

State of Florida
Division of Bond Finance

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New Issue - Book-Entry Only

This Official Statement has been prepared to provide information about the 2018 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 C.

\$164,005,000
STATE OF FLORIDA
Florida Department of Transportation Financing Corporation
Revenue Bonds, Series 2018

Dated: Date of Delivery

Due: July 1, as shown on the inside front cover

Bond Ratings	AA+ (stable outlook) Fitch Ratings Aa1 (stable outlook) Moody's Investors Service AA+ (stable outlook) S&P Global Ratings
Tax Status	In the opinion of Bond Counsel, interest on the 2018 Bonds is excluded from gross income for federal income tax purposes. Interest on the 2018 Bonds is not an item of tax preference for purposes of the alternative minimum tax imposed on individuals. The 2018 Bonds and the income therefrom are not subject to taxation under the laws of the State of Florida, except estate taxes and taxes under Chapter 220, Florida Statutes, on interest income or profits or debt obligations owned by Corporations. See "TAX MATTERS."
Redemption	The 2018 Bonds maturing on and after July 1, 2029 are subject to optional redemption as provided herein.
Security	The 2018 Bonds will be secured by and payable from the Pledged Revenues, which are payments made to the Corporation by the Department of Transportation under the Service Contract. Payments under the Service Contract will be made from specific revenues deposited into the State Transportation Trust Fund, consisting primarily of revenues derived from fuel taxes, federal-aid and motor vehicle fees, subject to certain required payments or transfers specified by statute and more specifically described herein. See "Designated Uses of STTF Funds" and "Prior Liens on STTF Revenues." The 2018 Bonds are additionally secured by Pledged Funds held in the funds and accounts by the Trustee and the Custodian under the Resolution. The availability of Pledged Revenues will depend on annual appropriations by the Legislature to the Department for payments due under the Service Contract. The 2018 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 2018 Bonds. See "SECURITY FOR THE BONDS" and "TRANSPORTATION FUNDING AND THE STATE TRANSPORTATION TRUST FUND" herein for more detailed information.
Lien Priority	The lien of the 2018 Bonds on the Pledged Revenues is a first lien on such revenues and will be on parity with any subsequently issued Additional Bonds.
Additional Bonds	Additional Bonds payable on parity with the 2018 Bonds may be issued if, in any Fiscal Year, the sum of the debt service on all outstanding Corporation obligations, debt service on the Additional Bonds then proposed to be issued, and the payments for Outstanding Public-Private Partnership Obligations does not exceed 20% of the State Transportation Trust Fund revenues available for Service Contract payments (funds available after reduction for statutorily-designated uses and by the maximum legally permissible debt service on Department Bond Programs) in the Fiscal Year immediately preceding the issuance of the Additional Bonds. 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. The Corporation will have no other outstanding obligations on the date of delivery of the 2018 Bonds.
Purpose	Proceeds of the 2018 Bonds will be used to finance a portion of the cost of construction of the 2018 Project, which consists of improvements to I-95 and I-595 in Broward County, Florida, and to pay costs of issuance. See "PURPOSE OF THE ISSUE – The 2018 Project" herein for more complete information.
Interest Payment Dates	January 1 and July 1, commencing January 1, 2019.
Record Dates	December 15 and June 15.
Form/ Denomination	The 2018 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 2018 Bonds will not receive physical delivery of the 2018 Bonds.
Closing/ Settlement	It is anticipated that the 2018 Bonds will be available for delivery through the facilities of DTC in New York, New York on September 20, 2018.
Bond Registrar/ Paying Agent	U.S. Bank Trust National Association, New York, New York.
Bond Counsel	Greenberg Traurig, P.A., Miami, Florida.
Issuer Contact	Division of Bond Finance, (850) 488-4782, bond@sbafla.com
Maturity Structure	The 2018 Bonds will mature on the dates and bear interest at the rates set forth on the inside front cover.

MATURITY STRUCTURE

Initial CUSIP®	<u>Due Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield*</u>	<u>First Optional Redemption Date and Price</u>
34160KAA8	July 1, 2019	\$9,205,000	5.00%	1.58%	-
34160KAB6	July 1, 2020	7,900,000	5.00	1.69	-
34160KAC4	July 1, 2021	8,295,000	5.00	1.84	-
34160KAD2	July 1, 2022	8,705,000	5.00	1.94	-
34160KAE0	July 1, 2023	9,145,000	5.00	2.08	-
34160KAF7	July 1, 2024	9,600,000	5.00	2.19	-
34160KAG5	July 1, 2025	10,080,000	5.00	2.27	-
34160KAH3	July 1, 2026	10,585,000	5.00	2.40	-
34160KAJ9	July 1, 2027	11,115,000	5.00	2.47	-
34160KAK6	July 1, 2028	11,670,000	5.00	2.54	-
34160KAL4	July 1, 2029**	12,250,000	5.00	2.61	July 1, 2028 @ 100%
34160KAM2	July 1, 2030**	12,865,000	5.00	2.68	July 1, 2028 @ 100
34160KAN0	July 1, 2031**	13,510,000	5.00	2.74	July 1, 2028 @ 100
34160KAP5	July 1, 2032**	14,185,000	5.00	2.79	July 1, 2028 @ 100
34160KAQ3	July 1, 2033**	14,895,000	4.00	3.08	July 1, 2028 @ 100

* Price and yield information provided by the underwriter.

** The yields on these maturities are calculated to a 100% call on July 1, 2028.

The Corporation has not authorized any dealer, broker, salesman or other person to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied on. Certain information herein has been obtained from sources other than the State of Florida which are believed to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will under any circumstances, create any implication that there has been no change in the affairs of the Corporation or the State of Florida since the date hereof. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor will there be any sale of the 2018 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

**BOARD OF DIRECTORS
OF THE
FLORIDA DEPARTMENT OF TRANSPORTATION
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BOND COUNSEL

Greenberg Traurig, P.A.

Miami, FL

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OFFICIAL STATEMENT
Relating to
\$164,005,000
STATE OF FLORIDA
Florida Department of Transportation Financing Corporation
Revenue Bonds, Series 2018

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

INTRODUCTION

This Official Statement sets forth information relating to the sale and issuance of the \$164,005,000 State of Florida, Florida Department of Transportation Financing Corporation Revenue Bonds, Series 2018 (the “2018 Bonds”), dated the date of delivery thereof, by the Florida Department of Transportation Financing Corporation (the “Corporation”).

The proceeds of the 2018 Bonds will be used to finance a portion of the capital costs of construction of the 2018 Project, which consists of improvements to I-95 and I-595 in Broward County, Florida, and to pay costs of issuance. See “PURPOSE OF THE ISSUE – The 2018 Project” herein for a more detailed description of the 2018 Project.

The 2018 Bonds will be secured by and payable from a first lien pledge of the Pledged Revenues, which are payments made to the Corporation by the Department of Transportation (the “Department”) under the Service Contract. Payments under the Service Contract will be made from specific revenues deposited into the State Transportation Trust Fund, consisting primarily of revenues derived from fuel taxes, federal-aid and motor vehicle fees, subject to certain payments or transfers specified by statute and more specifically described herein. See “Designated Uses of STTF Funds” and “Prior Liens on STTF Revenues.” The 2018 Bonds are also secured by the Pledged Funds, held in the funds and accounts by the Trustee and the Custodian under the Resolution. The Service Contract relating to the 2018 Bonds and the 2018 Project requires that the Department make monthly payments sufficient to provide for debt service on the 2018 Bonds on each January 1 and July 1. Pursuant to statute, the Department shall make the payments required under the Service Contract from moneys available in the State Transportation Trust Fund. **Service Contract payments from moneys in the State Transportation Trust Fund are subject to annual appropriation by the Legislature. No requirement exists to make such annual appropriation in the future, nor may any Registered Owner legally compel the Legislature to make such appropriation.** See “SECURITY FOR THE BONDS” and “TRANSPORTATION FUNDING AND THE STATE TRANSPORTATION TRUST FUND” herein for more detailed information.

The lien of the 2018 Bonds and any subsequently issued Additional Parity Bonds on the Pledged Revenues is a first lien on such revenues. See “SECURITY FOR THE BONDS” herein for more detailed information.

The Bonds shall not constitute a debt or obligation of the State of Florida or any instrumentality or political subdivision thereof, nor a pledge of the full faith and credit or taxing power of the State of Florida or any instrumentality or political subdivision thereof. Also, the Bonds are not general obligations of the Corporation. The 2018 Bonds are payable, as to principal and interest, solely from the Pledged Revenues and Pledged Funds, as described in the Bond Resolution.

Requests for additional information may be made to:

Division of Bond Finance
Phone: (850) 488-4782
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 2018 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 2018 BONDS

General Legal Authority

The 2018 Bonds are being issued pursuant to the authority granted by the laws of the State of Florida and resolutions of the Corporation, all as more specifically described herein. Section 339.0809, Florida Statutes, authorizes the issuance of revenue bonds by the Corporation for the purpose of financing or refinancing projects approved in the Department's Work Program.

Florida Department of Transportation Financing Corporation

The Corporation, created by and existing under the provisions of Section 339.0809, Florida Statutes, is a nonprofit corporation created for the purpose of financing and refinancing projects approved in the Department's Work Program. The Corporation is governed by a board of directors consisting of the Director of Policy and Budget within the Executive Office of the Governor, the Secretary of Transportation, and the Director of the Division of Bond Finance. The Director of the Division of Bond Finance serves as the Chief Executive Officer and President of the Corporation.

The Corporation has the power to issue bonds or other obligations or evidences of indebtedness payable from and secured by amounts payable to the Corporation from moneys in the State Transportation Trust Fund under a Service Contract with the Department. The 2018 Bonds are to be issued to fund a portion of the 2018 Project, which consists of improvements to I-95 and I-595 in Broward County, Florida. See "PURPOSE OF THE ISSUE – The 2018 Project" herein for a more detailed description of the 2018 Project.

Administrative Approval

By resolutions duly adopted on April 11, 2018 (the "Master Resolution") and on July 11, 2018 (the "2018 Series Resolution"), the Corporation authorized the issuance and sale of not exceeding \$195,000,000 Florida Department of Transportation Financing Corporation Revenue Bonds. The Master Resolution and the 2018 Series Resolution of the Corporation are reproduced as Appendices D and E, respectively, to this Official Statement.

Validation of the Bonds

The validity of bonds to be issued by the Corporation, the Master Resolution, and the payments to be made under the Service Contract has been determined by a Final Judgment of the Circuit Court of the Second Judicial Circuit in and for Leon County, Florida, rendered on May 17, 2018. Under the applicable Florida Statutes and Appellate Rules, if no appeal is taken from such judgment within 30 days of the entry of the judgment, or if such judgment is affirmed on appeal, the judgment of validation is forever conclusive as to all matters adjudicated thereby. The time for filing appeals expired and no appeal was filed.

DESCRIPTION OF THE 2018 BONDS

The 2018 Bonds are being issued as fully registered bonds in the denomination of \$1,000 or integral multiples thereof. The 2018 Bonds are payable from the Pledged Revenues as described herein and are additionally secured by the Pledged Funds. The 2018 Bonds will be dated the date of their original issuance and delivery and will mature as set forth on the inside front cover. Interest is payable on January 1, 2019, for the period from the date of delivery thereof to January 1, 2019, and semiannually thereafter on July 1 and January 1 of each year until maturity or redemption.

The 2018 Bonds will initially be issued exclusively in "book-entry" form. Ownership of one 2018 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 2018 Bonds. Individual purchases of the 2018 Bonds will be made in book-entry form only, and the purchasers will not receive physical delivery of the 2018 Bonds or any certificate representing their beneficial ownership interest in the 2018 Bonds. See Appendix I, "Provisions for Book-Entry Only System or Registered Bonds" for a description of DTC, certain responsibilities of DTC, the Corporation and the Bond Registrar/Paying Agent, and the provisions for registration and registration for transfer of the 2018 Bonds if the book-entry only system of registration is discontinued.

REDEMPTION PROVISIONS

Optional Redemption

The 2018 Bonds maturing in the years 2019 through 2028 are not redeemable prior to their stated dates of maturity. The 2018 Bonds maturing in 2029 and thereafter are redeemable prior to their stated dates of maturity, without premium, at the option of the Corporation, (i) in part, by maturities to be selected by the Corporation, and by lot within a maturity if less than an entire maturity is to be redeemed, or (ii) as a whole, on July 1, 2028, or on any date thereafter, at the principal amount of the 2018 Bonds so redeemed, together with interest accrued to the date of redemption.

Notice of Redemption

Notices of redemption of the 2018 Bonds or portions thereof shall be mailed to each Registered Owner of record as of the Record Date by first class mail (postage prepaid), or other method at least as fast as first class mail, at least 30 days prior to the date of redemption. 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. Such notice of redemption shall specify any conditions to such redemption, 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 (or other approved method) to any Registered Owner of Bonds, 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 2018 Bond receives such notice.

The Bond Registrar/Paying Agent shall not be required to issue, transfer or exchange any Bonds selected for redemption during a period beginning at the opening of business on the Record Date applicable to such redemption and ending on the date fixed for redemption.

PURPOSE OF THE ISSUE

The 2018 Project

The proceeds of the 2018 Bonds will be used to finance a portion of the capital costs of the 2018 Project and to pay costs of issuance. The Corporation plans to finance approximately \$500 million in capital costs of the 2018 Project, which consists of improvements to I-95 and I-595 in Broward County, Florida. The Corporation expects to issue three series of bonds from August 2018 through July 2020, beginning with the 2018 Bonds. The design and permitting for the 2018 Project began in summer 2018. Construction is expected to begin in summer 2019, with completion expected in December 2024.

The 2018 Project is located within the municipalities of Fort Lauderdale, Davie, Dania Beach, and Hollywood along I-95 from south of Hollywood Boulevard to south of Broward Boulevard, and I-595 from State Road 7 to I-95. The 2018 Project consists of converting the existing I-95 lanes by widening, milling, resurfacing, overbuild and/or reconstruction resulting in two tolled express lanes in each direction. Anticipated toll revenues from the 2018 Project will not be pledged to the repayment of the 2018 Bonds. The number of existing general use lanes and auxiliary lanes will remain the same. The 2018 Project will also widen certain sections of I-595, but will not provide for tolled express lanes on I-595.

(Remainder of page intentionally left blank)

Sources and Uses of Funds

Sources:

Par Amount of 2018 Bonds	\$164,005,000
Net Original Issue Premium.	<u>24,863,439</u>
Total Sources	<u>\$188,868,439</u>

Uses:

Deposit to 2018 Sale Proceeds Fund	\$188,100,597
Cost of Issuance.	341,429
Underwriter's Discount	<u>426,413</u>
Total Uses	<u>\$188,868,439</u>

Application of the 2018 Bond Proceeds

The proceeds of the 2018 Bonds will be used to finance a portion of the cost of construction of the 2018 Project. The Resolution provides for the creation of a Sale Proceeds Fund, a trust fund in the State Treasury to be used only for the payment of the construction costs of projects in the Department's approved Work Program. Separate accounts within the Sale Proceeds Fund are established from the proceeds of the sale of each Series of Bonds. A separate account (the "2018 Sale Proceeds Fund") is being established to pay costs of the 2018 Project. The Registered Owners of the 2018 Bonds shall have a lien on all proceeds of the 2018 Bonds deposited in the Sale Proceeds Fund until such moneys are applied as provided in the Resolution. See "MISCELLANEOUS - Investment of Funds" below for policies governing the investment of the Sale Proceeds Fund. Withdrawals are made by the Department for payment of the costs of the 2018 Project. Funds remaining in the 2018 Sale Proceeds Fund after completion of the 2018 Project shall be used to retire or redeem 2018 Bonds. It is not anticipated that there will be any unspent sale proceeds of the 2018 Bonds available to redeem 2018 Bonds.

Future Financing Corporation Bonding

The Corporation plans to finance approximately \$500 million in capital costs of the 2018 Project over three fiscal years, Fiscal Year 2018-19 through Fiscal Year 2020-21, beginning with the 2018 Bonds. The Corporation anticipates issuing approximately \$191 million of Bonds in Fiscal Year 2019-20 and approximately \$123 million of Bonds in Fiscal Year 2020-21. The Corporation may also finance approximately \$315 million for the I-4 Beyond the Ultimate project, which is included in the Work Program, but has not yet received legislative approval for financing. There can be no assurance that future legislation will not confer additional authority for future additional bonding or limit the amount of debt the Corporation may issue.

Debt Service Coverage

The following table shows the debt service coverage for the 2018 Bonds and the projected debt service coverage for future bonds anticipated to fund the 2018 Project based on the February 2018 Revenue Estimating Conference projections.

Florida Department of Transportation Financing Corporation Projected Debt Service Coverage (in millions)

Fiscal Year Ending June 30	Projected Total Net Available Revenue ¹	2018 Bonds		Total 2018 Project Bonding	
		Debt Service	Coverage	Projected Debt Service ²	Project Coverage
2019	\$4,866.3	\$15.5	314.2x	\$15.5	314.2x
2020	4,807.5	15.5	310.1x	34.9	137.7x
2021	4,734.0	15.5	303.6x	48.1	97.9x
2022	4,757.7	15.5	303.4x	48.1	97.8x
2023	4,809.6	15.5	304.8x	48.1	98.3x

Note: No assurance or guarantee is given that actual revenues will meet projections.

¹ See "Projected Available Revenues of the STTF" herein. Projected Total Net Available Revenue is based on February 2018 estimates. See "Conference Comparison of Projected Gross STTF State Revenues" herein for information regarding the August 2018 Revenue Estimating Conferences.

² In addition to the 2018 Bonds, the Corporation anticipates issuing approximately \$191 million in Fiscal Year 2019-20 and approximately \$123 million in Fiscal Year 2020-21 to complete the financing of the 2018 Project. Projected debt service has been estimated using a fixed 5% interest rate, level annual debt service structure by series, and a final maturity of July 1, 2033 for each series of bonds.

SCHEDULE OF DEBT SERVICE

The table below shows the debt service on the 2018 Bonds. Payments due on July 1 accrue in the preceding Fiscal Year.

Fiscal Year	Debt Service on 2018 Bonds		
<u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$9,205,000	\$6,284,785	\$15,489,785
2020	7,900,000	7,591,050	15,491,050
2021	8,295,000	7,196,050	15,491,050
2022	8,705,000	6,781,300	15,486,300
2023	9,145,000	6,346,050	15,491,050
2024	9,600,000	5,888,800	15,488,800
2025	10,080,000	5,408,800	15,488,800
2026	10,585,000	4,904,800	15,489,800
2027	11,115,000	4,375,550	15,490,550
2028	11,670,000	3,819,800	15,489,800
2029	12,250,000	3,236,300	15,486,300
2030	12,865,000	2,623,800	15,488,800
2031	13,510,000	1,980,550	15,490,550
2032	14,185,000	1,305,050	15,490,050
2033	<u>14,895,000</u>	<u>595,800</u>	<u>15,490,800</u>
Total	<u>\$164,005,000</u>	<u>\$68,338,485</u>	<u>\$232,343,485</u>

SECURITY FOR THE BONDS

Pledged Revenues

The 2018 Bonds are secured by a first lien pledge of the Pledged Revenues, which consist of the revenues paid to the Corporation by the Department under the Service Contract. The 2018 Bonds are additionally secured by the Pledged Funds held in the funds and accounts by the Trustee and the Custodian under the Resolution. Payments due under the Service Contract are required to be made from moneys deposited into the State Transportation Trust Fund, consisting primarily of revenues derived from fuel taxes, federal-aid, and motor vehicle fees, subject to certain required payments or transfers specified by statute and more specifically described herein. See “Designated Uses of STTF Funds” and “Prior Liens on STTF Revenues.” **Payments under the Service Contract are subject to annual appropriation by the Legislature. No requirement exists to make such annual appropriation in the future, nor may any Registered Owner legally compel the Legislature to make such appropriation.**

The Service Contract relating to the 2018 Bonds and the 2018 Project requires that the Department make monthly payments sufficient to provide for debt service on the 2018 Bonds on each January 1 and July 1. Under State law, the Department must make the payments required under the Service Contract, to the extent appropriated, from amounts on deposit in the State Transportation Trust Fund.

The 2018 Bonds are not a debt or obligation of the State of Florida or any instrumentality or political subdivision thereof, nor a pledge of the full faith and credit or taxing power of the State of Florida or any instrumentality or political subdivision thereof. The 2018 Bonds are not general obligations of the Corporation. The 2018 Bonds are revenue bonds of the Corporation, payable solely from the Pledged Revenues.

2018 Bonds Not Secured by Reserve Fund

There will not be a Reserve Fund subaccount funded for the 2018 Bonds.

The Service Contract

Prior to the issuance of the 2018 Bonds, the Corporation will enter into a Service Contract with the Department relating to the 2018 Bonds and the 2018 Project pursuant to which the Corporation will issue the 2018 Bonds to finance a portion of the 2018 Project. A copy of the form of the Service Contract is attached hereto as Appendix F. Payments under the Service Contract will be made only from specific revenues deposited into the State Transportation Trust Fund, consisting primarily of revenues derived from fuel taxes, federal-aid, and motor vehicle fees, and subject to certain required payments or transfers specified by statute and more particularly described herein. See “Designated Uses of STTF Funds” and “Prior Liens on STTF Revenues.” Payments under the Service Contract are subject to annual appropriation by the Legislature.

Under the Service Contract, the Department may not make any payments from the State Transportation Trust Fund that would render it unable to make Service Contract payments in a timely manner. The Service Contract also requires that the Department include in its annual budget request to the Governor and Legislature amounts sufficient to enable the Corporation to pay debt service and other deposits and payments required by the Master and Series Resolutions. The Department is also required to continually monitor available funds in the State Transportation Trust Fund and to defer payments on other contractual obligations to the extent necessary to ensure the availability of funds for Service Contract payments.

The obligations of the Department under the Service Contract are not a general obligation of the State or a pledge of the full faith and credit or taxing power of the State, but are payable solely from amounts available in the State Transportation Trust Fund, subject to annual appropriation by the Legislature. Any indebtedness of the Corporation is not a debt or obligation of the State or a pledge of the full faith and credit or taxing power of the State, but is payable from and secured by payments made by the Department under the Service Contract.

The Service Contract provides that the obligations of the Department to make payments and to observe all other covenants contained in the Service Contract are absolute and unconditional, subject to appropriation by the Legislature, irrespective of any defense, or any rights of set-off, recoupment or counterclaim that the Department may have against the Corporation. Until all payments under the Service Contract have been made to the Corporation, the Department is not permitted to suspend or discontinue payments and is required to perform all agreements contained in the Service Contract. Additionally, the Department may not terminate the Service Contract for any cause, except as specifically permitted in the Service Contract. The Service Contract provides that the Department will not take any action which would impair its obligations or the rights inuring to the benefit of the Registered Owners of the Bonds under the Service Contract. No dispute or litigation between the Corporation and the Department with respect to the Service Contract may affect either party’s duty to perform its obligations while the dispute or litigation is pending. The obligation of the Department to make payments under the Service Contract may be enforced by the Corporation or by a receiver appointed pursuant to the Master Resolution or applicable law.

Flow of Funds

Payments under the Service Contract – Amounts on deposit in the State Transportation Trust Fund in each Fiscal Year must be applied or allocated by the Department for the payment of amounts payable by the Department under the Service Contract to the extent appropriated by the Florida Legislature for such purpose.

The Service Contract requires that on or before the fifth day of each calendar month there shall be paid an amount equal to the sum of one-sixth of the interest payable on the next Interest Payment Date, plus one-twelfth of the principal payable on the next Principal Payment Date. The Department is also required to pay moneys at such times and in the amounts necessary to ensure that adequate moneys are available to the Corporation for timely payment of the Corporation’s obligations.

The Department may prepay amounts due for payment of the principal of or interest on the Bonds. Any such prepayment shall be applied first to the amounts due in the then current Fiscal Year and then shall be used by the Corporation to retire or defease outstanding Bonds in accordance with the Bond Resolution.

Application of Revenues – All Pledged Revenues, immediately upon receipt by the Corporation, are deposited by the Corporation into the Revenue Fund. Any moneys at any time on deposit in the Revenue Fund are paid out of the Revenue Fund not less often than monthly (or more frequently if required to make timely payment of amounts payable under the Resolution or any Credit Agreement) in the following manner and order of priority:

- (1) First, moneys in the Revenue Fund are transferred to the Interest Account and the Principal Account of the Bond Fund until the amount therein is sufficient to pay all Debt Service to become due on the Bonds during the balance of the then current Bond Year. Moneys in the Bond Fund are used only for the purpose of paying the principal of, and interest on Bonds as the same mature, become due, or are redeemed, or to pay Payment Obligations due any Credit Facility Provider to reimburse it for funds advanced to pay such Debt Service due on such date and for no other purpose.

- (2) Next, moneys in the Revenue Fund are used to make deposits to the Reserve Fund, if necessary, in an amount needed to cause the balance therein to equal the Reserve Requirement; provided that moneys need not be deposited therein to the extent that a Reserve Fund Credit Facility is then satisfying all or a portion of such Reserve Requirement. The Corporation may substitute a Reserve Account Credit Facility for cash and investments in the Reserve Fund at any time. Moneys (including moneys derived from any Reserve Fund Credit Facility) in the Reserve Fund are used to pay principal of, or interest on the Bonds when the moneys in the Bond Fund are insufficient for such purposes.
- (3) Next, moneys in the Revenue Fund are used to pay Fiduciary Charges which have become due and payable.
- (4) Next, moneys in the Revenue Fund are used to pay any Rebate Amount required by Section 148(f) of the Code which has become due and payable or to make deposits to the Rebate Fund to fund the Corporation's estimated accrued liability therefor.
- (5) Next, amounts in the Revenue Fund are used to pay the following amounts in the following order of priority:
 - (A) amounts needed to pay Payment Obligations and Recurring Credit Facility Charges to Providers of Credit Facilities which have become due and, if the amount available is not sufficient to pay all such amounts, payments shall be made to such Providers ratably to the respective amounts due each such Provider; and
 - (B) next to pay Payment Obligations and Recurring Credit Facility Charges to Providers of Reserve Fund Credit Facilities which have become due and, if the amount available is not sufficient to pay all such amounts, payments shall be made to such Providers ratably to the respective amounts due each such Provider.

There will not be a Reserve Fund funded or Credit Facility purchased to secure the 2018 Bonds.

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

ADDITIONAL BONDS

The Corporation may issue Additional Bonds payable from the Pledged Revenues on a parity with the 2018 Bonds, but only upon the following terms, restrictions and conditions:

- (a) in any Fiscal Year, the sum of (i) the debt service on all outstanding Corporation obligations; (ii) the debt service on the Additional Bonds then proposed to be issued; and (iii) the payments for Outstanding Public-Private Partnership Obligations, shall not exceed 20% of the revenues of the State Transportation Trust Fund available for Service Contract payments (funds available after reduction for statutorily-designated uses and by the maximum legally permissible debt service on Department Bond Programs) in the Fiscal Year immediately preceding the issuance of the Additional Bonds;
- (b) the Legislature shall have adopted an appropriations act or substantive legislation specifically approving the financing of the project or projects to be financed in whole or in part from proceeds of such Additional Bonds and shall have appropriated sufficient moneys to pay the first year's debt service on the Additional Bonds;
- (c) the issuance of the Additional Bonds shall not violate any statutory limits on the issuance of Bonds;
- (d) the Department's project or projects to be financed in whole or in part from the proceeds of such Additional Bonds shall have been approved by the Legislature and such approval shall specifically provide that the Department may enter into a Service Contract for the project pursuant to Section 339.0809(4), Florida Statutes, as amended; and
- (e) the Department and the Corporation shall have entered into a Service Contract with respect to such Additional Bonds.

The Department shall certify compliance with sections (a), (b), (c), (d), and (e) of the parity test described above. The Bonds and the Additional Bonds, regardless of the time or times of their issuance, will rank equally with respect to their lien on the Pledged Revenues and their source of and security for payment therefrom without preference of any Bond or Additional Bond over any other thereof. The Corporation will have no other outstanding obligations on the date of delivery of the 2018 Bonds.

Bonds may be refunded without the application of the Additional Bonds parity test described in (a), (b), (c), and (d) if the Debt Service Requirement with respect to such Additional Bonds in each Fiscal Year following the issuance thereof shall be equal to or less than the Debt Service Requirement for such Fiscal Year with respect to the Bonds which would have been Outstanding in such Fiscal Year had the same not been refunded.

TRANSPORTATION FUNDING AND THE STATE TRANSPORTATION TRUST FUND

Department of Transportation

The Department is a decentralized agency, with a central office, seven district offices, the Turnpike Enterprise and the Rail Enterprise. The head of the Department is the Secretary of Transportation, nominated by the Florida Transportation Commission, appointed by the Governor and confirmed by the State Senate.

Work Program

The Department develops a work program (the “Work Program”) to provide for the planned construction and financing of transportation projects. The Work Program is a five-year listing of all planned transportation projects and a complete spending plan for the State Transportation Trust Fund and other funds managed by the Department. The Legislature annually approves the Work Program and authorizes the first year’s commitment of funds. Projects financed by the Corporation must be included in the Department’s Work Program.

The current Work Program became effective on July 1, 2018, and will run through Fiscal Year 2022-23, authorizing approximately \$9.3 billion in commitments in Fiscal Year 2018-19 for transportation projects throughout the State. The 2018 Project is included in the Work Program and has been approved by the Legislature and Governor.

State Transportation Trust Fund

Funds to be used for transportation purposes are held in the State Transportation Trust Fund (the “STTF”) under the direction of the Department. The funds in the STTF are the source of Service Contract payments which are pledged to repayment of the 2018 Bonds. Section 339.139, Florida Statutes, imposes a limitation on the debt payable from the STTF. The total of all debt service payments for bonds issued by the Department, payments related to public-private partnerships, and other financial commitments and contractual obligations of the Department may not exceed 20% of the total projected State and federal revenues of the STTF in each fiscal year. The Department annually generates a debt load report to ensure compliance with the debt limitation. The law permits the Department to request an exception to this debt limitation for critical projects, which must be approved by the Governor, without objection from the Speaker of the House of Representatives, President of the Senate and the chairs of the legislative appropriation committees. No such exception has ever been requested. Obligations of the Corporation are not statutorily required to be included within the 20% limitation, but are included in determining whether Additional Bonds may be issued. See “ADDITIONAL BONDS” herein.

All State tax, fee and miscellaneous revenues that are deposited into the STTF are available for appropriation to make payments under a Service Contract between the Department and the Corporation, except where State law specifically designates the use of those revenues. See “Designated Uses of STTF Funds” and “Prior Liens on STTF Revenues” herein. Federal-aid reimbursement funds are also available to make payments under a Service Contract, subject to prior liens. See “Prior Liens on STTF Revenues.”

Revenues from the following sources are deposited into the STTF.

Motor Fuel and Aviation Fuel Taxes

Motor Fuel and Aviation Fuel Taxes are continuous sources of dedicated transportation revenue for the State of Florida. Motor Fuel Taxes are imposed on sales of gasoline and diesel fuels and are assessed on a per gallon basis, currently at a rate of 13.7 cents per gallon. The Aviation Fuel Tax is levied on fuel used in aircraft engines at a rate of 6.9 cents per gallon. Motor Fuel and Aviation Fuel Taxes are deposited into the STTF and available for payments under a Service Contract. Motor Fuel Tax and Aviation Fuel Tax projections are published by the Office of Economic and Demographic Research at least twice annually.

Annual changes in Motor Fuel Tax collections are affected by both consumption and changes to the tax rate. Consumption of motor and diesel fuel declined by approximately 597.7 million gallons (5.9%) from Fiscal Year 2007-08 to Fiscal Year 2011-12; however, the decrease in consumption was offset by increases in tax rates, resulting in a slight overall increase in transfers to the STTF over the same period. Consumption during that period was impacted by economic factors including lower numbers of registered vehicles, flat population growth, high unemployment, decreased tourism and decreased

construction in the State. Transfers of Motor Fuel Taxes to the STTF increased by approximately \$275.7 million (24.5%) from Fiscal Year 2011-12 to Fiscal Year 2016-17, as consumption increased by approximately 1.4 billion gallons (14.5%) and the tax rate increased from 12.2 cents per gallon to 13.4 cents per gallon. Consumption and tax collections are projected to continue to grow over the next ten years. However, various market pressures, including increased corporate fuel economy standards for new cars, are increasing the fuel efficiency of vehicles and decreasing the average amount of taxes that drivers pay. Over time, this may result in Motor Fuel Taxes becoming a less sustainable source of revenue for transportation funding.

Under federal law, Aviation Fuel Taxes must be used for airport-related purposes. The majority of Florida's Aviation Fuel Tax (5.7 cents per gallon) is grandfathered from this requirement and may be spent for Service Contract payments. Beginning July 1, 2019, the Aviation Fuel Tax rate drops below the grandfathered rate, so all Aviation Fuel Tax revenues will be available for Service Contract payments. Regardless of the grandfathered rate, the Department spends in excess of Aviation Fuel Tax collections for aviation purposes, which is encompassed in the 15% of STTF revenues used for public transportation projects. See "Designated Uses of STTF Funds" herein. Accordingly, all Aviation Fuel Tax revenues are shown as available for Service Contract payments.

Aviation Fuel Tax collections are primarily driven by airline consumption, which is dependent upon a wide range of factors including local, national, and international economic conditions. Increased tax credits and refunds have also affected Aviation Fuel Tax collections in recent years. From Fiscal Year 2007-08 through Fiscal Year 2016-17, revenues from the Aviation Fuel Tax decreased from \$61.7 million to \$29.5 million, a decline of over 52%. Consumption is projected to increase over the next 10 years; however, revenues are expected to decline slightly over that same time period as a result of the reduction of the Aviation Fuel Tax rate from 6.9 cents per gallon to 4.27 cents per gallon effective July 1, 2019. The effect of the decreased tax rate is expected to be partially offset by the repeal of certain Aviation Fuel Tax exemptions, which will increase the amount of jet fuel subject to the tax.

Motor Vehicle Fees

Motor vehicle fees are assessed on the ownership and operation of private and commercial vehicles in the State of Florida and are deposited into the STTF. State motor vehicle fees include the Motor Vehicle License Fee, the Motor Vehicle License Surcharge, the Initial Registration Fee, Motor Vehicle Title Fees, and a Rental Car Surcharge. Motor vehicle fees are assessed based on owning and operating a motor vehicle in the State. Any change in the number of individuals licensed to operate a motor vehicle or the number of private and commercial vehicles registered in the State will have an impact on motor vehicle fee collections. A decrease in tourism in Florida, among other possibilities, could result in diminished Rental Car Surcharge collections. Motor vehicle fee projections are published by the Office of Economic and Demographic Research at least twice annually.

In 2009, the Legislature made rate changes to certain motor vehicle fees to offset the impact of the Great Recession. The additional proceeds were intended to be distributed to the General Revenue Fund. With Florida's economy exhibiting recovery in the following years, the Legislature reduced certain motor vehicle fees back to pre-2009 rates. In 2015, the Legislature redirected the General Revenue portion of the Initial Registration Fee to the STTF as a partial offset to the reduction of the STTF portion of Documentary Stamp Taxes. The STTF portion of the \$225 Initial registration fee is now 85.7% or \$193.

Motor vehicle fee revenue decreased from approximately \$903.2 million in Fiscal Year 2007-08 to approximately \$775.1 million in Fiscal Year 2009-10. Motor vehicle fee revenue remained stable for the ensuing two Fiscal Years, but increased by approximately \$231.7 million due, in part, to 2012 legislation which directed the first \$200 million of a portion of the General Revenue Fund portion of the Motor Vehicle Title Fees. Motor vehicle fees have exhibited growth in recent years reaching \$1.3 billion in Fiscal Year 2016-17.

Documentary Stamp Taxes

Documentary Stamp Taxes are levied on deeds and other documents related to real property or interests in real property. Most documents subject to the Documentary Stamp Tax reflect business activities and transactions, the frequency and size of which may be greatly influenced by State economic conditions. As a result, a slowdown in the building construction industry and a decline in the number of new residential or commercial buildings sold, among other possibilities, could result in diminished Documentary Stamp Tax revenues.

Since 2005, a portion of Documentary Stamp Taxes flows into the STTF each year. Currently, the lesser of 24.18442% or \$541.75 million of Documentary Stamp Taxes is deposited into the STTF and is used to fund several specific programs, including the Strategic Intermodal System and the Transportation Regional Incentive Program, from which payments under a Service Contract may be made. Documentary Stamp tax projections are published by the Office of Economic and Demographic Research at least twice annually.

The 2005 Legislature adopted legislation which provided for \$541.75 million of Documentary Stamp Tax revenue to be deposited into the STTF annually to fund transportation needs. In 2008, the Legislature changed the distribution to the lesser of \$541.75 million or 38.2% of Documentary Stamp Tax revenue. The effects of the 2008 legislation, when combined with the impact of the Great Recession and other economic factors, resulted in Documentary Stamp Tax revenues distributed to the STTF declining from \$541.75 million in Fiscal Year 2007-08 to \$87.74 million in Fiscal Year 2008-09. Documentary Stamp Tax revenue distributions increased approximately \$236.60 million from Fiscal Year 2008-09 to Fiscal Year 2014-15, as the Florida housing and real estate markets recovered. In 2015, the Legislature lowered the distribution rate to the lesser of \$541.75 million or 24.18442% of Documentary Stamp Tax revenue. The resulting impact of the change in the distribution rate, when combined with other economic factors, has resulted in \$267.84 million and \$281.79 million in Documentary Stamp Tax revenue distributions to the STTF in Fiscal Year 2015-16 and 2016-17, respectively.

Federal-Aid Reimbursements

The federal government provides funds for construction and improvement of highways and bridges and other transportation projects to the State through its Federal-Aid Highway Program. These federal transportation funds are paid to the State from certain federal taxes on gasoline and diesel fuel, tire sales, truck and trailer sales, and other items deposited into the Federal Highway Trust Fund, subject to Congressional appropriation. The Federal-Aid Highway Program is a reimbursement program and must be periodically reauthorized by Congress. The program has historically been reauthorized on a multiyear basis, and the most recent legislation (Fixing America's Surface Transportation "FAST" Act) extends the imposition of highway-user taxes and deposit of such taxes to the Federal Highway Trust Fund through September 30, 2022. The FAST Act also extends the authority to make expenditures from the Federal Highway Trust Fund through September 30, 2020, and supplements the proceeds of the highway-user taxes deposited in the Federal Highway Trust Fund with transfers from the General Fund of the Treasury. These funds are available for reimbursement of expenditures incurred by the State for costs of eligible transportation projects. Upon receipt by the Department, federal reimbursement funds are deposited into the STTF and can be used for payments under a Service Contract.

The terms and conditions of participation in the Federal-Aid Highway Program are subject to change at the discretion of Congress, and there can be no assurance that the laws and regulations now governing the Federal-Aid Highway Program will not be changed in the future in a manner that could adversely affect the funds available to the State.

Miscellaneous Revenues

The Department derives revenue from a variety of smaller sources. These sources include, but are not limited to, various leases, administrative fees, permits, project contributions, sale of surplus property, overweight/over-dimensional fees, and interest earnings. Such revenues, including future revenues of the 2018 Project, are available for appropriation for Service Contract payments. Projections of Miscellaneous Revenues are provided by the Department but do not include revenues of the 2018 Project.

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The following tables show the historical and projected revenues by source in the State Transportation Trust Fund.

**Historical
Gross STTF Revenues
(in millions)**

Fiscal Year	Motor & Aviation Fuel Taxes	Motor Vehicle Fees	Documentary Stamp Tax & Miscellaneous Revenues	Total State Revenues	Federal-Aid	Total State & Federal Revenues	Percentage Change from Prior Year
2007-08	\$1,848.8	\$903.2	\$664.5	\$3,416.4	\$2,076.0	\$5,492.5	(2.3%)
2008-09	1,798.4	813.9	169.5 ¹	2,781.7	1,880.0	4,661.8	(15.1%) ¹
2009-10	1,830.1	775.1	178.5	2,783.8	1,784.2	4,568.0	(2.0%)
2010-11	1,824.6	778.0	198.0	2,800.6	2,017.8	4,818.3	5.5%
2011-12	1,814.6	786.6	210.9	2,812.2	1,971.6	4,783.8	(0.7%)
2012-13	1,908.2	1,018.3	279.3	3,205.9	1,991.0	5,196.9	8.6%
2013-14	1,978.0	1,063.1	372.9	3,413.9	2,432.2	5,846.1	12.5%
2014-15	2,060.4	1,106.7	452.7	3,619.8	2,168.8	5,788.5	(1.0%)
2015-16	2,209.2	1,255.3	436.3	3,900.8	2,447.3	6,348.0	9.7%
2016-17	2,272.6	1,302.5	470.0	4,045.1	2,216.5	6,261.5	(1.4%)

Source: Florida Department of Transportation.

¹ The decline in revenues from Fiscal Year 2007-08 to Fiscal Year 2008-09 was due, in part, to legislation which changed the amount of Documentary Stamp Taxes distributed to the STTF.

**Projected
Gross STTF Revenues
(in millions)**

Fiscal Year	Motor & Aviation Fuel Taxes	Motor Vehicle Fees	Documentary Stamp Tax & Miscellaneous Revenues	Total State Revenues	Federal-Aid	Total State & Federal Revenues	Percentage Change from Prior Year
2017-18	\$2,336.2	\$1,320.0	\$410.1	\$4,066.3	\$2,854.1	\$6,920.4	10.5%
2018-19	2,422.0	1,335.5	432.1	4,189.6	2,624.6	6,814.2	(1.5%)
2019-20	2,495.6	1,355.0	452.4	4,303.0	2,495.6	6,798.6	(0.2%)
2020-21	2,581.5	1,372.3	471.3	4,425.1	2,345.0	6,770.1	(0.4%)
2021-22	2,683.9	1,387.4	490.3	4,561.6	2,279.1	6,840.7	1.0%
2022-23	2,786.3	1,403.6	504.2	4,694.1	2,245.8	6,939.9	1.5%
2023-24	2,885.2	1,418.9	523.1	4,827.2	2,242.5	7,069.7	1.9%
2024-25	2,980.9	1,434.7	542.4	4,958.0	2,267.9	7,225.9	2.2%
2025-26	3,086.0	1,450.6	561.2	5,097.8	2,300.5	7,398.3	2.4%
2026-27	3,193.3	1,466.5	580.7	5,240.5	2,324.4	7,564.9	2.3%

Source: February 2018 Revenue Estimating Conferences and Florida Department of Transportation.

Note: No assurance or guarantee is given that actual revenues will meet projections.

The Florida Office of Economic and Demographic Research promulgated new projected state transportation revenue estimates at its August 3, 2018 conference, and Documentary Stamp Taxes at its August 16, 2018 conference. The below Conference Comparison of Projected Gross STTF State Revenue table compares the August 2018 state revenue forecasts against the February 2018 forecast shown in the table above. Certain projections of statutorily-designated uses required to determine the net revenues available from the STTF are not yet available.

**Conference Comparison of Projected
Gross STTF State Revenues
(in millions)**

Fiscal Year	February 2018 Projected State Revenue	August 2018 Projected State Revenue	Total Dollar Change	Total Percentage Change
2017-18	\$4,066.3	\$4,077.7	\$11.4	0.3%
2018-19	4,189.6	4,189.0	(0.6)	0.0%
2019-20	4,303.0	4,298.9	(4.2)	(0.1%)
2020-21	4,425.1	4,393.1	(31.9)	(0.7%)
2021-22	4,561.6	4,499.6	(61.9)	(1.4%)
2022-23	4,694.1	4,604.0	(90.0)	(1.9%)
2023-24	4,827.2	4,717.4	(112.9)	(2.3%)
2024-25	4,958.0	4,817.2	(140.7)	(2.8%)
2025-26	5,097.8	4,924.4	(173.4)	(3.4%)
2026-27	5,240.5	5,031.5	(208.9)	(4.0%)

Note: No assurance or guarantee is given that actual revenues will meet projections.

Designated Uses of STTF Funds

State law currently designates the use of certain STTF revenues as provided below. A minimum of 15% of all State revenues deposited into the STTF that are not otherwise exempt under applicable law (non-exempt revenues), are required to be used for public transportation projects (aviation, seaports, transit or rail). Certain STTF revenues are subject to deductions for service charges, administrative costs and refunds.

A portion of Motor Fuel Taxes, the State Comprehensive Enhanced Transportation System (“SCETS”) Tax, is deposited to the STTF and required to be used for local transportation projects or transportation projects in the district or county in which the proceeds were derived. Those revenues required to be used on district transportation projects are subject to a geographical formula and the portion of revenues distributable to the district in which the project described in a Service Contract is located will be available for Service Contract payments. The 2018 Project is located in District 4, which includes Broward, St. Lucie, Martin, Palm Beach, and Indian River counties, and the SCETS Tax derived from District 4 will be available for Service Contract payments. For Fiscal Year 2016-17, total SCETS Tax revenues were approximately \$792 million, of which approximately \$142 million was derived from District 4.

From the Motor Vehicle Title Fees that are annually transferred to the STTF, \$65 million is dedicated to specific purposes. The balance of the Motor Vehicle Title Fees deposited annually into the STTF is available for payments to the Corporation. From Motor Vehicle License Fees, \$25 million is required to be used for other specified purposes, with the remainder available for Service Contract payments.

Specified portions of the revenues from the Initial Registration Fee for motor vehicles deposited into the STTF are required to be used for particular programs: (a) \$25 million for the Florida Shared-Use Nonmotorized Trail Network; (b) 3.4% for transit capital projects; (c) 5% for a small county road and bridge program; (d) 20.6% for Strategic Intermodal System projects; and (e) 6.9% for Transportation Regional Incentive Program projects. Funds designated for Strategic Intermodal System and Transportation Regional Incentive Program projects will be available for Service Contract payments for the 2018 Project, and the balance of the Initial Registration Fees after the other statutorily-designated uses are deducted is available for appropriation to make payments under Service Contracts. For Fiscal Year 2016-17, Initial Registration Fees totaled \$225.6 million, and after deducting statutorily-designated uses, the amount available for Service Contract payments was \$181.6 million.

The Rental Car Surcharge is distributed to the Department district in which it was generated, and the portion distributable to the district in which the project described in a Service Contract is located will be available for appropriation for Service Contract payments. The Rental Car Surcharge generated in District 4 will be available for Service Contract payments

for the 2018 Project. For Fiscal Year 2016-17, total Rental Car Surcharge revenues were approximately \$140 million, of which approximately \$32 million was derived from District 4.

From Documentary Stamp Tax revenues paid into the STTF, \$75 million is transferred annually to the State General Revenue Fund. After this transfer, 10% of the remaining funds is set aside for transit projects and a program for small county transportation projects. From the remaining revenues, 75% is available for Strategic Intermodal System projects and can be used for Service Contract payments for the 2018 Project. The remaining 25% of Documentary Stamp Tax revenues paid into the STTF, after deduction of \$60 million for rail projects, is available for Transportation Regional Incentive Program projects, and would also be available for Service Contract payments for the 2018 Project. For Fiscal Year 2016-17, the total Documentary Stamp Tax revenues deposited into the STTF was \$281.8 million, and after application of the statutorily-designed uses, \$169.1 million was available for Service Contract payments.

The following tables show the historical and projected revenues available in the STTF after being reduced by current statutorily–designated uses, subject to prior liens. See “Prior Liens on STTF Revenues.” Actual statutorily–designated uses of STTF Funds in historical years may have differed under prior State law. **There can be no assurance that future Legislatures will not change or amend the statutorily–designated uses of STTF funds in the future.**

Historical
Pro Forma Net Revenues Available from STTF
after Reduction for Statutorily-Designated Uses
(in millions)

<u>Fiscal Year</u>	<u>Motor & Aviation Fuel Taxes¹</u>	<u>Motor Vehicle Fees¹</u>	<u>Documentary Stamp Tax & Miscellaneous Revenues^{1,2}</u>	<u>15% for Public Transportation³</u>	<u>Net State Revenue¹</u>	<u>Federal-Aid</u>	<u>Total State & Federal Net Revenues¹</u>	<u>Percentage Change from Prior Year</u>
2007-08	\$1,293.8	\$715.8	\$408.7	(\$295.2)	\$2,123.1	\$2,076.0	\$4,199.1	(3.1%)
2008-09	1,255.5	638.5	57.3	(279.2)	1,672.1	1,880.0	3,552.1	(15.4%)
2009-10	1,277.8	606.4	76.4	(276.7)	1,683.8	1,784.2	3,468.0	(2.4%)
2010-11	1,269.1	604.5	84.7	(275.2)	1,683.1	2,017.8	3,700.9	6.7%
2011-12	1,256.8	604.6	80.0	(273.0)	1,668.3	1,971.6	3,639.9	(1.6%)
2012-13	1,331.1	831.8	126.5	(287.5)	2,001.8	1,991.0	3,992.8	9.7%
2013-14	1,375.1	868.8	168.0	(298.5)	2,113.4	2,432.2	4,545.6	13.8%
2014-15	1,431.8	906.5	226.5	(311.2)	2,253.6	2,168.8	4,422.4	(2.7%)
2015-16	1,541.1	1,038.4	220.6	(320.8)	2,479.3	2,447.3	4,926.6	11.4%
2016-17	1,577.0	1,086.0	249.7	(331.7)	2,581.1	2,216.5	4,797.5	(2.6%)

Source: Florida Department of Transportation.

¹ Net of statutorily-designated uses described under “Designated Uses of STTF Funds” above.

² Documentary Stamp Tax revenues shown after the \$75 million transfer to the State General Revenue Fund.

³ Section 206.46, Florida Statutes, commits a minimum of 15% of non-exempt State revenues deposited into the STTF each Fiscal Year to public transportation projects.

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**Projected
Net Revenues Available from STTF
after Reduction for Statutorily-Designated Uses
(in millions)**

Fiscal Year	Motor & Aviation Fuel Taxes¹	Motor Vehicle Fees¹	Documentary Stamp Tax & Miscellaneous Revenues¹	15% for Public Transportation²	Net State Revenue¹	Federal-Aid	Total State & Federal Net Revenues¹	Percentage Change from Prior Year
2017-18	\$1,621.7	\$1,104.2	\$291.1	(\$340.2)	\$2,676.8	\$2,854.1	\$5,530.9	15.3%
2018-19	1,681.8	1,117.6	309.2	(345.6)	2,763.0	2,624.6	5,387.6	(2.6%)
2019-20	1,732.4	1,134.9	326.4	(354.7)	2,839.0	2,495.6	5,334.6	(1.0%)
2020-21	1,789.2	1,150.1	342.3	(364.6)	2,917.0	2,345.0	5,262.0	(1.4%)
2021-22	1,862.8	1,163.2	358.2	(376.6)	3,007.6	2,279.1	5,286.7	0.5%
2022-23	1,936.0	1,177.1	369.1	(388.4)	3,093.8	2,245.8	5,339.6	1.0%
2023-24	1,999.5	1,189.7	385.0	(398.7)	3,175.5	2,242.5	5,418.0	1.5%
2024-25	2,059.6	1,202.5	401.1	(408.5)	3,254.7	2,267.9	5,522.6	1.9%
2025-26	2,128.4	1,215.4	417.0	(419.6)	3,341.2	2,300.5	5,641.7	2.2%
2026-27	2,198.8	1,228.3	433.3	(430.9)	3,429.6	2,324.4	5,754.0	2.0%

Source: February 2018 Revenue Estimating Conferences and Florida Department of Transportation.

Note: No assurance or guarantee is given that actual revenues will meet projections.

¹ Net of statutorily-designated uses described under “Designated Uses of STTF Funds” above.

² Section 206.46, Florida Statutes, commits a minimum of 15% of non-exempt State revenues deposited into the STTF each Fiscal Year to public transportation projects.

Prior Liens on STTF Revenues

In addition to the payment of debt service on obligations issued by the Corporation pursuant to the Service Contract, STTF funds available after statutory designations are committed for other bond programs. The following bond programs have a lien on STTF revenues senior to the payment obligation under the Service Contract. **The Legislature is permitted to increase the portion of STTF revenues dedicated to these bond programs or to add others without violating any covenants or contractual commitments to holders of 2018 Bonds.**

Right-of-Way Acquisition and Bridge Construction Bonds

The Department is constitutionally authorized to issue Right-of-Way Acquisition and Bridge Construction (“ROW”) bonds to finance the cost of acquiring real property or the rights to real property for right-of-way for State roads or the cost of State bridge construction. The ROW bonds have a prior lien on Motor Fuel Taxes collected by the State and deposited into the STTF. There are currently \$2.0 billion of ROW bonds outstanding. The ROW bond program’s annual debt service is statutorily limited to the lesser of \$275 million or 7% of STTF revenues. Maximum annual debt service on Outstanding ROW bonds is currently approximately \$177.9 million, which occurs in Fiscal Year 2020-21. Debt service declines annually thereafter through the final maturity on July 1, 2048.

Based on the current Work Program and long-term projections, the Department plans to issue \$1.11 billion of additional ROW bonds in various series over the next nine years from Fiscal Year 2018-19 through Fiscal Year 2026-27. The actual timing and amounts of these issues will depend on the Department’s need for proceeds, which is based on various factors including availability of revenues and spending on the Work Program, which are monitored by the Department to evaluate the need for revisions to the Work Program. It is estimated that issuance of the \$1.11 billion in additional ROW bonds during the next nine years will generate maximum annual debt service of \$237.7 million in Fiscal Year 2023-24, which is below the allowable maximum annual debt service of \$275 million.

Grant Anticipation Revenue Vehicle Bonds

The Department is statutorily authorized to issue Grant Anticipation Revenue Vehicle (“GARVEE”) bonds to finance transportation projects that are eligible to receive federal-aid highway funds. No GARVEE bonds have been issued by the Department. The debt service on GARVEE bonds will be secured by a senior lien on federal-aid highway reimbursements to the State but annual debt service is limited to 10% of annual federal-aid highway apportionments to the State. While no bonds

have been issued, the Department is projecting to issue GARVEE bonds as early as Fiscal Year 2019-20. Federal-aid funds remaining after the payment of debt service on GARVEE bonds are available to make payments under the Service Contract.

Based on the current Work Program, the Department plans to issue \$1.29 billion of GARVEE Bonds in various series over the next nine years from Fiscal Year 2018-19 through Fiscal Year 2026-27. The actual timing and amounts of these issues will depend on the Department's need for proceeds, which is based on various factors including availability of revenues and spending on the Work Program, which are monitored by the Department to evaluate the need for revisions to the Work Program. It is estimated that issuance of the \$1.29 billion in GARVEE Bonds during the next nine years will generate maximum annual debt service of \$148.5 million in Fiscal Year 2021-22, which is below the projected limit of 10% of annual federal-aid highway apportionments.

Seaport Bonds

A portion of the Motor Vehicle Title Fee revenues deposited into the STTF is dedicated to the Seaport Investment Program to finance improvements at various seaports within the State of Florida. The program receives a \$10 million annual appropriation for the purposes of the program, which is pledged to and used to pay debt service on Seaport Investment Program ("Seaport") bonds issued to fund the program. Outstanding Seaport bonds currently total \$122.7 million. Seaport bond debt service remains level at approximately \$8.6 million through the final maturity of outstanding Seaport bonds, which is July 1, 2043. The current Work Program does not include the issuance of any additional Seaport bonds.

State Infrastructure Bank Bonds

The Department is statutorily authorized to issue State Infrastructure Bank ("SIB") bonds for the purpose of providing loans to governmental units and private entities to construct and improve qualified transportation facilities. Loans made to district offices of the Department may be secured by a prior lien on revenues of the STTF. Annual repayments under loan agreements with district offices cannot exceed 0.75% of annual revenue deposits to the STTF. Outstanding SIB bonds currently total \$24.2 million; however, there are currently no outstanding bond-funded SIB loans to district offices of the Department. The current Work Program does not include the issuance of any additional SIB Bonds.

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Historical Available Revenues of the STTF

The following tables show the amount of historical net revenues available from the STTF for payment of the Service Contract after having been reduced for statutorily-designated uses and by the maximum legally permissible debt service on Department Bond Programs. Available STTF revenues have been decreased by the legally permissible maximum annual debt service (which exceeds actual debt service incurred) on existing Department Bond Programs, which have a senior lien on certain STTF revenues. The Legislature has the power to change the distribution of revenues to the STTF and to create additional liens on STTF revenues. **The amounts shown are illustrative of net available revenues using current State law and assuming maximum legally permissible debt service on Prior Lien Obligations.**

Historical Pro Forma Net STTF Revenues Less Maximum Legally Permissible Prior Lien Obligations (in millions)

Fiscal Year	Net STTF Revenues ¹	Maximum Annual Debt Service for Prior Liens					Net Total Available for Service Contract Payments
		ROW Debt Service ²	GARVEE Debt Service ³	Seaport Debt Service ⁴	SIB Debt Service ⁵	Total Maximum Prior Liens	
2007-08	\$4,199.1	(\$275.0)	(\$180.3)	(\$10.0)	(\$25.6)	(\$490.9)	\$3,708.2
2008-09	3,552.1	(275.0)	(185.3)	(10.0)	(20.9)	(491.2)	3,061.0
2009-10	3,468.0	(275.0)	(191.9)	(10.0)	(20.9)	(497.8)	2,970.2
2010-11	3,700.9	(275.0)	(196.6)	(10.0)	(21.0)	(502.6)	3,198.3
2011-12	3,639.9	(275.0)	(183.6)	(10.0)	(21.1)	(489.6)	3,150.3
2012-13	3,992.8	(275.0)	(182.5)	(10.0)	(24.0)	(491.6)	3,501.2
2013-14	4,545.6	(275.0)	(182.9)	(10.0)	(25.6)	(493.5)	4,052.1
2014-15	4,422.4	(275.0)	(182.9)	(10.0)	(27.1)	(495.0)	3,927.4
2015-16	4,926.6	(275.0)	(192.2)	(10.0)	(29.3)	(506.4)	4,420.2
2016-17	4,797.5	(275.0)	(194.9)	(10.0)	(30.3)	(510.2)	4,287.3

Source: Florida Department of Transportation.

¹ Gross STTF revenues less statutorily-designated uses. See “Designated Uses of STTF Funds” above and “Historical Pro Forma Net Revenues Available from STTF” herein.

² Secured by motor fuel taxes deposited to the STTF. The ROW annual debt service limitation, set forth in Section 206.46, Florida Statutes, is the lesser of 7% of STTF State revenues or \$275 million. Each fiscal year has been reduced by the maximum statutory limit of \$275 million, notwithstanding that 7% of STTF State revenues may have been lower than \$275 million.

³ Secured by federal-aid highway reimbursements. The GARVEE annual debt service limitation, set forth in Section 215.616, Florida Statutes, is 10% of total annual federal-aid highway apportionments.

⁴ The Seaport bond annual debt service limitation, set forth in Section 339.0801(1)(a), Florida Statutes, is \$10 million.

⁵ District office SIB loans are secured by STTF revenues. The SIB bond debt annual service limitation for Department loans, set forth in Section 339.55, Florida Statutes, is 0.75% of STTF Revenues. No district loans are currently outstanding.

Historical Pro Forma STTF Revenues Available for Service Contract Payments as Percentage of Gross STTF Revenues (in millions)

Fiscal Year	Gross State & Federal Revenues ¹	Net Available ²	Net Available as Percentage of Gross
2007-08	\$5,492.5	\$3,708.2	67.5%
2008-09	4,661.8	3,061.0	65.7%
2009-10	4,568.0	2,970.2	65.0%
2010-11	4,818.3	3,198.3	66.4%
2011-12	4,783.8	3,150.3	65.9%
2012-13	5,196.9	3,501.2	67.4%
2013-14	5,846.1	4,052.1	69.3%
2014-15	5,788.5	3,927.4	67.8%
2015-16	6,348.0	4,420.2	69.6%
2016-17	6,261.5	4,287.3	68.5%

¹ See “Historical Gross STTF Revenues” herein.

² See “Historical Pro Forma Net STTF Revenues Less Maximum Legally Permissible Prior Lien Obligations” above.

Projected Available Revenues of the STTF

The following tables show the amount of net revenues available from the STTF for payment of Service after having been reduced for statutorily-designated uses and by the maximum legally permissible debt service on Department Bond Programs. Available STTF revenues have been decreased by the legally permissible maximum annual debt service on existing Department Bond Programs, which have a senior lien on certain STTF revenues. The Legislature has the power to change the distribution of revenues to the STTF and to create additional liens on STTF revenues. No assurance or guarantee is given that actual revenues will meet projections.

Projected Net STTF Revenues Less Maximum Legally Permissible Prior Lien Obligations (in millions)

Fiscal Year	Net STTF Revenues ²	Maximum Annual Debt Service for Prior Liens ¹					Net Total Available for Service Contract Payments
		ROW Debt Service ³	GARVEE Debt Service ⁴	Seaport Debt Service ⁵	SIB Debt Service ⁶	Total Maximum Prior Liens	
2017-18	\$5,530.9	(\$275.0)	(\$199.4)	(\$10.0)	(\$30.5)	(\$514.9)	\$5,015.9
2018-19	5,387.6	(275.0)	(204.9)	(10.0)	(31.4)	(521.3)	4,866.3
2019-20	5,334.6	(275.0)	(209.8)	(10.0)	(32.3)	(527.1)	4,807.5
2020-21	5,262.0	(275.0)	(209.8)	(10.0)	(33.2)	(528.0)	4,734.0
2021-22	5,286.7	(275.0)	(209.8)	(10.0)	(34.2)	(529.0)	4,757.7
2022-23	5,339.6	(275.0)	(209.8)	(10.0)	(35.2)	(530.0)	4,809.6
2023-24	5,418.0	(275.0)	(209.8)	(10.0)	(36.2)	(531.0)	4,887.0
2024-25	5,522.6	(275.0)	(209.8)	(10.0)	(37.2)	(532.0)	4,990.6
2025-26	5,641.7	(275.0)	(209.8)	(10.0)	(38.2)	(533.1)	5,108.6
2026-27	5,754.0	(275.0)	(209.8)	(10.0)	(39.3)	(534.1)	5,219.9

Source: February 2018 Revenue Estimating Conferences and Florida Department of Transportation.

Note: No assurance or guarantee is given that actual revenues will meet projections.

¹ Actual projected annual debt service is less than the maximum legally permissible amounts shown.

² See "Projected Net Revenues Available from STTF" herein.

³ The ROW annual debt service limitation, set forth in Section 206.46, Florida Statutes, is the lesser of 7% of STTF State Revenues or \$275 million.

⁴ The GARVEE annual debt service limitation, set forth in Section 215.616, Florida Statutes, is 10% of total annual federal-aid highway apportionments. Total annual federal-aid highway apportionments from Fiscal Year 2018 through Fiscal Year 2020 are from the Fixing America's Surface Transportation (FAST) Act. Projections for Fiscal Year 2020 are held constant through Fiscal Year 2027.

⁵ The Seaport bond annual debt service limitation, set forth in Section 339.0801(1)(a), Florida Statutes, is \$10 million.

⁶ The SIB bond annual debt service limitation, set forth in Section 339.55, Florida Statutes, is 0.75% of STTF Revenues.

Projected STTF Revenues Available for Service Contract Payments as Percentage of Gross STTF Revenues (in millions)

Fiscal Year	Gross State & Federal Revenues ¹	Net Available ²	Net Available as Percentage of Gross
2017-18	\$6,920.4	\$5,015.9	72.5%
2018-19	6,814.2	4,866.3	71.4%
2019-20	6,798.6	4,807.5	70.7%
2020-21	6,770.1	4,734.0	69.9%
2021-22	6,840.7	4,757.7	69.6%
2022-23	6,939.9	4,809.6	69.3%
2023-24	7,069.7	4,887.0	69.1%
2024-25	7,225.9	4,990.6	69.1%
2025-26	7,398.3	5,108.6	69.1%
2026-27	7,564.9	5,219.9	69.0%

Note: No assurance or guarantee is given that actual revenues will meet projections.

¹ See "Projected Gross STTF Revenues" herein.

² See "Projected Net STTF Revenues Less Maximum Legally Permissible Prior Lien Obligations" above.

Other STTF Obligations

The following programs represent significant existing or potential financial obligations of the STTF which do not have a lien senior to payments under the Service Contract.

Fixed Guideway Bonds

The Department is statutorily authorized to issue bonds to finance fixed guideway transportation systems. The payment of debt service on the bonds is subject to appropriation by the Legislature. The amount appropriated for such debt service may not exceed 2% of State revenues deposited into the STTF, or approximately \$81.3 million based on projected Fiscal Year 2017-18 revenues. No bonds are planned or have been issued under the program. **There can be no assurance that future Legislatures will not change or amend current State law which may impact the amount of bonds that may be issued.**

Public-Private Partnerships

Section 334.30, Florida Statutes, authorizes the Department to enter into contractual agreements for public-private partnerships. Funds from the STTF may also be committed to payments under public-private partnerships. Currently, the Department has entered into five long-term public-private partnerships with total outstanding commitments of \$3.8 billion, extending through Fiscal Year 2054-55. Pursuant to State law, no more than 15% of total federal and State revenues in any fiscal year for the STTF may be obligated for Department payments on all public-private partnership arrangements. The current maximum annual payments on all public-private partnership arrangements is \$628.8 million and occurs in Fiscal Year 2021-22, which represents 9.2% of Fiscal Year 2021-22 projected revenues. **There can be no assurance that future Legislatures will not change or amend current State law which may impact the amount of obligations that may be incurred.**

Other Commitments

Other uses of funds from the STTF include payments of certain costs of operations and maintenance for Department owned or operated toll facilities. The Department has entered into lease-purchase agreements with certain expressway and bridge authorities in which it covenanted to pay all or part of the costs of the operations and maintenance from funds in the STTF, which the authorities are then required to reimburse. All authorities except one are current on their reimbursement obligations, and the Department is not authorized to enter into new agreements. The Department has also covenanted to Turnpike bondholders to pay the Florida Turnpike's operations and maintenance costs to the extent necessary. However, since the agreement was executed in 1997, the Turnpike has made all required deposits to the STTF to reimburse such costs.

Cash Balance of the STTF

The Department is required to maintain an available cash balance of not less than \$50 million as of the close of business of the 10th calendar day following the end of each quarter of the Fiscal Year. The Department currently targets a minimum cash balance of \$200 million and has historically managed to maintain an available cash balance significantly higher than the \$50 million minimum required by law, as demonstrated in the table below.

Historical State Transportation Trust Fund
Average Cash Balance by Fiscal Year
(in millions)

<u>Fiscal Year</u>	<u>Average Monthly Balance¹</u>
2007-08	\$915.9
2008-09	673.9
2009-10	447.7
2010-11	373.6
2011-12	374.6
2012-13	413.5
2013-14	814.8
2014-15	711.5
2015-16	795.7
2016-17	377.8

Source: Florida Department of Transportation.

¹ Calculated by averaging the monthly ending cash balance of the STTF for each Fiscal Year.

PROVISIONS OF STATE LAW

Supermajority Vote for Legislation Increasing Taxes or Fees

The Legislature has proposed an amendment to the Florida Constitution which, if approved by the voters, would require a two-thirds vote of each house of the Legislature to adopt legislation authorizing a new State tax or fee or raising any State tax or fee. If approved by 60% of the voters in a State-wide election this fall, the amendment will take effect on January 8, 2019. If approved by the voters, an increase in the rate of any taxes or fees deposited into the STTF will require a two-thirds vote of each house of the Legislature for approval.

Bonds Legal Investment for Fiduciaries

The 2018 Bonds 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 2018 Bonds will have all the qualities and incidents of negotiable instruments under the Uniform Commercial Code - Investment Securities Law of the State.

TAX MATTERS

The 2018 Bonds

The Internal Revenue Code of 1986, as amended (the "Code"), includes requirements which the Corporation, the Board of Administration and the Department must continue to meet after the issuance of the 2018 Bonds in order that interest on the 2018 Bonds not be included in gross income for federal income tax purposes. The failure by the Corporation, the Board of Administration or the Department to meet these requirements may cause interest on the 2018 Bonds to be included in gross income for federal income tax purposes retroactive to their date of issuance. The Corporation, the Board of Administration and the Department have covenanted in the Resolution to comply with the requirements of the Code in order to maintain the exclusion of interest on the 2018 Bonds from gross income for federal income tax purposes.

In the opinion of Bond Counsel, assuming continuing compliance by the Corporation, the Board of Administration and the Department with the tax covenant referred to above and the accuracy of certain representations delivered in connection with the issuance of the 2018 Bonds, under existing statutes, regulations, rulings and court decisions interest on the 2018 Bonds is excluded from gross income for federal income tax purposes. Interest on the 2018 Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. Federal legislation enacted in 2017 eliminates alternative minimum tax for corporations for taxable years beginning after December 31, 2017. For taxable years beginning before January 1, 2018, corporations should consult their tax advisor regarding alternative minimum tax implications of owning the 2018 Bonds. Bond Counsel is further of the opinion that the 2018 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, on interest, income or profits on debt obligations owned by corporations, as defined therein.

Except as described herein, 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 the 2018 Bonds. Prospective purchasers of 2018 Bonds should be aware that the ownership of 2018 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 2018 Bonds or, in the case of a financial institution, that portion of the owner's interest expense allocable to interest on a 2018 Bond, (ii) the reduction of loss reserve deduction for property and casualty insurance companies by the applicable percentage of certain items, including interest on the 2018 Bonds, (iii) the inclusion of interest on the 2018 Bonds in the effectively connected earnings and profits (with adjustments) of certain foreign corporations doing business in the United States for purposes of a branch profits tax, (iv) the inclusion of interest on the 2018 Bonds in the 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 the 2018 Bonds in the determination of the taxability of certain Social Security and Railroad Retirement benefits to certain recipients of such benefits.

Original Issue Premium

The 2018 Bonds maturing in 2019 through 2033 ("Premium Bonds") were offered and sold to the public at a price in excess of their stated redemption price (the principal amount) at maturity (or earlier for certain Premium Bonds callable prior to maturity). That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the

period to maturity of a Premium Bond, based on the yield to maturity of that Premium Bond (or, in the case of a Premium Bond callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Premium Bond), compounded semiannually (or over a shorter permitted compounding interval selected by the owner). No portion of that bond premium is deductible by the owner of a Premium Bond. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Bond, the owner's tax basis in the Premium Bond is reduced by the amount of bond premium that accrues during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Bond for an amount equal to or less than the amount paid by the owner for that Premium Bond.

Information Reporting and Backup Withholding

Interest paid on tax-exempt bonds such as the 2018 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 2018 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 2018 Bonds, under certain circumstances, to "backup withholding" at the rates set forth in the Code, with respect to payments on the 2018 Bonds and proceeds from the sale of 2018 Bonds. Any amount so withheld would be refunded or allowed as a credit against the federal income tax of such owner of 2018 Bonds. This withholding generally applies if the owner of 2018 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 2018 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.

State Taxes

The 2018 Bonds and the income thereon are not subject to taxation under the laws of the State of Florida, except estate taxes imposed by Chapter 198, Florida Statutes, as amended, and taxes under Chapter 220, Florida Statutes, as amended, on interest, income or profits on debt obligations owned by corporations as defined therein.

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 2018 Bonds should consult their own attorneys and advisors for the treatment of the ownership of the 2018 Bonds for estate tax purposes.

The 2018 Bonds and the income thereon are subject to the tax imposed by Chapter 220, Florida Statutes, on interest, income, or profits on debt obligations owned by corporations and other specified entities.

MISCELLANEOUS

Investment of Funds

All State funds are invested by either the Chief Financial Officer or the Board of Administration and pursuant to the Resolution all funds of the Corporation, including proceeds of the 2018 Bonds, will also be invested with the Chief Financial Officer or the Board of Administration. Money in the State Transportation Trust Fund is invested with the Chief Financial Officer. All moneys on deposit in the Funds and Accounts may be invested and reinvested in Authorized Investments; provided, however, that such investments shall mature not later than the respective dates when such moneys will be required for the purposes of such Funds and Accounts. Income earned on the investments in the Revenue Fund is deposited upon receipt in the Revenue Fund. Income from investment of the sale proceeds of the Bonds of any Series shall be deposited and used as provided in the Series Resolution or in the Tax Compliance Certificate for such Series of Bonds.

Income from amounts on deposit in the Bond Fund and Reserve Fund, if any, shall be deposited or maintained in the Bond Fund except to the extent such deposit shall cause the balance therein to exceed the Debt Service coming due on the Bonds during the balance of the then current Bond Year. In such event any excess shall be deposited in the Reserve Fund, except to the extent such deposit shall cause the balance therein to exceed the Reserve Requirement, then any excess shall be deposited in the Revenue Fund.

Investment by the Chief Financial Officer - Funds held in the State Treasury are invested by internal and external investment managers. As of June 30, 2018, the ratio was approximately 45% internally managed funds, 44% externally managed funds, 4% Certificates of Deposit and 7% in an externally managed Security Lending program. The total portfolio market value on June 30, 2018, was \$24,921,817,810.98.

Under State law, the Treasury is charged with investing funds of each State agency and the judicial branch. As of June 30, 2018, \$17.450 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, \$5.925 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, 2018, the Board of Administration directed the investment/administration of 30 funds in 540 portfolios.

As of June 30, 2018, the total market value of the FRS (Defined Benefit) Trust Fund was \$160,439,358,858.05. 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 29 designated funds other than the FRS (Defined Benefit) Trust Fund. As of June 30, 2018, the total market value of these funds equaled \$40,709,809,290.74. 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

Fitch Ratings, Moody's Investors Service, and S&P Global Ratings (herein referred to collectively as "Rating Agencies"), have assigned their municipal bond ratings of AA+ (stable outlook), Aa1 (stable outlook) and AA+ (stable outlook), respectively, to the 2018 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 Corporation and the Department furnished to such Rating Agencies certain information and material in respect to the State and the 2018 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 2018 Bonds.

Litigation

There is no litigation pending, or to the knowledge of the Corporation and the Department threatened, which if successful would have the effect of restraining or enjoining the issuance or delivery of the 2018 Bonds or questioning or affecting the validity of the 2018 Bonds or the proceedings and authority under which such 2018 Bonds are to be issued. The Department from time to time engages in certain routine litigation the outcome of which would not be expected to have any material adverse effect on the issuance and delivery of the 2018 Bonds or payments under the Service Contract.

Legal Matters

The legal opinion of Greenberg Traurig, P.A., Miami, Florida, approving certain legal matters, will be provided on the date of delivery of the 2018 Bonds, as well as a certificate, executed by appropriate 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 2018 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. A proposed form of the legal opinion of Bond Counsel is attached hereto as Appendix G.

Continuing Disclosure

The Corporation, and the Department as an obligated person, will undertake, for the benefit of the beneficial owners and the Registered Owners of the 2018 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 Corporation nor the Department has failed, in the previous five years, to comply in all material respects with prior disclosure undertaking.

Underwriting

Raymond James & Associates, Inc. (the "Underwriter") has agreed to purchase the 2018 Bonds at an aggregate purchase price of \$188,442,026.40 (which represents the par amount of the 2018 Bonds plus an original issue premium of \$24,863,439.40 and minus the Underwriter's discount of \$426,413.00). The Underwriter may offer and sell the 2018 Bonds to certain dealers (including dealers depositing bonds into investment trusts) and others at prices lower than the offering price stated on the inside front cover.

Execution of Official Statement

The execution and delivery of this Official Statement have been duly authorized by the Corporation.

FLORIDA DEPARTMENT OF TRANSPORTATION
FINANCING CORPORATION

J. BEN WATKINS III
Chief Executive Officer/President

MIKE DEW
Secretary of Transportation

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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)

<u>Year</u>	<u>Florida</u>		<u>U. S.</u>	
	<u>(in thousands)</u>	<u>% change</u>	<u>(in thousands)</u>	<u>% change</u>
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

Age	2010		2020		2030	
	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+	<u>3,259,602</u>	17.3%	<u>4,378,225</u>	20.5%	<u>5,893,435</u>	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	<u>95,322</u>	13.2	<u>95,038</u>	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 116.5 million people visited the State in 2017, a 3.6% increase over the final 2016 total. Leisure and hospitality services accounted for 14% of the State's non-farm employment in 2017. 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 32.2 million for Fiscal Year 2017, a 1.2% increase from the prior year. In 2016, accommodation and food services contributed 4.1% of the State's GDP, and arts, entertainment and recreation contributed 1.8%.

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 2016 enplanements, five Florida airports were among the top 50 in the U.S. 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: 2006-2016¹

<u>Year</u>	<u>Housing Starts (thous)</u>		<u>Construction Value (millions of current dollars)</u>			
	<u>Single Family</u>	<u>Multi-Family</u>	<u>Single Family</u>	<u>Multi-Family</u>	<u>Non-Residential</u>	<u>Total</u>
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 9.7 million in Fiscal Year 2016 to more than 9.9 million in Fiscal Year 2017. The unemployment rate decreased for a seventh consecutive year to 4.8% in Fiscal Year 2017. 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 2008-2017

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.
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
2016-17	9,967.3	159,800.0	9,492.5	152,400.0	4.8	4.7

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

Composition of Nonagricultural Employment Florida and the Nation 2012 and 2017¹ (thousands)

	2012				2017			
	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	5.6	0.1	848.0	0.6	5.7	0.1	678.0	0.5
Construction	341.5	4.6	5,646.0	4.2	504.5	5.9	6,955.0	4.7
Manufacturing	316.8	4.3	11,927.0	8.9	363.6	4.2	12,444.0	8.5
Trade, transportation, and utilities	1,537.1	20.8	-	-	1,742.7	20.3	-	-
Transportation & Warehousing	N/A	-	4,415.8	3.3	N/A	-	5,166.2	3.5
Utilities	N/A	-	552.8	0.4	N/A	-	554.8	0.4
Wholesale Trade	N/A	-	5,666.6	4.2	N/A	-	5,904.0	4.0
Retail Trade	N/A	-	14,840.8	11.1	N/A	-	15,869.3	10.8
Information	133.4	1.8	2,676.0	2.0	138.1	1.6	2,795.0	1.9
Financial Activities	497.5	6.7	7,784.0	5.8	561.9	6.6	8,455.0	5.8
Professional & Business Services	1,067.5	14.4	17,932.0	13.4	1,321.9	15.4	20,467.0	14.0
Education & Health Services	1,109.9	15.0	20,769.0	15.5	1,272.7	14.9	23,186.0	15.8
Leisure & Hospitality Services	997.7	13.5	13,768.0	10.3	1,201.4	14.0	16,052.0	11.0
Other Services	314.4	4.3	5,430.0	4.1	347.8	4.1	5,776.0	3.9
Government	1,078.6	14.6	21,920.0	16.3	1,106.6	12.9	22,322.0	15.2
Total Non-farm	7,400.1		134,175.0		8,566.8		146,624.0	

Source: US Department of Labor, Bureau of Labor Statistics (April, 2018).

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 2008 to 2017, Florida's total personal income grew by 34% and per capita income increased approximately 18%. For the nation and the Southeast, total personal income increased by 31% and 30%, respectively, while per capita income grew 23% 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 2012 and 2017. Total Income in Florida has increased approximately 23.8% over the five year time period. Increases and decreases in income varied across industries, with mining and real estate realizing the largest increases.

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

Year	Total Personal Income (In millions of Current Dollars)						Per Capita Personal Income (In Current Dollars)					
	U.S.	% Change	S.E.	% Change	Florida	% Change	U.S.	% Change	S.E.	% Change	Florida	% Change
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	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	3,601,271	3.9	944,443	4.9	49,571	2.9	44,450	2.9	45,819	3.0
2017	16,413,551	2.5	3,713,207	3.1	983,294	4.1	50,392	1.7	44,355	2.1	46,858	2.3

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

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Florida Personal Income and Earnings by Major Source: 2012 vs. 2017
(thousands of current dollars)

	<u>2012</u>	<u>% Total</u>	<u>2017</u>	<u>% Total</u>
Earnings:				
Wages and Salaries:				
Farm	\$2,539,647	0.3%	\$1,974,294	0.2%
Non Farm	462,807,517	50.9%	582,873,065	51.7%
Private:				
Forestry, fishing and other	1,665,295	0.2%	1,994,973	0.2%
Mining	183,487	0.0%	492,297	0.0%
Utilities	2,697,925	0.3%	3,474,641	0.3%
Construction	23,823,143	2.6%	38,925,567	3.5%
Manufacturing	22,822,198	2.5%	27,889,678	2.5%
Wholesale Trade	26,810,304	2.9%	32,098,496	2.8%
Retail Trade	35,695,568	3.9%	45,185,290	4.0%
Transportation & Warehousing	15,476,499	1.7%	20,280,807	1.8%
Information	13,743,037	1.5%	15,665,545	1.4%
Finance and insurance	31,296,944	3.4%	40,446,277	3.6%
Real estate and rental and leasing	6,172,401	0.7%	14,938,986	1.3%
Professional and technical services	44,235,189	4.9%	57,987,148	5.1%
Management of companies and enterprises	10,217,884	1.1%	12,774,125	1.1%
Administrative and waste services	25,408,864	2.8%	32,687,306	2.9%
Educational services	7,376,606	0.8%	8,379,377	0.7%
Health care and social assistance	60,655,570	6.7%	75,132,946	6.7%
Arts, entertainment and recreation	9,184,609	1.0%	11,334,140	1.0%
Accommodation and food services	23,429,513	2.6%	28,761,424	2.6%
Other services, except public administration	<u>21,821,518</u>	<u>2.4%</u>	<u>26,776,427</u>	<u>2.4%</u>
Total Private	382,716,554	42.1%	495,225,450	44.0%
Government & government enterprises	80,090,966	8.8%	87,647,615	7.8%
Total Wages & Salaries	462,807,520	50.9%	582,873,065	51.7%
Other Income:				
plus: Dividends, Interest & Rent	217,158,953	23.9%	265,153,739	23.5%
plus: Personal current transfer receipts	156,282,942	17.2%	199,217,650	17.7%
plus: Adjustment for residence	3,151,620	0.3%	3,484,158	0.3%
Less: Contributions for social insurance	<u>(48,836,787)</u>	<u>(5.4)%</u>	<u>(69,408,574)</u>	<u>(6.2)%</u>
Total Other Income:	327,756,728	36.0%	398,446,973	35.4%
Total Personal Income	790,564,248	86.9%	981,320,038	87.1%
Other Earnings:				
Supplements to wages and salaries	78,209,428	8.6%	92,419,668	8.2%
Proprietors' income:	<u>40,879,947</u>	<u>4.5%</u>	<u>52,748,750</u>	<u>4.7%</u>
Total Earnings:	119,089,375	13.1%	145,168,418	12.9%
TOTAL INCOME	\$909,653,623	100.0%	\$1,126,488,456	100.0%

Source: US Department of Commerce, Bureau of Economic Analysis (April 2018).

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 \$147.7 billion in 2017, an increase of 3.6% over 2016. Between 2016 and 2017, Florida's merchandise exports grew by 3.5% and imports grew by 3.7%. 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, Chile, Japan and Columbia. (Source: Enterprise Florida, June 2017)

Florida's International Trade: 2008-2017

(billions of U.S. dollars)

<u>Year</u>	<u>Exports</u>	<u>% Change</u>	<u>Imports</u>	<u>% Change</u>
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	73,305	(10.4)	73,797	3.6
2016	67,834	(7.5)	74,723	1.3
2017	70,200	3.5	77,489	3.7

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, 2008-2017

(millions of current dollars)

<u>Fiscal</u> <u>Year</u>	<u>Consumer Non-durables</u>				<u>Consumer Durables</u>				<u>Building</u>		<u>Business</u>	
	<u>Recreation/Tourism</u>		<u>Other</u>		<u>Autos & Accessories</u>		<u>Other</u>		<u>Investment</u>		<u>Investment</u>	
	<u>Sales</u>	<u>Taxes</u>	<u>Sales</u>	<u>Taxes</u>	<u>Sales</u>	<u>Taxes</u>	<u>Sales</u>	<u>Taxes</u>	<u>Sales</u>	<u>Taxes</u>	<u>Sales</u>	<u>Taxes</u>
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	92,457	5,528.6	120,839	7,301.1	73,844	4,415.6	26,632	1,592.5	25,494	1,524.4	81,000	4,745.7

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

State Sales Tax Collections by Top 25 Business Types
Fiscal Years Ended June 30, 2012 vs. 2017 ¹

Type of Business	2012	2017
General Miscellaneous Merchandise Stores	\$20,394,555,438	\$57,729,381,510
Automotive Dealers (Sales & Lease), Tag Agencies & Tax Collectors	16,677,780,498	57,332,491,308
Restaurants, Lunchrooms, Catering Services	14,191,186,368	41,866,077,308
Leased or Rental of Commercial Real Property	10,897,634,379	27,690,410,704
Hotel/Motel Accommodations, Rooming Houses, Camp & Other Lodging Places	7,443,863,250	25,011,404,358
Food & Beverage Stores	7,587,098,647	20,668,608,839
Lumber and Other Building Materials Dealers	5,595,768,384	19,035,693,587
Admissions, Amusement & Recreation Services	5,574,972,264	16,390,742,401
Apparel & Accessory Stores	5,938,454,781	15,782,040,409
Wholesale Dealers	4,247,445,442	14,594,662,116
Manufacturing	3,685,081,071	10,775,505,124
Radio, Television, Consumer Electronics, Computers, Music Stores	4,320,874,814	10,241,556,241
Home Furniture, Furnishings & Equipment	3,034,639,859	9,430,389,306
Utilities, Electric, Gas, Water, Sewer	3,936,701,615	8,066,894,162
Automotive Accessories & Parts	2,042,170,525	6,276,389,891
Rental of Tangible Personal Property	1,979,660,692	6,126,219,465
Automobile Repair & Services	1,934,063,076	5,251,659,340
Communications, Telephone, Telegraph, Radio & Television Stations ²	1,353,812,049	4,640,196,593
Paint, Wallpaper & Hardware Dealers	1,076,971,688	3,268,130,204
Taxable Services (per Chapter 212, F.S.)	1,229,105,270	3,048,608,947
Insurance, Banking, Savings and Loans, Research Information Services, Income Tax Reports	1,039,771,735	2,894,437,961
Drinking Places (Alcoholic beverages served on premises)	1,077,186,641	2,564,760,791
Building Contractors	609,791,910	2,541,881,536
Boat Dealers	661,244,810	2,533,032,522
Repair of Tangible Personal Property	914,590,424	2,480,584,660

Source: Florida Department of Revenue, Office of Tax Research (April 2018).

¹ Arranged in descending order of collection amounts for Fiscal Year ended June 30, 2017.

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.

In addition, no new state tax or fee shall be imposed by any amendment to the Florida Constitution unless the proposed amendment is approved by not fewer than two-thirds of the voters voting in the election in which such proposed amendment is considered. The phrase "new State tax or fee" shall mean any tax or fee which would produce revenue subject to lump sum or other appropriation by the Legislature, either for the State general revenue fund or any trust fund, which tax or fee was not in effect on November 7, 1994.

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 lesser 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 September 30, 2017, the market value of the endowment was \$731.9 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.

Five Year History of Trust Fund and General Revenues¹

(millions of dollars)

General Revenue Receipts²	2012-13	2013-14	2014-15	2015-16	2016-17
Sales and Use Tax ³	\$18,417.6	\$19,707.7	\$21,062.7	\$21,998.0	\$22,987.4
Beverage Licenses and Taxes	481.5	443.8	451.4	357.7	314.7
Corporation Income Tax	2,081.0	2,042.5	2,236.3	2,272.1	2,366.4
Documentary Stamp Tax	381.0	603.7	756.3	744.1	762.2
Corporate Filing Fees	284.1	298.6	309.8	317.4	352.9
Tobacco Tax	202.1	178.2	181.2	187.5	183.0
Insurance Premium Tax	675.9	675.6	666.9	682.8	708.4
Indian Gaming	221.6	230.3	248.5	207.7	116.0
Pari-mutuel Fees, Licenses and Taxes	12.6	14.8	13.8	12.8	10.8
Slot Machine Licenses GR	10.8	10.5	13.0	11.0	12.0
Intangible Personal Property Tax	276.5	256.1	303.9	338.7	372.9
Earnings on Investments	107.3	75.6	106.5	115.8	131.0
Auto Title and Lien Fees	58.2	65.3	92.0	108.9	116.1
Oil and Gas Severance Tax	8.0	7.0	4.2	1.2	1.1
Solid Mineral Severance Tax	13.2	12.9	10.5	10.7	10.4
Drivers Licenses and Fees	194.5	178.4	147.8	106.0	188.0
HSMV Misc Fees, Licences & Fines	72.7	64.4	61.4	66.8	66.9
Motor Vehicle and Mobile Home Licenses	437.2	451.4	180.6	114.9	118.7
Article V Fees & Transfers	284.3	173.7	151.1	138.8	126.6
Counties' Medicaid Share GR	332.1	296.1	289.6	301.6	301.5
Miscellaneous Revenue GR	5.5	6.0	6.5	6.9	6.6
Motor Vehicle Fees and Charges	106.2	117.7	104.6	2.9	0.0
Fines/Foreitures/Judgements GR	276.5	24.2	4.0	13.6	14.0
Other GR	178.4	176.0	171.0	194.2	190.1
Total GR Collections and Transfers	25,118.7	26,110.6	27,573.7	28,312.0	29,457.7
Plus Service Charges to GR	486.2	466.8	500.1	455.2	464.9
Less Refunds of GR	(290.3)	(379.5)	(392.7)	(441.7)	(328.2)
Net GR Collections and Transfers	25,314.6	26,198.0	27,681.1	28,325.4	29,594.5
Trust Fund Revenues²					
Major Transportation Revenues:					
Auto Title and Lien Fees	303.9	319.9	323.8	329.8	341.7
Motor Fuel Tax	1,864.7	1,955.3	2,052.0	2,158.5	2,234.7
Motor Vehicle and Mobile Home Licenses	840.5	867.2	891.0	928.5	975.6
Motor Vehicle Fees and Charges	230.5	250.8	302.0	435.7	438.0
Subtotal	3,239.7	3,393.1	3,568.8	3,852.4	3,990.0
Workers Insurance Tax:					
Workers Compensation Assessment	74.3	82.4	81.6	81.7	82.0
Workers' Comp. Special Disability	43.0	46.6	43.6	45.1	45.6
Reemployment Assistance Tax	2,247.8	1,937.4	1,541.6	1,074.1	821.2
Subtotal	2,365.1	2,066.4	1,666.7	1,201.0	948.7
Conservation and Recreational Lands:					
Documentary Stamp Tax	1,199.4	1,147.3	1,303.1	1,532.8	1,655.5
Solid Mineral Severance Tax	14.3	15.5	14.0	13.7	13.0
Oil and Gas Severance Tax	1.2	2.2	0.1	0.1	0.4
Sales and Use Tax	23.3	23.3	22.7	22.5	25.0
Subtotal	1,238.3	1,188.3	1,340.0	1,569.1	1,693.9
Education - Tuition , Fees and Charges:					
Slot Machine Tax to Education	142.2	173.1	182.2	187.3	191.6
Lottery to Education	1,382.0	1,475.0	1,479.0	1,582.0	1,724.7
Unclaimed Property (State School Trust Fund)	206.2	142.3	213.0	175.6	133.9
Subtotal	1,730.4	1,790.4	1,874.2	1,944.9	2,050.2
Agencies' Administrative Trust Funds:					
Beverage Licenses and Taxes	28.0	32.0	31.4	33.1	34.0
Insurance Premium Tax	52.3	53.3	50.6	52.0	51.5
General Inspection Fees and Licenses	72.9	57.6	72.0	58.0	72.2
Citrus Inspection Fees and Licenses	15.4	15.4	14.0	13.0	11.2
D.F.S. and Treas Fees, Licenses & Taxes	128.1	132.6	155.8	157.2	158.6
Citrus Taxes	38.7	31.1	25.0	23.3	6.8
Hunting and Fishing Licenses	49.2	53.5	59.1	57.6	60.1
Pari-mutuel Fees, Licenses and Taxes	12.5	12.3	12.4	13.5	15.3
Professional Fees and Licenses	88.2	78.2	86.5	82.7	98.8
Drivers' Licenses and Fees	143.1	139.4	154.6	145.9	148.6
HSMV, Misc Fees, Licenses & Fines	33.2	33.6	33.6	32.5	33.6
Slot Machine Licenses and Fees	7.5	5.6	3.1	7.3	6.3
Lottery to Administration	418.9	420.1	450.9	555.4	368.9
Subtotal	1,088.0	1,064.6	1,149.0	1,231.4	1,066.0

(Five Year History of Trust Fund and General Revenues - continued)

	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
Other Trust Fund Revenues for State Use:					
Tobacco Tax	1,017.4	987.3	1,004.4	1,020.3	1,012.6
Lottery Prizes	3,223.2	3,482.9	3,664.8	3,938.1	4,075.8
Unclaimed Property DFS Trust (Residual)	267.8	241.2	269.4	296.8	296.9
Tobacco Fines/Forfeitures/Judgements Trust	366.2	378.0	367.8	368.8	362.2
Other Fines/Forfeitures/Judgements Trust	296.3	260.5	254.2	205.1	228.6
Article V Fees	557.5	122.2	114.8	109.1	105.9
Earnings on Investments	146.1	104.8	184.3	203.5	228.7
Miscellaneous Revenues ⁴	180.3	187.4	196.4	237.1	210.6
Refunds & Reimbursement	1,573.8	1,468.8	1,833.0	1,959.4	2,302.1
Sales, Concessions, Rent & Leases	68.7	77.3	136.7	77.2	93.1
Other Fees, Licenses and Taxes	<u>3,261.6</u>	<u>3,569.2</u>	<u>3,502.6</u>	<u>2,947.2</u>	<u>2,783.9</u>
Subtotal	10,959.0	10,879.6	11,528.3	11,362.6	11,700.4
Total Trust Fund Revenue for State Use	20,620.4	20,382.6	21,126.9	21,161.4	21,449.2
<u>Revenues Shared With Local Governments</u>					
<u>and School Districts</u>					
Sales and Use Tax	2,245.5	2,396.3	2,554.7	2,692.5	2,793.5
Beverage Licenses and Taxes	14.9	15.5	16.0	16.1	16.3
Documentary Stamp Tax	63.0	61.5	61.4	0.0	0.0
Insurance Premium Tax	165.9	173.1	169.7	175.9	172.3
Indian Gaming	4.5	7.0	7.1	7.7	6.3
Motor Fuel Tax	360.1	368.8	381.7	399.3	410.3
Oil and Gas Severance Tax	2.0	1.8	1.2	0.4	0.3
Solid Mineral Severance Tax	8.3	8.1	6.8	9.4	8.7
Gross Receipts Tax ³	1,003.0	1,005.4	1,152.4	1,157.7	1,111.6
Mtr Vehicle and Mobile Home Licenses	138.7	147.1	156.9	165.8	170.8
Tobacco Taxes	7.7	7.0	7.2	7.4	7.3
Other Fees, Licenses and Taxes ³	<u>51.1</u>	<u>54.9</u>	<u>56.9</u>	<u>60.3</u>	<u>64.3</u>
Total Local Government	4,064.7	4,246.5	4,572.1	4,692.5	4,761.8
<u>Federal and Local Assistance</u>					
Counties and Cities	63.9	66.3	59.1	80.0	80.8
U.S. Government	22,778.4	23,874.8	23,915.3	24,946.1	25,420.4
Other Assistance and Donations Grants	<u>131.8</u>	<u>109.3</u>	<u>180.5</u>	<u>134.7</u>	<u>144.4</u>
Total Federal and Local Assistance	22,974.1	24,050.4	24,155.0	25,160.8	25,645.6
<u>Summary of Trust Fund and General Revenue</u>					
General Revenue	25,314.6	26,198.0	27,681.1	28,325.4	29,594.5
Trust Fund	20,620.4	20,382.6	21,126.9	21,161.4	21,449.2
Revenues Shared with Local Governments	4,064.7	4,246.5	4,572.1	4,692.5	4,761.8
Donations & Fed Assistance	<u>22,974.1</u>	<u>24,050.4</u>	<u>24,155.0</u>	<u>25,160.8</u>	<u>25,645.6</u>
Total Direct Revenues	\$72,973.8	\$74,877.5	\$77,535.1	\$79,340.1	\$81,451.1

Source: Florida Office of Economic and Demographic Research (December, 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
Fiscal Years 2015-16 and 2016-17
(millions of dollars)

	<u>Recurring Funds</u>	<u>Non-Recurring Funds</u>	<u>Total All Funds</u>
FUNDS AVAILABLE 2015-16			
Balance Forward from 2014-15	\$0.0	\$2,539.8	\$2,539.8
Revenue Collections ¹	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	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
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	<u>0.0</u>	<u>10.0</u>	<u>10.0</u>
Total 2015-16 Expenditures	\$28,199.7	\$982.5	\$29,182.3
ENDING BALANCE ²	\$290.7	\$1,601.0	\$1,891.8
FUNDS AVAILABLE 2016-17			
Balance Forward from 2015-16	\$0.0	\$1,891.8	\$1,891.8
Revenue Collections ¹	29,628.2	(27.4)	29,600.8
Sales Tax Accounting Adjustment	0.0	(40.1)	(40.1)
BP Settlement Agreement Payment State Share	26.7	73.3	100.0
Transfers from Trust Funds	0.0	260.9	260.9
FEMA Reimbursements	0.0	19.5	19.5
Miscellaneous Adjustments	0.0	0.3	0.3
Fixed Capital Outlay Reversions	0.0	3.4	3.4
Federal Funds Interest Payment	<u>(0.3)</u>	<u>0.0</u>	<u>(0.3)</u>
Total 2016-17 Funds Available	\$29,654.6	\$2,181.7	\$31,836.3
EXPENDITURES 2016-17			
Operations	\$14,952.2	\$354.6	\$15,306.8
Aid to Local Governments	14,404.1	170.1	14,574.2
Fixed Capital Outlay	69.7	121.8	191.5
Fixed Capital Outlay/Aid to Local Governments	2.7	200.4	203.1
Transfer to Budget Stabilization Fund	0.0	30.7	30.7
Transfer to Clerk of Courts Trust Fund	0.0	7.0	7.0
Miscellaneous Nonoperating Expenditures	<u>0.0</u>	<u>8.5</u>	<u>8.5</u>
Total 2016-17 Expenditures	\$29,428.7	\$893.1	\$30,321.8
ENDING BALANCE ²	\$225.9	\$1,288.6	\$1,514.5

Source: Office of Economic and Demographic Research.

¹ The revenue collections 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 and \$166.5 million in Fiscal Year 2016-17.

² The cash balance in the Budget Stabilization Fund (not shown here) at the end of Fiscal Year 2015-16 was \$1,353.7 million and \$1,384.4 million at the end of Fiscal Year 2016-17.

**GENERAL REVENUE FUND
FINANCIAL OUTLOOK STATEMENT¹**

Including Results of August 16, 2018 Revenue Estimating Conference and Other Adjustments as of August 16, 2018
Fiscal Year 2017-18 through Fiscal Year 2023-24
(millions of dollars)

	Recurring Funds	Non-Recurring Funds	Total All Funds
FUNDS AVAILABLE 2017-18			
Balance Forward from 2016-17	\$0.0	\$1,514.5	\$1,514.5
Estimated Revenues	30,812.1	406.1	31,218.2
BP Settlement Agreement Payment State Share ⁵	26.7	(26.7)	0.0
SB 2500 (2017) Transfers from Trust Funds (Net of Vetoes)	0.0	449.8	449.8
Release of Indian Gaming Reserve ⁴	0.0	226.8	226.8
FEMA Reimbursements	0.0	22.2	22.2
Fixed Capital Outlay Reversions	0.0	2.3	2.3
Federal Funds Interest Earnings Rebate	(0.3)	0.0	(0.3)
Total 2017-18 Funds Available ^{2,3,4,5}	\$30,838.5	\$2,595.0	\$33,433.5
EFFECTIVE APPROPRIATIONS 2017-18			
State Operations	\$15,536.3	\$411.0	\$15,947.3
Aid to Local Government	15,110.5	8.0	15,118.5
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
Transfer to Lawton Chiles Endowment Fund ³	0.0	0.0	0.0
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
Budget Amendments - Hurricane Response	0.0	305.9	305.9
Budget Amendments - Bridge Loans	0.0	45.0	45.0
Budget Amendment - Puerto Rico Assistance	0.0	0.3	0.3
HB 5001 (2018) Supplemental Appropriations	0.0	264.9	264.9
HB 5001 (2018) Reversions (Net of Vetoes)	0.0	(115.5)	(115.5)
Bills with Appropriations (Net of Vetoes)	0.0	8.9	8.9
Reversions with Reappropriations	0.0	(131.9)	(131.9)
Total 2017-18 Effective Appropriations	\$30,705.9	\$1,282.9	\$31,988.8
Ending Balance ^{2,3}	\$132.6	\$1,312.1	\$1,444.7
FUNDS AVAILABLE 2018-19			
Balance Forward from 2017-18	\$0.0	\$1,444.7	\$1,444.7
Estimated Revenues	31,785.5	458.3	32,243.8
BP Settlement Agreement Payment State Share ⁵	26.7	0.0	26.7
HB 5001 (2018) Transfers from Trust Funds (Net of Vetoes)	0.0	399.9	399.9
Unused Appropriations/Reversions	0.0	97.7	97.7
Fixed Capital Outlay Reversions	0.0	2.0	2.0
FEMA Reimbursements ⁶	0.0	69.6	69.6
Federal Funds Interest Earnings Rebate	(1.5)	0.0	(1.5)
Total 2018-19 Funds Available ^{1,2,3,5,6}	\$31,810.7	\$2,472.2	\$34,282.9
EFFECTIVE APPROPRIATIONS 2018-19			
State Operations ⁶	\$16,228.3	\$734.6	\$16,962.9
Aid to Local Government ⁶	15,489.0	(78.6)	15,410.4
Fixed Capital Outlay ⁶	55.0	187.7	242.7
Fixed Capital Outlay/Aid to Local Government ⁶	1.8	230.8	232.6
HB 5001 (2018) Transfer to Budget Stabilization Fund ¹	0.0	66.5	66.5
Transfer to Lawton Chiles Endowment Fund ³	0.0	0.0	0.0
Budget Amendments - Campaign Finance Match	0.0	4.8	4.8
Budget Amendments - Bridge Loans	0.0	5.0	5.0
Reappropriations (Chs. 2017-69, 2018-118, and 2018-9, L.O.F.)	0.0	131.9	131.9
Total 2018-19 Effective Appropriations	\$31,774.1	\$1,282.7	\$33,056.8
Ending Balance ^{2,3}	\$36.6	\$1,189.5	\$1,226.1

GENERAL REVENUE FUND
FINANCIAL OUTLOOK STATEMENT ¹ (cont)

FUNDS AVAILABLE 2019-20

Balance Forward from 2018-19	\$0.0	\$1,226.1	\$1,226.1
Estimated Revenues	33,005.0	329.7	33,334.7
BP Settlement Agreement Payment State Share ⁵	26.7	0.0	26.7
Unused Appropriations/Reversions	0.0	97.9	97.9
Fixed Capital Outlay Reversions	0.0	2.0	2.0
Federal Funds Interest Earnings Rebate	(0.6)	0.0	(0.6)
Total 2019-20 Funds Available ^{1,2,3,5}	\$33,031.1	\$1,655.7	\$34,686.8

FUNDS AVAILABLE 2020-21

Estimated Revenues	\$34,202.7	\$341.5	\$34,544.2
BP Settlement Agreement Payment State Share ⁵	26.7	0.0	26.7
Unused Appropriations/Reversions	0.0	97.9	97.9
Fixed Capital Outlay Reversions	0.0	2.0	2.0
Federal Funds Interest Earnings Rebate	(0.6)	0.0	(0.6)
Total 2020-21 Funds Available ^{1,2,3,5}	\$34,228.8	\$441.4	\$34,670.2

FUNDS AVAILABLE 2021-22

Estimated Revenues	\$35,476.7	\$350.7	\$35,827.4
BP Settlement Agreement Payment State Share ⁵	26.7	0.0	26.7
Unused Appropriations/Reversions	0.0	97.9	97.9
Fixed Capital Outlay Reversions	0.0	2.0	2.0
Federal Funds Interest Earnings Rebate	(0.7)	0.0	(0.7)
Total 2021-22 Funds Available ^{1,2,3,5}	\$35,502.7	\$450.6	\$35,953.3

FUNDS AVAILABLE 2022-23

Estimated Revenues	\$36,729.1	\$357.8	\$37,086.9
BP Settlement Agreement Payment State Share ⁵	26.7	0.0	26.7
Unused Appropriations/Reversions	0.0	97.9	97.9
Fixed Capital Outlay Reversions	0.0	2.0	2.0
Federal Funds Interest Earnings Rebate	(0.8)	0.0	(0.8)
Total 2022-23 Funds Available ^{1,2,5}	\$36,755.0	\$457.7	\$37,212.7

FUNDS AVAILABLE 2023-24

Estimated Revenues	\$37,983.7	\$365.4	\$38,349.1
BP Settlement Agreement Payment State Share ⁵	26.7	0.0	26.7
Unused Appropriations/Reversions	0.0	97.9	97.9
Fixed Capital Outlay Reversions	0.0	2.0	2.0
Federal Funds Interest Earnings Rebate	(0.6)	0.0	(0.6)
Total 2023-24 Funds Available ^{1,2,5}	\$38,009.8	\$465.3	\$38,475.1

Source: Office of Economic and Demographic Research.

¹ The cash balance in the Budget Stabilization Fund (not shown here) at the time of this Outlook was \$1,416.5 million and included the Fiscal Year 2017-18 transfer of \$32.1 million. The required balance for Fiscal Year 2018-19 is \$1,483.0 million, requiring a transfer of \$66.5 million. Based on the August 16, 2018, forecast, transfers of \$89.3 million in Fiscal Year 2019-20, \$41.2 million in Fiscal Year 2020-21, \$54.6 million in Fiscal Year 2021-22, \$60.4 million in Fiscal Year 2022-23, and \$64.2 million in Fiscal Year 2023-24 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 2017-18 were lower than the January 2012 estimate; thus, no transfer is required for Fiscal Year 2018-19. The estimates of repayments for the term of this outlook statement are zero for 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) were released as of the August 2017 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.

⁶ Section 99 of the 2018-19 General Appropriations Act appropriates \$44.6 million to various agencies, contingent upon the Division of Emergency Management receiving and depositing into the General Revenue Fund at least \$50.0 million of reimbursement funds from the Federal Emergency Management Agency. In July 2018, the State received reimbursements totaling \$69.6 million, which are reflected in the Fiscal Year 2018-19 Funds Available. The Fiscal Year 2018-19 Effective Appropriations include the \$44.6 million of authorized appropriations.

Actual and Projected General Revenues

The actual general revenue collections for Fiscal Year 2017-18 of \$31,218.2 million were \$1.62 billion, or 5.5%, more than collections for Fiscal Year 2016-17. General revenue projections adopted at the August 16, 2018, meeting of the Revenue Estimating Conference for Fiscal Years 2018-19 through 2021-22, are shown in the following table.

General Revenues Fiscal Years 2017-18 through 2021-22 (millions of dollars)

	Actual 2017-18	Est. 2018-19	Est. 2019-20	Est. 2020-21	Est. 2021-22
	Actual	Estimate	% Change ¹	Estimate	% Change ¹
Sales Tax- GR	\$24,138.7	\$25,048.9	3.8%	\$25,960.9	3.6%
Beverage Tax & Licenses	289.2	281.3	(2.7)%	298.3	6.0%
Corporate Income Tax	2,413.0	2,462.2	2.0%	2,471.6	0.4%
Documentary Stamp Tax ²	867.2	901.5	4.0%	933.9	3.6%
Tobacco Tax	182.6	178.1	(2.5)%	176.0	(1.2)%
Insurance Premium Tax	799.6	845.9	5.8%	882.5	4.3%
Pari-Mutuels Tax	28.9	22.6	(21.8)%	22.3	(1.3)%
Intangibles Tax	371.2	377.6	1.7%	387.1	2.5%
Indian Gaming Revenues	328.5	355.0	8.1%	334.6	(5.7)%
Earnings on Investments	136.1	168.2	23.6%	216.3	28.6%
Highway Safety Licenses & Fees	538.6	547.5	1.7%	560.7	2.4%
Counties Medicaid Share	295.3	298.5	1.1%	312.4	4.7%
Severance Tax	12.1	12.6	4.1%	12.4	(1.6)%
Service Charges	472.0	478.8	1.4%	481.5	0.6%
Corporation Filing Fees	367.0	369.8	0.8%	383.2	3.6%
Other Taxes, License & Fees	342.8	320.8	(6.4)%	294.8	(8.1)%
Total Revenue	31,582.8	32,669.3	3.4%	33,728.5	3.2%
Less: Refunds	(364.6)	(425.5)	16.7%	(393.8)	(7.5)%
Net General Revenue	\$31,218.2	\$32,243.8	3.3%	\$33,334.7	3.4%

Source: Office of Economic and Demographic Research, August 16, 2018 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.

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 2014-15 through 2018-19

(In Millions of Dollars)

<u>Program</u>	<u>2014-15</u>		<u>2015-16</u>		<u>2016-17</u>		<u>2017-18</u>		<u>2018-19</u>	
General Revenue	Operating	FCO	Operating	FCO	Operating	FCO	Operating	FCO	Operating	FCO
Education	\$ 14,523.6	\$ 2.0	\$ 15,101.7	\$ 1.7	\$ 15,577.1	\$ 29.0	\$ 16,628.3	\$ 143.8	\$ 16,972.6	\$ 245.9
Human Services	8,067.4	31.6	8,761.6	12.0	9,488.3	8.4	9,361.2	12.2	9,920.4	6.8
Criminal Justice & Corrections	3,457.2	74.2	3,494.2	77.3	3,587.9	85.1	3,712.9	71.5	3,757.6	68.5
Natural Resources , Environment										
Growth Mngmt, & Transportation	274.4	242.2	158.6	140.6	185.7	174.9	192.4	166.2	340.2	99.1
General Government	678.7	73.6	655.6	54.7	679.8	73.0	720.0	44.5	931.0	55.0
Judicial Branch	404.7	10.1	411.1	15.4	420.5	14.0	439.9	3.4	451.6	-
Total General Revenue	\$ 27,406.0	\$ 433.7	\$ 28,582.7	\$ 301.7	\$ 29,939.4	\$ 384.3	\$ 31,054.8	\$ 441.5	\$ 32,373.3	\$ 475.2
Trust Funds										
Education	\$ 6,172.9	\$ 1,944.6	\$ 6,014.7	\$ 1,804.9	\$ 6,291.4	\$ 2,007.2	\$ 6,564.1	\$ 1,699.7	\$ 6,926.0	\$ 1,651.7
Human Services	23,637.3	35.5	24,194.8	27.7	25,095.9	20.2	26,686.5	57.1	27,277.2	10.3
Criminal Justice & Corrections	679.5	-	681.8	-	808.2	-	807.8	-	844.1	5.3
Natural Resources , Environment										
Growth Mngmt, & Transportation	2,792.3	10,272.5	2,823.3	10,246.6	3,143.5	11,082.6	3,108.0	10,994.3	3,120.9	11,247.8
General Government	3,461.0	92.0	3,573.7	84.4	3,642.8	60.1	3,699.5	50.5	5,226.5	61.0
Judicial Branch	116.5	-	92.7	-	91.2	-	93.0	-	93.3	-
Total Trust Funds	\$ 36,859.4	\$ 12,344.7	\$ 37,381.0	\$ 12,163.5	\$ 39,072.9	\$ 13,170.1	\$ 40,958.9	\$ 12,801.6	\$ 43,488.1	\$ 12,976.1
Total All Funds										
Education	\$ 20,696.4	\$ 1,946.6	\$ 21,116.5	\$ 1,806.6	\$ 21,868.5	\$ 2,036.3	\$ 23,192.3	\$ 1,843.4	\$ 23,898.5	\$ 1,897.6
Human Services	31,704.7	67.1	32,956.4	39.7	34,584.2	28.6	36,047.8	69.4	37,197.7	17.0
Criminal Justice & Corrections	4,136.7	74.2	4,176.0	77.3	4,396.1	85.1	4,520.7	71.5	4,601.7	73.8
Natural Resources , Environment										
Growth Mngmt, & Transportation	3,066.8	10,514.7	2,981.9	10,387.2	3,329.3	11,257.5	3,300.4	11,160.4	3,461.1	11,346.9
General Government	4,139.6	165.6	4,229.2	139.1	4,322.6	133.1	4,419.5	95.1	6,157.5	116.0
Judicial Branch	521.2	10.1	503.8	15.4	511.7	14.0	532.9	3.4	544.9	-
Total All Funds	\$ 64,265.4	\$ 12,778.4	\$ 65,963.7	\$ 12,465.2	\$ 69,012.3	\$ 13,554.5	\$ 72,013.7	\$ 13,243.1	\$ 75,861.4	\$ 13,451.3

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

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)

<u>Debt Type</u>	<u>Amount</u>
Net Tax-Supported Debt	\$18,916.2
Self-Supporting Debt	<u>3,760.8</u>
Total State Debt Outstanding	<u>\$22,677.0</u>
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	<u>81.8</u>
Total Education	\$10,281.4
Environmental	
Florida Forever Bonds	931.5
Everglades Restoration Bonds	217.4
Inland Protection	<u>53.8</u>
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	<u>331.2</u>
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	<u>327.9</u>
Total Appropriated Debt / Other	\$1,318.2
Total Net Tax-Supported Debt Outstanding	<u>\$18,916.2</u>
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	<u>29.4</u>
Total Transportation	2,679.9
Total Self-Supported Debt Outstanding	<u>\$3,760.8</u>

*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

	Population ¹	Total Principal Outstanding ²	Per Capita
<u>Year</u>	<u>(thousands)</u>	<u>(millions)</u>	
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 Year	Net Tax-Supported Debt Outstanding			Self-Supporting Debt Outstanding			Total Debt Outstanding		
	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
	<u>\$ 18,905,874,280</u>	<u>\$ 8,545,749,630</u>	<u>\$ 27,451,623,911</u>	<u>\$ 3,760,785,952</u>	<u>\$ 1,746,929,680</u>	<u>\$ 5,507,715,632</u>	<u>\$ 22,666,660,232</u>	<u>\$ 10,292,679,310</u>	<u>\$ 32,959,339,543</u>

*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)
Board of Governors State University System Improvement Revenue Refunding Bonds, Series 2017B	38,450,000
Less: State University System Improvement Revenue Bonds refunded	(45,385,000)
State Board of Education, Public Education Capital Outlay Refunding Bonds, 2017 Series C	272,905,000
Less: Public Education Capital Outlay Bonds refunded	(286,995,000)
Department of Education Florida College System Capital Improvement Revenue Refunding Bonds, Series 2018A	41,355,000
Less: Florida College System Bonds refunded	(49,450,000)
State Board of Education, Public Education Capital Outlay Refunding Bonds, 2018 Series A	146,465,000
Less: Public Education Capital Outlay Bonds refunded	(161,965,000)
Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds, Series 2018A	99,990,000
Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds, Series 2018B	245,280,000
State Board of Education, Public Education Capital Outlay Bonds, 2018 Series B	116,070,000
State Board of Education, Public Education Capital Outlay Refunding Bonds, 2018 Series C	149,120,000
Less: Public Education Capital Outlay Bonds refunded	(162,390,000)
Department of Transportation Financing Corporation Revenue Bonds, Series 2018*	<u>164,005,000</u>
	\$677,586,000

*Subject to the delivery of the Florida Department of Transportation Financing Corporation Revenue Bonds, Series 2018 on September 20, 2018.

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)
Department of Transportation Turnpike Revenue Refunding Bonds, Series 2017A	131,885,000
Less: Turnpike Revenue Refunding Bonds, Series 2017A	(160,420,000)
Board of Governors University of Central Florida Dormitory Revenue Refunding Bonds, Series 2018A	23,255,000
Less: University of Central Florida Dormitory Refunding Bonds	(26,065,000)
Board of Governors University of Central Florida Parking Facility Revenue Refunding Bonds, Series 2018A	4,790,000
Less: University of Central Florida Parking Bonds refunded	<u>(5,220,000)</u>
	(\$36,780,000)

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. As of June 30, 2017, The State's and State Universities' aggregate allocable portion of FRS Contributions was approximately 22.8%. 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"). For members initially enrolled in the FRS on or after January 1, 2018, enrollees who do not make an initial selection will default into the FRS Investment Plan, except for Special Risk Class, which will continue to default into the FRS Pension Plan. 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, 2017, there were 955 participating employers enrolling New Members and 41 Participating employers closed to new FRS membership with grandfathered FRS members, and 1,193,637 individual members, as follows:

Retirees & Beneficiaries	406,018 ¹
Terminated Vested Members	117,743
DROP Participants	32,233
Active Vested Members	445,551
Active Non-vested members	<u>192,092</u>
TOTAL	1,193,637 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

	<u>Vesting Period</u>	<u>Regular Class, SMSC, EOC</u>	<u>Special Risk Classes</u>
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. The Senior Management Service Optional Annuity Program was closed to new participants effective July 1, 2017. At the time of closure, fewer than 30 members participated in this optional retirement program.

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}

Fiscal Year	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Annuitants	347,962	363,034	377,671	394,907	406,374
Benefits Payments (000 omitted)	\$6,691,437	\$7,175,496	\$7,731,851	\$8,389,673	\$8,873,268
Average Benefits	\$19,230	\$19,765	\$20,472	\$21,245	\$21,835

Source: Florida Department of Management Services, Division of Retirement. Florida Retirement System Annual Reports for Fiscal Year 2013 and the FRS CAFRs for Fiscal Years 2014, 2015, 2016 and 2017.

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 standards, 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 gauge 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, 2017, 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:	7.50% ¹
Payroll growth rate:	3.25%
Inflation level:	2.60%
Post-retirement cost of living adjustments:	3.00% ²

¹Changed to 7.50% beginning July 1, 2017. The Actuary has concluded that the 7.50% investment rate of return assumption, adopted by the FRS conference in October 2017, is unreasonable; consequently, an investment rate of 7.10% was used for GASB 67 reporting purposes.

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:	7.10% ¹
Discount rate:	7.10% ²
Payroll growth rate:	3.25%
Inflation level:	2.60%
Post-retirement cost of living adjustments:	3.00% ³

¹Changed to 7.10% beginning July 1, 2017. The Actuary has concluded that a 7.10% investment rate of return assumption is reasonable.

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 assume 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; 7.60% from July 1, 2016 through June 30, 2017). The actuarial funding valuation beginning July 1, 2017 assumed a long-term investment rate of return on the assets in the Florida Retirement System Trust Fund of 7.50%, which the actuary concluded was unreasonable. The financial reporting valuation beginning July 1, 2017 used a long-term investment rate of return on the assets in the Florida Retirement System Trust Fund of 7.10%, which the actuary concluded was a reasonable assumed rate of return. This disparity, when combined with other actuarial assumptions, that are not considered best practice, contributes to differences between the Net Pension Liability figures reported in the financial reporting valuation and the Unfunded Actuarial Liability. Should the Florida Legislature continue to adopt long-term investment rate of return assumptions that differ from the rates the actuary determines to be reasonable, then the disparity between the Net Pension Liability and the Unfunded Actuarial Liability may increase over time. 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. The table below shows the assumed and actual rates of Investment return for the last ten years, as well as the differences between the two, and additionally shows annualized annual returns for the most recent 3, 5, 10 and 15 year periods. No assurance can be given about future market performance and its impact on the UAL/NPL.

**Actual versus Assumed Rate of Returns
and Historical Performance**

Fiscal Year	Actual Rate of Return^{1,2}	Difference
2007-08	(4.65)%	(12.40)%
2008-09	(19.71)	(27.46)
2009-10	14.00	6.25
2010-11	22.10	14.35
2011-12	0.29	(7.46)
2012-13	13.12	5.37
2013-14	17.40	9.75
2014-15	3.67	(3.98)
2015-16	0.54	(7.06)
2016-17	13.77	6.27

Annualized Return for 3 Year Period of
Fiscal Years 2015-2017³ 5.85%

Annualized Return for 5 Year Period of
Fiscal Years 2013-2017³ 9.51%

Annualized Return for 10 Year Period of
Fiscal Years 2008-2017³ 5.46%

Annualized Return for 15 Year Period of
Fiscal Years 2003-2017³ 7.44%

¹ Actual return is determined on a fair market value of assets basis.

² For Fiscal Years through Fiscal Year 2008-09. The actual rate of return is obtained from Milliman's Actuarial Valuations. Beginning in Fiscal Year 2009-10, the actual rate of return is obtained from the Office of Economic and Demographic Research.

³ Information obtained from the Office of Economic and Demographic Research.

As of June 30, 2017, the Florida Retirement System Trust Fund was valued at \$154.1 billion (market value), and invested in the following asset classes and approximate percentages as follows:

57.8%	Global Equity
17.9%	Fixed Income
8.9%	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 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 \$145.5 billion in Fiscal Year 2016 to \$150.6 billion in Fiscal Year 2017 on an actuarial basis and increased from \$141.8 billion to \$154.1 billion on a market value basis. The actuarial liabilities computed for funding purposes increased from \$170.4 billion in Fiscal Year 2016 to \$178.6 billion in Fiscal Year 2017. As of end of Fiscal Year 2017, the FRS had an aggregate UAL of approximately \$28.0 billion on an actuarial basis (using the Asset Smoothing Method) and \$24.5 billion on a market value basis. The respective Funded Ratios for these UALs are 84.33% and 86.27%. For financial reporting purposes, the Total Pension Liability increased from \$167.0 billion in Fiscal Year 2016 to \$183.6 billion in Fiscal Year 2017. As of the end of Fiscal Year 2017, the FRS had an aggregate NPL of approximately \$29.6 billion. The Funded Ratio for the NPL was 83.89%. The FRS is a multi-employer plan, which employees working for a state agency, county governmental unit, district school board, state university, state college or participating city, independent school district, charter school or metropolitan planning district may participate in. As such, the allocable portion of the UAL and NPL to the State, state agencies and universities has ranged from 20.6% to 22.8%, based on percentage of contributions, over the last five Fiscal Years.

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, 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
July 1, 2017	150,593,242	178,579,116	27,985,874	84.33	33,775,800	82.86

Source: Florida Department of Management Services, Division of Retirement, Florida Retirement System Annual Reports for Fiscal Years 2008 through 2013 and the FRS CAFRS for Fiscal Years 2014 through 2017. 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 Assets¹ (a)	Actuarial Liability (AL) Entry Age² (b)	Unfunded AL (UAL) (b-a)	Funded Ratio (%) (a/b)	Covered Payroll³ (c)	UAL as a Percentage of Coverage Payroll (b-a)/c)
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
2017	154,053,263	178,579,116	24,525,853	86.27	33,775,800	72.61

¹ Source: Florida Department of Management Services, Division of Retirement, Florida Retirement System Annual Reports for Fiscal Years 2008 through 2013 and the FRS CAFRS for Fiscal Years 2014 through 2017. 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 2008 through 2013 and the FRS CAFRS for Fiscal Years 2014 through 2017. 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 2008 through 2013 and the FRS CAFRS for Fiscal Years 2014 through 2017. 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 Position¹ (a)	Total Pension Liability (TPL) Entry Age¹ (b)	Net Pension Liability (NPL) (b-a)	Funded Ratio (%) (a/b)	Covered Payroll² (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
2017	154,053,263	183,632,592	29,579,329	83.89	33,775,800	87.58

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 2017. 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 2017, 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 2018. The Florida Legislature adopted employer contribution rates to fully fund the ADC for Fiscal Year 2019; however, the ADC was calculated using certain assumptions that are not based on actuarial best practices and an investment rate of return assumption that the actuary has deemed unreasonable.

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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
2017 ^{8,9}	N/A	N/A	2,603,246	2,603,246	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.

⁸ Employee contributions totaled \$744.8 million.

⁹ Breakdown of Employer Contributions between State and Non-State employers is not yet available.

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, 2017, 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)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Recipients	297,303	310,139	323,098	336,529	349,865	366,285
Contributions	\$322,610	\$327,574	\$342,566	\$382,262	\$512,564	\$529,229
Benefits Paid	\$374,444	\$390,973	\$407,276	\$425,086	\$449,857	\$465,980
Trust Fund Net Assets	\$220,346	\$157,928	\$93,385	\$50,774	\$113,859	\$178,311

Beginning with Fiscal Year 2007, the Department of Management Services has obtained biennial actuarial valuations of assets and liabilities of 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:	3.58% ^{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%
2017	\$178,311	\$10,870,772	\$10,692,461	1.64%	\$31,885,633	33.53%

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
2017	n/a	\$529,229	n/a

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

¹ The Annual Required Contribution (ARC) 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. Beginning in Fiscal Year 2014, the ARC has been eliminated under GASB 67 and is no longer relevant for financial reporting purposes.

Other Postemployment Benefits (OPEB)

The following is based on the July 1, 2016 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 enrollment of 175,654 subscribers including 35,273 retirees at July 1, 2017. COBRA subscribers accounted for an additional 516 members. 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 high deductible PPO Plan, a standard Health Maintenance Organization ("HMO") Plan, and a high deductible 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 advance-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 2017 coverage, for active employees and retirees under the age of 65 for the standard plan were \$693 and \$1,560 for single and family contracts, respectively. Retirees over the age of 65 pay premiums for a Medicare supplement. Monthly premiums, through June 2017 coverage, for the standard PPO Plan were \$388 for a single contract, \$777 for two Medicare eligible members, and \$1,120 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 PPO Plans are 3.1%, 7.5%, and 8.8% for the first three years followed by 9.7% in the fourth year, then grading to 3.9% over the course of 60 years. For the HMO Plans - Pre-Medicare, initial healthcare cost trend rates of 3.0%, 5.7%, 7.0% are used for the first three years followed by 7.8% in the fourth year, then grading to 3.9% over the course of 60 years. For the PPO Plans - Post Medicare, initial healthcare cost trend rates of 3.1%, 7.5%, and 8.8% are used for the first three years followed by 9.5% 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 3.0%, 5.7%, and 7.0% are used for the first three years followed by 7.6% 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%	\$7,810,110	113.96%
July 1, 2016	-	\$9,198,289	\$9,198,289	0.00%	\$7,847,743	117.21%

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%
2016	\$716,408	20.60%
2017	\$724,444	23.64%

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 76%.

Actuarially-Determined Annual OPEB Cost and Net OPEB Obligation as of June 30, 2017 (dollars in thousands):

Annual Required Contribution (ARC)	\$ 538,394
Interest on the Net OPEB Obligation	77,755
Adjustments to the ARC	(71,825)
Annual OPEB Cost	544,324
Employer Contribution	(134,633)
Increase/Decrease in the Net OPEB Obligation	409,691
Net OPEB Obligation - July 1, 2017	1,943,878
Net OPEB Obligation - June 30, 2017	\$2,353,569
Percent of annual OPEB cost contributed	24.73%

Funded Status - State Share

The funded status of the plan as of June 30, 2017, was as follows (dollars in thousands):

Actuarial valuation date	July 1, 2016
Actuarial accrued liability (AAL)	\$7,010,893
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	\$7,010,893
Actuarial value of assets as a percentage of the AAL	0.00%
Covered payroll	\$4,427,783
UAAL as a percentage of covered payroll	158.34%

Source: State of Florida Comprehensive Annual Financial Reports.

State of Florida

FINANCIAL INFORMATION

The portion of the State of Florida Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2017, meeting the minimum requirements for general purpose financial statement, including the Introductory Section through the Required Supplementary Information follows herein. The remainder of the Report as indicated in the Table of Contents, including Combining and Individual Fund Statements and Schedules - Nonmajor Funds and Statistical and Economic Data is not provided herewith, but is available upon request from the Office of the Chief Financial Officer, Att: Statewide Financial Reporting Section at 200 East Gaines Street, Tallahassee, FL 32399-0354.

STATE OF FLORIDA

**COMPREHENSIVE
ANNUAL
FINANCIAL REPORT**

Fiscal Year Ended June 30, 2017



Rick Scott
GOVERNOR

Jimmy Patronis
CHIEF FINANCIAL OFFICER

FLORIDA DEPARTMENT OF FINANCIAL SERVICES

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2017**

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INTRODUCTORY SECTION



February 12, 2018

Citizens of the State of Florida
The Honorable Rick Scott, Governor
The Honorable Joe Negron, President of the Senate
The Honorable Richard Corcoran, Speaker of the House of Representatives

To the Citizens of Florida, Governor Scott, President Negron, and Speaker Corcoran:

I am pleased to submit the State of Florida's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2017, in accordance with Section 216.102(3), Florida Statutes (F.S.). This report is prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

Management assumes full responsibility for the completeness and reliability of the information contained in this report based upon a comprehensive framework of internal control. The objective of internal control is to provide reasonable, rather than absolute, assurance that the financial statements are free of material misstatements. The concept of reasonable assurance ensures that the costs do not exceed the benefits derived.

The Auditor General has issued an opinion on the state's financial statements for the fiscal year ended June 30, 2017. The independent auditor's report is located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE STATE

Florida's Constitution divides the governmental structure of the state into three independent branches. The Legislative Branch has exclusive lawmaking power for the state. The Executive Branch, consisting of the Governor, Cabinet, and their agencies, administers the laws made by the Legislature. The Governor shares executive power and responsibility with the Cabinet, which is composed of the Attorney General, Chief Financial Officer, and Commissioner of Agriculture. The Judicial Branch interprets the law and applies the Constitution. The organizational chart following this letter provides an overview of the state's structure. Florida's government provides a range of services to its citizens including education, health and family services, transportation, public safety, law and corrections, natural resources and environmental protection.

The financial reporting entity of the state includes the primary government as well as component units for which the state is either financially accountable or a relationship exists with the state such that exclusion would cause the financial statements to be misleading. Refer to Note 1 to the financial statements for a listing of Florida's component units and the Financial Section of the report to obtain an overview of their financial positions.

Florida's budget is prepared using the processes set forth in Chapter 216, F.S. The major phases of the budget process are detailed in the Other Required Supplementary Information Section of this report. Florida law strictly prohibits overspending and requires budgetary control to be maintained at the individual appropriation account level.

ECONOMIC CONDITION

Florida marked the conclusion of its eighth year of positive growth in general fund collections in June 2017. While the state's recovery from the Great Recession has been protracted, most of the key measures of the Florida economy had returned to or surpassed their prior peaks by the close of the 2016-17 fiscal year. The drags—particularly construction—have proven to be more persistent than past events, but the strength in tourism is largely compensating for this, allowing healthy economic conditions to be largely achieved in the various forecasts by the end of the 2016-17 fiscal year. In this regard, the state's Economic Estimating Conference confirmed in mid-January that Florida's economy continues to improve as expected, although some of the projected increases were slightly tamped down. The key drivers underlying these forecasts are discussed in greater detail below.

Notably, Florida's population growth and other key indicators continue to show strength. Florida's real Gross Domestic Product in 2016 showed growth of 3.0 percent, placing Florida above the national average (1.5 percent in 2016) for the fourth year in a row. Newly released data for the second quarter (GDP for 2017:Q2) indicated a similar pattern of growth in the current year, ranking Florida thirteenth in the nation in real growth. On the more real-time measure of personal income, the calendar year results were even stronger: Florida ended 2016 with 4.9 percent growth over 2015—above the national growth rate of 3.6 percent and ranking third among all states. However, Florida's pace for the third quarter of 2017 (2017:Q3) on an annualized basis slowed slightly relative to the second quarter. While the State's personal income continued to grow, it matched the national average and ranked Florida 18th in the country in the latest federal report. To some extent, the early

Page Two
February 12, 2018

effects of Hurricane Irma's landfall in Florida in September 2017 color these results. Even with the hurricane shock to the economy, the forecast for the 2017-18 fiscal year assumes Florida's personal income will top \$1 trillion for the first time, with 4.3 percent growth over the prior year. Underpinning the projected growth in personal income is continued population growth; these projections were slightly strengthened in early December 2017 by the Demographic Estimating Conference. In addition, new vehicle registrations and tourist visits continue to contribute strongly to Florida's economic recovery. While the Revenue Estimating Conference has yet to meet in response to the new economic and population forecasts, the state's revenue collections are currently expected to grow at least as much as last year.

The level of employment in Florida also continues to improve from the low levels of the Great Recession. For the third quarter of the 2017 calendar year, total non-farm employment stood at just over 8.6 million jobs. The forecast indicates that non-farm employment will add approximately 212.9 thousand jobs during the course of the 2017-18 fiscal year, representing a 2.5 percent increase over the prior fiscal year. At 3.7 percent in December, Florida's unemployment rate was 0.4 percentage point below the national rate of 4.1 percent. The Economic Estimating Conference believes Florida is now below the "full employment" unemployment rate (about 4.0 percent), and will stay there through the 2020-21 fiscal year.

While typical economic recoveries are led by increases in lending and housing construction; the recovery from the Great Recession has behaved differently in Florida. Overall, Florida economic growth rates are healthy *in spite of* subdued construction activity, particularly in the residential sector. For now, tourism strength is overwhelming this persistent weakness. In the current forecast, tourism remains at record-breaking levels, while none of the key construction metrics for housing show a return to peak levels until the 2021-22 fiscal year.

Even though it remains at relatively low levels, the construction sector is improving. Single-Family building permit activity, an indicator of new construction, remains in positive territory, showing strong back-to-back growth in both the 2012 and 2013 calendar years (over 30 percent in each year). The final data for the 2014 calendar year revealed significantly slowing (but still positive) activity—posting only 1.6 percent growth over the prior year. However, calendar year activity for 2015 and 2016 increased by 20.3 percent and 11.1, respectively. Despite the strong percentage growth rates in four of the last five calendar years, the level is still low by historic standards—about half of the long-run per capita level. More recent data for the first eleven months of the 2017 calendar year indicates that single-family building permit activity is running about 13.3 percent over the same period in the prior year, close to the 2016 annual growth rate. The latest forecast calls for continuing improvement in these starts, reaching annual rates of 84.8 thousand units in the 2017-18 fiscal year and 90.6 thousand units in the 2018-19 fiscal year. To put these numbers in perspective, the peak year for single-family starts was the 2004-05 fiscal year at nearly 182 thousand units.

Because the most recent sales tax forecast relies heavily on strong tourism growth, the Legislative Office of Economic and Demographic Research (EDR) feels tourism-related revenue losses pose the greatest potential risk to the economic outlook in the near-term. While the outlook for foreclosures has significantly improved (the incoming pipeline has substantially narrowed over the past four years), meaningful improvement in the housing market will continue to lag behind the rest of Florida's economy. This means that tourism will need to continue its outsized performance in order for the broader economic measures to stay in normal territory. Even so, the housing and construction recovery in Florida is well underway—albeit slowly. The turnaround in Florida housing is being led by: still affordable home prices that are attracting new buyers and clearing the inventory; the slow release of pent-up demand caused by past population growth and stalled household formation; and, Florida's unique demographics and the aging of the baby-boom generation which are expected to fuel future population growth. The potential that any of these factors come in stronger than expected provides an upside risk to the forecast.

According to the constitutionally required Long-Range Financial Outlook adopted in September 2017, the state is not anticipating a budget gap for the upcoming budget year, meaning that projected revenues are sufficient to address anticipated expenditures. However, this assessment comes with two caveats. First, it was developed immediately prior to the onset of Hurricanes Irma and Maria and does not include any of those effects, positive or negative. Second, the projections for the subsequent years provide a warning that a structural imbalance will occur in the future without Legislative intervention to head it off. In addition, the Long-Range Financial Outlook identifies potential future obligations of the Florida Hurricane Catastrophe Fund and Citizens Property Insurance Corporation as significant risks to the forecast. Refer to Note 14 to the financial statements for additional information related to the state's insurance enterprises.

ACKNOWLEDGEMENTS

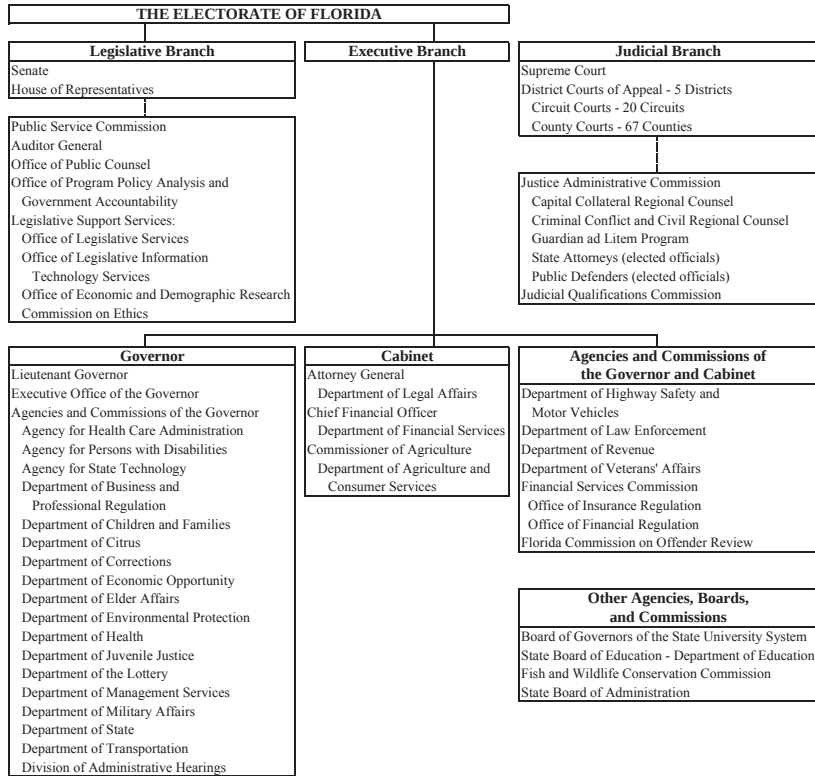
Preparation of the CAFR requires a significant investment of time and resources of fiscal and accounting personnel throughout the state. We appreciate all the contributions made to this effort.

Sincerely,

Jimmy Patronis
Chief Financial Officer

JP:pjb

ORGANIZATION AT JUNE 30, 2017



PRINCIPAL OFFICIALS AT JUNE 30, 2017

Legislative Branch

Senate
Joe Negron, President
House of Representatives
Richard Corcoran, Speaker

Executive Branch

Rick Scott, Governor
Carlos Lopez-Cantera, Lieutenant Governor
Cabinet
Pam Bondi, Attorney General
Jimmy Patronis, Chief Financial Officer
Adam Putnam, Commissioner of Agriculture

Judicial Branch

Jorge Labarga, Chief Justice

FINANCIAL SECTION



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

Claude Denson Pepper Building, Suite G74
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Tallahassee, Florida 32399-1450



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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 governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Florida, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the State'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 audit. We did not audit the financial statements of:

- The Prepaid College Program Fund, which is a major enterprise fund and represents 31 percent and 4 percent, respectively, of the assets and revenues of the business-type activities.
- The Florida Turnpike System, which represents 87 percent and 89 percent, respectively, of the assets and revenues of the Transportation major enterprise fund.
- The Hurricane Catastrophe Fund, which is a major enterprise fund and represents 33 percent and 12 percent, respectively, of the assets and revenues of the business-type activities.
- The College Savings Plan and the trust fund maintained by the State Board of Administration to account for the investments of the Public Employee Optional Retirement Program, which collectively represent 5 percent of the assets and 4 percent of the revenues/additions of the aggregate remaining fund information.

- The Florida Retirement System Trust Fund maintained by the State Board of Administration to account for the assets and investment income of the Florida Retirement System Defined Benefit Pension Plan which represent 92 percent and 72 percent, respectively, of the assets and additions of the Pension and Other Employee Benefits Trust Funds.
- The Florida Housing Finance Corporation, Citizens Property Insurance Corporation, component units related to the State's universities and colleges, and certain other funds and entities that, in the aggregate, represent 64 percent and 35 percent, respectively, of the assets and revenues of the discretely presented component units.

The financial statements for the above-listed funds and entities were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for those funds and entities, are based solely on the reports of the other auditors. We conducted our audit 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 audit 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, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. 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, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Florida, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 4, the State adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*. This statement requires the State to disclose tax abatement information about the State's tax abatement agreements and agreements that are entered into by other governments that reduce the State's tax revenues. 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 on pages 14 through 19 and the budgetary information, funding and contribution information for pension and other postemployment benefits, and information on infrastructure using the modified approach on pages 170 through 183 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB 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 and other auditors 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The Introductory Section on pages 6 through 8 and the combining and individual fund statements, related budgetary comparison schedules, and Statistical Section on pages 187 through 299 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and related budgetary comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The combining and individual fund statements and related budgetary comparison schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the combining and individual fund statements and related budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory Section and the Statistical Section 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 *Government Auditing Standards*, we have also issued our report dated February 12, 2018, on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, administrative rules, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our

testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control over financial reporting and compliance. That report will be included as part of our separately issued report entitled *State of Florida Compliance and Internal Controls Over Financial Reporting and Federal Awards*.

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
February 12, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

The information contained in the Management's Discussion and Analysis (MD&A) introduces the basic financial statements and provides an analytical overview of the State of Florida's (the state's) financial activities and performance for the fiscal year ended June 30, 2017 (fiscal year 2016-17). Please read the MD&A in conjunction with the state's financial statements that are presented in the Financial Section of this Comprehensive Annual Financial Report (CAFR).

Financial Statements Overview

The state's basic financial statements are comprised of the following elements:

Government-wide Financial Statements

Government-wide financial statements provide both long-term and short-term information about the state's overall financial condition. Changes in the state's financial position may be measured over time by increases and decreases in the Statement of Net Position. Information on how the state's net position changed during the fiscal year is presented in the Statement of Activities. Financial information for the state's component units is also presented.

Fund Financial Statements

Fund financial statements for governmental and proprietary funds focus on individual parts of the state, reporting the state's operations in more detail than the government-wide financial statements. Fund financial statements for fiduciary funds are also included to provide financial information related to the state's fiduciary activities.

Notes to the Financial Statements

Notes to the financial statements provide additional information that is essential to the full understanding of the government-wide and fund financial statements. Refer to Note 1 to the financial statements for more information on the elements of the financial statements. Table 1 below summarizes the major features of the basic financial statements.

Table 1: Major Features of the Basic Financial Statements				
Scope	Government-wide Financial Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
	Entire state government (except fiduciary funds) and the state's component units	Activities of the state that are not proprietary or fiduciary	Activities of the state that are operated similar to private businesses	Instances in which the state is the trustee or agent for someone else's resources
Required financial statements	- Statement of net position - Statement of activities	- Balance sheet - Statement of revenues, expenditures, and changes in fund balances	- Statement of net position - Statement of revenues, expenses, and changes in net position - Statement of cash flows	- Statement of fiduciary net position - Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset, liability, and deferred outflow/inflow information	- All assets and liabilities, both financial and capital, and short-term and long-term - All deferred outflows and deferred inflows of resources	- Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included - All deferred outflows and deferred inflows of resources	- All assets and liabilities, both financial and capital, and short-term and long-term - All deferred outflows and deferred inflows of resources	- All assets and liabilities, both financial and capital, and short-term and long-term - All deferred outflows and deferred inflows of resources
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	- Revenues for which cash is received during or soon after the end of the year - Expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

Condensed Government-wide Financial Statements and Overall Financial Analysis

Statement of Net Position

Table 2 below presents the state's Condensed Statement of Net Position as of June 30, 2017, and 2016, derived from the government-wide Statement of Net Position. The state's net position at the close of the fiscal year was \$66.2 billion for governmental activities and \$30.4 billion for business-type activities which was a combined total of \$96.6 billion for the primary government. The three components of net position include net investments in capital assets; restricted; and unrestricted. The largest component, totaling \$77.7 billion as of June 30, 2017, reflects net investments in capital assets. The state uses these capital assets to provide services to the citizens and businesses in the state; consequently, this component of net position is not available for future spending. Restricted net position is the next largest component, totaling \$30.0 billion as of June 30, 2017. Restricted net position represents resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used.

Governmental activities reflect a negative or deficit fund balance in unrestricted net position of \$12.4 billion at June 30, 2017. This deficit primarily results from education-related bonds for which the state is responsible for the liability while the related assets are owned by local school districts and are therefore not included in the state's financial statements. Refer to Note 8 to the financial statements, Governmental Activities – Unrestricted Net Position Deficit, for more information.

Business-type activities reflect a restricted net position of \$20.5 billion at June 30, 2017, an increase of \$2.3 billion over the prior year. The increase in the restricted net position over that reported in prior years is explained in the Major Fund Analysis, Proprietary Funds section that follows.

Table 2: Condensed Statement of Net Position
As of June 30
(in millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 25,608	\$ 25,992	\$ 38,684	\$ 36,955	\$ 64,292	\$ 62,947
Capital assets, net	74,275	71,872	11,910	11,268	86,185	83,140
Total assets	99,883	97,864	50,594	48,223	150,477	146,087
Total deferred outflows of resources	3,409	1,813	95	68	3,504	1,881
Other liabilities	3,267	3,284	2,459	1,870	5,726	5,154
Noncurrent liabilities	33,190	31,713	17,662	19,007	50,852	50,720
Total liabilities	36,457	34,997	20,121	20,877	56,578	55,874
Total deferred inflows of resources	653	1,003	162	157	815	1,160
Net position:						
Net investments in capital assets	69,022	66,197	8,652	7,767	77,674	73,964
Restricted	9,561	9,486	20,480	18,207	30,041	27,693
Unrestricted	(12,401)	(12,006)	1,274	1,283	(11,127)	(10,723)
Total net position	\$ 66,182	\$ 63,677	\$ 30,406	\$ 27,257	\$ 96,588	\$ 90,934

Statement of Activities

Table 3 presents the state's Condensed Statement of Activities for fiscal year 2016-17 and fiscal year 2015-16, as derived from the government-wide Statement of Activities. Over time, increases and decreases in the net position measure whether the state's financial position is improving or deteriorating. The state's total net position increased during the fiscal year by \$5.5 billion. The net position of governmental activities increased by \$2.5 billion, and the net position of business-type activities increased by \$3.0 billion. The majority of the increase in total program expenses for governmental activities relates to a \$1.3 billion increase in Human Services and a \$643 million increase in Education expenses, while the largest decrease in business-type activities expenses is the \$1.6 billion decrease in Prepaid College Program expenses. Refer to the Major Fund Analysis section for information regarding the overall increase in revenues from governmental activities.

**Table 3: Condensed Statement of Activities
For the Fiscal Year Ended June 30**
(in millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues						
Charges for services	\$ 7,895	\$ 7,664	\$ 10,258	\$ 11,388	\$ 18,153	\$ 19,052
Operating grants and contributions	27,968	27,225	5	11	27,973	27,236
Capital grants and contributions	2,251	2,503	6	3	2,257	2,506
Total program revenues	38,114	37,392	10,269	11,402	48,383	48,794
General revenues and payments						
Sales and use tax	25,333	24,256	.....	.....	25,333	24,256
Other taxes	13,689	13,364	.....	.....	13,689	13,364
Investment earnings (loss)	62	328	(1)	7	61	335
Emergency assessments	.....	.....	.....	3	.....	3
Miscellaneous	.....	.....	1	1	1	1
Total general revenues and payments	39,084	37,948	.....	11	39,084	37,959
Total revenues	77,198	75,340	10,269	11,413	87,467	86,753
Program expenses						
General government	6,920	6,700	.....	.....	6,920	6,700
Education	20,805	20,162	.....	.....	20,805	20,162
Human services	35,857	34,596	.....	.....	35,857	34,596
Criminal justice and corrections	4,277	4,022	.....	.....	4,277	4,022
Natural resources and environment	3,137	2,852	.....	.....	3,137	2,852
Transportation	4,405	4,962	574	514	4,979	5,476
State courts	587	521	.....	.....	587	521
Lottery	.....	.....	4,522	4,390	4,522	4,390
Hurricane Catastrophe Fund	.....	.....	80	68	80	68
Prepaid College Program	.....	.....	(252)	1,323	(252)	1,323
Reemployment Assistance	.....	.....	415	466	415	466
Nonmajor enterprise funds	.....	.....	339	333	339	333
Indirect interest on long-term debt	84	78	.....	.....	84	78
Total program expenses	76,072	73,893	5,678	7,094	81,750	80,987
Excess (deficiency) before gain (loss) and transfers	1,126	1,447	4,591	4,319	5,717	5,766
Gain (loss) on sale of capital assets	(167)	90	(1)	(154)	(168)	(64)
Transfers	1,541	1,671	(1,541)	(1,671)	.....	.....
Change in net position	2,500	3,208	3,049	2,494	5,549	5,702
Beginning net position, as restated (Note 1)	63,682	60,469	27,357	24,763	91,039	85,232
Ending net position	\$ 66,182	\$ 63,677	\$ 30,406	\$ 27,257	\$ 96,588	\$ 90,934

Major Fund Analysis**Governmental Funds**

The state's governmental funds reported a combined ending fund balance of \$17.8 billion at June 30, 2017, a \$151 million or 0.8 percent decrease from the prior year. Revenues increased by \$2.0 billion or 2.6 percent, other financing sources and uses increased by \$251 million or 12.3 percent, and expenditures increased by \$2.9 billion or 3.8 percent. Overall increases in revenues and expenditures were primarily attributable to a rise in tax revenues.

Proprietary Funds

The state's proprietary funds report combined ending net position of \$30.4 billion at June 30, 2017, of which \$8.7 billion is the net investment in capital assets, and \$20.5 billion is restricted for specific purposes. The remaining \$1.3 billion was unrestricted and available for purposes of the various funds. Information is provided below regarding major funds with significant variances relative to the prior year.

Lottery – This fund reported a net position of \$78.4 million at June 30, 2017, a decrease of \$29.0 million or 27.0 percent. Revenues increased by \$41.8 million or 0.7 percent while expenses and operating transfers out increased by \$96.8 million or 1.6 percent. Revenues increased primarily as a result of increased ticket sales, while expenses increased primarily due to increased prize payments.

Reemployment Assistance – This fund reported a net position of \$3.7 billion at June 30, 2017, an increase of \$400 million or 12 percent. Revenues and operating transfers in decreased by \$218 million or 20.8 percent while expenses and operating transfers out declined by \$56 million or 11.6 percent. Revenues decreased as result of lower unemployment tax rates due to the improving economy and lower unemployment rates relative to the prior fiscal year. The reduction in expenses is due to a decrease in benefit payments relative to the prior year as the economy and unemployment rate in Florida improved.

Prepaid College Program – The net position at June 30, 2017, totaled \$2.4 billion, an increase of \$710 million or 42.8 percent. Revenues decreased by \$1.0 billion or 68.9 percent while expenses decreased by \$1.6 billion or 119 percent. The decrease in revenues was primarily due to a decrease in the actuarial determination of the present value of future contract premiums and a decrease in fair value of fixed income investments, while expenses decreased primarily due to a change in the actuarial determination of the present value of future benefit payments. The decreases in the actuarial value of future contract premiums and actuarial determination of the present value of future benefit payments were due to an expected decrease in estimated future tuition costs for state universities and colleges.

General Fund Budget Variances

Budgeted expenditures are based on revenues estimated by the Revenue Estimating Conference and other sources. Original expenditures are budgeted for less than total expected available resources. There was a \$4.9 million decrease between the original and final estimated revenues. Final budgeted total expenditures increased by \$615.4 million from the original budget. Variances between the original and final budget or between the final budgeted and actual amounts are not expected to significantly affect future services or liquidity. For additional information on the budget variances, refer to the Budgetary Comparison Schedule for the General Fund in the Other Required Supplementary Information section of the CAFR.

Capital Asset and Long-term Debt Activity**Capital Asset Activity**

At June 30, 2017, the state reported \$74.3 billion in net capital assets for governmental activities and \$11.9 billion in net capital assets for business-type activities. Net capital assets for governmental and business-type activities increased from fiscal year 2015-16 to fiscal year 2016-17 by approximately 3.7 percent. The increase is primarily due to the capitalization of construction costs for infrastructure projects. Capitalized infrastructure projects include additions to and/or enhancements of roadways and bridges on the state's highway system. Construction commitments by the Florida Department of Transportation were approximately \$11.8 billion. Construction commitments by other state agencies for major projects including office buildings and correctional facilities increased by \$67 million compared to the prior year. Refer to Note 5 to the financial statements for information on capital assets and Note 7 to the financial statements for information on construction commitments.

Long-term Debt Activity

Total bonded debt outstanding decreased by \$2.1 billion, or approximately 9.2 percent, from the prior fiscal year to a total of \$20.7 billion at June 30, 2017 due to new debt issued being greater than scheduled amortization and debt service payments. The majority of the outstanding bonded debt serves to finance educational facilities (\$11.6 billion), the Florida Hurricane Catastrophe Fund (\$2.7 billion) and transportation (\$4.5 billion). New and refinanced bonded debt issues for 2017 totaled \$3.6 billion.

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Public-Private Partnership (PPP) contracts outstanding decreased from the prior year by \$52 million or 1.9 percent to a total of \$2.7 billion. The annual debt service requirements increased from \$2.1 billion in 2016 to \$2.2 billion in 2017 due to the refinement of how PPP obligations are reflected in outstanding debt. In Fiscal Year 2016 and 2017, debt service increased by \$82 million and \$125 million, respectively, to nearly \$2.2 billion in Fiscal Year 2017 reflecting the impact of PPP payments. The annual debt service is projected to increase to a high of \$2.3 billion in Fiscal Year 2018, reflecting the payment obligations for the PPP I-4 Project.

Pursuant to the provisions of Governmental Accounting Standards Board Statement No. 68 – *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, the State of Florida recorded \$6.9 billion in pension liabilities for the defined benefit plans it administers for the fiscal year ended June 30, 2017. The \$6.9 billion includes the State's proportionate share of the liability for the Florida Retirement System Pension Plan, the Retiree Health Insurance Subsidy Program, and the Florida National Guard Supplemental Retirement Benefit Plan. (See Note 6 to the Financial Statements for further information.)

The state maintained its credit ratings during the past year. During the fiscal year ended June 30, 2017, the three major rating agencies, Standard & Poor's Rating Services, Fitch Ratings, and Moody's Investors Service each affirmed the State's AAA, AAA, and Aa1 general obligation ratings and stable outlook, respectively. The State's benchmark debt ratio increased over the past year to 5.59 percent and projected to remain below the 6 percent policy target for the foreseeable future.

Section 11 of Article VII of the State Constitution authorizes the state to issue general obligation bonds or revenue bonds to finance or refinance fixed capital outlay projects authorized by law. General obligation bonds are secured by the full faith and credit of the state and payable from specified taxes. Revenue bonds are payable solely from specified revenues. The responsibility to issue most state bonds rests with the Division of Bond Finance of the State Board of Administration. However, certain quasi-governmental entities also incur debt and are reported as part of the primary government. See the *State of Florida 2017 Debt Report* for more detailed information about the state's debt position. The report can be found at www.sbafla.com/bondfinance or by contacting the Division of Bond Finance, 1801 Hermitage Boulevard, Suite 200, Tallahassee, Florida 32308, (850) 488-4782. Additional information on long-term debt is also found in Notes 6, 8, 9, and 10 to the financial statements and the Statistical Section of this report.

Infrastructure Accounted for Using the Modified Approach

The state elected to use the modified approach to account for roadways, bridges, and other infrastructure assets of the State Highway System. Under this approach, the Florida Department of Transportation (FDOT) committed to maintain these assets at levels established by FDOT and approved by the Florida Legislature. No depreciation expense is reported for these assets, nor are amounts capitalized in connection with improvements that lengthen the lives of such assets, unless the improvements also increase their service potential. FDOT maintains an inventory of these assets and performs periodic assessments to establish that predetermined condition levels are being maintained. The condition assessments performed during fiscal year 2016-17 show that the roadways and bridges of the State Highway System are being maintained at or near FDOT standards. These condition assessments were consistent with condition assessments conducted during past years. In addition, FDOT makes annual estimates of the amounts that must be expended to maintain the roadways and bridges included on the State Highway System at the predetermined condition levels. These estimates are based on the FDOT five-year plan that is revised as projects are added, deleted, adjusted, or postponed. Refer to the Other Required Supplementary Information of the CAFR for information on FDOT's established condition standards, recent condition assessments, and other information on infrastructure reported on the modified approach.

Economic Factors

General fund tax collections for the fiscal year ended June 30, 2017, came in 4.1 percent higher than the prior fiscal year, bettering the annual growth rate recorded for fiscal year 2015-16. Eight years after the back-to-back negative growth rates seen during the collapse of the housing boom and entry into the Great Recession, Florida marked the end of its long recovery period. This means that the growth rate for fiscal year 2016-17 is at the high-end of the range moving toward the 3.5 percent annual average growth projected for the long-run.

Most (64.6 percent) of the year-over-year increase in general fund receipts came from gains in sales tax collections. For fiscal year 2016-17, this revenue source noticeably increased its dominant share of the fund, ending the year with 69.0 percent of total revenue received. As the economic recovery continued to pick up momentum with strong gains in the state's Gross Domestic Product and personal income relative to other states, signs of an economy nearing full recovery were clear in the widespread improvement across all areas of sales tax collections (nondurables, tourism and recreation, autos and accessories, other durables, building investment and business investment). Total sales tax liability grew a solid 4.7 percent from fiscal year 2015-16 to fiscal year 2016-17. This equates to slightly over \$1.1 billion in growth for this source, with \$989.4 million flowing through to the general fund.

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Including sales tax, over one-half of the state's general revenue sources posted gains over the prior year. Just as national corporate profits increased in fiscal year 2016-17 over fiscal year 2015-16, the state's corporate income tax collections also grew over the year, making this source the state's second strongest contributor to revenue growth. Still below peak collections, corporate income tax receipts prior to refunds posted 4.2 percent growth to achieve 96.8 percent of the previous high. Because corporate refunds were significantly smaller than immediate prior years, net collections showed even stronger growth of 10.2 percent. The other gaining sources contributed far less to the total. Of the sources clearly losing ground over the year, by far the most significant was related to an anticipated event. The reduction in reported Indian Gaming revenues related to the expired authorization to conduct banked card games, which caused the state to treat the related collections as though they were in an effective reserve for part of fiscal year 2015-16 and all of fiscal year 2016-17.

Several revenue sources have continued to track the ebb and flow of the state's one lagging sector, the construction industry. Among them, documentary stamp and intangibles tax collections predominantly rely on activity in the state's real estate market. Since the end of the housing boom in 2005-06, Florida's sizable inventory of unsold homes, discounted home prices, and towering foreclosures have hindered a return to normal conditions in the real-estate market. Eleven years after the boom's peak, this picture has finally changed for the better. For statewide existing home sales and the median sales price for existing homes, the direction has been positive with both metrics exhibiting healthy percentage gains over the prior year, registering 2.7 percent and 10.6 percent growth, respectively. The picture also solidified for single-family private housing starts and construction expenditures, enabling total documentary stamp taxes to grow 6.3 percent. This growth brought documentary stamp taxes to 59.6 percent of their prior peak. Reflecting a slightly different aspect of the market, the intangibles tax, which entirely benefits the general fund, regained its footing as refinancing activity firmed, posting an 8.5 percent increase over the prior year. However, the collection levels are still low by historic standards for the two sources, distorting the magnitude of percentage changes.

At the end of the 2016-17 state fiscal year, total general fund collections were only \$35.6 million or just 0.1 percent above the estimate made by the state's Revenue Estimating Conference in March 2017. This is the second consecutive year that the fiscal year ended within two-tenths of one percent of the estimate, signaling the underlying stability in the economy. Further, general fund sources collectively outperformed the class of total revenue for the state. Including federal dollars, total revenue increased by 4.7 percent over this period.

The Revenue Estimating Conference last met in August 2017 to revise the general fund forecast for fiscal years 2017-18 and 2018-19. Based on the slightly weaker near-term National and Florida economic forecasts, the new forecast for overall General Revenue would have essentially matched the old forecast in the short-term; however, recognition of Indian Gaming revenue share payments associated with banked card games resulted in a net increase in the estimate. Overall, anticipated revenues were revised upward by \$132.2 million in fiscal year 2017-18 and by \$188.1 million in fiscal year 2018-19, for a two-year total of \$320.3 million. The revised fiscal year 2017-18 estimate exceeds the prior year's collections by \$1.33 billion or 4.5 percent. The revised forecast for fiscal year 2018-19 has projected growth of \$1.28 billion or 4.1 percent over the revised fiscal year 2017-18 estimate. The growth rates for fiscal year 2019-20 was unchanged at 4.0 percent, and for fiscal year 2020-21 it was increased from 3.6 percent to 3.7 percent, with the resulting dollar levels staying similar to the prior forecast.

As a buffer against future financial shocks, the latest General Revenue Outlook shows that there will be just over \$1.30 billion in unallocated general revenue remaining at the end of the current fiscal year. In addition, the state's major reserve for emergencies, the Budget Stabilization Fund, has a planned balance of at least \$1.42 billion on June 30, 2018. The fund cash balance is now at the highest recorded level in its history. The other source most frequently mentioned as part of the state's informal reserve system is the Lawton Chiles Endowment Fund which had a market value of \$745 million on October 31, 2017, bringing the total of all reserves to just over \$3.46 billion or 11.2 percent of the state's estimated general fund tax collections. According to the state's Long-Range Financial Outlook adopted in September 2017, the state is not anticipating a budget gap for the upcoming fiscal year, meaning the projected revenues should meet all anticipated needs. However, this assessment comes with two caveats. First, it was made immediately prior to Hurricanes Irma and Maria and does not include any of those effects, positive or negative. Second, the projections for the subsequent years indicate that a structural imbalance is beginning to occur and that the Legislature will need to take future action.

Contact the State's Financial Management

Questions about this report or requests for additional financial information may be addressed to:

Department of Financial Services
Bureau of Financial Reporting
Statewide Financial Reporting Section
200 East Gaines Street
Tallahassee, Florida 32399-0364
(850) 413-5511

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**FINANCIAL
SECTION:
BASIC FINANCIAL
STATEMENTS**

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

Major Funds

GENERAL FUND

This fund is the State's primary operating fund. It accounts for the financial resources and transactions not accounted for in other funds.

ENVIRONMENT, RECREATION AND CONSERVATION

This fund accounts for operations of various programs, such as air pollution control, water quality assurance, ecosystem management, and marine resources conservation.

PUBLIC EDUCATION

This fund includes internal reporting funds administered by the Department of Education to operate education-related programs.

HEALTH AND FAMILY SERVICES

This fund includes internal reporting funds used to operate various health and family service-related programs, such as health care, elder affairs, and public assistance.

TRANSPORTATION

This fund includes the internal reporting special revenue funds used to account for the administration of the maintenance and development of the State highway system and other transportation-related projects.

Nonmajor Funds

Nonmajor governmental funds are presented, by fund type, beginning on page 187.

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**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017
(in thousands)**

	General Fund	Environment, Recreation and Conservation	Public Education	Health and Family Services
ASSETS				
<u>Current assets</u>				
Cash and cash equivalents	\$ 19,429	\$ 1,336	\$	\$ 9,043
Pooled investments with State Treasury	5,643,250	2,174,973	1,176,338	1,901,741
Other investments	932,130	.....	.....	.....
Receivables, net	1,751,746	189,173	58,516	1,958,795
Due from other funds	170,595	26,503	93,473	74,398
Due from component units/primary	540	162	591	.....
Inventories	18,038	761	.....	51,290
Other	271	.....	.....	.....
Total current assets	8,535,999	2,392,908	1,328,918	3,995,267
<u>Noncurrent assets</u>				
Long-term investments	.....	.....	.....	.....
Advances to other funds	1,390	.....	.....	.....
Advances to other entities	4,199	3,703	827,542	.....
Other loans and notes receivable, net	7,439	1,247,911	1,281	32,817
Total noncurrent assets	13,028	1,251,614	828,823	32,817
Total assets	8,549,027	3,644,522	2,157,741	4,028,084
DEFERRED OUTFLOWS OF RESOURCES				
Grants paid in advance	.....	.....	.....	.....
Total deferred outflows of resources	.....	.....	.....	.....
Total assets and deferred outflows	8,549,027	3,644,522	2,157,741	4,028,084
LIABILITIES				
<u>Current liabilities</u>				
Accounts payable and accrued liabilities	502,970	67,322	803	457,427
Due to other funds	245,247	25,611	2,620	24,129
Due to component units/primary	37,095	15,955	148	6,452
Compensated absences	9,030	1,722	98	1,166
Claims payable	195,425	.....	.....	820,026
Deposits	3,056	5,140	12,075	24,188
Obligations under security lending agreements	713,496	83,175	55,653	6,007
Total current liabilities	1,706,319	198,925	71,397	1,339,395
<u>Noncurrent liabilities</u>				
Advances from other funds	.....	.....	907,026	.....
Deposits	.....	.....	.....	.....
Total noncurrent liabilities	.....	.....	907,026	.....
Total liabilities	1,706,319	198,925	978,423	1,339,395
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	163,308	701	.....	801,262
Total deferred inflows of resources	163,308	701	.....	801,262
FUND BALANCES				
Nonspendable	20,932	761	.....	51,290
Restricted	71,000	2,422,416	1,627,328	112,567
Committed	1,168,162	1,021,719	456,324	1,723,570
Unassigned	5,419,306	.....	(904,334)	.....
Total fund balances	6,679,400	3,444,896	1,179,318	1,887,427
Total liabilities, deferred inflows and fund balances	\$ 8,549,027	\$ 3,644,522	\$ 2,157,741	\$ 4,028,084

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

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Transportation	Nonmajor Governmental Funds	Totals 6/30/17
\$ 818	\$ 18,159	\$ 48,785
1,774,957	1,833,495	14,504,754
.....	228,566	1,160,696
474,291	311,102	4,743,623
168,016	81,631	614,616
.....	30	1,323
7,490	2,407	79,986
.....	132	403
2,425,572	2,475,522	21,154,186
.....	215,366	215,366
84,096	.....	85,486
980	.....	836,424
708,708	851,079	2,849,235
793,784	1,066,445	3,986,511
3,219,356	3,541,967	25,140,697
58,650	.....	58,650
58,650	.....	58,650
3,278,006	3,541,967	25,199,347
641,189	133,443	1,803,154
49,398	140,442	487,447
.....	2,176	61,826
139	811	12,966
.....	25,445	1,040,896
332,965	146,709	524,133
70,596	55,451	984,378
1,094,287	504,477	4,914,800
.....	890	907,916
.....	8,737	8,737
.....	9,627	916,653
1,094,287	514,104	5,831,453
552,975	36,747	1,554,993
552,975	36,747	1,554,993
7,490	28,783	109,256
50	1,810,896	6,044,257
1,623,204	1,151,437	7,144,416
.....		4,514,972
1,630,744	2,991,116	17,812,901
\$ 3,278,006	\$ 3,541,967	\$ 25,199,347

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RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION
JUNE 30, 2017
(in thousands)

Total fund balances for governmental funds	\$ 17,812,901
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities reported in governmental funds are not financial resources and therefore are not reported in the funds.	
Land and other nondepreciable assets	19,143,708
Nondepreciable infrastructure	48,429,257
Buildings, equipment and other depreciable assets	6,831,490
Accumulated depreciation	(4,283,918)
Construction work in progress	<u>3,130,291</u>
	73,250,828
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Compensated absences	(707,684)
Installment purchases/capital leases/public-private partnership agreements	(2,431,159)
Claims payable	(2,084,519)
Bonds payable	(15,001,215)
Certificates of participation payable	(81,900)
Net other post employment benefits	(2,262,503)
Pension Liability	(6,689,494)
Due to other governments	(417,330)
Other	<u>(16,175)</u>
	(29,691,979)
Deferred amounts on refunding are reported in the Statement of Net Position as deferred outflows or deferred inflows of resources (to be amortized as interest expense) but are not reported in the funds.	7,084
Deferred amounts for pension-related items are reported in the Statement of Net Position as deferred outflows or deferred inflows of resources (to be amortized as pension expense) but are not reported in the funds.	2,654,446
Accrued interest payable on bonds that is not recognized on the fund statements but is recognized on the Statement of Net Position.	(46,842)
Assets (receivables) not available to provide current resources are offset with deferred inflows of resources in the fund statements. The reduction of the the deferred inflow and recognition of revenue increases net position in the Statement of Net Position.	1,554,993
To record the net effect of assets not reported in the Governmental Funds (held in Agency Funds), but reported in the Statement of Net Position for liabilities not legally defeased.	30,851
Internal service funds are used to report activities that provide goods and services to other funds or agencies within the state. Therefore, the excess of assets over liabilities of the internal service funds are included as governmental activities on the Statement of Net Position.	<u>609,256</u>
Net position of governmental activities	<u>\$ 66,181,538</u>
The notes to the financial statements are an integral part of this statement.	

2017 STATE OF FLORIDA CAFR

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(in thousands)

	General Fund	Environment, Recreation and Conservation	Public Education	Health and Family Services
REVENUES				
Taxes	\$ 33,551,201	\$ 293,218	\$ 1,116,654	\$ 1,086,696
Licenses and permits	508,292	50,930	1,141	37,161
Fees and charges	1,535,964	188,158	56,686	767,323
Grants and donations	22,415	164,519	2,125,843	23,283,955
Investment earnings (losses)	24,528	14,435	39,760	(175)
Fines, forfeits, settlements and judgments	532,709	5,097	160,596	61,170
Other	3,398	14,535	2,302	525,886
Total revenues	36,178,507	730,892	3,502,982	25,762,016
EXPENDITURES				
Current:				
General government	4,470,445	29,193	.....	148,937
Education	15,585,517	.....	4,557,842	.....
Human services	8,824,261	.....	.....	26,539,067
Criminal justice and corrections	3,531,287	.....	.....	.....
Natural resources and environment	489,860	1,054,045	.....	.....
Transportation	2,192	.....	.....	.....
State courts	437,567	.....	.....	.....
Capital outlay	106,930	92,527	183	7,710
Debt service:				
Principal retirement	13,589	.....	.....	3,854
Interest and fiscal charges	5,042	.....	.....	309
Total expenditures	33,466,690	1,175,765	4,558,025	26,699,877
Excess (deficiency) of revenues over expenditures	2,711,817	(444,873)	(1,055,043)	(937,861)
OTHER FINANCING SOURCES (USES)				
Proceeds of bond issues	2,606	.....	150,000	.....
Proceeds of refunding bonds	.....	.....	.....	.....
Proceeds of financing agreements	4,162	.....	.....	.....
Operating transfers in	535,276	899,727	2,180,330	1,579,951
Operating transfers out	(3,402,792)	(313,344)	(1,354,485)	(431,054)
Payments to refunded bond agent	.....	.....	.....	.....
Total other financing sources (uses)	(2,860,748)	586,383	975,845	1,148,897
Net change in fund balances	(148,931)	141,510	(79,198)	211,036
Fund balances - beginning, as restated (Note 1)	6,828,331	3,303,386	1,258,516	1,676,391
Fund balances - ending	\$ 6,679,400	\$ 3,444,896	\$ 1,179,318	\$ 1,887,427

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

2017 STATE OF FLORIDA CAFR

	Nonmajor Governmental Funds	Totals 6/30/17
Transportation		
\$ 2,727,802	\$ 259,131	\$ 39,034,702
13,372	1,515,365	2,126,261
662,371	773,283	3,983,785
2,267,094	2,239,826	30,103,652
(2,809)	36,772	112,511
3,905	525,997	1,289,474
23,596	46,841	616,558
5,695,331	5,397,215	77,266,943
203,461	1,974,359	6,826,395
.....	181,322	20,324,681
.....	445,128	35,808,456
.....	495,807	4,027,094
.....	1,427,054	2,970,959
4,159,880	.....	4,162,072
.....	78,949	516,516
2,639,125	61,632	2,908,107
250,102	1,063,459	1,331,004
80,260	739,317	824,928
7,332,828	6,467,027	79,700,212
(1,637,497)	(1,069,812)	(2,433,269)
100,000	4,794	257,400
.....	1,446,829	1,446,829
321,547	1,413	327,122
1,580,064	3,082,824	9,858,172
(676,202)	(1,964,393)	(8,142,270)
.....	(1,446,829)	(1,446,829)
1,325,409	1,124,638	2,300,424
(312,088)	54,826	(132,845)
1,942,832	2,936,290	17,945,746
\$ 1,630,744	\$ 2,991,116	\$ 17,812,901

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2017 STATE OF FLORIDA CAFR

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(in thousands)

Net change in fund balance - total governmental funds	\$ (132,845)
Internal service funds are used by management to charge the costs of goods or services to other funds and agencies within the state. Therefore, the net revenue (expense) of the internal service funds is reported with governmental activities.	7,065
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of these assets is allocated over the estimated useful lives of the assets and reported as depreciation expense. This is the amount by which capital outlay expenditures exceeded depreciation in the current period.	
Capital outlay expenditures	2,908,107
Capital asset transfers, net	(169,075)
Depreciation expense	<u>(308,633)</u>
	2,430,399
In the Statement of Activities, the gain or (loss) on the sale of assets is reported whereas in the governmental funds only the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balances by the cost of the assets sold.	(23,972)
In the Statement of Activities, some revenues are recognized that do not provide current financial resources and are not recognized as revenues in the governmental funds until available, i.e., deferred inflows of resources, unavailable revenue.	(83,996)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Increase in compensated absences	(1,898)
Decrease in accrued interest	2,646
Decrease in claims payable	205,043
Increase in net other post employment benefits	(394,053)
Increase in due to other governments	(85)
Decrease in other liabilities	<u>1,325</u>
	(187,022)
The incurrence of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts, deferred amounts on refundings when debt is issued, whereas these amounts are deferred and amortized in the Statement of Activities.	
Bond proceeds	(257,400)
Refunding bond proceeds	(1,446,829)
Financing agreement proceeds	(327,122)
Repayment of bonds	1,062,660
Repayment of capital leases/installment purchase contracts	268,344
Payment to refunded bond escrow agent	1,446,829
Amortization of bond premium	202,549
Amortization of amount deferred on refunding of debt	(9,767)
Accrued interest payable at refunding	<u>(83,750)</u>
	855,514
Pension expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. Also, governmental funds report current pension contribution expenses, whereas these amounts are deferred and amortized in the Statement of Activities.	(365,845)
Change in net position of governmental activities	<u>\$ 2,499,298</u>
The notes to the financial statements are an integral part of this statement.	

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PROPRIETARY FUND FINANCIAL STATEMENTS

Major Funds

TRANSPORTATION

This fund primarily accounts for operations of the Florida Turnpike Enterprise which includes the Florida Turnpike System.

LOTTERY

This fund accounts for state lottery operations, which include sale of lottery tickets, payment of lottery prizes, and transfers to the Education Enhancement Trust Fund.

FLORIDA HURRICANE CATASTROPHE FUND

This fund, administered by the State Board of Administration, is used to help cover insurers' losses in the event of a hurricane disaster.

PREPAID COLLEGE PROGRAM

This fund, administered by the State Board of Administration, is used to account for payments from purchasers of the Florida Prepaid College Program, a blended component unit. This program was created to provide a medium through which the cost of state post-secondary education may be paid in advance of enrollment at a rate lower than the projected corresponding costs at the time of enrollment.

REEMPLOYMENT ASSISTANCE

This fund accounts for the receipt of monies for and payment of unemployment compensation benefits.

Nonmajor Funds

Nonmajor enterprise funds are presented on page 223.

Internal Service Funds

Internal service funds are presented on page 229.

2017 STATE OF FLORIDA CAFR

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017
(in thousands)

ASSETS

Current assets

Cash and cash equivalents	\$ 3,318	\$ 342	\$ 11	\$ 3,147	\$ 145
Pooled investments with State Treasury	1,074,259	184,293	-----	-----	3,609,356
Other investments	-----	-----	12,902,205	2,331,893	-----
Receivables, net	22,895	40,968	200,659	402,814	152,344
Due from other funds	114,739	-----	-----	23	745
Due from component units/primary	-----	-----	-----	-----	391
Inventories	5,055	1,426	-----	-----	-----
Other	247	2,391	5	2	-----
Total current assets	1,220,513	229,420	13,102,880	2,737,879	3,762,981

Noncurrent assets

Restricted cash and cash equivalents	65	-----	-----	-----	-----
Restricted pooled investments with State Treasury	-----	30,882	-----	-----	-----
Restricted investments	308,297	297,370	-----	-----	-----
Long-term investments	-----	-----	3,733,078	11,078,267	-----
Other loans and notes receivable, net	80,643	-----	-----	1,785,976	-----
Capital assets	-----	-----	-----	-----	-----
Land and other non-depreciable assets	1,157,524	3,222	-----	-----	-----
Non-depreciable infrastructure	8,918,407	-----	-----	-----	-----
Buildings, equipment, and other depreciable assets	846,747	12,889	46	50	-----
Accumulated depreciation	(351,029)	(9,847)	(39)	(35)	-----
Construction work in progress	1,235,160	-----	-----	-----	-----
Other	-----	24,177	-----	-----	-----
Total noncurrent assets	12,195,814	358,693	3,733,085	12,864,258	-----
Total assets	13,416,327	588,113	16,835,965	15,602,137	3,762,981

DEFERRED OUTFLOWS OF RESOURCES

Amount deferred on refunding of debt	30,022	-----	-----	-----	-----
Pension-related items	-----	9,872	534	962	-----
Total deferred outflows of resources	30,022	9,872	534	962	-----

LIABILITIES

Current liabilities

Accounts payable and accrued liabilities	64,460	5,545	153,200	237,807	17,818
Accrued prize liability	-----	169,096	-----	-----	-----
Due to other governments	-----	-----	-----	-----	6,648
Due to other funds	95,673	71,775	307	-----	1,360
Due to component units/primary	-----	-----	-----	-----	-----
Compensated absences	-----	558	62	69	-----
Installment purchases/capital leases	44,337	-----	-----	-----	-----
Bonds payable	-----	-----	-----	-----	-----
Bonds payable from restricted assets	142,760	-----	-----	-----	-----
Deposits	94,756	-----	-----	-----	-----
Claims payable	-----	-----	1,000	-----	-----
Obligations under security lending agreements	51,244	10,273	-----	1,869,679	-----
Certificates of participation payable	-----	-----	-----	-----	-----
Tuition and housing benefits payable	-----	-----	-----	630,324	-----
Pension liability	-----	202	12	13	-----
Total current liabilities	493,230	257,449	154,581	2,737,892	25,826

Noncurrent liabilities

Advances from other funds	84,096	-----	-----	-----	-----
Accrued prize liability	-----	229,662	-----	-----	-----
Bonds payable	2,645,020	-----	2,700,000	-----	-----
Certificates of participation payable	-----	-----	-----	-----	-----
Installment purchases/capital leases	217,690	-----	-----	-----	-----
Deposits	401	-----	-----	-----	-----
Compensated absences	-----	3,230	144	248	-----
Tuition and housing benefits payable	-----	-----	-----	10,495,776	-----
Pension liability	-----	20,008	1,095	1,448	-----
Other	-----	8,233	73	90	-----
Total noncurrent liabilities	2,947,207	261,133	2,701,312	10,497,562	-----
Total liabilities	3,440,437	518,582	2,855,893	13,235,454	25,826

DEFERRED INFLOWS OF RESOURCES

Deferred service concession arrangement receipts	139,590	-----	-----	-----	-----
Amount deferred on refunding of debt	16,888	-----	-----	-----	-----
Pension-related items	-----	1,006	14	11	-----
Total deferred inflows of resources	156,478	1,006	14	11	-----

NET POSITION

Net investment in capital assets	8,565,247	6,264	8	15	-----
Restricted for Reemployment Assistance	-----	-----	-----	-----	3,737,155
Restricted for Lottery	-----	95,499	-----	-----	-----
Restricted for Hurricane Catastrophe Fund	-----	-----	13,980,584	-----	-----
Restricted for Prepaid College Program	-----	-----	-----	2,367,619	-----
Restricted for Transportation	298,572	-----	-----	-----	-----
Restricted - other	-----	-----	-----	-----	-----
Unrestricted	985,615	(23,366)	-----	-----	-----
Total net position	\$ 9,849,434	\$ 78,397	\$ 13,980,592	\$ 2,367,634	\$ 3,737,155

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

2017 STATE OF FLORIDA CAFR

Nonmajor Enterprise Funds	Totals 6/30/17	Internal Service Funds
\$ 24,966	\$ 31,949	\$ 54,658
421,530	5,289,438	666,259
19,456	15,253,554	47,002
14,179	833,859	28,130
9,880	125,387	19,715
1	392	728
-----	6,481	-----
1,297	3,942	-----
491,329	21,545,002	816,492
-----	65	-----
-----	30,882	-----
-----	605,667	-----
53,259	14,864,604	-----
1,267	1,867,886	-----
-----	1,160,746	319
-----	8,918,407	-----
152,732	1,012,464	1,571,748
(59,621)	(420,571)	(551,679)
3,445	1,238,605	3,842
5,644	29,821	-----
156,726	29,308,576	1,024,230
648,055	50,853,578	1,840,722
-----	30,022	1,409
54,032	65,400	44,163
54,032	95,422	45,572
24,968	503,798	196,160
-----	169,096	-----
-----	6,648	-----
6,630	175,745	36,021
334	334	175
5,393	6,082	2,838
1,506	45,843	5,793
-----	-----	19,340
-----	142,760	-----
22,304	117,060	164,767
-----	1,000	-----
17,290	1,948,486	30,233
-----	-----	31,415
-----	630,324	-----
1,238	1,465	641
79,663	3,748,641	487,383
-----	84,096	500
-----	229,662	-----
-----	5,345,020	221,609
-----	-----	419,510
14,924	232,614	14,399
43,392	43,793	-----
13,572	17,194	9,671
-----	10,495,776	-----
105,354	127,905	82,858
47,086	55,482	31,175
224,328	16,631,542	779,720
303,991	20,380,183	1,267,103
-----	139,590	-----
-----	16,888	2,958
4,848	5,879	6,977
4,848	162,357	9,935
80,899	8,652,433	310,616
-----	3,737,155	-----
-----	95,499	-----
-----	13,980,584	-----
-----	2,367,619	-----
-----	298,572	-----
467	467	84,599
311,882	1,274,131	214,041
\$ 393,248	\$ 30,406,460	\$ 609,256

2017 STATE OF FLORIDA CAFR

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(in thousands)

	Transportation	Lottery	Hurricane Catastrophe Fund	Prepaid College Program
OPERATING REVENUES				
Sales - nonstate	\$ 18,002	\$ 6,162,313	\$ 1,068,177	\$ 386,077
Change in actuarial value of contract premiums				21,923
Fees	1,142,874			2,454
Sales - state			41	225
Rents and royalties - nonstate	8,573	533		
Rents - state				
Fines, forfeits, settlements and judgments	3,585	171		
Other				
Total operating revenues	1,173,034	6,163,017	1,068,218	410,679
OPERATING EXPENSES				
Benefit payments				
Payment of lottery winnings		3,996,632		
Commissions on lottery sales		343,608		
Contractual services	387,313	130,786	3,827	415,680
Change in actuarial value of contract benefit payments			1,000	(687,386)
Insurance claims expense				
Personal services	15,738	30,097	1,567	1,987
Depreciation	52,484	1,570	4	9
Materials and supplies	24,717	2,078	11	64
Repairs and maintenance		628		
Basic services		4,404	266	150
Interest and fiscal charges			9	30
Bad debt				
Total operating expenses	480,252	4,509,803	6,684	(269,466)
Operating income (loss)	692,782	1,653,214	1,061,534	680,145
NONOPERATING REVENUES (EXPENSES)				
Grants and donations	3,688			
Investment earnings (losses)	(2,840)	(12,996)	135,539	47,163
Interest and fiscal charges	(94,184)	(12,688)	(73,397)	(17,717)
Fines, forfeits, judgments and settlements	870		1	145
Property disposition gain (loss)	(4,287)	(57)		
Grant expense and client benefits				
Emergency assessment funds received			300	
Other	5,533			
Total nonoperating revenues (expenses)	(91,220)	(25,741)	62,443	29,591
Income (loss) before transfers and contributions	601,562	1,627,473	1,123,977	709,736
Operating transfers in	117,689			
Operating transfers out	(63,306)	(1,656,506)	(10,000)	
Capital contributions	171,900			
Change in net position	827,845	(29,033)	1,113,977	709,736
Total net position - beginning, as restated (Note 1)	9,021,589	107,430	12,866,615	1,657,898
Total net position - ending	\$ 9,849,434	\$ 78,397	\$ 13,980,592	\$ 2,367,634

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

2017 STATE OF FLORIDA CAFR

Reemployment Assistance	Nonmajor Enterprise Funds	Totals 6/30/17	Internal Service Funds
\$	\$ 99,307	\$ 7,733,876	\$ 50,360
		21,923	
732,785	263,366	2,141,479	178
	39,632	39,898	2,387,683
	6	9,112	91
	109	109	155,730
	11,058	14,814	20
	18,889	18,889	18,218
732,785	432,367	9,980,100	2,612,280
414,596		414,596	
		3,996,632	
		343,608	
	96,934	1,034,540	550,233
		(686,386)	
			1,857,865
	189,647	239,036	95,701
	9,876	63,943	38,395
	4,983	31,853	6,966
	3,987	4,615	4,229
	28,957	33,777	7,773
	2,666	2,705	1
			1,787
414,596	337,050	5,478,919	2,562,950
318,189	95,317	4,501,181	49,330
4,347	2,861	10,896	
88,427	(832)	254,461	(3,699)
	(924)	(198,910)	(34,612)
	2	1,018	
	721	(3,623)	(622)
	(925)	(925)	
		300	
	(184)	5,349	29
92,774	719	68,566	(38,904)
410,963	96,036	4,569,747	10,426
2,764	22,850	143,303	19,454
(13,969)	(91,725)	(1,835,506)	(22,885)
		171,900	70
399,758	27,161	3,049,444	7,065
3,337,397	366,087	27,357,016	602,191
\$ 3,737,155	\$ 393,248	\$ 30,406,460	\$ 609,256

2017 STATE OF FLORIDA CAFR

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(in thousands)**

	Transportation	Lottery	Hurricane Catastrophe Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 1,198,433	\$ 6,154,510	\$ 1,068,843
Cash paid to vendors	(437,779)	(484,557)	(3,949)
Cash paid to employees	(20,493)	(27,340)	(1,469)
Cash received/(paid) for grants	.....	.....	.....
Lottery prizes	.....	(3,985,553)	.....
Cash paid for insurance claims	.....	.....	.....
Reemployment assistance	.....	.....	.....
Net cash provided (used) by operating activities	740,161	1,657,060	1,063,425
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in (out)	40,773	(1,743,251)	(10,000)
Advances from or repayment from other funds	(3,098)	.....	.....
Advances, grants or loans (to) from or repayment from others	(103,968)	.....	.....
Payment of bonds or loans (principal and interest)	.....	.....	(567,368)
Emergency assessment funds received	.....	.....	648
Net cash provided (used) by noncapital financing activities	(66,293)	(1,743,251)	(576,720)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Cash received from sale or lease of capital assets	.....	.....	.....
Cash received from the issuance of debt	.....	.....	.....
Cash received from capital grants and donations	3,688	.....	.....
Payment of bond principal	(135,605)	.....	.....
Payment of principal on installment purchase/capital lease	.....	.....	.....
Payment of interest on bonds/installment purchase/capital lease	(144,845)	.....	.....
Purchase or construction of capital assets	(456,282)	(1,786)	(2)
Line of credit draws/(payments)	.....	.....	.....
Net cash provided (used) by capital and related financing activities	(733,044)	(1,786)	(2)
CASH FLOWS FROM INVESTING ACTIVITIES			
Security lending	(3,390)	(4,825)	.....
Proceeds from the sale or maturity of investments	2,151,837	45,459	117,324,740
Cash paid to grand prize winners upon maturity of grand prize investments	.....	(45,459)	.....
Investment earnings	(1,840)	(1,057)	72,717
Purchase of investments	(2,132,551)	.....	(117,884,160)
Net cash provided (used) by investing activities	14,056	(5,882)	(486,703)
Net increase (decrease) in cash and cash equivalents	(45,120)	(93,859)	.....
Cash and cash equivalents - beginning	1,122,762	309,376	11
Cash and cash equivalents - ending	\$ 1,077,642	\$ 215,517	\$ 11

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

2017 STATE OF FLORIDA CAFR

Prepaid College Program	Reemployment Assistance	Nonmajor Enterprise Funds	Totals 6/30/17	Internal Service Funds
\$ 515,317	\$ 773,208	\$ 421,278	\$ 10,131,589	\$ 2,612,319
(537,928)	.....	(137,356)	(1,601,569)	(561,411)
(1,799)	.....	(181,373)	(232,474)	(90,200)
.....	5,397	10,067	15,464	.....
.....	.....	.....	(3,985,553)	.....
.....	(431,508)	.....	(431,508)	(1,847,158)
(24,410)	347,097	112,616	3,895,949	113,550
.....	(11,187)	(69,743)	(1,793,408)	1,832
.....	.....	.....	(3,098)	.....
.....	.....	(310)	(104,278)	.....
.....	.....	.....	(567,368)	.....
.....	.....	.....	648	.....
.....	(11,187)	(70,053)	(2,467,504)	1,832
.....	.....	1,354	1,354	.....
.....	.....	.....	.....	48
.....	.....	14,786	18,474	.....
.....	.....	.....	(135,605)	(61,005)
.....	.....	(2,356)	(2,356)	(15,433)
.....	.....	.....	(144,845)	(23,450)
(6)	.....	(1,097)	(459,173)	(9,649)
.....	.....	(208)	(208)	.....
(6)	.....	12,479	(722,359)	(109,489)
5,022	.....	1,630	(1,563)	(366)
11,344,438	.....	85,945	130,952,419	.....
.....	.....	.....	(45,459)	.....
124,210	88,034	(2,030)	280,034	(4,377)
(11,452,898)	.....	(86,584)	(131,556,193)	.....
20,772	88,034	(1,039)	(370,762)	(4,743)
(3,644)	423,944	54,003	335,324	1,150
6,791	3,185,557	392,513	5,017,010	719,767
\$ 3,147	\$ 3,609,501	\$ 446,516	\$ 5,352,334	\$ 720,917

2017 STATE OF FLORIDA CAFR

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(in thousands)

Reconciliation of operating income (loss) to net cash provided (used) by operating activities

	Transportation	Lottery	Hurricane Catastrophe Fund
Operating income (loss)	\$ 692,782	\$ 1,653,214	\$ 1,061,534
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization expense	52,484	1,570	4
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	7,557	(8,133)	835
(Increase) decrease in due from other funds	33	.....	.....
Increase (decrease) in allowance for uncollectibles	.....	(414)	.....
(Increase) decrease in inventories	(3,437)	58	.....
(Increase) decrease in future contract premiums and other receivables	.....	.....	.....
(Increase) decrease in other non-current assets	.....	(1,383)	.....
Increase (decrease) in accounts payable	15,003	(3,073)	954
Increase (decrease) in compensated absences	.....	(52)	31
Increase (decrease) in due to other funds	(38,514)	.....	.....
Increase (decrease) in tuition and housing benefits payable	.....	.....	.....
Increase (decrease) in other non-current liability	.....	1,550	14
(Increase) decrease in deposits and prepaid items	(7)	2	(4)
Increase (decrease) in unearned revenue	14,260	.....	.....
Increase (decrease) in prize liability	.....	12,462	.....
Increase (decrease) in pension liability and deferrals	.....	1,259	57
Net cash provided (used) by operating activities	\$ 740,161	\$ 1,657,060	\$ 1,063,425

Noncash investing, capital, and financing activities

Borrowing under capital lease or installment purchase	\$ 57,972	\$	\$
Change in fair value of investments	(20,163)	(39,533)	2,080
Contribution of capital assets	6,734	.....	.....
Other noncash items	11,685	.....	.....

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

2017 STATE OF FLORIDA CAFR

Prepaid College Program	Reemployment Assistance	Nonmajor Enterprise Funds	Totals 6/30/17	Internal Service Funds
\$ 680,145	\$ 318,189	\$ 95,317	\$ 4,501,181	\$ 49,330
9	.....	9,876	63,943	38,395
(3,753)	69,442	(2,249)	63,699	(3,144)
4,451	98	(107)	4,475	(722)
.....	(16,217)	2,240	(14,391)	1,787
.....	.....	.....	(3,379)	.....
(21,923)	.....	.....	(21,923)	.....
.....	.....	225	(1,158)	.....
3,894	(24,120)	6,818	(524)	6,265
43	.....	112	134	(432)
(35)	(295)	296	(38,548)	1,431
(687,386)	.....	.....	(687,386)	.....
17	.....	8,724	10,305	4,678
(2)	.....	(66)	(77)	.....
.....	.....	(3,930)	10,330	13,387
.....	.....	.....	12,462	.....
130	.....	(4,640)	(3,194)	2,575
\$ (24,410)	\$ 347,097	\$ 112,616	\$ 3,895,949	\$ 113,550

\$	\$	\$	\$ 57,972	\$
(370,931)		(6,991)	(435,538)	(13,074)
.....			6,734	
.....			11,685	

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FIDUCIARY FUND FINANCIAL STATEMENTS

PRIVATE-PURPOSE TRUST FUNDS

Individual fund descriptions and financial statements begin on page 237.

PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS

Individual fund descriptions and financial statements begin on page 243.

INVESTMENT TRUST FUNDS

Individual fund descriptions and financial statements begin on page 249.

AGENCY FUNDS

Individual fund descriptions and financial statements begin on page 253.

2017 STATE OF FLORIDA CAFR

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017
(in thousands)

	Private- Purpose Trust Funds	Pension and Other Employee Benefits Trust Funds	Investment Trust Funds	Agency Funds	Totals 6/30/17
ASSETS					
Cash and cash equivalents	\$ 5,892	\$ 175,008	\$ 771,495	\$ 53,540	\$ 1,005,935
Pooled investments with State Treasury	504,083	138,986	1,176,431	958,885	2,778,385
Total cash and cash equivalents	509,975	313,994	1,947,926	1,012,425	3,784,320
Investments					
Certificates of deposit	.....	800,168	1,638,985	.....	2,439,153
U.S. government & federally guaranteed obligations	58,253	11,016,097	.....	8,982	11,083,332
Federal agencies	57,924	8,493,496	.....	.....	8,551,420
Commercial paper	.....	4,050,193	4,912,382	.....	8,962,575
Repurchase agreements	.....	750,000	25,125	.....	775,125
Bonds and notes	79,368	8,728,694	131,742	.....	8,939,804
International bonds and notes	8,075	1,972,841	8,799	.....	1,989,715
Real estate contracts	.....	10,984,655	.....	.....	10,984,655
Mutual fund investments	2,694	9,914,861	.....	.....	9,917,555
Money market and short-term investments	112,712	1,091,999	323,608	.....	1,528,319
Domestic equity	231,764	45,797,219	.....	46,028,983	46,028,983
Alternative investments	.....	24,004,242	.....	.....	24,004,242
International equity	60,295	34,529,446	.....	.....	34,589,741
International equity commingled	.....	7,911,257	.....	.....	7,911,257
Deferred compensation annuities	.....	20,776	.....	.....	20,776
Self-directed brokerage investments	.....	510,859	.....	.....	510,859
Other investments	.....	17,211	.....	100	17,311
Total investments	611,085	170,594,014	7,040,641	9,082	178,254,822
Receivables					
Accounts receivable	1,199	34,186	.....	522,801	558,186
State contributions receivable	.....	9,030	.....	.....	9,030
Nonstate contributions receivable	.....	259,342	.....	.....	259,342
Interest receivable	3,427	124,236	8,858	418	136,939
Dividends receivable	668	202,883	.....	.....	203,551
Pending investment sales	4,727	1,264,200	.....	.....	1,268,927
Foreign currency contracts receivable	235	4,964,380	.....	.....	4,964,615
Due from state funds	1,266	71,944	.....	137,098	210,308
Due from other governments	9,336	.....	.....	2,307	11,643
Total receivables	20,858	6,930,201	8,858	662,624	7,622,541
Security lending collateral					
Advances to other funds	907,026	.....	.....	.....	907,026
Advances to other entities	840,859	.....	.....	.....	840,859
Capital assets	1,039	1,071	.....	.....	2,110
Accumulated depreciation	(917)	(544)	.....	.....	(1,461)
Other assets	431	7,623	29	.....	8,083
Total assets	2,890,356	179,136,211	8,997,454	1,684,131	192,708,152
DEFERRED OUTFLOWS OF RESOURCES					
Pension-related items	870	167	.....	.....	1,037
Total deferred outflows of resources	870	167	.....	.....	1,037
LIABILITIES					
Accounts payable and accrued liabilities	5,051	116,577	516	588,766	710,910
Due to other funds	941	72,861	66	196,945	270,813
DROP	.....	216,703	.....	.....	216,703
Pending investment purchases	39,185	3,779,227	.....	.....	3,818,412
Short sell obligations	.....	322,262	.....	.....	322,262
Foreign currency contracts payable	235	4,949,138	.....	.....	4,949,373
Broker rebate fees	.....	1,106	.....	.....	1,106
Due to other governments	3,043	.....	5,336	637,534	645,913
Obligations under security lending agreements	23,312	1,329,476	56,582	11,292	1,420,662
Claims payable	1,486	.....	.....	19,226	20,712
Deposits payable	39,434	10,512	.....	230,253	280,199
Compensated absences	541	960	.....	.....	1,501
Other liabilities	1,240	3,792	.....	115	5,147
Pension liability	2,211	383	.....	.....	2,594
Total liabilities	116,679	10,802,997	62,500	1,684,131	12,666,307
DEFERRED INFLOWS OF RESOURCES					
Pension-related items	20	416	.....	.....	436
Total deferred inflows of resources	20	416	.....	.....	436
NET POSITION					
Restricted for pension benefits and other purposes	\$ 2,774,527	\$ 168,332,965	\$ 8,934,954	\$\$	\$ 180,042,446

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

2017 STATE OF FLORIDA CAFR

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(in thousands)

	Private- Purpose Trust Funds	Pension and Other Employee Benefits Trust Funds	Investment Trust Funds	Totals 6/30/17
ADDITIONS				
Contributions and other deposits				
Pension fund employer contributions - state	\$\$	685,517	\$\$	685,517
Pension fund employer contributions - nonstate	.....	2,855,022	.....	2,855,022
Pension fund employee contributions	.....	982,040	.....	982,040
Other contributions	.....	160,115	.....	160,115
Purchase of time by employees	.....	7,063	.....	7,063
Fees	3,351	1,735	.....	5,086
Grants and contributions	148,125	.....	.....	148,125
Flexible benefits contributions	.....	378,195	.....	378,195
Fines, forfeits, settlements and judgments	.....	139	.....	139
Unclaimed property remittances	428,025	.....	.....	428,025
Receivership assets acquired	29,677	.....	.....	29,677
Transfers in from state funds	3,557	660,538	.....	664,095
Total contributions and other deposits	612,874	5,730,225	.....	6,343,099
Investment income				
Interest income	861	1,162,138	67,857	1,230,856
Dividends	5,318	1,816,019	.....	1,821,337
Other investment income (loss)	.....	2,186,459	.....	2,186,459
Net increase (decrease) in fair market value	38,238	15,708,323	266	15,746,827
Total investment income (loss)	44,417	20,872,939	68,123	20,985,479
Investment activity expense	(2,514)	(576,698)	(4,146)	(583,358)
Net income (loss) from investing activity	41,903	20,296,241	63,977	20,402,121
Security lending activity				
Security lending income	.....	63,625	.....	63,625
Security lending expense	.....	(14,200)	.....	(14,200)
Net income from security lending	.....	49,425	.....	49,425
Total net investment income (loss)	41,903	20,345,666	63,977	20,451,546
Other additions	5,062	28,738	.....	33,800
Total additions	659,839	26,104,629	63,977	26,828,445
DEDUCTIONS				
Benefit payments	.....	11,297,516	.....	11,297,516
Insurance claims expense	337,333	3,828	.....	341,161
Supplemental insurance payments	.....	79,425	.....	79,425
Flexible reimbursement payments	.....	31,155	.....	31,155
Life insurance premium payments	.....	30,684	.....	30,684
Remittances to annuity companies	.....	183,989	.....	183,989
Program contribution refunds	.....	13,482	.....	13,482
Interest expense	626	1	.....	627
Student loan default payments	81,152	.....	.....	81,152
Payments to unclaimed property claimants	310,389	.....	.....	310,389
Distribution to State School Fund	157,184	.....	.....	157,184
Administrative expense	22,518	25,752	54	48,324
Property disposition gain (loss)	2	.....	.....	2
Transfers out to state funds	4,909	679,454	.....	684,363
Other deductions	34,496	8	.....	34,504
Total deductions	948,609	12,345,294	54	13,293,957
Depositor activity				
Deposits	84,405	.....	18,178,927	18,263,332
Withdrawals	(207,929)	.....	(17,303,515)	(17,511,444)
Excess (deficiency) of deposits over withdrawals	(123,524)	.....	875,412	751,888
Change in net position	(412,294)	13,759,335	939,335	14,286,376
Net position - beginning	3,186,821	154,573,630	7,995,619	165,756,070
Net position - ending	\$ 2,774,527	\$ 168,332,965	\$ 8,934,954	\$ 180,042,446

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

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COMPONENT UNIT FINANCIAL STATEMENTS

Major Component Units

FLORIDA HOUSING FINANCE CORPORATION

Pursuant to Section 420.504, Florida Statutes, this corporation was created as an entrepreneurial public corporation organized to provide and promote public welfare by administering the governmental function of financing or refinancing housing and related facilities in Florida.

UNIVERSITY OF FLORIDA

University of Florida is a major, public, comprehensive, land-grant, research university with a main campus location in Gainesville, Florida.

CITIZENS PROPERTY INSURANCE CORPORATION

Pursuant to Section 627.351(6), Florida Statutes, this corporation was created to provide certain residential property, non-residential property, and casualty insurance coverage to qualified risks in the State of Florida under specified circumstances.

Nonmajor Component Units

Nonmajor component units are presented beginning on page 259.

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2017 STATE OF FLORIDA CAFR

STATEMENT OF NET POSITION
COMPONENT UNITS
JUNE 30, 2017
(in thousands)

	Florida Housing Finance Corporation	University of Florida	Citizens Property Insurance Corporation	Nonmajor Component Units	Totals 6/30/17
ASSETS					
Cash and cash equivalents	\$ 235,363	\$ 208,394	\$ 244,860	\$ 730,071	\$ 1,418,688
Pooled investments with State Treasury	745,839	1,004,662	.....	1,653,949	3,404,450
Other investments	1,430,387	1,078,446	11,746,102	5,075,967	19,330,902
Receivables, net	139,673	671,172	157,223	1,251,671	2,219,739
Due from component units/primary	.....	76,102	.....	458,309	534,411
Inventories	.....	38,250	.....	35,127	73,377
Restricted cash and cash equivalents	.....	68,358	8,237	526,877	603,472
Restricted pooled investments with State Treasury	.....	90,035	.....	558,276	648,311
Restricted investments	.....	2,302,969	.....	3,427,067	5,730,036
Other loans and notes receivable, net	2,013,488	36,945	.....	83,858	2,134,291
Other assets	3,040	154,593	9,498	283,392	450,523
Capital assets, net	.....	3,463,759	8,064	20,794,898	24,266,721
Total assets	4,567,790	9,193,685	12,173,984	34,879,462	60,814,921
DEFERRED OUTFLOWS OF RESOURCES					
Accum. decrease in fair value -hedging derivatives	.....	49,228	.....	14,974	64,202
Grants paid in advance	.....	.....	.....	192	192
Amount deferred on refunding of debt	.....	376	.....	9,891	10,267
Pension-related items	.....	364,097	.....	1,266,157	1,630,254
Total deferred outflows of resources	.....	413,701	.....	1,291,214	1,704,915
LIABILITIES					
Accounts payable and accrued liabilities	119,154	568,792	848,261	1,041,368	2,577,575
Due to component units/primary	.....	33,503	.....	36,590	70,093
Long-term liabilities	.....	.....	.....	.....	.....
Due within one year	253,890	225,577	1,510,846	647,090	2,637,403
Due in more than one year	1,903,606	2,526,934	2,506,566	7,826,273	14,763,379
Total liabilities	2,276,650	3,354,806	4,865,673	9,551,321	20,048,450
DEFERRED INFLOWS OF RESOURCES					
Deferred service concession arrangement receipts	.....	.....	.....	5,887	5,887
Accum. increase in fair value -hedging derivatives	.....	4,171	.....	.....	4,171
Amount deferred on refunding of debt	.....	2,732	.....	185	2,917
Pension-related items	.....	36,458	.....	143,829	180,287
Other	.....	.....	.....	109	109
Total deferred inflows of resources	.....	43,361	.....	150,010	193,371
NET POSITION					
Net investment in capital assets	.....	2,058,919	8,064	17,928,816	19,995,799
Restricted for	.....	.....	.....	.....	.....
Debt service	.....	3,399	.....	56,524	59,923
Other	2,147,131	852,495	8,237	4,017,601	7,025,464
Funds held for permanent endowment	.....	.....	.....	.....	.....
Expendable	.....	369,159	.....	367,468	736,627
Nonexpendable	.....	1,346,187	.....	2,454,909	3,801,096
Unrestricted	144,009	1,579,060	7,292,010	1,644,027	10,659,106
Total net position	\$ 2,291,140	\$ 6,209,219	\$ 7,308,311	\$ 26,469,345	\$ 42,278,015

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

2017 STATE OF FLORIDA CAFR

STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(in thousands)

Functions/Programs	Expenses	Program Revenues			Florida Housing Finance Corporation
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Florida Housing Finance Corporation	\$ 237,402	\$ 192,039	\$	\$	\$ (45,363)
University of Florida	5,305,221	3,567,178	869,326	64,932	.....
Citizens Property Insurance Corporation	889,569	627,485	.....	.....	.....
Nonmajor component units	11,946,851	3,515,738	3,448,720	768,533	.....
Total component units	<u>\$ 18,379,043</u>	<u>\$ 7,902,440</u>	<u>\$ 4,318,046</u>	<u>\$ 833,465</u>	<u>(45,363)</u>
<u>General revenues</u>					
Property taxes					.....
Investment earnings (losses)					.....
Gain (loss) on sale of capital assets					.....
Payments from the State of Florida					.....
Miscellaneous					187,300
Contributions to permanent funds					.....
Total general revenues and contributions					187,300
Change in net position					141,937
Net position - beginning, as restated (Note 1)					2,149,203
Net position - ending					<u>\$ 2,291,140</u>

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

2017 STATE OF FLORIDA CAFR

Net (Expense) Revenue and Changes in Net Position			
University of Florida	Citizens Property Insurance Corporation	Nonmajor Component Units	Totals 6/30/17
\$	\$	\$	\$ (45,363)
(803,785)	.....	.....	(803,785)
.....	(262,084)	.....	(262,084)
.....	.....	(4,213,860)	(4,213,860)
(803,785)	(262,084)	(4,213,860)	(5,325,092)
<u>.....</u>			
.....	.....	477,039	477,039
289,646	103,411	533,399	926,456
(8,718)	.....	(739)	(9,457)
727,156	.....	3,583,557	4,310,713
97,105	.....	542,024	826,429
76,838	.....	39,071	115,909
1,182,027	103,411	5,174,351	6,647,089
378,242	(158,673)	960,491	1,321,997
5,830,977	7,466,984	25,508,854	40,956,018
<u>\$ 6,209,219</u>	<u>\$ 7,308,311</u>	<u>\$ 26,469,345</u>	<u>\$ 42,278,015</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**A. Reporting Entity**

The State of Florida's (the state's) financial reporting entity includes the primary government (i.e., legislative agencies, the Governor and Cabinet, departments and agencies, commissions and boards of the Executive Branch, and various offices relating to the Judicial Branch) and its component units.

Component units, as defined in Governmental Accounting Standards Board (GASB) Codification Section 2100, *Defining the Financial Reporting Entity*, and Section 2600, *Reporting Entity and Component Unit Presentation and Disclosure*, are legally separate organizations for which the elected officials of the state are financially accountable. Financial accountability is the ability of the state to appoint a voting majority of an organization's governing board and to impose its will upon the organization. When the state does not appoint a voting majority of an organization's governing body, GASB standards require inclusion in the financial reporting entity if: (1) an organization is fiscally dependent upon the state because its resources are held for the direct benefit of the state or can be accessed by the state *and* (2) the potential exists for the organization to provide specific financial benefits to, or impose specific financial burdens on the state. In addition, component units can be other organizations for which the nature and significance of their relationship with the state are such that exclusion would cause the state's financial statements to be misleading.

Blended Component Units

A component unit is reported as blended when either (1) the component unit's governing body is substantively the same as the governing body of the state, *and* (a) there is a financial benefit or burden relationship between the governing body of the state and the component unit, *or* (b) management of the governing body of the state has operational responsibility for the component unit, *or* (2) the component unit provides services entirely, or almost entirely, to the state or otherwise exclusively, or almost exclusively, benefits the state, *or* (3) the component unit's outstanding debt is expected to be repaid entirely or almost entirely with resources of the state.

The following component units provide services entirely or almost entirely to the primary government, or have outstanding debt that is expected to be paid entirely or almost entirely with state resources:

- CareerSource Florida, Inc.
- Corrections Foundation, Inc.
- Florida Board of Governors
- Florida Citrus Commission (Department of Citrus)
- Florida Clerks of Court Operations Corporation
- Florida Commission on Community Service (Volunteer Florida)
- Florida Engineers Management Corporation
- Florida Intergovernmental Relations Foundation*
- Florida Prepaid College Board
- Florida School for the Deaf and the Blind
- Florida Surplus Lines Service Office
- Florida Water Pollution Control Financing Corporation
- Inland Protection Financing Corporation
- Prescription Drug Monitoring Program Foundation*
- Scripps Florida Funding Corporation
- Space Florida
- State Board of Administration (SBA)
- State Board of Education (SBE)
- Wireless Emergency Telephone System

Blended component units that are considered major funds are reported in separate columns in the fund financial statements. Other blended component units that are considered non-major funds are reported with other funds in the appropriate columns in the fund financial statements. In addition, the financial data for some blended component units are reported in more than one fund type, some of which are considered major and others that are considered non-major. Refer to Section D of this note for more information on the determination criteria for major funds and a list of major funds and fund types.

* The state's financial statements do not include amounts relating to these component units. The assets of these component units at June 30, 2017, are approximately \$1,566,275.

Discretely Presented Component Units

Component units that are not blended are discretely presented. In the government-wide financial statements, discrete presentation entails reporting component unit financial data in a column separate from the financial data of the state.

In addition, financial data for discretely presented component units that are considered major are reported in separate columns in the basic financial statements for component units. Discretely presented component units that are considered non-major are combined and reported in one column in the component unit financial statements and are aggregated by type in the combining statements. The state's financial statements are reported for the fiscal year ended June 30, 2017. The state's component units' financial statements are reported for the most recent fiscal year for which an audit report is available. Some component units have a fiscal year other than June 30. Accordingly, amounts reported by the state as due from and to component units on the statement of net position may not agree with amounts reported by the component units as due from and to the state. Refer to Section D of this note for more information on major fund determination and presentation. The state's discretely presented component units are grouped into the following categories:

State Universities and Colleges. State universities and colleges receive funding from the state. The State University System is governed by the Florida Board of Governors. The Florida College System is governed by the State Board of Education. Each university and college is administered by a local board of trustees. All state universities and colleges have a June 30 year-end. Component units included in this category are:

State Universities**Major:**

- University of Florida

Non-major:

- Florida Agricultural and Mechanical University
- Florida Atlantic University
- Florida Gulf Coast University
- Florida International University
- Florida Polytechnic University
- Florida State University
- New College of Florida
- University of Central Florida
- University of North Florida
- University of South Florida
- University of West Florida

Florida College System Institutions**Non-major:**

- Broward College
- Chipola College
- College of Central Florida
- Daytona State College
- Eastern Florida State College
- Florida Gateway College
- Florida Keys Community College
- Florida State College at Jacksonville
- Florida SouthWestern State College
- Gulf Coast State College
- Hillsborough Community College
- Indian River State College
- Lake-Sumter State College
- Miami Dade College
- North Florida Community College
- Northwest Florida State College
- Palm Beach State College
- Pasco-Hernando State College
- Pensacola State College
- Polk State College

- Santa Fe College
- Seminole State College of Florida
- South Florida State College
- St. Johns River State College
- St. Petersburg College
- State College of Florida, Manatee-Sarasota
- Tallahassee Community College
- Valencia College

Florida Housing Finance Corporation (Major). Pursuant to Section 420.504, Florida Statutes (F.S.), this corporation was created as an entrepreneurial public corporation organized to provide and promote public welfare by administering the governmental function of financing or refinancing housing and related facilities in Florida. This entity has a December 31 year-end.

Water Management Districts. Pursuant to Section 373.069, F.S., these districts were created to provide for the management and conservation of water and related land resources. In addition, the general regulatory and administrative functions of these districts are either fully or in part financed by general appropriations. Water management districts have a September 30 year-end. Component units included in this category are:

Non-major:

- Northwest Florida Water Management District
- St. Johns River Water Management District
- South Florida Water Management District
- Southwest Florida Water Management District
- Suwannee River Water Management District

Citizens Property Insurance Corporation (Major). Pursuant to Section 627.351(6), F.S., this corporation was created to provide certain residential property and casualty insurance coverage to qualified risks in the state under specified circumstances. This entity has a December 31 year-end. For additional information, refer to Note 14B.

Other. Additional discretely presented component units of the state include various foundations and not-for-profit organizations. The fiscal year-ends of these component units may vary. Component units included in this category are:

Non-major:

- Commission for Florida Law Enforcement Accreditation, Inc.*
- Enterprise Florida, Inc.
- Florida Agricultural Museum*
- Florida Agriculture Center and Horse Park Authority*
- Florida Agriculture in the Classroom, Inc.*
- Florida Birth-Related Neurological Injury Compensation Plan
- Florida Board of Governors Foundation, Inc.*
- Florida Concrete Masonry Education Council*
- Florida Corrections Accreditation Commission, Inc.*
- Florida Education Foundation, Inc.*
- Florida Education Fund, Inc.
- Florida Fund for Minority Teachers, Inc.*
- Florida Healthy Kids Corporation
- Florida Is For Veterans, Inc.*
- Florida Mobile Home Relocation Corporation*
- Florida Patient's Compensation Fund
- Florida State Fair Authority
- Florida Telecommunications Relay, Inc.*
- Florida Tourism Industry Marketing Corporation, Inc.
- Florida Veterans Foundation, Inc.*
- Florida Virtual School
- Forestry Arson Alert Association, Inc.*
- Friends of Florida State Forests, Inc.*
- Higher Educational Facilities Financing Authority*

- Prison Rehabilitative Industries and Diversified Enterprises, Inc. (PRIDE)
- South Florida Regional Transportation Authority
- The Florida College System Foundation, Inc.*
- The Florida Endowment Foundation for Vocational Rehabilitation, Inc.
- Triumph Gulf Coast, Inc.*
- Wildlife Alert Reward Association*
- Wildlife Foundation of Florida, Inc.*

* The state's financial statements do not include amounts relating to several component units. The assets and revenues relating to these component units totaled \$411 million and \$392 million, respectively. These amounts represent two percent or less of total aggregate component unit assets and revenues.

Joint Ventures

A joint venture is an organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (1) an ongoing financial interest or (2) an ongoing financial responsibility. Financial data for the state's joint ventures are not included in its statements. The state's joint ventures include the following:

Apalachicola-Chattahoochee-Flint River Basin (ACFRB) Commission. Section 373.69, F.S., provided for the creation of an interstate administrative agency to promote interstate comity, remove causes of present and future controversies, equitably apportion the surface waters of the ACFRB, and engage in water planning. Operational funding required by the Commission is equally shared among the party states.

Board of Control for Southern Regional Education. Section 1000.32, F.S., promotes the development and maintenance of regional education services and facilities in the southern states to provide greater educational advantages and facilities for the citizens in the region. The states established a joint agency called the Board of Control for Southern Regional Education to submit plans and recommendations to the states from time to time for their approval and adoption by appropriate legislative action for the development, establishment, acquisition, operation, and maintenance of educational facilities in the region.

Regional Planning Councils. Sections 186.501 through 186.513, F.S., the "Florida Regional Planning Council Act," provide for the creation of regional planning agencies to assist local governments in resolving their common problems. The regional planning councils are designated as the primary organizations to address problems and plan solutions that are of greater-than-local concern or scope. Participants in these councils are required by statutes to contribute to the support of these programs.

Southern States Energy Compact. Section 377.711, F.S., enacted this compact into law joining the State of Florida and other states to recognize that the proper employment and conservation of energy, and the employment of energy-related facilities, materials, and products can assist substantially in the industrialization of the South and the development of a balanced economy in the region. The State of Florida appropriates funds to support Florida's participation in the compact.

Related Organizations

Organizations for which the state is accountable because the state appoints a voting majority of the board, but for which the state is not financially accountable, are deemed "related organizations." The state's related organizations include certain transportation authorities, hospital districts, port authorities, and aviation authorities. The state is not financially accountable for any of these organizations; therefore, applicable financial data is not included in the state's financial statements.

Contact

Financial statements of the component units that issue separate statements and other financial statement-related information may be obtained from:

Department of Financial Services
Bureau of Financial Reporting
Statewide Financial Reporting Section
200 East Gaines Street
Tallahassee, Florida 32399-0364
Telephone: (850) 413-5511

Joint ventures may be contacted directly for their financial statements.

B. Basic Financial Statements

The state's financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by GASB. The basic financial statements of the state, including its component units, are presented in the required format discussed below.

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from its discretely presented component units.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable to a specific function. Some functions may include administrative overhead that is essentially indirect expenses of other functions. The state currently does not allocate those indirect expenses to other functions. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; (2) grants and contributions that are restricted to meeting the operational requirements of a particular function; and (3) grants and contributions that are restricted to meeting the capital requirements of a particular function. Taxes and other items not included in program revenues are reported in general revenues.

Fund Financial Statements

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

C. Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned, while expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual, generally when they are both measurable and available. Revenues collected within 60 days of the end of the current fiscal year are considered available, with the exception of certain tax revenues, which are considered available when collected within 30 days of year-end. For governmental funds, certain long-term liabilities, such as compensated absences, due within 60 days of the end of the current fiscal year are expected to be liquidated with expendable financial resources and are recognized within the applicable governmental fund. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures for insurance and similar services extending over more than one fiscal year generally are accounted for as expenditures of the fiscal year of acquisition. Further, principal and interest on general long-term debt are recognized when due.

D. Basis of Presentation

Major Funds

GASB Codification Section 2200, *Comprehensive Annual Financial Report*, sets forth minimum criteria (percentage of the total assets and deferred outflows of resources, total liabilities and deferred inflows of resources, revenues, or expenditures/expenses for either fund category or the governmental and enterprise funds combined) for the determination of major funds. GASB Codification Section 2200 further requires that the reporting government's main operating fund (the General Fund) always be reported as a major fund. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The non-major funds are combined in a column in the fund financial statements and detailed in the combining statements. The state reports the following major funds:

Major Governmental Funds

General Fund – a fund that accounts for the financial resources of the state, except those required to be accounted for in another fund. This is the state's primary operating fund.

Environment, Recreation and Conservation – a special revenue fund that accounts for the operations of various programs such as air pollution control, water quality assurance, ecosystem management, and marine resources conservation. Transfers from other funds, pollutant tax collections, and federal grants are its major sources of revenue.

Public Education – a special revenue fund that includes funds used to operate education-related programs. Significant sources of revenue for this fund are federal grants, transfers from the Florida Lottery, and utility taxes.

Health and Family Services – a special revenue fund that includes funds used to operate various health and family service-related programs such as health care, elder affairs, and public assistance. Federal grants are the predominant sources of revenue for this fund.

Transportation – a special revenue fund that accounts for the maintenance and development of the state highway system and other transportation-related projects. It accounts for federal grants, motor fuel and aviation fuel taxes, automobile registration fees, and other revenues that are used for transportation purposes.

Major Business-type Funds

Transportation – an enterprise fund that primarily accounts for operations of Florida's Turnpike System.

Lottery – an enterprise fund that accounts for state lottery operations, which include sale of lottery tickets, payment of lottery prizes, and transfers to the Educational Enhancement Trust Fund.

Florida Hurricane Catastrophe Fund – an enterprise fund that accounts for operations of the Florida Hurricane Catastrophe Fund, which was created to help cover insurers' losses in the event of a hurricane disaster.

Prepaid College Program – an enterprise fund that accounts for payments from purchasers of the Florida Prepaid College Program. This program was created to provide a medium through which the cost of state post-secondary education may be paid in advance of enrollment at a rate lower than the projected corresponding costs at the time of enrollment.

Reemployment Assistance – an enterprise fund that accounts for contributions, benefit payments, grants, loans, and investments for the Unemployment Compensation Fund, which was created to pay reemployment assistance benefits to eligible individuals.

Fund Types

Additionally, the state reports the following fund types:

Internal Service Funds

These proprietary-type funds are primarily used to report activities that provide goods or services to other funds or agencies within the state, rather than to the general public. Internal service funds are classified into the following categories:

- **Employee Health and Disability** – includes funds that account for state employees' health and disability plans.
- **Data Centers** – includes funds that account for services provided by data processing centers operated by various agencies.
- **Communications and Facilities** – includes funds that primarily account for services provided by the Department of Management Services such as those related to the construction, operation, and maintenance of public facilities, and management and operation of the SUNCOM (state communication) Network.
- **Other** – includes funds that account for services provided to other state agencies such as legal services, records management, and community services (inmate work squads).

Fiduciary Fund Types

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and, therefore, cannot be used to support the state's own programs.

Private-Purpose Trust Funds – funds that are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments including funds accounting for unclaimed property, federally guaranteed higher education loans, contributions to a college savings plan, and various others.

Pension and Other Employee Benefits Trust Funds – funds that are used to report resources that are required to be held in trust for the members and beneficiaries of the state's pension plans and other employee benefit plans.

Agency Funds – funds that are used to report resources held by the state in a purely custodial capacity. For example, these funds account for asset and liability balances related to retiree health care, taxes collected and held by the Department of Revenue for other entities, and student funds held by the Florida School for the Deaf and the Blind.

Investment Trust Funds – funds that are used to report the external portion of investment pools reported by the state.

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balance

Cash and Cash Equivalents

The state's cash includes cash on hand and on deposit in banks, including demand deposits, certificates of deposit, and time deposits. Most deposits are held by financial institutions qualified as public depositories under Florida law. Cash equivalents are short-term, highly liquid investments. For the purposes of GASB Codification Section 2450, *Cash Flows Statements*, pooled investments with the State Treasury are considered cash equivalents. Details of deposits are included in Note 2.

Investments

Florida Statutes authorize the state to invest in various instruments. The state reports investments in accordance with GASB Codification Section 150, *Investments*.

Investments with the State Treasury are reported at fair value which is obtained from independent pricing service providers. Independent pricing service providers use quoted market prices when available and employ various, sometimes proprietary, multifactor models for determining a security's fair value if it is not available from quoted market prices. Some securities, including U.S. government, municipal bonds, and mortgage-backed and asset-backed securities, are priced using evaluated bid prices. Evaluated bid prices are determined by taking bid prices and adjusting them by an evaluated adjustment factor derived from the independent pricing service's multifactor model. If values are not available using the above methods, secondary methods such as non-evaluated mid-price and bid price are used. If no source of values is available, cost or last available price from any source is used, or other pricing methodology as directed by the State Treasury.

Investments managed by the State Board of Administration (SBA) are reported in various funds. Investments of the Debt Service Escrowed Fund, which meet the requirements of a legal or in-substance defeasance, are reported at cost. Investments of the Local Government Surplus Funds Trust Fund are reported based on amortized cost. Other investments managed by the SBA, including those related to the state's defined benefit and defined contribution pension plans, are reported at fair value at the reporting date.

For SBA-managed investments, fair values are obtained or estimated in accordance with the Global Pricing Guidelines established with the SBA's custodian, BNY Mellon Bank. BNY Mellon Bank uses a variety of independent pricing vendors and designates certain vendors as the primary source based on asset type, class or issue. BNY Mellon Bank monitors prices supplied by primary sources and may use a supplemental price source or change the primary price source if any of the following occurs:

- The price of a security is not received from the primary price source.
- The primary price source no longer prices a particular asset type, class or issue.
- The SBA or its portfolio investment manager challenges a price and BNY Mellon Bank reviews the price with the vendor, who agrees that the price provided by that vendor may not be appropriate.
- The price from the primary source exceeds BNY Mellon Bank's price tolerance checkpoints and results in a vendor comparison review where another source is deemed to be more appropriate by the BNY Mellon Bank.

When a portfolio includes securities or instruments for which BNY Mellon Bank does not receive fair value information from its vendor price sources, BNY Mellon Bank uses a "non-vendor price source." Examples include, but are not limited to, limited partnerships or similar private investment vehicles that do not actively trade through established exchange mechanisms; other private placements where there is limited or no information in the market place; and unique fixed income and equity instruments. The SBA does not provide direction regarding the substitution of prices in such instances where securities or instruments are in the portfolio of an investment manager appointed by the SBA. In such cases where the SBA directed the purchase of such securities or instruments, BNY Mellon may obtain the non-vendor prices by contacting the SBA only if it is not commercially reasonable to directly obtain the non-vendor price information from the broker of record, as identified by the SBA.

For private market investments, where no readily ascertainable market value exists (including limited partnerships, hedge funds, directly-owned real estate, and real estate pooled funds), fair values for the individual investments are based on the net asset value (capital account balance) at the closest available reporting period, as communicated by the general partner and/or investment manager, adjusted for subsequent contributions and distributions. The valuation techniques vary based upon investment type and involve a certain degree of judgment. The most significant input into the net asset value of an entity is the value of its investment holdings. The net asset value is provided by the general partner and/or investment manager and reviewed by management.

Annually, the financial statements of all private market investments are audited by independent auditors. Private market investments in which the SBA has a controlling interest are also required to be valued annually by independent, licensed external appraisers selected by an appraisal management company retained by the SBA.

All derivative financial instruments are reported at fair value in the statements of net position. The instruments are adjusted to fair value at least monthly, with valuation changes recognized in investment earnings. Gains and losses are recorded in the statements of changes in net position as "net increase (decrease) in fair market value" during the period.

Because of the inherent uncertainty of the valuation using pricing methodologies other than the quoted market prices, the estimated fair values may differ from the values that would have been used had a ready market existed.

Investment detail is included in Note 2.

Inventories

Inventories primarily consist of expendable supplies. Inventories are recorded according to the consumption method as expenditures when consumed. At the end of the fiscal year, inventory is reported as an asset and identified in fund balance as non-spendable. The method used to determine the cost of inventories varies by agency responsible for the inventories.

Capital Assets

Capital assets are real, personal, and intangible property that have a cost equal to or greater than an established capitalization threshold and have an estimated useful life extending beyond one year. For additional information, refer to Note 5.

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.

Long-term Liabilities

Refer to Note 6 for information on pension liabilities; Note 8 for information on bonds payable and certificates of participation; Note 9 for information on installment purchases, capital leases, and public-private partnership agreements; and Note 10 for changes in long-term liabilities.

Compensated Absences Liability

Employees earn the right to be compensated during absences for vacation and illness, as well as, for unused special compensatory leave earned for hours worked on legal holidays and other specifically authorized overtime. Compensated absences for annual leave are recorded as a liability when the benefits are earned. Compensated absences for sick leave are calculated based on the vesting method. Within the limits established by law or rule, the value of unused leave benefits will be paid to employees upon separation from state service. The amounts reported for compensated absences are based on current year-end salary rates and include employer Social Security and Medicare tax and pension contributions at current rates.

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.

Components of Net Position

The government-wide statement of net position classifies net position into the following categories: (1) net investment in capital assets, (2) restricted, and (3) unrestricted. The "net investment in capital assets" component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. "Restricted" net position is reported when constraints are placed on net position that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. "Unrestricted" net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets." When both restricted and unrestricted resources are to be used for the same purpose, the agency responsible for administering the resources determines the flow assumption used to identify the portion of expenses paid from restricted resources. At June 30, 2017, the government-wide statement of net position reported a restricted net position of \$30.0 billion, of which \$21.0 billion is restricted by enabling legislation.

Components of Fund Balance

Nonspendable fund balance includes amounts that cannot be spent. This includes activity that is not in a spendable form such as inventories, prepaid amounts, and long-term portion of loans and notes receivable, net, unless the proceeds are restricted, committed or assigned. Additionally, activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund, is considered to be nonspendable.

Restricted fund balance has constraints placed upon the use of the resources either by an external party, such as the Federal Government, or imposed by law through a constitutional provision or enabling legislation.

Committed fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the state's highest level of decision-making authority, the Legislature and the Governor, i.e. through legislation passed into law. Commitments may only be modified or rescinded by equivalent formal, highest-level action.

Unassigned fund balance is the residual amount of the General Fund not included in the three categories described above. Also, any remaining deficit fund balances within the other governmental fund types are reported as unassigned.

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, it is the state's general policy to use restricted resources first. When expenditures are incurred for which unrestricted (committed or unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the state's general policy to spend committed resources first. However, the agency responsible for administering the resources determines the flow assumption used to identify the portion of expenses paid from restricted resources.

Fund Balances Classifications and Special Revenue by Purpose – GASB Codification Section 2200, *Comprehensive Annual Financial Report*, requires presentation of governmental fund balances and special revenue fund revenues by specific purpose. In the basic financial statements, the fund balance classifications are presented in the aggregate. The table presented below displays further detail of nonspendable fund balance and appropriation of resources existing at June 30, 2017 (in thousands).

	General Fund	Environment, Recreation and Conservation	Public Education	Health and Family Services	Transportation	Nonmajor Governmental Funds	Total
Fund balances:							
Nonspendable:							
Inventory and Prepaid Items	\$ 18,309	\$ 761	\$	\$ 51,290	\$ 7,490	\$ 2,530	\$ 80,380
Long-term Receivables and Advances	2,623	.....	.....	.....	.....	.....	2,623
Permanent Fund Principal	.....	.....	.....	.....	.....	26,253	26,253
Total	20,932	761	.....	51,290	7,490	28,783	109,256
Restricted:							
Grants/Contributors	611	59,283	248	10,610	.....	29,473	100,225
Enabling Legislation	33,611	9,877	101,825	35,675	50	377,063	558,101
Constitutional Provision	.....	60,549	680,293	.....	.....	937	741,779
Creditors	9,286	24,813	815,517	6,302	.....	1,286,365	2,142,283
Federal Government	27,492	2,267,894	29,445	59,980	.....	117,058	2,501,869
Total	71,000	2,422,416	1,627,328	112,567	50	1,810,896	6,044,257
Committed:	1,168,162	1,021,719	456,324	1,723,570	1,623,204	1,151,437	7,144,416
Unassigned:	5,419,306	.....	(904,334)	.....	.....	.....	4,514,972
Total Fund Balances	\$ 6,679,400	\$ 3,444,896	\$ 1,179,318	\$ 1,887,427	\$ 1,630,744	\$ 2,991,116	\$ 17,812,901

Section 215.32(2)(b)4.a., F.S., provides that the unappropriated cash balances from selected trust funds may be authorized by the Legislature for transfer to the Budget Stabilization Fund and the General Revenue Fund through the General Appropriation Act. The amounts indicated below were identified in the State's 2017 General Appropriations Act as being unappropriated June 30, 2017, cash balances that are to be transferred to and from the funds indicated during the 2017-18 fiscal year (in thousands).

	General Fund	Environment, Recreation and Conservation	Public Education	Health and Family Services	Transportation	Nonmajor Governmental Funds	Total
Transfer to (from) Fund	\$ 200,300	\$ (97,400)	\$	\$ (40,000)	\$	\$ (62,900)	\$
Transfer from Non-Governmental Funds	227,901	.....	.....	.....	.....	.....	227,901
Totals	\$ 428,201	\$ (97,400)	\$	\$ (40,000)	\$	\$ (62,900)	\$ 227,901

F. Interfund Activity and Balances

The effect of interfund activities, except those between funds reported as governmental activities and funds reported as business-type activities, has been eliminated from the government-wide statements. In the fund financial statements, transfers represent flows of assets without equivalent flows of assets in return or a requirement for repayment. Transfers are recorded when a fund receiving revenue provides it to the fund which expends the resources. Transfers between funds are made to accomplish various provisions of law.

Interfund receivables and payables have been eliminated from the statement of net position, except for the residual amounts due between governmental and business-type activities.

For additional information, refer to Note 11.

G. Nonmonetary Transactions

The state participates in various activities that are, in part, represented by nonmonetary transactions. Examples include nonmonetary assistance in the form of Federal grants, such as vaccines, Electronic Benefit Transfer cards for food assistance, and donated food commodities. The state also acts as an agent for the United States Department of Agriculture in the distribution of donated food commodities to qualifying organizations outside the state's reporting entity. The fair value of these items is reported in the governmental fund financial statements.

State Attorneys and Public Defenders of the State of Florida are furnished certain office space and other services by counties under the provisions of Chapter 29, F.S. Some counties also provide certain facilities and services to other officers and staff of the judicial branch. The value of the facilities and services provided by the counties is not reported as revenue.

H. Operating and Non-Operating Revenues

Proprietary funds distinguish operating from non-operating revenues. Operating revenues are typically derived from providing goods or services, and include all transactions involved in delivering those goods or services. These revenues are a direct result of exchange-type transactions associated with the principal activity of the fund. Cash flow resulting from capital and related financing, noncapital financing and investment activities are considered non-operating for reporting purposes.

I. Accounting and Reporting Changes

The state implemented GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *Other Postemployment Benefits (OPEB) Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This statement includes financial reporting requirements and note disclosures for defined benefit OPEB plans administered through trust that meet specified criteria. This statement also includes financial reporting requirements for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet specified criteria. Refer to Note 6 for additional information on the state's OPEB plan. Adoption of this statement had no impact on the state's financial statements.

The state implemented GASB Statement No. 77, *Tax Abatement Disclosures*. This Statement defines a tax abatement and requires governments that enter into tax abatement agreements to disclose certain information about the agreements. The implementation of this statement requires changes to the notes to the financial statements.

The state implemented GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer. This statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. Adoption of this Statement had no impact on the state's financial statements.

The state implemented GASB Statement No. 80, *Blending Requirements for Certain Component Units—An Amendment of GASB Statement 14*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. This additional criterion does not apply to component

units included in the financial reporting entity pursuant to the provisions of Statement 39, *Determining Whether Certain Organizations Are Component Units*. Adoption of this statement has no impact on the state's financial statements.

The state implemented GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement addresses certain issues that have been raised with respect to Statements 67, *Financial Reporting for Pension Plans*, Statement 68, *Accounting and Financial Reporting for Pensions*, and Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. Adoption of this statement has no impact on the state's financial statements.

J. Fund Balance and Net Position Reclassifications and Restatements

Fund balances and net position at June 30, 2016 have been adjusted as follows (in thousands):

	Governmental Activities	Governmental Funds	Proprietary Funds		Component Units
	Governmental Activities	Nonmajor Governmental Funds	Hurricane Catastrophe Fund	Nonmajor Enterprise Funds	University of Florida
Fund Balance/Net Position, June 30, 2016, as previously reported	\$ 63,676,558	\$ 2,954,444	\$ 12,771,928	\$ 360,947	\$ 5,861,165
To increase net position for assets not capitalized in a prior fiscal year.	23,836				
To decrease fund balance to remove receivables not written off in the prior fiscal year.	(18,154)	(18,154)			
To increase net position to report receivables for premium revenue earned in the prior fiscal year.			94,687		
To increase net position as a result of a change in Space Florida's fiscal year end from June 30 to September 30.				5,140	
To decrease net position related to an accounting change.					(30,188)
Fund Balance/Net Position, June 30, 2016, as restated	<u>\$ 63,682,240</u>	<u>\$ 2,936,290</u>	<u>\$ 12,866,615</u>	<u>\$ 366,087</u>	<u>\$ 5,830,977</u>

NOTE 2 - DEPOSITS AND INVESTMENTS

A. Deposits

At June 30, 2017, the state's deposits in financial institutions totaled approximately \$2.2 billion for primary government and \$2.0 billion for discretely presented component units.

1. Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the state will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The state mitigates custodial credit risk by generally requiring public funds to be deposited in a bank or savings association that is designated by the Chief Financial Officer (CFO) as authorized to receive deposits in the state and meets the collateral requirements as set forth in Chapter 280, Florida Statutes (F.S.).

The CFO determines the collateral requirements and collateral pledging level for each Qualified Public Depository (QPD) following guidelines outlined in Section 280.04, F.S., and Department of Financial Services Rules, Chapter 69C-2, Florida Administrative Code. Collateral pledging levels include 25, 50, 110, and 150 percent of a QPD's average daily deposit balance or, if needed, an amount as prescribed by the CFO. Section 280.13, F.S., outlines eligible types of collateral including direct obligations of the United States (U.S.) Government, federal agency obligations fully guaranteed by the U.S. Government, certain federal agency obligations, state and local government obligations, corporate bonds, and letters of credit issued by a Federal Home Loan Bank. Also, with the CFO's permission, eligible collateral includes collateralized mortgage obligations, real estate mortgage investment conduits, and securities or other interests in any open-end management investment company registered under the Investment Company Act of 1940. However, the portfolio of the investment company must be limited to direct obligations of the U.S. Government and to repurchase agreements fully collateralized by such direct obligations of the U.S. Government, and the investment company must take delivery of such collateral either directly or through an authorized custodian.

In accordance with Section 280.08, F.S., if a QPD defaults, losses to public depositors are first satisfied with any applicable depository insurance, followed by demands of payment under any letters of credit or sale of the defaulting QPD's collateral. If necessary, any remaining losses are to be satisfied by assessments against the other participating QPDs according to a statutory based ratio.

At June 30, 2017, the following deposits were not secured pursuant to Chapter 280, F.S., and were exposed to custodial credit risk because they were uninsured and (1) uncollateralized, (2) collateralized with securities held by the pledging financial institution, or (3) collateralized with securities held by the pledging financial institution's trust department or agent but not in the state's name (in thousands).

**Schedule of Deposits with State Treasury
Exposed to Custodial Credit Risk
As of June 30, 2017**

	Bank Statement Balance (in U.S. \$)	
Custodial Credit Risk	Primary Government	Component Units
(1)	\$ 904,676	\$ 435,124
(2)	44,213	311,399
(3)	.....	11,998
Total deposits subject to custodial credit risk	<u>\$ 948,889</u>	<u>\$ 758,521</u>

2. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of a deposit. Under Section 215.47, F.S., and subject to the limitations and conditions of the State Constitution or of the trust agreement relating to a trust fund, moneys available for investment by the State Board of Administration (SBA) may be invested in fixed income obligations or stocks denominated in foreign currency. The SBA has developed total fund investment policies for the investment of assets in the Florida Retirement System (FRS) Pension Trust Fund and the Lawton Chiles Endowment Fund (LCEF) that set ranges on investments by asset class in each fund. Under the FRS Pension Trust Fund and LCEF investment policy statements approved by SBA Trustees effective January 1, 2017, and June 17, 2014, respectively, foreign and domestic equity securities are included in the global equity asset class. The FRS Pension Trust Fund and LCEF have target allocations to global equities of 53% and 71%, respectively, with policy ranges from 45-70% for FRS and 61-81% for LCEF, but within these ranges there are no limits on the amount of foreign equity securities that are denominated in foreign currency. The FRS Pension Trust Fund is not limited to holding securities in

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foreign currency only in the global equity asset class. All asset classes may hold non-U.S. securities, depending on portfolio guidelines. The Florida Prepaid Program's comprehensive investment plan limits investment in foreign equities to 25% of total equities, with the target for total equities to be the lesser of 15% of the total fund, or the actuarial reserve. In all cases, Florida law limits the exposure to foreign securities held outside of commingled funds to 50% of the total fund. The investment plans may be modified in the future if the SBA or Florida Prepaid adopts changes. This investment activity in foreign investments resulted in deposits in foreign currency as of June 30, 2017, as illustrated in the following schedule (in thousands):

**Schedule of Investments with State Board of Administration
Foreign Currency Deposits Held
As of June 30, 2017**

Currency	Bank Statement Balance (in U.S. \$)			
	FRS Pension Trust Fund	LCEF	Florida Prepaid Program and Investment Plan	Total
Australian dollar	\$ 2,221	\$	\$ 85	\$ 2,306
Bangladesh taka	81	.....	.....	81
Brazilian real	816	32	.....	848
British pound sterling	20,495	140	176	20,811
Canadian dollar	4,148	271	.....	4,419
Chilean peso	210	.....	.....	210
Colombian peso	2	.....	.....	2
Czech koruna	38	.....	.....	38
Danish krone	548	.....	.....	548
Egyptian pound	69	1	.....	70
Euro currency unit	17,455	50	404	17,909
Hong Kong dollar	10,755	175	108	11,038
Hungarian forint	54	15	.....	69
Indian rupee	12,152	.....	.....	12,152
Indonesian rupiah	343	20	.....	363
Israeli shekel	2,123	5	48	2,176
Japanese yen	20,755	124	706	21,585
Kuwaiti dinar	302	.....	.....	302
Malaysian ringgit	657	27	.....	684
Mexican peso	2,746	38	.....	2,784
Moroccan dirham	8	1	.....	9
New Zealand dollar	1,656	.....	60	1,716
Nigerian naira	116	.....	.....	116
Norwegian krone	2,065	.....	16	2,081
Pakistan rupee	413	.....	.....	413
Philippines peso	465	44	.....	509
Polish zloty	41	.....	.....	41
Qatari riyal	312	.....	.....	312
Singapore dollar	1,818	.....	69	1,887
South African rand	325	400	.....	725
South Korean won	3,362	9	.....	3,371
Swiss franc	5,319	8	.....	5,327
Taiwan new dollar	10,333	.....	.....	10,333
Thailand baht	129	8	.....	137
Turkish lira	728	.....	.....	728
United Arab Emirate dirham	160	.....	.....	160
Vietnam dong	2,780	.....	.....	2,780
Other	1	.....	.....	1
Total deposits subject to foreign currency risk	\$ 126,001	\$ 1,368	\$ 1,672	\$ 129,041

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B. Investments

At June 30, 2017, the state's investments reported in governmental and business-type activities and fiduciary funds totaled \$234.9 billion, consisting of pooled investments with the State Treasury in the amount of \$23.3 billion and other investments in the amount of \$211.6 billion. The State Treasury also had holdings at June 30, 2017, of \$4.3 billion for discretely presented component units in total. These investments are not reported as part of the primary government and may be different from the amounts reported by some component units due to different reporting periods. Other investments for discretely presented component units totaled \$24.3 billion.

Pooled Investments with the State Treasury

Unless specifically exempted by statute, all cash of the state must be deposited in the State Treasury. The State Treasury, in turn, keeps the funds fully invested to maximize earnings. In addition, the State Treasury may invest funds of any board, association, or entity created by the State Constitution, or by law. As a result, pooled investments with the State Treasury contains deposits from funds and component units of the reporting entity (internal portion) as well as deposits from certain legally separate organizations outside the reporting entity (external portion). The external portion of pooled investments with the State Treasury is reported in a governmental external investment pool.

Pooled investments with the State Treasury are not registered with the Securities and Exchange Commission. Oversight of the pooled investments with the State Treasury is provided by the Treasury Investment Committee per Section 17.575, F.S. The authorized investment types are set forth in Section 17.57, F.S.

Redemptions are on a dollar in/dollar out basis adjusted for distributed income. The fair value of the pooled investments with the State Treasury is determined at fiscal year-end for financial reporting purposes. See Note 1E, Investments, for further detail on fair value.

The State Treasury does not contract with an outside insurer in order to guarantee the value of the portfolio, or the price of shares redeemed.

Per Section 17.61(1), F.S., the State Treasury shall invest all general revenue funds, trust funds, all agency funds of each state agency, and of the judicial branch. As a result, state agencies and the judicial branch are considered involuntary participants in pooled investments with the State Treasury. The total involuntary participation as of June 30, 2017, was \$20.4 billion or 74% of the pool.

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At year-end, the condensed financial statements for the Investment Pool maintained by the State Treasury were as follows (dollars in thousands):

**Schedule of Pooled Investments with State Treasury
Condensed Statement of Fiduciary Net Position
June 30, 2017**

ASSETS	
Current and Other Assets	\$ 28,625,376
Total Assets	<u>28,625,376</u>
LIABILITIES	
Other Liabilities	<u>2,185,190</u>
Total Liabilities	<u>2,185,190</u>
NET POSITION	
Net position held for Internal Pool Participants	25,318,529
Net position held for External Pool Participants	<u>1,121,657</u>
	<u>\$ 26,440,186</u>

**Condensed Statement of Changes in Fiduciary Net Position
June 30, 2017**

ADDITIONS	
Net income (loss) from investing activity	\$ (155,546)
DEDUCTIONS	
Distributions paid and payable	<u>155,546</u>
DEPOSITOR ACTIVITY	
Deposits	113,095,446
Withdrawals	(113,705,440)
Excess (deficiency) of deposits over withdrawals	<u>(609,994)</u>
Change in net position	(609,994)
Net position, beginning	<u>27,050,180</u>
Net position, ending	<u>\$ 26,440,186</u>

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The following table provides a summary of the fair value, the number of shares or the principal amount, ranges of interest rates, and maturity dates of each major investment classification (dollars in thousands):

**Schedule of Pooled Investments with State Treasury
Summary of Investment Holdings**

	Par	Fair Value	Range of Interest Rates *	Range of Maturity Dates
Commercial paper	\$ 240,500	\$ 240,362	0.26%-1.17%	7/6/2017 - 9/18/2017
Money market funds	394,241	394,241	0.27%-0.31%	N/A
Repurchase agreements	452,666	452,666	1.05%-1.15%	7/3/2017
U.S. guaranteed obligations	6,071,913	5,984,050	0.125%-10.5%	7/31/2017-3/20/2065
Federal agencies	9,065,790	8,721,040	0.09%-15.78%	7/14/2017-8/25/2056
Bonds and notes - domestic	6,067,766	5,941,544	0.074%-10.375%	7/1/2017-9/1/2116
Bonds and notes - international	870,774	887,919	1.00%-8.875%	8/1/2017-2/26/2055
Federal agencies discounted securities	591,044	590,550	0.54%-2.68%	7/3/2017-3/25/2042
U.S. guaranteed obligations discounted securities	293,895	285,963	0.76%-2.81%	7/27/2017-5/15/2037
Commingled STIF	466,121	466,121	N/A	N/A
Unemployment compensation funds	3,597,148	3,597,148	N/A	N/A
Totals	<u>\$ 28,111,858</u>	<u>\$ 27,561,604</u>		

* The coupon rate in effect at June 30, 2017, is reported. If a security is discounted, the purchase yield is reported.

The State Treasury records, as an investment, funds credited to the state's account in the Federal Unemployment Compensation Trust Fund pursuant to Section 904 of the Social Security Act. The fund is drawn upon primarily to pay reemployment assistance benefits. This money is pooled with deposits from other states and is managed by the Federal Government. No disclosures can be made of specific securities owned.

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The schedule below discloses the detail of the State Treasury holdings at fair value at June 30, 2017, as well as reconciliation to the basic financial statements (in thousands):

**Schedule of Pooled Investments with State Treasury
As of June 30, 2017**

Investment type	Fair Value
Commercial paper	\$ 222,411
Money market funds	394,241
U.S. guaranteed obligations	6,270,013
Federal agencies	9,006,982
Bonds and notes - domestic	5,626,920
Bonds and notes - international	807,554
Commingled STIF	466,121
Unemployment compensation funds pooled with U.S. Treasury	3,597,148
Total investments excluding security lending collateral**	<u>26,391,390</u>
Lending collateral investments:	
Commercial paper	17,951
Repurchase agreements	452,666
Federal agencies	304,608
Bonds and notes - domestic	314,624
Bonds and notes - international	<u>80,365</u>
Total lending collateral investments	<u>1,170,214</u>
Total investments	<u>27,561,604</u>
Cash on deposit	<u>1,060,145</u>
Total State Treasury holdings	<u>28,621,749</u>
Adjustments:	
Outstanding warrants	(457,691)
Deposits in transit	3,627
SPIA Revolving Account*	(6,812)
Unsettled securities liability	<u>(551,004)</u>
Reconciled balance, June 30, 2017	<u>\$ 27,609,869</u>
Reconciliation to the basic financial statements (in thousands):	
Pooled investments with State Treasury	
Governmental activities	\$ 15,171,013
Business-type activities	5,289,438
Fiduciary funds	2,778,385
Component units	3,404,450
Component units timing difference	<u>287,390</u>
Total pooled investments with State Treasury	<u>26,930,676</u>
Restricted pooled investments with State Treasury	
Business-type activities	30,882
Component units	<u>648,311</u>
Total restricted pooled investments with State Treasury	<u>679,193</u>
Total pooled investments with State Treasury	<u>\$ 27,609,869</u>

* The SPIA Revolving Account is included as cash and cash equivalent by the agencies.

** This amount excludes the Florida Birth-Related Neurological Injury Compensation Association's (NICA) participation in Treasury's Short Term Investment Fund (STIF). NICA's portion represents less than a tenth of a percent of the total investments held at Treasury.

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Other Investments

Other investments in various funds of the state are primarily managed by the SBA. The largest of these funds managed by the SBA is the FRS Pension Trust Fund (Defined Benefit Pension Fund), whose total investments represented 74.2% of total other investments at June 30, 2017. Investments in the FRS Investment Plan Trust Fund (Defined Contribution Pension Fund) represents 4.7% of total other investment, while investments in the Florida Hurricane Catastrophe Fund and the Florida Prepaid College Trust Fund represented another 7.8% and 6.3%, respectively, of total other investments. Section 215.47, F.S., allows the SBA to invest funds in a range of instruments, including security lending agreements, reverse repurchase agreements, and alternative investments (including limited partnerships and hedge funds).

The schedule below discloses other investments at fair value at June 30, 2017, as well as reconciliation to the basic financial statements (in thousands):

**Schedule of Other Investments
As of June 30, 2017**

Investment type	Fair value*			Total
	FRS Pension Trust Fund	Managed by SBA	Not managed by SBA	
Certificates of deposit	\$ 800,168	\$ 3,722,218	\$ 3,800	\$ 4,526,186
Commercial paper	4,050,193	12,441,740	.....	16,491,933
Money market funds	16,867	1,786,255	687	1,803,809
Repurchase agreements	750,000	1,080,000	.....	1,830,000
U.S. guaranteed obligations	10,910,710	10,020,675	4,254	20,935,639
Federal agencies	8,418,178	5,601,039	5,908	14,025,125
Domestic bonds and notes	6,859,419	2,314,449	1,749,151	10,923,019
Commingled domestic bonds and notes funds	.....	1,822,918	.....	1,822,918
International bonds and notes	1,952,266	461,455	493	2,414,214
Domestic stocks	45,250,543	2,315,758	40,670	47,606,971
Commingled domestic equity funds	.....	3,656,877	.....	3,656,877
International stocks	34,509,635	716,930	4,225	35,230,790
Commingled international equity funds	7,911,257	2,059,291	.....	9,970,548
Commingled real asset funds	.....	334,393	.....	334,393
Alternative investments	24,004,242	.....	.....	24,004,242
Real estate investments (directly owned)	8,486,964	.....	.....	8,486,964
Commingled real estate investments funds	2,497,691	.....	587	2,498,278
Self-Directed brokerage accounts	.....	510,859	.....	510,859
Futures (debt and equity)	(11,394)	.....	.....	(11,394)
Option contracts purchased	30,620	.....	2,432	33,052
Swap contracts (debt related)	(2,015)	.....	.....	(2,015)
Mutual funds	.....	.....	2,239,236	2,239,236
Deferred compensation annuities	.....	.....	20,776	20,776
Total investments excluding lending collateral	<u>156,435,344</u>	<u>48,844,857</u>	<u>4,072,219</u>	<u>209,352,420</u>
Lending collateral investments:				
Certificates of deposit	.....	644,428	.....	644,428
Commercial paper	.....	218,085	.....	218,085
Money market funds	713,459	.....	.....	713,459
Repurchase agreements	508,840	1,006,160	.....	1,515,000
Domestic bonds and notes	67,553	.....	.....	67,553
International bonds and notes	.....	16,768	.....	16,768
Total lending collateral investments	<u>1,289,852</u>	<u>1,885,441</u>	<u>.....</u>	<u>3,175,293</u>
Total investments for all types - fair value	<u>\$ 157,725,196</u>	<u>\$ 50,730,298</u>	<u>\$ 4,072,219</u>	<u>\$ 212,527,713</u>

% of total other investments 74% 24% 2%

* Investments of the Local Government Surplus Funds Trust Fund are reported based on amortized cost which approximates fair value. See the Local Government Surplus Funds Trust Fund disclosure on page 75 to obtain investment details of the Local Government Surplus Funds Trust Fund. In addition, investments of the Debt Service Escrowed Fund, which meet the requirements of a legal or in-substance defeasance, are reported at cost.

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Reconciliation to the basic financial statements (in thousands):

	Governmental activities	Business-type activities	Fiduciary funds	Component Units ¹	Total
Other investments	\$ 1,207,698	\$ 15,253,554	\$	\$ 725,740	\$ 17,186,992
Restricted investments	.....	605,667	.....	.....	605,667
Long-term investments	215,366	14,864,604	178,254,822	.....	193,334,792
Security lending collateral ²	.....	.....	1,289,852	.....	1,289,852
Timing and other differences ³	(25,500)	(7,189)	(19,958)	163,057	110,410
Total other investments	<u>\$ 1,397,564</u>	<u>\$ 30,716,636</u>	<u>\$ 179,524,716</u>	<u>\$ 888,797</u>	<u>\$ 212,527,713</u>

¹ The column for Component Units presents investments managed by SBA for Component Units. For presentation of all other investments for Component Units, see the Schedule of Other Investments For Discretely Presented Component Units.

² Other investments and Restricted investments for Governmental and Business-type activities include security lending collateral. Refer to Note 2 B Schedule of Other Investments and B(5) Schedule of Other Investments on Loan Under Security Lending Agreements for additional information.

³ Differences between participant balances posted and actual investments. Some Component Units have fiscal year ends other than the state's year end of June 30, 2017.

Certain investments included in the above schedule were pledged as collateral with the SBA's futures and swaps clearing counterparties. These investments are presented below (in thousands):

FRS Pension Trust Fund
Securities Pledged as Collateral for Futures and Swaps Contracts
As of June 30, 2017

Investment Type	Fair Value
U.S. guaranteed obligations	<u>\$ 93,159</u>
Total	<u>\$ 93,159</u>

In addition, cash and foreign currency required to open futures and swap contracts (i.e. initial margin) in the FRS Pension Trust Fund were pledged as collateral with the SBA's futures and swap counterparties. Pursuant to these types of contracts, and also pending foreign currency contracts, the FRS Pension Trust Fund agrees to receive or pay to the counterparties an amount of cash equal to the daily fluctuation in the value of the contract. Such receivables and payables are known as variation margin. All initial and variation margin amounts held by counterparties, and the variation margins held by the FRS Pension Trust Fund as of June 30, 2017, are included in "Accounts receivable" and in "Accounts payable and accrued liabilities", respectively, on the Statement of Fiduciary Net Position. These amounts are presented in the table below (in thousands):

FRS Pension Trust Fund
Cash and Foreign Currency Pledged as Collateral for Futures and Swaps Contracts
As of June 30, 2017

	Fair Value
Margin receivable from counterparties:	
Futures contracts	\$ 29,350
Swap contracts	4,074
Foreign currency contracts	<u>7,815</u>
Total margin receivable	<u>\$ 41,239</u>
Margin payable to counterparties:	
Futures contracts	\$ 262
Swap contracts	<u>726</u>
Total margin payable	<u>\$ 988</u>

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The FRS Pension Trust Fund also held short positions in investments at June 30, 2017. Short investment positions are reported as liabilities on the Statement of Fiduciary Net Position. The schedule below presents the short investment positions at fair value at June 30, 2017, (in thousands):

FRS Pension Trust Fund
Short Investment Positions
As of June 30, 2017

Investment Type	Fair Value
U.S. guaranteed obligations	\$ (23,303)
Federal agencies	(290,622)
Option contracts	<u>(8,338)</u>
Total	<u>\$ (322,263)</u>

The SBA issued a separate report (financial statements and notes) pertaining to the Local Government Surplus Funds Trust Fund (an external investment pool) within the state's Investment Trust Fund for the period ended June 30, 2017. This report may be obtained from the Chief Operating & Financial Officer, State Board of Administration of Florida, 1801 Hermitage Boulevard, Suite 101, Tallahassee, Florida 32308, (850) 488-4406.

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Component Units

The schedule below discloses other investments reported at fair value, as of June 30, 2017, for discretely presented component units and a reconciliation to the basic financial statements (in thousands). Those investments held with the State Treasury as of June 30, 2017, are excluded.

**Schedule of Other Investments
For Discretely Presented Component Units
As of June 30, 2017**

Investment type	Fair value
Certificates of deposit	\$ 30,657
Commercial paper	57,741
Repurchase agreements	42,320
Money market funds	357,512
U.S. guaranteed obligations	4,032,779
Federal agencies	1,900,502
Domestic bonds & notes	8,641,476
International bonds & notes	1,086,350
Domestic stocks	1,071,230
International stocks	745,695
Real estate investments	84,007
Mutual funds	2,308,984
Investment agreements	3,975,945
Total other investments for all types	<u>\$ 24,335,198</u>
Reconciliation of fair value to the basic financial statements:	
Other investments	\$ 19,330,902
Restricted investments	5,730,036
Less SBA Investments*	(725,740)
Total other investments for component units	<u>\$ 24,335,198</u>

*Investment types for component units with investments held by SBA are disclosed on the Schedule of Other Investments on page 73.

At June 30, 2017, 68.04% of total other investments for discretely presented component units belonged to the following major component units: Florida Housing Finance Corporation, University of Florida, and Citizens Property Insurance Corporation.

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1. Credit Risk and Concentration of Credit Risk of Debt Securities

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Concentration of credit risk is the risk of loss attributed to the magnitude of the state's investment in a single issuer.

Pooled Investments with the State Treasury

The State Treasury follows the investment guidelines set forth in Section 17.57, F.S., for reducing exposure to investment credit risk. The State Treasury's rated debt investments as of June 30, 2017, were rated by the nationally recognized statistical rating organizations (NRSRO) Standard and Poor's (S&P) and Moody's, and the ratings are presented below using the applicable rating scale (in thousands):

State Treasury Credit Quality Ratings As of June 30, 2017									
S&P rating ²	Moody's rating ²	Total ¹	Commercial paper	Federal agencies	Domestic bonds & notes	International bonds & notes	Repurchase agreements ³	Money Market funds	
AAAm		\$ 394,241	\$	\$	\$	\$	\$	\$ 394,241	
AAA		1,072,021	.....	15,660	991,005	65,356	.....	.....	
AA		10,218,578	.....	9,036,392	991,295	190,758	133	.....	
A		2,577,793	.....	.....	2,181,088	396,705	.....	.....	
A-1		240,362	240,362	.....	.....	.....	.....	.....	
BBB		1,150,152	.....	.....	1,003,245	146,907	.....	.....	
BB		3,251	.....	.....	2,275	976	.....	.....	
B		502	.....	.....	502	.....	.....	.....	
Below B		89	.....	.....	89	.....	.....	.....	
	Aaa	717,626	.....	.....	692,462	25,164	.....	.....	
	Aa	46,308	.....	200	46,108	.....	.....	.....	
	A	6,458	.....	.....	6,458	.....	.....	.....	
	Baa	6,218	.....	.....	5,638	580	.....	.....	
	Ba	727	.....	.....	727	.....	.....	.....	
	Below B	34	.....	.....	34	.....	.....	.....	
Not Rated	Not Rated	464,930	.....	259,338	20,618	61,473	123,501	.....	
		<u>16,899,290</u>	<u>\$ 240,362</u>	<u>\$ 9,311,590</u>	<u>\$ 5,941,544</u>	<u>\$ 887,919</u>	<u>\$ 123,634</u>	<u>\$ 394,241</u>	
Not rated ⁴	Not rated ⁴	6,270,013	U.S. guaranteed obligations						
Not rated	Not rated	466,121	Commingled STIF						
Not rated ⁴	Not rated ⁴	329,032	Repurchase agreements						
		<u>\$ 23,964,456</u>	¹						

¹ The remaining \$3,597,148 (in thousands) reported for Pooled Investments with State Treasury is comprised primarily of investments with the U.S. Treasury Unemployment Compensation Funds Pool.

² Long-term ratings are presented except for "A-1," which is a short-term rating for S&P.

³ Collateral underlying the repurchase agreements was not rated.

⁴ U.S. guaranteed obligations and collateral for repurchase agreements which are explicitly guaranteed by the U.S. government do not require disclosure of credit quality.

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The State Treasury's investment policies allow for unlimited investments in U.S. obligations and certain Federal Agency obligations. For other investments, the investment policies address concentration of credit risk by placing limits on amounts invested per issuer (taking into account the maturity date and duration of the investment). In addition, the policies also address limits on certain investments by credit ratings. Limits on amounts invested are expressed in dollar amounts per issuer and also in total amounts per investment type as a percentage of the investment pool's market value. As of June 30, 2017, more than five percent of the State Treasury's investment pool is invested in Federal National Mortgage Association (FNMA), Federal Home Loan Bank System (FHLB), and the Federal Home Loan Mortgage Corporation (FHLMC). These investments are approximately 11 percent, 14 percent, and 10 percent of the State Treasury's investments pool, respectively.

Other Investments

The SBA, in compliance with Section 215.47, F.S., has adopted certain investment policies with regard to credit risk of debt securities. Investment policies vary by fund or portfolio. Below are the investment policies and credit risk disclosures for the FRS Pension Trust Fund, which constitutes the primary portion of other investments.

FRS Pension Trust Fund – Investments are generally managed through individual portfolios within various asset classes, as listed below. Some of the individual portfolios have slightly different restrictions on credit quality.

Short-term Portfolio – Securities must be high quality at the time of purchase. For short-term investment ratings, this is defined as the highest applicable rating from one of the three NRSROs – S&P A-1, Moody's P-1, and Fitch F1. For long-term investment ratings, this is defined as a minimum mid-single A rating from one of the three NRSROs – S&P A, Moody's A2, and Fitch A. Securities of a single issuer are generally limited to 5% of the amortized cost of the portfolio (excluding U.S. Treasuries and Agencies).

Mortgage Index Portfolio – Securities are generally limited to those issued by the Government National Mortgage Association (GNMA), FNMA, and FHLMC. No specific credit rating criteria are listed.

Intermediate Aggregate Less MBS Index Portfolio – Securities should be rated investment grade by at least one of the three NRSROs at the time of purchase. Minimum ratings include S&P BBB-, Moody's Baa3, and Fitch BBB-. Securities of a single issuer are generally limited to 5% of the fair value of the portfolio (excluding U.S. Treasuries and Agencies). This portfolio primarily contains U.S. Treasuries, government agencies and corporates.

Core Portfolios – Securities should generally be rated investment grade with a very small allocation to below investment grade (down to BB-/Ba3) by one of the three NRSROs at the time of purchase. Minimum investment grade ratings include S&P BBB-, Moody's Baa3, and Fitch BBB-. Securities of a single issuer are generally limited to 5% of the fair value of the portfolio (excluding U.S. Treasuries and Agencies). These portfolios can contain: U.S. Treasuries; government agencies; investment grade residential mortgage-backed, commercial mortgage-backed and asset-backed securities; investment grade foreign sovereign debt; municipals; and corporates.

Lending Portfolios – Under investment policy guidelines in effect for the FRS Pension Trust Fund, eligible cash collateral investments are:

- Tri-party qualified repurchase agreement transactions collateralized by U.S. Treasury bills, notes, bonds, and/or strips, U.S. Government Agency securities, U.S. Government Agency mortgage-backed securities, and U.S. equity securities. Collateral consisting of U.S. Treasury and Government Agencies must maintain a market value of at least 102% of the market value of the securities subject to being repurchased. Collateral consisting of U.S. equities must maintain a market value of at least 110% of the market value of the securities subject to being repurchased.
- Money market mutual funds regulated by SEC rule 2a-7 and rated the highest applicable rating by at least one of the three NRSROs – S&P AAam, Moody's Aaamf, Fitch AAamf, and
- U.S. Treasury bills, notes, and bonds.

Investments that were purchased prior to the policy guidelines established in December 2008 are being held to maturity in existing lending portfolios.

Lawton Chiles Endowment Fund – Policy guidelines allow cash collateral to be invested only in tri-party repurchase agreements and certain government money market funds, similar to those allowed for the FRS Pension Fund.

Florida Prepaid College Program Lending Program – Short-term obligations should be limited to obligations rated in the highest rating category by all NRSROs or, if only rated by one NRSRO, rated at the time of purchase in the highest rating category by that NRSRO (S&P A-1, Moody's P-1, Fitch F1 or equivalent). A "short-term obligation" means any eligible security or instrument

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(other than a repurchase agreement) which has an original maturity of 397 days or less at the time of purchase or has a put that entitles the holder to receive the principal amount at specified intervals not exceeding 397 days. With respect to bonds and other long-term obligations, investment is limited to obligations at the time of purchase in one of the two highest rating categories by at least two NRSROs or, if only rated by one NRSRO, rated at the time of purchase in one of the two highest rating categories by that NRSRO, or those of comparable quality in the case of unrated securities. The minimum permissible credit rating for long-term obligations is AA- or its equivalent. A "long-term obligation" means any eligible security or instrument (other than a repurchase agreement) which has a remaining maturity of greater than 397 days at the time of purchase and is not subject to a demand feature in 397 days or less.

The FRS Pension Trust Fund did not hold any investments with a single issuer representing 5% or more of the fund's fair market value at June 30, 2017. The schedule below discloses credit quality ratings on investments held in the FRS Pension Trust Fund at June 30, 2017 (in thousands):

FRS Pension Trust Fund Credit Quality Ratings As of June 30, 2017									
Credit Rating ¹		Total ²	Certificates of deposit	Commercial paper	Money market funds	Repurchase agreements	Federal ³ agencies	Domestic bonds & notes	International bonds & notes
S&P	Moody's								
A-1/AAAm		\$ 4,780,519	\$	\$4,050,193	\$ 730,326	\$	\$	\$	\$
AAA		898,851	.....	.....	.....	.....	2,554	549,972	346,325
AA		1,695,932	200,018	.....	.....	31,104	511,383	748,695	204,732
A		2,223,742	.....	.....	.....	.....	.....	1,594,013	629,729
BBB		3,520,802	.....	.....	.....	.....	.....	2,924,149	596,653
BB		61,893	.....	.....	.....	.....	.....	37,118	24,775
B		21,689	.....	.....	.....	.....	.....	8,307	13,382
CCC		24,837	.....	.....	.....	.....	.....	24,837	.....
D		2,625	.....	.....	.....	.....	.....	2,625	.....
Not rated	Aaa	501,501	.....	.....	.....	.....	10,853	448,645	42,003
Not rated	Aa	34,907	.....	.....	.....	.....	.....	28,439	6,468
Not rated	A	146,169	.....	.....	.....	.....	.....	143,634	2,535
Not rated	Baa	74,149	.....	.....	.....	.....	.....	60,360	13,789
Not rated	Ba	1,394	.....	.....	.....	.....	.....	.....	1,394
Not rated	Baa	2,590	.....	.....	.....	.....	.....	2,590	.....
Not rated	Ba	3,353	.....	.....	.....	.....	.....	3,353	.....
Not rated	Not rated	9,529,497	600,150	.....	.....	615,243	7,893,388	350,235	70,481
		23,524,450	\$ 800,168	\$4,050,193	\$ 730,326	\$ 646,347	\$8,418,178	\$ 6,926,972	\$ 1,952,266

Ratings not Applicable:

Repurchase agreements ⁴	612,493
U.S. guaranteed obligations ⁵	10,910,710
Domestic stocks	45,250,543
International stocks	34,509,635
Commingled international equity funds	7,911,257
Alternative investments	24,004,242
Real estate (directly owned)	8,486,964
Commingled real estate investment funds	2,497,691
Futures (debt and equity)	(11,394)
Options purchased	30,620
Swaps	(2,015)
Total investments	\$157,725,196

¹ S&P ratings were primarily used. If S&P did not rate a security, then Moody's ratings were used. If neither rating agency issued a rating, the security was listed as "Not rated." Long-term ratings are presented except for "A-1", which is a top tier short-term rating for S&P, and "AAAm", the top money market fund rating for S&P.

² All FRS investments are included in this schedule, including security lending collateral investments.

³ U.S. obligations and repurchase agreements that are collateralized by securities explicitly guaranteed by the U.S. government do not require disclosure of credit quality. Of the \$612 million in repurchase agreements presented here, \$250 million were collateralized by domestic and international stocks, which do not carry credit ratings.

⁴ Federal Agency TBAs and mortgage-backed securities are classified as "Not Rated" because they do not have explicit credit ratings on individual securities.

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All futures, options, and swaps contracts held by the FRS Pension Trust Fund at June 30, 2017, were exchange traded, thereby minimizing counterparty credit risk through the use of futures and swaps clearing merchants and clearing houses.

Counterparty credit ratings for spot and forward foreign currency exchange contracts held in the FRS Pension Trust Fund at June 30, 2017, are listed below (in thousands):

FRS Pension Trust Fund
Foreign Currency Exchange Contract Counterparty Credit Ratings
As of June 30, 2017

Counterparty Credit Rating (Long/Short) ¹			Receivable	Payable	Net Unrealized
S&P	Moody	Fitch	Fair Value	Fair Value	Gain (Loss)
AA/A-1	Aa/P-1	AA/F1	\$ 544,522	\$ (544,882)	\$ (360)
AA/A-1	A/P-1	AA/F1	328	(328)	.....
A/A-1	Aa/P-1	AA/F1	1,459	(1,460)	(1)
A/A-1	A/P-1	AA/F1	1,279	(1,287)	(8)
A/A-1	A/P-1	A/F1	4,256,227	(4,252,063)	4,164
A/A-1	NR/NR	AA/F1	15,424	(15,430)	(6)
A/A-1	NR/NR	NR/NR	1	(1)	.....
A/A-2	A/P-1	A/F1	30,257	(31,541)	(1,284)
A/A-2	NR/P-2	A/F1	1,027	(1,025)	2
NR/NR	NR/P-1	NR/NR	83,794	(82,929)	865
NR/NR	NR/NR	A/F1	5,454	(5,469)	(15)
NR/NR	NR/NR	NR/NR	12,719	(12,723)	(4)
Total:			\$ 4,952,491	\$ (4,949,138)	\$ 3,353

¹ If no rating exists, "NR" is reported.

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The schedule below discloses credit quality ratings on investments held in all funds managed by the SBA (except the FRS Pension Trust Fund) at June 30, 2017, (in thousands):

All SBA Managed Funds (except FRS Pension Trust Fund)
Credit Quality Ratings
As of June 30, 2017

Credit Rating ¹		Certificates of deposit	Commercial paper	Money market funds	Repurchase Agreements	Federal agencies	Domestic bonds and notes	Commingled domestic bonds and notes funds	International bonds and notes
S&P	Moody's	Total ²							
A-1/AAAm		\$ 13,417,377	\$	\$ 12,571,981	\$ 845,396	\$	\$	\$	\$
AAA		237,053	.....	.....	.....	.....	237,053	.....	.....
AA		4,153,015	62,015	.....	.....	181,656	3,343,324	548,870	17,150
A		637,306	.....	.....	.....	.....	489,765	.....	147,541
BBB		870,102	.....	.....	.....	.....	750,026	.....	120,076
BB		2,113	.....	.....	.....	.....	460	.....	1,653
Not rated	p-1	88,038	.....	88,038	.....	.....	.....	.....	.....
Not rated	Aaa	342,342	.....	.....	.....	11	201,271	120,276	20,784
Not rated	Aa	234,149	.....	.....	.....	.....	84,384	.....	149,765
Not rated	A	7,035	.....	.....	.....	.....	6,831	.....	204
Not rated	Baa	9,366	.....	.....	.....	.....	5,084	.....	4,282
Not rated	Not rated	10,503,084	4,305,224	.....	940,894	1,289,139	2,056,444	71,697	1,822,918
		<u>30,500,980</u>	<u>\$ 4,367,239</u>	<u>\$ 12,660,019</u>	<u>\$ 1,786,290</u>	<u>\$ 1,470,806</u>	<u>\$ 5,601,039</u>	<u>\$ 2,314,446</u>	<u>\$ 1,822,918</u>
									<u>\$ 478,223</u>

Ratings not applicable

Repurchase agreements ³	615,354
U.S. guaranteed obligations ³	10,020,676
Domestic stocks	2,315,758
Commingled domestic equity funds	3,656,877
International stocks	716,930
Commingled international equity funds	2,059,291
Commingled real asset funds	334,393
Self-directed brokerage accounts	510,859
Total investments	<u>\$ 50,731,118</u> ⁴

¹ S&P ratings were primarily used. If S&P did not rate a security, then Moody's ratings were used. If neither rating agency issued a rating, the security was listed as "Not rated." Long-term ratings are presented except for "A-1", which is a top tier short-term rating for S&P, "P-1", a top tier short-term rating for Moody's, and "AAAm", the top money market fund rating for S&P.

² All investments are included in this schedule, including security lending collateral investments.

³ U.S. obligations and repurchase agreements that are collateralized by securities explicitly guaranteed by the U.S. government do not require disclosure of credit quality.

⁴ The remaining (\$820) (in thousands) reported for all SBA Managed Funds (except FRS Pension Trust Fund) is comprised of differences between carrying value (at amortized cost) and fair value of investments with the Local Government Surplus Funds Trust Fund.

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The Florida Hurricane Catastrophe Fund held investments with Bank of Nova Scotia (6.19%), Federal Farm Credit Banks (13.09%), and FHLMC (7.81%) in excess of 5% of the Florida Hurricane Catastrophe Fund's fair value.

The Florida Prepaid College Program held investments with the Resolution Funding Corporation (5.25%) and the FNMA (5.24%) in excess of 5% of the Florida Prepaid College Program's fair value.

The Florida Prepaid Investment Plan held investments with the FNMA (8.47%) in excess of 5% of the Florida Prepaid Investment Plan's fair value.

Component Units

Investment policies with regard to credit risk of debt securities vary from component unit to component unit. In addition, investment policies vary among Universities' direct support organizations. Investment policies may be obtained separately from component units. Presented below are reported credit quality ratings for debt securities of major component units (in thousands). Amounts shown below represent only that portion of debt investments required to be disclosed by component units reporting under the GASB reporting model.

Component Unit	Major Component Units Credit Quality Ratings As of June 30, 2017							Total	S&P rating
	Federal agencies	Bonds & notes	Money market funds	Mutual funds	U.S. guaranteed obligations	Commercial paper			
Florida Housing Finance Corporation (FHFC) *	\$	5,757	\$	5,757	\$	5,757	\$	5,757	AAA-AA+
FHFC (continued)		24,734		24,734		24,734		24,734	AAA-AA-
FHFC (continued)		16,890		16,890		16,890		16,890	AAA-BBB+
FHFC (continued)		106,820		106,820		106,820		106,820	AAA-BBB-
FHFC (continued)		10,997		10,997		10,997		10,997	AAA-D
FHFC (continued)	85,334			85,334		85,334		85,334	AA+
FHFC (continued)				399		399		399	A 1
University of Florida (UF)	2,113	7,512	14,819	49,283		73,727		73,727	AAA
UF (continued)	2,828	1,909		51,622		56,359		56,359	AA
UF (continued)		5,034		16,481		21,515		21,515	A
UF (continued)		101,204	50	18,385		119,639		119,639	Less than A
Citizens Property Insurance Corporation (CPIC)	1,371,781			2,269,268		3,641,049		3,641,049	AA+
CPIC (continued)		8,077,161				8,077,161		8,077,161	A+
CPIC (continued)						27,893		27,893	Not rated
	\$ 1,462,056	\$ 8,358,018	\$ 14,869	\$ 135,771	\$ 2,269,268	\$ 28,292	\$ 12,268,274		

* Florida Housing Finance Corporation (FHFC) reported total investments with a fair value in the amount of \$132 million subject to concentration of credit risk. These investments and amounts were issued by FannieMae (\$132 million).

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2. Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the state will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

Pooled Investments with the State Treasury

The State Treasury's custodial risk policy states that securities must be held in an account in the state's name. As required by negotiated trust and custody contracts, many of the state's investments were held in the state's name by the Treasury's custodial financial institution at June 30, 2017. Investments that were uninsured and unregistered, and held by the counterparty, or by its trust department but not in the State's name, included the following (in thousands):

State Treasury Custodial Credit Risk As of June 30, 2017		Fair value
Invested security lending collateral:		
Commercial paper	\$	17,951
Repurchase agreements		452,666
Federal agencies		304,608
Bonds and notes - domestic		314,624
Bonds and notes - international		80,365
Total	\$	1,170,214

Other Investments

The SBA's custodial credit risk policy states that custodial credit risk will be minimized through the use of trust accounts maintained at top tier third party custodian banks. To the extent possible, negotiated trust and custody contracts shall require that all deposits, investments, and collateral be held in accounts in the SBA's name, or in the case of certain foreign investments, in an omnibus client account, but separate and apart from the assets of the custodian banks. This policy applies to investments evidenced by cash or securities, and does not apply to investments evidenced by contractual agreements such as private equity or real estate investments. As required by negotiated trust and custody contracts, many of the state's investments were held in the state's name or in the case of certain foreign investments, in an omnibus client account, by the SBA's custodial financial institutions at June 30, 2017. Investments that were uninsured and unregistered, with securities held by the counterparty, or by its trust department, but not in the SBA's name, included the following (in thousands):

Other Investments with SBA Custodial Credit Risk As of June 30, 2017		
	FRS Pension Trust Fund	Other funds
Invested security lending collateral:		
Certificates of deposit	\$	644,428
Commercial paper		218,085
Repurchase agreements	58,840	1,006,160
Domestic bonds and notes	67,553	
International bonds and notes		16,768
Total	\$ 126,393	\$ 1,885,441

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Component Units

Component units manage their exposure to custodial credit risk through various investment policies. These policies may be obtained separately from component units. Presented below is the applicable custodial credit risk information for a major component unit (in thousands):

Major Component Unit Custodial Credit Risk As of June 30, 2017		
Component unit / Investment type	Fair value	
University of Florida		
Federal agencies	\$	4,941
Bonds and notes		23,164
U.S. guaranteed obligations		1,405
Money market funds		9,400
Total	\$	38,910

3. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of debt investments.

Pooled Investments with the State Treasury

Through its investment policy, the State Treasury manages its exposure to interest rate risk by limiting either the maturities or durations of the various investment strategies used for the investment pool. The maximum effective weighted duration allowed is in the Long Duration portfolio: six (6) years or the benchmark's effective duration if higher. In addition, the security lending portfolio manages exposure to interest rate risk by limiting the maximum weighted average maturity gap. The maximum weighted average maturity gap is defined as the difference between the weighted average days to maturity of the portfolio minus the weighted average days to maturity of the liabilities (loans). The maximum weighted average maturity gap for security lending portfolios is 30 days.

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Presented below is the interest rate risk table for the debt investments with the State Treasury (in thousands). Investment types related to debt portfolios are presented using effective weighted duration. Investment types related to the security lending collateral portfolio are presented using weighted average maturity.

Debt Investments As of June 30, 2017				
Investment type	Fair value	Effective weighted duration (in years)	Security Lending Market Value	Weighted average maturity (in days)
Commercial paper	\$ 222,411	0.06	\$ 17,951	80
Money market funds	394,241	0.08	.....	N/A
Repurchase agreements	.....	N/A	452,666	3
U.S. guaranteed obligations:				
U.S. Treasury bonds and notes	5,525,725	3.43	.....	N/A
U.S. Treasury strips	281,758	1.24	.....	N/A
U.S. Treasury bills	4,205	0.09	.....	N/A
GNMA mortgage-backed pass-through	245,971	3.63	.....	N/A
GNMA TBA pass-through	38,915	3.72	.....	N/A
GNMA collateralized mortgage obligations (CMO's)	20,364	1.74	.....	N/A
GNMA CMO's - interest only	8,359	(13.25)	.....	N/A
SBA asset-backed	144,716	3.43	.....	N/A
Federal agencies:				
Discount notes	579,962	0.01	.....	N/A
Unsecured bonds & notes	6,191,356	0.79	304,608	15
Mortgage-backed pass-through	1,620,402	3.39	.....	N/A
TBA mortgage-backed pass-through	257,913	3.87	.....	N/A
Mortgage-backed CMO's	342,615	3.70	.....	N/A
Mortgage-backed CMO's - principal only	141	5.46	.....	N/A
Mortgage-backed CMO's - interest only	14,593	2.38	.....	N/A
Bonds and notes - domestic:				
Corporate	3,681,029	5.89	314,624	54
Corporate asset-backed	862,715	1.09	.....	N/A
Non-government backed CMO's & CMBS*	673,102	4.04	.....	N/A
Non-government backed CMO's & CMBS* - interest only	13,875	1.75	.....	N/A
Municipal/provincial	396,199	5.72	.....	N/A
Bonds and notes - international:				
Government & Agency	81,999	4.24	.....	N/A
Corporate	725,555	4.22	80,365	18
Commingled STIF	466,121	0.08	.....	N/A
Futures contracts - long***	.....	5.69	.....	N/A
Futures contracts - short***	.....	1.75	.....	N/A
Total debt investments**	\$ 22,794,242		\$ 1,170,214	

* Commercial Mortgage-Backed Securities (CMBS).

** The remaining \$3,597,148 (in thousands) reported for Pooled Investments with State Treasury is comprised of investments with the U.S. Treasury Unemployment Compensation Funds Pool.

***The futures contracts effective weighted duration was calculated using notional values rather than fair values.

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Other Investments

The SBA manages its exposure to interest rate risk through various investment policies. Policies and interest rate risk disclosures for debt investments within the FRS Pension Trust Fund are presented below.

Investments authorized by Section 215.47, F.S., are managed through individual portfolios within various asset classes. The individual portfolios may have different policies regarding interest rate risk. Major types of debt portfolios are listed below.

Short-term Portfolio – Weighted average maturity to final maturity date (WAL) is limited to 120 days in the internally managed FRS Short-term Investment Pool (STIPFRS) portfolio and weighted average time to coupon reset (WAM) is limited to 60 days. For securities without a fixed interest rate, the next coupon reset date is used as the maturity for the reset WAM calculation. In STIPFRS, no individual security shall have a final maturity date longer than 397 days except for U.S. Treasury and Agency securities, which shall not exceed five years.

Mortgage Index Portfolio – Portfolio duration should be similar to the duration of the mortgage-related fixed income market and should remain within plus or minus 0.25 years of the Barclays Capital U.S. MBS Index duration. Swaps and/or Agency debentures may contribute no more than 25% of the portfolio's total duration.

Intermediate Aggregate Less MBS Index Portfolio – Portfolio duration should remain within plus or minus 0.25 years of the Barclays Capital U.S. Intermediate Aggregate Bond Index duration less the MBS Index component. Interest rate swaps and interest rate futures, on a net basis, may contribute no more than 25% of the portfolio's total duration.

Core Portfolios – Portfolio duration should remain within plus or minus 0.50 years of the Barclays Capital U.S. Intermediate Aggregate Bond Index duration. Interest rate swaps and interest rate futures may contribute no more than 25% of the portfolio's total duration.

The Core Portfolios contain certain investments, such as Collateralized Mortgage Obligations (CMOs), which are more sensitive to interest rate changes than others. Examples of CMO securities that qualify as "highly interest rate sensitive" include interest-only (IOs), principal-only (POs), and inverse floaters (INVs). IO and PO securities are transactions that involve the separation of the interest and principal components of a security. They are highly sensitive to prepayments by mortgagors, which increase the value of a PO and decrease the value of an IO. INVs have an inverse relationship to a benchmark rate, and the coupon payment is adjusted as the interest rate changes. If the benchmark interest rate decreases, the coupon rate increases and vice versa, which allows the bondholder to benefit from declining interest rates. Similar to an IO, an interest-only inverse floater's value increases as interest rates rise.

Security Lending Portfolios – Investment policy guidelines in effect for the FRS Pension Trust Fund allow investment in:

- Repurchase agreements, with a term to repurchase not to exceed 45 calendar days that are fully collateralized by U.S. Treasury bills, notes, bonds and/or strips, U.S. Government Agency securities, U.S. Government Agency mortgage-backed securities, and U.S. equity securities,
- Money market mutual funds regulated by SEC rule 2a-7, and
- U.S. Treasury bills, notes, and bonds maturing within 92 days or less.

Investments that were purchased prior to the investment policy guidelines established in December 2008, are still held in the FRS Pension Trust Fund lending programs, but are slowly paying down. For investments that had floating interest rates, interest rate reset dates were used to calculate the WAM.

The LCEF allows investment of cash collateral only in overnight repurchase agreements that are fully collateralized by U.S. Government and/or agency securities, and in certain money market funds with a rating of AAAmf, Aaammf, or AAAmmf by S&P, Moody's or Fitch, respectively.

For the Florida Prepaid lending program, investment policy guidelines state that the maximum rate sensitivity is 60 days, for non-term loans. For cash collateral invested in connection with term loans, which are loans collateralized by cash where the agreed date of maturity of the loan or the date of renegotiation of the rebate rate for the loan is greater than one business day, the investment policy guidelines allow the rate of sensitivity to exceed 60 days. The "rate sensitivity" of a security or instrument shall mean (a) in the case of a fixed rate security or instrument (i) the date on which final payment is due or (ii) the principal amount can be recovered through demand (if applicable) or (b) in the case of a floating or variable rate security or instrument, the shorter of the period of time remaining until either (i) the next readjustment of the interest rate or (ii) the principal amount can be recovered through demand (if applicable).

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Presented in the following schedule is the interest rate risk table for the FRS Pension Trust Fund (in thousands). Investment types related to debt portfolios are presented using effective weighted duration. Investment types related to short-term and securities lending collateral portfolios are presented using weighted average maturity.

**FRS Pension Trust Fund
Debt Investments
As of June 30, 2017**

Investment type	Fair value (duration)	Effective weighted duration (in years)	Fair value (WAM)	Weighted average maturity (in days)
Certificates of deposit	\$	N/A	\$ 800,168	76
Commercial paper	.....	N/A	4,050,193	18
Money market funds	.....	N/A	730,326	3
Repurchase agreements	.....	N/A	1,258,840	3
U.S. guaranteed obligations:				
U.S. Treasury bills	1,094,652	0.23	.....	N/A
U.S. Treasury bonds and notes	7,842,876	3.90	.....	N/A
Index linked government bonds	241,913	6.54	.....	N/A
U.S. government guaranteed bonds and notes	38,824	4.88	.....	N/A
GNMA mortgage-backed pass-through	1,150,183	3.26	.....	N/A
GNMA TBA mortgage-backed pass-through	281,934	4.05	.....	N/A
GNMA CMO's and CMBS ¹	260,328	3.28	.....	N/A
Federal agencies:				
Discount notes	342,898	0.06	.....	N/A
Unsecured bonds and notes	514,881	2.72	.....	N/A
Agency strips	39,718	2.47	.....	N/A
Mortgage-backed pass-through	4,403,223	3.61	.....	N/A
FNMA, FHLMC TBA mortgage-backed pass-through	1,661,753	4.11	.....	N/A
Mortgage-backed CMO's and CMBS ¹	1,455,705	2.99	.....	N/A
Domestic bonds and notes:				
Corporate	4,875,787	4.52	.....	N/A
Non-government asset and mortgage-backed	973,783	2.10	49,899	25
Non-government backed CMO's and CMBS ¹	1,002,447	2.28	8,168	25
Municipal/provincial	14,183	5.78	.....	N/A
Real estate mortgage loans	2,705	2.27	.....	N/A
International bonds and notes:				
Government and agency	732,247	3.35	.....	N/A
Corporate	1,175,311	4.11	.....	N/A
Non-government asset and mortgage-backed	44,708	0.65	.....	N/A
Futures contracts - long (debt) ²	(4,163)	3.64	.....	N/A
Futures contracts - short (debt) ²	1,014	8.25	.....	N/A
Credit default swaps ²	(2,508)	0.01	.....	N/A
Interest rate swap contracts ²	493	(1.11)	.....	N/A
Total debt investments	\$ 28,144,895		\$ 6,897,594	

¹ Includes investments in IO's, PO's, and INV's totaling \$65 million at June 30, 2017.

² The futures and swap contracts effective weighted duration was calculated using notional values rather than fair values. For foreign futures, local notional value was converted to a U.S. dollar value based on foreign exchange rates at June 30, 2017.

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Interest rate risk information for debt investments sold short is presented below (in thousands).

FRS Pension Trust Fund
Sold Short¹ Debt Investment Positions
As of June 30, 2017

Investment type	Fair value (duration)	Effective weighted duration (in years)
GNMA commitments to sell (TBAs)	\$ (23,303)	2.71
FNMA, FHLMC commitments to sell (TBAs)	(290,622)	4.44
Total debt investments sold short ¹	<u>\$ (313,925)</u>	

¹ Investments sold short are reported as liabilities on the Statement of Fiduciary Net Position.

Presented below are interest rate risk schedules for all debt-related investments managed by the SBA (excluding the FRS Pension Trust Fund), as of June 30, 2017 (in thousands). Certain investment types may be presented using two or more interest rate risk methods if the investment types are managed using different techniques. For example, if investments are purchased to match scheduled debt payments, to coincide with Lottery prize payouts, or are entirely client directed investments, the investments are presented using the segmented time distribution method. If investments are in a portfolio that contains weighted average maturity restrictions, the investments are presented using this method. If investments are subject to certain restrictions on duration, then that method is used. Individual investments are only included in one of the following three methods scheduled below.

Debt Investments Managed by SBA (except FRS Pension Trust Fund)
That Use Segmented Time Distribution Method
As of June 30, 2017

Investment type	Total fair value	Investment maturities (in years)						
		Less than or equal to 1	> 1 to 3	> 3 to 5	> 5 to 10	> 10 to 15	> 15 to 20	> 20
U.S. guaranteed obligations:								
U.S. Treasury bills	\$ 525,593	\$ 525,593	\$	\$	\$	\$	\$	\$
U.S. Treasury bonds, notes, and SLGS*	17,132	16,563	363	206	.....	.....	.....	.....
U.S. Treasury strips	297,338	26,568	40,501	38,777	94,227	65,515	17,896	13,854
Total debt investments	<u>\$ 840,063</u>	<u>\$ 568,724</u>	<u>\$ 40,864</u>	<u>\$ 38,983</u>	<u>\$ 94,227</u>	<u>\$ 65,515</u>	<u>\$ 17,896</u>	<u>\$ 13,854</u>

* Special U.S. Treasury securities for State and Local Governments.

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Debt Investments Managed by SBA (except FRS Pension Trust Fund)
That Use Weighted Average Maturity Method or Duration Method
As of June 30, 2017

Investment type	Fair value (duration)	Effective weighted duration (in years)	Fair value (WAM)	Weighted average maturity (in days)
Time deposits ¹	\$	N/A	\$ 916,322	4
Certificates of deposit	.....	N/A	4,367,239	55
Commercial paper	.....	N/A	12,660,019	43
Money market funds	940,660	0.08	845,630	3
Repurchase agreements	.....	N/A	2,086,160	5
U.S. guaranteed obligations:				
U.S. Treasury bills	126,416	0.05	1,306,824	210
U.S. Treasury bonds and notes	234,987	4.94	1,361,392	322
U.S. Treasury strips	5,811,886	10.03	.....	N/A
Index linked government bonds	145,462	6.82	.....	N/A
U.S. government guaranteed	66,925	4.06	.....	N/A
GNMA mortgage-backed pass through	97,341	4.06	.....	N/A
GNMA commitments to purchase (TBAs)	29,380	4.75	.....	N/A
Federal agencies:				
Discount notes	5,459	0.65	166,761	142
Unsecured bonds and notes	13,621	7.69	3,636,583	109
Agency strips	834,527	6.08	.....	N/A
Mortgage-backed (FNMA, FHLMC)	823,411	3.83	.....	N/A
FNMA, FHLMC commitments to purchase (TBAs)	107,220	3.83	.....	N/A
Mortgage-backed CMO's	13,457	2.52	.....	N/A
Domestic bonds and notes:				
Corporate	1,340,660	4.62	626,719	163
Non-government asset and mortgage-backed	243,157	1.43	.....	N/A
Non-government backed CMO's and CMBS ²	78,870	4.61	.....	N/A
Municipal/provincial	7,625	12.21	17,415	7
Commingled Domestic bonds and notes funds	1,822,918	5.60	.....	N/A
International bonds and notes:				
Government agency discount notes	.....	N/A	20,005	284
Government and agency	8,842	7.59	166,532	50
Corporate	212,681	6.69	70,163	290
Total debt investments	<u>\$ 12,965,505</u>		<u>\$ 28,247,764</u>	

¹ Time deposits are reported with the "cash and cash equivalents" on the Statements of Net Position.

² Includes Investments in IO's totaling \$56.6 million at June 30, 2017, in the Florida Prepaid College Program.

Component Units

Component units manage their exposure to interest rate risk through various investment policies. These policies may be obtained separately from component units. Presented below is the applicable interest rate risk information for major component units (in thousands). Amounts shown below represent only that portion of debt investments required to be disclosed by component units reporting under the GASB reporting model.

**Major Component Units
Debt Investments
That Use Segmented Time Distribution Method
As of June 30, 2017**

Component unit / Investment type	Total fair value	Investment maturities (in years)			
		Less than or equal to 1	> 1 to 5	> 5 to 10	> 10
University of Florida					
U.S. guaranteed obligations	\$ 3,686	\$	\$ 2,281	\$	\$ 1,405
Federal agencies	4,941	2,828	2,113	.....	.....
Bonds & notes	115,658	29,582	84,796	1,280	.....
Bond Mutual funds	135,771	3,763	34,329	97,679	.....
Total debt investments	<u>\$ 260,056</u>	<u>\$ 36,173</u>	<u>\$ 123,519</u>	<u>\$ 98,959</u>	<u>\$ 1,405</u>

**Major Component Units
Debt Investments
That Use Duration or Weighted Average Maturity Method
As of June 30, 2017**

Component unit / Investment type	Fair value (duration)	Modified duration (in years)	Fair value (WAM)	Weighted Average maturity (in years)
Florida Housing Finance Corporation				
U.S. guaranteed obligations	\$ 63,890	2.70	\$	N/A
Federal agencies	21,444	1.10	.....	N/A
Bonds & notes	165,198	1.28	.....	N/A
Commercial paper	399	N/A	.....	N/A
Citizens Property Insurance Corporation				
Commercial paper	.....	N/A	27,893	0.39
U.S. guaranteed obligations	.....	N/A	2,269,268	3.44
Federal agencies	.....	N/A	1,371,781	3.44
Bonds & notes	.....	N/A	7,057,031	4.35
International bonds and notes	.....	N/A	1,020,129	3.05
Total debt investments	<u>\$ 250,931</u>		<u>\$ 11,746,102</u>	

4. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment.

Pooled Investments with the State Treasury

The State Treasury does not have any investments in foreign currency. State law and investment policy do not authorize investments in foreign currency related to State Treasury investment operations.

Other Investments

The FRS Pension Trust Fund, the LCEF, and the Florida Prepaid College Program had exposure to foreign currency risk at June 30, 2017. These funds are managed primarily by the use of "asset classes".

The FRS Pension Trust Fund investment policy, approved on October 25, 2016 (effective January 1, 2017), by the Trustees, limits the global equity asset class (including domestic and foreign equities) to a policy range of 45-70% and a target allocation of 53%. All asset classes may hold non-U.S. securities, depending on portfolio guidelines. Within the global equity asset class, the FRS Pension Trust Fund also holds units in commingled international equity funds. The FRS Pension Trust Fund owns only a portion of the overall investment in the funds, which are also owned by other investors. Equity linked notes are participatory notes that allow the FRS Pension Trust Fund to participate in certain foreign equity markets where direct participation is not possible due to local government regulations, tax policies, or other reasons. The FRS Pension Trust Fund's unit holdings in the overall investments or notes themselves may be valued in U.S. dollars, but a portion of the underlying assets are exposed to foreign currency risk in various currencies. Within the alternative investment asset class, the FRS Pension Trust owns an interest in several alternative investment commingled funds (primarily limited partnerships) with other investors and, therefore, owns only a portion of the overall investment in the funds. The alternative investment funds denominated in foreign currency are presented in the foreign currency risk table below by currency. For the alternative investment funds denominated in U.S. dollars, some of the underlying investments may be exposed to foreign currency risk in various currencies. Alternative investments with potential exposure to foreign currency risk totaled \$23.3 billion as of June 30, 2017.

For the LCEF, Trustees approved an investment policy on June 17, 2014, that set the global equity asset class with a policy range of 61-81% and a target allocation of 71%. Other asset classes in the LCEF may hold non-U.S. securities as well, depending on portfolio guidelines.

The Florida Prepaid Program's comprehensive investment plan limits investment in foreign equities to 25% of total equities, with the target for total equities to be the lesser of 15% of the total fund, or the actuarial reserve.

In all cases, Florida law limits the total exposure to foreign securities to 50% of the total fund. There is no requirement that this exposure to foreign currency be hedged through forward currency contracts, although the managers use them in many cases.

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Presented below in U.S. dollars are the FRS Pension Trust Fund investments exposed to foreign currency risk as of June 30, 2017, listed in total, by currency (in thousands).

FRS Pension Trust Fund
Investments Exposed to Foreign Currency Risk (fair values in U.S.\$, in thousands)
As of June 30, 2017

Currency	Investment Type				
	Equity	Alternative Investments	Fixed Income	Equity, Options and Swaps	Foreign Currency Contracts, Net
Australian dollar	\$ 1,001,326	\$	\$	\$	\$ (153,563)
Bangladesh taka	16,617	.....	.....	.....	.....
Brazilian real	530,904	.....	.....	.....	(48,531)
British pound sterling	3,948,224	33,527	.....	(342)	51,778
Canadian dollar	1,424,480	.....	.....	(48)	(87,385)
Chilean peso	34,361	.....	.....	.....	(38,901)
Colombian peso	9,967	.....	.....	.....	11,052
Czech koruna	4,586	.....	.....	.....	41,610
Danish krone	469,582	.....	.....	.....	(386)
Egyptian pound	25,511	.....	.....	.....	.....
Euro currency unit	7,476,917	715,506	.....	703	(252,308)
Hong Kong dollar	2,368,338	.....	.....	.....	(6,668)
Hungarian forint	54,205	.....	.....	.....	(41,177)
Indian rupee	983,825	.....	.....	.....	86,136
Indonesian rupiah	196,188	.....	.....	.....	55,328
Israeli shekel	90,438	.....	.....	.....	(38,217)
Japanese yen	4,660,824	.....	.....	(29)	(443,722)
Keryan shilling	24,481	.....	.....	.....	.....
Kuwaiti dinar	15,733	.....	.....	.....	.....
Malaysian ringgit	156,038	.....	.....	.....	40,954
Mexican peso	237,709	.....	.....	.....	99,242
Moroccan dirham	6,303	.....	.....	.....	.....
New Zealand dollar	70,860	.....	.....	.....	74,627
Nigerian naira	32,252	.....	.....	.....	.....
Norwegian krone	228,965	.....	.....	.....	(66,052)
Omani rial	6,507	.....	63	.....	.....
Pakistani rupee	28,787	.....	.....	.....	.....
Philippines peso	104,087	.....	.....	.....	5,633
Polish zloty	110,317	.....	.....	.....	45,775
Qatari riyal	27,564	.....	.....	.....	.....
Romanian new leu	16,207	.....	.....	.....	5,491
Russian ruble	.....	.....	.....	.....	36,081
Singapore dollar	410,302	.....	.....	.....	(63,941)
South African rand	467,864	.....	.....	.....	26,175
South Korean won	1,231,151	.....	.....	.....	(4,429)
Sri Lankan rupee	22,197	.....	.....	.....	.....
Swedish krona	671,413	.....	.....	.....	72,915
Swiss franc	1,708,792	.....	.....	2,274	(122,004)
Taiwan new dollar	873,418	.....	.....	.....	(38,822)
Thailand baht	231,936	.....	.....	.....	6,211
Turkish lira	223,130	.....	.....	.....	117,706
United Arab Emirates dirham	53,901	.....	.....	.....	.....
Vietnam dong	13,729	.....	.....	.....	.....
Other	11,292	.....	.....	.....	(4,408)
Total foreign currency risk	30,281,228	749,033	63	2,558	(633,800)
Other investments with potential exposure to foreign currency risk:					
Alternative investments	.....	23,255,209	.....	.....	.....
Equity linked notes	79,947	.....	.....	.....	.....
Commingled international equity funds	7,911,257	.....	.....	.....	.....
Total investments subject to foreign currency risk	\$ 38,272,432	\$ 24,004,242	\$ 63	\$ 2,558	\$ (633,800)

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In addition to the investments presented above, the FRS Pension Trust Fund holds positions in futures contracts that are subject to foreign currency risk. A futures contract is an agreement between two parties, a buyer and a seller, to exchange a particular good for a particular price at a particular date in the future, all of which are specified in a contract common to all participants in a market on an organized futures exchange. Upon entering into a futures contract, collateral is deposited with the broker, in the SBA's name, in accordance with the initial margin requirements of the broker. Futures contracts are marked to market daily by the board of trade or exchange on which they are traded. The resulting gain/loss is received/paid the following day until the contract expires. The frequency of cash flows depends upon specified collateral and margin limits mutually agreed upon by the SBA and the third-party broker. The margin payments are exposed to foreign currency risk. The FRS Pension Trust Fund's futures contract positions at June 30, 2017, that have exposure to foreign currency risk are presented below (values in thousands):

FRS Pension Trust Fund
Futures Positions Exposed to Foreign Currency Risk
As of June 30, 2017

		In Local Currency			Unrealized
		Number of	Notional	Notional	Gain/(Loss)
		Traded	Market	Unrealized	Gain/(Loss)
Currency	Contracts	Exposure	Exposure	Gain/(Loss)	(in U.S. \$)
Stock Index Futures:					
GBP FT SE 100 Index	British pound sterling	143	10,620	10,357	(263) \$ (342)
Canada S&P/T SE 60 Index	Canadian dollar	40	7,176	7,114	(62) (48)
DJ Euro STOXX 50	Euro currency unit	417	14,763	14,307	(456) (520)
TOPIX Index Future	Japanese yen	68	1,086,616	1,095,820	9,204 82
Yen Denom NIKKEI	Japanese yen	185	1,868,485	1,856,013	(12,472) (111)
Mini MSCI Emerging Market ¹	U.S. dollar	364	18,326	18,351	25 25
Mini MSCI EAFE ¹	U.S. dollar	4,444	421,250	419,869	(1,381) (1,381)

¹ Futures denominated in U.S. dollars are based on an index that converts the foreign issues to U.S. dollar equivalents at currency market exchange rates.

The FRS Pension Trust Fund did not hold any positions in swap contracts that were exposed to foreign currency risk at June 30, 2017.

The FRS Pension Trust Fund, LCEF, and the Florida Prepaid Program and Investment Plan also enter into foreign currency exchange contracts which are agreements to exchange the currency of one country for the currency of another country at an agreed-upon price and settlement date. In the FRS Pension Trust Fund a currency overlay program is used to seek additional value and is run independently of the underlying equity assets. Currently, there are two types of foreign currency contracts being utilized by the FRS Pension Trust Fund. Spot currency contracts are used primarily for trade settlement and currency repatriation and are valued at spot (traded) currency rates. Forward currency contracts are valued at interpolated forward rates and are generally used to mitigate currency risk for changes in value associated with foreign holdings, payables and/or receivables. These contracts are recorded as receivables and payables on the Statement of Fiduciary Net Position. The LCEF and Florida Prepaid Plans currently utilize only spot currency contracts. All of the contracts are subject to foreign currency risk. A schedule of the FRS Pension Trust Fund's foreign currency exchange contracts outstanding at June 30, 2017, is presented on the next page, by currency (in thousands):

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FRS Pension Trust Fund
Foreign Currency Exchange Contracts
As of June 30, 2017

Currency	Forward Currency Contracts				Spot Currency Contracts			
	Receivable Fair Value	Payable Fair Value	Net	Unrealized	Receivable Fair Value	Payable Fair Value	Net	Unrealized
			Receivables/ Payables	Gain/ (Loss)			Receivables/ Payables	Gain/ (Loss)
Australian dollar	\$ 19,193	\$ (172,853)	\$ (153,660)	\$ (2,728)	\$ 5,650	\$ (5,553)	\$ 97	\$ 9
Brazilian real	6,667	(56,815)	(50,148)	72	2,249	(632)	1,617	(18)
British pound sterling	227,515	(148,101)	79,414	2,486	17,601	(45,237)	(27,636)	102
Canadian dollar	57,965	(145,333)	(87,368)	(2,974)	1,611	(1,628)	(17)	(2)
Chilean peso	6,382	(45,283)	(38,901)	58	.....	.....	.....	.....
Chinese yuan renminbi	6,283	(10,691)	(4,408)	(72)	.....	.....	.....	.....
Columbian peso	25,368	(14,316)	11,052	(639)	.....	.....	.....	.....
Czech koruna	52,406	(10,796)	41,610	2,711	.....	.....	.....	.....
Danish krone	.....	.....	.....	.....	.....	(386)	(386)	.....
Euro currency unit	431,445	(714,729)	(283,284)	2,364	69,836	(38,860)	30,976	(24)
Hong Kong dollar	12,926	(20,012)	(7,086)	22	1,796	(1,378)	418	.....
Hungarian forint	35,913	(77,090)	(41,177)	(1,503)	.....	.....	.....	.....
Indian rupee	91,153	(5,017)	86,136	148	.....	.....	.....	.....
Indonesian rupiah	55,328	.....	55,328	(116)	.....	.....	.....	.....
Israeli shekel	2,259	(40,461)	(38,202)	(604)	.....	(15)	(15)	.....
Japanese yen	110,390	(604,782)	(494,392)	7,748	68,721	(18,051)	50,670	(51)
Malaysian ringgit	39,935	.....	39,935	(155)	1,187	(168)	1,019	1
Mexican peso	101,222	(1,020)	100,202	1,781	370	(1,330)	(960)	(1)
New Zealand dollar	137,365	(56,363)	81,002	(914)	.....	(6,375)	(6,375)	(34)
Norwegian krone	51,078	(117,130)	(66,052)	(1,185)	12,352	(12,352)	.....	(3)
Philippines peso	24,068	(18,795)	5,273	(99)	360	.....	360	.....
Polish zloty	122,670	(76,902)	45,768	631	7	.....	7	.....
Romanian new leu	5,491	.....	5,491	77	.....	.....	.....	.....
Russian ruble	36,081	.....	36,081	(718)	.....	.....	.....	.....
Singapore dollar	.....	(63,163)	(63,163)	(280)	.....	(778)	(778)	(2)
South African rand	26,840	(2,439)	24,401	(96)	2,732	(958)	1,774	(16)
South Korean won	40,806	(44,002)	(3,196)	(25)	.....	(1,233)	(1,233)	.....
Swedish krona	90,418	(18,858)	71,560	1,647	5,513	(4,158)	1,355	36
Swiss franc	40,943	(209,401)	(168,458)	(4,642)	92,875	(46,421)	46,454	14
Taiwan new dollar	5,326	(43,456)	(38,130)	395	.....	(692)	(692)	.....
Thailand baht	5,387	.....	5,387	5	1,137	(313)	824	.....
Turkish lira	138,444	(20,829)	117,615	(52)	91	.....	91	.....
U.S. dollar	2,491,024	(1,756,311)	734,713		170,113	(267,672)	(97,559)	
Total	\$ 4,498,291	\$ (4,494,948)	\$ 3,343	\$ 3,343	\$ 454,201	\$ (454,190)	\$ 11	\$ 11

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A schedule of the Lawton Chiles Endowment Fund and Florida Prepaid College Fund investments exposed to foreign currency risk as of June 30, 2017, is presented below, by currency (in thousands):

Lawton Chiles Endowment Fund (LCEF) and Florida Prepaid College Program
Investments Exposed to Foreign Currency Risk (fair values in U.S.\$, in thousands)
As of June 30, 2017

Currency	LCEF		Florida Prepaid Program and Investment Plan	
	Investment Type		Investment type	
	Equity	Foreign Currency Contracts, Net	Equity	Foreign Currency Contracts, Net
Australian dollar	\$ 11,499	\$	\$ 39,390	\$
Brazilian real	2,775	.....	.....	.....
British pound sterling	27,124	.....	64,200	(141)
Canadian dollar	16,244	.....	.....	.....
Czech koruna	68	.....	.....	.....
Danish krone	3,010	.....	6,105	.....
Egyptian pound	169	.....	.....	.....
Euro currency unit	54,276	(50)	124,501	1,787
Hong Kong dollar	18,120	.....	16,371	.....
Hungarian forint	517	.....	.....	.....
Indonesian rupiah	2,066	.....	.....	.....
Israeli shekel	1,024	.....	1,206	.....
Japanese yen	42,262	.....	98,975	.....
Malaysian ringgit	2,543	(38)	.....	.....
Mexican peso	1,552	.....	.....	.....
New Zealand dollar	761	.....	2,413	.....
Norwegian krone	2,531	.....	1,061	.....
Philippines peso	1,487	.....	.....	.....
Polish zloty	1,701	.....	.....	.....
Singapore dollar	620	.....	3,917	.....
South African rand	2,825	.....	.....	.....
South Korean won	10,487	.....	.....	.....
Swedish krona	5,210	.....	11,347	.....
Swiss franc	11,598	.....	29,678	.....
Taiwan new dollar	9,381	.....	.....	.....
Thailand baht	4,122	.....	.....	.....
Turkish lira	1,442	.....	.....	.....
Other	.....	.....	.....	.....
Total investments subject to foreign currency risk	\$ 235,414	\$ (88)	\$ 399,164	\$ 1,646

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A Schedule of the Lawton Chiles Endowment Fund's, Florida Prepaid Program's and Investment Plan's foreign currency exchange contracts outstanding at June 30, 2017, is presented below, by currency (in thousands):

Lawton Chiles Endowment Fund, Florida Prepaid Program and Investment Plan				
Foreign Currency Exchange Contracts				
As of June 30, 2017				
Currency	Spot Currency Contracts			
	Receivables	Payables	Net Receivables/ Payables	Net Unrealized Gain/(Loss)
Lawton Chiles Endowment Fund:				
Euro currency unit	\$	\$ (50)	\$ (50)	\$
Malaysian ringgit	.....	(38)	(38)	.....
U.S. dollar	88	.....	88	.....
Total Lawton Chiles Endowment Fund	\$ 88	\$ (88)	\$	\$
Florida Prepaid Program:				
British pound sterling	\$	\$ (141)	\$ (141)	\$
Euro currency unit	1,552	.....	1,552	(1)
U.S. dollar	142	(1,553)	(1,411)	.....
Total Florida Prepaid Program	\$ 1,694	\$ (1,694)	\$	\$ (1)
Florida Prepaid Investment Plan				
Euro currency unit	\$ 235	\$	\$ 235	\$
U.S. dollar	.....	(235)	(235)	.....
Total Florida Prepaid Investment Plan	\$ 235	\$ (235)	\$	\$

Component Units

Component unit information regarding foreign currency risk was not readily available.

5. Security Lending

Pooled Investments with the State Treasury

Section 17.61(1), F.S., authorizes the State Treasury to participate in a security lending program. Agents of the State Treasury loan securities, including U.S. government and federally guaranteed obligations, bonds, and notes to broker/dealers for collateral with a simultaneous agreement to return the collateral for the same securities in the future. Collateral for loaned securities cannot be less than 100 percent of the fair value of the underlying security plus accrued interest. Such collateral may consist of cash or government securities. Cash collateral is invested by the agent in investments authorized by Section 17.57, F.S. Maturities of investments made with cash collateral generally are not matched to maturities of the securities loaned because security loan agreements are generally open-ended with no fixed expiration date. The collateral under security lending agreements (including accrued interest) exceeded the fair value of the securities underlying those agreements (including accrued interest) on June 30, 2017. If a situation occurs where an agent does not receive collateral sufficient to offset the fair value of any securities lent, or the borrowers fail to return the securities or fail to pay the State Treasury for income distributions by the securities' issuers while the securities are on loan, the agent is required to indemnify the State Treasury for any losses that might occur. The State Treasury received \$ 1,169,682,817 cash collateral and \$1,764,553,172 non-cash collateral for securities loaned to others. Since the State Treasury does not have the ability to pledge or sell non-cash collateral securities, any non-cash portion of the collateral is not reported on the balance sheet. Securities held with others under security lending agreements with cash collateral totaled \$1,136,278,766. Securities held with others under security lending agreements with non-cash collateral totaled \$1,719,695,009. Security lending asset and liability balances are allocated at fiscal year-end and reported among all participating funds of the primary government.

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The securities held with others under security lending agreements as of June 30, 2017, are as follows (in thousands):

State Treasury Investments on Loan Under Security Lending Agreements As of June 30, 2017

Securities on Loan for Cash Collateral, by Security Type	Fair Value of Securities on Loan*
U.S. guaranteed obligations	\$ 441,710
Federal agencies	105,765
Bonds and notes - domestic	522,732
Bonds and notes - international	66,072
Total securities on loan for cash collateral	1,136,279
Securities on Loan for Non-Cash Collateral, by Security Type	
U.S. guaranteed obligations	1,703,193
Federal agencies	7,797
Bonds and notes - domestic	6,522
Bonds and notes - international	2,183
Total securities on loan for non-cash collateral	1,719,695
Total securities on loan	\$ 2,855,974

* The fair value equals the carrying value of the investments on loan.

Other Investments

Through the SBA, various funds, including the FRS Pension Trust Fund, the LCEF, and the Florida Prepaid College Program participate in security lending programs during the fiscal year ended June 30, 2017. Initial collateral requirements for securities on loan range from 100% to 105%, depending on the lending agent, the type of security lent and the type of collateral received. The SBA had received and invested \$3,214,077,945 in cash and \$9,883,168,102 in U.S. government securities as collateral for the lending programs as of June 30, 2017. At June 30, 2017, the collateral held for the security lending transactions exceeded the fair value of the securities underlying the agreements (including accrued interest), except with one borrower in the LCEF where the market value of securities on loan exceeded the market value of collateral held by \$36. All security lending programs have indemnity clauses requiring the lending agent to assume borrower's risk from default. The SBA does not have the ability to pledge or sell the non-cash collateral securities, so the non-cash portion is not reported on the balance sheet or the Statement of (Fiduciary) Net Position. Maturities of investments made with cash collateral generally are not matched to maturities of the securities loaned because security loan agreements are generally open-ended with no fixed expiration date. As such, investments made with cash collateral are primarily in short-term investments. However, investments purchased for some security lending programs included investments with final maturities of six months or more representing a range of approximately 6% to 23% of total collateral invested. There are no restrictions on the amount of securities that can be loaned at one time to one borrower for most funds.

At June 30, 2017, the collateral re-investment portfolios for the FRS Pension Trust Fund and the LCEF were primarily reinvested in repurchase agreements (repos) or selected money market funds in order to maximize earnings and reduce risk. The portfolios contain some legacy non-repo securities that will remain until they are either sold or mature. At June 30, 2017, there were four lending agents, including the two master custodians and two third-party agents.

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The schedule below discloses the fair value and carrying value of investments on loan at June 30, 2017 (in thousands):

**Schedule of Other Investments on Loan Under Security Lending Agreements
As of June 30, 2017**

	Fair value of Securities on Loan ¹		
	FRS Pension Trust Fund	Other funds Managed by SBA	Total
Securities on Loan for Cash Collateral, by Security type			
U.S. guaranteed obligations	\$ 141,736	\$ 1,481,680	\$ 1,623,416
Federal agencies	14,508	53,290	67,798
Domestic bonds and notes	69,582	121,777	191,359
International bonds and notes	77,240	34,211	111,451
Domestic stocks	235,581	137,616	373,197
International stocks	747,803	15,052	762,855
Total securities on loan for cash collateral	1,286,450	1,843,626	3,130,076
Securities on Loan for Non-Cash Collateral, by Security type			
U.S. guaranteed obligations	\$ 2,606,857	\$ 301,040	\$ 2,907,897
Federal agencies	10,599	.....	10,599
Domestic bonds and notes	74,626	100	74,726
International bonds and notes	25,872	.....	25,872
Domestic stocks	5,326,784	28,939	5,355,723
International stocks	1,246,340	15,058	1,261,398
Total securities on loan for non-cash collateral	9,291,078	345,137	9,636,215
Total securities on loan	\$ 10,577,528	\$ 2,188,763	\$ 12,766,291

¹ The fair value of debt securities on loan includes accrued interest.

6. Derivatives

A derivative instrument is defined as a financial instrument or other contract that has all of the following characteristics:

- Settlement factors – It has (1) one or more reference rates and (2) one or more notional amounts or payment provisions or both. These terms determine the amount of the settlement or settlements and, in some cases, whether or not a settlement is required.
- Leverage – It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- Net Settlement – Its terms require or permit net settlement, it can readily be settled net by a means outside the contract, or it provides for delivery of an asset that puts the recipient in a position not substantially different from net settlement.

Derivative instruments consisted of futures, options, forward currency contracts, and swaps.

Pooled Investments with the State Treasury

Pursuant to the State Treasury's established investment policy guidelines, interest rate futures are used as part of the investment strategy related to interest rate risk, duration adjustments, and yield curve strategies. Although put and call options on any security are permitted under the State Treasury's investment guidelines, interest rate futures were the only type of derivative held as of June 30, 2017. The State Treasury did not utilize derivatives for hedging activities during the fiscal year ending June 30, 2017. All of the State Treasury investment derivatives were reported at fair value in the accompanying financial statements as of June 30, 2017.

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A summary of investment derivatives traded in the State Treasury is presented below (in thousands):

State Treasury	Notional (in U.S. \$)	Changes in Fair Value		Fair Value at June 30, 2017	
		Classification	Amount	Classification	Amount
Investment derivative instruments:					
Futures	\$ (618,800)	Investment Income	\$ 2,787	Receivable/(Payable)	\$ 146
This schedule includes both long and short positions.					

See section 1E of Note 1 to these financial statements regarding State Treasury's securities pricing policies and independent pricing services methodologies related to securities not available on quoted market pricing exchanges.

Other Investments

The SBA has established investment policy guidelines for each investment portfolio. Pursuant to these guidelines, derivative investment instruments are authorized to be used as tools for managing risk or executing investment strategies more efficiently than could otherwise be done in cash markets, and may only be used as part of a prudent investment process. Various derivative investment instruments are used as part of the investment strategy to hedge against interest rate risk, currency risk in foreign markets, default risk, and mortgaged-backed security prepayment risk, and to effectively manage exposure to domestic and international equities, bonds, and real estate markets.

A futures contract is an agreement between a buyer and a seller to exchange a particular good for a particular price at a particular date in the future, all of which are specified in a contract common to all members in a market on an organized futures exchange. Upon entering into a futures contract, collateral (cash and/or securities) is deposited with the counterparty, in SBA's name, in accordance with the initial margin requirements of the counterparty. Futures contracts are marked to market daily by the board of trade or exchange on which they are traded. The resulting gain/loss is received/paid the following day until the contract expires. The frequency of cash flows depends on specified collateral and margin limits mutually agreed upon by the SBA and third-party counterparty. Future contracts involve, to varying degrees, risk of loss in excess of the variation margin disclosed in the Statement of Fiduciary Net Position. Losses may arise from future changes in the value of the underlying instrument.

An option gives the buyer a stipulated privilege of buying or selling a stated property, security, or commodity at a given price (strike price) within a specified time (for an American-style option, at any time prior to or on the expiration date). A securities option is a negotiable contract in which the seller (writer), for a certain sum of money called the option premium, gives the buyer the right to demand within a specified time the purchase (call) from or sale (put) to the option seller of a specified number of bonds, currency units, index units, or shares of stock, at a fixed price or rate, called the strike price.

A forward currency contract is a contractual obligation, typically over-the-counter, traded between two parties to exchange a particular good or instrument at a set price on a future date. The buyer of the forward agrees to pay the price and take delivery of the good or instrument and is said to be "long" the forward contract, while the seller of the forward, or "short", agrees to deliver the good or instrument at the agreed price on the agreed date.

A swap is a contractual agreement to exchange a stream of periodic payments utilizing a central clearing house, whereby, each party in the transaction enters into a contract with the central counterparty. These agreements may be over-the-counter or exchange-traded. Upon entering into a swap contract through a clearing house, collateral is deposited with the counterparty, in SBA's name, in accordance with the initial margin requirements of the counterparty. Swaps are available in and between all active financial markets. Examples include:

Interest rate swap – An agreement between two parties where one stream of future interest payments is exchanged for another based on a specified principal amount. Interest rate swaps often exchange a fixed payment for a floating payment that is linked to an interest rate.

Credit default swap – An agreement that allows one party to "buy" protection from another party for losses that might be incurred as a result of default by a specified reference credit (or credits). The "buyer" of protection pays a premium for the protection, and the "seller" of protection agrees to make a payment to compensate the buyer for losses incurred if a defined credit event occurs.

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A summary of investment derivatives traded in the FRS Pension Trust Fund is presented below. As of June 30, 2017, all of the SBA investment derivatives were reported at fair value (in thousands).

	Notional (in U.S. \$)	Increase/(Decrease) in Fair Value		Fair Value at June 30, 2017	
		Classification	Amount (in U.S. \$)	Classification	Amount (in U.S. \$)
Fiduciary funds (FRS Pension Trust Fund)					
Investment derivative instruments:					
Futures¹					
Futures (debt)	\$ 1,495,700	Investment Income	\$ (31,113)	Investment	\$ (3,149)
Futures (equity)	2,013,876	Investment Income	308,984	Investment	(8,245)
Total futures	<u>\$ 3,509,576</u>		<u>\$ 277,871</u>		<u>\$ (11,394)</u>
Forward currency contracts²					
	<u>\$ 3,343</u>	Investment Income	<u>\$ 63,097</u>	Receivable/(Payable), net	<u>\$ 3,343</u>
Options					
Options purchased	\$ 2,416,630	Investment Income	\$ (129,010)	Investment ³	\$ 30,620
Options sold	(1,297,844)	Investment Income	88,832	Liability ³	(8,338)
Total options	<u>\$ 1,118,786</u>		<u>(40,178)</u>		<u>22,282</u>
Swaps					
Interest rate swaps	\$ 241,105	Investment Income	\$ 5,673	Investment	\$ 493
Credit default swaps	171,000	Investment Income	(1,183)	Investment	(2,508)
Total swaps	<u>\$ 412,105</u>		<u>\$ 4,490</u>		<u>\$ (2,015)</u>

¹ The total notional values of long and short fixed income (i.e., debt) futures positions were \$2,032,700,000 and \$(537,000,000), respectively. The total notional value of long equity futures positions was \$2,013,875,750.

² The total receivable and payable notional and fair values (in U.S. dollars) for forward currency contracts in the FRS Pension Trust Fund were \$4,498,290,371 and \$(4,494,947,721) as of June 30, 2017, and are presented on the Statement of Fiduciary Net Position as "Foreign currency contracts receivable" and "Foreign currency contracts payable".

³ Purchased options are reported as investments and short sales of options are reported as liabilities on the Statement of Fiduciary Net Position.

7. Commitments

Each year the FRS Pension Trust Fund enters into a number of agreements that commit the Fund, upon request, to make additional investment purchases (i.e., capital commitments) up to predetermined amounts over certain investment time periods. The unfunded capital commitments that are not reported on the FRS Pension Trust Fund Statement of Fiduciary Net Position totaled \$11.3 billion as of June 30, 2017.

8. Fair Value Hierarchy

The state categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are unadjusted quoted prices in active markets for identical assets. Level 2 inputs 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 inputs are significant unobservable inputs.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

Pooled Investments with the State Treasury

Securities classified in Level 1 are valued using quoted prices from the custodian bank's primary external pricing vendors.

Securities classified in Level 2 are evaluated prices from the custodian bank's primary external pricing vendors. The pricing methodology involves the use of evaluation models such as matrix pricing, which is based on the securities' relationship to benchmark quoted prices. Other evaluation models use actual trade data, collateral attributes, broker bids, new issue pricings and other observable market information.

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Debt and equity securities classified as Level 3 are valued with prices from the custodian bank's external pricing vendors or an alternative pricing source, utilizing inputs such as stale prices, cash flow models, broker bids, or cost. Cost or book value may be used as an estimate of fair value when there is a lack of an independent pricing source.

Certain investments, such as money market funds and repurchase agreements, are not included in the table, because they are carried at cost and not priced at fair value. Unemployment compensation funds are not included in the table, because this money is pooled with deposits from other states and is managed by the Federal Government. No disclosures can be made of specific securities owned.

At June 30, 2017, the State Treasury had the following recurring fair value measurements:

Investments and Derivative Instruments Measured at Fair Value As of June 30, 2017

Investments by fair value level	Total	Level 1	Level 2	Level 3
Commercial paper	\$ 222,411	\$	\$ 222,411	\$
U.S. guaranteed obligations	6,270,013	5,800,911	469,102	.....
Federal agencies	9,006,982	.....	9,006,982	.....
Bonds and notes - domestic	5,626,920	.....	5,626,920	.....
Bonds and notes - international	807,554	6,256	801,298	.....
Commingled STIF	466,121	.....	.....	466,121
Lending collateral investments:				
Commercial Paper	17,951	.....	17,951	.....
Federal agencies	304,608	.....	304,608	.....
Bonds and notes - domestic	314,624	.....	314,624	.....
Bonds and notes - international	80,365	.....	80,365	.....
Total investments by fair value level	\$ 23,117,549	\$ 5,807,167	\$ 16,844,261	\$ 466,121
Investment derivative instruments				
Futures contracts	\$ 146	\$ 146	\$	\$
Total investment derivative instruments	\$ 146	\$ 146	\$	\$

Other Investments

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using quoted prices at June 30 (or the most recent market close date if the markets are closed on June 30) in active markets from the custodian bank's primary external pricing vendors.

Debt securities classified in Level 2 are evaluated prices from the custodian bank's primary external pricing vendors. The pricing methodology involves the use of evaluation models such as matrix pricing, which is based on the securities' relationship to benchmark quoted prices. Other evaluation models use actual trade data, collateral attributes, broker bids, new issue pricings and other observable market information.

Equity securities classified as Level 2 are evaluated prices provided by the custodian bank's external pricing vendors, or alternative pricing source, such as investment managers, if information is not available from the primary vendors.

Debt and equity securities classified as Level 3 are valued with prices from the custodian bank's external pricing vendors or an alternative pricing source, utilizing inputs such as stale prices, cash flow models, broker bids, or cost. Cost or book value may be used as an estimate of fair value when there is a lack of an independent pricing source.

Derivative instruments classified in Level 1 of the fair value hierarchy are exchange traded prices as provided by the custodian bank's external pricing vendors. Derivative instruments classified as Level 2 receive clearing house prices, which are based on models that reflect the contractual terms of the derivatives.

Private equity funds and real estate direct investments classified as Level 3 are valued using the methodology as described in the footnotes for the *Additional GASB 72 Required Disclosures* table, footnotes 11 and 13, respectively. Other private equity funds are measured at net asset value (NAV).

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Certain investments, such as money market funds, repurchase agreements and U.S. guaranteed State and Local Government Series (SLGS) securities are not included in the tables below because they are carried at cost and not priced at fair value. Additionally, U.S. guaranteed securities in the Debt Service Escrowed Fund and all investments of the Local Government Surplus Funds Trust Fund are not included in the tables below because they are carried at cost and amortized cost, respectively. See page 75 for information to obtain the Local Government Surplus Funds Trust Fund investment detail. Commingled investments are measured at the NAV per share (or its equivalent).

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The FRS Pension Trust Fund had the following fair value measurements as of June 30, 2017 (in thousands):

**FRS Pension Trust Fund
As of June 30, 2017**

	Fair Value Measurements Using			
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
Certificates of deposit	\$ 800,168	\$	\$ 800,168	\$
Commercial paper	4,050,193	.....	4,050,193	.....
U.S. guaranteed obligations	10,910,710	7,842,875	3,067,835	.....
Federal agencies	8,418,178	.....	8,418,178	.....
Domestic bonds and notes	6,859,419	.....	6,828,541	30,878
International bonds and notes	1,952,266	.....	1,948,507	3,759
Total debt securities	32,990,934	7,842,875	25,113,422	34,637
Equity securities				
Domestic	45,250,543	45,249,456	.....	1,087
International	34,509,635	34,378,379	96,181	35,075
Total equity securities	79,760,178	79,627,835	96,181	36,162
Alternative Investments				
Private equity fund	314,550	.....	.....	314,550
Real Estate direct investments	8,486,964	.....	.....	8,486,964
Derivative Instruments²				
Futures (debt)	(3,149)	(3,149)	.....	.....
Futures (equity)	(8,245)	(8,245)	.....	.....
Option contracts purchased	30,620	30,620	.....	.....
Swap contracts (debt)	(2,015)	.....	(2,015)	.....
Forward currency contracts, net ¹	3,343	.....	3,343	.....
Total Investment derivative instruments	20,554	19,226	1,328	.....
Securities lending collateral investments				
Domestic bonds and notes	67,553	.....	58,067	9,486
Total investments by fair value level	121,640,733	\$ 87,489,936	\$ 25,268,998	\$ 8,881,799
Investments Measured at the Net Asset Value (NAV)				
Commingled international equity funds	7,911,257			
Commingled real estate investment funds	2,497,691			
Activist equity funds	791,722			
Hedge funds	4,824,849			
Private debt/credit opportunities funds	3,267,442			
Private equity funds	11,100,982			
Private real asset funds	3,704,697			
Total investments measured at the NAV	34,098,640			
Total investments measured at fair value ¹	\$ 155,739,373			
Investments sold short (Liabilities)				
U.S. guaranteed obligations	\$ (23,303)	\$	\$ (23,303)	\$
Federal agencies	(290,622)	.....	(290,622)	.....
Option contracts sold	(8,338)	(8,338)	.....	.....
Total investments sold short	\$ (322,263)	\$ (8,338)	\$ (313,925)	\$

¹ Forward foreign currency contracts are valued at their net unrealized appreciation/(depreciation) and are reported on the Statement of Fiduciary Net Position as receivables and/or liabilities.

² Spot contracts totaling approximately \$11 thousand, are not considered derivative instruments and therefore, not included in this table.

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The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) as of June 30, 2017, is presented in the footnotes to the table below (in thousands):

FRS Pension Trust Fund Additional GASB 72 Required Disclosures				
	Fair Value 6/30/2017	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Investments Measured at the NAV:				
Commingled international equity funds ¹	\$ 7,911,257		Daily, Monthly	2 - 120 days
Commingled real estate investment funds ¹	2,497,691		Quarterly	15 - 90 days
Activist equity funds ²	791,722		Monthly, Annually	65 - 90 days
Hedge funds				
Diversifying strategies (CTAs) ³	1,027,872		Daily, Monthly	10 - 35 days
Equity long/short ⁴	537,218		Monthly, Quarterly	30 - 125 days
Event driven ⁵	413,344		Quarterly, Biennially, Annually	45 - 90 days
Global macro ⁶	734,457		Monthly, Quarterly	15 - 60 days
Multi-strategy ⁷	1,064,451		Quarterly, Biennially, Annually	30 - 90 days
Opportunistic debt ⁸	603,194		Quarterly, Annually	65 - 90 days
Relative value ⁹	444,313		Quarterly	45 - 90 days
Private debt/credit opportunity funds ¹⁰	3,267,442	\$ 2,576,377		
Private equity funds ¹¹	11,100,982	6,587,810		
Private real asset funds ¹²	3,704,697	2,056,599		
Total Investments Measured at the NAV	\$ 34,098,640	\$ 11,220,786		

Investments Measured at Level 3:

Private equity funds ¹¹	\$ 314,550		
Real estate direct investments ¹³	8,486,964	\$ 119,634	

¹ *Commingled International Equity Funds and Real Estate Investment Funds.* Six international equity funds and eight real estate investment funds are considered to be commingled in nature. The six international equity funds are primarily invested in publicly traded international equity securities. Three of these funds focus on emerging markets. The eight real estate investment funds consist primarily of real estate investments owned directly or through partnership interests located in the United States. These investments include multi-family, industrial, retail, office, apartments and mortgage loans on income producing property. Each are valued at the NAV of units held at the end of the period based upon the fair value of the underlying investments.

² *Activist Equity Funds.* The three funds that make up this group invest in public companies with the intent to effect positive change through influencing management. The funds may be structured with a focus on specific domestic or foreign geographic regions. These investments are valued at the NAV per share. One fund (approximately 38% of this strategy) is currently eligible for redemption monthly. Another fund (approximately 34% of this strategy) is eligible for redemption in six months due to annual lock-up restrictions. The remaining fund (approximately 28% of this strategy) may be redeemed annually with the next redemption in nine months.

³ *Diversifying Strategies (CTAs) Hedge Funds.* The three funds that make up this group primarily trade equity and commodity futures, but can also participate in indexes, rates and currencies in markets across the globe. These funds use a systematic approach and focus on trends in price and other market signals. These investments are valued at the NAV per share. All funds within this strategy are redeemable within a month or less, as they are not subject to lock-up restrictions.

⁴ *Equity Long/Short Hedge Funds.* Consisting of four funds, this strategy invests both long and short, primarily in U.S. and global stocks that are mispriced by the markets. These managers vary in their use of short selling, leverage and definitions of growth or value. These funds are valued at the NAV per share. One fund (approximately 18% of the value of this strategy) is currently eligible for redemption monthly, while the remaining three funds (approximately 82% of this strategy) are redeemable in three months or less due to quarterly redemption restrictions.

⁵ *Event Driven Hedge Funds.* The four funds in this strategy seek to gain an advantage from pricing inefficiencies that may occur in the onset or aftermath of a corporate action or related event. These investments are valued at the NAV per share. All funds in this strategy are no longer under contractual lockup, but due to exit restrictions, the redemption periods range from three to eighteen months.

⁶ *Global Macro Hedge Funds.* Consisting of five funds, which base their holdings (such as long and short positions in various equity, fixed income, currency, and futures markets primarily on overall economic and political view of various countries). These funds are valued at the NAV per share. All funds in this strategy are no longer subject to contractual lockup, and are redeemable in three months or less due to monthly and quarterly redemption restrictions.

⁷ *Multi-Strategy Hedge Funds.* The five funds in this group aim to diversify risks and reduce volatility by combining other strategies. These strategies are usually a mix of Equity Long/Short, Event-Driven, or Opportunistic Debt and Relative Value. These funds are valued at the NAV per share. Two funds (approximately 46% of this strategy) are eligible for redemption in six months or less due to annual redemption restrictions. Another fund (approximately 26% of this strategy) is eligible for redemption biennially with the next redemption date in six months. The remaining two funds (approximately 28% of this strategy) are eligible for redemption in three months and quarterly thereafter.

⁸ *Opportunistic Debt Hedge Funds.* Consisting of three funds that pursue various strategies and asset classes, with an emphasis on mispriced debt or equity of companies in distress. These managers vary in their focus on early versus late stage situations, senior versus subordinated levels on the capital structure and non-traditional areas including high yield bonds and Emerging Markets debt, and may also pursue relative value and arbitrage strategies with various debt instruments. These funds are valued at the NAV per share. One fund (approximately 38% of this strategy) is subject to one year recurring hard lock-ups for each contribution and can be redeemed between three and six months. Another fund (approximately 19% of this strategy) is eligible for redemption in six months and annually thereafter. The remaining fund (approximately 43% of this strategy) is currently eligible for redemption in three months due to quarterly redemption restrictions.

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⁹ *Relative Value Hedge Funds.* Consisting of three funds, this strategy focuses on benefiting from valuation discrepancies that may be present in related financial instruments by simultaneously purchasing (long) or selling (short) these instruments. These investments are valued at the NAV per share. Due to contractual lock-up restrictions, one fund (approximately 37% of this strategy) is eligible for redemption in fourteen months. Two funds (approximately 63% of this strategy) are eligible for redemption in three months and quarterly thereafter.

¹⁰ *Private Debt/Credit Opportunity Funds.* There are 47 private debt/credit funds investing primarily in Distressed, Mezzanine and Senior Loans with some exposure to Special Situations. The fair value of these funds has been determined using the NAV at June 30, 2017 or one quarter in arrears adjusted for current quarter cash flows. These funds are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the span of five to ten years.

¹¹ *Private Equity Funds.* There are 178 private equity funds investing primarily in Leveraged Buyouts funds, Venture Capital funds, Secondary funds and Growth funds with some exposure to Special Situations, Diversifying Strategies and GP Investments. The fair value of 176 funds has been determined using the NAV at June 30, 2017, or one quarter in arrears adjusted for current quarter cash flows. The fair value of the remaining two funds (approximately 3% of the value of these investments) was based on external appraisals at June 30, 2017, and classified as Level 3. These funds are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the span of five to ten years.

¹² *Private Real Asset Funds.* There are 55 real asset funds, 45 of which invest in real estate assets such as commercial office buildings, retail properties, multi-family residential properties, developments or hotels. In addition, the funds may be structured with a focus on specific geographic domestic or foreign regions. The remaining 10 funds invest in infrastructure, timberland and commodities. The fair value of these funds has been determined using the NAV at June 30, 2017, or one quarter in arrears adjusted for current quarter cash flows. These funds are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the span of five to ten years.

¹³ *Direct Real Estate Investments.* There are 68 direct owned/joint venture real estate assets that are valued based on annual external and/or quarterly internal appraisals and are classified as Level 3.

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The schedule below discloses the fair value measurements for all other funds managed by the SBA (excluding the FRS Pension Trust Fund) at June 30, 2017, (in thousands):

**All SBA Managed Funds (except FRS Pension Trust Fund)
As of June 30, 2017**

	Fair Value Measurements Using			
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
Certificates of deposit	\$ 1,765,212	\$	\$ 1,545,212	\$ 220,000
Commercial paper	6,576,183	.....	6,476,183	100,000
U.S. guaranteed obligations	10,011,693	1,653,176	8,358,517	.....
Federal agencies	5,601,039	.....	5,601,039	.....
Domestic bonds and notes	2,157,145	.....	2,157,145	.....
International bonds and notes	450,949	.....	450,949	.....
Total debt securities	26,562,221	1,653,176	24,589,045	320,000
Equity securities				
Domestic	2,315,758	2,315,758	.....	.....
International	716,930	716,930	.....	.....
Total equity securities	3,032,688	3,032,688	.....	.....
Other investments				
Domestic bonds and notes mutual funds	940	940	.....	.....
Domestic equity mutual funds	533,168	533,168	.....	.....
International equity mutual funds	437,971	437,971	.....	.....
Self-directed brokerage account	510,859	.....	510,859	.....
Total other investments	1,482,938	972,079	510,859	.....
Securities lending collateral investments				
Certificates of deposit	644,428	.....	644,428	.....
Commercial paper	218,085	.....	218,085	.....
International bonds and notes	16,768	.....	16,768	.....
Total securities lending collateral investments	879,281	.....	879,281	.....
Total investments by fair value level	31,957,128	\$ 5,657,943	\$ 25,979,185	\$ 320,000
Investments Measured at the Net Asset Value (NAV)				
		Redemption Frequency (If Currently Eligible)	Redemption Notice Period	
Commingled domestic bonds and notes funds ¹	1,821,978	Daily, Monthly	1 - 2 Days	
Commingled domestic equity funds ²	3,123,709	Daily, Monthly	1 - 2 Days	
Commingled international equity fund ²	1,621,320	Daily	1 Day	
Commingled real asset fund ³	334,393	Daily	1 Day	
Total investments measured at the NAV	6,901,400			
Total investments measured at fair value	\$ 38,858,528			

¹ *Commingled Domestic Bonds and Notes Funds:* One Treasury Inflation-Protected Securities (TIPS) funds and six domestic bonds and notes funds are considered to be commingled in nature. The TIPS fund seeks long-term real total return and is designed to keep pace with inflation. The six domestic bonds and notes funds utilize various strategies such as short/intermediate duration, index/benchmark tracking, high-yield, and corporate/government investment grade debt. Each fund is valued at the NAV of units held at June 30, 2017, based upon the fair value of the underlying investments. There were no unfunded commitments related to this investment type.

² *Commingled Domestic Equity Funds and Commingled International Equity Fund:* Seven domestic equity funds and one international equity fund are considered to be commingled in nature. The domestic equity funds utilize various investment strategies such as index/benchmark tracking, small/mid cap, and large cap growth/value seeking appreciation and income. The international equity fund invests in a portfolio of international equity securities whose total rates of return will approximate as closely as practicable the capitalization weighted total rates of return of the markets in certain countries for equity securities traded outside the United States. Each fund is valued at the NAV of units held at June 30, 2017, based upon the fair value of the underlying investments. There were no unfunded commitments related to this investment type.

³ *Commingled Real Asset Fund:* This fund consists of various investments such as commodities, floating rate loans, energy industry Master Limited Partnerships, global infrastructure and agriculture. The fund is valued at the NAV of units held at June 30, 2017, based upon the fair value of the underlying investments. There were no unfunded commitments related to this investment type.

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Component Units

Securities classified in Level 1 of the fair value hierarchy are valued using quoted prices in active markets from the custodian bank's primary external pricing vendors.

Securities classified in Level 2 are evaluated prices from the custodian bank's primary external pricing vendors, or alternative pricing source, such as investment managers, if information is not available from the primary vendors. The pricing methodology involves the use of evaluation models such as matrix pricing, which is based on the securities' relationship to benchmark quoted prices. Other evaluation models use actual trade data for similar securities, collateral attributes, broker bids, new issue pricings and other observable market information.

Securities classified as Level 3 are valued with prices from the custodian bank's external pricing vendors or an alternative pricing source, utilizing cash flow models.

Certain investments, such as commercial paper, repurchase agreements and various investment agreements, are not included in the table, because they are carried at cost and not priced at fair value.

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The schedule below discloses the fair value measurements for major component units at June 30, 2017, (in thousands):

**Major Component Units
As of June 30, 2017**

	Fair Value Measurements Using			
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Florida Housing Finance Corporation (FHFC)				
<u>Debt securities</u>				
Commercial paper	\$ 931	\$	\$ 931	\$
U.S. guaranteed obligations	1,209,216	.....	1,209,216	.....
Federal agencies	14,546	.....	14,546	.....
Domestic bonds and notes	200,932	.....	200,932	.....
Total debt securities	1,425,625	.....	1,425,625	.....
Other investments	1,959	.....	1,959	.....
Total FHFC investments by fair value level	<u>\$ 1,427,584</u>	<u>\$</u>	<u>\$ 1,427,584</u>	<u>\$</u>
Citizens Property Insurance Corporation (CPIC)				
<u>Debt securities</u>				
Commercial paper	\$ 27,893	\$ 27,893	\$	\$
U.S. guaranteed obligations	2,269,268	2,261,380	7,888	.....
Federal agencies	1,371,780	1,997	1,369,783	.....
Domestic bonds and notes	7,057,031	375,590	6,681,441	.....
International bonds and notes	1,020,130	8,975	1,011,155	.....
Total CPIC investments by fair value level	<u>\$ 11,746,102</u>	<u>\$ 2,675,835</u>	<u>\$ 9,070,267</u>	<u>\$</u>
University of Florida (UF)				
<u>Debt securities</u>				
Certificates of deposit	\$ 603	\$ 603	\$	\$
Commercial paper	5,143	5,143	.....	.....
U.S. guaranteed obligations	4,148	2,280	1,868	.....
Federal agencies	4,941	.....	4,941	.....
Domestic bonds and notes	113,854	46,173	67,681	.....
International bonds and notes	1,959	.....	1,959	.....
Total debt securities	130,648	54,199	76,449	.....
<u>Equity securities</u>				
Domestic	1,288	1,288	.....	.....
International	100	100	.....	.....
Total equity securities	1,388	1,388	.....	.....
Swap contracts (debt)	39	.....	.....	39
Mutual funds	282,031	186,002	96,029	.....
Other investments	45,542	25,153	20,389	.....
Total UF investments by fair value level	<u>459,648</u>	<u>\$ 266,742</u>	<u>\$ 192,867</u>	<u>\$ 39</u>

Investments Measured at the Net Asset Value (NAV)

	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
University of Florida			
Domestic equity commingled funds ¹	11	Illiquid	N/A
International equity commingled funds ²	54	Illiquid	N/A
Hedge funds - Multi-strategy ³	5,628	Quarterly	45 Days
Private equity funds ⁴	2,857,717	Monthly	30 - 45 Days
Total investments measured at the NAV	<u>2,863,410</u>		
Total investments measured at fair value	<u>\$ 3,323,058</u>		

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¹ *Domestic equity commingled funds*: Consist of illiquid stocks. The fair values have been estimated using the NAV per share (or its equivalent) of the investments as practical expedient as of June 30, 2017.

² *International equity commingled funds*: Include illiquid stocks. The fair values have been estimated using the NAV per share (or its equivalent) of the investments as practical expedient as of June 30, 2017.

³ *Hedge Funds*: This category includes an investment in a hedge fund in which the fund manager is authorized to invest in a broad spectrum of securities that include, but are not limited to the following: equity and debt securities, currency, commodities, foreign debt, options, futures and swaps.

⁴ *Private Equity Funds*: This category includes investments in several limited partnership funds that invest in equity securities and debt of private companies.

NOTE 3 - RECEIVABLES AND PAYABLES

"Receivables, net" and "Other loans and notes receivable, net," as presented on the Government-wide Statement of Net Position and the applicable balance sheets and statements of net position in the fund financial statements, consist of the following (in thousands):

GOVERNMENTAL ACTIVITIES

	General Fund	Environment, Recreation and Conservation	Public Education	Health and Family Services	Transportation
Accounts receivable	\$ 123,905	\$ 6,965	\$ 885	\$ 994,586	\$ 9,807
Contracts & grants receivable	1	65	.....	.....	77,459
Due from Federal government	3,189	34,550	571	991,514	89,105
Due from other governmental units	128	2,466	.....	2,667	66,204
Interest & dividends receivable	27,378	2,537	1,812	295	5,099
Loans & notes receivable	70,338	125,841	157	.....	23
Fees receivable	116,444	17	.....	.....	.....
Taxes receivable	3,085,333	18,703	55,710	.....	236,863
Allowance for uncollectibles	(1,674,970)	(1,971)	(619)	(30,267)	(10,269)
Receivables, net	\$ 1,751,746	\$ 189,173	\$ 56,516	\$ 1,958,795	\$ 474,291
Loans & notes receivable from other governments	\$ 1,153	\$ 1,247,911	\$	\$	\$ 663,415
Long-term interest receivable	.....	.....	.....	.....	390
Other loans & notes receivable	6,530	.....	3,134	350,973	53,046
Allowance for uncollectibles	(244)	.....	(1,853)	(318,156)	(8,143)
Other loans & notes receivable, net	\$ 7,439	\$ 1,247,911	\$ 1,281	\$ 32,817	\$ 708,708

(Continued below)

	Nonmajor Governmental Funds	Total Governmental Funds	Internal Service Funds	Government-wide Reconciling Balances	Total Governmental Activities
Accounts receivable	\$ 188,642	\$ 1,324,790	\$ 23,734	\$ 116,923	\$ 1,465,447
Contracts & grants receivable	49,671	127,196	.....	.....	127,196
Due from Federal government	41,578	1,160,507	.....	.....	1,160,507
Due from other governmental units	34,260	105,725	5,245	.....	110,970
Interest & dividends receivable	3,320	40,441	945	.....	41,386
Loans & notes receivable	114,685	311,044	.....	.....	311,044
Fees receivable	357	116,818	6	.....	116,824
Taxes receivable	17,044	3,413,653	.....	.....	3,413,653
Allowance for uncollectibles	(138,455)	(1,856,551)	(1,800)	.....	(1,858,351)
Receivables, net	\$ 311,102	\$ 4,743,623	\$ 28,130	\$ 116,923	\$ 4,888,676
Loans & notes receivable from other governments	\$ 762,164	\$ 2,674,643	\$	\$	\$ 2,674,643
Long-term interest receivable	.....	390	.....	.....	390
Other loans & notes receivable	114,429	528,112	.....	.....	528,112
Allowance for uncollectibles	(25,514)	(353,910)	.....	.....	(353,910)
Other loans & notes receivable, net	\$ 851,079	\$ 2,849,235	\$	\$	\$ 2,849,235

BUSINESS-TYPE ACTIVITIES

	Transportation	Lottery	Hurricane Catastrophe Fund	Prepaid College Program	Reemployment Assistance
Accounts receivable	\$ 5,274	\$ 42,856	\$ 182,164	\$ 49,135	\$ 220,594
Due from Federal government	.....	.....	.....	.....	249
Due from other governmental units	136	.....	.....	.....	724
Interest & dividends receivable	2,115	496	18,495	22,315	50,212
Loans & notes receivable	.....	.....	.....	331,364	.....
Fees receivable	15,370	.....	.....	.....	1,099
Taxes receivable	.....	.....	.....	.....	191,828
Allowance for uncollectibles	.....	(2,384)	.....	.....	(312,362)
Receivables, net	\$ 22,895	\$ 40,968	\$ 200,659	\$ 402,814	\$ 152,344
Loans & notes receivable	\$ 80,643	\$	\$	\$ 1,785,976	\$
Allowance for uncollectibles	.....	.....	.....	.....	.....
Future contract premiums and other receivables	.....	.....	.....	.....	.....
Other loans & notes receivable, net	\$ 80,643	\$	\$	\$ 1,785,976	\$

(Continued below)

	Nonmajor Enterprise Funds	Total Enterprise Funds	Government-wide Reconciling Balances	Total Business-type Activities
Accounts receivable	\$ 87,006	\$ 587,029	\$ 119,469	\$ 706,498
Due from Federal government	.....	249	.....	249
Due from other governmental units	6,036	6,896	.....	6,896
Interest & dividends receivable	544	94,177	.....	94,177
Loans & notes receivable	5,337	336,701	.....	336,701
Fees receivable	130	16,599	.....	16,599
Taxes receivable	.....	191,828	.....	191,828
Allowance for uncollectibles	(84,874)	(399,620)	.....	(399,620)
Receivables, net	\$ 14,179	\$ 833,859	\$ 119,469	\$ 953,328
Loans & notes receivable	\$ 1,695	\$ 1,868,314	\$	\$ 1,868,314
Allowance for uncollectibles	(442)	(442)	.....	(442)
Future contract premiums and other receivables	14	14	.....	14
Other loans & notes receivable, net	\$ 1,267	\$ 1,867,886	\$	\$ 1,867,886

COMPONENT UNITS

Accounts receivable	\$ 1,829,064
Contracts & grants receivable	221,161
Due from Federal government	18,390
Due from other governmental units	340,817
Interest & dividends receivable	103,716
Loans & notes receivable	137,119
Allowance for uncollectibles	(430,528)
Receivables, net	\$ 2,219,739
Other loans & notes receivable	\$ 2,411,647
Allowance for uncollectibles	(277,356)
Other loans & notes receivable, net	\$ 2,134,291

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"Accounts payable and accrued liabilities," as presented on the Government-wide Statement of Net Position and the applicable balance sheets and statements of net position in the fund financial statements, consist of the following (in thousands):

GOVERNMENTAL ACTIVITIES

	General Fund	Environment, Recreation and Conservation	Public Education	Health and Family Services	Transportation
Accounts payable	\$ 355,416	\$ 55,321	\$ 778	\$ 241,535	\$ 384,025
Accrued salaries & wages	94,232	1,567	25	68,182	18,446
Claims payable	.....	.....	.....	.....	.....
Construction contracts	.....	.....	.....	.....	218,583
Deposits payable	189	662	.....	10	10,399
Due to Federal government	47	320	.....	138,093	1,115
Due to other governmental units	53,086	9,452	.....	9,607	8,621
Other payables	.....	.....	.....	.....	.....
Accounts payable and accrued liabilities	\$ 502,970	\$ 67,322	\$ 803	\$ 457,427	\$ 641,189

(Continued below)

	Nonmajor Governmental Funds	Total Governmental Funds	Internal Service Funds	Government-wide Reconciling Balances	Total Governmental Activities
Accounts payable	\$ 68,238	\$ 1,105,313	\$ 26,573	\$ 191,755	\$ 1,323,641
Accrued salaries & wages	13,989	196,441	3,714	.....	200,155
Claims payable	.....	.....	151,784	.....	151,784
Construction contracts	565	219,148	.....	.....	219,148
Deposits payable	134	11,394	.....	.....	11,394
Due to Federal government	1,243	140,818	.....	.....	140,818
Due to other governmental units	49,274	130,040	.....	.....	130,040
Other payables	.....	.....	14,089	.....	14,089
Accounts payable and accrued liabilities	\$ 133,443	\$ 1,803,154	\$ 196,160	\$ 191,755	\$ 2,191,069

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BUSINESS-TYPE ACTIVITIES

	Transportation	Lottery	Hurricane Catastrophe Fund	Prepaid College Program	Reemployment Assistance
Accounts payable	\$ 169	\$ 2,917	\$ 118,436	\$ 237,807	\$ 16,768
Accrued interest payable	.....	.....	34,764	.....	.....
Accrued salaries & wages	.....	119	.....	.....	.....
Construction contracts	64,066	.....	.....	.....	.....
Deposits payable	225	2,509	.....	.....	.....
Due to Federal government	.....	.....	.....	.....	1,050
Accounts payable and accrued liabilities	\$ 64,460	\$ 5,545	\$ 153,200	\$ 237,807	\$ 17,818

(Continued below)

	Nonmajor Enterprise Funds	Total Enterprise Funds	Government-wide Reconciling Balances	Total Business-type Activities
Accounts payable	\$ 18,121	\$ 394,218	\$ 123	\$ 394,341
Accrued interest payable	.....	34,764	.....	34,764
Accrued salaries & wages	6,054	6,173	.....	6,173
Construction contracts	.....	64,066	.....	64,066
Deposits payable	793	3,527	.....	3,527
Due to Federal government	.....	1,050	.....	1,050
Accounts payable and accrued liabilities	\$ 24,968	\$ 503,798	\$ 123	\$ 503,921

COMPONENT UNITS

Accounts payable	\$ 931,801
Accrued interest payable	33,274
Accrued salaries & wages	355,474
Claims payable	857,086
Construction contracts	63,640
Deposits payable	301,407
Due to other governmental units	17,051
Vouchers payable	17,842
Accounts payable and accrued liabilities	\$ 2,577,575

NOTE 4 – TAXES AND TAX ABATEMENTS

A. Taxes

Florida levies neither a personal income tax nor an ad valorem tax on real or tangible personal property. Taxes are, however, one of the principal sources of financing state operations. A schedule of tax revenues by major tax type for each applicable major governmental fund, and for nonmajor governmental funds in the aggregate, is presented below (in thousands):

	General Fund	Environment, Recreation and Conservation	Public Education	Health and Family Services	Transportation	Nonmajor Governmental Funds	Total
Sales and use tax	\$ 25,346,166	\$	\$	\$	\$	\$	\$ 25,346,166
Fuel taxes:							
Motor fuel tax	.....	.....	.....	.....	2,698,681	.....	2,698,681
Pollutant tax	.....	254,160	.....	.....	.....	.....	254,160
Aviation fuel tax	.....	.....	.....	.....	29,121	.....	29,121
Solid minerals severance tax	.....	32,397	.....	.....	.....	.....	32,397
Oil and gas production tax	1,751	.....	.....	.....	.....	.....	1,751
Total fuel taxes	1,751	286,557	.....	.....	2,727,802	.....	3,016,110
Corporate income tax	2,383,783	.....	.....	.....	.....	.....	2,383,783
Documentary stamp tax	2,427,903	.....	.....	.....	.....	.....	2,427,903
Intangible personal property tax	370,421	.....	.....	.....	.....	.....	370,421
Communications service tax	577,527	.....	355,927	.....	.....	.....	933,454
Estate tax	644	.....	.....	.....	.....	.....	644
Gross receipts utilities tax	.....	6,661	760,727	.....	.....	.....	767,388
Beverage and tobacco taxes:							
Alcoholic beverage tax	309,703	.....	.....	.....	.....	13,690	323,393
Cigarette tax	1,166,579	.....	.....	.....	.....	.....	1,166,579
Smokeless tobacco tax	31,087	.....	.....	.....	.....	.....	31,087
Total beverage and tobacco taxes	1,507,369	.....	.....	.....	.....	13,690	1,521,059
Other taxes:							
Insurance premium tax	927,837	.....	.....	.....	.....	31,502	959,339
Hospital public assistance tax	.....	.....	.....	1,086,696	.....	.....	1,086,696
Citrus excise tax	.....	.....	.....	.....	.....	6,795	6,795
Pari-mutuel wagering tax	7,800	.....	.....	.....	.....	207,144	214,944
Total other taxes	935,637	.....	.....	1,086,696	.....	245,441	2,267,774
Total	\$ 33,551,201	\$ 293,218	\$ 1,116,654	\$ 1,086,696	\$ 2,727,802	\$ 259,131	\$ 39,034,702

	Sales and Use Tax
Governmental fund statements	\$ 25,346,166
Government-wide accruals	(12,702)
Government-wide statements	<u>\$ 25,333,464</u>

B. Tax Abatements

For financial reporting purposes, a tax abatement is defined as an agreement between the government and an individual or entity through which the government promises to forgo tax revenues and the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the government or its citizens. As of June 30, 2017, tax abatement programs are as follows:

Program Name	Entertainment Industry Financial Incentive Program	Entertainment Industry Sales Tax Exemption Program
Program Purpose	To encourage the use of the state as a site for filming, for the digital production of films, and to develop and sustain the workforce and infrastructure for film, digital media, and entertainment production.	To encourage the use of the state as a site for filming, for the digital production of films, and to develop and sustain the workforce and infrastructure for film, digital media, and entertainment production.
Taxes being abated	Corporate Income Tax; Sales and Use Tax	Sales and Use Tax
Authority under which abatements are entered into	Section 288.1254, Florida Statutes (F.S.)	Section 288.1258, F.S.
Criteria to be eligible to receive abatements and commitment of the taxpayer	Applicants must meet minimum required Florida qualified expenditures, minimum requirements for hiring Florida employees, requirements for production type, provide proof of financing, and must not be considered obscene under Chapter 847, F.S.	Applicants must be a qualified production company producing specified types of content in Florida.
How taxes are reduced	Tax Credit	Tax Exemption
How amount of abatement is determined	Statutorily defined allocation determines the amount available for award to applicants. Applicants present estimated eligible costs and a total estimated tax credit is awarded. Awardees present actual expenditures to use of the credit and an actual credit is certified.	Point of sale exemption on items used as an integral part of the production process in Florida, including production equipment, set design and construction, props, wardrobe, and real estate rental.
Provisions for recapturing abated taxes	Revocation of tax credits and any taxes exempted are due with interest and penalty.	Revocation of certificate and any taxes exempted are due with interest and penalty.
Type of commitments other than taxes	N/A	N/A
Total tax revenues reduced during fiscal year (in thousands)	\$58,440	\$16,310

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Tax abatement programs, continued:

Program Name	Community Contribution Tax Credit Program	Florida Tax Credit Scholarship Program
Program Purpose	To encourage donations and local private support of projects that provide housing opportunities for persons with special needs or home ownership opportunities for low-income or very-low-income families.	To encourage private, voluntary contributions to nonprofit scholarship-funding organizations to expand educational opportunities for children of families that have limited financial resources.
Taxes being abated	Corporate Income Tax; Insurance Premium Tax; Sales and Use Tax	Sales and Use Tax; Corporate Income Tax; Severance Taxes; Insurance Premium Tax
Authority under which abatements are entered into	Sections 212.08(5)(p); 220.183; and 624.5105, F.S.	Section 1002.395, F.S.
Criteria to be eligible to receive abatements and commitment of the taxpayer	A taxpayer must apply for approval and be issued an approval letter by the State. A community contribution by a person must be in the following form: (a) Cash or other liquid assets; (b) Real property, including 100 percent ownership of a real property holding company; (c) Goods or inventory; or (d) Other physical resources identified by the State.	A taxpayer must apply for approval and be issued an approval letter by the State. Taxpayer must make an eligible contribution to an eligible nonprofit scholarship-funding organization by the end of the tax year to earn the credit on the return.
How taxes are reduced	Tax credit against corporate income or insurance premium tax; sales tax refund	Tax Credit
How amount of abatement is determined	The credit is equal to 50 percent of the value of the donation, with a limit of \$200,000 per year.	Statutorily defined tax credit cap determines the amount available for award to applicants. The applicant must specify in the application each tax for which the taxpayer requests a credit and the applicable taxable year for a credit. The State approves tax credits on a first-come, first-served basis.
Provisions for recapturing abated taxes	If erroneous credits are discovered during an audit of the taxpayer's books and records the amount of tax offset by the credit will be assessed.	If erroneous credits are discovered during an audit of the taxpayer's books and records, the amount of tax offset by the credit will be assessed.
Type of commitments other than taxes	N/A	N/A
Total tax revenues reduced during fiscal year (in thousands)	\$24,878	\$146,710

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Tax abatement programs, continued:

Program Name	Capital Investment Tax Credit	New Markets Development Program
Program Purpose	To attract and grow capital-intensive industries in the State.	To promote capital investment in rural and urban low-income communities by allowing taxpayers to earn credits against specified taxes by investing in qualified community development entities that make low-income community investments in qualified active low-income community businesses to create and retain jobs.
Taxes being abated	Corporate Income Tax; Premium Tax	Corporate Income Tax; Insurance Premium Tax
Authority under which abatements are entered into	Section 220.191, F.S.	Section 288.9916, F.S.
Criteria to be eligible to receive abatements and commitment of the taxpayer	The business must establish a qualified project certified by the State and meet minimum capital investment, job creation, and wage requirements.	Qualified Community Development Entities (CDEs) apply to Department of Economic Opportunity to have investments approved as qualified investments for tax credits. Taxpayers then earn credits by investing in CDEs that make investments in active low-income community businesses.
How taxes are reduced	Tax Credit	Tax Credit
How amount of abatement is determined	An annual credit may be claimed for up to 20 years in an annual amount up to 5 percent of the eligible capital costs generated by a qualifying project. The annual tax credit shall not exceed specified percentages of the annual tax liability.	Credit equal to 39 percent of the purchase price of the qualified investment.
Provisions for recapturing abated taxes	If erroneous credits are discovered during an audit of the taxpayer's books and records the amount of tax offset by the credit will be assessed.	If erroneous credits are discovered during an audit of the taxpayer's books and records the amount of tax offset by the credit will be assessed.
Type of commitments other than taxes	N/A	N/A
Total tax revenues reduced during fiscal year (in thousands)	\$43,080	\$25,852

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Tax abatement programs, continued:

Program Name	Contaminated Site Rehabilitation Tax Credit	Research and Development Tax Credit
Program Purpose	To encourage voluntarily rehabilitation of brownfield sites or sites contaminated with dry-cleaning solvent.	To encourage target industry business in the State.
Taxes being abated	Corporate Income Tax	Corporate Income Tax
Authority under which abatements are entered into	Sections 220.1845 and 376.30781, F.S.	Section 220.196, F.S.
Criteria to be eligible to receive abatements and commitment of the taxpayer	Participants must meet applicable eligibility criteria and enter either a Voluntary Cleanup Agreement or Brownfield Site Rehabilitation Agreement.	Taxpayer must claim and be allowed a research credit against federal income tax for qualified research expenses under Title 26, Section 41, United States Code, and meet the definition of a target industry business as defined in Section 288.106, F.S.
How taxes are reduced	Tax Credit	Tax Credit
How amount of abatement is determined	The credit is 50 percent of rehabilitation costs, up to \$500,000 per site per year. To encourage completion of site rehabilitation the applicant may claim an additional 25 percent of the total site rehabilitation costs, not to exceed \$500,000, in the final year of cleanup. To encourage the construction of affordable housing an applicant meeting applicable requirements may claim an additional 25 percent of the total site rehabilitation costs, not to exceed \$500,000.	The Florida credit is equal to 10 percent of the amount of qualified research expenses incurred in Florida and allowed under Title 26, Section 41, United States Code, which exceeds the base amount, defined as the average of the qualified research expenses incurred in Florida for the four tax years prior to the calendar year for which the credit is determined. The Florida credit may be prorated if the total credits applied for by all applicants exceed the credit cap (currently \$9 million). The credit taken may not exceed 50 percent of the Florida corporate income tax liability after all other credits have been applied in the order provided in Section 220.02(8), F.S.
Provisions for recapturing abated taxes	If erroneous credits are discovered during an audit of the taxpayer's books and records the amount of tax offset by the credit will be assessed.	If erroneous credits are discovered during an audit of the taxpayer's books and records the amount of tax offset by the credit will be assessed.
Type of commitments other than taxes	N/A	N/A
Total tax revenues reduced during fiscal year (in thousands)	\$6,407	\$6,087

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Tax abatement programs, continued:

Program Name	Enterprise Zone Jobs Credit
Program Purpose	A tax credit intended to increase the number of full-time jobs in an enterprise zone.
Taxes being abated	Corporate Income Tax; Insurance Premium Tax; Sale and Use Tax
Authority under which abatements are entered into	Sections 220.181; 212.096; 290.016, F.S.
Criteria to be eligible to receive abatements and commitment of the taxpayer	Pursuant to Section 290.016, F.S., the Florida Enterprise Program sunset on December 31, 2015. Businesses granted an enterprise zone jobs credit prior to the expiration of the program may continue to claim the credit, including carryovers of unused amounts, for the same period it would have been available had the program not expired. No new enterprise zone jobs credits will be approved after December 31, 2015, except for those approved by and under Department of Economic Opportunity contract.
How taxes are reduced	Tax Credit
How amount of abatement is determined	The credit is a percentage of the actual monthly wages paid in this state to each new employee hired when a new job has been created.
Provisions for recapturing abated taxes	If erroneous credits are discovered during an audit of the taxpayer's books and records the amount of tax offset by the credit will be assessed.
Type of commitments other than taxes	N/A
Total tax revenues reduced during fiscal year (in thousands)	\$8,283

The State had additional tax abatement programs, each amounting to less than \$5 million in revenue and estimated to be reduced in fiscal year 2016-17. In total, these programs resulted in \$22.2 million in estimated tax abatements. These include the Rural Job Tax Credit Program, Urban High-Crime Area Job Tax Credit Program, Professional Sports Programs, Qualified Target Industry Tax Refund Program, Brownfield Redevelopment Bonus Tax Refund, Qualified Defense and Space Contractor Tax Refund Program, Semi-Conductor Defense and Space Technology Tax Exemption, Florida Space Business Incentives Act, Florida Renew Production and Technology Credit, Enterprise Zone Property Credits, Redevelopment Projects, and New and Expanding Business.

NOTE 5 - CAPITAL ASSETS

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets' lives are not capitalized.

For financial statement purposes, the state reports capital assets under the following categories and has established a reporting capitalization threshold for each category. Applicable capital assets are depreciated over the appropriate estimated useful lives using the straight-line method.

Capital Asset Category	Financial Statement Capitalizing Threshold	Estimated Useful Life (in Years)
Land and other nondepreciable assets	Capitalize all	Not depreciable
Nondepreciable infrastructure	Capitalize all	Not depreciable
Construction work in progress	\$100,000 when work is completed	Not depreciable
Buildings, equipment, and other depreciable assets		
Buildings and building improvements	\$100,000	5 - 50
Infrastructure and infrastructure improvements (depreciable)	\$100,000	3 - 50
Leasehold improvements	\$100,000	2 - 15
Intangible assets	\$4,000,000	2 - 30
Property under capital lease	Threshold correlates to asset category	2 - 20
Furniture and equipment	\$1,000 and \$250 for non-circulated books	2 - 25
Works of art and historical treasures	Items capitalized as of June 30, 1999, remain capitalized; capitalize unless considered a collection	5 - 50
Library resources	\$25	5 - 50
Other capital assets	\$1,000	3 - 20

The state has elected to use the modified approach for accounting for its roadways, bridges and other infrastructure assets included in the State Highway System. Under this approach, the Department of Transportation has made the commitment to maintain these assets at levels established by the Department of Transportation and approved by the Florida Legislature. No depreciation expense is reported for such assets, nor are amounts capitalized in connection with improvements that lengthen the lives of such assets, unless the improvements also increase their service potential. The Department of Transportation maintains an inventory of these assets and performs periodic condition assessments to establish that the predetermined condition level is being maintained. In addition, the Department of Transportation makes annual estimates of the amounts that must be expended to maintain these assets at the predetermined condition levels. Refer to the Other Required Supplementary Information for additional information on infrastructure using the modified approach.

Not included in the reported capital assets are the irreplaceable collections at various historic sites and museums throughout the state. For example, the Museum of Florida History, located in Tallahassee, currently has artifacts illustrating the history of Florida since the arrival of human beings on the peninsula. It also has access to collections that include Florida upland and underwater archaeology, Florida archives, and Florida and Spanish colonial numismatics.

Depreciation expense charged to functions of governmental activities for the year ended June 30, 2017, is as follows (in thousands):

General Government	\$ 94,536
Education	10,897
Human Services	28,121
Criminal Justice & Correction	110,349
Natural Resources & Environment	58,379
Transportation	40,932
State Courts	3,814
Total depreciation expense (governmental activities)	\$ 347,028

Primary government capital asset activities for the fiscal year ended June 30, 2017, are as follows (in thousands):

GOVERNMENTAL ACTIVITIES

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Capital assets, not being depreciated:				
Land and other nondepreciable assets	\$ 18,644,649	\$ 13,868,059	\$ 13,368,681	\$ 19,144,027
Infrastructure and infrastructure improvements - nondepreciable	46,962,923	58,123,072	56,656,738	48,429,257
Construction work in progress	2,634,280	6,711,420	6,211,567	3,134,133
Total capital assets, not being depreciated	68,241,852	78,702,551	76,236,986	70,707,417
Capital assets, being depreciated:				
Buildings and building improvements	5,494,873	119,370	77,808	5,536,435
Infrastructure and infrastructure improvements	772,359	36,999	18,948	790,410
Leasehold improvements	2,181	2,007	.....	4,188
Property under capital lease	175,032	3	111	174,924
Furniture and equipment	1,784,749	340,699	330,280	1,795,168
Works of art and historical treasures	1,929	.....	1	1,928
Library resources	25,989	40	418	25,611
Other	73,720	1,419	565	74,574
Total capital assets, being depreciated	8,330,832	500,537	428,131	8,403,238
Less accumulated depreciation for:				
Buildings and building improvements	2,739,276	164,103	60,552	2,842,827
Infrastructure and infrastructure improvements	453,321	29,197	4,027	478,491
Leasehold improvements	819	330	.....	1,149
Property under capital lease	85,536	10,485	103	95,918
Furniture and equipment	1,349,253	137,250	144,761	1,341,742
Works of art and historical treasures	1,054	65	2	1,117
Library resources	15,820	838	322	16,336
Other	55,529	4,760	2,272	58,017
Total accumulated depreciation	4,700,608	347,028	212,039	4,835,597
Total capital assets, being depreciated, net	3,630,224	153,509	216,092	3,567,641
Governmental activities capital assets, net	\$ 71,872,076	\$ 78,856,060	\$ 76,453,078	\$ 74,275,058

BUSINESS-TYPE ACTIVITIES

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Capital assets, not being depreciated:				
Land and other nondepreciable assets	\$ 1,131,671	\$ 38,213	\$ 9,138	\$ 1,160,746
Infrastructure and infrastructure improvements - nondepreciable	8,587,365	730,899	399,857	8,918,407
Construction work in progress	938,420	5,568,262	5,268,077	1,238,605
Total capital assets, not being depreciated	10,657,456	6,337,374	5,677,072	11,317,758
Capital assets, being depreciated:				
Buildings and building improvements	481,770	86,852	82,173	486,449
Infrastructure and infrastructure improvements	2,475	13,214	.....	15,689
Leasehold improvements	84	12	.....	96
Furniture and equipment	349,619	52,201	36,225	365,595
Library resources	8	2	.....	10
Other	144,899	.....	274	144,625
Total capital assets, being depreciated	978,855	152,281	118,672	1,012,464
Less accumulated depreciation for:				
Buildings and building improvements	157,092	25,786	12,592	170,286
Infrastructure and infrastructure improvements	676	337	.....	1,013
Leasehold improvements	12	.....	.....	12
Furniture and equipment	148,767	30,483	.....	179,250
Library resources	4	2	.....	6
Other	62,046	8,042	84	70,004
Total accumulated depreciation	368,597	64,650	12,676	420,571
Total capital assets, being depreciated, net	610,258	87,631	105,996	591,893
Business-type activities capital assets, net	\$ 11,267,714	\$ 6,425,005	\$ 5,783,068	\$ 11,909,651

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Component units' capital asset activities for the fiscal year ended June 30, 2017, are as follows (in thousands):

	COMPONENT UNITS			
	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Capital assets, not being depreciated:				
Land and other non-depreciable assets	\$ 6,640,363	\$ 127,677	\$ 82,700	\$ 6,685,340
Construction work in progress	1,524,041	1,098,326	807,726	1,814,641
Total capital assets, not being depreciated	8,164,404	1,226,003	890,426	8,499,981
Capital assets, being depreciated:				
Buildings and building improvements	18,727,265	675,052	87,664	19,314,653
Infrastructure and infrastructure improvements	2,982,386	185,770	12,126	3,156,030
Leasehold improvements	398,997	67,964	19,239	447,722
Property under capital lease	137,173	12,084	14,433	134,824
Furniture and equipment	3,563,218	257,841	137,575	3,683,484
Works of art and historical treasures	3,785	6	6	3,785
Library resources	949,756	32,772	11,258	971,270
Other	420,135	40,668	9,656	451,147
Total capital assets, being depreciated	27,182,715	1,272,157	291,957	28,162,915
Less accumulated depreciation for:				
Buildings and building improvements	6,694,291	486,279	29,932	7,150,638
Infrastructure and infrastructure improvements	1,163,630	82,623	1,508	1,244,745
Leasehold improvements	147,300	22,386	18,169	151,517
Property under capital lease	58,684	7,026	11,566	54,144
Furniture and equipment	2,565,441	257,963	156,695	2,666,709
Works of art and historical treasures	1,672	193	6	1,859
Library resources	777,815	37,050	8,622	806,243
Other	296,080	33,707	9,467	320,320
Total accumulated depreciation	11,704,913	927,227	235,965	12,396,175
Total capital assets, being depreciated, net	15,477,802	344,930	55,992	15,766,740
Component units capital assets, net	\$ 23,642,206	\$ 1,570,933	\$ 946,418	\$ 24,266,721

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NOTE 6 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

A. Pensions

The Florida Department of Management Services (Department) is part of the primary government of the State of Florida and is responsible for administering the Florida Retirement System Pension Plan and Other State-Administered Systems. For the fiscal year ended June 30, 2017, the Department administered three defined benefit plans, two defined contribution plans, a supplemental funding of defined benefit plans for municipal police officers and firefighters, and various general revenue funded pension programs. Beginning with the fiscal year ended June 30, 2014, the Department issued a publicly-available, audited comprehensive annual financial report (CAFR) that includes financial statements, notes and required supplementary information for each of the pension plans which it administers. Detailed information about the plans is provided in the CAFR which is available online or by contacting the Department.

Copies of this report, as well as the plans' actuarial valuations, can be obtained from the Department of Management Services, Division of Retirement (Division), Research and Education Section, P.O. Box 9000, Tallahassee, Florida 32315-9000; by telephone toll free at 877-377-1737 or 850-488-5706; by email at rep@dms.myflorida.com; or at the Division's website (www.frs.myflorida.com).

1. Defined Benefit Plans

The Florida Retirement System

The Florida Retirement System (FRS) is a cost-sharing multiple-employer public-employee retirement system with two primary plans – the FRS defined benefit pension plan (Pension Plan) and the FRS Investment Plan. The FRS Pension Plan was created in Chapter 121, Florida Statutes (F.S.), effective December 1, 1970, by consolidating and closing these existing plans to new members: the Teachers' Retirement System (Chapter 238, F.S.), the State and County Officers and Employees' Retirement System (Chapter 122, F.S.), and the Highway Patrol Pension Trust Fund (Chapter 321, F.S.). In 1972, the Judicial Retirement System (Chapter 123, F.S.) was closed and consolidated into the FRS. The FRS was created to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to provide the Investment Plan as a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. The FRS Investment Plan is an integrated defined contribution plan administered by the State Board of Administration (SBA). Effective July 1, 2007, the Institute of Food and Agricultural Sciences (IFAS) Supplemental Retirement Program, established under Section 121.40, F.S., was consolidated under the FRS Pension Plan as a closed retirement plan. Participation in the IFAS Supplemental Retirement Program does not constitute membership in the FRS.

Chapter 121, F.S., also provides for nonintegrated, optional retirement programs in lieu of the FRS to certain members of the Senior Management Service Class (SMSC) employed by the state, state elected officials who chose SMSC membership in lieu of Elected Officers' Class membership (EOC), and faculty and specified employees in the State University System and Florida College System institutions. Provisions relating to the FRS are also contained in Chapter 112, F.S.

Membership

FRS membership is compulsory for eligible employees filling a regularly established position in a state agency, county agency, state university, state college, or district school board, unless restricted from FRS membership under Sections 121.053 or 121.122, F.S., or allowed to participate in a non-integrated defined contribution plan in lieu of FRS membership. Participation by cities, municipalities, special districts, charter schools, and metropolitan planning organizations, although optional, is generally irrevocable after election to participate is made. Members hired into certain positions may be eligible to withdraw from the FRS altogether or elect to participate in the non-integrated optional retirement programs in lieu of the FRS except faculty of a medical college in a state university who must participate in the State University System Optional Retirement Program (SUSORP). Retirees initially reemployed in regularly established positions on or after July 1, 2010, may not participate in the FRS except for defined contribution plan retirees employed in a regularly established position on or after July 1, 2017. FRS Pension Plan retirees remain ineligible for renewed membership.

Retirees of the FRS Investment Plan, the SUSORP, the State Community College System Option Retirement Program (SCCSORP), and the Senior Management Service Optional Annuity Program who are initially reemployed on or after July 1, 2010, and who are employed in a regularly established position on or after July 1, 2017, will be enrolled in the FRS Investment Plan, SUSORP, or SCCSORP based upon the position held as renewed members on or after July 1, 2017.

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There are five general classes of membership, as follows:

- *Regular Class* - Members of the FRS who do not qualify for membership in the other classes.
- *Senior Management Service Class* – Members in senior management level positions in state and local governments as well as assistant state attorneys, assistant statewide prosecutors, assistant public defenders, assistant attorneys general, deputy court administrators, and assistant capital collateral representatives. Members of the EOC may elect to withdraw from the FRS or participate in the SMSC in lieu of the EOC.
- *Special Risk Class* – Members who are employed as law enforcement officers, firefighters, firefighter trainers, fire prevention officers, state fixed-wing pilots for aerial firefighting surveillance, correctional officers, emergency medical technicians, paramedics, community-based correctional probation officers, youth custody officers (from July 1, 2001, through June 30, 2014), certain health-care related positions within state forensic or correctional facilities, or specified forensic employees of a medical examiner's office or a law enforcement agency, and meet the criteria to qualify for this class.
- *Special Risk Administrative Support Class* – Former Special Risk Class members who are transferred or reassigned to nonspecial risk law enforcement, firefighting, emergency medical care, or correctional administrative support positions within an FRS special risk-employing agency.
- *Elected Officers' Class*— Members who are elected state or county officers and the elected officers of cities and special districts that choose to place their elected officials in this class.

Beginning July 1, 2001, through June 30, 2011, the FRS Pension Plan provided for vesting of benefits after six years of creditable service for members working on or after July 1, 2001, and initially enrolled before July 1, 2011. Members not actively working in a position covered by the FRS Pension Plan on July 1, 2001, must return to covered employment for up to one work year to be eligible to vest with less service than was required under the law in effect before July 1, 2001. Members initially enrolled on or after July 1, 2011, vest after eight years of creditable service. Members are eligible for normal retirement when they have met the requirements listed below. Early retirement may be taken any time after vesting within 20 years of normal retirement age; however, there is a 5% benefit reduction for each year prior to the normal retirement age.

- *Regular Class, Senior Management Service Class, and Elected Officers' Class Members* – For members initially enrolled in the FRS Pension Plan before July 1, 2011, six or more years of creditable service and age 62, or the age after completing six years of creditable service if after age 62. Thirty years of creditable service regardless of age before age 62.

For members initially enrolled in the FRS Pension Plan on or after July 1, 2011, eight or more years of creditable service and age 65, or the age after completing eight years of creditable service if after age 65. Thirty-three years of creditable service regardless of age before age 65.

- *Special Risk Class and Special Risk Administrative Support Class Members* – For members initially enrolled in the FRS Pension Plan before July 1, 2011, six or more years of Special Risk Class service and age 55, or the age after completing six years of Special Risk Class service if after age 55. Twenty-five years of special risk service regardless of age before age 55. A total of 25 years of service including special risk service and up to four years of active duty wartime service and age 52. Without six years of Special Risk Class service, members of the Special Risk Administrative Support Class must meet the requirements of the Regular Class.

For members initially enrolled in the FRS Pension Plan on or after July 1, 2011, eight or more years of Special Risk Class service and age 60, or the age after completing eight years of Special Risk Class service if after age 60. Thirty years of special risk service regardless of age before age 60. Without eight years of Special Risk Class service, members of the Special Risk Administrative Support Class must meet the requirements of the Regular Class.

Benefits

The Florida Legislature establishes and amends the benefit terms of the FRS Pension Plan. Benefits under the FRS Pension Plan are computed on the basis of age, average final compensation, creditable years of service, and accrual value per year by membership class. Members are also provided in-line-of-duty or regular disability and survivors' benefits. Pension benefits of eligible retirees and annuitants are increased each July 1 by a cost-of-living adjustment. If the member is initially enrolled in the FRS Pension Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment

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is 3% per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. This individually calculated annual cost-of-living adjustment is a proportion of 3% determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3%. FRS Pension Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

The DROP became effective July 1, 1998, subject to provisions of Section 121.091(13), F.S. FRS Pension Plan members who reach normal retirement are eligible to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in the DROP for a maximum of 60 months. Authorized instructional personnel may participate in the DROP for up to 36 additional months beyond their initial 60-month participation period. Monthly retirement benefits remain in the FRS Trust Fund during DROP participation and accrue interest until the member terminates to finalize retirement. As of June 30, 2017, the FRS Trust Fund held in trust \$2,255,747,029 in accumulated benefits and interest for 34,810 DROP participants. Of these 34,810 DROP participants, 32,972 were active in the DROP with balances totaling \$2,039,044,001. The remaining 1,838 participants were no longer active in the DROP and had balances totaling \$216,703,029 to be processed after June 30, 2017.

Administration

The Division administers the FRS Pension Plan. The SBA invests the assets of the FRS Pension Plan held in the FRS Trust Fund. Costs of administering the FRS Pension Plan are funded from earnings on investments of the FRS Trust Fund. Reporting of the FRS Pension Plan is on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the obligation is incurred.

Contributions

All participating employers must comply with statutory contribution requirements. Section 121.031(3), F.S., requires an annual actuarial valuation of the FRS Pension Plan, which is provided to the Legislature as guidance for funding decisions. Employer and employee contribution rates are established in Section 121.71, F.S. Employer contribution rates under the uniform rate structure (a blending of both the FRS Pension Plan and Investment Plan rates) are recommended by the actuary but set by the Legislature. Statutes require that any unfunded actuarial liability (UAL) be amortized within 30 plan years. Pursuant to Section 121.031(3)(f), F.S., any surplus actuarial amounts available to offset total retirement system costs are to be amortized over a 10-year rolling period on a level-dollar basis. The balance of legally required reserves for the FRS Pension Plan at June 30, 2017, was \$154,053,262,968. These funds were reserved to provide for total current and future benefits, refunds, and administration of the FRS Pension Plan.

The table below presents FRS employer contribution rates. Rates indicated are uniform rates for all FRS members and include UAL contribution rates. These rates do not include a 1.66% contribution rate for the Retiree Health Insurance Subsidy (HIS) Program and a 0.06% assessment for the administration of the FRS Investment Plan and the educational program available to all FRS members. In addition, the July 1, 2016, statutory employer rates do not include the 3.00% mandatory employee contribution for all membership classes except for members in the DROP.

Membership Class	Uniform Employer Rates Recommended by Actuarial Valuation as of July 1, 2015 for Fiscal Year 2016-2017	July 1, 2016 Statutory Rates (Ch. 121, F.S.)
Regular	5.80%	5.80%
Senior Management Service	20.05%	20.05%
Special Risk	20.85%	20.85%
Special Risk Administrative Support	26.34%	26.34%
Elected Officers - Judges	34.98%	34.98%
Elected Officers - Legislators/Attorneys/Cabinet	40.38%	40.38%
Elected Officers - County	40.75%	40.75%
DROP - applicable to members from all of the above classes or plans	11.33%	11.33%

Employee eligibility, benefits, and contributions by class are as previously described. Employees not filling regular established positions and working under the other personal services or temporary status are not covered by the FRS.

Retiree Health Insurance Subsidy Program

The HIS Program is a non-qualified cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, F.S. The Florida Legislature establishes and amends the benefit terms of the HIS Program. The benefit is a monthly payment to assist retirees of state-administered retirement systems in paying their health insurance costs and is administered by the Division. For the fiscal year ended June 30, 2017, 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 eligible 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. For the fiscal year ended June 30, 2017, the contribution rate was 1.66% of payroll pursuant to Section 112.363, F.S. The state 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.

The Florida National Guard Supplemental Retirement Benefit Plan

The Florida National Guard Supplemental Retirement Benefit Plan (National Guard Benefit) is a single-employer, non-qualified defined benefit pension plan established under Section 250.22, F.S., and is administered by the Division. The Florida Legislature establishes and amends the plan. Florida National Guard retirees must have at least 30 years of Florida National Guard service. Normal retirement is at age 62 with early retirement available beginning at age 60. The monthly benefit is equal to the difference between 50% of the federal military pay table for the highest rank held while in the Florida National Guard and the benefit received from the federal government for reservist military service. The benefit amount is recalculated whenever the federal military pay table is increased or the federal benefit is increased by a cost of living adjustment. The benefit is payable for the lifetime of the retiree without a survivor benefit option. The table below shows the number of employees covered by the benefit terms.

Active Members	11,688
Retirees	775
Terminated Vested Members	428
Total	12,891

The National Guard Benefit is funded by an annual appropriation from General Revenue by the Legislature. Any appropriated funds not obligated for benefit payments owed at June 30 each year revert to the General Revenue Fund.

Pension Amounts for Defined Benefit Pension Plans**Net Pension Liability**

At June 30, 2017, the State reported a total liability of \$6,903,336,872 for its proportionate share of the net pension liabilities of the defined benefit, multiple-employer cost-sharing pension plans and its single-employer, non-qualified pension plan. The table below presents the fiduciary net position for the FRS and HIS plans as well as the State's proportion and proportionate share as of the measurement date of June 30, 2016, and the fiduciary net position of the National Guard Benefit as of the measurement date of June 30, 2017:

	FRS Pension Plan	HIS	National Guard Benefit	Total
Plan total pension liability (A)	\$ 167,030,999,000	\$ 11,768,444,801	\$ 586,288,494	
Plan fiduciary net position (B)	(141,780,920,515)	(113,859,055)	.....	
Plan net pension liability (A-B)	25,250,078,485	11,654,585,746	586,288,494	
State's proportion	18.150587866%	14.878355474%	100.00%	
State's proportionate share	\$ 4,583,037,682	\$ 1,734,010,696	\$ 586,288,494	\$ 6,903,336,872

The State's proportion of the net pension liability for FRS Pension Plan and HIS was based on contributions paid to the plans by the State relative to the contributions paid by all participating employers. The table below shows the change in proportion since the prior measurement date:

	FRS	HIS
State's proportion at prior measurement date, June 30, 2015	17.961696240%	15.144426318%
State's proportion at measurement date, June 30, 2016	18.150587866%	14.878355474%
Increase / (decrease) in proportion	0.188891626%	-0.266070844%

The table below shows the changes in National Guard Benefit net pension liability for the fiscal year ended June 30, 2017:

National Guard Benefit			
	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances as of June 30, 2016	\$ 664,546,758	\$	\$ 664,546,758
Changes for the year:			
Service Cost	12,904,360	.....	12,904,360
Interest on total pension liability	19,099,678	.....	19,099,678
Effect of economic/demographic gains or losses	.....	.....	.....
Effect of assumptions changes or inputs	(95,585,214)	.....	(95,585,214)
Benefit payments	(14,677,088)	(14,677,088)	.....
Employer contributions	.....	14,719,588	(14,719,588)
Administrative expenses	.....	(42,500)	42,500
Balances as of June 30, 2017	\$ 586,288,494	\$	\$ 586,288,494

Actuarial Methods and Assumptions

Actuarial assumptions for the defined benefit cost-sharing plans are reviewed annually by the FRS Actuarial Assumptions Conference. The most recent experience study for the FRS Pension Plan was for the period July 1, 2008, through June 30, 2013; assumption changes adopted by the FRS Assumptions Conference were incorporated into the July 1, 2014 FRS Valuation. Because the HIS Program is funded on a pay-as-you-go basis, no experience study has been completed for this program.

The total pension liability for each of the defined benefit plans was determined by an actuarial valuation as of the measurement date, of July 1, 2016, using the entry age normal actuarial cost method. Inflation increases for the FRS Pension Plan and the HIS is assumed at 2.60%. Payroll growth for both plans is assumed at 3.25%.

Both the discount rate and the long-term expected rate of return used for FRS Pension Plan investments is 7.60%. 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 plan's fiduciary net position was projected to be available to make all projected future benefit payments of 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 Program uses a pay-as-you-go funding structure, a municipal bond rate of 2.85% was used to determine the total pension liability for the program. Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB tables.

There were changes in benefit terms for the FRS Investment Plan prior measurement date that affected the total pension liability. In-line-of-duty death benefits for surviving spouses or dependent children of Special Risk Class members if the members' death occurred after June 30, 2013, for benefit payable on or after July 1, 2016. There were no changes in benefit terms for HIS that affected the total pension liability since the prior measurement date. There were no changes between the measurement date and

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the reporting date which significantly impact the State's proportionate share of the net pension liability, deferred outflows, deferred inflows and pension expense for either FRS Pension Plan or HIS.

The following changes in actuarial assumptions occurred in 2016:

- FRS Pension Plan: The inflation rate assumption remained at 2.60%, the real payroll growth assumption remained at 0.65%, and the overall payroll growth rate assumption remained at 3.25%. The long-term expected rate of return was reduced from 7.65% to 7.60%.
- HIS: The municipal rate used to determine total pension liability decreased from 3.80% to 2.85%.

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 Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.0%	3.0%
Fixed income	18.0%	4.7%
Global equity	53.0%	8.1%
Real estate (property)	10.0%	6.4%
Private equity	6.0%	11.5%
Strategic investments	12.0%	6.1%
	100.0%	

The National Guard Benefit has not had a formal actuarial experience study performed. Due to the pay-as-you-go nature of the program, full actuarial valuations will be conducted in even-numbered years. Liabilities for odd-numbered years will be developed based on the results of a full actuarial valuation using standard actuarial roll-forward techniques. The total pension liability was determined by an actuarial valuation as of the valuation date, July 1, 2016, using the individual entry age normal actuarial cost method. The inflation rate was assumed at 2.60%, the annual increase in Federal Military Pay tables is assumed at 2.00%, and the Cost-of-Living adjustments are assumed at 1.50%.

Because the National Guard Benefit uses a pay-as-you-go funding structure, a municipal bond rate of 3.58% was used to determine the total pension liability for the program. Mortality assumptions for the plan was based on the Generational RP-2000 with Projection Scale BB tables.

There were no changes in benefit terms to the National Guard Benefit that affected the total pension liability since the prior measurement date.

The following changes in actuarial assumptions occurred in 2017 for the National Guard Benefit:

- The municipal bond rate used to determine total pension liability increased from 2.85% to 3.58%.

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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 State's proportionate share of the FRS and HIS plan's net pension liability and the National Guard Benefit net pension liability if the discount rate was 1.00% higher or 1.00% lower than the current discount rate at June 30, 2016, for the FRS and HIS plans, and June 30, 2017, for the National Guard Benefit.

FRS Pension Plan			HIS		
1% Decrease 6.60%	Current Discount Rate 7.60%	1% Increase 8.60%	1% Decrease 1.85%	Current Discount Rate 2.85%	1% Increase 3.85%
\$8,437,682,657	\$4,583,037,682	\$1,374,554,810	\$1,989,304,225	\$1,734,010,696	\$1,522,131,003

National Guard Benefit		
1% Decrease 2.58%	Current Discount Rate 3.58%	1% Increase 4.58%
\$722,701,453	\$586,288,494	\$483,500,176

Pension Expense and Deferred Outflows / (Inflows) of Resources

In accordance with GASB 68, paragraphs 54 and 71, changes in the net pension liability are recognized in pension expense in the current measurement period, except as indicated below. For each of the following, a portion is recognized in pension expense in the current measurement period, and the balance is amortized as deferred outflows or deferred inflows of resources using a systematic and rational method over a closed period, as defined below:

- Differences between expected and actual experience with regard to economic and demographic factors – amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employees).
- Changes of assumptions or other inputs – amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employees).
- Differences between expected and actual earnings on pension plan investments – amortized over five years.

The average expected remaining service life of all employees provided with pensions through the pension plans at June 30, 2016, was 6.4 years for FRS Pension Plan and 7.2 years for HIS.

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The State's proportionate share of the components of collective pension expense and deferred outflows and inflows of resources reported in the pension allocation schedules for the measurement date year ended June 30, 2016, are presented below for each plan.

FRS Pension Plan

	Recognized in Expense Reporting Period Ending June 30, 2017	Recognition Period	Deferred Outflows of Resources	Deferred Inflows of Resources
Service cost	\$ 387,134,914	Current	\$	\$
Interest cost	2,197,875,341	Current	.....	.....
Effect of plan changes	5,864,455	Current	.....	.....
Effect of economic/demographic gains or losses (difference between expected and actual experience)	61,565,673	6.4 years	350,912,615	(42,671,177)
Effect of assumptions changes or inputs	65,417,273	6.4 years	277,260,062	.....
Member contributions	(128,999,280)	Current	.....	.....
Projected investment earnings	(2,010,249,385)	Current	.....	.....
Changes in proportion and differences between contributions and proportionate share of contributions	36,646,292	6.4 years	433,029,640	(299,416,837)
Net difference between projected and actual investment earnings	116,847,945	5 years	1,184,659,371	.....
Contributions subsequent to the measurement date	.....	1 year	457,949,958	.....
Administrative expenses	3,359,173	Current	.....	.....
Total	\$ 735,462,401		\$ 2,703,811,646	\$ (342,088,014)

Health Insurance Subsidy

	Recognized in Expense Reporting Period Ending June 30, 2017	Recognition Period	Deferred Outflows of Resources	Deferred Inflows of Resources
Service cost	\$ 38,194,259	Current	\$	\$
Interest cost	58,138,223	Current	.....	.....
Effect of plan changes	.....	Current	.....	.....
Effect of economic/demographic gains or losses (difference between expected and actual experience)	(637,006)	7.2 years	.....	(3,949,439)
Effect of assumptions changes or inputs	48,489,807	7.2 years	272,110,362	.....
Member contributions	.....	Current	.....	.....
Projected investment earnings	(462,154)	Current	.....	.....
Changes in proportion and differences between contributions and proportionate share of contributions	(8,067,168)	7.2 years	98,195,143	(140,792,203)
Net difference between projected and actual investment earnings	322,697	5 years	876,753	.....
Contributions subsequent to the measurement date	.....	1 year	76,584,478	.....
Administrative expenses	27,907	Current		
Total	\$ 136,006,565		\$ 447,766,736	\$ (144,741,642)

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The average expected remaining service life of all employees provided with pensions through the National Guard defined benefit single-employer plan at June 30, 2017, was 11.5 years. The State's pension expense and deferred outflows and deferred inflows of resources reported for the fiscal year ended June 30, 2017, are presented below for the plan.

Florida National Guard Supplemental Retirement Benefit Plan

	Recognized in Expense Reporting Period Ending June 30, 2017	Recognition Period	Deferred Outflows of Resources	Deferred Inflows of Resources
Service cost	\$ 12,904,360	Current	\$	\$
Interest cost	19,099,678	Current	.....	.....
Effect of economic/demographic gains or losses	2,387,976	11.5 years	22,685,777	.....
Effect of assumptions changes or inputs	8,266,303	11.5 years	150,719,886	87,273,456
Administrative expenses	42,500	Current	.....	.....
Total	\$ 42,700,817		\$ 173,405,663	\$ 87,273,456

Deferred outflows of resources related to contributions paid subsequent to the measurement date as shown in the tables above will be recognized as a reduction of the net pension liability in the reporting period ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension expense will be recognized as follows:

Reporting Period Ending June 30,	FRS Pension Plan Expense	HIS Expense	National Guard Benefit Expense
2018	\$ 280,477,183	\$ 40,108,329	\$ 10,654,279
2019	280,477,184	40,108,330	10,654,279
2020	742,330,947	39,941,380	10,654,279
2021	499,633,838	39,861,245	10,654,279
2022	76,380,145	35,656,079	10,654,279
Thereafter	24,474,377	30,765,253	32,860,812
Total	\$ 1,903,773,674	\$ 226,440,616	\$ 86,132,207

Payables to the Pension Plans

The State reported payables of \$6.1 million to the FRS Pension Plan, and \$1.4 million to the HIS Program as of June 30, 2017, for legally required contributions to the plans.

2. Defined Contribution Programs

FRS Investment Plan

The SBA administers the defined contribution plan officially titled the FRS Investment Plan. The Florida Legislature establishes and amends the benefit terms of the plan. Retirement benefits are based upon the value of the member's account upon retirement. The FRS Investment Plan provides vesting after one year of service regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the FRS Investment Plan, the years of service required for vesting under the Pension Plan (including the service credit represented by the transferred funds) is required to be vested for these funds and the earnings on the funds. The employer pays a contribution as a percentage of salary that is deposited into the individual member's account. Effective July 1, 2011, there is a mandatory employee contribution of 3.00%. The FRS Investment Plan member directs the investment from the options offered under the plan. Costs of administering the plan, including the FRS Financial Guidance Program, are funded through an employer assessment of 0.06% of payroll and by forfeited benefits of plan members. After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the FRS Investment Plan, receive a lump-sum distribution, or leave the funds invested for future distribution. Upon receiving a distribution, other than a de minimis distribution or required minimum distribution, the member is a retiree. Disability coverage is provided for total and permanent disability; the employer pays an employer contribution to fund the disability benefit which is deposited in the FRS Trust Fund. The member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the FRS Investment Plan and rely upon that account balance for retirement income.

State University System Optional Retirement Program

Section 121.35, F.S., created the SUSORP for eligible State University System faculty, administrators, and administrative and professional staff. The Florida Legislature establishes and amends the benefit terms of the program. This program is designed to aid universities in recruiting employees who may not remain in the FRS long enough to vest. The SUSORP is a defined contribution plan that, upon signing an investment contract, provides full and immediate vesting of all contributions paid on behalf of the participants to the participating provider companies to invest as directed by the participant to provide retirement and death benefits. Employees in eligible positions are compulsory participants in the SUSORP unless they elect FRS membership. Faculty in a college of medicine with a faculty practice plan are mandatory SUSORP participants and cannot elect FRS membership.

The employing universities were statutorily required to contribute 5.15% of the participants' gross monthly compensation from July 2016, through June 2017. In accordance with Chapter 60U-2, Florida Administrative Code, 0.01% of the employer contribution rate was used for the administration of the SUSORP program and 5.14% was distributed to the provider companies designated by the participant. Effective July 1, 2011, there is a mandatory employee contribution of 3.00%. A participant may contribute by salary reduction an amount not to exceed the percentage contributed by the university. In addition to the employer funding to the participants' accounts, the employing universities are required to make a contribution as a percent of covered payroll that is transferred to the FRS Trust Fund to help amortize any UAL. The required UAL contribution rate for fiscal year 2016-17 was 2.83%.

Senior Management Service Optional Annuity Program (SMSOAP)

Section 121.055, F.S., created the SMSOAP as an optional retirement program alternative for state members of the SMSC. Employees in eligible state positions may make an irrevocable election to participate in the SMSOAP in lieu of the SMSC. The Florida Legislature establishes, amends the benefit terms of the program, and closed the program to new members effective July 1, 2017.

The SMSOAP is a defined contribution plan that, upon signing an investment contract, provides full and immediate vesting of all contributions paid on behalf of the participants to the participating provider companies. Participants direct the investment of contributions to provide retirement and death benefits. Employers were required to contribute 6.27% of covered payroll from July 2016, through June 2017. The employers' contributions were paid to the provider companies designated by the participant. Effective July 1, 2011, there is a mandatory employee contribution of 3%. A participant may contribute by salary reduction an amount not to exceed the percentage contributed by the employer. In addition to the employer funding to the participants' accounts, the state agencies are required to make a contribution as a percent of covered payroll that is transferred to the FRS Trust Fund to help amortize the UAL. The required UAL contribution rate for fiscal year 2016-17 was 15.67%.

Pension Amounts for Defined Contribution Plans

As of June 30, 2017, the State reported the following pension amounts related to the defined contribution plans:

Reporting Period Ended June 30, 2017	FRS Investment Plan	Optional Retirement Plan	Optional Annuity Program
<i>Pension Expense</i> ^{1,2}	\$ 59,720,625	\$ 91,142,630	\$ 118,959
<i>Forfeitures</i>	6,586,551	.....	.....
<i>Pension Liability</i>	1,544,711	.....	.....

¹ Pension expense excludes the required UAL which is recognized in the Defined Benefit Pension Plan as contributions.

² The amount of forfeitures is not reflected in pension expense recognized by the State and is used to offset administrative costs.

B. Other Postemployment Benefits (OPEB)

The following is based on the October 10, 2016, interim update actuarial valuation of the State Employees' Health Insurance Program Retiree healthcare benefits as of July 1, 2016.

Plan Description

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 increasing health care costs with age and the 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. 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 agency 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.

There are twenty-one participating employers including the primary government of the state, the twelve state universities, and other governmental entities. There was an enrollment of 175,654 subscribers including 35,273 retirees at July 1, 2017. COBRA subscribers accounted for an additional 516 members. 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 High Deductible PPO Plan, a standard Health Maintenance Organization (HMO) Plan, and a High Deductible 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.

The asset and liability balances relating to retiree participation in the state group health insurance program are reported in an Agency Fund on the accrual basis of accounting. Premium payments from retirees are recognized as revenue in the period in which the payments are due. Costs for providing benefits, which include premiums and direct healthcare services, are recognized as an expense when incurred.

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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 advance-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 2017 coverage, for active employees and retirees under the age of 65 for the standard plan were \$693 and \$1,560 for single and family contracts, respectively. Retirees over the age of 65 pay premiums for a Medicare supplement. Monthly premiums, through June 2017 coverage, for the standard PPO Plan were \$388 for a single contract, \$777 for two Medicare eligible members, and \$1,120 for a family contract when only one member is Medicare eligible. The following schedules regarding OPEB cost, net OPEB obligation and OPEB funded status disclose only the State of Florida's share of the OPEB. Refer to Other Required Supplementary Information for information on the OPEB plan as a whole.

Actuarially-Determined Annual OPEB Cost and Net OPEB Obligation as of June 30, 2017 and the two preceding fiscal years (dollars in thousands):

	2017	2016	2015
Annual required contribution (ARC)	\$ 538,394	\$ 530,981	\$ 360,424
Interest on the net OPEB obligation	77,755	60,953	49,713
Adjustments to the ARC	(71,825)	(56,304)	(43,085)
Annual OPEB Cost	544,324	535,630	367,052
Employer contribution	(134,633)	(115,571)	(86,057)
Increase/(decrease) in net OPEB obligation	409,691	420,059	280,995
Net OPEB obligation - July 1	1,943,878	1,523,819	1,242,824
Net OPEB obligation - June 30	\$ 2,353,569	\$ 1,943,878	\$ 1,523,819
Percent of annual OPEB cost contributed	24.73%	21.58%	23.45%

Funded Status – State Share

The funded status of the plan as of June 30, 2017, was as follows (dollars in thousands):

Actuarial valuation date	July 1, 2016
Actuarial accrued liability (AAL)	\$ 7,010,898
Actuarial value of plan assets	-----
Unfunded actuarial accrued liability (UAAL)	\$ 7,010,898
Actuarial value of assets as a percentage of the AAL	0.00%
Covered payroll – State share	\$ 4,427,783
UAAL (State) as a percentage of covered payroll	158.34%

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. The schedule of funding progress, in the Other Required Supplementary Information, presents information about the actuarial value of plan assets relative to the actuarial accrued liability for benefits.

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in 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.

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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 PPO Plans are 3.1%, 7.5%, 8.8%, for the first three years followed by 9.7% in the fourth year, then grading to 3.9% over the course of 60 years. For the HMO Plans – Pre-Medicare, initial healthcare cost trend rates of 3.0%, 5.7%, 7.0% are used for the first three years followed by 7.8% in the fourth year, then grading to 3.9% over the course of 60 years. For the PPO Plans – Post Medicare, initial healthcare cost trend rates of 3.1%, 7.5%, and 8.8% are used for the first three years followed by 9.5% 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 3.0%, 5.7%, and 7.0% are used for the first three years followed by 7.6% in the fourth year, then grading to 4.0% over the course of 60 years.

NOTE 7 - COMMITMENTS AND OPERATING LEASES**A. Construction Commitments**

Road and bridge construction projects, supervised by the Department of Transportation, are included in the Department of Transportation work program, which is updated during each budget cycle. As of June 30, 2017, the Department had available approximately \$11.8 billion in budget authority committed on executed contracts arising from both current and prior year projects. Other major construction commitments of the State of Florida at June 30, 2017, totaled \$256 million. Refer to Note 5 for additional disclosures relating to construction in progress. Construction commitments for component units totaled \$2.6 billion.

B. Florida Ports Financing Commission Revenue Bonds

Section 320.20, Florida Statutes, obligates the state to remit annually \$25 million to a designated trustee for the purpose of repaying the debt on certain Florida Ports Financing Commission revenue bonds. The Florida Ports Financing Commission is not part of the state's reporting entity. These revenue bonds do not create or constitute a legal obligation or debt of the state. Funding for the annual remittance comes from the State of Florida, Department of Transportation's portion of motor vehicle registration fees, which was \$612,492,342 for the fiscal year ended June 30, 2017. The table below represents the Florida Ports Financing Commission revenue bonds outstanding as of June 30, 2017:

Series	Amount
2011A	\$ 7,795,000
2011B	103,310,000
2011A (Intermodal)	55,635,000
2011B (Intermodal)	39,265,000
Total	\$ 206,005,000

C. Operating Leases

Operating leases are not recorded on the balance sheets or statements of net assets; however, operating lease payments are recorded as expenditures/expenses when incurred. Total operating lease payments for the state's governmental activities, business-type activities, and component units were \$125.2 million, \$10.0 million, and \$56.4 million, respectively, for the year ended June 30, 2017. The following is a schedule of future non-cancelable operating lease payments for the primary government and component units at June 30, 2017 (in thousands):

	Primary Government		Component
	Governmental Activities	Business-type Activities	Units
2018	\$ 130,565	\$ 8,675	\$ 67,129
2019	127,074	6,074	48,944
2020	111,141	4,733	42,682
2021	96,883	4,042	36,446
2022	80,669	3,917	34,350
2023-2027	61,281	13,236	103,116
2028-2032	15,326	3,951	19,459
2033-2037	16,083	836	6,458
2038-2042	16,880	.....	3,992
2043-2047	17,713	.....	7,965
2048-2052	.....	.....	635
2053-2057	.....	.....	536
2058-2062	.....	.....	142
2063-2067	.....	.....	142
2068-2072	.....	.....	142
2073-2077	.....	.....	142
2078-2082	.....	.....	142
2083-2087	.....	.....	114
Total	\$ 673,615	\$ 45,464	\$ 372,536

D. Encumbrances

As of June 30, 2017, encumbrances for major and nonmajor governmental funds were (in thousands):

	General Fund	Environment, Recreation and Conservation	Public Education	Health and Family Services	Transportation	Nonmajor Governmental Funds	Total
Encumbrances:	\$ 225,710	\$ 15,626	\$ 84,895	\$ 94,198	\$ 41,028	\$ 311,692	\$ 773,149

NOTE 8 - BONDS PAYABLE AND CERTIFICATES OF PARTICIPATION**A. Bonds Payable****1. Outstanding Bonds**

Bonds payable at June 30, 2017, are as follows (in thousands):

Bond Type	Original Amount	Amount Outstanding	Interest Rates	Annual Maturity To
Governmental Activities:				
Road and Bridge Bonds	\$ 1,739,310	\$ 1,469,980	2.500%-5.000%	2046
SBE Capital Outlay Bonds	392,790	195,505	2.000%-5.000%	2030
Lottery Education Bonds	2,330,210	1,516,037	3.000%-6.584%	2032
Public Education Bonds	10,522,495	8,318,510	2.250%-6.000%	2047
State University System Bonds	180,325	123,265	3.000%-6.500%	2033
University Auxiliary Bonds	1,011,427	826,082	2.120%-7.500%	2043
Inland Protection Bonds	60,615	53,805	4.500%-5.400%	2024
Florida Forever Bonds	1,322,460	931,465	2.000%-7.045%	2029
Water Pollution Control Bonds	564,775	333,375	3.500%-5.250%	2031
Florida Facilities Pool Bonds	479,060	236,100	4.000%-5.750%	2039
State Infrastructure Bank Bonds	123,615	32,325	4.250%-5.000%	2027
Seaport Investment Bonds	138,145	125,190	4.000%-5.000%	2043
Everglades Restoration Bonds	266,535	217,350	0.920%-6.450%	2035
	19,131,762	14,378,989		
Unamortized premiums (discounts) on bonds payable		863,175		
Total Bonds Payable	<u>\$ 19,131,762</u>	<u>\$ 15,242,164</u>		
Business-type Activities:				
Toll Facilities Bonds	\$ 3,801,095	\$ 2,650,430	2.500%-6.800%	2045
Florida Hurricane Catastrophe Fund Bonds	3,200,000	2,700,000	2.107%-2.995%	2022
	7,001,095	5,350,430		
Unamortized premiums (discounts) on bonds payable		137,350		
Total Bonds Payable	<u>\$ 7,001,095</u>	<u>\$ 5,487,780</u>		

2. Types of Bonds

Road and Bridge Bonds are issued to finance the cost of acquiring real property or the rights to real property for state roads, or to finance the cost of state bridge construction. The bonds, serial and term, are secured by a pledge of a portion of the state-assessed motor fuel tax revenues, and by a pledge of the full faith and credit of the state.

State Board of Education (SBE) Capital Outlay Bonds are issued to finance capital outlay projects of school districts and community colleges. The bonds, serial and term, are secured by a pledge of a portion of the state-assessed motor vehicle license tax and by a pledge of the full faith and credit of the state.

Lottery Education Bonds are issued to finance all or a portion of the costs of various local school district educational facilities. The bonds, serial and term, are secured by a pledge of a portion of the lottery revenues transferred to the Educational Enhancement Trust Fund.

Public Education Bonds are issued to finance capital outlay projects of local school districts, community colleges, vocational technical schools, and state universities. The bonds, serial and term, are secured by a pledge of the state's gross receipts tax revenues and by a pledge of the full faith and credit of the state.

State University System Bonds are issued to construct university student life facilities. The bonds, serial and term, are secured by a system pledge of Capital Improvement Fee revenues.

University Auxiliary Bonds are issued to construct university facilities, including parking and housing. The bonds, serial and term, are secured by university pledges of certain housing system revenues, parking system revenues, and student fee assessments.

Inland Protection Bonds are issued by the Inland Protection Financing Corporation (a blended component unit) for the purpose of financing the rehabilitation of petroleum contaminated sites. The bonds mature serially and are secured by a pledge of moneys derived from a wholesale excise tax primarily on petroleum products.

Florida Forever Bonds are issued to finance the cost of acquisition and improvements of lands, water areas, and related property interests and resources in the State of Florida for the purposes of restoration, conservation, recreation, water resource development, or historical preservation. The bonds, serial and term, are secured by a pledge of a portion of the documentary stamp tax.

Florida Water Pollution Control Bonds are issued by the Florida Water Pollution Control Financing Corporation (a blended component unit) to fund loans to local governments to finance or refinance the cost of wastewater treatment and storm water management projects. The bonds mature serially and are secured by a pledge of the loan payments from local governments.

Florida Facilities Pool Bonds are issued to provide funds for the acquisition and construction of facilities to be leased to state agencies. The bonds mature serially and are secured by a pledge of the revenues derived from the leasing and operations of these facilities.

State Infrastructure Bank Bonds are issued primarily to finance loans made for the purpose of financing qualified transportation projects. The bonds mature serially and are secured by a pledge of repayments on pledged loans and moneys and investments held in reserve accounts.

Seaport Investment Program Bonds are issued primarily to finance improvements at various seaports within the State of Florida. The bonds, serial and term, are secured by a first lien on the annual allocation of certain fees derived from motor vehicle certificates to the Seaport Investment Program.

Everglades Restoration Bonds are revenue bonds issued to finance or refinance the costs of acquisition and improvement of lands, water areas, and related property interests and resources for the purpose of implementing the Comprehensive Everglades Restoration Plan and to fund the Florida Keys Area of Critical State Concern Protection Program. The bonds mature serially and are secured by a pledge of a portion of the documentary stamp tax.

Toll Facilities Bonds are issued to provide construction funds for roads and bridges. Toll bonds, serial and term, are secured by a pledge of toll facility revenues.

Florida Hurricane Catastrophe Fund Post-Event Bonds are issued by the State Board of Administration Finance Corporation to make payments to participating insurers for losses resulting from covered events (hurricanes). The bonds mature serially and are secured by emergency assessments and reimbursement premiums. Pre-event notes are also issued to provide a source of funds to reimburse participating insurers for losses relating to future covered events and are secured by reimbursement premiums.

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3. Pledged Revenues

The table below contains information regarding revenues pledged to repay debt obligations (dollars in thousands). For each Bond Type, the table discloses Gross Revenue, Operating Expenses, Net Revenue Available for Debt Service, Principal, Interest, Coverage Ratio, Final Maturity, Remaining Debt Service, and Revenue Ratio. The Bond Types with Operating Expenses are considered self-supporting debt and are paid from the associated facilities being financed. If Operating Expenses are not shown, the bond type is considered to be Net Tax Supported debt and serviced by dedicated tax or fee revenues.

Bond Type	Revenue ³	Less Operating Expenses	Net Available for Debt Service	Debt Service			Coverage Ratio	Final Maturity	Remaining Debt Service	Revenue Ratio ⁴
				Principal	Interest ⁵	Total Debt Service				
Florida Turnpike (Toll Facility)	\$ 1,044,530	\$ 208,198	\$ 836,332	\$ 133,590	\$ 123,804	\$ 257,394	3.25	2045	\$ 3,953,598	80.07%
Florida Forever/Everglades ¹	2,417,800	.....	2,417,800	110,955	58,213	169,168	14.29	2035	1,446,834	100.00%
Lottery Education ¹²	1,656,348	.....	1,656,348	219,805	85,327	305,132	5.43	2032	1,895,361	100.00%
Alligator Alley (Toll Facility)	32,383	8,594	23,789	2,015	1,433	3,448	6.90	2027	34,498	73.46%
State Infrastructure Bank	47,269	.....	47,269	8,655	2,009	10,664	4.43	2027	37,198	100.00%
Florida Hurricane Catastrophe	1,181,244	19,505	1,161,739	.....	69,529	69,529	16.71	2021	2,927,529	98.35%
State University System Bonds	56,193	.....	56,193	9,390	6,740	16,130	3.48	2033	169,953	100.00%
University Auxiliary Bonds										
Parking System Revenue Bonds										
Florida International University	15,651	6,202	9,449	3,135	3,192	6,327	1.49	2043	115,497	60.37%
University of South Florida	13,977	7,880	6,097	2,340	717	3,057	1.99	2026	22,029	43.62%
Florida Agricultural & Mechanical University	1,877	1,171	706	210	23	233	3.03	2018	232	37.61%
University of Florida	13,920	7,811	6,109	1,640	686	2,326	2.63	2028	16,716	43.89%
Florida Atlantic University	7,327	3,135	4,192	1,405	672	2,077	2.02	2032	19,948	57.21%
University of Central Florida	22,189	3,962	18,227	3,150	1,218	4,368	4.17	2032	35,006	82.14%
Florida State University	12,175	3,515	8,660	3,165	1,549	4,714	1.84	2031	41,467	71.13%
Housing System Revenue Bonds										
Florida Agricultural & Mechanical University	14,524	6,608	7,916	3,110	2,811	5,921	1.34	2032	76,676	54.50%
Florida International University	29,939	16,856	13,083	3,750	3,668	7,418	1.76	2041	128,266	43.70%
University of Florida	57,788	39,801	17,987	4,800	3,058	7,858	2.29	2033	90,143	31.13%
Florida Atlantic University	17,859	8,844	9,015	3,130	2,434	5,564	1.62	2036	73,720	50.48%
University of Central Florida	31,063	16,274	14,789	4,580	4,210	8,790	1.68	2042	131,896	47.61%
Florida State University	43,690	22,736	20,954	6,010	7,971	13,981	1.50	2040	251,994	47.96%
Student Health and Wellness Center Revenue Bonds										
University of Central Florida	17,116	.....	17,116	425	191	616	27.79	2024	4,326	100.00%
Florida State University	14,941	.....	14,941	1,310	1,072	2,382	6.27	2030	30,940	100.00%
University of North Florida	4,187	.....	4,187	460	586	1,046	4.00	2036	22,985	100.00%
Student Services Center Revenue Bonds										
University of Florida	28,012	.....	28,012	1,480	1,754	3,234	8.66	2033	51,728	100.00%
Water Pollution Control Bonds	77,943	.....	77,943	31,700	17,500	49,200	1.58	2031	437,592	100.00%
Inland Protection Bonds	212,853	.....	212,853	6,810	2,000	8,810	24.16	2024	65,150	100.00%
Seaport Investment Program	200,000	.....	200,000	2,365	6,217	8,582	23.31	2043	223,142	100.00%

¹ Operating Expenses are not listed for various programs. For these programs, either no operating expenses reduce revenues available for debt service, or, in the case of the Lottery, include expenses unrelated to the operation of the program, such as payment of lottery prizes. Instead, for these programs, the revenue shown is the amount available to pay debt service.

² Source Department of Lottery, Audited Financial Statements.

³ Refer to Note 8A.2. for information on the sources of pledged revenues.

⁴ Revenue Ratio is calculated as Net Available for Debt Service divided by Revenue.

⁵ Debt service interest is shown net of interest subsidy payments received from the Federal Government for Build America Bonds.

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4. State Debt Limitations

Section 215.98, F.S., establishes the ratio of tax-supported debt service to tax-supported revenues as the benchmark debt ratio for purposes of setting the state's legal debt margin. Under the policy, if the ratio exceeds 6%, additional tax-supported debt may be authorized only if the Legislature determines the additional debt is in the best interest of the state. If the ratio exceeds 7%, additional tax-supported debt may be authorized only if the Legislature determines it is necessary to address a critical state emergency. During the fiscal year 2016-17, the ratio remained below 6%, but increased slightly due to the payment of the I-4 Ultimate Project. Chapter 2016-62, Section 118, Laws of Florida, provided the Legislature's determination that the authorization and issuance of debt for the 2016-17 fiscal year was in the best interest of the state.

5. Debt Service Requirements

Annual debt service requirements to amortize bonds at June 30, 2017, are as follows (in thousands):

Year Ending June 30	Primary Government					
	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 1,060,285	\$ 672,493	\$ 1,732,778	\$ 142,760	\$ 192,956	\$ 335,716
2019	1,042,845	620,913	1,663,758	650,295	180,628	830,923
2020	1,043,766	569,591	1,613,357	691,310	161,897	853,207
2021	1,065,194	518,139	1,583,333	1,148,445	133,827	1,282,272
2022	1,077,631	465,876	1,543,507	779,315	102,756	882,071
2023-2027	4,370,016	1,601,828	5,971,844	650,255	375,548	1,025,803
2028-2032	2,619,347	779,051	3,398,398	517,230	245,139	762,369
2033-2037	1,613,390	312,190	1,925,580	475,725	129,893	605,618
2038-2042	425,080	52,746	477,826	244,475	39,073	283,548
2043-2047	61,435	5,523	66,958	50,620	3,479	54,099
Bonds payable and interest	14,378,989	5,598,350	19,977,339	5,350,430	1,565,196	6,915,626
Unamortized premiums (discounts)	863,175	.....	863,175	137,350	.....	137,350
Total bonds payable and interest	<u>\$ 15,242,164</u>	<u>\$ 5,598,350</u>	<u>\$ 20,840,514</u>	<u>\$ 5,487,780</u>	<u>\$ 1,565,196</u>	<u>\$ 7,052,976</u>

Year Ending June 30	Component Units		
	Principal	Interest	Total
2018	\$ 1,327,203	\$ 409,041	\$ 1,736,244
2019	1,124,431	208,935	1,333,366
2020	808,219	182,439	990,658
2021	301,765	162,060	463,825
2022	542,650	142,828	685,478
2023-2027	1,031,903	562,133	1,594,036
2028-2032	735,429	393,795	1,129,224
2033-2037	695,080	253,831	948,911
2038-2042	466,873	143,966	610,839
2043-2047	438,025	28,655	466,680
2048-2052	29,265	1,110	30,375
2053-2057	750	21	771
2058-2062	.....	.....	.....
Bonds payable and interest	7,501,593	2,488,814	9,990,407
Unamortized premiums (discounts)	171,042		171,042
Total bonds payable and interest	<u>\$ 7,672,635</u>	<u>\$ 2,488,814</u>	<u>\$ 10,161,449</u>

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Annual debt service requirements for university capital improvement debt payable at June 30, 2017, are as follows (in thousands):

Year Ending June 30	Universities		
	Principal	Interest	Total
2018	\$ 50,370	\$ 36,042	\$ 86,412
2019	51,659	33,876	85,535
2020	52,375	31,636	84,011
2021	54,052	29,334	83,386
2022	53,454	27,076	80,530
2023-2027	249,985	101,984	351,969
2028-2032	210,845	51,487	262,332
2033-2037	82,349	18,237	100,586
2038-2042	37,681	4,965	42,646
2043-2047	2,048	103	2,151
Total capital improvement debt payable and interest	844,818	334,740	1,179,558
Unamortized premiums (discounts)	15,617	.....	15,617
Total capital improvement debt payable and interest	\$ 860,435	\$ 334,740	\$ 1,195,175

6. Advance Refundings and Current Refundings

During the fiscal year ended June 30, 2017, the state took advantage of favorable conditions and issued bonds for the purpose of refunding previously issued bonds. The refundings of these bond series were made in order to obtain lower interest rates and the resulting savings in debt service payments over the life of the bonds. The economic gains obtained by these refundings are the differences between the present value of old debt service and new debt service requirements.

The proceeds of the current refundings were used to immediately call the refunded bonds or deposited in Special Purpose Investment Accounts with the State Treasury and used to call refunded bonds within 90 days of the issuance of the refunding bonds. The proceeds of the advance refundings were deposited in Special Purpose Investment Accounts with the State Treasury and economically defeased the refunded bonds. The funds deposited along with the interest to be earned and other available funds were sufficient to meet the future principal and interest payments on the refunded bonds as they became due.

Bonds legally defeased through the consummation of refunding transactions are not included in Florida's outstanding debt. Irrevocable escrow accounts held by the State Board of Administration to service the refunded bonds are reported as agency funds. The following refundings occurred during the fiscal year.

Advance Refundings

Governmental Activities

State of Florida, Full Faith and Credit, Department of Transportation Right-of-Way Acquisition and Bridge Construction Refunding Bonds, Series 2016A in the amount of \$165,820,000, in part, along with additional funds of \$2,189,383 were used to advance refund \$126,055,000 of the State of Florida, Full Faith and Credit, Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds, Series 2008A maturing in the years 2018 through 2037. The refunding resulted in debt savings of \$38,815,714, an economic gain of \$29,848,417, and a deferred loss on refunding of \$1,642,610.

State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Refunding Bonds, 2016 Series B in the amount of \$192,150,000 along with additional funds of \$4,892,651 were used to advance refund \$204,215,000 of the State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Bonds, 2006 Series C maturing in the years 2018 through 2037. The refunding resulted in debt savings of \$55,709,607, an economic gain of \$42,640,174, and a deferred gain on refunding of \$3,272,265.

State of Florida, State Board of Education Lottery Revenue Refunding Bonds, Series 2016A in the amount of \$239,250,000 along with additional funds of \$3,932,500 were used, in part, to advance refund \$157,300,000 of the State of Florida, State Board of Education Lottery Revenue Bonds, Series 2007B maturing in the years 2018 through 2027. The refunding resulted in debt savings of \$28,768,992, an economic gain of \$25,876,124, and a deferred gain on refunding of \$1,372,132.

State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Refunding Bonds, 2016 Series C in the amount of \$147,640,000 along with additional funds of \$990,217 were used to advance refund \$164,505,000 of the State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Bonds, 2006 Series D maturing in the

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years 2018 through 2037. The refunding resulted in debt savings of \$49,221,640, an economic gain of \$38,126,427, and a deferred loss on refunding of \$1,891,179.

State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Refunding Bonds, 2016 Series D in the amount of \$218,885,000 along with additional funds of \$2,073,341 were used to advance refund \$244,235,000 of the State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Bonds, 2007 Series C maturing in the years 2018 through 2037. The refunding resulted in debt savings of \$70,421,311, an economic gain of \$55,393,682, and a deferred gain on refunding of \$879,754.

State of Florida, State Board of Education Lottery Revenue Refunding Bonds, Series 2016B in the amount of \$211,180,000 along with additional funds of \$2,053,625 were used to advance refund \$117,875,000 of the State of Florida, State Board of Education Lottery Revenue Bonds, Series 2007A maturing in the years 2018 through 2026 and \$128,560,000 of the State of Florida, State Board of Education Lottery Revenue Bonds, Series 2008A maturing in the years 2018 through 2027. The refunding resulted in debt savings of \$46,716,838, an economic gain of \$42,845,163, and a deferred gain on refunding of \$708,719.

State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Refunding Bonds, 2016 Series E in the amount of \$206,025,000 along with additional funds of \$2,162,071 were used, in part, to advance refund \$175,695,000 of the State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Bonds, 2005 Series G maturing in the years 2018 through 2037. The refunding resulted in debt savings of \$52,056,472, an economic gain of \$40,696,132, and a deferred gain on refunding of \$807,538.

State of Florida, Department of Environmental Protection Florida Forever Revenue Refunding Bonds, Series 2016A in the amount of \$159,765,000 along with additional funds of \$2,276,723 were used to advance refund \$88,740,000 of the State of Florida, Department of Environmental Protection Florida Forever Revenue Bonds, Series 2007B maturing in the years 2018 through 2027 and \$96,230,000 of the State of Florida, Department of Environmental Protection Florida Forever Revenue Bonds, Series 2008A maturing in the years 2018 through 2028. The refunding resulted in debt savings of \$36,554,907, an economic gain of \$33,090,314, and a deferred gain on refunding of \$1,194,137.

State of Florida, Board of Governors, Florida State University Parking Facility Revenue Refunding Bonds, Series 2017A in the amount of \$7,857,000 were used to advance refund \$7,555,000 of the State of Florida, Board of Governors, Florida State University Parking Facility Revenue Bonds, Series 2007A maturing in the years 2018 through 2026. The refunding resulted in debt savings of \$749,460, an economic gain of \$678,875, and a deferred loss on refunding of \$218,651.

State of Florida, Department of Environmental Protection Everglades Restoration Revenue Refunding Bonds, Series 2017A in the amount of \$42,465,000 along with additional funds of \$9,366,551 were used to advance refund \$56,065,000 of the State of Florida, Department of Environmental Protection Everglades Restoration Revenue Refunding Bonds, Series 2008A maturing in the years 2018 through 2025. The refunding resulted in debt savings of \$8,008,653, an economic gain of \$6,550,231, and a deferred gain on refunding of \$260,086.

Business-type Activities

State of Florida, Department of Transportation, Turnpike Revenue Refunding Bonds, Series 2016C in the amount of \$142,595,000 along with additional funds of \$2,027,673 were used to advance refund \$157,950,000 of the State of Florida, Department of Transportation, Turnpike Revenue Bonds, Series 2008A maturing in the years 2018 through 2037. The refunding resulted in debt savings of \$30,888,783, an economic gain of \$22,057,218, and a deferred loss on refunding of \$1,673,086.

Current Refundings

Governmental Activities

State of Florida, Board of Governors, University of Florida Dormitory Revenue Refunding Bonds, Series 2016A in the amount of \$19,390,000 were used to refund \$20,705,000 of the State of Florida, Florida Education System, University of Florida Housing Revenue Refunding Bonds, Series 2005A maturing in the years 2017 through 2030. The refunding resulted in debt savings of \$3,209,386, an economic gain of \$2,616,777, and a deferred loss on refunding of \$327,938.

State of Florida, Board of Governors, University of South Florida Parking Facility Revenue Refunding Bonds, Series 2016A in the amount of \$21,545,000 were used to refund \$5,620,000 of the State of Florida, Florida Board of Education, University of South

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Florida Parking Facility Revenue Bonds, Series 2002 maturing in the years 2017 through 2023, \$6,155,000 of the State of Florida, Florida Education System, University of South Florida Parking Facility Revenue Bonds, Series 2004A maturing in the years 2017 through 2024, and \$9,495,000 of the State of Florida, Board of Governors, University of South Florida, Parking Facility Revenue Bonds, Series 2006A maturing in the years 2018 through 2026. The refunding resulted in debt savings of \$1,982,158, an economic gain of \$1,792,127, and a deferred loss on refunding of \$171,917.

State of Florida, Board of Governors, Florida Atlantic University Dormitory Revenue Refunding Bonds, Series 2016A in the amount of \$53,040,000 were used to refund \$20,200,000 of the State of Florida, Florida Education System, Florida Atlantic University Housing Revenue Bonds, Series 2003 maturing in the years 2017 through 2033, \$21,565,000 of the State of Florida, Board of Governors, Florida Atlantic University Housing Revenue Bonds, Series 2006A maturing in the years 2018 through 2036, and \$15,485,000 of the State of Florida, Board of Governors, Florida Atlantic University Dormitory Revenue Refunding Bonds, Series 2006B maturing in the years 2018 through 2030. The refunding resulted in debt savings of \$5,339,571, an economic gain of \$4,053,342, and a deferred loss on refunding of \$1,366,645.

State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Refunding Bonds, 2016 Series F in the amount of \$148,400,000 along with additional funds of \$1,897,437 were used to refund \$161,035,000 of the State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Bonds, 2006 Series B maturing in the years 2018 through 2037. The refunding resulted in debt savings of \$31,886,061, an economic gain of \$23,728,457, and a deferred gain on refunding of \$791,677.

State of Florida, Full Faith and Credit, State Board of Education Capital Outlay Refunding Bonds, 2017 Series A in the amount of \$35,805,000, in part, along with additional funds of \$151,281 were used to refund \$10,060,000 of the State of Florida, Full Faith and Credit, State Board of Education Capital Outlay Bonds, 2006 Series A maturing in the years 2018 through 2026. The refunding resulted in debt savings of \$1,372,122, an economic gain of \$1,234,577, and a deferred loss on refunding of \$34,095.

State of Florida, Board of Governors, University System Improvement Revenue Refunding Bonds, Series 2017A in the amount of \$25,610,000 along with additional funds of \$671,465 were used to refund \$10,970,000 of the State of Florida, Florida Education System University System Improvement Revenue Refunding Bonds, Series 2005A maturing in the years 2018 through 2022 and \$18,310,000 of the State of Florida, Florida Education System, University System Improvement Revenue Bonds, Series 2006A maturing in the years 2026 through 2030. The refunding resulted in debt savings of \$5,998,225, an economic gain of \$4,898,054, and a deferred loss on refunding of \$24,543.

7. Prior-year Defeased Bonds

In prior years, the state has deposited with escrow agents in irrevocable trusts amounts sufficient to meet the debt service requirements of certain bonds. These defeased bonds are not reported as outstanding debt. Irrevocable trusts established with the State Board of Administration are reported in an agency fund. Debt considered defeased consists of the following (in thousands):

	Principal at 6/30/2017
<u>Governmental Activities</u>	
University Auxiliary Bonds	<u>\$ 804</u>

8. Arbitrage Regulations

The state complies with federal arbitrage regulations.

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9. Direct Interest

The state's bonds are issued for the creation or continuing existence of various programs. Interest is reported at June 30, 2017, in the following governmental activities as direct expenses on the Statement of Activities (in thousands):

<u>Governmental Activities</u>	<u>Interest</u>
Education:	
SBE Capital Outlay Bonds	\$ 6,497
Lottery Education Bonds	74,386
Public Education Bonds	335,871
State University System Bonds	5,751
University Auxiliary Bonds	<u>33,599</u>
Total Education	<u>456,104</u>
Natural Resources and Environment:	
Inland Protection Bonds	2,967
Everglades Restoration Bonds	7,877
Water Pollution Control Bonds	14,415
Florida Forever Bonds	<u>40,707</u>
Total Natural Resources and Environment	<u>65,966</u>
Transportation:	
Road and Bridge Bonds (Right of Way)	56,357
State Infrastructure Bonds	1,838
Seaport Bonds	<u>5,157</u>
Total Transportation	<u>63,352</u>
Total Direct Interest	<u>\$ 585,422</u>

10. Governmental Activities – Unrestricted Net Position Deficit

Governmental activities reflect a negative unrestricted net position balance of \$12.4 billion at June 30, 2017. This deficit is primarily the result of education-related bonds in which the state is responsible for the debt, but the state colleges, state universities, or the local school districts own the capital assets. Because the state does not own these capital assets, the bonded debt is not netted on the line item "Net investment in capital assets." Instead, this bonded debt is netted with unrestricted net position. Education-related bonds include SBE Capital Outlay Bonds; PECO Bonds; State University System Improvement Bonds; and Lottery Education Bonds; which have a total ending balance at June 30, 2017, of \$10.8 billion. The state has an additional \$1.0 billion in other bonds, including Florida Forever bonds in which the state does not own the related capital assets. The resources related to the payment of this debt will be provided from future revenue sources. If these bonds were removed, the adjusted unrestricted net position for governmental activities would be a negative \$600 million.

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B. Certificates of Participation

1. Primary Government

The state has issued certificates of participation (original amount of \$742,080,000) to finance privately operated detention and mental health facilities. The certificates of participation's interest rates range from 3.500% - 6.825% and the last maturity date is October 1, 2029. The following is a schedule of future minimum principal and interest payments for certificates of participation for governmental activities at June 30, 2017 (in thousands):

Year Ending June 30	Principal	Interest	Total
2018	\$ 39,200	\$ 28,035	\$ 67,235
2019	35,595	26,084	61,679
2020	36,430	24,252	60,682
2021	38,040	22,326	60,366
2022	39,750	20,276	60,026
2023-2027	221,625	65,279	286,904
2028-2032	109,955	9,892	119,847
Total	520,595	196,144	716,739
Unamortized premiums (discounts)	12,230	.....	12,230
Total certificates of participation payable	<u>\$ 532,825</u>	<u>\$ 196,144</u>	<u>\$ 728,969</u>

2. Component Units

Component units (universities and a water management district) have issued certificates of participation (original amount of \$817,645,000) primarily to finance academic and student facilities, and construction projects for Everglades restoration. The certificates of participation's interest rates range from 2.000% to 5.7600% and the last maturity date is July 1, 2040. The following is a schedule of future minimum principal and interest payments for certificates of participation for component units at June 30, 2017 (in thousands):

Year Ending June 30	Principal	Interest	Total
2018	\$ 26,692	\$ 34,671	\$ 61,363
2019	26,179	33,833	60,012
2020	27,317	32,653	59,970
2021	28,524	31,415	59,939
2022	29,799	30,155	59,954
2023-2027	165,829	129,389	295,218
2028-2032	203,870	87,018	290,888
2033-2037	230,900	36,351	267,251
2038-2042	39,080	1,632	40,712
Total	778,190	417,117	1,195,307
Unamortized premiums (discounts)	75,433		75,433
Total certificates of participation payable	<u>\$ 853,623</u>	<u>\$ 417,117</u>	<u>\$ 1,270,740</u>

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NOTE 9 - INSTALLMENT PURCHASES, CAPITAL LEASES, AND PUBLIC-PRIVATE PARTNERSHIPS

A. Installment Purchases

The state has a number of installment purchase contracts primarily providing for the acquisition of buildings, furniture, and equipment. At June 30, 2017, 75% of the state's installment purchase contracts for primary governmental activities were for furniture and equipment, and the remaining 25% for buildings. Installment purchase contracts for component units consisted of 100% of furniture and equipment. The following is a schedule of future minimum installment purchase contract payments for the primary government and component units at June 30, 2017 (in thousands):

Year Ending June 30	Primary Government		Component Units
	Governmental Activities	Business-type Activities	
2018	\$ 11,489	\$ 1,918	\$ 3,166
2019	10,453	15,053	2,745
2020	7,720	.....	1,320
2021	4,937	.....	768
2022	3,124	.....	39
2023-2027	8,576	.....	.....
2028-2032	.....	.....	.....
Total	46,299	16,971	8,038
Less: Interest	(4,665)	(541)	(223)
Present value of future minimum payments	<u>\$ 41,634</u>	<u>\$ 16,430</u>	<u>\$ 7,815</u>

B. Capital Leases

The state has a number of capital leases providing for the acquisition of land, buildings, and furniture and equipment. At June 30, 2017, 24% of the state's capital leases for governmental activities were for buildings, and the remaining 76% were for furniture and equipment. Capital leases for component units consisted of 40% for buildings, 57% for furniture and equipment, and the remaining 3% for land. The following is a schedule of future minimum capital lease payments for the primary government and component units at June 30, 2017 (in thousands):

Year Ending June 30	Primary Government	
	Governmental Activities	Component Units
2018	\$ 4,532	\$ 9,755
2019	4,532	9,180
2020	2,750	7,841
2021	710	6,260
2022	707	12,745
2023-2027	2,080	20,547
2028-2032	.....	12,634
2033-2037	.....	3,529
2038-2042	.....	2,282
2043-2047	.....	2,282
2048-2052	.....	2,282
2053-2057	.....	2,282
2058-2062	.....	2,282
2063-2067	.....	2,282
2068-2072	.....	1,370
Total	15,311	97,553
Less: Interest	(1,395)	(32,322)
Present value of future minimum payments	<u>\$ 13,916</u>	<u>\$ 65,231</u>

C. Public-Private Partnerships

Pursuant to Section 334.30, Florida Statutes, the Department of Transportation (Department) executed two 35-year, Public-Private Partnership concession agreements in March and October of 2009 for the design, build, finance, operation and maintenance of the Interstate 595 Corridor and the Port of Miami Tunnel. Payments consist of construction-period payments, lump-sum final acceptance payments upon completion of construction, and annual performance-based availability payments to be made during the 30-year operations and maintenance period. The Department executed a 40-year concession agreement in September 2014 for the design, build, finance, operation and maintenance of 21 miles of the Interstate 4 Corridor in Seminole and Orange Counties. Annual availability payments are all-inclusive payments consisting of unpaid portions of construction costs, annual operations costs, and maintenance expenses. The payment schedule below includes the full amount of the estimated payments for the Interstate 595 Corridor and the Port of Miami Tunnel and is an estimate of unpaid construction payments during the term of the agreements based on the percentage of completion of the projects at June 30, 2017, for the Interstate 4 Corridor. The annual availability payments for Interstate 595 Corridor and the Port of Miami Tunnel are performance-based and are subject to change based on a fixed percentage as defined in the agreement and on the Consumer Price Index, which could impact the payment schedule. In October 2015, the Department executed a supplemental agreement with the I-595 concessionaire reflecting overall cost reductions for this project as a result of the concessionaire's debt refinancing. The annual availability payments for the Interstate 4 Corridor are performance-based with a portion of the payment that is level and another portion that is indexed based on the Consumer Price Index, which could impact the payment schedule. The lanes were open to traffic on Interstate 595 and Port of Miami Tunnel in March and August 2014, respectively. Construction for the Interstate 4 Corridor is expected to be completed during fiscal year 2021. The Department has one other public-private partnership agreement for the design, build, and finance of another transportation project. The remaining unpaid construction costs for this agreement represents 2.2% of payments due in 2018. The following is a schedule of future maximum payments for the primary government at June 30, 2017 (in thousands):

Year Ending June 30	Primary Government	
	Governmental Activities	Business-type Activities
2018	\$ 474,560	\$ 63,988
2019	162,058	16,857
2020	183,575	16,215
2021	193,932	16,467
2022	204,165	11,104
2023-2027	534,945	88,585
2028-2032	601,626	101,505
2033-2037	654,964	111,265
2038-2042	752,087	132,791
2043-2047	368,881	33,173
2048 -2052	86,705	.....
2053 - 2057	42,804	.....
Total	4,260,302	591,950
Less: Interest	(1,864,501)	(329,923)
Present value of future maximum payments	\$ 2,395,801	\$ 262,027

NOTE 10 - CHANGES IN LONG-TERM LIABILITIES

Changes in long-term liabilities for governmental activities during the fiscal year ended June 30, 2017, are as follows (in thousands):

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Due Within One Year (Current)
Governmental Activities					
Bonds payable:					
Road and Bridge Bonds	\$ 1,576,755	\$ 92,520	\$ 199,295	\$ 1,469,980	\$ 76,165
SBE Capital Outlay Bonds	222,605	35,805	62,905	195,505	43,140
Lottery Education Bonds	1,928,397	211,180	623,540	1,516,037	244,688
Public Education Bonds	8,913,135	813,300	1,407,925	8,318,510	459,285
State University System Bonds	136,325	25,610	38,670	123,265	9,525
University Auxiliary Bonds	879,913	101,832	155,663	826,082	48,917
Inland Protection Bonds	60,615	.....	6,810	53,805	7,000
Florida Forever Bonds	1,051,830	159,765	280,130	931,465	97,745
Water Pollution Control Bonds	365,075	.....	31,700	333,375	28,770
State Infrastructure Bank Bonds	40,980	.....	8,655	32,325	8,160
Seaport Investment Bonds	127,555	.....	2,365	125,190	2,485
Everglades Restoration Bonds	246,745	42,465	71,860	217,350	15,065
Florida Facilities Pool Bonds	261,975	.....	25,875	236,100	19,340
	15,811,905	1,482,477	2,915,393	14,378,989	1,060,285
Unamortized bond premiums (discounts)	867,798	221,752	226,375	863,175	.....
Total bonds payable	16,679,703	1,704,229	3,141,768	15,242,164	1,060,285
Certificates of participation payable	573,150	.....	40,325	532,825	39,200
Deposits	599,545	753,361	655,269	697,637	688,900
Compensated absences	738,211	250,279	255,331	733,159	185,130
Claims payable	2,969,297	1,949,032	1,792,914	3,125,415	1,696,933
Installment purchases/capital leases	63,055	8,483	15,988	55,550	14,314
Public-private partnership agreements	2,388,248	432,354	424,801	2,395,801	388,387
Advances - Due to Unclaimed Prop. TF	930,266	.....	23,240	907,026	.....
Due to Other governments	417,246	8,085	8,001	417,330	.....
Other Postemployment Benefits	1,894,945	398,731	.....	2,293,676	.....
Pension liability	4,440,884	2,342,258	10,149	6,772,993	66,536
Other liabilities	18,311	.....	2,136	16,175	.....
Total Governmental Activities	\$ 31,712,861	\$ 7,846,812	\$ 6,369,922	\$ 33,189,751	\$ 4,139,685

Long-term liabilities for governmental activities are generally liquidated by the applicable governmental funds and/or internal service funds. Specifically, the special revenue funds, capital projects funds, and/or internal service funds will liquidate the certificates of participation payable, installment purchase contracts, and capital lease obligations. The applicable special revenue funds and internal service funds will reduce deposits when such monies are earned. The governmental and internal services funds that account for employees' salaries and wages will liquidate the compensated absences liabilities. The General Fund, Health and Family Services Fund, and the non-major special revenue fund will generally liquidate claims payable. The Public Education Fund will liquidate the advances due to the Unclaimed Property Trust Fund to the extent that the Unclaimed Property Trust Fund does not have sufficient assets to pay claimants requesting payment of unclaimed funds. The nonmajor special revenue funds will generally liquidate other liabilities. The Transportation-Governmental Fund will liquidate the public-private partnership agreements and due to other governments liabilities from annual appropriations. Refer to Note 9 for additional information on the public-private partnership agreements. The pension liability and the Other Postemployment Benefits (OPEB) related to all governmental funds are reported above. The pension liability is adjusted each year based upon investment performance and contributions received. The state does not currently fund the OPEB liability so it is non-liquidating. Refer to Note 6 for additional information on the pension liability and OPEB.

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Changes in long-term liabilities for business-type activities and component units during the fiscal year ended June 30, 2017, are as follows (in thousands):

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Due Within One Year (Current)
Business-type Activities					
Bonds payable:					
Toll Facility Bonds	\$ 2,801,390	\$ 142,595	\$ 293,555	\$ 2,650,430	\$ 142,760
Florida Hurricane Catastrophe Fund Bonds	3,200,000	.....	500,000	2,700,000	.....
	6,001,390	142,595	793,555	5,350,430	142,760
Unamortized bond premiums (discounts)	154,245	12,678	29,573	137,350	.....
Total bonds payable	6,155,635	155,273	823,128	5,487,780	142,760
Accrued prize liability	412,356	4,899,680	4,913,278	398,758	169,096
Deposits	131,971	122,028	93,146	160,853	117,060
Compensated absences	23,279	7,570	7,573	23,276	6,082
Tuition and housing benefits payable	11,813,487	.....	687,387	11,126,100	630,324
Installment purchases/capital leases	16,858	.....	428	16,430	1,506
Claims payable	.....	1,000	.....	1,000	1,000
Public-private partnership agreements ¹	321,462	1,987	61,422	262,027	44,337
Other Postemployment Benefits	44,832	10,028	.....	54,860	.....
Pension liability	86,372	45,083	2,085	129,370	1,465
Other liabilities	552	70	.....	622	.....
Total Business-type Activities	\$ 19,006,804	\$ 5,242,719	\$ 6,588,447	\$ 17,661,076	\$ 1,113,630
Component Units					
Bonds payable	\$ 8,980,672	\$ 151,538	\$ 1,459,575	\$ 7,672,635	\$ 1,327,203
Deposits	1,312,299	991,483	1,125,028	1,178,754	939,020
Compensated absences	677,048	104,676	84,074	697,650	83,687
Installment purchases/capital leases	59,278	29,751	15,983	73,046	10,520
Claims payable	1,157,660	31,438	44,751	1,144,347	30,617
Certificates of participation payable	885,347	38,044	69,768	853,623	26,692
Due to other governments/primary	912,468	49,344	99,377	862,435	50,370
Pension liability	2,047,276	1,681,147	530,696	3,197,727	35,605
Other liabilities	1,730,922	773,961	784,318	1,720,565	133,689
Total Component Units	\$ 17,762,970	\$ 3,851,382	\$ 4,213,570	\$ 17,400,782	\$ 2,637,403

¹Public-private partnerships are included in the Installment purchases/capital leases lines of the Proprietary Funds Statement of Net Position.

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NOTE 11 - INTERFUND BALANCES AND TRANSFERS

At June 30, 2017, amounts to be received or paid with current available resources are reported as due from or due to other funds, whereas the noncurrent portion is reported as advances to or advances from other funds. Interfund balances at June 30, 2017, consist of the following (in thousands):

Due to Other Funds (in thousands)	Due from Other Funds (in thousands)				
	Governmental Activities				
	General Fund	Environment, Recreation and Conservation	Public Education	Health and Family Services	Transportation
Governmental Activities					
General Fund	\$ \$	20,187	\$ 308	\$ 68,049	\$ 8,342
Environment, Recreation and Conservation	7,422	.....	.....	675	16,027
Public Education	132	.....	.....	2,145	.....
Health and Family Services	11,302	4	.....	.....	.....
Transportation	5,961	4,073	.....	.....	.....
Nonmajor Governmental Funds	65,794	2,239	18,943	1,168	42,667
Internal Service Funds	672	.....	1	21	6
Business-type Activities					
Transportation	122	.....	.....	.....	95,544
Lottery	34	.....	71,648	.....	.....
Hurricane Catastrophe Fund	.....	.....	.....	.....	.....
Reemployment Assistance	132	.....	.....	.....	.....
Nonmajor Enterprise Funds	5,183	.....	12	56	.....
Fiduciary Funds					
Private-purpose Trust Funds	149	.....	722	.....	.....
Pension and Other Employee Benefits Trust Funds	5	.....	.....	1	.....
Agency Funds	73,687	.....	1,839	2,283	5,430
Investment Trust Funds	.....	.....	.....	.....	.....
Total	\$ 170,595	\$ 26,503	\$ 93,473	\$ 74,398	\$ 168,016

(Continued Below)

Due to Other Funds (in thousands)	Due from Other Funds (in thousands)	
	Governmental Activities	
	Nonmajor Governmental Funds	Internal Service Funds
Governmental Activities		
General Fund	\$ 40,496	\$ 6,530
Environment, Recreation and Conservation	446	1,010
Public Education	170	164
Health and Family Services	6,624	5,393
Transportation	24,276	2,955
Nonmajor Governmental Funds	5,824	2,637
Internal Service Funds	27	283
Business-type Activities		
Transportation	.....	.....
Lottery	9	80
Hurricane Catastrophe Fund	.....	.....
Reemployment Assistance	1,111	.....
Nonmajor Enterprise Funds	742	613
Fiduciary Funds		
Private-purpose Trust Funds	.....	4
Pension and Other Employee Benefits Trust Funds	.....	46
Agency Funds	1,906	
Investment Trust Funds		
Total	\$ 81,631	\$ 19,715

(Continued next page)

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Due to Other Funds (in thousands)	Due from Other Funds (in thousands)			
	Business-type Activities			Nonmajor Enterprise Funds
	Transportation	Prepaid College Program	Reemployment Assistance	
Governmental Activities				
General Fund	\$	\$	362	884
Environment, Recreation and Conservation	.....	.....	16	15
Public Education	.....	.....	9	.....
Health and Family Services	.....	.....	221	26
Transportation	2,941	.....	12	.....
Nonmajor Governmental Funds	.....	.....	88	1,002
Internal Service Funds	.....	.....	6	.....
Business-type Activities				
Transportation	.....	.....	.....	.....
Lottery	.....	.....	1	3
Hurricane Catastrophe Fund	.....	.....	.....	307
Reemployment Assistance	.....	.....	.....	.....
Nonmajor Enterprise Funds	.....	.....	24	.....
Fiduciary Funds				
Private-purpose Trust Funds	.....	23	.....	43
Pension and Other Employee Benefits Trust Funds	.....	.....	6	7,532
Agency Funds	111,798	.....	.....	2
Investment Trust Funds	.....	.....	.....	66
Total	\$ 114,739	\$ 23	\$ 745	\$ 9,880

(Continued below)

Due to Other Funds (in thousands)	Due from Other Funds (in thousands)			
	Fiduciary Funds			Total
	Private-purpose Trust Funds	Pension and Other Employee Benefits Trust Funds	Agency Funds	
Governmental Activities				
General Fund	\$ 1,266	\$ 6	\$ 98,817	\$ 245,247
Environment, Recreation and Conservation	.....	.....	.....	25,611
Public Education	.....	.....	559	2,620
Health and Family Services	.....	.....	.....	24,129
Transportation	.....	3	9,177	49,398
Nonmajor Governmental Funds	.....	.....	80	140,442
Internal Service Funds	.....	6,664	28,341	36,021
Business-type Activities				
Transportation	.....	.....	7	95,673
Lottery	.....	.....	.....	71,775
Hurricane Catastrophe Fund	.....	.....	.....	307
Reemployment Assistance	.....	.....	117	1,360
Nonmajor Enterprise Funds	.....	.....	.....	6,630
Fiduciary Funds				
Private-purpose Trust Funds	.....	.....	.....	941
Pension and Other Employee Benefits Trust Funds	.....	65,271	.....	72,861
Agency Funds				196,945
Investment Trust Funds				66
Total	\$ 1,266	\$ 71,944	\$ 137,098	\$ 970,026

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Advances from Other Funds (in thousands)	Advances to Other Funds (in thousands)	
	Governmental Activities	
	General Fund	Transportation
Governmental Activities		
General Fund	\$	\$
Public Education	.....	.....
Nonmajor Governmental Funds	890	.....
Internal Service Funds	500	.....
Business-type Activities		
Transportation	.....	84,096
Total	\$ 1,390	\$ 84,096

(Continued below)

Advances from Other Funds (in thousands)	Advances to Other Funds (in thousands)	
	Fiduciary Funds	
	Private-purpose Trust Funds	Total
Governmental Activities		
General Fund	\$	\$
Public Education	907,026	907,026
Nonmajor	.....	890
Internal Service Funds		500
Business-type Activities		
Transportation		84,096
Total	\$ 907,026	\$ 992,512

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During the course of operations, there are numerous transactions between funds within the state. Interfund transfers during the fiscal year are as follows (in thousands):

Transfers to Other Funds (in thousands)	Transfers from Other Funds (in thousands)				
	Governmental Activities				
	General Fund	Environment, Recreation and Conservation	Public Education	Health and Family Services	Transportation
Governmental Activities					
General Fund	\$	\$ 817,046	\$	\$ 1,541,577	\$ 283,261
Environment, Recreation and Conservation	122,702	.....	.....	4,145	.....
Public Education	600	.....	.....	12,193	.....
Health and Family Services	75,882	.....	209,513	.....	.....
Transportation	57,233	24,401	.....	252	.....
Nonmajor Governmental Funds	200,016	57,753	314,402	16,516	1,232,402
Internal Service Funds	7,802	527	.....	40	1,095
Business-type Activities					
Transportation	.....	.....	.....	.....	63,306
Lottery	1	.....	1,656,348	.....	.....
Hurricane Catastrophe Fund	.....	.....	.....	.....	.....
Reemployment Assistance	.....	.....	.....	.....	.....
Nonmajor Enterprise Funds	67,884	.....	.....	4,825	.....
Fiduciary Funds					
Private-purpose Trust Funds	12	.....	67	403	.....
Pension and Other Employee Benefits Trust Funds	3,144	.....	.....	.....	.....
Total	\$ 535,276	\$ 899,727	\$ 2,180,330	\$ 1,579,951	\$ 1,580,064

(Continued below)

Transfers to Other Funds (in thousands)	Transfers from Other Funds (in thousands)	
	Governmental Activities	
	Nonmajor Governmental Funds	Internal Service Funds
Governmental Activities		
General Fund	\$ 739,441	\$ 209
Environment, Recreation and Conservation	186,417	21
Public Education	1,341,674	.....
Health and Family Services	144,319	84
Transportation	476,581	.....
Nonmajor Governmental Funds	139,252	518
Internal Service Funds	7,590	2
Business-type Activities		
Transportation	.....	.....
Lottery	142	.....
Hurricane Catastrophe Fund	10,000	.....
Reemployment Assistance	13,969	.....
Nonmajor Enterprise Funds	18,937	.....
Fiduciary Funds		
Private-purpose Trust Funds	4,427	.....
Pension and Other Employee Benefits Trust Funds	75	18,620
Total	\$ 3,082,824	\$ 19,454

(Continued next page)

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Transfers to Other Funds (in thousands)	Transfers from Other Funds (in thousands)		
	Business-type Activities		
	Transportation	Reemployment Assistance	Nonmajor Enterprise Funds
Governmental Activities			
General Fund	\$	\$ 1,395	\$ 1,956
Environment, Recreation and Conservation	.....	59	.....
Public Education	.....	18	.....
Health and Family Services	.....	684	568
Transportation	117,689	46	.....
Nonmajor Governmental Funds	.....	429	2,739
Internal Service Funds	.....	28	5
Business-type Activities			
Transportation	.....	.....	.....
Lottery	.....	15	.....
Hurricane Catastrophe Fund	.....	.....	.....
Reemployment Assistance	.....	.....	.....
Nonmajor Enterprise Funds	.....	79	.....
Fiduciary Funds			
Private-purpose Trust Funds	.....	.....	.....
Pension and Other Employee Benefits Trust Funds	.....	11	17,582
Total	\$ 117,689	\$ 2,764	\$ 22,850

(Continued below)

Transfers to Other Funds (in thousands)	Transfers from Other Funds (in thousands)			
	Fiduciary Funds			
	Private-purpose Trust Funds	Pension and Other Employee Benefits Trust Funds	Investment Trust Funds	Total
Governmental Activities				
General Fund	\$ 3,187	\$ 14,720	\$	\$ 3,402,792
Environment, Recreation and Conservation	.....	.....	.....	313,344
Public Education	.....	.....	.....	1,354,485
Health and Family Services	4	.....	.....	431,054
Transportation	.....	.....	.....	676,202
Nonmajor Governmental Funds	366	.....	.....	1,964,393
Internal Service Funds	.....	5,796	.....	22,885
Business-type Activities				
Transportation	.....	.....	.....	63,306
Lottery	.....	.....	.....	1,656,506
Hurricane Catastrophe Fund	.....	.....	.....	10,000
Reemployment Assistance	.....	.....	.....	13,969
Nonmajor Enterprise Funds	.....	.....	.....	91,725
Fiduciary Funds				
Private-purpose Trust Funds	.....	.....	.....	4,909
Pension and Other Employee Benefits Trust Funds	.....	640,022	.....	679,454
Total	\$ 3,557	\$ 660,538	\$	\$ 10,685,024

NOTE 12 - RISK MANAGEMENT**A. State Risk Management Trust Fund**

The State Risk Management Trust Fund (Fund) provides property insurance coverage for state buildings and contents against loss from fire, lightning, sinkholes, flood, and other hazards customarily insured by extended coverage. The property insurance program has a self-insured retention of \$2 million per occurrence for losses arising from all perils listed above except named windstorm and flood. The property insurance program also has a self-insured retention of \$2 million per occurrence for losses arising from named windstorm and flood, but with an additional annual aggregate self-insured retention of \$40 million. Commercial reinsurance is purchased for losses over the self-insured retention up to \$92.5 million per occurrence for named windstorm and flood losses through February 15, 2018, and \$225 million per occurrence for covered perils other than named wind and flood.

The Fund's estimated liability for unpaid property insurance claims at the fiscal year-end is determined by an actuarial method and includes an amount for losses incurred but not yet reported. During the fiscal year ended June 30, 2016, an additional \$1,999,679 in property claim losses were paid from the unnamed wind event for total paid losses of \$2,070,280, exceeding the self-insured retention of \$2 million per occurrence. Claim payments reported for the fiscal year ended June 30, 2017, included recoveries of \$70,280 from commercial reinsurance. Changes in the Fund's property insurance claims liability amount for the fiscal years ended June 30, 2016, and June 30, 2017, were as follows (in thousands):

Fiscal Year Ended	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimate	Claim Payments	Balance at Fiscal Year-end
June 30, 2016	\$ 604	\$ 2,356	\$ (2,517)	\$ 443
June 30, 2017	\$ 443	\$ 1,700	\$ (908)	\$ 1,235

The estimated liability for unpaid property insurance claims for the fiscal year ended June 30, 2017, does not include outstanding property claim loss payments resulting from two hurricanes that struck Florida in September and October of 2016 or property claim loss payments resulting from Hurricane Irma that struck Florida in September of 2017. Estimated unpaid loss payments for the two hurricanes from 2016 is \$2.9 million. Preliminary estimates of Hurricane Irma losses total \$30.2 million. Claims related to Hurricane Irma are still being received, so it is not known whether total losses will exceed the self-insurance retention.

The Fund also provides casualty insurance coverage for the risks of loss related to federal civil rights and employment actions, workers' compensation, court-awarded attorney fees, automobile liability, and general liability. The state is self-insured for all claims associated with liability risks and workers' compensation coverage.

The estimated liability for unpaid casualty insurance claims at June 30, 2017, was \$1.14 billion. This amount was determined through an actuarial method based on historical paid and incurred losses and includes an amount for losses incurred but not yet reported. In addition, this amount includes the present value of workers' compensation indemnity claims liability of \$264 million, discounted using a 4 percent annual percentage rate per Section 625.091, Florida Statutes. The undiscounted workers' compensation indemnity claims liability is \$366.6 million.

Changes in the Fund's casualty insurance claims liability for the fiscal years ended June 30, 2016, and June 30, 2017, were as follows (in thousands):

Fiscal Year Ended	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimate	Claim Payments	Balance at Fiscal Year-end
June 30, 2016	\$ 1,167,434	\$ 95,672	\$(101,606)	\$1,161,500
June 30, 2017	\$ 1,161,500	\$ 113,811	\$(135,707)	\$1,139,604

The estimated liability for unpaid casualty insurance claims for the fiscal year ended June 30, 2017, does not include any impact on open workers' compensation claims from recent Florida Supreme Court rulings. Although some impact on open claims is expected, the degree of impact is highly uncertain.

Actual current year claims and changes in estimate for casualty lines of coverage for the fiscal year ended June 30, 2017, increased by \$18.1 million, as compared to the previous fiscal year.

B. Employee and Retiree Health Insurance Funds

Employees and retirees may obtain health care services through participation in the state's group health insurance plan or through membership in a health maintenance organization plan under contract with the state. The state's risk financing activities associated with state group health insurance, such as the risks of loss related to medical and prescription drug claims, are administered through the State Employees Group Health Insurance Trust Fund, an internal service fund. It is the practice of the state not to purchase commercial coverage for the risks of losses covered by this program.

The program's estimated fiscal year-end liability includes an amount for claims that have been incurred but not reported, which is based on analyses of historical data performed by both the state and its contractors. Changes in claims liability amounts for the fiscal years ended June 30, 2016, and June 30, 2017, were as follows (in thousands):

Fiscal Year Ended	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimate	Claim Payments	Balance at Fiscal Year-end
June 30, 2016	\$ 150,140	\$ 1,779,473	\$ (1,766,850)	\$ 162,763
June 30, 2017	\$ 162,763	\$ 1,865,679	\$ (1,857,432)	\$ 171,010

During the year, for program operations, both employee and retiree participation in the state group health insurance program are accounted for in the State Employees Group Health Insurance Trust Fund. Retiree participation in the program is considered an Other Postemployment Benefit (OPEB) for purposes of this report. See Note 6, Section B regarding OPEB for additional information. Asset and liability balances related to retiree participation in the program as of June 30, 2017, were transferred from the State Employees Group Health Insurance Trust Fund and reported in Other Agency Funds in accordance with the requirements of Governmental Accounting Standards Board Codification Section Po50, *Postemployment Benefit Plans Other Than Pension Plans – Defined Benefit*.

NOTE 13 – FLORIDA PREPAID COLLEGE PROGRAM

The Stanley G. Tate Florida Prepaid College Program was created in 1987 to provide a medium through which the costs of tuition, tuition differential fee, local fees, and dormitory residence may be paid in advance of enrollment in a state postsecondary institution at a rate lower than the projected corresponding cost at the time of actual enrollment. The Program is administered by the Florida Prepaid College Board and the State of Florida guarantees the obligations of the Board to qualified beneficiaries if moneys in the Program are insufficient. The Program is accounted for in an enterprise fund. An actuarial study is performed to determine the Program's funding status. The decrease in the actuarial present value of future contract benefits from the prior year is primarily due to the change in key inflation assumptions. Additional information as of June 30, 2017, is as follows:

Actuarial present value of future contract benefits and expenses payable	\$ 11,126,099,791
Net position available (net of outstanding refund payments and unrealized gain/loss on securities lending portfolio)	\$ 13,523,000,000
Net position as a percentage of future contract benefits and expenses obligation	121.5%

NOTE 14 –INSURANCE ENTERPRISES

The State of Florida has established multiple enterprises that provide insurance, reinsurance, and guarantee services. The primary risk exposures to the state relate to catastrophic hurricane losses, access to liquidity from credit markets, and ultimate dependence on public assessments.

A. FLORIDA HURRICANE CATASTROPHE FUND

The Florida Hurricane Catastrophe Fund (FHCF) was created in 1993 by the Florida Legislature, as a state fund administered by the State Board of Administration (SBA) to provide a source of reimbursement to most residential property insurers for catastrophic hurricane losses, thereby creating additional insurance capacity. Most admitted residential property insurers writing FHCF covered policies are required to purchase reimbursement coverage with the FHCF.

The reimbursement coverage covers a portion of hurricane losses in excess of an insurer's share of an industry wide retention, up to the lesser of either the statutory limit or the actual claims-paying capacity of the FHCF. For the contract year ended May 31, 2017, the industry retention for determining each insurer's retention was \$6.966 billion per hurricane for the two hurricanes with the largest losses and \$2.322 billion for each additional hurricane in the contract year. The aggregate coverage capacity for the contract year (in excess of retention) was \$17.0 billion. The statute requires that an actuarially indicated formula developed by an independent actuary be used to calculate the reimbursement premiums collected for the coverage.

The SBA contracts with each insurer writing covered policies in the state to reimburse the insurer for a percentage of losses incurred from covered events. The obligation of the SBA with respect to all contracts covering a particular contract year shall not exceed the actual claims-paying capacity (as determined by the FHCF's bond underwriters, and financial adviser, and approved by the FHCF Advisory Council) of the FHCF. The FHCF has a fiscal year end of June 30 and its reimbursement contracts expire on May 31. As of June 30, 2017, the FHCF had a net position of \$13.98 billion, including the net position of the State Board of Administration Finance Corporation.

If available resources and pre-catastrophe debenture financing are not adequate to satisfy reimbursement claims, the State Board of Administration Finance Corporation may issue revenue bonds secured by emergency assessments. The SBA has the sole authority to direct the Florida Office of Insurance Regulation to levy assessments on most property and casualty insurance policy premiums on behalf of the FHCF. Aggregate assessments may not exceed 10% and assessments in relation to losses in one contract year may not exceed 6%. This assessment authority is neither related to nor restricted by the assessments levied by either Citizens Property Insurance Corporation (Citizens), a discretely presented component unit, or the Florida Insurance Guaranty Association, Inc. (FIGA). As of June 30, 2017, the FHCF is not levying assessments for any policies issued or renewed on or after January 1, 2015.

To build up cash resources and reduce the reliance on post-event bonding, legislation was passed in 2009 that allows for a "cash build up" factor of 5% to be included in rates for the coverage. This factor increased each year by 5% until it ultimately reached 25% in year five and thereafter. This provision was designed to address the liquidity needs of the FHCF over the long run by allowing it to accelerate the build-up of its cash balance for paying claims.

Hurricane losses represent the estimated ultimate cost of all reported and unreported claims during the year that exceed the participating insurers' individual company retention levels. The estimates for current year and prior year losses are continually reviewed and adjusted as experience develops or new information becomes known and such adjustments are included in current operations. The State of Florida was impacted by two hurricanes during the fiscal year. On September 2, 2016, Hurricane Hermine made landfall east of St. Marks, Florida as a Category 1 hurricane. On October 7, 2016, the eye of Hurricane Matthew tracked close to the coast of Florida making its way along the east coast of the United States as a Category 3 hurricane. As of June 30, 2017, there have been no FHCF loss reimbursements for these hurricanes.

In April 2013, pre-event Series 2013A Revenue Bonds were issued in the amount of \$2.0 billion to maximize the ability of the FHCF to meet future obligations. The proceeds from these bonds may be used to pay for losses incurred from future covered events. Investment earnings on these funds, as well as reimbursement premiums, if necessary, are used to pay the debt service requirements of these bonds. The remaining amounts due at maturity and the maturity dates for these bonds are \$500 million on July 1, 2018, and \$1.0 billion on July 1, 2020.

In March 2016, pre-event Series 2016A Revenue Bonds were issued in the amount of \$1.2 billion to provide funds, together with other available funds, to maximize the ability of the FHCF to meet future obligations. The proceeds from these bonds may be used to pay for losses incurred from future covered events. Investment earnings on these funds, as well as reimbursement premiums, if necessary, are used to pay the debt service requirements of these bonds. The amounts due at maturity and the maturity dates for these bonds will be \$550 million on July 1, 2019, and \$650 million on July 1, 2021.

In addition to the issuance of bonds, the FHCF purchased aggregate excess catastrophe reinsurance providing coverage to the FHCF for \$1.0 billion of losses in excess of \$11.5 billion of losses, effective June 1, 2017 through May 31, 2018; and \$1.0 billion of losses in excess of \$11.5 billion of losses, effective June 1, 2016 through May 31, 2017.

B. CITIZENS PROPERTY INSURANCE CORPORATION

Citizens was established on August 1, 2002, pursuant to Section 627.351(6), Florida Statutes (F.S.), to provide certain residential and non-residential property insurance coverage to qualified risks in the State of Florida under specified circumstances. This legislation was enacted such that property insurance be provided through Citizens to applicants who are in good faith entitled to procure insurance through the voluntary market but are unable to do so. Citizens results from a combination of the Florida Residential Property and Casualty Joint Underwriting Association (the FRPCJUA) and the Florida Windstorm Underwriting Association (the FWUA). The FRPCJUA was renamed Citizens and the FWUA's rights, obligations, assets, liabilities and all insurance policies were transferred to Citizens. Unlike private insurers offering coverage through the admitted market, Citizens is not required to obtain or to hold a certificate of authority issued by the Florida Department of Financial Services, Office of Insurance Regulation. Likewise, Citizens is not subject to Risk-Based Capital requirements or required to have a pledged deposit on file with the State of Florida. For purposes of its tax-exempt status, Citizens is considered a political subdivision and an integral part of the State of Florida. As such, Citizens' operations may be affected by the legislative process.

Citizens operates pursuant to a Plan of Operation (the Plan) approved by the Financial Services Commission (the Commission) of the State of Florida. The Commission is composed of the Governor, the Chief Financial Officer, the Attorney General and the Commissioner of Agriculture of the State of Florida.

Citizens is supervised by a Board of Governors (the Board) which consists of nine individuals who reside in the State of Florida. The Governor appoints three members, and the Chief Financial Officer, the President of the Senate and the Speaker of the House of Representatives each appoint two members of the Board. At least one of the two members appointed by each appointing officer must have a demonstrated expertise in the insurance industry. The Chief Financial Officer designates one of the appointees as the Board's chair. All Board members serve at the pleasure of their appointing officers.

Citizens' President and Chief Executive Officer (Executive Director) and senior managers are engaged by and serve at the pleasure of the Board. The Executive Director is subject to confirmation by the Florida Senate.

Pursuant to Section 627.351(6), F.S., all revenues, expenses, assets and liabilities of Citizens shall remain divided into three separate accounts: the Personal Lines Account, the Commercial Lines Account and the Coastal Account. A brief history of each account follows:

Personal Lines Account History – The FRPCJUA began operations on January 21, 1993, after Hurricane Andrew, pursuant to Section 627.351(6), F.S., to provide certain residential property insurance coverage to qualified risks in the State of Florida for applicants who were in good faith entitled to procure insurance through the private market but were unable to do so. Residential property coverage consists of the types of coverage provided to homeowners, mobile homeowners, tenants, condominium unit owners, and similar policies. The policies provide coverage for all perils covered under a standard residential policy, subject to certain underwriting requirements. Such policies may exclude windstorm coverage on property within eligible areas. This portion of the FRPCJUA's activities became the Personal Lines Account (PLA) under Citizens.

Commercial Lines Account History – The Florida Property and Casualty Joint Underwriting Association (FPCJUA) was activated in early 1994 to provide commercial residential coverage (i.e., coverage for condominium associations, apartment buildings and homeowner associations) to organizations unable to obtain such coverage from a private insurer. During 1995, legislation was enacted to transfer all obligations, rights, assets, and liabilities related to commercial residential coverage from the FPCJUA to the FRPCJUA. The legislation required that the premiums, losses, assets, and liabilities be accounted for separately from the FRPCJUA's personal residential business. This portion of the FRPCJUA's activities became the Commercial Lines Account (CLA) under Citizens. In 2006, the FPCJUA was re-activated to provide commercial non-residential wind-only coverage. In 2007, legislation was enacted which resulted in the transfer and assumption of the FPCJUA's commercial non-residential policies by Citizens. These policies were added to the CLA.

Coastal Account History – The FWUA, which was a residual market mechanism for windstorm and hail coverage in select areas of the State of Florida, was created by an act of the Florida Legislature in 1970 pursuant to Section 627.351(2), F.S. FWUA was a Florida unincorporated association, the members of which were all property insurance companies holding a certificate of authority to provide property insurance coverage in the State of Florida. FWUA provided policies of windstorm insurance for property owners within the eligible areas who were unable to obtain such coverage from private insurers. Insured properties include personal residential, commercial residential and commercial non-residential properties. This

portion of the FWUA's activities became the High-Risk Account under Citizens. In 2007, Citizens received authority to issue multi-peril policies in the High-Risk Account. Pursuant to legislative changes during 2011, the High-Risk Account was renamed the Coastal Account.

ASSESSMENTS

Citizens' enabling legislation and the Plan establish a process by which Citizens is required to levy assessments to recover deficits incurred in a given plan year for any of its three accounts. Deficits are calculated separately, and assessments are levied separately, for each of the three accounts. The Plan provides for deficits to be determined in accordance with standards promulgated by the Governmental Accounting Standards Board, adjusted for certain items.

In the event of a Plan Year Deficit in any Account, Citizens must first levy an assessment against the premium of each Citizens policyholder (the "Citizens Policyholder Surcharge") in each of Citizens' Accounts, as a uniform percentage of the premium of the policy of up to 15% of such premium. Citizens Policyholder Surcharges are not subject to commissions, fees, or premium taxes; however, failure to pay a Citizens Policyholder Surcharge will be treated as failure to pay premiums.

If the Citizens Policyholder Surcharge is insufficient to eliminate a deficit in the Coastal Account, Citizens would then levy a Regular Assessment on assessable insurers, as defined in Section 627.351(6), F.S. The assessment is based upon each assessable insurer's share of direct written premium for the Subject Lines of Business in the State of Florida for the calendar year preceding the year in which the deficit occurred, and is applied as a uniform percentage of up to 2% of subject premiums. The Regular Assessment is not available for deficits within the PLA or CLA.

If the deficit in any year in any account is greater than the amount that may be recovered through Citizens' Policyholder Surcharges and Regular Assessments, Citizens is required to levy any remaining Plan Year Deficit as an Emergency Assessment. An Emergency Assessment is to be collected by all assessable insurers, Surplus Lines Agents, and Citizens from policyholders upon the issuance or renewal of policies for Subject Lines of Business for as many years as necessary to cover the Plan Year Deficit in the account. The primary difference between the assessment base for Regular Assessments and Emergency Assessments is the inclusion of Citizens' direct written premium in the assessment base for Emergency Assessments, in addition to the Regular Assessment being limited to the Coastal Account only.

For purposes of Regular Assessments and Emergency Assessments, the "Subject Lines of Business" are all lines of property and casualty insurance, including automobile lines, but excluding accident and health, workers' compensation, and medical malpractice insurance, and also excluding insurance under the National Flood and Federal Crop insurance programs.

C. FLORIDA INSURANCE GUARANTY ASSOCIATION, INC.

The Florida Insurance Guaranty Association, Inc. (FIGA), a not-for-profit corporation, was established by the Florida Legislature through the Florida Insurance Guaranty Association Act of 1970 (the Act). FIGA was created to provide a mechanism for the payment of covered claims of insolvent insurers and to assist in the detection and prevention of insurers' insolvencies. FIGA operates under the supervision and approval of a board of directors, comprised of five to nine persons, recommended by member insurers pursuant to Section 631.56, F.S., and subsequently appointed by the Florida Department of Financial Services.

The members of FIGA are all insurers that hold a certificate of authority to provide property and casualty coverage in the State of Florida.

The funding of FIGA's activities is provided by distributions from the estates of insolvent insurers and assessments of members. The assessments are calculated and, as considered necessary, levied against member insurers on the basis of net direct written premiums in the State of Florida in the classes protected by the Act. FIGA obtains the amount of the net direct written premiums, by company and by class of protection, to use as the basis for assessment calculations. The maximum regular assessment rate is 2%. In addition to the regular assessment, during 2006, the Florida Legislature granted FIGA the authority to levy an emergency assessment up to an additional 2% of net direct written premiums for the account specified in Section 631.55(2)(b), F.S., to pay covered claims of insurers rendered insolvent by the effects of a hurricane. Also in 2006, FIGA was granted the authority to work with an affected municipality, county, or financing conduit organization under Chapter 163, F.S., to issue tax-exempt bonds should the funding need arise for the account specified in Section 631.55(2)(b), F.S. As of June 30, 2017, FIGA has not needed to utilize this bonding authority and no tax-exempt bonds have been issued.

D. FLORIDA WORKERS' COMPENSATION INSURANCE GUARANTY ASSOCIATION, INC.

The Florida Workers' Compensation Insurance Guaranty Association, Inc. (FWCIGA), a not-for-profit corporation, was established by the Florida Legislature in 1997 as a merger of the workers' compensation account of the Florida Insurance

Guaranty Association, Inc., and the Florida Self-Insurance Fund Guaranty Association. FWCIGA was created to provide a mechanism for the payment of covered claims of insolvent workers' compensation insurers and to assist in the detection and prevention of insurers' insolvencies. FWCIGA operates under the supervision and approval of a board of directors, comprised of eleven persons. Eight directors are recommended by member insurers pursuant to Section 631.912, F.S., and subsequently appointed by the Florida Department of Financial Services. The remaining three directors are the Florida Insurance Consumer Advocate, designee of the state's Chief Financial Officer, and one person with commercial insurance experience appointed by the Governor.

The members of FWCIGA are all insurers that hold a certificate of authority to provide workers' compensation coverage in the State of Florida.

The funding of FWCIGA's activities is provided by distributions from the estates of insolvent insurers and assessments of members. The assessments are calculated and, as considered necessary, levied against member insurers on the basis of workers' compensation net direct written premiums in the State of Florida without taking into account any applicable discounts or credits for deductibles. FWCIGA obtains the amount of the net direct written premiums, by company, to use as the basis for assessment calculations. The maximum regular assessment rate is 2% for insurance companies and self-insurance funds. In addition to the regular assessment, the Florida Legislature granted FWCIGA the authority to levy an emergency assessment up to an additional 1.5% of net direct written premiums.

NOTE 15 – CONTINGENCIES

A. Federal Family Education Loans Program

The Florida Department of Education (FDOE) administers the Federal Family Education Loan Program (FFELP), 20 USC s. 1071 et. seq. The primary purpose is to guarantee the repayment of principal and accrued interest of eligible student loans made by participating lenders under the FFELP.

The Higher Education Amendments of 1998 (the Amendments) were enacted on October 7, 1998, with a retroactive date of October 1, 1998, for most provisions. The Amendments changed the financial and reporting structure of guaranty agencies. Pursuant to the amendments, the FDOE established a Federal Student Loan Reserve Fund (Federal Fund) and a Guaranty Agency Operating Fund, as required, to account for the FFELP activities, 20 USC s. 1072a and s. 1072b.

The regulations for administering the program are found in Title 34 of the Code of Federal Regulations, Part 682. Student loans are issued by participating financial institutions to eligible students and their parents under FFELP. If a student loan guaranteed by FDOE defaults, the Federal Fund pays the lender for the defaulted student loan. The United States Department of Education (USDOE) is the program's reinsurer. Reinsurance amounts received from the USDOE to replenish the Federal Fund are currently 100%. Once the loan has defaulted, the FDOE begins collection activities with the borrower.

The passage of the Health Care and Education Reconciliation Act of 2010 ended the guarantor portion of the program after June 30, 2010. FDOE still maintains administrative and collection activities for the loans guaranteed by FDOE prior to July 1, 2010, as required by FFELP. The Federal Fund is used to account for assets held by FDOE as an agent for the Federal government and therefore is custodial in nature and is the property of USDOE. At June 30, 2017, approximately \$800 million of Program loans were still outstanding from loans that had been made prior to the Program ending on June 30, 2010. The amount of potential liability to the federal fund is indeterminable.

B. Federally Assisted Grant Programs

Medicaid Program – The United States Department of Health and Human Services, Centers for Medicare and Medicaid Services (CMS) is requesting state reimbursement of amounts determined unallowable under the Florida Medicaid Reform Section 1115 Demonstration Waiver Special Terms and Conditions for state fiscal years ended June 30, 2006, through June 30, 2014. The State of Florida submitted Low Income Pool (LIP) cost limit reconciliations showing LIP payments in excess of allowable costs for LIP providers. The disallowance notice was issued on September 28, 2016, and the Agency for Health Care Administration (AHCA) filed its Request for Reconsideration with the CMS on November 21, 2016. On January 19, 2017, AHCA's Request for Reconsideration was denied by CMS. AHCA has filed an appeal with the Department Appeal's Board (DAB). The Agency's Opening Brief is due February 13, 2018. If AHCA is ultimately unsuccessful in its challenges, it may be required to return \$97,570,183 to the Federal Government.

Medicaid Program – CMS is requesting state reimbursement of the federal share paid for claimed Medicaid expenditures associated with LIP payments made under Florida's Medicaid Reform Section 1115 Demonstration covering the period from July 1, 2006, through June 30, 2009. The disallowance notices were issued on September 28, 2016, and AHCA filed its Request for Reconsideration with the CMS on November 21, 2016. On January 19, 2017, AHCA's Request for Reconsideration was denied by CMS. AHCA has filed an appeal with the DAB. The Agency's Opening Brief is due February 13, 2018. If AHCA is ultimately unsuccessful in its challenges, it may be required to return \$63,233,036 to the Federal Government.

C. Other

Micjo v. Florida Department of Business and Professional Regulation (DBPR), Case No. 78 So. 3d 124 (Fla 2nd DCA) – The Plaintiffs alleged certain charges, such as federal excise taxes and delivery costs, should be included when calculating the "wholesale sales price" for taxing other tobacco products. The Court held in the above-styled matter that the charges were not allowable. This ruling exposes DBPR to the risk of other distributors seeking a refund of a portion of the tobacco tax. On January 4, 2017, DBPR's motion for rehearing en banc, related to Micjo, Florida 2nd DCA, Case No. 78 So. 3d 124, was denied. As a result, DBPR began processing refunds for those qualifying requests in accordance with the court's decision. Potential refund amounts are estimated between \$46 million and \$77 million.

NOTE 16 – LITIGATION

Due to its size and broad range of activities, the state is involved in various, though sometimes routine, legal actions. The following are the significant loss contingencies associated with legal proceedings:

A. EchoStar Satellite LLC, n/k/a Dish Network, LLC v. Florida Department of Revenue, et al., Case No. 17-379 (U.S. Supreme Court); Florida Department of Revenue, et al., v. DirecTV, Inc., etc., et al., Case No. SC15-1249 (Florida Supreme Court)

Plaintiff satellite television company DirecTV and its customers, represented by the Ogborns, challenged the statutory distinction made in the application of the Communication Services Tax (CST) to cable and satellite TV providers. The Florida Cable Telecommunications Association intervened to support the interest of the cable industry. Plaintiffs claim that applying a different statutory rate of tax on the sale of these competing services, where the sale of cable service is taxed at 6.8% and satellite service is taxed at 10.8%, violates the Commerce Clause and the Equal Protection Clause. The amount of tax refund at issue is \$40 million annually.

The Circuit Court ruled in favor of the Department and cable industry, but the decision was reversed on appeal by the First District Court of Appeal (DCA). The Court held that the CST unconstitutionally discriminates against interstate commerce by disproportionately burdening satellite service while conferring an advantage to cable services, which use in-state infrastructure.

The Florida Supreme Court reversed the First DCA decision, holding that the CST is not discriminatory in its purpose or effect and therefore does not violate the dormant Commerce Clause.

The United States Supreme Court denied EchoStar's application for certiorari on January 7, 2018. The case appears to be closed.

B. In re Citrus Canker Litigation, Case No. 00-18394 (17th Cir. Broward County) aka Bogorff v. Scott, 223 So. 3d 1000 (Fla. 2017); Mendez v. Florida Department of Agriculture and Consumer Services, Case No. 02-13717 (15th Cir. Palm Beach County); Ayers v. Florida Department of Agriculture and Consumer Services, Case No. 05-CA-4120 (9th Cir. Orange County); Dellaselva v. Florida Department of Agriculture and Consumer Services, Case No. 03-CA-1947 (20th Cir. Lee County); In re Citrus Canker Litigation, Case No. 03-8255 (11th Cir. Miami-Dade County)

Plaintiffs in these actions are homeowners seeking compensation for the removal of their citrus trees, which had been exposed to citrus canker, by the Florida Department of Agriculture and Consumer Services (FDACS) after January 1, 2000.

In re Citrus Canker Litigation, Case No. 00-18394, concerns homeowners in Broward County. Plaintiffs were awarded a judgment of \$8,043,450, which has accrued post-judgment interest since October 6, 2008, along with a judgment for attorneys' fees and costs in the amount of \$4,133,083, which has also accrued post-judgment interest since March 22, 2012. The 2017 Florida Legislature specifically appropriated \$20,941,328 for the payment of this judgment. The appropriation, however, was vetoed by the Governor and the veto was upheld by the Florida Supreme Court in *Bogorff v. Scott*. Pursuant to the Court's instructions, Plaintiffs returned to Circuit Court to seek a Writ of Mandamus, which the Court issued. Litigation concerning the Writ of Mandamus is pending.

Bogdorff also encompassed *Dellaselva* (Case No. 03-CA-1947), which concerns homeowners in Lee County who had been awarded \$13,625,249 in 2014. Here, the 2017 Florida Legislature also specifically appropriated \$16,475,800 for the payment of this judgment, which was vetoed along with the appropriation described above. The Circuit Court had issued a preemptory Writ of Mandamus, but litigation is pending.

In related cases, judgments were rendered against FDACS in Palm Beach and Orange Counties. In Palm Beach County, the court awarded plaintiffs \$23,653,376, including prejudgment interest, plus \$2,422,830 in fees and costs. In Orange County, the Court awarded \$31,534,722, including prejudgment interest, plus \$614,112 in fees and costs. Post-judgment interest on all judgments rendered in Broward, Lee, Palm Beach, and Orange Counties continues to accrue.

In another case styled *In re Citrus Canker Litigation*, (Case No. 03-8255), in Miami-Dade County, the Court found no liability on behalf of FDACS. Plaintiffs have appealed and FDACS has moved for an award of costs.

C. Citizens for Strong Schools, et al., v. Florida State Board of Education, et al., Case No. SC18-67 (Florida Supreme Court); Citizens for Strong Schools, et al., v. Florida State Board of Education, et al., Case No. 1D16-2862 (Fla. 1st DCA)

Plaintiffs claim that the funding of K-12 education by the State of Florida is inadequate. The State prevailed in Circuit Court, and, after appeal, the First DCA affirmed in December 2017. Plaintiffs have petitioned for discretionary review by the Florida Supreme Court. Potential damages exceed \$25 million.

D. McLane Suneast, Inc. v. Florida Department of Business and Professional Regulation, Case No. 14-CA-372 (9th Cir., Osceola County)

McLane Suneast, Inc., a major distributor of tobacco products including cigars, cigarettes, and smokeless tobacco, alleges that the "Protecting Florida's Health Act," (Chapter 2009-79, Laws of Florida), violates the dormant Commerce Clause and the Equal Protection Clause of the United States Constitution by taxing different kinds of tobacco products disparately, and by increasing taxes on cigarettes and smokeless tobacco products without taxing cigars. Plaintiff contends the law violates the dormant Commerce Clause by preferring the domestic cigar industry over interstate suppliers of cigarettes and other tobacco products. Plaintiff seeks declaratory and monetary relief, including a determination that the Department of Business and Professional Regulation should be required to issue tax refunds in an unstated amount.

While no hearings are currently scheduled, litigation in the matter continues. Potential costs exceed \$3.5 billion.

E. Carl Hoffer, Ronald McPherson, and Roland Molina v. Julie Jones, Secretary, Department of Corrections, Case No. 4:17-cv-214-MW-CAS (U.S. District Court, Northern District of Florida)

Plaintiffs allege that the Florida Department of Corrections (DOC) failed to provide proper medical treatment to inmates with chronic Hepatitis C, thus violating the Eighth Amendment to the U.S. Constitution, Title II of the Americans with Disabilities Act, and the Rehabilitation Act. In November 2017, the Court issued a preliminary injunction ordering DOC to provide certain treatment and certified the class. Trial is presently scheduled for July 2018. The claim potentially represents future costs of \$170 million for treatment and staffing.

F. Alexis F. Geffin, et al., v. Governor Rick Scott, etc., et al., Case No. 17-CA-1364 (2nd Cir. Leon County) and Thomas A. Warren, et al., v. Governor Rick Scott, etc., et al., Case No. 17-CA-1526 (2nd Cir. Leon County)

Plaintiff students and donors, respectively, allege that the Governor, Speaker of the House, President of the Senate, Florida Board of Education, Florida Board of Governors, and Commissioner of Education are liable for the failure to match private donations to public colleges, universities, and their students pursuant to four statutory programs. Plaintiffs argue the State actors violated the single subject rule, breached contract with the donors, and violated the constitutional guarantee of adequate provision for schools of higher education. Plaintiffs claim the amount due to be appropriated for matching funds is \$1 billion, and seek an order preventing future appropriations until the respective matching funds have been appropriated. While the Court has dismissed the Constitutional argument with prejudice, litigation concerning the statutory and contractual claims continues.

NOTE 17 – DEFICIT FUND BALANCE AND NET POSITION**A. Governmental Funds**

The *State School Trust Fund* has a deficit unassigned fund balance of approximately \$904.3 million. The deficit is primarily the result of establishing an advance (long-term liability) on potential future claims by the Department of Financial Service's *Unclaimed Property Trust Fund*. The Department of Financial Services pays claims as they are due from current remittances. If sufficient funds are not available to pay claims, requests are made by the Department of Financial Services to the Department of Education to return the amount of funds necessary to pay claims or funds are borrowed from the Department of Financial Service's *Trust Funds Control Fund* and repaid prior to year-end.

B. Proprietary Funds

The Lottery has a deficit unrestricted net position of approximately \$23.4 million. This deficit is a result of certain liabilities being recorded for reporting purposes only and being excluded from the calculation of transfers to the Educational Enhancement Trust Fund. This deficit does not affect the Lottery's ability to pay prizes or to provide services.

The Internal Service Fund, *Data Centers*, has a deficit net position of approximately \$5.4 million. This deficit is primarily due to long-term obligations, consisting mainly of a compensated absences liability and an accrual of pension and other post-employment benefit (OPEB) liabilities. The compensated absences liability will be liquidated on a pay-as-you-go basis. The pension and OPEB liabilities do not require cash flows and have no effect on the ability to provide services.

The Internal Service Fund, *Other*, has a deficit net position of approximately \$41.9 million. This deficit is primarily due to long-term obligations, consisting mainly of a compensated absences liability and an accrual of pension and OPEB liabilities. The compensated absences liability will be liquidated on a pay-as-you-go basis. The pension and OPEB liabilities do not require cash flows and have no effect on the ability to provide services.

C. Component Units

The Component Units, *Florida Colleges*, has a deficit unrestricted net position of approximately \$146.7 million. This deficit is primarily due to long-term obligations, consisting mainly of a compensated absences liability and an accrual of pension and OPEB liabilities. The compensated absences liability will be liquidated on a pay-as-you-go basis. The pension and OPEB liabilities do not require cash flows and have no effect on the ability to provide services.

NOTE 18 – SUBSEQUENT EVENTS**A. Bonds**

The following bonds for governmental activities of the primary government were issued or sold subsequent to June 30, 2017:

Agency/Bond	Series	Amount	Matures	Interest Rate
Governmental Activities:				
Full Faith and Credit, Department of Transportation, Right-of-Way Acquisition and Bridge Construction Bonds	2017A	\$288,705,000	07/01/2018-07/01/2047	3.000% - 5.000%
Department of Management Services, Florida Facilities Pool Revenue Refunding Bonds	2017A	\$190,835,000	09/01/2018-09/01/2038	3.000% - 5.000%
Full Faith and Credit, State Board of Education, Public Education Capital Outlay Refunding Bonds	2017 Series A	\$148,555,000	06/01/2018-06/01/2037	3.000% - 5.000%
Full Faith and Credit, State Board of Education, Public Education Capital Outlay Refunding Bonds	2017 Series B	\$261,635,000	06/01/2018-06/01/2038	3.000% - 5.000%
Department of Environmental Protection, Florida Forever Revenue Refunding Bonds	2017A	\$75,125,000	07/01/2019-07/01/2028	5.000% - 5.000%
State Board of Education, Lottery Revenue Refunding Bonds	2017A	\$239,705,000	07/01/2019-07/01/2028	5.000% - 5.000%
Board of Governors, University System Improvement Revenue Refunding Bonds	2017B	\$38,450,000	07/01/2019-07/01/2033	3.000% - 5.000%
Full Faith and Credit, State Board of Education, Public Education Capital Outlay Refunding Bonds	2017 Series C	\$272,905,000	06/01/2019-06/01/2040	3.000% - 5.000%
Business-type Activities:				
Department of Transportation, Alligator Alley Revenue Refunding Bonds	2017A	\$21,635,000	07/01/2018-07/01/2027	5.000% - 5.000%
Department of Transportation, Turnpike Revenue Refunding Bonds	2017A	\$131,885,000	07/01/2019-07/01/2030	4.000% - 5.000%

B. Hurricanes

Hurricane Irma passed through the state in September 2017 causing damage in almost every county in the State. The preliminary statewide cost of damage from this storm is estimated at \$16 billion, including losses to homes, businesses, and agriculture, as well as costs to state and local governments for emergency services and damage to public facilities and infrastructure. A portion of these costs will be covered by insurance and federal grant programs. The state will be required to match federal funding with state and local funds.

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**OTHER REQUIRED
SUPPLEMENTARY
INFORMATION**

2017 STATE OF FLORIDA CAFR

**BUDGETARY COMPARISON SCHEDULES
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(in thousands)**

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Fund Balances, July 1, 2016	\$ 4,292,384	\$ 4,292,384	\$ 4,292,384	\$
Reversions	46,293	46,293	46,293	.....
Fund Balances, July 1, 2016, restated	4,338,677	4,338,677	4,338,677	.....
REVENUES				
Fees and charges	1,250,000	1,251,200	1,230,868	(20,332)
Licenses	618,393	645,293	522,840	(122,453)
Taxes	33,084,520	33,093,720	33,738,900	645,180
Miscellaneous	1,096	1,096	6,122	5,026
Interest	138,994	134,494	131,002	(3,492)
Grants	24,283	24,283	22,115	(2,168)
Refunds	8,613	8,613	299,475	290,862
Transfers and distributions	2,920,504	2,751,004	2,661,251	(89,753)
Other	377,221	509,021	803,312	294,291
Total Revenues	38,423,624	38,418,724	39,415,885	997,161
Total Available Resources	42,762,301	42,757,401	43,754,562	997,161
EXPENDITURES				
Operating expenditures:				
Salaries and benefits	3,640,862	3,802,203	3,739,839	62,364
Other personal services	54,064	69,619	64,914	4,705
Expenses	360,643	390,112	382,405	7,707
Grants and aids	14,542,680	14,574,445	14,569,289	5,156
Operating capital outlay	13,119	18,822	17,286	1,536
Food products	69,305	65,824	65,606	218
Fixed capital outlay	86,762	86,762	86,762	.....
Lump sum	400,653	15,049	15,049	.....
Special categories	11,152,438	11,631,910	11,487,463	144,447
Financial assistance payments	228,921	228,926	228,582	344
Continuing Appropriations	.....	278,127	278,127	.....
Grants/aids to local governments	164,733	164,733	164,733	.....
Data processing services	50,154	50,472	49,961	511
Pensions and benefits	3,200	3,200	1,190	2,010
Claim bills and relief acts	1,700	4,450	4,450	.....
Total Operating Expenditures	30,769,234	31,384,654	31,155,656	228,998
Nonoperating expenditures:				
Transfers	5,703,980	5,703,980	5,703,980	.....
Refunds	342,651	342,651	342,651	.....
Other	2,344,755	2,344,755	2,344,755	.....
Total Nonoperating Expenditures	8,391,386	8,391,386	8,391,386	.....
Total Expenditures	39,160,620	39,776,040	39,547,042	228,998
Fund Balances, June 30, 2017	\$ 3,601,681	\$ 2,981,361	\$ 4,207,520	\$ 1,226,159

The notes to required supplementary information are an integral part of this schedule.

2017 STATE OF FLORIDA CAFR

**BUDGETARY COMPARISON SCHEDULES
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(in thousands)**

	Environment, Recreation and Conservation			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Fund Balances, July 1, 2016	\$ 1,931,007	\$ 1,931,007	\$ 1,931,007	\$
Reversions	3,166	3,166	3,166	.....
Fund Balances, July 1, 2016, restated	1,934,173	1,934,173	1,934,173	.....
REVENUES				
Fees and charges	126,396	224,151	177,463	(46,688)
Licenses	41,343	55,369	52,882	(2,487)
Taxes	5,330	272,000	301,114	29,114
Miscellaneous	207	680	663	(17)
Interest	19,994	49,375	22,871	(26,504)
Grants	234,478	201,632	155,979	(45,653)
Refunds	2,500	5,699	6,572	873
Bond proceeds	158	.....	.....	.....
Transfers and distributions	1,658,211	1,570,802	1,643,816	73,014
Other	144,426	25,923	216,499	190,576
Total Revenues	2,233,043	2,405,631	2,577,859	172,228
Total Available Resources	4,167,216	4,339,804	4,512,032	172,228
EXPENDITURES				
Operating expenditures:				
Salaries and benefits	333,535	335,577	317,618	17,959
Other personal services	26,018	26,732	22,090	4,642
Expenses	60,819	61,220	57,045	4,175
Grants and aids	15,047	15,047	14,999	48
Operating capital outlay	2,061	2,431	2,149	282
Fixed capital outlay	446,597	446,597	446,597	.....
Lump sum	500	.....	.....	.....
Special categories	485,723	509,021	469,478	39,543
Grants/aids to local governments	377,646	377,646	377,646	.....
Data processing services	1,077	912	906	6
Total Operating Expenditures	1,749,023	1,775,183	1,708,528	66,655
Nonoperating expenditures:				
Transfers	382,368	382,368	382,368	.....
Refunds	22,744	22,744	22,744	.....
Other	342,955	342,955	342,955	.....
Total Nonoperating Expenditures	748,067	748,067	748,067	.....
Total Expenditures	2,497,090	2,523,250	2,456,595	66,655
Fund Balances, June 30, 2017	\$ 1,670,126	\$ 1,816,554	\$ 2,055,437	\$ 238,883

The notes to required supplementary information are an integral part of this schedule.

2017 STATE OF FLORIDA CAFR

**BUDGETARY COMPARISON SCHEDULES
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(in thousands)**

	Public Education			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Fund Balances, July 1, 2016	\$ 987,542	\$ 987,542	\$ 987,542	\$
Reversions	10,385	10,385	10,385	.....
Fund Balances, July 1, 2016, restated	997,927	997,927	997,927	.....
REVENUES				
Fees and charges	2,003,204	56,465	57,008	543
Licenses	1,128	1,141	1,147	6
Taxes	782,532	613,672	610,240	(3,432)
Miscellaneous	29,014	222	222	.....
Interest	25,198	34,787	33,004	(1,783)
Grants	2,145,162	2,112,839	2,116,965	4,126
Refunds	2,201	2,126	2,441	315
Bond proceeds	275,089	150,000	150,000	.....
Transfers and distributions	2,911,608	3,082,669	3,082,669	.....
Other	192,863	172,825	174,939	2,114
Total Revenues	8,367,999	6,226,746	6,228,635	1,889
Total Available Resources	9,365,926	7,224,673	7,226,562	1,889
EXPENDITURES				
Operating expenditures:				
Salaries and benefits	37,823	37,943	33,591	4,352
Other personal services	1,087	1,088	185	903
Expenses	8,376	8,308	4,396	3,912
Grants and aids	5,119,568	3,162,081	3,144,754	17,327
Operating capital outlay	951	951	150	801
Fixed capital outlay	1,791,256	1,791,256	1,791,256	.....
Special categories	775,228	766,322	766,322	.....
Financial assistance payments	74,992	74,992	74,928	64
Payments to U.S. Treasury	970	69	69	.....
Data processing services	10,295	10,648	9,980	668
Total Operating Expenditures	7,820,546	5,853,658	5,825,631	28,027
Nonoperating expenditures:				
Transfers	353,483	353,483	353,483	.....
Refunds	261	261	261	.....
Other	3,964	3,964	3,964	.....
Total Nonoperating Expenditures	357,708	357,708	357,708	.....
Total Expenditures	8,178,254	6,211,366	6,183,339	28,027
Fund Balances, June 30, 2017	\$ 1,187,672	\$ 1,013,307	\$ 1,043,223	\$ 29,916

The notes to required supplementary information are an integral part of this schedule.

2017 STATE OF FLORIDA CAFR

**BUDGETARY COMPARISON SCHEDULES
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(in thousands)**

	Health and Family Services			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Fund Balances, July 1, 2016	\$ 1,865,299	\$ 1,865,299	\$ 1,865,299	\$
Reversions	269,947	269,947	269,947	.....
Fund Balances, July 1, 2016, restated	2,135,246	2,135,246	2,135,246	.....
REVENUES				
Fees and charges	1,354,400	1,455,049	753,864	(701,185)
Licenses	23,353	23,652	21,868	(1,784)
Taxes	597,711	597,711	1,096,729	499,018
Miscellaneous	.....	.....	4	4
Interest	3,492	4,011	2,836	(1,175)
Grants	18,744,629	18,974,988	18,802,535	(172,453)
Refunds	2,089,280	2,106,082	2,103,847	(2,235)
Bond proceeds	.....	316	.....	(316)
Transfers and distributions	2,333,320	2,522,652	2,563,974	41,322
Other	38,303	36,985	62,182	25,197
Total Revenues	25,184,488	25,721,446	25,407,839	(313,607)
Total Available Resources	27,319,734	27,856,692	27,543,085	(313,607)
EXPENDITURES				
Operating expenditures:				
Salaries and benefits	1,269,755	1,279,157	1,225,757	53,400
Other personal services	122,909	125,761	113,382	12,379
Expenses	285,093	281,823	241,895	39,928
Grants and aids	46,374	51,627	33,312	18,315
Operating capital outlay	18,089	18,990	14,928	4,062
Food products	1,110	1,110	991	119
Fixed capital outlay	6,680	6,680	6,680	.....
Lump sum	3,228	.....	.....	.....
Special categories	21,587,788	22,593,660	22,291,444	302,216
Financial assistance payments	61,818	81,767	56,655	25,112
Grants/aids to local governments	2,007	2,007	2,007	.....
Data processing services	21,106	21,448	19,660	1,788
Claim bills and relief acts	950	950	950	.....
Total Operating Expenditures	23,426,907	24,464,980	24,007,661	457,319
Nonoperating expenditures:				
Continuing Appropriations	32,945	32,945	32,945	.....
Transfers	1,320,764	1,320,764	1,320,764	.....
Refunds	12,589	12,589	12,589	.....
Other	340,601	340,601	340,601	.....
Total Nonoperating Expenditures	1,706,899	1,706,899	1,706,899	.....
Total Expenditures	25,133,806	26,171,879	25,714,560	457,319
Fund Balances, June 30, 2017	\$ 2,185,928	\$ 1,684,813	\$ 1,828,525	\$ 143,712

The notes to required supplementary information are an integral part of this schedule.

2017 STATE OF FLORIDA CAFR

**BUDGETARY COMPARISON SCHEDULES
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(in thousands)**

	Transportation			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Fund Balances, July 1, 2016	\$ 321,121	\$ 321,121	\$ 321,121	\$
Reversions	2,522	2,522	2,522	.....
Fund Balances, July 1, 2016, restated	323,643	323,643	323,643	.....
REVENUES				
Fees and charges	174,750	174,300	174,750	450
Taxes	2,776,705	2,502,200	2,776,703	274,503
Miscellaneous	650,116	.....	.....	.....
Interest	2,680	1,260	2,947	1,687
Refunds	16,289	16,289	16,293	4
Bond proceeds	100,000	100,000	100,000	.....
Transfers and distributions	444,481	715,490	433,943	(281,547)
Other	19,643	19,782	21,260	1,478
Total Revenues	4,184,664	3,529,321	3,525,896	(3,425)
Total Available Resources	4,508,307	3,852,964	3,849,539	(3,425)
EXPENDITURES				
Operating expenditures:				
Salaries and benefits	4,028	4,074	3,488	586
Other personal services	.....	21	9	12
Expenses	.....	745	687	58
Operating capital outlay	.....	5	5	.....
Fixed capital outlay	398,496	398,496	398,496	.....
Special categories	55,984	55,978	55,108	870
Total Operating Expenditures	458,508	459,319	457,793	1,526
Nonoperating expenditures:				
Transfers	2,594,728	2,594,728	2,594,728	.....
Refunds	71,546	71,546	71,546	.....
Other	423,794	423,794	423,794	.....
Total Nonoperating Expenditures	3,090,068	3,090,068	3,090,068	.....
Total Expenditures	3,548,576	3,549,387	3,547,861	1,526
Fund Balances, June 30, 2017	\$ 959,731	\$ 303,577	\$ 301,678	\$ (1,899)

The notes to required supplementary information are an integral part of this schedule.

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**BUDGET TO GAAP RECONCILIATION
GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(in thousands)**

	General Fund	Environment, Recreation and Conservation	Public Education	Health and Family Services	Transportation
Budgetary basis fund balances	\$ 4,207,520	\$ 2,055,437	\$ 1,043,223	\$ 1,828,525	\$ 301,678
Items not included in budgetary basis fund balances:					
Security lending investments within the State Treasury	697,332	83,175	55,653	6,007	70,596
Fair value adjustments to investments within the State Treasury	(75,935)	(12,905)	(8,635)	(932)	(10,953)
Special investments within the State Treasury	30,839	.....	.....	32,479	.....
Non-State Treasury cash and investments	951,694	1,656	5	46,990	1,051,535
Other GAAP basis fund balances not included in budgetary basis fund balances	.....	.....	.....	.....	294,737
Adjusted budgetary basis fund balances	5,811,450	2,127,363	1,090,246	1,913,069	1,707,593
Adjustments (basis differences):					
Net receivables/(payables) not carried forward	787,239	1,301,847	4,177	630,132	368,958
Net deferred outflows/(inflows) of resources	(163,308)	(701)	.....	(801,262)	(494,325)
Inventories, prepaid items and deferred charges	18,309	761	.....	51,290	7,490
Encumbrances	225,710	15,626	84,895	94,198	41,028
GAAP basis fund balances	\$ 6,679,400	\$ 3,444,896	\$ 1,179,318	\$ 1,887,427	\$ 1,630,744

The notes to required supplementary information are an integral part of this schedule.

OTHER REQUIRED SUPPLEMENTARY INFORMATION**BUDGETARY REPORTING****Budget Process**

Chapter 216, Florida Statutes (F.S.), promulgates the process used to develop the budget for the State of Florida. Each year, the head of each state agency and the Chief Justice of the Supreme Court for the Judicial Branch submit a final annual legislative budget request to the Governor and Legislature by October 15 as required in Section 216.023(1), F.S. Then, at least 30 days before the scheduled annual legislative session in each year, the Governor, as Chief Budget Officer, submits his recommended budget to each legislator.

The Governor also provides estimates of revenues sufficient to fund the recommended appropriations. Revenue estimates for the General Fund and selected trust funds are made by the Revenue Estimating Conference. This group includes members of the Executive and Legislative branches with forecasting experience who develop official information regarding anticipated state and local government revenues as needed for the state budgeting process. Revenue estimates for trust funds not projected by the Revenue Estimating Conference (consisting mainly of special revenue funds) are provided by state agencies. These estimates may be revised during the course of the Legislature's consideration and adoption of a final budget. These estimates, together with known available cash balances, are further considered by the Governor and the Chief Justice of the Florida Supreme Court during the preparation of annual release (spending) plans. Further adjustments to the original budget's trust fund revenue estimates may be made to conform agency revenue estimates to actual and projected revenue streams.

The Governor's recommended budget is considered and amended by the Legislature and a final appropriations bill is then approved by the Legislature (subject to the line-item veto power of the Governor and override authority of the Legislature); this bill then becomes the General Appropriations Act. The Governor and the Chief Justice of the Supreme Court may, under certain conditions and subject to the review and objection procedures set forth in Section 216.177, F.S., establish appropriations and corresponding releases for amounts not appropriated by the Legislature to agencies and the Judicial Branch, respectively. This includes appropriations for non-operating disbursements, such as the purchase of investments and the transfer of money between state funds.

If circumstances warrant, the head of a department or the Chief Justice of the Supreme Court may transfer appropriations (other than fixed capital outlay appropriations) but only to the extent of 5 percent of the original appropriation or \$250,000, whichever is greater, or within certain programs and between identical funding sources and specific appropriation categories. Transfers of general revenue appropriations in excess of 5 percent or \$250,000, whichever is greater, or for fixed capital outlay, or for transfers of general revenue appropriations not allowed within the departments' program flexibility may be approved by the Legislative Budget Commission. The Governor and the Chief Justice of the Supreme Court may approve changes of expenditure authority within any trust fund for agencies and the Judicial Branch, respectively, if the changes are less than \$1 million. The Legislative Budget Commission may approve trust fund changes in excess of \$1 million. At the end of the fiscal year, any balance of an operating appropriation which has not been disbursed but is expended (recorded as a payable) or contracted to be expended (recorded as a reserve for encumbrances in governmental fund types), may be carried forward into the next fiscal year. If these appropriations, however, have not been disbursed by September 30 they will revert pursuant to Section 216.301(1), F.S.

The Chief Financial Officer approves disbursements in accordance with legislative authorizations. The budget is controlled at the account code level, which is defined as an appropriation category (e.g., salaries and benefits), and funded within a budget entity. The Governor and the Chief Financial Officer are responsible for detecting conditions which could lead to a deficit in any agency's funds and reporting that fact to the Legislative Budget Commission and the Chief Justice of the Supreme Court. The Constitution of the State, Article VII, Section 1(d), states, "Provision shall be made by law for raising sufficient revenue to defray the expenses of the state for each fiscal period."

Budgetary Basis of Accounting

The budgetary basis of accounting required by state law differs materially from the basis used to report revenues and expenditures in accordance with generally accepted accounting principles (GAAP). Appropriations are made from funds that are prescribed by law. These legal basis fund types (known as state funds) are the General Revenue Fund, numerous trust funds, and the Budget Stabilization Fund. Certain moneys maintained outside of the State Treasury, known as local funds, are available to agencies for their operations. Because the funds are located in banks outside of the State Treasury, budgetary authority and the disbursement of these funds are not controlled by the Chief Financial Officer. For example, the State Board of Administration operates from such funds.

The state presents budgetary comparison schedules for the General Fund and major special revenue funds as part of the other required supplementary information. In addition, budgetary comparison schedules for non-major special revenue funds which have legally adopted annual budgets are presented with other combining and individual fund statements and schedules.

Budgetary basis revenues are essentially reported on a cash basis and include amounts classified by GAAP as other financing sources. Budgetary basis expenditures include disbursements, except those for prior year carry/certified forwards, plus current year payables and encumbrances which are carried/certified forward into the next fiscal year. They also include amounts classified by GAAP as other financing uses. State law requires prior year payables and encumbrances not carried/certified forward to be paid from the current year budget. The Lump Sum expenditure category presented in the budgetary comparison schedules is used as a budgetary tool to track moneys appropriated to a particular fund until subsequent allocations are made to other expenditure categories.

The presentation of budgetary comparison information for the major governmental fund for transportation excludes the State Transportation Trust Fund within the Department of Transportation because it accounts for projects of a multi-year nature, and comparison of actual annual expenditures to a multi-year appropriated amount is not meaningful. Appropriations are made in total the first year of a project even though they are released and expended over the period of construction for a project.

Budget to GAAP Reconciliation

The budgetary comparison schedules for the General Fund and the major special revenue funds present comparisons of the original budget and final budget with actual revenues and expenditures on a budgetary basis. A budget to GAAP reconciliation is presented following the budgetary comparison schedules because accounting principles for budgetary basis differ significantly from those used to present financial statements in conformity with GAAP.

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OTHER REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FLORIDA RETIREMENT SYSTEM
LAST 10 FISCAL YEARS*
(in thousands)

	2014	2015	2016
Proportion of the net pension liability	17.802202632%	17.961696240%	18.150587866%
Proportionate share of the net pension liability	\$ 1,086,196	\$ 2,319,994	\$ 4,583,038
Covered-employee payroll	\$ 4,538,946	\$ 4,591,628	\$ 4,596,099
Proportionate share of the net pension liability as percentage of covered payroll	23.93%	50.53%	99.72%
Plan fiduciary net position as a percentage of the total pension liability	96.09%	92.00%	84.88%

Notes to Schedule:

Changes in actuarial assumptions: The inflation rate assumption remained at 2.60%, the real payroll growth assumption remained at 0.65%, and the overall payroll growth rate assumption remained at 3.25%. The long-term expected rate of return was decreased from 7.65% to 7.60%.

* Fiscal year 2015 was the first year of GASB Statement No. 68 implementation; therefore, information was not available for a full 10-year presentation.

SCHEDULE OF STATE CONTRIBUTIONS TO PENSION PLAN
FLORIDA RETIREMENT SYSTEM
LAST 10 FISCAL YEARS*
(in thousands)

	2015	2016	2017
Statutorily required contributions	\$ 437,921	\$ 442,631	\$ 457,950
Contributions recognized by the plan	437,921	442,631	457,950
Contribution deficiency (excess)	\$	\$	\$
Covered payroll	\$ 4,591,628	\$ 4,596,099	\$ 4,621,442
Contributions recognized by the plan as a percentage of covered payroll	9.54%	9.63%	9.91%

* Fiscal year 2015 was the first year of GASB Statement No. 68 implementation; therefore, information was not available for a full 10 year presentation.

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OTHER REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
RETIREE HEALTH INSURANCE SUBSIDY PROGRAM
LAST 10 FISCAL YEARS*
(in thousands)

	2014	2015	2016
Proportion of the net pension liability	15.286183318%	15.144426318%	14.878355474%
Proportionate share of the net pension liability	\$ 1,429,295	\$ 1,544,493	\$ 1,734,011
Covered-employee payroll	\$ 4,534,435	\$ 4,588,003	\$ 4,593,175
Proportionate share of the net pension liability as percentage of covered payroll	31.52%	33.66%	37.75%
Plan fiduciary net position as a percentage of the total pension liability	0.99%	0.50%	0.97%

Notes to Schedule:

Changes in actuarial assumptions: The municipal rate used to determine total pension liability was decreased from 3.80% to 2.85%.

* Fiscal year 2015 was the first year of GASB Statement No. 68 implementation; therefore, information was not available for a full 10-year presentation.

SCHEDULE OF STATE CONTRIBUTIONS TO PENSION PLAN
RETIREE HEALTH INSURANCE SUBSIDY PROGRAM
LAST 10 FISCAL YEARS*
(in thousands)

	2015	2016	2017
Statutorily required contributions	\$ 57,891	\$ 76,261	\$ 76,584
Contributions recognized by the plan	57,891	76,261	76,584
Contribution deficiency (excess)	.....	.....	.....
Covered payroll	\$ 4,588,003	\$ 4,593,175	\$ 4,619,123
Contributions recognized by the plan as a percentage of covered payroll	1.26%	1.66%	1.66%

* Fiscal year 2015 was the first year of GASB Statement No. 68 implementation; therefore, information was not available for a full 10-year presentation.

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OTHER REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FLORIDA NATIONAL GUARD SUPPLEMENTAL RETIREMENT BENEFIT PLAN
LAST 10 FISCAL YEARS*
(in thousands)

	2014	2015	2016	2017
Total Pension Liability				
Service cost	\$ 5,979	\$ 7,161	\$ 9,044	\$ 12,904
Interest on total pension liability	18,852	19,164	19,259	19,100
Effect of plan changes	.....	.....	.....	.....
Effect of economic/demographic (gains) or losses	.....	.....	27,462	.....
Effects of assumption changes or inputs	27,926	46,330	118,280	(95,586)
Benefit payments	(14,366)	(14,423)	(14,413)	(14,677)
Net changes in total pension liability	38,391	58,232	159,632	(78,259)
Total pension liability, beginning	408,292	446,683	504,915	664,547
Total pension liability, ending	<u>\$ 446,683</u>	<u>\$ 504,915</u>	<u>\$ 664,547</u>	<u>\$ 586,288</u>
Fiduciary Net Position				
Employer contributions	\$ 14,366	\$ 14,495	\$ 14,423	14,720
Member contributions	.....	.....	.....	.....
Investment income net of investment expenses	.....	.....	.....	.....
Benefit payments	(14,366)	(14,423)	(14,413)	(14,677)
Administrative expenses	.....	(72)	(10)	(43)
Net change in fiduciary position	.....	.....	.....	.....
Fiduciary net position-beginning	.....	.....	.....	.....
Fiduciary net position-ending	<u>\$ 446,683</u>	<u>\$ 504,915</u>	<u>\$ 664,547</u>	<u>\$ 586,288</u>
Net pension liability-ending	<u>\$ 446,683</u>	<u>\$ 504,915</u>	<u>\$ 664,547</u>	<u>\$ 586,288</u>
Fiduciary net position as a % of the total pension liability	0.00%	0.00%	0.00%	0.00%
Covered payroll	\$ 466,939	\$ 476,278	\$ 477,549	487,100
Net pension liability as a % of covered-payroll	95.66%	106.01%	139.16%	120.36%

Notes to Schedule:

Changes of assumptions or input: The municipal bond rate used to determine total pension liability increased from 2.85% to 3.58%.

* Fiscal year 2015 was the first year of GASB Statement No. 68 implementation; therefore, information was not available for a full 10-year presentation.

SCHEDULE OF STATE CONTRIBUTIONS TO PENSION PLAN
FLORIDA NATIONAL GUARD SUPPLEMENTAL RETIREMENT BENEFIT PLAN
LAST 10 FISCAL YEARS*
(in thousands)

	2014	2015	2016	2017
Statutorily required State contribution	\$ 14,366	\$ 14,495	\$ 14,423	\$ 14,720
Contributions recognized by the plan	14,366	14,495	14,423	14,720
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Covered payroll	\$ 466,939	\$ 476,278	\$ 477,549	\$ 487,100
Contributions as a percentage of covered-employee payroll	3.08%	3.04%	3.02%	3.02%

* Fiscal year 2015 was the first year of GASB Statement No. 68 implementation; therefore, information was not available for a full 10-year presentation.

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OTHER REQUIRED SUPPLEMENTARY INFORMATION

OTHER POSTEMPLOYMENT BENEFITS SCHEDULE OF FUNDING PROGRESS*
(in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (A)	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, 2009	\$	\$ 4,831,107	\$ 4,831,107	0.00%	\$ 7,318,965	66.01%
July 1, 2010		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		6,782,210	6,782,210	0.00%	7,188,525	94.35%
July 1, 2013		7,487,707	7,487,707	0.00%	7,467,560	100.27%
July 1, 2014		6,824,971	6,824,971	0.00%	7,308,275	93.39%
July 1, 2015		8,900,312	8,900,312	0.00%	7,810,110	113.96%
July 1, 2016		9,198,289	9,198,289	0.00%	7,847,743	117.21%

SCHEDULE OF EMPLOYER CONTRIBUTIONS*
(in thousands)

Year Ended 6/30	Annual Required Contribution	Percent Contributed
2010	\$ 336,419	30.87%
2011	313,415	32.87%
2012	455,584	27.07%
2013	452,658	28.50%
2014	541,600	22.34%
2015	489,619	21.48%
2016	716,408	20.60%
2017	724,444	23.64%

* This information relates to the cost-sharing plan as a whole, of which the State of Florida is one participating employer. The State of Florida's participation in both the actuarial accrued liability and the annual required contribution is approximately 76%.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

INFORMATION ABOUT INFRASTRUCTURE ASSETS
REPORTED USING THE MODIFIED APPROACH

Pursuant to GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, the state has adopted an alternative process to record depreciation expense on selected infrastructure assets. Under this alternative method, referred to as the modified approach, the state expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include approximately 12,105 centerline miles of roads and 6,878 bridges that the state is responsible for maintaining.

In order to utilize the modified approach, the state is required to:

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets.
- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Estimate each year the annual amount to maintain and preserve the assets at the condition level established and disclosed by the state.
- Document that the assets are being preserved approximately at, or above, the established condition level.

Condition and Maintenance Programs

Resurfacing Program: Road pavements require periodic resurfacing. The frequency of resurfacing depends on the volume of traffic, type of traffic, pavement material variability, and weather conditions. Resurfacing preserves the structural integrity of highway pavements and includes pavement resurfacing, pavement rehabilitation, and minor reconstruction.

The Florida Department of Transportation (FDOT) conducts an annual Pavement Condition Survey. Pavements are rated on a scale of 0 to 10 (with 10 being the best) in each of three criteria: ride smoothness, pavement cracking, and wheel path rutting. Ride smoothness is what the motorist experiences. It directly affects motor vehicle operation costs. Pavement cracking refers to the structural deterioration of the pavement, which leads to loss of smoothness and deterioration of the road base by water seepage if not corrected. Wheel path rutting refers to depressions in pavement caused by heavy use. Ride smoothness and wheel path rutting are measured mechanically using lasers. Pavement cracking is determined through visual observation by experienced survey crews.

The condition rating scales were set by a statewide committee of pavement engineers, so that a pavement segment receiving a rating of six or less in any of the three rating criteria is designated a deficient pavement segment. In low-speed areas, the ride rating must drop to five or less before a pavement segment is considered deficient due to ride.

The FDOT standard is to ensure that 80% of the pavement on the State Highway System remains non-deficient.

Bridge Repair/Replacement Program: The FDOT Bridge Repair Program places primary emphasis on periodic maintenance and specified rehabilitation work activities on State Highway System bridge structures. The FDOT Bridge Replacement Program’s primary focus is on the replacement of structurally deficient or weight restricted bridges on the State Highway System. In addition, the Bridge Replacement Program addresses bridges that require structural repair but which are more cost effective to replace.

The FDOT conducts bridge condition surveys using the National Bridge Inspection Standards to determine condition ratings. Each bridge is inspected at least once every two years. During the inspection process, the major components such as deck, superstructure, and substructure are assigned a condition rating. The condition rating ranges from 0 to 9. By FDOT policy, a rating of 8 to 9 is excellent. A rating of 6 to 7 is good. A rating of 5 indicates fair condition. A rating of 4 or less identifies bridges in poor condition requiring major repairs or replacement per FDOT policy. A rating of 2 indicates a critical bridge condition, and a rating of 1 indicates imminent bridge failure and is used for a bridge that is closed, but with corrective action may be put back into light service. A rating of 0 indicates that the bridge is out of service and beyond corrective action. Per FDOT policy, bridges rated fair or poor do not meet performance standards.

The FDOT standard is to ensure that 90% of all department maintained bridges do not need major repairs or replacement.

Routine Maintenance Program: The FDOT is responsible for managing and performing routine maintenance on the State Highway System to help preserve the condition of the system. Routine maintenance includes many activities, such as repairing

highways, keeping up roadsides, responding to emergencies, maintaining signs, striping roadways, and keeping storm drains clear and structurally sound.

The quality and effectiveness of the routine maintenance program is monitored by periodic surveys, using the Maintenance Rating Program (MRP), which results in an annual assessment. The MRP has been used since 1985 to evaluate routine maintenance of the transportation system in five broad categories or elements. The five rating elements are roadway, roadside, vegetation/aesthetics, traffic services, and drainage. The MRP provides a maintenance rating of 0 to 100 for each category and overall.

The FDOT standard is to achieve and maintain an overall maintenance rating of 80.

Condition Rating for the State Highway System

Percentage of pavement meeting FDOT standards

<u>2017</u>	<u>2016</u>	<u>2015</u>
92%	92%	92%

Percentage of bridges meeting FDOT standards

<u>2017</u>	<u>2016</u>	<u>2015</u>
96%	96%	95%

Maintenance Rating

<u>2017</u>	<u>2016</u>	<u>2015</u>
86	86	86

**Comparison of Needed-to-Actual Maintenance/Preservation
(in millions)**

Resurfacing Program

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Needed	\$530.8	\$619.5	\$571.6	\$467.6	\$514.4
Actual	\$41.5	\$10.1	\$70.6	\$45.6	\$21.8

Bridge Repair/Replacement Program

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Needed	\$642.5	\$191.4	\$110.4	\$239.4	\$332.8
Actual	\$67.2	\$19.3	\$11.6	\$18.2	\$23.5

Routine Maintenance Program

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Needed	\$661.3	\$627.4	\$599.9	\$592.2	\$574.4
Actual	\$74.7	\$72.3	\$69.4	\$64.2	\$63.4

The FDOT determines its program needs based on a five-year plan. The needed amounts provided above are for estimated expenses and commitments relating to projects within the plan at the time of the budget request. The nature of a long-term plan is that it is continually changing. Projects are added, deleted, adjusted, or postponed. The differences between the needed and actual amounts above reflect these changes.

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CERTAIN DEFINITIONS

“2018 Bonds” means the \$164,005,000 State of Florida, Florida Department of Transportation Financing Corporation Revenue Bonds, Series 2018, issued pursuant to the 2018 Series Resolution.

“2018 Series Resolution” means the 2018 Series Resolution adopted by the Corporation on July 11, 2018, authorizing the issuance and sale of the 2018 Bonds.

“Account” means an Account in a Fund.

“Act” means Section 339.0809, Florida Statutes, as amended and as the same may be further amended or supplemented from time to time, and all other applicable provisions of law.

“Additional Bonds” means any obligations issued pursuant to the terms and conditions of the Master Resolution and payable from the Pledged Revenues on a parity with any Bonds previously issued thereunder. Such Additional Bonds shall be deemed to have been issued pursuant to the Master Resolution the same as the Bonds previously authorized and issued pursuant to the Master Resolution, and all of the applicable covenants and other provisions of the Master 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 previously authorized and issued pursuant to the Master Resolution, and the Registered Owners of any Additional Bonds evidencing additional obligations subsequently issued within the limitations of and in compliance with the Master 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 Bonds over any other.

“Administrative Costs” means, with respect to the Bonds or the administration of any funds under the Bond Resolution, to the extent applicable: (i) fees or charges, or both, of the Corporation; and (ii) such other fees or charges, or both, as may be approved by the Corporation, 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 necessary from time to time.

“Amortization Installment” means, with respect to any Term Bonds, the amount of money required to be deposited into the Principal Account in the Bond Fund in a particular Bond Year to pay the principal amount or Accreted Value of such Term Bonds to be redeemed by mandatory redemption or paid at maturity in such Bond Year.

“Authorized Investments” means any and all of the investments allowed under Section 215.47, Florida Statutes, as amended and supplemented from time to time; provided, however, that moneys on deposit in the Sale Proceeds Fund may also be invested in the investments allowed under Section 17.57, Florida Statutes, including through or in a special purpose investment account with the Treasurer of the State.

“Board” means the Board of Directors of the Corporation.

“Bond” or “Bonds” means, any and all bonds or other evidences of indebtedness issued by the Corporation in one or more Series pursuant to the Master Resolution, including any Additional Bonds.

“Bond Counsel” means a firm of attorneys, selected by the Corporation, of nationally recognized standing in the field of municipal finance law whose opinions are generally accepted by underwriters and other purchasers of obligations issued by state and local governments.

“Bond Fund” means the Florida Department of Transportation Financing Corporation Bond Fund, a special fund created and designated by Section 4.01 of the Master Resolution, together with any accounts and subaccounts created thereunder.

“Bond Registrar/Paying Agent” means U.S. Bank Trust National Association, New York, New York, or its successor, unless a different Bond Registrar/Paying Agent is provided for by subsequent resolution of the Board.

“Bond Resolution” means, as to Bonds of any Series, the Master Resolution and the Series Resolution for such Series which is adopted pursuant to the Master Resolution.

“Bond Year” means the twelve-month period ending on June 30 of each year, provided that the first Bond Year for any Series of Bonds may be less than twelve months and shall commence on the date such Series is issued and end on the first June 30 thereafter.

“Book-Entry System” means a system under which either (a) Bond certificates are not issued and the ownership of Bonds is reflected solely by the Register or (b) physical Bond certificates in fully registered form are issued to DTC (or to a similar securities depository) or to its nominee as Registered Owner, with the certificate Bonds held by and “immobilized” in the custody of such securities depository, and under which records maintained by Persons, other than the Registrar, constitute the written record that identifies and records the ownership and transfer of the beneficial interests in those Bonds.

“Chief Executive Officer/President” means the Director of the Division of Bond Finance, as set forth in Section 339.0809(2), Florida Statutes, as amended, who shall also serve as President of the Corporation.

“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.

“Corporation” means the Florida Department of Transportation Financing Corporation, a nonprofit corporation created pursuant to the Act.

“Credit Agreement” means any contract, agreement, or other instrument executed on behalf of the Corporation, in connection with obtaining or administering any Credit Facility for any Bonds, or Reserve Fund Credit Facility for any Bonds, including, but not limited to, any reimbursement agreement, financial guaranty agreement, or standby bond purchase agreement.

“Credit Facility” means a policy of municipal bond insurance, a letter of credit, surety bond or other financial product which guarantees the prompt payment of all or any portion of the Debt Service on any of the Bonds, or to provide funds for the purchase of any Bonds for retirement or remarketing.

“Credit Facility Provider” means an insurance company, bank, or other organization which has provided a Credit Facility in connection with any Series of Bonds.

“Current Interest Bonds” means Bonds, the interest on which shall be payable not less often than annually.

“Custodian” means the person or entity designated by the Corporation for the holding of monies, securities investments, Funds or Accounts in trust in a fiduciary capacity.

“Debt Service” or “debt service” means, for any period or payable at any time, the principal (including Amortization Installments), interest and any premium due on the Bonds for that period or payable at that time whether due at maturity or upon redemption.

“Debt Service Payment Date” means any date on which Debt Service becomes due and payable.

“Debt Service Requirement” means, for any Bond Year, as applied to the Bonds of any Series, or to all Bonds as required by the context, the sum of:

- (a) the amount required to pay the interest becoming due on the Current Interest Bonds during such Bond Year;
- (b) the amount required to pay the principal becoming due on Current Interest Bonds during such Bond Year; and

- (c) the amount required to pay the Maturity Amount or Accreted Value coming due on any Compounding Interest Bonds during such Bond Year.

In calculating the Debt Service Requirement for any Bond Year for any Series of Bonds, or for all Bonds, as the context may require:

- (i) the Corporation shall deduct from the amounts calculated in Subparagraphs (a) through (c) above: (A) any accrued interest or Capitalized Interest derived from the proceeds of such Bonds which are to be used to pay interest coming due in such Bond Year and (B) any investment earnings to be received on moneys on deposit in the Bond Fund and Accounts therein which are required to be used to pay Debt Service on such Bonds during such Bond Year, and (C) the amount of Debt Service on such Bonds which is required to be paid from an Escrow Account;

- (ii) in the case of any Term Bonds for which Amortization Installments have been established, the stated principal or Maturity Amount which is scheduled to be due at their stated date of maturity shall be disregarded and the Amortization Installments applicable to such Term Bonds which are payable in such Bond Year shall be deemed to be due in such Bond Year; and

- (iii) for the purpose of calculating the Reserve Requirement, the interest rate on Variable Rate Bonds shall be deemed to be the greater of (A) the sum of the average of the actual interest rates on seven day obligations for the immediately preceding 52 weeks (or if not available for the 52 week period, then for the period for which available) as shown by the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index, published by Bloomberg (or if such index is not published, a like seven day index for high quality variable rate demand obligations selected by the Corporation) for such period, plus 100 basis points, or (B) the average of the actual interest rates on such Variable Rate Bonds during the immediately preceding 52 weeks (or if not available for the 52 week period, for the period for which available).

“Department” means the Department of Transportation, an executive department of the State of Florida created pursuant to Article IV, Section 6 of the Florida Constitution and Section 20.23, Florida Statutes, as amended.

“Department Bond Programs” means any State bond program secured by a lien on revenues of the State Transportation Trust Fund senior to payments under a Service Contract, excluding bond programs that are secured solely by a lien on revenues of a particular transportation facility or system (for example, revenue bonds secured solely by revenues of Florida’s Turnpike system).”

“Division of Bond Finance” means the Division of Bond Finance of the State Board of Administration, a public body corporate created pursuant to the State Bond Act.

“DTC” means The Depository Trust Company, New York, New York.

“Event of Default” means an Event of Default described in Section 9.01 of the Master Resolution.

“Fiduciary” or “Fiduciaries” means any Person serving as a Trustee, Bond Registrar/Paying Agent, Escrow Agent, Custodian, Rebate Consultant or Independent Certified Public Accountant or securities depository in connection with any of the Bonds.

“Fiduciary Charges” means fees, charges and other amounts payable to any Fiduciary pursuant to the provisions of any agreement between the Corporation and such Fiduciary for services rendered with respect to any Bonds.

“Fiscal Year” means the period commencing on July 1 of each year and ending on the succeeding June 30 or such other period as may be prescribed from time to time as the Fiscal Year of the Corporation.

“Fund” means any Fund created under the Master Resolution or under any Series Resolution.

“Interest” or “interest” means the interest on the specified obligations; in the case of Compounding Interest Bonds, the interest component included in the Maturity Amount (and Accreted Value thereof payable at redemption) shall be deemed to constitute principal; provided, however, that for purposes of any limitation contained herein or in any Series

Resolution on the aggregate principal amount of Bonds of any Series, the principal amount thereof shall be the initial principal amount thereof on the Issuance Date.

“Interest Payment Date” means, when used with reference to any Bonds, the dates on which interest is stated to be due thereon, and any date on which interest becomes due thereon on account of the early redemption thereof or on account of the happening of an event which, under the terms of such Bonds, requires a payment of interest to be made thereon.

“Issuance Costs” means, when used with reference to any Series of Bonds, all costs and expenses payable by the Corporation incidental to the issuance of the Bonds of such Series including, but not limited to: (i) fees and expenses of the Division of Bond Finance, consultants, advisors, Bond Counsel and other counsel to the Corporation; (ii) costs and expenses of printing such Bonds and disclosure documents relating thereto; (iii) fees of bond rating agencies; (iv) charges for CUSIP numbers; (v) charges of DTC and other securities depositories; (vi) closing costs (including all legally permitted costs of travel, food and lodging of officials and employees of the Corporation incurred in connection with attending any closing or pre-closing or any meeting relating to the issuance of such Bonds); (vii) any costs incurred in connection with the public or negotiated sale of such Series of Bonds, including placement fees, costs of compliance with the securities laws of any state in which Bonds of such Series are to be offered and sold; (viii) the acceptance fees and expenses and first year’s fees and expenses of any Fiduciaries involved in the financing; and (ix) other similar expenses; provided that the term Issuance Costs shall not include (a) any underwriter’s discount which is taken into account in the sale price to the Original Purchaser (or any costs and expenses paid by the Original Purchaser and which are not to be reimbursed by the Corporation) or (b) any Initial Credit Facility Charges.

“Master Resolution” means the Master Resolution adopted by the Corporation on April 11, 2018, as amended from time to time.

“Maturity Amount” means, with respect to any Compounding Interest Bond, the sum of the principal and interest amount of such Compounding Interest Bond which is due at the stated maturity thereof.

“Maturity Date” means the stated date on which principal matures on Current Interest Bonds or on which the Maturity Amount becomes payable on Compounding Interest Bonds.

“Maximum Annual Debt Service” means, as of any particular date of calculation, and with respect to all of the Bonds, the total amount of the Debt Service thereon for the (a) balance of the then current Bond Year or (b) any future Bond Year, whichever is greatest in dollar amount.

“Outstanding” or “outstanding” means, when used with reference to any Bonds as of the applicable time, Bonds which have been authenticated and delivered hereunder, or which are being delivered, under the Master Resolution, except:

- (a) Bonds which have been paid;
- (b) Bonds which have been cancelled upon surrender, exchange or transfer pursuant to Section 2.05 of the Master Resolution;
- (c) Bonds described in Section 2.09 of the Master Resolution which have been called for redemption;
- (d) Bonds, the payment of all principal of, interest and premium (if any) on which has been provided for pursuant to Section 8.02 of the Master Resolution;
- (e) Bonds which have become due and for the payment of which funds are held by the Bond Registrar/Paying Agent.
- (f) Bonds, in lieu of which replacement Bonds have been authenticated and issued pursuant to Section 2.05(g) of the Master Resolution; and
- (g) Bonds of any Series which, under the terms of the Series Resolution under which such Series of Bonds are issued, are not deemed to be Outstanding.

“Outstanding Public-Private Partnership Obligations” means (i) the obligations of the Department to make availability, milestone, and final acceptance payments, or other similar payments, that are required by an agreement between the Department and a private entity pursuant to Section 334.30, Florida Statutes, as amended, and that are not payments for the cost of operation or maintenance of a facility; and (ii) the obligations of the Department to make payments to a Department contractor for work performed in one Fiscal Year for which payment has been deferred to a later Fiscal Year pursuant to Section 334.30, Florida Statutes, as amended.

“Payment Obligation” means an obligation of the Corporation arising under a Credit Agreement: (a) to reimburse any Provider for amounts advanced by such Provider under a Credit Facility or Reserve Account Credit Facility which are used (i) to pay any principal, Maturity Amount or Accreted Value of, premium on, or interest on any Bond or Bonds, or (ii) to purchase any Bond or Bonds for cancellation, or (iii) to purchase any Bond or Bonds for remarketing, or (b) to pay interest on any such advances.

“Pledged Funds” means and includes the amounts in the Sale Proceeds Fund under any Series Resolution, the Revenue Fund, the Bond Fund and the Reserve Fund.

“Pledged Revenues” means any and all of the revenues received by the Corporation under the Service Contract and deposited in the Funds and Accounts established or authorized under Article IV of the Master Resolution, except funds deposited into the Rebate Fund.

“Principal” or “principal” means the principal of the specified Bond or Bonds; in the case of Compounding Interest Bonds, the interest component included in the Maturity Amount or Accreted Value of any Bond shall be deemed to constitute principal; provided, however, that for purposes of any limitations contained herein or in any Series Resolution on the aggregate principal amount of Bonds which may be issued thereunder, the “principal” amount thereof shall be the initial principal amount thereof on the Issuance Date.

“Rating Agency” means a nationally recognized bond rating agency.

“Rebate Amount” means the amount of any rebate or penalty in lieu of rebate which is payable under Section 148(f) of the Code.

“Rebate Fund” means the Florida Department of Transportation Financing Corporation Rebate Fund, created and designated by Section 4.01 of the Master Resolution, together with any Accounts and subaccounts created thereunder.

“Redemption Date” means any date on which any Bonds are called for redemption prior to maturity.

“Register” means, when used with respect to any Series of Bonds, the books upon which the ownership of Bonds and transfers of Bonds of such Series are recorded by the Registrar for such Series of Bonds.

“Registered Owner” or “Registered Owners” means any person who shall be shown to be the Owner of any Bond of any Series on the Register for such Series of Bonds.

“Record Date” means the fifteenth (15th) day (whether or not a Business Day) of the month immediately preceding any scheduled Interest Payment Date; provided that with respect to any Series of Bonds, the Series Resolution therefor may establish a different Record Date.

“Reserve Fund” means the Florida Department of Transportation Financing Corporation Bond Reserve Fund, created and designated by Section 4.01 of the Master Resolution, together with any Accounts created thereunder.

“Reserve Fund Credit Facility” means a surety bond, a policy of insurance, a letter of credit, or other financial product obtained by the Corporation with respect to Bonds, from an entity that is rated in one of the two highest rating categories of a Rating Agency and which financial product provides for payment of Debt Service on one or more Series of Bonds in amounts not greater than the Reserve Requirement for such Series in the event of an insufficiency of moneys in the Bond Fund and in the Reserve Fund to pay when due Debt Service on the Bonds of such Series.

“Resolution” or “resolution” means a resolution of the Board and includes any Series Resolution.

“Revenue Fund” means the Florida Department of Transportation Financing Corporation Revenue Fund, created and designated by Section 4.01 of the Master Resolution, together with any Accounts and subaccounts created thereunder.

“Sale Proceeds Fund” means the Fund or Funds so designated as such, created under Section 4.01 of the Master Resolution or under any Series Resolution.

“Secretary” means the Secretary of the Corporation.

“Series Resolution” means, as to any Series of Bonds, the resolution or resolutions of the Corporation providing for the sale and issuance of such Series of Bonds.

“Service Contract” means one or more service contracts substantially in the form attached as Exhibit A to the Master Resolution and made and entered into between the Department and the Corporation pursuant to Section 339.0809(4), Florida Statutes, as amended, providing for payments by the Department to the Corporation of certain amounts annually sufficient to pay Debt Service on the Bonds, Credit Facility Charges, Payment Obligations, Administrative Costs, and Issuance Costs, all contingent upon annual appropriation by the Florida Legislature, and any and all amendments or supplements thereto.

“State” means the State of Florida.

“State Board of Administration” means the State Board of Administration, as created pursuant to the provisions of Article IV, Section 4, Florida Constitution, and Chapter 215, Florida Statutes.

“State Transportation Trust Fund” means that trust fund created pursuant to Section 206.46, Florida Statutes, as amended.

“Tax Compliance Certificate” means, as to any Series of Bonds, a certificate, in form and substance satisfactory to Bond Counsel, to be executed, in connection with the issuance of such Series of Bonds (which are intended to be “tax exempt obligations,” as defined in the Code), by such officials and employees of the Corporation as shall be designated by the Series Resolution for such Issue, in which the Corporation shall make representations and covenants as to the use of proceeds of such Series of Bonds and as to other matters relevant to the federal income tax status of the interest thereon.

“Term Bonds” means Bonds of a Series which shall be stated to mature on one date and which are designated as Term Bonds pursuant to the Series Resolution for such Series of Bonds; Term Bonds shall be subject to retirement in part in one or more Bond Years prior to their Maturity Date by scheduled mandatory redemption with Amortization Installments.

FLORIDA DEPARTMENT OF TRANSPORTATION FINANCING CORPORATION

MASTER RESOLUTION

Resolution No. 1

Adopted April 11, 2018

Authorizing and Securing
Florida Department of Transportation Financing Corporation
Revenue Bonds

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RESOLUTION NO. 1

A RESOLUTION OF THE FLORIDA DEPARTMENT OF TRANSPORTATION FINANCING CORPORATION AUTHORIZING THE ISSUANCE OF FLORIDA DEPARTMENT OF TRANSPORTATION FINANCING CORPORATION REVENUE BONDS IN ONE OR MORE SERIES; PROVIDING FOR ADOPTION OF SERIES RESOLUTIONS PURSUANT TO THIS MASTER RESOLUTION; APPROVING THE FORM OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF A SERVICE CONTRACT OR CONTRACTS BETWEEN THE DEPARTMENT OF TRANSPORTATION AND THE CORPORATION; PROVIDING FOR PAYMENT OF THE BONDS FROM PLEDGED REVENUES; PROVIDING THAT THE BONDS SHALL NOT CONSTITUTE A DEBT OR OBLIGATION OF THE STATE OF FLORIDA OR A PLEDGE OF THE FAITH AND CREDIT OR TAXING POWER OF THE STATE, BUT SHALL BE PAYABLE SOLELY FROM AND SECURED BY PAYMENTS MADE BY THE DEPARTMENT OF TRANSPORTATION UNDER THE SERVICE CONTRACT, WHICH PAYMENTS ARE SUBJECT TO ANNUAL APPROPRIATION BY THE LEGISLATURE; PROVIDING FOR TERMS AND DETAILS OF THE BONDS; PROVIDING FOR THE CREATION OF CERTAIN FUNDS AND ACCOUNTS; PROVIDING FOR THE RIGHTS, SECURITY AND REMEDIES OF BONDHOLDERS AND CREDIT FACILITY PROVIDERS; AUTHORIZING VARIOUS METHODS OF SALE OF THE BONDS; AUTHORIZING THE VALIDATION OF THE BONDS AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the 2016 Florida Legislature enacted Chapter 2016-181, Laws of Florida, codified as Section 339.0809, Florida Statutes, as amended (as the same may be further amended or supplemented from time to time, together with all other applicable provisions of law, the “Act”); and

WHEREAS, among other things, the Act creates the Florida Department of Transportation Financing Corporation (the “Corporation”) as a nonprofit corporation for the purpose of financing or refinancing projects approved in the Department of Transportation’s (the “Department”) work program for the Department; and

WHEREAS, for this purpose, the Corporation is authorized to issue bonds or other evidences of indebtedness which are payable from amounts to be paid by the Department to the Corporation under a service contract or contracts (collectively, the “Service Contract”), entered into between the Department and the Corporation; and

WHEREAS, the Corporation and the Department intend to enter into the Service Contract providing for payment by the Department to the Corporation of amounts sufficient to pay Debt Service (as herein defined) on the Bonds (as herein defined), Administrative Costs (as herein defined) and Issuance Costs (as herein defined), contingent upon annual appropriation by the Florida Legislature of funds sufficient to make payment under the Service Contract; and

WHEREAS, this Master Resolution is being adopted to provide for and secure the payment of Debt Service on all Bonds of any and all Series (as herein defined), and other amounts payable under this Master Resolution and to establish the manner of financing and methods of carrying out the purposes of the Corporation; and

WHEREAS, the Florida Legislature has appropriated the first year’s debt service for initial projects up to \$500 million; and

WHEREAS, the Act provides that obligations to be incurred by the Corporation under the provisions of the Act and the validity and enforceability of the Service Contract providing for payments pledged to the payment of such obligations may be validated pursuant to Chapter 75, Florida Statutes, prior to their issuance;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Florida Department of Transportation Financing Corporation, as follows:

ARTICLE I

RECITALS, DEFINITIONS AND CONSTRUCTION

SECTION 1.01. Recitals. The recitals contained in the foregoing “Whereas” clauses are incorporated herein by this reference.

SECTION 1.02. Definitions. Capitalized terms used in this Master Resolution shall have the following meanings, unless the context clearly requires otherwise:

“Account” means an Account in a Fund.

“Accreted Value” means, with respect to any Compounding Interest Bond, (a) the amount representing the Accreted Value of such Bonds as of any Compounding Date, as established by the schedule of Accreted Values appearing in such Bond, which amount represents the initial principal amount thereof plus the amount of interest that has accrued to such Compounding Date calculated on the basis of a three hundred and sixty (360) day year of twelve (12) thirty (30) day months, and (b) as of any date other than a Compounding Date, the sum of (i) the Accreted Value on the preceding Compounding Date plus (ii) the product of (x) a fraction, the numerator of which is the number of days having elapsed from the preceding Compounding Date and the denominator of which is the number of days from such preceding Compounding Date to the next succeeding Compounding Date, multiplied by (y) the difference between the Accreted Values on such Compounding Dates, which amount represents the principal plus the amount of interest that has accrued to such date of determination.

“Act” means Section 339.0809, Florida Statutes, as amended and as the same may be further amended or supplemented from time to time, and all other applicable provisions of law.

“Additional Bonds” means any obligations issued pursuant to the terms and conditions of this Resolution and payable from the Pledged Revenues on a parity with any Bonds previously issued hereunder. Such Additional Bonds shall be deemed to have been issued pursuant to this Resolution the same as the Bonds previously 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 previously 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 Bonds over any other.

“Administrative Costs” means, with respect to the Bonds or the administration of any funds under the Resolution, to the extent applicable: (i) fees or charges, or both, of the Corporation; and (ii) such other fees or charges, or both, as may be approved by the Corporation, 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 necessary from time to time.

“Amortization Installment” means, with respect to any Term Bonds, the amount of money required to be deposited into the Principal Account in the Bond Fund in a particular Bond Year to pay the principal amount or Accreted Value of such Term Bonds to be redeemed by mandatory redemption or paid at maturity in such Bond Year.

“Authorized Investments” means any and all of the investments allowed under Section 215.47, Florida Statutes, as amended and supplemented from time to time; provided, however, that moneys on deposit in the Sale Proceeds Fund may also be invested in the investments allowed under Section 17.57, Florida Statutes, including through or in a special purpose investment account with the Treasurer of the State.

“Board” means the Board of Directors of the Corporation.

“Bond” or “Bonds” means, any and all bonds or other evidences of indebtedness issued by the Corporation in one or more Series pursuant to this Master Resolution, including any Additional Bonds issued pursuant to Section 2.10 hereof.

“Bond Counsel” means a firm of attorneys, selected by the Corporation, of nationally recognized standing in the field of municipal finance law whose opinions are generally accepted by underwriters and other purchasers of obligations issued by state and local governments.

“Bond Fund” means the Florida Department of Transportation Financing Corporation Bond Fund, a special fund created and designated by Section 4.01 hereof, together with any accounts and subaccounts created thereunder.

“Bond Purchase Agreement” means, when used with reference to any Series of Bonds, an agreement between the Corporation and the Original Purchaser providing for the sale by the Corporation of the Bonds of such Series to such Original Purchaser.

“Bond Registrar/Paying Agent” means U.S. Bank Trust National Association, New York, New York, or its successor, unless a different Bond Registrar/Paying Agent is provided for by subsequent resolution of the Board.

“Bond Resolution” means, as to Bonds of any Series, this Master Resolution and the Series Resolution for such Series which is adopted pursuant to this Master Resolution.

“Bond Year” means the twelve-month period ending on June 30 of each year, provided that the first Bond Year for any Series of Bonds may be less than twelve months and shall commence on the date such Series is issued and end on the first June 30 thereafter.

“Book-Entry System” means a system under which either (a) Bond certificates are not issued and the ownership of Bonds is reflected solely by the Register or (b) physical Bond certificates in fully registered form are issued to DTC (or to a similar securities depository) or to its nominee as Registered Owner, with the certificate Bonds held by and “immobilized” in the custody of such securities depository, and under which records maintained by Persons, other than the Registrar, constitute the written record that identifies and records the ownership and transfer of the beneficial interests in those Bonds.

“Business Day” means any day of the year on which banks and trust companies (in any of the cities in which the principal corporate trust office or transfer office of any Bond Registrar/Paying Agent or of the principal office of any Credit Facility Provider or Reserve Fund Credit Facility Provider is located) are not required or authorized to remain closed and on which any Bond Registrar/Paying Agent, any Credit Facility Provider, any Reserve Fund Credit Facility Provider and the New York Stock Exchange are open.

“Capital Appreciation Bond” means a Bond which is a Compounding Interest Bond throughout its entire term.

“Capitalized Interest” means, when used with reference to any Series of Bonds, that portion of the sale proceeds of such Series of Bonds, exclusive of accrued interest received upon the sale of such Series of Bonds, which is required by the Series Resolution for such Series to be used to pay interest on the Bonds of such Series of Bonds.

“Chief Executive Officer/President” means the Director of the Division of Bond Finance, as set forth in Section 339.0809(2), Florida Statutes, as amended, who shall also serve as President of the Corporation.

“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.

“Compounding Date” means, with respect to any Compounding Interest Bond, the date on which interest is compounded for purposes of determining Accreted Value.

“Compounding Interest Bond” means a Bond, the interest on which (a) shall be compounded periodically, (b) shall be payable at maturity or redemption prior to maturity, and (c) shall be determined by reference to Accreted Values and includes, but is not limited to, Capital Appreciation Bonds and Convertible Capital Appreciation Bonds.

“Convertible Capital Appreciation Bond” means a Bond the interest on which from its issuance date or dated date until a conversion date specified therein is compounded periodically and from and after such conversion date is payable not less often than annually, calculated on the basis of the Accreted Value thereof on such conversion date, and the Accreted Value of which as of said conversion date is treated as the principal amount thereof for purposes of payment or redemption after such conversion date.

“Corporation” means the Florida Department of Transportation Financing Corporation, a nonprofit corporation created pursuant to the Act.

“Credit Agreement” means any contract, agreement, or other instrument executed on behalf of the Corporation, in connection with obtaining or administering any Credit Facility for any Bonds, or Reserve Fund Credit Facility for any Bonds, including, but not limited to, any reimbursement agreement, financial guaranty agreement, or standby bond purchase agreement.

“Credit Enhanced” means when used with respect to any Bond, that the Debt Service on such Bond or the payment of the purchase price thereof is fully secured by a Credit Facility.

“Credit Facility” means a policy of municipal bond insurance, a letter of credit, surety bond or other financial product which guarantees the prompt payment of all or any portion of the Debt Service on any of the Bonds, or to provide funds for the purchase of any Bonds for retirement or remarketing.

“Credit Facility Charges” means (a) Initial Credit Facility Charges and (b) Recurring Credit Facility Charges.

“Credit Facility Provider” means an insurance company, bank, or other organization which has provided a Credit Facility in connection with any Series of Bonds.

“Current Interest Bonds” means Bonds, the interest on which shall be payable not less often than annually.

“Custodian” means the person or entity designated by the Corporation for the holding of monies, securities investments, Funds or Accounts in trust in a fiduciary capacity.

“Debt Service” or “debt service” means, for any period or payable at any time, the principal (including Amortization Installments), interest and any premium due on the Bonds for that period or payable at that time whether due at maturity or upon redemption.

“Debt Service Payment Date” means any date on which Debt Service becomes due and payable.

“Debt Service Requirement” means, for any Bond Year, as applied to the Bonds of any Series, or to all Bonds as required by the context, the sum of:

- (a) the amount required to pay the interest becoming due on the Current Interest Bonds during such Bond Year;
- (b) the amount required to pay the principal becoming due on Current Interest Bonds during such Bond Year; and
- (c) the amount required to pay the Maturity Amount or Accreted Value coming due on any Compounding Interest Bonds during such Bond Year.

In calculating the Debt Service Requirement for any Bond Year for any Series of Bonds, or for all Bonds, as the context may require:

(i) the Corporation shall deduct from the amounts calculated in Subparagraphs (a) through (c) above: (A) any accrued interest or Capitalized Interest derived from the proceeds of such Bonds which are to be used to pay interest coming due in such Bond Year and (B) any investment earnings to be received on moneys on deposit in the Bond Fund and Accounts therein which are required to be used to pay Debt Service on such Bonds during such Bond Year, and (C) the amount of Debt Service on such Bonds which is required to be paid from an Escrow Account;

(ii) in the case of any Term Bonds for which Amortization Installments have been established, the stated principal or Maturity Amount which is scheduled to be due at their stated date of maturity shall be disregarded and the Amortization Installments applicable to such Term Bonds which are payable in such Bond Year shall be deemed to be due in such Bond Year; and

(iii) for the purpose of calculating the Reserve Requirement, the interest rate on Variable Rate Bonds shall be deemed to be the greater of (A) the sum of the average of the actual interest rates on seven day obligations for the immediately preceding 52 weeks (or if not available for the 52 week period, then for the period for which available) as shown by the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index, published by Bloomberg (or if such index is not published, a like seven day index for high quality variable rate demand obligations selected by the Corporation) for such period, plus 100 basis points, or (B) the average of the actual interest rates on such Variable Rate Bonds during the immediately preceding 52 weeks (or if not available for the 52 week period, for the period for which available).

“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, and with respect to any Series, such additional investments as shall be designated as Defeasance Obligations for such Series by the applicable Series Resolution.

“Department” means the Department of Transportation, an executive department of the State of Florida created pursuant to Article IV, Section 6 of the Florida Constitution and Section 20.23, Florida Statutes, as amended.

“Depository” means a bank or trust company in which funds of the Corporation may lawfully be deposited or the State Board of Administration.

“Division of Bond Finance” means the Division of Bond Finance of the State Board of Administration, a public body corporate created pursuant to the State Bond Act.

“DTC” means The Depository Trust Company, New York, New York.

“Escrow Account” means an account into which moneys are deposited and held in trust by an Escrow Agent for the purpose of paying any Debt Service on any Bonds to be refunded.

“Escrow Agent” means the bank or trust company, either within or without the State, or the State Board of Administration, which holds any Escrow Account in trust in a fiduciary capacity.

“Event of Default” means an Event of Default described in Section 9.01 hereof.

“Fiduciary” or “Fiduciaries” means any Person serving as a Trustee, Bond Registrar/Paying Agent, Escrow Agent, Custodian, Rebate Consultant or Independent Certified Public Accountant or securities depository in connection with any of the Bonds.

“Fiduciary Charges” means fees, charges and other amounts payable to any Fiduciary pursuant to the provisions of any agreement between the Corporation and such Fiduciary for services rendered with respect to any Bonds.

“Fiscal Year” means the period commencing on July 1 of each year and ending on the succeeding June 30 or such other period as may be prescribed from time to time as the Fiscal Year of the Corporation.

“Fixed Rate” means, when used with respect to any Bond, that the rate of interest thereon is not subject to change.

“Fund” means any Fund created hereunder or under any Series Resolution.

“Independent Certified Public Accountant” means such firm of certified public accountants, not in the regular employ of the Corporation, as shall be retained by the Corporation for the purpose of performing such functions as are specified in this Master Resolution.

“Initial Credit Facility Charges” means and includes any premium, commitment fee or other issuance charges payable by the Corporation to any Provider for the issuance of any Credit Facility or Reserve Account Credit Facility relating to any Bonds, at the time of the initial issuance of such Bonds, together with any fees and expenses relating thereto, including, but not limited to, the legal fees and expenses of legal counsel to the Provider of any Credit Facility or Reserve Account Credit Facility, which the Corporation is required to pay or for which it is required to make reimbursement, but shall not include any Payment Obligations or Recurring Credit Facility Charges.

“Interest” or “interest” means the interest on the specified obligations; in the case of Compounding Interest Bonds, the interest component included in the Maturity Amount (and Accreted Value thereof payable at redemption) shall be deemed to constitute principal; provided, however, that for purposes of any limitation contained herein or in any Series Resolution on the aggregate principal amount of Bonds of any Series, the principal amount thereof shall be the initial principal amount thereof on the Issuance Date.

“Interest Payment Date” means, when used with reference to any Bonds, the dates on which interest is stated to be due thereon, and any date on which interest becomes due thereon on account of the early redemption thereof or on account of the happening of an event which, under the terms of such Bonds, requires a payment of interest to be made thereon.

“Issuance Date” means the date of physical or electronic delivery of a Series by the Corporation in exchange for the purchase price of that Series.

“Issuance Costs” means, when used with reference to any Series of Bonds, all costs and expenses payable by the Corporation incidental to the issuance of the Bonds of such Series including, but not limited to: (i) fees and expenses of the Division of Bond Finance, consultants, advisors, Bond Counsel and other counsel to the Corporation; (ii) costs and expenses of printing such Bonds and disclosure documents relating thereto; (iii) fees of bond rating agencies; (iv) charges for CUSIP numbers; (v) charges of DTC and other securities depositories; (vi) closing costs (including all legally permitted costs of travel, food and lodging of officials and employees of the Corporation incurred in connection with attending any closing or pre-closing or any meeting relating to the issuance of such Bonds); (vii) any costs incurred in connection with the public or negotiated sale of such Series of Bonds, including placement fees, costs of compliance with the securities laws of any state in

which Bonds of such Series are to be offered and sold; (viii) the acceptance fees and expenses and first year's fees and expenses of any Fiduciaries involved in the financing; and (ix) other similar expenses; provided that the term Issuance Costs shall not include (a) any underwriter's discount which is taken into account in the sale price to the Original Purchaser (or any costs and expenses paid by the Original Purchaser and which are not to be reimbursed by the Corporation) or (b) any Initial Credit Facility Charges.

"Master Resolution" means this Master Resolution, as amended from time to time.

"Maturity Amount" means, with respect to any Compounding Interest Bond, the sum of the principal and interest amount of such Compounding Interest Bond which is due at the stated maturity thereof.

"Maturity Date" means the stated date on which principal matures on Current Interest Bonds or on which the Maturity Amount becomes payable on Compounding Interest Bonds.

"Maximum Annual Debt Service Requirement" means, as of any particular date of calculation, and with respect to all of the Bonds, the total amount of the Debt Service thereon for the (a) balance of the then current Bond Year or (b) any future Bond Year, whichever is greatest in dollar amount.

"Multimodal Bond" means a Bond which contains provisions allowing for the payment of interest at different rates during different interest periods and for the establishment of different interest periods and interest rates; the interest rate during any particular interest period may be a Variable Rate or a Fixed Rate.

"Original Purchaser" means, as to any Series of Bonds, the Person or Persons identified in the certificate of award (if a public sale) or the Bond Purchase Agreement relating thereto as being the purchaser or purchasers of such Bonds.

"Outstanding" or "outstanding" means, when used with reference to any Bonds as of the applicable time, Bonds which have been authenticated and delivered hereunder, or which are being delivered, under this Resolution, except:

- (a) Bonds which have been paid;
- (b) Bonds which have been cancelled upon surrender, exchange or transfer pursuant to Section 2.05 hereof;
- (c) Bonds described in Section 2.09 hereof which have been called for redemption;
- (d) Bonds, the payment of all principal of, interest and premium (if any) on which has been provided for pursuant to Section 8.02 hereof;
- (e) Bonds which have become due and for the payment of which funds are held by the Bond Registrar/Paying Agent.
- (f) Bonds, in lieu of which replacement Bonds have been authenticated and issued pursuant to Section 2.05(g) hereof; and
- (g) Bonds of any Series which, under the terms of the Series Resolution under which such Series of Bonds are issued, are not deemed to be Outstanding.

"Payment Obligation" means an obligation of the Corporation arising under a Credit Agreement: (a) to reimburse any Provider for amounts advanced by such Provider under a Credit Facility or Reserve Account Credit Facility which are used (i) to pay any principal, Maturity Amount or Accreted Value of, premium on, or interest on any Bond or Bonds, or (ii) to purchase any Bond or Bonds for cancellation, or (iii) to purchase any Bond or Bonds for remarketing, or (b) to pay interest on any such advances.

“Person” means any individual, firm, partnership, corporation, public body, or other legal entity.

“Pledged Funds” means and includes the amounts in the Sale Proceeds Fund under any Series Resolution, the Revenue Fund, the Bond Fund and the Reserve Fund.

“Pledged Revenues” means any and all of the revenues received by the Corporation under the Service Contract and deposited in the Funds and Accounts established or authorized herein under Article IV, except funds deposited into the Rebate Fund.

“Principal” or “principal” means the principal of the specified Bond or Bonds; in the case of Compounding Interest Bonds, the interest component included in the Maturity Amount or Accreted Value of any Bond shall be deemed to constitute principal; provided, however, that for purposes of any limitations contained herein or in any Series Resolution on the aggregate principal amount of Bonds which may be issued thereunder, the “principal” amount thereof shall be the initial principal amount thereof on the Issuance Date.

“Provider” means a Credit Facility Provider or Reserve Account Credit Facility Provider, as indicated by the context in which such term is used.

“Rating Agency” means a nationally recognized bond rating agency.

“Rebate Amount” means the amount of any rebate or penalty in lieu of rebate which is payable under Section 148(f) of the Code.

“Rebate Consultant” means Bond Counsel, an Independent Certified Public Accountant or other Person having expertise in matters pertaining to Section 148(f) of the Code and the calculation of the Rebate Amount thereunder.

“Rebate Fund” means the Florida Department of Transportation Financing Corporation Rebate Fund, created and designated by Section 4.01 hereof, together with any Accounts and subaccounts created thereunder.

“Recurring Credit Facility Charges” means and includes (a) all charges payable by the Corporation to any Provider of a Credit Facility or Reserve Fund Credit Facility under any Credit Agreement to renew or extend the term of any Credit Facility or Reserve Fund Credit Facility, (b) all charges of the type described in the definition of “Initial Credit Facility Charges” relating to the replacement of any Credit Facility or Reserve Fund Credit Facility for any Outstanding Bonds with a new Credit Facility or Reserve Fund Credit Facility, and (c) any other fees, charges or amounts the Corporation is required to pay to any Provider of a Credit or Reserve Fund Credit Facility (other than Initial Credit Facility Charges and Payment Obligations) under any Credit Agreement, including, but not limited to, draw fees, transaction fees, “gross-up charges” termination fees, annual fees, expenses of such Provider which the Corporation is required to pay or for which it is required to reimburse such Provider, and any payments the Corporation is required to make to indemnify any such Provider for any costs or expenses incurred by it or any loss suffered by it in connection with a Credit Facility or Reserve Fund Credit Facility.

“Redemption Date” means any date on which any Bonds are called for redemption prior to maturity.

“Refunded” or “refunded” means, when used with respect to any Bonds, that such Bonds have been paid or defeased with proceeds of other Bonds.

“Register” means, when used with respect to any Series of Bonds, the books upon which the ownership of Bonds and transfers of Bonds of such Series are recorded by the Registrar for such Series of Bonds.

“Registered Owner” or “Registered Owners” means any person who shall be shown to be the Owner of any Bond of any Series on the Register for such Series of Bonds.

“Record Date” means the fifteenth (15th) day (whether or not a Business Day) of the month immediately preceding any scheduled Interest Payment Date; provided that with respect to any Series of Bonds, the Series Resolution therefor may establish a different Record Date.

“Reserve Fund” means the Florida Department of Transportation Financing Corporation Bond Reserve Fund, created and designated by Section 4.01 hereof, together with any Accounts created thereunder.

“Reserve Fund Credit Facility” means a surety bond, a policy of insurance, a letter of credit, or other financial product obtained by the Corporation with respect to Bonds, from an entity that is rated in one of the two highest rating categories of a Rating Agency and which financial product provides for payment of Debt Service on one or more Series of Bonds in amounts not greater than the Reserve Requirement for such Series in the event of an insufficiency of moneys in the Bond Fund and in the Reserve Fund to pay when due Debt Service on the Bonds of such Series.

“Reserve Fund Credit Facility Provider” means, an insurance company, bank, or other organization which has provided a Reserve Fund Credit Facility.

“Reserve Requirement” means, as of any date of calculation: (i) for a particular debt service reserve subaccount established for a Series of Tax-Exempt Bonds, an amount determined pursuant to the Series Resolution that establishes such subaccount, which amount shall not exceed the least of (1) the Maximum Annual Debt Service on the Bonds secured by such subaccount, (2) 125% of the average annual debt service of the Bonds secured by such subaccount for the then current and succeeding Fiscal Years, (3) 10% of the original principal amount of the Bonds secured by such subaccount, or (4) the maximum debt service reserve permitted with respect to tax-exempt obligations and applicable to the Bonds secured by such subaccount under the Code; and (ii) for a particular debt service reserve subaccount established for a Series of Taxable Bonds, an amount determined pursuant to the Series Resolution that establishes such subaccount. The Reserve Requirement for a particular Series of Bonds may be established at zero.

“Resolution” or “resolution” means a resolution of the Board and includes any Series Resolution.

“Revenue Fund” means the Florida Department of Transportation Financing Corporation Revenue Fund, created and designated by Section 4.01 hereof, together with any Accounts and subaccounts created thereunder.

“Sale Proceeds Fund” means the Fund or Funds so designated as such, created under Section 4.01 hereof or under any Series Resolution.

“Secretary” means the Secretary of the Corporation.

“Serial Bond” means any Bond for the payment of the principal of which no Amortization Installments for mandatory redemption are required to be made in any Bond Year prior to the Maturity Date of such Bond and which is designated as a Serial Bond in the Series Resolution for such Series.

“Series” means any Bonds which are designated as a Series by a Series Resolution.

“Series Resolution” means, as to any Series of Bonds, the resolution or resolutions of the Corporation providing for the sale and issuance of such Series of Bonds.

“Service Contract” means one or more service contracts substantially in the form attached as Exhibit A to this Resolution and made and entered into between the Department and the Corporation pursuant to Section 339.0809(4), Florida Statutes, as amended, providing for payments by the Department to the Corporation of certain amounts annually sufficient to pay Debt Service on the Bonds, Credit Facility Charges, Payment Obligations, Administrative Costs, and Issuance Costs, all contingent upon annual appropriation by the Florida Legislature, and any and all amendments or supplements thereto.

“Special Interest Payment Date” means a date established pursuant to Section 2.07 hereof for the payment of interest which has become delinquent.

“Special Record Date” means a record date established pursuant to Section 2.07 hereof for the payment of interest on any Special Interest Payment Date.

“State” means the State of Florida.

“State Board of Administration” means the State Board of Administration, as created pursuant to the provisions of Article IV, Section 4, Florida Constitution, and Chapter 215, Florida Statutes.

“Taxable Bonds” means Bonds the interest on which is includable in the gross income of the recipients thereof for federal income tax purposes in the United States.

“Tax Compliance Certificate” means, as to any Series of Bonds, a certificate, in form and substance satisfactory to Bond Counsel, to be executed, in connection with the issuance of such Series of Bonds (which are intended to be “tax exempt obligations,” as defined in the Code), by such officials and employees of the Corporation as shall be designated by the Series Resolution for such Issue, in which the Corporation shall make representations and covenants as to the use of proceeds of such Series of Bonds and as to other matters relevant to the federal income tax status of the interest thereon.

“Tax-Exempt Bond” means any obligation the interest on which is excluded from gross income of the recipients thereof for federal income tax purposes within the meaning of Section 150 of the Code, and includes any investment treated as a “tax-exempt bond” for the purposes of Section 148 of the Code.

“Term Bonds” means Bonds of a Series which shall be stated to mature on one date and which are designated as Term Bonds pursuant to the Series Resolution for such Series of Bonds; Term Bonds shall be subject to retirement in part in one or more Bond Years prior to their Maturity Date by scheduled mandatory redemption with Amortization Installments.

“Trustee” means, as to any Series of Bonds or as to any Fund or Account, any bank or trust company or the State Board of Administration which has been designated as a Trustee for such Series of Bonds or for such Fund or Account in the Series Resolution for such Series of Bonds or any other resolution of the Board, and its successors in interest as Trustee.

“Value” means, with respect to any Fund hereunder, the value as determined pursuant to Section 4.08 hereof.

“Variable Rate” means, when used with respect to any Bonds, Bonds having an interest rate which is subject to future change so that at the date any calculation of interest thereon is required to be made hereunder or under any Series Resolution, the interest payable at any future time or for any interest period (which is relevant to such calculation) is not known.

SECTION 1.03. Rules of Construction. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, singular words shall include the plural as well as the singular number.

Any reference herein to the Corporation, the Board, or to any other officials of the Corporation or to other public boards, commissions, departments, institutions, agencies, bodies, entities or officers thereof, shall include those who or which succeed to their functions, duties or responsibilities pursuant to or by operation of law or who are lawfully performing their functions.

Any reference to any Article, Section or provision of the Constitution or to any Title, Chapter, Section or provision of the laws of the State or of federal laws or rules or regulations, shall include such Article, Title, Chapter, Section or provision as amended, modified, revised, supplemented or superseded from time to time; provided that no such change shall be deemed applicable by reason of this provision if such change by its terms is inapplicable to any particular Bonds or would, in any way, constitute an unlawful impairment of the rights of the Corporation or any Registered Owner, Fiduciary or Provider.

SECTION 1.04. Resolutions to Constitute Contract. In consideration of the acceptance of the Bonds by those who shall be the Registered Owners of the same from time to time, this Master Resolution shall be deemed to be and shall

constitute a contract and a security agreement between the Corporation and the Registered Owners of all Bonds, and the covenants and agreements herein set forth to be performed by the Corporation shall be for the equal benefit, protection and security of the Registered Owners of all of the Bonds, all of which shall be of equal rank and priority as to the Pledged Funds, without preference or priority of any Bond over any other Bond, except as expressly provided therein and herein. The Series Resolution for any Series of Bonds shall be deemed to be and shall constitute a contract and a security agreement between the Corporation and the Registered Owners of all Bonds of such Series and the covenants and agreements set forth in such Series Resolution to be performed by the Corporation shall be for the equal benefit, protection and security of the Registered Owners of all Bonds of such Series.

ARTICLE II

AUTHORIZATION FOR ISSUANCE OF THE BONDS; DESCRIPTION, DETAILS AND FORM OF BONDS

SECTION 2.01. Authorization for Issuance of the Bonds. Subject and pursuant to the provisions of this Master Resolution and the Act, Bonds of the Corporation, to be known as “Florida Department of Transportation Financing Corporation Revenue Bonds” are hereby authorized to be issued for the purpose of financing or refinancing projects approved in the Department’s work program paying Issuance Costs and Credit Facility Charges, providing a debt service reserve, if applicable, and other purposes as may be authorized from time to time under the Act. The limitation on the amount of Bonds which may be issued does not apply to Additional Bonds authorized by subsequent resolution of the Board. Such Bonds may be sold and issued in one or more Series, and in combination with other Series of Bonds; provided that the actual designation of any Series of such Bonds, whether sold in one or more than one Series (including a change of year designation, if desirable), and whether such Bonds or any portion thereof are to be Taxable Bonds or Tax-Exempt Bonds, shall be determined by the Chief Executive Officer/President. The Bonds shall be issued in one or more Series and shall have such terms as are provided in the Series Resolution therefor. The Bonds of any Series shall be equally and ratably secured by the Pledged Revenues and the Pledged Funds.

SECTION 2.02. Description of the Bonds Generally. The Bonds of each Series shall be issued in fully registered form without coupons; shall be dated as determined pursuant to subsequent resolution of the Corporation; shall be numbered consecutively from one upward within each Series and shall be in the denomination of \$1,000 each or any integral multiples thereof; shall bear interest (not to exceed the maximum rate allowed by law), payable on each Interest Payment Date, except for Compounding Interest Bonds, which shall bear interest (prior to the applicable conversion date in the case of Convertible Capital Appreciation Bonds) as described under the defined term Accreted Value, payable only upon redemption or maturity thereof; and shall mature at such times (not to exceed thirty (30) annual maturities from their date of issue, or such later maturity as may be authorized from time to time under the Act) and in such amounts and may be issued as Current Interest Bonds, Compounding Interest Bonds, Fixed Rate Bonds, Variable Rate Bonds, Multimodal Bonds, Serial Bonds, Term Bonds, or in any other lawful form, tenor or mode or in any combination thereof, all as shall be determined by the Series Resolution for the Bonds of such Series. The Series Resolution for any Series of Bonds may provide for the Bonds of such Series (a) to be subject to mandatory purchase for cancellation or remarketing upon the happening of specified contingencies or at the option of the Registered Owner, at the option of the Corporation or at the option of any Provider, (b) to be secured by one or more Credit Facilities or Reserve Fund Credit Facilities, (c) to be tendered for purchase to a tender agent, (d) to be remarketed by a remarketing agent (e) to be Taxable Bonds or Tax-Exempt Bonds, or (f) to have such other features as shall not conflict with the express terms of this Master Resolution.

SECTION 2.03. Execution of Bonds. The Bonds shall be executed in the name of the Corporation by the Chief Executive Officer/President and shall be attested by the Secretary, and the official seal of the Corporation or a facsimile thereof shall be affixed thereto or reproduced thereon. The Bond Registrar/Paying Agent’s certificate of authentication shall appear on the Bonds, signed by an authorized signatory of said Bond Registrar/Paying Agent. Any of the above signatures may be a facsimile signature imprinted or reproduced on the Bonds, provided that at least one signature shall be manually subscribed. In case any official of the Corporation or authorized officer, employee, or attorney-in-fact of the Bond Registrar/Paying Agent, whose manual or facsimile signature shall appear on any of the Bonds or on the certificate of authentication thereon, shall cease to be such official of the Corporation or officer, employee, or attorney-in-fact of the Bond Registrar/Paying Agent before the delivery of such Bonds or certificate of authentication, such manual or facsimile signature shall nevertheless be valid and sufficient for all purposes, the same as if such Persons had remained in office until such

delivery and also any Bonds may bear the manual or facsimile signature of, or such certificate of authentication may be manually signed by, any Person who, as of the time of the execution or authentication of such Bonds, shall be the proper official of the Corporation or the duly authorized officer, employee or attorney-in-fact of the Bond Registrar/Paying Agent, who is entitled to execute, attest, or authenticate such Bonds, although at the dated date of such Bonds such Person may not have been such an official of the Corporation or an officer, employee or attorney-in-fact of the Bond Registrar/Paying Agent.

SECTION 2.04. Issuance and Delivery of Bonds. The Bonds of each Series shall be on a parity with the Bonds of all other Series theretofore or thereafter issued and outstanding as to right, title and interest in the Pledged Revenues and Pledged Funds to provide for payment of Debt Service on the Bonds.

Before the Corporation or any Trustee shall deliver any Series, the Corporation or Trustee, shall receive the following items:

1. An original executed counterpart of the Series Resolution relating to the Series then to be issued, which contains the information required by Section 2.02 hereof, and any other documents which are necessary or advisable to provide that such Series will be issued in compliance with the provisions of this Master Resolution and the related Series Resolution.

2. A request and authorization to the Bond Registrar/Paying Agent on behalf of the Corporation, signed by the Chief Executive Officer/President, to authenticate and deliver the Bonds of that Series to, or on the order of, the Original Purchaser thereof upon payment to the Corporation of the amount specified therein (including without limitation, any accrued interest), which amount shall be deposited as provided in the related Series Resolution.

3. An Opinion of Bond Counsel to the Corporation, including without limitation, in-house counsel to the Division of Bond Finance, to the effect that (i) the issuance of the Bonds of that Series has been duly authorized; and (ii) when executed for and in the name and on behalf of the Corporation and when authenticated by the Bond Registrar/Paying Agent and delivered by the Corporation or Trustee, the Bonds of that Series will be valid and legal special and limited obligations of the Corporation enforceable in accordance with their terms.

4. Evidence satisfactory to the Corporation or Trustee that, upon delivery of that Series of Bonds and receipt and application of the amount specified in the request and authorization to which reference is made in paragraph 2 above, there will be on deposit in the Reserve Fund an amount equal to the Reserve Requirement for that Series. For purposes of this Section and any other applicable provision in this Resolution, the Reserve Requirement may be satisfied with either a deposit in cash or securities or the provision of a Reserve Fund Credit Facility.

5. A certificate executed by the Chief Executive Officer/President and/or the Trustee, as applicable, to the effect that:

- (a) there is no default in the payment of any Debt Service Requirement on any Bond then currently Outstanding, and the Corporation is current in all deposits required into the various Funds and Accounts; all payments theretofore required to have been deposited or made by it under the provisions of this Master Resolution or any Series Resolution have been deposited; and the Corporation is otherwise in compliance with the provisions of this Master Resolution and all Series Resolutions;

- (b) the amount available under the Service Contract for the Fiscal Year in which the Bonds are to be issued is equal to at least 100 percent of the total Debt Service Requirement for all Outstanding Bonds and Administrative Costs, plus the Debt Service Requirement for the Series of Bonds then to be issued.

When (i) the documents listed above have been received by the Corporation or the Trustee, and (ii) the Bonds of the Series then to be issued have been executed and authenticated, the Corporation or the Trustee shall deliver the Bonds of that Series to or on the order of the Original Purchaser thereof, but only upon payment to the Corporation or the Trustee of the

specified amounts (including, without limitation, any accrued interest) set forth in the request and authorization to which reference is made in paragraph 2 above.

SECTION 2.05. Registration, Transfer, Exchange and Replacement of Bonds

(a) So long as there are any Bonds of any Series issued hereunder which have not become due and payable in full, the Corporation shall cause books for the registration and transfer of Bonds of such Series (the “Register” for Bonds of such Series) to be maintained and kept by the Bond Registrar/Paying Agent for Bonds of such Series at the designated office of the Bond Registrar/Paying Agent.

(b) Unless otherwise provided as to a particular Series of Bonds by the Series Resolution for such Series, at the option of the Registered Owner, a Bond of such Series may be exchanged for a new Bond or Bonds of the same Series and tenor, of any authorized denomination or denominations, in an aggregate principal amount (or Maturity Amount) equal to the unmatured and unredeemed principal amount (or Maturity Amount) of, and bearing the same rate of interest (or yield) and maturing on the same date as, the Bond being exchanged. The exchange shall be made upon surrender of the Bond being exchanged at the designated office of the Bond Registrar/Paying Agent, together with an assignment duly executed by the Registered Owner or its duly authorized attorney in any form which is satisfactory to the Bond Registrar/Paying Agent.

(c) Unless otherwise provided as to a particular Series of Bonds by the Series Resolution for such Series, any Bond (or any portion thereof which constitutes an authorized denomination) may be transferred on the Register, upon surrender thereof at the designated office of the Bond Registrar/Paying Agent together with an instrument of transfer in form and with guaranty of signature by a bank, trust company or member firm of the New York Stock Exchange, duly executed by the Registered Owner thereof or such Registered Owner’s attorney-in-fact duly authorized by duly executed written power of attorney filed with the Bond Registrar/Paying Agent and accompanied by (i) written instructions as to the details of transfer and (ii) the name, address and social security number (or other federal tax identification number) of the transferee thereof. Upon such transfer, the Bond Registrar/Paying Agent shall deliver a new Bond or Bonds of the same Series, mode and tenor of the Bond or portion thereof being transferred, registered in the name of the transferee, of any authorized denomination or denominations, in the aggregate principal amount (or Maturity Amount) of the Bond or portion thereof being transferred, and bearing the same interest rate (or yield) and maturing on the same date as the Bond so surrendered for transfer in whole or in part.

(d) In all cases in which Bonds are exchanged or transferred pursuant to Section 2.05(b) or (c), above, or replacement Bonds are issued pursuant to Section 2.05(g), below, the Corporation shall execute, and the Bond Registrar/Paying Agent shall authenticate and deliver, Bonds in accordance with the provisions of this Section. Any exchange or transfer shall be made without charge; provided that the Corporation and the Bond Registrar/Paying Agent may each make a charge for every exchange or transfer of Bonds which is sufficient in amount to reimburse it for any tax or excise required to be paid with respect to the exchange or transfer. The charge shall be paid by the Registered Owner before a new Bond is delivered to the transferee.

(e) All Bonds issued upon any exchange or transfer of Bonds shall be valid obligations of the Corporation and shall evidence the same debt and shall be entitled to the same benefits under the Bond Resolution as the Bonds surrendered upon such exchange or transfer. Unless otherwise provided as to Bonds of any Series by the Series Resolution therefor, neither the Corporation nor the Bond Registrar/Paying Agent, as the case may be, shall be required to make any exchange or transfer of a Bond during a period beginning at the opening of business fifteen (15) days before the day of the mailing of a notice of redemption of Bonds or any notice of mandatory purchase of Bonds which are callable for mandatory purchase and ending at the close of business on the day of the mailing or to transfer or exchange any Bonds selected for redemption or mandatory purchase, in whole or in part, following the mailing of such notice.

(f) In case any Bond is redeemed, purchased or transferred in part only, and upon presentation and surrender of the Bond, subject to the provisions of Section 2.05(e), above, the Corporation shall execute, and the

Bond Registrar/Paying Agent shall authenticate and deliver, a new Bond or Bonds of the same Series and tenor in authorized denominations in an aggregate principal amount equal to the unmatured and unredeemed, unpurchased or untransferred portion of, and bearing interest at the same rate (or having the same approximate yield) and maturing on the same date as, the Bond being so redeemed, purchased, or transferred in part.

(g) If any Bond is improperly cancelled or mutilated or is allegedly lost or wrongfully taken, or destroyed (in the absence of written notice to the Bond Registrar/Paying Agent that any such allegedly lost or wrongfully taken or destroyed Bond has been acquired by a “holder in due course”) the Corporation shall execute, and the Bond Registrar/Paying Agent shall authenticate and deliver, a new Bond of like date, maturity and denomination and of the same Series and tenor as the Bond improperly cancelled or mutilated or allegedly lost, wrongfully taken or destroyed; provided that (i) in the case of any mutilated or improperly cancelled Bond, such Bond shall be surrendered first to the Bond Registrar/Paying Agent; and (ii) in the case of any allegedly lost, wrongfully taken or destroyed Bond, there shall first be furnished to the Corporation and the Bond Registrar/Paying Agent evidence of the loss, wrongful taking or destruction thereof satisfactory to the Corporation and the Bond Registrar/Paying Agent together with indemnification satisfactory to each of them to indemnify the Corporation for any claim for payment of the Bond which is being replaced and to indemnify the Corporation and the Bond Registrar/Paying Agent for any costs, expenses, or liability they may incur in connection with the foregoing. If any lost, wrongfully taken or destroyed Bond shall have matured or is about to mature, or has been called for redemption or mandatory purchase, instead of issuing a new Bond, the Corporation may direct the Bond Registrar/Paying Agent (or any tender agent in the case of a purchase) to pay that Bond or the purchase price thereof, without surrender thereof, upon the furnishing of satisfactory evidence and indemnification, as in the case of issuance of a new Bond. The Corporation and the Bond Registrar/Paying Agent may charge the Registered Owner of an improperly cancelled, mutilated or allegedly lost, wrongfully taken or destroyed Bond their reasonable fees and expenses in connection with their actions pursuant to this Section 2.05(g), but no such fees and expenses shall be charged to replace any Bond which is improperly cancelled by the Bond Registrar/Paying Agent. Every new Bond which is issued pursuant to this Section 2.04(g) by reason of any Bond being improperly cancelled or mutilated or allegedly lost, wrongfully taken or destroyed shall constitute a valid Bond having the same terms as the Bond so improperly cancelled or mutilated or allegedly lost, wrongfully taken or destroyed regardless of whether the improperly cancelled or mutilated or allegedly lost, wrongfully taken, or destroyed Bond shall be enforceable at any time by anyone and shall be entitled to all of the benefits hereof and of the Series Resolution for the Series of which such Bond is a part equally and proportionately with all other Outstanding Bonds of such Series. All Bonds shall be held and owned on the express condition that the foregoing provisions of this Section 2.05(g) are exclusive with respect to the replacement or payment of improperly cancelled or mutilated or allegedly lost, wrongfully taken, or destroyed Bonds and, to the extent permitted by law, shall preclude all other rights, remedies and powers with respect to the replacement or payment of negotiable instruments or other investment securities without their surrender, notwithstanding any law or statute to the contrary now existing or enacted hereafter.

(h) Notwithstanding any other provisions of this section, the Corporation, at its option prior to the date of issuance of any Series of Bonds, may, in the Series Resolution pertaining thereto, elect to use a Book-Entry System with respect thereto, provided adequate records will be kept with respect to the beneficial ownership of Bonds issued in book-entry form or the beneficial ownership of Bonds is issued in the name of a nominee. The details of any such Book-Entry System shall be set forth in the Series Resolution for such Series of Bonds.

SECTION 2.06. Disposition of Bonds Paid or Exchanged. Whenever any Bond shall be delivered to the Bond Registrar/Paying Agent for cancellation, upon payment or exchange, such Bonds shall either be cancelled and retained by the Bond Registrar/Paying Agent for a period of time specified in writing by the Corporation or the Trustee, or at the option of the Corporation or the Trustee, shall be cancelled and destroyed by the Bond Registrar/Paying Agent and counterparts of a certificate of destruction evidencing such destruction shall be furnished to the Corporation or the Trustee.

SECTION 2.07. Payment and Ownership of Bonds. Debt Service on the Bonds shall be payable in lawful money of the United States of America without deduction for the services of the Bond Registrar/Paying Agent. Unless otherwise provided as to the Bonds of any Series by the Series Resolution therefor, the principal of and any premium on any Bond shall be payable when due to a Registered Owner upon presentation and surrender of such Bond at the corporate trust office of the Bond Registrar/Paying Agent.

Interest on each Current Interest Bond shall be paid on each Interest Payment Date 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 next preceding such Interest Payment 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. Interest on the Bonds shall be paid by check or draft mailed (or transferred by a mode at least equally as rapid as mailing) on each Interest Payment Date from the Bond Registrar/Paying Agent to the Registered Owner, except for Compounding Interest Bonds which (prior to the applicable conversion date in the case of Convertible Capital Appreciation Bonds) shall bear interest as described under the defined term Accreted Value, payable only upon redemption or maturity thereof; provided, however, that, upon written request of the Registered Owner of \$500,000 or more in principal amount of Bonds, interest may be paid when due by electronic funds transfer ("wire") if such Registered Owner (if other than a securities depository) advances to the Bond Registrar/Paying Agent the amount necessary to pay the wire charges or authorizes the Bond Registrar/Paying Agent to deduct the amount of such payment. If and to the extent, however, that the Corporation fails to make payment or provision for payment on any Interest Payment Date of interest on any Bond, that interest shall cease to be payable to the Person who was the Registered Owner of that Bond as of the applicable Record Date. In that event, when moneys become available for payment of the delinquent interest, the Bond Registrar/Paying Agent shall establish a Special Interest Payment Date for the payment of that interest, and a Special Record Date, which Special Record Date shall be not more than fifteen (15) nor fewer than ten (10) days prior to the Special Interest Payment Date; and the Bond Registrar/Paying Agent shall cause notice of the proposed payment, of the Special Interest Payment Date and of the Special Record Date to be mailed not fewer than ten (10) days preceding the Special Record Date to each Person who was a Registered Owner of such Bond at the close of business on the fifteenth (15th) day preceding said mailing to such Person's address as it appears on the Register on that fifteenth (15th) day preceding the mailing of such notice and, thereafter, the interest shall be payable to the Person who was the Registered Owner of such Bond as of the close of business on the Special Record Date.

The Registered Owner of any Bond shall be deemed and regarded as the absolute owner thereof for all purposes of the Bond Resolution. Payment of or on account of the Debt Service on any Bond shall be made only to or upon the order of that Registered Owner or such Registered Owner's attorney-in-fact duly authorized in writing in the manner permitted under the Bond Resolution. To the extent permitted by law, neither the Corporation nor the Bond Registrar/Paying Agent shall be affected by notice to the contrary. All of those payments shall be valid and effective to satisfy and discharge the liability upon that Bond, including without limitation, the interest thereon, to the extent of the amount or amounts so paid.

SECTION 2.08. Special Agreement with Registered Owners. Notwithstanding any provision of this Master Resolution, of any Series Resolution or of any Bond to the contrary, the Corporation or Trustee under any Series Resolution may enter into a written agreement with any Registered Owner providing for making any payment to that Registered Owner of principal of and interest and any premium on that Bond or any part thereof at a place and in a manner other than as provided in this Master Resolution, any Series Resolution and in the Bond, without presentation or surrender of the Bond, upon any conditions which shall be satisfactory to the Trustee in its sole discretion; provided, that payment in any event shall be made to the Person in whose name a Bond shall be registered on the Register, with respect to payment of principal and premium, on the date such principal and premium is due, and, with respect to the payment of interest, as of the applicable Record Date or Special Record Date, as the case may be.

The Corporation or the Trustee will furnish a copy of each executed agreement entered into pursuant to this Section 2.08, certified to be correct by an officer of the Corporation or the Trustee to the Bond Registrar/Paying Agent. Any payment of principal, premium or interest pursuant to such an agreement shall constitute payment thereof pursuant to, and for all purposes of, this Master Resolution and the related Series Resolution.

SECTION 2.09. Redemption Generally. 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 prior to the sale of such Series of Bonds.

Unless waived by any Registered Owner of Bonds to be redeemed, a notice of the redemption prior to maturity of any of the Bonds shall be mailed to each Registered Owner of record as of the Record Date, of Bonds to be redeemed, by

first class mail (postage prepaid), or other method at least as fast as first class mail, at least thirty days prior to the date of redemption. 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. Such notice of redemption shall specify any conditions to such redemption, 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 (or other approved method) to any Registered Owner of Bonds, 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 Bonds selected for redemption during a period beginning at the opening of business on the Record Date applicable to such redemption and ending on the date fixed for redemption.

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, 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 given and moneys for payment of the redemption price being held in separate accounts by an escrow agent, the Board of Administration, or the 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 from the moneys held in trust for such purpose and, to the extent provided herein to receive Bonds for any unredeemed portion of the Bonds. Bonds redeemed prior to maturity shall be duly canceled by the Bond Registrar/Paying Agent and shall not be reissued.

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.

Notwithstanding the foregoing, any Series Resolution may contain additional or different provisions for giving notice of redemption of Bonds of the Series issued pursuant to such Series Resolution.

SECTION 2.10. Issuance of Additional Bonds. Additional Bonds may be issued by the Corporation only upon the terms, restrictions and conditions contained in the Act and this Section 2.10. Additional Bonds shall not be created or issued unless (i) the Legislature has appropriated sufficient moneys to pay the first year's debt service on the Additional Bonds, (ii) the issuance of the Additional Bonds does not violate any statutory cap on the issuance of Bonds, (iii) the Department's project or projects to be financed in whole or in part from the proceeds of such Additional Bonds shall have been approved by the Legislature in the work program of the Department and such approval specifically provides that the Department may enter into a Service Contract for the project pursuant to Section 339.0809(4), Florida Statutes, as amended; and (iv) the Department and the Corporation shall have entered into a Service Contract with respect to such Additional Bonds.

No such Additional Bonds shall be created or issued at any time, however, unless the Corporation shall certify that all the payments required under the provisions of Section 4.03 hereof, including any deficiencies for prior payments, have been made as required to the date of the sale of such Additional Bonds.

Notwithstanding the requirements set forth above, the Corporation may at any time and from time to time issue Additional Bonds for the purpose of refunding any Series of Bonds, or any maturity of Bonds within a Series, without the necessity of complying with the requirements set forth above (except for clause (iv) in the first paragraph of this Section), if the Debt Service Requirement with respect to such Additional Bonds in each Fiscal Year following the issuance thereof shall be equal to or less than the Debt Service Requirement for such Fiscal Year with respect to the Bonds which would have been Outstanding in such Fiscal Year had the same not been refunded pursuant to this Section 2.10.

Such Additional Bonds shall be deemed to have been issued pursuant to this Resolution to the same extent as the Bonds originally authorized and issued pursuant to this Resolution, and all of the covenants and other provisions of this Resolution (except as to details of such Additional Bonds inconsistent therewith) shall be for the equal benefit, protection and security of the Holders of any Bonds originally authorized and issued pursuant to this Resolution and the Holders of any such Additional Bonds subsequently issued within the limitations of and in compliance with this Section 2.10. All of such original Bonds and Additional Bonds, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the Pledged Revenues and the Pledged Funds and their source of and security for payment therefrom without preference of any Bond or Additional Bond over any other; provided, however, that each Series of Bonds issued hereunder shall, with respect to the Reserve Fund, have rights only to moneys in the sub account in the Reserve Fund created with respect to such Series.

Upon the issuance of any such Additional Bonds, the payments required to be made or set aside from Pledged Revenues under Section 4.03 shall be increased in the amounts necessary for the payments contemplated thereby.

ARTICLE III

SOURCE OF PAYMENT AND SECURITY FOR THE BONDS; THE SERVICE CONTRACT

SECTION 3.01. Bonds of Corporation Not General Obligation or Indebtedness of the State. The Bonds of the Corporation shall not constitute a debt or obligation of the State of Florida or any instrumentality or political subdivision thereof, nor a pledge of the faith and credit or taxing power of the State or any instrumentality or political subdivision thereof. The Bonds shall be payable solely from and secured by amounts received by the Corporation from the Department under the Service Contract pursuant to Section 339.0809(4), Florida Statutes, as amended.

The obligations of the Department under the Service Contract shall not constitute a general obligation of the State or any instrumentality or political subdivision thereof, nor a pledge of the faith and credit or taxing power of the State or any instrumentality or political subdivision thereof, nor shall such obligations be construed in any manner as obligations of the State Board of Administration or entities for which it invests funds, but shall be payable solely from amounts available in the Florida Department of Transportation Trust Fund, if and to the extent appropriated annually for such purpose. The State of Florida's performance and obligation to pay under the Service Contract is contingent upon an annual appropriation by the Legislature.

SECTION 3.02. The Service Contract. The Service Contract by and between the Corporation and the Department, in substantially the form attached hereto as Exhibit A, is hereby authorized and approved. The Chief Executive Officer/President of the Corporation is authorized and directed to execute and deliver any Service Contract in substantially the form attached hereto, with such changes, additions and completions therein as such officers executing same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

SECTION 3.03. Source of Payment and Security for the Bonds. The payment of the principal of, premium, if any, and interest on the Bonds issued hereunder is hereby secured equally and ratably by a first priority lien upon and pledge of the Pledged Funds. The Pledged Revenues, in an amount sufficient to pay the principal of, premium, if any and interest on all of the Bonds, to make all required deposits to all Funds and Accounts and to make all other payments provided for in this Master Resolution and in the respective Series Resolutions are hereby pledged in the manner stated herein to or for the benefit of Registered Owners; provided that said pledge and lien may be released and extinguished by defeasance as provided in Section 8.02 hereof.

SECTION 3.04. Appropriation Contingency. The State of Florida's performance and obligation to pay under the Service Contract is contingent upon an annual appropriation by the Legislature.

ARTICLE IV FUNDS AND PAYMENTS

SECTION 4.01. Creation of Funds. The Funds and Accounts described in this Section are created hereby and are designated as indicated. Each fund and account is to be maintained as a separate trust account (except when invested in Authorized Investments), provided that separate accounts may be created and maintained in any such fund and separate subaccounts may be created and maintained in any such Account. Each Fund may contain appropriate Accounts and subaccounts for each Series of Bonds.

The following Funds and Accounts are created hereby and are to be maintained as separate deposit accounts in the custody of the State Board of Administration as Funds Custodian (or a Trustee, if applicable) (except when invested in Authorized Investments):

- (i) a Revenue Fund, designated the "Florida Department of Transportation Financing Corporation Revenue Fund";
- (ii) a Bond Fund, designated the "Florida Department of Transportation Financing Corporation Bond Fund", and the "Interest Account" and the "Principal Account" therein;
- (iii) a Reserve Fund, designated the "Florida Department of Transportation Financing Corporation Bond Reserve Fund"; and
- (iv) a Rebate Fund, which shall contain an account for each Series of Bonds, other than Taxable Bonds.

In addition, a Sale Proceeds Fund shall be created under each Series Resolution and shall be maintained as a separate deposit account in the custody of the Department as Custodian or such other Custodian, including a Trustee, as the Corporation may determine, except when moneys credited to any such Sale Proceeds Fund shall be invested in Authorized Investments.

SECTION 4.02. Maintenance of Funds and Accounts. The designation and establishment of the various Funds and Accounts in and by this Master Resolution and the various Series 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 Funds 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 Master Resolution may be deposited in a single bank account, provided that accounting records are maintained to reflect the moneys and Authorized 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 Master Resolution shall constitute trust funds for the purposes provided herein and shall be maintained on the accounting records of the Corporation as separate and distinct Funds and Accounts in the manner provided in this Master Resolution. All moneys in such Funds and Accounts deposited in any Depository or in the custody of the State Board of Administration shall be continuously secured in the same manner provided herein.

SECTION 4.03. Application of Pledged Revenues. All Pledged Revenues, immediately upon receipt thereof, shall be deposited by the Corporation into the Revenue Fund. Any moneys at any time on deposit in the Revenue Fund shall be paid out of the Revenue Fund not less often than monthly (or more frequently if required to make timely payment of amounts payable hereunder, under any Series Resolution or any Credit Agreement) in the following manner and order of priority:

- (1) First, moneys in the Revenue Fund shall be transferred to the Interest Account and the Principal Account of the Bond Fund until the amount therein is sufficient to pay all Debt Service to become due on the Bonds during the balance of the then current Bond Year (the amount needed to pay Debt Service on Variable Rate Bonds shall be estimated until the amount is known). Moneys in the Bond Fund shall be used only for the purpose of paying the principal (or Accreted Value) of, premium, if any, and interest on Bonds as the same mature, become due, or are redeemed, or to pay Payment Obligations due any Credit Facility Provider to reimburse it for funds advanced to pay such Debt Service due on such date and for no other purpose.
- (2) Next, moneys in the Revenue Fund shall be used to make deposits to the Reserve Fund, if necessary, in an amount needed to cause the balance therein to be equal to the Reserve Requirement, taking into account any Reserve Fund Credit Facility credited thereto; provided that (i) the Corporation may substitute a Reserve Account Credit Facility for cash and investments in the Reserve Fund at any time; and (ii) any provision in the Master Resolution notwithstanding, in the event that a withdrawal from the Reserve Fund occurs for any reason, it shall not be an Event of Default, so long as the Department makes a request for an appropriation sufficient to replenish such withdrawal in the next ensuing Fiscal Year for which such a request may be made and such appropriation is a part of such budget that became law. The Department covenants in the Service Contract to use its best efforts to request and obtain a supplemental appropriation for such amount, but failure to obtain a supplemental appropriation shall not constitute an Event of Default. Moneys (including moneys derived from any Reserve Fund Credit Facility) in the Reserve Fund shall be used to pay principal (or Accreted Value of), premium, if any, or interest on the Bonds when the moneys in the Bond Fund are insufficient for such purposes. If and when moneys and Authorized Investments on deposit in the Reserve Fund and the amount available under any Reserve Fund Credit Facility exceed the Reserve Requirement, such excess shall be withdrawn and used to pay Debt Service on the Bonds or for other lawful purposes, provided, in the case of any purpose other than the payment of Debt Service that such use, in the written opinion of Bond Counsel, will not adversely affect the federal income tax status of interest on any Tax-Exempt Bonds.
- (3) Next, moneys in the Revenue Fund shall be used to pay Fiduciary Charges which have become due and payable.
- (4) Next, moneys in the Revenue Fund shall be used to pay any Rebate Amount required by Section 148(f) of the Code which has become due and payable or to make deposits to the Rebate Fund to fund the Corporation's estimated accrued liability therefor.
- (5) Next, amounts in the Revenue Fund shall be used to pay the following amounts in the following order of priority:
 - (A) amounts needed to pay Payment Obligations and Recurring Credit Facility Charges to Providers of Credit Facilities which have become due and, if the amount available is not sufficient to pay all such amounts, payments shall be made to such Providers ratably to the respective amounts due each such Provider; and
 - (B) next to pay Payment Obligations and Recurring Credit Facility Charges to Providers of Reserve Fund Credit Facilities which have become due and, if the amount available is not sufficient to pay all such amounts, payments shall be made to such Providers ratably to the respective amounts due each such Provider.

SECTION 4.04. Investment of Moneys in Funds and Accounts.

(a) All moneys on deposit in the Funds and Accounts created pursuant to this Article IV or any Series Resolution may be invested and reinvested in Authorized Investments; provided, however, that such investments shall mature not later than the respective dates when such moneys will be required for the purposes of such Funds and Accounts. Income earned on the investments in the Revenue Fund shall be deposited upon receipt in the Revenue Fund.

(b) Income from investment of the sale proceeds of the Bonds of any Series shall be deposited and used as provided in the Series Resolution or in the Tax Compliance Certificate for such Series Bonds.

(c) Income from amounts on deposit in the Bond Fund and Reserve Fund shall be deposited or maintained in the Bond Fund except to the extent such deposit shall cause the balance therein to exceed the Debt Service coming due on the Bonds during the balance of the then current Bond Year, in such event any excess shall be deposited in the Reserve Fund, except to the extent such deposit shall cause the balance therein to exceed the Reserve Requirement, then any excess shall be deposited in the Revenue Fund.

(d) The provisions of this paragraph are subject to the tax covenants set forth in Section 5.04 hereof.

SECTION 4.05. Purchase of Bonds for Cancellation. Moneys held in the Bond Fund for the retirement of Term Bonds of a particular Series, mode and tenor may be used to purchase Term Bonds of such Series, mode and tenor for cancellation at the most advantageous price obtainable with reasonable diligence, such price not to exceed the principal amount (or Accreted Value) of such Term Bonds plus the amount of the premium, if any, which would be payable on the redemption thereof in such Bond Year if such Term Bonds should be called for redemption on such date from moneys in such Bond Fund but no such purchase shall be made by the Corporation within the period of forty-five (45) days immediately preceding any date on which such Term Bonds are scheduled for redemption.

SECTION 4.06. Application of Sale Proceeds of the Bonds. All sale proceeds received upon the issuance of each Series of Bonds shall be placed in the Sale Proceeds Fund for that Series and applied and used as provided in the Series Resolution for such Series of Bonds and consistent with the term of the Service Contract.

SECTION 4.07 Reserve Fund.

(a) Subject to the paragraph (b) this Section, the Bonds shall be secured, together with any other Series of Bonds designated to be secured thereby, by the Reserve Fund. Amounts on deposit in the Reserve Fund shall be held for the benefit of the Registered Owners of the Bonds and all other Series of Bonds designated to be secured by the Reserve Fund shall be applied in the manner provided in the Master Resolution.

The reserve requirement for the Reserve Fund shall be the Reserve Requirement, subject to any federal income tax regulations with respect to the funding of such account from proceeds of Bonds. Upon the issuance of the Bonds an amount equal to the amount necessary to cause the amounts on deposit (including available amounts under any Reserve Fund Credit Facility credited thereto) in the Reserve Fund to equal the Reserve Requirement, subject to any federal income tax regulations with respect to the funding of such account from proceeds of Bonds, shall be deposited to the credit of the Reserve Fund from Bond Proceeds or by providing a Reserve Fund Credit Facility, or a combination thereof.

(b) In lieu of securing the Bonds by the Reserve Fund, the Chief Executive Officer/President is hereby authorized to determine that the Bonds will be secured by a separate sub-account in the Reserve Fund, which separate sub-account is hereby authorized to be established for any particular Series of Bonds. In the event the Chief Executive Officer/President determines to secure a particular Series of Bonds with a separate sub-account in the Reserve Fund, the Reserve Requirement for such separate Series of Bonds shall be an amount determined by the Chief Executive Officer/President, which amount may be zero, but which amount shall not exceed the maximum amount permitted pursuant to this Master Resolution. The Reserve Requirement for the separate sub-account in the Reserve Fund for such Series of Bonds shall be funded with proceeds of the Bonds, a Reserve Fund Credit Facility, or some combination thereof, as determined by the Chief Executive Officer/President. Amounts on

deposit in the sub-account in the Reserve Fund for such Series of Bonds 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 such subaccount, and shall be applied in the manner provided in this Master Resolution.

(c) Notwithstanding the foregoing, if the Corporation shall have determined, or be required, to fund a subaccount in the Reserve Fund with respect to a Series of Bonds, the Corporation shall not be required to fully fund such subaccount at the time of issuance of such Series of Bonds hereunder if the Corporation elects, by resolution adopted or by certificate of the Chief Executive Officer/President delivered prior to the issuance of such Series of Bonds, subject to the limits described below, to fully fund the applicable subaccount in the Reserve Fund over a period of time specified in such resolution or certificate not to exceed 60 months, during which time the Corporation shall make substantially equal monthly deposits to the applicable subaccounts in the Reserve Fund in order that the amounts on deposit therein at the end of such period of time shall equal the Reserve Requirement for such Series of Bonds. If the applicable subaccount in the Reserve Fund is to be funded in installments the deposits required pursuant Section 4.03 to such subaccount may be limited to an amount equal to the required monthly installment specified in such resolution, plus an additional amount necessary to make up any deficiencies caused by withdrawals or resulting from a valuation of the funds on deposit therein.

SECTION 4.08. Valuation of Funds. In computing the amount in any fund or account created under the provisions of this Master Resolution, securities therein purchased as an investment of moneys shall be valued at the cost thereof, exclusive of accrued interest. A valuation of amounts on deposit in the Reserve Fund or any sub account therein shall be conducted at least once each calendar year to determine if the amount on deposit is equal to the Reserve Requirement; if a deficiency exists, such deficiency shall be compensated as provided in Section 4.03(2) of this Master Resolution.

ARTICLE V

ADDITIONAL COVENANTS OF THE CORPORATION

SECTION 5.01. Covenants of the Corporation. So long as any of the principal of, premium, if any, or interest on any of the Bonds shall be unpaid or until all of the Bonds shall have been defeased in accordance with the terms of Section 8.02 hereof, the Corporation further covenants with the Registered Owners of the Bonds as hereafter set forth in this Article V.

SECTION 5.02. Books and Records The Corporation will keep or cause to be kept books and records of the Pledged Revenues and of the Funds and Accounts in which complete and correct entries shall be made in accordance with standard principles of governmental accounting of all transactions relating to the Pledged Revenues, to each of such Funds and Accounts, and as to disposition of Bond Sale Proceeds.

SECTION 5.03. Issuance of Other Obligations Payable Out of Pledged Funds. No obligations shall be issued or incurred by the Corporation (other than Bonds, Issuance Costs, Fiduciary Charges, Credit Facility Charges and Payment Obligations relating to Bonds) which are secured by all or any portion of the Pledged Funds or the Pledged Revenues.

SECTION 5.04. Tax Covenants. The Corporation covenants that it will restrict the use of the proceeds of each Series of Tax-Exempt Bonds in such manner and to such extent, if any, as may be necessary so that such Series of Bonds will not constitute arbitrage bonds under Section 148 of the Code. The Chief Executive Officer/President shall give an appropriate certificate of the Corporation, for inclusion in the transcript of proceedings for such Series of Bonds, setting forth the reasonable expectations of the Corporation regarding the amount and use of all the proceeds of such Series of Bonds, the facts, circumstances and estimates on which they are based, and other facts and circumstances relevant to the federal income tax treatment of interest on the Bonds of such Tax-Exempt Series. Such official is further authorized to make or effect any election, selection, choice, consent, approval, or waiver on behalf of the Corporation with respect to the Bonds of such Series as the Corporation is permitted or required to make or give under the federal income tax laws, for the purposes of assuring, enhancing or protecting favorable tax treatment or characterization of the Bonds of such Series or of the interest thereon or assisting compliance with requirements for that purpose, reducing the burden or expense of such compliance, reducing the Rebate Amount or payments of penalties thereon, or making payments in lieu thereof, or obviating such amounts or

payments, as determined by such official after consultation with Bond Counsel. Any such action of such official shall be in writing and signed by such official.

The Corporation covenants that it (a) will take or cause to be taken such actions which may be required of it for the interest on the Bonds of each Tax-Exempt Bond Series to be and remain excluded from gross income for federal income tax purposes, and (b) will not take or permit to be taken any actions which would adversely affect that exclusion, and that it, or persons acting for it, will, among other acts of compliance: (i) apply the proceeds of the Bonds of each such Series to the governmental purpose of the borrowing; (ii) restrict the yield on investment property acquired with those proceeds where applicable; (iii) make timely rebate or penalty payments to the federal government; (iv) maintain books and records and make calculations and reports; and (v) refrain from certain uses of proceeds, all in such manner and to the extent necessary to assure such exclusion of that interest under the Code. The Chief Executive Officer/President and other appropriate officials are hereby authorized and directed to take any and all actions, make calculations and rebate payments, and make or give reports and certifications, as may be appropriate to assure such exclusion of that interest.

The Chief Executive Officer/President shall establish such procedures as he/she deems necessary to comply with the rebate provisions contained in Section 148(f) of the Code and may thereafter revise and modify such procedures as needed to permit continued compliance therewith.

SECTION 5.05. Maintenance of Corporate Existence. So long as any Bonds shall remain Outstanding, the Corporation shall maintain its corporate existence and good standing in Florida and shall conduct its business in the manner set forth in the Act, until its termination in accordance with the Act.

SECTION 5.06. Compliance with Service Contract and Other Agreements. The Corporation shall maintain compliance on its part with the terms and provisions of the Service Contract and other agreements and indentures to which it is a party or on whose behalf the contract was made, or by which it or its properties is bound, and shall take such steps as shall reasonably be necessary or required to enforce, or attempt to enforce, its rights against other parties to such agreements.

SECTION 5.07. Payment of Debt Service on Bonds. The Corporation shall pay or cause to be paid, promptly when due, Debt Service and other amounts due under the Bonds as provided herein, and in any Series Resolution and in the Bonds, subject to the provisions hereof, and shall cause the Funds and Accounts established herein or in any Series Resolution to be maintained by a Custodian or a Trustee, in such manner so as to comply with Florida law applicable to the maintenance and status of Pledged Funds and Pledged Revenues.

ARTICLE VI

AMENDMENTS

SECTION 6.01. Amendments Without Consent. Subject to Section 6.03 hereof, the Board, without the consent of any Registered Owners of any Bonds may amend this Master Resolution or any Series Resolution by supplemental Resolution in any manner which is not materially adverse to the Registered Owners of the Bonds:

- (a) To increase the principal amount of Bonds authorized to be issued pursuant to this Master Resolution; or
- (b) To cure any ambiguity or formal defect or omission or to correct any inconsistent provisions; or
- (c) To grant to or confer upon the Registered Owners of Bonds any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Registered Owners; or
- (d) To add to the covenants and agreements of the Corporation other covenants and agreements thereafter to be observed by the Corporation or to surrender any right or power reserved to or conferred upon the Corporation; or

- (e) To permit the qualification of the Bond Resolution under any federal statute now or hereafter in effect or under any state Blue Sky law, and, in connection therewith, if the Corporation so determines, to add such other terms, conditions and provisions as may be required by such federal statute or state Blue Sky law; or
- (f) To remove and replace any Fiduciary or to permit any Fiduciary to comply with any obligations imposed upon it by law; or to specify further the duties and responsibilities of, and to define further the relationship among the Fiduciaries, or
- (g) To designate, remove or replace any Provider and to make technical modifications required by any Credit Agreement; or
- (h) To achieve compliance with any applicable federal securities or tax law; or
- (i) To add administrative provisions including the appointment of a Trustee or Custodian for any Series of Bonds or for any Funds or Accounts; or
- (j) To provide such other changes which, in the written opinion of Bond Counsel or other counsel to the Corporation, are not materially adverse to the interests of the Registered Owners of any of the Bonds.

SECTION 6.02. Amendments with Consent.

- (a) The Board, with the consent of the Registered Owners of not less than a majority in aggregate principal amount of the Outstanding Bonds whose interest will suffer a material adverse effect on account of such amendment, may amend this Master Resolution by supplemental Resolution.
- (b) It shall not be necessary for the Registered Owners of any Bonds whose interest (in the written opinion of Bond Counsel) will not suffer a material adverse effect on account of such amendment to consent thereto.
- (c) This section shall not be construed as permitting: (i) an extension of the maturity of the principal of or the interest on any Bond; or (ii) a reduction in the principal amount of any Bond or the redemption premium or the rate of interest thereon; or (iii) a reduction in the aggregate principal amount of the Bonds required for consent to any amendment; or (iv) the subordinating of any Bond to any other Bond, unless all Registered Owners adversely affected thereby consent thereto. Nothing herein contained, however, shall be construed as making necessary the approval by Registered Owners of the adoption of any amendment permitted by Section 6.01 hereof.

SECTION 6.03. Other Consents. No amendment shall be made which adversely affects any Fiduciary or any Provider unless such Fiduciary or Provider consents thereto.

SECTION 6.04. Effect. Upon any such amendment becoming effective pursuant to the provisions of this Article, this Master Resolution shall be, and be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations of the Corporation and all owners of Bonds then Outstanding shall thereafter be determined, exercised and enforced in all respects under the provisions of this Master Resolution as so modified and amended.

SECTION 6.05. Rights of Credit Facility Provider. Notwithstanding anything in the Indenture to the contrary, in the event that a Credit Facility is in full force and effect as to any Series of Bonds, the Credit Facility Provider is not insolvent and no default of the Credit Facility exists on the part of the Credit Facility Provider, then the said Credit Facility Provider, in place of the Registered Owners of that Series of Bonds, shall have the power and authority to give any written consents and exercise any and all other rights which the Registered Owners of that Series would otherwise have the power and authority to make, give or exercise, including, but not limited to, the exercise of remedies provided in Article IX and the giving of written

consents to Amendments when required by Section 6.02, and such consent shall be deemed to constitute the consent of the Registered Owners of all of those Bonds which are secured by such Credit Facility.

Notwithstanding anything herein to the contrary, all Registered Owners adversely affected by any amendments under Section 6.02(c) of this Resolution or any comparable provision of a Series Resolution shall be required to join with the Credit Facility Provider in consent to such amendments.

The Chief Executive Officer/President, for and on behalf of the Corporation, may execute and deliver any contracts or agreements with Credit Facility Providers or Reserve Fund Credit Facility Providers to carry out the provisions hereof or to clarify the rights of such Credit Facility Provider or Reserve Fund Credit Facility Provider herein.

ARTICLE VII

FIDUCIARIES

SECTION 7.01. Appointment of Fiduciaries. The Corporation, as to any Funds or Accounts, or as to any Series of Bonds, at any time or from time to time may appoint:

- (a) the State Board of Administration, any bank or trust company, either within or without the State, as Trustee for any Series of Bonds or for any one or more Funds or Accounts or as Custodian for investment of Funds and Accounts, and provide for the duties of any such Trustee or Custodian;
- (b) any Person meeting the requirements of the definitions of “Bond Registrar/Paying Agent”; and
- (c) any Person having the necessary qualifications, as Bond Counsel, other counsel, Rebate Consultant, tender agent, remarketing agent or Escrow Agent for any of the Bonds.

If any Person is appointed as a Fiduciary, the resolution of the Board appointing such Fiduciary, or an agreement or other instrument approved by such resolution shall provide for the duties of such Fiduciary (which shall not be inconsistent herewith or with the applicable Series Resolution), for the resignation, removal or replacement of such Fiduciary and for the compensation of such Fiduciary. If any Person is appointed as Trustee or Bond Registrar/Paying Agent and such Person resigns or is removed, then unless and until a successor is appointed pursuant to this Section 7.01, the State Board of Administration shall serve as such Fiduciary.

ARTICLE VIII

DEFEASANCE

SECTION 8.01. Cessation of Interest of Registered Owners of Bonds. If and when all of the Bonds shall have been fully paid or discharged or deemed to be fully paid and discharged as provided in Section 8.02 hereof or are otherwise not deemed to be Outstanding hereunder and all Fiduciary Charges, Credit Facility Charges, Payment Obligations and Rebate Amounts payable hereunder by the Corporation have been paid or provided for, then and in that case, the right, title and interest of the Registered Owners of the Bonds and of each Provider and Fiduciary to any claim or lien on the Pledged Funds shall thereupon cease, determine and become void and all other rights of such Registered Owners and all rights and duties of all Providers and Fiduciaries (except as provided in Section 9.03, hereof) shall cease, determine and be void, and the Corporation in such case, may apply any surplus in the Funds or Accounts (other than moneys held for the redemption or payment of Bonds or to provide for any of any such Fiduciary Charges, Credit Facility Charges, Payment Obligations and Rebate Amounts) to any lawful purpose of the Corporation as the Board shall determine; otherwise this Master Resolution shall be, continue and remain in full force and effect.

SECTION 8.02. Payment and Discharge of Bonds and Debt Service. The covenants, liens and pledges entered into, created or imposed pursuant to this Master Resolution (and any Series 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 Escrow Agent, 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 a date fixed for redemption or the maturity date thereof; or

(C) By depositing with the Escrow Agent, 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.

(D) Upon such payment or deposit in the amount and manner provided in this section, the Bonds with respect to which payments on deposit have been made shall be deemed to be paid and shall no longer be deemed to be Outstanding for the purposes of this Master Resolution and all liability of the Corporation with respect to such Bonds shall cease, terminate and be completely discharged and extinguished, and the Registered Owners thereof shall be entitled to payment solely out of the moneys or securities so deposited.

(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 and redemption premium, if any, and interest on any portion of Bonds is not required for such purpose, the Corporation may use the amount of such excess which is not otherwise obligated under this Resolution, for any lawful purpose, free and clear of any trust, lien, security interest, pledge or assignment securing said Bonds or otherwise existing under this Resolution.

(G) Nothing herein shall be deemed to require the Corporation 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 Corporation in determining whether to exercise any such option for early redemption.

(H) Notwithstanding the foregoing, the covenants, liens and pledges entered into, created or imposed pursuant to this Master Resolution shall not be discharged and satisfied with respect to any of the Bonds with respect to which debt service has been paid pursuant to a Credit Facility, to the extent that the amount so paid has not been reimbursed to the Credit Facility Provider (or monies have not been deposited as set forth above to provide for payment of such amounts). The Credit Facility Provider shall be subrogated to the rights of the Registered Owners of Bonds with respect to which it has made payments pursuant to a Credit Facility.

SECTION 8.03. Survival of Certain Provisions. Notwithstanding the foregoing, any provisions of the Bond 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 Rebate Amount and the payment of the Rebate Amount to the United States, shall

remain in effect and be binding upon the Corporation, each Trustee, each Bond Registrar/Paying Agent, and the Registered Owners notwithstanding the release and discharge of the lien and pledge of this Master Resolution or any Series Resolution. The provisions of this Article shall survive the release, discharge and satisfaction of this Master Resolution or any Series Resolution.

ARTICLE IX

DEFAULTS AND REMEDIES

SECTION 9.01. Events of Default. Each of the following events is hereby declared an “Event of Default”:

- (a) Payment of the principal (Maturity Amount or Accreted Value) of and the redemption premium, if any, on any of the Bonds is not made when the same are due and payable, either at maturity, by redemption or otherwise; or
- (b) Payment of the interest on any of the Bonds is not made when the same is due and payable; or
- (c) Any Payment Obligation or Credit Facility Charges are not paid at the time required by the Credit Agreement under which such Payment Obligation or Credit Facility Charges arose and the Provider to which such Payment Obligation or Credit Facility Charges are owed notifies the Corporation in writing that such non-payment constitutes an event of default under such Credit Agreement and declares the same to be an Event of Default hereunder; or
- (d) Any Bond which is required to be purchased upon tender by the Registered Owner thereof or upon call for purchase is not purchased or deemed to be purchased under the applicable Series Resolution; or
- (e) The Corporation:
 - (i) Files a petition in any insolvency proceedings asserting that the Corporation is insolvent; or
 - (ii) Admits in writing, its inability to pay Debt Service on the Bonds when the same becomes due; or
 - (iii) Files a petition in bankruptcy;
 - (iv) Files a petition in any court for the appointment of a receiver for all or any portion of the Pledged Funds, the Pledged Revenues or any other security for the Bonds; or
- (f) The Corporation defaults in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or in the Bond Resolution, and such default continues for thirty (30) days after receipt by the Corporation of a written notice from any Fiduciary, any Provider or the Registered Owners of at least a majority in aggregate principal amount of Bonds Outstanding, which notice specifies such default and contains a request that it be corrected; provided that if such default is of a type which can be cured and if, prior to the expiration of such thirty (30) day period, the Corporation institutes actions reasonably designed to cure such default, no Event of Default shall be deemed to have occurred upon the expiration of such thirty (30) day period, for so long as the Corporation pursues such curative action with reasonable diligence.

SECTION 9.02. No Acceleration. The Bonds shall not be accelerated on account of any Event of Default.

SECTION 9.03. Enforcement of Remedies. Upon the happening and continuance of any Event of Default specified in Section 9.01, then and in every such case the Registered Owners of at least 50 percent in aggregate principal

amount of the Outstanding Bonds, any Provider or any Fiduciary may proceed to protect and enforce the rights of the Registered Owners of the Bonds under federal or State law or under the Bond Resolution by a class action in equity or at law, either for a writ of mandamus directing the specific performance of any covenant or agreement contained herein or in aid or execution of any power herein granted or for the enforcement of any proper legal or equitable remedy, as the Registered Owners shall deem most effectual to protect and enforce such rights.

SECTION 9.04. Application of Funds. Anything in this Master Resolution to the contrary notwithstanding, if at any time the moneys and investments in the Bond Fund are not sufficient to pay the Debt Service on the Bonds as the same become due and payable, such money, together with any money then available or thereafter becoming available for the payment of Bonds, whether through the exercise of the remedies provided for in this Article IX or otherwise, shall be applied as follows:

- (a) First, if none of the principal of the Outstanding Bonds of such Series is then due and payable, to the payment of all installments of interest then due, in the order of the maturity of the installments of such interest;
- (b) Second, if the principal of less than all of the Outstanding Bonds of such Series is then due and payable, first to the payment of all installments of interest then due on all of the Outstanding Bonds in the order of the maturity of the installments thereof, and next to the payment of interest at the respective rates specified in the Bonds on overdue principal, and next to the payment of the principal of Bonds then due in order of their due dates;
- (c) Third, if the principal of all of the Outstanding Bonds has become due and payable at maturity or by call for redemption or otherwise, first to the payment of all installments of interest then due on all of the Outstanding Bonds in the order of the maturity of the installments thereof, and next to the payment of interest at the respective rates specified in the Bonds on overdue principal, and next to the payment of the principal of the Bonds which have become due.

All payments to be made to the Registered Owners of any Bonds pursuant to the priorities stated in this Section 9.04 shall be made to the persons entitled thereto, without discrimination or preference, except that if there are insufficient funds to make any such payment, the amount to be paid in respect of each such Bond shall be determined by multiplying the aggregate amount of the moneys available for such payment by a fraction, the numerator of which is the payment then due on such Bond and the denominator of which is the aggregate amount due in respect of all payments of similar priority on all Bonds.

SECTION 9.05. Effect of Discontinuance of Proceedings. If any proceeding taken by the Registered Owners of any Bonds or any Provider on account of any Event of Default is discontinued or abandoned for any reason, then and in every such case, the Corporation, all Registered Owners of Bonds and each Provider shall be restored to their former positions and rights hereunder, and all rights, remedies, powers and duties of said Persons shall continue as though no proceeding had been taken.

SECTION 9.06. No Remedy Exclusive. No remedy herein conferred upon any Person who is entitled to exercise such remedy hereunder is intended to be exclusive of any other remedy or remedies herein provided, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity.

SECTION 9.07. Delay Not a Waiver. No delay or omission by any Person who is entitled to exercise a remedy hereunder in the exercise of any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or any acquiescence therein, and every power or remedy given by this Master Resolution to any such Person may be exercised from time to time and as often as may be deemed expedient.

The Registered Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, with the written consent of all Providers and Fiduciaries, if any, who are then entitled to exercise remedies hereunder, may waive any Event of Default which in its opinion has been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions of this Master Resolution or before the completion of the enforcement of any other remedies under this Master Resolution; provided that no such waiver shall extend to or affect any other existing or subsequent Event of Default or impair any rights or remedies of the Persons specified in Section 9.03 hereof which are consequent thereon.

SECTION 9.08. Right to Enforce Payment. Nothing in this Article IX shall affect or impair the right of any Registered Owner of any Bond to enforce the payment of the principal of and interest thereon or the obligation of the Corporation to pay Debt Service on each Bond at the time and place specified in said Bond. Nothing herein shall impair the right of any Fiduciary to enforce payment to it of any Fiduciary Charges owed to it or impair the right of any Provider to which Payment Obligations or Credit Facility Charges are owed the right to enforce payment thereof. The right to receive any payment shall be limited to the sources from which such payment is payable hereunder.

SECTION 9.09. Reduction of Rights. Notwithstanding anything in this Resolution to the contrary, the Corporation may adopt a Series Resolution for the issuance of any Series of Additional Bonds that sets forth terms and provisions that reduce or diminish the rights of Registered Owners of the Additional Bonds of such Series versus the rights of the Registered Owners of other Series of Bonds, whether then Outstanding or issued in the future, including without limitation terms and provisions that subordinate the right of Registered Owners of such Additional Bonds to repayment of such Additional Bonds, whether prior to or during the continuance of an Event of Default.

ARTICLE X

MISCELLANEOUS PROVISIONS

SECTION 10.01. Validation. Counsel for the Corporation is hereby authorized to institute on behalf of the Corporation, validation proceedings in the Circuit Court for Leon County pursuant to the provisions of Chapter 75, Florida Statutes, as amended, for validation of the Bonds and, if determined to be necessary or desirable by the Chief Executive Officer/President, to thereafter seek an opinion affirming validation from the Supreme Court of Florida.

SECTION 10.02. Sale of Bonds. The Bonds of each Series may be issued and sold at public sale, private placement, or negotiated sale, at one time or in installments from time to time, and at such price or prices consistent with the provisions of the Act and the requirements of this Master Resolution.

SECTION 10.03. Notices. Each Trustee, Bond Registrar/Paying Agent and Provider shall be entitled to receive and shall be provided by certified mail all notices and reports which are required herein to be prepared and to be sent to all Registered Owners of the Bonds.

SECTION 10.04. Taxable Bonds. Any Bond which is issued as a Taxable Bond shall have the word "Taxable" included in its title and shall contain on the face thereof, the following statement in all capital letters:

"THE INTEREST ON THIS BOND IS INCLUDIBLE IN THE GROSS INCOME OF
THE OWNER FOR FEDERAL INCOME TAX PURPOSES."

Except as provided in a Series Resolution for any particular Series of Bonds, the federal income tax related covenants herein shall not be applicable to any Taxable Bonds.

SECTION 10.05. No Recourse. No recourse shall be had by any Registered Owner for the payment of the principal (the Maturity Amount or the Accreted Value) of, premium, if any, and interest on the Bonds, or by any other Person for any claim based thereon or on this Master Resolution, against any present or former official, agent, employee or member of the Board, the Corporation, the State of Florida, the Department or the Division of Bond Finance.

SECTION 10.06. Substitute for Mailing. If, because of the temporary or permanent suspension of postal service, the Corporation, or any other Person shall be unable to mail any notice required to be given by the provisions of this Master Resolution, the Corporation, or such other Person shall give such notice in such other manner as in its judgment shall most effectively approximate such mailing; and the giving of such notice in such manner shall for all purposes of this Master Resolution be deemed to be in compliance with the requirement for the mailing thereof.

SECTION 10.07. Successorship of Corporation Officers. In the event that the office of any officer or official of the Corporation who is vested with responsibilities under this Master Resolution is abolished or any two or more offices are merged or consolidated, or in the event of a vacancy in any such office by reason of death, resignation, removal from office or otherwise, or in the event any such officer or official becomes incapable of performing the duties of such office by reason of sickness, absence or otherwise, all powers conferred and all obligations and duties imposed upon such officer or official shall be performed by the officer or official upon whom such powers, obligations and duties are imposed by law or by the Board.

SECTION 10.08. Payments Due and Acts Required to be Done on Days Which Are Not Business Days: Time.

(a) In any case where any payment of debt service is required to be paid on a date which is not a Business Day, then such payment need not be made on such date, but shall be made on the next succeeding Business Day, with the same force and effect as if made on the date fixed for such payment, and no interest shall accrue on such payment for the period after such date if such payment is made on such next succeeding Business Day.

(b) In any case where any act is required or any notice is required to be given hereunder (or under any Series Resolution or other instrument relating to any of the Bonds, unless otherwise provided to the contrary therein) on any day other than a Business Day, then such act shall be done or such notice shall be given on the next succeeding Business Day, with the same force and effect as if such act had been performed or such notice had been given on the date required.

(c) All times for the making of any payment or the performance of any act, as provided in this Master Resolution (or any Series Resolution or other instrument relating to any of the Bonds unless otherwise provided to the contrary therein), shall mean the local time prevailing in Leon County, Florida unless some other time is expressly provided for.

SECTION 10.09. Headings Not Part of Resolution. Any headings preceding the text of the several Sections hereof, table of contents, marginal notes, or footnotes appended to copies hereof shall be solely for convenience of reference and shall not constitute a part of this Master Resolution or affect its meaning, construction or effect.

SECTION 10.10. Persons Having Rights Under Resolution. Except as otherwise expressly provided herein, nothing in this Master Resolution, expressed or implied, is intended or shall be construed to confer upon any Person, firm or corporation, other than the Corporation, the Registered Owners of the Bonds, the Fiduciaries and the Providers, any right, remedy or claim, legal or equitable, under or by reason of this Master Resolution. This Master Resolution is intended to be for the sole and exclusive benefit of the Corporation, the Registered Owner of the Bonds, the Fiduciaries and the Providers.

SECTION 10.11. Instruments of Registered Owners. Any writing, including without limitation, any consent, request, direction, approval, objection or other instrument or document, required under the Bond 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 the Bond Resolution, if made in the following manner, and if so made, shall be conclusive in favor of the Corporation or any Fiduciary 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 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 Register for such Series.

Nothing contained herein shall be construed to limit the Corporation or any Fiduciary to the foregoing proof, and the Corporation or any Fiduciary may accept any other evidence of the matters stated therein which it deems to be sufficient. Any writing, including without limitation, any consent, request, direction, approval, objection or other instrument or document, of the Registered Owner of any Bond shall bind every future Registered Owner of the same Bond, with respect to anything done or suffered to be done by the Corporation or any Fiduciary pursuant to that writing.

SECTION 10.12. Priority of This Resolution. This Master Resolution shall be superior to any liens which may be placed upon the Pledged Revenues, the Pledged Funds or any other Funds or Accounts created pursuant to this Master Resolution.

SECTION 10.13. Extent of Covenants; No Personal Liability. All covenants, stipulations, obligations and agreements of the Corporation contained in this Master Resolution are and shall be deemed to be covenants, stipulations, obligations and agreements of the Corporation to the full extent authorized by the Act and permitted by the Constitution of the State. No covenant, stipulation, obligation or agreement of the Corporation contained in this Master Resolution shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future Board member, officer, agent or employee of the Corporation in other than that person's official capacity. Neither the members of the Board nor any official executing the Bonds or the Bond Resolution shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance or execution hereof or thereof.

SECTION 10.14. Florida Law Governs. The Bonds are issued, and this Master Resolution is adopted, with the intent that the laws of the State of Florida shall govern their construction.

SECTION 10.15. Severability of Invalid Provisions. If any one or more of the covenants, agreements or provisions of this Master Resolution should be held to be contrary to any express provision of law, or should for any reason whatsoever be held invalid, then such covenants, agreements, or provisions shall be null and void and shall be deemed separate from the remaining covenants, agreements, or provisions of, and in no way affect the validity of, all the other provisions of this Master Resolution or of the Bonds.

SECTION 10.16. Effective Date. This Master Resolution shall take effect upon its adoption.

PASSED AND ADOPTED this 11th day of April, 2018.

EXHIBIT A
FORM OF SERVICE CONTRACT

[Intentionally Omitted]

FLORIDA DEPARTMENT OF TRANSPORTATION FINANCING CORPORATION

2018 SERIES RESOLUTION

Resolution No. 2

Adopted July 11, 2018

Authorizing Issuance and Sale of
Not Exceeding \$195,000,000
Florida Department of Transportation Financing Corporation
Revenue Bonds
Series 2018

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EXHIBITS:

Exhibit A – Form of Bond

Exhibit B – 2018 Project Description

A RESOLUTION SUPPLEMENTING AND AMENDING A RESOLUTION ENTITLED:

“A RESOLUTION OF THE FLORIDA DEPARTMENT OF TRANSPORTATION FINANCING CORPORATION AUTHORIZING THE ISSUANCE OF FLORIDA DEPARTMENT OF TRANSPORTATION FINANCING CORPORATION REVENUE BONDS IN ONE OR MORE SERIES; PROVIDING FOR ADOPTION OF SERIES RESOLUTIONS PURSUANT TO THIS MASTER RESOLUTION; APPROVING THE FORM OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF A SERVICE CONTRACT OR CONTRACTS BETWEEN THE DEPARTMENT OF TRANSPORTATION AND THE CORPORATION; PROVIDING FOR PAYMENT OF THE BONDS FROM PLEDGED REVENUES; PROVIDING THAT THE BONDS SHALL NOT CONSTITUTE A DEBT OR OBLIGATION OF THE STATE OF FLORIDA OR A PLEDGE OF THE FAITH AND CREDIT OR TAXING POWER OF THE STATE, BUT SHALL BE PAYABLE SOLELY FROM AND SECURED BY PAYMENTS MADE BY THE DEPARTMENT OF TRANSPORTATION UNDER THE SERVICE CONTRACT, WHICH PAYMENTS ARE SUBJECT TO ANNUAL APPROPRIATION BY THE LEGISLATURE; PROVIDING FOR TERMS AND DETAILS OF THE BONDS; PROVIDING FOR THE CREATION OF CERTAIN FUNDS AND ACCOUNTS; PROVIDING FOR THE RIGHTS, SECURITY AND REMEDIES OF BONDHOLDERS AND CREDIT FACILITY PROVIDERS; AUTHORIZING VARIOUS METHODS OF SALE OF THE BONDS; AUTHORIZING THE VALIDATION OF THE BONDS AND PROVIDING AN EFFECTIVE DATE”;

AUTHORIZING THE ISSUANCE AND SALE OF NOT EXCEEDING \$195,000,000 REVENUE BONDS, SERIES 2018, FOR THE PURPOSE OF FINANCING OBLIGATIONS OF THE DEPARTMENT OF TRANSPORTATION WITH RESPECT TO THE 2018 PROJECT; MAKING CERTAIN AMENDMENTS TO SAID RESOLUTION; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the 2016 Florida Legislature enacted Chapter 2016-181, Laws of Florida, codified as Section 339.0809, Florida Statutes (as the same may be amended or supplemented from time to time, together with all other applicable provisions of law, the “Act”); and

WHEREAS, among other things, the Act creates the Florida Department of Transportation Financing Corporation (the “Corporation”) as a nonprofit corporation for the purpose of financing or refinancing projects for the Department of Transportation (the “Department”); and

WHEREAS, for this purpose, the Corporation is authorized to issue bonds or other evidences of indebtedness which are payable from amounts to be paid by the Department to the Corporation under a service contract or contracts (collectively, the “Service Contract”), entered into between the Department and the Corporation; and

WHEREAS, the Corporation and the Department intend to enter into a Service Contract providing for payment by the Department to the Corporation of amounts sufficient to pay Debt Service on the Bonds and Issuance Costs and Administrative Costs, contingent upon annual appropriation by the Florida Legislature of funds sufficient to make payment under the Service Contract; and

WHEREAS, the Corporation, on April 11, 2018, adopted the Master Resolution referred to by title in the title of this resolution to provide for and secure the payment of Debt Service on all Bonds of any and all Series, and other amounts payable under the Master Resolution and to establish the manner of financing and methods of carrying out the purposes of the Corporation; and

WHEREAS, this Resolution (the “2018 Series Resolution”) is being adopted to authorize the issuance and sale of an initial Series of the Bonds, provide for the determination of the details of the Bonds of such Series,

provide for the use of the proceeds of such Series of Bonds in accordance with the Act, appoint the necessary Fiduciaries for the Bonds and make certain amendments to the Master Resolution;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE FLORIDA DEPARTMENT OF TRANSPORTATION FINANCING CORPORATION, AS FOLLOWS:

ARTICLE I AUTHORITY, DEFINITIONS AND RECITALS

SECTION 1.01. Authority for this Resolution; Ratification and Reaffirmation of the Master Resolution. This 2018 Series Resolution is hereby adopted pursuant to the provisions of the Act. The Master Resolution is hereby ratified and reaffirmed. The Master Resolution is in full force and effect and has not been amended.

SECTION 1.02. Definitions. All of the definitions contained in Section 1.02 of the Master Resolution shall be deemed applicable to this 2018 Series Resolution, except to the extent that the same are inconsistent or in conflict with the definitions set forth below. The following terms shall have the following meanings in this 2018 Series Resolution:

“Master Resolution” means the Master Resolution adopted by the Corporation on April 11, 2018, as amended, authorizing the issuance of its Bonds.

“2018 Bonds” means the Bonds, Series 2018, issued pursuant to this 2018 Series Resolution.

“2018 Project” means the transportation project described more particularly in Exhibit B hereto.

“2018 Service Contract” means the service contract to be entered into between the Department and the Corporation pursuant to Section 339.0809(4), Florida Statutes, as amended, providing for payments by the Department to the Corporation relating to the 2018 Bonds.

SECTION 1.03. Recitals. The recitals contained in the foregoing “WHEREAS” clauses are incorporated herein by this reference.

ARTICLE II AUTHORIZATION OF EXPENDITURE OF BOND PROCEEDS

SECTION 2.01. Application of Bond Proceeds. Pursuant to the Act, there is authorized the expenditure of the proceeds of the 2018 Bonds for the purposes set forth in Section 339.0809, Florida Statutes, and, specifically, the issuance of the 2018 Bonds to finance the 2018 Project. The proceeds of the 2018 Bonds shall be disbursed as provided Article IV hereof.

ARTICLE III AUTHORIZATION OF SALE AND TERMS OF 2018 BONDS

SECTION 3.01. Authorization of 2018 Bonds. Subject and pursuant to the provisions of this 2018 Series Resolution, a Series of Bonds of the Corporation is hereby authorized to be issued and sold in an aggregate principal amount not exceeding \$195,000,000. Such Series of Bonds shall be designated “Florida Department of Transportation Financing Corporation Revenue Bonds, Series 2018” or such other designation as may be determined by the Chief Executive Officer/President. The 2018 Bonds shall be issued under and secured by the Master Resolution, as amended and supplemented by this 2018 Series Resolution, and all the terms and provisions contained in the Master Resolution shall be applicable to the 2018 Bonds, except as expressly set forth herein, including the pledge of the Pledged Revenues to the payment of the principal, premium if any, and interest on the 2018 Bonds.

SECTION 3.02. Description of 2018 Bonds. The 2018 Bonds shall be issued only as fully registered bonds without coupons in denominations of \$1,000 or any integral multiple thereof; shall be issued as Current Interest Bonds; shall bear interest not in excess of the maximum lawful rate of interest authorized on the date of sale of the

2018 Bonds, payable semi-annually on the dates provided in the notice of sale (provided that the initial interest period may be longer than six months); and shall be payable as to both principal and interest, shall be subject to registration, exchange, and transfer, shall be executed and authenticated, shall be subject to prior redemption in the manner, shall be in the form, and shall have such other terms as set forth in Article II of the Master Resolution. The 2018 Bonds shall be dated, shall mature and shall be redeemable as set forth in the notice of sale provided for in Article V of this 2018 Series Resolution.

The 2018 Bonds may be sold at one time or in multiple installments from time to time as the Chief Executive Officer/President may determine. If issued in multiple installments, each installment shall have an identifying letter.

SECTION 3.03. Form of Bonds. The Bonds shall be in substantially the form set forth in Exhibit A hereto, with such changes as shall be necessary and desirable thereto, as determined by Bond Counsel or counsel for the Corporation.

SECTION 3.04. Book-entry Provisions. Pursuant to Section 2.05(h) of the Master Resolution, the Corporation hereby elects to use a Book-Entry System for the 2018 Bonds.

Notwithstanding anything to the contrary in the Master Resolution, this 2018 Series Resolution, or any other resolution relating to the 2018 Bonds (for the purposes of this section, collectively, the “Bond Resolution”), the 2018 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 all the 2018 Bonds is maintained in accordance herewith, any provision of the Bond Resolution relating to the delivery of physical bond certificates shall be inapplicable, and the Bond Resolution shall be deemed to give full effect to such book-entry system.

If the 2018 Bonds are issued in book-entry only form:

(1) The 2018 Bonds shall be issued in the name of the Securities Depository as Registered Owner of the 2018 Bonds, and held in the custody of the Securities Depository or its designee.

(2) Transfers of beneficial ownership of the 2018 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 2018 Bonds. Beneficial ownership interests in the 2018 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 2018 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 2018 Bonds. Transfers of ownership interests in the 2018 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 Corporation, the Department, the State Board of Administration and the Bond Registrar/Paying Agent shall treat the Securities Depository as the sole and exclusive owner of the 2018 Bonds registered in its name for the purposes of

(a) payment of the principal of, premium, if any, and interest on the 2018 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 Corporation’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 Master Resolution; and

(c) the giving of any direction or consent or the making of any request by the Registered Owners hereunder. The Corporation 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 2018 Bonds; and

(ii) a certificate of any such Participant as to the identity of, and the respective principal amount of 2018 Bonds beneficially owned by, the Beneficial Owners.

(5) The Corporation 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 Series 2018 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 2018 Bonds; or

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

(6) The requirements in the Master Resolution of holding, delivering or transferring 2018 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 2018 Bonds to produce the same effect. Any provision hereof permitting or requiring delivery of the 2018 Bonds shall, while the 2018 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.

(7) The Corporation 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 Corporation shall either

(a) identify another qualified securities depository or

(b) prepare and deliver replacement 2018 Bonds in the form of fully registered bonds to each Beneficial Owner.

SECTION 3.05. Accounts for 2018 Bonds. (a) There shall be created subaccounts in the Principal Account and the Interest Account in the Bond Fund for each installment of the 2018 Bonds. Amounts deposited into such subaccounts shall be applied as provided in Section 4.03 of the Master Resolution.

(b) There is hereby created and established a 2018 Sale Proceeds Fund, which fund shall be held by the Custodian. Amounts in the 2018 Sale Proceeds Fund shall be disbursed by the Custodian as provided herein.

SECTION 3.06. Reserve Requirement for 2018 Bonds. The Reserve Requirement for the 2018 Bonds shall be determined by the Chief Executive Officer/President and set forth in a certificate to be delivered at or prior to the issuance of the 2018 Bonds.

SECTION 3.07. Appointment of Custodian, Bond Registrar and Paying Agent, and Trustee. The Department is hereby appointed the Custodian for the 2018 Sale Proceeds Fund and U.S. Bank Trust National Association is hereby appointed Bond Registrar and Paying Agent for the Bonds. The State Board of Administration is hereby appointed as Trustee.

ARTICLE IV APPLICATION OF BOND PROCEEDS

ARTICLE V

SECTION 5.01. Application of Series 2018 Bond Proceeds. Upon receipt of the proceeds of the 2018 Bonds, the Corporation shall transfer and apply, or cause to be transferred and applied, such proceeds as follows:

(a) The amount necessary to pay all costs and expenses of the Corporation in connection with the preparation, sale and issuance of the 2018 Bonds, including a reasonable charge for the services of the Division of Bond Finance, shall be transferred to the Corporation or the Division of Bond Finance, as applicable, pursuant to written instructions of the Corporation at the delivery of the 2018 Bonds.

(b) The accrued interest on the 2018 Bonds, if any, plus an amount determined by the Chief Executive Officer/President as being necessary, together with such accrued interest, to provide for the payment of interest on the 2018 Bonds for a period not to exceed 12 months from the date of issuance of the 2018 Bonds, shall be deposited in the applicable Interest Subaccount in the Bond Fund created by the Master Resolution.

(c) All remaining proceeds shall be deposited in the 2018 Sale Proceeds Fund created and established by this 2018 Series Resolution and shall be used to pay 2018 Project costs pursuant to the terms of the Service Contract.

SECTION 5.02. Application of Amounts in 2018 Sale Proceeds Fund.

(a) Amounts in the 2018 Sale Proceeds Fund shall be disbursed by the Department for the payment of 2018 Project costs. Interest earnings on the 2018 Sale Proceeds Fund may be used to pay 2018 Project costs.

(b) If for any reason any of the proceeds from the sale of the 2018 Bonds shall not be expended for payment of 2018 Project costs, the surplus shall be applied to retire or redeem 2018 Bonds.

SECTION 5.03. Registered Owners Not Affected By Application of Series 2018 Bond Proceeds. The proceeds derived from the sale of the 2018 Bonds shall be applied and disbursed pursuant to the provisions of the Act and this 2018 Series Resolution. The Registered Owners of 2018 Bonds shall not have any responsibility whatsoever for the application or use of any of the proceeds derived from the sale of the 2018 Bonds, and the rights and remedies of the Registered Owners of 2018 Bonds and their right to payment, pursuant to the Master Resolution and this Series 2018 Resolution, shall not be affected or impaired by the application or use of such proceeds. Upon the issuance of the 2018 Bonds authorized by this Series 2018 Resolution, all the covenants and agreements between the Corporation and the Registered Owners of 2018 Bonds contained in this Series 2018 Resolution shall be valid and binding covenants and agreements between the Corporation and the Registered Owners of 2018 Bonds without regard to the application of the proceeds of the 2018 Bonds.

ARTICLE VI SALE OF BONDS

SECTION 6.01. Sale. (a) The Chief Executive Officer/President is hereby authorized to determine the most advantageous date and time of sale and to provide notice pursuant to applicable law of such sale, at a time and in such manner as determined by the Chief Executive Officer/President to be appropriate to provide adequate notice to potential bidders; provided, that if no bids are received, or if all bids are rejected, such 2018 Bonds may again be offered for sale upon reasonable notice, the timing and manner of which shall be determined by the Chief Executive Officer/President. Bids for the purchase of the 2018 Bonds will be received at the office of the Division of Bond Finance or at another location designated in the notice of bond sale ("Notice of Bond Sale"), until the time and date of sale determined by the Chief Executive Officer/President.

(b) The Chief Executive Officer/President is hereby authorized to publish and distribute a Notice of Bond Sale and a form of proposal for the sale of the 2018 Bonds. The Notice of Bond Sale shall be in such form as shall be determined by the Chief Executive Officer/President, with the advice of bond counsel, and shall contain such information as is consistent with the terms of the Resolution which the Chief Executive Officer/President determines is in the best financial interest of the State. Any prior publication or distribution of a Notice of Bond Sale, or abbreviated version thereof, and proposal for sale is hereby ratified.

(c) In the event that market conditions preclude the sale of the principal amount of Bonds authorized to be sold by this 2018 Series Resolution, or if proceeds of all Bonds authorized to be sold pursuant to this resolution are not required at any particular time, then in such event, in order to sell the Bonds, the Chief Executive Officer/President is hereby authorized to offer for sale a lesser principal amount than that set forth in this resolution.

(d) The 2018 Bonds shall be dated, shall mature in such years and amounts, shall be payable, and shall be subject to redemption as provided by the Notice of Bond Sale, provided that (i) the 2018 Bonds shall have no more than fifteen (15) annual maturities after their date of issuance; and (ii) the 2018 Bonds shall be subject to optional redemption at prices not greater than 101% of the principal amount thereof.

SECTION 6.02. Official Statement. The Chief Executive Officer/President is hereby authorized to prepare and distribute preliminary and final official statements in connection with the offering of the 2018 Bonds. The Chief Executive Officer/President is further authorized and directed to amend, supplement or complete the information contained in the preliminary offering 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 Chief Executive Officer/President is hereby authorized to execute the final official statement in connection with the offering of the 2018 Bonds, and the execution thereof by the Chief Executive Officer/President shall be conclusive evidence that the Corporation has approved the form and content of the final official statement and that the final official statement is complete as of its date. The Chief Executive Officer/President is hereby authorized to have up to 1,500 copies of the preliminary official statement and 3,500 copies of the final official statement relating to the offering of the 2018 Bonds printed and distributed; to contract with national rating services and providers of municipal bond insurance and reserve account credit facilities; 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 2018 Bonds.

SECTION 6.03. Award. The Chief Executive Officer/President is hereby authorized and empowered to award said 2018 Bonds, when offered, on his determination of the best proposal submitted in accordance with the terms of the Notice of Bond Sale provided for herein, and such award shall be final. The Chief Executive Officer/President shall report such award to the Board of Directors.

SECTION 6.04. Delivery. The proper officials of the Corporation are hereby authorized to execute the 2018 Bonds and the Corporation is hereby authorized to deliver such 2018 Bonds to the purchasers thereof upon payment of the purchase price, together with accrued interest, if any, to the date of delivery, and to distribute the proceeds of the 2018 Bonds as provided herein.

SECTION 6.05. Necessary Action. The appropriate officers and employees of the Corporation 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 Corporation, in each case as they may deem necessary or desirable, in connection with the execution and delivery of the 2018 Bonds.

ARTICLE VI AMENDMENTS TO MASTER RESOLUTION

SECTION 6.01. Amendments to Master Resolution. The Master Resolution is hereby amended as follows:

(a) The defined term “Maximum Annual Debt Service Requirement” in Section 1.02 of the Master Resolution shall be changed to “Maximum Annual Debt Service”, but with no change to the definition.

(b) A new definition is added to Section 1.02 of the Master Resolution to read as follows:

“Department Bond Programs” means any State bond program secured by a lien on revenues of the State Transportation Trust Fund senior to payments under a Service Contract, excluding bond programs that are secured solely by a lien on revenues of a particular transportation facility or system (for example, revenue bonds secured solely by revenues of Florida’s Turnpike system).

- (c) A new definition is added to Section 1.02 of the Master Resolution to read as follows:

“State Transportation Trust Fund” means that trust fund created pursuant to Section 206.46, Florida Statutes, as amended.

- (d) A new definition is added to Section 1.02 of the Master Resolution to read as follows:

“Outstanding Public-Private Partnership Obligations” means (i) the obligations of the Department to make availability, milestone, and final acceptance payments, or other similar payments, that are required by an agreement between the Department and a private entity pursuant to Section 334.30, Florida Statutes, as amended, and that are not payments for the cost of operation or maintenance of a facility; and (ii) the obligations of the Department to make payments to a Department contractor for work performed in one Fiscal Year for which payment has been deferred to a later Fiscal Year pursuant to Section 334.30, Florida Statutes, as amended.

- (e) Section 2.10 of the Master Resolution is amended to read as follows:

SECTION 2.10. Issuance of Additional Bonds. Additional Bonds may be issued by the Corporation only upon the terms, restrictions and conditions contained in the Act and this Section 2.10. Additional Bonds shall be created or issued only on the following terms, restrictions, and conditions:

- (1) in any Fiscal Year, the sum of (a) the debt service on all outstanding Corporation obligations; (b) the debt service on the Additional Bonds then proposed to be issued; and (c) the payments for Outstanding Public-Private Partnership Obligations, shall not exceed 20% of the revenues of the State Transportation Trust Fund available for Service Contract payments (funds available after reduction for statutorily-designated uses and by the maximum legally permissible debt service on Department Bond Programs) in the Fiscal Year immediately preceding the issuance of the Additional Bonds;
- (2) the Legislature shall have adopted an appropriations act or substantive legislation specifically approving the financing of the project or projects to be financed in whole or in part from proceeds of such Additional Bonds and shall have appropriated sufficient moneys to pay the first year’s debt service on the Additional Bonds;
- (3) the issuance of the Additional Bonds shall not violate any statutory limits on the issuance of Bonds;
- (4) the Department’s project or projects to be financed in whole or in part from the proceeds of such Additional Bonds shall have been approved by the Legislature and such approval shall specifically provide that the Department may enter into a Service Contract for the project pursuant to Section 339.0809(4), Florida Statutes, as amended; and
- (5) the Department and the Corporation shall have entered into a Service Contract with respect to such Additional Bonds.

No such Additional Bonds shall be created or issued at any time, however, unless the Corporation shall certify that all the payments required under the provisions of Section 4.03 hereof, including any deficiencies for prior payments, have been made as required to the date of the sale of such Additional Bonds, and unless the Department shall certify compliance with the requirements of this Section 2.10 with respect to the issuance of such Additional Bonds.

Notwithstanding the requirements set forth above, the Corporation may at any time and from time to time issue Additional Bonds for the purpose of refunding any Series of Bonds, or any maturity of Bonds within a Series, without the necessity of complying with the requirements set forth above (except for clause (5) in the first paragraph of this Section), if the Debt Service Requirement with respect to such Additional Bonds in each Fiscal Year following the issuance thereof shall be equal to or less than the Debt Service Requirement for such Fiscal Year with respect to the Bonds which would have been Outstanding in such Fiscal Year had the same not been refunded pursuant to this Section 2.10.

Such Additional Bonds shall be deemed to have been issued pursuant to this Resolution to the same extent as the Bonds originally authorized and issued pursuant to this Resolution, and all of the covenants and other provisions of this Resolution (except as to details of such Additional Bonds inconsistent therewith) shall be for the equal benefit, protection and security of the Holders of any Bonds originally authorized and issued pursuant to this Resolution and the Holders of any such Additional Bonds subsequently issued within the limitations of and in compliance with this Section 2.10. All of such original Bonds and Additional Bonds, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the Pledged Revenues and the Pledged Funds and their source of and security for payment therefrom without preference of any Bond or Additional Bond over any other; provided, however, that each Series of Bonds issued hereunder shall, with respect to the Reserve Fund, have rights only to moneys in the sub account in the Reserve Fund created with respect to such Series.

Upon the issuance of any such Additional Bonds, the payments required to be made or set aside from Pledged Revenues under Section 4.03 shall be increased in the amounts necessary for the payments contemplated thereby.

ARTICLE VII MISCELLANEOUS

SECTION 7.01. Severability of Provisions. If any one or more of the covenants, agreements or provisions of this 2018 Series 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 any of the other covenants, agreements or provisions of this 2018 Series Resolution or of the 2018 Bonds.

SECTION 7.02. Continuing Disclosure. (a) In order to comply with Rule 15c2-12 of the Securities and Exchange Commission, the Corporation and the Department hereby agree to provide or cause to be provided such information as may be required, from time to time, under such rule.

(b) The Chief Executive Officer/President 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 or any applicable successor rule.

SECTION 7.03 Repeal of Inconsistent Resolutions. All resolutions and parts of resolutions heretofore adopted pertaining to the subject matter of this 2018 Series Resolution, to the extent that they are inconsistent with this 2018 Series Resolution, are hereby repealed, revoked, and rescinded.

SECTION 7.04 Time of Taking Effect. This 2018 Series Resolution shall take effect immediately upon its adoption.

ADOPTED ON JULY 11, 2018.

EXHIBIT A
FORM OF BOND

No. R-_____

\$ _____

FLORIDA DEPARTMENT OF TRANSPORTATION FINANCING CORPORATION
REVENUE BOND, SERIES 2018

RATE OF
INTEREST

MATURITY DATE

DATE OF ISSUE

CUSIP

_____, 2018

REGISTERED OWNER: Cede & Co.

PRINCIPAL AMOUNT:

KNOW ALL MEN BY THESE PRESENTS, that the Florida Department of Transportation Financing Corporation, a nonprofit corporation created pursuant to Chapter 339.0809, Florida Statutes, as amended (hereinafter called "Corporation"), for value received, hereby promises to pay to the Registered Owner designated above, or registered assigns, solely from the special funds hereinafter mentioned, on the Maturity Date specified above, the principal sum shown above, upon the presentation and surrender hereof at the corporate trust office of U.S. Bank Trust National Association, New York, New York, as Paying Agent and Bond Registrar, and to pay solely from such special funds interest thereon from the date of this bond or from the most recent interest payment date to which interest has been paid, whichever is applicable, until payment of such sum, at the rate per annum set forth above, payable on [January 1, 20__], and semiannually thereafter on January 1 and July 1 in each year, by check or draft mailed to the registered owner at his address as it appears at 5:00 p.m. (local time, New York, New York) on the Record Date on the registration books of the Corporation kept by the Bond Registrar; provided, that for any Registered Owner of \$500,000 or more in principal amount of Bonds, such payment shall, at the written request of such Registered Owner, be by wire transfer or other medium acceptable to the Corporation and to such Registered Owner. The Record Date for the January 1 payment is December 15, and the Record Date for the July 1 payment is June 15 (each a "Record Date"). The principal of, premium, if any, and interest on this Bond are payable in lawful money of the United States of America.

This Bond is one of an authorized issue of Bonds in the aggregate principal amount of \$ _____, of like date, tenor and effect, except as to number, interest rate and maturity, issued to finance the cost of the 2018 Project (as defined in the Resolution mentioned hereinafter) of the State of Florida Department of Transportation (the "Department") under the authority of and in full compliance with the Constitution and Statutes of the State of Florida (the "State"), including particularly Section 339.0809, Florida Statutes, as amended, and other applicable provisions of law, and a Resolution duly adopted by the Board of Directors of the Corporation (the "Board") on April 11, 2018, as supplemented and amended, and particularly as supplemented and amended by a Resolution adopted by the Board on _____, 20__ (hereinafter collectively called "Resolution"), and is subject to all the terms and conditions of such Resolution.

[The Bonds maturing in the years ____ through ____, both inclusive, are not redeemable prior to their stated dates of maturity. The Bonds maturing in ____ and thereafter are redeemable prior to their stated dates of maturity, without premium, at the option of the Corporation, (i) in part, by maturities to be selected by the Corporation, and by lot within a maturity if less than an entire maturity is to be redeemed, or (ii) as a whole, on July 1, ____, or on any date thereafter, at the principal amount of the Bonds so redeemed, together with interest accrued to the date of redemption.]

This Bond is payable from and secured solely by a lien upon and pledge of the Pledged Revenues, as defined in the Resolution, which consist of revenues received by the Corporation under a Service Contract (the

“Service Contract”) between the Corporation and the Department and certain monies held in the funds and accounts created by the Resolution. **THE OBLIGATION OF THE DEPARTMENT TO MAKE PAYMENTS UNDER THE SERVICE CONTRACT IS CONDITIONED UPON THE ANNUAL APPROPRIATION BY THE LEGISLATURE OF THE STATE OF FLORIDA OF FUNDS FOR SUCH PURPOSE.**

This Bond does not constitute an indebtedness of the Corporation or of the State of Florida within the meaning of any constitutional, statutory or charter provision or limitation of indebtedness, and it is expressly agreed by the holder of this Bond that such holder shall never have the right to require or compel the exercise of the taxing power of the State or any other entity for the payment of the principal of and interest on this Bond or the making of any sinking fund, reserve or other payments provided for in the Resolution. This Bond and the obligation evidenced thereby shall not constitute a lien upon any property of the Corporation, the Department, or the State, but shall constitute a lien only on the Pledged Revenues and the Pledged Funds.

This Bond may be transferred only upon the books of the Corporation kept by the Bond Registrar/Paying Agent under the Resolution upon surrender thereof at the principal office of the Bond Registrar with an assignment duly executed by the Registered Owner or his duly authorized attorney, but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in the Resolution, and upon surrender and cancellation of this Bond. Upon any such transfer, there shall be executed in the name of the transferee, and the Bond Registrar/Paying Agent shall deliver, a new registered Bond or Bonds in the same aggregate principal amount and series, maturity and interest rate of the authorized denominations as the surrendered Bond.

In like manner, subject to such conditions and upon the payment of such charges, if any, the Registered Owner of any Bond or Bonds may surrender the same (together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the Registered Owner or his duly authorized attorney) in exchange for an equal aggregate principal amount of fully registered Bonds of the same series and maturity of any other authorized denominations.

It is hereby certified and recited that all acts, conditions and things required to exist, to happen and to be performed precedent to and in the issuance of this Bond exist, have happened and have been performed in regular and due form and time as required by the Statutes and Constitution of the State of Florida applicable thereto; and that the issuance of this bond and the issue of bonds of which this bond is one, does not violate any constitutional or statutory limitation.

This Bond is and has all the qualities and incidents of a negotiable instrument under the laws of the State of Florida.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Resolution until the Certificate of Authentication hereon shall have been executed by the Bond Registrar/Paying Agent.

IN WITNESS WHEREOF, the Florida Department of Transportation Financing Corporation has issued this Bond and has caused the same to be executed by the manual or facsimile signature of its Chief Executive Officer/President, and its corporate seal or a facsimile thereof to be affixed, impressed, imprinted, lithographed or reproduced hereon and attested by the manual or facsimile signature of its Secretary, all as of the ____ day of _____, 20__.

FLORIDA DEPARTMENT OF TRANSPORTATION
FINANCING CORPORATION

(SEAL)

By: _____
Chief Executive Officer/President

ATTEST:

Secretary

BOND REGISTRAR/PAYING AGENT'S CERTIFICATE OF AUTHENTICATION

This bond is one of the bonds of the issue described in the within-mentioned Resolution.

U.S. BANK TRUST NATIONAL ASSOCIATION

As Bond Registrar/Paying Agent

By _____
Authorized Signature

Date of Authentication:

[VALIDATION CERTIFICATE

This Bond is one of an authorized Series of Bonds which was validated and confirmed by Judgment of the Circuit Court of the Second Judicial Circuit of the State of Florida, in and for Leon County, rendered on the ____ day of _____, 20__.

FLORIDA DEPARTMENT OF TRANSPORTATION
FINANCING CORPORATION

By _____
Chief Executive Officer/President]

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto _____

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS INCLUDING ZIP CODE OF ASSIGNEE, AND
THE FEDERAL TAXPAYER IDENTIFICATION OR SOCIAL SECURITY NUMBER)

the within Bond, and hereby irrevocably constitutes and appoints _____, Attorney to
transfer the said Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated _____, 20____

Signature Guaranteed:

(Bank, Trust Company or Firm)

(Authorized Signature)

(Signature)

Signature guarantee should be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Bond Registrar/Paying Agent.

NOTICE: The signature to this Assignment must correspond with the name of the Registered Owner as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever and the Social Security Number or federal taxpayer identification number must be specified.

EXHIBIT B
2018 PROJECT DESCRIPTION

The 2018 Project consists of improvements to I-95 and I-595 in Broward County Florida, along I-95 from south of Hollywood Boulevard to south of Broward Boulevard, and I-595 from State Road 7 to I-95. The 2018 Project consists of converting the existing I-95 lanes by widening, milling, resurfacing, overbuild and/or reconstruction resulting in two tolled express lanes in each direction. The number of existing general use lanes and auxiliary lanes will remain the same. The 2018 Project will also widen certain sections of I-595, but will not provide for tolled express lanes on I-595.

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[Form of]

SERVICE CONTRACT

THIS SERVICE CONTRACT dated as of _____, 2018 (the “Contract”) is made and entered into between the FLORIDA DEPARTMENT OF TRANSPORTATION, an executive department of the State of Florida created pursuant to Article IV, Section 6 of the Florida Constitution and Section 20.23, Florida Statutes, as amended (the “Department”), and the FLORIDA DEPARTMENT OF TRANSPORTATION FINANCING CORPORATION, a nonprofit corporation created pursuant to Section 339.0809, Florida Statutes, as amended (the “Corporation”).

RECITATIONS

1. The 2016 Florida Legislature enacted Chapter 2016-181, Laws of Florida, codified as Section 339.0809, Florida Statutes, as amended (as the same may be further amended or supplemented from time to time, together with all other applicable provisions of law, the “Act”).

2. Among other things, the Act creates the Corporation as a nonprofit corporation for the purpose of financing or refinancing projects approved in the Department’s work program for the Department.

3. For this purpose, the Corporation is authorized to issue bonds or other evidences of indebtedness which are payable from amounts to be paid by the Department to the Corporation under a service contract or contracts, entered into between the Department and the Corporation.

4. Pursuant to the Act, the Department and the Corporation now desire to enter into this Contract providing for payments by the Department to the Corporation, subject to annual appropriation, of moneys sufficient (a) to pay the principal of, redemption premiums, if any, and interest on the Bonds issued by the Corporation for the purpose of financing payment of Project Costs; (b) to fund any mandatory sinking fund redemption of such bonds payable in any given year; (c) to fund any reserve fund, if applicable; and (d) to pay Issuance Costs and Administrative Costs, if applicable, all in accordance with the provisions herein.

NOW THEREFORE, in consideration of the premises, and in order to induce the Corporation to incur indebtedness for the purpose of financing the payment of Project Costs under the Act, the Department and the Corporation each agree as follows:

Section 1. **Defined Terms.** Capitalized terms used herein shall have the meanings set forth in this Section below. Capitalized terms not defined herein shall have the meaning ascribed to them in the Master Resolution.

“Contract” means this service contract or any other service contract entered into between the Corporation and the Department relating to the issuance of any series of Bonds.

“Master Resolution” means that Resolution adopted by the Board of the Corporation on April 11, 2018, as amended and supplemented, authorizing the issuance of Bonds of the Corporation, as described therein and under any Series Resolution issued pursuant thereto.

“Project Costs” means costs incurred by the Department for projects approved in its work program undertaken pursuant to the Act.

Section 2. **Covenants of the Parties.** The parties covenant, warrant and represent, each to the other, as applicable, the following:

A. *Application of State Transportation Trust Fund Amounts.* Pursuant to Section 339.0809(4), amounts on deposit in the State Transportation Trust Fund in each Fiscal Year shall, to the extent appropriated for such purpose, be applied or allocated by the Department for the payment of amounts payable by the Department under this Contract and appropriated in each Fiscal Year by the Florida Legislature.

B. *Amounts to be paid to Corporation; Covenant to Make Budget Request.* For each Fiscal Year, the Department shall include in its legislative budget request to the Legislature and to the Governor, which the Department prepares and submits pursuant to Sections 216.023 and 339.135, Florida Statutes, as amended, at such time as specified by the Executive Office of the Governor and within the time prescribed by law, for appropriation to the Department, such amount on deposit or to be deposited in the State Transportation Trust Fund that is required by the Corporation for that given Fiscal Year (a) to pay the Debt Service on the Bonds; (b) to fund or provide for any Reserve Requirement; (c) to pay Fiduciary Charges and other Administrative Costs of the Corporation; (d) to pay or fund any Rebate Amount; (e) to pay Issuance Costs, Credit Facility Charges and Payment Obligations due in such Fiscal Year if not paid from Bonds proceeds; and (f) to make any other payments or application of moneys required by the Master Resolution or any Series Resolution.

The payments required to be made pursuant to this Contract shall be paid in the amounts and at the times as follows:

(i) On or before the 5th day of each calendar month there shall be paid an amount equal to the sum of (A) one-sixth of the interest payable on the next Interest Payment Date, plus (B) one twelfth of the principal payable on the next Principal Payment Date, provided that if the next Interest Payment Date or Principal Payment Date shall occur at an interval other than semi-annually or annually, respectively, such amounts shall be adjusted to provide substantially equal monthly payments. The amounts payable under this clause (i) may be reduced by the amount of any accrued interest or Capitalized Interest derived from the proceeds of the Bonds which are to be used to pay such interest and any investment earnings to be received on moneys on deposit in the Bond Fund and the Accounts therein and amounts on deposit in the Sale Proceeds Fund which are available to be used to pay such interest or principal.

(ii) Amounts described in clauses (b), (c), (d), (e) and (f) of the first paragraph of this Subsection 2.B shall be paid at the times and in the amounts necessary to ensure that adequate monies are available to the Corporation for timely payment of the Corporation's obligations.

The Department may prepay amounts due under clause (i) above. Any such prepayment shall be applied first to the amounts due in the then-current Fiscal Year and then shall be used by the Corporation to retire or defease outstanding Bonds in accordance with the Master Resolution.

C. *Delivery of Information.* If requested by the Corporation, the Department shall deliver to the Corporation all reasonable back-up information for Project Costs, as approved for payment by the Department, and any other information as necessary to document the nature of the Project Costs and payment thereof from the proceeds of Bonds, as contemplated herein.

D. *Payment of Claims.* The Department is hereby authorized to apply amounts held in the 2018 Sale Proceeds Fund to the payment of Project Costs for the legislatively-approved Department project described in Exhibit A hereto. For all Project Costs to be paid from proceeds of the Bonds, the Department shall maintain all records showing how and when Bond proceeds were spent, including purchase contracts, construction contracts, progress payment requests, invoices, receipts, cancelled checks, general ledgers, and allocations of Bond proceeds to make reimbursements for project expenditures made before the Bonds were issued. The Department shall provide such information to the Corporation, along with a summary of disbursements and investment earnings upon request. The Corporation shall be protected in acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram or other paper or document believed to be genuine and correct and to have been signed or sent by the proper person or persons. As to the existence or nonexistence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Corporation shall be entitled to rely upon a certificate signed by a representative of the Department as sufficient evidence of the facts therein contained and prior to the occurrence of a default of which the Corporation has been notified, or of which the Corporation is deemed to have notice, shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed by it to be necessary or advisable, but shall in no case be bound to secure the same.

E. *Obligations of Department Absolute and Unconditional.* The obligations of the Department to make payments and to perform and observe any and all of the other covenants and agreements on its part contained in the Contract are absolute and unconditional irrespective of any defense or any rights of set-off, recoupment, or

counterclaim it may otherwise have against the Corporation, subject, however, to appropriation by the Legislature. The Department shall make no payments out of the State Transportation Trust Fund that render it unable to make Service Contract payments in a timely manner. Until such time as all payments under this Contract have been paid, the Department (i) will not suspend or discontinue the payments, (ii) will perform and observe all of its other agreements contained in this Contract, and (iii) will not terminate this Contract except as specifically provided for herein, for any cause whatsoever, including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of Florida or any political subdivision of either or any failure of the Corporation to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Contract. The Department will not take any action which would impair its obligations or the rights inuring to the benefit of the Registered Owners of the Bonds under the Contract.

The Department shall continually monitor available funds in the State Transportation Trust Fund and shall reasonably ensure that at all times there will be available funds for the next monthly payment required hereunder. Additionally, the Department shall defer payments on other contractual obligations to the extent necessary to maintain the funding levels required above.

Additionally, the Department will not take any action that would impair the rights of the Corporation under this Contract or the obligations of the Corporation relating to the Bonds. The obligations of the Department under this paragraph are subject to Section 3 of this Contract.

F. *Enforcement of Obligations.* The obligation of the Department to make payments may be enforced only by (i) the Corporation, or (ii) such receiver or receivers as may be appointed pursuant to the Master Resolution or applicable law.

G. *No Set-Off.* No breach, default or failure by the Corporation to comply with the provisions of this Contract shall permit an abatement or reduction in or set-off against the payments due from the Department. No dispute or litigation between the Corporation and the Department with respect to this Contract shall affect any party's duties to perform its obligations or its rights or remedies while such dispute or litigation is pending. In the event of the existence of any such dispute, the Department and the Corporation agree to submit same to mediation, pursuant to such procedures as the parties shall mutually agree upon.

H. *Covenant to Issue Bonds.* Subject to the provisions herein, the Corporation on a reasonably timely basis when requested by the Department, shall issue its Bonds for the purposes permitted by and subject to the limitations of the Act, and as is also applicable to the issuance of all subsequent series of Bonds, shall provide the proceeds of the issue, net of any expenses of issuing the Bonds, including any Underwriters' discounts, to the Department, as Custodian, or to such other custodian as may be appointed by the Corporation, for the purpose of paying Project Costs.

I. *Tax-Exempt Bonds Covenants.* The Department covenants that it (a) will take or cause to be taken such actions which may be required of it for the interest on the Bonds or any series of Bonds of the Corporation as to which there shall have been delivered an opinion of a firm of attorneys nationally-recognized in the field of municipal bonds ("bond counsel") to the effect that the interest on such series of revenue Bonds is excludable from the gross income of the recipients thereof for federal income tax purposes in the United States (a "Tax-Exempt Series"), to be and remain excluded from gross income for federal income tax purposes, and (b) will not take or permit to be taken any actions which would adversely affect that exclusion, and that it, or persons acting for it, will, among other acts of compliance: (i) apply the proceeds of the Bonds of each such Series to the governmental purpose of the borrowing; (ii) restrict the yield on investment property acquired with those proceeds where applicable; (iii) make timely rebate or penalty payments to the federal government; (iv) maintain books and records and make calculations and reports; and (v) refrain from certain uses of proceeds, all in such manner and to the extent necessary to assure such exclusion of that interest under the Code. The Chief Executive Officer and other appropriate officials are hereby authorized and directed to take any and all actions, make calculations and rebate payments, and make or give reports and certifications, as may be appropriate to assure such exclusion of that interest.

Section 3. **Obligation to Pay Project Costs not General Obligations of the State; Non-Appropriation.** In compliance with the provisions of Section 287.0641, Florida Statutes, and other provisions of applicable law, the obligations of the Department under this Contract shall not constitute a general obligation of the State of Florida or any instrumentality or political subdivision thereof, nor a pledge of the faith and credit or taxing power of the State of

Florida or any instrumentality or political subdivision thereof, nor shall such obligations be construed in any manner as obligations of the State Board of Administration or entities for which it invests funds, but shall be payable solely from amounts annually appropriated for payment from the available moneys deposited in the State Transportation Trust Fund.

The State of Florida's performance and obligation to pay under this Contract is contingent upon an annual appropriation by the Legislature. This Contract shall terminate in the event the Legislature passes a budget that does not appropriate sufficient funds (without regard to any credits from earnings on funds of the Department) from moneys legally available for such purpose either in a line item or otherwise sufficiently identified to be used for purposes of this Contract to enable the Department to make all payments due under this Contract during the next Fiscal Year. In the event that the final budget of the Department for the ensuing Fiscal Year has not become law prior to the end of the then current Fiscal Year, this Contract shall be deemed renewed pending such final budget becoming law if (i) subject to the following paragraph, payments are due under this Contract during such period, if an interim budget or extension of the prior budget makes available to the Department moneys that may be legally used to make all payments of Debt Service due during such period, or (ii) there are sufficient funds available in the Reserve Fund to make all payments of Debt Service due during such period.

In the event that, despite compliance with the covenants of the Department hereunder, the Legislature does not approve a budget that appropriates sufficient funds for all payments due from the Department (and sufficiently identified to be used for purposes of this Contract) during the next Fiscal Year prior to the last day of the then current Fiscal Year (or if such final budget has not been passed by such time, prior to the last day of any extension hereof pursuant to the preceding paragraph), this Contract shall terminate on such last day and the Department shall not be obligated to make payment of any Department obligations under this Contract accruing or arising beyond such last day. The Department shall deliver immediate written notice to the Corporation, the Trustee and the Credit Facility Provider (if any) if (i) such a line item or other identification is not included in the proposed budget, or (ii) such a line item or other identification is not included in the budget as adopted by the Legislature.

Any provision in the Master Resolution notwithstanding, in the event that a withdrawal from the Reserve Fund occurs for any reason, it shall not be an Event of Default, so long as the Department makes a request for an appropriation sufficient to replenish such withdrawal in the next ensuing Fiscal Year for which such a request may be made and such appropriation is a part of such budget that became law. The Department covenants to use its best efforts to request and obtain a supplemental appropriation for such amount, but failure to obtain a supplemental appropriation shall not constitute an Event of Default.

The provisions of Section 339.135(6)(a), Florida Statutes, are hereby incorporated:

The Department, during any fiscal year, shall not expend money, incur any liability, or enter into any contract which, by its terms, involves the expenditure of money in excess of the amounts budgeted as available for expenditure during such fiscal year. Any contract, verbal or written, made in violation of this subsection is null and void, and no money may be paid on such contract. The Department shall require a statement from the comptroller of the Department that funds are available prior to entering into any such contract or other binding commitment of funds. Nothing herein contained shall prevent the making of contracts for periods exceeding 1 year, but any contract so made shall be executory only for the value of the services to be rendered or agreed to be paid for in succeeding fiscal years; and this paragraph shall be incorporated verbatim in all contracts of the Department which are for an amount in excess of \$25,000 and which have a term for a period of more than 1 year.

Section 4. **Bonds not Obligation of the State.** The Bonds of the Corporation shall not constitute a debt or obligation of the State of Florida or any instrumentality or political subdivision thereof, nor a pledge of the faith and credit or taxing power of the State, but shall be payable solely from and secured by amounts received by the Corporation under this Contract.

Section 5. **Investments.** The Corporation shall designate the Department as its custodian for the purpose of holding and investing the net proceeds of Bonds funds, in accordance with the terms and provisions of such Bonds and the resolutions of the Corporation authorizing issuance thereof. The investment of said funds shall be directed by the Department within the prescribed limits authorized by law for investment of such funds.

Section 6. **Applicability of Contract.** This Contract shall be applicable to the payment of all obligations in connection with any and all series of Bonds issued by the Corporation for the purposes herein described, and for such purpose the amounts due hereunder shall be cumulative as to all such series of Bonds.

The Corporation shall allow public access to all documents, papers, letters, or other material subject to the provisions of Chapter 119 and made or received by the Corporation in conjunction with this Contract.

Section 7. **Term of Contract.** The term of this Contract shall commence as of the date first above written and shall continue in effect to and including the last maturity date of any and all outstanding and issued Bonds, including refunding Bonds; but in no event shall the term of this Contract exceed 35 years or such longer period as the parties may agree to if permitted under the Act; provided however, the State of Florida's performance and obligation to pay under this contract is contingent upon an annual appropriation by the Legislature.

Section 8. **No Waiver; Remedies.** No failure on the part of either party to exercise, and no delay in exercising any right under this Contract shall operate as a waiver of such right, and no single or partial exercise of any right under this Contract shall preclude any further exercise of such right or the exercise of any other right.

The remedies provided in this Contract are cumulative and not exclusive of any other remedies provided by law.

Section 9. **Severability.** Any provision of this Contract that is prohibited, unenforceable or not authorized shall be ineffective to the extent of such prohibition, unenforceability or non-authorization without invalidating the remaining provisions of this Contract or affecting the validity, enforceability or legality of such provision in any other jurisdiction where same may be enforceable.

Section 10. **Governing Law.** This Contract shall be governed by and construed and interpreted in accordance with the laws of the State of Florida, without giving application to the choice-of-law principles thereof.

Section 11. **Notices.** All notices, requests and other communications to any party hereunder shall be in writing and shall be given to such party, addressed to it, at its address set forth below, or such other address as such party may specify by notice to the other party. Each such notice, request or communication shall be effective (a) if given by mail, 10 days after such communication is deposited in the mails with first class postage pre-paid, addressed as described below; or (b) if given by any other means, when delivered at the address specified below, or such other address as either party may specify by notice to the other:

The Corporation:	Florida Department of Transportation Financing Corporation c/o Division of Bond Finance 1801 Hermitage Boulevard Tallahassee, Florida 32308 Attn: Chief Executive Officer
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The Department:	Department of Transportation 605 Suwannee St. Tallahassee, Florida 32399-0450 Attn: Secretary
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Section 12. **No Limitation on Constitutional Officers.** This Contract shall not be construed to limit the powers of any member of the Board of Directors of the Corporation when acting other than as a member of the Board of Directors in his or her capacity as a constitutional officer of the State.

Section 13. **Amendments.** No amendment or waiver of any provision of this Contract shall be effective unless the same shall be in writing, shall be signed by the parties hereto, and shall have no material adverse effect on the interest of the Registered Owners of any Bonds issued pursuant to the Master Resolution, and then such amendment or waiver shall be effective only in the specific instance and for the specific purpose for which given. Any amendments or modification may be incorporated into an entire amended and restated Contract.

Section 14. **No Personal Liability.** No covenant, stipulation, obligation or agreement of the Corporation contained herein shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future Board member, officer, agent or employee of the Corporation or the Department, in other than that person's official capacity.

Neither the members, officers, agents or employees of the Board nor any officials or employees of the Department shall be subject to any personal liability or accountability by reason of execution of the Contract.

Section 15. **Counterparts.** This Contract may be signed in any number of counterpart copies, and all such copies shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Department and the Corporation have duly executed this Contract as of the ____ day of _____, 2018.

STATE OF FLORIDA
DEPARTMENT OF TRANSPORTATION

By _____
Secretary

[SEAL]

ATTEST:

By: _____
Name: _____
Title: _____

FLORIDA DEPARTMENT OF
TRANSPORTATION FINANCING
CORPORATION

By _____
Chief Executive Officer/President

[SEAL]

ATTEST:

By: _____
Name: _____
Title: _____

EXHIBIT A

The 2018 Project consists of improvements to I-95 and I-595 in Broward County, Florida. The 2018 Project is located within the municipalities of Fort Lauderdale, Davie, Dania Beach, and Hollywood along I-95 from south of Hollywood Boulevard to south of Broward Boulevard, and I-595 from State Road 7 to I-95. The 2018 Project consists of all work to add two tolled express lanes in each direction on I-95 to the existing general purpose and auxiliary lanes, including widening, milling, resurfacing, overbuilding and/or reconstruction of I-95. The 2018 Project will also include widening and other improvements to certain sections of I-595. The 2018 Project will include all work necessary for design and construction of the project, including design, construction, project engineering, and construction engineering and inspection.

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_____, 2018

Florida Department of Transportation Financing Corporation
 Hermitage Centre
 1801 Hermitage Boulevard, Suite 200
 Tallahassee, FL 32308

\$164,005,000
STATE OF FLORIDA
FLORIDA DEPARTMENT OF TRANSPORTATION FINANCING CORPORATION
REVENUE BONDS
SERIES 2018

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance and sale by the Florida Department of Transportation Financing Corporation (the “Corporation”) of \$164,005,000 aggregate principal amount of State of Florida, Florida Department of Transportation Financing Corporation Revenue Bonds, Series 2018 (the “Series 2018 Bonds”), initially issued and delivered on this date pursuant to the Constitution and laws of the State of Florida, including particularly, Section 339.0809, Florida Statutes, as amended (hereinafter collectively referred to as the “Act”), and pursuant to the Florida Department of Transportation Financing Corporation Master Resolution, as amended and supplemented (the “Resolution”), duly adopted by the Board of Directors of the Corporation (the “Board”).

The Series 2018 Bonds are dated and mature on the dates and in the principal amounts and bear interest at the rates determined pursuant to the Resolution and are issuable only as fully registered bonds without coupons in denominations of \$1,000 or any integral multiple thereof. Principal and redemption price of and interest on the Series 2018 Bonds will be paid by U.S. Bank Trust National Association, New York, New York, as paying agent, or by any alternate or successor paying agent, to the registered owners or registered assigns thereof. The Series 2018 Bonds are subject to redemption by the Corporation prior to maturity at the times, in the manner and upon the terms provided in the Series 2018 Bonds and determined pursuant to the Resolution.

The Corporation has covenanted in the Resolution to apply the proceeds of the Series 2018 Bonds to (i) finance a portion of the capital costs of construction of improvements to I-95 and I-595 in Broward County, Florida (the “Series 2018 Project”), and (ii) pay certain costs associated with the issuance of the Series 2018 Bonds.

The Series 2018 Bonds shall be payable solely from and secured as to the payment of the principal and redemption price thereof and interest thereon, on a parity with any Additional Bonds (as defined in the Resolution) hereafter issued under and secured by the Resolution, by the Pledged Revenues and the Pledged Funds (each as defined in the Resolution and as described below) in accordance with the terms and provisions of the Resolution. The Series 2018 Bonds shall not constitute a general obligation of the State of Florida or any political subdivision thereof, nor shall the full faith and credit of the State of Florida or any political subdivision thereof be pledged to the payment of the principal or redemption price of the Series 2018 Bonds or the interest on the Series 2018 Bonds.

The Pledged Revenues consist of the revenues received by the Corporation under a Service Contract (the “Service Contract”) between the Corporation and the Florida Department of Transportation (the “Department”) related to the Series 2018 Project. The Pledged Funds consist of certain funds held by the Trustee and the Custodian (each as defined in the Resolution) under the Resolution. The availability of Pledged Revenues will depend on annual appropriations by the Florida Legislature to the Department for payment of amounts due under the Service Contract.

The Corporation is authorized under the Act and the Resolution to issue Additional Bonds in addition to the Series 2018 Bonds, upon the terms and conditions set forth in the Resolution, and such bonds, when issued, shall, with the Series 2018 Bonds and with all other Additional Bonds theretofore and thereafter issued, be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Resolution.

In connection with the issuance of the Series 2018 Bonds, we have examined the Act, the Resolution, certified copies of certain proceedings of the Corporation and such other documents, instruments, proceedings and opinions as we have deemed necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon representations of the Corporation furnished to us, without undertaking to verify such representations by independent investigation.

Based upon the foregoing, we are of the opinion that:

1. The Corporation is a nonprofit corporation created by the Florida Legislature for the purpose of financing or refinancing projects for the Florida Department of Transportation as permitted under the Act. Pursuant to the Act, the Corporation is empowered to issue the Series 2018 Bonds.

2. The Resolution has been duly adopted by the Board, is valid and binding upon the Corporation and is in full force and effect and enforceable in accordance with its terms. The Series 2018 Bonds are entitled to the benefits and security of the Resolution for the payment thereof in accordance with the terms of the Resolution.

3. The Series 2018 Bonds have been duly authorized, executed and issued in accordance with the Act and the Resolution. The Series 2018 Bonds represent valid and binding obligations of the Corporation, enforceable in accordance with their terms and the terms of the Resolution. The Series 2018 Bonds are payable solely from the sources and in the manner described in the Resolution, and are secured by a valid and binding lien on the Pledged Revenues and the Pledged Funds.

4. The Series 2018 Bonds and the income thereon are not subject to taxation under the laws of the State of Florida, except as to estate taxes imposed by Chapter 198, Florida Statutes, as amended, and taxes imposed by Chapter 220, Florida Statutes, as amended, on interest income or profits on debt obligations owned by corporations as defined therein.

5. The Internal Revenue Code of 1986, as amended (the "Code"), includes requirements which the Corporation must continue to meet after the issuance of the Series 2018 Bonds in order that interest on the Series 2018 Bonds not be included in gross income for federal income tax purposes. The failure by the Corporation to meet these requirements may cause interest on the Series 2018 Bonds to be included in gross income for federal income tax purposes retroactive to their date of issuance. The Corporation has covenanted in the Resolution to comply with the requirements of the Code in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Series 2018 Bonds. Assuming continuing compliance by the Corporation with the tax covenant described above, under existing statutes, regulations, rulings and court decisions, interest on the Series 2018 Bonds is excluded from gross income for federal income tax purposes. Interest on the Series 2018 Bonds is not an item of preference for purposes of the alternative minimum tax imposed on individuals. Federal legislation enacted in 2017 eliminates alternative minimum tax for corporations for taxable years beginning after December 31, 2017. For taxable years beginning before January 1, 2018, corporations should consult their tax advisor regarding alternative minimum tax implications of owning the Series 2018 Bonds.

Except as set forth in numbered paragraph (5) above, we express no opinion regarding other federal tax consequences resulting from the ownership, receipt or accrual of interest on, or disposition of the Series 2018 Bonds.

We have examined the form of the Series 2018 Bonds and, in our opinion, the form of the Series 2018 Bonds is regular and proper.

It should be noted that (i) we have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Series 2018 Bonds and we express no opinion relating thereto, and (ii) we have not been engaged or undertaken to review the compliance with any federal or state law with regard to the sale or distribution of the Series 2018 Bonds and we express no opinion relating thereto.

The opinions expressed in paragraphs (2) and (3) hereof are qualified to the extent that the enforceability of the Resolution and the Series 2018 Bonds, respectively, may be limited by any applicable bankruptcy, insolvency, moratorium, reorganization or other similar laws affecting creditors' rights generally, or by the exercise of judicial discretion in accordance with general principles of equity.

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 verified the accuracy or truthfulness thereof.

We have also assumed the genuineness of the signatures appearing upon such public records, certifications, documents and proceedings.

Respectfully submitted,

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FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”) is executed and delivered by the Florida Department of Transportation Financing Corporation (the “Corporation”) and the State of Florida Department of Transportation (the “Department”) in connection with the issuance of \$164,005,000 State of Florida, Florida Department of Transportation Financing Corporation Revenue Bonds, Series 2018 (the “Bonds”). This Disclosure Agreement is being executed and delivered pursuant to Section 7.02 of the 2018 Series Resolution adopted by the Board of Directors of the Corporation on July 11, 2018, providing for the issuance and sale of the Bonds. The Corporation and the Department covenant and agree as follows:

SECTION 1. PURPOSE OF THE DISCLOSURE AGREEMENT. This Disclosure Agreement is being executed and delivered by the Corporation and the Department 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 Corporation, the Department, the Registered Owners, the Beneficial Owners and the Participating Underwriters.

SECTION 2. DEFINITIONS. In addition to the definitions set forth in the resolution of the Corporation adopted on April 11, 2018, as amended (the “Resolution”), 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 Corporation and Department assume all responsibilities for any continuing disclosure as described below. In order to comply with the Rule, the Corporation and the Department 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, 2019, and thereafter, annual financial information and operating data shall be provided within nine months after the end of the State's fiscal year. Such information shall include:

- (a) Gross State Transportation Trust Fund Revenues;
- (b) Net Revenues Available from State Transportation Trust Fund;
- (c) Net State Transportation Trust Fund Revenues Less Maximum Legally Permissible Prior Lien Obligations;
- (d) STTF Revenues Available for Service Contract Payments as Percentage of Gross STTF Revenues;
- (e) Average Cash Balance of STTF;
- (f) Debt Service Coverage;
- (g) Investment of Funds;
- (h) Five Year History of Trust Fund and General Revenues;
- (i) Operating and Fixed Capital Outlay Budget by Program Area; and
- (j) Schedule of Outstanding Bonds.

(2) Audited Financial Statements. If not submitted as part of the annual financial information, a copy of the State'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;
- (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 Corporation or the Department to provide the information required by paragraphs (A) (1) or (A)(2) of this Section will be provided in a timely manner.
- (b) The Corporation and the Department acknowledge that their 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 Corporation's and the Department's obligations hereunder.

(B) Methods 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 Corporation's and the Department's obligations hereunder shall continue until such time as the Bonds are no longer Outstanding or until the Corporation 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 Corporation and the Department choose to include additional information not specifically required by this Disclosure Agreement, the Corporation and the Department shall have no obligation under this Disclosure Agreement to update such information or include it in any such future submission.

Dated this _____ day of _____, 2018.

FLORIDA DEPARTMENT OF
TRANSPORTATION FINANCING
CORPORATION

DEPARTMENT OF TRANSPORTATION

By _____
Chief Executive Officer/President

By _____
Secretary

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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 CORPORATION BELIEVES TO BE RELIABLE; HOWEVER, THE CORPORATION TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

The Depository Trust Company ("DTC") New York, NY, will act as securities depository for the State of Florida, Florida Department of Transportation Financing Corporation Revenue Bonds, Series 2018 (the "Series 2018 Bonds"). The Series 2018 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 Series 2018 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.

Purchases of the Series 2018 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2018 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2018 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 Series 2018 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 Series 2018 Bonds, except in the event that use of the book-entry system is discontinued.

To facilitate subsequent transfers, all Series 2018 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 Series 2018 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 Series 2018 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2018 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 Series 2018 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2018 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2018 Bond documents. For example, Beneficial Owners of Series 2018 Bonds may wish to ascertain that

the nominee holding the Series 2018 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 Series 2018 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 Series 2018 Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation 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 Series 2018 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 Series 2018 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 or the Corporation, 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 Series 2018 Bonds at any time by giving reasonable notice to the Corporation or Bond Registrar/Paying Agent and discharging its responsibilities with respect thereto under applicable law. The Corporation may decide to discontinue use of the system of book-entry transfers for the Series 2018 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 Series 2018 Bonds will be printed and delivered as provided in the documents authorizing the issuance and sale of the Series 2018 Bonds.

For every transfer and exchange of beneficial interests in the Series 2018 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 Series 2018 Bonds, references herein to the Registered Owners or Holders of the Series 2018 Bonds shall mean Cede & Co. and not mean the Beneficial Owners of the Series 2018 Bonds unless the context requires otherwise.

The Corporation 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 Series 2018 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 Series 2018 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 Series 2018 Bonds, or the purchase price of, any Series 2018 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 Series 2018 Bonds for partial redemption.

So long as the Series 2018 Bonds are held in book-entry only form, the Corporation 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 Series 2018 Bonds for all purposes whatsoever, including, without limitation:

- (i) the payment of the principal of, premium, if any, and interest on the Series 2018 Bonds;
- (ii) giving notices of redemption and other matters with respect to the Series 2018 Bonds;
- (iii) registering transfers with respect to the Series 2018 Bonds; and
- (iv) the selection of the beneficial ownership interests in the Series 2018 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 Corporation and the Bond Registrar/Paying Agent may treat the Registered Owner of any Series 2018 Bond as the absolute owner for all purposes, whether or not such Series 2018 Bond is overdue, and will not be bound by any notice to the contrary.

Principal of and premium, if any, on the Series 2018 Bonds will be payable upon presentation and surrender of the Series 2018 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 Series 2018 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 Series 2018 Bond to the Bond Registrar/Paying Agent together with a written instrument of transfer (if so required) satisfactory in form to the Corporation 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 Series 2018 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 Series 2018 Bond of authorized denomination of the same maturity for the aggregate principal amount which the Registered Owner is entitled to receive.

Neither the Corporation 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 Series 2018 Bonds. However, the Corporation 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 Series 2018 Bond is delivered.

The Bond Registrar/Paying Agent will not be required to issue, transfer or exchange any Series 2018 Bonds on the Record Date.

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