State of Florida
Division of Bond Finance

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Refunding Issue - Book-Entry Only

This Official Statement has been prepared by the Division of Bond Finance to provide information about the 2019A Bonds. Selected information is presented on this cover page for the convenience of the reader. ***To make an informed decision, a prospective investor should read this Official Statement in its entirety.*** Unless otherwise indicated, capitalized terms have the meanings given in Appendix C.

$8,560,000
STATE OF FLORIDA
Full Faith and Credit
State Board of Education
Capital Outlay Refunding Bonds, 2019 Series A

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

Bond Ratings	AAA (stable outlook) - Fitch Ratings Aaa (stable outlook) - Moody's Investors Service AAA (stable outlook) - S&P Global Ratings
Tax Status	In the opinion of Bond Counsel, under existing law (i) assuming continuing compliance with certain covenants and the accuracy of certain representations, interest on the 2019A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the alternative minimum tax, and (ii) the 2019A Bonds and the income thereon are not subject to any Florida taxes, except estate taxes imposed by Chapter 198, Florida Statutes, as amended, and net income and franchise taxes imposed by Chapter 220, Florida Statutes, as amended. See "TAX MATTERS" herein for a more complete discussion of the tax aspects.
Redemption	The 2019A Bonds are not subject to redemption prior to maturity.
Security	The 2019A Bonds are payable primarily from Motor Vehicle License Taxes and are additionally secured by the full faith and credit of the State of Florida.
Lien Priority	The lien of the 2019A Bonds on the Motor Vehicle License Taxes will be on a parity with the Outstanding Bonds and any Additional Bonds hereafter issued. The aggregate principal amount of Bonds which will be Outstanding subsequent to the issuance of the 2019A Bonds is $101,430,000, excluding the Refunded Bonds.
Additional Bonds	Additional Bonds payable on a parity with the 2019A Bonds may be issued if historical Motor Vehicle License Taxes distributable to School and Florida College System Institution Districts are at least 1.12 times average annual debt service. This description of the requirements for the issuance of Additional Bonds is only a summary of the complete requirements. See "ADDITIONAL BONDS" herein for more complete information.
Purpose	The proceeds of the 2019A Bonds will be used to refund all of the Outstanding State of Florida, Full Faith and Credit, State Board of Education Capital Outlay Bonds, 2009 Series A, and to pay certain costs of issuance.
Interest Payment Dates	July 1 and January 1, commencing July 1, 2019.
Record Dates	June 15 and December 15.
Form/Denomination	The 2019A 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 2019A Bonds will not receive physical delivery of the 2019A Bonds.
Closing/Settlement	It is anticipated that the 2019A Bonds will be available for delivery through the facilities of DTC in New York, New York January 17, 2019.
Bond Registrar/ Paying Agent	U.S. Bank Trust National Association, New York, New York.
Bond Counsel	Squire Patton Boggs (US) LLP, Tampa, Florida.
Issuer Contact	Division of Bond Finance, (850) 488-4782, bond@sbafla.com
Maturity Structure	The 2019A Bonds will mature on the dates and bear interest at the rates set forth on the inside front cover.

December 18, 2018

MATURITY STRUCTURE

Initial CUSIP ©	Due Date	Principal Amount	Interest Rate	Price or Yield*
341426T20	January 1, 2020	$540,000	5.00%	1.75%
341426T38	January 1, 2021	585,000	5.00	1.80
341426T46	January 1, 2022	655,000	5.00	1.86
341426T53	January 1, 2023	705,000	5.00	1.93
341426T61	January 1, 2024	770,000	5.00	2.00
341426T79	January 1, 2025	850,000	5.00	2.09
341426T87	January 1, 2026	935,000	5.00	2.18
341426T95	January 1, 2027	1,050,000	5.00	2.26
341426U28	January 1, 2028	1,185,000	5.00	2.35
341426U36	January 1, 2029	1,285,000	5.00	2.48

*Price and yield information provided by the underwriter.

The State of Florida has not authorized any dealer, broker, salesman or other person to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied on. Certain information herein has been obtained from sources other than records of the State of Florida which are believed to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the State of Florida since the date hereof. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor will there be any sale of the 2019A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

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STATE BOARD OF EDUCATION

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BENJAMIN J. GIBSON — ANDY TUCK

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Executive Director and CIO
State Board of Administration of Florida

BOND COUNSEL
Squire Patton Boggs (US) LLP
Tampa, Florida

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OFFICIAL STATEMENT
Relating to

$8,560,000
STATE OF FLORIDA
Full Faith and Credit
State Board of Education
Capital Outlay Refunding Bonds, 2019 Series A

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

INTRODUCTION

This Official Statement sets forth information relating to the sale and issuance of the $8,560,000 State of Florida, Full Faith and Credit, State Board of Education Capital Outlay Refunding Bonds, 2019 Series A, dated the Date of Delivery (the "2019A Bonds"), by the Division of Bond Finance of the State Board of Administration of Florida (the "Division of Bond Finance").

The proceeds of the 2019A Bonds will be used to refund all of the Outstanding State of Florida, Full Faith and Credit, State Board of Education Capital Outlay Bonds, 2009 Series A (the "Refunded Bonds") and to pay certain costs of issuance. The refunding is being effectuated to achieve debt service savings due to lower interest rates. See "THE REFUNDING PROGRAM" below for more detailed information.

The 2019A Bonds are payable primarily from Motor Vehicle License Taxes and are additionally secured by the full faith and credit of the State of Florida. See "SECURITY FOR THE 2019A BONDS" below for more detailed information.

The lien of the 2019A Bonds on the Motor Vehicle License Taxes will be on a parity with the Outstanding Bonds and with any Additional Bonds hereafter issued. The aggregate principal amount of Bonds which will be Outstanding subsequent to the issuance of the 2019A Bonds is $101,430,000, excluding the Refunded Bonds. See "SECURITY FOR THE 2019A BONDS" below for more detailed information.

Requests for additional information may be made to:

Division of Bond Finance
Phone: (850) 488-4782
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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 2019A Bonds and the documents authorizing and securing the same do not purport to be comprehensive or definitive. All references to and descriptions of such documents are qualified by reference to the actual documents. Copies of such documents may be obtained from the Division of Bond Finance.

End of Introduction

AUTHORITY FOR THE ISSUANCE OF THE 2019A BONDS

General Legal Authority

The State Board of Education (the "Board of Education") is authorized to issue bonds primarily payable from Motor Vehicle License Taxes and additionally secured by the full faith and credit of the State of Florida, in accordance with the School Capital Outlay Amendment, which is included herein as Appendix F, and the State Bond Act. Under the State Bond Act and the Original Resolution, the Division of Bond Finance is authorized to act as the agent of the Board of Education to validate (if required) and issue Board of Education bonds. All such bonds are issued in the name of the Board of Education, but will be issued for and on behalf of the School District or the Community College District requesting the issuance thereof. No election or approval of qualified electors is required for the issuance of the 2019A Bonds.

The amount of bonds which can be issued on behalf of any School District or Community College District pursuant to the School Capital Outlay Amendment is limited to 90% of the amount which the Board of Education determines can be serviced by the motor vehicle license tax revenue accruing to the School District or Community College District.

State Board of Education

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

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

Board Member	Term Expires
Marva Johnson, chair	December 31, 2021
Gary Chartrand	December 31, 2018
Benjamin J. Gibson	December 31, 2020
Tom Grady	December 31, 2018
Michael Olenick	December 31, 2020
Andy Tuck	December 31, 2021
Joe York	December 31, 2021

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 Board of Education in administering the Sinking Fund and the Rebate Fund.

Administrative Approval

By the Original Resolution adopted February 4, 1992, the Board of Education authorized the issuance of various series of Capital Outlay Bonds under the terms, limitations and conditions contained therein. By the Thirty-first Supplemental Authorizing Resolution adopted on August 15, 2018, the Board of Education authorized the issuance of not to exceed $10,300,000 State of Florida, Full Faith and Credit, State Board of Education Capital Outlay Refunding Bonds. The Board of Education authorized the sale of and made the determinations regarding such bonds as required by the School Capital Outlay Amendment by a resolution adopted on August 15, 2018. The Original Resolution and the Thirty-first Supplemental Authorizing Resolution are reproduced herein as Appendices D and E, respectively (collectively, the "Resolution").

By resolutions adopted on August 14, 2018, the Division of Bond Finance authorized the issuance and sale of the 2019A Bonds, pursuant to the terms of the Thirty-first Supplemental Authorizing Resolution and sale resolution adopted by the Board of Education.

The Board of Administration approved the fiscal sufficiency of the 2019A Bonds by a resolution adopted on August 14, 2018.

DESCRIPTION OF THE 2019A BONDS

The 2019A Bonds are full faith and credit obligations of the State issued in the name of the Board of Education, for and on behalf of the Education Districts as authorized by the School Capital Outlay Amendment and the State Bond Act.

The 2019A Bonds are being issued as fully registered bonds in the denomination of $1,000 or integral multiples thereof. The 2019A Bonds are payable from the Motor Vehicle License Taxes as described herein. The 2019A Bonds will be dated the Date of Delivery thereof, and will mature as set forth on the inside front cover. Interest is payable on July 1, 2019, for the period from the Date of Delivery to July 1, 2019, and semiannually thereafter on January 1 and July 1 of each year until maturity or redemption.

The 2019A Bonds will initially be issued exclusively in "book-entry" form. Ownership of one 2019A 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 2019A Bonds. Individual purchases of the 2019A Bonds will be made in book-entry form only, and the purchasers will not receive physical delivery of the 2019A Bonds or any certificate representing their beneficial ownership interest in the 2019A Bonds. See Appendix I, "Provisions for Book-entry Only System or Registered Bonds" for a description of DTC, certain responsibilities of DTC, the Board of Education and the Bond Registrar/Paying Agent, and the provisions for registration and registration for transfer of the 2019A Bonds if the book-entry only system of registration is discontinued.

REDEMPTION PROVISIONS

The 2019A Bonds are not subject to redemption prior to maturity.

THE REFUNDING PROGRAM

The proceeds derived from the sale of the 2019A Bonds, will be used to refund the State of Florida, Full Faith and Credit, State Board of Education Capital Outlay Bonds, 2009 Series A, maturing in the years 2020 and 2029, inclusive, in the outstanding principal amount of $9,705,000 (the "Refunded Bonds"). This refunding is being effectuated to achieve debt service savings.

Simultaneously with the delivery of the 2019A Bonds, the Board of Education will cause a portion of the proceeds of the 2019A Bonds to be deposited into an irrevocable trust fund, to be known as the "State of Florida, Full Faith and Credit, State Board of Education, 2019 Series A Capital Outlay Bonds Retirement Fund" (the "Retirement Fund") under an Escrow Deposit Agreement to be entered into among the Board of Education, the Division of Bond Finance and the Board of Administration (the "Escrow Agent"). The Board of Administration will hold these proceeds uninvested. The escrow will be funded in an amount which will be sufficient to meet the redemption requirements of the Refunded Bonds.

The Refunded Bonds will be called for redemption (by separate redemption notice) on January 22, 2019, at a redemption price equal to the principal amount thereof with interest due thereon through the redemption date, plus the required redemption premium equal to one percent of the Refunded Bonds. No funds held in the Retirement Fund will be available to pay debt service on the 2019A Bonds

Sources and Uses of Funds

Sources:	
Par Amount of 2019A Bonds	$8,560,000
Plus: Original Issue Premium	1,353,564
Total Sources	$9,913,564
Uses of Funds:	
Deposit to Retirement Fund	$9,825,096
Cost of Issuance	64,082
Underwriter's Discount.	24,386
Total Uses	$9,913,564

Application of Bond Proceeds

After providing for payment of the costs of issuance, the remaining proceeds of the 2019A Bonds, along with other legally available moneys, will be transferred to the Board of Administration for deposit into the Retirement Fund. Such amount is expected to be sufficient to pay, when due, the principal of the Refunded Bonds, together with interest accrued thereon to their respective maturity dates or, if called for redemption prior to maturity, such prior redemption dates and redemption premiums, if any, and the expenses and fees listed in the Escrow Deposit Agreement as provided in Section 4.02(a) of the Thirty-first Supplemental Authorizing Resolution.

SECURITY FOR THE 2019A BONDS

The 2019A Bonds will be payable primarily from the first revenues derived from the Motor Vehicle License Taxes pledged to the payment thereof, and will be additionally secured by a pledge of the full faith and credit of the State of Florida, pursuant to the School Capital Outlay Amendment and the Resolution. The lien of the 2019A Bonds on the Motor Vehicle License Taxes is on a parity with the Outstanding Bonds. See "Outstanding Bonds" below.

No Registered Owner of the 2019A Bonds will be entitled to require the payment of the principal of or interest on the 2019A Bonds from any funds of the State of Florida, the Board of Education, the Education Districts, or any other political subdivision or agency of the State, except from the Motor Vehicle License Taxes pledged for the payment thereof pursuant to the School Capital Outlay Amendment and the Resolution and moneys appropriated for such purpose pursuant to the pledge of the full faith and credit of the State.

The Original Resolution does not require the establishment of a reserve account. No reserve account has been established for any of the Outstanding Bonds, nor will one be established for the 2019A Bonds.

Pledge of Motor Vehicle License Taxes

The Original Resolution irrevocably pledges the Motor Vehicle License Taxes distributable to the various Education Districts for payment of the principal of (including Amortization Installments, if any) and interest on Capital Outlay Bonds. The Thirty-first Supplemental Authorizing Resolution provides that the pledge of the Motor Vehicle License Taxes contained in the Original Resolution is applicable to the 2019A Bonds.

The Board of Education has covenanted that it will not decrease the number of instruction units or approve any change in the basis for or method of computing, defining, or determining the number of instruction units for the allocation of Motor Vehicle License Taxes proposed in any law enacted by the Legislature of Florida, unless after such decrease or under said new law, as applicable, the total number of instruction units in the Education Districts in each year will be not less than those set forth in the School Capital Outlay Amendment.

Full Faith and Credit of the State

The Resolution provides that the 2019A Bonds are additionally secured by a pledge of the full faith and credit of the State, and that the State is unconditionally and irrevocably required to make all payments required for payment of the principal of and interest on the 2019A Bonds as the same mature and become due to the full extent that the Motor Vehicle License Taxes on deposit in the Sinking Fund are insufficient for such payments. It will be the mandatory duty of the Board of Education on or prior to each principal or interest payment date to immediately certify to the proper officials of the State any deficiencies in the moneys necessary for the payments on such dates, and the appropriate officials of the State will have the mandatory duty to pay over to the Board of Education the amounts of any such deficiencies.

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.

Outstanding Bonds

The Board of Education has issued its State of Florida, Full Faith and Credit, State Board of Education Capital Outlay Bonds, 2009 Series A through 2017 Series A. Subsequent to the issuance of the 2019A Bonds, the aggregate principal amount of bonds which will be outstanding is $101,430,000, excluding the Refunded Bonds. The 2019A Bonds will be on a parity with the Outstanding Bonds, all of which have a first lien on the Motor Vehicle License Taxes.

Flow of Funds

Under the Resolution, the Motor Vehicle License Taxes deposited in the Capital Outlay Bonds and Debt Service Fund, a trust fund in the State Treasury, are applied only in the following manner and order of priority:

(a) First, for the payment in each year of the full amount of the principal of and interest on the Capital Outlay Bonds maturing in such year.

(b) Thereafter, in each fiscal year, the remaining moneys are distributable by the Board of Education (i) for the payment of any amounts required to be paid into funds or accounts, or to reimburse providers of credit or liquidity support, established pursuant to a Supplemental Authorizing Resolution, (ii) to the State of Florida in amounts sufficient to reimburse the State for moneys paid pursuant to the requirements of subsection 4.02(b) of the Original Resolution, (iii) to pay Administration Expenses, and (iv) thereafter in the manner provided by the School Capital Outlay Amendment.

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

ADDITIONAL BONDS

Additional Bonds may be issued only if the Motor Vehicle License Taxes distributable to the School and Florida College System Institution Districts, based on the greater of (i) a minimum historical “floor” amount or (ii) the average annual Motor Vehicle License Taxes for all Education Districts for the two preceding fiscal years, equals at least 1.12 times average annual debt service on all outstanding Capital Outlay Bonds and on the additional Bonds proposed to be issued. No such Additional Bonds will be issued unless all Sinking Fund payments required to be made by the Resolution have been made, and unless the Board of Education is in compliance with all of the covenants, agreements and provisions of the Resolution.

Any Capital Outlay Bonds not issued in compliance with the provisions of Section 5.01 of the Original Resolution will be junior, inferior and subordinate to Bonds issued in compliance with the provisions of such Section. See Appendices D and E, the Original Resolution and the Thirty-first Supplemental Authorizing Resolution, respectively.

MOTOR VEHICLE LICENSE TAX REVENUES AND DEBT SERVICE COVERAGE

Levy of Taxes

The Florida Department of Highway Safety and Motor Vehicles collects annual license taxes for the operation of motor vehicles upon registration of automobiles, motorcycles, motor trucks, recreational vehicles and all other vehicles operated over the public highways and streets of the State and propelled by power other than muscular power. Mobile homes, park trailers, and various types of recreational trailers exceeding 35 feet in length classified as real property are not considered motor vehicles for purposes of the Motor Vehicle License Tax.

The following table sets forth the Motor Vehicle License Tax rates and classifications.

Category of Motor Vehicle	Rates	Basis for Charge
Passenger Cars & Tri-vehicles	\$14.50 - \$32.50	Net Weight Class
Trucks	\$14.50 - \$32.50	Net Weight Class
Truck Tractors	\$60.75 - \$1,322.00, or \$324.00, or \$87.75 - \$324.00	Gross Vehicle Weight Class Local Hauling of Forestry Products Local Agricultural Hauling plus Gross Vehicle Weight Class
Semi-Trailers	\$13.50 annual, or \$68.00 permanent	Per Vehicle
Trailers (For Private Use)	\$6.75, or \$3.50 plus \$1.00 per 100 lbs.	Net Weight Class
Trailers (For Hire)	\$3.50 - \$13.50 plus \$1.50 per 100 lbs.	Net Weight Class
Wreckers	\$41.00, or \$118.00 - \$1,322.00	Per Vehicle Gross Vehicle Weight Class
Antique Cars & Trucks	\$7.50	Per Vehicle
Recreational Vehicles	\$13.50 - \$47.25	Vehicle Type & Net Weight Class
Motorcycles	\$10.00	Per Vehicle
Antique Motorcycles	\$7.50	Per Vehicle
Mopeds	\$5.00	Per Vehicle
Automobiles (For Hire)	\$17.00 plus \$1.50 - \$2.00 per 100 lbs.	Carrying Capacity
Dealer and Manufacturer License Plates	\$17.00	Per Vehicle
School Buses	\$41.00	Per Vehicle
Specialized Vehicles	\$7.50 - \$44.00	Type of Vehicle
Transporter Tags	\$101.25	Per Vehicle
Exempt or Official Tags	\$4.00	Per Plate
Permanent Fleet Tags	\$2.00 plus applicable vehicle tax	Per Vehicle
Temporary Tags	\$2.00	Per Plate

Registration fees and other surcharges are also imposed on motor vehicles in addition to the Motor Vehicle License Taxes set forth above. Revenues from registration fees and other surcharges imposed in connection with motor vehicle registration are not a source of security for and have not been pledged to payment of the 2019A Bonds. Motor vehicles used by not-for-profit corporations, governmental bodies and disabled persons are exempted by statute from Motor Vehicle License Taxes.

Supermajority Vote for Legislation Increasing Taxes or Fees

In 2018, voters approved an amendment to the Florida Constitution which requires 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. The amendment takes effect on January 8, 2019. If the Legislature proposes to increase the rate at which Motor Vehicle License Taxes are levied, or proposes to reduce an exemption on such taxes, the proposed legislation would require two-thirds approval. Prior to the amendment, the proposed legislation would have required a majority vote. No assurance can be given as to the potential impact of the amendment on Motor Vehicle License Tax rates because it is dependent on future legislative decisions.

Distribution of Motor Vehicle License Tax Revenues

The School Capital Outlay Amendment requires that the first revenues derived from the collection of Motor Vehicle License Taxes be used for education capital outlay projects. After satisfying the constitutional requirement for education capital outlay, Motor Vehicle License Tax revenues are distributed by statute to the State Transportation Trust Fund for various transportation-related purposes and to the State's General Revenue Fund.

The amount of Motor Vehicle License Tax revenue distributable to Education Districts is determined by applying the formula set out in paragraph (3) of the School Capital Outlay Amendment, which is included herein as Appendix F. Generally, funding is based on multiplying a fixed dollar amount by a number based on actual student enrollment (instruction units). However, in order to give priority to Capital Outlay Bond debt service, for those districts with participation in any outstanding Capital Outlay Bond issue, the number of instruction units is required to be established at a level which would generate revenues not less than 1.12 times such district's Capital Outlay Bond debt service for the fiscal year.

That portion of the Motor Vehicle License Taxes computed by the Board of Education as being required for school capital outlay purposes pursuant to the School Capital Outlay Amendment is transferred by the Department of Highway Safety and Motor Vehicles to the Board of Education, which deposits such moneys into the Capital Outlay and Debt Service Fund in the State Treasury. The Board of Education is responsible for management, control and supervision of such moneys. After providing for payments with respect to state bonds issued pursuant to the School Capital Outlay Amendment, the Board of Education distributes the remaining moneys in the Capital Outlay and Debt Service Fund to the Education Districts for payment of debt service on local school capital outlay bonds, for payment of administrative expenses incurred by the Board of Education with respect to such funds, and to Education Districts for capital projects or other school purposes.

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Historical Debt Service Coverage

The following table sets forth the historical Motor Vehicle License Tax receipts, distributions for school capital outlay, debt service requirements and debt service coverage for all outstanding Capital Outlay Bonds. Because revenues may not be transferred to the State Transportation Trust Fund or the State's General Revenue Fund until all requirements with respect to Capital Outlay Bonds have been satisfied, debt service coverage is computed by dividing total Motor Vehicle License Taxes by total debt service on the outstanding Capital Outlay Bonds. Motor vehicle license tax rates were increased in 2009, resulting in increased revenues in Fiscal Year 2009-10, and rates of certain categories of Motor Vehicle License Tax were reduced in 2014, resulting in decreased revenues in Fiscal Year 2014-15.

Fiscal Year	Total Motor Vehicle License Tax Revenue (in Thousands)	Distribution Amount for Education Capital Outlay[1] (in Thousands)	Total Debt Service (in Thousands)	Debt Service Coverage[2]
2008-09	$600,538	$119,244	$94,532	6.35x
2009-10	699,228	119,570	94,925	7.37x
2010-11	698,969	121,178	96,769[3]	7.22x
2011-12	726,889	119,156	97,145	7.48x
2012-13	775,135	122,244	96,698	8.02x
2013-14	790,462	119,613	95,997[4]	8.23x
2014-15	724,366[5]	121,274	91,372	7.93x
2015-16	745,266	132,155[6]	83,195	8.96x
2016-17	734,632	114,218[6]	61,966	11.86x
2017-18	768,933	126,343	49,697	15.47x

[1] Source: Florida Department of Highway Safety and Motor Vehicles.
[2] Total Motor Vehicle License Tax Revenue divided by Total Debt Service.
[3] Includes approximately $300 thousand of accrued sinking fund moneys transferred to the escrow which were used to fund the debt service on the previously refunded 2001A and 2002A Bonds.
[4] Includes approximately $235 thousand of accrued sinking fund moneys transferred to the escrow which is being used to fund the debt service on the previously refunded 2004A and 2005A Bonds.
[5] Reduction due to 2014 legislation that reduced rates in certain categories of the Motor Vehicle License Tax.
[6] An over-distribution of $10 million occurred in 2015-16, and was corrected with an off-setting distribution in 2016-17.

Projected Collections

The following table sets forth projected Motor Vehicle License Tax collections and distributions for educational capital outlay purposes. The projected Motor Vehicle License Tax collections are revised at least semiannually by the Consensus Estimating Conference. For a description of the Consensus Estimating Conference, see "STATE FINANCIAL OPERATIONS - Budgetary Process" in Appendix A. 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 Motor Vehicle License Tax collections; no assurance can be given that there will not continue to be material differences relating to such amounts.

Fiscal Year	Total Motor Vehicle License Tax Revenue[1] (in Thousands)	Percentage Increase	Distribution Amount for Education Capital Outlay[1] (in Thousands)	Percentage Increase
2018-19	$788,806	2.58%[2]	$127,291	0.75%[2]
2019-20	800,913	1.53	127,291	0.00
2020-21	812,042	1.39	127,291	0.00
2021-22	822,632	1.30	127,291	0.00
2022-23	832,994	1.26	127,291	0.00

[1] Source: Florida Department of Highway Safety and Motor Vehicles, based on the November 2018 forecast of the Highway Safety Licenses and Fees Revenue Estimating Conference.
[2] Based on a comparison with the Fiscal Year 2017-18 historical figure from the corresponding column in the immediately preceding table.

SCHEDULE OF DEBT SERVICE

The amounts of debt service payable with respect to the Outstanding Bonds which will be Outstanding subsequent to the refunding accomplished with the proceeds of the 2019A Bonds, as well as the debt service on the 2019A Bonds and the total debt service in each fiscal year are set forth in the following table.

Fiscal Year Ending June 30	Outstanding Bonds Debt Service[1]	2019A Bonds Debt Service Principal	Interest	Total	Total Debt Service
2019	$24,752,450	-	$194,997	$194,997	$24,947,447
2020	19,542,775	$540,000	414,500	954,500	20,497,275
2021	16,523,900	585,000	386,375	971,375	17,495,275
2022	15,883,575	655,000	355,375	1,010,375	16,893,950
2023	13,915,225	705,000	321,375	1,026,375	14,941,600
2024	10,225,950	770,000	284,500	1,054,500	11,280,450
2025	8,620,800	850,000	244,000	1,094,000	9,714,800
2026	7,209,550	935,000	199,375	1,134,375	8,343,925
2027	5,916,575	1,050,000	149,750	1,199,750	7,116,325
2028	6,038,825	1,185,000	93,875	1,278,875	7,317,700
2029	2,240,000	1,285,000	32,125	1,317,125	3,557,125
2030	2,238,900	-	-	-	2,238,900
	$133,108,525	$8,560,000	$2,676,247	$11,236,247	$144,344,772

[1] Debt Service on outstanding Capital Outlay Bonds, 2009 Series A through 2017 Series A, excluding the Refunded Bonds.

PROVISIONS OF STATE LAW

Bonds Legal Investment for Fiduciaries

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

Negotiability

The 2019A 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

In the opinion of Squire Patton Boggs (US) LLP, Bond Counsel, under existing law: (i) interest on the 2019A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for purposes of the federal alternative minimum tax; and (ii) the 2019A Bonds and the income thereon are exempt from taxation under the laws of the State of Florida, except estate taxes imposed by Chapter 198, Florida Statutes, as amended, and net income and franchise taxes imposed by Chapter 220, Florida Statutes, as amended. Bond Counsel expresses no opinion as to any other tax consequences regarding the 2019A Bonds.

The opinion on federal tax matters will be based on and will assume the accuracy of certain representations and certifications, and continuing compliance with certain covenants, of the Division of Bond Finance and the Board of Education contained in the transcript of proceedings and that are intended to evidence and assure the foregoing, including that the 2019A Bonds are and will remain obligations the interest on which is excluded from gross income for federal income tax purposes. Bond Counsel will not independently verify the accuracy of those certifications and representations or the continuing compliance with those covenants.

The opinion of Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Bond Counsel's legal judgment as to exclusion of interest on the 2019A Bonds from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service ("IRS") or any court. Bond Counsel expresses no opinion about (i) the effect of future changes in the Code and the applicable regulations under the Code or (ii) the interpretation and the enforcement of the Code or those regulations by the IRS.

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and to remain excluded from gross income for federal income tax purposes, some of which require future or continued compliance after issuance of the obligations. Noncompliance with these requirements by the Division of Bond Finance or the Board of Education may cause loss of such status and result in the interest on the 2019A Bonds being included in gross income for federal income tax purposes retroactively to the date of issuance of the 2019A Bonds. The Division of Bond Finance and the Board of Education have covenanted to take the actions required of them for the interest on the 2019A Bonds to be and to remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion. After the date of issuance of the 2019A Bonds, Bond Counsel will not undertake to determine (or to so inform any person) whether any actions taken or not taken, or any events occurring or not occurring, or any other matters coming to Bond Counsel's attention, may adversely affect the exclusion from gross income for federal income tax purposes of interest on the 2019A Bonds or the market value of the 2019A Bonds.

Interest on the 2019A Bonds may be subject to a federal branch profits tax imposed on certain foreign corporations doing business in the United States and to a federal tax imposed on excess net passive income of certain S corporations. Under the Code, the exclusion of interest from gross income for federal income tax purposes may have certain adverse federal income tax consequences on items of income, deduction or credit for certain taxpayers, including financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, those that are deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. The applicability and extent of these and other tax consequences will depend upon the particular tax status or other tax items of the owner of the 2019A Bonds. Bond Counsel will express no opinion regarding those consequences.

Payments of interest on tax-exempt obligations, including the 2019A Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. If a 2019A Bond owner is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

Bond Counsel's engagement with respect to the 2019A Bonds ends with the issuance of the 2019A Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Division of Bond Finance, the Board of Education or the owners of the 2019A Bonds regarding the tax status of interest thereon in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the 2019A Bonds, under current IRS procedures, the IRS will treat the Board of Education as the taxpayer and the beneficial owners of the 2019A Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including but not limited to selection of the 2019A Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market value of the 2019A Bonds.

Prospective purchasers of the 2019A Bonds upon their original issuance at prices other than the respective prices indicated on the inside cover of this Official Statement, and prospective purchasers of the 2019A Bonds at other than their original issuance should consult their own tax advisers regarding other tax considerations such as the consequences of market discount, as to all of which Bond Counsel expresses no opinion.

Risk of Future Legislative Changes and/or Court Decisions

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the State legislature. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the 2019A Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the 2019A Bonds will not have an adverse effect on the tax status of interest or other income on the 2019A Bonds or the market value or marketability of the 2019A Bonds. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or repeal (or reduction in the benefit) of the exclusion of interest on the 2019A Bonds from gross income for federal or state income tax purposes for all or certain taxpayers.

For example, the federal tax legislation that was enacted on December 22, 2017, reduced corporate tax rates, modified individual tax rates, eliminated many deductions, repealed the corporate alternative minimum tax and eliminated the tax-exempt advance refunding of tax-exempt bonds, among other things. Additionally, investors in the 2019A the Bonds should be aware that future legislative actions may increase, reduce or otherwise change (including retroactively) the financial benefits and the treatment of all or a portion of the interest on the 2019A Bonds for federal income tax purposes for all or certain taxpayers. In all such events, the market value of the 2019A Bonds may be affected and the ability of holders to sell their 2019A Bonds in the secondary market may be reduced. The 2019A Bonds are not subject to special mandatory redemption, and the interest rates on the 2019A Bonds are not subject to adjustment, in the event of any such change in the tax treatment of interest on the 2019A Bonds.

Investors should consult their own financial and tax advisors to analyze the importance of these risks.

Original Issue Premium

The 2019A Bonds maturing in 2020 through 2029 (the "2019A Premium Bonds") were offered and sold to the public at a price in excess of their stated redemption price (the principal amount) at maturity. That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a 2019A Premium Bond, based on the yield to maturity of that 2019A Premium Bond (or, in the case of a 2019A 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 2019A Premium Bond), compounded semiannually. No portion of that bond premium is deductible by the owner of a 2019A 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 2019A Premium Bond, the owner's tax basis in the 2019A Premium Bond is reduced by the amount of bond premium that is amortized 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 2019A Premium Bond for an amount equal to or less than the amount paid by the owner for that 2019A Premium Bond. A purchaser of a 2019A Premium Bond in the initial public offering at the price for that 2019A Premium Bond stated on the inside front cover of this Official Statement who holds that 2019A Premium Bond to maturity (or, in the case of a callable 2019A Premium Bond, to its earlier call date that results in the lowest yield on that 2019A Premium Bond) will realize no gain or loss upon the retirement of that 2019A Premium Bond.

Owners of 2019A Premium Bonds should consult their own tax advisers as to the determination for federal income tax purposes of the existence of bond premium, the determination for federal income tax purposes of the amount of bond premium properly accruable or amortizable in any period with respect to the 2019A Premium Bonds, other federal tax consequences in respect of bond premium, and the treatment of bond premium for purposes of state and local taxes on, or based on, income.

State Taxes

The 2019A Bonds and the income thereon are not subject to any taxation by the State or any county, municipality, political subdivision, agency, or instrumentality of the State, except estate taxes imposed by Chapter 198, Florida Statutes, as amended, and net income and franchise taxes imposed by Chapter 220, Florida Statutes, as amended.

Florida laws governing the imposition of estate taxes do not provide for an exclusion of state or local bonds from the calculation of the value of the gross estate for tax purposes. Florida's estate tax is generally calculated on the basis of the otherwise unused portion of the federal credit allowed for state estate taxes. Under Chapter 198, Florida Statutes, all values for state estate tax purposes are as finally determined for federal estate tax purposes. Since state and local bonds are included in the valuation of the gross estate for federal tax purposes, such obligations would be included in such calculation for Florida estate tax purposes. Prospective owners of the 2019A Bonds should consult their own attorneys and advisors for the treatment of the ownership of the 2019A Bonds for estate tax purposes.

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, or 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 $253 million in trust fund transfers.

Revenues – Actual revenue collections of $29.6 billion for Fiscal Year 2016-17 increased approximately $1.3 billion, or 4.5%, over the prior fiscal year. Growth in Fiscal Year 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 an approximately $31 million transfer to the Budget Stabilization Fund, which increased the Budget Stabilization Fund balance to approximately $1.4 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 Fiscal Year 2016-17 general revenue collections). 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 approximately $2.2 billion in various unreserved trust fund balances. The inclusion of trust fund reserve balances increased total reserves to approximately $5.8 billion (19.6% of Fiscal Year 2016-17 general revenue collections) 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 "Fiscal Year 2017-18 Budget") totaling $85.0 billion. The Fiscal Year 2017-18 Budget was approximately $2.7 billion, or 3.3%, higher than the Fiscal Year 2016-17 Budget of $82.3 billion. The Fiscal Year 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 General Fund budget totaled approximately $31.5 billion and was funded primarily from general revenue collections and approximately $458 million in trust fund transfers.

Revenues – Actual revenue collections of $31.3 billion for Fiscal Year 2017-18 represented growth of $1.6 billion, or 5.5%, over the prior fiscal year. The increase in revenue collections was driven primarily by higher sales tax collections, Indian gaming revenues, documentary stamp tax collections, and insurance tax collections.

Reserves – The General Fund Retrospect statement released on November 15, 2018, finalized the Fiscal Year 2017-18 year-end General Fund balance as $1.6 billion. The General Fund balance reflects the release of approximately $227 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 General Fund balance also reflects approximately $351 million of budget amendments related to Hurricane Irma expenses and bridge loans. See "Impact of Hurricane Irma" for more information on estimated costs to the State. The Fiscal Year 2017-18 Budget included a $32 million transfer to the Budget Stabilization Fund, which increased the Budget Stabilization Fund balance to approximately $1.4 billion at June 30, 2018. When including the Budget Stabilization Fund, General Fund reserves at fiscal year-end totaled approximately $3.1 billion (9.8% of Fiscal Year 2017-18 general revenue collections). The Fiscal Year 2017-18 year-end trust fund reserve balances were $3.3 billion, including $738 million in the Lawton Chiles Endowment Fund and more than $2.6 billion in various unreserved trust fund balances. The inclusion of trust fund reserve balances increases the total reserves to approximately $6.4 billion at fiscal year-end (20.4% of Fiscal Year 2017-18 general revenue collections).

Fiscal Year 2018-19

Budget – 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 "Fiscal Year 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 Fiscal Year 2018-19 Budget totals $89.3 billion, which represents an increase of $4.3 billion, or 5.1%, over the Fiscal Year 2017-18 Budget of $85.0 billion. The General Fund budget totals approximately $32.8 billion and will be funded primarily from general revenue collections and approximately $400 million in trust fund transfers.

Revenues – The December 2018 Revenue Estimating Conference ("REC") general revenue forecast for Fiscal Year 2018-19 is $32.7 billion, an increase of approximately $462 million from the August 2018 REC forecast. While most general revenue sources saw minor revisions, the Fiscal Year 2018-19 estimates for the two largest sources of State general revenue, Sales Tax and Corporate Income Tax, were increased by approximately $274 million and $156 million, respectively.

Actual general revenue collections of $10.2 billion for the four month period ended October 31, 2018, were approximately $272 million, or 2.7%, higher than the August 2018 REC estimates and approximately $941 million, or 10.2%, higher than the same period of the prior fiscal year. The difference in actual general revenue compared to estimates is primarily a result of higher than anticipated Sales Tax and Corporate Income Tax collections.

Reserves – Based on the December 18, 2018 General Fund Outlook Statement, the Fiscal Year 2018-19 year-end General Fund balance is projected to be $1.7 billion. The Fiscal Year 2018-19 Budget includes a $67 million transfer to the Budget Stabilization Fund, which is expected to increase the Budget Stabilization Fund balance to approximately $1.5 billion at June 30, 2019. When including the Budget Stabilization Fund, General Fund reserves at fiscal year-end are projected to total approximately $3.2 billion (9.8% of projected Fiscal Year 2018-19 general revenue collections). The Fiscal Year 2018-19 year-end trust fund reserve balances are estimated at $2.7 billion, including an estimated $743 million in the Lawton Chiles Endowment Fund and about $2.0 billion in various unreserved trust fund balances. The inclusion of trust fund reserve balances increases the estimated total reserves to approximately $5.9 billion (18.1% of projected Fiscal Year 2018-19 general revenue collections) at fiscal year-end. The Fiscal Year 2018-19 projected reserves include Federal Emergency Management Agency ("FEMA") reimbursements of approximately $117 million through December 18, 2018 related to hurricane expenses. The State anticipates receiving an additional $177 million of FEMA reimbursements during Fiscal Year 2018-19 which would increase the estimated year-end general reserves to $3.4 billion (10.3% of projected Fiscal Year 2018-19 general revenue collections) and total reserves to $6.1 billion (18.7% of projected Fiscal Year 2018-19 general revenue collections). Estimates are based on information available at the time and are subject to revision as additional information becomes available.

Impact of Hurricane Michael

Hurricane Michael made landfall in Florida on October 10, 2018. In advance of the storm, the Governor declared a state of emergency on October 7, 2018. Under Section 252.37, Florida Statutes, this declaration gives the Governor broad spending authority to meet financial needs resulting from a disaster. As of November 30, 2018, State agencies estimate that they will spend a total of approximately $930 million in response to Hurricane Michael, but this estimate will continue to develop over time. This estimated amount includes costs of debris removal for local governments that State agencies are paying (the State did not pay these for Hurricane Irma). The State continues to monitor all storm-related spending and receives daily updates on projected 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% or 100% of these costs resulting from Hurricane Michael, with the reimbursement levels dependent on the category and timing of expenses. The State will also be responsible for paying a portion of 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 Michael expenses, including approved individual assistance and transitional sheltering assistance to date, is currently projected to be approximately $190 million after expected reimbursements from FEMA, with an additional net $67 million to be paid from State Trust Funds. The exact timing of the general revenue expenditures and FEMA reimbursements is currently unknown. The State will also be responsible for paying a portion of the hurricane related expenses of effected counties, but estimates for these costs are not yet available. Additionally, the State made $20 million in bridge loans to small businesses, which are expected to be repaid to the State over the next one to two fiscal years. These preliminary cost estimates do not include any potential action that the Florida Legislature may take in response to Hurricane Michael, but no near-term actions are expected.

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 Michael are not expected to have a material effect on the State's budget or financial position.

Impact of Hurricane Irma

Hurricane Irma made landfall in Florida on September 10, 2017. As of November 16, 2018, 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 projected to be approximately $120 million after expected reimbursements from FEMA, with an additional net $28 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 approximately $460 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 or longer. The total cost of Hurricane Irma to the State, net of anticipated FEMA reimbursements, is currently projected to be approximately $607 million ($579 million from general revenue and $28 million from State trust funds). Additionally, the State made $38.5 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 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 sections "Impact of Hurricane Michael" and "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.

Litigation Challenging Use of Revenues Restricted by Florida Constitution

In November 2014, the voters of Florida approved an amendment to the Florida Constitution (the "Amendment") which requires that 33% of documentary stamp taxes collected on real estate transactions be set aside in the Land Acquisition Trust Fund (the "LATF") for a period of twenty years beginning July 1, 2015 and be used to acquire and manage lands for conservation and related purposes. The Florida Wildlife Federation, Inc., et al., and the Florida Defenders of the Environment, Inc., et al. (the "Plaintiffs") subsequently sued the State in Leon County Circuit Court, alleging that the Florida Legislature did not comply with the provisions of the Amendment when they adopted the 2016 and 2017 fiscal year budgets. Specifically, Plaintiffs allege that the appropriations from the LATF were used to fund expenditures not allowable under the Amendment. The judge ruled for the Plaintiffs, holding that (1) the State unconstitutionally commingled LATF moneys with General Revenue and other moneys, (2) moneys appropriated from the LATF must be used only for purposes authorized by the Amendment, and (3) the State may spend LATF moneys only on acquiring conservation land and improving, managing and restoring conservation land acquired after the effective date of the Amendment. The State has appealed the Circuit Court decision to the Florida First District Court of Appeal and the Circuit Court decision is stayed pending the outcome of the State's appeal.

The Circuit Court decision, if upheld on appeal, would limit the use of 33% of documentary stamp taxes to (1) acquiring conservation lands and (2) improving, managing, and restoring conservation lands purchased after the effective date of the Amendment. Also, the appropriations that were declared unconstitutional could no longer be funded with the 33% of documentary stamp taxes restricted by the Amendment, which could significantly impact the State's General Revenue budget in future years. The budgetary impact of the Circuit Court decision cannot be determined as it is dependent on the outcome of this litigation, future legislative decisions and budgetary actions.

Documentary stamp tax collections were $2.5 billion in Fiscal 2018, and the 33% constitutionally dedicated to land conservation purposes was approximately $833 million. Debt service on bonds issued for acquiring conservation land and specifically allowed by the Amendment was approximately $170 million in Fiscal Year 2018, leaving a balance of $663 million restricted to appropriations allowable under the Amendment. This is the estimated maximum budgetary impact for unconstitutional appropriations for fiscal year 2018 if the State loses the appeal and all challenged appropriations from the LATF, except debt service payments, are determined to be unconstitutional. This estimate is intended to illustrate the magnitude of the potential budgetary impact, not to project the potential budgetary impact for future years. The exact dollar amount of the budgetary impact depends on a number of factors including the amount of documentary stamp tax collections and future budgetary decisions. No assurance can be given as to the potential budgetary impact or the ultimate outcome of this litigation. The 2019 fiscal year General Revenue budget for the State is $32.8 billion. The final briefs are due to the First District Court of Appeal by the end of the 2018 calendar year.

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 $55,440,000 (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 net proceeds of the 2019A Bonds will be deposited into the Retirement Fund held by the Board of Administration and used to redeem the Refunded Bonds. After collection by the Department of Highway Safety and Motor Vehicles, the Motor Vehicle License Taxes are deposited monthly for the account of the Department of Education in the Capital Outlay Fund in the State Treasury. Amounts required for debt service are transferred to the Sinking Fund held by the Board of Administration semiannually just prior to each interest/principal payment date. Investment of Sinking Fund moneys is controlled by the Original Resolution, which is reproduced as an appendix hereto; however, see "*Investment by the Board of Administration*" below for the Board of Administration's investment policy with respect to sinking fund investments. Investment earnings are credited to the account or fund from which such investments were made.

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

Under State law, the Treasury is charged with investing funds of each State agency and the judicial branch. As of June 30, 2018, $17.450 billion of the investments in the Treasury consisted of accounts held by State agencies that are required by law to maintain their investments in the Treasury; additionally, $5.925 billion as of this date consisted of moneys held by certain boards, associations, or entities created by the State Constitution or by State law that are not required to maintain their investments with the Treasury and are permitted to withdraw these funds from the Treasury.

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

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

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

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

The Board of Administration adopts specific investment policy guidelines for the management of its funds which reflect the long-term risk, yield, and diversification requirements necessary to meet its fiduciary obligations. As of June 30, 2018, the Board of Administration directed the investment/administration of 30 funds in 540 portfolios.

As of June 30, 2018, the total market value of the FRS (Defined Benefit) Trust Fund was $160,439,358,858.05. The Board of Administration pursues an investment strategy which allocates assets to different investment types. The long-term objective is to meet liability needs as determined by actuarial assumptions. Asset allocation levels are determined by the liquidity and cash flow requirements of the FRS, absolute and relative valuations of the asset class investments, and opportunities within those asset classes. Funds are invested internally and externally under a Defined Benefit Plan Investment Policy Statement.

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

The Board of Administration invests assets in 29 designated funds other than the FRS (Defined Benefit) Trust Fund. As of June 30, 2018, the total market value of these funds equaled $40,709,809,290.74. Each fund is independently managed by the Board of Administration in accordance with the applicable documents, legal requirements and investment plan. Liquidity and preservation of capital are preeminent investment objectives for most of these funds, so investments for these are restricted to high quality money market instruments (e.g., cash, short-term treasury securities, certificates of deposit, banker's acceptances, and commercial paper). The term of these investments is generally short, but may vary depending upon the requirements of each trust and its investment plan.

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

Bond Ratings

Fitch Ratings, Moody's Investors Service, and S&P Global Ratings (herein referred to collectively as "Rating Agencies"), have assigned their municipal bond ratings of AAA (stable outlook), Aaa (stable outlook) and AAA (stable outlook), respectively, to the 2019A 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 2019A 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 2019A Bonds.

Environmental Risk Factors

With more than 2,000 linear miles of coastline, Florida's natural resources affect its economy in a variety of ways. Economic activity attributable to tourism represents a significant part of the State's economy, and the State's beaches are primarily responsible for attracting tourists to the State. Because of the State's economic reliance on its natural resources, its financial position may be vulnerable to the impacts of environmental events.

The magnitude of the impact on the State's operations or financial condition from environmental risks is indeterminate and is unpredictable for future natural disasters like hurricanes, tropical storms, and naturally-occurring phenomena like red tide. There can be no assurance that the State will not encounter such risks in the future or that such risks will not have an adverse effect on the operations or financial condition of the State.

Litigation

Currently, there is no litigation pending, or to the knowledge of the Board of Education or the Division of Bond Finance threatened, which if successful would have the effect of restraining or enjoining the issuance or delivery of the 2019A Bonds or questioning or affecting the validity of the 2019A Bonds or the proceedings and authority under which such 2019A Bonds are to be issued. The Board of Education 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 2019A Bonds.

Legal Opinion and Closing Certificates

The approving legal opinion of Squire Patton Boggs (US) LLP, will be provided on the date of delivery of the 2019A Bonds. Such legal opinion expresses no opinion as to the accuracy, completeness or fairness of any statement in this Official Statement or the appendices hereto or in any other report, financial information, offering or disclosure document or other information pertaining to the State or the 2019A Bonds that may be prepared or made available by the State, the Board of Education, the Division of Bond Finance or others to the purchasers or holders of the 2019A Bonds or other parties. A proposed form of the legal opinion is attached as Appendix H. The actual legal opinion to be delivered may vary from the text if necessary to reflect facts and law on the date of delivery. The opinion will speak only as of its date, and subsequent distribution of it by recirculation of the Official Statement or otherwise will create no implication that Bond Counsel has reviewed or expresses any opinion concerning any of the matters referred to in the opinion subsequent to its date.

A certificate, executed by appropriate State officials, to the effect that to the best of their knowledge this Official Statement, as of its date and as of the date of delivery of the 2019A 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 this 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 at delivery.

Continuing Disclosure

The Board of Education will undertake, for the benefit of the beneficial owners and the Registered Owners of the 2019A 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 G, Form of Continuing Disclosure Agreement. This undertaking is being made in order to assist the underwriters in complying with Rule 15c2-12 of the Securities and Exchange Commission.

Neither the Board of Education 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

Janney Montgomery Scott LLC (the "Underwriter") has agreed to purchase the 2019A Bonds at an aggregate purchase price of $9,889,178.21 (which represents the par amount of the 2019A Bonds plus an original issue premium of $1,353,564.40 and minus the Underwriter's discount of $24,386.19). The Underwriter may offer and sell the 2019A Bonds to certain dealers (including dealers depositing bonds into investment trusts) and others at prices lower than the offering price stated on the inside front cover.

Execution of Official Statement

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

RICK SCOTT
Governor, as Chairman of the Governing Board of the
Division of Bond Finance

PAM STEWART
Commissioner of Education

J. BEN WATKINS III
Director, Division of Bond Finance

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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) Florida	Total Civilian Labor Force (in thousands) U.S.	Total Employment (in thousands) Florida	Total Employment (in thousands) U.S.	Annual Average Unemployment Rate (percent) Florida	Annual Average Unemployment Rate (percent) 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, 2013 vs. 2018 [1]

Type of Business	2013[3]	2018[3]
Automotive Dealers (Sales & Lease), Tag Agencies & Tax Collectors	$2,661,441,736	$3,848,603,999
General Miscellaneous Merchandise Stores	2,782,881,348	3,544,027,254
Restaurants, Lunchrooms, Catering Services	1,982,202,712	2,616,312,370
Leased or Rental of Commercial Real Property	1,364,982,712	1,758,446,263
Hotel/Motel Accommodations, Rooming Houses, Camp & Other Lodging Places	1,102,348,927	1,620,124,809
Food & Beverage Stores	990,474,973	1,282,106,603
Lumber and Other Building Materials Dealers	781,708,283	1,235,765,995
Apparel & Accessory Stores	843,859,948	980,921,484
Admissions, Amusement & Recreation Services	704,480,185	979,113,497
Wholesale Dealers	584,108,079	965,499,235
Manufacturing	463,289,008	686,506,719
Radio, Television, Consumer Electronics, Computers, Music Stores	554,637,139	650,078,102
Home Furniture, Furnishings & Equipment	415,963,582	575,830,636
Utilities, Electric, Gas, Water, Sewer	475,816,445	551,771,135
Rental of Tangible Personal Property	257,002,768	388,336,335
Automotive Accessories & Parts	265,426,737	360,078,839
Automobile Repair & Services	253,318,622	326,508,759
Communications, Telephone, Telegraph, Radio & Television Stations [2]	173,039,487	266,102,619
Building Contractors	144,482,458	228,171,961
Paint, Wallpaper & Hardware Dealers	150,247,571	211,608,059
Taxable Services (per Chapter 212, F.S.)	156,884,335	194,337,995
Insurance, Banking, Savings and Loans, Research Information Services, Income Tax Reports	119,894,052	187,381,124
Drinking Places (Alcoholic beverages served on premises)	144,039,133	160,777,209
Repair of Tangible Personal Property	111,121,973	158,261,320
Boat Dealers	95,609,969	157,247,987

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

1 Arranged in descending order of collection amounts for Fiscal Year ended June 30, 2018.

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

3 Data is corrected to report taxes collected instead of taxable sales.

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 2016-17 and 2017-18

(millions of dollars)

	Recurring Funds	Non-Recurring Funds	Total All Funds
FUNDS AVAILABLE 2016-17			
Balance Forward from 2015-16	$0.0	$1,891.8	$1,891.8
Revenue Collections	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	$225.9	$1,288.6	$1,514.5

The cash balance in the Budget Stabilization Fund (not shown here) at the end of Fiscal Year 2016-17 was $1,384.4 million. The revenue collections for Fiscal Year 2016-17 do not include payments received by the state that are related to the continuation of banked card games. These payments were accounted for separately (effectively held in reserve) and totaled $166.5 million in Fiscal Year 2016-17. The first payment of $400 million from the BP Settlement Agreement was received July 1, 2016. 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.

	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
Revenue Collections	30,850.5	406.1	31,256.6
BP Settlement Agreement Payment State Share	26.7	(26.7)	0.0
Transfers from Trust Funds	0.0	449.8	449.8
Release of Indian Gaming Reserve	0.0	226.8	226.8
FEMA Reimbursements	0.0	22.2	22.2
Miscellaneous Adjustments	0.0	0.1	0.1
Fixed Capital Outlay Reversions	0.0	6.6	6.6
Federal Funds Interest Payment	(0.3)	0.0	(0.3)
Total 2017-18 Funds Available	$30,876.8	$2,599.4	$33,476.2
EXPENDITURES 2017-18			
Operations	$15,710.9	$411.0	$16,121.9
Aid to Local Governments	15,126.4	8.0	15,134.4
Fixed Capital Outlay	149.9	234.0	383.9
Fixed Capital Outlay/Aid to Local Governments	2.1	149.4	151.5
Transfer to Budget Stabilization Fund	0.0	32.1	32.1
Miscellaneous Nonoperating Expenditures	0.0	6.5	6.5
Total 2017-18 Expenditures	$30,989.3	$841.0	$31,830.3
ENDING BALANCE	($112.5)	$1,758.4	$1,645.9

The cash balance in the Budget Stabilization Fund (not shown here) at the end of Fiscal Year 2017-18 was $1,416.5 million. 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 in August 2017, and no future payments will be placed in reserve. The total reserve release shown is net of the $7.0 million local distribution. Amounts are displayed to one decimal place but calculated at the full dollar amount, so they may not add to the total.

Source: Office of Economic and Demographic Research.

GENERAL REVENUE FUND
FINANCIAL OUTLOOK STATEMENT
Including Results of Revenue Estimating Conference and Other Adjustments as of December 18, 2018
Fiscal Year 2018-19 through Fiscal Year 2023-24
(millions of dollars)

	Recurring Funds	Non-Recurring Funds	Total All Funds
FUNDS AVAILABLE 2018-19			
Balance Forward from 2017-18	$0.0	$1,645.9	$1,645.9
Estimated Revenues	32,275.2	430.1	32,705.3
BP Settlement Agreement Payment State Share[4]	26.7	0.0	26.7
HB 5001 (2018) Transfers from Trust Funds (Net of Vetoes)	0.0	399.9	399.9
Fixed Capital Outlay Reversions	0.0	2.0	2.0
FEMA Reimbursements	0.0	117.2	117.2
Budget Amendments - Revert FCO Carry Forward	0.0	7.0	7.0
Federal Funds Interest Earnings Rebate	(1.5)	0.0	(1.5)
Total 2018-19 Funds Available[1,2,3,4]	$32,300.4	$2,602.1	$34,902.5
EFFECTIVE APPROPRIATIONS 2018-19			
State Operations	$16,228.3	$734.6	$16,962.9
Aid to Local Government	15,489.0	(78.6)	15,410.4
Fixed Capital Outlay	55.0	187.7	242.7
Fixed Capital Outlay/Aid to Local Government	1.8	230.8	232.6
HB 5001 (2018) Transfer to Budget Stabilization Fund[1]	0.0	66.5	66.5
Transfer to Lawton Chiles Endowment Fund[3]	0.0	0.0	0.0
Budget Amendments - Campaign Finance Match	0.0	9.9	9.9
Budget Amendments - Bridge Loans	0.0	25.0	25.0
Budget Amendments - Red Tide Response	0.0	17.2	17.2
Budget Amendments - Hurricane Michael Response	0.0	127.7	127.7
Reappropriations - 2017-18 Hurricane Response	0.0	60.3	60.3
Reappropriations - Other	0.0	27.1	27.1
Total 2018-19 Effective Appropriations	$31,774.1	$1,408.2	$33,182.3
Ending Balance [2,3]	$526.3	$1,193.9	$1,720.2
FUNDS AVAILABLE 2019-20			
Balance Forward from 2018-19	$0.0	$1,720.2	$1,720.2
Estimated Revenues	33,423.8	291.4	33,715.2
BP Settlement Agreement Payment State Share[4]	26.7	0.0	26.7
Unused Appropriations/Reversions	0.0	94.9	94.9
Fixed Capital Outlay Reversions	0.0	2.0	2.0
Federal Funds Interest Earnings Rebate	(0.5)	0.0	(0.5)
Total 2019-20 Funds Available[1,2,3,4]	$33,450.0	$2,108.5	$35,558.5
FUNDS AVAILABLE 2020-21			
Estimated Revenues	$34,647.3	$328.8	$34,976.1
BP Settlement Agreement Payment State Share[4]	26.7	0.0	26.7
Unused Appropriations/Reversions	0.0	94.9	94.9
Fixed Capital Outlay Reversions	0.0	2.0	2.0
Federal Funds Interest Earnings Rebate	(0.6)	0.0	(0.6)
Total 2020-21 Funds Available[1,2,3,4]	$34,673.4	$425.7	$35,099.1
FUNDS AVAILABLE 2021-22			
Estimated Revenues	$35,858.3	$351.3	$36,209.6
BP Settlement Agreement Payment State Share[4]	26.7	0.0	26.7
Unused Appropriations/Reversions	0.0	94.9	94.9
Fixed Capital Outlay Reversions	0.0	2.0	2.0
Federal Funds Interest Earnings Rebate	(0.6)	0.0	(0.6)
Total 2021-22 Funds Available[1,2,3,4]	$35,884.4	$448.2	$36,332.6

FUNDS AVAILABLE 2022-23			
Estimated Revenues	$37,059.3	$358.7	$37,418.0
BP Settlement Agreement Payment State Share[4]	26.7	0.0	26.7
Unused Appropriations/Reversions	0.0	94.9	94.9
Fixed Capital Outlay Reversions	0.0	2.0	2.0
Federal Funds Interest Earnings Rebate	(0.8)	0.0	(0.8)
Total 2022-23 Funds Available[1,2,4]	$37,085.2	$455.6	$37,540.8
FUNDS AVAILABLE 2023-24			
Estimated Revenues	$38,193.3	$366.2	$38,559.5
BP Settlement Agreement Payment State Share[4]	26.7	0.0	26.7
Unused Appropriations/Reversions	0.0	94.9	94.9
Fixed Capital Outlay Reversions	0.0	2.0	2.0
Federal Funds Interest Earnings Rebate	(0.6)	0.0	(0.6)
Total 2023-24 Funds Available[1,2,4]	$38,219.4	$463.1	$38,682.5

Source: Office of Economic and Demographic Research.

1 The cash balance in the Budget Stabilization Fund (not shown here) at the time of this Outlook was $1,483.0 million and included the Fiscal Year 2018-19 transfer of $66.5 million. The required balance for Fiscal Year 2019-20 is $1,574.2 million, requiring a transfer of $91.2 million. Based on the December 18, 2018 forecast, transfers of $62.4 million in Fiscal Year 2020-21, $50.5 million in Fiscal Year 2021-22, $63.0 million in Fiscal Year 2022-23, and $61.7 million in Fiscal Year 2023-24 will be required.

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

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

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

Actual and Projected General Revenues

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

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

	Actual 2017-18	Est. 2018-19		Est. 2019-20		Est. 2020-21		Est. 2021-22	
	Actual	Estimate	% Change[1]	Estimate	% Change[1]	Estimate	% Change[1]	Estimate	% Change[1]
Sales Tax- GR	$24,138.7	$25,322.7	4.9%	$26,177.6	3.4%	$27,188.5	3.9%	$28,185.8	3.7%
Beverage Tax & Licenses	289.2	289.9	0.2%	293.6	1.3%	312.4	6.4%	327.5	4.8%
Corporate Income Tax	2,413.0	2,618.1	8.5%	2,657.1	1.5%	2,742.2	3.2%	2,805.3	2.3%
Documentary Stamp Tax[2]	867.2	911.2	5.1%	946.4	3.9%	978.9	3.4%	1,011.8	3.4%
Tobacco Tax	182.6	180.3	(1.3)%	179.2	(0.6)%	177.5	(0.9)%	175.6	(1.1)%
Insurance Premium Tax	799.6	856.7	7.1%	888.2	3.7%	917.9	3.3%	969.7	5.6%
Pari-Mutuels Tax	28.9	22.0	(23.9)%	21.8	(0.9)%	21.6	(0.9)%	21.6	0.0%
Intangibles Tax	371.2	380.5	2.5%	390.1	2.5%	399.3	2.4%	408.5	2.3%
Indian Gaming Revenues	328.5	325.9	(0.8)%	345.3	6.0%	342.7	(0.8)%	350.9	2.4%
Earnings on Investments	136.1	175.2	28.7%	215.9	23.2%	237.3	9.9%	261.9	10.4%
Highway Safety Licenses & Fees	538.6	557.4	3.5%	569.4	2.2%	567.1	(0.4)%	558.1	(1.6)%
Counties Medicaid Share	295.3	298.5	1.1%	302.1	1.2%	330.3	9.3%	335.5	1.6%
Severance Tax	12.1	13.1	8.3%	12.7	(3.1)%	12.2	(3.9)%	12.3	0.8%
Service Charges	472.0	485.9	2.9%	486.4	0.1%	494.1	1.6%	498.6	0.9%
Corporation Filing Fees	367.0	369.8	0.8%	383.2	3.6%	392.8	2.5%	413.6	5.3%
Other Taxes, License & Fees	342.8	330.1	(3.7)%	297.2	(10.0)%	296.2	(0.3)%	289.6	(2.2)%
Total Revenue	31,582.8	33,137.3	4.9%	34,166.2	3.1%	35,411.0	3.6%	36,626.4	3.4%
Less: Refunds	(364.6)	(432.0)	18.5%	(451.0)	4.4%	(434.9)	(3.6)%	(416.8)	(4.2)%
Net General Revenue	$31,218.2	$32,705.3	4.8%	$33,715.2	3.1%	$34,976.1	3.7%	$36,209.8	3.5%

Source: Office of Economic and Demographic Research, December 18, 2018 Consensus Revenue Estimating Conference.
[1] Represents percentage change from prior year, based on current estimates.
[2] Florida law redirects to various trust funds Documentary Stamp Tax Collections which otherwise would go into the General Revenue Fund.

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

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

(In Millions of Dollars)

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

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

STATE DEBT

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

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

State Full Faith and Credit Debt

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

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

State Revenue Bonds

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

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

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

Other Obligations

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

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

Direct Debt Outstanding by Type and Program
As of June 30, 2018
(In Millions Dollars)

Debt Type		Amount
Net Tax-Supported Debt		$17,527.9
Self-Supporting Debt		3,502.5
Total State Debt Outstanding		**$21,030.4**
Net Tax-Supported Debt		
Education		
Public Education Capital Outlay	$7,792.1	
Capital Outlay	122.5	
Lottery	1,195.8	
University System Improvement	106.8	
University Mandatory Fee	72.3	
State (Community) Colleges	70.6	
Total Education		$9,360.1
Environmental		
Florida Forever Bonds	810.0	
Everglades Restoration Bonds	202.3	
Inland Protection	46.8	
Total Environmental		$1,059.1
Transportation		
Right-of-Way Acquisition and Bridge Construction	1,778.0	
P3 Obligations	3,809.3	
Florida Ports	313.9	
Total Transportation		$5,901.2
Appropriated Debt / Other		
Facilities	190.8	
Prisons	407.3	
Children & Families	74.1	
Juvenile Justice	1.7	
Lee Moffitt Cancer Center	165.0	
Master Lease	16.8	
Energy Saving Contracts	31.0	
Sports Facility Obligations	320.7	
Total Appropriated Debt / Other		$1,207.5
Total Net Tax-Supported Debt Outstanding		**$17,527.9**
Self-Supporting Debt		
Education		
University Auxiliary Facility Revenue Bonds		$699.2
Environmental		
Florida Water Pollution Control		304.6
Transportation		
Toll Facilities	2,474.5	
State Infrastructure Bank Revenue Bonds	24.2	
Total Transportation		2,498.7
Total Self-Supported Debt Outstanding		**$3,502.5**

Source: State of Florida Division of Bond Finance, 2018 debt analysis.

Per Capita Tax Supported Debt
For Fiscal Years Ended June 30

Year	Population[1] (thousands)	Total Principal Outstanding[2] (millions)	Per Capita
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
2018	20,747	17,480	843

[1] Population estimate by the Office of Economic and Demographic Research, Florida Legislature (July, 2018).

[2] State of Florida 2018 Debt Affordability Report; excludes refunded debt.

State of Florida
Total Debt Outstanding
As of June 30, 2018

Fiscal Year	Net Tax-Supported Debt Outstanding Principal*	Interest	Total	Self-Supporting Debt Outstanding Principal	Interest	Total	Total Debt Outstanding Principal	Interest	Total
2019	$ 1,367,132,653	$ 679,319,235	$ 2,046,451,887	$ 52,910,000	$ 66,443,467	$ 119,353,467	$ 1,420,042,653	$ 745,762,702	$ 2,165,805,354
2020	1,438,478,103	629,790,846	2,068,268,949	102,465,000	115,294,500	217,759,500	1,540,943,103	745,085,346	2,286,028,449
2021	1,443,398,975	627,095,572	2,070,494,547	143,700,000	148,603,550	292,303,550	1,587,098,975	775,699,122	2,362,798,097
2022	1,545,830,505	576,795,555	2,122,626,060	149,725,000	146,698,500	296,423,500	1,695,555,505	723,494,055	2,419,049,560
2023	1,131,573,220	509,185,159	1,640,758,379	155,695,000	148,867,950	304,562,950	1,287,268,220	658,053,109	1,945,321,329
2024	1,050,012,514	460,205,291	1,510,217,805	160,945,000	145,908,700	306,853,700	1,210,957,514	606,113,991	1,817,071,505
2025	996,794,571	414,809,222	1,411,603,792	168,990,000	137,861,450	306,851,450	1,165,784,571	552,670,672	1,718,455,242
2026	853,352,905	371,747,227	1,225,100,132	177,430,000	129,411,950	306,841,950	1,030,782,905	501,159,177	1,531,942,082
2027	786,130,930	336,797,144	1,122,928,074	186,310,000	120,540,450	306,850,450	972,440,930	457,337,594	1,429,778,524
2028	712,239,083	307,321,836	1,019,560,919	195,620,000	111,224,950	306,844,950	907,859,083	418,546,786	1,326,405,869
2029	644,499,348	280,957,563	925,456,911	205,405,000	101,443,950	306,848,950	849,904,348	382,401,513	1,232,305,861
2030	601,126,994	257,849,418	858,976,412	215,665,000	91,173,700	306,838,700	816,791,994	349,023,118	1,165,815,112
2031	545,547,131	239,022,471	784,569,602	189,685,000	80,490,100	270,175,100	735,232,131	319,512,571	1,054,744,702
2032	536,310,652	220,349,644	756,660,296	140,475,000	71,039,500	211,514,500	676,785,652	291,389,144	968,174,796
2033	491,233,247	204,219,780	695,453,027	65,340,000	64,050,750	129,390,750	556,573,247	268,270,530	824,843,777
2034	434,236,494	190,773,454	625,009,948	52,850,000	61,046,300	113,896,300	487,086,494	251,819,754	738,906,248
2035	402,643,910	178,539,503	581,183,412	55,370,000	58,521,950	113,891,950	458,013,910	237,061,453	695,075,362
2036	383,774,862	166,863,406	550,638,268	58,025,000	55,876,300	113,901,300	441,799,862	222,739,706	664,539,568
2037	353,904,801	157,044,054	510,948,856	60,795,000	53,102,850	113,897,850	414,699,801	210,146,904	624,846,706
2038	274,668,069	148,161,308	422,829,377	63,695,000	50,196,000	113,891,000	338,363,069	198,357,308	536,720,377
2039	213,270,591	142,549,787	355,820,378	66,745,000	47,149,450	113,894,450	280,015,591	189,699,237	469,714,828
2040	176,010,350	135,936,016	311,946,366	69,935,000	43,955,900	113,890,900	245,945,350	179,891,916	425,837,266
2041	151,969,791	134,553,254	286,523,045	73,290,000	40,608,600	113,898,600	225,259,791	175,161,854	400,421,645
2042	144,849,292	134,239,005	279,088,297	76,795,000	37,099,550	113,894,550	221,644,292	171,338,555	392,982,847
2043	153,011,576	136,414,430	289,426,006	80,475,000	33,421,450	113,896,450	233,486,576	169,835,880	403,322,456
2044	121,213,935	67,314,944	188,528,879	84,320,000	29,565,850	113,885,850	205,533,935	96,880,794	302,414,729
2045	82,702,045	25,854,731	108,556,776	88,365,000	25,524,750	113,889,750	171,067,045	51,379,481	222,446,526
2046	70,870,467	22,384,468	93,254,935	92,610,000	21,288,350	113,898,350	163,480,467	43,672,818	207,153,285
2047	66,427,791	19,419,194	85,846,985	97,045,000	16,847,000	113,892,000	163,472,791	36,266,194	199,738,985
2048	41,950,512	16,549,248	58,499,760	101,705,000	12,191,450	113,896,450	143,655,512	28,740,698	172,396,210
2049	43,932,662	14,567,097	58,499,759	58,865,000	7,310,750	66,175,750	102,797,662	21,877,847	124,675,509
2050	46,008,470	12,491,291	58,499,761	41,245,000	4,367,500	45,612,500	87,253,470	16,858,791	104,112,261
2051	48,182,357	10,317,402	58,499,759	22,845,000	2,305,250	25,150,250	71,027,357	12,622,652	83,650,009
2052	50,458,962	8,040,798	58,499,760	17,375,000	1,163,000	18,538,000	67,833,962	9,203,798	77,037,760
2053	52,843,134	5,656,625	58,499,759	5,885,000	294,250	6,179,250	58,728,134	5,950,875	64,679,009
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
	$ 17,527,934,864	$ 7,846,446,276	$ 25,374,381,140	$ 3,578,595,000	$ 2,280,889,967	$ 5,859,484,967	$ 21,106,529,864	$ 10,127,336,243	$ 31,233,866,107

*Department of Transportation's long-term Public/Private Partnership ("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, 2018 debt analysis.

Net Tax-Supported Bonds Issued Since July 1, 2018

(chronological, by date of issuance)

Department of Transportation, Right-of-Way Acquisition and Bridge Construction Bonds, Series 2018B	$245,280,000
State Board of Education, Public Education Capital Outlay Bonds, 2018 Series B	116,070,000
State Board of Education, Public Education Capital Outlay Refunding Bonds, 2018 Series C	149,120,000
Less: Public Education Capital Outlay Bonds refunded	(162,390,000)
Department of Transportation, Financing Corporation Revenue Bonds, Series 2018	164,005,000
Department of Management Services, Refunded Certificates of Participation, Series 2018A	251,945,000
Less: Certificates of Participation refunded	(313,710,000)
Department of Environmental Protection, Florida Forever Revenue Refunding Bonds, Series 2018A*	119,305,000
Less: Florida Forever Revenue Refunding Bonds refunded*	(149,480,000)
State Board of Education, Capital Outlay Refunding Bonds, 2019 Series A*	8,560,000
Less: Capital Outlay Bonds refunded*	(9,705,000)
	$419,000,000

*Subject to the delivery of the Department of Environmental Protection, Florida Forever Revenue Refunding Bonds, Series 2018A on January 24, 2019.
*Subject to the delivery of the State Board of Education, Capital Outlay Refunding Bonds, 2019 Series A on January 17, 2019.

Self Supporting Bonds Issued Since July 1, 2018

(chronological, by date of issuance)

University of Florida Parking Facility Revenue Bonds, Series 2018A	$39,070,000
Less: University of Florida Parking bonds refunded	(11,375,000)
Department of Transportation, Turnpike Revenue Bonds, Series 2018A	299,975,000
	$327,670,000

STATEMENT OF ASSETS AND LIABILITIES

Administered by State Chief Financial Officer

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

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

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

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

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

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

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

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

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

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

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

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

FLORIDA RETIREMENT SYSTEM

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

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

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

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

FRS membership is compulsory for employees working in regularly established positions for a state agency, county governmental unit, district school board, state university, state college or participating city, independent special district, charter school or metropolitan planning district, except for retirees initially reemployed on or after July 1, 2010 who may not be enrolled. As of June 30, 2017, The State's and State Universities' aggregate allocable portion of FRS Contributions was approximately 22.8%. There are five classes of plan membership: Regular Class, Special Risk Class, Special Risk Administrative Support Class, Elected Officers' Class ("EOC"), and Senior Management Service Class ("SMSC"). For members initially enrolled in the FRS on or after January 1, 2018, enrollees who do not make an initial selection will default into the FRS Investment Plan, except for Special Risk Class, which will continue to default into the FRS Pension Plan. Elected officials who are eligible to participate in the EOC may elect to withdraw from the FRS altogether or choose to participate in the SMSC in lieu of the EOC. Regular Class membership covers any position that is not designated to participate in any other membership class.

Participation by cities, municipalities, special districts, charter schools, and metropolitan planning districts although optional, is generally irrevocable once the election to participate is made. As of June 30, 2017, there were 955 participating employers enrolling New Members and 41 Participating employers closed to new FRS membership with grandfathered FRS members, and 1,193,637 individual members, as follows:

Retirees & Beneficiaries	406,018[1]
Terminated Vested Members	117,743
DROP Participants	32,233
Active Vested Members	445,551
Active Non-vested members	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. The Senior Management Service Optional Annuity Program was closed to new participants effective July 1, 2017. At the time of closure, fewer than 30 members participated in this optional retirement program.

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

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

Employee Contributions -

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

DROP -

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

Cost-of-Living Adjustment (COLA) -

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

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

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

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

Annuitants and Annualized Benefit Payments Under the FRS Pension Plan[1,2]

Fiscal Year	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, 2017, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of creditable service completed at the time of retirement multiplied by $5. The payments are at least $30 but not more than $150 per month, pursuant to Section 112.363, F.S. To be eligible to receive a HIS benefit, a retiree under a state-administered retirement system must provide proof of health insurance coverage, which can include Medicare. The HIS Program is funded by required contributions from FRS participating employers as set by the Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. Effective July 1, 2015, the statutorily required contribution rate pursuant to Section 112.363, F.S. increased to 1.66% of payroll. The State has contributed 100% of its statutorily required contributions for the current and preceding two years. HIS contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, the legislature may reduce or cancel HIS payments.

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

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

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

Beginning with Fiscal Year 2007, the Department of Management Services has obtained biennial actuarial valuations of assets and liabilities of the HIS Program.

HIS actuarial determinations are based on the following:

Valuation Date: July 1, 2016
Actuarial Cost Method: Individual Entry Age
Amortization method: Level Percentage of Pay, Open
Equivalent Single amortization period: 30 years[1]
Asset valuation method: Fair Market Value
Actuarial Assumptions:
Discount rate: 3.58%[2,3]
Projected salary increases: 3.25%[2]
Cost of living adjustments: 0.00%

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

1 Used for GASB Statement #67 reporting purposes.

2 Includes inflation at 2.60%.

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

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

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

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

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

1 Includes DROP and PEORP payroll.

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

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

June 30	Fiduciary Net Position (FNP)[2] (a)	Total Pension Liability (TPL) Entry Age[2] (b)	Net Pension Liability (NPL) (b-a)	Funded Ratio (%) (FNP as % of TPL) (a/b)	Covered Payroll[2,3] (c)	NPL as a Percentage of Coverage Payroll (b-a)/c)
2014	$93,385	$9,443,629	$9,350,244	0.99%	$29,676,340	31.51%
2015	$50,774	$10,249,201	$10,198,427	0.50%	$30,340,449	33.61%
2016	$113,859	$11,768,445	$11,654,586	0.97%	$30,875,274	37.75%
2017	$178,311	$10,870,772	$10,692,461	1.64%	$31,885,633	33.53%

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

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

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

Schedule of Employer Contributions
(dollars in thousands)

Fiscal Year Ended June 30	Annual Required Contribution (ARC)[1]	Actual Contribution	Contribution as a Percentage of ARC
2007	$363,175	$326,052	90%
2008	$391,847	$334,819	85%
2009	$395,256	$341,569	86%
2010	$409,546	$332,023	81%
2011	$563,907	$334,449	59%
2012	$584,600	$322,610	55%
2013	$539,831	$327,575	60%
2014	n/a	$342,566	n/a
2015	n/a	$382,262	n/a
2016	n/a	$512,564	n/a
2017	n/a	$529,229	n/a

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

1 The Annual Required Contribution (ARC) is the actuarially determined cost of the benefits allocated to the current year, consisting of the normal cost, that is the portion of the actuarial present value of the benefits and expenses which is allocated to a valuation year, and a payment to amortize the unfunded actuarial accrued liability. Beginning in Fiscal Year 2014, the ARC has been eliminated under GASB 67 and is no longer relevant for financial reporting purposes.

Other Postemployment Benefits (OPEB)

The following is based on the July 1, 2016 actuarial valuation of the State Employees' Health Insurance Program.

Plan Description

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

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

There are 21 participating employers including the primary government of the state, the 12 state universities, and other governmental entities. There was an enrollment of 175,654 subscribers including 35,273 retirees at July 1, 2017. COBRA subscribers accounted for an additional 516 members. Employees must make an election to participate in the plan within 31 days of the effective date of their retirement to be eligible to continue in the plan as a retiree. Four types of health plans are offered to eligible participants: a standard statewide Preferred Provider Organization ("PPO") Plan, a high deductible PPO Plan, a standard Health Maintenance Organization ("HMO") Plan, and a high deductible HMO Plan. HMO coverage is available only to those retirees who live or work in the HMO's service area. The four PPO and HMO options are considered managed-care plans and have specific provider networks.

Funding Policy

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

Monthly premiums, through June 2017 coverage, for active employees and retirees under the age of 65 for the standard plan were $693 and $1,560 for single and family contracts, respectively. Retirees over the age of 65 pay premiums for a Medicare supplement. Monthly premiums, through June 2017 coverage, for the standard PPO Plan were $388 for a single contract, $777 for two Medicare eligible members, and $1,120 for a family contract when only one member is Medicare eligible.

Actuarial Methods and Assumptions

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

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

The entry age actuarial cost method was used for the actuarial valuation as of July 1, 2015. This method allocates the value of a member's benefit as a level percentage of pay between entry age and retirement age. Allocating costs as a level percentage of pay, even though the benefits are not pay-related, helps with budgeting for these employee benefits costs as a percentage of payroll. Actuarial assumptions included a 3% inflation rate, a 4% return on invested assets, and a 3.25% payroll growth rate. Initial healthcare cost trend rates used for the PPO Plans are 3.1%, 7.5%, and 8.8% for the first three years followed by 9.7% in the fourth year, then grading to 3.9% over the course of 60 years. For the HMO Plans - Pre-Medicare, initial healthcare cost trend rates of 3.0%, 5.7%, 7.0% are used for the first three years followed by 7.8% in the fourth year, then grading to 3.9% over the course of 60 years. For the PPO Plans - Post Medicare, initial healthcare cost trend rates of 3.1%, 7.5%, and 8.8% are used for the first three years followed by 9.5% in the fourth year, then grading to 3.9% over the course of 60 years. For the HMO Plans -Post Medicare, initial healthcare cost trend rates of 3.0%, 5.7%, and 7.0% are used for the first three years followed by 7.6% in the fourth year, then grading to 4.0% over the course of 60 years. The unfunded actuarial accrued liability is being amortized as a level percentage of pay - on an open basis, over a 30 year period.

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

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

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

Actuarial Valuation Date	Actuarial Value of Assets (a)[1]	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annualized Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2007	--	$3,081,834	$3,081,834	0.00%	$6,542,945	47.10%
July 1, 2008	--	$2,848,428	$2,848,428	0.00%	$6,492,858	43.87%
July 1, 2009	--	$4,831,107	$4,831,107	0.00%	$7,318,965	66.01%
July 1, 2010[2]	--	$4,545,845	$4,545,845	0.00%	$7,574,317	60.02%
July 1, 2011	-	$6,415,754	$6,415,754	0.00%	$7,256,798	88.41%
July 1, 2012[2]	-	$6,782,210	$6,782,210	0.00%	$7,188,525	94.35%
July 1, 2013	-	$7,487,708	$7,487,708	0.00%	$7,467,560	100.27%
July 1, 2014[2]	-	$6,824,971	$6,824,971	0.00%	$7,308,275	93.39%
July 1, 2015	-	$8,900,312	$8,900,312	0.00%	$7,810,110	113.96%
July 1, 2016	-	$9,198,289	$9,198,289	0.00%	$7,847,743	117.21%

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

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

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

Schedule of Employer Contributions
(thousands of dollars)

Fiscal Year Ended June 30	Annual Required Contribution (ARC)[1]	Actual Contribution as a Percentage of ARC
2008	$200,973	43.70%
2009	$186,644	54.36%
2010	$336,419	30.87%
2011	$313,415	32.80%
2012	$455,584	27.07%
2013	$452,658	28.50%
2014	$541,600	22.34%
2015	$489,619	21.48%
2016	$716,408	20.60%
2017	$724,444	23.64%

Source: State of Florida Comprehensive Annual Financial Reports.

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

The following disclosure relates only to the State of Florida's share of the OPEB. The State of Florida's participation in both the annual required contribution and the actuarial accrued liability is approximately 76%.

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

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

Funded Status - State Share

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

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

Source: State of Florida Comprehensive Annual Financial Reports.

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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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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THE CAPITOL, TALLAHASSEE, FLORIDA 32399-0301 • (850) 413-2850 • FAX (850) 413-2950

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

Jimmy Patronis
Chief Financial Officer

JP:pjb

ORGANIZATION AT JUNE 30, 2017

THE ELECTORATE OF FLORIDA

Legislative Branch
Senate
House of Representatives

Public Service Commission
Auditor General
Office of Public Counsel
Office of Program Policy Analysis and
 Government Accountability
Legislative Support Services:
 Office of Legislative Services
 Office of Legislative Information
  Technology Services
 Office of Economic and Demographic Research
 Commission on Ethics

Executive Branch

Judicial Branch
Supreme Court
District Courts of Appeal - 5 Districts
 Circuit Courts - 20 Circuits
 County Courts - 67 Counties

Justice Administrative Commission
 Capital Collateral Regional Counsel
 Criminal Conflict and Civil Regional Counsel
 Guardian ad Litem Program
 State Attorneys (elected officials)
 Public Defenders (elected officials)
Judicial Qualifications Commission

Governor
Lieutenant Governor
Executive Office of the Governor
Agencies and Commissions of the Governor
 Agency for Health Care Administration
 Agency for Persons with Disabilities
 Agency for State Technology
 Department of Business and
  Professional Regulation
 Department of Children and Families
 Department of Citrus
 Department of Corrections
 Department of Economic Opportunity
 Department of Elder Affairs
 Department of Environmental Protection
 Department of Health
 Department of Juvenile Justice
 Department of the Lottery
 Department of Management Services
 Department of Military Affairs
 Department of State
 Department of Transportation
 Division of Administrative Hearings

Cabinet
Attorney General
 Department of Legal Affairs
Chief Financial Officer
 Department of Financial Services
Commissioner of Agriculture
 Department of Agriculture and
  Consumer Services

Agencies and Commissions of the Governor and Cabinet
Department of Highway Safety and
 Motor Vehicles
Department of Law Enforcement
Department of Revenue
Department of Veterans' Affairs
Financial Services Commission
 Office of Insurance Regulation
 Office of Financial Regulation
Florida Commission on Offender Review

Other Agencies, Boards, and Commissions
Board of Governors of the State University System
State Board of Education - Department of Education
Fish and Wildlife Conservation Commission
State Board of Administration

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

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

Phone: (850) 412-2722
Fax: (850) 488-6975

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

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	Fund Financial Statements		
	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 Governmental Activities	Business-type Activities	Totals	Component 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)

Functions/Programs	Expenses	Program Revenues 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 Governmental Activities	Business-type Activities	Total	Component 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.

2017 STATE OF FLORIDA CAFR

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

	Transportation	Lottery	Hurricane Catastrophe Fund	Prepaid College Program	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.

2017 STATE OF FLORIDA CAFR

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

2017 STATE OF FLORIDA CAFR

	Transportation	Lottery	Hurricane Catastrophe Fund	Prepaid College Program	Reemployment Assistance	Nonmajor Enterprise Funds	Totals 6/30/17	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES								
Cash received from customers	$ 1,198,433	$ 6,154,510	$ 1,068,843	$ 515,317	$ 773,208	$ 421,278	$ 10,131,589	$ 2,612,319
Cash paid to vendors	(437,779)	(484,557)	(3,949)	(537,928)	......	(137,356)	(1,601,569)	(561,411)
Cash paid to employees	(20,493)	(27,340)	(1,469)	(1,799)	......	(181,373)	(232,474)	(90,200)
Cash received/(paid) for grants	......	......	......	......	5,397	10,067	15,464	......
Lottery prizes	......	(3,985,553)	......	......	......	......	(3,985,553)	......
Cash paid for insurance claims	......	......	......	......	......	......	......	(1,847,158)
Reemployment assistance	......	......	......	......	(431,508)	......	(431,508)	......
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
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES								
Transfers in (out)	40,773	(1,743,251)	(10,000)	......	(11,187)	(69,743)	(1,793,408)	1,832
Advances from or repayment from other funds	(3,098)	......	......	......	......	......	(3,098)	......
Advances, grants or loans (to) from or repayment from others	(103,968)	......	......	......	......	(310)	(104,278)	......
Payment of bonds or loans (principal and interest)	......	......	(567,368)	......	......	......	(567,368)	......
Emergency assessment funds received	......	......	648	......	......	......	648	......
Net cash provided (used) by noncapital financing activities	(66,293)	(1,743,251)	(576,720)	......	(11,187)	(70,053)	(2,467,504)	1,832
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Cash received from sale or lease of capital assets	......	......	......	......	......	1,354	1,354	......
Cash received from the issuance of debt	......	......	......	......	......	......	......	48
Cash received from capital grants and donations	3,688	......	......	......	......	14,786	18,474	......
Payment of bond principal	(135,605)	......	......	......	......	......	(135,605)	(61,005)
Payment of principal on installment purchase/capital lease	......	......	......	......	......	(2,356)	(2,356)	(15,433)
Payment of interest on bonds/installment purchase/capital lease	(144,845)	......	......	......	......	......	(144,845)	(23,450)
Purchase or construction of capital assets	(456,282)	(1,786)	(2)	(6)	......	(1,097)	(459,173)	(9,649)
Line of credit draws/(payments)	......	......	......	......	......	(208)	(208)	......
Net cash provided (used) by capital and related financing activities	(733,044)	(1,786)	(2)	(6)	......	12,479	(722,359)	(109,489)
CASH FLOWS FROM INVESTING ACTIVITIES								
Security lending	(3,390)	(4,825)	......	5,022	......	1,630	(1,563)	(366)
Proceeds from the sale or maturity of investments	2,151,837	45,459	117,324,740	11,344,438	......	85,945	130,952,419	......
Cash paid to grand prize winners upon maturity of grand prize investments	......	(45,459)	......	......	......	......	(45,459)	......
Investment earnings	(1,840)	(1,057)	72,717	124,210	88,034	(2,030)	280,034	(4,377)
Purchase of investments	(2,132,551)	......	(117,884,160)	(11,452,898)	......	(86,584)	(131,556,193)	......
Net cash provided (used) by investing activities	14,056	(5,882)	(486,703)	20,772	88,034	(1,039)	(370,762)	(4,743)
Net increase (decrease) in cash and cash equivalents	(45,120)	(93,859)	......	(3,644)	423,944	54,003	335,324	1,150
Cash and cash equivalents - beginning	1,122,762	309,376	11	6,791	3,185,557	392,513	5,017,010	719,767
Cash and cash equivalents - ending	$ 1,077,642	$ 215,517	$ 11	$ 3,147	$ 3,609,501	$ 446,516	$ 5,352,334	$ 720,917

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)

2017 STATE OF FLORIDA CAFR

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	Net (Expense) Revenue and Changes in Net Position: University of Florida	Net (Expense) Revenue and Changes in Net Position: Citizens Property Insurance Corporation	Net (Expense) Revenue and Changes in Net Position: Nonmajor Component Units	Totals 6/30/17
Florida Housing Finance Corporation	$ 237,402	$ 192,039	$	$	$ (45,363)	$	$	$	$ (45,363)
University of Florida	5,305,221	3,567,178	869,326	64,932	......	(803,785)	......	......	(803,785)
Citizens Property Insurance Corporation	889,569	627,485	......	......	......	......	(262,084)	......	(262,084)
Nonmajor component units	11,946,851	3,515,738	3,448,720	768,533	......	......	......	(4,213,860)	(4,213,860)
Total component units	$ 18,379,043	$ 7,902,440	$ 4,318,046	$ 833,465	(45,363)	(803,785)	(262,084)	(4,213,860)	(5,325,092)
General revenues									
Property taxes					......	......	......	477,039	477,039
Investment earnings (losses)					......	289,646	103,411	533,399	926,456
Gain (loss) on sale of capital assets					......	(8,718)	......	(739)	(9,457)
Payments from the State of Florida					......	727,156	......	3,583,557	4,310,713
Miscellaneous					187,300	97,105	......	542,024	826,429
Contributions to permanent funds					......	76,838	......	39,071	115,909
Total general revenues and contributions					187,300	1,182,027	103,411	5,174,351	6,647,089
Change in net position					141,937	378,242	(158,673)	960,491	1,321,997
Net position - beginning, as restated (Note 1)					2,149,203	5,830,977	7,466,984	25,508,854	40,956,018
Net position - ending					$ 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.

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

TABLE OF CONTENTS

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]										
S&P	Moody's	Total[2]	Certificates of deposit	Commercial paper	Money market funds	Repurchase Agreements	Federal agencies	Domestic bonds and notes	Commingled domestic bonds and notes funds	International bonds and notes
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: Payable Fair Value	Forward: Net Receivables/ Payables	Forward: Unrealized Gain/ (Loss)	Spot Currency Contracts: Receivable Fair Value	Spot: Payable Fair Value	Spot: Net Receivables/ Payables	Spot: 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: Foreign Currency Contracts, Net	Florida Prepaid Program and Investment Plan Investment type: Equity	Florida Prepaid: 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

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

Component Units

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

5. Security Lending

Pooled Investments with the State Treasury

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

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 (in U.S. $)	Changes in Fair Value Classification	Changes in Fair Value Amount	Fair Value at June 30, 2017 Classification	Fair Value at June 30, 2017 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 Classification	Increase/(Decrease) in Fair Value Amount (in U.S. $)	Fair Value at June 30, 2017 Classification	Fair Value at June 30, 2017 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

		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)**
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

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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					
Year Ending	Governmental Activities			Business-type Activities		
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

Year Ending	Component Units		
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	
Year Ending June 30	Governmental Activities	Component Units
2018	$ 4,532	$ 9,755
2019	4,532	9,180
2020	2,750	7,841
2021	710	6,260
2022	707	12,745
2023-2027	2,080	20,547
2028-2032	......	12,634
2033-2037	......	3,529
2038-2042	......	2,282
2043-2047	......	2,282
2048-2052	......	2,282
2053-2057	......	2,282
2058-2062	......	2,282
2063-2067	......	2,282
2068-2072	......	1,370
Total	15,311	97,553
Less: Interest	(1,395)	(32,322)
Present value of future minimum payments	$ 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 to Other Funds (in thousands)	Due from Other Funds (in thousands) Business-type Activities: 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 to Other Funds (in thousands)	Due from Other Funds (in thousands) Fiduciary Funds: 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 from Other Funds (in thousands)	Advances to Other Funds (in thousands) Governmental Activities: General Fund	Transportation
Governmental Activities		
General Fund	$	$ ......
Public Education	......	......
Nonmajor Governmental Funds	890	......
Internal Service Funds	500	......
Business-type Activities		
Transportation	......	84,096
Total	**$ 1,390**	**$ 84,096**

(Continued below)

Advances from Other Funds (in thousands)	Advances to Other Funds (in thousands) Fiduciary Funds: Private-purpose Trust Funds	**Total**
Governmental Activities		
General Fund	$	**$ ......**
Public Education	907,026	**907,026**
Nonmajor	......	**890**
Internal Service Funds	......	**500**
Business-type Activities		
Transportation	......	**84,096**
Total	**$ 907,026**	**$ 992,512**

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**

(Continued next page)

	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 2^{nd} 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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CERTAIN DEFINITIONS

(From the Original Resolution adopted by the State Board of Education on February 4, 1992, and the Thirty-first Supplemental Authorizing Resolution adopted by the State Board of Education on August 15, 2018.)

"2019A Bonds" means the $8,560,000 Capital Outlay Refunding Bonds, 2019 Series A, issued pursuant to the Thirty-first Supplemental Authorizing Resolution.

"Act" means the laws referred to in Section 1.01 of the Original Resolution.

"Additional Bonds" means any obligations issued pursuant to the terms and conditions of the Original Resolution and payable from the Motor Vehicle License Taxes on a parity with the Bonds originally issued thereunder.

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

"Amortization Installment" means an amount so designated which is established for the redemption of Term Bonds; provided that each such Amortization Installment shall be deemed due in an amount and upon a date determined pursuant to the applicable Supplemental Authorizing Resolution and the aggregate of such Amortization Installments shall equal the aggregate principal of the Term Bonds.

"Boards of Trustees" means the Boards of Trustees of the Junior College Districts, or their successors as the governing bodies of such Districts.

"Bond Fee Trust Fund" means the Bond Fee Trust Fund created by Section 215.65, Florida Statutes.

"Bond Registrar/Paying Agent" means U.S. Bank Trust National Association, New York, New York, or any successor thereto.

"Bonds" means the Capital Outlay Bonds issued pursuant to the Original Resolution.

"Capital Outlay Fund" means the Capital Outlay and Debt Service Trust Fund created and established pursuant to the School Capital Outlay Amendment.

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

"Debt Service Requirements" means the amounts of principal (including Amortization Installments) and interest maturing and becoming due on the Bonds, except any portion of such amounts which are provided from the proceeds of Bonds.

"Defeasance Obligations" means, to the extent permitted by law, direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America, including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States and including advance refunded tax-exempt bonds fully secured by non-callable direct obligations of the United States of America, non-callable obligations guaranteed by the United States of America, or "stripped" interest payment obligations of debt obligations of the Resolution Funding Corporation and, with respect to any Series, such additional investments as shall be designated as Defeasance Obligations for such Series by the applicable Supplemental Authorizing Resolution.

"District School Boards" means the boards of the several School Districts or their successors as the governing bodies of the School Districts.

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

"Education Districts" means the School Districts, the Junior College Districts, and any other educational entities now or hereafter authorized to receive distribution of the Motor Vehicle License Taxes pursuant to the School Capital Outlay Amendment.

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

"Governing Board" means the Governor and Cabinet of the State of Florida, acting as Governing Board of the Division of Bond Finance pursuant to the State Bond Act.

"Holder of Bonds" or "Bondholder" means the owner of any Bond or Bonds as shown on the registration book kept by the Bond Registrar/Paying Agent.

"Interest Payment Dates" means for each Series, such date or dates of each Fiscal Year on which interest on the Bonds of such Series is payable or, with respect to Capital Appreciation Bonds, is compounded.

"Issue," "Issued" or "Issuance," when used with reference to the Bonds, means the authorization, sale and delivery of the Bonds authorized to be issued by the Original Resolution. The Bonds shall not be deemed to be issued until such Bonds have been sold and delivered to the purchasers and payment has been received therefor.

"Junior College Districts" means the Junior College Districts, created by law, on behalf of which a portion of the Bonds are issued, as set forth in each Supplemental Authorizing Resolution [Junior Colleges are now referred to as Florida College System Institutions in Florida].

"Motor Vehicle License Taxes" means the state motor vehicle license taxes distributable to the account of the Education Districts pursuant to the School Capital Outlay Amendment.

"Original Resolution" means the master resolution adopted on February 4, 1992, authorizing the issuance of Capital Outlay Bonds.

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

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

(ii) Bonds which are deemed paid and defeased and no longer Outstanding as provided in the Original Resolution;

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

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

"Principal Payment Date" means, for each Series, such date or dates of each Fiscal Year on which the principal of Outstanding Bonds of each Series is payable.

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

"Rebate Account" means the applicable separate account established within the Rebate Fund for each Series issued under the Original Resolution.

"Rebate Amount" means, with respect to each Series that are not taxable bonds, the excess of the amount earned on all non- purpose investments (as defined in Section 148(f)(6) of the Code) over the amount which would have been earned if such nonpurpose investments were invested at a rate equal to the yield on that Series, plus any income attributable to such excess, or shall have such other meaning as may be required by the Code.

"Rebate Fund" shall be the Rebate Fund created and established pursuant to Section 6.05 of the Original Resolution.

"Record Date" means the Regular Record Date or Special Record Date, as applicable.

"Refunded Bonds" means all or a portion of the outstanding State of Florida, Full Faith and Credit, State Board of Education Capital Outlay Bonds, 2009 Series A, dated August 15, 2009 which will be refunded by the 2019A Bonds.

"Refunding Bonds" means the 2019A Bonds.

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

"Regular Record Date" means, with respect to each Series, the 15th day of the calendar month next preceding a Principal or Interest Payment Date or such other date specified for a Series pursuant to the applicable Supplemental Authorizing Resolution.

"Retirement Fund" means the State of Florida, Full Faith and Credit, State Board of Education 2019 Series A Capital Outlay Refunding Bonds Retirement Fund created pursuant to section 4.01(c) of the Thirty-first Supplemental Authorizing Resolution.

"School Capital Outlay Amendment" means Article XII, Section 9, Subsection (d), of the Florida Constitution of 1968, approved at the general election of November, 1968, as amended at the general election of November, 1972, and as amended from time to time.

"School Districts" means the several School Districts of the State of Florida, created by law, on behalf of which a portion of the Bonds are issued, as set forth in each Supplemental Authorizing Resolution.

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

"Sinking Fund" means the trust fund, created in the Original Resolution, to be held and administered by the State Board of Administration, pursuant to Article IV of the Original Resolution.

"Special Interest Payment Date" means a date established pursuant to Section 3.06 of the Original Resolution for the payment of interest which has become delinquent.

"Special Record Date" means a record date established pursuant to Section 3.06 of the Original Resolution for the payment of interest on any Special Interest Payment Date.

"State" means the State of Florida.

"State Board" means the Board of Education of Florida, as constituted pursuant to Section 2 of Article IX of the Constitution of Florida.

"State Board of Administration" means the Board of Administration of Florida as created by the Florida Constitution and shall also include any statutory body succeeding to the duties and powers given the State Board of Administration by law and particularly Section 403.1834, Florida Statutes.

"State Bond Act" means Sections 215.57 through 215.83, Florida Statutes.

"Supplemental Authorizing Resolution" means, as to any Series, the resolution or resolutions of the State Board authorizing and providing for the sale and issuance of such Series and includes any certificate of award, any trust indenture, the bond purchase agreement or other document or instrument that is approved by or required to be executed (prior to the issuance of such Series) by any such resolution.

“Term Bonds” means the Bonds of a Series which shall be stated to mature on one date and for the amortization of which payments are required to be made into the Amortization Account in the Sinking Fund, as set forth in the Supplemental Authorizing Resolution applicable thereto.

“Thirty-first Supplemental Authorizing Resolution” means the Thirty-first Supplemental Authorizing Resolution adopted by the State Board on August 15, 2018.

A RESOLUTION AUTHORIZING THE ISSUANCE OF STATE OF FLORIDA, FULL FAITH AND CREDIT, STATE BOARD OF EDUCATION, CAPITAL OUTLAY BONDS, FOR THE PURPOSE OF FINANCING AND REFINANCING THE COST OF CAPITAL OUTLAY PROJECTS, PURSUANT TO ARTICLE XII, SECTION 9, SUBSECTION (d) OF THE CONSTITUTION OF FLORIDA, AS AMENDED; PROVIDING THE TERMS AND CONDITIONS UPON WHICH SUCH BONDS MAY BE ISSUED; AND PROVIDING AN EFFECTIVE DATE.

BE IT RESOLVED BY THE STATE BOARD OF EDUCATION OF FLORIDA:

ARTICLE I
AUTHORITY, FINDINGS, AND DEFINITIONS

SECTION 1.01. AUTHORITY FOR THIS RESOLUTION. This Resolution is adopted pursuant to the provisions of Article XII, Subsection 9(d), of the Constitution of the State of Florida, as amended, Chapter 229, Chapter 236, and Sections 215.57-215.83, Florida Statutes, and other applicable provisions of law.

SECTION 1.02. WORDS AND TERMS DEFINITIONS. Whenever used in this Resolution the following terms shall have the following meanings unless the context otherwise requires:

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

(b) "Act" shall mean the laws referred to in Section 1.01 hereof.

(c) "Additional Bonds" shall mean any obligations hereafter issued pursuant to the terms and conditions of this Resolution and payable from the Motor Vehicle License Taxes on a parity with the Bonds originally issued hereunder.

(d) "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 State Board of Administration and the Division of Bond Finance; and (ii) such other fees or charges or both as may be approved by the State Board of Administration or the Division of Bond Finance, including but not limited to those relating to tax law compliance, disclosure of information, paying agents, rating agencies, and providers of credit enhancement and the cost of acquisition of insurance or other instruments in lieu of cash with respect to any fund or account; all as may be determined from time to time as necessary.

(e) "Amortization Installment" shall mean an amount so designated which is established for the redemption of Term Bonds; provided that each such Amortization Installment shall be deemed due in an amount and upon a date determined pursuant to the applicable Supplemental Authorizing Resolution and the aggregate of such Amortization Installments shall equal the aggregate principal of the Term Bonds.

(f) "Boards of Trustees" shall mean the Boards of Trustees of the Junior College Districts, or their successors as the governing bodies of such Districts.

(g) "Bond Fee Trust Fund" shall mean the Bond Fee Trust fund created by Section 215.65, Florida Statutes.

(h) "Bond Registrar/Paying Agent" shall mean Citibank, N.A., New York, New York, or any successor thereto.

(i) "Bonds" shall mean the Capital Outlay Bonds issued pursuant to this Resolution.

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

(k) "Capital Outlay Fund" shall mean the Capital Outlay and Debt Service Trust Fund created and established pursuant to the School Capital Outlay Amendment.

(l) "Capital Outlay Projects" or "Projects" shall mean the Capital Outlay Project or Projects for the Education Districts to be financed in whole or in part by the Bonds issued pursuant to this Resolution, as set forth in each Supplemental Authorizing Resolution.

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

(n) "Current Interest Paying Bonds" shall mean Bonds, the interest on which shall be payable on a periodic basis.

(o) "Debt Service Requirements" shall mean the amounts of principal (including Amortization Installments) and interest maturing and becoming due on the Bonds, except any portion of such amounts which are provided from the proceeds of Bonds.

(p) "Defeasance Obligations" shall mean, to the extent permitted by law, direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America, including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States and including advance refunded tax-exempt bonds fully secured by non-callable direct obligations of the United States of America, non-callable obligations guaranteed by the United States of America, or "stripped" interest payment obligations of debt obligations of the Resolution Funding Corporation and, with respect to any Series, such additional investments as shall be designated as Defeasance Obligations for such Series by the applicable Supplemental Authorizing Resolution.

(q) "District School Boards" shall mean the boards of the several School Districts or their successors as the governing bodies of the School Districts.

(r) "Division of Bond Finance" or "Division" shall mean the Division of Bond Finance of the State of Florida Department of General Services.

(s) "Education Districts" shall mean the School Districts, the Junior College Districts, and any other educational entities now or hereafter authorized to receive distribution of the Motor Vehicle License Taxes pursuant to the School Capital Outlay Amendment.

(t) "Fiscal Year" or "Year" shall mean the period beginning with and including July 1st of each year and ending with and including the next June 30th.

(u) "Governing Board" shall mean the Governor and Cabinet of the State of Florida, acting as Governing Board of the Division of Bond Finance pursuant to the State Bond Act.

(v) "Holder of Bonds" or "Bondholder" shall mean the owner of any Bond or Bonds as shown on the registration book kept by the Bond Registrar/Paying Agent.

(w) "Interest Payment Dates" shall mean for each Series, such date or dates of each Fiscal Year on which interest on the Bonds of such Series is payable or, with respect to Capital Appreciation Bonds, is compounded.

(x) "Issue", "Issued" or "Issuance", when used with reference to the Bonds, shall mean the authorization, sale and delivery of the Bonds authorized to be issued by this Resolution. The Bonds shall not be deemed to be issued until such Bonds have been sold and delivered to the purchasers and payment has been received therefor.

(y) "Junior College Districts" shall mean the Junior College Districts, created by law, on behalf of which a portion of the Bonds are issued, as set forth in each Supplemental Authorizing Resolution.

(z) "Motor Vehicle License Taxes" shall mean the state motor vehicle license taxes distributable to the account of the Education Districts pursuant to the School Capital Outlay Amendment.

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

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

(ii) Bonds which are deemed paid and defeased and no longer Outstanding as provided herein;

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

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

(bb) "Principal Payment Date" shall mean for each Series, such date or dates of each Fiscal Year on which the principal of Outstanding Bonds of each Series is payable.

(cc) "Prior Lien Obligations" shall mean (i) all bonds or motor vehicle tax anticipation certificates issued pursuant to Article XII, Section 18, of the Constitution of 1885, as amended, or pursuant to Article XII, Section 9, Subsection (d), as amended, prior to the effective date of the School Capital Outlay Amendment which was approved at the general election of November, 1972, and which are payable from motor vehicle license taxes; and (ii) the State of Florida, Full Faith and Credit, State Board of Education, Capital Outlay Bonds, Series 1974-A through Series 1991A.

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

(ee) "Rebate Account" shall mean the applicable separate account established within the Rebate Fund for each Series issued under this Resolution.

(ff) "Rebate Amount" shall mean, with respect to each Series that are not taxable bonds, the excess of the amount earned on all non-purpose investments (as defined in Section 148(f)(6) of the Code) over the amount which would have been earned if such nonpurpose investments were invested at a rate equal to the yield on that Series, plus any income attributable to such excess, or shall have such other meaning as may be required by the Code.

(gg) "Rebate Fund" shall be the Rebate Fund created and established pursuant to Section 6.05 hereof.

(hh) "Record Date" shall mean the Regular Record Date or Special Record Date, as applicable.

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

(jj) "Regular Record Date" shall mean, with respect to each Series, the 15th day of the calendar month next preceding a Principal or Interest Payment Date or such other date specified for a Series pursuant to the applicable Supplemental Authorizing Resolution.

(kk) "Resolution" shall mean this Resolution.

(ll) "School Capital Outlay Amendment" shall mean Article XII, Section 9, Subsection (d), of the Florida Constitution of 1968, approved at the general election of November, 1968, as amended at the general election of November, 1972, and as hereafter amended from time to time.

(mm) "School Districts" shall mean the several School Districts of the State of Florida, created by law, on behalf of which a portion of the Bonds are issued, as set forth in each Supplemental Authorizing Resolution.

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

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

(pp) "Sinking Fund" shall mean the trust fund, herein created, to be held and administered by the State Board of Administration, pursuant to Article IV of this Resolution.

(qq) "Special Interest Payment Date" means a date established pursuant to Section 3.02 hereof for the payment of interest which has become delinquent.

(rr) "Special Record Date" means a record date established pursuant to Section 3.02 hereof for the payment of interest on any Special Interest Payment Date.

(ss) "State" shall mean the State of Florida.

(tt) "State Board" shall mean the Board of Education of Florida, as constituted pursuant to Section 2 of Article IX of the Constitution of Florida.

(uu) "State Board of Administration" shall mean the Board of Administration of Florida as created by the Florida Constitution and shall also include any statutory body succeeding to the duties and powers given the State Board of Administration by law and particularly Section 403.1834, Florida Statutes.

(vv) "State Bond Act" shall mean Sections 215.57 through 215.83, Florida Statutes.

(ww) "Supplemental Authorizing Resolution" means, as to any Series, the resolution or resolutions of the State Board authorizing and providing for the sale and issuance of such Series and includes any certificate of award, any trust indenture, the bond purchase agreement or other document or instrument that is approved by or required to be executed (prior to the issuance of such Series) by any such resolution.

(xx) "Term Bonds" shall mean the Bonds of a Series which shall be stated to mature on one date and for the amortization of which payments are required to be made into the Amortization Account in the Sinking Fund, hereinafter created, as set forth in the Supplemental Authorizing Resolution applicable thereto.

SECTION 1.03. CORRELATIVE WORDS. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, the singular shall include the plural, and vice versa, and the word "person" shall include corporations and associations, including public bodies, as well as natural persons.

SECTION 1.04. FINDINGS. It is hereby found, determined and declared as follows:

(a) The State Board has previously issued the Prior Lien Obligations to finance or refinance the cost of Capital Outlay Projects pursuant to certain resolutions of the State Board, which resolutions permit the issuance of additional parity bonds only upon satisfaction of the limitations and conditions set forth therein, which limitations and conditions restrict the ability of the State Board to issue certain types of obligations, to effectively provide credit or liquidity support for obligations and to otherwise structure financing transactions so as to achieve the lowest overall borrowing costs.

(b) By closing the lien of the prior resolutions and hereafter issuing Bonds pursuant to this Resolution and, with respect to each Series, the applicable Supplemental Authorizing Resolution, the State Board will enhance its flexibility in structuring financing transactions to take advantage of both traditional and contemporary financing methods to reduce the overall borrowing costs.

(c) Each Series to be issued under this Resolution will be authorized by, and the details of such Series determined pursuant to, a Supplemental Authorizing Resolution to be adopted prior to the issuance of such Series.

SECTION 1.05. RESOLUTION TO CONSTITUTE CONTRACT. In consideration of the acceptance of the Bonds by those who shall hold the same from time to time, this Resolution shall be deemed to be and shall constitute a contract between the State Board and such Bondholders. The covenants and agreements to be performed by the State Board shall be for the equal benefit, protection, and security of the Holders of any and all of the Bonds, as defined herein, all of which shall be of equal rank and without preference, priority, or distinction of any of such Bonds over any other thereof, except as expressly provided therein and herein. The Supplemental Authorizing Resolution for any Series shall be deemed to be and shall constitute a contract between the State Board and the Holders of Bonds of such Series and the covenants and agreements set forth in such Supplemental Authorizing Resolution to be performed by the State Board shall be for the equal benefit, protection and security of the Registered Owners of all Bonds of such Series.

ARTICLE II
AUTHORIZATION OF BONDS

SECTION 2.01. AUTHORIZATION OF BONDS. (a) Subject and pursuant to the provisions of this Resolution, the School Capital Outlay Amendment and the State Bond Act and other applicable provisions of law, there are hereby authorized to be issued from time to time, as hereinafter provided, State Board of Education Capital Outlay Bonds. The aggregate principal amount of the Bonds which may be executed, authenticated and delivered under the Resolution is not limited except as may hereafter be provided in the Resolution or in any Supplemental Authorizing Resolution or as may be limited by law.

(b) The Bonds may, if and when authorized by one or more Supplemental Authorizing Resolutions, be issued in one or more Series. The designation of each Series shall include such further appropriate particular designation added to or incorporated in the title for the Bonds of such Series as the State Board may determine. Each Bond shall bear upon its face the designation so determined for the Series to which it belongs.

SECTION 2.02. SERIES RESOLUTIONS. Each Series shall be authorized by the adoption of a Supplemental Authorizing Resolution, which shall specify such terms and conditions relative to the Bonds of such Series, and such other matters relative thereto, as the State Board shall determine. Each Supplemental Authorizing Resolution shall specify the Capital Outlay Projects to be financed with the proceeds of such Series or the outstanding Bonds to be refinanced thereby; the Education Districts on behalf of which the Series is to be issued; and shall make the determination that the proportionate share of each Education District of the Debt Service Requirements on such Series and other Outstanding Bonds does not exceed ninety per centum (90%) of the amount the State Board has found and determined can be serviced by the Motor Vehicle License Taxes accruing to such Education District under the provisions of the School Capital Outlay Amendment. Such Supplemental Authorizing Resolution may provide for the following with respect to the Series authorized therein:

(a) the form, denominations, maturities, amortization installments, interest rates or yields, and, if applicable, the method of determination of such interest rates or yields, which may be fixed or variable rates or yields, Principal and Interest Payment Dates, redemption provisions, including provisions for the selection of Bonds for redemption and the giving of notice thereof, registration and transfer provisions, the manner of sale, and such other terms as the State Board shall determine;

(b) the form of any documents or instruments relative to such Series, and the application of the proceeds thereof, including any escrow agreement, construction fund agreement, trust indenture, paying agent or registrar agreement, letter of representation or other agreement regarding book-entry or other registration systems, and such other documents or instruments as the State Board shall determine;

(c) any additional security, credit enhancement or liquidity facility for such Series, which may include a debt service reserve account, pledge of additional revenues or other collateral, municipal bond insurance, surety bond or other financial arrangement, a letter of credit, standby purchase agreement, tender, auction or remarketing agreement, or such other additional security, credit enhancement or liquidity facility as the State Board shall determine; and

(d) such other terms applicable solely to such Series as the State Board shall determine, which terms may include provisions for the application of the proceeds of such Series, the amendment of such Supplemental Authorizing Resolution, the defeasance of Bonds of such Series and the termination of the lien and pledge in favor thereof, additional covenants and agreements of the State Board and such other provisions as the State Board shall determine.

ARTICLE III
GENERAL TERMS AND PROVISIONS OF BONDS

SECTION 3.01. GENERALLY. The form, denominations, maturities, amortization installments, interest rates or yields, principal and interest payment dates, manner and place of payment, redemption, registration and transfer provisions and other terms and details of each Series shall be determined pursuant to the Supplemental Authorizing Resolution applicable thereto; provided, however, that any Series as to which any such terms and details (other than the principal amount, maturity and interest rates or yields) are not specified in the applicable Supplemental Authorizing Resolution shall be governed by the general provisions of this Article III.

SECTION 3.02. DESCRIPTION OF BONDS. The Bonds shall be payable, with respect to interest, principal and premium, if any, in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts; shall be issued in the form of fully registered Bonds; shall be dated as of the first day of the month of the sale thereof; shall bear interest from their date at a rate not exceeding the legal rate per annum; and shall be in principal or Accreted Value at maturity denominations of $5,000 or integral multiples thereof.

SECTION 3.03. PRIOR REDEMPTION OF THE BONDS. The Bonds of each Series may be made redeemable in such manner and upon such terms and conditions as are determined pursuant to the Supplemental Authorizing Resolution applicable thereto.

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 days prior to the date fixed for redemption, to the Holder of the Bonds to be redeemed of record on the books kept by the Bond Registrar/Paying Agent as of forty-five days prior to the date fixed for 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, 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 Holder, 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 Holder of such Bond receives such notice.

The Bond 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 the 15th business day next preceding the date fixed for redemption and ending at the close of business on the date fixed for redemption; or (b) to transfer or exchange any Bonds selected, called or being called for redemption in whole or in part.

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

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

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

(b) Each further notice of redemption shall be sent at least 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, Pacific Securities Depository Trust Company, San Francisco, California and Philadelphia Depository Trust Company, Philadelphia, Pennsylvania) and to one or more national information services that disseminate notices of redemption of obligations such as the Bonds.

(c) Each further notice of redemption shall be published one time in The Bond Buyer of New York, New York or, if such publication is impractical or unlikely to reach a substantial number of the Holders of the Bonds, 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, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

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

SECTION 3.04. EXECUTION AND AUTHENTICATION OF BONDS. The Bonds shall be executed in the name of the State Board by the Chairman of the State Board, and attested by the Secretary or an Assistant Secretary, or such other officers as may be designated pursuant to a resolution of the State Board, and the corporate seal of the State Board or a facsimile thereof shall be affixed thereto or reproduced thereon. The facsimile signatures of the Chairman, and the Secretary or Assistant Secretary, or such other officer, may be imprinted or reproduced on the Bonds, provided that, in accordance with the laws of Florida in effect on the date of the adoption of this Resolution, at least one signature, which may be that of the Bond Registrar/Paying Agent, required to be placed on the Bonds shall be manually subscribed. In the event that the laws of Florida relevant to the requirements for facsimile or manual signatures are changed prior to the delivery of a Series, then the signatures which are actually imprinted, reproduced, or manually subscribed on the Bonds of such Series shall be in compliance with the new laws. In case any one or more of the officers who shall have signed or sealed any of the Bonds shall cease to be such officer of the State Board before the Bonds so signed and sealed shall have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Bonds may be signed and sealed on behalf of the State Board by such person as at the actual time of the execution of such Bonds shall hold the proper office, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

If the Bonds have been validated, a certification as to Circuit Court validation, in substantially the form hereinafter provided, shall be executed with the facsimile signature of any present or future Chairman.

SECTION 3.05. NEGOTIABILITY. The Bond shall be and have all the qualities and incidents of negotiable instruments under the Uniform Commercial Code - Investments Securities Law of the State of Florida, as provided in the Act.

SECTION 3.06. REGISTRATION, TRANSFER AND PAYMENTS. The Bonds shall be issued only as fully registered bonds without coupons. The Bond Registrar/Paying Agent shall be responsible for maintaining the books for the registration of and for the transfer of the Bonds in compliance with its agreement with the State of Florida.

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

All Bonds presented for transfer, exchange, redemption or payment (if so required by the State Board or the Bond Registrar/Paying Agent) shall be accompanied by a written instrument or instruments of transfer or authorization for exchange, in form and with guaranty of signature satisfactory to the State Board and the Bond Registrar/Paying Agent, duly executed by the Holder or by his duly authorized attorney.

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

The principal amount of the Bonds shall be paid to the Registered Owner or registered assigns on the maturity date of the Bonds, unless redeemed prior thereto in accordance with the terms thereof, upon presentation and surrender of the Bonds at the principal corporate trust office of the Bond Registrar/Paying Agent.

Interest shall be paid on the Interest Payment Dates to the Bondholder whose name appears on the books of the Bond Registrar/Paying Agent as of 5:00 p.m. (local time, New York, New York) on the Regular Record Date, by check or draft mailed (or transferred by a mode at least equally as rapid as mailing) from the Bond Registrar/Paying Agent to the Registered Owner, or in certain cases shall be paid by wire transfer as provided by the agreement between the Bond Registrar/Paying Agent and the State, except for Capital Appreciation Bonds which shall bear interest as described under the defined term Accreted Value, payable only upon redemption or maturity thereof. Provided, however, that (upon written request of the Holder of $500,000 or more in principal amount of Bonds) interest may be paid when due by electronic funds transfer ("wire") if such Holder (if other than a securities depository) advances to the Paying Agent, if any, the amount necessary to pay the wire charges or authorizes the Paying Agent to deduct the amount of such payment. If and to the extent, however, that the State Board fails to make payment or provision for payment on any Interest Payment Date of interest on any Bond, that interest shall cease to be payable to the Person who was the Holder of that Bond as of the applicable Regular Record Date. In that event, when moneys become available for payment of the delinquent interest, the Bond Registrar/Paying Agent shall establish a Special Interest Payment Date for the payment of that interest, and a Special Record Date, which Special Record Date shall be not more than fifteen (15) nor fewer than ten (10) days prior to the Special Interest Payment Date; and the Paying Agent shall cause notice of the proposed payment, of the Special Interest Payment Date and of the Special Record Date to be mailed not fewer than ten (10) days preceding the Special Record Date to each Person who was a Holder of such Bond at the close of business on the fifteenth (15th) day preceding said mailing to such Person's address as it appears on the Register on that fifteenth (15th) day preceding the mailing of such notice and, thereafter, the interest shall be payable to the Person who was the Holder of such Bond as of the close of business on the Special Record Date.

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

The State Board, the State Board of Administration and the Bond Registrar/Paying Agent may treat the Holder of any Bond as the absolute owner thereof for all purposes, whether or not such Bond shall be overdue, and shall not be bound by any notice to the contrary. The person in whose name any Bond is registered may be deemed the owner thereof by the State Board, the State Board of Administration and the Bond Registrar/Paying Agent, and any notice to the contrary shall not be binding upon the State Board, the State Board of Administration or the Bond Registrar/Paying Agent.

In addition, notwithstanding the foregoing, to the extent permitted by applicable law, the State Board may establish a system of registration with respect to any or all Series and may issue certificated public obligations (represented by instruments) or uncertificated registered public obligations (not represented by instruments) commonly known as book-entry obligations, combinations thereof, or such other obligations as may then be permitted by law. The State Board or the State Board of Administration shall appoint such registrars, transfer agents, depositories and other agents as may be necessary to cause the registration, registration of transfer and reissuance of the Bonds within a commercially reasonable time according to the then current industry standards and to cause the timely payment of interest, principal and premium, if any, payable with respect to the Bonds. Any such system may be effective for any Series previously issued or to be subsequently issued, provided that if the State Board adopts a system for the issuance of uncertificated public obligations for a Series, it shall permit thereunder the conversion, at the option of a Holder of any Bonds of such Series issued prior to the adoption of such system, of a certificated registered public obligation to an uncertificated registered obligation, and the reconversion of the same.

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

SECTION 3.07. AUTHENTICATION. No Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit under this Resolution or a Supplemental Authorizing Resolution unless and until a certificate of authentication on such Bond substantially in the form herein set forth shall have been duly executed by the manual signature of the Bond Registrar/Paying Agent, and such executed certificate of the Bond Registrar/Paying Agent upon any such Bond shall be conclusive evidence that such Bond has been authenticated and delivered under this Resolution. The Bond Registrar/Paying Agent's certificate of authentication on any Bond shall be deemed to have been executed by it if signed by an authorized officer or signatory of the Bond Registrar/Paying Agent, but it shall not be necessary that the same officer or signatory sign the certificate of authentication on all of the Bonds issued hereinafter.

SECTION 3.08. DISPOSITION OF BONDS PAID OR EXCHANGED. Whenever any Bond shall be delivered to the Bond Registrar/Paying Agent for cancellation, upon payment of the principal amount thereof or for replacement or transfer or exchange, such Bond shall either be retained by the Bond Registrar/Paying Agent for a period of time specified in writing by the State Board or the State Board of Administration or, at the option of the State Board or the State Board of Administration, shall be cancelled and destroyed by the Bond Registrar/Paying Agent and a copy of a certificate of destruction evidencing such destruction shall be furnished to the State Board or the State Board of Administration.

SECTION 3.09. BONDS MUTILATED, DESTROYED, STOLEN OR LOST. In case any Bond shall become mutilated, or be destroyed, stolen or lost, the State Board may in its discretion issue and deliver a new Bond of like tenor as the Bonds 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 Bondholder furnishing the State Board proof of his ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the State Board may prescribe and paying such expense as the State Board may incur. All Bonds so surrendered shall be disposed of as provided in Section 3.08 hereof. If any such Bonds shall have matured or be about to mature, instead of issuing a substitute Bond, the State Board may provide for the payment of the same upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Any such duplicate Bonds issued pursuant to this section shall constitute original, additional, contractual obligations on the part of the State Board, whether or not the lost, stolen or destroyed Bonds be at any time found by anyone and such duplicate Bonds shall be entitled to equal and proportionate benefits and rights as to lien, source and security for payment, pursuant to this Resolution, from the Motor Vehicle License Taxes distributable under the School Capital Outlay Amendment, and the Full Faith and Credit of the State of Florida.

SECTION 3.10. FORM OF BONDS. The text of the Bonds, together with the validation certificate (if any) to be endorsed thereon, shall be substantially of the following tenor, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted by this Resolution or as may be necessary to comply with applicable laws, rules, and regulations of the United States Government and the State of Florida in effect upon the issuance thereof.

(Form of Bond intentionally omitted)

ARTICLE IV
PLEDGE OF THE PLEDGED REVENUES; SINKING FUND

SECTION 4.01. FUNDS PLEDGED FOR BONDS. The Bonds shall be payable primarily from the Motor Vehicle License Taxes pledged for the payment thereof, and shall be additionally secured by a pledge of the Full Faith and Credit of the State of Florida, pursuant to the School Capital Outlay Amendment and this Resolution. Any Series may be further secured as provided in the Supplemental Authorizing Resolution therefor. No Holder of the Bonds shall ever be entitled to require the payment of the principal of or interest on the Bonds from any funds of the State of Florida, the State Board, the Education Districts, or any other political subdivision or agency of said State, except from the Motor Vehicle License Taxes distributable to the Education Districts pledged for the payment thereof by the School Capital Outlay Amendment and this Resolution, moneys received pursuant to the pledge of the Full Faith and Credit of the State in the manner provided by this Resolution, and any additional security provided for a Series by such Supplemental Authorizing Resolution.

SECTION 4.02. BONDS SECURED BY PLEDGE OF MOTOR VEHICLE LICENSE TAXES AND THE FULL FAITH AND CREDIT OF THE STATE OF FLORIDA. (a) The payment of the principal (including Amortization Installments, if any) of and interest on all of the Bonds issued hereunder, including any Additional Bonds hereafter issued pursuant to and in conformity with the terms, conditions and restrictions contained in this Resolution, shall be secured equally and ratably by a lien on the Motor Vehicle License Taxes deposited in the State Treasury of Florida for the account of the Education Districts, pursuant to the School Capital Outlay Amendment, in an amount sufficient to pay the principal of and interest on the Bonds, and to make the other payments provided for in Section 4.03(a) of this Resolution; which lien is subject only to the prior lien on the Motor Vehicle License Taxes of the Prior Lien Obligations. The Motor Vehicle License Taxes are hereby irrevocably pledged to the payment of the principal (including Amortization Installments, if any) of and interest on the Bonds as the same become due, and for the purposes provided in Section 4.03 of this Resolution.

The lien of the Holders of the Bonds issued hereunder on the Motor Vehicle License Taxes is and shall be junior, inferior and subordinate to the prior lien thereon of the Holders of the Prior Lien Obligations.

(b) The payment of the principal (including Amortization Installments, if any) of and interest on the Bonds is 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 payment of such principal (including Amortization Installments, if any) of and interest on the Bonds as the same mature and become due to the full extent that the moneys derived from said Motor Vehicle License Taxes then on deposit in the Sinking Fund, hereinafter described, for the Education Districts are insufficient for the full payment of all such principal (including Amortization Installments, if any) of and interest on the Bonds as the same mature and become due.

It shall be the mandatory duty of the State Board on or prior to each Principal or Interest Payment 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 (including Amortization Installments, if any) of and interest on the Bonds on such principal (or mandatory redemption) and interest maturity dates. It shall further be the mandatory duty of the appropriate officials of the State of Florida to pay over to the State Board the amounts of such deficiencies in the manner provided herein and in the School Capital Outlay Amendment and other applicable provisions of the law.

In the event that any deficiencies have been paid from any reserve fund created by a Supplemental Authorizing Resolution for a Series, the State shall continue to be mandatorily obligated to make such deficiency payments to the State Board, and such deficiency payments shall be deposited in such reserve fund when the same are received to the extent that any moneys from said reserve fund have been used to make up such deficiencies.

SECTION 4.03. CAPITAL OUTLAY BONDS AND DEBT SERVICE FUND. After making provision for the current required payments for the Prior Lien Obligations, all of the Motor Vehicle License Taxes accruing to and distributable to the Education Districts, under the provisions of said School Capital Outlay Amendment, shall, as soon as practicable, be deposited in the State Treasury of Florida in a trust account to be known as the Capital Outlay Bonds and Debt Service Fund (herein referred to as "Sinking Fund"). The moneys in said Sinking Fund shall be used and applied only in the following manner and order of priority:

(a) First, for the payment in each year of the full amount of the principal of and interest on the Bonds maturing in such year.

Each Supplemental Authorizing Resolution shall create such subaccounts in the Sinking Fund as shall be necessary or desirable to provide for the payment of such Series, including Amortization Accounts for the Term Bonds of such Series. Deposits to any such subaccounts shall be made pro-rata from the amounts deposited in the Sinking Fund pursuant to this Section 4.03.

Upon the issuance of any Additional Bonds, as herein provided, the provisions of this Subsection 4.03(a) shall apply to such Additional Bonds equally with the Bonds theretofore issued. All payments provided under this Subsection 4.03(a) for the Bonds theretofore issued and such Additional Bonds, shall be on a parity and shall constitute a first lien on all moneys in the Sinking Fund in the manner provided herein.

(b) Thereafter, in each Fiscal Year, but only after all payments required for such Fiscal Year by Subsection 4.03(a) hereof, including any deficiencies for prior payments, have been fully provided for, the remaining moneys on deposit in the Sinking Fund shall be distributable by the State Board, (i) for the payment of any amounts required to be paid into funds or accounts, or to reimburse providers of credit or liquidity support, established pursuant to a Supplemental Authorizing Resolution, (ii) to the State of Florida in amounts sufficient to reimburse the State for moneys paid pursuant to the requirements of Subsection 4.02(b) hereof, (iii) to pay Administrative Expenses, and (iv) thereafter in the manner provided by said School Capital Outlay Amendment.

SECTION 4.04. INVESTMENT OF SINKING FUND MONEYS. All moneys maintained at any time in the Sinking Fund under the provisions of Subsection 4.03(a) hereof, may be invested and reinvested by the State Board of Administration in direct obligations of the United States of America or in other investments authorized in Section 18.10, Florida Statutes, as such statute shall be amended from time to time; provided, however, that the investments of moneys needed to meet the requirements of Subsection 4.03(a) hereof shall mature prior to the next ensuing Principal or Interest Payment Date for which such moneys are needed and set aside.

All such investments or reinvestments shall be liquidated whenever necessary for the purpose of such investments or reinvestments. Any earnings from such investments or reinvestments shall be credited to the account or fund from which such investments or reinvestments were made, and any losses upon the liquidation of such investments or reinvestments shall be fully restored from the first available moneys after all other required payments under Subsection 4.03(a) hereof have been made to the date of such restoration.

All moneys maintained at any time in a fund or account (other than an account in the Sinking Fund) established by a Supplemental Authorizing Resolution may be invested and reinvested, and any earnings therefrom applied, as provided in such Supplemental Authorizing Resolution or as provided in the preceding sentence.

SECTION 4.05. TRUST FUNDS. The Sinking Fund, including the Amortization Accounts therein, and all moneys on deposit therein shall constitute trust funds for the purposes provided in Section 4.03 hereof, and the Holders of the Bonds shall have a lien on such moneys until used or applied as provided in such Section 4.03. The Sinking Fund shall be maintained, held and administered by the State Board of Administration; such funds shall be fully and continuously secured in the manner provided by the laws of the State of Florida for the securing of deposits of State funds.

SECTION 4.06. ENFORCEABILITY BY BONDHOLDERS. The State Board hereby irrevocably agrees that the pledge of the Motor Vehicle License Taxes as provided herein shall be deemed to have been made for the benefit of, and shall be a contract with, the Holders of the Bonds and that such pledge and all the provisions of this Resolution and the applicable Supplemental Authorizing Resolution shall be enforceable in any court of competent jurisdiction by any Holder or Holders of such Bonds, against either the State Board, the State Board of Administration, or any other agency of the State of Florida, or political subdivision or instrumentality having any duties concerning the collection, administration, and disposition of the Motor Vehicle License Taxes. The State Board and the Division of Bond Finance do hereby consent to the bringing of any proceedings in any court of competent jurisdiction by any Holder or Holders of Bonds for the enforcement of all provisions of this Resolution and the applicable Supplemental Authorizing Resolution and do hereby waive, to the extent permitted by law, any privilege or immunity from suit which the Division of Bond Finance or the State Board may now or hereafter have as an agency of the State of Florida. However, no covenant or agreement contained in this Resolution or any Supplemental Authorizing Resolution or any Bond issued pursuant thereto shall be deemed to be the covenant or agreement of any officer or employee of the State, in his or her or individual capacity and neither the officers nor employees of the State nor any official executing any of the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

SECTION 4.07. STATE BOARD OF ADMINISTRATION FISCAL AGENT FOR FUNDS. Pursuant to the provisions of Section 215.69, Florida Statutes, after the Division of Bond Finance receives the proceeds of the Bonds, pays its costs, and transfers the remainder of such proceeds as provided herein, the State Board of Administration shall succeed, in accordance with said Statutes, to all the powers, authority, duties, and discretions of the Division of Bond Finance with regard to said Bonds, and shall receive, manage, and disburse all moneys and administer and maintain all funds provided for by this Resolution and any Supplemental Authorizing Resolution.

ARTICLE V
ADDITIONAL PARITY BONDS AND REFUNDING BONDS

SECTION 5.01. ISSUANCE OF ADDITIONAL PARITY BONDS.

(a) Additional Bonds may be issued by the State Board after the issuance of the first Series pursuant to this Resolution, but only upon the terms, restrictions and conditions contained in the School Capital Outlay Amendment and this Article V.

(b) No such Additional Bonds, except parity refunding Bonds provided for in Section 5.02 hereof, shall be created or issued at any time unless the greater of (a) the amount of Motor Vehicle License Taxes which would have been deposited in the State Treasury of Florida for the account of the School Districts, and for the School Districts for and on behalf of which the Additional Bonds are proposed to be issued, under the provisions of the School Capital Outlay Amendment in the school fiscal year 1967-68, if such Amendment had been in effect in such school fiscal year 1967-68; and for the account of the Junior College Districts, and for the Junior College Districts for and on behalf of which the Additional Bonds are proposed to be issued, under the provisions of the School Capital Outlay Amendment in the school fiscal year 1968-69, if such Amendment had been in effect in such school fiscal year 1968-69; and for the account of any other Education District, and for any other Education District on behalf of which the Additional Bonds are proposed to be issued, under the School Capital Outlay Amendment in the fiscal year designated in the School Capital Outlay Amendment for determining the minimum number of instruction units for allocation of Motor Vehicle License Taxes pursuant to the School Capital Outlay Amendment to such other Education District; or (b) the average annual amount of Motor Vehicle License Taxes actually deposited in the State Treasury of Florida for the account of all the Education Districts, under the provisions of the School Capital Outlay Amendment, in the two school fiscal years immediately preceding the issuance of such Additional Bonds, shall be at least equal to one and twelve-hundredths (1.12) times the average annual amount of principal and interest which will mature and become due thereafter on the following:

(1) The Bonds then outstanding; and

(2) The Additional Bonds then proposed to be issued.

(c) Such Additional Bonds shall be deemed to have been issued pursuant to this Resolution to the same extent as the Bonds originally authorized and issued pursuant to this Resolution, and all of the covenants and other provisions of this Resolution (except as to details of such Additional Bonds inconsistent therewith) shall be for the equal benefit, protection and security of the Holders of all Bonds issued pursuant to this Resolution and the Holders of any such Additional Bonds. All of the Bonds, regardless of the time or times of their issuances, shall rank equally with respect to their lien on and source and security for payment from the Motor Vehicle License Taxes and amounts provided pursuant to the pledge of the full faith and credit of the State without preference or priority of any Bonds or Additional Bonds, over any other thereof.

(d) (1) No such Additional Bonds shall be created or issued at any time unless all the payments required by the provisions of Section 4.03 hereof, including any deficiencies for prior payments, have been made in full to the date of such issuance and the State Board shall have complied fully with all the covenants, agreements, and provisions of this Resolution and all Supplemental Authorizing Resolutions authorizing Bonds then Outstanding.

(2) No such Additional Bonds shall be issued to finance the cost of any Capital Outlay Project pursuant to the Public Education Bond Amendment unless the construction or acquisition of such Capital Outlay Project has been theretofore authorized by the Legislature of Florida.

SECTION 5.02. REFUNDING BONDS. (a) Any part of the Bonds may be refunded and the lien of the refunded Bonds fully preserved for the refunding Bonds by the issuance of Additional Bonds in compliance with the requirements of Section 5.01.

(b) (1) In the event any Bonds are refunded in compliance with the terms, restrictions, and conditions set forth in Section 5.01, then the Holders of such refunding Bonds shall have and enjoy the same lien on the Motor Vehicle License Taxes and all rights, privileges, and remedies which are granted to and vested in the Holders of the Bonds so refunded, by this Resolution or any Supplemental Authorizing Resolution hereto, to the same extent and as fully as if such refunding Bonds constituted the Bonds so refunded. All of the covenants, agreements and provisions in this Resolution shall refer to and apply fully to such refunding Bonds.

(2) Any Prior Lien Obligations may be refunded as a whole or in part by the issuance of Additional Bonds upon compliance with the terms, restrictions and conditions contained in Section 5.01 and this Section 5.02.

(3) Any refunding obligations hereafter issued which do not conform to and comply with the terms, restrictions, and conditions contained in this Section 5.02, shall be junior, inferior, and subordinate, as to lien on and source and security for payment from the Motor Vehicle License Taxes, to Bonds outstanding at the time of such refunding.

SECTION 5.03. ISSUANCE OF OTHER OBLIGATIONS OR CREATION OF ENCUMBRANCES. The State Board covenants that it will not issue any other obligations, except Additional Bonds provided for in Section 5.01 hereof or refunding Bonds provided for in Section 5.02 hereof, payable from the Motor Vehicle License Taxes, nor voluntarily create or cause to be created any other debt, lien, pledge, assignment, encumbrance or other charge, having priority to or being on a parity with the lien of the Holders of the Bonds upon the Motor Vehicle License Taxes pledged as security for such Bonds in this Resolution. Any such other obligations hereafter issued by the State Board, in addition to the Bonds authorized by this Resolution and such Additional Bonds shall contain an express statement that such obligations are junior, inferior, and subordinate to the Bonds as to lien on and source and security for payment from such Motor Vehicle License Taxes.

The State Board specifically covenants that it will not hereafter issue any obligations (including refunding obligations) pursuant to the proceedings which authorized such Prior Lien Obligations which will rank on a parity with the Prior Lien Obligations.

SECTION 5.04. CANCELLATION OF UNISSUED PRIOR LIEN OBLIGATIONS. Any State Board of Education, Capital Outlay Bonds authorized prior to January 1, 1992, under the authority of Section 9(a) of Article XII of the Florida Constitution of 1968, as amended, which have not been issued as of the date of issuance of the Bonds authorized herein, are hereby cancelled.

SECTION 5.05. BASIS FOR DETERMINATION OF DEBT SERVICE AVAILABLE FOR BONDS. The State Board covenants that the amount of Motor Vehicle License Taxes available for Debt Service in each year for the Bonds will be computed by the State Board on the basis of the provisions of the School Capital Outlay Amendment.

SECTION 5.06. COVENANT AGAINST DECREASE IN INSTRUCTION UNITS. The State Board covenants, pursuant to paragraph (3) of the School Capital Outlay Amendment, that it will not approve any change in the basis for or method of computing, defining, or determining the number of instruction units for the allocation of School District and Junior College District Capital Outlay and Debt Service Funds proposed in any law enacted hereafter by the Legislature of Florida during the life of the School Capital Outlay Amendment unless under said new law the aggregate total number of instruction units in the School Districts and Junior College Districts, in each year will be not less than the greater of (1) the number of instruction units in the School Districts for the school fiscal year 1967-68, and in the Junior College Districts for the school fiscal year 1968-69, or (2) the number of instruction units in the School Districts and Junior College Districts for the school fiscal year in which any Bonds are issued on behalf of the School Districts and Junior College Districts for the school fiscal year in which any Bonds are issued on behalf of School Districts and Junior College Districts pursuant to the School Capital Outlay Amendment, or (3) the number of instruction units in such School Districts and Junior College Districts which will produce sufficient revenues in such year under said School Capital Outlay Amendment to equal one and twelve-hundredths (1.12) times the aggregate amount of principal of and interest on all Bonds issued on behalf of the School Districts and Junior College Districts pursuant to the School Capital Outlay Amendment which will mature and become due in such year.

SECTION 5.07. COVENANT AS TO INSTRUCTION UNITS. The State Board covenants that pursuant to the provisions of the School Capital Outlay Amendment the number of instruction units in the School Districts and Junior College Districts in each future school fiscal year, for the purposes of the School Capital Outlay Amendment, shall be not less than the greater of (1) the number of instruction units in the School Districts for the school fiscal year 1967-68, and in the Junior College Districts for the school fiscal year 1968-69, or (2) the number of such instruction units for the school fiscal year in which any Bonds are issued on behalf of such School Districts and Junior College Districts pursuant to the School Capital Outlay Amendment, or (3) the number of instruction units in such School Districts and Junior College Districts which will produce sufficient revenues in such year under the School Capital Outlay Amendment to equal one and twelve-hundredths (1.12) times the aggregate amount of principal of and interest on all Bonds issued on behalf of such School Districts and Junior College Districts pursuant to the School Capital Outlay Amendment which will mature and become due in such year.

ARTICLE VI
MISCELLANEOUS

SECTION 6.01. MODIFICATION OR AMENDMENT. (a) Except as otherwise provided in this section, no material adverse modification or amendment of this Resolution, or of any Supplemental Authorizing Resolution or any resolution amendatory thereof or supplemental thereto, may be made without the consent in writing of (i) the Holders of more than fifty percent in principal amount of the Bonds then Outstanding or (ii) in case less than all Series then Outstanding are affected by the modification or amendment, the Holders of more than fifty percent in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given; provided, however, that no modification or amendment shall permit a change in the maturity of such Bonds or a reduction in the rate of interest thereon or affecting the unconditional promise to pay the principal of and interest on the Bonds, as the same mature or become due, or reduce the percentage of Holders of Bonds required above for such modification or amendments, without the consent of the Holders of all the Bonds then Outstanding.

(b) This Resolution or any Supplemental Authorizing Resolution or any resolution amendatory or supplemental thereto may be amended, changed, modified and altered without the consent of the Holders of Bonds, (i) to cure any ambiguity or correct or supplement any provision contained herein which may be defective or inconsistent with any other provisions contained herein, (ii) to provide other changes including such changes as may be necessary in order to adjust the terms hereof so as to facilitate the issuance of various types of Bonds which will not materially adversely affect the interests of the Bondholders, (iii) to provide for the issuance of Bonds in coupon form, (iv) to obtain credit enhancements or a higher rating in one of the three highest full rating categories of a Rating Agency, (v) to add to the covenants and agreements of the State Board, other covenants and agreements to be observed by the State Board which are not contrary to or inconsistent with the Resolution or any Supplemental Authorizing Resolution as theretofore in effect, (vi) to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar statute or federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of any of the states of the United States of America, (vii) to enable the State Board, the Division of Bond Finance and the State Board of Administration to comply with their covenants, agreements and obligations under Section 6.05 of this Resolution, or (viii) to make any amendment, change, modification or alteration that does not materially adversely affect the interests of the Bondholders.

SECTION 6.02. SEVERABILITY OF INVALID PROVISIONS. If any one or more of the covenants or provisions of this Resolution or any Supplemental Authorizing Resolution or any resolution amendatory thereof or supplemental thereto shall be held to be contrary to any express provision of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants or provisions shall be null and void, shall be deemed separable from the remaining covenants or provisions of such resolution, and shall in no way affect the validity of the remaining covenants or provisions of such resolution or of the Bonds.

SECTION 6.03. DEFEASANCE OF BONDS. The covenants, liens and pledges entered into, created or imposed pursuant to this Resolution (and the applicable Supplemental Authorizing Resolution) may be fully discharged and satisfied with respect to the Bonds in any one or more of the following ways:

(a) By paying the principal of and interest on Bonds when the same shall become due and payable whether at maturity or redemption; or

(b) By depositing with the State Board of Administration, certain moneys which are irrevocably pledged to the payment of the Bonds and which, together with other moneys lawfully available therefor, shall be sufficient at the time of such deposit to pay when due the principal, redemption premium, if any, and interest due and to become due on said Bonds on or prior to the redemption date or maturity date thereof; or

(c) By depositing with the State Board of Administration, moneys which are irrevocably pledged to the payment of the Bonds and which, together with other moneys lawfully available therefor when invested in Defeasance Obligations, will provide moneys (principal and interest thereof at maturity) which shall be sufficient to pay the principal, redemption premium, if any, and interest due and to become due on said Bonds on or prior to a date fixed for redemption or the maturity date thereof. Upon such payment or deposit in the amount and manner provided in this section, Bonds shall be deemed to be paid and shall no longer be deemed to be Outstanding for the purposes of this Resolution and all liability of the State Board with respect to said Bonds shall cease, terminate and be completely discharged and extinguished, and the Holders thereof shall be entitled for payment solely out of the moneys or securities so deposited and investment earnings thereon.

(d) Notwithstanding the foregoing, all references to the discharge and satisfaction of Bonds shall include the discharge and satisfaction of any Series, any portion of any Series, any maturity or maturities of any Series, any portion of a maturity of any Series or any combination thereof.

(e) If any portion of the moneys deposited for the payment of the principal of and redemption premium, if any, and interest on any portion of Bonds is not required for such purpose, the Department or the State Board of Administration may use the amount of such excess free and clear of any trust, lien, security interest, pledge or assignment securing said Bonds or otherwise existing under this Resolution.

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

(g) Notwithstanding the foregoing, any provisions of this Resolution or the applicable Supplemental Authorizing Resolution which relate to the maturity of Bonds, interest provisions, credit against mandatory redemption requirements, exchange, transfer and registration of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, nonpresentment of Bonds, the holding of moneys in trust, the calculation of Rebate Amount and the payment of the Rebate Amount to the United States, shall remain in effect and be binding upon the State Board, the Division of Bond Finance, each Trustee, each Registrar, Paying Agent and the Holders notwithstanding the release and discharge of the lien and pledge of this Resolution or any such Supplemental Authorizing Resolution.

SECTION 6.04. NONPRESENTMENT OF BONDS. In the event any Bond shall not be presented to the Bond Registrar/Paying Agent for payment within seven years after the principal thereof becomes due, either at maturity, or otherwise, the funds for payment of said principal on deposit with the Bond Registrar/Paying Agent shall be remitted to the State Board of Administration for disposition in accordance with the laws of Florida. In the event the Bond Registrar/Paying Agent shall not have been able to pay the interest, either all or a portion thereof, on any Bond within seven years after the principal (or accreted value) thereof becomes due, either at maturity, or otherwise, the funds on deposit with the Bond Registrar/Paying Agent for the payment of said interest shall be remitted to the State Board of Administration for disposition in accordance with the laws of Florida. The earnings on the funds which were held to pay the principal and the interest on said Bond shall be governed by the agreement between the State Board of Administration and the Bond Registrar/Paying Agent and Transfer Agreement.

SECTION 6.05. COMPLIANCE WITH TAX REQUIREMENTS; REBATE FUND.

(a) Except as provided in a Supplemental Authorizing Resolution with respect to any specific Bonds, it is the intention of the State Board that the interest on the Bonds issued hereunder, be and remain excluded from gross income for federal income tax purposes. The State Board hereby covenants and agrees, for the benefit of the Holders from time to time of the Bonds, that the State Board will comply with the applicable requirements contained in the Code, to the extent necessary to preserve the exclusion of interest on the Bonds from gross income for federal income tax purposes. Specifically, without intending to limit in any way the generality of the foregoing, the State Board covenants and agrees:

(1) to be responsible for making or causing to be made all necessary determinations and calculations of the Rebate Amount and required payments of the Rebate Amount and to obtain verification of such determinations and calculations by the Division of Bond Finance;

(2) to set aside, or cause to be set aside, sufficient moneys in the Rebate Account with respect to such Series from the amounts in the Sinking Fund, or from any other legally available funds, to permit a timely payment of the Rebate Amount to the United States of America;

(3) to pay, or cause to be paid, the Rebate Amount at the times required pursuant to the Code;

(4) to maintain and retain, or cause to be maintained and retained, all records pertaining to the Rebate Amount with respect to each Series and required payments of the Rebate Amount with respect to that Series, for at least six (6) years after the retirement of that Series or such other period as shall be necessary to comply with the Code;

(5) to refrain from using proceeds from any Series in a manner that would cause the Bonds of such Series to be classified as private activity bonds under Section 141(a) of the Code; and

(6) to refrain from taking any action that would cause any Series to become arbitrage bonds under Section 148 of the Code or any action that would otherwise cause interest on any Bonds to become includable in gross income for federal income tax purposes.

The State Board understands that the foregoing covenants impose continuing obligations on it that will exist as long as the requirements of the Code are applicable to the Bonds.

Notwithstanding any other provision of this Resolution, the obligation to pay over the Rebate Amount to the United States and to comply with all other requirements of this Section 6.05 shall survive the defeasance or payment in full of the Bonds or any Series.

(b) The State Board may deposit or direct another to deposit into the appropriate Rebate Account in the Rebate Fund which is hereby created and established, from investment earnings on moneys deposited in the other funds and accounts created hereunder, or from any other legally available funds of the Department, an amount equal to the Rebate Amount for such Rebate Year. Such moneys deposited in a Rebate Account shall be used only for the payment of the Rebate Amount to the United States as required by Subsection (A) of this Section 6.05, and as directed by the State Board and the Division of Bond Finance. At the end of each Rebate Year, however, funds on deposit in any Rebate Account in excess of the applicable Rebate Amount may be applied, withdrawn and paid over to the State Board for deposit into the Sinking Fund. In complying with the foregoing, the State Board and Division of Bond Finance may rely upon any instructions or opinions from nationally recognized bond counsel.

If any amount remains in a Rebate Account after payment in full of all Bonds of the Series for which such Rebate Account was established and after payment in full of any Rebate Amount to the United States on account of such Series in accordance with the terms hereof, such amount may be used for any purpose authorized by the law.

The Rebate Fund shall be held separate and apart from all other funds and accounts of the State Board and shall be subject to a lien in favor of the Bondholders, but only to secure payment of the Rebate Amount, and the moneys in the Rebate Fund shall be available for use only as herein provided.

The Division of Bond Finance and the State Board shall not be required to continue to comply with the requirements of this section in the event that the Division of Bond Finance and State Board receive an opinion of nationally recognized bond counsel that such compliance is no longer required in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds or that compliance with some other requirement will comply with the provisions of the Code in respect of arbitrage rebate.

Notwithstanding any of the above, the State Board's responsibilities and duties pursuant to Subsection 6.05(a)(1), (2), (3) or (4) of this section may be assumed in whole or in part by the Division of Bond Finance or another entity as provided by law, administrative rule, or resolution of the Division of Bond Finance.

SECTION 6.06. VALIDATION AUTHORIZED. The Attorneys for the Division of Bond Finance are herein and hereby authorized to institute proceedings to validate any Series authorized by a Supplemental Authorizing Resolution if required by law or desirable.

SECTION 6.07. REPEAL OF INCONSISTENT RESOLUTIONS. All resolutions and parts of resolutions heretofore adopted pertaining to the subject matter of this Resolution, to the extent that they are inconsistent with this Resolution, be and the same are hereby repealed, revoked and rescinded.

SECTION 6.08. EFFECTIVE DATE. This Resolution shall take effect immediately upon its adoption.

ADOPTED on February 4, 1992.

APPENDIX E

A RESOLUTION SUPPLEMENTING A RESOLUTION ENTITLED "A RESOLUTION AUTHORIZING THE ISSUANCE OF STATE OF FLORIDA, FULL FAITH AND CREDIT, STATE BOARD OF EDUCATION CAPITAL OUTLAY BONDS, FOR THE PURPOSE OF FINANCING AND REFINANCING THE COST OF CAPITAL OUTLAY PROJECTS, PURSUANT TO ARTICLE XII, SECTION 9, SUBSECTION (d) OF THE CONSTITUTION OF FLORIDA, AS AMENDED; PROVIDING THE TERMS AND CONDITIONS UPON WHICH SUCH BONDS MAY BE ISSUED; AND PROVIDING AN EFFECTIVE DATE", AND AUTHORIZING THE ISSUANCE OF CAPITAL OUTLAY REFUNDING BONDS, 2018 SERIES (TO BE DETERMINED), FOR THE PURPOSE OF REFUNDING ALL OR A PORTION OF THE OUTSTANDING STATE OF FLORIDA, FULL FAITH AND CREDIT, STATE BOARD OF EDUCATION CAPITAL OUTLAY BONDS, 2009 SERIES A.

BE IT RESOLVED BY THE STATE BOARD OF EDUCATION OF FLORIDA:

ARTICLE I
AUTHORITY, DEFINITIONS AND FINDINGS

Section 1.01. AUTHORITY FOR THIS RESOLUTION. This Resolution is adopted pursuant to the provisions of the Act.

Section 1.02. DEFINITIONS. (a) All of the definitions contained in Section 1.02 of the Master Resolution shall be deemed applicable to this Thirty-first Supplemental Authorizing Resolution, except to the extent that the same are inconsistent or in conflict with the definitions set forth below.

(b) The following terms shall have the following meanings in this Thirty-first Supplemental Authorizing Resolution:

"Refunding Bonds" means the State of Florida, Full Faith and Credit, State Board of Education Capital Outlay Refunding Bonds, 2018 Series (to be determined), issued pursuant to this Resolution.

"Thirty-first Supplemental Authorizing Resolution" or "Resolution" means this Thirty-first Supplemental Authorizing Resolution.

"Escrow Deposit Agreement" means the agreement provided for in Section 4.02(a) of this Resolution.

"Federal Securities" means direct obligations of, or obligations the principal of and interest on which are guaranteed by, the United States government and which are not redeemable prior to maturity at the option of the obligor.

"Master Resolution" means the resolution adopted on February 4, 1992, authorizing the issuance of Capital Outlay Bonds.

"Parity Bonds" means the Outstanding State of Florida, Full Faith and Credit, State Board of Education Capital Outlay Bonds issued pursuant to the Master Resolution.

"Refunded Bonds" means all or a portion of the Outstanding State of Florida, Full Faith and Credit, State Board of Education Capital Outlay Bonds, 2009 Series A, dated August 15, 2009, maturing in years to be determined by the Division, which will be refunded by the Refunding Bonds.

"Retirement Fund" means the State of Florida, Full Faith and Credit, State Board of Education, 2018 Series (to be determined) Capital Outlay Refunding Bonds Retirement Fund created pursuant to Section 4.01(c) hereof.

"Retirement (or Refunding) of the Refunded Bonds" or words of similar import, means the payment of the principal of the Refunded Bonds, redemption premiums, if any, the interest payable on the Refunded Bonds through the date of redemption of each series of the Refunded Bonds, and the fees and expenses in connection with retirement of the Refunded Bonds. Such phrase shall also mean defeasance and release of the pledge of and lien on the Motor Vehicle License Taxes with respect to the Refunded Bonds, upon deposit of an amount of moneys into escrow which shall be invested in Federal Securities, the principal of and income on which will be sufficient for such purposes, as provided herein.

Section 1.03. FINDINGS. It is hereby found, determined and declared by this State Board as follows:

(a) That it is desirable and in the best interests of the citizens of Florida and of the State Board to refund the Refunded Bonds, thereby obtaining a lower net average interest cost rate.

(b) That the Refunded Bonds may be refunded in accordance with Article XII, Section 9(d)(13) of the State Constitution and Section 215.79, Florida Statutes.

(c) That the amount of Refunding Bonds authorized to be issued by this Thirty-first Supplemental Authorizing Resolution, together with the Parity Bonds and the Prior Lien Obligations, does not exceed ninety per centum (90%) of the amount of such Bonds which the State Board has found and determined, and does hereby by the adoption of this Thirty-first Supplemental Authorizing Resolution find and determine, can be serviced as to both principal and interest from the Motor Vehicle License Taxes accruing to the school districts and Florida College System institution districts under the provisions of the School Capital Outlay Amendment.

(d) That this State Board is legally authorized to issue the Refunding Bonds authorized by this Thirty-first Supplemental Authorizing Resolution pursuant to the terms, restrictions and conditions contained in the Master Resolution.

(e) That the Division of Bond Finance shall serve as the agent of the State Board with respect to the Refunding Bonds, pursuant to the provisions of Section 215.61(4), Florida Statutes.

(f) The State Board has previously found and determined with respect to the Refunded Bonds, that the debt service payable with respect to the Refunded Bonds did not exceed 90% of the amount of revenue accruing to the respective school districts and Florida College System institution districts benefitted by the issuance of the Refunded Bonds under the School Capital Outlay Amendment. The State Board shall determine the reasonable allocation of the interest savings from the issuance of the Refunding Bonds among the respective school districts and Florida College System institution districts as required by the School Capital Outlay Amendment.

ARTICLE II
AUTHORIZATION OF REFUNDING

There is hereby authorized the refunding of the Refunded Bonds to be accomplished in the manner hereinafter provided.

ARTICLE III
AUTHORIZATION AND TERMS OF REFUNDING BONDS

SECTION 3.01. AUTHORIZATION OF REFUNDING BONDS. Subject and pursuant to the provisions of this Thirty-first Supplemental Authorizing Resolution, bonds of the State Board are hereby authorized to be issued in the aggregate principal amount of not exceeding $10,300,000. Such bonds shall each be designated "State of Florida, Full Faith and Credit, State Board of Education Capital Outlay Refunding Bonds, 2018 Series (to be determined)", or by such other designation as the Director of the Division of Bond Finance in his sole discretion may determine. The Refunding Bonds shall be issued under and secured by the Master Resolution, as supplemented by this Thirty-first Supplemental Authorizing Resolution, and all the terms and provisions contained in the Master Resolution shall be applicable to the Refunding Bonds, except as expressly set forth herein, including the pledge of the Motor Vehicle License Taxes and the pledge of the Full Faith and Credit of the State of Florida to the payment of the principal, premium if any, and interest on the Refunding Bonds.

Section 3.02. DESCRIPTION OF REFUNDING BONDS. The Refunding Bonds shall be issued only as fully registered bonds without coupons in the denominations of $1,000 or any integral multiple thereof; shall be dated and mature as determined pursuant to a subsequent resolution adopted by the State Board on or prior to the sale of the Refunding Bonds; shall bear interest at not exceeding the maximum lawful rate of interest authorized on the date of sale of the Refunding Bonds, payable semi-annually on July 1 and January 1 of each year; and shall be payable as to both principal and interest, shall be subject to registration, exchange, and transfer, shall be executed and authenticated, shall be subject to prior redemption in the manner, shall be in the form, and shall have such other terms as set forth in Article III of the Master Resolution.

The Refunding Bonds may be sold at one time or in installments from time to time as the State Board may determine. If issued in installments, each installment shall have an identifying number. The Refunding Bonds may also be sold as a part of the same series of other Capital Outlay Bonds authorized to be issued, whether for new money or refunding purposes. The Refunding Bonds may be made redeemable at the option of the State Board upon such terms and conditions as determined pursuant to a subsequent resolution adopted by the State Board prior to the issuance of the Refunding Bonds.

ARTICLE IV
APPLICATION OF REFUNDING BOND PROCEEDS

SECTION 4.01. APPLICATION OF REFUNDING BOND PROCEEDS. Upon receipt of the proceeds of the Refunding Bonds, the State Board shall transfer and apply such proceeds as follows:

(a) The amount necessary to pay all costs and expenses of the Division of Bond Finance in connection with the preparation, sale and issuance of the Refunding Bonds, including a reasonable charge for the services of the Division of Bond Finance, shall be transferred to the Division of Bond Finance to be deposited in the Bond Proceeds Trust Fund, subject to disbursement of the funds to the Bond Fee Trust Fund and the Arbitrage Compliance Trust Fund pursuant to written instructions at the delivery of the Refunding Bonds unless such amount shall be provided from another legally available source.

(b) The accrued interest on the Refunding Bonds, plus an amount determined in the sole discretion of the State Board and the Division of Bond Finance as being necessary, together with such accrued interest, to provide for the payment of interest on the Refunding Bonds for a period not to exceed 12 months from the date of issuance of the Refunding Bonds shall be transferred to the Board of Administration and deposited in the Sinking Fund created by the Master Resolution.

(c) All remaining proceeds shall be transferred to the Board of Administration for deposit into a trust fund, hereby created, to be known as the "State of Florida, Full Faith and Credit, State Board of Education, 2018 Series (to be determined) Capital Outlay Refunding Bonds Retirement Fund" (hereinafter referred to as the "Retirement Fund"). Such amount, together with the income on the investment thereof and other available monies (if necessary), shall be sufficient to pay when due the entire principal of the Refunded Bonds, together with interest accrued and to accrue thereon to their respective maturity dates or, if called for redemption prior to maturity, such prior redemption dates and redemption premiums, if any, and the expenses and fees listed in the Escrow Deposit Agreement as hereinafter provided in Section 4.02(a) below. The Director of the Division of Bond Finance is authorized to determine the redemption date of the Refunded Bonds, provide for the publication of any notice of redemption and take any other actions necessary or desirable to refund and redeem the Refunded Bonds.

SECTION 4.02. RETIREMENT FUND. The moneys deposited by the Board of Administration in the Retirement Fund shall be administered and applied as follows:

(a) The Retirement Fund shall be held in irrevocable trust by the Board of Administration and, except as provided in subsection (b) of this Section 4.02, shall be applied solely to refund the Refunded Bonds and to the payment of the fees and expenses incurred in connection with such refunding. The application of the moneys in the

Retirement Fund shall be made for said purposes pursuant to an Escrow Deposit Agreement to be entered into between the State Board and the Board of Administration, in the form normally utilized by the State Board.

(b) Moneys on deposit in the Retirement Fund shall be used to purchase Federal Obligations in accordance with the schedules given in the Escrow Deposit Agreement. The maturing Federal Obligations, the earnings thereon, and the cash on deposit in the Retirement Fund shall be sufficient to accomplish the refunding described above in Section 4.01(c). In the alternative, in the discretion of the Director of the Division of Bond Finance, moneys on deposit in the retirement fund shall be invested in the State Treasury, or in such other legally authorized investments, or held uninvested, until such time as such funds are needed to effect the redemption of the Refunded Bonds.

Section 4.03. REGISTERED OWNERS NOT AFFECTED BY APPLICATION OF REFUNDING BOND PROCEEDS. The proceeds derived from the sale of the Refunding Bonds shall be applied and disbursed pursuant to the provisions of the Act and this Thirty-first Supplemental Authorizing Resolution. The Registered Owners of Refunding Bonds shall not have any responsibility whatsoever for the application or use of any of the proceeds derived from the sale of the Refunding Bonds, and the rights and remedies of the Registered Owners of Refunding Bonds and their right to payment, pursuant to the School Capital Outlay Amendment and this Thirty-first Supplemental Authorizing Resolution, shall not be affected or impaired by the application or use of such proceeds. Upon the issuance of the Refunding Bonds authorized by this Thirty-first Supplemental Authorizing Resolution, all the covenants and agreements between the State Board and the Registered Owners of Refunding Bonds contained in this Thirty-first Supplemental Authorizing Resolution shall be valid and binding covenants and agreements between the State Board and the Registered Owners of Refunding Bonds without regard to the application of the proceeds of the Refunding Bonds.

ARTICLE V
APPLICATION OF PROVISIONS OF MASTER RESOLUTION AND SECURITY FOR THE REFUNDING BONDS

The Refunding Bonds herein authorized shall for all purposes (except as herein expressly changed) be considered to be Additional Parity Bonds issued under the authority of the Master Resolution and shall be entitled to all the protection and security provided therein for the Parity Bonds and shall be in all respects entitled to the same security, rights, and privileges enjoyed by the Parity Bonds.

The covenants and pledges contained in the Master Resolution (to the extent the same are not inconsistent with the provisions hereof) shall be applicable to the Refunding Bonds herein authorized in like manner as applicable to the Parity Bonds, and the Funds and Accounts established in the Master Resolution shall be continued and maintained as long as any of the Refunding Bonds and interest thereon issued hereunder are outstanding and unpaid. The principal of and interest on the Refunding Bonds herein authorized shall be payable from the Sinking Fund heretofore established by the Master Resolution on a parity with the Parity Bonds, and payment shall be made into such Sinking Fund from the Capital Outlay Fund in amounts fully sufficient to pay the principal of and interest on the Refunding Bonds herein authorized as such principal and interest become due.

ARTICLE VI
MISCELLANEOUS

Section 6.01. SEVERABILITY OF PROVISIONS. If any one or more of the covenants, agreements or provisions of this Thirty-first Supplemental Authorizing Resolution shall be held contrary to any express provision of law, or contrary to the policy of express law though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements or provisions and shall in no way affect the validity of any of the other covenants, agreements or provisions of this Thirty-first Supplemental Authorizing Resolution or of the Refunding Bonds.

Section 6.02. CONTINUING DISCLOSURE. (A) In order to comply with Rule 15c2-12 of the Securities and Exchange Commission, the State Board hereby agrees to provide or cause to be provided such information as may be required, from time to time, under such rule.

(B) The Commissioner or Deputy Commissioner of Education, in conjunction with the appropriate officer of the Division, is authorized and directed to execute and deliver any documents or agreements which are necessary to comply with the requirements of Rule 15c2-12 of the Securities and Exchange Commission.

Section 6.03 REPEAL OF INCONSISTENT RESOLUTIONS. All resolutions and parts of resolutions heretofore adopted pertaining to the subject matter of this Thirty-first Supplemental Authorizing Resolution, to the extent that they are inconsistent with this Thirty-first Supplemental Authorizing Resolution, are hereby repealed, revoked, and rescinded.

Section 6.04. TIME OF TAKING EFFECT. This Thirty-first Supplemental Authorizing Resolution shall take effect immediately upon its adoption.

ADOPTED ON AUGUST 15, 2018.

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APPENDIX F

THE SCHOOL CAPITAL OUTLAY AMENDMENT
SUBSECTION (d), SECTION 9, ARTICLE XII
OF THE CONSTITUTION OF FLORIDA

SECTION 9. BONDS.

(d) SCHOOL BONDS.

(1) [5]Article XII, Section 9, Subsection (d) of this constitution, as amended (which, by reference, adopted [6]Article XII, Section 18, of the Constitution of 1885, as amended) as the same existed immediately before the effective date of this amendment is adopted by this reference as part of this amendment as completely as though incorporated herein verbatim, for the purpose of providing that after the effective date of this amendment the first proceeds of the revenues derived from the licensing of motor vehicles as referred to therein shall be distributed annually among the several counties in the ratio of the number of instruction units in each county, the same being coterminus with the school district of each county as provided in Article IX, Section 4, Subsection (a) of this constitution, in each year computed as provided therein to the extent necessary to comply with all obligations to or for the benefit of holders of bonds or motor vehicle tax anticipation certificates issued before the effective date of this amendment or any refundings thereof which are secured by any portion of such revenues derived from the licensing of motor vehicles.

(2) No funds anticipated to be distributed annually among the several counties under the formula stated in [5]Article XII, Section 9, Subsection (d) of this constitution, as amended, as the same existed immediately before the effective date of this amendment shall be pledged as security for any obligations hereafter issued or entered into, except that any outstanding obligations previously issued pledging such funds may be refunded at a lower net average interest cost rate by the issuance of refunding bonds.

(3) Subject to the requirements of paragraph (1) of this subsection (d) beginning July 1, 1973, the first proceeds of the revenues derived from the licensing of motor vehicles (hereinafter called "motor vehicles license revenues) to the extent necessary to comply with the provisions of this amendment, shall, as collected, be placed monthly in the school district and community college district capital outlay and debt service fund in the state treasury and used only as provided in this amendment. Such revenue shall be distributed annually among the several school districts and community college districts in the ratio of the number of instruction units in each school district or community college district in each year computed as provided herein. The amount of the first motor vehicle license revenues to be so set aside in each year and distributed as provided herein shall be an amount equal in the aggregate to the product of six hundred dollars ($600) multiplied by the total number of instruction units in all the school districts of Florida for the school fiscal year 1967-68, plus an amount equal in the aggregate to the product of eight hundred dollars ($800) multiplied by the total number of instruction units in all the school districts of Florida for the school fiscal year 1972-73 and for each school fiscal year thereafter which is in excess of the total number of such instruction units in all the school districts of Florida for the school fiscal year 1967-68, such excess units being designated "growth units." The amount of the first motor vehicle license revenues to be so set aside in each year and distributed as provided herein shall additionally be an amount equal in the aggregate to the product of four hundred dollars ($400) multiplied by the total number of instruction units in all community college districts of Florida. The number of instruction units in each school district or community college district in each year for the purposes of this amendment shall be the greater of (1) the number of instruction units in each school district for the school fiscal year 1967-68 or community college district for the school fiscal year 1968-69 computed in the manner heretofore provided by general law, or (2) the number of instruction units in such school district, including growth units, or community college district for the school fiscal year computed in the manner heretofore or hereafter provided by general law and approved by the state board of education (hereinafter called the state board), or (3) the number of instruction units

in each school district, including growth units, or community college district on behalf of which the state board has issued bonds or motor vehicle license revenue anticipation certificates under this amendment which will produce sufficient revenues under this amendment to equal one and twelve-hundredths (1.12) times the aggregate amount of principal of and interest on all bonds or motor vehicle license revenue anticipation certificates issued under this amendment which will mature and become due in such year, computed in the manner heretofore or hereafter provided by general law and approved by the state board.

(4) Such funds so distributed shall be administered by the state board as now created and constituted by Section 2 of Article IX of the State Constitution as revised in 1968, or by such other instrumentality of the state which shall hereafter succeed by law to the powers, duties and functions of the state board, including the powers, duties and functions of the state board provided in this amendment. For the purposes of this amendment, said state board shall be a body corporate and shall have all the powers provided in this amendment in addition to all other constitutional and statutory powers related to the purposes of this amendment heretofore or hereafter conferred upon said state board.

(5) The state board shall, in addition to its other constitutional and statutory powers, have the management, control and supervision of the proceeds of the first motor vehicles license revenues provided for in this subsection (d). The state board shall also have power, for the purpose of obtaining funds for the use of any school board of any school district or board of trustees of any community college district in acquiring, building, constructing, altering, remodeling, improving, enlarging, furnishing, equipping, maintaining, renovating, or repairing of capital outlay projects for school purposes to issue bonds or motor vehicle license revenue anticipation certificates, and also to issue such bonds or motor vehicle license revenue anticipation certificates to pay, fund or refund any bonds or motor vehicle license revenue anticipation certificates theretofore issued by said state board. All such bonds or motor vehicle license revenue anticipation certificates shall bear interest at not exceeding the rate provided by general law and shall mature not later than thirty years after the date of issuance thereof. The state board shall have power to determine all other details of the bonds or motor vehicle license revenue anticipation certificates and to sell in the manner provided by general law, or exchange the bonds or motor vehicle license revenue anticipation certificates, upon such terms and conditions as the state board shall provide.

(6) The state board shall also have power to pledge for the payment of the principal of and interest on such bonds or motor vehicle license revenue anticipation certificates, including refunding bonds or refunding motor vehicle license revenue anticipation certificates, all or any part from the motor vehicle license revenues provided for in this amendment and to enter into any covenants and other agreements with the holders of such bonds or motor vehicle license revenue anticipation certificates at the time of the issuance thereof concerning the security thereof and the rights of the holders thereof, all of which covenants and agreements shall constitute legally binding and irrevocable contracts with such holders and shall be fully enforceable by such holders in any court of competent jurisdiction.

(7) No such bonds or motor vehicle license revenue anticipation certificates shall ever be issued by the state board, except to refund outstanding bonds or motor vehicle license revenue anticipation certificates, until after the adoption of a resolution requesting the issuance thereof by the school board of the school district or board of trustees of the community college district on behalf of which the obligations are to be issued. The state board of education shall limit the amount of such bonds or motor vehicle license revenue anticipation certificates which can be issued on behalf of any school district or community college district to ninety percent (90%) of the amount which it determines can be serviced by the revenue accruing to the school district or community college district under the provisions of this amendment, and shall determine the reasonable allocation of the interest savings from the issuance of refunding bonds or motor vehicle license revenue anticipation certificates, and such determination shall be conclusive. All such bonds or motor vehicle license revenue anticipation certificates shall be issued in the name of the state board of education but shall be issued for and on behalf of the school board of the school district or board of trustees of the community college district requesting the issuance thereof, and no election or approval of qualified electors shall be required for the issuance thereof.

(8) The state board shall in each year use the funds distributable pursuant to this amendment to the credit of each school district or community college district only in the following manner and in order of priority:

a. To comply with the requirements of paragraph (1) of this subsection (d).

b. To pay all amounts of principal and interest maturing in such year on any bonds or motor vehicle license revenue anticipation certificates issued under the authority hereof, including refunding bonds or motor vehicle license revenue anticipation certificates, issued on behalf of the school board of such school district or board of trustees of such community college district; subject, however, to any covenants or agreements made by the state board concerning the rights between holders of different issues of such bonds or motor vehicle license revenue anticipation certificates, as herein authorized.

c. To establish and maintain a sinking fund or funds to meet future requirements for debt service or reserves therefor, on bonds or motor vehicle license revenue anticipation certificates issued on behalf of the school board of such school district or board of trustees of such community college district under the authority hereof, whenever the state board shall deem it necessary or advisable, and in such amounts and under such terms and conditions as the state board shall in its discretion determine.

d. To distribute annually to the several school boards of the school districts or the boards of trustees of the community college districts for use in payment of debt service on bonds heretofore or hereafter issued by any such school boards of the school districts or boards of trustees of the community college districts where the proceeds of the bonds were used, or are to be used, in the acquiring, building, constructing, altering, remodeling, improving, enlarging, furnishing, equipping, maintaining, renovating, or repairing of capital outlay projects in such school districts or community college districts and which capital outlay projects have been approved by the school board of the school district or board of trustees of the community college district, pursuant to the most recent survey or surveys conducted under regulations prescribed by the state board to determine the capital outlay needs of the school district or community college district. The state board shall have power at the time of issuance of any bonds by any school board of any school district or board of trustees of any community college district to covenant and agree with such school board or board of trustees as to the rank and priority of payments to be made for different issues of bonds under this subparagraph d., and may further agree that any amounts to be distributed under this subparagraph d. may be pledged for the debt service on bonds issued by any school board of any school district or board of trustees of any community college district and for the rank and priority of such pledge. Any such covenants or agreements of the state board may be enforced by any holders of such bonds in any court of competent jurisdiction.

e. To pay the expenses of the state board in administering this subsection (d), which shall be prorated among the various school districts and community college districts and paid out of the proceeds of the bonds or motor vehicle license revenue anticipation certificates or from the funds distributable to each school district and community college district on the same basis as such motor vehicle license revenues are distributable to the various school districts and community college districts.

f. To distribute annually to the several school boards of the school districts or boards of trustees of the community college districts for the payment of the cost of acquiring, building, constructing, altering, remodeling, improving, enlarging, furnishing, equipping, maintaining, renovating, or repairing of capital outlay projects for school purposes in such school district or community college district as shall be requested by resolution of the school board of the school district or board of trustees of the community college district.

g. When all major capital outlay needs of a school district or community college district have been met as determined by the state board, on the basis of a survey made pursuant to regulations of the state board and approved by the state board, all such funds remaining shall be distributed annually and used for such school purposes in such school district or community college district as the school board of the school district or board of trustees of the community college district shall determine, or as may be provided by general law.

(9) Capital outlay projects of a school district or community college district shall be eligible to participate in the funds accruing under this amendment and derived from the proceeds of bonds and motor vehicle license revenue anticipation certificates and from the motor vehicle license revenues, only in the order of priority of needs, as shown by a survey or surveys conducted in the school district or community college district under regulations prescribed by the state board, to determine the capital outlay needs of the school district or community college district and approved by the state board; provided that the priority of such projects may be changed from time to time upon the request of the school board of the school district or board of trustees of the community college district and with the approval of the state board; and provided, further, that this paragraph (9) shall not in any manner affect any covenant, agreement or pledge made by the state board in the issuance by said state board of any bonds or motor vehicle license revenue anticipation certificates, or in connection with the issuance of any bonds of any school board or any school district, or board of trustees of any community college district.

(10) The state board shall have power to make and enforce all rules and regulations necessary to the full exercise of the powers herein granted and no legislation shall be required to render this amendment of full force and operating effect. The legislature shall not reduce the levies of said motor vehicle license revenues during the life of this amendment to any degree which will fail to provide the full amount necessary to comply with the provisions of this amendment and pay the necessary expenses of administering the laws relating to the licensing of motor vehicles, and shall not enact any law having the effect of withdrawing the proceeds of such motor vehicle license revenues from the operation of this amendment and shall not enact any law impairing or materially altering the rights of the holders of any bonds or motor vehicle license revenue anticipation certificates issued pursuant to this amendment or impairing or altering any covenant or agreement of the state board, as provided in such bonds or motor vehicle license revenue anticipation certificates.

(11) Bonds issued by the state board pursuant to this subsection (d) shall be payable primarily from said motor vehicle license revenues as provided herein, and if heretofore or hereafter authorized by law, may be additionally secured by pledging the full faith and credit of the state without an election. When heretofore or hereafter authorized by law, bonds issue pursuant to [6]Article XII, Section 18 of the Constitution of 1885, as amended prior to 1968, and bonds issued pursuant to Article XII, Section 9, subsection (d) of the Constitution as revised in 1968, and bonds issued pursuant to this subsection (d), may be refunded by the issuance of bonds additionally secured by the full faith and credit of the state.

(e) DEBT LIMITATION.

Bonds issued pursuant to this Section 9 of Article XII which are payable primarily from revenues pledged pursuant to this section shall not be included in applying the limits upon the amount of state bonds contained in Section 11, Article VII, of this revision.

(Note-Footnote numbers in this appendix refer to obsolete constitutional sections, and have no effect herein)

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered by the State Board of Education of Florida (the "Board of Education") and the Division of Bond Finance of the State Board of Administration of Florida (the "Division of Bond Finance") in connection with the issuance of $8,560,000 State of Florida, Full Faith and Credit, State Board of Education Capital Outlay Refunding Bonds, 2019 Series A (the "Bonds"). This Disclosure Agreement is being executed and delivered pursuant to Section 6.02 of the Thirty-first Supplemental Authorizing Resolution adopted by the Board of Education on August 15, 2018, providing for the issuance of the Bonds (the "Resolution"). The Board of Education and the Division of Bond Finance covenant and agree as follows:

SECTION 1. PURPOSE OF THE DISCLOSURE AGREEMENT. This Disclosure Agreement is being executed and delivered by the Board of Education and the Division of Bond Finance 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 Board of Education, the Division of Bond Finance, the Registered Owners, the Beneficial Owners and the Participating Underwriters.

SECTION 2. DEFINITIONS. In addition to the definitions set forth in the Resolution and the Original Resolution adopted by the Board of Education on February 4, 1992, 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 Board of Education assumes all responsibilities for any continuing disclosure as described below. In order to comply with the Rule, the Board of Education 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 Vehicle License Tax Collections;
(b) Investment of Funds;
(c) Debt Service Coverage;
(d) Sources and Amounts of State Funds;
(e) History of Legislative Appropriations;
(f) Statement of Resources and Liabilities;
(g) Schedule of Outstanding Bonds; and
(h) 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;
(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 tax liability, 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 Board of Education to provide the information required by paragraphs (A) (1) or (A)(2) of this Section will be provided in a timely manner.

(b) The Board of Education 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 Board of Education's obligations hereunder.

(B) Methods of Providing Information.

(1) (a) Annual financial information and operating data described in paragraph 3(A)(1) and the audited financial statements described in paragraph 3(A)(2) shall be transmitted to the Municipal Securities Rulemaking Board (hereafter "MSRB") using the MSRB's Electronic Municipal Market Access System ("EMMA") or by such other method as may be subsequently determined by the MSRB.

(b) Material event notices described in paragraph 3(A)(3) and notices described in paragraph 3(A)(4) shall also be transmitted to the MSRB using EMMA or by such other method as may be subsequently determined by the MSRB.

(2) (a) Information shall be provided to the MSRB in an electronic format as prescribed by the MSRB, either directly, or indirectly through an indenture trustee or a designated agent.

(b) All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

(C) If this Disclosure Agreement is amended to change the operating data or financial information to be disclosed, the annual financial information containing amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(D) The Board of Education's obligations hereunder shall continue until such time as the Bonds are no longer Outstanding or until the Board of Education 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 Board of Education chooses to include additional information not specifically required by this Disclosure Agreement, the Board of Education shall have no obligation under this Disclosure Agreement to update such information or include it in any such future submission.

Dated this ___ day of ________, 2019.

STATE BOARD OF EDUCATION OF FLORIDA

By________________________________
Deputy Commissioner
Finance and Operations

DIVISION OF BOND FINANCE OF THE STATE BOARD OF ADMINISTRATION OF FLORIDA

By_____________________________________
Assistant Secretary

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FORM OF BOND COUNSEL OPINION

Upon delivery of the 2019 Series A Bonds, Squire Patton Boggs (US) LLP, Bond Counsel, proposes to render its final opinion with respect to the 2019 Series A Bonds in substantially the following form:

State Board of Education
Tallahassee, Florida

State of Florida
State Board of Administration
Division of Bond Finance
Tallahassee, Florida

We have served as bond counsel to our client the State Board of Education of Florida (the "Board of Education") and not as counsel to any other person in connection with the issuance by the Board of Education of its $8,560,000 State of Florida, Full Faith and Credit, State Board of Education Capital Outlay Refunding Bonds, 2019 Series A (the "2019 Series A Bonds"), dated the date of delivery thereof. The 2019 Series A Bonds are issued, pursuant to Section 9(d) of Article XII of the Constitution of the State of Florida, as amended (herein referred to as the "School Capital Outlay Amendment"), and applicable statutes, including Chapters 1001 and 1010, Florida Statutes, Sections 215.57 215.83, Florida Statutes, and other applicable provisions of law, and a resolution adopted by the Board of Education on February 4, 1992 (the "Master Resolution"), as supplemented by the Thirty-first Supplemental Resolution adopted by the Board of Education on August 15, 2018, respectively (hereinafter collectively referred to as the "Resolution"), authorizing the issuance of the 2019 Series A Bonds for and on behalf of certain School Boards of the School Districts and Boards of Trustees of the Community College Districts in Florida, as described in the Resolution, for the purpose of refunding all of the outstanding State of Florida, Full Faith and Credit, State Board of Education Capital Outlay Bonds, 2009 Series A, all as more particularly described in the Resolution. Capitalized terms used and not otherwise defined herein shall have the same meanings specified in the Resolution.

In our capacity as bond counsel, we have examined the transcript of proceedings relating to the issuance of the 2019 Series A Bonds, a conformed copy of the signed but unauthenticated Bond of the first maturity, the Resolution and such other documents, matters and law as we deem necessary to render the opinions set forth in this letter.

Based on that examination and subject to the limitations stated below, we are of the opinion that, under existing law:

1. The 2019 Series A Bonds and the Resolution incorporated in the transcript are valid, legal, binding and enforceable in accordance with their respective terms. The 2019 Series A Bonds are entitled to the benefits and security of the Resolution for the payment thereof in accordance with the terms of the Resolution.

2. The principal of, premium, if any, and interest on the 2019 Series A Bonds, together with the principal of, premium, if any, and interest on additional bonds issuable under the Resolution on a parity with the 2019 Series A Bonds are payable primarily from the state motor vehicle license taxes distributable for the account of such School Districts and Community College Districts in Florida, under the provisions of the School Capital Outlay Amendment (the "Motor Vehicle License Taxes"), and are additionally secured by the Full Faith and Credit of the State of Florida. The 2019 Series A Bonds are being issued on a parity with other Capital Outlay Bonds and Capital Outlay Refunding Bonds issued by the Board of Education pursuant to the Master Resolution.

3. The 2019 Series A Bonds and the income thereon are exempt from taxation under the laws of the State of Florida, except estate taxes imposed by Chapter 198, Florida Statutes, as amended, and net income and franchise taxes imposed by Chapter 220, Florida Statutes, as amended.

4. Interest on the 2019 Series A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations; however, under the Code,

portions of the interest on the 2019 Series A Bonds earned by certain corporations may be subject to a corporate alternative minimum tax. We express no opinion as to any other tax consequences regarding the 2019 Series A Bonds.

The opinions stated above are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. In rendering all such opinions, we assume, without independent verification, and rely upon (i) the accuracy of the factual matters represented, warranted or certified in the proceedings and documents we have examined, and (ii) the due and legal authorization, execution and delivery of those documents by, and the valid binding and enforceable nature of those documents upon, any parties other than the Board of Education.

In rendering those opinions with respect to the treatment of interest on the 2019 Series A Bonds under the federal tax laws, we further assume and rely upon compliance with the covenants in the proceedings and documents we have examined, including those of the Board of Education. Failure to comply with certain of those covenants subsequent to issuance of the 2019 Series A Bonds may cause interest on the 2019 Series A Bonds to be included in gross income for federal income tax purposes retroactively to their date of issuance.

The rights of the owners of the 2019 Series A Bonds and the enforceability of the 2019 Series A Bonds and the Resolution are subject to bankruptcy, insolvency, arrangement, fraudulent conveyance or transfer, reorganization, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion, and to limitations on legal remedies against public entities.

The opinions rendered in this letter are stated only as of this date, and no other opinion shall be implied or inferred as a result of anything contained in or omitted from this letter. Our engagement as bond counsel with respect to the 2019 Series A Bonds has concluded on this date.

Respectfully submitted,

APPENDIX I

PROVISIONS FOR BOOK-ENTRY ONLY SYSTEM OR REGISTERED BONDS

The Depository Trust Company and Book-Entry Only System

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE DIVISION OF BOND FINANCE BELIEVES TO BE RELIABLE; HOWEVER, THE DIVISION OF BOND FINANCE TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

The Depository Trust Company ("DTC") New York, NY, will act as securities depository for the 2019A Bonds. The 2019A 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 2019A 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 2019A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2019A Bonds on DTC's records. The ownership interest of each actual purchaser of each 2019A 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 2019A 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 2019A Bonds, except in the event that use of the book-entry system is discontinued.

To facilitate subsequent transfers, all 2019A 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 2019A 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 2019A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2019A 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 2019A Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect

to the 2019A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2019A Bond documents. For example, Beneficial Owners of 2019A Bonds may wish to ascertain that the nominee holding the 2019A 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 2019A 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 2019A Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Division of Bond Finance as soon as practicable after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2019A 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 2019A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the Bond Registrar/Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, (nor its nominee), the Bond Registrar/Paying Agent, the Division of Bond Finance, or the Board of Education, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Bond Registrar/Paying Agent; disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services with respect to the 2019A Bonds at any time by giving reasonable notice to the Division of Bond Finance or Bond Registrar/Paying Agent and discharging its responsibilities with respect thereto under applicable law. The Division of Bond Finance may decide to discontinue use of the system of book-entry transfers for the 2019A 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 2019A Bonds will be printed and delivered as provided in the documents authorizing the issuance and sale of the 2019A Bonds.

For every transfer and exchange of beneficial interests in the 2019A 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 2019A Bonds, references herein to the Registered Owners or Holders of the 2019A Bonds shall mean Cede & Co. and not mean the Beneficial Owners of the 2019A Bonds unless the context requires otherwise.

The Division of Bond Finance, the Board of Education and the Bond Registrar/Paying Agent will not have any responsibility or obligation with respect to:

(i) the accuracy of the records of DTC, its nominee or any DTC Participant or any successor securities depository, participants thereof or nominee thereof with respect to any beneficial ownership interest in the 2019A 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 2019A 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 2019A Bonds, or the purchase price of, any 2019A 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 2019A Bonds for partial redemption.

So long as the 2019A Bonds are held in book-entry only form, the Division of Bond Finance, the Board of Education and the Bond Registrar/Paying Agent may treat DTC and any successor Securities Depository as, and deem DTC and any successor Securities Depository to be, the absolute owner of the 2019A Bonds for all purposes whatsoever, including, without limitation:

(i) the payment of the principal of, premium, if any, and interest on the 2019A Bonds;

(ii) giving notices of redemption and other matters with respect to the 2019A Bonds;

(iii) registering transfers with respect to the 2019A Bonds; and

(iv) the selection of the beneficial ownership interests in the 2019A Bonds for partial redemption.

Payment, Registration, Transfer and Exchange

The following provisions shall only be applicable if the book-entry-only system of registration is discontinued; for provisions which are applicable while the book-entry only system of registration is in effect, see "Book-Entry Only System" above.

The Division of Bond Finance, the Board of Education and the Bond Registrar/Paying Agent may treat the Registered Owner of any 2019A Bond as the absolute owner for all purposes, whether or not such 2019A Bond is overdue, and will not be bound by any notice to the contrary.

Principal of and premium, if any, on the 2019A Bonds will be payable upon presentation and surrender of the 2019A 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 2019A 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 2019A Bond to the Bond Registrar/Paying Agent together with a written instrument of transfer (if so required) satisfactory in form to the Division of Bond Finance of Bond Finance and the Bond Registrar/Paying Agent, duly executed by the Registered Owner or a duly authorized attorney. Upon surrender to the Bond Registrar/Paying Agent for transfer or exchange of any 2019A 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 2019A Bond of authorized denomination of the same maturity for the aggregate principal amount which the Registered Owner is entitled to receive.

Neither the Division of Bond Finance nor the Bond Registrar/Paying Agent may charge the Registered Owner or transferee for any expenses incurred in making any exchange or transfer of the 2019A Bonds. However, the Division of Bond Finance and the Bond Registrar/Paying Agent may require payment from the Registered Owner of a sum sufficient to cover any tax, fee, or other governmental charge that may be imposed in relation thereto. Such governmental charges and expenses must be paid before any such new 2019A Bond is delivered.

The Bond Registrar/Paying Agent will not be required to issue, transfer or exchange any 2019A Bonds on the Record Date.

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