State of Florida
Division of Bond Finance

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New Money Issue - Book-Entry Only

This Official Statement has been prepared by the Division of Bond Finance to provide information about the 2018A 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 D.

$99,990,000
STATE OF FLORIDA
Full Faith and Credit
Department of Transportation
Right-of-Way Acquisition and Bridge Construction Bonds, Series 2018A

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

Bond Ratings	Aa1 (stable outlook) - Moody's Investors Service AAA (stable outlook) - Standard & Poor's Ratings Services AAA (stable outlook) - Fitch Ratings
Tax Status	In the opinion of Bond Counsel, interest on the 2018A Bonds is excluded from gross income for federal income tax purposes. Interest on the 2018A Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. The 2018A 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. See "TAX MATTERS".
Redemption	The 2018A Bonds are subject to optional and mandatory redemption as provided herein. See "REDEMPTION PROVISIONS" herein for more complete information.
Security	The 2018A Bonds are payable primarily from Pledged Gas Taxes, consisting of certain motor fuel and diesel fuel taxes, and are additionally secured by the full faith and credit of the State of Florida.
Lien Priority	The lien of the 2018A Bonds on the Pledged Gas Taxes will be on a parity with the Outstanding Bonds and any subsequently issued Additional Bonds. The aggregate principal amount of Bonds which will be Outstanding subsequent to the issuance of the 2018A Bonds is $1,858,675,000.
Additional Bonds	Additional Bonds payable on a parity with the 2018A Bonds from the Pledged Gas Taxes may be issued if the Annual Debt Service for all Bonds does not exceed 90% of the Pledged Gas Taxes available for payment of the Annual Debt Service. This description of the requirements for the issuance of Additional Bonds is only a summary of the complete requirements. See "SECURITY FOR THE 2018A BONDS - Additional Bonds" herein for more complete information.
Purpose	Proceeds will be used to finance the cost of acquiring real property or the rights to real property for State roads, as defined by law, or to finance the cost of State bridge construction, and to pay certain costs of issuance.
Interest Payment Dates	January 1 and July 1, commencing January 1, 2019.
Record Dates	December 15 and June 15.
Form/Denomination	The 2018A 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 2018A Bonds will not receive physical delivery of the 2018A Bonds.
Closing/Settlement	It is anticipated that the 2018A Bonds will be available for delivery through the facilities of DTC in New York, New York on June 7, 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 2018A Bonds will mature on the dates and bear interest at the rates set forth on the inside front cover.

May 10, 2018

MATURITY STRUCTURE

Initial CUSIP©	Due Date	Principal Amount	Interest Rate	Price or Yield*	First Optional Redemption Date and Price
			Serial Bonds		
3411503B4	July 1, 2019	$1,470,000	5.00%	1.77%	-
3411503C2	July 1, 2020	1,825,000	5.00	1.88	-
3411503D0	July 1, 2021	1,915,000	5.00	1.95	-
3411503E8	July 1, 2022	2,015,000	5.00	2.03	-
3411503F5	July 1, 2023	2,115,000	5.00	2.11	-
3411503G3	July 1, 2024	2,220,000	5.00	2.23	-
3411503H1	July 1, 2025	2,330,000	5.00	2.31	-
3411503J7	July 1, 2026	2,445,000	5.00	2.39	-
3411503K4	July 1, 2027	2,570,000	5.00	2.46	-
3411503L2	July 1, 2028	2,700,000	5.00	2.52	-
3411503M0	July 1, 2029**	2,835,000	4.00	2.67	July 1, 2028 @ 100%
3411503N8	July 1, 2030**	2,945,000	4.00	2.75	July 1, 2028 @ 100
3411503P3	July 1, 2031**	3,065,000	4.00	2.85	July 1, 2028 @ 100
3411503Q1	July 1, 2032**	3,185,000	4.00	2.92	July 1, 2028 @ 100
3411503R9	July 1, 2033**	3,315,000	4.00	2.99	July 1, 2028 @ 100
3411503S7	July 1, 2034**	3,445,000	4.00	3.08	July 1, 2028 @ 100
3411503T5	July 1, 2035**	3,585,000	4.00	3.15	July 1, 2028 @ 100
3411503U2	July 1, 2036**	3,730,000	4.00	3.20	July 1, 2028 @ 100
3411503V0	July 1, 2037**	3,875,000	4.00	3.25	July 1, 2028 @ 100
3411503W8	July 1, 2038**	4,030,000	4.00	3.27	July 1, 2028 @ 100
3411503X6	July 1, 2039**	4,195,000	4.00	3.29	July 1, 2028 @ 100
3411503Y4	July 1, 2040**	4,360,000	4.00	3.31	July 1, 2028 @ 100
3411503Z1	July 1, 2041**	4,535,000	4.00	3.32	July 1, 2028 @ 100
3411504A5	July 1, 2042**	4,715,000	4.00	3.33	July 1, 2028 @ 100
3411504B3	July 1, 2043**	4,905,000	4.00	3.34	July 1, 2028 @ 100
			Term Bonds		
3411504F4	July 1, 2047**	$21,665,000	4.00%	3.38%	July 1, 2028 @ 100%

* Price and yield information provided by the underwriter.

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

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Executive Director and CIO
State Board of Administration of Florida

BOND COUNSEL
Greenberg Traurig, P.A.
Miami, Florida

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OFFICIAL STATEMENT

Relating to

$99,990,000
STATE OF FLORIDA
Full Faith and Credit
Department of Transportation
Right-of-Way Acquisition and Bridge Construction Bonds, Series 2018A

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

INTRODUCTION

This Official Statement sets forth information relating to the sale and issuance of $99,990,000 State of Florida, Full Faith and Credit, Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds, Series 2018A, dated the date of delivery thereof (the "2018A Bonds"), by the Division of Bond Finance of the State Board of Administration of Florida (the "Division of Bond Finance").

Proceeds of the 2018A Bonds will be used to finance the cost of acquiring real property or the rights to real property for State roads, as defined by law, or to finance the cost of State bridge construction, and to pay certain costs of issuance.

The 2018A Bonds are payable primarily from the Pledged Gas Taxes, consisting of certain designated motor fuel and diesel fuel (formerly special fuel) taxes and are additionally secured by the full faith and credit of the State of Florida (the "State"). See "SECURITY FOR THE 2018A BONDS" below for more detailed information.

The 2018A Bonds will be on a parity as to lien and security for payment from the Pledged Gas Taxes with the State of Florida, Full Faith and Credit, Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds and Refunding Bonds, Series 2009A through 2017A (the "Outstanding Bonds"), and any subsequently issued Additional Bonds. The aggregate principal amount of Bonds which will be Outstanding subsequent to the issuance of the 2018A Bonds is $1,858,675,000.

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 2018A 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 ISSUANCE OF THE 2018A BONDS

General Legal Authority

The 2018A Bonds are being issued by the Division of Bond Finance on behalf of the Department of Transportation (the "Department") pursuant to Article VII, Section 17 of the Florida Constitution, the State Bond Act, Sections 206.46, 215.605, and 337.276, Florida Statutes, as amended, and other applicable provisions of law. Article VII, Section 17 of the Florida Constitution provides that, when authorized by law, bonds pledging the full faith and credit of the State may be issued to finance or refinance the acquisition of real property or rights to real property for road right-of-way, bridge construction and purposes incidental thereto. This section also provides that such bonds will be primarily payable from motor fuel or special fuel (called diesel fuel in the Florida Statutes) taxes, but not from the taxes defined in Section 9(c) of Article XII of the Florida Constitution. No election or approval of qualified electors is required for the issuance of the 2018A Bonds.

Division of Bond Finance

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

State Board of Administration of Florida

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

Department of Transportation

The Department, a State agency, operates under the Florida Transportation Code (see Section 334.01, Florida Statutes). 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. The Department is a decentralized agency, with a Central Office, seven District Offices, the Florida Turnpike Enterprise and the Florida Rail Enterprise.

Administrative Approval

The Governor and Cabinet of the State of Florida, as the Governing Board of the Division of Bond Finance, authorized the issuance and sale of the State of Florida, Full Faith and Credit, Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds (the "Bonds") by a resolution adopted on February 28, 1989, (as subsequently amended and supplemented, "the Resolution"). A resolution authorizing the sale of not exceeding $100,000,000 of Bonds was adopted by the Governing Board of the Division of Bond Finance on March 7, 2018. Certain resolutions are attached as appendices.

By resolution adopted on March 9, 2018, the Department requested the Division of Bond Finance to issue bonds in an amount not exceeding $100,000,000.

By a resolution adopted on March 7, 2018, the Board of Administration made the required determinations regarding the 2018A Bonds in the amount of $100,000,000 and approved the 2018A Bonds as to fiscal sufficiency.

Validation of the 2018A Bonds

The validation of the 2018A Bonds has been determined by Final Judgment of the Circuit Court of the Second Judicial Circuit in and for Leon County, Florida, rendered on August 27, 2009. The judgment became final when the time for filing an appeal expired with no appeal having been filed.

DESCRIPTION OF THE 2018A BONDS

The 2018A Bonds are full faith and credit obligations of the State issued in the name of the Department of Transportation.

The 2018A Bonds are being issued as fully registered bonds in the denomination of $1,000 or integral multiples thereof. The 2018A Bonds are payable from the Pledged Revenues as described herein. The 2018A Bonds will be dated the date of delivery thereof, 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 2018A Bonds will initially be issued exclusively in "book-entry" form. Ownership of one 2018A 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 2018A Bonds. Individual purchases of the 2018A Bonds will be made in book-entry form only, and the purchasers will not receive physical delivery of the 2018A Bonds or any certificate representing their beneficial ownership interest in the 2018A Bonds. See Appendix N, "PROVISIONS FOR BOOK-ENTRY ONLY SYSTEM OR REGISTERED BONDS" for a description of DTC, certain responsibilities of DTC, the Department and the Bond Registrar/Paying Agent, and the provisions for registration and registration for transfer of the 2018A Bonds if the book-entry only system of registration is discontinued.

REDEMPTION PROVISIONS

Optional Redemption

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

Mandatory Redemption

The 2018A Bonds maturing on July 1, 2047 (the "2047 Term Bonds"), are subject to mandatory redemption in part, by lot at par, on July 1, 2044, and on each July 1 thereafter to and including July 1, 2047, at the principal amount of the 2047 Term Bonds to be redeemed, without premium, plus accrued interest, from Amortization Installments in the years and amounts as follows:

Year	Principal Amount	Year	Principal Amount
2044	$5,100,000	2046	$5,520,000
2045	5,305,000	2047	5,740,000

The Board of Administration may, at any time on or prior to 60 days before the mandatory redemption date, use moneys in the Sinking Fund for payment of an Amortization Installment to purchase Term Bonds at prices not greater than their redemption price on the next redemption date. The principal amount of Term Bonds so purchased or called for redemption will be credited to the remaining Amortization Installments in order of their due dates.

Notice of Redemption

All notices of redemption of 2018A Bonds will be transmitted to the Bond Registrar/Paying Agent, registered securities depositories and the Municipal Securities Rulemaking Board using its Electronic Municipal Market Access System ("EMMA"), and will be mailed at least 30 days prior to the date of redemption to Registered Owners of the 2018A Bonds to be redeemed, of record as of 45 days prior to the date of redemption. Such notices of redemption will specify the 2018A Bonds to be redeemed, if less than all; the redemption price thereof; the place for presentation thereof; and that interest on the 2018A Bonds so called for redemption will cease to accrue on the redemption date.

Failure to give any required notice of redemption as to any particular 2018A Bonds will not affect the validity of the call for redemption of any 2018A Bonds in respect of which no such failure has occurred. Any notice mailed as provided in the Resolution will be conclusively presumed to have been duly given, whether or not the Registered Owner receives the notice.

PURPOSE OF THE ISSUE

The proceeds from the sale of the 2018A Bonds will be used to finance certain costs of acquisition of real property and the rights to real property for State roads as defined by law, or State bridge construction, purposes incidental to such property acquisition or State bridge construction, and to pay certain costs of issuance.

Sources and Uses of Funds

Sources:	
Par Amount of 2018A Bonds	$99,990,000
Plus: Net Premium Bid	8,485,778
Total Sources	$108,475,778
Uses:	
Net Deposit to 2018A Bond Proceeds Account	$107,900,424
Cost of Issuance	211,390
Underwriter's Discount	363,964
Total Uses	$108,475,778

Note: Numbers may not add due to rounding.

Application of 2018A Bond Proceeds

Upon receipt of the proceeds of the sale of the 2018A Bonds, and after reserving an amount sufficient to pay all Bond issuance costs, the remainder of the 2018A Bond proceeds will be allocated as follows:

An amount equal to accrued interest, if any, on the 2018A Bonds will be deposited in the Interest Account to be used only for the purpose of paying the interest which thereafter becomes due on the 2018A Bonds. The balance of the 2018A Bond proceeds transferred into the Trust Fund will be deposited in the Bond Proceeds Account established by and applied pursuant to Section 4.04 of the Resolution.

The Bond Proceeds Account will be used only for payment of the Costs of the Projects. Moneys in the Bond Proceeds Account, until applied in payment of any item of the Cost of a Project in the manner described in the Resolution, will be held in trust and will be subject to a lien and charge in favor of the Holders of the 2018A Bonds and for the further security of such Holders. The amounts required to be paid by the provisions of the Resolution will be paid into the Bond Proceeds Account. Separate subaccounts will be established within the Bond Proceeds Account from the proceeds of each Series of Bonds.

Notwithstanding any other provisions of the Resolution, to the extent that other moneys are not available, amounts in the Bond Proceeds Account will be applied to the payment of principal of and interest on Bonds when due.

Unencumbered funds remaining in the Bond Proceeds Account after completion of the Projects for which a Series of Bonds was issued will be deposited in the following order of priority into (1) another subaccount of the Bond Proceeds Account for which the Authorized Officer of the Department has stated that there are insufficient moneys present to pay the Cost of the related Projects, (2) the Reserve Account, to the extent of a deficiency therein, and (3) such other fund or account established under the Resolution as will be determined by the Board of Administration, provided the Board of Administration has received an opinion of Bond Counsel to the effect that such transfer will not adversely affect the exclusion, if any, of interest on the Bonds from gross income for purposes of federal income taxation. See "SECURITY FOR THE 2018A BONDS – 2018A Bonds Not Secured by Reserve Account" below. See "MISCELLANEOUS - Investment of Funds" herein for policies governing the investment of various funds.

SECURITY FOR THE 2018A BONDS

The 2018A Bonds are payable primarily from and are secured by the Pledged Gas Taxes, consisting of certain motor fuel and diesel fuel taxes transferred from the Fuel Tax Collection Trust Fund to the State Transportation Trust Fund (the "STTF")

and then to the Right-of-Way Acquisition and Bridge Construction Trust Fund, and are additionally secured by the full faith and credit of the State. The 2018A Bonds are payable and secured on a parity with the State of Florida, Full Faith and Credit, Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds and Refunding Bonds, Series 2009A through 2017A. The aggregate principal amount of Bonds which will be Outstanding subsequent to the issuance of the 2018A Bonds is $1,858,675,000.

No Holders of the 2018A Bonds will be entitled to require the payment of the principal of or interest on the 2018A Bonds from any funds of the State, the Department of Transportation, or any other political subdivision or agency of said State, except from the Pledged Gas Taxes pledged for the payment thereof and moneys appropriated for such purpose pursuant to the pledge of the full faith and credit of the State.

Pledged Gas Taxes

Article VII, Section 17 of the Florida Constitution provides that bonds issued to finance or refinance the acquisition of real property or right-of-way for State roads and State bridge construction are to be secured by and payable from motor fuel or special fuel (now called diesel fuel) taxes, as provided by law, except those taxes defined in Article XII, Section 9(c) of the Florida Constitution. The Pledged Gas Taxes consist primarily of motor fuel and diesel fuel sales taxes levied pursuant to Sections 206.41(1)(g) and 206.87(1)(e), Florida Statutes, transferred from the Fuel Tax Collection Trust Fund to the State Transportation Trust Fund.

Pursuant to Section 206.46(2), Florida Statutes, in each Fiscal Year a maximum of 7% of the revenues deposited into the State Transportation Trust Fund, payable from motor fuel and diesel fuel sales taxes, is transferred into the Right-of-Way Acquisition and Bridge Construction Trust Fund as needed to meet the debt service requirements on Outstanding Bonds. Notwithstanding the 7% annual transfer of funds authorized, revenues transferred shall not exceed the greater of an amount necessary to provide the required debt service coverage levels for annual debt service or $275 million. The limits on the transfer of funds for such purpose have been increased by the Legislature from time to time. See "HISTORY OF MOTOR AND DIESEL FUEL (FORMERLY SPECIAL FUEL) TAX RATES AND DISTRIBUTION" herein.

The Resolution provides that payment of the principal (including Amortization Installments, if any) of and interest on all of the Bonds issued thereunder, including any Additional Bonds, will be secured equally and ratably by a lien on the Pledged Gas Taxes and that all such Pledged Gas Taxes are irrevocably pledged to the payment of the principal of and interest on the Bonds. See "PLEDGED GAS TAXES AND DEBT SERVICE COVERAGE" below.

Full Faith and Credit of the State

The 2018A Bonds are additionally secured by a pledge of the full faith and credit of the State, and the State is unconditionally and irrevocably required to make all payments of the principal of and interest on the 2018A Bonds as the same mature and become due to the full extent that the Pledged Gas Taxes on deposit in the Sinking Fund are insufficient for such payments.

The Florida Constitution requires the Legislature to appropriate moneys sufficient to pay debt service on bonds pledging the full faith and credit of the State as the same become due. All State tax revenues, other than trust funds dedicated by the Florida Constitution for other purposes, would be available for such an appropriation, if required. Amounts of such State tax revenues in recent years are shown in Appendices A and B. See "RECENT STATE FINANCIAL DEVELOPMENTS" below.

2018A Bonds Not Secured by Reserve Account

The Resolution establishes a Reserve Account and subaccounts therein for individual series of Bonds to be funded at the discretion of the Division of Bond Finance. There are no funded subaccounts for any of the Outstanding Series of Bonds and the Division of Bond Finance has determined that there will be no funded subaccount for the 2018A Bonds. **The 2018A Bonds will <u>not</u> be secured by the Reserve Account or any subaccount therein.**

Flow of Funds

Collection of Gas Tax Funds. Pledged Gas Taxes consist of those motor fuel and diesel fuel taxes transferred from the Fuel Tax Collection Trust Fund to the State Transportation Trust Fund and then to the Right-of-Way Acquisition and Bridge Construction Trust Fund.

The Department makes monthly transfers from the Right-of-Way Acquisition and Bridge Construction Trust Fund to the Board of Administration for deposit into the Debt Service Fund.

Application of Gas Tax Funds.

All revenues in the Debt Service Fund will be applied in the following manner and order of priority:

(1) to the Board of Administration for deposit to the Interest Account to pay interest on the Bonds;

(2) to the Board of Administration for deposit to the Principal Account to pay the principal of the Bonds;

(3) to the Board of Administration for deposit to the Bond Amortization Account for Amortization Installments on the Bonds Outstanding, such payments to be on a parity with payments to the Principal Account;

(4) to the Board of Administration to each subaccount of the Reserve Account, if any, a sum if necessary to immediately restore any funds on deposit in each subaccount (No funded Reserve Subaccounts exist or are anticipated to be created. See "Reserve Account" above);

(5) for reimbursement to the State if moneys from its General Revenue Fund were used to satisfy debt service on the Bonds;

(6) moneys remaining after the required payments and deposits may be used for right-of-way acquisition or bridge construction, as provided by law.

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

Additional Bonds

The Resolution provides that no Additional Bonds, payable on a parity with the Bonds then Outstanding, will be issued except upon the conditions and in the manner therein provided. The Division of Bond Finance may issue Additional Bonds in accordance with the Act for the following purposes: financing the cost of an Additional Project, or the completion thereof or of the Initial Project, or refunding any or all Outstanding Bonds.

The Act and the Resolution provide that no Additional Bonds will be issued unless the Annual Debt Service for all Bonds, including the Additional Bonds then proposed to be issued, will not exceed 90% of the Pledged Gas Taxes available for payment of the Annual Debt Service in any fiscal year. No Additional Bonds will be issued under the Resolution if any Event of Default will have occurred and continues thereunder. Additional Bonds, including the 2018A Bonds, will be deemed to have been issued pursuant to the Resolution the same as the Outstanding Bonds, and all of the other covenants and other provisions of the Resolution (except as to details of such Additional Bonds inconsistent therewith) will be for the equal benefit, protection and security of the Holders of all Bonds issued pursuant to the Resolution. Except as provided in the Resolution, all Bonds, regardless of the time or times of their issuance, will rank equally with respect to their sources and security for payment without preference of any Bonds over any other.

Future Financings

Based upon the current work plan and economic conditions, the Department tentatively plans to issue $1.482 billion of Additional Bonds, including the 2018A Bonds, in various series over the next ten years from Fiscal Year 2017-18 through Fiscal Year 2026-27. The actual timing and amounts of these issues will be determined by the Department based upon the need for proceeds. The need for proceeds is based upon various factors including availability of revenues, current economic conditions and prevailing interest rates, all of which are continuously monitored by the Department to evaluate the need for revisions to the work plan. It is estimated that issuance of the $1.482 billion in Additional Bonds during the next ten years will generate maximum annual debt service of $240.8 million in Fiscal Year 2023-24, which is below the allowable maximum annual debt service of $275 million. **The projections are based on the best information available when the estimates are made, which is believed to be accurate**. **Projections are statements of opinion and are subject to future events which may cause the actual results to differ materially from those set forth herein. Undue reliance should not be placed on these projections.**

PLEDGED GAS TAXES AND DEBT SERVICE COVERAGE

Levy of Motor Fuel and Diesel Fuel Sales Taxes

Sections 206.41(1)(g) and 206.87(1)(e), Florida Statutes, impose fuel sales taxes on the sale of motor fuel and diesel fuel (formerly "special fuel"), respectively. For purposes of Chapter 206, Florida Statutes, motor fuel is defined to mean all gasoline products or any product blended with gasoline or any fuel placed in the storage supply tank of a gasoline-powered motor vehicle. Diesel fuel is defined to mean all petroleum distillates commonly known as diesel #2, biodiesel, or any other product blended with diesel or any product placed into the storage supply tank of a diesel-powered motor vehicle.

Each year the Department of Revenue is required by statute to determine the tax rate applicable to the sale of motor and diesel fuel for the forthcoming 12-month period beginning January 1, rounded to the nearest tenth of a cent, by adjusting an initially established tax rate of six and nine-tenth cents per gallon by the percentage change in the average of the Consumer Price Index for the most recent 12-month period ending September 30, compared to the base year average, which is the average for the 12-month period ending September 30, 1989. By statute, the tax rate may not be lower than six and nine-tenth cents per gallon. The Department of Revenue has determined that the sales tax on motor fuel and diesel fuel will be thirteen and seven-tenths cents per gallon for the period of January 1, 2018, to December 31, 2018.

The table below shows the sales tax rates and the gallons of motor fuel and diesel fuel sold in Florida.

State of Florida
Historical Motor Fuel and Diesel Fuel Sales Tax Rates and Consumption

Fiscal Year	Fuel Sales Tax Rate[1,2] (cents per gallon)	Consumption (gallons in millions)			Percentage Change
		Motor Fuel	Diesel Fuel	Total	
2007-08	11.3 & 11.6	8,440.1	1,639.0	10,079.1	(3.2)%
2008-09	11.6 & 12.1	8,187.2	1,436.8	9,624.0	(4.5)
2009-10	12.1 & 12.0	8,248.7	1,356.8	9,605.6	(0.2)
2010-11	12.0 & 12.2	8,218.2	1,392.5	9,610.7	0.1
2011-12	12.2 & 12.6	8,102.7	1,378.7	9,481.4	(1.3)
2012-13	12.6 & 12.9	8,123.3	1,420.6	9,544.0	0.7
2013-14	12.9 & 13.1	8,323.6	1,459.4	9,783.0	2.5
2014-15	13.1 & 13.3	8,562.2	1,522.7	10,084.8	3.1
2015-16	13.3 & 13.3	8,924.5	1,649.2	10,573.8	4.8
2016-17	13.3 & 13.4	9,143.7	1,714.8	10,858.5	2.7

Source: State of Florida Department of Revenue.

[1] Includes only the motor fuel and diesel fuel sales taxes levied pursuant to Subsections 206.41(1)(g) and 206.87(1)(e), Florida Statutes. State law also imposes various other fuel taxes upon the sale of motor and diesel fuels. Although certain of these other fuel taxes are deposited into the Fuel Tax Collection Trust Fund or the State Transportation Trust Fund, they are not transferred to the Right-of-Way Acquisition and Bridge Construction Trust Fund from which debt service on the 2018A Bonds will be paid.

[2] Two rates are shown for each Fiscal Year because the annual rate adjustment that is made to reflect the change in the Consumer Price Index is made on January 1 of each year.

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The table below shows the latest projections of motor fuel and diesel fuel sales tax rates and consumption.

State of Florida
Projected Motor Fuel and Diesel Fuel Sales Tax Rates and Consumption[1]

Fiscal Year	Fuel Sales Tax Rate (cents per gallon)[2,3]	Consumption (gallons in millions)	Percentage Change
2017-18	13.4 & 13.7	11,098.2	2.2%
2018-19	13.7 & 14.0	11,256.1	1.4
2019-20	14.0 & 14.2	11,416.2	1.4
2020-21	14.2 & 14.6	11,568.9	1.3
2021-22	14.6 & 15.0	11,714.6	1.3
2022-23	15.0 & 15.4	11,854.7	1.2
2023-24	15.4 & 15.7	11,988.5	1.1
2024-25	15.7 & 16.1	12,119.4	1.1
2025-26	16.1 & 16.5	12,252.5	1.1
2026-27	16.5 & 16.9	12,386.1	1.1

Source: Florida Consensus Estimating Conference on Transportation Revenues, February, 2018.

[1] The projected fuel sales taxes and other STTF revenues are revised at least semiannually by the Florida Consensus Estimating Conference (see "STATE FINANCIAL OPERATIONS - Budgetary Process" in Appendix A for a description of the conference). **The projections are based on the best information available when the estimates are made, which is believed to be accurate**. **Projections are statements of opinion and are subject to future events which may cause the actual results to differ materially from those set forth herein. Undue reliance should not be placed on these projections.**

[2] This rate includes only the motor fuel and diesel fuel sales tax levied pursuant to Subsections 206.41(1)(g) and 206.87(1)(e), Florida Statutes.

[3] Two rates are shown for each Fiscal Year because the annual rate adjustment that is made to reflect the change in the Consumer Price Index is made on January 1 of each year.

Super-Majority 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 at which Motor fuel and diesel fuel sales are levied which requires legislative action would require a two-thirds vote of each house of the Legislature for approval.

Collection and Distribution of Motor Fuel and Diesel Fuel Sales Taxes

Motor fuel and diesel fuel sales taxes deposited into the Fuel Tax Collection Trust Fund are distributed monthly to the State Transportation Trust Fund ("STTF") after deducting administrative costs, refunds, and other distributions.

Subsection 206.41(4), Florida Statutes, provides for certain refunds or credits of the motor and diesel fuel sales taxes for the purposes described generally as follows: (1) for fuel used for local mass transit operations; (2) for fuel used by municipalities and counties; (3) for fuel used by school districts and nonpublic schools; and (4) for agricultural, aquacultural, commercial fishing, or commercial aviation purposes. Section 213.055, Florida Statutes, also provides for the refund of state and local taxes on motor and diesel fuel in certain cases during a declared State emergency.

Subsection 206.606(1), Florida Statutes, provides for distribution of specified amounts of motor fuel and diesel fuel sales taxes to various state trust funds, including the Invasive Plant Control Trust Fund, the State Game Trust Fund, the Agricultural Emergency Eradication Trust Fund and the Marine Resources Conservation Trust Fund, and provides for the deduction of administrative costs of up to 2% of collections.

Annual changes in motor fuel and diesel fuel sales taxes 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 and diesel fuel sales 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.

The table below shows historical net deposits to the State Transportation Trust Fund of motor and diesel fuel sales tax collections after the deductions described above.

State of Florida
Historical Motor Fuel and Diesel Fuel Sales Tax
Collections and Distributions
Accrual Basis[1]

Fiscal Year	Motor & Diesel Fuel Sales Tax Collections	Deductions	Total Transferred to the STTF	Percentage Change
2007-08	$1,174,241,074	$71,274,608	$1,102,966,466	(0.91)%
2008-09	1,158,232,973	67,019,229	1,091,213,744	(1.07)
2009-10	1,178,458,421	74,190,746	1,104,267,676	1.20
2010-11	1,176,565,161	69,992,198	1,107,572,964	0.30
2011-12	1,188,859,111	65,860,564	1,122,998,547	1.39
2012-13	1,234,094,070	64,898,233	1,169,195,836	4.11
2013-14	1,291,968,740	72,395,050	1,219,573,690	4.31
2014-15	1,358,355,656	73,011,343	1,285,344,312	5.39
2015-16	1,431,989,830	79,167,624	1,352,822,206	5.25
2016-17	1,470,382,607	71,705,353	1,398,677,254	3.39

Source: State of Florida Department of Revenue.

[1] This table shows the motor fuel taxes collected pursuant to Section 206.41(1)(g), and the diesel fuel taxes collected pursuant to Section 206.87(1)(e), Florida Statutes, deposited into the Fuel Tax Collection Trust Fund and subsequently transferred to the State Transportation Trust Fund. These figures represent actual distributions after all adjusting entries have been made at the end of each fiscal year.

The table below shows the forecast of motor and diesel fuel sales taxes and other State revenues which fund the STTF as well as their respective percentage of total STTF State revenues. Total STTF State Revenues are used in calculating the maximum transfer for debt service in accordance with Section 206.46(2), Florida Statutes. See "SECURITY FOR THE 2018A BONDS - Pledged Gas Taxes" above.

State of Florida
Projected Motor Fuel and Diesel Fuel Sales Tax and Other STTF State Revenues[1]

Fiscal Year	Motor and Diesel Fuel Sales Tax (millions)[2]	Percent of Total State STTF Revenues	Other State Revenues (millions)[3]	Percent of Total State STTF Revenues	Total STTF State Revenues (millions)
2017-18	$1,422.7	36%	$2,531.0	64%	$3,953.7
2018-19	1,476.1	36	2,595.7	64	4,071.8
2019-20	1,527.1	37	2,653.8	63	4,180.9
2020-21	1,577.9	37	2,720.9	63	4,298.8
2021-22	1,643.7	37	2,787.8	63	4,431.5
2022-23	1,709.7	37	2,855.7	63	4,565.4
2023-24	1,772.1	38	2,922.8	62	4,694.9
2024-25	1,831.1	38	2,990.8	62	4,821.9
2025-26	1,899.1	38	3,058.7	62	4,957.8
2026-27	1,968.2	39	3,128.3	61	5,096.5

Source: Florida Consensus Estimating Conferences on Transportation and Documentary Stamp Tax Revenues held in February 2018.

[1] The projected fuel sales taxes and other STTF revenues are revised at least semiannually by the Florida Consensus Estimating Conference (see "State Financial Operations - Budgetary Process" in Appendix A for a description of the conference). **The projections are based upon the most recent available information, which is believed to be accurate. Projections are statements of opinion and are subject to future events which may cause the actual results to differ materially from those set forth herein. Undue reliance should not be placed on these projections.**

[2] These are the motor and diesel fuel tax collections which are transferred to the State Transportation Trust Fund. These collections are net of administrative costs, refunds and other distributions as discussed above.

[3] Includes all State revenues deposited into the State Transportation Trust Fund (except motor fuel and diesel fuel sales taxes levied pursuant to Sections 206.41(1)(g) and 206.87(1)(e), Florida Statutes), including documentary stamp tax revenues distributed to the State Transportation Trust Fund pursuant to Section 201.15(4)(a), Florida Statutes, net of the State Economic Enhancement Development Trust Fund transfers pursuant to Section 201.15, Florida Statutes. Such moneys are not pledged to pay debt service on the 2018A Bonds.

Historical and Pro Forma Debt Service Coverage

The following table shows the historical debt service coverage for Outstanding Bonds.

State of Florida
Historical Debt Service Coverage
Right-of-Way Acquisition and Bridge Construction Bonds

Fiscal Year	Motor Fuel and Diesel Fuel Sales Tax Transferred to STTF[1]	Debt Service[2]	Debt Service Coverage
2012-13	$1,169,195,836	$142,607,910[3]	8.20x
2013-14	1,219,573,690	141,872,153	8.60x
2014-15	1,285,344,312	140,839,146	9.13x
2015-16	1,352,822,206	138,306,368[4]	9.78x
2016-17	1,398,677,254	141,709,918	9.87x

[1] These amounts indicate the distribution made to the State Transportation Trust Fund, as provided by the State of Florida Department of Revenue.
[2] Source: State Board of Administration of Florida Annual Reports for Fiscal Years 2013 through 2017.
[3] Includes $4,076,975.65 of accrued debt service on the previously refunded 2004A Bonds.
[4] Includes $6,164,236.21 of accrued debt service on the previously refunded 2005A, 2005B, 2006A and 2008A Bonds.

The following table shows the pro forma debt service coverage for the Outstanding Bonds and the 2018A Bonds, as well as the projected coverage on the currently allowed maximum amount of debt service.

State of Florida
Pro Forma Debt Service Coverage
Right-of-Way Acquisition and Bridge Construction Bonds

Fiscal Year	Projected Motor & Diesel Fuel Sales Tax Available for Debt Service [1, 2] (000's)	Debt Service[3] (000's)	Pro Forma Debt Service Coverage[4]	Maximum Allowable Debt Service[5] (000's)	Pro Forma Debt Service Coverage [6]
2017-18	$1,422,700	$156,229	9.11x	$275,000	5.17x
2018-19	1,476,100	163,292	9.04x	275,000	5.37x
2019-20	1,527,100	163,401	9.35x	275,000	5.55x
2020-21	1,577,900	163,396	9.66x	275,000	5.74x
2021-22	1,643,700	160,316	10.25x	275,000	5.98x
2022-23	1,709,700	159,401	10.73x	275,000	6.22x
2023-24	1,772,100	155,901	11.37x	275,000	6.44x
2024-25	1,831,100	145,494	12.59x	275,000	6.66x
2025-26	1,899,100	142,219	13.35x	275,000	6.91x
2026-27	1,968,200	133,895	14.70x	275,000	7.16x

[1] The projected fuel sales taxes are as adopted by the Florida Consensus Estimating Conference on Transportation Revenues, February 2018, and are rounded to the nearest one hundred thousand dollars.
[2] The projected fuel sales taxes and other STTF state revenues are revised at least semiannually by the Florida Consensus Estimating Conference (see "State Financial Operations - Budgetary Process" in Appendix A for a description of the conference). **The projections are based upon the most recent available information, which is believed to be accurate. Projections are statements of opinion and are subject to future events which may cause the actual results to differ materially from those set forth herein. Undue reliance should not be placed on these projections.**
[3] Debt Service includes the debt service on the Bonds, of which the aggregate principal amount of $1,858,675,000 will be Outstanding subsequent to the issuance of the 2018A Bonds.
[4] Coverage has been calculated by dividing the amount of Projected Motor and Diesel Fuel Sales Tax Available for Debt Service by the Debt Service.
[5] Under current statutory provisions, a maximum of 7% of STTF revenues are transferred to the Right-of-Way Acquisition and Bridge Construction Trust Fund for payment of annual debt service, not to exceed $275 million.
[6] Coverage has been calculated by dividing the amount of Projected Motor and Diesel Fuel Sales Tax Available for Debt Service by Maximum Allowable Debt Service.

SCHEDULE OF DEBT SERVICE

The following table shows the debt service on the Outstanding Right-of-Way Acquisition and Bridge Construction Bonds and Refunding Bonds, Series 2009A through Series 2017A, the debt service on the 2018A Bonds, and total debt service. Payments due on July 1 are deemed to accrue in the preceding Fiscal Year.

Fiscal	Outstanding	2018A Bonds Debt Service			Total
Year	Debt Service[1]	Principal	Interest	Total	Debt Service
2018	$156,229,179	-	-	-	$156,229,179
2019	157,325,375	$1,470,000	$4,496,883	$5,966,883	163,292,258
2020	157,433,875	1,825,000	4,142,150	5,967,150	163,401,025
2021	157,430,025	1,915,000	4,050,900	5,965,900	163,395,925
2022	154,345,725	2,015,000	3,955,150	5,970,150	160,315,875
2023	153,431,725	2,115,000	3,854,400	5,969,400	159,401,125
2024	149,932,725	2,220,000	3,748,650	5,968,650	155,901,375
2025	139,525,975	2,330,000	3,637,650	5,967,650	145,493,625
2026	136,253,225	2,445,000	3,521,150	5,966,150	142,219,375
2027	127,926,225	2,570,000	3,398,900	5,968,900	133,895,125
2028	110,502,675	2,700,000	3,270,400	5,970,400	116,473,075
2029	101,983,700	2,835,000	3,135,400	5,970,400	107,954,100
2030	101,962,413	2,945,000	3,022,000	5,967,000	107,929,413
2031	101,924,375	3,065,000	2,904,200	5,969,200	107,893,575
2032	93,445,275	3,185,000	2,781,600	5,966,600	99,411,875
2033	82,209,125	3,315,000	2,654,200	5,969,200	88,178,325
2034	64,833,225	3,445,000	2,521,600	5,966,600	70,799,825
2035	48,131,188	3,585,000	2,383,800	5,968,800	54,099,988
2036	48,093,119	3,730,000	2,240,400	5,970,400	54,063,519
2037	48,066,881	3,875,000	2,091,200	5,966,200	54,033,081
2038	39,886,588	4,030,000	1,936,200	5,966,200	45,852,788
2039	39,884,925	4,195,000	1,775,000	5,970,000	45,854,925
2040	26,896,275	4,360,000	1,607,200	5,967,200	32,863,475
2041	26,901,775	4,535,000	1,432,800	5,967,800	32,869,575
2042	20,990,525	4,715,000	1,251,400	5,966,400	26,956,925
2043	20,992,875	4,905,000	1,062,800	5,967,800	26,960,675
2044	20,993,125	5,100,000	866,600	5,966,600	26,959,725
2045	20,992,850	5,305,000	662,600	5,967,600	26,960,450
2046	20,991,375	5,520,000	450,400	5,970,400	26,961,775
2047	16,058,025	5,740,000	229,600	5,969,600	22,027,625
Total	$2,545,574,366	$99,990,000	$73,085,233	$173,075,233	$2,718,649,599

[1] The 2018A Bonds will be issued on a parity as to lien and security for payment from the Pledged Gas Taxes with the Outstanding State of Florida, Full Faith and Credit, Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds and Refunding Bonds, Series 2009A through 2017A.

Note: Numbers may not add due to rounding.

PROVISIONS OF STATE LAW

Bonds Legal Investment for Fiduciaries

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

Negotiability

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

TAX MATTERS

General

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

In the opinion of Bond Counsel, assuming continuing compliance by the Division of Bond Finance, the Board of Administration and the Department with the tax covenant referred to above, under existing statutes, regulations, rulings and court decisions interest on the 2018A Bonds is excluded from gross income for federal income tax purposes. Interest on the 2018A 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 Bonds. Bond Counsel is further of the opinion that the 2018A Bonds and the income thereon are not subject to taxation under the laws of the State of Florida, except as to estate taxes and taxes imposed by 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 2018A Bonds. Prospective purchasers of 2018A Bonds should be aware that the ownership of 2018A 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 2018A Bonds or, in the case of a financial institution, that portion of the owner's interest expense allocable to interest on a 2018A Bond, (ii) the reduction of loss reserve deduction for property and casualty insurance companies by the applicable statutory percentage of certain items, including interest on the 2018A Bonds, (iii) the inclusion of interest on the 2018A 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 2018A 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 2018A Bonds in the determination of the taxability of certain Social Security and Railroad Retirement benefits to certain recipients of such benefits.

From time to time, there are legislative proposals pending in Congress that, if enacted into law, could alter or amend one or more of the federal tax matters described above including, without limitation, the excludability from gross income of interest on the 2018A Bonds, adversely affect the market price or marketability of the Series 2018A Bonds, or otherwise prevent the holders from realizing the full current benefit of the status of the interest thereon. It cannot be predicted whether or in what form any such proposal may be enacted, or whether, if enacted, any such proposal would apply to the Series 2018A Bonds.

Original Issue Premium

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

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

The 2018A 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.

RECENT STATE FINANCIAL DEVELOPMENTS

The State's budget is required to be kept in balance with current revenues each State fiscal year, with the final budget subject to adjustment during the fiscal year if necessary to ensure that no shortfall occurs. See "Appendix A - STATE FINANCIAL OPERATIONS - Financial Control" herein for more detailed information.

The financial information set forth below is unaudited. 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 below. No assurance is given that actual results will not differ materially from the estimates provided below.

Fiscal Year 2016-17

Budget. The Fiscal Year 2016-17 Budget totaled $82.3 billion, an increase of approximately $3.9 billion (5%) over the Fiscal Year 2015-16 Budget of $78.4 billion. The General Fund budget totaled $30.2 billion and was primarily funded with estimated general revenue collections of $29.5 billion and $252.9 million in trust fund transfers.

Revenues. Actual revenue collections of $29.6 billion for Fiscal Year 2016-17 were $1.27 billion (4.5%) over the prior fiscal year. Growth in 2016-17 revenues was primarily a result of higher sales tax, corporate income tax and highway safety license revenues.

Reserves. The General Fund Retrospect statement released on December 8, 2017, finalized the Fiscal Year 2016-17 year-end General Fund balance as $1.5 billion, which includes the effects of 2017 legislation directing $300 million of the $400 million BP Oil Entities settlement payment received by the State from the General Revenue Fund to the Triumph Gulf Coast Trust Fund. The Budget included a $30.7 million transfer to the Budget Stabilization Fund, which increased the Budget Stabilization Fund balance to $1.38 billion at June 30, 2017. When including the Budget Stabilization Fund, General Fund reserves at fiscal year-end totaled approximately $2.9 billion (9.8% of general revenues). The Fiscal Year 2016-17 year-end trust fund reserve balances were

$2.9 billion, including $655 million in the Lawton Chiles Endowment Fund and about $2.2 billion in various unreserved trust fund balances. The inclusion of trust fund reserve balances increases total reserves to approximately $5.8 billion (19.6% of general revenues) at fiscal year-end.

Fiscal Year 2017-18

Budget. The 2017 legislative regular and special sessions concluded with the State Legislature adopting the General Appropriations Act for Fiscal Year 2017-18 and other bills approving spending authority (collectively, the "2017-18 Budget") totaling $85.0 billion. The 2017-18 Budget is approximately $2.7 billion (3.3%) more than the Fiscal Year 2016-17 Budget of $82.3 billion. The 2017-18 Budget included $12 billion in spending that was approved in bills passed by the Legislature during the special session that ended on June 9, 2017. The proposed General Fund budget totals approximately $31.5 billion and will be funded primarily from general revenue collections and $448.2 million in trust fund transfers.

Revenues. The February 2018 Revenue Estimating Conference ("REC") general revenue forecast for Fiscal Year 2017-18 is $31.0 billion, an increase of $87 million (0.3%) from the August 2017 REC forecast. Despite fiscal year collections through January 2018 coming in $103.5 million (0.6%) below August 2017 REC estimates, projections for general revenues were raised for the fiscal year primarily due to an anticipated increase in sales tax collections associated with hurricane-related rebuilding. Projections of general revenues from sales taxes for the fiscal year were increased by $188.6 million.

Actual general revenue collections of $19.5 billion for the eight-month period ended February 28, 2018, were approximately $14.4 million (0.07%) less than the February 2018 REC estimates but were approximately $775.0 million (4.1%) more than the same period of the prior fiscal year.

Reserves. Based on the February 23, 2018 General Fund Outlook statement, the Fiscal Year 2017-18 year-end General Fund balance is projected to be $1.27 billion. The projected General Fund balance does not include estimated reversions of unused appropriations which will result in a positive adjustment. The projected General Fund balance reflects the release of $226.8 million in payments associated with banked card games which were previously held in escrow. The release of these monies was based on a Settlement Agreement and Stipulation entered into between the Seminole Tribe of Florida and the State of Florida in July 2017. The projected General Fund balance also reflects $343.3 million of budget amendments processed as of February 23, 2018, related to Hurricane Irma expenses and bridge loans, but does not include additional potential future budget amendments. See "Impact of Hurricane Irma" for more information on estimated costs to the State. The 2017-18 Budget includes a $32.1 million transfer to the Budget Stabilization Fund, which will increase the Budget Stabilization Fund balance to $1.42 billion at June 30, 2018. When including the Budget Stabilization Fund, General Fund reserves at fiscal year-end are projected to total approximately $2.7 billion (8.7% of projected general revenues). The Fiscal Year 2017-18 year-end trust fund reserve balances are estimated at $2.5 billion, including an estimated $704 million in the Lawton Chiles Endowment Fund and about $1.8 billion in various unreserved trust fund balances. The inclusion of trust fund reserve balances increases the estimated total reserves to approximately $5.2 billion (16.9% of general revenues) at fiscal year-end. Estimates are based on information available at the time and are subject to revision as additional information becomes available.

Fiscal Year 2018-19

The 2018 legislative session ended March 11, 2018, with the State Legislature adopting the General Appropriations Act for Fiscal Year 2018-19 and other bills approving spending authority (collectively, the "2018-19 Budget"). The Governor signed the General Appropriations Act on March 16, 2018. After the Governor's $64 million in line-item vetoes, the 2018-19 Budget totals $89.3 billion, which is $4.3 billion (5.1%) more than the Fiscal Year 2017-18 Budget of $85 billion. The General Fund budget totals approximately $32.8 billion and will be funded primarily from general revenue collections and $391.8 million in trust fund transfers.

Impact of Hurricane Irma

Hurricane Irma made landfall in Florida on September 10, 2017. In advance of the storm, the Governor declared a state of emergency on September 4, 2017. Under Chapter 252.37, Florida Statutes, this declaration gives the Governor broad spending authority to meet financial needs resulting from a disaster. As of March 30, 2018, State agencies estimate that they will spend a total of $728.6 million in response to Hurricane Irma. The State continues to monitor this spending and receives daily updates on storm-related expenditures from all State agencies. These expenses will be submitted to the Federal Emergency Management Agency ("FEMA") for reimbursement. The State anticipates that it will receive reimbursements from FEMA for 75%, 90%, or 100% of these costs resulting from Hurricane Irma, with the reimbursement levels dependent on the category of expenses and amount of overall State expenses. In addition, the State will be responsible for paying a portion of the storm-related expenses of counties and the costs of certain categories of individual assistance and transitional sheltering assistance provided by FEMA to Florida citizens. The net fiscal impact on the State's General Revenue Fund for Hurricane Irma expenses and approved individual assistance to date, excluding the State's share of county costs, is currently projected to be approximately $120.3 million after

expected reimbursements from FEMA, with an additional net $34.5 million to be paid from State Trust Funds. The exact timing of the general revenue expenditures and FEMA reimbursements is currently unknown. The State's share of county hurricane related costs is currently estimated at $459.5 million, but that estimate will continue to develop over time and those costs are expected to be paid out over the next five budget years. The total cost of Hurricane Irma to the State, net of anticipated FEMA reimbursements, is currently projected to be approximately $614.4 million ($579.8 million from General Revenues and $34.5 million from State Trust Funds).

Hurricane Irma Preliminary Cost Estimate as of March 30, 2018
(in millions of dollars)

Category	General Revenues	State Trust Funds	Total
FEMA Public Assistance – State Agencies	$366.2	$362.4	$728.6
Anticipated FEMA Reimbursements	(349.7)	(327.9)	(677.6)
State Agencies Net Cost	16.5	34.5	51.0
FEMA Individual Assistance – Other Needs	76.5	-	76.5
FEMA Transitional Sheltering Assistance	27.3	-	27.3
Subtotal	120.3	34.5	154.9
FEMA Public Assistance – Local Entities [1]	459.5	-	459.5
Total	**$579.8**	**$34.5**	**$614.4**

Note: Totals may not add due to rounding
[1] Expected to be paid out over the next five budget years.

Additionally, the State made $35 million in bridge loans to small businesses and citrus growers, which are expected to be repaid to the State over the next one to two fiscal years. The State has sufficient reserves to fund these disaster recovery efforts, and has sufficient liquidity to cover expenses in advance of FEMA reimbursements. The costs of Hurricane Irma are not expected to have a material effect on the State's budget or financial position.

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

MISCELLANEOUS

Variable Rate Debt and Derivatives

The Division of Bond Finance does not generally issue variable rate debt or enter into derivative contracts in connection with its bond issues. The Division of Bond Finance has not entered into any derivative transactions on behalf of the state or any of its agencies. The Division of Bond Finance currently has only one issue of outstanding variable rate debt, the State of Florida, Department of Environmental Protection Everglades Restoration Revenue Bonds, Series 2007A-B (Multi-Modal), outstanding in the amount of $60,420,000 (the "Everglades Restoration Bonds"). The Everglades Restoration Bonds are insured by Assured Guaranty and internal liquidity is provided through a standby bond purchase agreement with the State Treasury.

Investment of Funds

All State funds are invested by either the Chief Financial Officer or the Board of Administration. At closing, the 2018A Bond proceeds (net of issuance costs) will be deposited as described above under the heading "PURPOSE OF THE ISSUE".

After collection by the Department of Revenue, the pledged motor fuel and diesel fuel taxes are deposited into the Fuel Tax Collection Trust Fund and are then transferred to the State Transportation Trust Fund and then to the Right-of-Way Acquisition and Bridge Construction Trust Fund, all of which are in the State Treasury. Amounts required for debt service are transferred monthly to the Debt Service Fund held by the Board of Administration. Investment of Debt Service Fund moneys is controlled by Section 4.08 of the Resolution, which provides for temporary investment in the securities authorized by law; however, see "*Investment by the Board of Administration*" below for the Board of Administration's investment policy with respect to sinking fund investments.

Investment by the Chief Financial Officer - Funds held in the State Treasury are invested by internal and external investment managers. As of December 31, 2017, the ratio was approximately 45% internally managed funds, 44% externally managed funds, 5% Certificates of Deposit and 6% in an externally managed Security Lending program. The total portfolio market value on December 31, 2017, was $24,960,885,555.34.

Under State law, the Treasury is charged with investing funds of each State agency and the judicial branch. As of December 31, 2017, $15.851 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, $7.461 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 December 31, 2017, the Board of Administration directed the investment/administration of 30 funds in 550 portfolios.

As of December 31, 2017, the total market value of the FRS (Defined Benefit) Trust Fund was $162,088,754,843.25. 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 December 31, 2017, the total market value of these funds equaled $43,086,239,309.48. 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

Moody's Investors Service, Standard & Poor's Ratings Services, and Fitch Ratings (herein referred to collectively as "Rating Agencies"), have assigned their municipal bond ratings of Aa1 (stable outlook), AAA (stable outlook) and AAA (stable outlook), respectively, to the 2018A Bonds. Such ratings reflect only the respective views of such Rating Agencies at the time such ratings were issued, and an explanation of the significance of such ratings may be obtained from any of the respective rating agencies.

The State furnished to such Rating Agencies certain information and material in respect to the State and the 2018A 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 2018A Bonds.

Litigation

Currently there is no litigation pending, or to the knowledge of the Department or the Division of Bond Finance threatened, which if successful would have the effect of restraining or enjoining the issuance or delivery of the 2018A Bonds or questioning or affecting the validity of the 2018A Bonds or the proceedings and authority under which such 2018A Bonds are to be issued. The Department and the Division of Bond Finance from time to time engage 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 2018A Bonds.

Legal Opinion and Closing Certificates

The legal opinion of Greenberg Traurig, P.A., Miami, Florida, approving certain legal matters, will be provided on the date of delivery of the 2018A Bonds, as well as a certificate, executed by appropriate State officials, to the effect that to the best of their knowledge the Official Statement, as of its date and as of the date of delivery of the 2018A 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 will also be provided on the date of delivery of the 2018A Bonds. A proposed form of the legal opinion of Bond Counsel is attached hereto as Appendix M.

Continuing Disclosure

The Department will undertake, for the benefit of the beneficial owners and the Registered Owners of the 2018A 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 L, 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 Department nor the Division of Bond Finance has failed, in the previous five years, to comply in all material respects with any prior disclosure undertakings.

Underwriting

UBS Financial Services Inc. (the "Underwriters") has agreed to purchase the 2018A Bonds at an aggregate purchase price of $108,111,814.05 (which represents the par amount of the 2018A Bonds plus an original issue premium of $8,485,777.65 and minus the Underwriters' discount of $363,963.60). The Underwriters may offer and sell the 2018A Bonds to certain dealers (including dealers depositing bonds into investment trusts) and others at prices lower than the offering prices. The offering prices or yields on the 2018A Bonds set forth on the inside front cover may be changed after the initial offering by the underwriters.

Execution of Official Statement

This execution and delivery of this Official Statement have been duly authorized by the Department and the Division of Bond Finance.

DIVISION OF BOND FINANCE of the
STATE BOARD OF ADMINISTRATION

RICK SCOTT
Governor, as Chairman of the Governing Board

J. BEN WATKINS III
Director, Division of Bond Finance

HISTORY OF MOTOR AND DIESEL FUEL (FORMERLY SPECIAL FUEL) TAX RATES AND DISTRIBUTION

1981 - Motor and special fuels are subject to excise taxes levied pursuant to the provisions of Chapter 206, Florida Statutes. Motor fuels are taxed at the rate of six cents per gallon pursuant to Section 206.41, Florida Statutes, consisting of the "first gas tax" of four cents and the "second gas tax" of two cents. Motor fuels are subject to an additional one cent of tax pursuant to Section 206.60 (the "seventh cent"), and another one cent of tax pursuant to Section 206.605 (the "eighth cent") (the seventh cent and the eighth cent are together referred to as the "second gas tax"). Special fuels are taxed pursuant to the provisions of Section 206.87 at the rate of eight cents per gallon. Gasohol, which is a motor fuel, is exempt from the "first gas tax" pursuant to Section 206.415 and from the seventh cent pursuant to Section 206.60. The proceeds of the "first gas tax" are distributed to the Department of Transportation. The proceeds of the "second gas tax" are distributed pursuant to Article XII, Section 9(c) of the Florida Constitution of 1968. Pursuant to Section 215.20, Florida Statutes, certain moneys (including some motor and special fuel tax moneys) and trust funds are subject to a service charge that contributes to the cost of general government paid from the General Revenue Fund.

1983 - The "first gas tax" is abolished and the "second gas tax" is renamed the "constitutional gas tax." The motor fuel tax imposed pursuant to Section 206.41 is reduced from four cents to two cents. The special fuels tax imposed pursuant to Section 206.87 is reduced to four cents. Part II of Chapter 212 is created pursuant to Chapter 83-3, Laws of Florida, which imposes sales taxes on motor and special fuels. The tax is imposed on motor and special fuels at the rate of 5% of the total retail price, which is initially determined by the Legislature to be $1.148 per gallon. The total retail price is to be adjusted on June 1 of each year, beginning June 1, 1985, based on the percentage change in the average monthly gasoline price component of the Consumer Price Index for the most recent 12 month period ending March 31, compared to said average for the 12 month period ending March 31, 1984. Chapter 83-3 exempted gasohol from the payment of the entire tax imposed by Part II of Chapter 212 from April 1, 1983, through June 30, 1985, and from 50% of such tax from July 1, 1985, through June 30, 1987. Taxes collected pursuant to Part II of Chapter 212 are to be deposited in the Gas Tax Collection Trust Fund created by Section 206.45. Said moneys, exclusive of the service charge imposed by Section 215.20 and of any refunds granted by Section 212.92, shall be distributed to the State Transportation Trust Fund, except that $2.8 million shall be transferred to the Department of Natural Resources. Not less than 10% of the moneys transferred to the State Transportation Trust Fund pursuant to Section 212.95 shall be allocated by the Department of Transportation for public transit and rail capital projects.

1984 - Section 212.63, Florida Statutes, was amended to provide that the exemption from the tax imposed pursuant to Part II of Chapter 212 for gasohol shall be repealed on July 1, 1987. Section 212.69 was amended to provide that the distribution of the proceeds of the tax collected pursuant to Part II of Chapter 212 to the Department of Natural Resources was increased from $2.8 million to $3.8 million.

1985 - Section 212.62, Florida Statutes was amended to provide that the tax collected thereunder shall not be less than 5.7¢ per gallon and provides that the appropriate sales tax shall be calculated by July 1 of each year.

1987 - Chapter 87-6, Laws of Florida, added paragraph (1)(b) to Section 206.87, Florida Statutes, which imposed an additional five cents excise tax on special fuels, beginning July 1, 1987. This tax was repealed by Chapter 87-548, Laws of Florida, as of January 1, 1988.

1988 - Section 206.46, Florida Statutes, was amended by Chapter 88-247, Laws of Florida, to provide that $30 million in Fiscal Year 1988-1989 and $50 million in each fiscal year thereafter shall be transferred into the Right-of-Way Acquisition and Bridge Construction Trust Fund to pay debt service on bonds issued pursuant to Section 215.605, Florida Statutes.

1990 - Part II of Section 212, Florida Statutes, was amended by Chapter 90-136, Laws of Florida, to provide that the adjustment to the sales tax on motor and special fuels based on the change in the average of the Consumer Price Index (no longer just the monthly gasoline price component) would be made on January 1, beginning January 1, 1991, based on the most recent 12 month period ending on September 30, compared to the base year average, which is the average for the 12 month period ending September 30, 1989. Section 212.62, was also amended to increase the sales tax rate to 6%, with a minimum rate of six and nine-tenth cents per gallon. In addition, Chapter 90-136, Laws of Florida, created the State Comprehensive Enhanced Transportation System tax, which is levied in counties which levy a voted or local option gas tax.

1992 - Section 212.69, Florida Statutes, was amended by Chapters 92-152 and 92-308, Laws of Florida, to increase the annual transfers of taxes to the Department of Environmental Protection from $3.8 million to $7.55 million and to require an annual transfer of $1.25 million to the Game and Freshwater Fish Commission. Effective July 1, 1993, Section 212.69 was amended to additionally require an annual transfer of $1.5 million to the Board of Regents.

1995 - Chapter 95-417, Laws of Florida, consolidated the imposition of taxes on motor fuel into a single statutory section; amended statutes referring to "special fuel" to refer to the term "diesel fuel" instead; consolidated the imposition of taxes on diesel fuel primarily into a single statutory section; and amended statutory references to "gas taxes" to refer to "fuel taxes" instead, including references to the Gas Tax Collection Trust Fund, which is now the Fuel Tax Collection Trust Fund. Section 206.46, Florida Statutes, was amended by Chapter 95-257, Laws of Florida, to increase the maximum amount of motor and diesel fuel taxes available in each fiscal year to pay debt service on Right- of-Way Acquisition and Bridge Construction Bonds from $50 million to an amount not exceed to $100 million or an amount equal to 5% of the revenues deposited into the State Transportation Trust Fund, whichever is less.

1996 - Section 206.46, Florida Statutes, was amended by Chapters 96-320 and 96-323, Laws of Florida, to increase the maximum amount of motor and diesel fuel taxes available in each fiscal year to pay debt service on Right-of-Way Acquisition and Bridge Construction Bonds from $100 million to an amount not to exceed $115 million or an amount equal to 6% of the revenues deposited into the State Transportation Trust Fund if such percentage is less than the $115 million.

1999 - Section 206.46, Florida Statutes, was amended by Chapter 99-385, Laws of Florida, to increase the maximum amount of motor and diesel fuel taxes available in each fiscal year to pay debt service on Right-of-Way Acquisition and Bridge Construction Bonds. The annual amount transferred to the Right-of-Way Acquisition and Bridge Construction Trust Fund may not exceed an amount necessary to provide the required debt service coverage levels for a maximum debt service not to exceed $135 million. The amendment also raised to 7% the percentage of STTF funds which can be transferred, in order to provide for constitutional coverage requirements.

2000 - Section 215.211, Florida Statutes, created by Chapter 2000-257, Laws of Florida, eliminated the 7% and 0.3% service charges which were previously deducted from the diesel fuel sales tax and the fuel sales tax prior to distribution to the STTF.

2002 - Section 206.46, Florida Statutes, was amended by Chapter 2002-20, Laws of Florida, to increase the maximum amount of motor fuel and diesel fuel taxes available in each fiscal year to pay debt service on Right-of-Way Acquisition and Bridge Construction Bonds from $135 million to $200 million.

2003 - Section 206.606, Florida Statutes, was amended by Chapter 2003-156, Laws of Florida, to provide for a distribution of moneys from the Fuel Tax Collection Trust Fund to the Marine Resources Conservation Trust Fund, in the amount of $2.5 million in Fiscal Year 2003-04; $5.0 million in Fiscal Year 2004-05; $8.5 million in Fiscal Year 2005-06; $10.9 million in Fiscal Year 2006-07; and $13.4 million in Fiscal Year 2007-08 and each year thereafter. The transferred taxes are attributable to taxes from a portion of the sale of motor and diesel fuel at marinas.

2004 - As a result of legislation during the 2004 Legislative session, motor fuel taxes in Florida were reduced by 8 cents per gallon from August 1, 2004 through August 31, 2004. Diesel fuel tax rates did not change. An appropriation of $58 million was made from the General Revenue Fund to the State Transportation Trust Fund to compensate for the reduction in revenues.

2005 - Section 206.46, Florida Statutes, was amended by Chapter 2005-290, Laws of Florida, to increase the maximum amount of motor fuel and diesel fuel taxes available in each fiscal year to pay debt service on Right-of-Way Acquisition and Bridge Construction Bonds from $200 million to $275 million. Chapter 2005-290, Laws of Florida, also amended Section 201.15(1), Florida Statutes, to require the transfer of $541,750,000 from documentary stamp tax collections to the STTF in each Fiscal Year, beginning in Fiscal Year 2005-2006, as well as a one time transfer of $575,000,000 in Fiscal Year 2005-2006.

2007 - Section 206.41, Florida Statutes, was amended by Chapter 2007-31, Laws of Florida, to provide for refunds of motor fuel taxes collected on sales of motor fuel for commercial aviation purposes.

2008 - Section 206.606, Florida Statutes, was amended by Chapter 2008-150, Laws of Florida, to provide that the distribution of moneys from the Fuel Tax Collection Trust Fund to the Department of Environmental Protection will go instead to the Fish and Wildlife Conservation Commission. Section 201.15(1), Florida Statutes, was amended by Chapter 2008-114, Laws of Florida, to provide that the amount of documentary stamp moneys to be transferred to the STTF shall be changed from $541,750,000 in each Fiscal Year to a variable amount based on documentary stamp tax collections, with a maximum transfer of $541,750,000 in each Fiscal Year.

2011 - Subsection 201.15(1)(c)1, Florida Statutes, was amended by Chapter 2011-142, Laws of Florida, to provide that, of the documentary stamp taxes designated to be distributed to the State Transportation Trust Fund pursuant to that subsection, $50 million shall first be transferred to the State Economic Enhancement and Development Trust Fund within the Department of Economic Opportunity prior to any distribution to the State Transportation Trust Fund, beginning in Fiscal Year 2012-13. The amount so transferred shall be increased to $65 million in Fiscal Year 2013-14 and then to $75 million in Fiscal Years 2014-15 and thereafter.

2012 - Subsection 319.32(5)(a), Florida Statutes, was created by Chapter 2012-128, Laws of Florida, to provide for $47 of each title fee be deposited into the State Transportation Trust Fund not to exceed $200 million in any fiscal year.

2015 - Subsection 201.15(1)(c)1, Florida Statutes, was amended by Chapter 2015-229, Laws of Florida, to renumber the Subsection as 201.15(4)(a), and to decrease the variable amount of remaining documentary stamp tax moneys designated to be transferred to the State Transportation Trust Fund from 38.2% to 24.18442%. The maximum amount designated to be transferred to the State Transportation Trust Fund under this Subsection of $541.75 million did not change. Subsection 320.072(4), Florida Statutes, was amended by Chapter 2015-228, Laws of Florida, to provide that 85.7% of initial registration fees collected be deposited into the State Transportation Trust Fund.

2017 - Subsection 201.15(4)(a), Florida Statutes, was amended by Chapter 2017-233, Laws of Florida, to provide that of the documentary stamp taxes designated to be distributed to the State Transportation Trust Fund pursuant to that subsection, $75 million shall first be transferred to the General Revenue Fund prior to any distribution to the State Transportation Trust Fund.

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APPENDIX A

STATE OF FLORIDA

STATISTICAL, DEMOGRAPHIC
AND
FINANCIAL INFORMATION

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

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STATE OF FLORIDA

GENERAL HISTORY AND GEOGRAPHY

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

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

Florida has 67 counties and approximately 405 municipalities.

STATE GOVERNMENT

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

Executive Branch

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

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

Legislative Branch

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

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

Judicial Branch

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

Services Provided by State Government

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

DEMOGRAPHIC & ECONOMIC INFORMATION

Population

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

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

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

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

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

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

Florida Population Age Trends, 2010-2030

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

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

Florida's Gross Domestic Product

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

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

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

Florida's Gross Domestic Product by Major Industry
2011 and 2016
(millions of chained 2009 dollars)[1]

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

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

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

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

Tourism is not treated as a separate industry sector, but remains an important aspect of the Florida economy. Its financial impact is reflected in a broad range of market sectors, such as transportation, communications, retail trade and services, and in State tax revenues generated by business activities which cater to visitors, such as hotels, restaurants, admissions and gift shops. According to *Visit Florida*, the direct support organization for the Florida Commission on Tourism, approximately 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: 2006-2016[1]

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

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

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Employment

The following tables provide employment information for Florida and the U.S. As shown below, total employment in Florida increased from 9.7 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 2017 [1]
(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

	Total Personal Income (In millions of Current Dollars)						Per Capita Personal Income (In Current Dollars)					
Year	U.S.	% Change	S.E.	% Change	Florida	% Change	U.S.	% Change	S.E.	% Change	Florida	% Change
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)

	2012	% Total	2017	% Total
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	21,821,518	2.4%	26,776,427	2.4%
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	(48,836,787)	(5.4)%	(69,408,574)	(6.2)%
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:	40,879,947	4.5%	52,748,750	4.7%
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)

Year	Exports	% Change	Imports	% Change
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)

	Consumer Non-durables				Consumer Durables				Building		Business	
Fiscal	Recreation/Tourism		Other		Autos & Accessories		Other		Investment		Investment	
Year	Sales	Taxes	Sales	Taxes	Sales	Taxes	Sales	Taxes	Sales	Taxes	Sales	Taxes
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 lessor of 20 percent or the growth in total retaliatory taxes, are deposited into the Insurance Regulatory Trust Fund. The remainder of the Premium Tax is deposited to the General Revenue Fund. Surcharge collections are deposited to the Emergency Management, Preparedness, and Assistance Trust Fund, administered by the Department of Community Affairs.

Gross Receipts Tax

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

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

Communications Services Tax

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

Other State Taxes

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

Tobacco Litigation Settlement

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

A portion of the tobacco settlement revenues have been deposited in the Lawton Chiles Endowment Fund to provide a perpetual source of funding for health and human services for children and elders, and for biomedical research activities. As of 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 Revenues[1]

(millions of dollars)

General Revenue Receipts[2]	**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 Revenues[2]					
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

Other Trust Fund Revenues for State Use:	2012-13	2013-14	2014-15	2015-16	2016-17
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	3,261.6	3,569.2	3,502.6	2,947.2	2,783.9
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**
Revenues Shared With Local Governments and School Districts					
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]	51.1	54.9	56.9	60.3	64.3
Total Local Government	**4,064.7**	**4,246.5**	**4,572.1**	**4,692.5**	**4,761.8**
Federal and Local Assistance					
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	131.8	109.3	180.5	134.7	144.4
Total Federal and Local Assistance	**22,974.1**	**24,050.4**	**24,155.0**	**25,160.8**	**25,645.6**
Summary of Trust Fund and General Revenue					
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	22,974.1	24,050.4	24,155.0	25,160.8	25,645.6
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.

Retrospect Statement

Fiscal Years 2015-16 and 2016-17

(millions of dollars)

	Recurring Funds	Non-Recurring Funds	Total All Funds
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	0.0	0.0	0.0
Total 2015-16 Funds Available	$28,490.5	$2,583.6	$31,074.0
EXPENDITURES 2015-16			
Operations	$14,017.3	$329.7	$14,347.0
Aid to Local Governments	14,120.0	48.8	14,168.8
Fixed Capital Outlay	59.2	80.4	139.6
Fixed Capital Outlay/Aid to Local Governments	3.2	157.4	160.6
Transfer to Budget Stabilization Fund	0.0	214.5	214.5
Transfer to PECO Trust Fund	0.0	128.9	128.9
Transfer to Clerk of Courts Trust Fund	0.0	12.9	12.9
Miscellaneous Nonoperating Expenditures	0.0	10.0	10.0
Total 2015-16 Expenditures	$28,199.7	$982.5	$29,182.3
ENDING BALANCE[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	(0.3)	0.0	(0.3)
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	0.0	8.5	8.5
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.

FINANCIAL OUTLOOK STATEMENT [1]

Including Results of February 9, 2018 Revenue Estimating Conference as Revised on February 23, 2018

Fiscal Year 2017-18 through Fiscal Year 2022-23

(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	30,606.9	406.1	31,013.0
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	457.9	457.9
Release of Indian Gaming Reserve[4]	0.0	226.8	226.8
FEMA Reimbursements	0.0	14.0	14.0
Fixed Capital Outlay Reversions	0.0	2.0	2.0
Federal Funds Interest Earnings Rebate	(0.7)	0.0	(0.7)
Total 2017-18 Funds Available[2,3,4,5]	$30,632.9	$2,594.6	$33,227.5
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 (Ch. 2012-33, L.O.F.)[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	298.3	298.3
Budget Amendments - Bridge Loans	0.0	45.0	45.0
Budget Amendment - Puerto Rico Assistance	0.0	0.3	0.3
Total 2017-18 Effective Appropriations	$30,705.9	$1,248.9	$31,954.8
Ending Balance[2,3]	($73.0)	$1,345.7	$1,272.7
FUNDS AVAILABLE 2018-19			
Balance Forward from 2017-18	$0.0	$1,272.7	$1,272.7
Estimated Revenues	$31,912.5	496.3	$32,408.8
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	(1.5)	0.0	(1.5)
Total 2018-19 Funds Available[1,2,3,5]	$31,937.7	$1,868.9	$33,806.6
FUNDS AVAILABLE 2019-20			
Estimated Revenues	$33,185.6	$313.7	$33,499.3
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 2019-20 Funds Available[1,2,3,5]	$33,211.6	$413.6	$33,625.2
FUNDS AVAILABLE 2020-21			
Estimated Revenues	$34,389.7	$322.8	$34,712.5
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 2020-21 Funds Available[1,2,3,5]	$34,415.6	$422.7	$34,838.3
FUNDS AVAILABLE 2021-22			
Estimated Revenues	$35,621.9	$330.3	$35,952.2
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	(0.8)	0.0	(0.8)
Total 2021-22 Funds Available[1,2,3,5]	$35,647.8	$430.2	$36,078.0

FUNDS AVAILABLE 2022-23			
Estimated Revenues	$36,843.4	$335.3	$37,178.7
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	(0.9)	0.0	(0.9)
Total 2022-23 Funds Available[1,2,5]	$36,869.2	$435.2	$37,304.4

Source: Office of Economic and Demographic Research.

[1] The cash balance in the Budget Stabilization Fund (not shown here) at the time of this statement was $1,416.5 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 February 23, 2018, revised forecast, transfers of $79.0 million in Fiscal Year 2019-20, $59.8 million in Fiscal Year 2020-21, $54.5 million in Fiscal Year 2021-22, and $60.7 million in Fiscal Year 2022-23 will be required.

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

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

[4] Based on the Settlement Agreement and Stipulation entered into between the Seminole Tribe of Florida and the State of Florida in July 2017, the payments associated with banked card games that the state has held in reserve ($233.8 million) 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.

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Actual and Projected General Revenues

The actual general revenue collections for Fiscal Year 2016-17 of $29,594.5 million were $1.27 billion, or 4.5%, more than collections for Fiscal Year 2015-16. General revenue projections adopted at the February 23, 2018, meeting of the Revenue Estimating Conference for Fiscal Years 2017-18 through 2020-21, are shown in the following table.

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

	Actual 2016-17	Est. 2017-18		Est. 2018-19		Est. 2019-20		Est. 2020-21	
	Actual	Estimate	% Change[1]	Estimate	% Change[1]	Estimate	% Change[1]	Estimate	% Change[1]
Sales Tax- GR	$22,987.4	$24,136.8	5.0%	$25,187.6	4.4%	$26,146.4	3.8%	$27,210.0	4.1%
Beverage Tax & Licenses	314.7	283.1	(10.0)%	299.7	5.9%	312.5	4.3%	324.5	3.8%
Corporate Income Tax	2,366.4	2,320.4	(1.9)%	2,394.8	3.2%	2,404.7	0.4%	2,451.1	1.9%
Documentary Stamp Tax[2]	762.2	867.9	13.9%	903.7	4.1%	937.9	3.8%	969.0	3.3%
Tobacco Tax	183.0	175.5	(4.1)%	175.3	(0.1)%	174.4	(0.5)%	172.4	(1.1)%
Insurance Premium Tax	708.4	769.6	8.6%	770.5	0.1%	811.6	5.3%	830.7	2.4%
Pari-Mutuels Tax	22.8	22.4	(1.8)%	21.4	(4.5)%	21.3	(0.5)%	21.4	0.5%
Intangibles Tax	372.9	382.2	2.5%	399.0	4.4%	414.5	3.9%	429.9	3.7%
Indian Gaming Revenues	116.0	276.9	138.7%	382.4	38.1%	316.3	(17.3)%	324.2	2.5%
Earnings on Investments	131.0	169.5	29.4%	255.0	50.4%	311.9	22.36%	330.1	5.8%
Highway Safety Licenses & Fees	489.8	533.0	8.8%	541.1	1.5%	546.0	0.9%	543.8	(0.4)%
Counties Medicaid Share	301.5	292.0	(3.2)%	298.5	2.2%	312.4	4.7%	303.6	(2.8)%
Severance Tax	11.5	11.1	(3.5)%	10.6	(4.5)%	10.5	(0.9)%	10.9	3.8%
Service Charges	464.9	473.3	1.8%	479.8	1.4%	483.8	0.8%	492.8	1.9%
Corporation Filing Fees	352.9	356.0	0.9%	356.6	0.2%	362.3	1.6%	367.9	1.5%
Other Taxes, License & Fees	337.3	299.1	(11.3)%	300.6	0.5%	295.3	(1.8)%	294.7	(0.2)%
Total Revenue	29,922.7	31,368.8	4.8%	32,776.6	4.5%	33,861.8	3.3%	35,077.0	3.6%
Less: Refunds	(328.2)	(355.8)	8.4%	(367.8)	3.4%	(362.5)	(1.4)%	(364.5)	0.6%
Net General Revenue:[3]	$29,594.5	$31,013.0	4.8%	$32,408.8	4.5%	$33,499.3	3.4%	$34,712.5	3.6%

Source: Office of Economic and Demographic Research, February 23, 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.
[3] May not add due to rounding.

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

Operating and Fixed Capital Outlay Budget By Program Area
Fiscal Years 2014-15 through 2018-19

(In Millions of Dollars)

Program	2014-15		2015-16		2016-17		2017-18		2018-19*	
General Revenue	**Operating**	**FCO**	**Operating**	**FCO**	**Operating**	**FCO**	**Operating**	**FCO**	**Operating**	**FCO**
Education	$ 14,523.6	$ 2.0	$15,101.7	$ 1.7	$ 15,580.0	$ 29.0	$ 16,616.2	$ 143.8	$ 16,713.8	$ 94.3
Human Services	8,067.4	31.6	8,761.6	12.0	9,479.2	8.4	9,390.8	12.2	9,872.9	6.8
Criminal Justice & Corrections	3,457.2	74.2	3,494.2	77.3	3,586.3	85.1	3,603.1	71.5	3,751.3	68.5
Natural Resources , Environment Growth Mngmt, & Transportation	274.4	242.2	158.6	140.6	185.7	174.9	190.0	167.2	340.3	95.7
General Government	678.7	73.6	655.6	54.7	678.4	73.0	846.7	44.5	934.0	59.5
Judicial Branch	404.7	10.1	411.1	15.4	420.5	14.0	419.0	3.4	446.0	-
Total General Revenue	$ 27,406.0	$ 433.7	$28,582.7	$ 301.7	$ 29,930.1	$ 384.3	$ 31,065.8	$ 442.5	$ 32,058.3	$ 324.7
Trust Funds										
Education	$ 6,172.9	$ 1,944.6	$ 6,014.7	$ 1,804.9	$ 6,291.4	$ 2,009.5	$ 6,457.9	$ 1,699.7	$ 6,798.7	$ 1,651.7
Human Services	23,637.3	35.5	24,194.8	27.7	24,822.5	20.2	26,452.6	53.6	27,250.9	10.3
Criminal Justice & Corrections	679.5	-	681.8	-	808.2	-	797.8	-	844.6	5.3
Natural Resources , Environment Growth Mngmt, & Transportation	2,792.3	10,272.5	2,823.3	10,246.6	3,142.4	11,082.6	3,088.8	10,992.5	3,120.9	11,281.1
General Government	3,461.0	92.0	3,573.7	84.4	3,642.8	60.1	3,759.7	50.5	5,226.5	61.0
Judicial Branch	116.5	-	92.7	-	91.2	-	91.4	-	93.3	-
Total Trust Funds	$ 36,859.4	$12,344.7	$37,381.0	$12,163.5	$ 38,798.3	$13,172.4	$ 40,648.3	$12,796.3	$ 43,335.0	$13,009.5
Total All Funds										
Education	$ 20,696.4	$ 1,946.6	$21,116.5	$ 1,806.6	$ 21,871.3	$ 2,038.5	$ 23,074.1	$ 1,843.4	$ 23,512.5	$ 1,746.0
Human Services	31,704.7	67.1	32,956.4	39.7	34,301.7	28.6	35,843.4	65.8	37,123.8	17.0
Criminal Justice & Corrections	4,136.7	74.2	4,176.0	77.3	4,394.5	85.1	4,400.9	71.5	4,595.9	73.8
Natural Resources , Environment Growth Mngmt, & Transportation	3,066.8	10,514.7	2,981.9	10,387.2	3,328.1	11,257.5	3,278.8	11,159.7	3,461.3	11,376.8
General Government	4,139.6	165.6	4,229.2	139.1	4,321.2	133.1	4,606.4	95.1	6,160.6	120.5
Judicial Branch	521.2	10.1	503.8	15.4	511.7	14.0	510.4	3.4	539.3	-
Total All Funds	$ 64,265.4	$12,778.4	$65,963.7	$12,465.2	$ 68,728.5	$13,556.8	$ 71,714.1	$13,238.8	$ 75,393.4	$13,334.1

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

*2018-19 includes appropriations in General Appropriations Bill only and is prior to Governor's appropriation vetoes of $59.5 million. In addition to the General Appropriations Bill, there was an additional approximately $606.4 million in spending authority approved by the Legislature in other bills.

STATE DEBT

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

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

State Full Faith and Credit Debt

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

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

State Revenue Bonds

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

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

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

Other Obligations

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

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

Direct Debt Outstanding by Type and Program

As of June 30, 2017

(In Millions Dollars)

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

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

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

Per Capita Tax Supported Debt

For Fiscal Years Ended June 30

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

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

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

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

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

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

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

Net Tax-Supported Bonds Issued Since July 1, 2017

(chronological, by date of issuance)

Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds, Series 2017A	$288,705,000
Department of Management Services, Florida Facilities Pool Revenue Refunding Bonds, Series 2017A	190,835,000
Less: Florida Facilities Pool Revenue Bonds refunded	(232,585,000)
State Board of Education, Public Education Capital Outlay Refunding Bonds, 2017 Series A	148,555,000
Less: Public Education Capital Outlay Bonds refunded	(162,065,000)
State Board of Education, Public Education Capital Outlay Refunding Bonds, 2017 Series B	261,635,000
Less: Public Education Capital Outlay Bonds refunded	(285,670,000)
Department of Environmental Protection Florida Forever Revenue Refunding Bonds, Series 2017A	75,125,000
Less: Florida Forever Revenue Bonds refunded	(98,805,000)
State Board of Education, Lottery Revenue Refunding Bonds, Series 2017A	239,705,000
Less: Lottery Revenue Refunding Bonds refunded	(315,304,000)
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)
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)
	$80,541,000

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)
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)
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)
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)
Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds, Series 2018A*	99,990,000
	$48,610,000

*Subject to the delivery of the Right-of-Way Acquisition and Bridge Construction Bonds, Series 2018A on June 7, 2018.

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STATEMENT OF ASSETS AND LIABILITIES

Administered by State Chief Financial Officer

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

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

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

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

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

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

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

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

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

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

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

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

FLORIDA RETIREMENT SYSTEM

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

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

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

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

FRS membership is compulsory for employees working in regularly established positions for a state agency, county governmental unit, district school board, state university, state college or participating city, independent special district, charter school or metropolitan planning district, except for retirees initially reemployed on or after July 1, 2010 who may not be enrolled. 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"). 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	192,092
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

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

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

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

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

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

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

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

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

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

Employee Contributions -

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

DROP -

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

Cost-of-Living Adjustment (COLA) -

- Members with an effective retirement date (includes DROP participation) before August 1, 2011 will retain their 3% post-retirement COLA
- Members with an effective retirement date or DROP begin date on or after August 1, 2011 will have an individually calculated COLA that is a reduction from 3% and will be calculated by dividing the total years of service before July 1, 2011 by the total years of service at retirement, and then multiplying the result by 3% to get the retiree's COLA
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- 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	2013	2014	2015	2016	2017
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 statements, GASB 67 (for reporting at the pension plan level) and GASB 68 (for employer reporting requirements including their allocation of net pension liability and pension expense), which require pension plans and employers to report total pension plan liabilities (Total Pension Liability), as well as the value of the plans' assets (Fiduciary Net Position) and the unfunded portion of the liability (Net Pension Liability or NPL) in both the plans' and the employers' financial statements. GASB 67 was effective for plan fiscal years beginning after June 15, 2013, and GASB 68 was effective for employer fiscal years beginning after June 15, 2014.

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

Valuation of Assets. The actuarial value of plan assets is necessary in order to determine the funded ratio of the plan by comparing the plan's actuarial liabilities to its actuarial value of assets. A plan's assets are generally valued either at the market value of assets (GASB valuation) or the Actuarial Value of Assets (funding valuation). The market value of assets looks at the fair market value of the assets as of a given point in time. The Actuarial Value of Assets reflects the value of plan assets as determined by the plans' actuary for purposes of an actuarial valuation. The actuarial valuation measure reflects a five-year smoothing methodology (the "Asset Smoothing Method"), as required by Section 121.031(3)(a), Florida Statutes. Under the Asset Smoothing Method, the expected actuarial value of assets in the Florida Retirement System Trust Fund is determined by crediting the rate of investment return assumed in the valuation to the prior year's actuarial value of assets and net cash flow. Then, 20% of the difference between the actual market value and the expected Actuarial Value of Assets is recognized each year in the smoothing period. The actuarial value of assets are also restricted by a 20% corridor around the market value of assets. The Actuarial Value of Assets used for the valuation is the lesser of the actuarial value described above or 120% of market value but not less than 80% of the

market value. The Asset Smoothing Method prevents extreme fluctuations in the Actuarial Value of Assets, the Unfunded Actuarial Liability (UAL) and the funded ratio that may otherwise occur as a result of market volatility. Asset smoothing delays recognition of gains and losses and is intended to decrease the volatility of employer contribution rates. The Actuarial Value of Assets is not the market value of Florida Retirement System Trust Fund assets at the time of measurement. As a result, presenting the Actuarial Value of Assets using the Asset Smoothing Method might provide a more or less favorable presentation of the current financial position of a pension plan than would a method that recognizes the full value of investment gains and losses annually.

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

As of July 1, 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]

[1]Changed 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]

[1]Changed 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 fro 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 2015-2017[3]	5.85%
Annualized Return for 5 Year Period of Fiscal Years 2013-2017[3]	9.51%
Annualized Return for 10 Year Period of Fiscal Years 2008-2017[3]	5.46%
Annualized Return for 15 Year Period of Fiscal Years 2003-2017[3]	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 Assets[1] (a)	Actuarial Liability (AL) Entry Age[2] (b)	Unfunded AL (UAL) (b-a)	Funded Ratio (%) (a/b)	Covered Payroll[3] (c)	UAL as a Percentage of Coverage Payroll (b-a)/c)
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 Position[1] (a)	Total Pension Liability (TPL) Entry Age[1] (b)	Net Pension Liability (NPL) (b-a)	Funded Ratio (%) (a/b)	Covered Payroll[2] (c)	NPL as a Percentage of Coverage Payroll (b-a)/c)
2013	$133,061,677	$150,276,128	$17,214,451	88.54%	$24,568,642	70.07%
2014	150,014,292	156,115,763	6,101,471	96.09	24,723,565	24.68
2015	148,454,394	161,370,735	12,916,341	92.00	32,726,034	39.47
2016	141,780,921	167,030,999	25,250,078	84.88	33,214,217	76.02
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, 2016, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of creditable service completed at the time of retirement multiplied by $5. The payments are at least $30 but not more than $150 per month, pursuant to Section 112.363, F.S. To be eligible to receive a HIS benefit, a retiree under a state-administered retirement system must provide proof of health insurance coverage, which can include Medicare. The HIS Program is funded by required contributions from FRS participating employers as set by the Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. Effective July 1, 2015, the statutorily required contribution rate pursuant to Section 112.363, F.S. increased to 1.66% of payroll. The State has contributed 100% of its statutorily required contributions for the current and preceding two years. HIS contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, the legislature may reduce or cancel HIS payments.

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

Retiree Health Insurance Subsidy Program Information

(in thousands where amounts are dollars)

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

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

HIS actuarial determinations are based on the following:

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

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

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

[2] Includes inflation at 2.60%.

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

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

Retiree Health Insurance Subsidy Program Schedule of Funding Progress

Actuarial Value of Assets

(dollars in thousands)

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

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

[1] Includes DROP and PEORP payroll.

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

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

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

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

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

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

Schedule of Employer Contributions
(dollars in thousands)

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

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

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

Other Postemployment Benefits (OPEB)

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

Plan Description

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

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

There are 21 participating employers including the primary government of the state, the 12 state universities, and other governmental entities. There was an average enrollment of 167,282 contracts including 36,288 retirees and 130,994 employees and COBRA participants for Fiscal Year 2015. Employees must make an election to

participate in the plan within 31 days of the effective date of their retirement to be eligible to continue in the plan as a retiree. Four types of health plans are offered to eligible participants: a standard statewide Preferred Provider Organization ("PPO") Plan, a Health Investor PPO Plan, a standard Health Maintenance Organization ("HMO") Plan, and a Health Investor HMO Plan. HMO coverage is available only to those retirees who live or work in the HMO's service area. The four PPO and HMO options are considered managed-care plans and have specific provider networks.

Funding Policy

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

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

Actuarial Methods and Assumptions

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

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

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

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

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

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

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

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

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

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

Schedule of Employer Contributions
(thousands of dollars)

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

Source: State of Florida Comprehensive Annual Financial Reports.

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

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

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

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

Funded Status

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

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

Source: State of Florida Comprehensive Annual Financial Reports.

APPENDIX B

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

CHIEF FINANCIAL OFFICER
JIMMY PATRONIS
STATE OF FLORIDA

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

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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

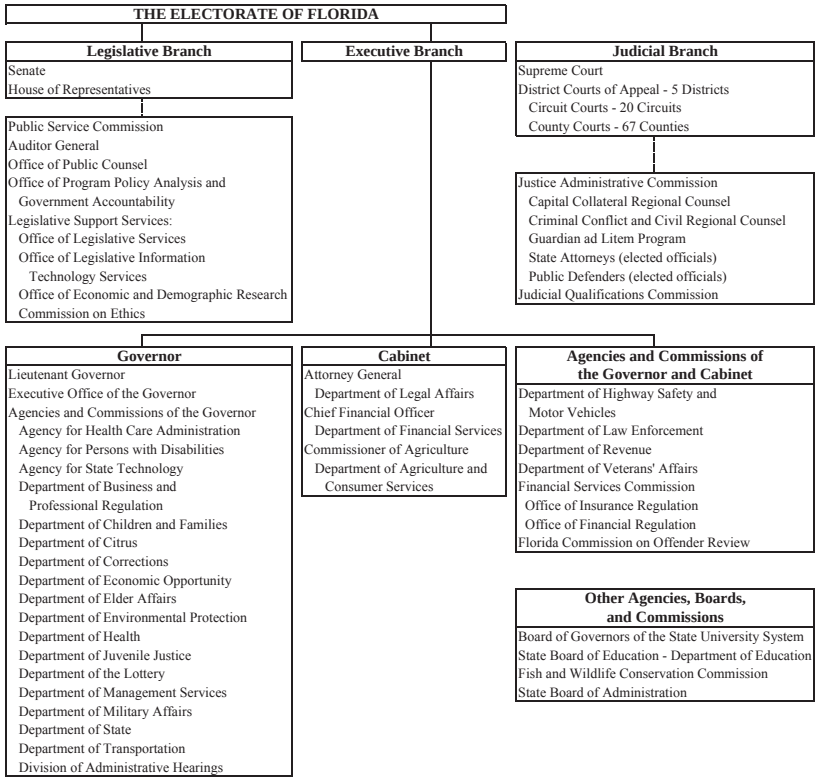
Preparation of the CAFR requires a significant investment of time and resources of fiscal and accounting personnel throughout the state. We appreciate all the contributions made to this effort.

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

AUDITOR GENERAL
STATE OF FLORIDA

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Auditor General

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the 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

	Government-wide Financial Statements	Fund Financial Statements		
		Governmental Funds	*Proprietary Funds*	*Fiduciary Funds*
Scope	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.

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.

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

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

	Primary Government			Component
	Governmental Activities	Business-type Activities	Totals	Units
ASSETS				
Cash and cash equivalents	$ 103,443	$ 31,949	$ 135,392	$ 1,418,688
Pooled investments with State Treasury	15,171,013	5,289,438	20,460,451	3,404,450
Other investments	1,423,064	30,118,158	31,541,222	19,330,902
Receivables, net	4,888,676	953,328	5,842,004	2,219,739
Internal balances	253,800	(253,800)	.....	.....
Due from component units/primary	2,051	392	2,443	534,411
Inventories	79,986	6,481	86,467	73,377
Restricted cash and cash equivalents	.....	65	65	603,472
Restricted pooled investments with State Treasury	.....	30,882	30,882	648,311
Restricted investments	.....	605,667	605,667	5,730,036
Advances to other entities	836,424	.....	836,424	.....
Other loans and notes receivable, net	2,849,235	1,867,886	4,717,121	2,134,291
Other assets	403	33,763	34,166	450,523
Capital assets, net	74,275,058	11,909,651	86,184,709	24,266,721
Total assets	99,883,153	50,593,860	150,477,013	60,814,921
DEFERRED OUTFLOWS OF RESOURCES				
Accum. decrease in fair value - hedging derivatives	.....	.....	.....	64,202
Grants paid in advance	58,650	.....	58,650	192
Amount deferred on refunding of debt	90,575	30,022	120,597	10,267
Pension-related items	3,259,509	65,400	3,324,909	1,630,254
Total deferred outflows of resources	3,408,734	95,422	3,504,156	1,704,915
LIABILITIES				
Accounts payable and accrued liabilities	2,191,069	503,921	2,694,990	2,577,575
Due to other governments	.....	6,648	6,648	.....
Due to component units/primary	62,001	334	62,335	70,093
Obligations under security lending agreements	1,014,611	1,948,486	2,963,097	.....
Long-term liabilities				
Due within one year	4,139,685	1,113,630	5,253,315	2,637,403
Due in more than one year	29,050,066	16,547,446	45,597,512	14,763,379
Total liabilities	36,457,432	20,120,465	56,577,897	20,048,450
DEFERRED INFLOWS OF RESOURCES				
Deferred service concession arrangement receipts	.....	139,590	139,590	5,887
Accum. increase in fair value - hedging derivatives	.....	.....	.....	4,171
Amount deferred on refunding of debt	85,040	16,888	101,928	2,917
Pension-related items	567,877	5,879	573,756	180,287
Other	.....	.....	.....	109
Total deferred inflows of resources	652,917	162,357	815,274	193,371
NET POSITION				
Net investments in capital assets	69,021,627	8,652,433	77,674,060	19,995,799
Restricted for				
Environment, Recreation and Conservation	3,354,846	.....	3,354,846	.....
Public Education	701,059	.....	701,059	.....
Health and Family Services	1,796,164	.....	1,796,164	.....
Transportation	1,630,744	298,572	1,929,316	.....
Nonmajor governmental funds	1,182,019	.....	1,182,019	.....
Debt service	217,884	.....	217,884	59,923
Lottery	.....	95,499	95,499	.....
Prepaid College Program	.....	2,367,619	2,367,619	.....
Hurricane Catastrophe Fund	.....	13,980,584	13,980,584	.....
Reemployment Assistance	.....	3,737,155	3,737,155	.....
Other	678,388	467	678,855	7,025,464
Funds held for permanent endowment				
Expendable	.....	.....	.....	736,627
Nonexpendable	.....	.....	.....	3,801,096
Unrestricted	(12,401,193)	1,274,131	(11,127,062)	10,659,106
Total net position	$ 66,181,538	$ 30,406,460	$ 96,587,998	$ 42,278,015

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

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

		Program Revenues			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Primary government					
Governmental activities:					
General government	$ 6,920,055	$ 5,182,354	$ 796,904	$ 7,278	(933,519)
Education	20,805,316	250,636	2,296,988	127	(18,257,565)
Human services	35,856,581	1,502,243	23,169,516	2,229	(11,182,593)
Criminal justice and corrections	4,276,747	266,759	93,347	786	(3,915,855)
Natural resources and environment	3,137,354	344,710	1,467,898	13,402	(1,311,344)
Transportation	4,405,444	260,096	142,165	2,226,921	(1,776,262)
State courts	586,606	88,213	1,277	.....	(497,116)
Indirect interest on long-term debt	84,311	.....	.....	.....	(84,311)
Total governmental activities	76,072,414	7,895,011	27,968,095	2,250,743	(37,958,565)
Business-type activities:					
Transportation	574,436	1,175,815	.....	3,688	605,067
Lottery	4,522,491	6,150,021	.....	.....	1,627,530
Hurricane Catastrophe Fund	80,081	1,203,757	.....	.....	1,123,676
Prepaid College Program	(251,749)	457,842	.....	.....	709,591
Reemployment Assistance	414,596	821,223	4,347	.....	410,974
Nonmajor enterprise funds	339,090	449,732	601	2,260	113,503
Total business-type activities	5,678,945	10,258,390	4,948	5,948	4,590,341
Total primary government	$ 81,751,359	$ 18,153,401	$ 27,973,043	$ 2,256,691	$ (33,368,224)
Component units					
Florida Housing Finance Corporation	$ 237,402	$ 192,039	$	$	$ (45,363)
University of Florida	5,305,221	3,567,178	869,326	64,932	(803,785)
Citizens Property Insurance Corporation	889,569	627,485	.....	.....	(262,084)
Nonmajor component units	11,946,851	3,515,738	3,448,720	768,533	(4,213,860)
Total component units	$ 18,379,043	$ 7,902,440	$ 4,318,046	$ 833,465	$ (5,325,092)

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Units
Net (expense) revenue	$ (37,958,565)	$ 4,590,341	$ (33,368,224)	$ (5,325,092)
General revenues:				
Taxes				
Sales and use tax	25,333,464	.....	25,333,464	.....
Fuel taxes	3,016,110	.....	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	933,454	.....	933,454	.....
Beverage and tobacco taxes	1,521,059	.....	1,521,059	.....
Insurance premium tax	959,339	.....	959,339	.....
Gross receipts utilities tax	767,388	.....	767,388	.....
Property taxes	.....	.....	.....	477,039
Other taxes	1,309,079	.....	1,309,079	.....
Investment earning (loss)	61,669	(696)	60,973	926,456
Gain (loss) on sale of capital assets	(166,526)	(799)	(167,325)	(9,457)
Payments from the State of Florida	.....	.....	.....	4,310,713
Emergency assessments	.....	300	300	.....
Miscellaneous	.....	1,018	1,018	826,429
Transfers	1,540,720	(1,540,720)	.....	.....
Contributions to permanent funds	.....	.....	.....	115,909
Total general revenues, transfers and contributions	40,457,863	(1,540,897)	38,916,966	6,647,089
Changes in net position	2,499,298	3,049,444	5,548,742	1,321,997
Net position - beginning, as restated (Note 1)	63,682,240	27,357,016	91,039,256	40,956,018
Net position - ending	$ 66,181,538	$ 30,406,460	$ 96,587,998	$ 42,278,015

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

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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.

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

	General Fund	Environment, Recreation and Conservation	Public Education	Health and Family Services	Transportation	Nonmajor Governmental Funds	Totals 6/30/17
ASSETS							
Current assets							
Cash and cash equivalents	$ 19,429	$ 1,336	$	$ 9,043	$ 818	$ 18,159	$ 48,785
Pooled investments with State Treasury	5,643,250	2,174,973	1,176,338	1,901,741	1,774,957	1,833,495	14,504,754
Other investments	932,130	.....	.....	.....	.....	228,566	1,160,696
Receivables, net	1,751,746	189,173	58,516	1,958,795	474,291	311,102	4,743,623
Due from other funds	170,595	26,503	93,473	74,398	168,016	81,631	614,616
Due from component units/primary	540	162	591	.....	.....	30	1,323
Inventories	18,038	761	.....	51,290	7,490	2,407	79,986
Other	271	.....	.....	.....	.....	132	403
Total current assets	8,535,999	2,392,908	1,328,918	3,995,267	2,425,572	2,475,522	21,154,186
Noncurrent assets							
Long-term investments	.....	.....	.....	.....	.....	215,366	215,366
Advances to other funds	1,390	.....	.....	.....	84,096	.....	85,486
Advances to other entities	4,199	3,703	827,542	.....	980	.....	836,424
Other loans and notes receivable, net	7,439	1,247,911	1,281	32,817	708,708	851,079	2,849,235
Total noncurrent assets	13,028	1,251,614	828,823	32,817	793,784	1,066,445	3,986,511
Total assets	8,549,027	3,644,522	2,157,741	4,028,084	3,219,356	3,541,967	25,140,697
DEFERRED OUTFLOWS OF RESOURCES							
Grants paid in advance	.....	.....	.....	.....	58,650	.....	58,650
Total deferred outflows of resources	.....	.....	.....	.....	58,650	.....	58,650
Total assets and deferred outflows	8,549,027	3,644,522	2,157,741	4,028,084	3,278,006	3,541,967	25,199,347
LIABILITIES							
Current liabilities							
Accounts payable and accrued liabilities	502,970	67,322	803	457,427	641,189	133,443	1,803,154
Due to other funds	245,247	25,611	2,620	24,129	49,398	140,442	487,447
Due to component units/primary	37,095	15,955	148	6,452	.....	2,176	61,826
Compensated absences	9,030	1,722	98	1,166	139	811	12,966
Claims payable	195,425	.....	.....	820,026	.....	25,445	1,040,896
Deposits	3,056	5,140	12,075	24,188	332,965	146,709	524,133
Obligations under security lending agreements	713,496	83,175	55,653	6,007	70,596	55,451	984,378
Total current liabilities	1,706,319	198,925	71,397	1,339,395	1,094,287	504,477	4,914,800
Noncurrent liabilities							
Advances from other funds	.....	.....	907,026	.....	.....	890	907,916
Deposits	.....	.....	.....	.....	.....	8,737	8,737
Total noncurrent liabilities	.....	.....	907,026	.....	.....	9,627	916,653
Total liabilities	1,706,319	198,925	978,423	1,339,395	1,094,287	514,104	5,831,453
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue	163,308	701	.....	801,262	552,975	36,747	1,554,993
Total deferred inflows of resources	163,308	701	.....	801,262	552,975	36,747	1,554,993
FUND BALANCES							
Nonspendable	20,932	761	.....	51,290	7,490	28,783	109,256
Restricted	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
Total liabilities, deferred inflows and fund balances	$ 8,549,027	$ 3,644,522	$ 2,157,741	$ 4,028,084	$ 3,278,006	$ 3,541,967	$ 25,199,347

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

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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	3,130,291	
		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	(16,175)	
		(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.		609,256
Net position of governmental activities		$ 66,181,538

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

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	Transportation	Nonmajor Governmental Funds	Totals 6/30/17
REVENUES							
Taxes	$ 33,551,201	$ 293,218	$ 1,116,654	$ 1,086,696	$ 2,727,802	$ 259,131	$ 39,034,702
Licenses and permits	508,292	50,930	1,141	37,161	13,372	1,515,365	2,126,261
Fees and charges	1,535,964	188,158	56,686	767,323	662,371	773,283	3,983,785
Grants and donations	22,415	164,519	2,125,843	23,283,955	2,267,094	2,239,826	30,103,652
Investment earnings (losses)	24,528	14,435	39,760	(175)	(2,809)	36,772	112,511
Fines, forfeits, settlements and judgments	532,709	5,097	160,596	61,170	3,905	525,997	1,289,474
Other	3,398	14,535	2,302	525,886	23,596	46,841	616,558
Total revenues	36,178,507	730,892	3,502,982	25,762,016	5,695,331	5,397,215	77,266,943
EXPENDITURES							
Current:							
General government	4,470,445	29,193	.....	148,937	203,461	1,974,359	6,826,395
Education	15,585,517	.....	4,557,842	.....	.....	181,322	20,324,681
Human services	8,824,261	.....	.....	26,539,067	.....	445,128	35,808,456
Criminal justice and corrections	3,531,287	.....	.....	.....	.....	495,807	4,027,094
Natural resources and environment	489,860	1,054,045	.....	.....	.....	1,427,054	2,970,959
Transportation	2,192	.....	.....	.....	4,159,880	.....	4,162,072
State courts	437,567	.....	.....	.....	.....	78,949	516,516
Capital outlay	106,930	92,527	183	7,710	2,639,125	61,632	2,908,107
Debt service:							
Principal retirement	13,589	.....	.....	3,854	250,102	1,063,459	1,331,004
Interest and fiscal charges	5,042	.....	.....	309	80,260	739,317	824,928
Total expenditures	33,466,690	1,175,765	4,558,025	26,699,877	7,332,828	6,467,027	79,700,212
Excess (deficiency) of revenues over expenditures	2,711,817	(444,873)	(1,055,043)	(937,861)	(1,637,497)	(1,069,812)	(2,433,269)
OTHER FINANCING SOURCES (USES)							
Proceeds of bond issues	2,606	.....	150,000	.....	100,000	4,794	257,400
Proceeds of refunding bonds	.....	.....	.....	.....	.....	1,446,829	1,446,829
Proceeds of financing agreements	4,162	.....	.....	.....	321,547	1,413	327,122
Operating transfers in	535,276	899,727	2,180,330	1,579,951	1,580,064	3,082,824	9,858,172
Operating transfers out	(3,402,792)	(313,344)	(1,354,485)	(431,054)	(676,202)	(1,964,393)	(8,142,270)
Payments to refunded bond agent	.....	.....	.....	.....	.....	(1,446,829)	(1,446,829)
Total other financing sources (uses)	(2,860,748)	586,383	975,845	1,148,897	1,325,409	1,124,638	2,300,424
Net change in fund balances	(148,931)	141,510	(79,198)	211,036	(312,088)	54,826	(132,845)
Fund balances - beginning, as restated (Note 1)	6,828,331	3,303,386	1,258,516	1,676,391	1,942,832	2,936,290	17,945,746
Fund balances - ending	$ 6,679,400	$ 3,444,896	$ 1,179,318	$ 1,887,427	$ 1,630,744	$ 2,991,116	$ 17,812,901

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

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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	(308,633)	
		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	1,325	
		(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 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	(83,750)	
		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		$ 2,499,298

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.

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

	Transportation	Lottery	Hurricane Catastrophe Fund	Prepaid College Program	Reemployment Assistance	Nonmajor Enterprise Funds	Totals 6/30/17	Internal Service Funds
ASSETS								
Current assets								
Cash and cash equivalents	$ 3,318	$ 342	$ 11	$ 3,147	$ 145	$ 24,986	$ 31,949	$ 54,658
Pooled investments with State Treasury	1,074,259	184,293	.....	.....	3,609,356	421,530	5,289,438	666,259
Other investments	.....	.....	12,902,205	2,331,893	.....	19,456	15,253,554	47,002
Receivables, net	22,895	40,968	200,659	402,814	152,344	14,179	833,859	28,130
Due from other funds	114,739	.....	.....	23	745	9,880	125,387	19,715
Due from component units/primary	.....	.....	.....	.....	391	1	392	728
Inventories	5,055	1,426	.....	.....	.....	.....	6,481	.....
Other	247	2,391	5	2	.....	1,297	3,942	.....
Total current assets	1,220,513	229,420	13,102,880	2,737,879	3,762,981	491,329	21,545,002	816,492
Noncurrent assets								
Restricted cash and cash equivalents	65	.....	.....	.....	.....	.....	65	.....
Restricted pooled investments with State Treasury	.....	30,882	.....	.....	.....	.....	30,882	.....
Restricted investments	308,297	297,370	.....	.....	.....	.....	605,667	.....
Long-term investments	.....	.....	3,733,078	11,078,267	.....	53,259	14,864,604	.....
Other loans and notes receivable, net	80,643	.....	.....	1,785,976	.....	1,267	1,867,886	.....
Capital assets								
Land and other non-depreciable assets	1,157,524	3,222	.....	.....	.....	.....	1,160,746	319
Non-depreciable infrastructure	8,918,407	.....	.....	.....	.....	.....	8,918,407	.....
Buildings, equipment, and other depreciable assets	846,747	12,889	46	50	.....	152,732	1,012,464	1,571,748
Accumulated depreciation	(351,029)	(9,847)	(39)	(35)	.....	(59,621)	(420,571)	(551,679)
Construction work in progress	1,235,160	.....	.....	.....	.....	3,445	1,238,605	3,842
Other	.....	24,177	.....	.....	.....	5,644	29,821	.....
Total noncurrent assets	12,195,814	358,693	3,733,085	12,864,258	.....	156,726	29,308,576	1,024,230
Total assets	13,416,327	588,113	16,835,965	15,602,137	3,762,981	648,055	50,853,578	1,840,722
DEFERRED OUTFLOWS OF RESOURCES								
Amount deferred on refunding of debt	30,022	.....	.....	.....	.....	.....	30,022	1,409
Pension-related items	.....	9,872	534	962	.....	54,032	65,400	44,163
Total deferred outflows of resources	30,022	9,872	534	962	.....	54,032	95,422	45,572
LIABILITIES								
Current liabilities								
Accounts payable and accrued liabilities	64,460	5,545	153,200	237,807	17,818	24,968	503,798	196,160
Accrued prize liability	.....	169,096	.....	.....	.....	.....	169,096	.....
Due to other governments	.....	.....	.....	.....	6,648	.....	6,648	.....
Due to other funds	95,673	71,775	307	.....	1,360	6,630	175,745	36,021
Due to component units/primary	.....	.....	.....	.....	.....	334	334	175
Compensated absences	.....	558	62	69	.....	5,393	6,082	2,838
Installment purchases/capital leases	44,337	.....	.....	.....	.....	1,506	45,843	5,793
Bonds payable	.....	.....	.....	.....	.....	.....	.....	19,340
Bonds payable from restricted assets	142,760	.....	.....	.....	.....	.....	142,760	.....
Deposits	94,756	.....	.....	.....	.....	22,304	117,060	164,767
Claims payable	.....	.....	1,000	.....	.....	.....	1,000	.....
Obligations under security lending agreements	51,244	10,273	.....	1,869,679	.....	17,290	1,948,486	30,233
Certificates of participation payable	.....	.....	.....	.....	.....	.....	.....	31,415
Tuition and housing benefits payable	.....	.....	.....	630,324	.....	.....	630,324	.....
Pension liability	.....	202	12	13	.....	1,238	1,465	641
Total current liabilities	493,230	257,449	154,581	2,737,892	25,826	79,663	3,748,641	487,383
Noncurrent liabilities								
Advances from other funds	84,096	.....	.....	.....	.....	.....	84,096	500
Accrued prize liability	.....	229,662	.....	.....	.....	.....	229,662	.....
Bonds payable	2,645,020	.....	2,700,000	.....	.....	.....	5,345,020	221,609
Certificates of participation payable	.....	.....	.....	.....	.....	.....	.....	419,510
Installment purchases/capital leases	217,690	.....	.....	.....	.....	14,924	232,614	14,399
Deposits	401	.....	.....	.....	.....	43,392	43,793	.....
Compensated absences	.....	3,230	144	248	.....	13,572	17,194	9,671
Tuition and housing benefits payable	.....	.....	.....	10,495,776	.....	.....	10,495,776	.....
Pension liability	.....	20,008	1,095	1,448	.....	105,354	127,905	82,858
Other	.....	8,233	73	90	.....	47,086	55,482	31,173
Total noncurrent liabilities	2,947,207	261,133	2,701,312	10,497,562	.....	224,328	16,631,542	779,720
Total liabilities	3,440,437	518,582	2,855,893	13,235,454	25,826	303,991	20,380,183	1,267,103
DEFERRED INFLOWS OF RESOURCES								
Deferred service concession arrangement receipts	139,590	.....	.....	.....	.....	.....	139,590	.....
Amount deferred on refunding of debt	16,888	.....	.....	.....	.....	.....	16,888	2,958
Pension-related items	.....	1,006	14	11	.....	4,848	5,879	6,977
Total deferred inflows of resources	156,478	1,006	14	11	.....	4,848	162,357	9,935
NET POSITION								
Net investment in capital assets	8,565,247	6,264	8	15	.....	80,899	8,652,433	310,616
Restricted for Reemployment Assistance	.....	.....	.....	.....	3,737,155	.....	3,737,155	.....
Restricted for Lottery	.....	95,499	.....	.....	.....	.....	95,499	.....
Restricted for Hurricane Catastrophe Fund	.....	.....	13,980,584	.....	.....	.....	13,980,584	.....
Restricted for Prepaid College Program	.....	.....	.....	2,367,619	.....	.....	2,367,619	.....
Restricted for Transportation	298,572	.....	.....	.....	.....	.....	298,572	.....
Restricted - other	.....	.....	.....	.....	.....	467	467	84,599
Unrestricted	985,615	(23,366)	.....	.....	.....	311,882	1,274,131	214,041
Total net position	$ 9,849,434	$ 78,397	$ 13,980,592	$ 2,367,634	$ 3,737,155	$ 393,248	$ 30,406,460	$ 609,256

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

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	Reemployment Assistance	Nonmajor Enterprise Funds	Totals 6/30/17	Internal Service Funds
OPERATING REVENUES								
Sales - nonstate	$ 18,002	$ 6,162,313	$ 1,068,177	$ 386,077	$	$ 99,307	$ 7,733,876	$ 50,360
Change in actuarial value of contract premiums	.....	.....	.....	21,923	.....	.....	21,923	.....
Fees	1,142,874	.....	.....	2,454	732,785	263,366	2,141,479	178
Sales - state	.....	.....	41	225	.....	39,632	39,898	2,387,683
Rents and royalties - nonstate	8,573	533	.....	.....	.....	6	9,112	91
Rents - state	.....	.....	.....	.....	.....	109	109	155,730
Fines, forfeits, settlements and judgments	3,585	171	.....	.....	.....	11,058	14,814	20
Other	.....	.....	.....	.....	.....	18,889	18,889	18,218
Total operating revenues	1,173,034	6,163,017	1,068,218	410,679	732,785	432,367	9,980,100	2,612,280
OPERATING EXPENSES								
Benefit payments	.....	.....	.....	.....	414,596	.....	414,596	.....
Payment of lottery winnings	.....	3,996,632	.....	.....	.....	.....	3,996,632	.....
Commissions on lottery sales	.....	343,608	.....	.....	.....	.....	343,608	.....
Contractual services	387,313	130,786	3,827	415,680	.....	96,934	1,034,540	550,233
Change in actuarial value of contract benefit payments	.....	.....	1,000	(687,386)	.....	.....	(686,386)	.....
Insurance claims expense	.....	.....	.....	.....	.....	.....	.....	1,857,865
Personal services	15,738	30,097	1,567	1,987	.....	189,647	239,036	95,701
Depreciation	52,484	1,570	4	9	.....	9,876	63,943	38,395
Materials and supplies	24,717	2,078	11	64	.....	4,983	31,853	6,966
Repairs and maintenance	.....	628	.....	.....	.....	3,987	4,615	4,229
Basic services	.....	4,404	266	150	.....	28,957	33,777	7,773
Interest and fiscal charges	.....	.....	9	30	.....	2,666	2,705	1
Bad debt	.....	.....	.....	.....	.....	.....	.....	1,787
Total operating expenses	480,252	4,509,803	6,684	(269,466)	414,596	337,050	5,478,919	2,562,950
Operating income (loss)	692,782	1,653,214	1,061,534	680,145	318,189	95,317	4,501,181	49,330
NONOPERATING REVENUES (EXPENSES)								
Grants and donations	3,688	.....	.....	.....	4,347	2,861	10,896	.....
Investment earnings (losses)	(2,840)	(12,996)	135,539	47,163	88,427	(832)	254,461	(3,699)
Interest and fiscal charges	(94,184)	(12,688)	(73,397)	(17,717)	.....	(924)	(198,910)	(34,612)
Fines, forfeits, judgments and settlements	870	.....	1	145	.....	2	1,018	.....
Property disposition gain (loss)	(4,287)	(57)	.....	.....	.....	721	(3,623)	(622)
Grant expense and client benefits	.....	.....	.....	.....	.....	(925)	(925)	.....
Emergency assessment funds received	.....	.....	300	.....	.....	.....	300	.....
Other	5,533	.....	.....	.....	.....	(184)	5,349	29
Total nonoperating revenues (expenses)	(91,220)	(25,741)	62,443	29,591	92,774	719	68,566	(38,904)
Income (loss) before transfers and contributions	601,562	1,627,473	1,123,977	709,736	410,963	96,036	4,569,747	10,426
Operating transfers in	117,689	.....	.....	.....	2,764	22,850	143,303	19,454
Operating transfers out	(63,306)	(1,656,506)	(10,000)	.....	(13,969)	(91,725)	(1,835,506)	(22,885)
Capital contributions	171,900	.....	.....	.....	.....	.....	171,900	70
Change in net position	827,845	(29,033)	1,113,977	709,736	399,758	27,161	3,049,444	7,065
Total net position - beginning, as restated (Note 1)	9,021,589	107,430	12,866,615	1,657,898	3,337,397	366,087	27,357,016	602,191
Total net position - ending	$ 9,849,434	$ 78,397	$ 13,980,592	$ 2,367,634	$ 3,737,155	$ 393,248	$ 30,406,460	$ 609,256

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

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.

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)	.....
.....	.....	.....	.....	(1,847,158)
.....	(431,508)	.....	(431,508)	.....
(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

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	Prepaid College Program	Reemployment Assistance	Nonmajor Enterprise Funds	Totals 6/30/17	Internal Service Funds
Operating income (loss)	$ 692,782	$ 1,653,214	$ 1,061,534	$ 680,145	$ 318,189	$ 95,317	$ 4,501,181	$ 49,330
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:								
Depreciation and amortization expense	52,484	1,570	4	9	.....	9,876	63,943	38,395
Changes in assets and liabilities:								
(Increase) decrease in accounts receivable	7,557	(8,133)	835	(3,753)	69,442	(2,249)	63,699	(3,144)
(Increase) decrease in due from other funds	33	.....	.....	4,451	98	(107)	4,475	(722)
Increase (decrease) in allowance for uncollectibles	.....	(414)	.....	.....	(16,217)	2,240	(14,391)	1,787
(Increase) decrease in inventories	(3,437)	58	.....	.....	.....	.....	(3,379)	.....
(Increase) decrease in future contract premiums and other receivables	.....	.....	.....	(21,923)	.....	.....	(21,923)	.....
(Increase) decrease in other non-current assets	.....	(1,383)	.....	.....	.....	225	(1,158)	.....
Increase (decrease) in accounts payable	15,003	(3,073)	954	3,894	(24,120)	6,818	(524)	6,265
Increase (decrease) in compensated absences	.....	(52)	31	43	.....	112	134	(432)
Increase (decrease) in due to other funds	(38,514)	.....	.....	(35)	(295)	296	(38,548)	1,431
Increase (decrease) in tuition and housing benefits payable	.....	.....	.....	(687,386)	.....	.....	(687,386)	.....
Increase (decrease) in other non-current liability	.....	1,550	14	17	.....	8,724	10,305	4,678
(Increase) decrease in deposits and prepaid items	(7)	2	(4)	(2)	.....	(66)	(77)	.....
Increase (decrease) in unearned revenue	14,260	.....	.....	.....	.....	(3,930)	10,330	13,387
Increase (decrease) in prize liability	.....	12,462	.....	.....	.....	.....	12,462	.....
Increase (decrease) in pension liability and deferrals	.....	1,259	57	130	.....	(4,640)	(3,194)	2,575
Net cash provided (used) by operating activities	$ 740,161	$ 1,657,060	$ 1,063,425	$ (24,410)	$ 347,097	$ 112,616	$ 3,895,949	$ 113,550
Noncash investing, capital, and financing activities								
Borrowing under capital lease or installment purchase	$ 57,972	$	$	$	$	$	$ 57,972	$ .....
Change in fair value of investments	(20,163)	(39,533)	2,080	(370,931)	.....	(6,991)	(435,538)	(13,074)
Contribution of capital assets	6,734	.....	.....	.....	.....	.....	6,734	.....
Other noncash items	11,685	.....	.....	.....	.....	.....	11,685	.....

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

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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.

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
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	.....	1,289,852	.....	.....	1,289,852
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.

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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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.

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

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Florida Housing Finance Corporation
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	$ 18,379,043	$ 7,902,440	$ 4,318,046	$ 833,465	(45,363)
General revenues					
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					$ 2,291,140

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)
.....	.....	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
$ 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.

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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 I50, *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:							
Grantors/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	$ 63,682,240	$ 2,936,290	$ 12,866,615	$ 366,087	$ 5,830,977

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	$ 948,889	$ 758,521

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

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

	Bank Statement Balance (in U.S. $)			
Currency	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

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.

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	28,625,376
LIABILITIES	
Other Liabilities	2,185,190
Total Liabilities	2,185,190
NET POSITION	
Net position held for Internal Pool Participants	25,318,529
Net position held for External Pool Participants	1,121,657
	$ 26,440,186

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	155,546
DEPOSITOR ACTIVITY	
Deposits	113,095,446
Withdrawals	(113,705,440)
Excess (deficiency) of deposits over withdrawals	(609,994)
Change in net position	(609,994)
Net position, beginning	27,050,180
Net position, ending	$ 26,440,186

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	$ 28,111,858	$ 27,561,604		

* 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.

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**	26,391,390
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	80,365
Total lending collateral investments	1,170,214
Total investments	27,561,604
Cash on deposit	1,060,145
Total State Treasury holdings	28,621,749
Adjustments:	
Outstanding warrants	(457,691)
Deposits in transit	3,627
SPIA Revolving Account*	(6,812)
Unsettled securities liability	(551,004)
Reconciled balance, June 30, 2017	$ 27,609,869
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	287,390
Total pooled investments with State Treasury	26,930,676
Restricted pooled investments with State Treasury	
Business-type activities	30,882
Component units	648,311
Total restricted pooled investments with State Treasury	679,193
Total pooled investments with State Treasury	$ 27,609,869

* 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.

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

	Fair value*			
		Other funds		
Investment type	FRS Pension Trust Fund	Managed by SBA	Not managed by SBA	Total
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	156,435,344	48,844,857	4,072,219	209,352,420
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	1,289,852	1,885,441	.....	3,175,293
Total investments for all types - fair value	$ 157,725,196	$ 50,730,298	$ 4,072,219	$ 212,527,713
% 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.

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	$ 1,397,564	$ 30,716,636	$ 179,524,716	$ 888,797	$ 212,527,713

[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	$ 93,159
Total	$ 93,159

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	7,815
Total margin receivable	$ 41,239
Margin payable to counterparties:	
Futures contracts	$ 262
Swap contracts	726
Total margin payable	$ 988

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	(8,338)
Total	$ (322,263)

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.

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	$ 24,335,198
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	$ 24,335,198

*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.

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	.....
		16,899,290	$ 240,362	$ 9,311,590	$ 5,941,544	$ 887,919	$ 123,634	$ 394,241
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					
		$ 23,964,456	[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.

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 AAAmmf, 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

(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]			Certificates	Commercial	Money market	Repurchase	Federal[4]	Domestic	International
S&P	Moody's	Total[2]	of deposit	paper	funds	agreements	agencies	bonds & notes	bonds & notes
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	Caa	2,590	.....	.....	.....	.....	.....	2,590	.....
Not rated	Ca	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[3]	612,493
U.S. guaranteed obligations[3]	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.

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.

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		Money market	Repurchase	Federal	Domestic	Commingled domestic bonds	International bonds and
S&P	Moody's	Total[2]	of deposit	Commercial paper	funds	Agreements	agencies	bonds and notes	and notes funds	notes
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	16,768
		30,500,980	$ 4,367,239	$ 12,660,019	$ 1,786,290	$ 1,470,806	$ 5,601,039	$ 2,314,446	$ 1,822,918	$ 478,223

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	$ 50,731,118 [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 explicitely 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.

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.

Major Component Units
Credit Quality Ratings
As of June 30, 2017

Component Unit	Federal agencies	Bonds & notes	Money market funds	Mutual funds	U.S. guaranteed obligations	Commercial paper	Total	S&P rating
Florida Housing Finance Corporation (FHFC) *	$	$ 5,757	$	$	$	$	$ 5,757	AAA-AA+
FHFC (continued)	.....	24,734	.....	.....		.....	24,734	AAA-AA-
FHFC (continued)	.....	16,890	.....	.....	.....	.....	16,890	AAA-BBB+
FHFC (continued)	.....	106,820	.....	.....	.....	.....	106,820	AAA-BBB-
FHFC (continued)	.....	10,997	.....	.....	.....	.....	10,997	AAA-D
FHFC (continued)	85,334		.....	.....	.....	.....	85,334	AA+
FHFC (continued)	.....		.....	.....	.....	399	399	A 1
University of Florida (UF)	2,113	7,512	14,819	49,283	.....	.....	73,727	AAA
UF (continued)	2,828	1,909	.....	51,622	.....	.....	56,359	AA
UF (continued)	.....	5,034	.....	16,481	.....	.....	21,515	A
UF (continued)	.....	101,204	50	18,385	.....	.....	119,639	Less than A
Citizens Property Insurance Corporation (CPIC)	1,371,781	.....	.....	.....	2,269,268	.....	3,641,049	AA+
CPIC (continued)	.....	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).

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

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.

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.

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 AAAm, 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).

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.

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

FRS Pension Trust Fund
Sold Short[1] 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]	$ (313,925)	

[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 maturities (in years)						
Investment type	Total fair value	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	$ 840,063	$ 568,724	$ 40,864	$ 38,983	$ 94,227	$ 65,515	$ 17,896	$ 13,854

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

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	$ 12,965,505		$ 28,247,764	

[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

		Investment maturities (in years)			
Component unit / Investment type	Total fair value	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	$ 260,056	$ 36,173	$ 123,519	$ 98,959	$ 1,405

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	$ 250,931		$ 11,746,102	

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.

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

	Investment Type				
Currency	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)
Kenyan 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)

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			
	Currency	Number of Contracts	Notional Traded Exposure	Notional Market Exposure	Unrealized Gain/(Loss)	Unrealized 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):

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

Currency	Forward Currency Contracts: Receivable Fair Value	Forward Currency Contracts: Payable Fair Value	Forward Currency Contracts: Net Receivables/ Payables	Forward Currency Contracts: Unrealized Gain/ (Loss)	Spot Currency Contracts: Receivable Fair Value	Spot Currency Contracts: Payable Fair Value	Spot Currency Contracts: Net Receivables/ Payables	Spot Currency Contracts: Unrealized 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**

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 Investment Type: Equity	LCEF Investment Type: Foreign Currency Contracts, Net	Florida Prepaid Program and Investment Plan Investment type: Equity	Florida Prepaid Program and Investment Plan Investment type: 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

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

	Spot Currency Contracts			
Currency	**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.

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 securites on loan for cash collateral	1,136,279
Securites 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.

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]		
Securities on Loan for Cash Collateral, by Security type	FRS Pension Trust Fund	Other funds Managed by SBA	Total
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:

a. 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.
b. 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.
c. 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.

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

	Notional	Changes in Fair Value		Fair Value at June 30, 2017	
	(in U.S. $)	Classification	Amount	Classification	Amount
State Treasury					
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.

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:					
Futures[1]					
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	$ 3,509,576		$ 277,871		$ (11,394)
Forward currency contracts[2]	$ 3,343	Investment Income	$ 63,097	Receivable/(Payable), net	$ 3,343
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	$ 1,118,786		(40,178)		22,282
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	$ 412,105		$ 4,490		$ (2,015)

[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.

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 custodial 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).

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).

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		
Investments by fair value level	**Total Fair Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
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 Instruments[2]				
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 opportunties 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.

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.

[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.

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		
Investments by fair value level	**Total Fair Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
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.

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.

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

Investments by fair value level	Total Fair Value	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Florida Housing Finance Corporation (FHFC)				
Debt securities				
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	$ 1,427,584	$	$ 1,427,584	$ .....
Citizens Property Insurance Corporation (CPIC)				
Debt securities				
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	$ 11,746,102	$ 2,675,835	$ 9,070,267	$ .....
University of Florida (UF)				
Debt securities				
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	.....
Equity securities				
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	459,648	$ 266,742	$ 192,867	$ 39

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	$ 207,547	Monthly	30 - 45 Days
Total investments measured at the NAV	2,863,410			
Total investments measured at fair value	$ 3,323,058			

[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**	**$ 58,516**	**$ 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**

"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**

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	$ 25,333,464

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

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

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

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

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**

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**

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.

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

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
Termintated 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

Changes in Net Pension Liability	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

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%.

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

1% Decrease 6.60%	Current Discount Rate 7.60%	1% Increase 8.60%
$8,437,682,657	$4,583,037,682	$1,374,554,810

HIS

1% Decrease 1.85%	Current Discount Rate 2.85%	1% Increase 3.85%
$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.

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)

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
Pension Expense [1,2]	$ 59,720,625	$ 91,142,630	$ 118,959
Forfeitures	6,586,551	.....	.....
Pension Liability	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.

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.

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		
	Governmental Activities	Business-type Activities	Component 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	$ 19,131,762	$ 15,242,164		
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	$ 7,001,095	$ 5,487,780		

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.

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.

				Debt Service						
Bond Type	Revenue[3]	Less Operating Expenses	Net Available for Debt Service	Principal	Interest[5]	Total Debt Service	Coverage Ratio	Final Maturity	Remaining Debt Service	Revenue Ratio[4]
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[1,2]	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.

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):

	Primary Government					
	Governmental Activities			Business-type Activities		
Year Ending June 30	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	$ 15,242,164	$ 5,598,350	$ 20,840,514	$ 5,487,780	$ 1,565,196	$ 7,052,976

	Component Units		
Year Ending June 30	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	$ 7,672,635	$ 2,488,814	$ 10,161,449

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

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

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
Governmental Activities	
University Auxiliary Bonds	$ 804

8. Arbitrage Regulations

The state complies with federal arbitrage regulations.

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):

Governmental Activities	Interest
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	33,599
Total Education	456,104
Natural Resources and Environment:	
Inland Protection Bonds	2,967
Everglades Restoration Bonds	7,877
Water Pollution Control Bonds	14,415
Florida Forever Bonds	40,707
Total Natural Resources and Environment	65,966
Transportation:	
Road and Bridge Bonds (Right of Way)	56,357
State Infrastructure Bonds	1,838
Seaport Bonds	5,157
Total Transportation	63,352
Total Direct Interest	$ 585,422

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.

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	$ 532,825	$ 196,144	$ 728,969

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	$ 853,623	$ 417,117	$ 1,270,740

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):

	Primary Government		
Year Ending June 30	Governmental Activities	Business-type Activities	Component Units
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	$ 41,634	$ 16,430	$ 7,815

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):

	Primary Government	
	Governmental	
Year Ending June 30	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	$ 13,916	$ 65,231

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	Primary Government: 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.

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**

[1]Public-private partnerships are included in the Installment purchases/capital leases lines of the Proprietary Funds Statement of Net Position.

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 from Other Funds (in thousands)				
	Governmental Activities				
Due to Other Funds (in thousands)	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 from Other Funds (in thousands)	
	Governmental Activities	
Due to Other Funds (in thousands)	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)

	Due from Other Funds (in thousands)			
	Business-type Activities			
Due to Other Funds (in thousands)	Transportation	Prepaid College Program	Reemployment Assistance	Nonmajor Enterprise Funds
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 from Other Funds (in thousands)			
	Fiduciary Funds			
Due to Other Funds (in thousands)	Private-purpose Trust Funds	Pension and Other Employee Benefits Trust Funds	Agency Funds	**Total**
Governmental Activities				
General Fund	$ 1,266	$ 6	$ 98,817	**$ 245,247**
Environment, Recreation and Conservation	.....	.....	.....	**25,611**
Public Education	.....	.....	.....	**2,620**
Health and Family Services	.....	.....	559	**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**

	Advances to Other Funds (in thousands)	
	Governmental Activities	
Advances from Other Funds (in thousands)	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 to Other Funds (in thousands)	
	Fiduciary Funds	
Advances from Other Funds (in thousands)	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**

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 from Other Funds (in thousands)				
	Governmental Activities				
Transfers to Other Funds (in thousands)	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 from Other Funds (in thousands)		
	Governmental Activities		
Transfers to Other Funds (in thousands)	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**	

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	Transfers from Other Funds (in thousands)		
	Business-type Activities		
Transfers to Other Funds (in thousands)	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 from Other Funds (in thousands)			
	Fiduciary Funds			
Transfers to Other Funds (in thousands)	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

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.

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.

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.

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.

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.

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.

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.

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.

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	$ 446,683	$ 504,915	$ 664,547	$ 586,288
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	$	$	$	$ .....
Net pension liability-ending	$ 446,683	$ 504,915	$ 664,547	$ 586,288
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 SUPPELEMENTAL 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)	$	$	$	$ .....
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.

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

2017	2016	2015
92%	92%	92%

Percentage of bridges meeting FDOT standards

2017	2016	2015
96%	96%	95%

Maintenance Rating

2017	2016	2015
86	86	86

Comparison of Needed-to-Actual Maintenance/Preservation (in millions)

Resurfacing Program

	2017	2016	2015	2014	2013
Needed	$530.8	$619.5	$571.6	$467.6	$514.4
Actual	541.5	610.1	570.6	455.6	521.8

Bridge Repair/Replacement Program

	2017	2016	2015	2014	2013
Needed	$642.5	$191.4	$110.4	$239.4	$332.8
Actual	567.2	199.3	111.6	182.6	323.5

Routine Maintenance Program

	2017	2016	2015	2014	2013
Needed	$661.3	$627.4	$599.9	$592.2	$574.4
Actual	741.7	723.3	694.6	641.2	636.4

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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APPENDIX D

DEFINITIONS

"2018A Bonds" shall mean the $99,990,000 State of Florida, Full Faith and Credit, Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds, Series 2018A, authorized by a resolution adopted by the Governing Board on March 7, 2018.

"Act" shall mean Article VII, Section 17 of the Florida Constitution; Section 206.46, Florida Statutes; Section 215.605, Florida Statutes; the State Bond Act, being Sections 215.57 through 215.83, Florida Statutes; Chapter 88-555, Laws of Florida; Chapter 88-556, Laws of Florida; and other applicable provisions of law.

"Additional Bonds" shall mean the obligations issued at any time under the provisions of Section 5.01 of the Resolution on a parity with the Series 1989 Bonds.

"Additional Project" shall mean, to the extent not included as part of the Initial Project, (A) the acquisition of real property or the rights to real property for state roads, as defined by law, or (B) the construction of state bridges; which has been authorized by the Legislature by an act relating to appropriations or by general law and which is in compliance with the requirements of law.

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

"Amortization Installment" shall mean an amount designated as such by Supplemental Resolution of the Governing Board of the Division and established with respect to the Term Bonds.

"Annual Debt Service" shall mean, at any time, the aggregate amount in the then current Fiscal Year of (1) interest required to be paid on the Outstanding Bonds during such Fiscal Year, except to the extent that such interest is to be paid from deposits in the Interest Account made from Bond proceeds, (2) principal of Outstanding Serial Bonds maturing in such Fiscal Year, and (3) the Amortization Installments designated by Supplemental Resolution with respect to such Fiscal Year. For purposes of this definition, all amounts payable on a Capital Appreciation Bond shall be considered a principal payment due in the year of its maturity or earlier mandatory redemption.

"Authorized Officer" of the Department or Division shall mean any officer or employee of the Department or Division duly authorized to perform such act or sign such document.

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

"Bond Amortization Account" shall mean the Bond Amortization Account established in the Debt Service Fund pursuant to Section 4.05 of the Resolution.

"Bond Counsel" shall mean an attorney at law or firm of attorneys, of nationally recognized standing in matters pertaining to the federal tax exemption of interest on obligations issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States of America.

"Bond Proceeds Account" shall mean the Bond Proceeds Account established in the Trust Fund pursuant to Section 4.04 of the Resolution.

"Bonds" shall mean the Series 1989 Bonds, together with any Additional Bonds issued pursuant to the Resolution.

"Code" shall mean the Internal Revenue Code of 1986, as amended, and the regulations and rules thereunder in effect or proposed.

"Cost" or **"Costs"**, when used in connection with a Project, shall mean (1) costs of acquisition by or for the Department of any real property or rights to real property; (2) the Department's cost of physical construction for state bridges; (3) the cost of any indemnity and surety bonds and premiums for insurance during construction; (4) engineering, legal and other consultant fees and expenses; (5) costs of machinery or equipment required by the Department for the commencement of operation of such Project; (6) all interest due to be paid on Bonds and other obligations relating to a

Project during, and if deemed advisable by the Department for up to one year after the end of, the construction of such Project; and (7) any other costs properly attributable to such acquisition or construction, as determined by generally accepted accounting principles and shall include reimbursement to the Department for any such items of Cost paid by the Department before the date of adoption of the Resolution. Any Supplemental Resolution may provide for additional items to be included in the aforesaid definition of Costs.

"Credit Facility" shall mean as to any particular Series of Bonds, a letter of credit, a line of credit or another credit or legal liquidity enhancement facility (other than an insurance policy issued by an Insurer), as approved in the Supplemental Resolution providing for the issuance of such Bonds.

"Debt Service Fund" shall mean the Right-of-Way Acquisition and Bridge Construction Debt Service Fund established pursuant to Section 4.05 of the Resolution.

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

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

"Fiscal Year" shall mean the period commencing on July 1 of each year and continuing through the next succeeding June 30, or such other period as may be prescribed by law.

"Governing Board" shall mean Governor and Cabinet of the State of Florida as the Governing Board of the Division of Bond Finance of the State Board of Administration of Florida.

"Holder" or **"Bondholder"** or any similar term, when used with reference to a Bond or Bonds, shall mean any person who shall be the registered owner of any Outstanding Bond or Bonds as provided in the registration books of the Division.

"Initial Project" shall mean the acquisition of certain real property and the rights to real property for state roads as defined by law and the construction of certain state bridges as set forth in the 5-year transportation plan of the Department adopted pursuant to Section 339.135, Florida Statutes, as the same may be amended from time to time as provided by law.

"Insurer" shall mean such Person as shall be in the business of insuring or guaranteeing the payment of principal of and interest on municipal securities and whose credit is such that, at the time of any action or consent required or permitted by the Insurer pursuant to the terms of the Resolution, all municipal securities insured or guaranteed by it are then rated, because of such insurance or guarantee, in one of the two highest rating categories by a Rating Agency.

"Interest Account" shall mean the Interest Account established in the Debt Service Fund pursuant to Section 4.05 of the Resolution.

"Interest Date" or **"Interest Payment Date"** shall be such date or dates for the payment of interest on a Series of Bonds as shall be provided by Supplemental Resolution.

"Investment Earnings" shall mean all investment income derived from investment of moneys in the Reserve Account which shall be transferred to the Interest Account pursuant to the terms of the Resolution.

"Maximum Annual Debt Service" shall mean the largest aggregate amount of the Annual Debt Service becoming due in any Fiscal Year in which Bonds are Outstanding, excluding all Fiscal Years which shall have ended prior to the Fiscal Year in which the Maximum Annual Debt Service shall at any time be computed.

"Outstanding", when used with reference to Bonds and as of any particular date, shall describe all Bonds theretofore and thereupon being authenticated and delivered except, (1) any Bond in lieu of which another Bond or other Bonds have been issued under agreement to replace lost, mutilated or destroyed Bonds, (2) any Bond surrendered by the Holder thereof in exchange for another Bond or other Bonds under Sections 2.06 and 2.08 of the Resolution, (3) Bonds deemed to have been paid pursuant to Section 8.01 of the Resolution, and (4) Bonds cancelled after purchase in the open market or because of payment at or redemption prior to maturity.

"Outstanding Bonds" shall mean the outstanding Series 2009A Bonds, Series 2009B Bonds, Series 2011A Bonds, Series 2011B Bonds, Series 2012A Bonds, Series 2012B Bonds, Series 2015A Bonds, Series 2016A Bonds, Series 2016B Bonds, and Series 2017A Bonds.

"Paying Agent" shall mean any paying agent for Bonds appointed by or pursuant to the Resolution and its successor or assigns, and any other Person which may at any time be substituted in its place pursuant to the Resolution.

"Person" shall mean an individual, a corporation, a partnership, an association, a joint stock company, a trust, any unincorporated organization or governmental entity.

"Pledged Gas Taxes" shall mean motor fuel taxes and diesel fuel taxes (formerly special fuel taxes) which are transferred from the Fuel Tax Collection Trust Fund into the State Transportation Trust Fund created by Section 206.46, Florida Statutes and then transferred from the State Transportation Trust Fund into the Trust Fund pursuant to the Act.

"Principal Account" shall mean the Principal Account established in the Debt Service Fund pursuant to Section 4.05 of the Resolution.

"Project" shall mean the Initial Project and any Additional Project.

"Redemption Price" shall mean, with respect to any Bond or portion thereof, the principal amount or portion thereof, plus the applicable premium, if any, payable upon redemption thereof pursuant to such Bond or the Resolution.

"Registrar" shall mean any registrar for the Bonds appointed by or pursuant to the Resolution and its successors and assigns, and any other Person which may at any time be substituted in its place pursuant to the Resolution.

"Resolution" shall mean the Authorizing Resolution adopted by the Governing Board on February 28, 1989 and as subsequently supplemented and amended from time to time.

"Serial Bonds" shall mean all of the Bonds other than the Term Bonds.

"Series" shall mean all the bonds delivered on original issuance in a simultaneous transaction and identified pursuant to Sections 2.01 and 2.02 of the Resolution or a Supplemental Resolution authorizing the issuance of such bonds as a separate Series, regardless of variations in maturity, interest rate, Amortization Installments or other provisions.

"State" shall mean the State of Florida.

"STTF" or **"State Transportation Trust Fund"** shall mean the State Transportation Trust Fund created in Section 206.46, Florida Statutes.

"Supplemental Resolution" shall mean any resolution of the Division amending or supplementing the Resolution enacted and becoming effective in accordance with the terms of Sections 7.01, 7.02 and 7.03 of the Resolution.

"Term Bonds" shall mean those Bonds which shall be designated as Term Bonds hereby or by a resolution of the Division and which are subject to mandatory redemption by Amortization Installment.

"Trust Fund" shall mean the Right-of-Way and Bridge Construction Trust Fund created pursuant to Section 215.605, Florida Statutes.

Words importing the masculine gender include every other gender.

Words importing the singular number include the plural number, and vice versa.

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A RESOLUTION OF THE DIVISION OF BOND FINANCE OF THE STATE OF FLORIDA DEPARTMENT OF GENERAL SERVICES AUTHORIZING THE ISSUANCE BY THE DIVISION ON BEHALF OF THE STATE OF FLORIDA DEPARTMENT OF TRANSPORTATION OF NOT EXCEEDING $300,000,000 AGGREGATE PRINCIPAL AMOUNT OF STATE OF FLORIDA, FULL FAITH AND CREDIT, DEPARTMENT OF TRANSPORTATION RIGHT-OF-WAY ACQUISITION AND BRIDGE CONSTRUCTION BONDS, SERIES 1989, FOR THE PURPOSE OF FINANCING OR REFINANCING THE COST OF ACQUIRING REAL PROPERTY OR THE RIGHTS TO REAL PROPERTY FOR STATE ROADS AS DEFINED BY LAW, OR TO FINANCE OR REFINANCE THE COST OF STATE BRIDGE CONSTRUCTION, AND PURPOSES INCIDENTAL TO SUCH PROPERTY ACQUISITION OR BRIDGE CONSTRUCTION.

BE IT RESOLVED BY THE GOVERNOR AND CABINET OF THE STATE OF FLORIDA AS THE GOVERNING BOARD OF THE DIVISION OF BOND FINANCE OF THE STATE OF FLORIDA DEPARTMENT OF GENERAL SERVICES, ON BEHALF OF THE STATE OF FLORIDA DEPARTMENT OF TRANSPORTATION:

ARTICLE I
GENERAL

SECTION 1.01. DEFINITIONS. When used in this Resolution, the following terms shall have the following meanings, unless the context clearly otherwise requires:

"Accreted Value" shall mean, as of any date of computation with respect to any Capital Appreciation Bond, an amount equal to the principal amount of such Capital Appreciation Bond (the principal amount at its initial offering) plus the interest accrued on such Capital Appreciation Bond from the date of delivery to the original purchasers thereof to the Interest Date next preceding the date of computation or the date of computation if an Interest Date, such interest to accrue at a rate not exceeding the legal rate, compounded semiannually, plus, with respect to matters related to the payment upon redemption or acceleration of the Capital Appreciation Bonds, if such date of computation shall not be an Interest Date, a portion of the difference between the Accreted Value as of the immediately preceding Interest Date and the Accreted Value as of the immediately succeeding Interest Date, calculated based on the assumption that Accreted Value accrues during any semi-annual period in equal daily amounts on the basis of a 360-day year.

"Act" shall mean Article VII, Section 17 of the Florida Constitution; Section 206.46, Florida Statutes; Section 215.605, Florida Statutes; the State Bond Act, being Sections 215.57 through 215.83, Florida Statutes; Chapter 88-555, Laws of Florida; Chapter 88-556, Laws of Florida; and other applicable provisions of law.

"Additional Bonds" shall mean the obligations issued at any time under the provisions of Section 5.01 hereof on a parity with the Series 1989 Bonds.

"Additional Project" shall mean, to the extent not included as part of the Initial Project, (A) the acquisition of real property or the rights to real property for state roads, as defined by law, or (B) the construction of state bridges; which has been authorized by the Legislature by an act relating to appropriations or by general law and which is in compliance with the requirements of Sections 339.135(5)(a) or (f) and 339.15(7)(a).

"Amortization Installment" shall mean an amount designated as such by Supplemental Resolution of the Governing Board of the Division and established with respect to the Term Bonds.

"Annual Debt Service" shall mean, at any time, the aggregate amount in the then current Fiscal Year of (1) interest required to be paid on the Outstanding Bonds during such Fiscal Year, except to the extent that such interest is to be paid from deposits in the Interest Account made from Bond proceeds, (2) principal of Outstanding Serial Bonds maturing in such Fiscal

Year, and (3) the Amortization Installments designated by Supplemental Resolution with respect to such Fiscal Year. For purposes of this definition, all amounts payable on a Capital Appreciation Bond shall be considered a principal payment due in the year of its maturity or earlier mandatory redemption.

"Authorized Investments" shall mean any of the following, if and to the extent that the same are permitted by law:

(1) 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 Treasury of the United States of America;

(2) bonds, debentures, or other evidences of indebtedness issued or guaranteed by any agency or corporation which has been or may hereafter be created pursuant to an Act of Congress as an agency or instrumentality of the United States of America;

(3) investment agreements with any bank or other financial institution, the unsecured debt of which is rated in either of the two highest full rating categories by a Rating Agency;

(4) State and Local Government Obligations;

(5) certificates of deposit issued by or time deposits with any bank or trust company organized under the laws of any state of the United States of America or any national banking association, or a branch of a foreign bank duly licensed under the laws of the United States of America or any state or territory thereof, whose senior debt is rated within the two highest long-term or short-term, rating categories of a Rating Agency;

(6) bills of exchange or time drafts drawn on and accepted by a commercial bank under the laws of any state of the United States of America or any state or territory thereof or any national banking association, otherwise known as bankers acceptances, which are eligible for purchase by the Federal Reserve System;

(7) repurchase agreements or investment contracts with any bank or trust company or savings and loan association, or with any broker or dealer registered with the Securities and Exchange Commission and subject to the Securities Investors' Protection Corporation Liquidation in the event of insolvency, in any case having short term debt rated in either of the two highest categories by a Rating Agency provided that, (A) to the extent not insured, the repurchase or investment agreements are secured by Authorized Investments of the kind specified in subsections (1) and (2) above having at all times a fair market value or at least 100% of the value (principal plus accrued interest) of such agreement or contract, (B) the State has a perfected first security interest in such Authorized Investments, and (C) the Authorized Investments are owned by the pledgor free and clear of any kind of liens or security interests other than that of the State; the security for any repurchase agreements and investment contracts shall be (i) in the case of obligations of the United States of America which can be pledged by a book entry notation under regulations of the United States Department of Treasury, appropriately entered on the records of a Federal Reserve Bank, or (ii) in the case of other investments, either (a) deposited with the State, with a Federal Reserve Bank or with a bank or trust company which is acting solely as agent for the State and has a combined net capital and surplus of at least $25,000,000.

(8) shares or other interests in any mutual fund, trust, investment company or similar entity or portfolio which invests solely in Authorized Investments of the types described in subparagraphs (1), (2), (4), (5) or (6) above or any combination thereof;

(9) commercial paper rated in either of the two highest rating categories by a Rating Agency or commercial paper backed by letter of credit or line of credit rated in either of the two highest rating categories by a Rating Agency; and

(10) public housing bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America; or temporary notes, preliminary loan notes or project notes issued by public agencies or municipalities, in each case, fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America.

Rating categories when referred to herein shall be without regard to gradations within such categories, such as "plus" or "minus."

"Authorized Officer" of the Department or Division shall mean any officer or employee of the Department or Division duly authorized to perform such act or sign such document.

"Balloon Maturity Bonds" shall mean such principal portion of a Series of Bonds which (l) shall mature in a single Fiscal Year on the same date, (2) shall not be required to be amortized by payment or redemption by the terms of the Supplemental Resolution authorizing such Bonds, and (3) shall constitute at least twenty-five percent (25%) of the principal amount of such Series.

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

"Bond Amortization Account" shall mean the Bond Amortization Account established in the Debt Service Fund pursuant to Section 4.05 hereof.

"Bond Counsel" shall mean an attorney at law or firm of attorneys, of nationally recognized standing in matters pertaining to the federal tax exemption of interest on obligations issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States of America.

"Bond Insurance Policy" shall mean the municipal bond new issue insurance policy or policies issued by an Insurer guaranteeing the payment of the principal of and interest on any portion of the Bonds.

"Bond Issuance Costs" shall mean all fees, costs and expenses of the Department and the Division (including the Governing Board of the Division) incurred in connection with the authorization, issuance, sale and delivery of the Bonds including, but not limited to, legal fees, premiums for a Bond Insurance Policy, fiscal or escrow agent fees, financial advisory fees, Rating Agency fees, and the fees and expenses of any Paying Agent, Registrar, Insurer, Credit Bank or depository.

"Bond Proceeds Account" shall mean the Bond Proceeds Account established in the Trust Fund pursuant to Section 4.04 hereof.

"Bondholder" or **"Holder"** or **"holder"** or any similar term, when used with reference to a Bond or Bonds, shall mean any person who shall be the registered owner of any Outstanding Bond or Bonds as provided in the registration books of the Division.

"Bonds" shall mean the Series 1989 Bonds, together with any Additional Bonds issued pursuant to this Resolution.

"Business Day" shall mean any day other than a Saturday, Sunday or a day on which commercial banks in the State of Florida are authorized by law to remain closed.

"Capital Appreciation Bonds" shall mean those Bonds so designated by Supplemental Resolution of the Governing Board of the Division, which may be either Serial Bonds or Term Bonds and which shall bear interest payable at maturity or redemption. In the case of Capital Appreciation Bonds that are convertible to Bonds with interest payable prior to maturity or prior to redemption of such Bonds, such Bonds shall be considered Capital Appreciation Bonds only during the period of time prior to such conversion.

"Code" shall mean the Internal Revenue Code of 1986, as amended, and the regulations and rules thereunder in effect or proposed.

"Cost" or **"Costs"**, when used in connection with a Project, shall mean (1) costs of acquisition by or for the Department of any real property or rights to real property; (2) the Department's cost of physical construction for state bridges; (3) the cost of any indemnity and surety bonds and premiums for insurance during construction; (4) engineering, legal and other consultant fees and expenses; (5) costs of machinery or equipment required by the Department for the commencement of operation of such Project; (6) all interest due to be paid on Bonds and other obligations relating to a Project during, and if deemed advisable by the Department for up to one year after the end of, the construction of such Project; and (7) any other

costs properly attributable to such acquisition or construction, as determined by generally accepted accounting principles and shall include reimbursement to the Department for any such items of Cost heretofore paid by the Department. Any Supplemental Resolution may provide for additional items to be included in the aforesaid definition of Costs.

"Credit Bank" shall mean as to any particular Series of Bonds, the Person (other than an Insurer) providing a letter of credit, a line of credit or another credit or liquidity enhancement facility, as designated in the Supplemental Resolution providing for the issuance of such Bonds.

"Credit Facility" shall mean as to any particular Series of Bonds, a letter of credit, a line of credit or another credit or legal liquidity enhancement facility (other than an insurance policy issued by an Insurer), as approved in the Supplemental Resolution providing for the issuance of such Bonds.

"Debt Service Fund" shall mean the Right-of-Way Acquisition and Bridge Construction Debt Service Fund established pursuant to Section 4.05 hereof.

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

"Division" shall mean the Division of Bond Finance of the State of Florida Department of General Services.

"Fiscal Year" shall mean the period commencing on July 1 of each year and continuing through the next succeeding June 30, or such other period as may be prescribed by law.

"Governing Board" shall mean Governor and Cabinet of the State of Florida as the Governing Board of the Division of Bond Finance of the State of Florida Department of General Services.

"Initial Project" shall mean the acquisition of certain real property and the rights to real property for state roads as defined by law and the construction of certain state bridges as set forth in the 5-year transportation plan of the Department adopted pursuant to Section 339.135, Florida Statutes, as the same may be amended from time to time as provided by law.

"Insurer" shall mean such Person as shall be in the business of insuring or guaranteeing the payment of principal of and interest on municipal securities and whose credit is such that, at the time of any action or consent required or permitted by the Insurer pursuant to the terms of this Resolution, all municipal securities insured or guaranteed by it are then rated, because of such insurance or guarantee, in one of the two highest rating categories by a Rating Agency.

"Interest Account" shall mean the Interest Account established in the Debt Service Fund pursuant to Section 4.05 hereof.

"Interest Date" or **"interest payment date"** shall be such date or dates for the payment of interest on a Series of Bonds as shall be provided by Supplemental Resolution.

"Investment Earnings" shall mean all investment income derived from investment of moneys in the Reserve Account which shall be transferred to the Interest Account pursuant to the terms hereof.

"Maximum Annual Debt Service" shall mean the largest aggregate amount of the Annual Debt Service becoming due in any Fiscal Year in which Bonds are Outstanding, excluding all Fiscal Years which shall have ended prior to the Fiscal Year in which the Maximum Annual Debt Service shall at any time be computed.

"Maximum Interest Rate" shall mean, with respect to any particular Variable Rate Bonds, a numerical rate of interest, which shall be set forth in the Supplemental Resolution of the Governing Board of the Division delineating the details of such Bonds, that shall be the maximum rate of interest such Bonds may at any particular time bear.

"Moody's Investors Service" shall mean Moody's Investors Service, and any assigns or successors thereto.

"Outstanding", when used with reference to Bonds and as of any particular date, shall describe all Bonds theretofore and thereupon being authenticated and delivered except, (1) any Bond in lieu of which another Bond or other

Bonds have been issued under agreement to replace lost, mutilated or destroyed Bonds, (2) any Bond surrendered by the Holder thereof in exchange for another Bond or other Bonds under Sections 2.06 and 2.08 hereof, (3) Bonds deemed to have been paid pursuant to Section 8.01 hereof, and (4) Bonds cancelled after purchase in the open market or because of payment at or redemption prior to maturity.

"Paying Agent" shall mean any paying agent for Bonds appointed by or pursuant to this Resolution and its successor or assigns, and any other Person which may at any time be substituted in its place pursuant to this Resolution.

"Person" shall mean an individual, a corporation, a partnership, an association, a joint stock company, a trust, any unincorporated organization or governmental entity.

"Pledged Gas Taxes" shall mean motor fuel and special fuel taxes which are transferred from the Gas Tax Collection Trust Fund (as defined in Section 206.45, Florida Statutes) into the State Transportation Trust Fund created by Section 206.46, Florida Statutes and then transferred from the State Transportation Trust Fund into the Trust Fund pursuant to the Act.

"Prerefunded Obligations" shall mean any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which comply with the requirements of paragraph (3) of the definition of "Authorized Investments."

"Principal Account" shall mean the Principal Account established in the Debt Service Fund pursuant to Section 4.05 hereof.

"Project" shall mean the Initial Project and any Additional Project.

"Rating Agency" shall mean Moody's Investors Service or Standard & Poor's Corporation.

"Rebate Account" shall mean the Rebate Account established in the Debt Service Fund pursuant to Section 4.05 hereof.

"Redemption Price" shall mean, with respect to any Bond or portion thereof, the principal amount or portion thereof, plus the applicable premium, if any, payable upon redemption thereof pursuant to such Bond or this Resolution.

"Refunding Securities" shall mean the United States Obligations and the Prerefunded Obligations.

"Registrar" shall mean any registrar for the Bonds appointed by or pursuant to this Resolution and its successors and assigns, and any other Person which may at any time be substituted in its place pursuant to this Resolution.

"Reserve Account" shall mean the Reserve Account established in the Debt Service Fund pursuant to Section 4.05 hereof.

"Reserve Account Insurance Policy" shall mean the insurance policy deposited in the Reserve Account in lieu of or in partial substitution for cash on deposit therein pursuant to Section 4.06(A)(4) hereof.

"Reserve Account Letter of Credit" shall mean an unconditional and irrevocable letter of credit or line of credit or other credit facility (other than a Reserve Account Insurance Policy) issued by any bank or national banking association, insurance company or other financial institution and then on deposit in the Reserve Account in lieu of or in partial substitution for cash on deposit therein pursuant to Section 4.06(A)(4) hereof.

"Reserve Account Requirement" shall mean, as of any date of calculation for a particular subaccount of the Reserve Account, an amount equal to the lesser of (1) Maximum Annual Debt Service for all Outstanding Bonds which are secured by such subaccount, (2) 125% of the average annual debt service for all Outstanding Bonds which are secured by such subaccount, which shall be calculated pursuant to Supplemental Resolution or (3) 10% of the proceeds of Bonds which are secured by such subaccount. In computing the Reserve Account Requirement in respect of any subaccount of the Reserve Account which secures Bonds that constitute Variable Rate Bonds, the interest rate on such Bonds shall be assumed to be

the Maximum Interest Rate for such Bonds. In computing the Reserve Account Requirement in accordance with clause (3) of this definition in respect of any Capital Appreciation Bonds, the proceeds of such Bonds shall be determined with reference to the original principal amount thereof, not the Accreted Value. In computing the Reserve Account Requirement in respect of any Bonds that constitute Balloon Maturity Bonds, the principal amount of such Balloon Maturity Bonds shall be adjusted as if it were to be amortized in substantially equal annual installments of principal and interest over a term equal to the lesser of (1) twenty-five (25) years, or (2) the weighted average estimated useful life of the Project financed or to be financed from the proceeds of such Bonds. The fixed interest rate used for such computation shall be the rate at which it is assumed that the State could reasonably expect to borrow or to have borrowed by issuing such Bonds with such term and level Annual Debt Service for each Fiscal Year; such reasonable expectations being established by a certificate of an Authorized Officer of the Division confirming the interest rate assumption as reasonable.

"Resolution" shall mean this Resolution, as the same may from time to time be amended, modified or supplemented by Supplemental Resolution.

"Serial Bonds" shall mean all of the Bonds other than the Term Bonds.

"Series" shall mean all the Bonds delivered on original issuance in a simultaneous transaction and identified pursuant to Sections 2.01 and 2.02 hereof or a Supplemental Resolution authorizing the issuance of such Bonds as a separate Series, regardless of variations in maturity, interest rate, Amortization Installments or other provisions.

"Series 1989 Bonds" shall mean the Bonds authorized pursuant to Section 2.02 hereof.

"Standard & Poor's Corporation" shall mean Standard & Poor's Corporation, and any assigns and successors thereto.

"State" shall mean the State of Florida.

"State and Local Government Obligations" shall mean (1) obligations of states or political subdivisions thereof or United States territories, whether or not the interest thereon is excluded from gross income for federal income tax purposes, which obligations may or may not subject the holders thereof to the alternative minimum tax pursuant to the Code, and which are rated in any of the two highest full rating categories by a Rating Agency; or (2) stock of a qualified regulated investment company within the meaning of paragraph (a) (2) of Internal Revenue Service Advance Notice 87-22, released February 24, 1987, or any related or updated notice, release or regulation, which company invests solely in obligations described in (1) above, and which stock is rated in any of the two highest full rating categories by a Rating Agency.

"Supplemental Resolution" shall mean any resolution of the Division amending or supplementing this Resolution enacted and becoming effective in accordance with the terms of Sections 7.01, 7.02 and 7.03 hereof.

"Taxable Bond" shall mean any Bond which states, in the body thereof, that the interest income thereon is includable in the gross income of the Holder thereof for federal income taxation purposes or that such interest is subject to federal income taxation.

"Term Bonds" shall mean those Bonds which shall be designated as Term Bonds hereby or by Supplemental Resolution of the Division and which are subject to mandatory redemption by Amortization Installment.

"Trust Fund" shall mean the Right-of-Way and Bridge Construction Trust Fund created pursuant to Section 215.605, Florida Statutes.

"United States Obligations" shall mean obligations described in paragraph (1) of the definition of "Authorized Investments".

"Variable Rate Bonds" shall mean Bonds issued with a variable, adjustable, convertible or other similar rate which is not fixed in percentage for the entire term thereof at the date of issue.

The terms "herein," "hereunder," "hereby," "hereto," "hereof," and any similar terms, shall refer to this Resolution; the term "heretofore" shall mean before the date of adoption of this Resolution; and the term "hereafter" shall mean after the date of adoption of this Resolution.

Words importing the masculine gender include every other gender.

Words importing the singular number include the plural number, and vice versa.

SECTION 1.02. AUTHORITY FOR RESOLUTION. This Resolution is adopted pursuant to the provisions of the Act.

SECTION 1.03. RESOLUTION TO CONSTITUTE CONTRACT. In consideration of the purchase and acceptance of any or all of the Bonds by those who shall hold the same from time to time, the provisions of this Resolution shall be a part of the contract of the Department with the Holders of the Bonds and any Credit Bank and/or any Insurer and shall be deemed to be and shall constitute a contract between the Department and the Holders from time to time of the Bonds and any Credit Bank and/or any Insurer. The pledge made in this Resolution and the provisions, covenants and agreements herein set forth to be performed by or on behalf of the Department shall be for the equal benefit, protection and security of the Holders of any and all of said Bonds and for the benefit, protection and security of any Credit Bank and/or any Insurer. All of the Bonds, regardless of the time or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof except as expressly provided in or pursuant to this Resolution.

SECTION 1.04. FINDINGS. It is hereby ascertained, determined and declared that:

(A) During the 1988 Legislative Session, the Florida Legislature passed and submitted to the electors of the State for approval or rejection at the general election held on November 8, 1988, Senate Joint Resolution 391, which created Section 17 of Article VII of the State Constitution, providing for the issuance of bonds pledging the full faith and credit of the State, without a vote of the electors, to finance or refinance the cost of acquiring real property or the rights to real property for State roads as defined by law, or to finance or refinance the cost of State bridge construction, and purposes incidental to such property acquisition or State bridge construction.

(B) The majority of the electors of the State approved the creation of Section 17 of Article VII of the State Constitution at the general election held on November 8, 1988.

(C) The Florida Legislature also enacted Chapter 88-247, Laws of Florida, which implements the provisions of Section 17 of Article VII of the State Constitution, providing for the issuance of the Bonds by the Division on behalf of the Department, to finance or refinance the cost of acquiring real property or the rights to real property for State roads as defined by law, or to finance or refinance the cost of State bridge construction, and purposes incidental to such property acquisition or State bridge construction.

(D) The bonds to be issued pursuant to Section 17 of Article VII of the State Constitution and Chapter 88-247, Laws of Florida, are to be secured by a pledge of and shall be payable primarily from motor fuel and special fuel taxes, except those defined in Section 9(c) of Article XII of the State Constitution, as provided by law, and shall additionally be secured by the full faith and credit of the State.

(E) The Pledged Gas Taxes consist of motor fuel and special fuel taxes, other than those defined in Section 9(c) of Article XII of the State Constitution.

(F) The principal of and interest on the Bonds shall be payable primarily from the Pledged Gas Taxes and the Bonds shall be additionally secured by the full faith and credit of the State.

(G) The Pledged Gas Taxes are not pledged, encumbered or committed in any manner and are available for pledge and application in the manner provided herein.

(H) The estimated Pledged Gas Taxes will be sufficient to pay the principal of and interest on the Bonds to be issued pursuant to this Resolution, as the same become due, and all other payments provided for in this Resolution.

(I) The $300,000,000 aggregate principal amount of Bonds authorized by this Resolution may be issued at one time or in multiple Series from time to time as determined by the Division.

(J) The Initial Project has been authorized by the Florida Legislature, as required by Section 215.605, Florida Statutes, and will be funded from proceeds of the Series 1989 Bonds.

ARTICLE II
AUTHORIZATION, TERMS, EXECUTION AND REGISTRATION OF BONDS

SECTION 2.01. AUTHORIZATION OF BONDS. This Resolution creates an issue of Bonds of the Division to be designated as "State of Florida Full Faith and Credit Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds," which may be issued in one or more Series as hereinafter provided. The aggregate principal amount of Bonds which may be executed and delivered under this Resolution is not limited except as is or may hereafter be provided in this Resolution or as limited by the Act or by law.

The Bonds may, if and when authorized by the Division pursuant to this Resolution, be issued in one or more Series, with such further appropriate particular designations added to or incorporated in such title for the Bonds of any particular Series as the Division may determine and as may be necessary to distinguish such Bonds from the Bonds of any other Series. Each Bond shall bear upon its face the designation so determined for the Series to which it belongs.

The Bonds shall be issued for such purpose or purposes; shall bear interest at such rate or rates not exceeding the maximum rate permitted by law; and shall be payable in lawful money of the United States of America on such dates; all as determined by Supplemental Resolution of the Division.

The Bonds shall be issued in such denominations and such form, whether coupon or registered; shall be dated such date; shall bear such numbers; shall be payable at such place or places; shall contain such redemption provisions; shall have such Paying Agents and Registrars; shall mature in such years and amounts; and the proceeds shall be used in such manner; all as determined by Supplemental Resolution of the Division. The Division may issue Bonds which may be secured by a Credit Facility or by an insurance policy of an Insurer all as shall be determined by Supplemental Resolution of the Division.

SECTION 2.02. AUTHORIZATION AND DESCRIPTION OF SERIES 1989 BONDS. (A) A Series of Bonds entitled to the benefit, protection and security of this Resolution is hereby authorized in the aggregate principal amount of not exceeding $300,000,000 for the principal purposes of acquiring and constructing the Initial Project, funding the appropriate subaccount of the Reserve Account and paying certain costs of issuance incurred with respect to the Series 1989 Bonds. Such Series of Bonds shall be designated as, and shall be distinguished from the Bonds of all other Series by the title, "State of Florida Full Faith and Credit Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds, Series 1989"; provided the Division may change such designation in the event that the total amount of Series 1989 Bonds authorized herein are not issued in a simultaneous transaction.

(B) Prior to issuance of the Series 1989 Bonds, the Board of Administration shall determine that in no State Fiscal Year will the Annual Debt Service exceed ninety percent (90%) of the Pledged Gas Taxes available for payment of the Annual Debt Service.

(C) The Series 1989 Bonds shall be dated as of the first day of the month in which occurs the delivery of the Series 1989 Bonds to the purchaser or purchasers thereof or such other date as may be set forth by Supplemental Resolution of the Division; shall be issued as fully registered Bonds; shall be numbered consecutively from one upward in order of maturity preceded by the letter "R"; shall be in such denominations and shall bear interest at a rate or rates not exceeding the maximum rate permitted by law, payable in such manner and on such dates; shall consist of such amounts of Serial Bonds, Term Bonds, Variable Rate Bonds, Balloon Maturity Bonds and Capital Appreciation Bonds; maturing in such amounts and in such years not exceeding forty (40) (or such longer or shorter period as may be permitted by law at the time of issuance) years from their

date; shall be payable in such place or places; shall have such Paying Agents and Registrars; and shall contain such redemption provisions; all as the Division shall provide hereafter by Supplemental Resolution.

(D) The principal of or Redemption Price, if applicable, on the Series 1989 Bonds are payable upon presentation and surrender of the Series 1989 Bonds at the office of the Paying Agent. Interest payable on any Series 1989 Bond on any Interest Date will be paid by check or draft of the Paying Agent to the Holder in whose name such Bond shall be registered at the close of business on the date which shall be the fifteenth day (whether or not a business day) of the calendar month next preceding such Interest Date, or, unless otherwise provided by Supplemental Resolution, at the option of the Paying Agent, and at the request and expense of such Holder, by bank wire transfer for the account of such Holder. All payments of principal of or Redemption Price, if applicable, and interest on the Series 1989 Bonds shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

(E) The Series 1989 Bonds shall be secured by a subaccount of the Reserve Account.

SECTION 2.03. APPLICATION OF SERIES 1989 BOND PROCEEDS. Upon receipt of the proceeds of the sale of the Series 1989 Bonds, and after reserving an amount sufficient to pay all Bond Issuance Costs attributable to such Series, the remainder of the Series 1989 Bond proceeds shall be transferred and deposited into the Trust Fund. Such amount deposited into the Trust Fund shall immediately be transferred and allocated as follows:

(1) An amount equal to any accrued interest and premium, if any, on the Series 1989 Bonds shall be deposited in the Interest Account and shall be used only for the purpose of paying the interest which shall thereafter become due on the Series 1989 Bonds.

(2) The balance of the Series 1989 Bond proceeds transferred into the Trust Fund shall be deposited in the Bond Proceeds Account.

SECTION 2.04. EXECUTION OF BONDS. The Bonds shall be executed in the name of the Division on behalf of the Department with the manual or facsimile signature of the Governor, as Chairman of the Division and the corporate seal of the Division shall be imprinted thereon, attested and countersigned with the manual or facsimile signature of the Secretary of the Governing Board of the Division, or any Assistant Secretary of the Governing Board of the Division as may be designated by resolution. In accordance with the laws of the State in effect on the date of the adoption of this Resolution, at least one signature, which may be that of the Registrar, required to be placed on the Bonds shall be a manual signature. In the event that the laws of the State relevant to the requirements for facsimile or manual signatures are changed prior to the delivery of any Series of Bonds, then the signatures which are actually imprinted, reproduced or manually subscribed on the Bonds shall be in compliance with the new laws. In case any one or more of the officers who shall have signed or sealed any of the Bonds or whose facsimile signature shall appear thereon shall cease to be such officer of the Division before the Bonds so signed and sealed have been actually sold and delivered such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Bond may be signed and sealed on behalf of the Division by such person who at the actual time of the execution of such Bond shall hold the proper office of the Division, although at the date of such Bond such person may not have held such office or may not have been so authorized. The Division may adopt and use for such purposes the facsimile signatures of any such persons who shall have held such offices at any time after the date of the adoption of this Resolution, notwithstanding that either or both shall have ceased to hold such office at the time the Bonds shall be actually sold and delivered.

SECTION 2.05. AUTHENTICATION. No Bond of any Series shall be secured hereunder or entitled to the benefit hereof or shall be valid or obligatory for any purpose unless there shall be manually endorsed on such Bond a certificate of authentication by the Registrar or such other entity as may be approved by the Division for such purpose. Such certificate on any Bond shall be conclusive evidence that such Bond has been duly authenticated and delivered under this Resolution. The form of such certificate shall be substantially in the form provided in Section 2.10 hereof.

SECTION 2.06. TEMPORARY BONDS. Until the definitive Bonds of any Series are prepared, the Division may execute, in the same manner as is provided in Section 2.04, and deliver, upon authentication by the Registrar pursuant to Section 2.05 hereof, in lieu of definitive Bonds, but subject to the same provisions, limitations and conditions as the definitive Bonds, except as to the denominations thereof, one or more temporary Bonds substantially of the tenor of the definitive Bonds

in lieu of which such temporary Bond or Bonds are issued, in denominations authorized by the Division by subsequent resolution, and with such omissions, insertions and variations as may be appropriate to temporary Bonds. The Division, at its own expense, shall prepare and execute definitive Bonds, which shall be authenticated by the Registrar. Upon the surrender of such temporary Bonds for exchange, the Registrar, without charge to the Holder thereof, shall deliver in exchange therefor definitive Bonds, of the same aggregate principal amount and Series and maturity as the temporary Bonds surrendered. Until so exchanged, the temporary Bonds shall in all respects be entitled to the same benefits and security as definitive Bonds issued pursuant to this Resolution. All temporary Bonds surrendered in exchange for another temporary Bond or Bonds or for a definitive Bond or Bonds shall be forthwith cancelled by the Registrar.

SECTION 2.07. BONDS MUTILATED, DESTROYED, STOLEN OR LOST. In case any Bond shall become mutilated, or be destroyed, stolen or lost, the Division may, in its discretion, issue and deliver, and the Registrar shall authenticate, a new Bond of like tenor as the Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond upon surrender and cancellation of such mutilated Bond or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder furnishing the Division and the Registrar proof of his ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Division or the Registrar may prescribe and paying such expenses as the Division and the Registrar may incur. All Bonds so surrendered or otherwise substituted shall be cancelled by the Registrar. If any of the Bonds shall have matured or be about to mature, instead of issuing a substitute Bond, the Division may pay the same or cause the Bond to be paid, upon being indemnified as aforesaid, and if such Bonds be lost, stolen or destroyed, without surrender thereof.

Any such duplicate Bonds issued pursuant to this Section 2.07 shall constitute original, additional contractual obligations on the part of the Department whether or not the lost, stolen or destroyed Bond be at any time found by anyone, and such duplicate Bond shall be entitled to equal and proportionate benefits and rights as to lien on the Pledged Gas Taxes to the same extent as all other Bonds issued hereunder.

SECTION 2.08. INTERCHANGEABILITY, NEGOTIABILITY AND TRANSFER. Bonds, upon surrender thereof at the office of the Registrar with a written instrument of transfer satisfactory to the Registrar, duly executed by the Holder thereof or his attorney duly authorized in writing, may, at the option of the Holder thereof, be exchanged for an equal aggregate principal amount of registered Bonds of the same Series and maturity of any other authorized denominations.

The Bonds issued under this Resolution shall be and have all the qualities and incidents of negotiable instruments under the law merchant and the Uniform Commercial Code -- Investment Securities Law of the State, subject to the provisions for registration and transfer contained in this Resolution and in the Bonds. So long as any of the Bonds shall remain Outstanding, the Division shall maintain and keep, at the office of the Registrar, books for the registration and transfer of the Bonds.

The transfer of any Bond shall be registrable only upon the books of the Division, at the office of the Registrar, under such reasonable regulations as the Department may prescribe, by the Holder thereof in person or by his attorney duly authorized in writing upon surrender thereof together with a written instrument of transfer satisfactory to the Registrar duly executed and guaranteed by the Holder or his duly authorized attorney. Upon the registration of transfer of any such Bond, the Division shall issue, and cause to be authenticated, in the name of the transferee a new Bond or Bonds of the same aggregate principal amount and Series and maturity as the surrendered Bond. The Division, the Registrar and any Paying Agent or fiduciary of the Division may deem and treat the Person in whose name any Outstanding Bond shall be registered upon the books of the Division as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal or Redemption Price, if applicable, and interest on such Bond and for all other purposes, and all such payments so made to any such Holder or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid and neither the Division nor the Registrar nor any Paying Agent or other fiduciary of the Division shall be affected by any notice to the contrary.

The Registrar, in any case where it is not also the Paying Agent in respect to any Series of Bonds, forthwith (A) following the fifteenth day prior to an interest payment date for such Series; (B) following the fifteenth day next preceding the date of first mailing of notice of redemption of any Bonds of such Series; and (C) at any other time as reasonably requested by the Paying Agent of such Series, shall certify and furnish to such Paying Agent the names, addresses and holdings of Bondholders and any other relevant information reflected in the registration books. Any Paying Agent of any fully registered Bond shall effect payment of interest on such Bonds by mailing a check to the Holder entitled thereto or may,

in lieu thereof, upon the request and at the expense of such Holder, transmit such payment by bank wire transfer for the account of such Holder.

In all cases in which the privilege of exchanging Bonds or the transfer of Bonds shall be registered, the Division shall execute and deliver Bonds and the Registrar shall authenticate and deliver such Bonds in accordance with the provisions of this Resolution. Execution of Bonds by the Governor, as Chairman of the Division and by the Secretary of the Governing Board of the Division, or any Assistant Secretary of the Governing Board of the Division, for purposes of exchanging, replacing or registering the transfer of Bonds may occur at the time of the original delivery of the Series of which such Bonds are a part. All Bonds surrendered in any such exchanges or registrations of transfer shall be held by the Registrar in safekeeping until directed by the Division to be cancelled by the Registrar. For every such exchange or registration of transfer, the Division or the Registrar may make a charge sufficient to reimburse it for any tax, fee, expense or other governmental charge required to be paid with respect to such exchange or registration of transfer. The Division and the Registrar shall not be obligated to make any such exchange or registration of transfer of Bonds of any Series during the fifteen (15) days next preceding an Interest Date on the Bonds of such Series (other than Capital Appreciation Bonds and Variable Rate Bonds), or, in the case of any proposed redemption of Bonds of such Series, then during the fifteen (15) days next preceding the date of the first mailing of notice of such redemption and continuing until such redemption date.

Upon the occurrence of an Event of Default which would require an Insurer to pay a claim under its bond insurance policy, said Insurer and its designated agent shall be provided with access to the registration books for the particular Series of insured Bonds.

The Division may elect to issue any Bonds as uncertificated registered public obligations (not represented by instruments), commonly known as book-entry obligations, provided it shall establish a system of registration therefor by Supplemental Resolution.

SECTION 2.09. COUPON BONDS. The Division, at its discretion, may by Supplemental Resolution authorize the issuance of coupon Bonds, registrable as to principal only or as to both principal and interest. Such Supplemental Resolution shall provide for the negotiability, transfer, interchangeability, denominations and form of such Bonds and coupons appertaining thereto. Coupon Bonds shall only be issued if an opinion of Bond Counsel is received to the effect that issuance of such coupon Bonds will not adversely affect the exclusion of interest earned on such Bonds (other than Taxable Bonds) from gross income for purposes of federal income taxation.

SECTION 2.10. FORM OF BONDS. The text of the Bonds, except as otherwise provided pursuant to Section 2.09 hereof and except for Capital Appreciation Bonds and Variable Rate Bonds, the form of which shall be provided by Supplemental Resolution of the Division, shall be in substantially the following form with such omissions, insertions and variations as may be necessary and desirable and authorized by this Resolution or any Supplemental Resolution adopted prior to the issuance thereof, or as may be necessary to comply with applicable laws, rules, and regulations of the State and the United States of America in effect upon the issuance thereof:

[Form of Bond intentionally omitted]

ARTICLE III
REDEMPTION OF BONDS

SECTION 3.01. PRIVILEGE OF REDEMPTION. The terms of this Article III shall apply to redemption of Bonds other than Capital Appreciation Bonds or Variable Rate Bonds. The terms and provisions relating to redemption of Capital Appreciation Bonds and Variable Rate Bonds shall be provided by Supplemental Resolution.

SECTION 3.02. SELECTION OF BONDS TO BE REDEEMED. The Bonds shall be redeemed only in the principal amount of $5,000 each and integral multiples thereof. The Board of Administration shall, at least sixty (60) days prior to the redemption date (unless a shorter time period shall be satisfactory to the Registrar) notify the Registrar of such redemption date and of the principal amount of Bonds to be redeemed. For purposes of any redemption of less than all of the Outstanding Bonds of a single maturity, the particular Bonds or portions of Bonds to be redeemed shall be selected not

more than forty-five (45) days prior to the redemption date by the Registrar from the Outstanding Bonds of the maturity or maturities designated by the Division and, by lot within a maturity, in principal amounts of $5,000 and integral multiples thereof.

If less than all of the Outstanding Bonds of a single maturity are to be redeemed, the Registrar shall promptly notify the Division and Paying Agent (if the Registrar is not the Paying Agent for such Bonds) in writing of the Bonds or portions of Bonds selected for redemption and, in the case of any Bond selected for partial redemption, the principal amount thereof to be redeemed.

SECTION 3.03. NOTICE OF REDEMPTION. Notice of such redemption, which shall specify the Bond or Bonds (or portions thereof) to be redeemed and the date and place for redemption, shall be given by the Registrar on behalf of the Division, and (A) shall be filed with the Paying Agents of such Bonds, (B) shall be mailed first class, postage prepaid, at least thirty (30) days prior to the redemption date to all Holders of Bonds to be redeemed at their addresses as they appear on the registration books kept by the Registrar, and (C) shall be mailed, registered or certified, postage prepaid, or by telecopy or facsimile transmission at least thirty-five (35) days prior to the redemption date to the registered securities depositaries and two or more nationally recognized municipal bond information services. Failure to mail notice to the Holders of the Bonds to be redeemed, or any defect therein, shall not affect the validity of the proceedings of redemption of such Bonds as to which no such failure or defect has occurred. Notice of any redemption of Bonds at the option of the Division shall be given only upon the prior deposit into the Bond Payment Account of sufficient amounts to effect such redemption.

Each notice of redemption shall state: (1) the CUSIP numbers of all Bonds being redeemed; (2) the original issue date of such Bonds; (3) the maturity date and rate of interest borne by each Bond being redeemed; (4) the redemption date; (5) the Redemption Price; (6) the date on which such notice is mailed; (7) if less than all Outstanding Bonds are to be redeemed the certificate number (and, in the case of a partial redemption of any Bond, the principal amount) of each Bond to be redeemed; (8) that on such redemption date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of Bonds to be redeemed in part only, together with interest accrued thereon to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable; (9) that the Bonds to be redeemed, whether as a whole or in part, are to be surrendered for payment of the redemption price at the principal office of the Registrar at an address specified; and (10) the name and telephone number of a person designated by the Registrar to be responsible for such redemption.

SECTION 3.04. REDEMPTION OF PORTIONS OF BONDS. Any Bond which is to be redeemed only in part shall be surrendered at any place of payment specified in the notice of redemption (with due endorsement by, or written instrument of transfer in form satisfactory to the Registrar duly executed by, the Holder thereof or his attorney duly authorized in writing) and the Division shall execute and the Registrar shall authenticate and deliver to the Holder of such Bond, without service charge, a new Bond or Bonds, of the same interest rate and maturity, and of any authorized denomination as requested by such Holder, in an aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Bonds so surrendered.

SECTION 3.05. PAYMENT OF REDEEMED BONDS. Notice of redemption having been given substantially as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the redemption date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Division shall default in the payment of the Redemption Price) such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Registrar and/or Paying Agent at the appropriate Redemption Price, plus accrued interest. All Bonds which have been redeemed shall be cancelled by the Registrar and shall not be reissued.

ARTICLE IV
SECURITY, SPECIAL FUNDS AND APPLICATION THEREOF

SECTION 4.01. SECURITY FOR THE BONDS. The Bonds shall be payable primarily from the Pledged Gas Taxes and are additionally secured by a pledge of the full faith and credit of the State of Florida as provided in Section 4.02 hereof.

SECTION 4.02. PLEDGE OF FULL FAITH AND CREDIT OF THE STATE OF FLORIDA. The payments of the principal of and interest on the Bonds are additionally secured by a pledge of the full faith and credit of the State of Florida, and the State is unconditionally and irrevocably obligated to make all payments required for the payments of such principal of and interest on the Bonds, as the same mature and become due, to the full extent that the moneys derived from the Pledged Gas Taxes are insufficient for the full payment of all such principal of and interest on the Bonds as the same mature and become due. It shall be the mandatory duty of the Board of Administration, to the extent necessary, on each principal and interest maturity date to immediately certify to the proper officials of the State of Florida any deficiencies in the amounts of moneys needed for the payment of the principal of and interest on the Bonds on such principal and interest maturity dates. It shall further be the mandatory duty of the appropriate officials of the State of Florida to pay to the Board of Administration the amounts of such remaining deficiencies in the manner provided herein and in the Act.

To the extent any funds of the State are required to be paid to honor the pledge of the full faith and credit of the State, the General Revenue Fund shall be repaid from the Pledged Gas Taxes in the manner provided by this Resolution.

SECTION 4.03. FISCAL AGENT FOR BONDS. Pursuant to Section 215.69, Florida Statutes, and other applicable provisions of law, from and after the date of issuance of the Bonds, the Board of Administration shall administer the Debt Service Fund as provided herein and in the Act.

Upon receipt by the Division of the proceeds of any Series of Bonds, and after the Division has reserved an amount sufficient to pay all Bond Issuance Costs attributable to such Series, the Division shall cause the remainder of the proceeds thereof to be deposited into the Trust Fund. Upon the transfer of Bond proceeds by the Division, the Board of Administration shall succeed to the power, authority, duty and discretion of the Division with regard to said Bonds and shall receive, manage and disburse all moneys on deposit in the Debt Service Fund.

SECTION 4.04. BOND PROCEEDS ACCOUNT. There is hereby established in the Trust Fund a separate account to be known as the "Bond Proceeds Account," which shall be used only for payment of the Costs of the Projects. Moneys in the Bond Proceeds Account, until applied in payment of any item of the Cost of a Project in the manner hereinafter provided, shall be held in trust and shall be subject to a lien and charge in favor of the Holders of the Bonds and for the further security of such Holders. There shall be paid into the Bond Proceeds Account the amounts required to be so paid by the provisions of this Resolution.

A separate subaccount for the Initial Project and each Additional Project shall be established within the Bond Proceeds Account. If the Bonds are issued in Series, separate subaccounts shall be established within the Bond Proceeds Account from the proceeds of each Series of Bonds.

The Department covenants that the acquisition, construction and installation of each Project will be completed without undue delay and in accordance with sound engineering practices.

Requests for withdrawal of moneys from the Bond Proceeds Account shall be made by the Department. Withdrawals from the Bond Proceeds Account shall be made upon warrants signed by the State Comptroller, countersigned by the Governor of the State of Florida, and drawn upon the State Treasury, or any other method approved by law. The warrant request shall be accompanied by a certificate of an Authorized Officer of the Department to the effect that: (1) the item number of the payment, (2) the name and address of the Person to whom payment is due, (3) the amount to be paid, (4) the subaccount of the Bond Proceeds Account from which payment is to be made, (5) the purpose, by general classification, for which payment is to be made, and (6) that (A) each obligation, item of cost or expense mentioned therein has been properly incurred, is in payment of a part of the Cost of a Project and is a proper charge against the subaccount of the Bond Proceeds Account from which payment is to be made and has not been the basis of any previous disbursement or payment, or (B) each obligation, item of cost or expense mentioned therein has been paid by the Department, is a reimbursement of a part of the Cost of a Project, is a proper charge against the subaccount of the Bond Proceeds Account from which payment is to be made, has not been theretofore reimbursed to the Department or otherwise been the basis of any previous disbursement or payment and the Department is entitled to reimbursement thereof. In the event the withdrawal is for reimbursement to the Department for payment of a cost of the Project the liability for which was incurred prior to the effective date of Article VII, Section 17 of the Florida Constitution, the Department shall have received prior to such disbursement an opinion of Bond Counsel that such payment will not adversely affect the exemption from Federal and State income taxation of interest on any of the Bonds. After performance of all audit review functions required by law and of all other

actions required by law with respect to such warrant request, the State Comptroller will issue its warrant for each payment so requested.

Notwithstanding any of the other provisions of this Section 4.04, to the extent that other moneys are not available therefor, amounts in the Bond Proceeds Account shall be applied to the payment of principal and interest on Bonds when due.

If any unencumbered balance of funds shall remain in the Bond Proceeds Account after completion of the Project for which a Series of Bonds was issued, the balance of moneys remaining in the corresponding subaccount of the Bond Proceeds Account shall be deposited in the following order of priority into (1) another subaccount of the Bond Proceeds Account for which the Authorized Officer of the Department has stated that there are insufficient moneys present to pay the Cost of the related Project, (2) the Reserve Account, to the extent of a deficiency therein, and (3) such other fund or account established hereunder as shall be determined by the Board of Administration, provided the Board of Administration has received an opinion of Bond Counsel to the effect that such transfer shall not adversely affect the exclusion, if any, of interest on the Bonds from gross income for purposes of federal income taxation.

SECTION 4.05. FUNDS AND ACCOUNTS. There is hereby established a separate fund to be held by the Board of Administration and known as the "Right-of-Way Acquisition and Bridge Construction Debt Service Fund." The Debt Service Fund shall include five accounts: the "Principal Account," the "Interest Account," the "Bond Amortization Account," the "Reserve Account," and the Rebate Account." Moneys in the aforementioned accounts, other than the Rebate Account, until applied in accordance with the provisions hereof, shall be subject to a lien and charge in favor of the Holders of the Bonds and for the further security of such Holders.

SECTION 4.06. FLOW OF FUNDS.

(A) The Department shall cause moneys in the Trust Fund (other than the Bond Proceeds Account) to be deposited or credited on or before the twentieth day of each month, commencing in the month immediately following delivery of any of the Bonds to the purchasers thereof, or such later date as hereinafter provided, in the following manner and in the following order of priority:

(1) Interest Account. The Department shall cause to be transferred to the Board of Administration for deposit or credit to the Interest Account the sum which, together with the balance on deposit in said Account, shall equal the interest on all Outstanding Bonds (other than Capital Appreciation Bonds) accrued and unpaid and to accrue to the end of the then current calendar month. Moneys in the Interest Account shall be used to pay interest on all Outstanding Bonds, on a pro-rata basis, as and when the same become due, whether by redemption or otherwise, and for no other purpose. The Department shall adjust the amount of the transfer to the State Board of Administration for deposit into the Interest Account not later than the month immediately preceding any Interest Date so as to provide sufficient moneys in the Interest Account to pay the interest on the Bonds coming due on such Interest Date.

(2) Principal Account. The Department shall cause to be transferred to the Board of Administration for deposit or credit to the Principal Account, the sum which, together with the balance on deposit in said Account, shall equal the principal amounts on all Outstanding Bonds due and unpaid and that portion of the principal next due which would have accrued on said Bonds during the then current calendar month if such principal amounts were deemed to accrue daily (assuming that a year consists of twelve (12) equivalent calendar months of thirty (30) days each) in equal amounts from the next preceding principal payment due date, or, if there is no such preceding principal payment due date, from a date one year preceding the due date of such principal amount. Moneys in the Principal Account shall be used to pay the principal of all Outstanding Bonds, on a pro-rata basis, as and when the same shall mature, and for no other purpose. Serial Capital Appreciation Bonds shall be payable from the Principal Account in the Fiscal Year in which such Bonds mature and monthly deposits or credits into the Principal Account shall commence in the month which is one year prior to the date on which such Bonds mature. The Department shall adjust the amount of transfer to the Board of Administration for deposit into the Principal Account not later than the month immediately preceding any principal payment date so as to provide sufficient moneys in the Principal Account to pay the principal on Bonds becoming due on such principal payment date.

(3) Bond Amortization Account. Commencing in the month which is one year prior to any Amortization Installment due date, the Department shall transfer to the Board of Administration for deposit or credit to the Bond Amortization Account the sum which, together with the balance on deposit in such Account, shall equal the Amortization

Installments on all Bonds Outstanding due and unpaid and that portion of the Amortization Installments of all Bonds Outstanding next due which would have accrued on such Bonds during the then current calendar month if such Amortization Installments were deemed to accrue daily (assuming that a year consists of twelve (12) equivalent calendar months having thirty (30) days each) in equal amounts from the next preceding Amortization Installment due date, or, if there be no such preceding Amortization Installment due date, from a date one year preceding the due date of such Amortization Installment. Moneys in the Bond Amortization Account shall be used to purchase or redeem Term Bonds in the manner herein provided, and for no other purpose. The Department shall adjust the amount of transfer to the Board of Administration for deposit or credit to the Bond Amortization Account not later than the month immediately preceding any date for payment of an Amortization Installment so as to provide sufficient moneys in the Bond Amortization Account to pay the Amortization Installments on the Bonds coming due on such date. Payments to the Bond Amortization Account shall be on a parity with payments to the Principal Account.

Amounts accumulated in the Bond Amortization Account with respect to any Amortization Installment (together with amounts accumulated in the Interest Account with respect to interest, if any, on the Term Bonds for which such Amortization Installment was established) may be applied by the Board of Administration, on or prior to the sixtieth (60th) day preceding the due date of such Amortization Installment, (a) to the purchase of Term Bonds of the Series and maturity for which such Amortization Installment was established, or (b) to the redemption at the applicable Redemption Prices of such Term Bonds, if then redeemable by their terms. The applicable Redemption Price (or principal amount of maturing Term Bonds) of any Term Bonds so purchased or redeemed shall be deemed to constitute part of the Bond Amortization Account until such Amortization Installment date, for the purposes of calculating the amount of such Account. As soon as practicable after the sixtieth (60th) day preceding the due date of any such Amortization Installment, the Board of Administration shall proceed to call for redemption on such due date, by causing notice to be given as provided in Section 3.03 hereof, Term Bonds of the Series and maturity for which such Amortization Installment was established (except in the case of Term Bonds maturing on an Amortization Installment date) in such amount as shall be necessary to complete the retirement of the unsatisfied balance of such Amortization Installment. The Board of Administration shall pay out of the Bond Amortization Account and the Interest Account to the appropriate Paying Agents, on or before the day preceding such redemption date (or maturity date), the amount required for the redemption (or for the payment of such Term Bonds then maturing), and such amount shall be applied by such Paying Agents to such redemption (or payment). All expenses in connection with the purchase or redemption of Term Bonds shall be paid by the Department from the Trust Fund.

(4) Reserve Account. The Division, in its sole discretion, shall establish herein or by Supplemental Resolution prior to issuance of each Series of Bonds, whether or not such Series is to be secured by a subaccount of the Reserve Account. If a Series of Bonds is to be secured by a subaccount of the Reserve Account, a separate subaccount for such Series shall be established within the Reserve Account on the date of their delivery, except as otherwise provided by Section 7.01(H) hereof. The moneys on deposit in each such subaccount shall be applied in the manner provided herein solely for the payment of maturing principal of, Redemption Price, if applicable, or interest or Amortization Installments on the Series of Bonds for which it is designated and shall not be available to pay debt service on any other Series.

The Department shall transfer to the Board of Administration for deposit or credit to each subaccount of the Reserve Account such sum, if any, as will be necessary to immediately restore any funds on deposit in each such subaccount to an amount equal to the Reserve Account Requirement applicable thereto including the reinstatement of any Reserve Account Insurance Policy or Reserve Account Letter of Credit on deposit therein; provided, in no event shall the amount deposited in the subaccounts of the applicable Reserve Account be less than one twelfth (1/12) of the amount which would enable the Board of Administration to restore the funds on deposit in each such subaccount to an amount equal to the Reserve Account Requirement in one (1) year from the date of such shortfall. The full faith and credit of the State of Florida is not pledged to secure the Department's obligation to reimburse shortfalls in any subaccount of the Reserve Account. To the extent there are insufficient moneys in the Trust Fund to make the required monthly deposit into each subaccount of the Reserve Account, such deposits shall be made to each subaccount on a pro rata basis in relation to the amount of the deficiency existing in each subaccount. On or prior to each principal and interest payment date for the Bonds, moneys in each subaccount of the Reserve Account shall be applied by the Board of Administration to the payment of the principal of, or Redemption Price, if applicable, and interest on related Series of Bonds to the extent moneys in the Interest Account, the Principal Account and the Bond Amortization Account are insufficient therefor. Whenever there shall be surplus moneys in any subaccount of the Reserve Account by reason of a decrease in the Reserve Account Requirement, such surplus moneys shall be first, deposited by the Board of Administration on a pro rata basis into other subaccounts, if any, of the Reserve Account containing less than

the Reserve Account Requirement applicable thereto, and second, transferred to the Department for deposit into the Interest Account.

Upon the issuance of any Series of Bonds to be secured by a subaccount of the Reserve Account under the terms, limitations and conditions as herein provided, the Division shall, on the date of delivery of such Series of Bonds, transfer to the Board of Administration for deposit to the corresponding subaccount of the Reserve Account established for such Series (or such other subaccount as may be authorized pursuant to Section 7.01(H) hereof) an amount at least equal to the Reserve Account Requirement applicable to such Series of Bonds. As an alternative to depositing the full Reserve Account Requirement applicable to any Series of Bonds into the appropriate subaccount on the date of their delivery, the Division may elect to accumulate all or any portion of such Reserve Account Requirement by deposit of equal monthly amounts to such subaccount of the Reserve Account over a period of months from the date of issuance of such Series of Bonds, which shall not exceed sixty (60) months, as determined herein or by Supplemental Resolution. If all or any portion of the Reserve Account Requirement applicable to any Series of Bonds is to be accumulated as aforesaid, the Department shall transfer to the Board of Administration for deposit or credit to the appropriate subaccount of the Reserve Account all amounts necessary to comply with the foregoing sentence.

Notwithstanding the foregoing provisions, in lieu of the required deposits into the Reserve Account, the Division may cause to be deposited into the Reserve Account a Reserve Account Insurance Policy and/or Reserve Account Letter of Credit for the benefit of the Bondholders in an amount equal to the difference between the Reserve Account Requirement and the sums then on deposit in the Reserve Account. Such Reserve Account Insurance Policy and/or Reserve Account Letter of Credit shall be payable to the Paying Agent (upon the giving of notice as required thereunder) on any Interest Date on which a deficiency exists which cannot be cured by funds in any other fund or account held pursuant to this Resolution and available for such purpose. The issuer providing such Reserve Account Insurance Policy and/or Reserve Account Letter of Credit shall be either (1) (a) an insurance company whose municipal bond insurance policies insuring the payment, when due, of the principal of and interest on municipal bond issues results in such issues being rated in the highest category by either Moody's Investors Service or Standard & Poor's Corporation, or their successors or (b) who holds the highest policyholder rating accorded insurers by A. M. Best & Company, or any comparable service or (2) a commercial bank, insurance company or other financial institution the bonds payable or guaranteed by which are rated in the highest category by either Moody's Investors Service or Standard & Poor's Corporation, or their successors.

If a disbursement is made from a Reserve Account Insurance Policy and/or Reserve Account Letter of Credit provided pursuant to this subsection, the Department shall be obligated to, solely from the Pledged Gas Taxes, reinstate the maximum limits of such Reserve Account Insurance Policy and/or Reserve Account Letter of Credit immediately following such disbursement from moneys available hereunder in accordance with the provisions of the first paragraph of this subsection, by depositing funds in the amount of the disbursement made under such instrument, with the issuer thereof. After such Reserve Account Insurance Policy or Reserve Account Letter of Credit has been reinstated in full, remaining Pledged Gas Taxes shall be used to pay interest due on any disbursement to the date of reimbursement at the rate set forth in such Reserve Account Insurance Policy or such Reserve Account Letter of Credit, but in no case greater than the maximum rate of interest permitted by law, and to pay the issuer of the Reserve Account Insurance Policy and/or the issuer of the Reserve Account Letter of Credit for all reasonable expenses incurred by such issuer in connection with the Reserve Account Insurance Policy or the Reserve Account Letter of Credit, as the case may be.

The Department may evidence its obligation to reimburse the issuer of any Reserve Account Letter of Credit or Reserve Account Insurance Policy by executing and delivering to such issuer a promissory note therefor, provided, however, any such note (a) shall not be secured by the full faith and credit or taxing power of the State, and (b) shall be payable solely from the Pledged Gas Taxes in the manner provided herein.

To the extent the Division causes to be deposited into the Reserve Account, a Reserve Account Insurance Policy and/or a Reserve Account Letter of Credit which terminates prior to the final maturity of the Bonds, then the Reserve Account Insurance Policy and/or the Reserve Account Letter of Credit shall provide, among other things, that the issuer thereof shall provide the Division and the Department with notice as of each anniversary of the date of the issuance of the Reserve Account Insurance Policy and/or the Reserve Account Letter of Credit of the intention of the issuer thereof to either (a) extend the term of the Reserve Account Insurance Policy and/or the Reserve Account Letter of Credit beyond the expiration dates thereof, or (b) terminate the Reserve Account Insurance Policy and/or the Reserve Account Letter of Credit on the initial expiration dates thereof or such other future date as the issuer thereof shall have established. If the issuer of the Reserve Account

Insurance Policy and/or the Reserve Account Letter of Credit notifies the Division and the Department pursuant to clause (b) of the immediately preceding sentence or if the Division or the Department terminates the Reserve Account Letter of Credit and/or Reserve Account Insurance Policy, then the Department shall deposit from the Pledged Gas Taxes into the Reserve Account, on or prior to the fifteenth (15th) day of the first full calendar month following the date on which such notice is received by the Division and the Department, such sums as shall be sufficient to pay an amount equal to a fraction, the numerator of which is one (1) and the denominator of which is equal to the number of months remaining in the term of the Reserve Account Insurance Policy and/or the Reserve Account Letter of Credit of the Reserve Account Requirement on the date such notice was received (the maximum amount available, assuming full reimbursement by the Department, under the Reserve Account Letter of Credit and/or the Reserve Account Insurance Policy to be reduced annually by an amount equal to the deposit to the Reserve Account during the previous twelve (12) month period) until amounts on deposit in the Reserve Account, as a result of the aforementioned deposits, and no later than upon the expiration of such Reserve Account Insurance Policy and/or such Reserve Account Letter of Credit, shall be equal to the Reserve Account Requirement applicable thereto.

If any Reserve Account Letter of Credit or Reserve Account Insurance Policy shall terminate prior to the stated expiration date thereof, the Department agrees that it shall fund, solely from the Pledged Gas Taxes, the portion of the Reserve Account provided by such instrument over a period not to exceed twelve (12) months during which it shall make consecutive equal monthly payments in order that the amount on deposit therein at the end of such period shall equal the Reserve Account Requirement; provided, the Division may, with the prior written consent of the Insurer, if any, for the corresponding Series of Bonds obtain a new Reserve Account Letter of Credit or a new Reserve Account Insurance Policy in lieu of making the payments required by this paragraph.

If the credit rating of any issuer of a Reserve Account Letter of Credit or Reserve Account Insurance Policy shall ever fall below the requirement set forth in the fourth paragraph of this Section 4.06(A)(4), upon request of the Insurer, the Division shall, at its option, either (i) terminate the Reserve Account Letter of Credit or Reserve Account Insurance Policy of such issuer and secure a replacement satisfactory to the Insurer within forty-five (45) days, (ii) draw upon the Reserve Account Letter of Credit or Reserve Account Insurance Policy of such issuer and deposit the funds into the Reserve Account, or (iii) terminate the Reserve Account Letter of Credit or Reserve Account Insurance Policy of such issuer and, commencing in the month following such termination, make monthly deposits into the Reserve Account in an amount equal to one-twelfth (1/12th) of the stated amount of such Reserve Account Letter of Credit or Reserve Account Insurance Policy until the Reserve Account Requirement is on deposit therein.

(5) If the State has used moneys from its General Revenue Fund to satisfy debt service on the Bonds pursuant to Section 4.02 hereof, then the Department shall next use moneys in the Trust Fund to repay the State to the extent that general revenue funds were expended.

(6) The balance of any moneys remaining in the Trust Fund after the payments and deposits required by Section 4.06(A)(1) through (5) may be used for right-of-way acquisition or bridge construction, as provided by law.

(B) Whenever the amount on deposit in a subaccount of the Reserve Account, together with the other amounts in the Debt Service Fund, are sufficient to fully pay all Outstanding Bonds of the corresponding Series in accordance with their terms (including principal or applicable Redemption Price and interest thereon), the funds on deposit in such subaccount of the Reserve Account may be transferred to the other accounts of the Debt Service Fund for the payment of such Series of Bonds.

The Board of Administration, in its discretion, may use moneys in the Principal Account and the Interest Account to purchase or redeem Bonds coming due on the next principal payment date, provided such purchase or redemption does not adversely affect the Board of Administration's ability to pay the principal or interest coming due on such principal payment date on the Bonds not so purchased or redeemed.

(C) At least one (1) business day prior to the date established for payment of any principal of or Redemption Price, if applicable, or interest on the Bonds, the Board of Administration shall withdraw from the appropriate accounts of the Debt Service Fund sufficient moneys to pay such principal or Redemption Price, if applicable, or interest and deposit such moneys with the Paying Agent for the Bonds to be paid.

(D) In the event the Division shall issue a Series of Bonds secured by a Credit Facility, the Board of Administration may establish such separate subaccounts in the Interest Account, the Principal Account and the Bond Amortization Account to provide for payment of the principal of and interest on such Series; provided one Series of Bonds shall not have preference in payment from Pledged Gas Taxes over any other Series of Bonds. The Department may also transfer moneys to the Board of Administration for deposit in such subaccounts at such other times and in such other amounts from those provided in this Section 4.06 as shall be necessary to pay the principal of and interest on such Bonds as the same shall become due, all as provided by the Supplemental Resolution authorizing such Bonds.

In the case of Bonds secured by a Credit Facility, amounts on deposit in any subaccounts established for such Bonds may be applied as provided in the applicable Supplemental Resolution to reimburse the Credit Bank for amounts drawn under such Credit Facility to pay the principal of or Redemption Price, if applicable, and interest on such Bonds; provided such Credit Facility shall have no priority over Bondholders or any Insurer to amounts on deposit in the Debt Service Fund.

SECTION 4.07. REBATE ACCOUNT. Amounts on deposit in the Rebate Account shall be held in trust by the Board of Administration or such other agency as shall be designated by law and used solely to make required rebates to the United States (except to the extent the same may be transferred to the Trust Fund pursuant to the certificate described below) and the Bondholders shall have no right to have the same applied for debt service on the Bonds. The Department or such other agency as shall be designated by law agrees to undertake all actions required of it in the Certificate as to Arbitrage and Certain Other Tax Matters, dated the date of issuance of the Series 1989 Bonds, relating to such Bonds, as well as any successor Certificate thereto, including, but not limited to:

(A) making a determination in accordance with the Code of the amount required to be deposited in the Rebate Account;

(B) depositing the amount determined in clause (A) above into the Rebate Account;

(C) paying on the dates and in the manner required by the Code to the United States Treasury from the Rebate Account and any other legally available moneys of the Department such amounts as shall be required by the Code to be rebated to the United States Treasury; and

(D) keeping such records of the determinations made pursuant to this Section 4.07 as shall be required by the Code, as well as evidence of the fair market value of any investments purchased with "gross proceeds" of the Bonds (as defined in the Code).

The provisions of the above-described Certificate may be amended from time to time as shall be necessary, in the opinion of Bond Counsel, to comply with the provisions of the Code.

SECTION 4.08. INVESTMENTS. Moneys on deposit in the Bond Proceeds Account, not immediately needed for the purposes of such Account, may be temporarily invested and reinvested, but only in the securities authorized in Section 18.10, Florida Statutes; provided however, that such investments shall mature, or be subject to redemption on demand by the holder at a price of not less that their par amount, not later than the date on which such moneys will be required for the purposes of such Account.

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

Moneys on deposit in the Interest Account, the Principal Account and the Bond Amortization Account may be invested and reinvested in Authorized Investments maturing not later than the date on which the moneys therein will be needed for the purposes of such Account. Moneys on deposit in the Reserve Account may be invested or reinvested in Authorized Investments which shall mature no later than five (5) years from the date of acquisition thereof. All investments shall be valued at the "cost" thereof, exclusive of accrued interest.

Any and all income and interest received by the Board of Administration from any investment or reinvestment of moneys in the Interest Account, the Principal Account, the Bond Amortization Account and each subaccount of the Reserve

Account (to the extent such income and the other amounts therein are less than the Reserve Account Requirement applicable thereto), shall be retained in such respective Account or subaccount. Any and all income received by the Board of Administration from the investment or reinvestment of moneys in each subaccount of the Reserve Account (to the extent such income and the other amounts therein are greater than the Reserve Account Requirement applicable thereto) shall be deposited in the Interest Account. All investments shall be valued at the "cost" thereof, exclusive of accrued interest.

Nothing contained in this Resolution shall prevent any Authorized Investments acquired as investments of or security for funds held under this Resolution from being issued or held in book-entry form on the books of the Department of the Treasury of the United States.

SECTION 4.09. SEPARATE ACCOUNTS. The moneys required to be accounted for in each of the foregoing funds, accounts and subaccounts established herein may be deposited in a single bank account, and funds allocated to the various funds, accounts and subaccounts established herein may be invested in a common investment pool, provided that adequate accounting records are maintained to reflect and control the restricted allocation of the moneys on deposit therein and such investments for the various purposes of such funds, accounts and subaccounts as herein provided.

The designation and establishment of the various funds, accounts and subaccounts in and by this Resolution shall not be construed to require the establishment of any completely independent, self-balancing funds as such term is commonly defined and used in governmental accounting, but rather is intended solely to constitute an earmarking of certain revenues for certain purposes and to establish certain priorities for application of such revenues as herein provided.

ARTICLE V
ADDITIONAL BONDS AND GENERAL COVENANTS

SECTION 5.01. ISSUANCE OF ADDITIONAL BONDS. No Additional Bonds, payable on a parity with the Bonds then Outstanding pursuant to this Resolution, shall be issued except upon the conditions and in the manner herein provided. The Division may issue one or more Series of Additional Bonds in accordance with the Act for any one or more of the following purposes: financing the Cost of an Additional Project, or the completion thereof or of the Initial Project, or refunding any or all Outstanding Bonds.

No such Additional Bonds shall be issued unless the following conditions are complied with:

(A) The Board of Administration shall determine that in no Fiscal Year will the Annual Debt Service for all Bonds, including the Additional Bonds then proposed to be issued, exceed ninety percent (90%) of the Pledged Gas Taxes available for payment of the Annual Debt Service.

(B) For the purpose of determining the Annual Debt Service under Section 5.01(A) hereof, the interest rate on additional parity Variable Rate Bonds then proposed to be issued and on Outstanding Variable Rate Bonds shall be deemed to be the Maximum Interest Rate.

(C) Additional Bonds shall be deemed to have been issued pursuant to this Resolution the same as the Outstanding Bonds, and all of the other 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 all Bonds issued pursuant to this Resolution. Except as provided in Section 4.06 hereof, all Bonds, regardless of the time or times of their issuance, shall rank equally with respect to their sources and security for payment without preference of any Bonds over any other.

(D) In the event that the total amount of Series 1989 Bonds herein authorized to be issued are not issued simultaneously, such Series 1989 Bonds which are subsequently issued shall be subject to the conditions of Section 5.01(A) hereof.

(E) No Additional Bonds shall be issued hereunder if any Event of Default shall have occurred and be continuing hereunder.

SECTION 5.02. BOND ANTICIPATION NOTES. The Division may issue notes in anticipation of the issuance of Bonds, which shall have such terms and details and be secured in such manner, not inconsistent with this Resolution, as shall be provided by Supplemental Resolution.

SECTION 5.03. COVENANTS WITH CREDIT BANKS AND INSURERS. The Division may make such covenants as it may, in its sole discretion, determine to be appropriate with any Insurer, Credit Bank or other financial institution that shall agree to insure or to provide for Bonds of any one or more Series credit or liquidity support that shall enhance the security or the value of such Bonds. Such covenants may be set forth in the applicable Supplemental Resolution and shall be binding on the Division, the Department, the Registrar, the Paying Agent and all the Holders of Bonds the same as if such covenants were set forth in full in this Resolution.

SECTION 5.04. FEDERAL INCOME TAX COVENANTS; TAXABLE BONDS.

(A) The Division, the Board of Administration and the Department hereby covenant with the Holders of each Series of Bonds (other than Taxable Bonds), that the proceeds of such Series of Bonds shall not be used in any manner which would cause the interest on such Series of Bonds to be included in gross income for purposes of federal income taxation to the extent not otherwise included therein on the date of issuance of each such Series.

(B) The Division, the Board of Administration and the Department hereby covenant with the Holders of each Series of Bonds (other than Taxable Bonds) that neither the Division, the Board of Administration nor the Department, nor any Person under their control or direction will make any use of the proceeds of such Series of Bonds (or amounts deemed to be proceeds under the Code) in any manner which would cause such Series of Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code and neither the Division, the Board of Administration nor the Department, nor any other Person shall do any act or fail to do any act which would cause the interest on such Series of Bonds to become subject to inclusion within gross income for purposes of federal income taxation.

(C) The Division, the Board of Administration and the Department hereby covenant with the Holders of each Series of Bonds (other than Taxable Bonds) that they will comply with all provisions of the Code necessary to maintain the exclusion from gross income of interest on the Bonds for purposes of federal income taxation, including, in particular, the payment of any amount required to be rebated to the U.S. Treasury pursuant to the Code.

(D) The Division may, if it so elects, issue one or more Series of Taxable Bonds the interest on which is (or may be) includable in the gross income of the Holder thereof for federal income taxation purposes, so long as each Bond of such Series states in the body thereof that interest payable thereon is (or may be) subject to federal income taxation and provided that the issuance thereof will not cause the interest on any other Bonds theretofore issued hereunder to be or become subject to federal income taxation. The covenants set forth in paragraphs (A), (B) and (C) above shall not apply to any Taxable Bonds.

SECTION 5.05. SPECIAL COVENANTS RELATING TO RESERVE ACCOUNT INSURANCE POLICY OR RESERVE ACCOUNT LETTER OF CREDIT.

(A) The Board of Administration shall annually submit to the issuer of the Reserve Account Insurance Policy and/or the Reserve Account Letter of Credit, records of withdrawals on such Reserve Account Insurance Policy or the Reserve Account Letter of Credit, as the case may be, received by the Paying Agent and remaining unpaid, the respective dates of such withdrawals, the interest accrued on such withdrawals and the aggregate amount of interest due by the Department to the issuer of such Reserve Account Insurance Policy or the Reserve Account Letter of Credit, as the case may be.

(B) The Division, the Department and the Board of Administration hereby acknowledge that the issuer of the Reserve Account Insurance Policy and/or the Reserve Account Letter of Credit shall be deemed a third-party beneficiary of this Resolution for the purpose of enforcing the terms, conditions and obligations of the Resolution which benefit the issuer of such Reserve Account Insurance Policy or the Reserve Account Letter of Credit, as the case may be.

SECTION 5.06. COVENANT TO CAUSE TRANSFERS. The Department shall be required to transfer Pledged Gas Taxes on deposit in the State Transportation Trust Fund into the Trust Fund, at the times and in the amounts sufficient to comply with the requirements of Section 4.06 hereof with respect to transfers from the Trust Fund.

ARTICLE VI
DEFAULTS AND REMEDIES

SECTION 6.01. EVENTS OF DEFAULT. The following events shall each constitute an "Event of Default":

(A) Default shall be made in the payment of the principal of, Amortization Installment, redemption premium or interest on any Bond when due.

(B) Default shall be made in the payment of the fees due any provider of a Reserve Account Insurance Policy or Reserve Account Letter of Credit.

(C) Default shall be made in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or in this Resolution on the part of the Division, the Board of Administration or the Department to be performed, and such default shall continue for a period of thirty (30) days after written notice of such default shall have been received from the Holders of not less than twenty-five percent (25%) of the aggregate principal amount of Bonds Outstanding or the Insurer of such amount of Bonds. Notwithstanding the foregoing, the Division, the Board of Administration or the Department shall not be deemed in default hereunder if such default can be cured within a reasonable period of time (not exceeding sixty days unless otherwise approved by all Insurers) and if the Division, the Board of Administration or the Department in good faith institutes curative action and diligently pursues such action until the default has been corrected.

SECTION 6.02. REMEDIES. Any Holder of Bonds issued under the provisions of this Resolution may either at law or in equity, by suit, action, mandamus or other proceedings in any court of competent jurisdiction, protect and enforce any and all rights under the Laws of the State of Florida, or granted and contained in this Resolution, and may enforce and compel the performance of all duties required by this Resolution or by any applicable statutes to be performed by the Division, the Board of Administration, the Department or by any officer thereof.

SECTION 6.03. WAIVER OF DEFAULT. No delay or omission of any Bondholder to exercise 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 an acquiescence therein; and every power and remedy given by Section 6.02 hereof to the Bondholders may be exercised from time to time, and as often as may be deemed expedient.

SECTION 6.04. CONTROL BY INSURER. Upon the occurrence and continuance of an Event of Default, each Insurer, if such Insurer is not in default under its Bond Insurance Policy, shall be entitled to direct and control the enforcement of all right and remedies with respect to the Bonds it shall insure.

ARTICLE VII
SUPPLEMENTAL RESOLUTIONS

SECTION 7.01. SUPPLEMENTAL RESOLUTION WITHOUT BONDHOLDERS' CONSENT. The Division, from time to time and at any time, may adopt such Supplemental Resolutions without the consent of the Bondholders, but with the prior consent of the Insurer of the corresponding Series of Bonds (which Supplemental Resolution shall thereafter form a part hereof) for any of the following purposes:

(A) To cure any ambiguity or formal defect or omission or to correct any inconsistent provisions in this Resolution or to clarify any matters or questions arising hereunder.

(B) To grant to or confer upon the Bondholders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Bondholders.

(C) To add to the conditions, limitations and restrictions on the issuance of Bonds under the provisions of this Resolution other conditions, limitations and restrictions thereafter to be observed.

(D) To add to the covenants and agreements of the Division, the Board of Administration and the Department in this Resolution other covenants and agreements thereafter to be observed by the Division, the Board of Administration and the Department or to surrender any right or power herein reserved to or conferred upon the Division, the Board of Administration and the Department.

(E) To specify and determine the matters and things referred to in Sections 2.01, 2.02 or 2.09 hereof, and also any other matters and things relative to such Bonds which are not contrary to or inconsistent with this Resolution as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first delivery of such Bonds.

(F) To authorize Additional Projects or to change or modify the description of the Initial Project or any Additional Project, provided that any such Additional Project or modification to the Initial Project shall be in compliance with the Act.

(G) To specify and determine matters necessary or desirable for the issuance of Capital Appreciation Bonds or Variable Rate Bonds.

(H) To provide for the establishment of a subaccount in the Reserve Account which shall equally and ratably secure more than one Series of Bonds issued hereunder; provided the establishment of such subaccount shall not materially adversely affect the security of any Outstanding Bonds.

(I) To make any other change that, in the opinion of the Division, would not materially adversely affect the security for the Bonds.

SECTION 7.02. SUPPLEMENTAL RESOLUTION WITH BONDHOLDERS' AND INSURER'S CONSENT. Subject to the terms and provisions contained in this Section 7.02 and Section 7.01 hereof, the Holder or Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, anything contained in this Resolution to the contrary notwithstanding, to consent to and approve the adoption of such Supplemental Resolution or Resolutions hereto as shall be deemed necessary or desirable by the Division for the purpose of supplementing, modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Resolution; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified Series or maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section 7.02. Any Supplemental Resolution which is adopted in accordance with the provisions of this Section 7.02 shall also require the written consent of the Insurer of any Bonds which are Outstanding at the time such Supplemental Resolution shall take effect. No Supplemental Resolution may be approved or adopted which shall permit or require (A) an extension of the maturity of the principal of or the payment of the interest on any Bond issued hereunder, (B) reduction in the principal amount of any Bond or the Redemption Price or the rate of interest thereon, (C) the creation of a lien upon or a pledge of other than the lien and pledge created by this Resolution which adversely affects any Bondholders, (D) a preference or priority of any Bond or Bonds over any other Bond or Bonds, or (E) a reduction in the aggregate principal amount of the Bonds required for consent to such Supplemental Resolution. Nothing herein contained, however, shall be construed as making necessary the approval by Bondholders or the Insurer of the adoption of any Supplemental Resolution as authorized in Section 7.01 hereof.

If at any time the Division shall determine that it is necessary or desirable to adopt any Supplemental Resolution pursuant to this Section 7.02, the Division shall cause the Registrar to give notice of the proposed adoption of such Supplemental Resolution and the form of consent to such adoption to be mailed, postage prepaid, to all Bondholders at their addresses as they appear on the registration books. Such notice shall briefly set forth the nature of the proposed Supplemental Resolution and shall state that copies thereof are on file at the offices of the Division and the Registrar for inspection by all Bondholders. The Division shall not, however, be subject to any liability to any Bondholder by reason of its failure to cause the notice required by this Section 7.02 to be mailed and any such failure shall not affect the validity of such Supplemental Resolution when consented to and approved as provided in this Section 7.02.

Whenever the Division shall receive an instrument or instruments in writing purporting to be executed by the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding, which instrument or instruments shall refer to the proposed Supplemental Resolution described in such notice and shall specifically consent to and approve the adoption thereof in substantially the form of the copy thereof referred to in such notice, thereupon, but not otherwise, the Division may adopt such Supplemental Resolution in substantially such form, without liability or responsibility to any Holder of any Bond, whether or not such Holder shall have consented thereto.

If the Holders of not less than a majority in aggregate principal amount of the Bonds Outstanding at the time of the adoption of such Supplemental Resolution shall have consented to and approved the adoption thereof as herein provided, no Holder of any Bond shall have any right to object to the adoption of such Supplemental Resolution, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the adoption thereof, or to enjoin or restrain the Division from adopting the same or from taking any action pursuant to the provisions thereof.

Upon the adoption of any Supplemental Resolution pursuant to the provisions of this Section 7.02, this Resolution shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Resolution of the Division and all Holders of Bonds then Outstanding shall thereafter be determined, exercised and enforced in all respects under the provisions of this Resolution as so modified and amended.

SECTION 7.03. AMENDMENT WITH CONSENT OF INSURER ONLY. If all of the Bonds Outstanding hereunder are insured as to payment of principal and interest by an Insurer or Insurers, and the Bonds, at the time of the hereinafter described amendment, shall be rated by the rating agencies which shall have rated the Bonds at the time such Bonds were insured no lower than the ratings assigned thereto by such rating agencies on the date of being insured, the Division may enact one or more Supplemental Resolutions amending all or any part of Articles I, IV, V and VI hereof with the written consent of said Insurer or Insurers and the acknowledgment by said Insurer or Insurers that its insurance or guaranty policy will remain in full force and effect. The consent of the Holders of any Bonds shall not be necessary. The foregoing right of amendment, however, does not apply to any amendment to Section 5.06 hereof with respect to the exclusion, if applicable, of interest on said Bonds from gross income for purposes of federal income taxation nor may any such amendment deprive the Holders of any Bond of right to payment of the Bonds from, and their lien on, the Pledged Gas Taxes to the extent provided herein. Upon receipt of evidence of such consent of the Insurer or Insurers as aforesaid, the Division may adopt such Supplemental Resolution. After the adoption by the Division of such Supplemental Resolution, notice thereof shall be mailed in the same manner as notice of an amendment under Section 7.02 hereof. Copies of any Supplemental Resolution proposed to be adopted pursuant to this Section 7.03 shall be provided to Moody's and Standard & Poor's.

ARTICLE VIII
MISCELLANEOUS

SECTION 8.01. DEFEASANCE. If the Division shall pay or cause to be paid or there shall otherwise be paid to the Holders of all Bonds the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Resolution, then the pledge of the Pledged Gas Taxes, and all covenants, agreements and other obligations of the Division, the Board of Administration and the Department to the Bondholders, shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Paying Agents shall pay over or deliver to the Board all money or securities held by them pursuant to the Resolution which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

Any Bonds or interest installments appertaining thereto, whether at or prior to the maturity or redemption date of such Bonds, shall be deemed to have been paid within the meaning of this Section 8.01 if (A) in case any such Bonds are to be redeemed prior to the maturity thereof, there shall have been taken all action necessary to call such Bonds for redemption and notice of such redemption shall have been duly given or provision shall have been made for the giving of such notice, and (B) there shall have been deposited in irrevocable trust with a banking institution or trust company by or on behalf of the Division either moneys in an amount which shall be sufficient, or Refunding Securities the principal of and the interest on which when due, as verified by a nationally recognized certified public accountant or firm of certified public accountants will provide moneys which, together with the moneys, if any, deposited with such bank or trust company at the same time shall be sufficient, to pay the principal of or Redemption Price, if applicable, and interest due and to become due on said

Bonds on and prior to the redemption date or maturity date thereof, as the case may be. Except as hereafter provided, neither the Refunding Securities nor any moneys so deposited with such bank or trust company nor any moneys received by such bank or trust company on account of principal of or Redemption Price, if applicable, or interest on said Refunding Securities shall be withdrawn or used for any purpose other than, and all such moneys shall be held in trust for and be applied to, the payment, when due, of the principal of or Redemption Price, if applicable, of the Bonds for the payment or redemption of which they were deposited and the interest accruing thereon to the date of maturity or redemption; provided, however, the Division may substitute new Refunding Securities and moneys for the deposited Refunding Securities and moneys if the new Refunding Securities and moneys are sufficient to pay the principal of or Redemption Price, if applicable, and interest on the refunded Bonds.

For purposes of determining whether Variable Rate Bonds shall be deemed to have been paid prior to the maturity or the redemption date thereof, as the case may be, by the deposit of moneys, or specified Refunding Securities and moneys, if any, in accordance with this Section 8.01, the interest to come due on such Variable Rate Bonds on or prior to the maturity or redemption date thereof, as the case may be, shall be calculated at the Maximum Interest Rate; provided, however, that if on any date, as a result of such Variable Rate Bonds having borne interest at less than the Maximum Interest Rate for any period, the total amount of moneys and specified Refunding Securities on deposit for the payment of interest on such Variable Rate Bonds is in excess of the total amount which would have been required to be deposited on such date in respect of such Variable Rate Bonds in order to satisfy this Section 8.01, such excess shall be paid to the Department free and clear of any trust, lien, pledge or assignment securing the Bonds or otherwise existing under this Resolution.

In the event the Bonds for which moneys are to be deposited for the payment thereof in accordance with this Section 8.01 are not by their terms subject to redemption within the next succeeding sixty (60) days, the Division shall cause the Registrar to mail a notice to the Holders of such Bonds that the deposit required by this Section 8.01 of moneys or Refunding Securities has been made and said Bonds are deemed to be paid in accordance with the provisions of this Section 8.01 and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal of or Redemption Price, if applicable, and interest on said Bonds.

Nothing herein shall be deemed to require the Division to call any of the Outstanding Bonds for redemption prior to maturity pursuant to any applicable optional redemption provisions, or to impair the discretion of the Division in determining whether to exercise any such option for early redemption.

In the event that the principal of or Redemption Price, if applicable, and interest due on the Bonds shall be paid by an Insurer or Insurers, such Bonds shall remain Outstanding, shall not be defeased and shall not be considered paid by the Division, and the pledge of the Pledged Gas Taxes and all covenants, agreements and other obligations of the Division, the Board of Administration and the Department to the Bondholders shall continue to exist and such Insurer or Insurers shall be subrogated to the rights of such Bondholders.

SECTION 8.02. CAPITAL APPRECIATION BONDS. For the purposes of (A) receiving payment of the Redemption Price if a Capital Appreciation Bond is redeemed prior to maturity, or (B) receiving payment of a Capital Appreciation Bond if the principal of all Bonds becomes due and payable under the provisions of this Resolution, or (C) computing the amount of Bonds held by the Holder of a Capital Appreciation Bond in giving to the Division any notice, consent, request or demand pursuant to this Resolution for any purpose whatsoever, the principal amount of a Capital Appreciation Bond shall be deemed to be its Accreted Value.

SECTION 8.03. SALE OF BONDS. The Bonds shall be issued and sold at public or private sale at one time or in installments from time to time and at such price or prices as shall be consistent with the provisions of the Act, the requirements of this Resolution and other applicable provisions of law.

SECTION 8.04. SEVERABILITY OF INVALID PROVISIONS. If any one or more of the covenants, agreements or provisions of this Resolution shall be held contrary to any express provision of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements and provisions of this Resolution and shall in no way affect the validity of any of the other covenants, agreements or provisions hereof or of the Bonds issued hereunder.

SECTION 8.05. VALIDATION AUTHORIZED. The Division is authorized and directed to institute appropriate proceedings for validation of the Bonds herein authorized pursuant to Chapter 75, Florida Statutes.

SECTION 8.06. REPEAL OF INCONSISTENT RESOLUTIONS. All ordinances, resolutions or parts thereof in conflict herewith are hereby superseded and repealed to the extent of such conflict.

SECTION 8.07. EFFECTIVE DATE. This Resolution shall take effect immediately upon its adoption.

ADOPTED on February 28, 1989.

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APPENDIX F

A RESOLUTION AMENDING AND SUPPLEMENTING A RESOLUTION ENTITLED "A RESOLUTION OF THE DIVISION OF BOND FINANCE OF THE STATE OF FLORIDA DEPARTMENT OF GENERAL SERVICES AUTHORIZING THE ISSUANCE BY THE DIVISION ON BEHALF OF THE STATE OF FLORIDA DEPARTMENT OF TRANSPORTATION OF NOT EXCEEDING $300,000,000 AGGREGATE PRINCIPAL AMOUNT OF STATE OF FLORIDA, FULL FAITH AND CREDIT, DEPARTMENT OF TRANSPORTATION RIGHT-OF-WAY ACQUISITION AND BRIDGE CONSTRUCTION BONDS, SERIES 1989, FOR THE PURPOSE OF FINANCING OR REFINANCING THE COST OF ACQUIRING REAL PROPERTY OR THE RIGHTS TO REAL PROPERTY FOR STATE ROADS AS DEFINED BY LAW, OR TO FINANCE OR REFINANCE THE COST OF STATE BRIDGE CONSTRUCTION, AND PURPOSES INCIDENTAL TO SUCH PROPERTY ACQUISITION OR BRIDGE CONSTRUCTION" AND AUTHORIZING THE SALE OF NOT TO EXCEED $160,000,000 STATE OF FLORIDA, FULL FAITH AND CREDIT, DEPARTMENT OF TRANSPORTATION RIGHT-OF-WAY ACQUISITION AND BRIDGE CONSTRUCTION BONDS, SERIES 1991; PROVIDING AN EFFECTIVE DATE.

BE IT RESOLVED BY THE GOVERNOR AND CABINET OF THE STATE OF FLORIDA, AS THE GOVERNING BOARD OF THE DIVISION OF BOND FINANCE OF THE DEPARTMENT OF GENERAL SERVICES:

Section 1. That the resolution authorizing the issuance of the not to exceed $300,000,000 State of Florida, Full Faith and Credit, Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds, Series 1989 (the "Series 1989 Bonds") which was adopted by the Governor and Cabinet as the Governing Board of the Division of Bond Finance of the Department of General Services, on the 28th day of February, 1989 (as further described in the title hereof) (the "Authorizing Resolution"), is hereby amended as follows (words, letters or punctuation marks ~~stricken~~ are deletions; words, letters or punctuation marks underlined are additions):

(A) Section 1.01 of the Authorizing Resolution is hereby amended to add a definition of "Administrative Expenses" as follows:

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

(B) The first paragraph of subsection (A) of Section 4.06 of the Authorizing Resolution is amended as follows:

(A) The Department shall cause moneys in the Trust Fund (other than moneys in the Bond Proceeds Account) to be deposited or credited (after provision is made for payment of Administrative Expenses) on or before the twentieth day of each month, commencing in the month immediately following delivery of any of the Bonds to the purchasers thereof, or such later date as hereinafter provided, in the following manner and in the following order of priority:

(C) Section 1.01 of the Authorizing Resolution is hereby amended to amend the definition of "Reserve Account Requirement" as follows:

"Reserve Account Requirement" shall mean, as of any date of calculation for a particular subaccount of the Reserve Account, an amount to be determined by the Director of the Division, which amount shall not exceed ~~equal to~~ the lesser of (1) Maximum Annual Debt Service for all Outstanding Bonds which are secured by such subaccount, (2) 125% of the average annual debt service for all Outstanding Bonds which are secured by such subaccount, which shall be calculated pursuant to Supplemental Resolution or (3) 10% of the proceeds of Bonds which are secured by such subaccount. In computing the Reserve Account Requirement in respect of any subaccount of the Reserve Account which secures Bonds that constitute Variable Rate Bonds, the interest rate on such Bonds shall be assumed to be the Maximum Interest Rate for such Bonds. In computing the Reserve Account Requirement in accordance with clause (3) of this definition in respect of any Capital Appreciation Bonds, the proceeds of such Bonds shall be determined with reference to the original principal amount thereof, not the Accreted Value. In computing the Reserve Account Requirement in respect of any Bonds that constitute Balloon Maturity Bonds, the principal amount of such Balloon Maturity Bonds shall be adjusted as if it were to be amortized in substantially equal annual installments of principal and interest over a term equal to the lesser of (1) twenty-five (25) years, or (2) the weighted average estimated useful life of the Project financed or to be financed from the proceeds of such Bonds. The fixed interest rate used for such computation shall be the rate at which it is assumed that the State could reasonably expect to borrow or to have borrowed by issuing such Bonds with such term and level Annual Debt Service for each Fiscal Year; such reasonable expectations being established by a certificate of an Authorized Officer of the Division confirming the interest rate assumption as reasonable.

(D) Section 3.03 of the Authorizing Resolution is replaced with a new Section 3.03 to read as follows:

SECTION 3.03 NOTICE OF REDEMPTION. The Bonds may be made redeemable in such manner and upon such terms and conditions as determined by subsequent resolution adopted by the Division prior to the sale of the Bonds or any Series thereof.

Unless waived by any Holder of Bonds to be redeemed, a notice of the redemption prior to maturity of any of the Bonds shall be mailed by first class mail (postage prepaid) at least thirty (30) days prior to the date of redemption to the registered owner of the Bonds to be redeemed, of record on the books of the Registrar, as of forty-five days prior to the date of redemption. Such notice of redemption shall specify the serial or other distinctive numbers or letters of the Bonds to be redeemed, if less than all of the Outstanding Bonds of the series, the date fixed for redemption, and the redemption price thereof and, in the case of Bonds to be redeemed in part only, the principal amount thereof to be redeemed. Failure so to give any such notice by mailing to any Bondholder, 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 Registrar/Paying Agent shall not be required (a) to issue, transfer or exchange any Bonds during a period beginning at the opening of business on either the 15th business day next preceding the date fixed for redemption or the 15th business day next preceding any debt service payment date and ending at the close of business on the date fixed for redemption or the debt service payment date; or (b) to transfer or exchange any Bonds selected, called or being called for redemption in whole or in part.

Notice having been given in the manner and under the conditions hereinabove provided, the Bonds or portions of Bonds so called for redemption shall, on the redemption date designated in such notice, become and be due and payable at the redemption price provided for redemption of such Bonds or portions of Bonds on such date. On the date so designated for redemption, notice having been given and moneys for payment of the redemption price being held in a separate account by an escrow agent, the Board of Administration, the Registrar, or a 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 the payment thereof and, to the extent provided in this section to receive Bonds for any unredeemed portion of the Bonds. Any and all Bonds redeemed prior to maturity shall be duly cancelled by the Registrar and shall not be reissued.

In addition to the mailing of the notice described above, each notice of redemption and payment of the redemption price shall meet the requirements of this paragraph; provided, however, that failure of such notice or payment to comply with the terms of this paragraph shall not in any manner defeat the effectiveness of a call for redemption if notice thereof is given as prescribed above in this Section 3.03.

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

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

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

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

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

Section 2. That the first series of bonds to be issued under the Authorizing Resolution is hereby authorized to be issued and is to be designated as the "$160,000,000 State of Florida, Full Faith and Credit, Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds, Series 1991 (the "Bonds").

Section 3. That the Bonds are hereby authorized to be sold at public sale on the date and at the time to be set out in the Notice of Sale to be published as provided in this Resolution. The Bonds referred to herein may be sold separately or combined with any other road bond issues authorized by this Board to be sold.

Proposals for purchase of the Bonds will be received at the office of the Division of Bond Finance, Suite 312 Knight Building, 2737 Centerview Drive, Tallahassee, Florida, or at another location designated in the Notice of Sale, from the time that the Notice of Sale is published until the time and date of sale specified in such Notice of Sale.

Section 4. That the Director of the Division of Bond Finance is hereby authorized to determine the most advantageous date and time of sale and to publish the Notice of Sale of the Bonds, or an abbreviated version as approved by bond approving counsel, in The Bond Buyer, New York, New York, such publication to not be less than ten (10)

days prior to the date of sale; and to publish such Notice of Sale in such other newspapers on such date as may be deemed appropriate; provided, that if no bids are received at the time and place called for in the Notice of Sale, or if all bids received are rejected, such Bonds may again be offered for sale upon publication of a Notice of Sale not less than five (5) days prior to the date of sale.

Section 5. That the Director is hereby authorized to distribute a Notice of Sale and a form of proposal for the sale of the Bonds. The Notice of Sale shall be in such form as shall be determined by the Director of the Division, with the advice of bond approving counsel, and shall contain such information as required by applicable law.

Section 6. That the Director of the Division of Bond Finance is hereby authorized to have up to 3,000 copies of the Preliminary Official Statement and 3,000 copies of the Final Official Statement relating to the public offering of the Bonds printed and distributed; to contract with national rating services; 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 Bonds.

Section 7. That the Secretary or any Assistant Secretary of the Governing Board is hereby authorized and empowered to award said Bonds when offered, on his or her determination of the best Proposal submitted in accordance with the terms of the Notice of Sale provided for herein, and such award shall be final. The Director or Assistant Secretary of the Division of Bond Finance shall report such sale to this Board.

Section 8. That the Chairman and the Secretary or any Assistant Secretary of the Governing Board are hereby authorized to execute the Bonds in the manner provided by the Authorizing Resolution and to deliver such Bonds to the purchasers thereof upon payment of the purchase price, together with accrued interest to the date of delivery, and to distribute the proceeds of the Bonds as provided by the Authorizing Resolution and other proceedings authorizing the issuance of the Bonds.

Until definitive obligations are ready for delivery, there may be executed and delivered to the purchasers, in lieu of definitive obligations and subject to the same limitations and conditions, one or more temporary Bonds, in one or more denominations totaling the aggregate principal amount of the Bonds to be issued, maturing in installments and bearing interest with respect to each installment, in substantially the same tenor as otherwise herein authorized for the Bonds, and with such omissions, insertions and variations as may be required. If temporary obligations are issued, the definitive obligations will be prepared and executed and, upon presentation of temporary obligations, the Division of Bond Finance shall cancel the temporary obligations and deliver to the holders thereof definitive obligations of an equal aggregate principal amount, bearing appropriate characteristics as herein authorized and as sold to the purchasers thereof. Until so exchanged, the temporary obligations shall in all respects be entitled to the same benefit and security as the definitive obligations. Interest and principal installments on the temporary obligations, when due and payable, if the definitive obligations are not then ready for exchange, shall be paid upon presentation of the temporary obligations to the bond registrar/paying agent, and notation of such payment shall be endorsed thereon. The temporary obligations shall be in such form and denominations as shall be determined by the Division of Bond Finance, which shall be evidenced by their execution thereof, and shall be executed by the officers who will execute the definitive obligations, which execution is hereby authorized.

Section 9. That Citibank, N. A., is hereby designated as bond registrar and paying agent for the Bonds on the terms and conditions set forth in the Registrar, Paying Agent and Transfer Agreement, by and between the State Board of Administration of Florida and Citibank, N. A.

Section 10. That the Bonds shall mature serially except as otherwise set forth in the Notice of Sale, and shall be subject to redemption as provided in the Notice of Sale, provided that the Director of the Division of Bond Finance is authorized to amend the maturity schedule of the Bonds, prior to publication of the Notice of Sale, in such manner as he may determine to be in the best interest of the State of Florida. In no event, however, shall the principal amount of the Bonds exceed One Hundred Sixty Million Dollars ($160,000,000). The Bonds shall be payable at the principal corporate trust office of Citibank, N.A., New York, New York, or its successors. Interest shall be payable by check or draft mailed to the Registered Owners of the Bonds as they appear on the registration books of the Registrar at 5:00 p.m. on the Record Date; provided, however, that a Registered Owner of not less than $500,000 in aggregate principal

amount of Bonds shall have the interest on its Bonds paid on the day the interest payment becomes due in immediately available funds by wire transfer within the continental United States to or at the direction and expense of such Registered Owner if such Registered Owner gives written notice of such election to the Registrar prior to the Record Date for such interest payment date. Such notice may provide for such election to remain in effect for subsequent payments until changed or revoked by another written notice. The Bonds shall be dated November 1, 1991, and shall bear interest from November 1, 1991, payable on July 1, 1992, and semiannually on each January 1 and July 1 thereafter. The Bonds shall mature on July 1 of the years and in the amounts as provided in the Notice of Sale, the final maturity of the Bonds to be not later than July 1, 2025.

Section 11. That there shall be established a Reserve Account from the proceeds of the Bonds in an amount to be determined by the Director of the Division of Bond Finance, which amount shall not exceed the lesser of (a) the Maximum Annual Debt Service on the Bonds, (b) 125% of the average Annual Debt Service on the Bonds, and (c) 10% of the aggregate of the original proceeds received from the initial sale of all Outstanding Bonds.

Section 12. That any portion of the Bonds may be issued separately, provided that the Bonds of each portion shall be numbered consecutively from one (1) upward in order of maturity preceded by the letter "R".

Section 13. That the Director of the Division of Bond Finance is hereby authorized to offer for sale a lesser principal amount than that set forth in this Resolution and to adjust the maturity schedule and redemption provisions for the Bonds, if necessary, to reflect the issuance of such lesser amount, and to modify the Notice of Sale as may be required.

Section 14. That the Director of the Division of Bond Finance is authorized to provide in the Notice of Sale of the Bonds that the purchase price for the Bonds may include a discount of not to exceed one and one-half percent (1½%) of the aggregate principal amount of such Bonds offered for sale.

Section 15. That the Chairman and Secretary and any Assistant Secretary of the Governing Board and the Director of the Division of Bond Finance, and such other officers and employees of the Division of Bond Finance as may be designated as agents of the Division of Bond Finance in connection with the issuance and delivery of the Bonds, are authorized and empowered, collectively or individually, to take all actions and steps, to execute all instruments, documents, and contracts, and to take all other action on behalf of the Division of Bond Finance, in each case as they may deem necessary or desirable, in connection with the execution and delivery of the Bonds.

Section 16. Notwithstanding anything contained in the Authorizing Resolution to the contrary, it is the intent of the Governing Board that interest on the Bonds be and remain excludable from gross income for federal income tax purposes and therefore to comply with all requirements of federal tax law applicable to the Bonds, or any series thereof, whether such requirements are now in effect, pending or subsequently enacted. The Division of Bond Finance is hereby authorized and directed to take all actions necessary with respect to the Bonds and each series thereof to comply with such requirements of federal tax law.

Section 17. All prior or concurrent resolutions or parts of resolutions inconsistent with this Resolution are hereby amended by this Resolution but only to the extent of any such inconsistency.

Section 18. The Bonds were validated by Final Judgment of the Circuit Court of the Second Judicial Circuit of Florida, in and for Leon County, Florida, on April 28, 1989. The time for which an appeal may be taken from such judgment expired with no appeal having been filed. The authorization of the sale of the Bonds pursuant to this Resolution is subject to the approval of fiscal sufficiency by the State Board of Administration.

Section 19. This Resolution shall take effect immediately, subject to the conditions provided herein and by the applicable laws.

ADOPTED on September 24, 1991.

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A RESOLUTION AUTHORIZING THE PUBLIC SALE OF AN AMOUNT NOT TO EXCEED $65,000,000 STATE OF FLORIDA, FULL FAITH AND CREDIT, DEPARTMENT OF TRANSPORTATION RIGHT-OF-WAY ACQUISITION AND BRIDGE CONSTRUCTION BONDS, SERIES 1993 AND AMENDING A RESOLUTION ENTITLED "A RESOLUTION OF THE DIVISION OF BOND FINANCE OF THE STATE OF FLORIDA DEPARTMENT OF GENERAL SERVICES AUTHORIZING THE ISSUANCE BY THE DIVISION ON BEHALF OF THE STATE OF FLORIDA DEPARTMENT OF TRANSPORTATION OF NOT EXCEEDING $300,000,000 AGGREGATE PRINCIPAL AMOUNT OF STATE OF FLORIDA, FULL FAITH AND CREDIT, DEPARTMENT OF TRANSPORTATION RIGHT-OF-WAY ACQUISITION AND BRIDGE CONSTRUCTION BONDS, SERIES 1989, FOR THE PURPOSE OF FINANCING OR REFINANCING THE COST OF ACQUIRING REAL PROPERTY OR THE RIGHTS TO REAL PROPERTY FOR STATE ROADS AS DEFINED BY LAW, OR TO FINANCE OR REFINANCE THE COST OF STATE BRIDGE CONSTRUCTION, AND PURPOSES INCIDENTAL TO SUCH PROPERTY ACQUISITION OR BRIDGE CONSTRUCTION"; PROVIDING FOR THE APPLICATION OF BOND PROCEEDS; AND PROVIDING AN EFFECTIVE DATE.

BE IT RESOLVED BY THE GOVERNOR AND CABINET OF THE STATE OF FLORIDA, AS THE GOVERNING BOARD OF THE DIVISION OF BOND FINANCE OF THE STATE BOARD OF ADMINISTRATION THAT:

Section 1. The not to exceed $65,000,000 State of Florida, Full Faith and Credit, Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds, Series 1993 (herein referred to as the "1993 Bonds") heretofore authorized by resolution adopted by the Governor and Cabinet as the Governing Board of the Division of Bond Finance, on February 28, 1989, as amended by a resolution adopted on September 24, 1991, (collectively, the "Authorizing Resolution"), and validated by Final Judgment of the Circuit Court on April 28, 1989, are hereby authorized to be sold at public sale on the date and at a time to be set out or provided for in the Notice of Bond Sale to be published as provided in this resolution.

Proposals for purchase of the 1993 Bonds shall be received at the office of the Division of Bond Finance, 2737 Centerview Drive, Knight Building, Suite 312, Tallahassee, Florida, or at another location designated in the Notice of Bond Sale, from the time that the Notice of Bond Sale is published until the time and date of sale specified in such Notice of Bond Sale.

Section 2. The Director of the Division of Bond Finance of the State Board of Administration (herein referred to as the "Division"), is hereby authorized to determine the most advantageous date and time of sale and to publish the Notice of Bond Sale of the 1993 Bonds, or an abbreviated version, in The Bond Buyer, New York, New York, such publication to be not less than ten (10) days prior to the date of sale; and to publish such Notice of Bond Sale in such other newspapers on such dates as may be deemed appropriate; provided, that if no bids are received at the time and place called for in the Notice of Bond Sale, or if all bids received are rejected, such 1993 Bonds may again be offered for sale upon publication of a Notice of Bond Sale not less than five (5) days prior to the date of sale.

Section 3. The Director of the Division is hereby authorized to distribute a Notice of Bond Sale and a form of proposal for the sale of the 1993 Bonds. The Notice of Bond Sale shall be in such form as shall be determined by the Director of the Division and shall contain such information as required by applicable law.

Section 4. The Director of the Division is hereby authorized to have up to 3,500 copies of each of the Preliminary and Final Official Statements relating to the public offering of the 1993 Bonds printed and distributed; to contract with

national rating services; to conduct information meetings; and to take such other action as may be deemed appropriate for the dissemination of information relating to the sale of the 1993 Bonds.

Section 5. The Secretary or any Assistant Secretary of the Division is hereby authorized and empowered to award said 1993 Bonds, when offered, on his or her determination of the best proposal submitted in accordance with the terms of the Notice of Bond Sale provided for herein. Such award shall be final. The Secretary or Assistant Secretary shall report such sale to this Board after the award of the 1993 Bonds.

Section 6. The proper officials of the Board of Regents and the Division are hereby authorized to execute the 1993 Bonds in the manner provided by the Authorizing Resolution, and to deliver such 1993 Bonds to the purchasers thereof upon payment of the purchase price, together with accrued interest to the date of delivery, and to distribute the proceeds of the 1993 Bonds as provided by the proceedings authorizing the issuance of the 1993 Bonds.

Until definitive obligations are ready for delivery, there may be executed and delivered to the purchasers, in lieu of definitive obligations and subject to the same limitations and conditions, one or more temporary 1993 Bonds, in one or more denominations totalling the aggregate principal amount of the 1993 Bonds to be issued, maturing in installments and bearing interest with respect to each installment, in substantially the same tenor as otherwise herein authorized for the 1993 Bonds, and with such omissions, insertions and variations as may be required. If temporary obligations are issued, the definitive obligations will be prepared and executed and, upon presentation of temporary obligations, the Division shall cancel or require the cancellation of the temporary obligations and deliver to the holders thereof definitive obligations of an equal aggregate principal amount, bearing appropriate characteristics as authorized herein and in the Authorizing Resolution and as sold to the purchasers thereof. Until so exchanged, the temporary obligations shall in all respects be entitled to the same benefit and security as the definitive obligations. Interest and principal installments on the temporary obligations, when due and payable, if the definitive obligations are not then ready for exchange, shall be paid upon presentation of the temporary obligations to the paying agent, and notation of such payment shall be endorsed thereon. The temporary obligations shall be in such form and denominations as shall be determined by the Division, which shall be evidenced by their execution thereof, and shall be executed by the officers who will execute the definitive obligations, which execution is hereby authorized.

Section 7. Citibank, N.A., New York, New York, is hereby designated as the registrar and paying agent for the 1993 Bonds.

Section 8. The 1993 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 and the Official Statement.

Section 9. The following definitions, found in Section 1.01 of the Authorizing Resolution, are hereby amended to read as follows:

"'Additional Project' shall mean, to the extent not included as part of the Initial Project, (A) the acquisition of real property or the rights to real property for state roads, as defined by law, or (B) the construction of state bridges; which has been authorized by the Legislature by an act relating to appropriations or by general law and which is in compliance with the requirements of Sections 339.135(4)(b) and (c) or (i) and 339.135(5)."

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

"'Governing Board' shall mean the Governor and Cabinet of the State of Florida as the Governing Board of the Division of Bond Finance of the State Board of Administration."

Section 10. The use of the proceeds of the 1993 Bonds constitutes an Additional Project within the meaning of the Authorizing Resolution, which consists of, to the extent not included as part of the Initial Project, (a) the acquisition of real property or the rights to real property for state roads, as defined by law, or (b) the construction of state bridges, which has been authorized by the Legislature by an act relating to appropriations or by general law and which is in compliance with the requirements of Sections 339.135(4)(b) and (c) or (i) and 339.135(5).

Section 11. Application of 1993 Bond Proceeds. Upon receipt of the proceeds of the sale of the 1993 Bonds, and after reserving an amount sufficient to pay all Bond Issuance Costs attributable to such Series, the remainder of the 1993 Bond proceeds shall be transferred and deposited into the Trust Fund. Such amount deposited into the Trust Fund shall immediately be transferred and allocated as follows:

(1) An amount equal to any accrued interest and premium, if any, on the 1993 Bonds shall be deposited in the Interest Account and shall be used only for the purpose of paying the interest which shall thereafter become due on the 1993 Bonds.

(2) The balance of the 1993 Bond proceeds transferred into the Trust Fund shall be deposited in the Bond Proceeds Account and shall be used for an Additional Project.

Section 12. That there may be established a Reserve Account from the proceeds of the 1993 Bonds. If a Reserve Account is established it will be funded in an amount to be determined by the Director of the Division of Bond Finance, which amount shall not exceed the lesser of (a) the Maximum Annual Debt Service on the 1993 Bonds, (b) 125% of the average Annual Debt Service on the 1993 Bonds, and (c) 10% of the aggregate of the original proceeds received from the initial sale of all Outstanding Bonds.

Section 13. That any portion of the 1993 Bonds may be issued separately, provided that the 1993 Bonds of each portion shall be numbered consecutively from one (1) upward in order of maturity preceded by the letter "R".

Section 14. That the Director of the Division is hereby authorized to offer for sale a lesser principal amount than that set forth in this resolution.

Section 15. As amended and supplemented by this resolution, the Authorizing Resolution, as amended, is in all respects ratified and confirmed, and this resolution shall be read, taken and construed as a part of the Authorizing Resolution so that all of the rights, remedies, terms, conditions, covenants and agreements of the Authorizing Resolution, as modified herein, shall apply and remain in full force and effect with respect to this resolution and to the 1993 Bonds.

Section 16. That the Director of the Division of Bond Finance is authorized to provide in the Notice of Sale of the 1993 Bonds that the purchase price for the 1993 Bonds may include a discount of not to exceed one and one-half percent (1½%) of the aggregate principal amount of such 1993 Bonds offered for sale.

Section 17. The Chairman and Secretary and any Assistant Secretary of the Governing Board and the Director of the Division, and such other officers and employees of the Division as may be designated as agents of the Division in connection with the issuance and delivery of the 1993 Bonds, are authorized and empowered, collectively or individually, to take all actions and steps, to execute all instruments, documents, and contracts, and to take all other action on behalf of the Division, in each case as they may deem necessary or desirable, in connection with the execution and delivery of the 1993 Bonds.

Section 18. Notwithstanding anything contained in any prior resolution to the contrary, it is the intent of the Governing Board that interest on the 1993 Bonds be and remain excludable from gross income for federal income tax purposes and therefore to comply with all requirements of federal tax law applicable to the 1993 Bonds, whether such requirements are now in effect, pending or subsequently enacted. The Division is hereby authorized and directed to take all actions necessary with respect to the 1993 Bonds to comply with such requirements of federal tax law.

Section 19. All prior resolutions or parts of resolutions inconsistent with this resolution are hereby amended by this resolution, but only to the extent of any such inconsistency.

Section 20. This resolution shall take effect immediately, subject to the conditions provided herein and by the applicable laws.

ADOPTED on June 8, 1993.

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A RESOLUTION AMENDING AND SUPPLEMENTING A RESOLUTION ADOPTED BY THE GOVERNOR AND CABINET ON FEBRUARY 28, 1989, AS AMENDED, ENTITLED "A RESOLUTION OF THE DIVISION OF BOND FINANCE OF THE STATE OF FLORIDA DEPARTMENT OF GENERAL SERVICES AUTHORIZING THE ISSUANCE BY THE DIVISION ON BEHALF OF THE STATE OF FLORIDA DEPARTMENT OF TRANSPORTATION OF NOT EXCEEDING $300,000,000 AGGREGATE PRINCIPAL AMOUNT OF STATE OF FLORIDA, FULL FAITH AND CREDIT, DEPARTMENT OF TRANSPORTATION RIGHT-OF-WAY ACQUISITION AND BRIDGE CONSTRUCTION BONDS, SERIES 1989, FOR THE PURPOSE OF FINANCING OR REFINANCING THE COST OF ACQUIRING REAL PROPERTY OR THE RIGHTS TO REAL PROPERTY FOR STATE ROADS AS DEFINED BY LAW, OR TO FINANCE OR REFINANCE THE COST OF STATE BRIDGE CONSTRUCTION, AND PURPOSES INCIDENTAL TO SUCH PROPERTY ACQUISITION OR BRIDGE CONSTRUCTION"; PROVIDING FOR THE ISSUANCE OF ADDITIONAL BONDS IN AN AMOUNT NOT EXCEEDING $500,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF STATE OF FLORIDA, FULL FAITH AND CREDIT, DEPARTMENT OF TRANSPORTATION RIGHT-OF-WAY ACQUISITION AND BRIDGE CONSTRUCTION BONDS, FOR THE PURPOSE OF FINANCING OR REFINANCING THE COST OF ACQUIRING REAL PROPERTY OR THE RIGHTS TO REAL PROPERTY FOR STATE ROADS AS DEFINED BY LAW, OR TO FINANCE OR REFINANCE THE COST OF STATE BRIDGE CONSTRUCTION, AND PURPOSES INCIDENTAL TO SUCH PROPERTY ACQUISITION OR BRIDGE CONSTRUCTION; AND PROVIDING AN EFFECTIVE DATE.

BE IT RESOLVED BY THE GOVERNOR AND CABINET OF THE STATE OF FLORIDA AS THE GOVERNING BOARD OF THE DIVISION OF BOND FINANCE OF THE STATE BOARD OF ADMINISTRATION OF FLORIDA, ON BEHALF OF THE STATE OF FLORIDA DEPARTMENT OF TRANSPORTATION:

ARTICLE I
GENERAL

SECTION 1.01. AUTHORITY FOR THIS SUPPLEMENTAL RESOLUTION. This supplemental resolution is adopted pursuant to the provisions of Article VII, Section 17 of the Florida Constitution; Section 206.46, Florida Statutes; the State Bond Act, being Sections 215.57 through 215.83, Florida Statutes; Section 337.276, Florida Statutes; and other applicable provisions of law, and pursuant to Section 5.01 of Article V of a resolution entitled: "A RESOLUTION OF THE DIVISION OF BOND FINANCE OF THE STATE OF FLORIDA DEPARTMENT OF GENERAL SERVICES AUTHORIZING THE ISSUANCE BY THE DIVISION ON BEHALF OF THE STATE OF FLORIDA DEPARTMENT OF TRANSPORTATION OF NOT EXCEEDING $300,000,000 AGGREGATE PRINCIPAL AMOUNT OF STATE OF FLORIDA, FULL FAITH AND CREDIT, DEPARTMENT OF TRANSPORTATION RIGHT-OF-WAY ACQUISITION AND BRIDGE CONSTRUCTION BONDS, SERIES 1989, FOR THE PURPOSE OF FINANCING OR REFINANCING THE COST OF ACQUIRING REAL PROPERTY OR THE RIGHTS TO REAL PROPERTY FOR STATE ROADS AS DEFINED BY LAW, OR TO FINANCE OR REFINANCE THE COST OF STATE BRIDGE CONSTRUCTION, AND PURPOSES INCIDENTAL TO SUCH PROPERTY ACQUISITION OR BRIDGE CONSTRUCTION," adopted by the Governor and Cabinet of the State of Florida as the governing board of the Division of Bond Finance of the State of Florida Department of General Services (the "Division") on February 28, 1989, as supplemented and amended (the "Resolution"), and is supplemental to said Resolution.

SECTION 1.02. DEFINITIONS. When used in this supplemental resolution, all the definitions contained in Article I of the Resolution, in addition to the definition contained herein and except to the extent inconsistent with or amended by definitions contained herein, shall apply fully to the Bonds.

"Additional Project" shall mean, to the extent not included as part of the Initial Project, (A) the acquisition of real property or the rights to real property for state roads, as defined by law, or (B) the construction of state bridges; which has been authorized by the Legislature by an act relating to appropriations or by general law and which is in compliance with the requirements of Section 339.135, Florida Statutes.

The terms "herein," "hereunder," "hereby," "herewith," "hereof," and any similar terms, shall refer to this supplemental resolution; the term "heretofore" shall mean before the date of adoption of this supplemental resolution; and the term "hereafter" shall mean after the date of adoption of this supplemental resolution.

Words importing the masculine gender include every other gender.

Words importing the singular number include the plural number, and vice versa.

SECTION 1.03. RESOLUTION TO CONSTITUTE CONTRACT. In consideration of the purchase and acceptance of any or all of the Bonds by those who shall hold the same from time to time, the provisions of the Resolution and this supplemental resolution shall be a part of the contract of the Department with the Holders of the Bonds and any Credit Bank and/or any Insurer and shall be deemed to be and shall constitute a contract between the Department and the Holders from time to time of the Bonds and any Credit Bank and/or any Insurer. The pledge made in the Resolution and this supplemental resolution and the provisions, covenants and agreements therein and herein set forth to be performed by or on behalf of the Department shall be for the equal benefit, protection and security of the Holders of any and all of said Bonds and for the benefit, protection and security of any Credit Bank and/or any Insurer. All of the Bonds, regardless of the time or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof except as expressly provided in or pursuant to the Resolution and this supplemental resolution.

SECTION 1.04. FINDINGS. It is hereby ascertained, determined and declared that:

(A) Section 17 of Article VII of the State Constitution, provides for the issuance of bonds pledging the full faith and credit of the State, without a vote of the electors, to finance or refinance the cost of acquiring real property or the rights to real property for State roads as defined by law, or to finance or refinance the cost of State bridge construction, and purposes incidental to such property acquisition or State bridge construction.

(B) The Florida Legislature enacted Chapter 88-247, Laws of Florida, which implemented the provisions of Section 17 of Article VII of the State Constitution, providing for the issuance of the Bonds by the Division on behalf of the Department, to finance or refinance the cost of acquiring real property or the rights to real property for State roads as defined by law, or to finance or refinance the cost of State bridge construction, and purposes incidental to such property acquisition or State bridge construction. The Legislature also enacted Chapter 90-136, Laws of Florida, which is a general law authorizing the issuance of bonds by the Division for right-of-way acquisition and state bridge construction, and Chapter 95-257, Laws of Florida, which authorizes the issuance of bonds for state bridge construction.

(C) The bonds to be issued pursuant to Section 17 of Article VII of the State Constitution and Chapter 88-247, Laws of Florida, are to be secured by a pledge of and shall be payable primarily from motor fuel and special fuel taxes, except those defined in Section 9(c) of Article XII of the State Constitution, as provided by law, and shall additionally be secured by the full faith and credit of the State.

(D) The Pledged Gas Taxes consist of motor fuel and special fuel taxes, other than those defined in Section 9(c) of Article XII of the State Constitution.

(E) The principal of and interest on the Bonds shall be payable primarily from the Pledged Gas Taxes and the Bonds shall be additionally secured by the full faith and credit of the State.

(F) The Pledged Gas Taxes are not pledged, encumbered or committed in any manner, except as provided in the Resolution and this supplemental resolution, and are available for pledge and application in the manner provided therein and herein.

(G) The $500,000,000 aggregate principal amount of Bonds authorized by this supplemental resolution may be issued at one time or in multiple Series from time to time as determined by the Division.

(H) The Legislature of the State approved the issuance of bonds to finance right-of-way acquisition and state bridge construction by general law in Section 337.276, Florida Statutes (1995), as required by Section 215.605, Florida Statutes.

ARTICLE II
AUTHORIZATION AND FORM OF BONDS

SECTION 2.01. AUTHORIZATION OF ADDITIONAL BONDS. This supplemental resolution authorizes the issuance of Additional Bonds by the Division, on behalf of the Department, to be designated as "State of Florida Full Faith and Credit Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds," in an additional aggregate principal amount not exceeding $500,000,000, which may be issued in one or more Series as provided in the Resolution. The aggregate principal amount of Bonds which may be executed and delivered under the Resolution is not limited except as is or may hereafter be provided in the Resolution or as limited by the Act or by law.

The Bonds may, if and when authorized by the Division pursuant to the Resolution, be issued in one or more Series, with such further appropriate particular designations added to or incorporated in such title for the Bonds of any particular Series as the Division may determine and as may be necessary to distinguish such Bonds from the Bonds of any other Series. Each Bond shall bear upon its face the designation so determined for the Series to which it belongs.

The Bonds shall be issued for such purpose or purposes; shall bear interest at such rate or rates not exceeding the maximum rate permitted by law; and shall be payable in lawful money of the United States of America on such dates; all as determined by Supplemental Resolution of the Division.

The Bonds shall be issued in such denominations and such form, whether coupon or registered; shall be dated such date; shall bear such numbers; shall be payable at such place or places; shall contain such redemption provisions; shall have such Paying Agents and Registrars; shall mature in such years and amounts; and the proceeds shall be used in such manner; all as determined by Supplemental Resolution of the Division. The Division may issue Bonds which may be secured by a Credit Facility or by an insurance policy of an Insurer all as shall be determined by Supplemental Resolution of the Division.

ARTICLE III
SECURITY FOR THE BONDS

SECTION 3.01. BONDS AUTHORIZED BY THIS SUPPLEMENTAL RESOLUTION ON A PARITY WITH THE OUTSTANDING BONDS. The Bonds authorized by this supplemental resolution shall be payable on a parity and rank equally as to lien on and source and security for payment from the Pledged Gas Taxes and in all other respects with the Outstanding Bonds.

SECTION 3.02. BONDS AUTHORIZED BY THIS SUPPLEMENTAL RESOLUTION SECURED BY THE RESOLUTION. The Bonds authorized by this supplemental resolution shall be deemed to have been issued pursuant to the Resolution as fully and to the same extent as the Outstanding Bonds and all of the covenants and agreements contained in the Resolution shall be deemed to have been made for the benefit of the holders of the Bonds as fully and to the same extent as the holders of the Outstanding Bonds.

All of the covenants, agreements, and provisions of the Resolution, except to the extent inconsistent herewith, shall be deemed to be part of this supplemental resolution to the same extent as if incorporated verbatim in this supplemental resolution, and shall be fully enforceable in the manner provided in the Resolution by any of the holders of the Bonds.

ARTICLE IV
MISCELLANEOUS

SECTION 4.01 SEVERABILITY OF INVALID PROVISIONS. If any one or more of the covenants, agreements or provisions of this supplemental resolution shall be held contrary to any express provision of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements and provisions of this supplemental resolution and shall in no way affect the validity of any of the other covenants, agreements or provisions hereof or of the Bonds issued hereunder.

SECTION 4.02. VALIDATION AUTHORIZED. The Division is authorized and directed to institute appropriate proceedings for validation of the Bonds herein authorized pursuant to Chapter 75, Florida Statutes.

SECTION 4.03. REPEAL OF INCONSISTENT RESOLUTIONS. All ordinances, resolutions or parts thereof in conflict herewith are hereby superseded and repealed to the extent of such conflict.

SECTION 4.04. EFFECTIVE DATE. This supplemental resolution shall take effect immediately upon its adoption.

ADOPTED DECEMBER 16, 1997.

A RESOLUTION OF THE DIVISION OF BOND FINANCE OF THE STATE BOARD OF ADMINISTRATION AUTHORIZING THE ISSUANCE OF ADDITIONAL BONDS IN AN AMOUNT NOT EXCEEDING $1,000,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF STATE OF FLORIDA, FULL FAITH AND CREDIT DEPARTMENT OF TRANSPORTATION RIGHT-OF-WAY ACQUISITION AND BRIDGE CONSTRUCTION REVENUE BONDS IN SEVERAL SERIES; AND PROVIDING AN EFFECTIVE DATE.

BE IT RESOLVED BY THE GOVERNOR AND CABINET OF THE STATE OF FLORIDA AS THE GOVERNING BOARD OF THE DIVISION OF BOND FINANCE OF THE STATE BOARD OF ADMINISTRATION OF FLORIDA, ON BEHALF OF THE STATE OF FLORIDA DEPARTMENT OF TRANSPORTATION:

ARTICLE I

GENERAL

SECTION 1.01. AUTHORITY FOR THIS SUPPLEMENTAL RESOLUTION. This Supplemental Resolution is adopted pursuant to the provisions of the Act and pursuant to Section 5.01 of Article V of a resolution entitled: "A RESOLUTION OF THE DIVISION OF BOND FINANCE OF THE STATE OF FLORIDA DEPARTMENT OF GENERAL SERVICES AUTHORIZING THE ISSUANCE BY THE DIVISION ON BEHALF OF THE STATE OF FLORIDA DEPARTMENT OF TRANSPORTATION OF NOT EXCEEDING $300,000,000 AGGREGATE PRINCIPAL AMOUNT OF STATE OF FLORIDA, FULL FAITH AND CREDIT, DEPARTMENT OF TRANSPORTATION RIGHT-OF-WAY ACQUISITION AND BRIDGE CONSTRUCTION BONDS, SERIES 1989, FOR THE PURPOSE OF FINANCING OR REFINANCING THE COST OF ACQUIRING REAL PROPERTY OR THE RIGHTS TO REAL PROPERTY FOR STATE ROADS AS DEFINED BY LAW, OR TO FINANCE OR REFINANCE THE COST OF STATE BRIDGE CONSTRUCTION, AND PURPOSES INCIDENTAL TO SUCH PROPERTY ACQUISITION OR BRIDGE CONSTRUCTION," adopted by the Governor and Cabinet of the State of Florida as the governing board of the Division of Bond Finance of the State of Florida Department of General Services on February 28, 1989, as supplemented and amended (the "Resolution"), and is supplemental to said Resolution.

SECTION 1.02. DEFINITIONS. When used in this Supplemental Resolution, all the definitions contained in Article I of the Resolution, in addition to the definitions contained herein and except to the extent inconsistent with or amended by definitions contained herein, shall apply fully to the Bonds.

"Additional Project" shall mean, to the extent not included as part of the Initial Project, (A) the acquisition of real property or the rights to real property for state roads, as defined by law, or (B) the construction of state bridges which has been authorized by the Legislature by an act relating to appropriations or by general law and which is in compliance with the requirements of Section 339.135, Florida Statutes.

Words importing the masculine gender include every other gender. Words importing the singular number include the plural number, and vice versa.

SECTION 1.03. RESOLUTION TO CONSTITUTE CONTRACT. In consideration of the purchase and acceptance of any or all of the Bonds by those who shall hold the same from time to time, the provisions of the Resolution and this Supplemental Resolution shall be a part of the contract of the Department with the Holders of the Bonds and any Credit Bank and/or any Insurer and shall be deemed to be and shall constitute a contract between the Department and the Holders from time to time of the Bonds and any Credit Bank and/or any Insurer. The pledge made in the Resolution and this Supplemental Resolution and the provisions, covenants and agreements therein and herein set forth to be performed by or on behalf of the Department shall be for the equal benefit, protection and security of the Holders of any and all of said Bonds and for the benefit, protection and security of any Credit Bank and/or any Insurer. All of the Bonds, regardless of the time or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof except as expressly provided in or pursuant to the Resolution and this Supplemental Resolution.

SECTION 1.04. FINDINGS. It is hereby ascertained, determined and declared that:

(A) Section 17 of Article VII of the State Constitution, provides for the issuance of bonds pledging the full faith and credit of the State, without a vote of the electors, to finance or refinance the cost of acquiring real property or the rights to real property for State roads as defined by law, or to finance or refinance the cost of State bridge construction, and purposes incidental to such property acquisition or State bridge construction.

(B) The Florida Legislature enacted Chapter 88-247, Laws of Florida, which implemented the provisions of Section 17 of Article VII of the State Constitution, providing for the issuance of bonds by the Division of Bond Finance (the "Division") on behalf of the Department, to finance or refinance the cost of acquiring real property or the rights to real property for State roads as defined by law, or to finance or refinance the cost of State bridge construction, and purposes incidental to such property acquisition or State bridge construction. The Legislature also enacted Chapter 90-136, Laws of Florida, which is a general law authorizing the issuance of bonds by the Division for right-of-way acquisition and state bridge construction, and Chapter 95-257, Laws of Florida, which authorizes the issuance of bonds for state bridge construction.

(C) The Bonds to be issued pursuant to Section 17 of Article VII of the State Constitution and Chapter 88-247, Laws of Florida, are to be secured by a pledge of and shall be payable primarily from motor fuel and special fuel taxes, except those defined in Section 9(c) of Article XII of the State Constitution, as provided by law, and shall additionally be secured by the full faith and credit of the State.

(D) The Pledged Gas Taxes consist of motor fuel and special fuel taxes, other than those defined in Section 9(c) of Article XII of the State Constitution.

(E) The principal of and interest on the Bonds shall be payable primarily from the Pledged Gas Taxes and the Bonds shall be additionally secured by the full faith and credit of the State.

(F) The Pledged Gas Taxes are not pledged, encumbered or committed in any manner, except as provided in the Resolution and this Supplemental Resolution, and are available for pledge and application in the manner provided therein and herein.

(G) The Bonds authorized by this Supplemental Resolution may be issued at one time or in multiple Series from time to time as determined by the Division.

(H) The Legislature of the State approved the issuance of bonds to finance right-of-way acquisition and state bridge construction by general law in Section 337.276, Florida Statues (1995), as required by Section 215.605, Florida Statutes.

ARTICLE II

AUTHORIZATION AND FORM OF BONDS

SECTION 2.01. AUTHORIZATION OF ADDITIONAL BONDS. This Supplemental Resolution authorizes the issuance of Additional Bonds by the Division, on behalf of the Department, to be designated as State of Florida Full Faith and Credit Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds" in an additional aggregate principal amount not exceeding $1,000,000,000, which may be issued in one or more series as provided in the Resolution and herein.

The Bonds may, if and when authorized by the Division pursuant to the Resolution, be issued in one or more Series, with such further appropriate particular designations added to or as the Division may determine and as may be necessary to distinguish such Bonds from the Bonds of any other Series. Each Bond shall bear upon its face the designation so determined for the Series to which it belongs.

The Bonds shall be issued for such purpose or purposes; shall bear interest at such rate or rates not exceeding the maximum rate permitted by law; and shall be payable in lawful money of the United States of America on such dates; all as determined by the Supplemental Resolution of the Division.

The Bonds shall be issued in such denominations and such form, whether coupon or registered; shall be dated such date; shall bear such numbers; shall be payable at such place or places; shall contain such redemption provisions; shall have such Paying Agents and Registrars; shall mature in such years and amounts; and the proceeds shall be used in such manner; all as determined by Supplemental Resolution of the Division. The Division may issue Bonds which may be secured by a Credit Facility or by an insurance policy of an Insurer all as shall be determined by Supplemental Resolution of the Division.

ARTICLE III

SECURITY FOR THE BONDS

SECTION 3.01. BONDS AUTHORIZED BY THIS SUPPLEMENTAL RESOLUTION ON A PARITY WITH THE OUTSTANDING BONDS. The Bonds authorized by this Supplemental Resolution shall be payable on a parity and rank equally as to lien on and source and security for payment from the Pledged Gas Taxes and in all other respects with the Outstanding Bonds.

SECTION 3.02. BONDS AUTHORIZED BY THIS SUPPLEMENTAL RESOLUTION SECURED BY THE RESOLUTION. The Bonds authorized by this Supplemental Resolution shall be deemed to have been issued pursuant to the Resolution as fully and to the same extent as the Outstanding Bonds and all of the covenants and agreements contained in the Resolution shall be deemed to have been made for the benefit of the holders of the Bonds as fully and to the same extent as the holders of the Outstanding Bonds. The Bonds authorized are in addition to the amounts previously authorized in the Resolution, as amended and supplemented.

All of the covenants, agreements, and provisions of the Resolution, except to the extent inconsistent herewith, shall be deemed to be part of this Supplemental Resolution to the same extent as if incorporated verbatim in this Supplemental Resolution, and shall be fully enforceable in the manner provided in the Resolution by any of the holders of the Bonds.

ARTICLE IV

MISCELLANEOUS

SECTION 4.01 SEVERABILITY OF INVALID PROVISIONS. If any one or more of the covenants, agreements or provisions of this Supplemental Resolution shall be held contrary to any express provision of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements and provisions of this Supplemental Resolution and shall in no way affect the validity of any of the other covenants, agreements or provisions hereof or of the Bonds issued hereunder.

SECTION 4.02. VALIDATION AUTHORIZED. The Division is authorized and directed to institute appropriate proceedings for validation of the Bonds herein authorized pursuant to Chapter 75, Florida Statutes.

SECTION 4.03. REPEAL OF INCONSISTENT RESOLUTIONS. All ordinances, resolutions or parts thereof in conflict herewith are hereby superseded and repealed to the extent of such conflict.

SECTION 4.04. EFFECTIVE DATE. This Supplemental Resolution shall take effect immediately upon its adoption.

ADOPTED June 26, 2003.

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APPENDIX J

DIVISION OF BOND FINANCE
OF THE
STATE BOARD OF ADMINISTRATION OF FLORIDA

STATE OF FLORIDA
FULL FAITH AND CREDIT
DEPARTMENT OF TRANSPORTATION
RIGHT-OF-WAY ACQUISITION AND BRIDGE CONSTRUCTION REVENUE BONDS

SUPPLEMENTAL AUTHORIZING RESOLUTION

Adopted May 13, 2009

A RESOLUTION OF THE DIVISION OF BOND FINANCE OF THE STATE BOARD OF ADMINISTRATION AUTHORIZING THE ISSUANCE OF ADDITIONAL BONDS IN AN AMOUNT NOT EXCEEDING $1,000,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF STATE OF FLORIDA, FULL FAITH AND CREDIT, DEPARTMENT OF TRANSPORTATION RIGHT-OF-WAY ACQUISITION AND BRIDGE CONSTRUCTION REVENUE BONDS IN SEVERAL SERIES; AND PROVIDING AN EFFECTIVE DATE.

BE IT RESOLVED BY THE GOVERNOR AND CABINET OF THE STATE OF FLORIDA AS THE GOVERNING BOARD OF THE DIVISION OF BOND FINANCE OF THE STATE BOARD OF ADMINISTRATION OF FLORIDA, ON BEHALF OF THE STATE OF FLORIDA DEPARTMENT OF TRANSPORTATION:

ARTICLE I

GENERAL

SECTION 1.01. AUTHORITY FOR THIS SUPPLEMENTAL RESOLUTION. This Supplemental Resolution is adopted pursuant to the provisions of the Act and pursuant to Section 5.01 of Article V of a resolution entitled: "A RESOLUTION OF THE DIVISION OF BOND FINANCE OF THE STATE OF FLORIDA DEPARTMENT OF GENERAL SERVICES AUTHORIZING THE ISSUANCE BY THE DIVISION ON BEHALF OF THE STATE OF FLORIDA DEPARTMENT OF TRANSPORTATION OF NOT EXCEEDING $300,000,000 AGGREGATE PRINCIPAL AMOUNT OF STATE OF FLORIDA, FULL FAITH AND CREDIT, DEPARTMENT OF TRANSPORTATION RIGHT-OF-WAY ACQUISITION AND BRIDGE CONSTRUCTION BONDS, SERIES 1989, FOR THE PURPOSE OF FINANCING OR REFINANCING THE COST OF ACQUIRING REAL PROPERTY OR THE RIGHTS TO REAL PROPERTY FOR STATE ROADS AS DEFINED BY LAW, OR TO FINANCE OR REFINANCE THE COST OF STATE BRIDGE CONSTRUCTION, AND PURPOSES INCIDENTAL TO SUCH PROPERTY ACQUISITION OR BRIDGE CONSTRUCTION," adopted by the Governor and Cabinet of the State of Florida as the governing board of the Division of Bond Finance of the State of Florida Department of General Services on February 28, 1989, as supplemented and amended (the "Resolution"), and is supplemental to said Resolution.

SECTION 1.02. DEFINITIONS. When used in this Supplemental Resolution, all the definitions contained in Article I of the Resolution, in addition to the definitions contained herein and except to the extent inconsistent with or amended by definitions contained herein, shall apply fully to the Bonds.

"Additional Project" shall mean, to the extent not included as part of the Initial Project, (A) the acquisition of real property or the rights to real property for state roads, as defined by law, or (B) the construction of state bridges which has been authorized by the Legislature by an act relating to appropriations or by general law and which is in compliance with the requirements of Section 339.135, Florida Statutes.

Words importing the masculine gender include every other gender. Words importing the singular number include the plural number, and vice versa.

SECTION 1.03. RESOLUTION TO CONSTITUTE CONTRACT. In consideration of the purchase and acceptance of any or all of the Bonds by those who shall hold the same from time to time, the provisions of the Resolution and this Supplemental Resolution shall be a part of the contract of the Department with the Holders of the Bonds and any Credit Bank and/or any Insurer and shall be deemed to be and shall constitute a contract between the Department and the Holders from time to time of the Bonds and any Credit Bank and/or any Insurer. The pledge made in the Resolution and this Supplemental Resolution and the provisions, covenants and agreements therein and herein set forth to be performed by or on behalf of the Department shall be for the equal benefit, protection and security of the Holders of any and all of said Bonds and for the benefit, protection and security of any Credit Bank and/or any Insurer. All of the Bonds, regardless of the time or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof except as expressly provided in or pursuant to the Resolution and this Supplemental Resolution.

SECTION 1.04. FINDINGS. It is hereby ascertained, determined and declared that:

(A) Section 17 of Article VII of the State Constitution, provides for the issuance of bonds pledging the full faith and credit of the State, without a vote of the electors, to finance or refinance the cost of acquiring real property or

the rights to real property for State roads as defined by law, or to finance or refinance the cost of State bridge construction, and purposes incidental to such property acquisition or State bridge construction.

(B) The Florida Legislature enacted Chapter 88-247, Laws of Florida, which implemented the provisions of Section 17 of Article VII of the State Constitution, providing for the issuance of bonds by the Division of Bond Finance (the "Division") on behalf of the Department, to finance or refinance the cost of acquiring real property or the rights to real property for State roads as defined by law, or to finance or refinance the cost of State bridge construction, and purposes incidental to such property acquisition or State bridge construction. The Legislature also enacted Chapter 90-136, Laws of Florida, which is a general law authorizing the issuance of bonds by the Division for right-of-way acquisition and state bridge construction, and Chapter 95-257, Laws of Florida, which authorizes the issuance of bonds for state bridge construction.

(C) The Bonds to be issued pursuant to Section 17 of Article VII of the State Constitution and Chapter 88-247, Laws of Florida, are to be secured by a pledge of and shall be payable primarily from motor fuel and diesel fuel (formerly special fuel) taxes, except those defined in Section 9(c) of Article XII of the State Constitution, as provided by law, and shall additionally be secured by the full faith and credit of the State.

(D) The Pledged Gas Taxes consist of motor fuel and diesel fuel (formerly special fuel) taxes, other than those defined in Section 9(c) of Article XII of the State Constitution.

(E) The principal of and interest on the Bonds shall be payable primarily from the Pledged Gas Taxes and the Bonds shall be additionally secured by the full faith and credit of the State.

(F) The Pledged Gas Taxes are not pledged, encumbered or committed in any manner, except as provided in the Resolution and this Supplemental Resolution, and are available for pledge and application in the manner provided therein and herein.

(G) The Bonds authorized by this Supplemental Resolution may be issued at one time or in multiple Series from time to time as determined by the Division.

(H) The Legislature of the State approved the issuance of bonds to finance right-of-way acquisition and state bridge construction by general law in Section 337.276, Florida Statutes, as required by Section 215.605, Florida Statutes.

ARTICLE II

AUTHORIZATION AND FORM OF BONDS

Section 2.01. AUTHORIZATION OF ADDITIONAL BONDS. This Supplemental Resolution authorizes the issuance of Additional Bonds by the Division, on behalf of the Department, to be designated as "State of Florida, Full Faith and Credit, Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds" in an additional aggregate principal amount not exceeding $1,000,000,000, which may be issued in one or more series as provided in the Resolution and herein.

The Bonds may, if and when authorized by the Division pursuant to the Resolution, be issued in one or more Series, with such further appropriate particular designations added to or as the Division may determine and as may be necessary to distinguish such Bonds from the Bonds of any other Series. Each Bond shall bear upon its face the designation so determined for the Series to which it belongs.

The Bonds shall be issued for such purpose or purposes; shall bear interest at such rate or rates not exceeding the maximum rate permitted by law; and shall be payable in lawful money of the United States of America on such dates; all as determined by the Supplemental Resolution of the Division.

The Bonds shall be issued in such denominations and such form, whether coupon or registered; shall be dated such date; shall bear such numbers; shall be payable at such place or places; shall contain such redemption provisions; shall have such Paying Agents and Registrars; shall mature in such years and amounts; and the proceeds shall be used in such manner; all as determined by Supplemental Resolution of the Division. The Division may issue Bonds which may be secured by a Credit Facility or by an insurance policy of an Insurer all as shall be determined by Supplemental Resolution of the Division.

ARTICLE III

SECURITY FOR THE BONDS

SECTION 3.01. BONDS AUTHORIZED BY THIS SUPPLEMENTAL RESOLUTION ON A PARITY WITH THE OUTSTANDING BONDS. The Bonds authorized by this Supplemental Resolution shall be payable on a parity and rank equally as to lien on and source and security for payment from the Pledged Gas Taxes and in all other respects with the Outstanding Bonds.

SECTION 3.02. BONDS AUTHORIZED BY THIS SUPPLEMENTAL RESOLUTION SECURED BY THE RESOLUTION. The Bonds authorized by this Supplemental Resolution shall be deemed to have been issued pursuant to the Resolution as fully and to the same extent as the Outstanding Bonds and all of the covenants and agreements contained in the Resolution shall be deemed to have been made for the benefit of the holders of the Bonds as fully and to the same extent as the holders of the Outstanding Bonds. The Bonds authorized are in addition to the amounts previously authorized in the Resolution, as amended and supplemented.

All of the covenants, agreements, and provisions of the Resolution, except to the extent inconsistent herewith, shall be deemed to be part of this Supplemental Resolution to the same extent as if incorporated verbatim in this Supplemental Resolution, and shall be fully enforceable in the manner provided in the Resolution by any of the holders of the Bonds.

ARTICLE IV

MISCELLANEOUS

SECTION 4.01 SEVERABILITY OF INVALID PROVISIONS. If any one or more of the covenants, agreements or provisions of this Supplemental Resolution shall be held contrary to any express provision of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements and provisions of this Supplemental Resolution and shall in no way affect the validity of any of the other covenants, agreements or provisions hereof or of the Bonds issued hereunder.

SECTION 4.02. VALIDATION AUTHORIZED. The Division is authorized and directed to institute appropriate proceedings for validation of the Bonds herein authorized pursuant to Chapter 75, Florida Statutes.

SECTION 4.03. REPEAL OF INCONSISTENT RESOLUTIONS. All ordinances, resolutions or parts thereof in conflict herewith are hereby superseded and repealed to the extent of such conflict.

SECTION 4.04. EFFECTIVE DATE. This Supplemental Resolution shall take effect immediately upon its adoption.

Adopted on May 13, 2009.

A RESOLUTION OF THE DIVISION OF BOND FINANCE OF THE STATE BOARD OF ADMINISTRATION AUTHORIZING THE COMPETITIVE SALE OF NOT EXCEEDING $100,000,000 STATE OF FLORIDA, FULL FAITH AND CREDIT, DEPARTMENT OF TRANSPORTATION RIGHT-OF-WAY ACQUISITION AND BRIDGE CONSTRUCTION BONDS, SERIES 2018A; AND PROVIDING AN EFFECTIVE DATE.

BE IT RESOLVED BY THE GOVERNOR AND CABINET OF THE STATE OF FLORIDA AS THE GOVERNING BOARD OF THE DIVISION OF BOND FINANCE OF THE STATE BOARD OF ADMINISTRATION OF FLORIDA, ON BEHALF OF THE STATE OF FLORIDA DEPARTMENT OF TRANSPORTATION:

ARTICLE I

GENERAL

SECTION 1.01. AUTHORITY FOR THIS RESOLUTION. This resolution is adopted pursuant to the provisions of the Act (as defined below) and pursuant to a resolution authorizing the issuance of State of Florida, Full Faith and Credit, Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds, adopted by the Governor and Cabinet of the State of Florida as the Governing Board, on February 28, 1989, as supplemented and amended (the "Authorizing Resolution"), and is supplemental to said Authorizing Resolution.

SECTION 1.02. DEFINITIONS. When used in this resolution, all the definitions contained in Article I of the Authorizing Resolution, in addition to the definitions contained herein and except to the extent inconsistent with or amended by definitions contained herein, shall apply fully to the Series 2018A Bonds.

"Act" shall mean Article VII, Section 17 of the Florida Constitution; Section 206.46, Florida Statutes; the State Bond Act, being Sections 215.57 through 215.83, Florida Statutes; Section 337.276, Florida Statutes; and other applicable provisions of law.

"Series 2018A Bonds" shall mean the State of Florida, Full Faith and Credit, Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds, Series 2018A, authorized to be sold by this resolution.

Words importing the masculine gender include the feminine gender. Words importing the singular number include the plural number, and vice versa.

ARTICLE II

AUTHORIZATION AND SALE OF SERIES 2018A BONDS

SECTION 2.01. AUTHORIZATION OF SALE OF THE SERIES 2018A BONDS.

(A) The Series 2018A Bonds are hereby authorized to be sold at competitive sale in an aggregate principal amount not exceeding $100,000,000, on a date and at a time to be determined by the Director (the "Director") of the Division of Bond Finance of the State Board of Administration (the "Division"). All Series 2018A Bonds shall be designated "State of Florida, Full Faith and Credit, Department of Transportation, Right-of-Way Acquisition and Bridge Construction Bonds, Series 2018A", or such other designation (including a change of year designation, if desirable) as may be determined by the Director. The Series 2018A Bonds may be sold separately or combined with any other Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds authorized to be sold. The Series 2018A Bonds shall be dated, shall bear interest from such date, and shall be payable as to principal and interest in each year, and in such amounts as indicated or provided for in the Notice of Bond Sale. The Series 2018A Bonds shall be issued

in fully registered form in the denominations of $1,000 or any integral multiple thereof. Interest on the Series 2018A Bonds will be paid by check or draft mailed (or made by wire transfer, at the election of a Bondholder, in the manner and under the terms provided for in the State's agreement with the Registrar/Paying Agent, provided that such Bondholder advances to the Registrar/Paying Agent the amount, if any, necessary to pay the wire charges or authorizes the Registrar/Paying Agent to deduct the amount of such payment) to the Bondholder thereof as of 5:00 p.m. on the Record Date at the address shown on the registration books maintained by the Registrar/Paying Agent for the Series 2018A Bonds. The interest rates of the Series 2018A Bonds, not to exceed the maximum lawful rate on the date of sale of the Series 2018A Bonds, shall be determined in accordance with the Notice of Bond Sale, and the Series 2018A Bonds shall mature as determined by the Director in the Notice of Bond Sale. Principal of the Series 2018A Bonds will be payable to the Bondholders thereof upon their presentation and surrender when due at the corporate trust office of U.S. Bank Trust National Association, New York, New York, the Registrar/Paying Agent. The Division may issue Series 2018A Bonds secured by a Credit Facility or by an insurance policy of an Insurer all as shall be determined in accordance with the Notice of Bond Sale.

(B) Notwithstanding anything to the contrary in the Authorizing Resolution, this resolution, or any other resolution relating to the Series 2018A Bonds (for the purposes of this section, collectively, the "Bond Resolution"), the Series 2018A 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 Series 2018A 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 Series 2018A Bonds are issued in book-entry only form:

(1) The Series 2018A Bonds shall be issued in the name of the Securities Depository as Registered Owner of the Series 2018A Bonds, and held in the custody of the Securities Depository or its designee.

(2) Transfers of beneficial ownership of the Series 2018A 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 as 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 Series 2018A Bonds. Beneficial ownership interests in the Series 2018A 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 Series 2018A 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 Series 2018A Bonds. Transfers of ownership interests in the Series 2018A Bonds shall be accomplished by book entries made by the Securities Depository and, in turn, by Participants acting on behalf of Beneficial Owners.

(4) Unless otherwise provided herein, the Division, the Department, the State Board of Administration and the Bond Registrar/Paying Agent (as used in this section, the "State and its agents") shall treat the Securities Depository as the sole and exclusive owner of the Series 2018A Bonds registered in its name for the purposes of:

(a) payment of the principal of, premium, if any, and interest on the Series 2018A 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 Department'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 Bond Resolution; and

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

(i) a certificate of the Securities Depository as to the identity of the Participants with respect to the Series 2018A Bonds; and

(ii) a certificate of any such Participant as to the identity of, and the respective principal amount of Series 2018A Bonds beneficially owned by, the Beneficial Owners.

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

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

(b) the payment by the Securities Depository or by any Participant of any amount due to any Beneficial Owner in respect of the principal amount or redemption or purchase price of, or interest on, any Series 2018A 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 Series 2018A Bonds; or

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

(6) The requirements in the Bond Resolution of holding, delivering or transferring Series 2018A 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 Series 2018A Bonds to produce the same effect. Any provision hereof permitting or requiring delivery of the Series 2018A Bonds shall, while the Series 2018A Bonds are in book entry only form, be satisfied by the notation thereof on the books of the Securities Depository in accordance with applicable state law.

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

(1) identify another qualified securities depository, or;

(2) prepare and deliver replacement Series 2018A Bonds in the form of fully registered bonds to each Beneficial Owner.

(D) The Director or the Secretary or an Assistant Secretary of the Governing Board is authorized to determine the most advantageous date and time of a competitive sale and to provide notice pursuant to applicable law of such sale, at a time and in such manner as determined by the Director to be

appropriate to provide adequate notice to potential bidders. Upon election by the successful bidder as provided in the Notice of Bond Sale, a portion of the Series 2018A Bonds identified in such election shall be designated as Term Bonds. Bids for the purchase of the Series 2018A Bonds shall be received at the offices of the Division or at another location designated in the Notice of Bond Sale, until the time and date of sale determined by the Director.

(E) The Director is hereby authorized to distribute a Notice of Bond Sale and a bid form for the sale of the Series 2018A Bonds. The Notice of Bond Sale, including the bid form, shall be in such form as shall be determined by the Director and shall contain such information as is consistent with the terms of the Authorizing Resolution, as supplemented hereby, and as the Director determines to be in the best financial interest of the State. Any prior distribution of a Notice of Bond Sale and bid form is hereby ratified.

(F) The Director of the Division is hereby authorized to prepare and distribute preliminary and final official statements in connection with the competitive offering of the Series 2018A Bonds. The Director of the Division is further authorized and directed to amend, supplement or complete the information contained in the preliminary official statement, as may be needed, and to furnish such certification as to the completeness and finality of the preliminary official statement as is necessary to permit the successful bidder to fulfill its obligations under any applicable securities laws. The Chairman, Secretary or Assistant Secretary of the Governing Board are hereby authorized to execute the final official statement or a certificate with respect thereto, in connection with the competitive offering of the Series 2018A Bonds, and the execution thereof shall be conclusive evidence that the Governing Board has approved the form and content of the final official statement.

(G) The Director is hereby authorized to have up to 1,500 copies of the preliminary official statement and 3,500 (plus such additional copies as may be requested by the successful bidder at the expense of such bidder) copies of the final official statement relating to the competitive offering of the Series 2018A Bonds printed and distributed; to contract with national rating services; to retain bond counsel; to make a determination that the preliminary official statement is "deemed final" for purposes of SEC Rule 15c2-12(b)(1); to conduct information meetings; and to take such other actions as may be deemed appropriate for the dissemination of information relating to the sale of the Series 2018A Bonds.

(H) The Director or the Secretary or an Assistant Secretary of the Governing Board is authorized to award the sale of the Series 2018A Bonds and to pay the costs, fees and expenses associated therewith, provided the true interest cost rate on the Series 2018A Bonds does not exceed the maximum statutory rate. Such award by the Director or the Secretary or an Assistant Secretary shall be based on his or her determination of the best bid submitted in accordance with the terms of the Notice of Bond Sale and such award shall be final. The sale shall be reported to the Governing Board after award of the Series 2018A Bonds.

(I) In the event that conditions preclude, or circumstances render unnecessary or undesirable, the sale of the maximum principal amount of the Series 2018A Bonds authorized to be sold by this resolution, then in such event the Director or the Secretary or an Assistant Secretary of the Governing Board is hereby authorized to offer for sale a lesser principal amount than that set forth herein.

(J) The Series 2018A Bonds shall be subject to redemption as provided in this resolution, the Authorizing Resolution, and in the Notice of Bond Sale.

(K) The Director or the Secretary or an Assistant Secretary of the Governing Board is authorized to provide in the Notice of Bond Sale that the purchase price for the Series 2018A Bonds may include a discount not to exceed 3% of the aggregate principal amount of such bonds offered for sale.

(L) The Chairman, Secretary, or an Assistant Secretary of the Governing Board or a duly authorized alternative officer is hereby authorized on behalf of the Division to execute the Series 2018A Bonds (including any temporary bonds) as provided in the Authorizing Resolution and any of such officer is hereby authorized, upon the execution of the Series 2018A Bonds in the form and manner set forth in the Authorizing Resolution, to deliver the Series 2018A Bonds in the amounts authorized to be issued hereunder to the

Registrar/Paying Agent for authentication and, upon receipt of payment of the purchase price (together with accrued interest), to the original purchaser of the Series 2018A Bonds, and to distribute the proceeds of the Series 2018A Bonds as provided herein and in the Authorizing Resolution.

(M) The Chairman, Secretary, or an Assistant Secretary of the Governing Board, the Director, and such other officer or employee of the Division as may be designated by the Governing Board as agent of the Division in connection with the issuance and delivery of the Series 2018A Bonds, are authorized and empowered, collectively or individually, to take all actions and steps, to execute all instruments, documents, and contracts, and to take all other action on behalf of the Division, in each case as they may deem necessary or desirable, in connection with the sale, execution and delivery of the Series 2018A Bonds.

(N) U.S. Bank Trust National Association, New York, New York, or its successor as Registrar/Paying Agent, is hereby designated as the Registrar/Paying Agent for the Series 2018A Bonds on the terms and conditions set forth in the Registrar, Paying Agent and Transfer Agreement between the State of Florida and the Registrar/Paying Agent.

ARTICLE III

SECURITY FOR THE 2018A BONDS

SECTION 3.01. SERIES 2018A BONDS AUTHORIZED BY THIS RESOLUTION ON A PARITY WITH THE OUTSTANDING BONDS. The Series 2018A Bonds authorized by this resolution shall be payable on a parity and rank equally as to lien on and source and security for payment from the Pledged Gas Taxes and in all other respects with the Outstanding Bonds.

SECTION 3.02. SERIES 2018A BONDS AUTHORIZED BY THIS RESOLUTION SECURED BY THE AUTHORIZING RESOLUTION. The Series 2018A Bonds authorized by this resolution shall be deemed to have been issued pursuant to the Authorizing Resolution as fully and to the same extent as the Outstanding Bonds and all of the covenants and agreements contained in the Authorizing Resolution shall be deemed to have been made for the benefit of the Holders of the Series 2018A Bonds as fully and to the same extent as the Holders of the Outstanding Bonds.

All of the covenants, agreements, and provisions of the Authorizing Resolution, except to the extent inconsistent herewith, shall be deemed to be part of this resolution to the same extent as if incorporated verbatim in this resolution, and shall be fully enforceable in the manner provided in the Authorizing Resolution by any of the Holders of the Series 2018A Bonds.

ARTICLE IV

APPLICATION OF SERIES 2018A BOND PROCEEDS.

SECTION 4.01. APPLICATION OF SERIES 2018A BOND PROCEEDS. Upon receipt of the proceeds of the sale of the Series 2018A Bonds, and after reserving an amount sufficient to pay all Bond Issuance Costs attributable to such series, the remainder of the proceeds of such series shall be transferred and deposited into the Trust Fund. Such amount deposited into the Trust Fund shall immediately be transferred and allocated as follows:

(a) An amount equal to any accrued interest, if any, on the Series 2018A Bonds shall be deposited in the Interest Account and shall be used only for the purpose of paying the interest which shall thereafter become due on the Series 2018A Bonds.

(b) The balance of the proceeds of the Series 2018A Bonds transferred into the Trust Fund shall be deposited in the Bond Proceeds Account and shall be used for an Additional Project.

SECTION 4.02. RESERVE ACCOUNT. If determined by the Director to be necessary or desirable, there may be established a subaccount in the Reserve Account for one or more Series of bonds. Such Reserve Account, if established, shall be funded in an amount determined by the Director of the Division, which amount shall not exceed the lesser of (a) the Maximum Annual Debt Service for all Outstanding Bonds which are secured by such subaccount, or (b) the maximum amount permitted under applicable provisions of the Code. Any deposit to the Reserve Account made with respect to the Series 2018A Bonds shall be funded with proceeds of the Series 2018A Bonds or a Reserve Account Credit Facility (as provided for in the Authorizing Resolution) or some combination thereof, as determined by the Director of the Division.

SECTION 4.03. USE OF SERIES 2018A BOND PROCEEDS. The use of the proceeds of the Series 2018A Bonds constitutes an Additional Project within the meaning of the Authorizing Resolution, which consists of, to the extent not included as part of the Initial Project, (a) the acquisition of real property for state roads, as defined by law, or (b) the construction of state bridges, which has been authorized by the Legislature by an act relating to appropriations or by general law and which is in compliance with the requirements of Sections 339.135 (4) (b) and 339.135 (5), Florida Statutes.

ARTICLE V

MISCELLANEOUS

SECTION 5.01. SEVERABILITY OF INVALID PROVISIONS. If any one or more of the covenants, agreements or provisions of this resolution shall be held contrary to any express provision of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements and provisions of this resolution and shall in no way affect the validity of any of the other covenants, agreements or provisions hereof or of the Series 2018A Bonds issued hereunder.

SECTION 5.02. APPROVAL OF STATE BOARD OF ADMINISTRATION. The authorization of the sale of the Series 2018A Bonds pursuant to this resolution is subject to the prior approval as to fiscal sufficiency by the State Board of Administration, pursuant to Section 215.73, Florida Statutes.

SECTION 5.03. CONTINUING DISCLOSURE.

(A) In order to comply with Rule 15c2-12 of the Securities and Exchange Commission, the Department of Transportation hereby agrees to provide or cause to be provided such information as may be required, from time to time, under such rule.

(B) The Secretary or other authorized officer of the Department of Transportation, in conjunction with the appropriate officer of the Division, is authorized and directed to execute and deliver any documents or agreements which are necessary to comply with the requirements of Rule 15c2-12 of the Securities and Exchange Commission.

SECTION 5.04. REPEAL OF INCONSISTENT RESOLUTIONS. All resolutions or parts thereof in conflict herewith are hereby superseded and repealed to the extent of such conflict.

SECTION 5.05. EFFECTIVE DATE. This resolution shall take effect immediately upon its adoption.

ADOPTED March 7, 2018.

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered by the State of Florida Department of Transportation (the "Department") and the Division of Bond Finance of the State Board of Administration of Florida (the "Division") in connection with the issuance of $99,990,000 State of Florida, Full Faith and Credit, Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds, Series 2018A (the "Bonds"). This Disclosure Agreement is being executed and delivered pursuant to Section 5.03 of the resolution adopted by the Governor and Cabinet, as the Governing Board of the Division, on March 7, 2018 authorizing the sale of the Bonds. The Department and the Division covenant and agree as follows:

SECTION 1. PURPOSE OF THE DISCLOSURE AGREEMENT. This Disclosure Agreement is being executed and delivered by the Department and the Division for the benefit of the Registered Owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with Rule 15c2-12 (the "Rule") of the Securities and Exchange Commission (the "SEC"). It shall inure solely to the benefit of the Department, the Division, the Registered Owners, the Beneficial Owners and the Participating Underwriters.

SECTION 2. DEFINITIONS. In addition to the definitions set forth in the resolution of the Governor and Cabinet of the Division of Bond Finance adopted on February 28, 1989, as amended and supplemented (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 Department assumes all responsibilities for any continuing disclosure as described below. In order to comply with the Rule, the Department hereby agrees 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, 2018 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) Motor and Diesel Fuel Tax Collections;
(b) Investment of Funds;
(c) Debt Service Coverage;
(d) Five Year History of Trust Fund and General Revenues;
(e) Operating and Fixed Capital Outlay Budget by Program Area;
(f) Statement of Assets and Liabilities;
(g) Debt Outstanding by Type and Program;
(h) Total State Debt Outstanding; and
(i) Litigation.

(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, if material;
(c) unscheduled draws on debt-service reserves reflecting financial difficulties;
(d) unscheduled draws on credit enhancements reflecting financial difficulties;

(e) substitution of credit or liquidity providers, or their failure to perform;
(f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
(g) modifications to rights of security holders, if material;
(h) bond calls, if material, and tender offers;
(i) defeasances;
(j) release, substitution or sale of property securing repayment of the securities, if material;
(k) rating changes;
(l) bankruptcy, insolvency, receivership or similar event of the obligated person;
(m) the consummation of merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
(n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(4) Failure to Provide Annual Financial Information; Remedies.

(a) Notice of the failure of the 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 Department acknowledges that its 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 Department's obligations hereunder.

(B) Method of Providing Information.

(1) (a) Annual financial information and operating data described in paragraph 3(A)(1) and the audited financial statements described in paragraph 3(A)(2) shall be transmitted to the Municipal Securities Rulemaking Board (hereafter "MSRB") using the MSRB's Electronic Municipal Market Access System ("EMMA") or by such other method as may be subsequently determined by the MSRB.

(b) Material event notices described in paragraph 3(A)(3) and notices described in paragraph 3(A)(4) shall also be transmitted to the MSRB using EMMA or by such other method as may be subsequently determined by the MSRB.

(2) (a) Information shall be provided to the MSRB in an electronic format as prescribed by the MSRB, either directly, or indirectly through an indenture trustee or a designated agent.

(b) All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

(C) If this Disclosure Agreement is amended to change the operating data or financial information to be disclosed, the annual financial information containing amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(D) The Department's obligations hereunder shall continue until such time as the Bonds are no longer Outstanding or until the Department 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 Department chooses to include additional information not specifically required by this Disclosure Agreement, the Department shall have no obligation to update such information or include it in any such future submission.

Dated this ___ day of _____, 2018

STATE OF FLORIDA
DEPARTMENT OF TRANSPORTATION

By_____
Authorized Officer

DIVISION OF BOND FINANCE OF THE STATE
BOARD OF ADMINISTRATION OF FLORIDA

By_____
Assistant Secretary

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APPENDIX M

June __, 2018

Division of Bond Finance
of the State Board of Administration
Hermitage Centre
1801 Hermitage Boulevard, Suite 200
Tallahassee, FL 32308

$99,990,000
STATE OF FLORIDA
FULL FAITH AND CREDIT
DEPARTMENT OF TRANSPORTATION
RIGHT-OF-WAY ACQUISITION AND BRIDGE CONSTRUCTION BONDS
SERIES 2018A

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of $99,990,000 State of Florida (the "State"), Full Faith and Credit, Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds, Series 2018A (the "Series 2018A Bonds") by the Division of Bond Finance (the "Division") of the State Board of Administration of Florida (the "Board of Administration").

The Series 2018A Bonds are issued under and pursuant to the Laws of the State of Florida, including particularly Article VII, Section 17 of the Constitution of Florida, Section 206.46, Florida Statutes, Section 215.605, Florida Statutes, Sections 215.57 - 215.83, Florida Statutes, and Section 337.276, Florida Statutes, and under and pursuant to resolutions of the Division adopted on February 28, 1989, as amended and supplemented (collectively, the "Resolution"), and under and pursuant to a resolution of the State of Florida, Department of Transportation (the "Department") adopted on March 9, 2018.

The Series 2018A Bonds are dated and bear interest from their date of original issuance and delivery, except as otherwise provided in the Resolution. The Series 2018A Bonds will mature on the dates and in the principal amounts, and will bear interest at the respective rates per annum as provided in or pursuant to the Resolution. Interest on the Series 2018A Bonds shall be payable on each January 1 and July 1, commencing January 1, 2019.

The Series 2018A Bonds are being issued in order to finance the cost of acquiring real property or the rights to real property for State roads, as defined by law, or to finance the cost of State bridge construction, and to pay certain costs of issuance.

As to questions of fact material to our opinion, we have relied upon the representations of the Division and the Department contained in the Resolution and in the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that:

1. The Division is a duly created and validly existing public body corporate of the State of Florida.

2. The Division has the right and power under the Constitution and Laws of the State of Florida to adopt the Resolution, and the Resolution has been duly and lawfully adopted by the Division, is in full force and effect in accordance with its terms and is valid and binding upon the Division and enforceable in accordance with its terms, and no other authorization for the Resolution is required. The Resolution has been duly authorized, executed and delivered by the Division and constitutes a valid and binding obligation of the Division, enforceable in accordance with its terms. The Resolution creates the valid pledge which it purports to create of the Pledged Gas Taxes (as defined in the Resolution), subject to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution. The Resolution creates the valid pledge which it purports to create of the full faith and credit of the State of Florida.

3. The Division is duly authorized and entitled to issue the Series 2018A Bonds, and the Series 2018A Bonds have been duly and validly authorized and issued by the Division in accordance with the Constitution and laws of the State of Florida. The Series 2018A Bonds constitute a valid and binding obligation of the State of Florida as provided in the Resolution, are enforceable in accordance with their terms and the terms of the Resolution and are entitled to the benefits of the Resolution and the laws pursuant to which they are issued.

4. The Series 2018A 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 Division, the Board of Administration and the Department must continue to meet after the issuance of the Series 2018A Bonds in order that interest on the Series 2018A Bonds not be included in gross income for federal income tax purposes. The failure by the Division, the Board of Administration or the Department to meet these requirements may cause interest on the Series 2018A Bonds to be included in gross income for federal income tax purposes retroactive to their date of issuance. The Division, 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 from gross income for federal income tax purposes of interest on the Series 2018A Bonds. Assuming continuing compliance by the Division, the Board of Administration and the Department with the tax covenant described above, under existing statutes, regulations, rulings and court decisions, interest on the Series 2018A Bonds is excluded from gross income for federal income tax purposes. Interest on the Series 2018A 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 Bonds.

We express no opinion regarding other federal tax consequences resulting from the ownership, receipt or accrual of interest on, or disposition of the Series 2018A Bonds.

We have examined the form of the Series 2018A Bonds and, in our opinion, the form of the Series 2018A Bonds is regular and proper.

It should be noted that (1) 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 2018A Bonds and we express no opinion relating thereto, and (2) 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 2018A 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 2018A 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,

APPENDIX N

PROVISIONS FOR BOOK-ENTRY ONLY SYSTEM OR REGISTERED BONDS

The Depository Trust Company and Book-Entry Only System

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE DIVISION BELIEVES TO BE RELIABLE; HOWEVER, THE DIVISION 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, Department of Transportation Alligator Alley Revenue Refunding Bonds, Series 2018A (the "Series 2018A Bonds"). The Series 2018A 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 2018A 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 2018A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2018A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2018A 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 2018A 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 2018A Bonds, except in the event that use of the book-entry system is discontinued.

To facilitate subsequent transfers, all Series 2018A 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 2018A 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 2018A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2018A 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 2018A Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2018A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2018A Bond documents. For example, Beneficial Owners of Series 2018A Bonds may wish to

ascertain that the nominee holding the Series 2018A 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 2018A 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 2018A Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Division 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 2018A 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 2018A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the Bond Registrar/Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, (nor its nominee), the Bond Registrar/Paying Agent, the Division, or the Florida Department of Transportation (the "Department"), 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 2018A Bonds at any time by giving reasonable notice to the Division or Bond Registrar/Paying Agent and discharging its responsibilities with respect thereto under applicable law. The Division may decide to discontinue use of the system of book-entry transfers for the Series 2018A 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 2018A Bonds will be printed and delivered as provided in the documents authorizing the issuance and sale of the Series 2018A Bonds.

For every transfer and exchange of beneficial interests in the Series 2018A 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 2018A Bonds, references herein to the Registered Owners or Holders of the Series 2018A Bonds shall mean Cede & Co. and not mean the Beneficial Owners of the Series 2018A Bonds unless the context requires otherwise.

The Division, the Department 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 2018A 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 2018A 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 2018A Bonds, or the purchase price of, any Series 2018A 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 2018A Bonds for partial redemption.

So long as the Series 2018A Bonds are held in book-entry only form, the Division, the Department 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 2018A Bonds for all purposes whatsoever, including, without limitation:

(i) the payment of the principal of, premium, if any, and interest on the Series 2018A Bonds;

(ii) giving notices of redemption and other matters with respect to the Series 2018A Bonds;

(iii) registering transfers with respect to the Series 2018A Bonds; and

(iv) the selection of the beneficial ownership interests in the Series 2018A Bonds for partial redemption.

Payment, Registration, Transfer and Exchange

The following provisions shall only be applicable if the book-entry-only system of registration is discontinued; for provisions which are applicable while the book-entry only system of registration is in effect, see "Book-Entry Only System" above.

The Division, the Department and the Bond Registrar/Paying Agent may treat the Registered Owner of any Series 2018A Bond as the absolute owner for all purposes, whether or not such Series 2018A Bond is overdue, and will not be bound by any notice to the contrary.

Principal of and premium, if any, on the Series 2018A Bonds will be payable upon presentation and surrender of the Series 2018A 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 2018A 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 2018A Bond to the Bond Registrar/Paying Agent together with a written instrument of transfer (if so required) satisfactory in form to the Division of Bond Finance 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 2018A 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 2018A Bond of authorized denomination of the same maturity for the aggregate principal amount which the Registered Owner is entitled to receive.

Neither the Division 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 2018A Bonds. However, the Division 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 2018A Bond is delivered.

The Bond Registrar/Paying Agent will not be required to issue, transfer or exchange any Series 2018A Bonds on the Record Date.

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