provided in the Resolution. Term Bonds in the year of maturity shall be included only in the amount of the final scheduled redemption in determining the Maximum Annual Debt Service. For the purpose of Section 6.01 of the Resolution, governing the issuance of Additional Bonds, in computing Maximum Annual Debt Service any Variable Rate Bonds or bank reimbursement agreements payable on a parity with the Outstanding Bonds shall be deemed to bear interest at the Maximum Interest Rate.

"Maximum Interest Rate" means, with respect to any particular series of Variable Rate Bonds, a numerical rate of interest that shall be the maximum rate of interest that such Variable Rate Bonds may at any particular time bear, including the maximum effective rate of such Variable Rate Bonds adjusted to reflect a Qualified Interest Rate Agreement, if any, not to exceed the maximum rate of interest allowed under State law, as determined pursuant to a subsequent resolution of the Division.

"Outstanding" when used with reference to the Bonds, means, as of any date of determination, all Bonds theretofore authenticated and delivered except:

(i) Bonds theretofore canceled by the Bond Registrar/Paying Agent or delivered to the Bond Registrar/Paying Agent for cancellation;

(ii) Bonds which are paid, deemed paid, or defeased;

(iii) Bonds in lieu of which other Bonds have been issued pursuant to the provisions of the Resolution relating to Bonds destroyed, stolen or lost, unless evidence satisfactory to the Bond Registrar/Paying Agent has been received that any such Bond is held by a bona fide purchaser; and

(iv) For purposes of any consent or other action to be taken under the Resolution by the Registered Owners of a specified percentage of principal amount of Bonds, Bonds held by or for the account of the Division or the State Board of Education.

"Pledged Revenues" means all revenues pledged pursuant to Section 24.121(2), Florida Statutes, for bonds issued pursuant to Sections 1013.68, 1013.70 or 1013.737, Florida Statutes.

"Principal Payment Date" means, for each Series of Bonds, such dates of each Fiscal Year on which principal and/or Accreted Value of Outstanding Bonds of such Series is payable, as determined pursuant to a subsequent resolution of the Division.

"Rating Agency" means a nationally recognized bond rating agency.

"Rebate Amount" shall have the meaning ascribed to that term in Section 5.05 of the Resolution.

"Rebate Fund" means the Rebate Fund created in Section 5.05 of the Resolution.

"Record Date" means with respect to each Series of Bonds, except Bonds which are Variable Rate Bonds, the 15th day of the calendar month immediately preceding the month of an Interest Payment Date. The Record Date for Variable Rate Bonds shall be as determined pursuant to a subsequent resolution of the Division.

"Registered Owner" means the owner of any Bond or Bonds as shown on the registration books kept by the Bond Registrar/Paying Agent.

"Reserve Account Credit Facility" means a Reserve Account Insurance Policy, Reserve Account Letter of Credit or other comparable insurance or financial product, if any, deposited in the Debt Service Reserve Account in lieu of or in partial substitution for cash or securities otherwise required to be on deposit therein. The provider of a Reserve Account Credit Facility other than a Reserve Account Insurance Policy or a Reserve Account Letter of Credit shall be rated in one of the two highest full rating categories of a Rating Agency.

"Reserve Account Insurance Policy" means the insurance policy, surety bond or other acceptable evidence of insurance, if any, deposited in the Debt Service Reserve Account, in lieu of or in partial substitution for cash or securities otherwise required to be on deposit therein. The provider of such Reserve Account Insurance Policy shall be assigned one of the two highest policyholder ratings accorded insurers by A.M. Best & Company or any comparable service.

"Reserve Account Letter of Credit" means the irrevocable, transferable letter of credit, if any, deposited in the Debt Service Reserve Account, in lieu of or in partial substitution for cash or securities otherwise required to be on deposit therein. The provider of such letter of credit shall be a banking association, bank or trust company or branch thereof whose letter of credit results in a rating of municipal obligations secured by such letter of credit being in one of the two highest full rating categories of a Rating Agency.

"Resolution" means the Resolution authorizing the issuance of the Bonds, adopted on December 16, 1997, as amended and restated on December 18, 2007, as amended and supplemented from time to time.

"Revenue Fund" means the Revenue Fund created in Section 4.01 of the Resolution.

"Serial Bonds" means the Bonds of a Series which shall be stated to mature in periodic installments.

"Series" means all of the Bonds authenticated and delivered on original issuance and pursuant to the Resolution or any supplemental resolution authorizing such Bonds as a separate series of Bonds, or any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to Article II of the Resolution, regardless of variations in maturity, interest rate or other provisions.

"Sinking Fund" means the Sinking Fund created in Section 4.01 of the Resolution.

"State" means the State of Florida.

"State Board of Education" means the State Board of Education of Florida as created by Article IX, Section 2, of the Florida Constitution.

"State Bond Act" means Sections 215.57 through 215.83, Florida Statutes, as amended from time to time.

"Taxable Bonds" means bonds the interest on which is not, in any manner, exempt from federal income taxation or excludable from gross income for federal income tax purposes.

"Term Bonds" means the Bonds of a Series which shall be subject to mandatory redemption prior to maturity and shall be stated to mature on one date and for the scheduled redemption of which payments are required to be made into the Debt Service Account in the Sinking Fund, created by the Resolution, as may be determined pursuant to a subsequent resolution of the Division.

Where the context so requires, words importing singular number shall include the plural number, and vice versa, and words importing persons shall include firms and corporations, wherever the text so requires. Unless the context otherwise clearly requires, the words "include", "includes" and "including" means including without limitation.

APPENDIX C

RESOLUTION

WHEREAS, on December 16, 1997, the Governor and Cabinet, sitting as the Governing Board of the Division of Bond Finance of the State Board of Administration of Florida (the "Division"), approved a resolution authorizing the issuance of bonds in an amount not exceeding $2,500,000,000 to provide for the financing of the costs of classrooms and educational facilities or the refunding of any bonds issued for such purpose, and;

WHEREAS, it became necessary and in the best interest of the State of Florida to amend and restate such resolution on April 28, 1998, and;

WHEREAS, it became necessary and in the best interest of the State of Florida to amend and restate such resolution on May 12, 1998, and;

WHEREAS, it became necessary and in the best interest of the State of Florida to amend and restate such resolution on February 6, 2001, and;

WHEREAS, it became necessary and in the best interest of the State of Florida to amend and restate such resolution on August 12, 2003, and;

WHEREAS, it became necessary and in the best interest of the State of Florida to amend and restate such resolution on February 13, 2007, and;

WHEREAS, the Division wishes to increase the authorized amount of bonds; and

WHEREAS, it has therefore become necessary and in the best interest of the State of Florida to amend, supplement and restate such resolution;

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNOR AND CABINET AS THE GOVERNING BOARD OF THE DIVISION OF BOND FINANCE:

Section 1. SECTION 2.01 of the resolution adopted on December 16, 1997, as amended and restated on April 28, 1998, May 12, 1998, February 6, 2001, August 12, 2003, and February 13, 2007, authorizing the issuance of bonds in an amount not exceeding $3,754,695,000 to provide for the financing of the costs of classrooms and educational facilities or the refunding of any bonds issued for such purpose (for the purposes of this resolution, “the Resolution”), is hereby amended to authorize the issuance of an additional not exceeding $650,000,000 State of Florida, State Board of Education Lottery Revenue Bonds, multiple series, for the purposes of financing fixed capital outlay public school class-size reduction construction. This increase is being adopted in accordance with section 2, line item 36, chapter 2007-72, Laws of Florida, the 2007 General Appropriations Act.

Section 2. The Resolution, as amended and supplemented by Section 1 hereof, is hereby restated in its entirety, as follows:

(Remainder of page intentionally left blank)

A RESOLUTION OF THE DIVISION OF BOND FINANCE OF THE STATE BOARD OF ADMINISTRATION OF FLORIDA AUTHORIZING THE ISSUANCE OF STATE BOARD OF EDUCATION LOTTERY REVENUE BONDS (VARIOUS SERIES) IN AN AGGREGATE PRINCIPAL AMOUNT NOT EXCEEDING $4,404,695,000 TO PROVIDE FOR THE FINANCING OF THE COSTS OF CLASSROOMS AND EDUCATIONAL FACILITIES OR THE REFUNDING OF ANY BONDS ISSUED FOR SUCH PURPOSE; PROVIDING AN EFFECTIVE DATE.

ARTICLE I
AUTHORITY AND DEFINITIONS

SECTION 1.01. AUTHORITY FOR THIS RESOLUTION. This Resolution is adopted pursuant to the provisions of Article VII, Section 11(d), of the Florida Constitution; Sections 1013.68, 1013.70 and 1013.737, Florida Statutes; the State Bond Act, being Sections 215.57-215.83, Florida Statutes; and other applicable provisions of law.

SECTION 1.02. DEFINITIONS. The following terms shall have the following meanings in this Resolution unless the text otherwise requires:

"Accreted Value" shall mean, as of any date of computation with respect to any Capital Appreciation Bond, an amount equal to the principal amount of such Capital Appreciation Bond at its initial offering plus the interest accrued on such Capital Appreciation Bond from the date of delivery to the original purchasers thereof to the Interest Payment Date next preceding the date of computation or the date of computation if such date is an Interest Payment Date, such interest to accrue at a rate per annum determined pursuant to a subsequent resolution of the Division (not to exceed the maximum rate permitted by law), compounded periodically, plus, with respect to matters related to the payment upon redemption of the Capital Appreciation Bond, if such date of computation shall not be an Interest Payment Date, the ratable portion of the difference between the Accreted Value as of the immediately preceding Interest Payment Date (or the date of delivery of the Bonds to the original purchasers thereof if the date of computation is prior to the first Interest Payment Date succeeding the date of delivery) and the Accreted Value as of the immediately succeeding Interest Payment Date, calculated based on the assumption that Accreted Value accrues during any period in equal daily amounts on the basis of a year of twelve 30-day months.

"Additional Bonds" shall mean any obligations hereafter issued pursuant to the terms and conditions of this Resolution and payable from the Pledged Revenues on a parity with the initial Series of State Board of Education Lottery Revenue Bonds originally issued hereunder. Such Additional Bonds shall be deemed to have been issued pursuant to this Resolution the same as the Bonds originally authorized and issued pursuant to this Resolution, and all of the applicable covenants and other provisions of this Resolution (except as to details of such Additional Bonds inconsistent herewith), shall be for the equal benefit, protection and security of the Registered Owners of the Bonds originally authorized and issued pursuant to this Resolution, and the Registered Owners of any Additional Bonds evidencing additional obligations subsequently issued within the limitations of and in compliance with this Resolution. All of such Additional Bonds, regardless of the time or times of their issuance shall rank equally with other Bonds with respect to their lien on and source and security for payment from the Pledged Revenues without preference or priority of any Bond over any other.

"Administrative Expenses" shall mean, with respect to the Bonds or the administration of any funds under this Resolution, to the extent applicable: (i) reasonable fees or charges, or both, of the Board and the Division; and (ii) such other reasonable fees or charges, or both, as may be approved by the Board or the Division, including, but not limited to, those relating to tax law compliance, disclosure of information, paying agents, rating agencies and providers of credit enhancement; all as may be determined from time to time as necessary.

"Annual Debt Service Requirement" shall mean, at any time, the amount of Pledged Revenues (with respect to the particular Series of Bonds, or all Bonds, as the case may be) required to be deposited in the then current Fiscal Year into the Debt Service Account for the payment of interest, maturing principal and the scheduled redemption of Term Bonds and, if the Division has elected to fund all or a portion of the Debt Service Reserve Requirement from the Pledged Revenues, the required deposit to the Debt Service Reserve Account, as provided in this Resolution; provided that in computing such Annual Debt Service Requirement any Variable Rate Bonds shall be deemed to bear interest at all times to the maturity thereof at a constant rate of interest equal to (a) the highest of (i) the rate borne by such Variable Rate Bonds on the date they were issued (or the initial rate of interest, if established and binding, if the indebtedness is not yet Outstanding) plus one-half (or such greater amount as shall be determined pursuant to a subsequent resolution of the Division) of the difference between such rate and the Maximum Interest Rate, or (ii) the actual rate of interest borne by such Variable Rate Bonds on such date of calculation, or (b) in the event there is a Qualified Interest Rate Agreement, the maximum effective rate of such Variable Rate Bonds adjusted to reflect such Qualified Interest Rate Agreement.

"Authorized Denominations" shall mean the smallest principal denomination in which Bonds of any Series can be issued as determined pursuant to a subsequent resolution of the Division adopted prior to the issuance of such Series.

"Authorized Officer" shall mean any officer or employee authorized to perform specific acts or duties.

"Average Annual Debt Service" shall mean, at any time, the average amount of Pledged Revenues required to be deposited in the Debt Service Account during the then current and all succeeding Fiscal Years for the payment of interest, maturing principal and the scheduled redemption of Term Bonds and, if the Division has elected to fund all or a portion of the Debt Service Reserve Requirement from the Pledged Revenues, the required deposits to the Debt Service Reserve Account, as provided in this Resolution. Term Bonds in the year of maturity shall be included only in the amount of the final scheduled redemption in determining the Average Annual Debt Service. For the purpose of Section 6.01, governing the issuance of Additional Bonds, in computing Average Annual Debt Service any Variable Rate Bonds or bank reimbursement agreements payable on a parity with the Outstanding Bonds shall be deemed to bear interest at the Maximum Interest Rate.

"Board" shall mean the State Board of Administration of Florida.

"Bond Counsel" shall mean any attorney at law or firm of attorneys, of nationally recognized standing in matters pertaining to the exclusion from gross income of interest on bonds for federal income tax purposes issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States of America or the District of Columbia.

"Bond Insurance Policy" shall mean an insurance policy issued for the benefit of the Registered Owners of any Bond, pursuant to which the issuer of such insurance policy shall be obligated to pay when due the principal of and interest on such Bond to the extent of any deficiency in the amounts in the funds and accounts held under this Resolution, in the manner and in accordance with the terms provided in such Bond Insurance Policy.

"Bond Registrar/Paying Agent" shall mean U.S. Bank Trust National Association, New York, New York, or its successor bond registrar or paying agent, as applicable.

"Bonds" shall mean the initial Series of State of Florida, State Board of Education, Lottery Revenue Bonds issued pursuant to this Resolution, and any Additional Bonds hereafter issued pursuant to the terms and conditions of this Resolution.

"Bond Year" shall mean, with respect to a particular Series of Bonds issued hereunder, the annual period relevant to the application of Section 148(f) of the Code to the Series of Bonds, except that the first and last Bond Years may be less than 12 months long. The last day of a Bond Year shall be the close of business on the day preceding the anniversary of the date of issuance of the Series unless the State Board of Education selects another date on which to end a Bond Year in the manner permitted by the Code.

"Capital Appreciation Bonds" shall mean those Bonds issued under this Resolution as to which interest is compounded periodically on each of the applicable periodic dates designated for compounding and is payable in an amount equal to the then current Accreted Value at the maturity, earlier redemption or other payment date thereof, and which may be either Serial Bonds or Term Bonds, all as determined pursuant to subsequent resolution of the Division.

"Code" shall mean the Internal Revenue Code of 1986, the Treasury Regulations (whether proposed, temporary or final) under that Code or the statutory predecessor of that Code, and any amendments of, or successor provisions to, the foregoing and any official rulings, announcements, notices, procedures and judicial determinations regarding any of the foregoing, all as and to the extent applicable. Unless otherwise indicated, references to a section means that section of the Code, including such applicable Treasury Regulations, rulings, announcements, notices, procedures and determinations pertinent to that section.

"Cost of Issuance" shall mean all costs and expenses of the Division and the Board incurred in connection with the authorization, issuance, sale and delivery of the Bonds including, but not limited to, legal fees, financial advisory fees, municipal bond insurance premiums, fiscal or escrow agent fees, printing fees and travel expenses, rating agency fees and credit enhancement fees, and a charge for the services of the Division.

"Debt Service Account" shall mean the Debt Service Account created in Section 4.01 hereof.

"Debt Service Reserve Account" shall mean the Debt Service Reserve Account created in Section 4.01 hereof.

"Debt Service Reserve Requirement" shall mean as of any date of calculation, with respect to all Bonds issued hereunder, the lesser of:

(i) 125% of the average Annual Debt Service Requirement of the Bonds for the then current and succeeding Fiscal Years;

(ii) the Maximum Annual Debt Service on the Bonds;

(iii) 10% of the par amount of the Bonds; or

(iv) the maximum debt service reserve permitted with respect to tax-exempt obligations under the Code as applicable to the Bonds.

"Defeasance Obligations" shall mean, to the extent permitted by law, direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America, including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States and including advance refunded tax-exempt bonds fully secured by non-callable direct obligations of the United States of America, non-callable obligations guaranteed by the United States of America, or "stripped" interest payment obligations of debt obligations of the Resolution Funding Corporation.

"Department of Education" shall mean the Department of Education of the State of Florida.

"Division" shall mean the Division of Bond Finance of the State Board of Administration of Florida.

"Educational Enhancement Trust Fund" shall mean the Educational Enhancement Trust Fund created in Section 24.121(2), Florida Statutes.

"Fiscal Year" shall mean the period beginning with July 1 of each year and ending with and including the next June 30.

"Governing Board" shall mean the Governor and Cabinet of the State as the governing board of the Division.

"Interest Payment Date" shall mean, for each Series of Bonds, such dates of each Fiscal Year on which interest on Outstanding Bonds of such Series is payable, as determined pursuant to a subsequent resolution of the Division.

"Lottery Capital Outlay and Debt Service Trust Fund" shall mean the Lottery Capital Outlay and Debt Service Trust fund created in Section 1013.71, Florida Statutes.

"Lottery Consultant" shall mean a consultant, or a consulting firm or corporation, retained subject to the approval of the Division, which is nationally known and recognized as having expertise in the area of state operated lotteries.

"Lottery Revenue Bond Proceeds Account" shall mean the Lottery Revenue Bond Proceeds Account created in Section 3.02 hereof.

"Maximum Annual Debt Service" shall mean, at any time, the maximum amount of Pledged Revenues required to be deposited in the Debt Service Account during the then current or any succeeding Fiscal Year for the payment of interest, maturing principal and the scheduled redemption of Term Bonds and, if the Division has elected to fund all or a portion of the Debt Service Reserve Requirement from the Pledged Revenues, the required deposit to the Debt Service Reserve Account, as provided in this Resolution. Term Bonds in the year of maturity shall be included only in the amount of the final scheduled redemption in determining the Maximum Annual Debt Service. For the purpose of Section 6.01, governing the issuance of

Additional Bonds, in computing Maximum Annual Debt Service any Variable Rate Bonds or bank reimbursement agreements payable on a parity with the Outstanding Bonds shall be deemed to bear interest at the Maximum Interest Rate.

"Maximum Interest Rate" shall mean, with respect to any particular series of Variable Rate Bonds, a numerical rate of interest that shall be the maximum rate of interest that such Variable Rate Bonds may at any particular time bear, including the maximum effective rate of such Variable Rate Bonds adjusted to reflect a Qualified Interest Rate Agreement, if any, not to exceed the maximum rate of interest allowed under State law, as determined pursuant to a subsequent resolution of the Division.

"Outstanding", when used with reference to the Bonds, shall mean, as of any date of determination, all Bonds theretofore authenticated and delivered except:

(i) Bonds theretofore canceled by the Bond Registrar/Paying Agent or delivered to the Bond Registrar/Paying Agent for cancellation;

(ii) Bonds which are paid, deemed paid, or defeased;

(iii) Bonds in lieu of which other Bonds have been issued pursuant to the provisions hereof relating to Bonds destroyed, stolen or lost, unless evidence satisfactory to the Bond Registrar/Paying Agent has been received that any such Bond is held by a bona fide purchaser; and

(iv) For purposes of any consent or other action to be taken hereunder by the Registered Owners of a specified percentage of principal amount of Bonds, Bonds held by or for the account of the Division or the State Board of Education.

"Pledged Revenues" shall mean all revenues pledged pursuant to Section 24.121(2), Florida Statutes, for bonds issued pursuant to Sections 1013.68, 1013.70 or 1013.737, Florida Statutes.

"Principal Payment Date" shall mean, for each Series of Bonds, such dates of each Fiscal Year on which principal and/or Accreted Value of Outstanding Bonds of such Series is payable, as determined pursuant to a subsequent resolution of the Division.

"Qualified Interest Rate Agreement" shall mean (a) an insurance policy, surety bond, or interest rate cap agreement provided with respect to Variable Rate Bonds that places a limit on the required annual interest payments, or (b) a Qualified Swap Agreement.

"Qualified Swap Agreement" means, with respect to a Series of Bonds, any financial arrangement (i) that is entered into by the State Board of Education or the Division with an entity that is a Qualified Swap Agreement Provider at the time of the execution and delivery of the documents governing such arrangement; (ii) that provides (a) that the State Board of Education or the State of Florida shall pay to such entity an amount based on the interest accruing at a fixed rate on an amount equal to the principal amount of the Outstanding Bonds of such Series, and that such entity shall pay to the State Board of Education or the State of Florida an amount based on the interest accruing on a principal amount equal to the Outstanding Bonds of such Series, at either a variable rate of interest or a fixed rate of interest computed according to a formula set forth in such an arrangement (which need not be the same as the actual rate of interest borne by the Series Bonds) or that one shall pay to the other any net amount due under such arrangement, or (b) that the State Board of Education or the State of Florida shall pay to such entity an amount based on the interest accruing on the principal amount of the Outstanding Bonds of such Series at a variable rate of interest as set forth in the arrangement and that such entity shall pay to the State Board of Education or the State of Florida an amount based upon interest accruing on a principal amount equal to the Outstanding Bonds of such Series at an agreed fixed rate or that one shall pay to the other any net amount due under such arrangement; and (iii) which has been designated in writing by the Board or to the Board by the State Board of Education as a Qualified Swap Agreement with respect to the Bonds. Such Qualified Swap Agreement, at the time it is entered into, may not adversely affect the rating on Outstanding Bonds or the Bonds to be issued.

"Qualified Swap Agreement Provider" means, with respect to a Series of Bonds, an entity whose senior long term debt obligations, other senior unsecured long-term obligations or claims paying ability, or whose payment obligations under a Qualified Swap Agreement are guaranteed by an entity whose senior long-term obligations or claims paying ability, are rated (at the time the subject Qualified Swap Agreement is entered into) (i) at least as high as "A", or the equivalent thereof, by any Rating Agency, if the term of the related Qualified Swap Agreement is ten years or less, or (ii) at least as high as "AA", or the equivalent thereof, by any Rating Agency if the term of the related Qualified Swap Agreement is more than ten years.

"Rating Agency" shall mean a nationally recognized bond rating agency.

"Rebate Amount" shall have the meaning ascribed to that term in Section 5.05 hereof.

"Rebate Fund" shall mean the Rebate Fund created in Section 5.05 hereof.

"Record Date" shall mean with respect to each Series of Bonds, except Bonds which are Variable Rate Bonds, the 15th day of the calendar month immediately preceding the month of an Interest Payment Date. The Record Date for Variable Rate Bonds shall be as determined pursuant to a subsequent resolution of the Division.

"Registered Owner" shall mean the owner of any Bond or Bonds as shown on the registration books kept by the Bond Registrar/Paying Agent.

"Reserve Account Credit Facility" shall mean a Reserve Account Insurance Policy, Reserve Account Letter of Credit or other comparable insurance or financial product, if any, deposited in the Debt Service Reserve Account in lieu of or in partial substitution for cash or securities otherwise required to be on deposit therein. The provider of a Reserve Account Credit Facility other than a Reserve Account Insurance Policy or a Reserve Account Letter of Credit shall be rated in one of the two highest full rating categories of a Rating Agency.

"Reserve Account Insurance Policy" shall mean the insurance policy, surety bond or other acceptable evidence of insurance, if any, deposited in the Debt Service Reserve Account, in lieu of or in partial substitution for cash or securities otherwise required to be on deposit therein. The provider of such Reserve Account Insurance Policy shall be assigned one of the two highest policyholder ratings accorded insurers by A.M. Best & Company or any comparable service.

"Reserve Account Letter of Credit" shall mean the irrevocable, transferable letter of credit, if any, deposited in the Debt Service Reserve Account, in lieu of or in partial substitution for cash or securities otherwise required to be on deposit therein. The provider of such letter of credit shall be a banking association, bank or trust company or branch thereof whose letter of credit results in a rating of municipal obligations secured by such letter of credit being in one of the two highest full rating categories of a Rating Agency.

"Resolution" shall mean this resolution as amended and supplemented from time to time.

"Revenue Fund" shall mean the Revenue Fund created in Section 4.01 hereof.

"Serial Bonds" shall mean the Bonds of a Series which shall be stated to mature in periodic installments.

"Series" shall mean all of the Bonds authenticated and delivered on original issuance and pursuant to this Resolution or any supplemental resolution authorizing such Bonds as a separate series of Bonds, or any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to Article II hereof, regardless of variations in maturity, interest rate or other provisions.

"Sinking Fund" shall mean the Sinking Fund created in Section 4.01 hereof.

"State" shall mean the State of Florida.

"State Board of Education" shall mean the State Board of Education of Florida as created by Article IX, Section 2, of the Florida Constitution.

"State Bond Act" shall mean Sections 215.57 through 215.83, Florida Statutes, as amended from time to time.

"Taxable Bonds" shall mean bonds the interest on which is not, in any manner, exempt from federal income taxation or excludable from gross income for federal income tax purposes.

“Term Bonds” shall mean the Bonds of a Series which shall be subject to mandatory redemption prior to maturity and shall be stated to mature on one date and for the scheduled redemption of which payments are required to be made into the Debt Service Account in the Sinking Fund, hereinafter created, as may be determined pursuant to a subsequent resolution of the Division.

“Variable Rate Bonds” shall mean Bonds, which may be either Serial Bonds or Term Bonds, issued with a variable, adjustable, convertible or other similar rate which is not fixed in percentage for the entire term of such Bonds at the date of issue.

Where the context so requires, words importing singular number shall include the plural number, and vice versa, and words importing persons shall include firms and corporations, wherever the text so requires. Unless the context otherwise clearly requires, the words “include”, “includes” and “including” shall mean including without limitation.

SECTION 1.03. RESOLUTION TO CONSTITUTE CONTRACT. In consideration of the acceptance of the Bonds authorized to be issued hereunder by those who shall hold the same from time to time this Resolution shall be deemed to be and shall constitute a contract among the Division, the State Board of Education and such Registered Owners; and the covenants and agreements herein set forth to be performed by the Division and/or the State Board of Education shall be for the equal benefit, protection, and security of the Registered Owners of any and all of the Bonds, all of which shall be of equal rank and without preference, priority, or distinction as to any of the Bonds over any other thereof, except as expressly provided in or permitted by this Resolution.

ARTICLE II
AUTHORIZATION, TERMS, EXECUTION, REGISTRATION, TRANSFER AND ISSUANCE OF THE BONDS

SECTION 2.01. AUTHORIZATION OF THE BONDS; TEMPORARY BONDS. Subject and pursuant to the provisions of this Resolution, Bonds designated as "State of Florida State Board of Education Lottery Revenue Bonds" (or such other designation as may be provided by the Director of the Division) are hereby authorized to be issued by the Division in an aggregate principal amount not exceeding $4,404,695,000 for the purposes of financing or refinancing all or a portion of the costs of various educational facilities. Bonds may be issued all at one time or from time to time in one or more Series, and if in Series, may be dated, numbered, and designated as to Series as shall be determined pursuant to subsequent resolution or resolutions of the Division.

Pending the preparation of definitive Bonds, the Division may execute and deliver temporary Bonds. Temporary Bonds shall be issuable as registered Bonds, without coupons, of any authorized denomination, and substantially in the form of the definitive Bonds but with such omissions, insertions, and variations as may be appropriate for temporary Bonds, all as may be determined by the Division. Temporary Bonds may contain such reference to any provisions of this Resolution as may be appropriate. Every temporary Bond shall be executed and authenticated upon the same conditions and in substantially the same manner, and with like effect, as the definitive Bonds. As promptly as practicable the Division shall execute and shall furnish definitive Bonds and thereupon temporary Bonds may be surrendered in exchange for definitive Bonds without charge at the corporate trust office of the Bond Registrar/Paying Agent, and the Bond Registrar/Paying Agent shall authenticate and deliver in exchange for such temporary Bonds a like aggregate principal amount of definitive Bonds of Authorized Denominations. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Resolution as definitive Bonds.

SECTION 2.02. DESCRIPTION OF THE BONDS; PAYMENT OF PRINCIPAL AND INTEREST. Unless otherwise provided for by the Division in a subsequent resolution, the Bonds shall be payable, with respect to interest, principal and premium, if any, in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts, and shall be issued in the form of fully registered Bonds. The Bonds shall be dated; shall bear interest, which may be fixed or variable, from their date at a rate not exceeding the rate permitted by law; shall be in denominations and shall mature on such dates, in such years and in such amounts, all as determined pursuant to subsequent resolution of the Division.

The principal amount of the Bonds shall be paid to the Registered Owner on the maturity date of the Bonds, unless redeemed prior thereto as determined pursuant to a subsequent resolution of the Division, upon presentation and surrender of the Bonds at the corporate trust office of the Bond Registrar/Paying Agent.

Interest shall be paid on the Interest Payment Dates to the Registered Owner whose name appears on the books of the Bond Registrar/Paying Agent as of 5:00 p.m. (local time, New York, New York) on the Record Date; provided, however, that if the Record Date is a Saturday, Sunday or holiday, then to the Registered Owner and at the address shown on the registration books at the close of business on the day next preceding such Record Date which is not a Saturday, Sunday or holiday. However, Capital Appreciation Bonds shall bear interest as described under the defined term Accreted Value, payable only upon redemption or maturity thereof. Interest on the Bonds shall be paid by check or draft mailed on each Interest Payment Date (or transferred by a mode at least equally as rapid as mailing) from the Bond Registrar/Paying Agent to the Registered Owner, or in certain cases shall be paid by wire transfer as provided pursuant to subsequent resolution of the Division.

SECTION 2.03. NO PLEDGE OF FULL FAITH AND CREDIT OF STATE OF FLORIDA. The payment of the principal of and interest on the Bonds is secured only by the Pledged Revenues in the manner set forth herein. The Bonds do not constitute general obligations or indebtedness of the State Board of Education, the State of Florida or any of its agencies and shall not be a debt of the State or of any agency thereof.

SECTION 2.04. BONDS MAY BE ISSUED AS SERIAL BONDS, TERM BONDS, ETC. The Bonds issued hereunder may be Serial Bonds or Term Bonds, and may be Variable Rate Bonds, Capital Appreciation Bonds, Taxable Bonds, or any other types of Bonds, as determined pursuant to subsequent resolution of the Division.

SECTION 2.05. PROVISIONS FOR REDEMPTION. The Bonds of each Series may be made redeemable in such manner and upon such terms and conditions as determined pursuant to subsequent resolution adopted by the Governing Board of the Division prior to the sale of the Bonds or any Series thereof.

Unless waived by the Registered Owner of Bonds to be redeemed, a notice of the redemption prior to maturity of any of the Bonds shall be mailed by first class mail (postage prepaid) at least 30 days prior to the date fixed for redemption to the Registered Owner of the Bonds, except Variable Rate Bonds, to be redeemed, of record on the books kept by the Bond Registrar/Paying Agent, as of 45 days prior to the date fixed for redemption. The notice period for Variable Rate Bonds shall be as determined pursuant to subsequent resolution of the Division. Such notice of redemption shall specify the CUSIP number and the serial or other distinctive numbers or letters of the Bonds to be redeemed, if less than all, the date fixed for redemption, the redemption price thereof and, in the case of Bonds to be redeemed in part only, the principal amount thereof to be redeemed. Failure to give any such notice by mailing to any Registered Owner, or any defect therein, shall not affect the validity of the proceedings for the redemption of any Bond or portion thereof with respect to which no such failure has occurred. Any notice mailed as provided above shall be conclusively presumed to have been given, whether or not the Registered Owner of such Bond receives such notice.

The Bond Registrar/Paying Agent shall not be required to issue, transfer or exchange any of the Bonds on the Record Date.

Notice having been given in the manner and under the conditions hereinabove provided, the Bonds or portions of Bonds so called for redemption shall, on the redemption date designated in such notice, become and be due and payable at the redemption price provided for redemption of such Bonds or portions of Bonds on such date. On the date so designated for redemption, notice having been published and mailed in accordance with the terms of this section, and moneys for payment of the redemption price being held in separate accounts by an escrow agent, the Board, or Bond Registrar/Paying Agent, in trust for the Registered Owners of the Bonds or portions thereof to be redeemed, all as provided in this Resolution, interest on the Bonds or portions of Bonds so called for redemption shall cease to accrue, such Bonds and portions of Bonds shall cease to be Outstanding under the provisions of this Resolution and shall not be entitled to any lien, benefit or security under this Resolution, and the Registered Owners of such Bonds or portions of Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof and, to the extent provided herein, to receive Bonds for any unredeemed portion of the Bonds. Any and all Bonds redeemed prior to maturity shall be duly canceled by the Bond Registrar/Paying Agent and shall not be reissued.

In addition to the foregoing notice, further notice shall be given by the Bond Registrar/Paying Agent as set out below, but no defect in said further notice nor any failure to give all or a portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as prescribed above.

(a) Each further notice of redemption given hereunder shall contain the information required above for an official notice of redemption plus (i) the CUSIP numbers of all Bonds being redeemed; (ii) the date of issue of the Bonds as originally issued; (iii) the rate of interest borne by each Bond being redeemed; (iv) the maturity date of each Bond being redeemed; (v) the publication date of the official notice of redemption; (vi) the name and address of the Bond Registrar/Paying Agent; and (vii) any other descriptive information needed to identify accurately the Bonds being redeemed.

(b) Each further notice of redemption shall be sent at least 35 days before the redemption date by certified mail or overnight delivery service or telecopy to all registered securities depositories then in the business of holding substantial amounts of obligations of types comprising the Bonds (such depositories now being The Depository Trust Company, New York, New York, Pacific Securities Depository Trust Company, San Francisco, California and Philadelphia Depository Trust Company, Philadelphia, Pennsylvania) and to one or more national information services that disseminate notices of redemption of obligations such as the Bonds.

(c) Each further notice of redemption shall be published one time in *The Bond Buyer* of New York, New York or in some other financial newspaper or journal which regularly carries notices of redemption of other obligations similar to the Bonds, such publication to be made at least 30 days prior to the date fixed for redemption.

(d) Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying the Bonds redeemed with the proceeds of such check or other transfer.

In case part but not all of an Outstanding Bond shall be selected for redemption, the Registered Owner thereof shall present and surrender such Bond to the Bond Registrar/Paying Agent for payment of the principal amount thereof so called for redemption, and the Bond Registrar/Paying Agent shall execute and deliver to or upon the order of such Registered Owner, without charge therefor, for the unredeemed balance of the principal amount of the Bond so surrendered, a Bond or Bonds fully registered as to principal and interest.

SECTION 2.06. EXECUTION OF BONDS. The Bonds shall be executed by the Governor, as Chairman of the Governing Board, and attested by the Secretary or an Assistant Secretary of the Governing Board, or such other officers as may be designated by subsequent resolution of the Division, and the corporate seal of the Division or a facsimile thereof shall be affixed thereto or reproduced thereon. The facsimile signatures of the Governor, as Chairman of the Governing Board, and the Secretary of the Governing Board, or such other officer, may be imprinted or reproduced on the Bonds, provided that, in accordance with the laws of the State in effect on the date of the adoption of this Resolution, at least one signature, which may be that of the Bond Registrar/Paying Agent, required to be placed on the Bonds shall be manually subscribed. In the event that the laws of Florida relevant to the requirements for facsimile or manual signatures are changed prior to the delivery of the Bonds, then the signatures which are actually imprinted, reproduced, or manually subscribed on the Bonds shall be in compliance with the new laws. In case any one or more of the officers who shall have signed or sealed any of the Bonds shall cease to be such officer of the Division before the Bonds so signed and sealed shall have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Bonds may be signed and sealed on behalf of the Division by such person as at the actual time of the execution of such Bonds shall hold the proper office, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

A certification as to validation, if any, in the form hereinafter provided, shall be executed with the facsimile signature or manual signature of any present or future Chairman of the Governing Board.

A certificate as to the approval of the issuance of the Bonds pursuant to the provisions of the State Bond Act, in the form provided herein, shall be executed by the facsimile signature of the Secretary or an Assistant Secretary of the Governing Board.

SECTION 2.07. NEGOTIABILITY. The Bonds shall have all the qualities and incidents of a negotiable instrument under the Uniform Commercial Code - Investment Securities Law of the State of Florida. The original Registered Owner and each successive Registered Owner of any of the Bonds shall be conclusively deemed by his acceptance thereof to have agreed that the Bonds shall be and have all the qualities and incidents of a negotiable instrument under the Uniform Commercial Code - Investment Securities Law of the State of Florida.

SECTION 2.08. REGISTRATION AND TRANSFER. (A) The Bonds shall be issued only as fully registered bonds without coupons. The Bond Registrar/Paying Agent shall be responsible for maintaining the books for the registration of and for the transfer of the Bonds in compliance with its agreement with the State.

Upon surrender to the Bond Registrar/Paying Agent for transfer or exchange of any Bond, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner or his attorney duly authorized in writing, the Bond Registrar/Paying Agent shall deliver in the name of the transferee or transferees a new fully registered Bond or Bonds of Authorized Denominations of the same maturity for the aggregate principal amount which the Registered Owner is entitled to receive.

All Bonds presented for transfer, exchange, redemption or payment (if so required by the Division or the Bond Registrar/Paying Agent) shall be accompanied by a written instrument or instruments of transfer or authorization for exchange, in form and with guaranty of signature satisfactory to the Division or the Bond Registrar/Paying Agent, as the case may be, duly executed by the Registered Owner or by the Registered Owner's duly authorized attorney.

Neither the Division nor the Bond Registrar/Paying Agent may charge the Registered Owner or the Registered Owner's transferee for any expenses incurred in making any exchange or transfer of the Bonds. However, the Division or the Bond Registrar/Paying Agent, as the case may be, may require payment from the Registered Owner of a sum sufficient to cover any tax, fee, or other governmental charge that may be imposed in relation thereto. Such governmental charges and expenses shall be paid before any such new Bond shall be delivered.

New Bonds delivered upon any transfer or exchange shall be valid obligations of the State Board of Education, evidencing the same debt as the Bonds surrendered, shall be secured by this Resolution, and shall be entitled to all of the security and benefits hereof to the same extent as the Bonds surrendered.

The Division and the Bond Registrar/Paying Agent may treat the Registered Owner of any Bond as the absolute owner thereof for all purposes, whether or not such Bond shall be overdue, and shall not be bound by any notice to the contrary.

(B) Notwithstanding anything to the contrary in this Resolution, or any other resolution relating to the Bonds, the Bonds may be issued in book-entry only form utilizing the services of a Securities Depository (as used herein, "Securities Depository" means The Depository Trust Company, New York, New York, or its nominees, successors and assigns). So long as a book-entry only system of evidence of transfer of ownership of any Bond is maintained in accordance herewith, any provision of the Resolution relating to the delivery of physical bond certificates shall be inapplicable, and the Resolution shall be deemed to give full effect to such book-entry system.

If Bonds are issued in book-entry only form:

(1) The Bonds shall be issued in the name of the Securities Depository as Registered Owner of the Bonds, and held in the custody of the Securities Depository or its designee.

(2) Transfers of beneficial ownership of the Bonds will be effected on the records of the Securities Depository and its Participants pursuant to rules and procedures established by the Securities Depository ("Participants" include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations, as well other organizations that clear through or maintain a custodial relationship with such organizations, either directly or indirectly).

(3) Each Participant shall be credited in the records of the Securities Depository with the amount of such Participant's interest in the Bonds. Beneficial ownership interests in the Bonds may be purchased by or through Participants. The holders of these beneficial ownership interests are hereinafter referred to as the "Beneficial Owners." The Beneficial Owners shall not receive Bonds representing their beneficial ownership interests. The ownership interests of each Beneficial Owner shall be recorded through the records of the Participant from which such Beneficial Owner purchased its Bonds. Transfers of ownership interests in the Bonds shall be accomplished by book entries made by the Securities Depository and, in turn, by Participants acting on behalf of Beneficial Owners.

(4) Unless otherwise provided herein, the Division of Bond Finance, the State Board of Education, the Board and the Bond Registrar/Paying Agent (as used in this section, the "State and its agents") shall treat the Securities Depository as the sole and exclusive owner of the Bonds registered in its name for the purposes of

(a) payment of the principal of, premium, if any, and interest on the Bonds or portion thereof to be redeemed or purchased. Payments made to the Securities Depository of principal, premium, and interest shall be valid and effective to fully satisfy and discharge the Board's obligations to the extent of the sums so paid;

(b) giving any notice permitted or required to be given to Registered Owners under the Resolution; and

(c) the giving of any direction or consent or the making of any request by the Registered Owners hereunder. The State and its agents may rely conclusively upon

(I) a certificate of the Securities Depository as to the identity of the Participants with respect to the Bonds; and

(ii) a certificate of any such Participant as to the identity of, and the respective principal amount of Bonds beneficially owned by, the Beneficial Owners.

(5) The State and its agents shall have no responsibility or obligations to the Securities Depository, any Participant, any Beneficial Owner or any other person which is not shown on the Bond Register, with respect to

(a) the accuracy of any records maintained by the Securities Depository or any Participant;

(b) the payment by the Securities Depository or by any Participant of any amount due to any Beneficial Owner in respect of the principal amount or redemption or purchase price of, or interest on, any Bond;

(c) the delivery of any notice by the Securities Depository or any Participant;

(d) the selection of the Participants or the Beneficial Owners to receive payment in the event of any partial redemption of the Bonds; or

(e) any consent given or any other action taken by the Securities Depository or any Participant.

(6) The requirements in the Resolution of holding, delivering or transferring Bonds shall be deemed modified to require the appropriate person to meet the requirements of the Securities Depository as to registering or transferring the book-entry Bonds to produce the same effect. Any provision hereof permitting or requiring delivery of the Bonds shall, while the Bonds are in book-entry only form, be satisfied by the notation thereof on the books of the Securities Depository in accordance with applicable state law.

(C) The Division of Bond Finance may discontinue the book-entry system with the then-current securities depository, subject to the terms of its agreement with such securities depository. In this event, the Division of Bond Finance shall either

(1) identify another qualified securities depository or

(2) prepare and deliver replacement Bonds in the form of fully registered bonds to each Beneficial Owner.

Notwithstanding the foregoing provisions of this section, the Division reserves the right, on or prior to the delivery of any Series of Bonds, to amend or modify the foregoing provisions relating to registration of the Bonds issued subsequent to such amendment, in order to comply with all applicable laws, rules, and regulations of the United States Government and the State of Florida relating thereto.

SECTION 2.09. AUTHENTICATION. No Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit under this Resolution unless and until a certificate of authentication on such Bond substantially in the form herein set forth shall have been duly executed by the manual signature of the Bond Registrar/Paying Agent, and such executed certificate of the Bond Registrar/Paying Agent upon any such Bond shall be conclusive evidence that such Bond has been authenticated and delivered under this Resolution. The Bond Registrar/Paying Agent's certificate of authentication on any Bond shall be deemed to have been executed by it if signed by an authorized officer or signatory of the Bond Registrar/Paying Agent, but it shall not be necessary that the same officer or signatory sign the certificate of authentication on all of the Bonds issued hereinafter.

SECTION 2.10. DISPOSITION OF BONDS PAID OR EXCHANGED. Whenever any Bond shall be delivered to the Bond Registrar/Paying Agent for cancellation, upon payment of the principal amount thereof or for replacement or transfer or exchange, such Bond shall either be retained by the Bond Registrar/Paying Agent for a period of time specified in writing by the Division or the Board or, at the option of the Division or the Board, shall be canceled and destroyed by the Bond Registrar/Paying Agent and counterparts of a certificate of destruction evidencing such destruction shall be furnished to the Division or the Board.

SECTION 2.11. BONDS MUTILATED, DESTROYED, STOLEN OR LOST. In case any Bond shall be mutilated, or be destroyed, stolen or lost, the Division may in its discretion issue and deliver a new Bond of like tenor as the Bond so mutilated, destroyed, stolen, or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Registered Owner furnishing the Division proof of ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Division may prescribe and paying such expenses as the Division may incur. All Bonds so surrendered shall be canceled by the Bond Registrar/Paying Agent. If any such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Division may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Any such duplicate Bonds issued pursuant to this section shall constitute original, additional, contractual obligations on the part of the State Board of Education, whether or not the lost, stolen or destroyed Bonds be at any time found by anyone and such duplicate Bonds shall be entitled to equal and proportionate benefits and rights as to lien, source and security for payment, pursuant to this Resolution, from the Pledged Revenues.

SECTION 2.12. FORM OF BONDS. The text of the Bonds together with the form of the certificates to be endorsed thereon, shall be substantially of the following tenor, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted by this Resolution or any subsequent resolution adopted prior to the issuance thereof, or as may be necessary to comply with applicable laws, rules, and regulations of the United States Government and the State of Florida in effect upon the issuance thereof:

(Form of Bond intentionally omitted)

ARTICLE III
APPLICATION OF BOND PROCEEDS;
SECURITY FOR THE BONDS

SECTION 3.01. APPLICATION OF BOND PROCEEDS. Unless provided otherwise by a subsequent resolution of the Division authorizing such Series of Bonds, upon receipt of the proceeds of the sale of any Series of the Bonds, and after reserving and providing for the payment of the Cost of Issuance, the Division shall transfer and deposit the remainder of the proceeds of such Series of the Bonds as follows:

(1) An amount equal to any accrued interest on such Series of Bonds shall be transferred to the Board to be deposited in the Sinking Fund, hereinafter established, and used by the Board only for the payment of interest on the Bonds;

(2) The amount, if any, determined in the sole discretion of the Division prior to the sale of such Series of Bonds, as being necessary to provide for the payment of interest accruing on such Series of Bonds for a reasonable period of time from the date of issuance of the Bonds shall be transferred to the Board and deposited in the Sinking Fund and used by the Board only for the payment of interest on the Bonds;

(3) Except as provided below, an amount of money shall be deposited in the Debt Service Reserve Account in the aggregate amount necessary to make the amount in the Debt Service Reserve Account equal to the Debt Service Reserve Requirement. That portion of the Debt Service Reserve Requirement attributable to a Series of Bonds need not be fully funded at the time of issuance of such Series of Bonds if (i) the Division elects by resolution adopted prior to issuance of such Series of Bonds, subject to the limits described below, to fully fund that portion of the Debt Service Reserve Requirement attributable to a Series of Bonds over a period specified in such resolution not to exceed sixty months, during which substantially equal monthly installments shall be made in order that the amounts on deposit therein at the end of such period shall equal that portion of the Debt Service Reserve Requirement attributable to such Series of Bonds, or (ii) the Division

provides a Reserve Account Credit Facility in an amount equal to the difference between the Debt Service Reserve Requirement and the sums then on deposit (or required to be on deposit over a specified period as authorized above) in the Debt Service Reserve Account. Such Reserve Account Credit Facility as provided above must provide for payment on any Interest Payment Date or Principal Payment Date on which a deficiency exists in moneys held hereunder to make a payment with respect to the Bonds which cannot be cured by funds in any other fund or account held pursuant to this Resolution and available for such purpose, and which shall name the Bond Registrar/Paying Agent or the Board for the benefit of the Registered Owners as the beneficiary thereof. In no event shall the use of such Reserve Account Credit Facility be permitted if it would cause, at the time of acquisition of such Reserve Account Credit Facility, a reduction in any existing rating on the Bonds or any Series thereof. If the Debt Service Reserve Account is to be funded in installments pursuant to clause (i) above, the deposits required pursuant to (i) above must be in an amount which will be sufficient to pay the required monthly installments specified in such resolution, plus an additional amount necessary to make up any deficiencies caused by withdrawals;

(4) In the case of the proceeds of refunding bonds issued pursuant to Section 6.03, an amount which, together with any other available funds, is sufficient for purposes of such refunding including the payment of the amount of fees and expenses estimated to be due in connection with such refunding, is to be deposited into a separate trust fund created pursuant to an escrow deposit agreement; and

(5) After making the transfers provided for in subsections (1), (2), (3) and (4) above, the balance of the proceeds of the Bonds sold shall be transferred to and deposited in the Lottery Revenue Bond Proceeds Account, as created in Section 3.02, and used for the purposes of said fund.

SECTION 3.02. LOTTERY REVENUE BOND PROCEEDS ACCOUNT. There is hereby created in the State Treasury an account within the Lottery Capital Outlay and Debt Service Trust Fund to be known as the Lottery Revenue Bond Proceeds Account. The Lottery Revenue Bond Proceeds Account shall be administered by the Department of Education and shall be used only for the distribution of Bond proceeds for purposes authorized pursuant to Sections 1013.68, 1013.70, 1013.71, 1013.735, 1013.736 and 1013.737, Florida Statutes. If the Bonds are issued in Series, separate sub-accounts within the Lottery Revenue Bond Proceeds Account may be established from the proceeds of the sale of each Series of Bonds.

If any unexpended balance of funds shall remain in any sub-account of the Lottery Revenue Bond Proceeds Account after the completion of the purposes for which the Bonds were issued, such unexpended balance shall be deposited into the Sinking Fund to be used to purchase or redeem Bonds, unless otherwise requested by the State Board of Education, provided that, prior to any such other application, the State Board of Education shall receive an opinion of Bond Counsel that such application will not adversely affect the exemption from federal income taxation of interest on any of the Bonds, except Taxable Bonds.

SECTION 3.03. INVESTMENT OF LOTTERY REVENUE BOND PROCEEDS ACCOUNT. Any moneys in the Lottery Revenue Bond Proceeds Account not immediately needed for the purposes of said account may be temporarily invested and reinvested, but only in the securities authorized in Section 18.10, Florida Statutes; provided, however, that such investments shall mature, or be subject to redemption on demand by the holder at a price not less than 100% of the principal amount thereof, not later than the date when such moneys will be required for the purposes of said account, and provided that such investments shall be restricted to the extent necessary for each Rating Agency which maintains a rating on the Bonds to maintain a rating in at least the "A" category or its equivalent.

Any and all income and interest received upon any investment or reinvestment of moneys in the Lottery Revenue Bond Proceeds Account shall be deposited in said account and all investments or reinvestments shall be liquidated whenever necessary to provide moneys needed for the purposes of said account.

SECTION 3.04. LIEN OF REGISTERED OWNERS ON LOTTERY REVENUE BOND PROCEEDS ACCOUNT MONEYS. The Registered Owners of each Series of Bonds shall have a lien on all the proceeds of such Series of Bonds deposited in the Lottery Revenue Bond Proceeds Account until such moneys are applied as provided herein.

SECTION 3.05. SECURITY FOR THE LOTTERY REVENUE BONDS. The Bonds shall be payable from, and secured by a first lien upon, the Pledged Revenues, whether such revenues are in the Educational Enhancement Trust Fund, the Lottery Capital Outlay and Debt Service Trust Fund, or any of the accounts and funds established pursuant to Article IV hereof.

ARTICLE IV
PAYMENT AND APPLICATION OF PLEDGED REVENUES

SECTION 4.01. CREATION OF FUNDS AND ACCOUNTS. The following funds and accounts are hereby created and established:

The "Revenue Fund".

The "Sinking Fund". There are hereby created separate accounts within the Sinking Fund to be known as the "Debt Service Account", and the "Debt Service Reserve Account".

The funds and accounts created and established by this Article IV shall all constitute trust funds for the purposes provided in this Resolution, and the Registered Owners of the Bonds shall have a lien on all moneys in such funds and accounts until applied as provided in this Article IV.

Separate accounts or subaccounts may be established in any or all of the above funds and accounts in connection with the issuance of a Series of Bonds.

SECTION 4.02. COLLECTION OF PLEDGED REVENUES. After the issuance of any Bonds pursuant to this Resolution, and continuing until such time as none of the Bonds are Outstanding, all Pledged Revenues, in an amount sufficient to make all transfers required to be made pursuant to Section 4.03 hereof, shall be transferred by the Department of Education to the Board for deposit into the Revenue Fund.

SECTION 4.03. APPLICATION OF MONEYS ON DEPOSIT IN THE REVENUE FUND. The moneys in the Revenue Fund shall be applied in the following manner and order of priority:

(1) Moneys in the Revenue Fund shall first be used, to the extent necessary, for deposit into the Debt Service Account in the Sinking Fund, on the 24th day of each month, beginning with the 24th day of the first full calendar month following the date on which any of the Bonds are delivered to the purchaser thereof, or on such other date as is determined pursuant to subsequent resolution of the Division, such sums as shall be sufficient to pay one-sixth of the interest becoming due on the Bonds on the next semiannual interest payment date; provided, however, that such monthly deposits for interest shall not be required to be made into the Debt Service Account to the extent that money on deposit therein is sufficient for such purpose and, provided further, that in the event the Division has issued Variable Rate Bonds, moneys in the Revenue Fund shall be deposited at such other or additional times and amounts as necessary to pay interest becoming due on the Variable Rate Bonds on the next Interest Payment Date, all in the manner provided pursuant to the subsequent resolution of the Division authorizing such Variable Rate Bonds. Such subsequent resolution shall require moneys in the Revenue Fund to be deposited no less frequently than monthly and in an amount equal to either:

(a) the interest accrued during the preceding month on such Variable Rate Bonds; or

(b) substantially equal monthly amounts reasonably calculated to provide sufficient amounts to pay the interest accrued as of the succeeding Interest Payment Date, plus an amount to be deposited in the month prior to the Interest Payment Date not less than the difference between (i) the sum of the monthly deposits since the preceding Interest Payment Date and (ii) the interest payable on the next Interest Payment Date.

In the event that the period to elapse between the date of delivery of the Bonds and the first Interest Payment Date or between Interest Payment Dates will be other than six months, then such monthly payments shall be increased or decreased as appropriate, in sufficient amounts to provide the required interest amount due on the next Interest Payment Date. Any monthly payment out of moneys in the Revenue Fund to be deposited as set forth above, for the purpose of meeting interest payments for any Series of Bonds, shall be adjusted, as appropriate, to reflect the frequency of Interest Payment Dates applicable to such Series.

Any deficiencies for prior payment into the Debt Service Account for the payment of interest shall be restored from the first moneys in the Revenue Fund available after the payments required by (1) above.

(2) Moneys in the Revenue Fund shall next be used, to the extent necessary:

(a) for deposit into the Debt Service Account on the 24th day of each month, in the case of Serial Bonds which mature semiannually, one-sixth of the principal amount of the Serial Bonds which will mature and become due on such semiannual maturity dates and, in the case of Serial Bonds which mature annually, one-twelfth of the principal amount of the Serial Bonds which will mature and become due on such annual maturity dates, beginning with the 24th day of the first full calendar month following the date on which any or all of the Bonds are delivered to the purchaser thereof, or on such other date as shall hereafter be determined pursuant to subsequent resolution of the Division; provided, however, that such monthly deposits for principal shall not be required to be made into the Debt Service Account to the extent that money on deposit therein is sufficient for such purpose.

In the event the period to elapse between the date of delivery of the Bonds and the next Principal Payment Date will be other than six months, in the case of Serial Bonds which mature semiannually, or twelve months, in the case of Serial Bonds which mature annually, then such monthly payments shall be increased or decreased, as appropriate, in sufficient amounts to provide the required principal amount maturing on the next Principal Payment Date. Any monthly payment of moneys in the Revenue Fund to be deposited as set forth above for the purpose of meeting payments of principal of the Bonds, shall be adjusted, as appropriate, to reflect the frequency of principal payments applicable to such Series of Bonds.

(b) for deposit into the Debt Service Account on the 24th day of each month in each year, beginning with the 24th day of the first full calendar month following the date on which any or all of the Bonds are delivered to the purchaser thereof, or on such other date as is determined pursuant to subsequent resolution, and in such amounts in each year as may be required for the payment of the Term Bonds payable from the Debt Service Account, as shall hereafter be determined pursuant to subsequent resolution of the Division.

The moneys deposited in the Debt Service Account pursuant to paragraph (2) (b) above shall be used solely for the purchase or redemption of the Term Bonds payable therefrom. The Board may at any time purchase any of said Term Bonds at prices not greater than the then redemption price of said Term Bonds provided such purchase does not adversely affect the ability to pay principal or interest on the applicable due dates of Bonds not purchased. If the Term Bonds are not then redeemable prior to maturity, the Board may purchase said Term Bonds at prices not greater than the redemption price of such Term Bonds on the next ensuing redemption date. The Board shall be mandatorily obligated to use moneys in the Debt Service Account, which were deposited in the Debt Service Account for the redemption prior to maturity of such Term Bonds, in such manner and at such times as shall be determined pursuant to subsequent resolution of the Division. If, by the application of such moneys in the Debt Service Account, the Board shall purchase or call for redemption in any year Term Bonds in excess of the installment requirement for such year, such excess of Term Bonds so purchased or redeemed shall be credited in such manner to the remaining amortization installments for the Term Bonds of the same Series and maturity as the Term Bonds so purchased or redeemed as the Board shall determine.

No distinction or preference shall exist in the use of the moneys on deposit in the Debt Service Account for the payment of principal and the scheduled redemption of Term Bonds pursuant to this subsection (2), such moneys being on a parity with each other as to payment from the Debt Service Account. Any deficiencies for prior payment into the Debt Service Account for the payment of principal and the scheduled redemption of Term Bonds shall be restored from the first moneys in the Revenue Fund available after making the payments required by (1) above.

(3) Moneys in the Revenue Fund shall next be used, to the extent necessary, for deposit into the Debt Service Reserve Account on the 24th day of each month, beginning with the 24th day of the first full calendar month following the date on which any or all of the Bonds issued hereunder are delivered to the purchaser thereof, or on such other date as is determined pursuant to subsequent resolution of the Division, such sums as shall be sufficient to maintain an amount equal to the Debt Service Reserve Requirement established for the Bonds; provided, however, that where the Division has elected to fund all or a portion of the Debt Service Reserve Account over a period of time, this maintenance requirement shall apply to those sums required to be on deposit over the specified period.

Notwithstanding the foregoing provisions, in lieu of the required deposits into the Debt Service Reserve Account or in replacement of any prior deposits into the Debt Service Reserve Account, the Division may cause at any time to be deposited into the Debt Service Reserve Account one or more Reserve Account Credit Facilities for the benefit of the Registered Owners of the Bonds, in an amount or amounts which, together with sums on deposit, equals the Debt Service Reserve Requirement. Reserve Account Credit Facilities shall be payable or available to be drawn upon, as the case may be, on any Interest Payment Date or Principal Payment Date on which a deficiency exists which cannot be cured by funds in any other account held for such Bonds pursuant to this Resolution and available for such purpose. If more than one Reserve Account Credit Facility is deposited into the Debt Service Reserve Account, each Reserve Account Credit Facility shall be drawn upon in a proportion equal to its relative share of the amounts in the Debt Service Reserve Account. If a disbursement is made under a Reserve Account Credit Facility, there shall be an obligation, in accordance and in the priority set forth in this Resolution, to either reinstate such Reserve Account Credit Facility from the first moneys in the Revenue Fund available after all required payments have been made into the Debt Service Account, including any deficiencies for prior payments, to the amount required to be maintained in the Debt Service Reserve Account or to deposit into the Debt Service Reserve Account from the moneys in the Revenue Fund, as herein provided, funds in the amount of the disbursement made under such Reserve Account Credit Facility, or a combination of such alternatives as shall equal the amount required to be maintained therein. To the extent that there is a reinstatement of a Reserve Account Credit Facility or a reimbursement of a Reserve Account Credit Facility provider, such reinstatement or reimbursement shall be in proportion to the amounts drawn from the various Reserve Account Credit Facilities.

In the event that any moneys shall be withdrawn by the Board from the Debt Service Reserve Account for deposit into the Debt Service Account, such withdrawals shall be subsequently restored from the first moneys in the Revenue Fund available after all required payments have been made into the Debt Service Account, including any deficiencies for prior payments, unless restored by a Reserve Account Credit Facility of the amount withdrawn.

Moneys in the Debt Service Reserve Account shall be used only for deposit into the Debt Service Account when the other moneys in the Sinking Fund available for such purpose are insufficient therefor.

Any moneys in the Debt Service Reserve Account in excess of the amount required to be maintained therein shall be deposited by the Board into the Revenue Fund and used as provided herein for said fund. However, moneys in the Debt Service Reserve Account in replacement of which a Reserve Account Credit Facility is deposited into such Debt Service Reserve Account may be withdrawn and used for any lawful purpose.

(4) Moneys in the Revenue Fund shall next be deposited to the Rebate Fund, on the 24th day of each month, beginning with the 24th day of the first calendar month following the date on which any of the Bonds are delivered to the purchaser thereof, or on such other date as is determined pursuant to subsequent resolution of the Division to the extent that any liability for arbitrage rebate, as determined by the Division pursuant to Section 5.05, is not fully funded, in an amount necessary to fund such liability.

(5) Moneys in the Revenue Fund shall next be used, to the extent necessary, on the 24th day of each month, beginning with the 24th day of the first calendar month following the date on which any of the Bonds are delivered to the purchaser thereof, or on such other date as is determined pursuant to subsequent resolution of the Division, for the payment of any Administrative Expenses.

(6) Thereafter, the balance of any moneys remaining in the Revenue Fund not needed for the payments required in paragraphs (1) through (5), above, shall be returned to the Lottery Capital Outlay and Debt Service Trust Fund; provided, however, that no such use pursuant to this paragraph shall be made unless all payments required in paragraphs (1) through (5), above, including any deficiencies for prior payments, have been made in full to the date of such use.

SECTION 4.04. INVESTMENT OF FUNDS. Unless otherwise provided, all moneys maintained at any time in the funds held by the Board under the provisions of Section 4.03 hereof may be invested as provided in Section 215.47, Florida Statutes; provided, however, that such investments shall mature, or be subject to redemption on demand by the holder at a price not less than 100% of the principal amount thereof, not later than the date when such moneys will be required for the purposes of said fund, and provided that such investments shall be restricted to the extent necessary for each Rating Agency which maintains a rating on the Bonds to maintain a rating in at least the "A" category or its equivalent. Unless otherwise provided herein or by subsequent resolution, any and all income and interest received upon any investments of the moneys in the funds created under Section 4.01 hereof and administered by the Board, except such amounts required to be deposited in the Rebate Fund, shall be deposited by the Board in the Revenue Fund and used in the same manner and order of priority as other moneys on deposit therein.

SECTION 4.05. MAINTENANCE OF FUNDS AND ACCOUNTS. The designation and establishment of the various funds and accounts in and by this Resolution and the various subsequent resolutions shall not be construed to require the establishment of any completely independent, self-balancing segregated funds or accounts, as such terms are commonly defined and used in governmental accounting, but rather is intended solely to constitute an earmarking of Pledged Revenues for certain purposes and to establish certain priorities for application of Pledged Revenues as provided herein. Cash and investments required to be accounted for in each of the funds and accounts established by or pursuant to this Resolution may be deposited in a single account, provided that accounting records are maintained to reflect the moneys and investments therein and the receipts of and disbursements from such funds and accounts and the investment income earned thereon.

The foregoing provisions notwithstanding, the funds and accounts created and established pursuant to this Resolution shall constitute trust funds for the purposes provided herein and shall be maintained on the accounting records as separate and distinct funds and accounts in the manner provided in this Resolution. All moneys in such funds and accounts deposited in any depository or in the custody of the Board shall be continuously secured in the same manner provided herein.

SECTION 4.06. BOARD FISCAL AGENT FOR REVENUE FUND. Pursuant to Section 215.69, Florida Statutes, and other applicable statutes, from and after the date of the Bonds, the Board will administer the Revenue Fund pursuant to this Resolution.

Pursuant to the provisions of Section 215.69, Florida Statutes, after the Division receives the proceeds of the Bonds, pays its costs, and transfers the remainder of such proceeds as provided herein, the Board shall succeed to the powers, authority, and duties of the Division with regard to said Bonds.

SECTION 4.07. VALUATION OF FUNDS. In computing the amount in any fund or account created under provisions of this Resolution for any purpose provided in this Resolution, obligations purchased as an investment of moneys therein shall be valued at the "cost" thereof, exclusive of accrued interest.

SECTION 4.08. QUALIFIED SWAP AGREEMENT PAYMENTS. The State Board of Education or the Division may enter into one or more Qualified Swap Agreements with respect to one or more Series of Bonds issued hereunder. The State Board of Education or the Division may grant to the counterparties to such Qualified Swap Agreements a lien on the Pledged Revenues to secure payment of such Qualified Swap Agreement payments and to provide the priority of payment thereof.

ARTICLE V
COVENANTS WITH REGISTERED OWNERS

SECTION 5.01. PLEDGE OF PLEDGED REVENUES. So long as any of the Bonds or interest thereon are Outstanding and unpaid, all of the Pledged Revenues shall be and are hereby pledged to the payment of the principal of and interest on the Bonds in the manner provided in this Resolution. The Registered Owners of the Bonds shall have a valid and enforceable first lien on the Pledged Revenues until paid out and applied in the manner provided herein.

SECTION 5.02. PLEDGED REVENUES COLLECTION, DEPOSIT AND TRANSFER. The State Board of Education shall punctually collect, deposit and transfer, or cause to be collected, deposited and transferred, the Pledged Revenues in the manner and at the times provided in this Resolution.

SECTION 5.03. ENFORCEABILITY BY REGISTERED OWNERS. This Resolution, including the pledge of the Pledged Revenues as provided herein, shall be deemed to have been made for the benefit of, and shall be a contract with, the Registered Owners, and such pledge and all the provisions of this Resolution shall be enforceable in any court of competent jurisdiction by any Registered Owner, against either the State Board of Education, the Board, or any other agency of the State, or instrumentality thereof, having any duties concerning collection, administration and disposition of the Pledged Revenues. The State Board of Education, the Division and the Board do hereby consent to the bringing of any proceedings in any court of competent jurisdiction by any Registered Owner or Registered Owners of the Bonds for the enforcement of all provisions of this Resolution and do hereby waive, to the extent permitted by law, any privilege or immunity from suit which it may now or hereafter have as an agency of the State. However, no covenant or agreement contained in this Resolution or any Bond issued pursuant thereto shall be deemed to be the covenant or agreement of any officer or employee of the State of Florida in his or her individual capacity and neither the officers nor employees of the State of Florida nor any official executing any of the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

SECTION 5.04. NO ACCELERATION. The Bonds shall not be accelerated on account of any default on any payments required under this Resolution.

SECTION 5.05. COMPLIANCE WITH TAX REQUIREMENTS. (A) Except with respect to Taxable Bonds, in addition to any other requirement contained in this Resolution, the Division, the Board, and the State Board of Education hereby covenant and agree, for the benefit of the Registered Owners from time to time of the Bonds, that each will comply with the requirements contained in Section 103 and Part IV of Subchapter B of Chapter 1 of the Code as shall be set forth in the non-arbitrage certificate of the State Board of Education dated and delivered on the date of original issuance and delivery of any Bonds. Specifically, without intending to limit in any way the generality of the foregoing, the State Board of Education covenants and agrees:

(i) to pay or cause to be paid by the Board to the United States of America from the Pledged Revenues and any other legally available funds, at the times required pursuant to Section 148(f) of the Code, the excess of the amount earned on all nonpurpose investments (as defined in Section 148(f)(6) of the Code) over the amount which would have been earned if such nonpurpose investments were invested at a rate equal to the yield on the Bonds, plus any income attributable to such excess (the "Rebate Amount");

(ii) to maintain and retain or cause to be maintained and retained all records pertaining to and to be responsible for making or causing to be made all determinations and calculations of the Rebate Amount and required payments of the Rebate Amount as shall be necessary to comply with the Code;

(iii) to refrain from using proceeds from the Bonds in a manner that might cause any of the Bonds to be classified as private activity bonds under Section 141(a) of the Code; and

(iv) to refrain from taking any action that would cause any of the Bonds to become arbitrage bonds under Section 148 of the Code.

The State Board of Education, the Division and the Board understand that the foregoing covenants impose continuing obligations that will exist throughout the term of the Bonds to comply with the requirements of the Code.

(B) The State Board of Education covenants and agrees that it shall maintain and retain or cause to be maintained and retained all records pertaining to and it shall be responsible for making and having made all determinations and calculations of the Rebate Amount for each Series of Bonds issued hereunder for each Bond Year within 60 days after the end of such Bond Year and within 60 days after the final maturity of each such Series of Bonds. On or before the expiration of each such 60 day period, the State Board of Education shall deposit or direct the Board to deposit into the Rebate Fund which is hereby created and established with the Board, from investment earnings or moneys deposited in the other funds and accounts created hereunder, or from any other legally available funds of the State Board of Education, an amount equal to the Rebate Amount for such Bond Year. The Board shall use such moneys deposited in the Rebate Fund only for the payment of the Rebate Amount to the United States as required by subsection (A) of this section, and as directed by the State Board of Education, which payments shall be made in installments, commencing not more than 60 days after the end of the fifth Bond Year and with subsequent payments to be made not later than five years after the preceding payment was due except that the final payment shall be made within 60 days after the final maturity of the last obligation of the series of Bonds issued hereunder. In complying with the foregoing, the State Board of Education may rely upon any instructions or opinions from Bond Counsel.

Notwithstanding anything in this Resolution to the contrary, to the extent moneys on deposit in the Rebate Fund are insufficient for the purpose of paying the Rebate Amount and other funds of the State Board of Education are not available to pay the Rebate Amount, then the Board shall pay the Rebate Amount first from Pledged Revenues and, to the extent the Pledged Revenues are insufficient to pay the Rebate Amount, then from moneys on deposit in any of the funds and accounts created hereunder.

If at any time the Division or the State Board of Education determines that the amount of money on deposit in the Rebate Fund is in excess of the Rebate Amount, the Division or the State Board of Education may direct the Board to transfer the amount of money in excess of the Rebate Amount to the State Board of Education for deposit as directed by the State Board of Education or the Division.

If any amount shall remain in the Rebate Fund after payment in full of all Bonds issued hereunder and after payment in full to the United States in accordance with the terms hereof, such amounts shall be paid over to the State Board of Education and may be used for other purposes authorized by law.

The Rebate Fund shall be held separate and apart from all other funds and accounts of the State Board of Education and shall be subject to a lien in favor of the Registered Owners, but only to secure payment of the Rebate Amount, and the moneys in the Rebate Fund shall be available for use only as herein provided.

The Division, the Board, and the State Board of Education shall not be required to continue to comply with the requirements of this section in the event that the State Board of Education receives an opinion of Bond Counsel that (i) such compliance is no longer required in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds or (ii) compliance with some other requirement will comply with the provisions of the Code in respect of arbitrage rebate, or in the event that any other agency is subsequently designated by proper authority to comply with the requirements of this section.

SECTION 5.06. FURTHER ASSURANCE. The State Board of Education shall, at any and all times so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming all and singular the rights and Pledged Revenues and other moneys, securities and funds pledged or assigned under this Resolution, or which the State Board of Education may hereafter become bound to pledge or assign.

SECTION 5.07. GENERAL. The Division and the State Board of Education covenant that upon the date of issuance of any of the Bonds, all conditions, acts and things required by the Constitution or statutes of the State of Florida or by this Resolution to exist, to have happened and to have been performed precedent to or in the issuance of such Bonds shall exist, have happened and have been performed. The covenants herein made shall be in effect so long as any of the Bonds are Outstanding.

SECTION 5.08. COMPLIANCE WITH RESOLUTION. The State Board of Education and the Division covenant with the Registered Owners of the Bonds that they will take no action except as permitted pursuant to this Resolution which will materially and adversely affect the rights of such Registered Owners so long as Bonds are Outstanding.

SECTION 5.09. COVENANT REGARDING REVENUES FROM FUTURE GAMING ACTIVITIES. The Division covenants that new or enhanced lottery games will be operated by the Florida Department of the Lottery and any lottery revenues received by the State therefrom will be deposited into the Educational Enhancement Trust Fund or any successor to such trust fund as required by the Florida Constitution.

The Division further covenants that any net revenues received by the State from video gaming or any other similar activities, regardless of what entity operates these activities, will first be available for payment of debt service on the Bonds or other payments required pursuant to the Resolution prior to use for any other purpose.

SECTION 5.10. COVENANT RELATING TO PLEDGED REVENUES. The Division covenants that the portion of lottery revenues deposited into the Educational Enhancement Trust Fund will not be reduced below 38 percent of the gross revenue from the sale of lottery tickets and other earned revenue, excluding application processing fees, except upon the written certification of a Lottery Consultant that in its opinion, the amounts deposited into the Educational Enhancement Trust Fund after the reduction would be not less than the amounts projected to be deposited into the Educational Enhancement Trust Fund for each of the next three fiscal years as determined by the Consensus Estimating Conference's estimates of deposits to such fund at the 38 percent rate, prepared in connection with the General Appropriations Act for the session of the Florida Legislature at which such reduction is being considered.

Any subsequent reduction in the contribution rate to the Educational Enhancement Trust Fund shall require a similar certification of a Lottery Consultant except that the certification shall be with respect to the contribution rate then in effect.

Additionally, no reduction in the contribution rate to the Educational Enhancement Trust Fund shall be made unless the Lottery Consultant shall certify that the amount deposited annually into the Educational Enhancement Trust Fund after the reduction would be not less than 200% of the Maximum Annual Debt Service on the Bonds.

ARTICLE VI
ADDITIONAL BONDS, REFUNDING BONDS AND ISSUANCE OF OTHER OBLIGATIONS

SECTION 6.01. ISSUANCE OF ADDITIONAL BONDS. The Division shall have the power to issue Additional Bonds, after the issuance of the first Series of Bonds issued pursuant to this Resolution, for the purpose of financing the cost of educational facilities, or for the purpose of refunding Outstanding Bonds, but only under the following terms, limitations and conditions:

(A) The State Board of Education shall request the issuance of such Additional Bonds.

(B) The Board shall approve the fiscal sufficiency of the Additional Bonds prior to the sale thereof in accordance with Florida law.

(C) The State Board of Education must be current in all deposits into the various funds and accounts and all payments theretofore required to have been deposited or made by it under the provisions of this Resolution, except payments made pursuant to Section 4.03(6) hereof, and the State Board of Education must be currently in compliance with the covenants and provisions of this Resolution, or upon the issuance of such Additional Bonds the State Board of Education will be current in all such deposits and payments and will be brought into compliance with all such covenants and provisions.

(D) A certificate shall be filed with the Board and the Division signed by an Authorized Officer of the State Board of Education or other appropriate State official setting forth the amount of Pledged Revenues which would have been available to the State Board of Education during the immediately preceding Fiscal Year or any 12 consecutive months selected by the State Board of Education out of the 24 months immediately preceding the date of the issuance of such Additional Bonds.

(E) The Division must determine that the amount of Pledged Revenues available pursuant to the certificate described in subsection (D) shall exceed 300% of the aggregate Maximum Annual Debt Service for all Bonds then Outstanding and the Additional Bonds proposed to be issued.

In making the determination of this subsection (E), the debt service on the Bonds to be refunded or defeased from the proceeds of the Additional Bonds proposed to be issued will not be counted in addition to the debt service requirement of the Additional Bonds issued to refund such Bonds.

SECTION 6.02. ADDITIONAL BONDS SECURED BY ORIGINAL RESOLUTION. All such Additional Bonds shall be deemed to have been issued pursuant to this Resolution authorizing the issuance of the Bonds. All of the provisions of this Resolution (except as to details inconsistent therewith) shall be deemed to be part of the proceedings authorizing such Additional Bonds, and except as to any necessary differences such as in the maturities thereof, or the rate or rates of interest, or the provisions for redemption or purchase, such Additional Bonds shall be on a parity as to lien on the Pledged Revenues and shall be entitled to the same benefit and security of this Resolution as the Bonds originally authorized and issued pursuant to this Resolution. Provided, however, that nothing in this Resolution shall prohibit the issuance of Additional Bonds of a type different from those financed by Bonds originally issued pursuant to this Resolution.

SECTION 6.03. REFUNDING BONDS. All of the Bonds originally issued pursuant to this Resolution then Outstanding, together with all Additional Bonds theretofore issued and then Outstanding, may be refunded as a whole or in part. This section shall not be construed as a limitation on the Division's authority to (a) issue refunding obligations the lien of which on the Pledged Revenues is junior to the Bonds, (b) issue refunding Bonds for the purpose of refunding obligations the lien of which on the Pledged Revenues is junior to the Bonds, or (c) refund other obligations.

If the Annual Debt Service Requirement of the refunding Bonds in each Fiscal Year is equal to or less than the Annual Debt Service Requirement of the refunded Bonds, then the provisions of Section 6.01(C), (D) and (E) of this Resolution shall not apply to the issuance of such refunding Bonds.

If the Annual Debt Service Requirement of the refunding Bonds in any Fiscal Year is greater than the Annual Debt Service Requirement of the refunded Bonds, then all of the provisions of Section 6.01 of this Resolution shall apply to the issuance of such refunding Bonds.

SECTION 6.04. ISSUANCE OF OTHER OBLIGATIONS. The Division and State Board of Education covenant that they will not issue any other obligations, except Additional Bonds, nor voluntarily create or cause to be created any other debt, lien, pledge, assignment, encumbrance or other charge, having priority to or being on a parity with the lien of the Bonds upon the Pledged Revenues pledged as security for the Bonds in this Resolution. Any such other obligations hereafter issued by the Division and the State Board of Education secured by the Pledged Revenues, in addition to the Bonds authorized by this Resolution and such Additional Bonds provided for in this Resolution, shall contain an express statement that such obligations are junior, inferior, and subordinate to the Bonds theretofore or thereafter issued, as to lien on and source and security for payment from the Pledged Revenues defined herein.

ARTICLE VII
DISCHARGE OF RESOLUTION

SECTION 7.01. DEFEASANCE. The covenants, liens and pledges entered into, created or imposed pursuant to this Resolution may be fully discharged and satisfied with respect to any of the Bonds in any one or more of the following ways:

(a) By paying the principal of and interest on such Bonds when the same shall become due and payable; or

(b) By depositing with the Board certain moneys which are irrevocably pledged to the payment of such Bonds and which, together with other moneys lawfully available therefor, shall be sufficient at the time of such deposit to pay when due the principal of, redemption premium, if any, and interest due and to become due on such Bonds on or prior to the redemption date or maturity date thereof; or

(c) By depositing with the Board moneys which are irrevocably pledged to the payment of such Bonds and which, together with other moneys lawfully available therefor when invested in Defeasance Obligations, will provide moneys (principal and interest thereof at maturity) which shall be sufficient to pay the principal of, redemption premium, if any, and interest due and to become due on such Bonds on or prior to a date fixed for redemption or the maturity date thereof.

Upon such payment or deposit in the amount and manner provided in this section, the Bonds with respect to which payments or deposits have been made shall be deemed to be paid and shall no longer be deemed to be Outstanding for the purposes of this Resolution and all liability of the State Board of Education and the Division with respect to such Bonds shall cease, terminate and be completely discharged and extinguished, and the Registered Owners thereof shall be entitled for payment solely out of the moneys or securities so deposited.

(d) As to Variable Rate Bonds, whether discharged and satisfied under the provisions of subsection (a), (b) or (c) above, the amount required for the interest thereon shall be calculated at the Maximum Interest Rate permitted by the terms of the provisions which authorized the issuance or sale of such Variable Rate Bonds; provided, however, that if on any date, as a result of such Variable Rate Bonds having borne interest at less than such Maximum Interest Rate for any period, the total amount of moneys and Defeasance Obligations on deposit for the payment of interest on such Variable Rate Bonds is in excess of the total amount which would have been required to be deposited on such date in respect of such Variable Rate Bonds in order to fully discharge and satisfy such Bonds pursuant to the provisions of this section, the State Board of Education or the Board may use the amount of such excess free and clear of any trust, lien, security interest, pledge or assignment securing said Variable Rate Bonds or otherwise existing under this Resolution.

(e) Notwithstanding the foregoing, all references to the discharge and satisfaction of Bonds shall include the discharge and satisfaction of any Series of Bonds, any portion of any Series of Bonds, any maturity or maturities of any Series of Bonds, any portion of a maturity of any Series of Bonds or any combination thereof.

(f) If any portion of the moneys deposited for the payment of the principal of, redemption premium, if any, and interest on any portion of Bonds is not required for such purpose, the State Board of Education or the Board may use the amount of such excess free and clear of any trust, lien, security interest, pledge or assignment securing said Bonds or otherwise existing under this Resolution.

Nothing herein shall be deemed to require the State Board of Education or Division to call any of the Bonds for redemption prior to maturity pursuant to any applicable optional redemption provisions, or to impair the discretion of the State Board of Education or Division in determining whether to exercise any such option for early redemption.

SECTION 7.02. SURVIVAL OF CERTAIN PROVISIONS. Notwithstanding the foregoing, any provisions of this Resolution which relate to the maturity of Bonds, interest payments and dates thereof, optional and mandatory redemption provisions, credit against mandatory redemption requirements, exchange, transfer and registration of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, non-presentment of Bonds, the holding of moneys in trust, the calculation of the Rebate Amount and the paying of the Rebate Amount to the United States, shall remain in effect and be binding upon the State Board of Education, the Division, the Board, the Bond Registrar/Paying Agent and the Registered Owners notwithstanding the release and discharge of the lien and pledge of this Resolution or any subsequent resolution. The provisions of this Article shall survive the release, discharge and satisfaction of this Resolution or any subsequent resolution.

ARTICLE VIII
MISCELLANEOUS

SECTION 8.01. COMPLIANCE WITH THE RESERVE ACCOUNT CREDIT FACILITY AND THE BOND INSURANCE POLICY. As long as the State Board of Education shall have a Reserve Account Credit Facility on deposit in the Debt Service Reserve Account the State Board of Education covenants that it will comply with the provisions of the Reserve Account Credit Facility.

As long as any Series of Bonds are insured by a Bond Insurance Policy the State Board of Education covenants to comply with the requirements and conditions of the Bond Insurance Policy.

SECTION 8.02. MODIFICATION OR AMENDMENT. Except as otherwise provided in the second and third paragraphs of this section, no materially adverse modification or amendment of this Resolution, or of any resolution amendatory thereof or supplemental thereto, may be made without the consent in writing of (i) the Registered Owners of more than fifty percent in aggregate principal amount of the Bonds then Outstanding or (ii) in case less than all of the Registered Owners of Bonds then Outstanding will suffer a material adverse effect on account of such modification or amendment, the Registered Owners of more than fifty percent in aggregate principal amount of the Bonds so affected and Outstanding at the time such consent is given; provided, however, that no modification or amendment shall permit a change in the maturity of such Bonds or a reduction in the rate of interest thereon, or affecting the promise to pay the interest on and principal of the Bonds, as the same mature or become due, from the Pledged Revenues, or reduce the percentage of Registered Owners of Bonds required above for such modification or amendments, without the consent of the Registered Owners of all the Bonds so affected.

For purposes of this section, except where the consent of all Registered Owners of a Series of Bonds is required, to the extent any Series of Bonds is insured by a Bond Insurance Policy and such Series of Bonds is then rated in as high a rating category as the rating category in which such Series of Bonds was rated at the time of initial delivery thereof by a Rating Agency, then the consent of the issuer of the Bond Insurance Policy shall constitute the consent of the Registered Owners of such Series.

Notwithstanding the foregoing, this Resolution may be amended, changed, modified and altered without the consent of the Registered Owners of Bonds, (i) to cure any defect, omission, conflict, or ambiguity in this Resolution or between the terms and provisions hereof and any other document executed or delivered herewith, (ii) to provide other changes including such changes as may be necessary in order to adjust the terms hereof so as to facilitate the issuance of various types of Bonds including, but not limited to, Variable Rate Bonds, Capital Appreciation Bonds, Taxable Bonds, and any other Bonds which may be issued hereunder, which will not materially adversely affect the interest of such Registered Owners of Bonds, (iii) to provide for the issuance of Bonds in coupon form if, in the opinion of Bond Counsel, such issuance will not affect the exemption from federal income taxation of interest on the Bonds, except Taxable Bonds, (iv) to obtain credit enhancements or a higher rating in one of the three highest full rating categories of a Rating Agency, (v) to add to the covenants and agreements of the Division, the State Board of Education, or the Board in this Resolution, other covenants and agreements to be observed by the Division, the State Board of Education, or the Board which are not contrary to or inconsistent with this Resolution as theretofore in effect, (vi) to add to the limitations and restrictions in this Resolution, other limitations and restrictions to be observed by the Division, the State Board of Education, or the Board which are not contrary to or inconsistent with this Resolution as theretofore in effect, (vii) to permit the qualification hereof and thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of any of the states of the United States of America, (viii) to achieve compliance with any applicable federal securities or tax law, (ix) to enable the Division to provide for sub-accounts in the Debt Service Reserve Account for one or more Series of Bonds, (x) to specify and determine any matters and things relative to the Bonds which are not contrary to or inconsistent with this Resolution and which shall not materially adversely affect the interests of the Registered Owners, (xi) to grant to or confer upon any or all of the Registered Owners any additional security that may lawfully be conferred upon such Registered Owners, and (xii) to amend or modify any provisions of this Resolution so long as such amendment or modification does not materially adversely affect the interests of the Registered Owners.

SECTION 8.03. USE OF ADDITIONAL FUNDS FOR DEBT PAYMENT. Nothing herein contained shall preclude the State Board of Education, the Division or the Board from using any legally available funds, in addition to the Pledged Revenues, which may come into their possession, including the proceeds of sale of refunding Bonds, contributions, or grants, for the purpose of payment of principal of and interest on the Bonds, or the purchase or redemption of such Bonds in accordance with the provisions of this Resolution.

SECTION 8.04. SEVERABILITY OF INVALID PROVISIONS. If any one or more of the covenants, agreements, or provisions of this Resolution shall be held contrary to any express provision of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements, or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements, or provisions, and shall in no way affect the validity of all the other provisions of this Resolution or of the Bonds issued hereunder.

SECTION 8.05. NONPRESENTMENT OF BONDS; FUNDS HELD FOR BONDS AFTER DUE DATE OF BONDS. In the event any Bond shall not be presented for payment when the principal thereof becomes due, either at maturity, or otherwise, if funds sufficient to pay such Bond shall have been made available to the Board for the benefit of the Registered Owner thereof, all liability of the State Board of Education to the Registered Owner thereof for the payment of such Bond shall forthwith cease, terminate, and be completely discharged, and thereupon it shall be the duty of the Board to hold such funds, without liability for interest thereon, for the benefit of the Registered Owner of such Bond, who shall thereafter be restricted exclusively to such funds, for any claim of whatever nature on his part under this Resolution or on, or with respect to, said Bond. Any such funds held by the Board for the Registered Owners of such Bonds after the principal or Accreted Value of the respective Bonds for which such funds have been so set aside has become due and payable and remaining (whether at maturity or upon redemption or otherwise) shall be subject to the laws of the State relating to disposition of unclaimed property, and unless proper demand for the payment of such Bonds shall have been made, the obligation thereon shall be extinguished.

SECTION 8.06. BOND ANTICIPATION NOTES. Notwithstanding any other provision of this Resolution, if the Division shall deem it advisable, short-term obligations (hereinafter "Notes") are hereby authorized to be issued by the Division in anticipation of the sale and delivery of Bonds. The Notes shall be payable from the proceeds received from the sale of the Bonds and, in the interim, from the Pledged Revenues. The Notes may be issued in such denomination or denominations, in the aggregate principal amount not exceeding the authorized principal amount of Bonds for the Series for which such Notes are issued, in the form, may bear interest at the lawful rate or rates payable on such dates (not to exceed five (5) years from the date of issue) and may be subject to such conditions and terms as the Division shall deem necessary or desirable in connection with such Notes, all as shall be determined pursuant to resolution of the Division adopted at or before sale of the Notes, in accordance with Section 215.68(7), Florida Statutes.

SECTION 8.07. CAPITAL APPRECIATION BONDS. For the purposes of (i) receiving payment of the redemption price if a Capital Appreciation Bond is redeemed prior to maturity, (ii) computing the amount of the Maximum Annual Debt Service, (iii) computing the amount of the Average Annual Debt Service, and (iv) determining the principal amount of Bonds held by the Registered Owner of a Capital Appreciation Bond for giving to the State Board of Education any notice, consent, request or demand pursuant to this Resolution for any purpose whatsoever, the principal amount of a Capital Appreciation Bond shall be deemed to be its Accreted Value.

SECTION 8.08. STATE BOARD OF EDUCATION TO REPURCHASE OBLIGATIONS. The State Board of Education and the Board shall have the power to purchase Bonds and other obligations out of any funds available therefor.

The State Board of Education and the Board may hold, cancel or resell such Bonds and other obligations subject to and in accordance with the proceedings of the Division.

SECTION 8.09. VALIDATION AUTHORIZED. The Division is herein and hereby authorized to institute proceedings to validate the Bonds or any Series thereof.

SECTION 8.10. CONTINUING DISCLOSURE. (A) In order to comply with Rule 15c2-12 of the Securities and Exchange Commission, the State Board of Education hereby agrees to provide or cause to be provided such information as may be required, from time to time, under such rule.

(B) The appropriate officer of the State Board of Education, in conjunction with the appropriate officer of the Division, is authorized and directed to execute and deliver any documents or agreements which are necessary to comply with the requirements of Rule 15c2-12 of the Securities and Exchange Commission.

SECTION 8.11. SUBSTITUTE FOR MAILING. If, because of the temporary or permanent suspension of postal service, any person shall be unable to mail any notice required to be given by the provisions of this Resolution, such person shall give notice in such other manner as in its judgement shall most effectively approximate such mailing; and the giving of such notice in such manner shall for all purposes of this Resolution be deemed to be in compliance with the requirement for the mailing thereof.

SECTION 8.12. INSTRUMENTS OF REGISTERED OWNERS. Any writing, including without limitation, any consent, request, direction, approval, objection or other instrument or document, required under this Resolution to be executed by any Registered Owner may be in any number of concurrent writings of similar tenor and may be executed by that Registered Owner in person or by an attorney-in-fact appointed in writing. Proof of (i) the execution of any writing, including without limitation, any consent, request, direction, approval, objection or other instrument or document, (ii) the execution of any writing appointing any attorney-in-fact, and (iii) the ownership of Bonds, shall be sufficient for any of the purposes of this Resolution, if made in the following manner, and if so made, shall be conclusive in favor of the State Board of Education, the Division, and the Board with regard to any action taken thereunder, namely:

(a) the fact and date of the execution by any person of any writing may be proved by the certificate of any officer in any jurisdiction, who has the power by law to take acknowledgments within that jurisdiction, that the person signing the writing acknowledged that execution before that officer, or by affidavit of any witness to that execution; and

(b) the fact of ownership of Bonds of any Series shall be proved by the Bond Registrar/Paying Agent for such Series.

SECTION 8.13. GOVERNING LAW. The laws of the State shall govern the construction of this Resolution and of all Bonds issued hereunder.

SECTION 8.14. REPEAL OF INCONSISTENT RESOLUTIONS. All resolutions and parts of resolutions heretofore adopted pertaining to the subject matter of this Resolution, to the extent that they are inconsistent with this Resolution, are hereby repealed, revoked, and rescinded.

SECTION 8.15. EFFECTIVE DATE. This Resolution shall take effect immediately upon its adoption.

Adopted on December 16, 1997, as amended and as further amended, supplemented and restated on December 18, 2007.

DIVISION OF BOND FINANCE OF THE STATE BOARD OF ADMINISTRATION OF FLORIDA

A RESOLUTION (THE FIFTEENTH SUPPLEMENTAL RESOLUTION) AUTHORIZING THE ISSUANCE AND SALE OF STATE OF FLORIDA, STATE BOARD OF EDUCATION LOTTERY REVENUE REFUNDING BONDS, SERIES (TO BE DETERMINED)

June 14, 2017

A RESOLUTION (THE FIFTEENTH SUPPLEMENTAL RESOLUTION) AUTHORIZING THE ISSUANCE AND SALE OF STATE OF FLORIDA, STATE BOARD OF EDUCATION, LOTTERY REVENUE REFUNDING BONDS, SERIES (TO BE DETERMINED), REFUNDING ALL OR A PORTION OF CERTAIN OUTSTANDING LOTTERY REVENUE BONDS; AND PROVIDING FOR AN EFFECTIVE DATE.

BE IT RESOLVED BY THE GOVERNOR AND CABINET OF THE STATE OF FLORIDA, AS THE GOVERNING BOARD OF THE DIVISION OF BOND FINANCE OF THE STATE BOARD OF ADMINISTRATION OF FLORIDA:

ARTICLE I
DEFINITIONS, AUTHORITY, RESOLUTION TO CONSTITUTE CONTRACT

SECTION 1.01. DEFINITIONS. All of the definitions contained in Article I of the Original Resolution, (as defined herein), in addition to the definitions contained herein and except to the extent inconsistent with or amended by definitions contained herein, shall apply fully to the Outstanding Bonds and the Refunding Bonds (as defined herein).

"2007A Bonds" means the $200,000,000 State of Florida, State Board of Education Lottery Revenue Bonds, Series 2007A.

"2007B Bonds" means the $250,000,000 State of Florida, State Board of Education Lottery Revenue Bonds, Series 2007B.

"2008A Bonds" means the $200,000,000 State of Florida, State Board of Education Lottery Revenue Bonds, Series 2008A.

"2008B Bonds" means the $200,000,000 State of Florida, State Board of Education Lottery Revenue Bonds, Series 2008B.

"2009A Bonds" means the $300,000,000 State of Florida, State Board of Education Lottery Revenue Bonds, Series 2009A.

"2010A Bonds" means the $46,070,000 State of Florida, State Board of Education Lottery Revenue Bonds, Series 2010A.

"2010B Bonds" means the $114,970,000 State of Florida, State Board of Education Lottery Revenue Bonds, Series 2010B.

"2010C Bonds" means the $243,560,000 State of Florida, State Board of Education Lottery Revenue Refunding Bonds, Series 2010C.

"2010D Bonds" means the $109,750,000 State of Florida, State Board of Education Lottery Revenue Refunding Bonds, Series 2010D.

"2010E Bonds" means the $223,425,000 State of Florida, State Board of Education Lottery Revenue Refunding Bonds, Series 2010E.

"2010F Bonds" means the $169,830,000 State of Florida, State Board of Education Lottery Revenue Refunding Bonds, Series 2010F.

"2011A Bonds" means the $242,240,000 State of Florida, State Board of Education Lottery Revenue Refunding Bonds, Series 2011A.

"2012A Bonds" means the $89,835,000 State of Florida, State Board of Education Lottery Revenue Bonds, Series 2012A.

"2014A Bonds" means the $186,170,000 State of Florida, State Board of Education Lottery Revenue Refunding Bonds, Series 2014A.

"2016A Bonds" means the $239,250,000 State of Florida, State Board of Education Lottery Revenue Refunding Bonds, Series 2016A.

"2016B Bonds" means the $211,180,000 State of Florida, State Board of Education Lottery Revenue Refunding Bonds, Series 2016B.

"Assistant Secretary" means an Assistant Secretary of the Division.

"Director" means the Director of the Division or any Assistant Secretary delegated authority by the Director.

"Escrow Deposit Agreement" means the escrow deposit agreement to be entered into by and between the Division and the Board, as trustee, which shall govern and provide for the payment and retirement of the Refunded Bonds.

"Fifteenth Supplemental Resolution" means this resolution adopted by the Governing Board on June 14, 2017, authorizing the Refunding Bonds.

"Original Resolution" means the Resolution authorizing the issuance of State of Florida, State Board of Education Lottery Revenue Bonds, adopted on December 16, 1997, as supplemented and restated on December 18, 2007, and as amended and supplemented from time to time.

"Outstanding Bonds" means the Outstanding 2007A Bonds, the Outstanding 2007B Bonds, the Outstanding 2008A Bonds, the Outstanding 2008B Bonds, the Outstanding 2009A Bonds, the Outstanding 2010A Bonds, the Outstanding 2010B Bonds, the Outstanding 2010C Bonds, the Outstanding 2010D Bonds, the Outstanding 2010E Bonds, the Outstanding 2010F Bonds, the Outstanding 2011A Bonds, the Outstanding 2012A Bonds, the Outstanding 2014A Bonds, the Outstanding 2016A Bonds and the Outstanding 2016B Bonds.

"Refunded Bonds" means all or a portion of the State of Florida, State Board of Education Lottery Revenue Bonds, Series 2008B and Series 2009A to be refunded by the Refunding Bonds.

"Refunding Bonds" means the State of Florida, State Board of Education Lottery Revenue Refunding Bonds, Series (to be determined) authorized by this Fifteenth Supplemental Resolution.

"Resolution" means the Original Resolution, as supplemented and amended through the date of this resolution.

Where the context so requires, words importing singular number shall include the plural number in each case and vice versa, words importing persons shall include firms and corporations, and the masculine includes the feminine and vice versa.

SECTION 1.02. AUTHORITY FOR THIS RESOLUTION. This Fifteenth Supplemental Resolution is adopted pursuant to the provisions of Article VII, Section 11(d), of the Florida Constitution; Sections 1013.68, 1013.70 and 1013.737, Florida Statutes; the State Bond Act, being Sections 215.57-215.83, Florida Statutes; and other applicable provisions of law; and is supplemental to the Original Resolution.

SECTION 1.03. RESOLUTION TO CONSTITUTE CONTRACT. In consideration of the acceptance of the Refunding Bonds by the Registered Owners, the Resolution shall be deemed to be and shall constitute a contract among the Division, the State Board of Education, and such Registered Owners. The covenants and agreements to be performed by the State Board of Education shall be for the equal benefit, protection, and security of the Registered Owners of any and all of the Outstanding Bonds and the Refunding Bonds, all of which shall be of equal rank and without preference, priority, or distinction as to any of such Bonds over any other thereof, except as expressly provided therein and herein.

ARTICLE II
AUTHORIZATION, TERMS, EXECUTION, REGISTRATION, TRANSFER, ISSUANCE, FORM OF BONDS, AUTHORIZATION TO EXECUTE ESCROW DEPOSIT AGREEMENT, AND APPLICABILITY OF ORIGINAL RESOLUTION

SECTION 2.01. AUTHORIZATION OF ISSUANCE AND SALE OF REFUNDING BONDS. (A) Subject and pursuant to the provisions of the Resolution, fully registered revenue bonds of the State Board of Education to be known as "State of Florida, State Board of Education Lottery Revenue Refunding Bonds, Series (to be determined) (or such other designation as may be determined by the Director), are hereby authorized to be issued and to be sold at public sale in an aggregate principal amount not exceeding $350,000,000 on a date and at the time to be set out or provided for in the Notice of Bond Sale to be published as provided in this Fifteenth Supplemental Resolution. The Refunding Bonds shall be sold to refund the Refunded Bonds. The maturities or portions of maturities to be refunded shall be as determined by the Director to be in the best financial interest of the State. The redemption of the Refunded Bonds on or after their first call date is hereby authorized.

(B) The Director is hereby authorized to determine the most advantageous date and time of a public sale and to provide notice pursuant to applicable law of such sale, at a time and in such manner as determined by the Director be appropriate to provide adequate notice to potential bidders. Bids for the purchase of the Refunding Bonds will be received at the office of the Division or at another location designated in the Notice of Bond Sale, until the time and date of sale determined by the Director. Any prior publication of a Notice of Bond Sale, or abbreviated version thereof, is hereby ratified.

(C) The Director is hereby authorized to publish and distribute a Notice of Bond Sale and a proposal for the sale of the Refunding Bonds or alternatively, the prior publication and distribution of a Notice of Bond Sale and proposal is ratified. The Notice of Bond Sale shall be in such form as shall be determined by the Director and shall contain such information as is consistent with the terms of the Resolution which the Director determines is in the best financial interest of the State.

(D) The Director is hereby authorized to prepare and distribute preliminary and final official statements in connection with the public offering of the Refunding Bonds. The Director is further authorized and directed to amend, supplement or complete the information contained in the preliminary official statement, as may be needed, and to furnish such certification as to the completeness and finality of the preliminary official statement as is necessary to permit the successful bidder to fulfill its obligations under any applicable securities laws. The Chairman and Secretary of the Governing Board and the Director are hereby authorized to execute the final official statement in connection with the public offering of the Refunding Bonds, and the execution thereof by any of the authorized individuals shall be conclusive evidence that the Governing Board has approved the form and content of the final official statement and that the final official statement is complete as of its date.

(E) The Director is hereby authorized to have up to 1,500 copies of the preliminary official statement and 3,500 copies (plus such additional copies as may be requested by the successful bidder at the expense of the successful bidder) of the final official statement relating to the public offering of the Refunding Bonds printed and distributed; to contract with national rating services and providers of municipal bond insurance and Reserve Account Credit Facilities; to retain bond counsel; to make a determination that the preliminary official statement is "deemed final" for purposes of SEC Rule 15c2-12(b)(1); to conduct information meetings; and to take such other actions as may be deemed appropriate for the dissemination of information relating to the sale of the Refunding Bonds. Any prior printing and distribution of a preliminary official statement is hereby ratified.

(F) The Secretary or any Assistant Secretary of the Governing Board is hereby authorized and empowered to award said Refunding Bonds when offered, on his determination of the best proposal, as defined in the Notice of Bond Sale, submitted in accordance with the terms of the Notice of Bond Sale provided for herein, and such award shall be final. The Director or any Assistant Secretary of the Governing Board shall report such sale to the Governing Board after award of the Refunding Bonds. The Secretary or any Assistant Secretary of the Governing Board is authorized to deliver such Refunding Bonds to the purchasers thereof upon payment of the purchase price, together with any accrued interest to the date of delivery, and to distribute the proceeds of the Refunding Bonds as provided by this resolution and other proceedings authorizing the issuance of the Refunding Bonds.

(G) The Chairman and the Secretary or any Assistant Secretary of the Governing Board are hereby authorized to execute the Refunding Bonds in the manner provided by the Resolution and to deliver such Bonds to the purchasers thereof upon payment of the purchase price, together with any accrued interest to the date of delivery, and to distribute the proceeds of the Bonds as provided by the Resolution and other proceedings authorizing the issuance of the Bonds.

(H) A certificate as to the approval of the issuance of the Refunding Bonds, shall be executed by the facsimile signature of the Secretary of the Governing Board, an Assistant Secretary, or as otherwise provided by law.

(I) Until definitive obligations are ready for delivery, there may be executed and delivered to the purchasers, in lieu of definitive obligations and subject to the same limitations and conditions, one or more temporary Refunding Bonds, in one or more denominations totaling the aggregate principal amount of the Refunding Bonds to be issued, maturing in installments and bearing interest with respect to each installment, in substantially the same tenor as otherwise herein authorized for the Refunding Bonds, and with such omissions, insertions and variations as may be required. If temporary obligations are issued, the definitive obligations will be prepared and executed and, upon presentation of temporary obligations, the Director shall provide for cancellation of the temporary obligations and deliver to the holders thereof definitive obligations of an equal aggregate principal amount, bearing appropriate characteristics as herein authorized and as sold to the purchasers thereof. Until so exchanged, the temporary obligations shall in all respects be entitled to the same benefit and security as the definitive obligations. Interest and principal installments on the temporary obligations, when due and payable, if the definitive obligations are not then ready for exchange, shall be paid upon presentation of the temporary obligations to the Registrar/Paying Agent, and notation of such payment shall be endorsed thereon. The temporary obligations shall be in such form and denominations as shall be determined by the Director, and shall be executed by the officers who will execute the definitive obligations, which execution is hereby authorized.

(J) U.S. Bank Trust National Association, or its successor, is hereby designated as Bond Registrar/Paying Agent for the Refunding Bonds on the terms and conditions set forth in the Registrar, Paying Agent and Transfer Agreement by and between the Board of Administration and U.S. Bank Trust National Association or its successor.

(K) The Interest Payment Dates and the Principal Payment Dates for the Refunding Bonds shall be as set forth in the Notice of Bond Sale. Interest on the Refunding Bonds shall be paid by check or draft mailed on the Interest Payment Date (or, in certain cases, may be paid by wire transfer at the election of a Registered Owner, other than a securities depository, in the manner and under the terms provided for in the State's agreement with the Bond Registrar/Paying Agent, provided that such Registered Owner advances to the Bond Registrar/Paying Agent the amount, if any, necessary to pay the wire charges or authorizes the paying agent to deduct the amount of such payment) to the Registered Owner thereof as of 5:00 p.m. New York time on the Record Date shown on the registration books maintained by the Bond Registrar/Paying Agent for the Refunding Bonds.

(L) The Refunding Bonds shall be dated, shall mature in such years and amounts and shall bear interest commencing on such date as set forth or provided for in the Notice of Bond Sale, a copy of which, as published, shall be retained in the files of the Division with this Fifteenth Supplemental Resolution. The Refunding Bonds shall be issued in denominations of $1,000 or any integral multiple thereof unless otherwise provided in the Notice of Bond Sale. The Refunding Bonds shall be payable at the corporate trust office of U.S. Bank Trust National Association, New York, New York, or its successor.

(M) The Refunding Bonds shall be subject to redemption as provided in the Notice of Bond Sale. The Notice of Bond Sale shall contain such redemption provisions as shall be determined by the Director to be in the best financial interest of the State. Upon election by the successful bidder as provided in the Notice of Bond Sale, a portion of the Refunding Bonds identified in such election may be designated as Term Bonds. Additionally, in lieu of mailing the notice of redemption, the Bond Registrar/Paying Agent may elect to provide such notice by electronic means to any Registered Owner who has consented to such method of receiving notices.

(N) The incremental increase in the Reserve Requirement attributable to the Refunding Bonds (if any) shall be funded with proceeds of the Refunding Bonds, amounts previously on deposit in a reserve account on behalf of the Refunded Bonds, a Reserve Account Credit Facility, or some combination thereof, as determined by the Director. The incremental increase in the Reserve Requirement attributable to the Refunding Bonds shall be deposited in the Reserve Account which was created by Section 4.01 of the Original Resolution. Amounts on deposit in the Reserve Account may be commingled with the amounts deposited for Bonds of additional Series which are secured thereby, shall be held for the benefit of the Registered Owners of only such Bonds as may be specifically secured by the Reserve Account, and shall be applied in the manner provided in the Resolution.

Notwithstanding the provisions of the Original Resolution, the Reserve Account for the Refunding Bonds authorized by this Fifteenth Supplemental Resolution shall be funded in an amount determined by the Director, which shall not exceed the Debt Service Reserve Requirement for the Refunding Bonds. Such amount may be zero. The amount of the Reserve Requirement funded from the proceeds of the Refunding Bonds shall not exceed the amount permitted under the Code.

(O) The Reserve Requirement for the Refunding Bonds, if any, shall be deposited, as determined by the Director, in either a subaccount in the Reserve Account established for any of the Outstanding Bonds or in a subaccount in such Reserve Account which is hereby established for the Refunding Bonds. Amounts on deposit in any subaccount in the Reserve Account may be commingled with the amounts deposited for Bonds of additional Series which are secured thereby, shall be held for the benefit of the Registered Owners of only such Bonds as may be specifically secured by the respective subaccount, and shall be applied in the manner provided in the Resolution.

(P) Any portion of the Refunding Bonds may be issued as a separate series, provided that the Refunding Bonds of each series shall be numbered consecutively from one upward. The Refunding Bonds referred to herein may be sold separately or combined with any other Bonds authorized by the Division to be sold.

(Q) The Director is hereby authorized to offer for sale a lesser principal amount of Refunding Bonds than that set forth in this resolution and to adjust the maturity schedule and redemption provisions for the Refunding Bonds, if necessary, to reflect the issuance of such lesser amount, and to modify the Notice of Bond Sale as may be required. Any portion of the Refunding Bonds not offered shall remain authorized to be offered at a later date.

(R) The Director is authorized to provide in the Notice of Bond Sale of the Refunding Bonds that the purchase price for the Refunding Bonds may include a discount of not to exceed 3%, excluding original issue discount, if any, of the aggregate principal amount of such Refunding Bonds offered for sale.

(S) The Chairman, Secretary and any Assistant Secretary of the Governing Board, the Director, and such other officers and employees of the Division as may be designated by the Governing Board as agents of the Division in connection with the issuance and delivery of the Refunding Bonds, are authorized and empowered, collectively or individually, to take all actions and steps, to execute all instruments, documents, and contracts, and to take all other action on behalf of the Division, in each case as they may deem necessary or desirable, in connection with the execution and delivery of the Refunding Bonds, including but not limited to, contracting with a consultant to verify escrow calculations of the Refunding Bonds, retaining bond counsel to render a special tax opinion relating to the use of the proceeds from the sale of the Refunding Bonds, and providing for redemption of the Refunded Bonds. Notwithstanding anything contained in the Resolution to the contrary, it is the intent of the Division that interest on the Refunding Bonds be and remain excluded from gross income for federal income tax purposes and therefore to comply with all requirements of federal tax law applicable to the Refunding Bonds, whether such requirements are now in effect, pending or subsequently enacted. The Division is hereby authorized and directed to take all actions necessary with respect to the Refunding Bonds to comply with such requirements of federal tax law.

SECTION 2.02. AUTHORIZATION TO EXECUTE AND DELIVER AN ESCROW DEPOSIT AGREEMENT; DESIGNATION OF ESCROW AGENTS. The Chairman and Secretary or an Assistant Secretary of the Governing Board and such other officers and employees of the Division as may be designated by the Governing Board as agents of the Division are hereby each authorized to execute and deliver an Escrow Deposit Agreement on behalf of the Division in such form as may be determined by the Director for the purpose of providing for the deposit of a portion of the proceeds of the Refunding Bonds and such other funds as determined to be necessary into an escrow deposit trust fund for the refunding of the Refunded Bonds. The escrow deposit trust fund shall be held and administered by an escrow agent acceptable to the Director as evidenced by the Director's execution of the Escrow Deposit Agreement.

The proceeds of the Refunding Bonds may be deposited in either Federal Obligations or State Treasury Investments, or may be held uninvested, as determined by the Director. "Federal Obligation" means direct obligations of the United States of America, Resolution Funding Corporation ("REFCORP") interest strips, or direct non-prepayable obligations the principal and interest on which are unconditionally guaranteed as to full and timely payment by the United States of America, none of which permit redemption prior to maturity at the option of the obligor. "State Treasury Investments" means investments made with the Chief Financial Officer of the State of

Florida in a Special Purpose Investment Account pursuant to section 17.61, Florida Statutes.

SECTION 2.03. APPLICABILITY OF ARTICLE II OF THE ORIGINAL RESOLUTION. Except as otherwise provided in this Fifteenth Supplemental Resolution, the terms, description, execution, negotiability, redemption, authentication, disposition, replacement, registration, transfer, issuance and form of the Refunding Bonds shall be governed by the provisions of Article II of the Original Resolution, adjusted to the extent necessary to apply to the Refunding Bonds.

ARTICLE III APPLICATION OF PROCEEDS

SECTION 3.01. APPLICATION OF REFUNDING BOND PROCEEDS. Upon receipt of the proceeds of the sale of the Refunding Bonds the Division shall transfer and apply such proceeds as follows:

(A) The amount necessary to pay all costs and expenses of the Division in connection with the preparation, issuance, and sale of the Refunding Bonds, including a reasonable charge for the services of the Division for its fiscal services and for arbitrage rebate compliance program set-up, shall be transferred to the Division and deposited in the Bond Fee Trust Fund.

(B) Any accrued interest on the Refunding Bonds shall be transferred to the Board of Administration and deposited in the Sinking Fund, and used for the payment of interest on the Refunding Bonds.

(C) An amount necessary to fund the incremental increase in the Reserve Requirement attributable to the Refunding Bonds (if any), to be held in reserve, shall be transferred to the Board of Administration and deposited in the Reserve Account within the Sinking Fund. Alternatively, the Division, as provided in Section 4.03 of the Original Resolution, may elect at any time to provide in lieu of all or a portion of such funds a Reserve Account Credit Facility in an amount equal to the difference between the Reserve Requirement and the sums then on deposit in the Reserve Account.

(D) An amount together with the interest earnings thereon, and other amounts deposited therein which is anticipated to be sufficient to pay when due (1) the principal amount of the Refunded Bonds, (2) the amount of interest and redemption premium payable on the Refunded Bonds, and (3) the amount of fees and expenses estimated to be incurred in connection with the payment and retirement of the Refunded Bonds shall be transferred and deposited in escrow pursuant to the terms of the Escrow Deposit Agreement.

(E) Any balance of the proceeds of the Refunding Bonds after providing for the requirements of subsections (A) through (D) above shall be transferred to the Sinking Fund and used for the purposes set forth therein.

ARTICLE IV
SECURITY FOR THE BONDS

SECTION 4.01. REFUNDING BONDS ON A PARITY WITH THE OUTSTANDING BONDS. The Refunding Bonds shall be payable on a parity, and rank equally as to lien on and source and security for payments from the Pledged Revenues and in all other respects, with the other Outstanding Bonds.

SECTION 4.02 REFUNDING BONDS SECURED BY ORIGINAL RESOLUTION. The Refunding Bonds shall be deemed to have been issued pursuant to the Original Resolution, as supplemented by this Fifteenth Supplemental Resolution, as fully and to the same extent as the Outstanding Bonds, and all of the covenants and agreements contained in the Original Resolution, as amended and supplemented, shall be deemed to have been made for the benefit of the Registered Owners of the Refunding Bonds as fully and to the same extent as the Registered Owners of the Outstanding Bonds.

All of the covenants, agreements, and provisions of the Original Resolution, as amended and supplemented, except to the extent inconsistent herewith, shall be deemed to be part of this Fifteenth Supplemental Resolution to the same extent as if incorporated verbatim in this Fifteenth Supplemental Resolution, and shall be fully enforceable in the manner provided in the Original Resolution, as amended and supplemented, by any of the Registered Owners of the Refunding Bonds.

ARTICLE V
MISCELLANEOUS

SECTION 5.01. RESOLUTION NOT ASSIGNABLE. This Fifteenth Supplemental Resolution shall not be assignable by the Division or the Board of Administration, except for the benefit of the Registered Owners.

SECTION 5.02. MODIFICATION OR AMENDMENT. Modification or amendment hereof shall be governed by Section 8.02 of the Original Resolution.

SECTION 5.03. CONTINUING DISCLOSURE. (A) In order to comply with Rule 15c2-12 of the Securities and Exchange Commission, the Board agrees to provide or cause to be provided such information as may be required, from time to time, under such rule.

(B) The Director, in conjunction with the appropriate officer of the Board, is authorized and directed to execute and deliver any documents or agreement which are necessary to comply with the requirements of Rule 15c2-12 of the Securities and Exchange Commission.

SECTION 5.04. SEVERABILITY OF INVALID PROVISIONS. If any one or more of the covenants or provisions of this Fifteenth Supplemental Resolution shall be held contrary to any express provision of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants or provisions shall be null and void and shall be deemed separable from the remaining covenants or provisions of this Fifteenth Supplemental Resolution or of the Refunding Bonds and shall in no way affect the validity or enforceability of any other covenants, agreements or provisions of this Fifteenth Supplemental Resolution or of the Refunding Bonds issued hereunder.

SECTION 5.05. FISCAL AGENT. Upon the sale and delivery of the Refunding Bonds by the Division on behalf of the State Board of Education, the Board of Administration shall act as the fiscal agent for the State Board of Education with respect to the Refunding Bonds.

SECTION 5.06. REPEAL OF INCONSISTENT RESOLUTIONS. All prior or concurrent resolutions or parts of resolutions inconsistent with this resolution are hereby amended by this resolution, but only to the extent of any such inconsistency.

SECTION 5.07. SUCCESSOR AGENCIES AND OFFICIALS. Any references in the Resolution to offices, bodies, or agencies which have been or are superceded, replaced or abolished by law shall be deemed to refer to the successors of such offices, bodies, and agencies. Any action required or authorized to be taken by an official whose office, body, or agency has been or is so superceded, replaced, or abolished shall be taken by the successor to such official.

SECTION 5.08. CONFIRMATION OF ORIGINAL RESOLUTION. As supplemented by this Fifteenth Supplemental Resolution, the Original Resolution is in all respects ratified and confirmed, and this Fifteenth Supplemental Resolution shall be read, taken, and construed as a part of the Original Resolution.

SECTION 5.09. AMENDMENT. The amendment to the Original Resolution adopted through this Fifteenth Supplemental Resolution does not have a materially adverse effect on the Registered Owners of the Outstanding Bonds. The Registered Owners of the Refunding Bonds will have no claim to the existing Debt Service Reserve subaccounts.

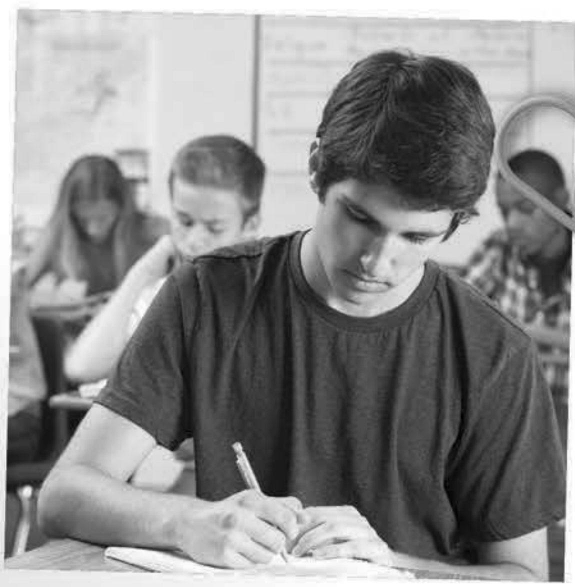
SECTION 5.10. RESCISSION OF PRIOR RESOLUTIONS. The issuance and sale authorization for the unissued portion of any previously authorized State of Florida, State Board of Education Lottery Revenue Bonds is hereby rescinded.

SECTION 5.11. EFFECTIVE DATE. This Fifteenth Supplemental Resolution shall take effect immediately upon its adoption.

ADOPTED on June 14, 2017.

CELEBRATING MILESTONES

ANNUAL REPORT 2015-2016



High School

First Grade

College Graduation!

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MESSAGE FROM THE GOVERNOR

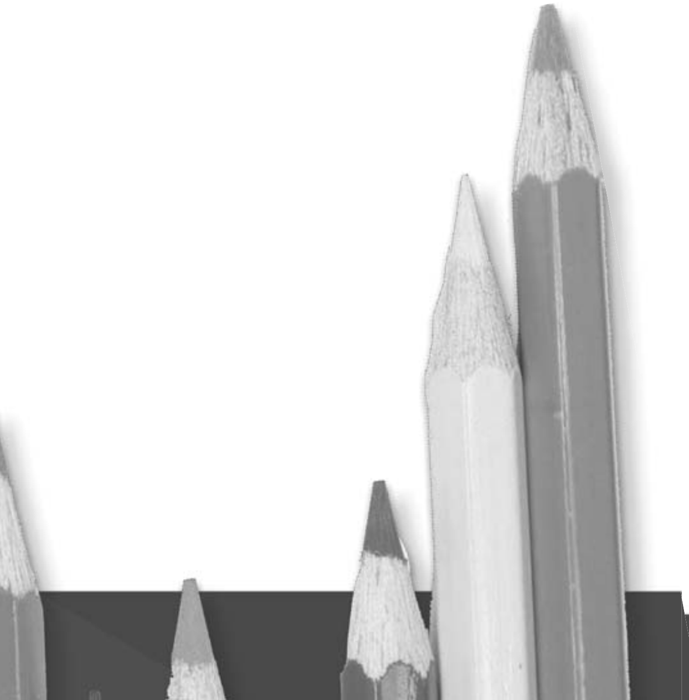
Dear Friends,

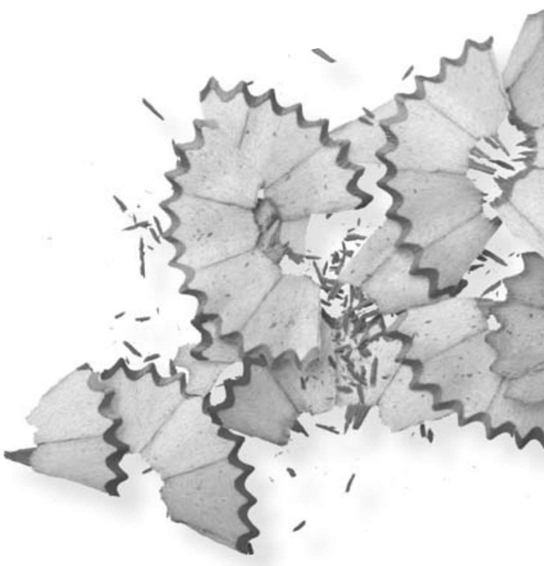
This year, the Florida Lottery achieved its fifth consecutive record-breaking sales year and contributed more than $1.69 billion toward education. This means the Lottery has now provided more than $30 billion to education since its inception in 1988. These great accomplishments demonstrate the Lottery's commitment to ensuring Florida's students have the resources and opportunities they need to get a great education in our state.

The Lottery is working each day to support Florida's students so they can become tomorrow's leaders, and they are setting an example as one of the most efficient lotteries in the nation, operating on less than two percent of all revenue generated. Congratulations to Secretary Delacenserie and all of the Lottery's dedicated staff on another exciting year, and thank you for supporting Florida's students. I look forward to another year of historic investments in Florida's public education system.

Sincerely,

Governor Rick Scott





MESSAGE FROM
THE SECRETARY

Dear Colleagues and Friends,

I am pleased to present the Florida Lottery's 2015-16 Annual Report. In keeping with our mission of maximizing revenues for the enhancement of public education in Florida, we are extremely proud to have celebrated another record year with respect to two major milestones.

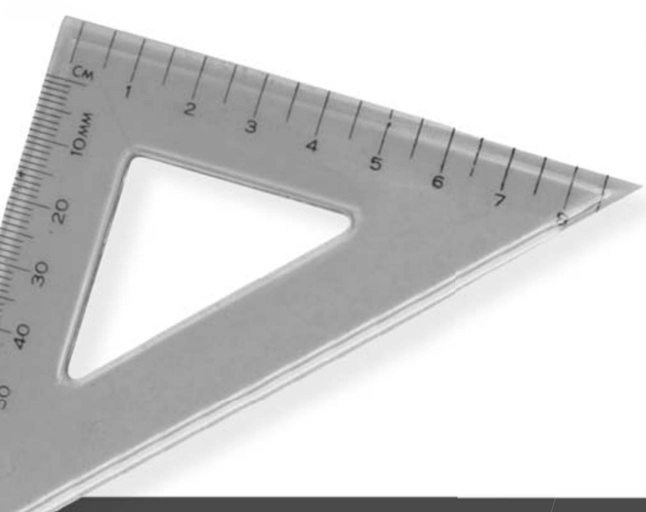
We announced our fifth consecutive all-time record-breaking sales year with more than $6 billion in annual sales. The Lottery's commitment to corporate outreach and its effective business model focused on the development of new revenue streams, creating a win-win partnership with its retailers and vendors, and helping to benefit Florida's overall economy.

Of course, our true success is measured by the impact we have on Florida's students and schools. This year, the revenue generated for education reached $1.69 billion, marking the 14th consecutive year that the Florida Lottery has contributed more than $1 billion to Florida's education system and enabling us to surpass $30 billion in total education contributions since opening our doors in 1988.

With the continued support of our players and dedicated retailers and employees, and with the leadership of Governor Rick Scott and the Florida Legislature, the future looks bright for the Florida Lottery and Florida's students and schools.

Sincerely,

Secretary Tom Delacenserie



CONTRIBUTIONS TO EDUCATION

Laying the Foundation for a Better Florida

The Florida Lottery transferred $1.69 billion in revenue to the Educational Enhancement Trust Fund (EETF) in fiscal year 2015-16. This brings the total amount generated for education over the Lottery's 28 year history to more than $30 billion. FY 2015-16 also marked the 14th consecutive year the Lottery contributed more than $1 billion to Florida's education system.

Our mission is to maximize revenues for the benefit of public education. By any measure, we have succeeded in this effort. This year we continued to enhance our relationships with educators and school administrators through a variety of initiatives that include recognizing teachers and leaders in education at Lottery sponsored events. We understand that education funding is critical to maintaining Florida's position as a national competitor for top companies that will create jobs and keep our state economically competitive with a highly skilled workforce of problem solvers, creative thinkers, entrepreneurs and leaders – in other words, a workforce that is second to none.

The benefit of Lottery revenues are felt across all of Florida's 67 counties at every level from K-12, to state colleges and universities. In addition to these important programs, the EETF also serves as the primary funding source for the Florida Bright Futures Scholarship Program. This program, created in 1997, continues to provide assistance to Florida's best and brightest as they pursue their academic goals at state colleges and universities. To date, more than $5 billion in Lottery funds has helped more than 750,000 students pursue their academic goals by remaining in state.

From the first day of classes to college graduation and every day in between, Florida students are acquiring a quality education that will help them build a better tomorrow. With every Florida Lottery ticket purchased, our players are helping students and teachers across the state excel. The Florida Lottery is proud of our commitment to education, and remains dedicated to ensuring a future where every student wins.

2015-2016

CELEBRATING MILESTONES:
A YEAR IN REVIEW

JULY

The WEEK FOR LIFE family of Scratch-Off tickets is offered at the $1, $2, $5 and $10 price points. Sales contribute more than $71 million in contributions to the Educational Enhancement Trust Fund (EETF) – a strong start for fiscal year 2015-16.

AUGUST

LaFleur's World Lottery Almanac, an internationally recognized lottery industry publication, ranks Florida the second most efficiently operated lottery in the country with administrative expenses of just 2.8 percent.

SEPTEMBER

The Lottery marked its 1,000th Scratch-Off game with the launch of its newest ticket, $5,000,000 FLAMINGO MULTIPLIER. FLAMINGO MULTIPLIER set a Florida Lottery record for the best single week by a $20 Scratch-Off game with more than $16 million in sales.

OCTOBER

Records are shattered as the Florida Lottery celebrates the best first quarter ever in its 27-year history with $1.35 billion in sales.

NOVEMBER

A partnership with Florida's major universities led to a second chance promotion that built on previous partnerships with college football. At each university, the Lottery took part in a Bright Futures ceremonial check presentation. The FANTASY 5® College Football Promotion received more than 1.2 million entries statewide.

DECEMBER

HOLIDAY MILLIONAIRE RAFFLE™ returns, offering players their best odds to win $1 million of any Lottery game. A total of seven winners won $1 million in the New Year's Eve Drawing. In total, 1,552 Raffle winners received $8.67 million in prizes.

JANUARY

A Florida player was one of three nationally to win the record-setting $1.586 billion POWERBALL® jackpot held on Wednesday, January 13.

FEBRUARY

For the first time ever, the Lottery partnered with the Tampa Bay Lightning hockey team to offer the BE THE THUNDER Second Chance Promotion.

MARCH

The Lottery achieves the highest, single-week Scratch-Off sales of any lottery in the country, resulting in $16.99 million being generated to the EETF.

APRIL

The Lottery hosts an event at The Villages with television personality Vanna White to promote the launch of the $5 Scratch-Off game WHEEL OF FORTUNE®. Sales exceeded $6.1 million in its first week; setting a record for the highest first week of sales by any game at that price point.

MAY

More than 36,000 high school graduates become eligible to receive Bright Futures scholarships. Since start-up, the Lottery has sent more than 725,000 students to college through the Bright Futures Scholarship Program.

JUNE

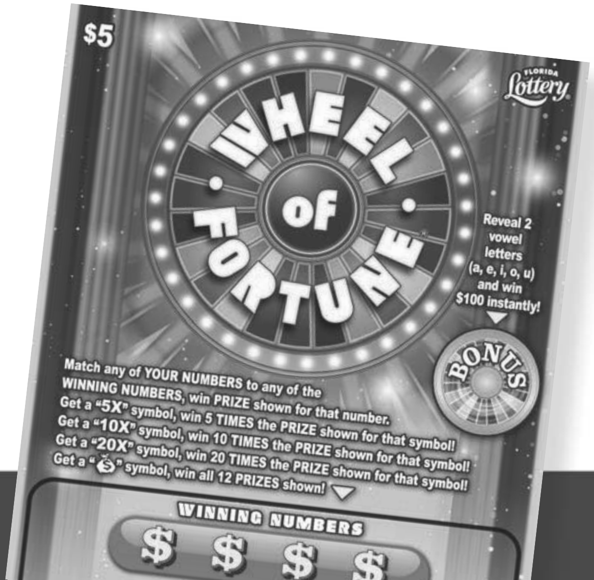
The Florida Lottery announces its fifth consecutive record breaking year, with an estimated $6.06 billion in annual sales and $1.7 billion in contributions to education during fiscal year 2015-16. This will lead to an anticipated over $30 billion in contributions to education since 1988!

STRATEGIC ALLIANCE PARTNERSHIPS
AND PROMOTIONS

The Florida Lottery formed a number of mutually-beneficial strategic alliance partnerships this year, allowing us to acquire new customers; increase revenue; expand our geographic reach; extend product lines; access new technologies and share resources.

By partnering with **NASCAR**, the Lottery was able to reach millions of race car enthusiasts during several races throughout the 2015-2016 season including the Coke Zero 400, Daytona 500, and NASCAR Championship Weekend. The Lottery teamed up with several drivers during the race weekend by inviting them to the Florida Lottery activation area to meet with fans and answer questions. During the events, drivers Austin Dillon, Ben Kennedy, Landon Cassill and David Gilliland all appeared on the Lottery stage. At each event, sales terminals ran continuously as the Lottery provided entertainment and the drivers interacted with the crowd. These NASCAR events generated nearly $200,000 in Lottery sales and a media value of more than $1 million.

In April 2016, the Lottery hosted an event at The Villages to promote the launch of the **WHEEL OF FORTUNE** Scratch-Off ticket. Television personality Vanna White greeted fans and helped generate excitement for the new ticket. Vanna appeared on stage, conducted radio and television interviews, and signed autographs, leading to the largest attended Lottery event at The Villages to date. A total of more than $180,000 in sales was generated thanks to this one-day event.



The fall is always an exciting time at the Lottery. A partnership with Florida's major universities including Florida State University, the University of Florida, the University of Central Florida, and the University of South Florida led to a second chance promotion that built on the previous partnerships with college football. The **FANTASY 5® College Football Promotion** received more than 1.2 million entries statewide. Thanks to a partnership with KIA, the top prize in the promotion was a 2016 KIA Sorento. Additional prizes included season football tickets, bowl game trips and more. At each of the universities, the Lottery took part in a Bright Futures ceremonial check presentation. A Lottery official presented each school with an oversized check representing the amount of Lottery dollars contributed to the Bright Futures Scholarship Program at each school.

The Lottery was excited to partner with the Tampa Bay Lightning hockey team in the spring of 2016, to offer the **BE THE THUNDER Second Chance Promotion**.

This promotion ran through the second half of the NHL hockey season and offered Lottery players in central Florida the chance to win away game fly-away trips, season tickets, autographed merchandise and more.

The Lottery was the game-day sponsor for two of the Lightning games. During these games, every fan who entered the Amalie Arena in downtown Tampa received a card with a "Lucky Number". During a break in action, a number was randomly drawn from a retired ball machine. The fans with the corresponding number on their card won a $250,000 CASHFALL Scratch-Off ticket.

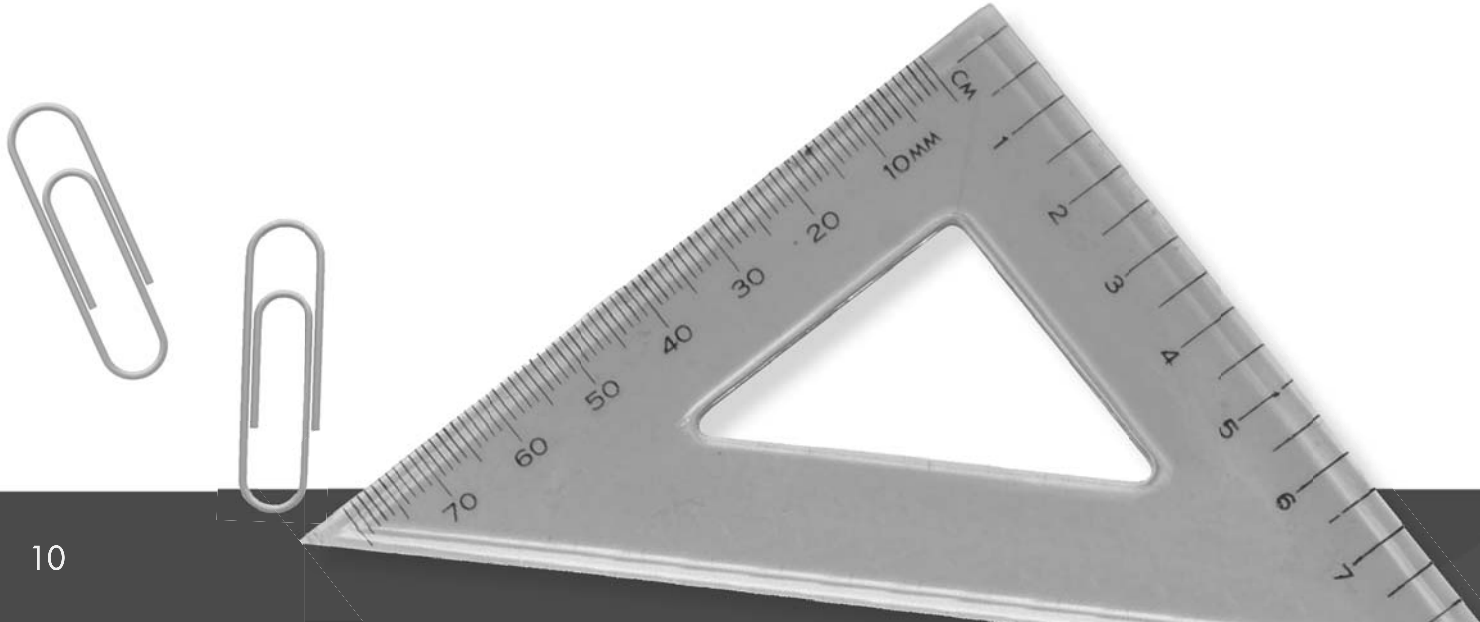
These strategic alliance partnerships proved extremely beneficial in helping the Lottery grow and market its products while also increasing brand awareness and the ability to reach new markets.

SPECIAL EVENTS

The Lottery participated in 108 community events throughout Florida which helped increase public awareness of the Lottery's education mission and contributions, while helping to highlight new games and promotions. The Lottery expanded its partnership with Florida's Department of Education and Just Read, Florida!

In addition to the Kick-Off Pep Rally; PSA Contest Winners Announcement; and school visits that comprise the events of Celebrate Literacy Week; this year the Lottery also helped sponsor "POP-UP Quiz Show" events at 22 middle schools across the state. Several teams of middle school students played the role of contestants on a quiz show where their civics knowledge was tested. Each participating school received a collection of donated books.

The Lottery once again welcomed Florida's college students back to school by co-hosting Bright Futures Ice Cream Socials on the campuses of 11 Florida colleges and universities including Florida Atlantic University; Florida International University; the University of West Florida; the University of Central Florida; the University of North Florida; the University of Florida; the University of South Florida; Chipola College; Tallahassee Community College; Florida Agricultural & Mechanical University; and Florida Gulf Coast University.

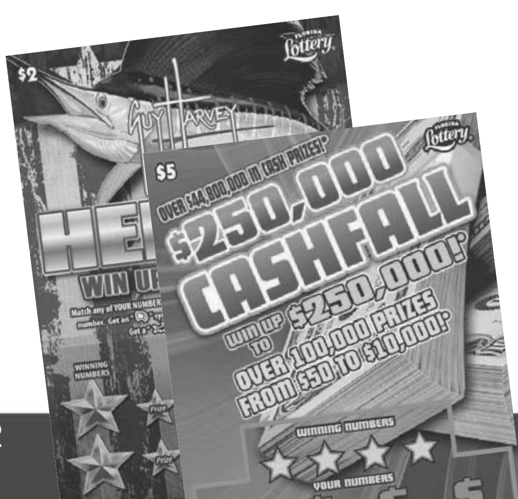


During each event, school officials and Bright Futures recipients joined Lottery staff to share the importance of higher education and the important role the Lottery plays in supporting their school and the Bright Futures Scholarship Program. Students received custom Bright Futures t-shirts in their school colors and ice cream was provided by Lottery corporate retailer Winn-Dixie, Inc.

WINNING MOMENTS

Draw Games: Draw game sales also increased significantly, with players collecting millions in prizes including 60 players who won $1 million or more. POWERBALL® madness swept the nation as the jackpot rolled to an unprecedented $1.586 billion on January 13. The Lottery was proud to announce that a Florida player was among three lucky winners nationally who would share in the world-record jackpot winnings. The $528.8 million prize was claimed by the Nickel 95 Trust. Its trustee, Maureen Smith of Melbourne Beach, chose to receive her winnings in a one-time, lump-sum payment of $327,835,077.79

Scratch-Off Games: Florida Lottery Scratch-Off games created 33 new millionaires, awarded more than $90 million in prizes, and had more than 120,000 winners of $600 or more this year. Players who weren't instant winners on their Scratch-Off tickets got a second chance to win when they entered their non-winning tickets into a variety of fun and exciting second chance promotions. Scratch-Off games have seen a momentous rise in popularity with the launch of 32 new games this year that successfully appealed to Florida's diverse population and visitors from around the world.



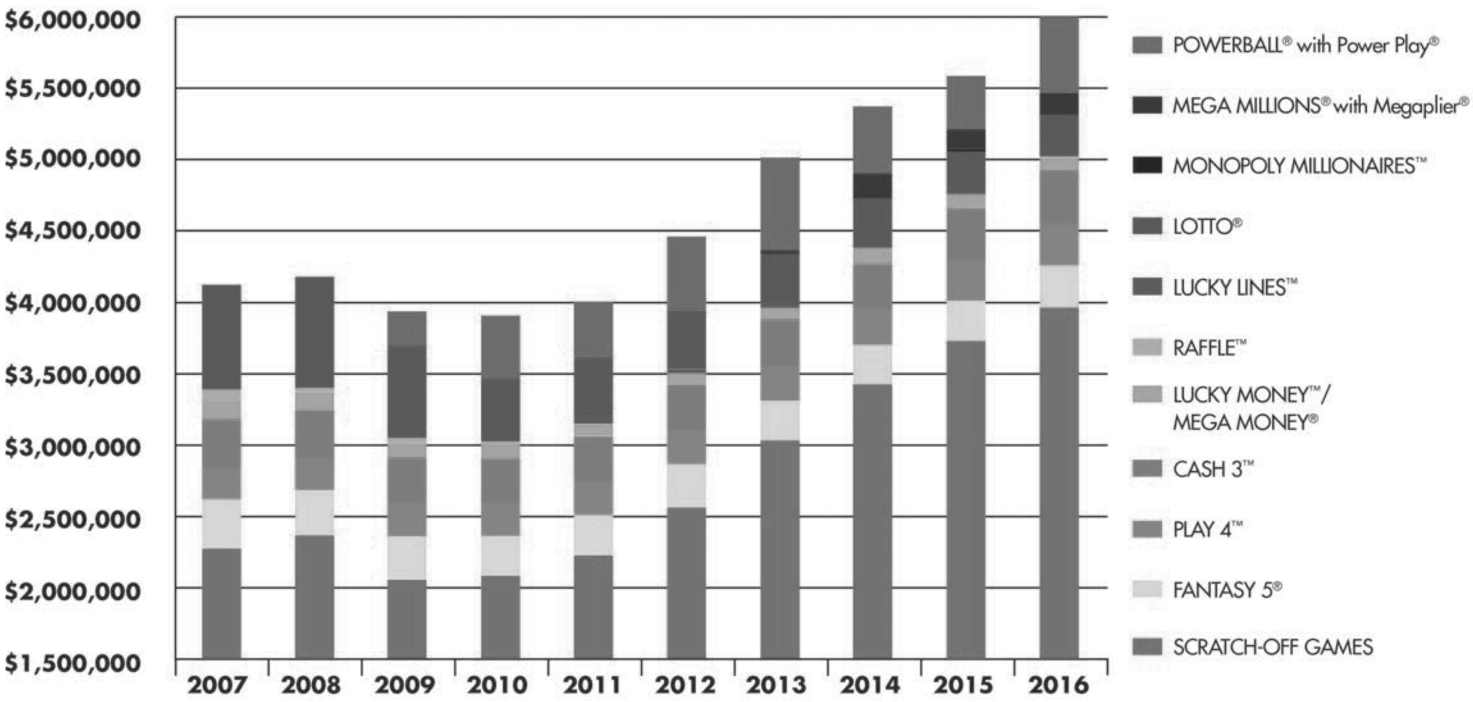
Promotions: In addition to traditional Scratch-Off and Draw game prizes, Lottery players had other chances to win prizes ranging from free Scratch-Off tickets, to college and professional sporting tickets and merchandise, and even a brand new car. These opportunities were available through a variety of promotional, second chance and social media contest opportunities that boosted excitement among loyal Lottery players while also appealing to a younger demographic.

The Florida Lottery is proud to make the dreams of our players a reality, while also helping to send over 750,000 students to college through the Bright Futures Scholarship Fund. Since opening our doors in 1988, each game has been designed with our players in mind. We look forward to continuing to create opportunities for our players and winners through the development of new and innovative games and promotions.

ENHANCING
BUSINESS PARTNERSHIPS

Goals & Sales: This was a historic, record-breaking year for Lottery ticket sales. The sales goal of $5.7 billion was surpassed by $360 million as players purchased more than $6 billion in tickets. In terms of sales, the Lottery would rank above Harley Davidson and Mattel on the Fortune 500 list. Both Scratch-Off sales at $3,954,701,000, and Draw sales at $2,107,653,000, broke all previous sales records.

Department of the Lottery
Historical Lottery Sales by Game
(In Thousands)



Department of the Lottery | Historical Lottery Sales by Game | Last Ten Fiscal Years (In Thousands)

Fiscal Year Ended June 30	LOTTO	FANTASY 5	PLAY 4	CASH 3	LUCKY MONEY / MEGA MONEY	RAFFLE	LUCKY LINES	POWERBALL with Power Play	MEGA MILLIONS with Megaplier	Monopoly Millionaires	Scratch-Off	Combined Sales
2007	$ 735,585	$ 326,241	$ 225,285	$348,694	$ 130,142	$72,549	$ -	$ -	$ -	$ -	$ 2,283,620	$4,122,116
2008	778,954	309,445	227,940	336,096	122,742	30,818	-	-	-	-	2,368,781	4,174,776
2009	650,603	287,285	238,957	320,157	102,190	41,314	-	233,396	-	-	2,064,135	3,938,037
2010	445,881	281,963	235,027	304,039	92,060	29,334	-	434,062	-	-	2,078,133	3,900,499
2011	411,389	282,777	235,692	313,270	88,971	12,603	45,369	392,969	-	-	2,225,676	4,008,716
2012	419,040	290,672	244,711	314,747	92,346	-	17,692	503,697	-	-	2,566,991	4,449,896
2013	352,375	281,492	244,141	324,539	89,500	12,879	8,582	654,263	16,698	-	3,028,527	5,012,996
2014	349,114	288,237	257,752	339,636	79,483	-	-	469,292	167,573	-	3,417,143	5,368,230
2015	300,961	287,803	276,217	363,251	103,196	-	-	375,057	147,370	5,481	3,723,995	5,583,331
2016	291,382	296,307	291,651	379,757	84,881	11,724	-	602,001	149,950	-	3,954,701	6,062,354

Lottery District Office Successes: Three of the Lottery's nine sales districts individually exceeded sales of $1 billion for the year. While the Miami district had previously exceeded the $1 billion mark, this was another record year for them with sales of $1,367,400,858. The Tampa district reached $1,052,695,275 and the Orlando district reached sales of $1,050,462,880. All nine sales districts exceeded their annual sales goals.

The sales team continued to look for merchandising opportunities in the stores and added more than 33,000 new Scratch-Off ticket facings this fiscal year. These efforts had a significant impact on increasing sales. Additional facings allowed players to access the 70 – 80 different Scratch-Off games at any given time throughout the year. The additional facings also helped retailers keep tickets fully stocked.

The $1.586 billion POWERBALL® jackpot, reached in January resulted in record Draw game sales as well as one Florida jackpot winner among three nationally, one $2 million winner, and eleven $1 million winners. This series of jackpot rolls garnered retailer commissions in excess of $14 million.

The Lottery's LED jackpot signs proved very successful as well. The stores displaying these signs enjoyed a 5.3% higher volume of sales for Lottery jackpot games than stores without the signs. This product successfully brought Lottery players into stores to purchase both Lottery and non-Lottery products.

Record sales resulted in 259,989 claims processed at the Lottery's district offices in Pensacola, Tallahassee, Gainesville, Jacksonville, Tampa, Orlando, Fort Myers, West Palm Beach and Miami.

Corporate Growth: This year, the Lottery's Corporate Accounts team aggressively pursued sales opportunities through merchandising and marketing efforts. Corporate account sales increased by 10.6% overall, Scratch-Off sales by 7.5%, and draw games by 16.1%.

Corporate Accounts experienced new store growth as many top 25 chain partners across Florida expanded. Wawa, RaceTrac, Publix and Walmart all demonstrated significant growth, particularly in central and south Florida. Walmart's expansion included several of their Fuel Center concept stores.

Working together with key chain partners to improve Lottery presence proved to have a positive impact on sales while also benefiting consumers. Enhancements included custom dispenser options, point of sale, and Play Station designs in addition to placement of digital jackpot messaging.

PRODUCT DEVELOPMENT

Draw Games: In October 2015, enhancements were made to the POWERBALL® game to provide better overall odds, a $50,000 third prize and the addition of a 10X multiplier on Power Play. Soon after, POWERBALL rolled to a new world-record jackpot of $1.586 billion on January 13, 2016, and generated the biggest Florida sales week ever, topping $230.7 million in a single week. This POWERBALL jackpot roll series, which began on November 7, 2015, resulted in more than 5.3 million winning tickets in Florida, totaling more than $558.8 million in prizes and creating 18 new Florida POWERBALL millionaires. Additionally, Florida Lottery retailers earned more than $14 million in commissions and bonuses during this jackpot series, which also generated more than $114 million for education, the most ever raised for education from a single Florida Lottery jackpot.

Three limited-time promotions were offered during the fiscal year to provide a lift in sales and encourage trial play of popular Draw games. A fall and spring offering of GROUPER® allowed players to sample all Florida's in-state Draw games for $5 and get one free. The variety of games appealed to core players and Florida visitors, and the free ticket added value and offered a purchase incentive for the higher price point. The two promotions brought in more than $4 million in combined sales. To promote EZmatch™ sales for both FANTASY 5® and LUCKY MONEY™, the Lottery offered more and higher EZmatch prizes during an eight-week promotional period. As a result, an additional $4.8 million in sales was achieved, generating an added $1.3 million in revenue for education.

Holiday MILLIONAIRE RAFFLE also returned for a limited time, offering the best odds to win $1 million of any Florida Lottery game. A total of seven winners won $1 million in the New Year's Eve Drawing. To encourage sales throughout the promotional period, five weekly drawings offered players a chance to win up to $10,000, along with an early bird incentive, in which seven players who entered the Playoff Bonus Drawing were given a chance to win up to $20,000 on field at the College Football Playoff Semi-final in the Orange Bowl on New Year's Eve. In total, 1,552 Raffle winners received $8.67 million in prizes.

Florida Lottery Draw games increased by almost $250 million in FY 2015-16, eclipsing the $2 billion mark for the first time in history. Draw game sales alone contributed more than $824 million in revenue to education.

Scratch-Off Games: The Lottery launched 32 new Scratch-Off games with a variety of themes; colors; play styles; top prizes; and price points to appeal to Florida's unique and diverse population. Scratch-Off sales saw a robust increase of more than $230 million compared to the previous year, or approximately a six percent increase. The Lottery achieved a record in fiscal year 2015-2016 for the fifth consecutive year with more than $3.9 billion in total Scratch-Off sales. The increase in Scratch-Off sales contributed more than $45 million in additional transfers to education.

In July, the Lottery offered the WEEK FOR LIFE family at the $1, $2, $5 and $10 price points, which accounted for over $380 million in sales and contributed more than $71million to the Educational Enhancement Trust Fund (EETF). The WEEK FOR LIFE family of Scratch-Off games was supported by a second chance promotion that provided players an opportunity to enter their non-winning tickets for a chance to win up to $50,000. The successful second chance promotion showed excellent engagement with an average of 48,000 unique players per drawing.

The Lottery introduced its newest $20 game in September, $5,000,000 FLAMINGO MULTIPLIER, which set a Florida Lottery record for the best single week by a $20 Scratch-Off game with more than $16 million in sales. In fiscal year 2015-2016, $5,000,000 FLAMINGO MULTIPLIER produced more than $339 million in sales and contributed more than $63 million in contributions to the EETF.

In January, the Lottery capitalized on the appeal and popularity of $5,000,000 FLAMINGO MULTIPLIER by offering a family of FLAMINGO MULTIPLIER Scratch-Off games at the $1, $2, $5 and $10 price points. Launching the family in January revived promotional support of the $20 game, resulting in the FLAMINGO MULTIPLIER family accounting for more than $591million in Scratch-Off sales and generating more than $111 million in revenue for education.

The Lottery launched $5 WHEEL OF FORTUNE® in April of 2016, which went on to become one of the top-performing $5 Scratch-Off tickets of all-time. After setting a record for the most sales by a $5 game in a single week at more than $7.6 million, WHEEL OF FORTUNE sustained momentum and brought in over $60 million in sales during fiscal year 2015-2016. The game was supported by a second chance promotion which gave players an opportunity to win a grand prize VIP trip package to Hollywood to participate in a non-broadcast version of the popular Wheel of Fortune game show. The Lottery saw outstanding participation during the second chance promotion, as 774,000 tickets were entered by approximately 78,000 players through the drawing period.

ORGANIZATIONAL STRUCTURE

As required by subsection 24.105(4), Florida Statutes, the following information reflects the organizational structure of the Florida Lottery on June 30, 2016.

Office of the Secretary directs the operations of the Florida Lottery and is responsible for the effective management of the Lottery in accordance with directives identified in statutes and corresponding rules, policies and procedures.

Office of the General Counsel provides consultation, direction and representation in all legal matters affecting the Lottery.

Office of the Inspector General assists the Secretary with internal control systems necessary to ensure the fiscal accountability and integrity of the Lottery. The office is responsible for performing financial, compliance, and performance audits of the Lottery, and preparing audit reports of said findings and investigations.

Office of the Chief of Staff assists the Secretary in providing excellence in customer service, overall organization, direction, and coordination, both in day-to-day activities and in long-range planning.

- **Legislative Affairs** is responsible for promoting and securing the passage of the Secretary's and the Governor's legislative objectives by the Legislature.
- **Communications** promotes awareness of the Lottery's role in generating money to enhance public education in Florida. Communications also coordinates all Lottery activities with the news media, including spokesperson interviews, media inquiries, news conferences and press releases, and provides public relations support for new game launches, promotions and events. Communications is responsible for the Lottery's social media efforts, and produces official Lottery publications.
    - **Customer Service,** a unit within Communications, serves as the Lottery's direct liaison to players, responding to inquiries regarding games and various other facets of operations. It also manages customercorrespondence via phone calls, emails and letters.
- **Security** provides security services for the Lottery, including protection of buildings and facilities, investigative activities and game draws. In addition, the Division of Security conducts background investigations for vendors, retailers and employees; manages the safety awareness program and the Lottery's continuity of operations plan (COOP).
    - **Investigations and Operations** monitors the physical security of all Lottery facilities and investigates security breaches. This unit also investigates problem claims and allegations of potential illegal activity, and is responsible for managing the draw process.
    - **Intelligence and Administrative Support** conducts background investigations on potential vendors, contractors, retailers and employees, and provides analytical support for other criminal investigations. This section provides maintenance and hardware support for the Integrated Security System and manages the agency's loss prevention program, which aids retailers in reducing ticket theft and informs the general public of Lottery-related scams and other fraudulent activity.
- **Human Resources** provides strategic leadership relative to employee recruitment, retention and training. The division administers a comprehensive human resources program including recruitment, selection, performance management, payroll, training, benefits, classification and pay, and attendance and leave.

Office of the Deputy Secretary of Administration assists the Secretary by managing programs aimed at increasing lottery sales, transfers to the Educational Enhancement Trust Fund and financial management strategy. This office is actively involved in strategic planning, IT and administrative support, and the financial management of the Florida Lottery

- **Procurement** provides strategic service in the acquisition of commodities and contractual services necessary in the operation of the Florida Lottery. Additional services include administering general and routine activities that result in the issuance of purchase orders and execution of contracts.

- **General Services** manages and administers the contract management process as well as provides resources in the monitoring of contract deliverables. It also provides direction to ensure the minority business community participates in the Lottery's procurement and contracting processes.
- **Support Services** provides the day-to-day operational services including facilities management, fleet management, property/ inventory control, warehousing operations, records management and mail operations. The unit oversees janitorial and other administrative contracted services.

- **Finance and Budget** assists the Secretary by providing fiscal direction for the Lottery to grow responsibly in a profitable and sustainable manner. The division oversees the development and monitoring of the budget, all financial reporting, disbursements and monitoring of cash flows.
  - **The Budget unit** prepares the annual legislative budget request and any necessary budget amendments for the Lottery, monitors expenditures to ensure budgetary compliance, and coordinates the development of the Lottery's long-range program plan.
  - **Financial Reporting** is responsible for the production and distribution of all financial reports. The unit produces the statutorily required monthly financial report and annual financial statements, and all schedules and reports required for the Florida Comprehensive Annual Financial Report.
  - **Vendor Disbursements** is responsible for making payments to vendors supplying goods and services to the Lottery.
  - **Cash Management Unit** is responsible for coordinating all cash activities. This includes collecting funds from retailers, covering required disbursements, coordinating all banking activities and managing all investments.
- **Retailer Contracting** evaluates and approves retailer applications and enters into contracts with retailers that will best serve the public interest and provide adequate and convenient availability of Lottery tickets. The unit directly supports the Lottery's efforts in the recruitment and retention of retailers. Through its application and contract renewal process, this unit evaluates the integrity and financial responsibility of all Lottery retailers. The unit is also responsible for collection efforts by tracking retailer payment delinquencies and coordinating financial reviews of retailers, as necessary.
- **Claims Processing** processes the prize payments of tickets submitted to Lottery headquarters, assists district offices with the payment of prizes presented at those offices, and coordinates all tax withholding and reporting requirements with the Internal Revenue Service.
- **Information Security Management** (ISM) develops and coordinates information security infrastructure and programs to provide protection and ensure integrity for the computers, data and networks.
- **Information Resources** provides strategic and automated solutions to fulfill the Lottery's business needs through efficient and effective development and deployment of the Lottery's information technology resources, including optimizing the sale of Lottery tickets and ultimately enhancing contributions to education. Operations consists of the following units:
  - **Software and Data Services** automates and improves the Lottery's business processes by building information applications that enable and optimize the development of new Lottery products, payment of winners, electronic payment by retailers, retailer incentive programs and other mission-critical initiatives.
  - **Software Quality Assurance** is responsible for researching gaming system functional requirements and performing user acceptance testing on all gaming system software prior to implementation.
  - **Systems and Operations Services** maintains a secure, power redundant data center environment, provides telecommunications systems and services, and provides desktop computing and technology infrastructure services for the Lottery. This unit also maintains the Lottery's Information Technology Disaster Recovery plan.
  - **Games Administration** manages all retailer accounting and systems related to game transactions, including ticket inventory. The unit coordinates all terminal gaming functions for Lottery Draw games, including closing games for draws, entering the winning numbers into the gaming system, and setting the games to pay winners. Games Administration serves as the system coordinator and liaison to all Lottery retailers.

Director of Sales assists the Secretary by increasing sales statewide through effective product development and research, along with the implementation of a strong sales and marketing plan.

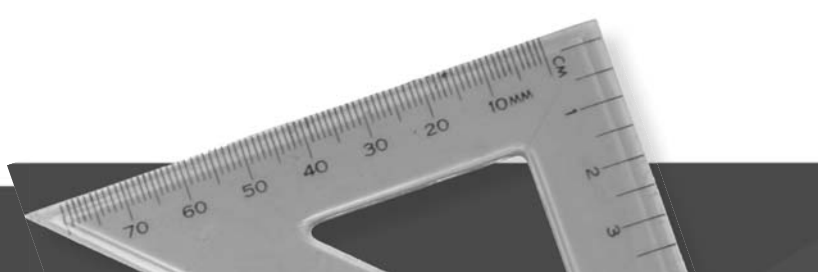
- **Division of Sales** plans effective sales strategies and training in advance of all new product launches, in addition to overseeing the activities of, and disseminating policies and procedures to, the nine statewide district offices.
    - **Corporate Sales** is responsible for the growth and development of the Lottery's corporate business. The unit serves as a liaison between Lottery and main corporate offices of retailers statewide.
    - **District Offices** manage the sale, promotion and redemption of Lottery products through a statewide network of more than 13,000 Lottery retailers. In addition to the office management staff, each of the nine district offices employs a staff of sales representatives who assist in the promotion and sale of Lottery products at the retail level.
    - **ADA Office** ensures that all policies and directives relating to the Americans with Disabilities Act (ADA), as they pertain to Lottery retailers, are implemented and upheld.

- **Product Development and Research** provides direction, oversight and evaluation of daily business functions related to research, product development and business development with the primary focus of managing programs aimed at increasing Lottery sales and transfers to the Educational Enhancement Trust Fund.
    - **Research** initiates and oversees consumer market studies primarily contracted through the Lottery's research vendor of record. The unit's projects center on consumer, retailer, retail environment and advertising campaign analysis. The unit also provides valuable data used to determine products to be developed, revenue forecasting and overall program effectiveness.
    - **Product Development** provides direction and oversight in the creation, design, development and management of Lottery Draw and Scratch-Off products.

Brand Management oversees all areas relating to the promotion and sale of Lottery products, strategic alliance partnerships, marketing, graphics and special events and promotions.

- **Advertising** drives sales by supporting product launches and bringing awareness to Lottery products and contributions to education. The Lottery's advertising is designed to not only inform and persuade the general public to purchase available products, but to also generate increased purchases of Lottery games over time through strategic "branding" efforts. In addition to traditional radio and television media buys in the General, Hispanic and Haitian markets, the Lottery advertises on static and digital billboards, on social media, and has a presence on nightly Draw television carrier stations.
- **Strategic Alliance** drives the growth of the Lottery beyond its core business, and initiates and manages key promotional business and marketing initiatives. Responsibilities also include identifying, evaluating, negotiating, and implementing new strategic alliances and corporate sponsorships.
- **Graphics** provides overall art design and direction for the Lottery, including quality control for Scratch-Off ticket design, logo usage, publications, promotional items and graphic presentations.

Special Events increases the awareness of Lottery products and contributions to education through special promotions, promotional merchandise and participation in special events in communities throughout Florida. Responsibilities include off-site, live game drawings, retailer promotions and Lottery Showvan scheduling.



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FINANCIAL STATEMENTS

FISCAL YEARS ENDED JUNE 30, 2016, AND 2015

Sherrill F. Norman, CPA
Auditor General

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the Department of the Lottery (Lottery), an enterprise fund of the State of Florida, as of and for the fiscal years ended June 30, 2016, and 2015, and the related notes to the financial statements, which collectively comprise the Lottery's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the Lottery as of June 30, 2016, and 2015, and the respective changes in financial position and cash flows, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1, the financial statements of the Lottery present the financial position, the changes in financial position, and cash flows of only that portion of the business-type activities and major funds of the State that is attributable to the transactions of the Lottery. These financial statements do not purport to, and do not, present fairly the operations of the State of Florida as of June 30, 2016, and 2015, or the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 1.U., the Lottery adopted the provisions of Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*, which addresses accounting and financial reporting issues related to fair value measurements. Adoption of this statement resulted in additional disclosures related to fair value hierarchy and pricing sources in the notes to the financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS** (pages 27 through 32) and schedules of the Lottery's proportionate share of the net pension liability and contributions (page 57) be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lottery's basic financial statements. The Message from the Governor, Message from the Secretary, Contributions to Education, Celebrating Milestones: A Year in Review, Strategic Alliance Partnerships and Promotions, Special Events, Winning Moments, Enhancing Business Partnerships, Product Development, and Organizational Structure on pages 3 through 20 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Message from the Governor, Message from the Secretary, Contributions to Education, Celebrating Milestones: A Year in Review, Strategic Alliance Partnerships and Promotions, Special Events, Winning Moments, Enhancing Business Partnerships, Product Development, and Organizational Structure have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable *Government Auditing Standards*, we have also issued a report on our examination of the Lottery's internal control over financial reporting, and on our tests of the Lottery's compliance with certain provisions of laws, rules, regulations, contracts, and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***. As noted by that report dated January 25, 2017, we have examined, in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements in *Government Auditing Standards*, the Lottery's internal control over financial reporting as of June 30, 2016, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and expressed an unqualified opinion. With respect to compliance, the purpose of that report is not to provide an opinion on compliance, but rather to describe the scope of our testing of compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Lottery's internal control over financial reporting and compliance.

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
January 25, 2017
Audit Report No. 2017-103

MANAGEMENT'S DISCUSSION AND ANALYSIS

The information presented in the Management's Discussion and Analysis (MD&A) introduces the Florida Lottery's (Lottery) financial statements and provides readers an analytical overview of the Lottery's financial activities and performance for the fiscal years ended June 30, 2016, and 2015. We encourage readers to consider the information presented here in conjunction with the financial statements and notes to the financial statements, which begin on page 34.

FINANCIAL HIGHLIGHTS

The Lottery has as its mission the maximization of revenues for the benefit of education in a manner consistent with the dignity of the State of Florida and the welfare of its citizens. The Lottery is considered a mature lottery and offers its players a full range of both Scratch-Off and Draw products. The Lottery has been successful in sustaining ticket sales in excess of $2 billion for the twenty-seventh consecutive fiscal year, with the past four fiscal years exceeding $5 billion. During the same twenty-seven year period, the transfer to the Educational Enhancement Trust Fund (EETF) has been a minimum of $800 million annually, with the fiscal year 2016 transfer exceeding $1 billion for the fourteenth consecutive year.

For the fiscal year ended June 30, 2016:

- Transfers to the EETF were approximately $1.69 billion this fiscal year compared to $1.50 billion in the prior fiscal year.
- The Lottery's ticket sales increased by 8.58 percent over the prior fiscal year from approximately $5.58 billion to $6.06 billion.
- Approximately 65.23 percent of total sales were provided by the Scratch-Off product line. This shift in product mix from the higher profit-margin Draw product to the lower profit margin Scratch-Off product directly impacts the amount transferred to the EETF.
- Prize expense increased $241.03 million, which represents a 6.64 percent increase during fiscal year 2016. The Lottery has the authority to vary the prize expense in order to maximize transfers. This expense typically increases or decreases in proportion to ticket sales and represented approximately 63.82 percent of ticket sales.
- The gaming vendors' fees and retailer commissions are based on sales and therefore fluctuate in direct correlation with sales revenue. Fiscal year 2016 expenses for these items increased 8.04 percent over the prior fiscal year expenses in conjunction with the increase in sales.
- Administrative operating expenses, which include advertising, salaries and benefits, rent, utilities and maintenance, professional fees, depreciation, and other administrative expenses, experienced an increase of $4.42 million. Administrative operating expenses for fiscal years 2016 and 2015 were $80.12 million and $75.70 million, respectively.
- Nonoperating income increased $25.51 million over the prior fiscal year. The increase was primarily due to an increase of $21.64 million in the fair value of investments.
- EETF transfers from unclaimed prize money increased $21.09 million over the prior fiscal year. Transfers from unclaimed Draw games increased $2.04 million while transfers from unclaimed Scratch-Off games increased $19.05 million compared to fiscal year 2015. This increase can be attributed to the fact that during fiscal year 2016 the Lottery closed 36 games compared to 18 games closed during fiscal year 2015.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Lottery is accounted for as an enterprise fund, reporting transactions using the accrual basis of accounting similar to the method used by business entities. This MD&A is intended to serve as an introduction to the Lottery's basic financial statements, including the notes to the financial statements. The Statements of Net Position on page 34, the Statements of Revenues, Expenses, and Changes in Net Position on page 35, and the Statements of Cash Flows on page 36 report the Lottery's net position and changes therein. The notes to the financial statements provide additional information that is essential to a reader's understanding of the data provided in the financial statements.

The Lottery transfers its net profits each fiscal year to the EETF. As a result, the Lottery's net position consists of funds invested in capital assets, unrestricted net position, and restricted net position. Unrestricted net position consists of liabilities for which no cash payments will be made. The restricted net position consists of the investments being held by the Lottery to fund deferred prize payouts, 20 percent of unclaimed prizes designated for future prize payouts or promotions, and the Multi-State Lottery Association (MUSL) deposit amounts. The financial statements do include the cumulative effect of periodic adjustments to recognize the fair value of the grand prize investments despite the fact that the Lottery purchased the investments with the intention of holding the investments until maturity in order to meet the future obligations and, therefore, would not realize any gains or losses related to these investments for distribution as net proceeds.

SUMMARY OF NET POSITION

Table 1 presents a comparative summary of the Lottery's Statements of Net Position for fiscal years 2016, 2015, and 2014.

Table 1 | Condensed Statements of Net Position | As of June 30, 2016, 2015, and 2014 | (In Thousands)

	2016	2015	2014
Current Assets	$ 302,231	$ 205,746	$ 175,627
Restricted Assets	399,191	732,727	841,406
Capital Assets, Net of Depreciation	6,106	5,820	4,243
Total Assets	707,528	944,293	1,021,276
Total Deferred Outflows of Resources	5,007	3,969	-
Current Liabilities	298,831	206,321	167,804
Current Liabilities Payable from Restricted Assets	43,294	383,503	450,147
Noncurrent Liabilities	260,801	271,186	305,664
Total Liabilities	602,926	861,010	923,615
Total Deferred Inflows of Resources	2,179	5,709	-
Net Position:			
Net Investment in Capital Assets	6,106	5,820	4,243
Restricted Net Position	121,932	95,094	93,418
Unrestricted Net Position	(20,608)	(19,371)	-
Total Net Position	$ 107,430	$ 81,543	$ 97,661

FINANCIAL ANALYSIS

Assets

Total assets at the end of fiscal year 2016 decreased $236.76 million from $944.29 million at June 30, 2015, to $707.53 million at June 30, 2016. At the end of fiscal year 2015, total assets were $76.98 million less than the $1.02 billion at the end of fiscal year 2014.

- Current assets increased from $205.75 million in 2015 to $302.23 million in 2016, representing an increase of $96.48 million. The increase was primarily due to an increase of $129.31 million in cash and cash equivalents for fiscal year 2016 experienced with the increased cash flows from a record setting Powerball® jackpot in January of 2016.
  (See Financial Analysis, Sales section of the MD&A for additional details.)
- Restricted assets decreased $333.54 million from $732.73 million in 2015 to $399.19 million in 2016. The decline came with the Lottery's decision to cease participation in the securities lending program in May of 2016. A continued decline in grand prizewinners choosing the annuity option led to a sustained reduction in the size of the portfolio of investments available for loan. This caused a steady decline in the return on investments. It was determined that the benefits no longer offset the risks associated with participation. (See Note 2 to the financial statements for additional details.)
- The Lottery held $317.06 million in invested collateral and time deposits at June 30, 2015, and $363.98 million at June 30, 2014.

Deferred Outflows of Resources

Total deferred outflows of resources as of June 30, 2016, were $5.01 million reflecting an increase of $1.04 million over the June 30, 2015 amount of $3.97 million for pension related items.

(Refer to Note 9 to the financial statements for additional details.)

Liabilities

Total liabilities at June 30, 2016, were $602.93 million, which was approximately $258.08 million lower than the total liabilities of $861.01 million at June 30, 2015. The total liabilities at June 30, 2015, were $62.61 million lower than the June 30, 2014, amount of $923.62 million.

- Current liabilities increased by $92.51 million from $206.32 million on June 30, 2015, to $298.83 million on June 30, 2016. This increase can be attributed to the increase in the amount owed to the EETF. The current liabilities payable from restricted assets decreased $340.21 million from $383.50 million at June 30, 2015, to $43.29 million at June 30, 2016. This decrease is also related to the Lottery no longer participating in securities lending. The current portion of grand prizes payable decreased by $23.12 million. At June 30, 2015, current liabilities payable from restricted assets balance of $383.50 million was $66.65 million less than the balance of $450.15 million at June 30, 2014.
- Noncurrent liabilities principally consist of the long-term portion of grand prizes payable, which represents the amount to be paid to grand prizewinners in future years. Correlative to current grand prizes payable, the long-term grand prizes payable decreased $16.19 million from June 30, 2015, to June 30, 2016, and decreased $44.31 million from June 30, 2014, to June 30, 2015.

Deferred Inflows of Resources

Total deferred inflows of resources as of June 30, 2016, were $2.18 million reflecting a decrease of $3.53 million over the June 30, 2015, amount of $5.71 million for pension related items.

(Refer to Note 9 to the financial statements for additional details.)

Net Position

Net position increased $25.89 million from June 30, 2015, to June 30, 2016. Net position at June 30, 2016, 2015, and 2014 were $107.43 million, $81.54 million, and $97.66 million, respectively. The increase at June 30, 2016, can be attributed to a $19.07 million increase in the amount restricted for undistributed appreciation on restricted investments. The increase is due to the increase in the fair market value of both the grand prize investments held by the Lottery and investments held at the State Treasury. There was also a $6.74 million increase in the amount restricted for future prizes or special prize promotions.

The Lottery joined MUSL seven years ago in order to participate in the Powerball with Powerplay® game and on May 15, 2013, the Lottery began participating in Mega Millions® with Megaplier®. In accordance with MUSL's rules, the Lottery must contribute to various prize reserve funds maintained by MUSL for unforeseen prize payouts related to the Powerball with Powerplay and Mega Millions with Megaplier games. The Lottery's deposits in reserve funds with MUSL totaled $22.79 million and $21.77 million as of June 30, 2016, and June 30, 2015, respectively. (Refer to Note 6 to the financial statements for further details.)

SUMMARY OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The most important element demonstrated with the Lottery's financial statements is the transfer to the EETF. Accordingly, the primary focus of these financial statements is determining net income available for transfer, rather than the change in net position of the Lottery, which primarily reflects the changes in fair value of restricted investments.

Table 2 presents the Condensed Statements of Revenues, Expenses, and Changes in Net Position for the fiscal year ended June 30, 2016, and the prior fiscal years ended June 30, 2015, and June 30, 2014, as derived from the Lottery's Statements of Revenues, Expenses, and Changes in Net Position.

Table 2 | Condensed Statements of Revenues, Expenses, and Changes in Net Position | As of June 30, 2016, 2015, and 2014 | (In Thousands)

	2016	2015	2014
Operating Revenues:			
Ticket Sales	$ 6,062,354	$ 5,583,331	$ 5,368,230
Bad Debt Expense	(1,487)	(1,263)	(1,337)
Terminal & Retailer Fees and Miscellaneous	7,620	7,652	7,817
Total Operating Revenues	6,068,487	5,589,720	5,374,710
Operating Expenses:			
Prizes	3,868,970	3,627,939	3,431,092
Retailer Commissions	337,007	311,981	298,651
Vendor Commissions	88,241	81,635	77,052
Other Expenses	80,121	75,696	74,528
Total Operating Expenses	4,374,339	4,097,251	3,881,323
Income from Operations	1,694,148	1,492,469	1,493,387
Nonoperating Revenue, Net of Expenses	24,290	(1,218)	(5,618)
Income Before Operating Transfers	1,718,438	1,491,251	1,487,769
Total Transfers to EETF	(1,692,551)	(1,496,371)	(1,495,409)
Change in Net Position	25,887	(5,120)	(7,640)
Net Position, Beginning Restated	81,543	86,663	105,301
Net Position, End of Year	$ 107,430	$ 81,543	$ 97,661

FINANCIAL ANALYSIS

Sales

For the fiscal year ended June 30, 2016, ticket sales increased by $479.02 million over fiscal year 2015, which experienced a sales increase of $215.10 million over fiscal year 2014. The Draw game ticket sales increased 13.36 percent from the prior year. The Lottery not only continued to utilize proven techniques, but also created new promotions for players.

- Powerball sales increased from $375.06 million in fiscal year 2015 to $602.00 million in fiscal year 2016. This increase can be attributed to a record-setting $1.59 billion Powerball jackpot in which a Florida player was one of three nationally to win.
- The daily games, CASH 3™ and PLAY 4™, reflect an increase with combined sales for fiscal year 2016 reaching $671.41 million or 4.99 percent over the prior year.
- The 500 Full Service Vending Machines (FSVMs) used during the 2016 fiscal year reflected an increase in sales of $36.52 million or 14.19% over the prior fiscal year.

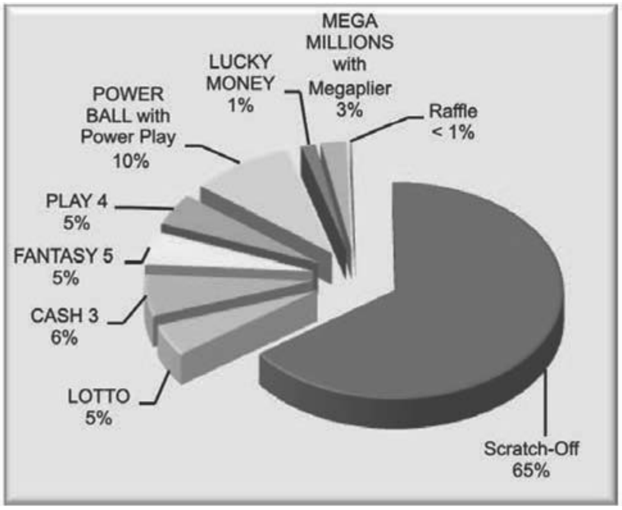
Sales of Scratch-Off tickets increased $230.71 million from $3.72 billion sales in fiscal year 2015 to $3.95 billion sales in fiscal year 2016.

- Scratch-Off ticket sales experienced an increase of 6.20 percent over prior year sales with increases being reflected in most price points. The largest increase was seen in the $5 price point. The $5 price point was dominated by the $2,500 A Week for Life ticket with sales totaling $106.54 million.
- Instant Ticket Vending Machines (ITVMs) have proven successful in increasing the visibility of Scratch-Off ticket products and offering a convenience to players. There were 1,500 machines in use during the year contributing $333.30 million to Scratch-Off sales.

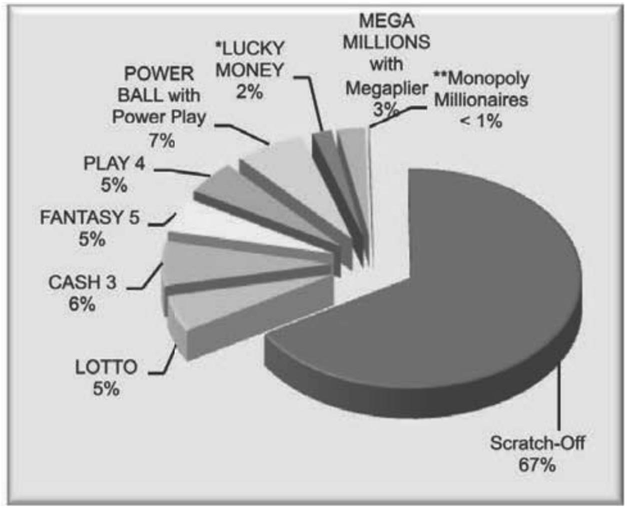
Bad debt expense is reported as a reduction in gross revenue in accordance with Governmental Accounting Standards Board requirements. The amount of bad debt expense for the fiscal years ended June 30, 2016, and 2015, was $1.49 million and $1.26 million, respectively.

The following charts show sales by product for the various Lottery games during the fiscal years 2016 and 2015:

Fiscal Year 2015-16



Fiscal Year 2014-15



* Mega Money was replaced by Lucky Money on July 2, 2014.

** Monopoly Millionaires' Club launched October 19, 2014, but was discontinued December 26, 2014.

The following chart and table show sales by game for the last ten fiscal years:

Department of the Lottery | Historical Lottery Sales by Game | (In Thousands)

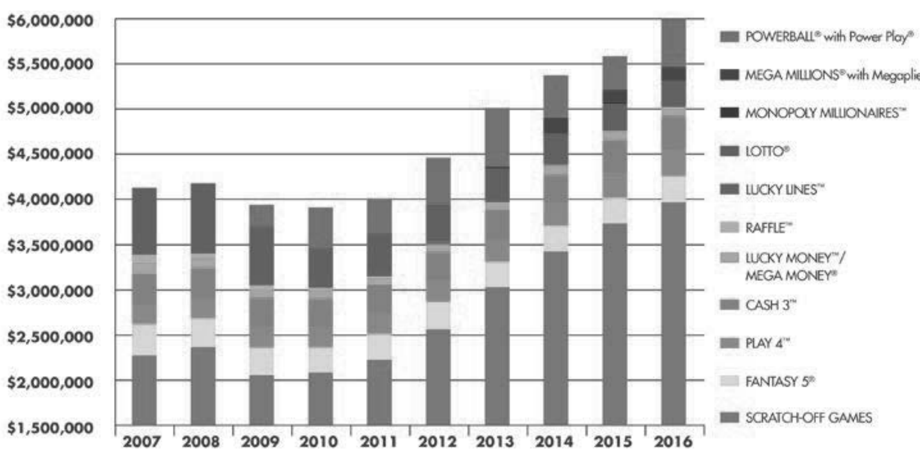


Table 3 | Department of the Lottery | Historical Lottery Sales by Game | Last Ten Fiscal Years | (In Thousands)

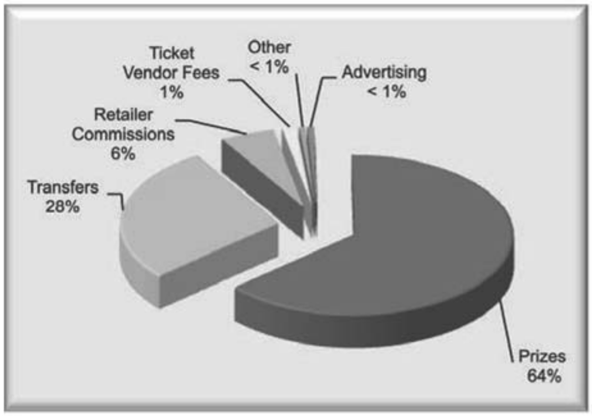
	0	5	4									
2007	$ 735,585	$ 326,241	$ 225,285	$348,694	$ 130,142	$72,549	$	$	$	$	$ 2,283,620	$4,122,116
2008	778,954	309,445	227,940	336,096	122,742	30,818					2,368,781	4,174,776
2009	650,603	287,285	238,957	320,157	102,190	41,314		233,396			2,064,135	3,938,037
2010	445,881	281,963	235,027	304,039	92,060	29,334		434,062			2,078,133	3,900,499
2011	411,389	282,777	235,692	313,270	88,971	12,603	45,369	392,969			2,225,676	4,008,716
2012	419,040	290,672	244,711	314,747	92,346		17,692	503,697			2,566,991	4,449,896
2013	352,375	281,492	244,141	324,539	89,500	12,879	8,582	654,263	16,698		3,028,527	5,012,996
2014	349,114	288,237	257,752	339,636	79,483			469,292	167,573		3,417,143	5,368,230
2015	300,961	287,803	276,217	363,251	103,196			375,057	147,370	5,481	3,723,995	5,583,331
2016	291,382	296,307	291,651	379,757	84,881	11,724		602,001	149,950		3,954,701	6,062,354

Expenses

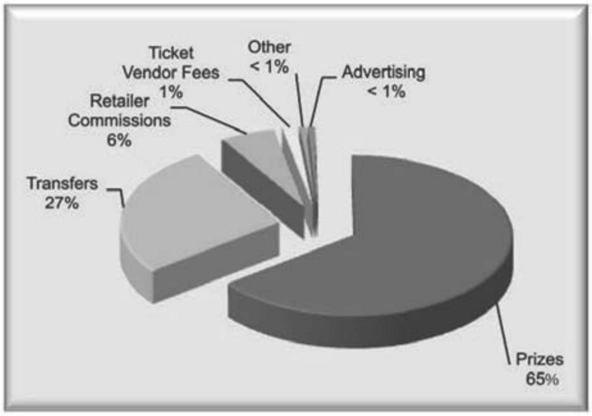
Section 24.121, Florida Statutes, stipulates that funds remaining in the Operating Trust Fund after the transfer to the EETF shall be used for the payment of administrative expenses of the Lottery. These expenses include Draw game expenses, Scratch-Off ticket expenses, advertising, and other expenses required for the day-to-day operations of the Lottery.

The following charts show the major components of Lottery operating expenses and transfers as a percentage of ticket sales for the 2016 and 2015 fiscal years:

Fiscal Year 2015-16



Fiscal Year 2014-15



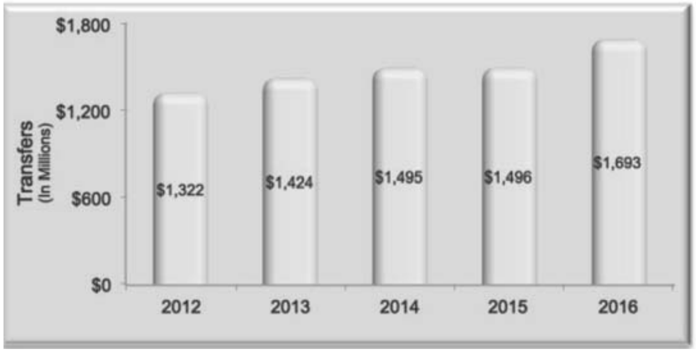
Prizes, commissions, and gaming vendor fees are directly related to sales and fluctuate accordingly. In fiscal year 2016, these expenses changed proportionally; yet as a percentage of total expenses they remained constant. The other expenses, which consisted of advertising, salary and benefits, professional fees, rent, maintenance, and depreciation, increased slightly. Fiscal year 2016 and 2015 administrative expenses were $80.12 million and $75.70 million, respectively.

Transfers

Since its inception, the Lottery's total transfers to the EETF were $30.13 billion. The Lottery's contribution to the EETF for fiscal year ended June 30, 2016, was $1.69 billion. The Lottery has contributed over $1 billion for the fourteenth consecutive year.

The following chart shows the total transfers to the EETF for the past five years:

Department of the Lottery | Transfers to the EETF | (In Millions)



ECONOMIC FACTORS AND FUTURE IMPACTS

The main economic factors affecting lottery sales are population growth, personal income changes, tourism, and competition for discretionary consumer spending. Florida's unemployment rate dropped from 5.6 percent in fiscal year 2015 to 4.7 percent during fiscal year 2016. In fiscal year 2016, Lottery sales exceeded $6.06 billion, setting new sales records for Draw, Scratch-Off and total game sales. The Lottery's strategies have revolved around enhancing Draw and Scratch-Off games, increasing retailer penetration in the State, and refreshing the Lottery's brand.

FINANCIAL CONTACT

The Lottery's financial statements and this MD&A are designed to give a general overview to the reader. If you have any questions regarding this report or require additional information, please contact the State of Florida, Department of the Lottery, Chief Financial Officer, 250 Marriott Drive, Capitol Complex, Tallahassee, Florida 32399.

BASIC FINANCIAL STATEMENTS

FISCAL YEARS ENDED JUNE 30, 2016, AND 2015

Department of the Lottery | Statements of Net Position | As of June 30, 2016, and June 30, 2015 | (In Thousands)

	0 2016	0 2015
Current ssets:		
Cash and cash e uivalents	$ 266,010	$ 136,697
Interest receivable	423	62
ccounts receivable, net	31,924	65,645
Prepaid expenses	21	148
Inventories	1,485	1,090
Securit deposits	2,368	2,104
Total Current ssets	302,231	205,746
Noncurrent ssets:		
Restricted ssets		
Cash and cash e uivalents	28,268	35,159
Securities lending income receivable		76
Deposit ith M S	22,793	21,766
Investments, grand prize	348,130	372,266
Investments, securit lending collateral		303,460
Total Restricted ssets	399,191	732,727
Capital assets, net	6,106	5,820
Total Noncurrent ssets	405,297	738,547
	707,528	944,293
Pension related items	5,007	3,969
	5,007	3,969
Current iabilities:		
ccounts pa able and accrued liabilities	6,138	7,729
Prizes pa able	131,094	128,514
Due to Educational Enhancement Trust Fund	158,551	67,371
Deposits pa able	2,445	2,106
Compensated absences pa able	384	409
Net pension liabilit	219	192
Total Current iabilities	298,831	206,321
Current iabilities Pa able from Restricted ssets:		
Securities lending fees pa able		47
Obligations under securities lending		317,044
rand prizes pa able	43,294	66,412
Total Current iabilities Pa able from Restricted ssets	43,294	383,503
Noncurrent iabilities:		
rand prizes pa able from restricted assets	237,968	254,154
Compensated absences pa able	3,456	3,455
Net pension liabilit	12,694	8,492
Other long term liabilities	6,683	5,085
Total Noncurrent iabilities	260,801	271,186
	602,926	861,010
Pension related items	2,179	5,709
	2,179	5,709
Invested in capital assets	6,106	5,820
Restricted for undistributed appreciation on restricted investments	70,871	51,800
Restricted for M S	22,793	21,766
Restricted for future prizes or special prize promotions	28,268	21,528
nrestricted	(20,608)	(19,371)
	$ 107,430	$ 81,543

The notes to financial statements are an integral part of these statements.

Department of the Lottery | Statements of Revenues, Expenses, and Changes in Net Position | For The Years Ended June 30, 2016, and June 30, 2015 | (In Thousands)

	June 30, 2016	June 30, 2015
Operating Revenues		
Ticket sales	$ 6,062,354	$ 5,583,331
Bad debt expense	(1,487)	(1,263)
Terminal fees and miscellaneous	7,439	7,456
Retailer fees	181	196
Total Operating Revenues	6,068,487	5,589,720
Operating Expenses		
Prizes	3,868,970	3,627,939
Retailer commissions	337,007	311,981
Scratch-Off tickets	55,591	51,665
Draw games	32,650	29,970
Advertising	41,180	37,513
Personal services	28,379	27,320
Other contractual services	7,941	8,344
Materials and supplies	1,662	2,078
Depreciation	959	441
Total Operating Expenses	4,374,339	4,097,251
Operating Income	1,694,148	1,492,469
Nonoperating Revenues (Expenses)		
Interest	4,695	4,032
Securities lending income	1,163	997
Securities lending fees	(645)	(505)
Investment management fees	(405)	(370)
Net appreciation (depreciation) in fair value of investments	34,246	12,604
Property disposition (loss)	15	64
Amortization of grand prizes payable	(14,779)	(18,040)
Total Nonoperating Revenues (Expenses), Net	24,290	(1,218)
Income Before Operating Transfers	1,718,438	1,491,251
Transfers to Educational Enhancement Trust Fund	(1,692,551)	(1,496,371)
Change in Net Position	25,887	(5,120)
Net Position, Beginning of Year, as originally reported	81,543	97,661
Implementation effect of GASB Statement No. 68	-	(10,998)
Net Position, Beginning Restated	81,543	86,663
Net Position, End of Year	$ 107,430	$ 81,543

The notes to financial statements are an integral part of these statements.

Department of the Lottery | Statements of Cash Flows | For The Years Ended June 30, 2016, and June 30, 2015 | (In Thousands)

	0 2016	0 2015
Ticket sales	$ 6,094,588	$ 5,563,425
Prizes paid to inners	(3,867,418)	(3,605,452)
Commissions paid and pa ments to retailers	(337,007)	(311,981)
Paid to vendors for goods and services	(141,026)	(126,956)
Paid to emplo ees	(27,001)	(26,622)
Other operating revenue	7,695	7,652
	1,729,831	1,500,066
Pa ments to Educational Enhancement Trust Fund	(1,601,371)	(1,484,409)
	(1,601,371)	(1,484,409)
Purchase of capital assets	(1,229)	(1,954)
	(1,229)	(1,954)
Cash received from maturit of grand prize investments	66,419	86,154
Cash paid to grand prize inners upon maturit of grand prize investments	(66,419)	(86,154)
Securit lending	(13,600)	(1,400)
Investment income, net of fees	8,791	4,315
	(4,809)	2,915
	122,422	16,618
Cash and Cash E uivalents, Beginning of Year	171,856	155,238
Cash and Cash E uivalents, End of Year	$ 294,278	$ 171,856
Income from operations	$ 1,694,148	$ 1,492,469
d ustments to reconcile income from operations to net cash provided b operating activities:		
Depreciation	959	441
Changes in assets and liabilities		
(Increase) decrease in:		
ccounts receivable	32,505	(21,258)
Inventories	(394)	645
Prepaid expenses	127	(140)
Increase (decrease) in:		
llo ance for uncollectible accounts	(75)	779
ccounts pa able and accrued liabilities	(1,253)	2,103
Prizes pa able	2,579	24,436
Compensated absences pa able	(23)	90
Net pension liabilit and related deferred outflo s and inflo s	(339)	(575)
Postemplo ment healthcare benefits pa able	1,597	1,076
	$ 1,729,831	$ 1,500,066
Noncash Investing, Capital and Financing ctivities:		
Increase (decrease) in fair value of investments	$ (6,655)	$ (42,047)

The notes to financial statements are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The State of Florida, Department of the Lottery (the Lottery) was established as a State agency with the enactment of the Florida Public Education Lottery Act (the Act) in 1987. The purpose of the Act is "to implement Section 15, Article X of the State Constitution in a manner that enables the people of the State to benefit from significant additional moneys for education and also enables the people of the State to play the best lottery games available."

In evaluating the Lottery as a reporting entity, management has addressed all potential component units for which the Lottery may be financially accountable and, as such, be includable in the Lottery's financial statements. The Lottery is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the Lottery. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Management's analysis has disclosed no component units that should be included in the Lottery's financial statements.

B. Basis of Presentation

The Lottery is accounted for as a proprietary type enterprise fund. Enterprise funds are used to account for activities that are financed and operated in a manner similar to private business enterprises: (1) where the costs of providing goods and services to the general public on a continuing basis are to be financed through user charges; or (2) where the periodic determination of net income is considered appropriate. The Lottery is reported as an enterprise fund within the State of Florida's Comprehensive Annual Financial Report.

C. Basis of Accounting

Basis of accounting refers to when the revenues, expenses, and related assets and liabilities are recognized in the accounts and reported in the financial statements. The financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Under this method, revenues are recognized when they are earned and expenses are recognized when they are incurred.

The measurement focus of proprietary fund types 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 Statements of Net Position.

The Lottery's operating revenues and expenses generally result from the sale and marketing of lottery tickets and the payment of related prizes. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Cash and Cash Equivalents

The Lottery considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. This includes cash in banks, repurchase agreements with financial institutions, petty cash, balances held by the State Board of Administration (SBA), and pooled investments in the State Treasury.

E. Investments

Florida Statutes authorize the Lottery to invest in certain instruments. The Lottery reports investments at fair value. Investments that are not publicly quoted are priced by a third party through a discounted cash flow method.
(Details of investments are included in Note 2.)

F. Allowance for Doubtful Accounts

The allowance for doubtful accounts is based on an analysis of collectability of accounts receivable, which considers the age of the accounts.

G. Inventories
Supply inventory and promotional items are valued at cost, using the first-in, first-out method. Supply inventory comprised game merchandise, prepaid postage, and prepaid tolls.

H. Prepaid Expenses
Prepaid expenses represent warranty agreements paid for during the current year but will not be consumed or used up until a future period.

I. Capital Assets
Capital assets are stated at cost less accumulated depreciation. As required by Chapter 273, Florida Statutes, a capitalization threshold of $1,000 and useful life extending beyond one year are employed for tangible personal property. The Lottery's capitalization threshold for intangible assets is $100,000. Depreciation on all capital assets is computed using the straight-line method over the following estimated useful lives:

Data processing equipment	3 to 5 years
Office furniture and fixtures	3 to 15 years
Vehicles and other equipment	3 to 20 years
Software	3 to 15 years

When capital assets are retired or otherwise disposed of, the costs and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in the Statements of Revenues, Expenses, and Changes in Net Position in the period of disposal. (See Note 5 for more detailed information on capital assets.)

J. Deferred Outflows of Resources
A consumption of net assets by the government that is applicable to a future reporting period is presented as a deferred outflow of resources.

K. Long-Term Liabilities
Refer to Note 7 for information on grand prizes payable, compensated absences payable, postemployment healthcare benefits payable, and net pension liability, along with changes in long term liabilities. Also, refer to Note 9 for additional information on net pension liability and postemployment healthcare benefits payable.

L. Compensated Absences
Employees earn the right to be compensated during absences for vacation, illness, and unused special compensatory leave earned for hours worked on legal holidays. 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, unused leave benefits are paid to employees upon separation from State service. The cost of vacation and calculated sick leave benefits is accrued in the period in which the benefits are earned. The compensated absences are based on current fiscal year-end salary rates and include employer social security and pension contributions at current rates.

M. Deferred Inflows of Resources
A deferred inflow of resources is an acquisition of net assets by the government that is applicable to a future reporting period.

N. Net Position
Net position includes categories for invested in capital assets, restricted for undistributed appreciation on restricted investments, restricted for future prizes or special prize promotions, restricted for the Multi-State Lottery Association (MUSL), and unrestricted net position resulting from liabilities for which no cash payments will be made. (See Note 1.V. for more information on unrestricted net position.)

The invested in capital assets category represents the investment in capital assets, recorded at cost less accumulated depreciation.

The restricted for undistributed appreciation on restricted investments category primarily represents the undistributed appreciation for all restricted asset accounts.

The restricted for future prizes or special prize promotions category represents the portion of unclaimed prize obligations legally reverted back to the Lottery and restricted for use in the payment of future prize pools or special prize promotions in accordance with Section 24.115(2), Florida Statutes.

The restricted for MUSL category represents the amount placed into reserve for the Florida Lottery by the MUSL. (See Note 6 for more information on MUSL.)

O. Revenue Recognition
Lottery games are sold to the public by contracted retailers. Revenue is recognized when Draw game tickets are sold to players and when books of Scratch-Off tickets are settled. Certain games include tickets that entitle the holder to exchange one ticket for another (free tickets). Such tickets are deemed to be replacements and, therefore, are not included in ticket sales.

P. Commissions
Retailers receive a commission of 5 percent on ticket sales. The commission on ticket sales for games is based upon total tickets distributed to the players (including free tickets) which, when compared to revenue, causes the percentage to be slightly higher or lower than 5 percent at any given time. Additionally, retailers are paid commissions through a 1 percent cashing bonus on redemption of tickets (including free tickets).

Q. Prizes
In accordance with the Act, variable percentages of the gross revenue from the sale of Draw and Scratch-Off lottery tickets shall be returned to the public in the form of prizes paid by the Lottery or retailers as authorized.

Prize expense for Draw games is recorded based on prizes won by the players, as revenue is recognized. Any prize that remains unclaimed at the end of a 180-day period following a draw is considered unclaimed.

Prize expense for Scratch-Off games is recorded based on the predetermined prize structure for each game, as revenue is recognized. Any prize that remains unclaimed 60 days after a Scratch-Off game is closed is considered unclaimed.

Effective July 1, 2005, 80 percent of all unclaimed prize money is deposited in the Educational Enhancement Trust Fund (EETF). The remaining 20 percent of unclaimed prize money is added to the pool from which future prizes are to be awarded or used for special prize promotions and is reported as restricted for future prizes or special prize promotions.

All prizes are recorded at the actual amount except for the annuity-funded prizes, which are paid out on a deferred basis. The actual prize expense for these types of prizes is based on the present value of an annuity using the interest yield on the investments acquired to fund the annuity.

R. Self-Insurance
The Lottery participates in the various self-insurance programs established by the State of Florida for property and casualty losses and employee health insurance. Coverage includes property, general liability, automobile liability, workers' compensation, court-awarded attorney fees, and Federal civil rights actions. The property insurance program self-insures the first $2 million per occurrence for all perils except named windstorm and flood. For named windstorm and flood, the property insurance program self-insures the first $2 million per occurrence but with an annual aggregate retention of $40 million. Commercial excess insurance is purchased for losses over the self-insured retention up to $85 million per occurrence for named windstorm and flood losses and $200 million per occurrence for all other perils. Workers' compensation is provided to comply with the applicable law. The employee health and dental insurance program provides for payment of medical claims of employees and covered dependents.

S. Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, restricted net position, revenues, and expenses, and disclosures of contingent assets and liabilities. Actual results could differ from those estimates.

T. Bad Debt Expense
Bad debt expense is reported as a reduction in gross revenue. Bad debt expense is recognized when a Lottery retailer's uncollected revenue is past due. The amount of expense is based on an accounts receivable age analysis. The bad debt expense for the fiscal years ended June 30, 2016, and June 30, 2015, was $1,487,000 and $1,263,000, respectively.

U. Accounting Changes
The Lottery implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. Adoption of this statement also resulted in retrospective application to fiscal year 2015. This resulted in additional disclosures related to fair value hierarchy and pricing sources as prescribed by the standard. (See Note 2 for further detail.)

V. Unrestricted Net Position Deficit
The unrestricted net position deficit of $20,608,000 includes the cumulative effect of the Lottery's postemployment healthcare benefits, compensated absences, and net pension liabilities, along with the deferred outflows of resources and deferred inflows of resources for pension related items. As a result of these items being recorded for reporting purposes only and being excluded from the calculation of transfers to the EETF, the effect is a deficit balance in unrestricted net position.

2. CASH AND INVESTMENTS

A. Cash and Cash Equivalents
Cash is held in demand deposits at various financial institutions. These deposits, with a book value of approximately $350,000 at June 30, 2016, and $514,000 at June 30, 2015, were insured by either the State's collateral for public deposits in accordance with Section 280.04, Florida Statutes, or Federal depository insurance.

Chapter 280, Florida Statutes, generally requires public funds to be deposited in a Qualified Public Depository, which is a bank or savings association that is designated by the State of Florida Chief Financial Officer (State CFO) as authorized to receive deposits in the State and that meets the collateral requirements. The State CFO determines the collateral requirements and collateral pledging level for each Qualified Public Depository following guidelines outlined in Section 280.04, Florida Statutes, and Chapter 69C-2, Florida Administrative Code. Collateral pledging levels include 25, 50, 110, and 150 percent of a Qualified Public Depository's average daily deposit balance or, if needed, an amount as prescribed by the State CFO. Collateral may be held by another custodian with approval of the State CFO if conditions are met that protect the State's interest. Eligible collateral includes federal, federally-guaranteed, state and local government obligations, corporate bonds, and other securities designated allowable under conditions set by the State CFO.

Florida Statutes provides 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.

Due to the investing policy of the Lottery, book overdrafts were approximately $157,000 at June 30, 2016, and $1,019,000 at June 30, 2015, representing outstanding prize payment checks and retailer payment checks. These outstanding checks are included as a component of prizes payable and accounts payable. The Lottery has an agreement with a financial institution to honor prize payments and retailer payments, as they are presented to the bank, up to $75 million.

Surplus cash is maintained in the State Treasury's general pool of investments. The State CFO pools funds from all State agencies. Included in the pool are primarily time deposits, U.S. Government securities, federal agency securities, commercial paper, corporate bonds and notes, and repurchase agreements. The Lottery's share of this investment pool was approximately $293,927,000 and $157,742,000 at June 30, 2016, and 2015, respectively. No allocation will be made as to the Lottery's share of the types of investments or their risk categories. The Lottery's share of the assets and liabilities arising from the securities lending agreements administered by the State Treasury will likewise not be carried on the Statements of Net Position since the State Treasury operates on a pooled basis and to do so may give the misleading impression that the Lottery itself has entered into such agreements. For further information, refer to the State of Florida's Comprehensive Annual Financial Report or publications of the State of Florida Department of Financial Services, Office of the Chief Financial Officer.

B. Investments, Grand Prize

The grand prize investments primarily consist of U.S. Government obligations held on the Lottery's behalf by the SBA. Grand prize investments and related grand prizes payable are not presented in current assets or liabilities. They are not part of current operations but instead are restricted assets and liabilities that are held by the Lottery for grand prize winnings to be paid on a deferred basis if the cash payment option is not selected.

Grand prize investments are shown at fair value, and the related grand prizes payable are adjusted to the net present value using the yield on the investments. The difference between the fair value of the investments and the net present value of the grand prizes payable is reflected as restricted for undistributed appreciation on restricted investments in net position. This represents the unrealized gains on the investments. Because these investments are held restrictively for grand prizewinners, this balance is not available for transfer to the EETF.

Interest accreted on grand prize investments during the year is reflected as an increase in the carrying value of grand prizes payable on the Statements of Net Position, and as a nonoperating revenue (expense) on the Statements of Revenues, Expenses, and Changes in Net Position. Net appreciation (depreciation) in fair value of investments is reflected as a nonoperating revenue (expense) on the Statements of Revenues, Expenses, and Changes in Net Position, and takes into account all changes in fair value that occurred during the year, including purchases, maturities, and sales.

C. Investments, Security Lending Collateral

These investments consisted of the fair value of investments made with cash collateral held by the SBA on the Lottery's behalf as part of a securities lending program.

The SBA, authorized by Section 215.47, Florida Statutes, participated in a security lending program involving grand prize investments. The Lottery, through the SBA, loaned various securities to borrowers for collateral with a simultaneous agreement to return collateral for the same securities in the future. Collateral received from borrowers was in the form of cash or U.S. Government securities. The SBA was contractually limited from pledging or selling collateral except in the event of borrower default. The contract with the lending agent required it to indemnify the SBA if the borrowers fail to return the underlying securities or fail to pay income distributions on them. No significant violations of legal or contractual provisions occurred, and no losses resulted from borrower or lending agent defaults during fiscal years 2015 and 2016.

The Bank of New York Mellon (Mellon) was the agent for lending U.S. Treasury securities to various authorized brokers for cash or U.S. Government securities. Initially, collateral received was to be in the form of cash at 100 percent, or other securities valued at 102 percent, of the fair value of the securities loaned as required by the lending agreement. Borrowers were to be approved for lending by Mellon's credit department. Mellon monitored the fair value of collateral provided and the securities on loan on a daily basis. Additional collateral was to be required if the fair value of the collateral for any loan was less than 100 percent of the fair value of the securities provided for such loan.

The Lottery ceased participation in the securities lending program in May of 2016. This was primarily due to the continued decline in grand prizewinners choosing the annuity option which led to a sustained reduction in the size of the portfolio of investments available for loan. As a result, the return on investment continued to steadily decline. Considering the lower income potential, it was determined that the benefits no longer outweighed the risks associated with participation in the program.

A risk factor associated with the lending agreement was the potential for declines in the value of the invested holdings purchased with the cash collateral. Other risk factors associated with security lending include counterparty default and failure of the custodial bank to indemnify the Lottery. Upon liquidation, any shortfall between the value of the investments and the securities lending obligation would have been the responsibility of the Lottery. As of June 30, 2015, the unrealized shortfall was $13,100. As of June 30, 2016, there were no outstanding loans of securities or collateral obligations. The gain realized upon liquidation was $77,000.
The SBA received $317,044,000 of cash collateral for the lending program as of June 30, 2015. At June 30, 2015, the collateral that was held for the securities lending transactions exceeded the fair value of the securities underlying the agreements (including accrued interest). The cash was invested in securities authorized by the lending agreement. Authorized securities included primarily certificates of deposit, corporate and medium term

notes, asset backed securities, and repurchase agreements. The invested cash collateral generally had a shorter maturity than the securities on loan.

Securities lending income and expenses for the year ended June 30, 2016, and 2015, consisted of (in thousands):

	2016	2015
Securities lending income	$ 1,163	$ 997
ess broker rebates	(568)	(447)
ess bank fees	(77)	(58)
	$ 518	$ 492

D. Investment Credit Risk

Lottery grand prizewinner investments have been limited to U.S. Government guaranteed securities.

Listed below are Standard and Poor's (S&P) credit ratings for the lending program's invested cash collateral (in thousands):

As of June 30, 2015:

1							2
	$ 45,070	$	$	$ 4,400	$ 40,670	$	$
	54,457	8,099		25,130		18,306	2,922
	14,308			14,308			
1	3,099		3,099				
Not Rated	75,232	24,000			26,479		24,753
	192,166	$ 32,099	$ 3,099	$ 43,838	$ 67,149	$ 18,306	$ 27,675
Not Rated [2]	111,294	Repurchase agreements					
	$ 303,460						

Notes: (1) Ratings for investments are presented using S&P credit ratings If S&P did not rate a securit , including the collateral underl ing repurchase agreements, the investments ere presented as Not Rated

(2) Collateral for repurchase agreements hich are explicitl guaranteed b the S overnment do not re uire disclosure of credit ualit

The State Treasury Investment Pool's current rating by S&P is A+f as of June 30, 2016.

E. Investment Interest Rate Risk

The investment policy objective is to match maturities of investments with the maturities of the Lottery prizewinner annuities. Therefore, investments are held to maturity after they are purchased thereby eliminating interest rate risk. Listed below are the Lottery's investments in U.S. Treasury Strips (in thousands):

As of June 30, 2016		As of June 30, 2015	
Time to Maturity	**Fair Value**	**Time to Maturity**	**Fair Value**
< 1 year	$ 45,503	< 1 year	$ 66,412
> 1 year to 3 years	46,319	> 1 year to 3 years	69,793
> 3 years to 5 years	39,466	> 3 years to 5 years	37,425
> 5 years to 10 years	96,913	> 5 years to 10 years	85,887
> 10 years to 15 years	83,622	> 10 years to 15 years	83,095
> 15 years to 20 years	19,187	> 15 years to 20 years	16,003
> 20 years to 25 years	12,471	> 20 years to 25 years	9,134
> 25 years	4,649	> 25 years	4,517
Total	$ 348,130	**Total**	$ 372,266

The Lottery previously contracted with the SBA to execute the securities lending program. The securities lending authorization agreement between Mellon and the SBA required that the maximum weighted average portfolio maturity not exceed 90 days. The lending program invested a significant amount of its assets in floating rate securities and limited the maximum reset period for interest rate changes to six months. Next reset dates were used in the calculation of weighted average maturity.

Listed below are the weighted average maturities for the lending program's invested cash collateral for fiscal year 2015:

	0 2015	
Certificates of Deposit	$ 32,099	55
Commercial Paper	3,099	59
Domestic Corporate Bonds & Notes	43,838	46
Domestic Non government sset backed Securities	67,149	19
International Corporate Bonds & Notes	18,306	60
Repurchase greements	138,969	1
	$ 303,460	
		21

The effective duration of the State Treasury Investment Pool at June 30, 2016, and June 30, 2015, was approximately 2.61 years and 2.67 years, respectively.

F. Investment Concentration of Credit Risk

Since all long-term investments (other than in the securities lending program) are in U.S. Government guaranteed securities, the Lottery has not adopted a policy regarding concentration of credit risk. The securities lending program established investment concentration of credit risk policies that limited the aggregate exposure to any one issuer or guarantor that is not the U.S. Government or guaranteed by the U.S. Government to 10 percent of the book value of the lending program's invested cash collateral. No invested cash collateral exceeded the 10 percent limitation.

G. Investment Custodial Credit Risk

Custodial credit risk is defined as the risk that an entity may not recover securities held by another party. The Lottery does not have a formal policy regarding custodial credit risk. The custodian for the SBA-administered lending program was also the counterparty to the investment transactions. Therefore, the amount of investments subject to investment custodial credit risk at June 30, 2015, was $303,460,000.

At June 30, 2016, and June 30, 2015, all non-lending investments held were either insured or registered and held by the Lottery or its agents in the Lottery's name and thus were not subject to custodial credit risk.

H. Foreign Currency Risk

The Lottery had no exposure to foreign currency risk as of June 30, 2016, and June 30, 2015.

I. Fair Value Hierarchy

The Lottery categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

The Lottery's investments are measured and reported at fair value and classified according to the following hierarchy:

Level 1 – Investments reflect unadjusted quoted prices in active markets for identical assets.
Level 2 – Investments reflect prices that are based on inputs that are either directly or indirectly observable for an asset (including quoted prices for similar assets), which may include inputs in markets that are not considered to be active.
Level 3 – Investments reflect prices based upon unobservable inputs for an asset.

The categorization of investments within the hierarchy is based upon the pricing transparency of this instrument and should not be perceived as the particular investment's risk.

Level 1 – Debt securities classified in Level 1 of the fair value hierarchy are valued by the custodian bank's external pricing vendors using prices quoted in active market for those securities.

Level 2 – Debt securities classified in Level 2 of the fair value hierarchy are valued by the custodian bank's external pricing vendors using pricing methodology that involves the use of evaluation models such as matrix pricing, which is based on a security's relationship to benchmark quoted prices.

Level 3 – Debt securities classified in Level 3 of the fair value hierarchy are valued by the custodian bank's external pricing vendors and are subject to being priced by an alternative pricing source utilizing discounted cash flow models and broker bids, or may have an estimated fair value equal to cost, due to a lack of an independent pricing source.

Certain investments, such as money market funds and repurchase agreements are not included in the following schedules because they are carried at cost, and not priced at fair value.

The following schedules summarize all investments and investments loaned under securities lending agreements by fair value hierarchy level at June 30 (in thousands):

	0 2016	1	2	
Debt securities:				
S Treasur Strips	$ 348,130	$ 342,069	$ 6,061	$
Pooled Investments ith State Treasur	293,927			293,927
Total debt securities measured at fair value	$ 642,057	$ 342,069	$ 6,061	$ 293,927

	0 2015	1	2	
Debt securities:				
S Treasur Strips	$ 372,266	$ 367,374	$ 4,892	$
Pooled Investments ith State Treasur	157,742			157,742
Invested lending collateral:				
Debt securities				
Certificates of Deposit	32,099		32,099	
Commercial Paper	3,099		3,099	
Domestic Corporate Bonds & Notes	43,838		43,838	
Domestic Non government sset backed Securities	67,149		67,149	
International Corporate Bonds & Notes	18,306		18,306	
Total debt securities measured at fair value	$ 694,499	$ 367,374	$ 169,383	$ 157,742

J. Investment Summary

The following schedule summarizes all investments and investments loaned under securities lending agreements at June 30 (in thousands):

		0 2016		0 2015
Commercial Paper	$		$	3,099
Certificates of Deposit				32,099
Repurchase greements				138,969
S overnment Obligations & Federall uaranteed Obligations		348,130		61,881
Domestic Corporate Bonds & Notes				43,838
Domestic Non government sset backed Securities				67,149
International Corporate Bonds & Notes				18,306
Investments eld b Others nder Securities ending greements S Obligations				310,385
Pooled Investments ith State Treasur		293,927		157,742
	$	642,057	$	833,468

The following schedules reconcile cash and investments to the Statements of Net Position at June 30 (in thousands):

	0 2016							
Cash and cash e uivalents	$	265,659	$	316	$	35	$	266,010
Restricted cash and cash e uivalents		28,268						28,268
Investments, grand prize		348,130						348,130
	$	642,057	$	316	$	35	$	642,408

	0 2015							
Cash and cash e uivalents	$	136,213	$	376	$	108	$	136,697
Restricted cash and cash e uivalents		21,529		13,630				35,159
Investments, grand prize		372,266						372,266
Investments, securit lending collateral		303,460						303,460
	$	833,468	$	14,006	$	108	$	847,582

3. ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, consisted of (in thousands):

		2016		2015
Ticket sales receivable	$	34,663	$	68,422
Other receivables		59		97
Total receivables		34,722		68,519
Less allowance for doubtful accounts		(2,798)		(2,874)
Accounts receivable, net	$	31,924	$	65,645

4. SECURITY DEPOSITS AND DEPOSITS PAYABLE

The Lottery receives certificates of deposit and cashier's checks from certain vendors and retailers in order to secure contract performance. Certificates of deposit are held in trust by the State with any interest earnings being credited to the vendor or retailer. Cashier's checks are held as cash by the Lottery. These deposits are established to reduce the potential financial risk to the Lottery in the event of a breach of contract. The certificates appear on the Statements of Net Position, in assets as security deposits, and in liabilities, as deposits payable. The checks appear on the Statements of Net Position, in assets as cash, and in liabilities, as deposits payable.

5. CAPITAL ASSETS

Changes in capital assets are summarized as follows (in thousands):

	alance 0 un 14	2014 15 ncrease	2014 15 ecrease	alance 0 un 15	2015 16 ncrease	2015 16 ecrease	alance 0 un 16
a ital assets, not bein e reciate							
Non-amorti able intan ibles	$ 492	$ 1,917	$ -	$ 2,409	$ 317	$ -	$ 2,726
Total ca ital assets, not bein e reciate	$ 492	$ 1,917	$ -	$ 2,409	$ 317	$ -	$ 2,726
a ital assets, bein e reciate							
ehicles and e uipment	$ 11,732	$ 1,790	$ (768)	$ 12,754	$ 1,859	$ (3,168)	$ 11,445
Intan ible assets and other	2,363	-	(1,772)	591	2	-	593
Total ca ital assets, bein e reciate	14,095	1,790	(2,540)	13,345	1,861	(3,168)	12,038
Depreciation	10,344	441	(851)	9,934	959	(2,235)	8,658
Total ca ital assets, bein e reciate , net	3,751	1,349	(1,689)	3,411	902	(933)	3,380
Total ca ital assets, net	$ 4,243	$ 3,266	$ (1,689)	$ 5,820	$ 1,219	$ (933)	$ 6,106

6. MULTI-STATE LOTTERY ASSOCIATION

MUSL is an unincorporated government-benefit voluntary association created for the purpose of administering joint lottery games. MUSL included 34 state lottery entities, the District of Columbia, Puerto Rico, and the Virgin Islands during fiscal year 2016. This association offers the Powerball with Powerplay, Mega Millions with Megaplier, and several other Draw games in participating states. The chief executive officer of each member lottery serves on the MUSL board of directors.

As a member of MUSL, the Lottery is required to contribute to various prize reserve funds maintained by MUSL. The prize reserve funds serve as a contingency reserve to protect MUSL from unforeseen prize payments. MUSL periodically reallocates the prize reserve funds among the states based on relative Powerball with Powerplay and Mega Millions with Megaplier sales levels. All remaining funds remitted, and the related interest earnings (net of administrative costs), will be returned to the Lottery upon leaving MUSL, less any portion of unanticipated prize claims that may have been paid from the fund.

As of June 30, 2016, and June 30, 2015, the Lottery had deposits with MUSL of $22,793,295, and $21,765,512, respectively, representing the Lottery's deposits of reserve funds.

A copy of the MUSL financial statements may be obtained by submitting a written request to MUSL, 4400 N.W. Urbandale Drive, Urbandale, Iowa 50322.

7. LONG-TERM LIABILITIES

A. Grand Prizes Payable

Grand prizes payable at June 30 consisted of (in thousands):

	2016	2015
F ORID OTTO grand prizes (face value)	$ 282,240	$ 343,596
ME MONEY grand prizes (face value)	8,848	8,303
in for ife grand prizes (face value)	6,019	7,752
Flamingo Fortune ame Sho grand prizes (face value)	200	300
in a Million grand prizes (face value)	100	150
uck for ife grand prizes (face value)	19,650	20,550
Set for ife grand prizes (face value)	1,380	1,560
Cash Spectacular grand prizes (face value)	350	400
Cash for ife grand prizes (face value)	170	180
oaded for ife grand prizes (face value)	2,450	2,550
Billion Dollar Blockbuster grand prizes (face value)	6,800	7,350
as for ife grand prizes (face value)	162	168
2 Million Dollar Casino ction grand prizes (face value)	1,400	1,500
Million Dollar olida grand prizes (face value)	750	800
eek for ife grand prizes (face value)	48,386	37,674
Monopol grand prizes (face value)	3,100	3,320
Million ishes grand prizes (face value)	800	850
s The Cash grand prizes (face value)	3,440	3,590
$3 Million Flamingo grand prizes (face value)	2,550	2,700
old Rush grand prizes (face value)	8,070	8,460
Super Millions grand prizes (face value)	5,760	
ess imputed interest	(121,363)	(131,187)
Net present value of grand prizes pa able	$ 281,262	$ 320,566
Current prizes pa able from restricted assets	$ 43,294	$ 66,412
Noncurrent prizes pa able from restricted assets	237,968	254,154
	$ 281,262	$ 320,566

The following depicts by fiscal year the value (in thousands) of the grand prize annuities to pay prizewinners:

Year Ending June 30	Amount
2017	$ 45,511
2018	26,392
2019	20,487
2020	20,487
2021	20,487
2022-2026	108,053
2027-2031	104,252
2032-2036	27,401
2037-2041	20,673
2042-2046	8,882
Grand prizes (face value)	402,625
Less imputed interest	(121,363)
Net present value of grand prizes payable	$ 281,262

B. Compensated Absences Payable

Compensated absences payable at June 30 consisted of (in thousands):

	2016	2015
Current compensated absences	$ 384	$ 409
Noncurrent compensated absences	3,456	3,455
Total	$ 3,840	$ 3,864

C. Changes in Long-Term Liabilities

Changes in long-term liabilities are summarized as follows (in thousands):

	2015 16				
	alance une 0, 2015	A itions	e uctions	alance une 0, 2016	A ount ue it in ne ear
rand pri es payable	$ 320,566	$ 27,115	$ (66,419)	$ 281,262	$ 43,294
Compensated absences payable	3,864	1,588	(1,612)	3,840	384
Postemployment healthcare benefits payable	5,085	1,598	-	6,683	-
Pension liability - I	5,385	354	-	5,739	219
Pension liability - R	3,299	3,875	-	7,174	-
Total lon ter liabilities	$ 338,199	$ 34,530	$ (68,031)	$ 304,698	$ 43,897

	2014 15				
	0 2014			0 2015	
rand prizes pa able	$ 384,620	$ 23,897	$ (87,951)	$ 320,566	$ 66,412
Compensated absences pa able	3,774	1,124	(1,034)	3,864	409
Postemplo ment healthcare benefits pa able	4,009	1,076		5,085	
Net pension liability		12,758	(4,074)	8,684	192
	$ 392,403	$ 38,855	$ (93,059)	$ 338,199	$ 67,013

8. DUE TO EDUCATIONAL ENHANCEMENT TRUST FUND

In accordance with the Act, effective July 1, 2005, variable percentages of the gross revenue from the sale of Draw games and Scratch-Off lottery tickets as determined by the Lottery, and other earned revenue, excluding application processing fees, shall be deposited in the EETF as provided in Section 24.121, Florida Statutes, as amended. The amount transferred to the EETF was $1,692,551,000 for the fiscal year ended June 30, 2016, (27.9 percent of revenues), and $1,496,371,000 (26.8 percent of revenues) for the fiscal year ended June 30, 2015.

Because the net appreciation in fair value of investments and amortization of grand prizes payable, included in nonoperating revenue and expenses, relate to valuations of the restricted grand prize investments and grand prizes payable, they are excluded from the determination of transfers to the EETF.

Effective July 1, 2005, provisions of the Act relating to the allocation of revenues for public education were revised. The changes in the provisions were designed to maximize the transfers of moneys to the EETF. These revisions resulted in changes in the methodology used to calculate the transfer based on a business model of revenue minus expenses rather than a percent of revenue.

The amount due to the EETF at June 30, 2016, and June 30, 2015, was as follows (in thousands):

	une 0, 2016	une 0, 2015
Draw ticket sales	$ 2,107,653	$ 1,859,336
Avera e percent transferred	39	37
Transfer of Draw ticket sales [1]	823,534	688,241
Unclaimed Draw ticket pri es	35,480	32,933
Percent transferred	80	80
Transfer of unclaimed Draw ticket pri es	28,384	26,346
cratch-Off ticket sales	3,954,701	3,723,995
Avera e percent transferred	20	20
Transfer of cratch-Off ticket sales [1]	796,118	750,341
Unclaimed cratch-Off ticket pri es	38,546	14,737
Percent transferred	80	80
Transfer of unclaimed cratch-Off ticket pri es	30,837	11,790
Nonoperatin revenues (e penses), net	24,290	(1,218)
Add:		
Net (appreciation) depreciation in fair value of investments	(34,246)	(12,604)
Amorti ation of rand pri es payable	14,779	18,040
Total Nonoperatin revenues, net	4,823	4,218
Chan e in methodolo y for addressin pension, postemployment healthcare, and compensated absences e penses	1,235	7,783
Terminal fees and miscellaneous revenue	7,620	7,652
Due for the year	1,692,551	1,496,371
alance due, be innin of year	67,371	55,409
Paid durin the year	(1,601,371)	(1,484,409)
ue to ucational n ance ent Trust un , une 0	$ 158,551	$ 67,371

[1] Amounts do not foot due to roundin of avera e percent transferred

9. PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

A. Retirement Programs

The Florida Department of Management Services (DMS) administers the State's pension plans referenced below. Financial statements and other required supplementary information for the plans are included in the Florida Department of Management Services' Florida Retirement System Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report (Pension CAFR). Copies of the Pension CAFR can be obtained from the DMS, Division of Retirement (Division), Research and Education Section , P.O. Box 9000, Tallahassee, Florida 32315-9000; by telephone at 844-377-1888 or 850-907-6500; by e-mail at rep@dms.myflorida.com; or at the Division's Web site (www.frs.myflorida.com).

Florida Retirement System. The Florida Retirement System (FRS) is a State-administered cost-sharing multiple-employer retirement plan administered by the DMS that offers members (Regular Class, Special Risk Class, and Senior Management Service Class)[1] an initial choice between participating in a defined benefit plan (FRS Pension Plan) or a defined contribution plan (FRS Investment Plan) and one additional choice to change plans before retirement. FRS provisions are established by Chapters 121, 122, and 238, Florida Statutes; Chapter 112, Part IV, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, required employer and employee contributions, and benefits are defined and described in detail. Unless otherwise provided, all employees of participating employers in regularly established positions must be enrolled as members of the FRS or other non-integrated defined contribution plans in lieu of FRS membership.

[1] Regular Class includes members of the FRS who do not qualify for membership in the other classes. Special Risk Class includes members who are employed as law enforcement officers and the Senior Management Service Class includes members in senior management level positions.

Benefits in the FRS Pension Plan vest at six years of service for members initially enrolled before July 1, 2011, and at eight years for members initially enrolled on or after July 1, 2011. For members initially enrolled before July 1, 2011, Special Risk Class members are eligible for normal retirement benefits at age 55 and vested or after 25 years of service at any age. All other members initially enrolled before July 1, 2011, are eligible for normal retirement benefits at age 62 and vested or at any age after 30 years of service. For members initially enrolled on or after July 1, 2011, Special Risk Class members are eligible for normal retirement benefits at age 60 and vested or after 30 years of service at any age. All other members initially enrolled on or after July 1, 2011, are eligible for normal retirement benefits at age 65 and vested or at any age after 33 years of service.

Early retirement is available but imposes a penalty for each year a member retires before his or her normal retirement age. Retirement, disability, and death benefits are provided. Retirees with service prior to July 1, 2011, receive annual cost-of-living adjustments. Retirees only with service accrued on or after July 1, 2011, do not receive annual cost-of-living adjustments. Benefits are calculated at retirement based on the age, years of service, accrual value by membership class, and average final compensation (average of highest five fiscal years' salaries if initially enrolled before July 1, 2011, or the average of highest eight fiscal years' salaries if initially enrolled on or after July 1, 2011).

Members of the FRS Pension Plan who reach normal retirement may participate in the Deferred Retirement Option Program (DROP), subject to provisions of Section 121.091(13), Florida Statutes. DROP participants are technically retired, deferring termination and receipt of monthly retirement benefits for up to 60 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

FRS Investment Plan benefits are established in Part II, Chapter 121, Florida Statutes, and participation is available to all FRS members in lieu of the FRS Pension Plan. Members vest after one year of creditable service for Investment Plan contributions. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the FRS Investment Plan, six years or eight years depending upon initial enrollment date of service (including the service credit represented by the transferred funds) is required to be vested for these funds and the earnings on the funds. Benefits under the FRS Investment Plan are based on the account balance at retirement composed of contributions plus investment gains less investment losses and fees. If the member is totally and permanently disabled from all employment, the member can transfer the account balance to the Pension Plan to receive a monthly disability benefit. Employer and employee contributions are a percentage of salary based on membership class. Contributions are directed to individual member accounts and the individual members allocate contributions and account balances among various approved investment choices offered under the plan.

The Florida Legislature established uniform contribution rates for participating FRS employees. FRS employers pay the same contribution rate by membership class regardless of whether the members participate in the FRS Pension Plan or FRS Investment Plan. Contribution rates as a percentage of gross salary are as follows:

lass	lo ee ate iscal ear n e une 0, 2016	lo er ate iscal ear n e une 0, 2016 (1)	lo ee ate iscal ear n e une 0, 2015	lo er ate iscal ear n e une 0, 2015 (1)
enior ana ement ervice	3 00 percent	21 43 percent	3 00 percent	21 14 percent
Re ular	3 00 percent	7 26 percent	3 00 percent	7 37 percent
pecial Risk	3 00 percent	22 04 percent	3 00 percent	19 82 percent
DROP - Applicable to members from all of the above classes	0 00 percent	12 88 percent	0 00 percent	12 28 percent

Note: (1) Total employer contribution rates above include 1 66 percent and 1 26 percent for the fiscal years ended une 30, 2016, and une 30, 2015, respectively, for the Retiree ealth Insurance ubsidy Pro ram Also, employer rates, other than for DROP participants, include 0 04 percent for fiscal years ended une 30, 2016, and une 30, 2015, for administration costs of the financial education pro ram and the R Investment Plan Re uired employee contributions are deducted on a pre-ta basis

FRS Contributions and Contributions as a Percentage of Covered Payroll.
The Lottery's employer contributions and contribution as a percentage of covered payroll for the FRS Pension Plan and FRS Investment Plan for the fiscal years ended June 30, 2016, June 30, 2015, and June 30, 2014, are as follows:

Plan	iscal ear n e une 0, 2016	iscal ear n e une 0, 2015	iscal ear n e une 0, 2014
mployer Contributions:			
R Pension Plan	$ 1,319,074	$ 1,354,333	$ 1,184,595
R Investment Plan	$ 153,887	$ 328,836	$ 297,945
Contributions as a Percenta e of Covered Payroll:			
R Pension Plan	8 25	8 47	7 28
R Investment Plan	4 56	9 75	8 67

Senior Management Service Optional Annuity Program. Some Lottery employees also participate in the Senior Management Service Optional Annuity Program (SMSOAP). Offered in lieu of FRS participation, the SMSOAP is a defined contribution plan that provides retirement and death benefits to the participant pursuant to Section 121.055, Florida Statutes. Participants have full and immediate vesting of all contributions paid on their behalf to the participating provider companies to invest as directed by the participants. Employees in eligible State positions may make an irrevocable election to participate in the SMSOAP in lieu of the Senior Management Service Class. Employers contributed 6.27 percent of covered payroll for July 2013 through June 2016. This contribution rate includes a contribution that would otherwise be paid to the Retiree Health Insurance Subsidy Program (HIS) described below so the SMSOAP retiree is not eligible to receive monthly HIS benefits. A participant may contribute by salary reduction an amount not to exceed the percentage contributed by the employer. The Lottery's contributions for the fiscal years ended June 30, 2016, June 30, 2015, and June 30, 2014, totaled $13,015, $40,134, and $33,575 respectively.

Retiree Health Insurance Subsidy Program. The HIS was created by the Florida Legislature in 1987 to assist FRS retirees in paying health insurance costs. HIS is a non-qualified, cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes. For the fiscal years ended June 30, 2016, 2015, and 2014, eligible retirees or beneficiaries received a monthly HIS payment equal to the number of years of creditable service completed at the time of retirement multiplied by $5. The payments to individual retirees or beneficiaries were at least $30 but not more than $150 per month. To be eligible to receive HIS, an FRS retiree must apply for the benefit, certify health insurance coverage, which can include Medicare or TRICARE, and be approved.

HIS is funded by required contributions from FRS participating employers. For the fiscal years ended June 30, 2016, 2015, and 2014, required contributions were 1.66 percent, 1.26 percent, and 1.20 percent, respectively, of payroll for all active employees covered by the FRS, pursuant to Section 112.363, Florida Statutes. For the fiscal years ended June 30, 2016, 2015, and 2014, the Lottery contributed $288,150, $215,070, and $197,280, respectively, in employer contributions to the HIS. HIS contributions are deposited in a DMS trust fund from which HIS payments are authorized. HIS benefits are not guaranteed and are subject to legislative appropriation. If these contributions or appropriation fail to provide full subsidy benefits to all participants, the Legislature may reduce or cancel the subsidy payments.

Deferred Compensation Plan. The Lottery, through the State of Florida, offers its employees a deferred compensation plan created in accordance with Section 457 of the Internal Revenue Code. The plan (refer to Section 112.215, Florida Statutes), available to all regular payroll State employees, permits them to defer a portion of their salaries until future years. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseen emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are held in trust for the exclusive benefit of participants and their beneficiaries as mandated by 26 USC 457(g)(1).

The Lottery does not contribute to the plan. Participation under the plan is solely at the discretion of the employee.

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 Section 112.215, Florida Statutes, the Deferred Compensation Trust Fund is created in the State Treasury.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources *Related to Pensions.* Effective July 1, 2014, the Lottery implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, which significantly changed the Lottery's accounting for pension amounts related to the two defined benefit plans it participates in, the FRS Pension Plan and the HIS (Plans).

For purposes of measuring the net pension liabilities, pension expense, and related deferred outflows/inflows of resources, information about the fiduciary net position of the Plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the DMS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. Detailed information about the Plans' fiduciary net position is available in the Pension CAFR.

At June 30, 2016, the Lottery reported a net pension liability of $7,174,907 for its proportionate share of the FRS Pension Plan's net pension liability and $5,737,878 for its proportionate share of the HIS net pension liability, for a total net pension liability of $12,912,785. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was based on actuarial valuations as of July 1, 2014 and July 1, 2015, for the HIS and FRS Pension Plan, respectively. The Lottery's proportionate share of the net pension liability was based on 2014-15 fiscal year contributions to the Plans relative to the total 2014-15 fiscal year contributions of all participating members. At June 30, 2015, the Lottery's proportionate share of the FRS Pension Plan net pension liability was 0.055549065 percent, which was a 2.72 percent increase from its proportionate share measured as of June 30, 2014, of 0.054080631 percent. The Lottery's proportionate share of the HIS net pension liability at June 30, 2015, was 0.056262384 percent, which was a 2.30 percent decrease from its proportion as of June 30, 2014, of 0.057588909 percent. For the fiscal year ended June 30, 2016, the Lottery recognized pension expense of $856,703 for the FRS Pension Plan and $411,724 for the HIS, for pension expense totaling $1,268,427. At June 30, 2016, the Lottery reported deferred outflows of resources and deferred inflows of resources related to the Plans from the following sources:

Pension Plan

	e erre ut lo s o esources	e erre n lo s o esources
Difference between e pected and actual e perience	$ 757,458	$ 170,167
Chan es in assumptions	476,223	-
Net difference between pro ected and actual earnin s on pension plan investments	-	1,713,248
Chan es in proportion and differences between employer contributions and proportionate share of contributions	1,613,031	98,596
mployer contributions subse uent to the measurement date	1,319,074	-
	$ 4,165,786	$ 1,982,011

	e erre ut lo s o esources	e erre n lo s o esources
Difference between e pected and actual e perience	$ -	$ -
Chan es in assumptions	451,421	-
Net difference between pro ected and actual earnin s on pension plan investments	3,106	-
Chan es in proportion and differences between employer contributions and proportionate share of contributions	98,633	197,120
mployer contributions subse uent to the measurement date	288,150	-
	$ 841,310	$ 197,120

The Lottery's contributions subsequent to the measurement date of $1,319,074 for the FRS Pension Plan and $288,150 for the HIS are reported as deferred outflows of resources and will be recognized as a reduction of the total net pension liability in the fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

0			
2017	$ (223,853)	$ 62,867	$ (160,986)
2018	(223,853)	62,867	(160,986)
2019	(223,852)	62,867	(160,985)
2020	1,189,630	62,236	1,251,866
2021	292,845	61,933	354,778
2022 24	53,784	43,270	97,054
	$ 864,701	$ 356,040	$ 1,220,741

Actuarial Methods and Assumptions. Actuarial assumptions for both defined benefit cost-sharing plans, the FRS Pension Plan and the HIS, are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The most recent experience study for the FRS Pension Plan was completed in 2014 for the period July 1, 2008, through June 30, 2013. Because the HIS is funded on a pay-as-you-go basis, no experience study has been completed for this program.

The total pension liability for FRS Pension Plan and HIS were determined by actuarial valuations as of July 1, 2015, and July 1, 2014, respectively, using the entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.60 percent. Payroll growth for both Plans is assumed at 3.25 percent.

Both the discount rate and the long-term expected rate of return used for FRS Pension Plan investments are 7.65 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from participating employers will be made at the statutorily required rates. Based on these assumptions, the FRS Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return and was applied to all periods of projected benefit payments to determine the total pension liability.

Because the HIS uses a pay-as-you-go funding structure, a municipal bond rate of 3.80 percent was used to determine the total pension liability for the plan. Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB tables (refer to the valuation reports at www.frs.myflorida.com for more information).

There were no changes in benefit terms for either the FRS Pension Plan or the HIS that affected the total pension liability since the prior measurement date. There were no changes between the measurement date and the reporting date which significantly impact the Lottery's proportionate share of the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense for either the FRS Pension Plan or the HIS.

The following changes in actuarial assumptions occurred in 2015:
- FRS Pension Plan: As of June 30, 2015, the inflation rate assumption remained at 2.60 percent, the real payroll growth assumption remained at 0.65 percent, and the overall payroll growth rate assumption remained at 3.25 percent. The long-term expected rate of return remained at 7.65 percent.
- HIS: The municipal rate used to determine total pension liability decreased from 4.29 percent to 3.80 percent.

The long-term expected rate of return on FRS Pension Plan investments was determined using a forward-looking capital market economic model, which includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset lass	Tar et Allocation	Lon Ter ecte eal ate o eturn
Cash	1 00	3 20
i ed income	18 00	4 80
lobal e uity	53 00	8 50
Real estate (property)	10 00	6 80
Private e uity	6 00	11 90
trate ic investments	12 00	6 70
	100 00	

Sensitivity Analysis. The following tables demonstrate the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the Lottery's proportionate share of each plan's net pension liability if the discount rate was 1.00 percent higher or 1.00 percent lower than the current discount rate at June 30, 2016.

1 Decrease 6 65	Current Discount Rate 7 65	1 Increase 8 65
$ 18,591,806	$ 7,174,907	$ (2,325,829)

1 Decrease 2 80	Current Discount Rate 3 80	1 Increase 4 80
$ 6,538,045	$ 5,737,878	$ 5,070,659

B. Postemployment Healthcare Benefits

The Lottery participates in the State Employees' Health Insurance Program, a cost-sharing multiple employer defined benefit postemployment healthcare plan administered by the DMS, Division of State Group Insurance, to provide group health benefits. Section 110.123, Florida Statutes, provides that retirees may participate in the State's group health insurance programs and assigns the authority to establish and amend benefit provisions to the DMS. Although premiums are paid by the retiree, the premium cost to the retiree is implicitly subsidized by the commingling of claims experience in a single risk pool with a single premium determination. An actuarial valuation has been performed for the plan and the Lottery's employees were included in the actuarial analysis. For more information on the plan regarding the funding policy and actuarial methods and assumptions, see the State of Florida's Comprehensive Annual Financial Report, which is available from the Department of Financial Services.

In accordance with GASB Codification Section Po50, *Postemployment Benefit Plans Other Than Pension Plans - Defined Benefit*, the Lottery is required to record its portion of the implicit postemployment health benefit liability. Postemployment health benefits payable at June 30, 2016, June 30, 2015, and June 30, 2014, was $6,683,000, $5,085,000, and $4,009,000, respectively.

10. OPERATING LEASES

The Lottery has entered into operating leases for the rental of office and warehouse space for the headquarters and district offices. Certain leases are renewable at the option of the Lottery.

Future minimum rental payments as of June 30, 2016, are scheduled as follows (in thousands):

0			
2017	$ 2,772	$ 1,115	$ 3,887
2018	2,801	1,149	3,950
2019	234	1,187	1,421
2020		1,032	1,032
2021		847	847
2022 2026		4,076	4,076
2027 2031		4,091	4,091
2032 2034		1,562	1,562
	$ 5,807	$ 15,059	$ 20,866

Rental expense under all operating leases totaled approximately $3,928,000 and $4,017,000 for the fiscal years ended June 30, 2016, and 2015, respectively.

11. NET POSITION RESTATEMENT

Net Position, June 30, 2014, as previously reported (in thousands)	$ 97,661
Implementation effect of GASB Statement No. 68 (Refer to Note 9)	(10,998)
Net Position, June 30, 2014, as restated	$ 86,663

12. VENDOR SUPPORT FUNDS

Each of the gaming vendor contracts requires the vendors to provide a fund for marketing support activities as directed by the Lottery. The vendors are required to make deposits into the designated accounts either weekly or monthly and distribute the funds as directed by the Lottery. The funds are used for market research and other expenses directly linked to product sales. Vendor balances committed for marketing research vary with timing of marketing initiatives, industry developments, and changes in technology. Actual cash balances for these funds at June 30, 2006, through June 30, 2016, ranged from $1,058,000 to $4,661,000. Each contract requires that any funds remaining in the accounts at the end of each contract's term will be returned to the Lottery for transfer to the EETF. Historically, no balances have reverted to the Lottery. The contract with IGT, formerly GTech, was extended in June 2015.

Vendor support fund activities are summarized as follows (in thousands):

	2015 16 en or u ort un s			
	alance une 30, 2015	Additions	Deletions	alance une 30, 2016
I T	$ 229	$ 360	$ (282)	$ 307
cientific ames	1,840	5,200	(2,686)	4,354
Total en or u ort	$ 2,069	$ 5,560	$ (2,968)	$ 4,661

	2014 15 en or u ort un s			
	alance une 30, 2014	Additions	Deletions	alance une 30, 2015
Tech I T	$ 155	$ 360	$ (286)	$ 229
cientific ames	903	5,201	(4,264)	1,840
Total en or u ort	$ 1,058	$ 5,561	$ (4,550)	$ 2,069

13. OTHER COMMITMENTS

The Lottery has contractual agreements under which Draw and Scratch-Off lottery game vendors provide gaming systems, tickets, and related services. The Lottery's Draw gaming vendor is compensated at a rate of 1.0699 percent of net Draw game ticket sales. The vendor's compensation for Draw games and for the provision of full service vending machines for the fiscal years ended June 30, 2016, and 2015, was $32,650,000 and $29,970,000, respectively.

The Lottery's Scratch-Off ticket vendor is currently compensated at rates that range from 0.9776 percent to 2.3421 percent based on ticket price points and total annual sales. Compensation under this agreement and the agreement for the provision of instant ticket vending machines amounted to $55,591,000 for the fiscal year ended June 30, 2016, and $51,665,000 for the fiscal year ended June 30, 2015.

14. LITIGATION

The Lottery is involved in litigation and other claims incidental to the ordinary course of its operations. In the opinion of Lottery management, based on the advice of legal counsel, the ultimate disposition of these lawsuits and claims will not have a material adverse effect on the financial position of the Lottery.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

L A T NT T

c e ule o t e Lotter s Pro ortionate are o t e Net Pension Liabilit

an elate atios

Last Ten iscal ears [1]

	2015 [2]	2014 [2]
Lottery s proportion of the net pension liability	0 055549065	0 054080631
Lottery s proportionate share of the net pension liability	$ 7,174,907	$ 3,299,714
Lottery s covered-employee payroll	$ 15,985,814	$ 16,266,000
Lottery s proportionate share of the net pension liability as a percenta e of its covered-employee payroll	44 88	20 29
Plan fiduciary net position as a percenta e of the total pension liability	92 00	96 09

(1) This schedule is intended to report information for ten years Additional information will be displayed as it becomes available

(2) The amounts presented for the fiscal year were determined as of 6 30

c e ule o t e Lotter s ontributions

Last Ten iscal ears [1]

	2016 [2]	2015 [2]	2014 [2]
Contractually re uired contribution	$ 1,319,074	$ 1,354,333	$ 1,184,595
Contributions in relation to the contractually re uired contribution	$ (1,319,074)	$ (1,354,333)	$ (1,184,595)
Contribution deficiency (e cess)	$ -	$ -	$ -
Lottery s covered-employee payroll	$ 17,562,079	$ 15,985,814	$ 16,266,000
Contributions as a percenta e of covered-employee payroll	7 51	8 47	7 28

(1) This schedule is intended to report information for ten years Additional information will be displayed as it becomes available

(2) The amounts presented for the fiscal year were determined as of 6 30

1

	2015 [2]	2014 [2]
otter s proportion of the net pension liabilit	0 056262384	0 057588909
otter s proportionate share of the net pension liabilit	$ 5,737,878	$ 5,384,704
otter s covered emplo ee pa roll	$ 15,969,897	$ 16,175,000
otter s proportionate share of the net pension liabilit as a percentage of its covered emplo ee pa roll	35 93	33 29
Plan fiduciar net position as a percentage of the total pension liabilit	0 50	0 99

(1) This schedule is intended to report information for ten ears dditional information ill be displa ed as it becomes available

(2) The amounts presented for the fiscal ear ere determined as of 6 30

1

	2016 [2]	2015 [2]	2014 [2]
Contractuall re uired contribution	$ 288,150	$ 215,070	$ 197,280
Contributions in relation to the contractuall re uired contribution	$ (288,150)	$ (215,070)	$ (197,280)
Contribution deficienc (excess)	$	$	$
otter s covered emplo ee pa roll	$ 17,354,507	$ 15,969,897	$ 16,175,000
Contributions as a percentage of covered emplo ee pa roll	1 66	1 35	1 22

(1) This schedule is intended to report information for ten ears dditional information ill be displa ed as it becomes available

(2) The amounts presented for the fiscal ear ere determined as of 6 30

Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL
STATE OF FLORIDA

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America 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 the Department of the Lottery (Lottery), as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Lottery's basic financial statements, and have issued our report thereon dated January 25, 2017, included under the heading **INDEPENDENT AUDITOR'S REPORT**.

Internal Control Over Financial Reporting

We have examined the Lottery's internal control over financial reporting as of June 30, 2016, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Lottery's management is responsible for maintaining effective internal control over financial reporting, and for its assertion about the effectiveness of internal control over financial reporting, included in the accompanying **MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**. Our responsibility is to express an opinion on the Lottery's internal control over financial reporting based on our examination.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our examination included obtaining an understanding of the internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our examination also included performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Lottery maintained, in all material respects, effective internal control over financial reporting as of June 30, 2016, based on the criteria established in *Internal Control – Integrated Framework* issued by COSO.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Lottery's financial statements are free from material misstatement, we performed tests of the Lottery's compliance with certain provisions of laws, rules, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of 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 or other matters that are required to be reported under *Government Auditing Standards.*

Additional Matters

We noted certain additional matters related to information technology controls and minority retailer participation that we reported to management as Findings 1 and 2 in the ***FINDINGS AND RECOMMENDATIONS*** accompanying this report.

Management's Response to Findings

The Lottery's response to the findings described in the ***FINDINGS AND RECOMMENDATIONS*** accompanying this report is included as ***MANAGEMENT'S RESPONSE***. The Lottery's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Purpose of this Report

The purpose of the **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*** is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and to provide an opinion on the effectiveness of the Lottery's internal control but not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Lottery's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
January 25, 2017
Audit Report No. 2017-103

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

RICK SCOTT
Governor

TOM DELACENSERIE
Secretary

The Florida otter s internal control over financial reporting is a process effected b those charged ith governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance ith accounting principles generall accepted in the nited States of merica n entit s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accuratel and fairl reflect the transactions and dispositions of the assets of the entit (2) provide reasonable assurance that transactions are recorded as necessar to permit preparation of financial statements in accordance ith accounting principles generall accepted in the nited States of merica, and that receipts and expenditures of the entit are being made onl in accordance ith authorizations of management and those charged ith governance and (3) provide reasonable assurance regarding prevention, or timel detection and correction of unauthorized ac uisition, use, or disposition of the entit s assets that could have a material effect on the financial statements

Management is responsible for establishing and maintaining effective internal control over financial reporting Management assessed the effectiveness of the Florida otter s internal control over financial reporting as of une 30, 2016, based on the frame ork set forth b the Committee of Sponsoring Organizations of the Tread a Commission in *Internal Control - Integrated Framework (2013)* Based on that assessment, management concluded that, as of une 30, 2016, the Florida lotter s internal control over financial reporting is effective based on the criteria established in *Internal Control - Integrated Framework (2013)*

The Florida otter

anuar 25, 2017

ADDITIONAL MATTERS

Finding 1: Information Technology Controls

Information technology (IT) controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. During our audit, we identified the need for enhancements to certain Lottery IT control practices. To avoid the possibility of compromising Lottery information, specific details of these issues are not disclosed in this report. However, the appropriate Lottery personnel have been notified of the issues.

Recommendation: We recommend that Lottery management make the necessary IT control enhancements to address the issues identified.

Finding 2: Minority Retailer Participation

Section 24.113, Florida Statutes, requires that 15 percent of the Lottery's retailers be minority business enterprises, as defined in Section 288.703(3), Florida Statutes; however, no more than 35 percent of such retailers shall be owned by the same type of minority person, as defined by Section 288.703(4), Florida Statutes.

Our audit disclosed that as of July 1, 2016, retailers comprising one minority type totaled approximately 67 percent of the total number of minority retailers. A similar finding has been included in previous Auditor General reports.

The Lottery has developed an outreach program to increase retailer participation in under-represented minority groups and the overall level of participation from these groups increased slightly over the past fiscal year.

Recommendation: We recommend that the Lottery continue its efforts to increase retailer participation in under-represented minority groups.

RICK SCOTT
Governor

FLORIDA Lottery®

TOM DELACENSERIE
Secretary

anuar 25, 2017

Sherrill F Norman, CP
Florida uditor eneral
Claude Pepper Building, Suite 74
111 est Madison Street
Tallahassee, Florida 32399 1450

Dear Ms Norman:

The otter has received our anuar 9, 2017, list of preliminar and tentative audit findings and recommendations resulting from our audit of the otter s Financial Statements for the fiscal ear ended une 30, 2016 Belo is our response to each finding and recommendation:

1

e recommend that otter management make the necessar IT control enhancements to address the issues identified

The otter has made the necessar enhancements presented b this audit or is in the process of implementing the enhancements The otter has an ongoing process to improve IT controls and ill continue to reengineer here necessar to tighten controls

2

e recommend that the otter continue its efforts to increase retailer participation in under represented minorit groups

e ill continue to look for opportunities to recruit retailers, including those in under represented minorit groups e ill continue to utilize advertising in both minorit and general market trade magazines and ne spapers e ill also continue to ork ith retailer trade associations in order to reach out to minorit o ned businesses Finall , our sales force ill continue to look for opportunities to recruit minorit o ned businesses as a part of their standard sales practices

Thank ou for our audit efforts and recommendations I look for ard to receiving our final report

Sincerel ,

Thomas R Delacenserie
Secretar

cc: David Mica, r, Chief of Staff
oan Schoubert, Deput Secretar
nd Mompeller, Inspector eneral

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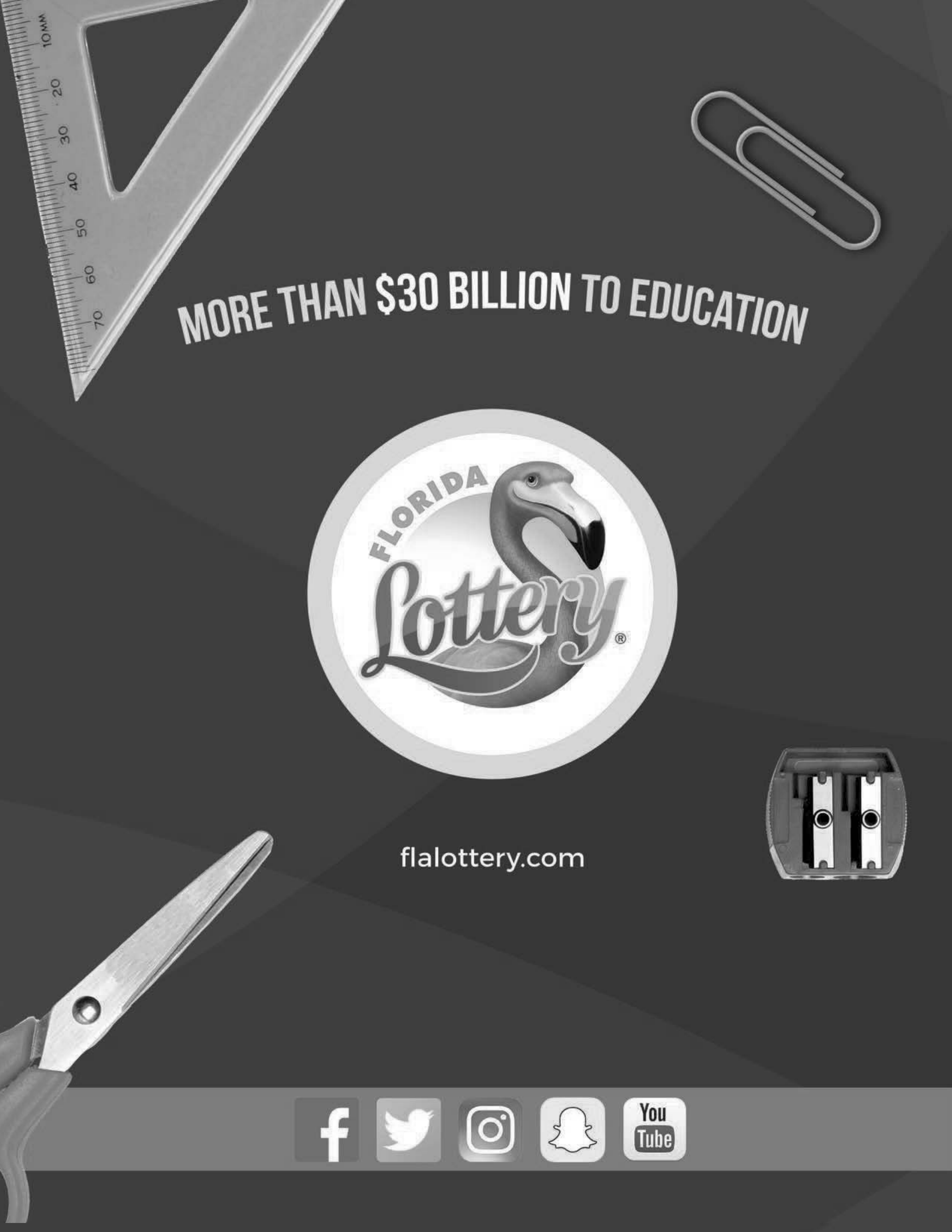
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APPENDIX F

Financial Statements (Unaudited)
of the
State of Florida
Department of the Lottery
Fiscal Year Ended June 30, 2017

Prepared by:
The Florida Department of the Lottery

FLORIDA LOTTERY
Statements of Revenues, Expenses and Changes in Net Position
Years ended June 30, 2017, and June 30, 2016
(In Thousands)

	June 30, 2017	June 30, 2016
Operating Revenues:		
Ticket sales	$ 6,156,479	$ 6,062,354
Bad debt expense	(1,073)	(1,487)
Terminal fees and miscellaneous	7,436	7,439
Retailer fees	175	181
Total Operating Revenues	6,163,017	6,068,487
Operating Expenses:		
Prizes	3,996,632	3,868,970
Retailer commissions	343,608	337,007
Scratch-Off tickets	58,615	55,591
Terminal games	30,301	32,650
Advertising	39,452	41,180
Personal services	28,858	28,379
Other contractual services	7,611	7,941
Materials and supplies	2,180	1,662
Depreciation	1,570	959
Total Operating Expenses	4,508,827	4,374,339
Operating Income	1,654,190	1,694,148
Nonoperating Revenues (Expenses):		
Interest	4,829	4,695
Securities lending income	-	1,163
Securities lending fees	(10)	(645)
Investment management fees	(409)	(405)
Net appreciation (depreciation) in fair value of investments	(17,825)	34,246
Property disposition (loss)	(57)	15
Amortization of grand prizes payable	(12,270)	(14,779)
Total Nonoperating Revenues (Expenses), Net	(25,742)	24,290
Income Before Operating Transfers	1,628,448	1,718,438
Total Transfers to Educations Enhancement Trust Fund	(1,656,348)	(1,692,551)
Change in Net Position	(27,900)	25,887
Net Position, Beginning	107,430	81,543
Net Position, End of Year	$ 79,530	$ 107,430

Department of Lottery
Statement of Net Position
For the Periods Ended June 30, 2017 and 2016
UNAUDITED

	June 30, 2017	June 30, 2016
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 174,362	$ 266,010
Interest receivable	496	423
Accounts receivable, net	40,472	31,924
Inventories	1,426	1,485
Prepaid expenses	0	21
Securities deposits	2,391	2,368
Total current assets	219,147	302,231
RESTRICTED ASSETS:		
Cash and cash equivalents	30,882	28,268
Deposits with MUSL	24,177	22,793
Securities lending income receivable	-	-
Investments, security lending collateral		
Investments, grand prize	297,370	348,130
Total restricted assets	352,429	399,191
CAPITAL ASSETS, NET	6,138	6,106
TOTAL ASSETS	577,714	707,528
DEFERRED OUTFLOWS OF RESOURCES		
Pension related items	5,007	5,007
Total deferred outflows of resources	5,007	5,007
LIABILITES		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	3,163	6,138
Prizes payable	143,556	131,094
Due to Educational Enhancement Trust Fund	71,648	158,551
Deposits payable	2,509	2,445
Compensated absences payable	558	384
Net Pension liability	219	219
Total current liabilities	221,653	298,831
CURRENT LIABILITES PAYABLE FROM RESTRICTED ASSETS:		
Securities lending fees payable	-	-
Obligations under security lending	-	-
Grand prizes payable	25,589	43,294
Total current liabilities payable from restricted asse	25,589	43,294
NONCURRENT LIABILITIES:		
Grand prizes payable	229,613	237,968
Compensated absences payable	3,230	3,456
Net Pension liability	12,694	12,694
Other long-term liabilities	8,233	6,683
Total noncurrent liabilities	253,770	260,801
Total liabilities	501,012	602,926
DEFERRED INFLOWS OF RESOURCES		
Pension related items	2,179	2,179
Total deferred inflows of resources	2,179	2,179
NET POSITION		
Net investments in capital assets	6,138	6,106
Restricted net assets for undistributed appreciation on restricted investments	40,581	70,871
Restricted net assets for future prize promotions	30,882	28,268
Restricted net assets for MUSL	24,176	22,793
Unrestricted net position	(22,247)	(20,608)
Total net position	$ 79,530	$ 107,430

(1) Restricted Net Assets equals the increase in market value of investments

With Fund 7
Financial Reporting

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December 7, 2017

State Board of Education
of Florida
Tallahassee, Florida

Division of Bond Finance
of the State Board of
Administration of Florida
Tallahassee, Florida

Ladies and Gentlemen:

We have examined certified copies of the proceedings of the State Board of Education of Florida (the "Board of Education"), the Division of Bond Finance of the State Board of Administration of Florida (the "Division of Bond Finance"), the State Board of Administration of the State of Florida, applicable provisions of the Constitution and laws of the State of Florida, and other proofs submitted to us relative to the issuance and sale of:

$239,705,000
STATE OF FLORIDA
STATE BOARD OF EDUCATION
LOTTERY REVENUE REFUNDING BONDS, SERIES 2017A
Dated December 7, 2017
(the "Bonds")

The Bonds are being issued by the Division of Bond Finance in the name of and on behalf of the Board of Education, for the purpose of refunding certain of the outstanding State of Florida, State Board of Education Lottery Revenue Bonds, Series 2008B and 2009A (the "Economically Defeased Bonds") and paying costs of issuance under the authority of and in full compliance with the Constitution and statutes of the State of Florida, including particularly Sections 215.57-215.83, Florida Statutes, Sections 24.121(2) and 1013.737, Florida Statutes, and other applicable provisions of law. The principal of, premium, if any, and interest on the Bonds will be secured by and payable from the Pledged Revenues (as defined in the hereinafter defined Resolutions) on a parity with several series of State of Florida, State Board of Education Lottery Revenue Bonds which will be outstanding following the issuance of the Bonds, including the Economically Defeased Bonds.

The Bonds do not constitute a general obligation of the State of Florida or any political subdivision thereof within the meaning of any constitutional, statutory or other limitation of indebtedness and the owners thereof shall never have the right to compel the exercise of any ad valorem taxing power or taxation in any form for the payment of the principal of or interest on the Bonds.

Based on our examination, we are of the opinion, as of the date hereof, under existing law, as follows:

1. That such proceedings and proofs show lawful authority for issuance and sale of the Bonds pursuant to the Constitution and statutes of the State of Florida and pursuant to resolutions authorizing the issuance and sale of the Bonds duly adopted by the Governing Board of the Division of Bond Finance on December 18, 2007, as amended and supplemented from time to time, and as supplemented and amended on June 14, 2017 (collectively, the "Resolutions").

2. The Resolutions have been duly authorized and adopted by the Governing Board of the Division of Bond Finance. The provisions of the Resolutions, together with all documents authorized thereby to be executed on behalf of the Division of Bond Finance, are valid and enforceable in accordance with their terms, and create a valid lien on the Pledged Revenues for the security of the Bonds.

3. The Bonds (i) have been duly authorized by the Division of Bond Finance and the Board of Education and executed and delivered by the Division of Bond Finance and (ii) are valid and binding special obligations of the Board of Education enforceable in accordance with their terms, payable solely from the sources provided therefor in the Resolutions.

4. The Bonds and the income thereon are not subject to any State tax except estate taxes imposed by Chapter 198, Florida Statutes, as amended and net income and franchise taxes imposed by Chapter 220, Florida Statutes, as amended.

5. The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income for purposes of federal income taxation. Non-compliance may cause interest on the Bonds to be included in federal gross income retroactive to the date of issuance of the Bonds, regardless of the date on which such non-compliance occurs or is ascertained. The Division of Bond Finance and the Board of Education have covenanted in the Resolutions to comply with such requirements in order to maintain the exclusion from gross income for federal income tax purposes of the interest on the Bonds.

Subject to compliance by the Division of Bond Finance and the Board of Education with the aforementioned covenants, (a) interest on the Bonds is excluded from gross income for purposes of federal income taxation, and (b) interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, a portion of the interest on the Bonds owned by corporations may be subject to the federal alternative minimum tax which is based in part on adjusted current earnings. We express no opinion regarding other federal tax consequences caused by the ownership of or the receipt of interest on or the disposition of the Bonds.

It is to be understood that the rights of the owners of the Bonds and the enforceability thereof may be subject to the exercise of judicial discretion in accordance with general principles of equity, to the valid exercise of the sovereign police powers of the State of Florida and of the constitutional powers of the United States of America and to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted.

In rendering the foregoing opinions, we have assumed the accuracy and truthfulness of all public records and of all certifications, documents and other proceedings examined by us that have been executed or certified by public officials acting within the scope of their official capacities and have not independently verified the accuracy or truthfulness thereof and the genuineness of the signatures appearing upon such public records, certifications, documents and proceedings.

In rendering this opinion, we have examined and relied upon the opinion of even date herewith of Counsel to the Division of Bond Finance, as to the due creation and valid existence of the Division, the due adoption of the Resolution, the due execution and delivery of the Series 2017A Bonds and the compliance by the Division and the Board of Education with all conditions contained in ordinances and resolutions of the Division and the Board of Education precedent to the issuance of the Series 2017A Bonds.

Our opinions expressed herein are predicated upon present law, facts and circumstances as of the date of issuance and delivery of the Bonds, and we assume no affirmative obligation to update the opinions expressed herein if such laws, facts or circumstances change after such date.

As Bond Counsel, we have not been engaged nor have we, in such capacity, undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds and we express no opinion herein relating thereto.

Respectfully submitted,

BRYANT MILLER OLIVE P.A.

APPENDIX H

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered by the Florida Department of the Lottery and the State Board of Education of Florida (collectively, the "Departments") and the Division of Bond Finance of the State Board of Administration of Florida (the "Division") in connection with the issuance of $239,705,000 State of Florida, State Board of Education Lottery Revenue Refunding Bonds, Series 2017A (the "Bonds"). This Disclosure Agreement is being executed and delivered pursuant to Section 5.03 of the resolution adopted by the Governor and Cabinet, as the Governing Board of the Division, on June 14, 2017 (the "Resolution"), providing for the issuance of the Bonds. The Departments and the Division covenant and agree as follows:

SECTION 1. PURPOSE OF THE DISCLOSURE AGREEMENT. This Disclosure Agreement is being executed and delivered by the Departments and the Division for the benefit of the Registered Owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with Rule 15c2-12 (the "Rule") of the Securities and Exchange Commission (the "SEC"). It shall inure solely to the benefit of the Departments, the Division, the Registered Owners, the Beneficial Owners and the Participating Underwriters.

SECTION 2. DEFINITIONS. In addition to the definitions set forth in the Resolution and the Original Resolution authorizing the issuance of the State of Florida, State Board of Education Lottery Revenue Bonds, adopted on December 16, 1997, and as amended, supplemented and restated in its entirety on December 18, 2007, and as amended and supplemented from time to time, which apply to any capitalized term used in this Disclosure Agreement, the following capitalized terms shall have the following meanings:

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

SECTION 3. CONTINUING DISCLOSURE. (A) Information To Be Provided. The Departments assume all responsibilities for any continuing disclosure as described below. In order to comply with the Rule, the Departments hereby agree to provide or cause to be provided the information set forth below, or such information as may be required to be provided, from time to time, under the Rule.

(1) Financial Information and Operating Data. For fiscal years ending on June 30, 2017, and thereafter, annual financial information and operating data shall be provided within nine months after the end of the Department of the Lottery's fiscal year. Such information shall include:

(a) Historical Lottery Sales by Game;
(b) Number of Retail Distributors;
(c) Statement of Revenues, Expenses and Transfers to the Educational Enhancement Trust Fund;
(d) Historical Summary Balance Sheet Information;
(e) Debt Service Coverage;
(f) Summary of Operating and Administrative Budget; and
(g) Litigation.

(2) Audited Financial Statement. If not submitted as part of the annual financial information, copies of the Department of the Lottery's audited financial statements, prepared in accordance with generally accepted accounting principles, will be provided when and if available.

(3) Material Events Notices. Notice of the following events relating to the Bonds will be provided in a timely manner not in excess of ten business days after the occurrence of the event:

(a) principal and interest payment delinquencies;
(b) non-payment related defaults, if material;
(c) unscheduled draws on debt-service reserves reflecting financial difficulties;

(d) unscheduled draws on credit enhancements reflecting financial difficulties;
(e) substitution of credit or liquidity providers, or their failure to perform;
(f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
(g) modifications to rights of security holders, if material;
(h) bond calls, if material, and tender offers;
(i) defeasances;
(j) release, substitution or sale of property securing repayment of the securities, if material;
(k) rating changes;
(l) bankruptcy, insolvency, receivership or similar event of the obligated person;
(m) the consummation of merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
(n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(4) Failure to Provide Annual Financial Information; Remedies.

(a) Notice of the failure of the Departments to provide the information required by paragraphs (A)(1) or (A)(2) of this Section will be provided in a timely manner.

(b) The Departments acknowledge that the undertaking pursuant to the Rule set forth in this Section is for the benefit of the Beneficial Owners and Registered Owners of the Bonds and shall be enforceable only by such Beneficial Owners and Registered Owners; provided that the right to enforce the provisions of such undertaking shall be conditioned upon the same enforcement restrictions as are applicable to the information undertakings in the Resolution and shall be limited to a right to obtain specific enforcement of the Departments' obligations hereunder.

(B) Method of Providing Information.

(1) (a) Annual financial information and operating data described in paragraph 3(A)(1) and the audited financial statements described in paragraph 3(A)(2) shall be transmitted to the Municipal Securities Rulemaking Board (hereafter "MSRB") using the MSRB's Electronic Municipal Market Access System ("EMMA") or by such other method as may be subsequently determined by the MSRB.

(b) Material event notices described in paragraph 3(A)(3) and notices described in paragraph 3(A)(4) shall also be transmitted to the MSRB using EMMA or by such other method as may be subsequently determined by the MSRB.

(2) (a) Information shall be provided to the MSRB in an electronic format as prescribed by the MSRB, either directly, or indirectly through an indenture trustee or a designated agent.

(b) All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

(C) If this Disclosure Agreement is amended to change the operating data or financial information to be disclosed, the annual financial information containing amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(D) The Departments' obligations hereunder shall continue until such time as the Bonds are no longer Outstanding or until the Departments shall otherwise no longer remain obligated on the Bonds.

(E) This Disclosure Agreement may be amended or modified so long as:

(1) any such amendments are not violative of any rule or regulation of the SEC or MSRB, or other federal or state regulatory body;

(2) the amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the obligated person, or type of business conducted;

(3) this Disclosure Agreement, as amended, would have complied with the requirements of Rule 15c2-12 of the SEC at the time of the primary offering, after taking into account any amendments or interpretations of the rule, as well as any change in circumstances; and

(4) the amendment does not materially impair the interests of Beneficial Owners or Registered Owners, as determined either by parties unaffiliated with the issuer or obligated person (such as bond counsel), or by approving vote of the Beneficial Owners and Registered Owners pursuant to the terms of the Resolution at the time of the amendment.

SECTION 4. ADDITIONAL INFORMATION. If, when submitting any information required by this Disclosure Agreement, the Departments choose to include additional information not specifically required by this Disclosure Agreement, the Departments shall have no obligation under this Disclosure Agreement to update such information or include it in any such future submission.

Dated this ___ day of __________, 2017.

FLORIDA DEPARTMENT OF THE LOTTERY

By____________________________________
Authorized Officer

STATE BOARD OF EDUCATION OF FLORIDA

By____
Deputy Commissioner Finance and Operations

DIVISION OF BOND FINANCE OF THE
STATE BOARD OF ADMINISTRATION
OF FLORIDA

By__________________________________
Assistant Secretary

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APPENDIX I

PROVISIONS FOR BOOK-ENTRY ONLY SYSTEM OR REGISTERED BONDS

The Depository Trust Company and Book-Entry Only System

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE DIVISION OF BOND FINANCE BELIEVES TO BE RELIABLE; HOWEVER, THE DIVISION OF BOND FINANCE TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2017A Bonds. The 2017A Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the 2017A Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities and Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants" and together with Direct Participants, the "Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at **www.dtcc.com**

Purchases of the 2017A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2017A Bonds on DTC's records. The ownership interest of each actual purchaser of each 2017A Bond (a "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which such Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2017A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2017A Bonds, except in the event that use of the book-entry system is discontinued.

To facilitate subsequent transfers, all 2017A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2017A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in Beneficial Ownership. DTC has no knowledge of the actual Beneficial Owners of the 2017A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2017A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2017A Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the 2017A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2017A Bond documents. For example, Beneficial Owners of 2017A Bonds may wish to ascertain that the nominee holding the 2017A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

Redemption notices shall be sent to DTC. If less than all of the 2017A Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2017A Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Division of Bond Finance as soon as practicable after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2017A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the 2017A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the Bond Registrar/Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, (nor its nominee), the Bond Registrar/Paying Agent, the Division of Bond Finance, or the Board of Education, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Bond Registrar/Paying Agent; disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services with respect to the 2017A Bonds at any time by giving reasonable notice to the Division of Bond Finance or Bond Registrar/Paying Agent and discharging its responsibilities with respect thereto under applicable law. The Division of Bond Finance may decide to discontinue use of the system of book-entry transfers for the 2017A Bonds through DTC (or a successor securities depository). Under such circumstances, in the event that a successor securities depository is not obtained, certificates for the 2017A Bonds will be printed and delivered as provided in the documents authorizing the issuance and sale of the 2017A Bonds.

For every transfer and exchange of beneficial interests in the 2017A Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other government charge that may be imposed in relation thereto.

So long as Cede & Co., as nominee of DTC, is the registered owner of the 2017A Bonds, references herein to the Registered Owners or Holders of the 2017A Bonds shall mean Cede & Co. and not mean the Beneficial Owners of the 2017A Bonds unless the context requires otherwise.

The Division of Bond Finance, the Board of Education and the Bond Registrar/Paying Agent will not have any responsibility or obligation with respect to:

(i) the accuracy of the records of DTC, its nominee or any DTC Participant or any successor securities depository, participants thereof or nominee thereof with respect to any beneficial ownership interest in the 2017A Bonds;

(ii) the delivery to any DTC Participant or participant of any successor securities depository or any other person, other than a registered owner, as shown in the Bond Register, of any notice with respect to any 2017A Bond, including, without limitation, any notice of redemption;

(iii) the payment to any DTC Participant or participant of any successor securities depository or any other person, other than a registered owner, as shown in the Bond Register, of any amount with respect to the principal of, premium, if any, or interest on the 2017A Bonds, or the purchase price of, any 2017A Bond;

(iv) any consent given by DTC or any successor securities depository as registered owner; or

(v) the selection by DTC or any DTC Participant or by any successor depository or its participants of the beneficial ownership interests in the 2017A Bonds for partial redemption.

So long as the 2017A Bonds are held in book-entry only form, the Division of Bond Finance, the Board of Education and the Bond Registrar/Paying Agent may treat DTC and any successor Securities Depository as, and deem DTC and any successor Securities Depository to be, the absolute owner of the 2017A Bonds for all purposes whatsoever, including, without limitation:

(i) the payment of the principal of, premium, if any, and interest on the 2017A Bonds;

(ii) giving notices of redemption and other matters with respect to the 2017A Bonds;

(iii) registering transfers with respect to the 2017A Bonds; and

(iv) the selection of the beneficial ownership interests in the 2017A Bonds for partial redemption.

Payment, Registration, Transfer and Exchange

The following provisions shall only be applicable if the book-entry-only system of registration is discontinued; for provisions which are applicable while the book-entry only system of registration is in effect, see "Book-Entry Only System" above.

The Division of Bond Finance, the Board of Education and the Bond Registrar/Paying Agent may treat the Registered Owner of any 2017A Bond as the absolute owner for all purposes, whether or not such 2017A Bond is overdue, and will not be bound by any notice to the contrary.

Principal of and premium, if any, on the 2017A Bonds will be payable upon presentation and surrender of the 2017A Bonds when due at the corporate trust office of U.S. Bank Trust National Association, New York, New York, as Bond Registrar/Paying Agent.

Each 2017A Bond will be transferable or exchangeable only upon the registration books by the Registered Owner or an attorney duly authorized in writing, upon surrender of such 2017A Bond to the Bond Registrar/Paying Agent together with a written instrument of transfer (if so required) satisfactory in form to the Division of Bond Finance of Bond Finance and the Bond Registrar/Paying Agent, duly executed by the Registered Owner or a duly authorized attorney. Upon surrender to the Bond Registrar/Paying Agent for transfer or exchange of any 2017A Bond, duly endorsed for transfer or accompanied by an assignment in accordance with the Resolution, the Bond Registrar/Paying Agent will deliver in the name of the transferee(s) a fully registered 2017A Bond of authorized denomination of the same maturity for the aggregate principal amount which the Registered Owner is entitled to receive.

Neither the Division of Bond Finance nor the Bond Registrar/Paying Agent may charge the Registered Owner or transferee for any expenses incurred in making any exchange or transfer of the 2017A Bonds. However, the Division of Bond Finance and the Bond Registrar/Paying Agent may require payment from the Registered Owner of a sum sufficient to cover any tax, fee, or other governmental charge that may be imposed in relation thereto. Such governmental charges and expenses must be paid before any such new 2017A Bond is delivered.

The Bond Registrar/Paying Agent will not be required to issue, transfer or exchange any 2017A Bonds on the Record Date.

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