State of Florida
Division of Bond Finance

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Copies of the printed Official Statement may be obtained from:

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Tallahassee, Florida 32308

E-Mail: bond@sbafla.com
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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 2017B 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 F.

$261,635,000
STATE OF FLORIDA
Full Faith and Credit
State Board of Education
Public Education Capital Outlay Refunding Bonds, 2017 Series B

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

Bond Ratings	AAA Standard & Poor's Ratings Services Aa1 Moody's Investors Service AAA Fitch Ratings
Tax Status	In the opinion of Bond Counsel, interest on the 2017B 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. The 2017B Bonds and the income therefrom 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, and see Appendix H -"Form of Bond Counsel Opinion" for assumptions and limitations made by Bond Counsel.
Redemption	The 2017B Bonds maturing on and after June 1, 2028 are subject to optional redemption as provided herein.
Security	The 2017B Bonds are payable primarily from Gross Receipts Taxes and are additionally secured by the full faith and credit of the State of Florida.
Lien Priority	The lien of the 2017B Bonds on the Gross Receipts Taxes will be on a parity with the outstanding Parity Bonds and any Additional Bonds hereafter issued. The aggregate principal amount of Parity Bonds which will be outstanding subsequent to the issuance of the 2017B Bonds is $8,280,965,000, excluding the Refunded Bonds, which will be economically but not legally defeased, and will be redeemed on June 1, 2018. See "SECURITY FOR THE 2017B BONDS-Outstanding Obligations" herein for more detailed information.
Additional Bonds	Additional Bonds payable on a parity with the 2017B Bonds may be issued if historical Gross Receipts Taxes are at least 1.11 times annual debt service in each ensuing fiscal year. This description of the requirements for the issuance of Additional Bonds is only a summary of the complete requirements. See "ADDITIONAL PARITY BONDS" herein for more complete information.
Purpose	The proceeds of the 2017B Bonds will be used to refund a portion of the Outstanding State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Bonds, 2008 Series A and 2008 Series B, and to pay costs of issuance.
Interest Payment Dates	December 1 and June 1, commencing December 1, 2017.
Record Dates	May 15 and November 15.
Form/Denomination	The 2017B 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 2017B Bonds will not receive physical delivery of the 2017B Bonds.
Closing/Settlement	It is anticipated that the 2017B Bonds will be available for delivery through the facilities of DTC in New York, New York on September 21, 2017.
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 2017B Bonds will mature on the dates and bear interest at the rates set forth on the inside front cover.

August 23, 2017

MATURITY STRUCTURE

Initial CUSIP©	Due Date	Principal Amount	Interest Rate	Price or Yield*	First Optional Redemption Date and Price
34153QKD7	June 1, 2018	$475,000	5.00%	0.76%	-
34153QKE5	June 1, 2019	8,025,000	5.00	0.88	-
34153QKF2	June 1, 2020	8,430,000	5.00	0.97	-
34153QKG0	June 1, 2021	8,845,000	5.00	1.07	-
34153QKH8	June 1, 2022	9,290,000	5.00	1.18	-
34153QKJ4	June 1, 2023	9,760,000	5.00	1.32	-
34153QKK1	June 1, 2024	10,240,000	5.00	1.49	-
34153QKL9	June 1, 2025	10,755,000	5.00	1.65	-
34153QKM7	June 1, 2026	11,295,000	5.00	1.79	-
34153QKN5	June 1, 2027	11,855,000	5.00	1.94	-
34153QKP0	June 1, 2028**	12,455,000	5.00	2.07	June 1, 2027 @ 100%
34153QKQ8	June 1, 2029**	13,070,000	5.00	2.18	June 1, 2027 @ 100
34153QKR6	June 1, 2030**	13,730,000	5.00	2.28	June 1, 2027 @ 100
34153QKS4	June 1, 2031**	14,415,000	5.00	2.37	June 1, 2027 @ 100
34153QKT2	June 1, 2032**	15,135,000	4.00	2.72	June 1, 2027 @ 100
34153QKU9	June 1, 2033**	15,740,000	4.00	2.84	June 1, 2027 @ 100
34153QKV7	June 1, 2034**	16,375,000	4.00	2.90	June 1, 2027 @ 100
34153QKW5	June 1, 2035**	17,025,000	4.00	2.95	June 1, 2027 @ 100
34153QKX3	June 1, 2036	17,700,000	3.00	3.14	June 1, 2027 @ 100
34153QKY1	June 1, 2037	18,235,000	3.00	3.17	June 1, 2027 @ 100
34153QKZ8	June 1, 2038**	18,785,000	3.50	3.20	June 1, 2027 @ 100

* Price and yield information provided by the underwriter.

** The yield on these maturities is calculated to a 100% call on June 1, 2027.

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OFFICIAL STATEMENT
Relating to
$261,635,000
STATE OF FLORIDA
Full Faith and Credit
State Board of Education
Public Education Capital Outlay Refunding Bonds, 2017 Series B

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

INTRODUCTION

This Official Statement sets forth information relating to the sale and issuance of the $261,635,000 State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Refunding Bonds, 2017 Series B, dated the Date of Delivery (the "2017B Bonds"), by the Division of Bond Finance of the State Board of Administration of Florida (the "Division of Bond Finance").

Proceeds of the 2017B Bonds will be used to refund a portion of the Outstanding State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Bonds, 2008 Series A and 2008 Series B (the "Refunded Bonds"), and to pay costs of issuance. The refunding is being effectuated to achieve debt service savings due to lower interest rates. See "THE REFUNDING PROGRAM" below for more detailed information.

The 2017B Bonds will be secured by and payable primarily from Gross Receipts Taxes and are additionally secured by the full faith and credit of the State of Florida. See "SECURITY FOR THE 2017B BONDS" herein for more detailed information.

The lien of the 2017B Bonds on the Gross Receipts Taxes will be on a parity with the outstanding Parity Bonds and with any Additional Bonds hereafter issued. The aggregate principal amount of Parity Bonds which will be outstanding subsequent to the issuance of the 2017B Bonds is $8,280,965,000, excluding the Refunded Bonds, which will be economically but not legally defeased, and will be redeemed on June 1, 2018. See "SECURITY FOR THE 2017B BONDS - Outstanding Obligations" herein 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

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End of Introduction

AUTHORITY FOR THE ISSUANCE OF THE 2017B BONDS

General Legal Authority

The State Board of Education (the "Board of Education") is authorized to issue bonds payable primarily from Gross Receipts Taxes and additionally secured by the full faith and credit of the State of Florida, in accordance with Section 9(a)(2) of Article XII of the Florida Constitution (the "Public Education Bond Amendment"), and the State Bond Act. Under the State Bond Act, the Division of Bond Finance is authorized to act as the agent of the Board of Education to issue Board of Education bonds. All such bonds are issued in the name of the Board of Education. No election or approval of qualified electors is required for the issuance of the 2017B Bonds.

The amount of bonds which can be issued pursuant to Section 9(a)(2), Article XII is limited to 90% of the amount which the Board of Education determines can be serviced by the Gross Receipts Tax revenues.

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, 2017
Gary Chartrand	December 31, 2018
Benjamin J. Gibson	December 31, 2020
Tom Grady	December 31, 2018
Rebecca Fishman Lipsey	December 31, 2017
Michael Olenick	December 31, 2016*
Andy Tuck	December 31, 2017

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

Division of Bond Finance

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

State Board of Administration of Florida

The State Board of Administration of Florida (the "Board of Administration") was created under Article IV, Section 4, of the 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 Master Resolution adopted on July 21, 1992, as amended by the Fiftieth Supplemental Authorizing Resolution adopted on January 18, 2011, and as supplemented by the Sixty-third Supplemental Authorizing Resolution adopted on January 17, 2017, the Board of Education authorized the issuance of various series of Public Education Capital Outlay Bonds under the terms, limitations and conditions contained therein, including the 2017B Bonds. The Master Resolution, the Fiftieth Supplemental Authorizing Resolution, and the Sixty-third Supplemental Authorizing Resolution are reproduced herein as Appendices C, D, and E, respectively (collectively, the "Resolution").

The Board of Education authorized the sale of the 2017B Bonds by a resolution adopted on January 17, 2017.

The Division of Bond Finance authorized the issuance and sale of the 2017B Bonds by resolutions adopted on June 14, 2017.

The Board of Administration approved the fiscal sufficiency of the 2017B Bonds by a resolution adopted on June 14, 2017.

DESCRIPTION OF THE 2017B BONDS

The 2017B Bonds are full faith and credit obligations of the State issued in the name of the Board of Education. The 2017B Bonds are being issued as fully registered bonds in the denomination of $1,000 or integral multiples thereof. The 2017B Bonds are payable from the Pledged Revenues as described herein. The 2017B Bonds will be dated the Date of Delivery, and will mature as set forth on the inside front cover. Interest is payable on December 1, 2017, for the period from the Date of Delivery to December 1, 2017, and semiannually thereafter on June 1 and December 1 of each year until maturity or redemption.

The 2017B Bonds will initially be issued exclusively in "book-entry" form. Ownership of one 2017B 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 2017B Bonds. Individual purchases of the 2017B Bonds will be made in book-entry form only, and the purchasers will not receive physical delivery of the 2017B Bonds or any certificate representing their beneficial ownership interest in the 2017B 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 2017B Bonds if the book-entry only system of registration is discontinued.

REDEMPTION PROVISIONS

Optional Redemption

The 2017B Bonds maturing in the years 2018 through 2027 are not redeemable prior to their stated dates of maturity. The 2017B Bonds maturing in 2028 and thereafter are redeemable prior to their stated dates of maturity, without premium, at the option of the Board of Education, (i) in part, by maturities to be selected by the Board of Education, and by lot within a maturity if less than an entire maturity is to be redeemed, or (ii) as a whole, on June 1, 2027, or on any date thereafter, at the principal amount of the 2017B Bonds so redeemed, together with interest accrued to the date of redemption.

Notice of Redemption

All notices of redemption of 2017B Bonds will be transmitted to the Bond Registrar/Paying Agent, registered securities depositories and the Municipal Securities Rulemaking Board (the "MSRB") using its Electronic Municipal Market Access System ("EMMA"), and will be mailed at least 30 days prior to the date of redemption to Registered Owners of the 2017B Bonds to be redeemed, of record as of 45 days prior to the date of redemption. Such notices of redemption will specify the 2017B Bonds to be redeemed, if less than all; the redemption price thereof; the place for presentation thereof; and that interest on the 2017B Bonds so called for redemption will cease to accrue on the redemption date.

Failure to give any required notice of redemption as to any particular 2017B Bonds will not affect the validity of the call for redemption of any 2017B Bonds in respect of which no such failure has occurred. Any notice mailed as provided in the Resolution will be conclusively presumed to have been duly given, whether or not the Registered Owner receives the notice.

THE REFUNDING PROGRAM

The proceeds derived from the sale of the 2017B Bonds will be used to refund the State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Bonds, 2008 Series A, maturing in the years 2019 through 2038, in the outstanding principal amount of $123,060,000 and the State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Bonds, 2008 Series B, maturing the years 2019 through 2038, in the outstanding principal amount of $162,610,000 (collectively, the "Refunded Bonds"). This refunding is being effectuated to achieve debt service savings.

Simultaneously with the delivery of the 2017B Bonds, the Board of Education will cause to be deposited a portion of the proceeds of the 2017B Bonds, along with other legally available moneys, into the State Treasury investment pool, a fund held and invested by the State Treasurer of Florida. The amount of moneys initially deposited, together with interest thereon, is expected to be sufficient to make all payments with respect to the Refunded Bonds. The Refunded Bonds will be considered as remaining outstanding and economically defeased only, and will continue to be secured by the Gross Receipts Taxes and the full faith and credit of the State, until they are redeemed.

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

Sources and Uses of Funds

Sources:	
Par Amount of 2017B Bonds	$261,635,000
Net Original Issue Premium	36,021,721
Sinking Fund Transfer	4,542,343
Total Sources	$302,199,064
Uses:	
Deposit to Escrow	$301,085,825
Cost of Issuance	357,114
Underwriter's Discount	756,125
Total Uses	$302,199,064

Application of the 2017B Bond Proceeds

Upon receipt of the proceeds of the 2017B Bonds, the Board of Education will 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 2017B Bonds, including a reasonable charge for the services of the Division of Bond Finance, will 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 2017B Bonds unless such amount will be provided from another legally available source.

(B) All remaining proceeds will be transferred to the Board of Administration for deposit into escrow. After the redemption of the Refunded Bonds, any excess proceeds not used for such purpose will be transferred to the Public Education Trust Fund, and shall be used for any purpose for which moneys may be legally used from such fund (including the payment of debt service).

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

SECURITY FOR THE 2017B BONDS

The 2017B Bonds will be payable primarily from the Gross Receipts Taxes on utilities in the State, and will be additionally secured by the full faith and credit of the State. The lien of the 2017B Bonds on the Gross Receipts Taxes will be on a parity with the outstanding Parity Bonds and with any Additional Bonds hereafter issued. See "Outstanding Obligations" below for a description of the Parity Bonds.

No Registered Owners of the 2017B Bonds will be entitled to require the payment of the principal of or interest on the 2017B Bonds from any funds of the State, the Board of Education, or any other political subdivision or agency of said State, except from the Gross Receipts Taxes pledged for the payment thereof and moneys appropriated for such purpose pursuant to the pledge of the full faith and credit of the State.

Pledge of Gross Receipts Taxes

The Master Resolution provides that payment of the principal of and interest on all of the Bonds issued thereunder, including any Additional Bonds, will be secured equally and ratably by a lien on the Gross Receipts Taxes deposited in the Public Education Fund pursuant to the Public Education Bond Amendment, and that all such Gross Receipts Taxes are irrevocably pledged to the payment of the principal of and interest on the Bonds.

Full Faith and Credit of the State

The Resolution provides that the 2017B 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 2017B Bonds as the same mature and become due to the full extent that the Gross Receipts 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 Obligations

The Board of Education has issued its State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Bonds, 1999 Series D through 2016 Series G and the 2017 Series A Bonds, which will be issued on September 12, 2017 (collectively, the "Parity Bonds"). Subsequent to the issuance of the 2017B Bonds, the aggregate principal amount of Parity Bonds which will be outstanding is $8,280,965,000, excluding the Refunded Bonds, which will be economically but not legally defeased, and will be redeemed on June 1, 2018. The 2017B Bonds will be on a parity with the Parity Bonds as to the lien on the Gross Receipts Taxes.

Future Bonding

The 2017-18 General Appropriations Act does not authorize the issuance of additional Public Education Capital Outlay Bonds beyond what bonds had previously been authorized. The 2016-17 General Appropriations Act, after vetoes, included authorization for $275 million of Public Education Capital Outlay projects for which bonding would be available in accordance with the Sixty-second Supplemental Authorizing Resolution. From that authorization, $150 million in projects was funded by the 2016 Series E and 2016 Series G Bonds, leaving a balance of $125 million. In keeping with current State borrowing practices, bonds will remain unissued until proceeds are needed, which depends on the timing of future school construction. The Revenue Estimating Conference estimates bonding capacity for additional Public Education Capital Outlay Bonds, however, actual bonding capacity is dependent on Gross Receipts Tax collections, appropriations by the Legislature, and school construction needs. Additionally, future bonding capacity may also be affected by Gross Receipts Tax litigation and future legislative changes. See "ADDITIONAL PARITY BONDS" herein for a description of the Master Resolution and current statutory conditions to the issuance of additional parity Public Education Capital Outlay Bonds. See also "Levy of Taxes" and "Gross Receipts Tax Collections - *Settlement Impact on Gross Receipts Tax Collections*" under the heading "GROSS RECEIPTS TAX REVENUES AND DEBT SERVICE COVERAGE" herein.

Flow of Funds

The Gross Receipts Taxes, after making provision for any prior deficiencies, are deposited in the Public Education Fund in the State Treasury to 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 coming due on the Bonds.

(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 State's full faith and credit pledge, (iii) for the payment of the cost of any Capital Outlay Projects approved by the Legislature, and (iv) for the direct purchase or redemption of Bonds.

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

ADDITIONAL PARITY BONDS

The Master Resolution provides that no additional parity Public Education Capital Outlay Bonds can be issued unless the Board of Education determines that the debt service requirements in each ensuing fiscal year of the Bonds then Outstanding and the Additional Bonds proposed to be issued will not exceed 90% of the amount of Gross Receipts Taxes to be available in each Fiscal Year after the issuance of the Additional Bonds. No such Additional Bonds will be issued unless all payments required to be made by the Master Resolution have been made, and unless the Board of Education is in compliance with all of the covenants, agreements and provisions of such resolution. Public Education Capital Outlay Bonds may be refunded on a parity basis as long as the Additional Bonds requirements are met.

The Master Resolution was amended on January 18, 2011, by the Fiftieth Supplemental Resolution, to confirm the ability of the Board of Education to take into account the amount of federal subsidy payments received pursuant to the American Recovery and Reinvestment Act of 2009 for Build America Bonds in determining the amount of Debt Service Requirements on Bonds for purposes of the Additional Bonds test. Future federal subsidy payments will be received in relation to Public Education Capital Outlay Bonds in the approximate amount of $11.7 million in Fiscal Year 2018 and decreasing annually thereafter to approximately $0.9 million in the final year, Fiscal Year 2039.

Florida law has additionally provided that no additional parity Public Education Capital Outlay Bonds can be issued unless the Board of Education determines that the debt service requirements in each ensuing fiscal year of the Bonds then Outstanding and the Additional Bonds proposed to be issued will not exceed 90% of the average annual amount of Gross Receipts Taxes collected in the 24 months immediately preceding the most recent collection date before the issuance of such Additional Bonds. During the 2010 Legislative Session, legislation was adopted which permits the revenues to be adjusted to reflect revenues which would have been collected had legislation enacted into law before the date of determination been in effect during the 24-month period.

GROSS RECEIPTS TAX REVENUES AND DEBT SERVICE COVERAGE

Levy of Taxes

The pledged revenues are Gross Receipts Taxes, which are derived from several sources. The gross receipts tax on sellers of electricity and natural or manufactured gas is imposed at a rate of 2.5%. The gross receipts tax on the sale of communications services is taxed at a rate of 2.37%. In 2010, the Legislature provided for an additional 0.15% tax on communications services to be pledged to the Bonds. During the 2014 legislative session, the Legislature reduced the sales tax on electricity and created an additional gross receipts tax of 2.6% on the retail sale of electric power or energy (excluding sales to residential households) to be pledged to the Bonds.

The term "gross receipts" does not include gross receipts derived from: the sale of natural gas to a public or private utility, either for resale or for use as fuel in the generation of electricity; or the sale of electricity to a public or private utility, for resale within the state, or as part of an electrical interchange agreement between such utilities for the purpose of transferring more economically generated power.

Communications services means the transmission, conveyance, or routing of voice, data, audio, video or any other information or signals, including video services, by or through any electronic, radio, satellite, cable, optical, microwave, or other medium or method now in existence or hereafter devised. Among other things, the term does not include internet access service, electronic mail service, electronic bulletin board service, or similar on-line computer services.

Distribution of Gross Receipts Tax Revenues

The Public Education Bond Amendment requires that all Gross Receipts Taxes be placed in the Public Education Fund administered by the Board of Education. The moneys in the Public Education Fund must be expended in each fiscal year first, for the payment of principal of and interest on bonds maturing in such fiscal year; second, for annual reserve fund deposits, if any, for such fiscal year, then for direct payment of authorized project costs, or for the purchase or redemption of outstanding bonds.

Amounts required for debt service are transferred to the Sinking Fund semiannually just prior to each interest/principal payment date. Investment of bond sinking fund moneys is generally controlled by the resolution authorizing the issuance of a particular series of bonds. The policy of the Board of Administration permits sinking funds to be invested only in U.S. Treasury securities and repurchase agreements backed by U.S. Treasury securities (if so authorized by the bond resolution). The Resolution for the 2017B Bonds authorizes such investments.

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Gross Receipts Tax Collections

Historical - By Industry. The following schedule illustrates the revenues associated with each component of the Gross Receipts Tax base.

Source of Collections
(in millions)[1]

Fiscal Year	Electric	Telecommunications	Gas Fuels	Total Gross Receipts	Percent Change from Prior Year
2007-08	$639.21	$455.86	$30.90	$1,125.96	5.47%[2]
2008-09	623.71	473.10	29.41	1,126.22	0.02
2009-10	633.05	431.70	32.91	1,097.66	(2.54)
2010-11	606.92	432.19	32.53	1,071.65	(2.37)
2011-12	586.55	424.38	24.36	1,035.29	(3.39)
2012-13	558.56	418.27	26.22	1,003.05	(3.11)
2013-14	575.17	404.44	25.75	1,005.36	0.23
2014-15	739.36[3]	385.65	27.37	1,152.38[3]	14.62[3]
2015-16	748.26	382.26	27.21	1,157.73	0.46
2016-17	730.48	354.42	26.70	1,111.60	(3.98)[4]

Source: Office of Economic and Demographic Research.
[1] Numbers may not add due to rounding.
[2] Compared to total collections of $1,067.6 million in Fiscal Year 2006-07.
[3] Increase in electric gross receipts tax in Fiscal Year 2014-15 is primarily attributable to collection of an additional $136.5 million from 2014 legislation converting certain sales taxes to a gross receipts tax.
[4] Decrease partially attributable to $19.2 million credited back to AT&T in 2016-17, as described below.

Historical - Monthly. Presented below are monthly Gross Receipts Tax Collections.

Gross Receipts Tax Monthly Collections

	2012-13	2013-14	2014-15[3]	2015-16	2016-17
July	$87,362,722	$83,525,179	$88,047,917	$103,207,255	$93,169,460
August	91,531,542	87,964,203	102,748,304	106,041,972	97,896,279
September	90,599,921	89,085,526	103,701,659	112,675,035	106,591,564
October	89,207,420	89,719,981	111,638,781	105,711,941	102,465,659
November	90,907,155	87,536,543	101,060,336	98,692,136	96,456,513
December	88,497,993	82,005,863	94,157,699	95,899,547	92,386,062
January	75,174,906	79,822,764	95,224,804	91,859,337	86,449,225
February	81,030,905	82,260,848	91,345,803	89,949,765	87,525,142
March	75,565,803	83,443,917	81,130,651	90,733,765	83,738,038
April	76,937,245	86,688,249[2]	93,568,557	86,942,843	85,416,654
May	77,261,237	72,038,890[2]	94,311,729	85,246,059	86,126,243
June	78,971,094	81,265,558	95,445,842	90,767,381	93,378,447
Total	$1,003,047,943	$1,005,357,521	$1,152,382,082	$1,157,727,036	$1,111,599,286
Percent Change	(3.11)%[1]	0.23%	14.62%[3]	0.46%	(3.98)%[4]

Source: Office of Economic and Demographic Research.
[1] Based on a comparison with the total collections of $1,035,289,306 for Fiscal Year 2011-12.
[2] Collections for April 2014 include approximately $7.2 million that should have been attributed to May 2014.
[3] Beginning August 2014, monthly collections include additional gross receipts tax collections resulting from legislation converting certain sales taxes to a gross receipts tax.
[4] Decrease partially attributable to $19.2 million credited back to AT&T in 2016-17, as described below.

Projected. Presented below are projected Gross Receipts Tax collections, which 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 Gross Receipts Tax collections; no assurance can be given that there will not continue to be material differences relating to such amounts.***

Projected Gross Receipts Tax Collections[1]
(in millions)

Fiscal Year	Total Projected Gross Receipts Tax Collections	Percent Change from Prior Year
2017-18	$1,153.19	3.74%[2]
2018-19	1,181.51	2.46
2019-20	1,207.37	2.19
2020-21	1,233.28	2.15
2021-22	1,259.80	2.15
2022-23	1,287.93	2.23
2023-24	1,315.94	2.17
2024-25	1,343.22	2.07
2025-26	1,370.34	2.02
2026-27	1,399.09	2.10

[1] Official projections adopted by the Florida Revenue Estimating Conference held July 2017.
[2] Compared to actual total collections of $1,111.6 million in 2016-17.

The following table shows a comparison of the current and previous projected Gross Receipts Tax Collections.

Conference Comparison of Projected Gross Receipts Tax Collections
(in millions)

	Projected Collections		Percent Change
Fiscal Year	March 2017[1]	July 2017[2]	In Projections
2017-18	$1,158.72	$1,153.19	(0.48)%
2018-19	1,190.00	1,181.51	(0.71)
2019-20	1,217.95	1,207.37	(0.87)
2020-21	1,243.95	1,233.28	(0.86)
2021-22	1,269.80	1,259.80	(0.79)
2022-23	1,299.23	1,287.93	(0.87)
2023-24	1,328.60	1,315.94	(0.95)
2024-25	1,357.27	1,343.22	(1.04)
2025-26	1,385.80	1,370.34	(1.12)
2026-27	N/A	1,399.09	N/A

[1] Projected collections are official figures adopted by the Florida Revenue Estimating Conference held March 2017.
[2] Projected collections are official figures adopted by the Florida Revenue Estimating Conference held July 2017.

Settlement Impact on Gross Receipts Tax Collections. The State settled a lawsuit filed by New Cingular Wireless (formerly AT&T) and refunded certain taxes improperly collected on internet access services, such as smart phone data plans, collected by AT&T from November 1, 2005 through September 7, 2010. The refund amount of $23,965,186 was credited back in equal monthly amounts over a fifteen month period, beginning in May 2016. The refund results in a decrease in actual annual debt service coverage from 1.32x to 1.30x in Fiscal Year 2017, with no effect thereafter.

During the 2011 legislative session, the Legislature adopted a bill that directs the State Board of Education to disregard the impact of the AT&T refund on Gross Receipts Tax collections in calculating the amount of additional Public Education Capital Outlay bonds that may be issued. The effect of this bill is a slight increase in capacity to issue Public Education Capital Outlay bonds.

Historical Debt Service Coverage

Set forth below is the historical debt service coverage for all outstanding Public Education Capital Outlay Bonds.

Schedule of Historical Debt Service Coverage

Fiscal Year	Gross Receipts Taxes	Annual Program Debt Service[1]	Coverage Ratio
2012-13	$1,003,047,943	$946,509,164[2]	1.06x
2013-14	1,005,357,521	909,342,254[3]	1.11x
2014-15	1,152,382,082	886,094,034[4]	1.30x
2015-16	1,157,727,036	865,245,988[5]	1.34x
2016-17	1,111,599,286	854,822,361[6]	1.30x

[1] Net of the federal subsidy on the 2006 Series G, 2007 Series G, 2008 Series D, and 2009 Series F Build America Bonds.
[2] Includes $17,636,828 of accrued debt service on previously refunded Bonds.
[3] Includes $3,250,915 of accrued debt service on previously refunded Bonds.
[4] Includes $24,694,207 of accrued debt service on previously refunded Bonds.
[5] Includes $15,968,342 of accrued debt service on previously refunded Bonds.
[6] Includes $7,123,066 of accrued debt service on previously refunded Bonds.

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SCHEDULE OF DEBT SERVICE

The table below shows the debt service on the Parity Bonds, debt service on the 2017B Bonds and total debt service for the Bonds.

Fiscal	Parity Bonds	2017B Bonds Debt Service			Total Debt
Year	Debt Service [1,2,3]	Principal	Interest	Total	Service
2018	$823,201,084	$475,000	$7,943,210	$8,418,210	$831,619,294
2019	822,970,317	8,025,000	11,414,775	19,439,775	842,410,092
2020	818,790,360	8,430,000	11,013,525	19,443,525	838,233,885
2021	839,483,810	8,845,000	10,592,025	19,437,025	858,920,835
2022	847,347,112	9,290,000	10,149,775	19,439,775	866,786,887
2023	814,533,841	9,760,000	9,685,275	19,445,275	833,979,116
2024	730,137,842	10,240,000	9,197,275	19,437,275	749,575,117
2025	669,462,447	10,755,000	8,685,275	19,440,275	688,902,722
2026	523,920,857	11,295,000	8,147,525	19,442,525	543,363,382
2027	496,400,195	11,855,000	7,582,775	19,437,775	515,837,970
2028	471,386,720	12,455,000	6,990,025	19,445,025	490,831,745
2029	445,339,252	13,070,000	6,367,275	19,437,275	464,776,527
2030	425,161,998	13,730,000	5,713,775	19,443,775	444,605,773
2031	404,117,924	14,415,000	5,027,275	19,442,275	423,560,199
2032	383,992,094	15,135,000	4,306,525	19,441,525	403,433,619
2033	341,076,241	15,740,000	3,701,125	19,441,125	360,517,366
2034	301,684,355	16,375,000	3,071,525	19,446,525	321,130,880
2035	279,056,786	17,025,000	2,416,525	19,441,525	298,498,311
2036	244,857,026	17,700,000	1,735,525	19,435,525	264,292,551
2037	203,620,495	18,235,000	1,204,525	19,439,525	223,060,020
2038	129,864,289	18,785,000	657,475	19,442,475	149,306,764
2039	90,919,713	-	-	-	90,919,713
2040	46,353,513	-	-	-	46,353,513
2041	12,435,113	-	-	-	12,435,113
2042	7,790,250	-	-	-	7,790,250
2043	7,793,150	-	-	-	7,793,150
2044	7,792,300	-	-	-	7,792,300
2045	7,792,500	-	-	-	7,792,500
2046	7,793,400	-	-	-	7,793,400
2047	5,319,600	-	-	-	5,319,600
	$11,210,394,582	$261,635,000	$135,603,010	$397,238,010	$11,607,632,592

Note: Totals may not add due to rounding.

[1] Debt service is net of the estimated anticipated federal subsidy payments on the 2006 Series G, 2007 Series G, 2008 Series D, and 2009 Series F Build America Bonds.

[2] Excludes annual debt service of $14.6 million in 2017-18 and $23.2 million in 2018-19 through 2037-38 for the Refunded Bonds, which will be economically but not legally defeased and will be called for redemption June 1, 2018.

[3] Includes approximately $6.7 million in 2017-18 of accrued debt service on the Refunded Bonds.

PROVISIONS OF STATE LAW

Bonds Legal Investment for Fiduciaries

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

Negotiability

The 2017B 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 2017B 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 imposed on individuals and corporations; and (ii) the 2017B 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 2017B Bonds.

The opinion on 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 2017B 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 2017B 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 2017B Bonds being included in gross income for federal income tax purposes retroactively to the date of issuance of the 2017B 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 2017B 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 2017B 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 2017B Bonds or the market value of the 2017B Bonds.

A portion of the interest on the 2017B Bonds earned by certain corporations may be subject to a federal corporate alternative minimum tax. In addition, interest on the 2017B 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 2017B Bonds. Bond Counsel will express no opinion regarding those consequences.

Payments of interest on tax-exempt obligations, including the 2017B Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. If a 2017B 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 2017B Bonds ends with the issuance of the 2017B 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 2017B 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 2017B Bonds, under current IRS procedures, the IRS will treat the Board of Education as the taxpayer and the beneficial owners of the 2017B 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 2017B 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 2017B Bonds.

Prospective purchasers of the 2017B Bonds upon their original issuance at prices other than the respective prices indicated on the inside cover of this Official Statement, and prospective purchasers 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 2017B Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the 2017B Bonds will not have an adverse effect on the tax status of interest on the 2017B Bonds or the market value or marketability of the 2017B 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 2017B Bonds from gross income for federal or state income tax purposes for all or certain taxpayers.

For example, recent presidential and legislative proposals would eliminate, reduce or otherwise alter the tax benefits currently provided to certain owners of state and local government 2017B Bonds, including proposals that would result in additional federal income tax on taxpayers that own tax-exempt obligations if their incomes exceed certain thresholds. Investors in the 2017B Bonds should be aware that any such future legislative actions (including federal income tax reform) may retroactively change the treatment of all or a portion of the interest on the 2017B Bonds for federal income tax purposes for all or certain taxpayers. In such event, the market value of the 2017B Bonds may be adversely affected and the ability of holders to sell their 2017B Bonds in the secondary market may be reduced. The 2017B Bonds are not subject to special mandatory redemption, and the interest rates on the 2017B Bonds are not subject to adjustment in the event of any such change.

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

Original Issue Discount and Original Issue Premium

The 2017B Bonds (the "2017B Discount Bonds") maturing in 2036 and 2037 were offered and sold to the public at an original issue discount ("OID"). OID is the excess of the stated redemption price at maturity (the principal amount) over the "issue price" of a 2017B Discount Bond. The issue price of a 2017B Discount Bond is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of the 2017B Discount Bonds of the same maturity is sold pursuant to that offering. For federal income tax purposes, OID accrues to the owner of a 2017B Discount Bond over the period to maturity based on the constant yield method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). The portion of OID that accrues during the period of ownership of a 2017B Discount Bond (i) is interest excluded from the owner's gross income for federal income tax purposes to the same extent, and subject to the same considerations

discussed above, as other interest on the 2017B Bonds, and (ii) is added to the owner's tax basis for purposes of determining gain or loss on the maturity, redemption, prior sale or other disposition of that 2017B Discount Bond. A purchaser of a 2017B Discount Bond in the initial public offering at the price for that 2017B Discount Bond stated on the inside front cover of this Official Statement who holds that 2017B Discount Bond to maturity will realize no gain or loss upon the retirement of that 2017B Discount Bond.

The 2017B Bonds (the "2017B Premium Bonds") maturing in 2018 through 2035 and 2038 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 2017B Premium Bond, based on the yield to maturity of that 2017B Premium Bond (or, in the case of a 2017B 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 2017B Premium Bond), compounded semiannually. No portion of that bond premium is deductible by the owner of a 2017B 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 2017B Premium Bond, the owner's tax basis in the 2017B 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 2017B Premium Bond for an amount equal to or less than the amount paid by the owner for that 2017B Premium Bond. A purchaser of a 2017B Premium Bond in the initial public offering at the price for that 2017B Premium Bond stated on the inside front cover of this Official Statement who holds that 2017B Premium Bond to maturity (or, in the case of a callable 2017B Premium Bond, to its earlier call date that results in the lowest yield on that 2017B Premium Bond) will realize no gain or loss upon the retirement of that 2017B Premium Bond.

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

State Taxes

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

Florida laws governing the imposition of estate taxes do not provide for an exclusion of state or local bonds from the calculation of the value of the gross estate for tax purposes. Florida's estate tax is generally calculated on the basis of the otherwise unused portion of the federal credit allowed for state estate taxes. Under Chapter 198, Florida Statutes, all values for state estate tax purposes are as finally determined for federal estate tax purposes. Since state and local bonds are included in the valuation of the gross estate for federal tax purposes, such obligations would be included in such calculation for Florida estate tax purposes. Prospective owners of the 2017B Bonds should consult their own attorneys and advisors for the treatment of the ownership of the 2017B 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 2015-16

Budget. The Fiscal Year 2015-16 Budget totaled $78.4 billion, an increase of approximately $1.3 billion (1.7%) over the Fiscal Year 2014-15 Budget of $77.1 billion. The General Fund budget totaled $28.8 billion and was primarily funded with general revenue collections and $190 million in trust fund transfers.

Revenues. Actual general revenue collections of $28.3 billion for Fiscal Year 2015-16 were up $644 million (2.3%) over the prior fiscal year. Growth in Fiscal Year 2015-16 revenues was primarily a result of strong sales tax collections, somewhat offset by weaker corporate filing fees and highway safety revenues.

Reserves. The General Fund Retrospect statement released on November 14, 2016, finalized the Fiscal Year 2015-16 year-end General Fund balance as $1.9 billion. The Budget included the final repayment to the Budget Stabilization Fund of $214.5 million, which increased the Budget Stabilization Fund balance to $1.35 billion at June 30, 2016. When including the Budget Stabilization Fund, General Fund reserves at fiscal year-end totaled approximately $3.25 billion (11.5% of general revenues). The Fiscal Year 2015-16 year-end trust fund reserve balances totaled $2.78 billion, including $619 million in the Lawton Chiles Endowment Fund and about $2.16 billion in various unreserved trust fund balances. The inclusion of trust fund reserve balances increases the estimated total reserves to approximately $6.02 billion (21.3% of actual general revenues) at fiscal year-end.

Fiscal Year 2016-17

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

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

Reserves. Based on the August 2017 General Fund Outlook statement, the Fiscal Year 2016-17 year-end General Fund balance is projected to total about $1.36 billion, which includes the effects of 2017 legislation directing $300 million of the $400 million BP Oil Entities settlement payment received by the State from the General Revenue Fund to the Triumph Gulf Coast Trust Fund. The Budget included a $30.7 million transfer to the Budget Stabilization Fund, which increased the Budget Stabilization Fund balance to $1.38 billion at June 30, 2017. When including the Budget Stabilization Fund, General Fund reserves at fiscal year-end are projected to total approximately $2.75 billion (9.3% of general revenues). The Fiscal Year 2016-17 year-end trust fund reserve balances are estimated at $2.45 billion, including an estimated $655 million in the Lawton Chiles Endowment Fund and about $1.8 billion in various unreserved trust fund balances. The inclusion of trust fund reserve balances increases the estimated total reserves to approximately $5.2 billion (17.6% of general revenues) at fiscal year-end. Estimates are based on information available at the time of the estimates. Such estimates are subject to revision as additional information becomes available.

Fiscal Year 2017-18

Budget. The 2017 legislative regular and special sessions concluded with the State Legislature adopting the General Appropriations Act for Fiscal Year 2017-18 and other bills approving spending authority (collectively, the "2017-18 Budget") totaling $85 billion. The 2017-18 Budget is approximately $2.7 billion (3.3%) more than the Fiscal Year 2016-17 Budget of $82.3 billion. Of the 2017-18 Budget, $12 billion was approved in bills passed by the Legislature during the special session that ended on June 9, 2017. The proposed General Fund budget totals approximately $31.5 billion and will be funded primarily from general revenue collections and $448.2 million in trust fund transfers.

Revenues. The August 2017 REC increased the general revenue forecast for Fiscal Year 2017-18 by $132.2 million (0.4%) from the March 2017 REC forecast (adjusted for legislative impacts) to $30.9 billion. The increase is primarily attributable to increases in estimated Indian Gaming revenues of $159 million and corporate income taxes of $65 million, offset by a $143 million decrease in sales tax estimates. Sales tax estimates were adjusted downwards to reflect slightly weaker economic drivers, with the greatest change being in the tourism and recreation category. The adjustment to corporate income taxes reflects higher-than-expected recent collections and slightly stronger corporate profit growth rates expected.

Reserves. Based on the August 2017 General Fund Outlook statement, the Fiscal Year 2017-18 year-end General Fund balance is projected to total about $1.46 billion. The General Fund balance reflects the release of $226.8 million in payments associated with banked card games which were previously held in reserve. 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 2017-18 Budget includes a $32.1 million transfer to the Budget Stabilization Fund, which will increase the Budget Stabilization Fund balance to $1.42 billion at June 30, 2018. When including the Budget Stabilization Fund, General Fund reserves at fiscal year-end are projected to total approximately $2.9 billion (9.3% of projected general

revenues). The Fiscal Year 2017-18 year-end trust fund reserve balances are estimated at $2.1 billion, including an estimated $704 million in the Lawton Chiles Endowment Fund and about $1.4 billion in various unreserved trust fund balances. The inclusion of trust fund reserve balances increases the estimated total reserves to approximately $5 billion (16.1% of general revenues) at fiscal year-end. Estimates are based on information available at the time of the estimates. Such estimates are subject to revision as additional information becomes available.

MISCELLANEOUS

Variable Rate Debt and Derivatives

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

Investment of Funds

All State funds are invested by either the Chief Financial Officer or the Board of Administration. At closing, the 2017B Bond proceeds will be deposited as described above under the heading "THE REFUNDING PROGRAM - Application of the 2017B Bond Proceeds." After collection by the Department of Revenue, the Gross Receipts Taxes are deposited monthly for the account of the Department of Education in the Public Education 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 Master 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, 2017, the ratio was approximately 46% internally managed funds, 44% externally managed funds, 5% Certificates of Deposit and 5% in an externally managed Security Lending program. The total portfolio market value on June 30, 2017, was $24,498,384,318.70.

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

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

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

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

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

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

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

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

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

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

Bond Ratings

Standard & Poor's Ratings Services, Moody's Investors Service and Fitch Ratings (herein referred to collectively as "Rating Agencies"), have assigned their municipal bond ratings of AAA, Aa1 and AAA, respectively, to the 2017B 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 2017B 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 2017B Bonds.

Verification of Mathematical Calculations

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

Litigation

Currently there is no litigation pending, or to the knowledge of the 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 2017B Bonds or questioning or affecting the validity of the 2017B Bonds or the proceedings and authority under which such 2017B 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 2017B 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 2017B 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 2017B 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 2017B 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 2017B 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 2017B 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

Citigroup Global Markets Inc. (the "Underwriter") has agreed to purchase the 2017B Bonds at an aggregate purchase price of $296,900,596.40 (which represents the par amount of the 2017B Bonds plus an original issue premium of $36,021,721.55 and minus the Underwriters' discount of $756,125.15). The Underwriter may offer and sell the 2017B Bonds to certain dealers (including dealers depositing bonds into investment trusts, including trusts managed by the Underwriter) at prices lower than the initial offering prices. The offering prices or yields on the 2017B Bonds set forth on the inside front cover may be changed after the initial offering by the Underwriter.

Execution of Official Statement

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

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 112.3 million people visited the State in 2016, a 5.4% increase over the final 2015 total. Leisure and hospitality services accounted for 14% of the State's non-farm employment in 2015. According to the Florida Department of Business and Professional Regulation, as of July 1, 2017, 52,973 food service establishments were licensed with seating capacity of 4,035,799, and 41,931 lodging establishments were licensed with 1,681,163 total units. According to the Florida Department of Environmental Protection, visitors to the State's public parks and recreation areas totaled 31.1 million for Fiscal Year 2015, a 14.8% increase from the prior year. In 2015, accommodation and food services contributed 4.4% of the State's GDP, and arts, entertainment and recreation contributed 2.0%.

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

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

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

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

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

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

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Employment

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

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

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

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

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

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

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

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

Income

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

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

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

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

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

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

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

(thousands of current dollars)

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

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

International Trade

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

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

Florida's International Trade: 2006-2016

(millions of U.S. dollars)

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

Source: Enterprise Florida (June 2017).

Primary Sources of Sales Tax

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

Florida Taxable Sales and Sales Tax Liability by Category
Fiscal Years ended June 30, 2005-2017

(millions of current dollars)

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

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

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

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

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

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

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

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

STATE FINANCIAL OPERATIONS

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

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

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

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

Budgetary Process

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

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

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

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

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

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

Revenue Estimates

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

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

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

State Revenue Limitation

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

Financial Control

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

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

Budget Shortfalls

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

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

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

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

Evaluation, Accounting and Auditing Procedures

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

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

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

REVENUES

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

Sales and Use Tax

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

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

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

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

Motor Fuel Tax

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

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

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

Alcoholic Beverage Tax

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

Corporate Income Tax

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

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

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

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

Documentary Stamp Tax

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

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

Documentary stamp tax collections are currently distributed as follows:

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

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

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

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

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

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

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

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

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

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

The balance of the remainder to the General Revenue Fund.

Intangible Personal Property Tax

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

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

Insurance Premium Tax

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

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

Gross Receipts Tax

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

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

Communications Services Tax

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

Other State Taxes

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

Tobacco Litigation Settlement

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

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

Lottery

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

FLORIDA FINANCIAL INFORMATION

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

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

(millions of dollars)

General Revenue Receipts[2]	**2011-12**	**2012-13**	**2013-14**	**2014-15**	**2015-16**
Sales and Use Tax[3]	$17,422.0	$18,417.6	$19,707.7	$21,062.7	$21,998.0
Beverage Licenses and Taxes	520.4	481.5	443.8	451.4	357.7
Corporation Income Tax	2,010.8	2,081.0	2,042.5	2,236.3	2,272.1
Documentary Stamp Tax	208.6	381.0	603.7	756.3	744.1
Corporate Filing Fees	275.8	284.1	298.6	309.8	317.4
Tobacco Tax	199.8	202.1	178.2	181.2	187.5
Insurance Premium Tax	662.6	675.9	675.6	666.9	682.8
Indian Gaming	146.3	221.6	230.3	248.5	207.7
Pari-mutuel Fees, Licenses and Taxes	12.5	12.6	14.8	13.8	12.8
Slot Machine Licenses GR	12.0	10.8	10.5	13.0	11.0
Intangible Personal Property Tax	184.6	276.5	256.1	303.9	338.7
Earnings on Investments	117.3	107.3	75.6	106.5	115.8
Auto Title and Lien Fees	242.2	58.2	65.3	92.0	108.9
Oil and Gas Severance Tax	9.0	8.0	7.0	4.2	1.2
Solid Mineral Severance Tax	12.3	13.2	12.9	10.5	10.7
Drivers Licenses and Fees	200.5	194.5	178.4	147.8	106.0
HSMV Misc Fees, Licences & Fines	59.4	72.7	64.4	61.4	66.8
Motor Vehicle and Mobile Home Licenses	425.0	437.2	451.4	180.6	114.9
Article V Fees & Transfers	165.4	284.3	173.7	151.1	138.8
Counties' Medicaid Share GR	235.3	332.1	296.1	289.6	301.6
Motor Vehicle Fees and Charges	101.2	106.2	117.7	104.6	2.9
Fines/Foreitures/Judgements GR	60.9	276.5	24.2	4.0	13.6
Other GR	192.1	183.9	182.0	177.5	201.1
Total GR Collections and Transfers	**23,476.0**	**25,118.7**	**26,110.6**	**27,573.7**	**28,312.0**
Plus Service Charges to GR	449.0	486.2	466.8	500.1	455.2
Less Refunds of GR	(306.2)	(290.3)	(379.5)	(392.7)	(441.7)
Net GR Collections and Transfers	**23,618.8**	**25,314.6**	**26,198.0**	**27,681.1**	**28,325.4**
Trust Fund Revenues[2]					
Major Transportation Revenues:					
Auto Title and Lien Fees	105.7	303.9	319.9	323.8	329.8
Motor Fuel Tax	1,835.5	1,864.7	1,955.3	2,052.0	2,158.5
Motor Vehicle and Mobile Home Licenses	810.5	840.5	867.2	891.0	928.5
Motor Vehicle Fees and Charges	218.3	230.5	250.8	302.0	435.7
Subtotal	2,970.1	3,239.7	3,393.1	3,568.8	3,852.4
Workers Insurance Tax:					
Workers Compensation Assessment	47.8	74.3	82.4	81.6	81.7
Workers' Comp. Special Disability	39.4	43.0	46.6	43.6	45.1
Reemployment Assistance Tax	2,156.2	2,247.8	1,937.4	1,541.6	1,074.1
Subtotal	2,243.4	2,365.1	2,066.4	1,666.7	1,201.0
Conservation and Recreational Lands:					
Documentary Stamp Tax	1,004.9	1,199.4	1,147.3	1,303.1	1,532.8
Solid Mineral Severance Tax	11.8	14.3	15.5	14.0	13.7
Oil and Gas Severance Tax	2.6	1.2	2.2	0.1	0.1
Sales and Use Tax	23.3	23.3	23.3	22.7	22.3
Subtotal	1,042.6	1,238.3	1,188.3	1,340.0	1,568.9
Education - Tuition , Fees and Charges:					
Slot Machine Tax to Education	142.7	142.2	173.1	182.2	187.3
Lottery to Education	1,321.7	1,382.0	1,475.0	1,479.0	1,582.0
Unclaimed Property (State School Trust Fund)	163.6	206.2	142.3	213.0	175.6
Subtotal	1,627.9	1,730.4	1,790.4	1,874.2	1,944.9
Agencies' Administrative Trust Funds:					
Beverage Licenses and Taxes	29.8	28.0	32.0	31.4	33.1
Insurance Premium Tax	52.8	52.3	53.3	50.6	54.0
General Inspection Fees and Licenses	59.9	72.9	57.6	72.0	58.0
Citrus Inspection Fees and Licenses	18.4	15.4	15.4	14.0	13.0
D.F.S. and Treas Fees, Licenses & Taxes	130.1	128.1	132.6	155.8	157.2
Citrus Taxes	42.3	38.7	31.1	25.0	23.3
Hunting and Fishing Licenses	50.8	49.2	53.5	59.1	57.6
Pari-mutuel Fees, Licenses and Taxes	14.4	12.5	12.3	12.4	13.5
Professional Fees and Licenses	71.4	88.2	78.2	86.5	82.7
Drivers' Licenses and Fees	145.9	143.1	139.4	154.6	145.9
HSMV, Misc Fees, Licenses & Fines	32.1	33.2	33.6	33.6	32.5
Slot Machine Licenses and Fees	1.9	7.5	5.6	3.1	7.3
Lottery to Administration	349.7	418.9	420.1	450.9	555.4
Subtotal	999.5	1,088.0	1,064.6	1,149.0	1,233.4

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

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

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

[1] Numbers may not add due to rounding.

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

[3] Includes portion of Communications Services Tax.

[4] Includes an unknown amount of General Revenue appropriations.

Retrospect Statement [1]

Fiscal Years 2014-15 and 2015-16

(millions of dollars)

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

Source: Office of Economic and Demographic Research.

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

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

FINANCIAL OUTLOOK STATEMENT [1]

Including Results of August 15, 2017 Revenue Estimating Conference

Fiscal Year 2016-17 through Fiscal Year 2022-23

(millions of dollars)

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

FINANCIAL OUTLOOK STATEMENT [1] (cont)

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

Source: Office of Economic and Demographic Research.

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

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

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

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

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

Actual and Projected General Revenues

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

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

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

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

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

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

(In Millions of Dollars)

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

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

STATE DEBT

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

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

State Full Faith and Credit Debt

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

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

State Revenue Bonds

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

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

Other Obligations

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

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

Direct Debt Outstanding by Type and Program
As of June 30, 2016
(In Millions Dollars)

Debt Type		Amount
Net Tax-Supported Debt		$20,121.0
Self-Supporting Debt		4,002.1
Total State Debt Outstanding		**$24,123.1**
Net Tax-Supported Debt		
Education		
Public Education Capital Outlay	$8,708.9	
Capital Outlay	222.6	
Lottery	1,771.1	
University System Improvement	136.3	
University Mandatory Fee	79.8	
State (Community) Colleges	87.3	
Total Education		$11,006.1
Environmental		
Florida Forever Bonds	1,051.8	
Everglades Restoration Bonds	246.7	
Inland Protection	60.6	
Total Environmental		$1,359.2
Transportation		
Right-of-Way Acquisition and Bridge Construction	1,450.7	
State Infrastructure Bank	3.1	
PPP Obligations L-T Projects	4,654.0	
PPP Obligations S-T Contracts	44.3	
Florida Ports	347.6	
Total Transportation		$6,499.8
Appropriated Debt / Other		
Facilities	262.0	
Prisons	470.1	
Children & Families	89.3	
Juvenile Justice	4.9	
Lee Moffitt Cancer Center	122.8	
Master Lease	17.3	
Energy Saving Contracts	39.0	
Sports Facility Obligations	250.6	
Total Appropriated Debt / Other		$1,256.0
Total Net Tax-Supported Debt Outstanding		**$20,121.0**
Self-Supporting Debt		
Education		
University Auxiliary Facility Revenue Bonds		$797.8
Environmental		
Florida Water Pollution Control		365.1
Transportation		
Toll Facilities	2,801.4	
State Infrastructure Bank Revenue Bonds	37.8	
Total Transportation		2,839.2
Total Self-Supported Debt Outstanding		**$4,002.1**

*Includes $44.3 million of short-term Department of Transportation P3 contract payments to be made from 2017 through 2018.
Source: State of Florida Division of Bond Finance, 2016 debt analysis.

Per Capita Tax Supported Debt
For Fiscal Years Ended June 30

Year	Population[1] (thousands)	Total Principal Outstanding[2] (millions)	Per Capita
2007	18,602	$18,340	$986
2008	18,783	20,329	1,082
2009	18,767	22,373	1,192
2010	18,761	23,557	1,256
2011	18,880	22,945	1,215
2012	19,028	21,593	1,135
2013	19,214	20,348	1,059
2014	19,440	20,013	1,029
2015	19,738	21,406	1,085
2016	20,051	20,077	1,001

[1] Population estimate by the Office of Economic and Demographic Research, Florida Legislature (August, 2016).

[2] State of Florida 2016 Debt Affordability Report; excludes refunded debt.

State of Florida

Total Debt Outstanding

As of June 30, 2016

Fiscal	Net Tax-Supported Debt Outstanding			Self-Supporting Debt Outstanding			Total Debt Outstanding		
Year	Principal*	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2017	$ 1,412,484,046	$ 771,847,801	$ 2,184,331,847	$ 216,973,826	$ 185,578,359	$ 402,552,186	$ 1,629,457,872	$ 957,426,160	$ 2,586,884,033
2018	1,571,097,626	729,660,849	2,300,758,475	224,778,906	175,278,324	400,057,230	1,795,876,532	904,939,173	2,700,815,705
2019	1,370,314,878	680,262,137	2,050,577,015	233,259,000	164,540,514	397,799,514	1,603,573,878	844,802,651	2,448,376,529
2020	1,435,330,120	631,647,360	2,066,977,480	223,126,000	153,109,763	376,235,763	1,658,456,120	784,757,123	2,443,213,243
2021	1,440,862,488	629,014,494	2,069,876,982	228,943,000	142,084,960	371,027,960	1,669,805,488	771,099,454	2,440,904,942
2022	1,548,922,944	578,591,851	2,127,514,795	206,657,000	130,852,111	337,509,111	1,755,579,944	709,443,961	2,465,023,905
2023	1,134,923,366	510,875,558	1,645,798,925	204,040,000	120,671,444	324,711,444	1,338,963,366	631,547,003	1,970,510,369
2024	1,053,736,335	461,747,077	1,515,483,413	207,024,000	110,681,584	317,705,584	1,260,760,335	572,428,661	1,833,188,996
2025	1,000,124,013	415,977,241	1,416,101,254	212,114,000	101,052,253	313,166,253	1,212,238,013	517,029,494	1,729,267,507
2026	855,306,921	372,631,709	1,227,938,630	196,004,000	91,362,039	287,366,039	1,051,310,921	463,993,748	1,515,304,669
2027	785,955,946	337,420,163	1,123,376,109	195,273,000	82,745,626	278,018,626	981,228,946	420,165,789	1,401,394,735
2028	707,584,099	307,781,711	1,015,365,810	171,238,000	74,487,301	245,725,301	878,822,099	382,269,013	1,261,091,111
2029	624,649,364	280,981,088	905,630,452	163,688,000	66,849,767	230,537,767	788,337,364	347,830,855	1,136,168,219
2030	579,942,010	258,359,136	838,301,147	151,871,000	59,809,568	211,680,568	731,813,010	318,168,705	1,049,981,715
2031	524,103,815	239,166,421	763,270,236	141,870,000	53,115,121	194,985,121	665,973,815	292,281,542	958,255,357
2032	515,467,337	219,955,306	735,422,644	134,040,000	47,002,195	181,042,195	649,507,337	266,957,501	916,464,839
2033	470,708,263	203,218,486	673,926,749	134,560,000	41,164,233	175,724,233	605,268,263	244,382,719	849,650,982
2034	414,146,510	188,826,854	602,973,364	122,910,000	35,161,465	158,071,465	537,056,510	223,988,319	761,044,829
2035	387,923,926	175,046,934	562,970,860	109,740,000	29,515,146	139,255,146	497,663,926	204,562,080	702,226,006
2036	370,424,878	161,989,994	532,414,872	108,075,000	24,372,358	132,447,358	478,499,878	186,362,351	664,862,229
2037	343,796,483	150,606,473	494,402,956	81,180,000	19,420,434	100,600,434	424,976,483	170,026,907	595,003,390
2038	255,368,080	139,814,874	395,182,954	72,190,000	15,417,279	87,607,279	327,558,080	155,232,153	482,790,233
2039	187,285,587	133,804,250	321,089,836	75,295,000	11,756,421	87,051,421	262,580,587	145,560,671	408,141,258
2040	148,870,346	127,725,128	276,595,475	57,325,000	7,936,363	65,261,363	206,195,346	135,661,491	341,856,837
2041	122,679,787	127,086,767	249,766,554	42,555,000	5,372,075	47,927,075	165,234,787	132,458,842	297,693,629
2042	116,044,291	127,796,830	243,841,121	34,735,000	3,555,331	38,290,331	150,779,291	131,352,161	282,131,452
2043	123,631,576	131,040,605	254,672,181	27,210,000	2,176,925	29,386,925	150,841,576	133,217,530	284,059,106
2044	90,793,935	62,982,919	153,776,854	15,800,000	1,018,200	16,818,200	106,593,935	64,001,119	170,595,054
2045	51,202,045	22,601,781	73,803,826	9,655,000	386,200	10,041,200	60,857,045	22,987,981	83,845,026
2046	38,250,467	20,249,293	58,499,760	-	-	-	38,250,467	20,249,293	58,499,760
2047	40,057,791	18,441,969	58,499,760	-	-	-	40,057,791	18,441,969	58,499,760
2048	41,950,512	16,549,248	58,499,760	-	-	-	41,950,512	16,549,248	58,499,760
2049	43,932,662	14,567,097	58,499,759	-	-	-	43,932,662	14,567,097	58,499,759
2050	46,008,470	12,491,291	58,499,761	-	-	-	46,008,470	12,491,291	58,499,761
2051	48,182,357	10,317,402	58,499,759	-	-	-	48,182,357	10,317,402	58,499,759
2052	50,458,962	8,040,798	58,499,760	-	-	-	50,458,962	8,040,798	58,499,760
2053	52,843,134	5,656,625	58,499,759	-	-	-	52,843,134	5,656,625	58,499,759
2054	55,339,959	3,159,800	58,499,759	-	-	-	55,339,959	3,159,800	58,499,759
2055	16,004,001	150,500	16,154,501	-	-	-	16,004,001	150,500	16,154,501
	$ 20,076,709,334	$ 9,288,085,819	$ 29,364,795,153	$ 4,002,129,732	$ 1,956,473,358	$ 5,958,603,090	$ 24,078,839,066	$ 11,244,559,177	$ 35,323,398,243

*Department of Transportation Public/Private Partnership ("P3") short-term contract payments totaling $44.3 million from 2017 through 2018 are excluded. The Department's long-term P3 obligations are included in net tax-supported debt at the total annual payment obligation. Although certain payments are expected to be made from non-tax sources, they have not been considered in showing net tax-supported payments.

Source: State of Florida Division of Bond Finance, 2016 debt analysis.

Net Tax-Supported Bonds Issued Since July 1, 2016

(chronological, by date of issuance)

State Board of Education Public Education Capital Outlay Refunding Bonds, 2016 Series C	$147,640,000
Less: Public Education Capital Outlay Bonds refunded	(164,505,000)
Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds, Series 2016B	92,520,000
State Board of Education Public Education Capital Outlay Refunding Bonds, 2016 Series D	218,885,000
Less: Public Education Capital Outlay Bonds refunded	(244,235,000)
State Board of Education Lottery Revenue Refunding Bonds, Series 2016B	211,180,000
Less: Lottery Revenue Bonds refunded	(246,435,000)
State Board of Education Public Education Capital Outlay Bonds, 2016 Series E	206,025,000
Less: Public Education Capital Outlay Bonds refunded	(175,695,000)
Department of Environmental Protection Florida Forever Revenue Refunding Bonds, Series 2016A	159,765,000
Less: Florida Forever Revenue Bonds refunded	(184,970,000)
State Board of Education Public Education Capital Outlay Refunding Bonds, 2016 Series F	148,400,000
Less: Public Education Capital Outlay Bonds refunded	(161,035,000)
Department of Environmental Protection Everglades Restoration Revenue Refunding Bonds, Series 2017A	42,465,000
Less: Everglades Restoration Bonds refunded	(56,065,000)
State Board of Education Capital Outlay Refunding Bonds, 2017 Series A	35,805,000
Less: Capital Outlay Bonds refunded	(39,900,000)
State Board of Education Public Education Capital Outlay Bonds, 2016 Series G	92,350,000
Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds, Series 2017A	288,705,000
Department of Management Services, Florida Facilities Pool Revenue Refunding Bonds, Series 2017A	190,835,000
Less: Florida Facilities Pool Revenue Bonds refunded	(232,585,000)
State Board of Education, Public Education Capital Outlay Refunding Bonds, 2017 Series A*	148,555,000
Less: Public Education Capital Outlay Bonds refunded*	(162,065,000)
State Board of Education, Public Education Capital Outlay Refunding Bonds, 2017 Series B*	261,635,000
Less: Public Education Capital Outlay Bonds refunded*	(285,670,000)
	$291,605,000

* Subject to the delivery of the Public Education Capital Outlay Refunding Bonds, Series 2017A on September 12, 2017.
* Subject to the delivery of the Public Education Capital Outlay Refunding Bonds, Series 2017B on September 21, 2017.

Self Supporting Bonds Issued Since July 1, 2016

(chronological, by date of issuance)

University of Florida Dormitory Revenue Refunding Bonds, Series 2016A	$19,390,000
Less: University of Florida Dormitory Bonds refunded	(20,705,000)
University of South Florida Parking Facility Revenue Refunding Bonds, Series 2016A	21,545,000
Less: University of South Florida Parking Bonds refunded	(21,270,000)
Florida Atlantic University Dormitory Revenue Refunding Bonds, Series 2016A	53,040,000
Less: Florida Atlantic University Dormitory Bonds refunded	(57,250,000)
Department of Transportation Turnpike Revenue Refunding Bonds, Series 2016C	142,595,000
Less: Turnpike Revenue Bonds refunded	(157,950,000)
Florida State University Parking Facility Revenue Refunding Bond, Series 2017A	7,857,000
Less: Florida State University Parking Facility bonds refunded	(7,555,000)
University System Improvement Revenue Refunding Bonds, Series 2017A	25,610,000
Less: University System Improvement Bonds refunded	(29,280,000)
Department of Transportation Alligator Alley Revenue Refunding Bonds, Series 2017A	21,635,000
Less: Alligator Alley Revenue Bonds refunded	(26,640,000)
	($28,978,000)

STATEMENT OF ASSETS AND LIABILITIES

Administered by State Chief Financial Officer

		ASSETS	
		JUNE 30, 2016	JUNE 30, 2015
Currency and Coins		$0.00	$0.00
Unemployment Compensation Investments Due From U.S Treasury -Unemployment TF	(1)	3,175,547,178.82	2,549,199,725.01
Deferred Compensation Assets	(2)	3,680,087,209.18	3,567,435,469.99
Bank Accounts	(3)	(93,908,757.25)	(68,157,462.32)
Consolidated Revolving Account	(4)	115,539.40	445,910.50
Total Cash, Receivables, and Other Assets		$6,761,841,170.15	$6,048,923,643.18
Certificates of Deposit		$958,000,000.00	$540,200,000.00
Securities	(5)	23,069,878,610.63	21,509,441,911.86
Total Investments		24,027,878,610.63	22,049,641,911.86
Total Assets of the Division of Treasury		$30,789,719,780.78	$28,098,565,555.04

		LIABILITIES	
		JUNE 30, 2016	JUNE 30, 2015
General Revenue Fund		$3,244,177,330.38	$3,733,761,965.21
Trust Fund	(6)	15,631,633,443.57	13,478,697,903.14
Budget Stabilization Fund		1,353,690,000.00	1,139,208,550.20
Total Three Funds		$20,229,500,773.95	$18,351,668,418.55
Interest Payable & Securities Liability	(7)	$9,209,363.40	$4,764,582.79
Due to Special Purpose Investment Accounts	(8)	6,870,806,894.85	6,174,251,173.21
Due to Deferred Compensation Participants and/or Program	(2)	3,680,087,209.18	3,567,435,469.99
Due to Consolidated Revolving Account Agency Participants	(4)	115,539.40	445,910.50
Total Liabilities of the Division of Treasury		$30,789,719,780.78	$28,098,565,555.04

Source: Annual Report of the State Chief Financial Officer for the Fiscal Year Ended June 30, 2016.

[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 $7,655,004.63 as of June 30, 2016 with receipted items in transit of $64,456,256.24 and disbursed items in transit of ($743,484.78) which nets to $63,712,771.46. These items have cleared the bank but have not been posted to the State ledger. The Total Bank Accounts figure does not include $12,557,863.40 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, 2016 is $7,485,539.40. Of this, $115,539.40 is in a financial institution account and $7,370,000.00 is invested in Special Purpose Investment Accounts.

[5] Includes Purchased Interest in the amount of $1,036,821.81.

[6] Included in the Trust Fund Balance is $7,825,675,744.42 earning interest for the benefit of Trust Funds, Unemployment Trust Fund balance of $3,175,547,178.82; supplemental receipts of ($511,188.18), and the remaining balance of $4,630,410,520.33 earning interest for General Revenue.

[7] Represents $6,468,684.03 in interest not yet receipted to State Accounts and Securities Liability Cost of $2,740,679.37 which settles July 2016.

[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, 2016	June 30, 2015
Total Market Value of all Securities held by the Treasury.	$24,402,542,617.00	$22,086,201,390.26

FLORIDA RETIREMENT SYSTEM

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

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

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

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

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

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

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

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

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

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

Summary of FRS Pension Plan Benefits

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

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

FRS Pension Plan members who reach normal retirement may participate in the Deferred Retirement Option Program ("DROP"), which allows a member to effectively retire while deferring termination and to continue employment for up to 60 months (or 96 months for some educational personnel under certain conditions). The retirement benefit is calculated as of the beginning of DROP

participation and no further service is accrued. During DROP participation the member's retirement benefits accumulate in the FRS Trust Fund, earning monthly interest at an equivalent annual rate of 6.50 percent for members with an effective DROP begin date before July 1, 2011, and an equivalent annual rate of 1.3 percent for members with a effective DROP begin date on or after July 1, 2011. At termination the member's DROP accumulation may be paid out as a lump sum, a rollover, or a combination of these two payout methods and the member begins receiving monthly benefits determined when DROP participation began, increased by annual cost of living adjustments.

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

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

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

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

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

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

Employee Contributions -

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

DROP -

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

Cost-of-Living Adjustment (COLA) -

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Employer Contributions to the FRS Pension Fund

(thousands of dollars)

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

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

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

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

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

[4] Employee contributions totaled $694.9 million.

[5] Employee contributions totaled $699.6 million.

[6] Employee contributions totaled $698.3 million.

[7] Employee contributions totaled $710.7 million.

RETIREE HEALTH INSURANCE SUBSIDY AND OTHER POSTEMPLOYMENT BENEFITS

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

Retiree Health Insurance Subsidy Program

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

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

Retiree Health Insurance Subsidy Program Information

(in thousands where amounts are dollars)

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

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

HIS actuarial determinations are based on the following:

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

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

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

[2] Includes inflation at 2.60%.

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

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

Retiree Health Insurance Subsidy Program Schedule of Funding Progress

Actuarial Value of Assets

(dollars in thousands)

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

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

[1] Includes DROP and PEORP payroll.

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

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

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

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

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

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

Schedule of Employer Contributions
(dollars in thousands)

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

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

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

Other Postemployment Benefits (OPEB)

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

Plan Description

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

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

There are 21 participating employers including the primary government of the state, the 12 state universities, and other governmental entities. There was an average enrollment of 167,282 contracts including 36,288 retirees and 130,994 employees and COBRA participants for Fiscal Year 2015. Employees must make an election to participate in the plan within 31 days of the effective date of their retirement to be eligible to continue in the plan as a retiree. Four types

of health plans are offered to eligible participants: a standard statewide Preferred Provider Organization ("PPO") Plan, a Health Investor PPO Plan, a standard Health Maintenance Organization ("HMO") Plan, and a Health Investor HMO Plan. HMO coverage is available only to those retirees who live or work in the HMO's service area. The four PPO and HMO options are considered managed-care plans and have specific provider networks.

Funding Policy

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

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

Actuarial Methods and Assumptions

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

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

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

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

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

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

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

Source: State of Florida Comprehensive Annual Financial Reports and Florida Department of Management Services, Division of State Group Insurance.
[1] The State of Florida does not hold assets in a formal trust, so none are actuarially valued to offset the liability.
[2] Update of the previous year's actuarial valuation. A new valuation was not performed.

Schedule of Employer Contributions
(thousands of dollars)

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

Source: State of Florida Comprehensive Annual Financial Reports.

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

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

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

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

Funded Status

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

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

Source: State of Florida Comprehensive Annual Financial Reports.

APPENDIX B

State of Florida

FINANCIAL INFORMATION

The portion of the State of Florida Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2016 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 or at www.myfloridacfo.com/Division/AA/Reports/default.htm#.

STATE OF FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2016

Rick Scott
GOVERNOR

Jeff Atwater
CHIEF FINANCIAL OFFICER

FLORIDA DEPARTMENT OF FINANCIAL SERVICES

This document and related information is available via the Florida Department of Financial Services' homepage at: *www.myfloridacfo.com*

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2016

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INTRODUCTORY SECTION

CHIEF FINANCIAL OFFICER
JEFF ATWATER
STATE OF FLORIDA

February 10, 2017

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, 2016, 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, 2016. 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 seventh year of positive growth in general fund collections in June 2016. While the state's recovery from the Great Recession has been protracted, most measures of the Florida economy had returned to or surpassed their prior peaks by the close of the 2015-16 fiscal year. The state's Economic Estimating Conference confirmed in mid-November that Florida's economy is continuing to improve as expected, although some of the projected increases were tamped down. Overall, the various forecasts adopted by the State's Estimating Conferences project that normal economic conditions will be in place by the end of fiscal year 2016-17. 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 2015 showed growth of 3.1 percent, moving Florida above the national average (2.4 percent in 2015) for the third year in a row. Newly released data for the second quarter (GDP for 2016:Q2) indicated a similar pattern of growth in the current year, ranking Florida seventh in the nation in real growth. On the more real-time measure of personal income, the calendar year results were similar: Florida ended 2015 with 5.2 percent growth over 2014—above the national growth rate of 4.4 percent and ranking sixth among all states. However, the latest data may provide a single note of caution to the most recently adopted forecast. Florida's pace for the third quarter of 2016 (2016:Q3) slightly slowed relative to

DEPARTMENT OF FINANCIAL SERVICES
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the second quarter. Even though the State's personal income continued to grow, it matched the national average at 1.1 percent and ranked Florida 22nd in the country. The forecast for 2016-2017 assumes Florida's personal income will reach $962.0 billion, with 4.6 percent growth over the prior year. Underpinning the projected growth in personal income is continued population growth; these projections were slightly strengthened in early November. In addition, new vehicle registrations and tourist visits continue to contribute strongly to Florida's economic recovery. In response to all of this, the state's revenue collections are expected to grow at an even higher pace than 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 2016 calendar year, total non-farm employment stood at nearly 8.4 million jobs. The forecast indicates that non-farm employment will add approximately 234.6 thousand jobs during the course of the 2016-17 fiscal year, representing a 2.9 percent increase over the prior fiscal year. According to the preliminary data for November 2016 relative to November 2015, the fiscal year estimate could easily be exceeded. As the labor force participation rate has begun to improve, Florida's unemployment rate has held relatively steady, roughly matching the movements in the national unemployment rate. Most importantly, there are significant indications that the improvements will be sustainable. Among all unemployed, the share of new entrants increased from 10.5 percent in November 2015 to 13.0 percent in November 2016.

While typical economic recoveries are led by increases in lending and housing construction; the recovery from the Great Recession has behaved differently. Overall, Florida economic growth rates are returning to more normal levels and show progress in spite of the drag from construction that still exists. For now, tourism strength is largely compensating for the persistent weakness in construction. In the current forecast, tourism is at record-breaking levels, while none of the key construction metrics show a return to peak levels until 2020-21.

Even though it remains at very 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% in each year). The final data for the 2014 calendar year revealed significantly slowing (but still positive) activity—posting only 1.6% growth over the prior year. However, calendar year activity for 2015 ran well above the same period in 2014; single family data was higher than the prior year by 20.3%. Despite the strong percentage growth rates in three of the last four calendar years, the level is still low by historic standards—not quite half of the long-run per capita level. For the first nine months of the 2016 calendar year, single-family building permit activity was running 16.0% over the same period in the prior year, continuing to fall below the 2015 annual growth rate. The latest forecast calls for continuing improvement in these starts, reaching annual rates of 75.5 thousand units in state fiscal year 2016-17 and 89.1 thousand units in state fiscal year 2017-18. To put these numbers in perspective, the peak year for starts was 2005-06 at nearly 272 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 three years), meaningful improvement in the housing market will lag behind the rest of Florida's economic recovery. This means that tourism will need to continue picking up the slack in order for the broader economic measures for the state as a whole 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 will fuel future population growth. The potential that any of these factors come in stronger than expected provides an upside risk to the forecast.

As updated by EDR for recent conferences, the constitutionally required Long-Range Financial Outlook indicates that a budget gap is unlikely in the upcoming budget year, meaning that projected revenues are sufficient to address anticipated expenditures. However, it also provides 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 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

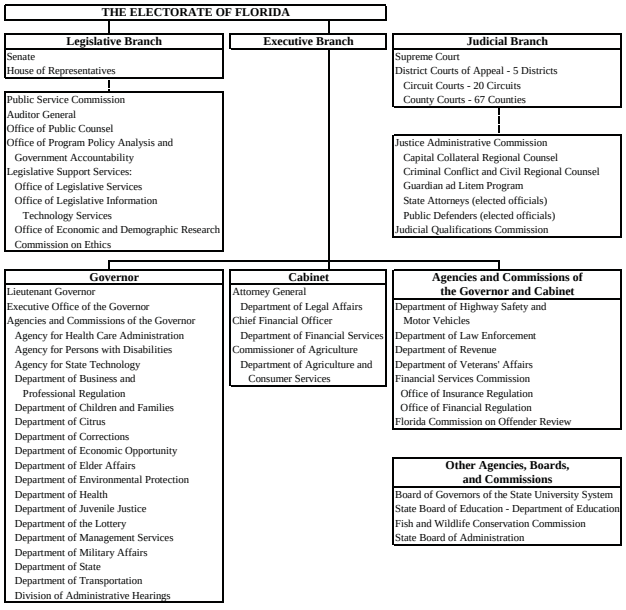
Preparation of the CAFR requires a significant investment of time and resources of fiscal and accounting personnel throughout the state. We appreciate all the contributions made to this effort.

Sincerely,

Jeff Atwater
Chief Financial Officer

JA:pjb

ORGANIZATION AT JUNE 30, 2016



PRINCIPAL OFFICIALS AT JUNE 30, 2016

Legislative Branch
Senate
Andy Gardiner, President
House of Representatives
Steve Crisafulli, Speaker

Executive Branch
Rick Scott, Governor
Carlos Lopez-Cantera, Lieutenant Governor
Cabinet
Pam Bondi, Attorney General
Jeff Atwater, Chief Financial Officer
Adam Putnam, Commissioner of Agriculture

Judicial Branch
Jorge Labarga, Chief Justice

FINANCIAL SECTION

Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL
STATE OF FLORIDA

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Tallahassee, Florida 32399-1450

Phone: (850) 412-2722
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The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Florida, as of and for the fiscal year ended June 30, 2016, 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 13 percent, respectively, of the assets and revenues of the business-type activities.
- The Florida Turnpike System, which represents 88 percent and 90 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 11 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 3 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 14 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 65 percent and 33 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 thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for these 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, 2016, 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 2, the State adopted the provisions of Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*, which addresses accounting and financial reporting issues related to fair value measurements. Adoption of this statement resulted in additional disclosures related to fair value hierarchy and pricing sources in the notes to the financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 14 through 20 and the budgetary information, funding and contribution information for pension and other postemployment benefits, and information on infrastructure using the modified approach on pages 164 through 177 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 181 through 293 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 10, 2017, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control over financial reporting and compliance. That report will be included as part of our separately issued report entitled *State of Florida Compliance and Internal Controls Over Financial Reporting and Federal Awards*.

Respectfully submitted,

Sherrill F. Norman, CPA
Tallahassee, Florida
February 10, 2017

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, 2016 (fiscal year 2015-16). Please read the MD&A in conjunction with the state's financial statements that are presented in the Financial Section of this Comprehensive Annual Financial Report (CAFR).

Financial Statements Overview

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

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

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

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

Table 1: Major Features of the Basic Financial Statements

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

Condensed Government-wide Financial Statements and Overall Financial Analysis

Statement of Net Position

Table 2 below presents the state's Condensed Statement of Net Position as of June 30, 2016, and 2015, derived from the government-wide Statement of Net Position. The state's net position at the close of the fiscal year was $63.68 billion for governmental activities and $27.26 billion for business-type activities which was a combined total of $90.94 billion for the primary government. The three components of net position include net investments in capital assets; restricted; and unrestricted. The largest component, totaling $74.0 billion as of June 30, 2016, 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 $27.7 billion as of June 30, 2016. 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 $12.0 billion at June 30, 2016. 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 $18.2 billion at June 30, 2016, an increase of $1.9 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	
	2016	2015	2016	2015	2016	2015
Current and other assets	$ 25,992	$ 24,826	$ 36,955	$ 33,175	$ 62,947	$ 58,001
Capital assets, net	71,872	69,624	11,268	10,873	83,140	80,497
Total assets	97,864	94,450	48,223	44,048	146,087	138,498
Total deferred outflows of resources	1,813	1,098	68	58	1,881	1,156
Other liabilities	3,284	3,377	1,870	2,220	5,154	5,597
Noncurrent liabilities	31,713	29,772	19,007	16,927	50,720	46,699
Total liabilities	34,997	33,149	20,877	19,147	55,874	52,296
Total deferred inflows of resources	1,003	1,874	157	173	1,160	2,047
Net position:						
Net investments in capital assets	66,197	63,937	7,767	7,544	73,964	71,481
Restricted	9,486	8,958	18,207	16,348	27,693	25,306
Unrestricted	(12,006)	(12,370)	1,283	894	(10,723)	(11,476)
Total net position	$ 63,677	$ 60,525	$ 27,257	$ 24,786	$ 90,934	$ 85,311

Statement of Activities

Table 3 presents the state's Condensed Statement of Activities for fiscal year 2015-16 and fiscal year 2014-15, 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 $5.7 billion. The net position of governmental activities increased by $3.2 billion, and the net position of business-type activities increased by $2.5 billion. The majority of the increase in total program expenses for governmental activities relates to a $930 million increase in Transportation expenses and a $519 million increase in Education expenses, while the largest increase in business-type activities expenses is the $563 million increase 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	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenues						
Charges for services	$ 7,664	$ 8,501	$ 11,388	$ 10,238	$ 19,052	$ 18,739
Operating grants and contributions	27,225	26,000	11	36	27,236	26,036
Capital grants and contributions	2,503	2,229	3	3	2,506	2,232
Total program revenues	37,392	36,730	11,402	10,277	48,794	47,007
General revenues and payments						
Sales and use tax	24,256	22,917	.....	.....	24,256	22,917
Other taxes	13,364	13,305	.....	.....	13,364	13,305
Investment earnings (loss)	328	139	7	2	335	141
Emergency assessments	.....	.....	3	257	3	257
Miscellaneous	.....	.....	1	4	1	4
Total general revenues and payments	37,948	36,361	11	263	37,959	36,624
Total revenues	75,340	73,091	11,413	10,540	86,753	83,631
Program expenses						
General government	6,700	6,451	.....	.....	6,700	6,451
Education	20,162	19,643	.....	.....	20,162	19,643
Human services	34,596	34,303	.....	.....	34,596	34,303
Criminal justice and corrections	4,022	3,863	.....	.....	4,022	3,863
Natural resources and environment	2,852	2,537	.....	.....	2,852	2,537
Transportation	4,962	4,032	514	471	5,476	4,503
State courts	521	480	.....	.....	521	480
Lottery	.....	.....	4,390	4,116	4,390	4,116
Hurricane Catastrophe Fund	.....	.....	68	91	68	91
Prepaid College Program	.....	.....	1,323	760	1,323	760
Reemployment Assistance	.....	.....	466	664	466	664
Nonmajor enterprise funds	.....	.....	333	323	333	323
Indirect interest on long-term debt	78	141	.....	.....	78	141
Total program expenses	73,893	71,450	7,094	6,425	80,987	77,875
Excess (deficiency) before gain (loss) and transfers	1,447	1,641	4,319	4,115	5,766	5,756
Gain (loss) on sale of capital assets	90	(94)	(154)	(13)	(64)	(107)
Transfers	1,671	1,568	(1,671)	(1,568)	.....	.....
Change in net position	3,208	3,115	2,494	2,534	5,702	5,649
Beginning net position, as restated (Note 1)	60,469	57,410	24,763	22,252	85,232	79,662
Ending net position	$ 63,677	$ 60,525	$ 27,257	$ 24,786	$ 90,934	$ 85,311

Major Fund Analysis

Governmental Funds

The state's governmental funds reported a combined ending fund balance of $18 billion at June 30, 2016, a $634 million or 3.7 percent growth from the prior year. Revenues increased by $1.8 billion or 2.4 percent, other financing sources and uses increased by $138 million or 7.2 percent, and expenditures increased by $1.5 billion or 1.9 percent. Overall increases in revenues and expenditures were primarily attributable to a rise in tax revenues.

Health and Family Services – The fund balance at June 30, 2016, totaled $1.7 billion, an increase of $337 million or 25.2 percent. Revenues and other financing sources increased by $223 million or 0.8 percent, while expenditures and other financing uses decreased $443 million or 1.6 percent. Overall changes in the fund were predominantly related to the state's move from a fee-for-service to managed care system of health care for the State's Medicaid program.

Proprietary Funds

The state's proprietary funds report combined ending net position of $27.3 billion at June 30, 2016, of which $7.8 billion is the net investment in capital assets, and $18.2 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.

Reemployment Assistance — This fund reported a net position of $3.3 billion at June 30, 2016, an increase of $540 million or 19.3 percent. Revenues and operation transfers in decreased by $412 million or 28.3 percent while expenses and operating transfers out declined by $220 million or 31.2 percent. Revenues decreased as a 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.

Hurricane Catastrophe Fund – The net position at June 30, 2016, totaled $12.8 billion, an increase of $1.1 billion or 9.8 percent. The declining increase in net position remained fairly consistent with the declining increase in the prior year. Revenues and operation transfers in decreased by $357 million or 22.7 percent, while expenses and operating transfers out declined by $23 million or 22.6 percent. The majority of the decrease in total revenues is due to emergency assessments no longer being collected on insurance policies issued or renewed on or after January 1, 2015. As a result, emergency assessment revenue decreased in fiscal years 2015 and 2016. The decrease in expenses is primarily attributable to bonding activity. See Note 14 to the financial statements for additional information on this fund.

Prepaid College Program – The net position at June 30, 2016, totaled $1.7 billion, an increase of $150 million or 10.0 percent. Revenues and operation transfers in increased by $997 million or 209.6 percent while expenses and operating transfers out increased by $562 million or 73.9 percent. The increase in revenues was primarily due to a change in the actuarial determination of the present value of future contract premiums and an increase in fair value of fixed income investments, while expenses increased primarily due to a change in the actuarial determination of the present value of future benefit payments.

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 $166 million increase between the original and final estimated revenues. Final budgeted total expenditures increased by $764 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, 2016, the state reported $71.9 billion in net capital assets for governmental activities and $11.3 billion in net capital assets for business-type activities. Net capital assets for governmental and business-type activities increased from fiscal year 2014-15 to fiscal year 2015-16 by approximately 3.3 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 $10.8 billion. Construction commitments by other state agencies for major projects including office buildings and correctional facilities decreased by $26 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 increased by $605 million, or approximately 2.7 percent, from the prior fiscal year to a total of $22.8 billion at June 30, 2016 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 ($12.7 billion), the Florida Hurricane Catastrophe Fund ($3.2 billion) and transportation ($4.8 billion). New and refinanced bonded debt issues for 2016 totaled $3.8 billion. Public-Private Partnership (PPP) contracts outstanding increased from the prior year by $132 million or 5.2 percent to a total of $2.7 billion. The annual debt service requirements increased from $2 billion in 2015 to $2.1 billion in 2016 due to refinement of how PPP obligations are reflected in outstanding debt. In Fiscal Year 2015 and 2016, debt service increased by $84 million and $82 million, respectively, to nearly $2.1 billion in Fiscal Year 2016 reflecting impact of PPP payments. The annual debt service is projected to increase to $2.3 billion in Fiscal Year 2018 due to the addition of adding PPP obligations for the I-4 Project causing an increase in the benchmark debt ratio.

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 $4.5 billion in pension liabilities for the defined benefit plans it administers for the fiscal year ended June 30, 2016. The $4.5 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, 2016, 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 improved over the past year to 5.46 percent and remains below the 6 percent 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 2016 Debt Affordability 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 2015-16 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, 2016, were 3.8 percent higher than the prior fiscal year. While this percentage is substantially lower than the reported 7.7 percent for fiscal year 2014-15, general fund tax collections in that fiscal year posted atypically strong growth as the State of Florida neared the end of its recovery from the Great Recession. This means that the growth rate for fiscal year 2015-16, albeit modest, falls more in line with the 3.5 percent long-run growth projected for the future.

Nearly all of the year-over-year increase in general fund receipts came from gains in sales tax collections. For fiscal year 2015-16, this revenue source slightly increased its dominant share of the fund, ending the year with 69.2 percent of total revenue. 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 5.7 percent from fiscal year 2014-15 to fiscal year 2015-16. This equates to slightly over $1.3 billion in growth for this source, with $935.3 million flowing through to the general fund.

Including sales tax, only one-half of the state's general revenue sources posted gains over the prior year. Even though national corporate profits dropped slightly in fiscal year 2015-16 relative to fiscal year 2014-15, the state's corporate income tax collections managed to stay in positive territory. Still below peak collections, corporate income tax receipts prior to refunds posted 1.6 percent growth to achieve 93.0 percent of the previous high. However, once refunds are taken into account, net collections were slightly below the prior year. Of the sources clearly losing ground over the year, several were related to changes that had been anticipated. Notably among these were: (1) a loss of highway safety fees resulting from a statutory change to the general fund distribution, (2) a decline in beverage taxes as the use of an available tax credit significantly increased, and (3) a reduction in Indian Gaming revenues as the authorization to conduct banked card games expired and certain related collections were placed in an effective reserve.

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. Ten years since the boom's height, this is still true, although conditions continue to improve. For statewide existing home sales and the median sales price for existing homes, the direction has been positive with both sources exhibiting healthy percentage gains over the prior year, registering 3.1 percent and 11.0 percent growth, respectively. The picture also solidified for private housing starts and construction expenditures, allowing total documentary stamp taxes to grow 7.9 percent. This growth brought documentary stamp taxes to 56.1 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 11.9 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 2015-16 state fiscal year, total general fund collections were only $50.6 million or just 0.2 percent above the estimate made by the state's Revenue Estimating Conference in January 2016. Coming in so close to the estimate made midway through the fiscal year signals 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 3.5 percent over this period.

The Revenue Estimating Conference met in December 2016 to revise the forecast for fiscal years 2016-17 and 2017-18. Total collections had been running over the prior estimate; however, more than half of the reported gain year-to-date was attributable to timing and other technical issues that were expected to be resolved prior to the end of the year. A review of both the corrected and unaffected sources indicated that the real gain to the estimate was much smaller. Based on this and the slightly weaker National and Florida Economic Forecasts adopted in November 2016, the Conference made only modest adjustments. Overall, anticipated revenues were revised upward by $119.3 million in fiscal year 2016-17 and by $22.6 million in fiscal year 2017-18, for a two-year total of $141.9 million. The revised fiscal year 2016-17 estimate exceeds the prior year's collections by $1.13 billion (or 4.0 percent). The revised forecast for fiscal year 2017-18 has projected growth of $1.26 billion (or 4.3 percent) over the revised fiscal year 2016-17 estimate. The growth rates for fiscal year 2018-19 and fiscal year 2019-20 were unchanged at 4.1 percent and 4.0 percent, respectively, 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 $1.48 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 $1.384 billion on June 30, 2017. The fund cash balance is now at the highest recorded level in its history. Refer to Note 1K, for additional information on the Budget Stabilization Fund. 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 $632 million on October 31, 2016, bringing the total of all reserves to just over $3.5 billion or 11.89 percent of the state's estimated general fund collections. According to the state's Long-Range Financial Outlook adopted in September 2016, the state is not anticipating a budget gap for the upcoming fiscal year, meaning the projected revenues should meet all anticipated needs. However, 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

FINANCIAL SECTION:

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION
JUNE 30, 2016
(in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Totals	
ASSETS				
Cash and cash equivalents	$ 117,407	$ 33,418	$ 150,825	$ 2,608,096
Pooled investments with State Treasury	15,402,602	4,944,227	20,346,829	3,528,840
Other investments	1,351,890	28,827,759	30,179,649	19,005,594
Receivables, net	4,596,592	846,509	5,443,101	2,121,435
Internal balances	391,798	(391,798)	.....	.....
Due from component units/primary	3,169	842	4,011	452,805
Inventories	70,252	3,104	73,356	67,970
Restricted cash and cash equivalents	.....	96	96	534,817
Restricted pooled investments with State Treasury	.....	44,243	44,243	676,248
Restricted investments	.....	675,704	675,704	5,386,416
Advances to other entities	967,697	.....	967,697	.....
Other loans and notes receivable, net	3,088,552	1,938,361	5,026,913	2,150,219
Other assets	1,050	32,387	33,437	632,929
Capital assets, net	71,872,076	11,267,714	83,139,790	23,642,206
Total assets	97,863,085	48,222,566	146,085,651	60,807,575
DEFERRED OUTFLOWS OF RESOURCES				
Accum. decrease in fair value - hedging derivatives	.....	.....	.....	95,327
Grants paid in advance	.....	.....	.....	207
Amount deferred on refunding of debt	97,022	37,319	134,341	7,814
Pension-related items	1,716,159	31,169	1,747,328	969,358
Total deferred outflows of resources	1,813,181	68,488	1,881,669	1,072,706
LIABILITIES				
Accounts payable and accrued liabilities	2,206,299	490,202	2,696,501	2,566,526
Due to other governments	.....	6,372	6,372	.....
Due to component units/primary	41,263	366	41,629	70,524
Obligations under security lending agreements	1,036,736	1,373,242	2,409,978	.....
Long-term liabilities				
Due within one year	3,734,315	1,662,521	5,396,836	2,761,482
Due in more than one year	27,978,546	17,344,283	45,322,829	15,001,488
Total liabilities	34,997,159	20,876,986	55,874,145	20,400,020
DEFERRED INFLOWS OF RESOURCES				
Deferred service concession arrangement receipts	.....	139,040	139,040	255
Accum. increase in fair value - hedging derivatives	.....	.....	.....	8,822
Amount deferred on refunding of debt	14,332	.....	14,332	3,131
Pension-related items	988,217	17,839	1,006,056	481,847
Total deferred inflows of resources	1,002,549	156,879	1,159,428	494,055
NET POSITION				
Net investments in capital assets	66,196,839	7,766,815	73,963,654	19,323,701
Restricted for				
Environment, Recreation and Conservation	3,188,567	.....	3,188,567	.....
Public Education	742,292	.....	742,292	.....
Health and Family Services	1,592,259	.....	1,592,259	.....
Transportation	1,942,833	317,355	2,260,188	.....
Nonmajor governmental funds	1,132,748	.....	1,132,748	.....
Debt service	252,056	.....	252,056	63,787
Lottery	.....	121,932	121,932	.....
Prepaid College Program	.....	1,657,880	1,657,880	.....
Hurricane Catastrophe Fund	.....	12,771,922	12,771,922	.....
Reemployment Assistance	.....	3,337,397	3,337,397	.....
Other	635,617	1,296	636,913	5,992,778
Funds held for permanent endowment				
Expendable	.....	.....	.....	618,141
Nonexpendable	.....	.....	.....	3,786,585
Unrestricted	(12,006,653)	1,282,592	(10,724,061)	11,201,214
Total net position	$ 63,676,558	$ 27,257,189	$ 90,933,747	$ 40,986,206

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(in thousands)

		Program Revenues			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Primary government					
Governmental activities:					
General government	$ 6,699,521	$ 4,656,044	$ 802,443	$ 3,001	$ (1,238,033)
Education	20,162,012	291,798	2,310,679	218	(17,559,317)
Human services	34,595,840	1,702,416	22,547,710	484	(10,345,230)
Criminal justice and corrections	4,021,540	312,850	78,649	4,820	(3,625,221)
Natural resources and environment	2,852,005	367,177	1,429,838	8,993	(1,045,997)
Transportation	4,962,377	256,419	54,167	2,485,855	(2,165,936)
State courts	521,155	77,239	1,315	.....	(442,601)
Indirect interest on long-term debt	78,225	.....	.....	.....	(78,225)
Total governmental activities	73,892,675	7,663,943	27,224,801	2,503,371	(36,500,560)
Business-type activities:					
Transportation	514,248	1,131,342	.....	2,724	619,818
Lottery	4,389,601	6,108,189	.....	.....	1,718,588
Hurricane Catastrophe Fund	68,294	1,214,518	.....	.....	1,146,224
Prepaid College Program	1,322,406	1,472,707	.....	.....	150,301
Reemployment Assistance	465,563	1,031,057	10,886	.....	576,380
Nonmajor enterprise funds	332,551	431,022	.....	.....	98,471
Total business-type activities	7,092,663	11,388,835	10,886	2,724	4,309,782
Total primary government	$ 80,985,338	$ 19,052,778	$ 27,235,687	$ 2,506,095	$ (32,190,778)
Component units					
Florida Housing Finance Corporation	$ 195,169	$ 150,935	$	$	$ (44,234)
University of Florida	5,047,867	3,402,823	907,363	60,670	(677,011)
Citizens Property Insurance Corporation	912,204	762,882	.....	.....	(149,322)
Nonmajor component units	11,535,717	3,431,465	3,312,138	617,788	(4,174,326)
Total component units	$ 17,690,957	$ 7,748,105	$ 4,219,501	$ 678,458	$ (5,044,893)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Net (expense) revenue	$ (36,500,560)	$ 4,309,782	$ (32,190,778)	$ (5,044,893)
General revenues:				
Taxes				
Sales and use tax	24,255,828	.....	24,255,828	.....
Fuel taxes	2,934,580	.....	2,934,580	.....
Corporate income tax	2,181,244	.....	2,181,244	.....
Documentary stamp tax	2,284,854	.....	2,284,854	.....
Intangible personal property tax	341,418	.....	341,418	.....
Communications service tax	1,030,801	.....	1,030,801	.....
Beverage and tobacco taxes	1,589,210	.....	1,589,210	.....
Insurance premium tax	940,747	.....	940,747	.....
Gross receipts utilities tax	777,404	.....	777,404	.....
Property taxes	.....	.....	.....	473,370
Other taxes	1,282,545	.....	1,282,545	.....
Investment earning (loss)	327,804	6,594	334,398	361,618
Gain (loss) on sale of capital assets	90,007	(154,186)	(64,179)	(29,136)
Payments from the State of Florida	.....	.....	.....	4,073,980
Emergency assessments	.....	3,064	3,064	.....
Miscellaneous	.....	555	555	659,127
Transfers	1,671,350	(1,671,350)	.....	.....
Contributions to permanent funds	.....	.....	.....	86,297
Total general revenues, transfers and contributions	39,707,792	(1,815,323)	37,892,469	5,625,256
Changes in net position	3,207,232	2,494,459	5,701,691	580,363
Net position - beginning, as restated (Note 1)	60,469,326	24,762,730	85,232,056	40,405,843
Net position - ending	$ 63,676,558	$ 27,257,189	$ 90,933,747	$ 40,986,206

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 181.

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016
(in thousands)

	General Fund	Environment, Recreation and Conservation	Public Education	Health and Family Services	Transportation	Nonmajor Governmental Funds	Totals 6/30/16
ASSETS							
Current assets							
Cash and cash equivalents	$ 16,086	$ 1,577	$	$ 21,209	$ 807	$ 22,945	$ 62,624
Pooled investments with State Treasury	5,820,185	2,077,323	1,140,322	1,923,172	2,123,627	1,652,989	14,737,618
Other investments	834,302	.....	.....	.....	1,831	239,466	1,075,599
Receivables, net	1,694,452	181,077	59,220	1,291,782	405,234	338,202	3,969,967
Due from other funds	249,874	20,199	179,596	129,329	194,366	80,836	854,200
Due from component units/primary	519	586	1,090	.....	.....	23	2,218
Inventories	19,721	434	.....	40,811	7,173	2,113	70,252
Other	798	.....	.....	.....	.....	252	1,050
Total current assets	8,635,937	2,281,196	1,380,228	3,406,303	2,733,038	2,336,826	20,773,528
Noncurrent assets							
Long-term investments	.....	.....	.....	.....	.....	226,651	226,651
Advances to other funds	2,604	.....	.....	.....	94,634	.....	97,238
Advances to other entities	6,276	4,971	879,913	.....	76,537	.....	967,697
Other loans and notes receivable, net	22,581	1,218,025	1,733	23,624	902,731	919,858	3,088,552
Total noncurrent assets	31,461	1,222,996	881,646	23,624	1,073,902	1,146,509	4,380,138
Total assets	8,667,398	3,504,192	2,261,874	3,429,927	3,806,940	3,483,335	25,153,666
LIABILITIES							
Current liabilities							
Accounts payable and accrued liabilities	504,532	55,410	8,571	381,976	696,692	186,313	1,833,494
Due to other funds	286,128	25,190	2,624	86,052	50,976	139,695	590,665
Due to component units/primary	2,795	29,142	429	6,479	.....	2,417	41,262
Compensated absences	10,173	1,529	.....	1,288	5,699	796	19,485
Claims payable	102,027	.....	.....	573,135	.....	4,573	679,735
Deposits	5,981	10,389	7,455	3,925	320,242	89,265	437,257
Obligations under security lending agreements	728,580	78,313	54,013	6,978	88,532	49,722	1,006,138
Total current liabilities	1,640,216	199,973	73,092	1,059,833	1,162,141	472,781	4,608,036
Noncurrent liabilities							
Advances from other funds	100	.....	930,266	.....	.....	625	930,991
Deposits	.....	.....	.....	.....	.....	10,939	10,939
Other	.....	.....	.....	.....	.....	811	811
Total noncurrent liabilities	100	.....	930,266	.....	.....	12,375	942,741
Total liabilities	1,640,316	199,973	1,003,358	1,059,833	1,162,141	485,156	5,550,777
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue	198,751	833	.....	693,703	701,967	43,735	1,638,989
Total deferred inflows of resources	198,751	833	.....	693,703	701,967	43,735	1,638,989
FUND BALANCES							
Nonspendable	26,800	434	.....	40,811	7,173	25,711	100,929
Restricted	74,750	2,306,949	1,713,368	165,341	50	1,800,571	6,061,029
Committed	1,032,466	996,003	396,423	1,470,239	1,935,609	1,128,162	6,958,902
Unassigned	5,694,315	.....	(851,275)	.....	.....	.....	4,843,040
Total fund balances	6,828,331	3,303,386	1,258,516	1,676,391	1,942,832	2,954,444	17,963,900
Total liabilities, deferred inflows and fund balances	$ 8,667,398	$ 3,504,192	$ 2,261,874	$ 3,429,927	$ 3,806,940	$ 3,483,335	$ 25,153,666

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, 2016
(in thousands)

Total fund balances for governmental funds		$ 17,963,900
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	18,644,330	
Nondepreciable infrastructure	46,962,923	
Buildings, equipment and other depreciable assets	6,748,403	
Accumulated depreciation	(4,169,371)	
Construction work in progress	2,634,280	
		70,820,565
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(705,787)	
Installment purchases/capital leases/public-private partnership agreements	(2,426,883)	
Claims payable	(2,289,562)	
Bonds payable	(16,411,960)	
Certificates of participation payable	(89,310)	
Net other post employment benefits	(1,868,451)	
Pension Liability	(4,387,849)	
Due to other governments	(417,246)	
Other	(17,500)	
		(28,614,548)
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.		84,467
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.		718,646
Accrued interest payable on bonds that is not recognized on the fund statements but is recognized on the Statement of Net Position.		(49,486)
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.		1,638,989
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.		511,834
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.		602,191
Net position of governmental activities		$ 63,676,558

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, 2016
(in thousands)

	General Fund	Environment, Recreation and Conservation	Public Education	Health and Family Services	Transportation	Nonmajor Governmental Funds	Totals 6/30/16
REVENUES							
Taxes	$ 32,239,393	$ 291,709	$ 1,152,489	$ 1,049,357	$ 2,648,455	$ 269,073	$ 37,650,476
Licenses and permits	446,439	50,248	922	38,280	12,605	1,483,858	2,032,352
Fees and charges	1,487,836	174,568	58,311	885,270	467,230	765,652	3,838,867
Grants and donations	16,326	188,389	2,153,027	22,605,987	2,522,746	2,209,535	29,696,010
Investment earnings (losses)	237,504	71,099	89,335	5,867	54,190	54,567	512,562
Fines, forfeits, settlements and judgments	92,484	4,061	166,978	42,543	2,621	532,391	841,078
Other	5,441	4,393	3,380	660,041	5,653	55,035	733,943
Total revenues	34,525,423	784,467	3,624,442	25,287,345	5,713,500	5,370,111	75,305,288
EXPENDITURES							
Current:							
General government	4,499,748	36,492	.....	160,175	200,841	1,771,976	6,669,232
Education	15,110,653	.....	4,388,798	.....	.....	163,499	19,662,950
Human services	8,096,396	.....	.....	25,932,586	.....	473,775	34,502,757
Criminal justice and corrections	3,424,179	.....	.....	.....	.....	484,073	3,908,252
Natural resources and environment	392,766	952,688	.....	.....	.....	1,372,446	2,717,900
Transportation	15,803	.....	.....	.....	4,410,733	.....	4,426,536
State courts	423,559	.....	.....	.....	.....	80,513	504,072
Capital outlay	100,938	59,660	2,799	7,937	2,191,873	54,464	2,417,671
Debt service:							
Principal retirement	13,121	.....	.....	5,418	79,594	1,043,893	1,142,026
Interest and fiscal charges	5,422	.....	.....	445	72,335	771,778	849,980
Total expenditures	32,082,585	1,048,840	4,391,597	26,106,561	6,955,376	6,216,417	76,801,376
Excess (deficiency) of revenues over expenditures	2,442,838	(264,373)	(767,155)	(819,216)	(1,241,876)	(846,306)	(1,496,088)
OTHER FINANCING SOURCES (USES)							
Proceeds of bond issues	2,272	49,869	.....	.....	.....	5,257	57,398
Proceeds of refunding bonds	.....	.....	.....	.....	.....	1,791,321	1,791,321
Proceeds of financing agreements	9,714	.....	.....	.....	223,417	.....	233,131
Operating transfers in	543,494	851,168	2,359,808	1,602,900	1,511,692	2,866,733	9,735,795
Operating transfers out	(3,159,685)	(327,954)	(1,394,729)	(446,378)	(672,256)	(1,976,380)	(7,977,382)
Payments to refunded bond agent	.....	.....	.....	.....	.....	(1,791,321)	(1,791,321)
Total other financing sources (uses)	(2,604,205)	573,083	965,079	1,156,522	1,062,853	895,610	2,048,942
Net change in fund balances	(161,367)	308,710	197,924	337,306	(179,023)	49,304	552,854
Fund balances - beginning, as restated (Note 1)	6,989,698	2,994,676	1,060,592	1,339,085	2,121,855	2,905,140	17,411,046
Fund balances - ending	$ 6,828,331	$ 3,303,386	$ 1,258,516	$ 1,676,391	$ 1,942,832	$ 2,954,444	$ 17,963,900

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, 2016
(in thousands)

Net change in fund balance - total governmental funds		$ 552,854
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.		$ 15,548
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	2,417,671	
Capital asset transfers, net	73,117	
Depreciation expense	(276,351)	
		$ 2,214,437
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.		$ (26,436)
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.		$ (5,696)
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.		
Decrease in compensated absences	28,262	
Decrease in accrued interest	1,994	
Decrease in claims payable	96,395	
Increase in net other post employment benefits	(403,949)	
Increase in due to other governments	(417,246)	
Decrease in other liabilities	2,492	
		$ (692,052)
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	(57,398)	
Refunding bond proceeds	(1,791,321)	
Financing agreement proceeds	(233,131)	
Repayment of bonds	1,042,814	
Repayment of capital leases/installment purchase contracts	56,295	
Payment to refunded bond escrow agent	1,791,321	
Amortization of bond premium	188,302	
Amortization of deferred amount on refunding	(10,198)	
Accrued interest payable at refunding	(12,411)	
		$ 974,273
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.		$ 174,304
Change in net position of governmental activities		$ 3,207,232

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 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 a blended component unit and was created 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 217.

Internal Service Funds

Internal service funds are presented on page 223.

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016
(in thousands)

	Transportation	Lottery	Hurricane Catastrophe Fund	Prepaid College Program	Reemployment Assistance
ASSETS					
Current assets:					
Cash and cash equivalents	$ 2,941	$ 316	$ 11	$ 6,791	$ 1,303
Pooled investments with State Treasury	1,103,750	280,792	.....	.....	3,184,254
Other investments	.....	.....	10,818,319	1,961,620	.....
Receivables, net	30,540	32,347	182,093	289,512	199,657
Due from other funds	92,351	.....	.....	4,474	930
Due from component units/primary	.....	.....	.....	.....	507
Inventories	1,619	1,485	.....	.....	.....
Other	240	2,389	.....	1	.....
Total current assets	1,231,441	317,329	11,000,423	2,262,398	3,386,651
Noncurrent assets:					
Restricted cash and cash equivalents	96	.....	.....	.....	.....
Restricted pooled investments with State Treasury	15,975	28,268	.....	.....	.....
Restricted investments	327,574	348,130	.....	.....	.....
Long-term investments	.....	.....	5,086,241	10,889,502	.....
Other loans and notes receivable, net	66,437	.....	.....	1,867,653	.....
Capital assets:					
Land and other non-depreciable assets	1,128,944	2,727	.....	.....	.....
Non-depreciable infrastructure	8,587,365	.....	.....	.....	.....
Buildings, equipment, and other depreciable assets	815,790	12,037	37	33	.....
Accumulated depreciation	(302,364)	(8,659)	(31)	(15)	.....
Construction work in progress	935,382	.....	.....	.....	.....
Other	.....	22,793	.....	.....	.....
Total noncurrent assets	11,575,199	405,296	5,086,247	12,757,173	.....
Total assets	12,806,640	722,625	16,086,670	15,019,571	3,386,651
DEFERRED OUTFLOWS OF RESOURCES					
Amount deferred on refunding of debt	37,319	.....	.....	.....	.....
Pension-related items	.....	5,007	241	514	.....
Total deferred outflows of resources	37,319	5,007	241	514	.....
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	49,457	8,478	113,694	259,574	41,163
Accrued prize liability	.....	174,388	.....	.....	.....
Due to other governments	.....	.....	.....	.....	6,372
Due to other funds	133,932	158,655	285	35	1,719
Due to component units/primary	.....	.....	.....	.....	.....
Compensated absences	.....	384	47	60	.....
Installment purchases/capital leases	36,034	.....	.....	.....	.....
Bonds payable	.....	.....	500,000	.....	.....
Bonds payable from restricted assets	135,605	.....	.....	.....	.....
Deposits	74,025	.....	.....	.....	.....
Obligations under security lending agreements	54,634	15,098	.....	1,287,850	.....
Certificates of participation payable	.....	.....	.....	.....	.....
Tuition and housing benefits payable	.....	.....	.....	713,654	.....
Pension liability	.....	219	13	12	.....
Total current liabilities	483,687	357,222	614,039	2,261,185	49,254
Noncurrent liabilities:					
Advances from other funds	93,734	.....	.....	.....	.....
Accrued prize liability	.....	237,968	.....	.....	.....
Bonds payable	2,820,030	.....	2,700,000	.....	.....
Certificates of participation payable	.....	.....	.....	.....	.....
Installment purchases/capital leases	285,428	.....	.....	.....	.....
Deposits	451	.....	.....	.....	.....
Compensated absences	.....	3,456	127	214	.....
Tuition and housing benefits payable	.....	.....	.....	11,099,833	.....
Pension liability	.....	12,694	661	762	.....
Other	.....	6,683	59	74	.....
Total noncurrent liabilities	3,199,643	260,801	2,700,847	11,100,883	.....
Total liabilities	3,683,330	618,023	3,314,886	13,362,068	49,254
DEFERRED INFLOWS OF RESOURCES					
Deferred service concession arrangement receipts	139,040	.....	.....	.....	.....
Amount deferred on refunding of debt	.....	.....	.....	.....	.....
Pension-related items	.....	2,179	97	119	.....
Total deferred inflows of resources	139,040	2,179	97	119	.....
NET POSITION					
Net investment in capital assets	7,681,073	6,106	6	18	.....
Restricted for Reemployment Assistance	.....	.....	.....	.....	3,337,397
Restricted for Lottery	.....	121,932	.....	.....	.....
Restricted for Hurricane Catastrophe Fund	.....	.....	12,771,922	.....	.....
Restricted for Prepaid College Program	.....	.....	.....	1,657,880	.....
Restricted for Transportation	317,355	.....	.....	.....	.....
Restricted - other	.....	.....	.....	.....	.....
Unrestricted	1,023,161	(20,608)	.....	.....	.....
Total net position	$ 9,021,589	$ 107,430	$ 12,771,928	$ 1,657,898	$ 3,337,397

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

Nonmajor Enterprise Funds	Totals 6/30/16	Internal Service Funds
$ 22,056	$ 33,418	$ 54,783
375,431	4,944,227	664,984
13,915	12,793,854	49,640
9,496	743,645	24,123
9,400	107,155	25,667
335	842	951
.....	3,104	.....
1,225	3,855	.....
431,858	18,630,100	820,148
.....	96	.....
.....	44,243	.....
.....	675,704	.....
58,162	16,033,905	.....
4,271	1,938,361	.....
.....	1,131,671	319
.....	8,587,365	.....
150,958	978,855	1,582,429
(57,528)	(368,597)	(531,237)
3,038	938,420	.....
5,739	28,532	.....
164,640	29,988,555	1,051,511
596,498	48,618,655	1,871,659
.....	37,319	1,547
25,407	31,169	23,874
25,407	68,488	25,421
17,795	490,161	189,835
.....	174,388	.....
.....	6,372	.....
7,770	302,396	33,953
366	366	1
5,345	5,836	2,787
1,757	37,791	5,871
.....	500,000	25,875
.....	135,605	.....
19,617	93,642	151,350
15,660	1,373,242	30,598
.....	.....	31,360
.....	713,654	.....
1,361	1,605	765
69,671	3,835,058	472,395
.....	93,734	2,779
.....	237,968	.....
.....	5,520,030	241,868
.....	.....	452,480
15,101	300,529	18,549
37,878	38,329	.....
13,646	17,443	10,152
.....	11,099,833	.....
70,650	84,767	52,270
38,568	45,384	26,494
175,843	17,438,017	804,592
245,514	21,273,075	1,276,987
.....	139,040	.....
.....	.....	3,324
15,444	17,839	14,578
15,444	156,879	17,902
79,612	7,766,815	273,731
.....	3,337,397	.....
.....	121,932	.....
.....	12,771,922	.....
.....	1,657,880	.....
.....	317,355	.....
1,296	1,296	86,588
280,039	1,282,592	241,872
$ 360,947	$ 27,257,189	$ 602,191

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(in thousands)

	Transportation	Lottery	Hurricane Catastrophe Fund	Prepaid College Program
OPERATING REVENUES				
Sales - nonstate	$ 14,781	$ 6,067,790	$ 1,143,317	$ 375,225
Change in actuarial value of contract premiums	.....	.....	.....	250,118
Fees	1,070,620	.....	1	2,588
Sales - state	.....	.....	41	225
Rents and royalties - nonstate	7,380	517	.....	.....
Rents - state	.....	.....	.....	.....
Fines, forfeits, settlements and judgments	912	179	.....	.....
Other	.....	.....	.....	2
Total operating revenues	1,093,693	6,068,486	1,143,359	628,158
OPERATING EXPENSES				
Benefit payments	.....	.....	.....	.....
Payment of lottery winnings	.....	3,868,970	.....	.....
Commissions on lottery sales	.....	337,007	.....	.....
Contractual services	277,438	132,138	3,705	407,473
Change in actuarial value of contract benefit payments	.....	.....	.....	902,171
Insurance claims expense	.....	.....	.....	.....
Personal services	20,608	28,235	1,380	1,419
Depreciation	54,748	959	3	5
Materials and supplies	19,742	870	13	31
Repairs and maintenance	.....	381	.....	.....
Basic services	.....	5,612	168	117
Interest and fiscal charges	.....	.....	15	30
Bad debt	.....	.....	.....	.....
Total operating expenses	372,536	4,374,172	5,284	1,311,246
Operating income (loss)	721,157	1,694,314	1,138,075	(683,088)
NONOPERATING REVENUES (EXPENSES)				
Grants and donations	2,724	.....	.....	.....
Investment earnings (losses)	32,419	39,702	71,159	844,549
Interest and fiscal charges	(141,712)	(15,428)	(63,010)	(11,160)
Fines, forfeits, judgments and settlements	519	.....	.....	36
Property disposition gain (loss)	(154,167)	15	.....	.....
Grant expense and client benefits	.....	.....	.....	.....
Emergency assessment funds received	.....	.....	3,064	.....
Other	5,539	.....	.....	.....
Total nonoperating revenues (expenses)	(254,678)	24,289	11,213	833,425
Income (loss) before transfers and contributions	466,479	1,718,603	1,149,288	150,337
Operating transfers in	112,676	.....	.....	.....
Operating transfers out	(54,343)	(1,692,716)	(10,000)	.....
Capital contributions	73,117	.....	.....	.....
Change in net position	597,929	25,887	1,139,288	150,337
Total net position - beginning, as restated (Note 1)	8,423,660	81,543	11,632,640	1,507,561
Total net position - ending	$ 9,021,589	$ 107,430	$ 12,771,928	$ 1,657,898

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

Reemployment Assistance	Nonmajor Enterprise Funds	Totals 6/30/16	Internal Service Funds
$	$ 81,392	$ 7,682,505	$ 41,684
.....	.....	250,118	.....
956,567	259,118	2,288,894	.....
.....	38,302	38,568	2,298,698
.....	6	7,903	.....
.....	92	92	153,948
.....	11,540	12,631	292
.....	26,224	26,226	17,330
956,567	416,674	10,306,937	2,511,952
465,563	.....	465,563	.....
.....	.....	3,868,970	.....
.....	.....	337,007	.....
.....	102,243	922,997	536,605
.....	.....	902,171	.....
.....	.....	.....	1,767,141
.....	181,617	233,259	96,031
.....	7,986	63,701	38,591
.....	5,469	26,125	7,253
.....	2,222	2,603	11,262
.....	28,853	34,750	9,809
.....	1,962	2,007	.....
.....	117	117	12
465,563	330,469	6,859,270	2,466,704
491,004	86,205	3,447,667	45,248
10,886	.....	13,610	210
74,490	9,046	1,071,365	16,782
.....	(849)	(232,159)	(40,993)
.....	.....	555	.....
.....	(34)	(154,186)	(1,653)
.....	(1,075)	(1,075)	.....
.....	.....	3,064	.....
.....	(140)	5,399	69
85,376	6,948	706,573	(25,585)
576,380	93,153	4,154,240	19,663
4,001	17,295	133,972	20,668
(19,230)	(90,581)	(1,866,870)	(25,967)
.....	.....	73,117	1,184
561,151	19,867	2,494,459	15,548
2,776,246	341,080	24,762,730	586,643
$ 3,337,397	$ 360,947	$ 27,257,189	$ 602,191

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(in thousands)

	Transportation	Lottery	Hurricane Catastrophe Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	$ 1,084,071	$ 6,102,207	$ 1,143,000
Cash paid to vendors	(217,521)	(478,210)	(4,043)
Cash paid to employees	(20,608)	(27,001)	(1,481)
Cash received/(paid) for grants	.....	.....	.....
Lottery prizes	.....	(3,867,418)	.....
Cash paid for insurance claims	.....	.....	.....
Reemployment assistance	.....	.....	.....
Net cash provided (used) by operating activities	845,942	1,729,578	1,137,476
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in (out)	85,823	(1,601,166)	(10,000)
Advances from or repayment from other funds	(72,350)	.....	.....
Advances, grants or loans (to) from or repayment from others	(70,700)	.....	.....
Cash received from sale of bonds	.....	.....	1,196,615
Payment of bonds or loans (principal and interest)	.....	.....	(46,975)
Emergency assessment funds received	.....	.....	4,884
Net cash provided (used) by noncapital financing activities	(57,227)	(1,601,166)	1,144,524
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Cash received from sale of capital assets	.....	.....	.....
Cash received from the issuance of debt	178,672	.....	.....
Cash received from capital grants and donations	2,724	.....	.....
Payment of bond principal	(131,540)	.....	.....
Payment of principal on installment purchase/capital lease	.....	.....	.....
Payment of interest on bonds/installment purchase/capital lease	(131,698)	.....	.....
Purchase or construction of capital assets	(571,303)	(1,229)	(4)
Net cash provided (used) by capital and related financing activities	(653,145)	(1,229)	(4)
CASH FLOWS FROM INVESTING ACTIVITIES			
Security lending	(6,145)	4,541	.....
Proceeds from the sale or maturity of investments	1,672,645	5,101	108,687,828
Cash paid to grand prize winners upon maturity of grand prize investments	.....	(66,419)	.....
Investment earnings	30,983	70,358	48,279
Purchase of investments	(1,776,001)	(13,801)	(111,018,101)
Net cash provided (used) by investing activities	(78,518)	(220)	(2,281,994)
Net increase (decrease) in cash and cash equivalents	57,052	126,963	2
Cash and cash equivalents - beginning	1,065,710	182,413	9
Cash and cash equivalents - ending	$ 1,122,762	$ 309,376	$ 11

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

Prepaid College Program	Reemployment Assistance	Nonmajor Enterprise Funds	Totals 6/30/16	Internal Service Funds
$ 478,678	$ 1,039,807	$ 399,598	$ 10,247,361	$ 2,511,085
(514,543)	.....	(141,784)	(1,356,101)	(567,807)
(1,337)	.....	(172,613)	(223,040)	(91,971)
.....	.....	27,173	27,173	.....
.....	.....	.....	(3,867,418)	.....
.....	.....	.....	.....	(1,758,305)
.....	(474,055)	.....	(474,055)	.....
(37,202)	565,752	112,374	4,353,920	93,002
.....	(14,938)	(75,215)	(1,615,496)	4,626
.....	.....	(36)	(72,386)	(7,245)
.....	.....	(640)	(71,340)	.....
.....	.....	.....	1,196,615	.....
.....	.....	.....	(46,975)	(59,998)
.....	.....	.....	4,884	.....
.....	(14,938)	(75,891)	(604,698)	(62,617)
.....	.....	19	19	.....
.....	.....	1,054	179,726	.....
.....	3,689	2,268	8,681	.....
.....	.....	.....	(131,540)	.....
.....	.....	(2,348)	(2,348)	(25,856)
.....	.....	.....	(131,698)	(15,495)
(8)	.....	(3,507)	(576,051)	(1,733)
(8)	3,689	(2,514)	(653,211)	(43,084)
2,284	.....	(2,581)	(1,901)	(9,324)
10,554,098	.....	94,717	121,014,389	1,890
.....	.....	.....	(66,419)	.....
121,690	75,988	7,993	355,291	15,643
(10,646,023)	.....	(90,972)	(123,544,898)	(1)
32,049	75,988	9,157	(2,243,538)	8,208
(5,161)	630,491	43,126	852,473	(4,491)
11,952	2,555,066	354,361	4,169,511	724,258
$ 6,791	$ 3,185,557	$ 397,487	$ 5,021,984	$ 719,767

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(in thousands)

Reconciliation of operating income (loss) to net cash provided (used) by operating activities	Transportation	Lottery	Hurricane Catastrophe Fund	Prepaid College Program	Reemployment Assistance	Nonmajor Enterprise Funds	Totals 6/30/16	Internal Service Funds
Operating income (loss)	$ 721,157	$ 1,694,314	$ 1,138,075	$ (683,088)	$ 491,004	$ 86,205	$ 3,447,667	$ 45,248
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:								
Depreciation and amortization expense	54,748	959	3	5	.....	7,986	63,701	38,591
Changes in assets and liabilities:								
(Increase) decrease in accounts receivable	(5,707)	33,796	10,538	(1,145)	130,174	(578,992)	(411,336)	3,215
(Increase) decrease in due from other funds	(8,110)	.....	.....	(4,451)	38	219	(12,304)	(7,238)
Increase (decrease) in allowance for uncollectibles	.....	(76)	(10,538)	.....	(43,015)	582,145	528,516	.....
(Increase) decrease in inventories	196	(394)	.....	.....	.....	.....	(198)	.....
(Increase) decrease in future contract premiums and other receivables	.....	.....	.....	(250,118)	.....	.....	(250,118)	.....
(Increase) decrease in other non-current assets	(2,820)	(1,028)	.....	.....	.....	6,097	2,249	.....
Increase (decrease) in accounts payable	13,209	(1,809)	(523)	(685)	(12,857)	(2,904)	(5,569)	1,008
Increase (decrease) in compensated absences	.....	(23)	(69)	62	.....	674	644	(1,043)
Increase (decrease) in due to other funds	69,486	.....	.....	12	408	(2,265)	67,641	7,742
Increase (decrease) in tuition and housing benefits payable	.....	.....	.....	902,171	.....	.....	902,171	.....
Increase (decrease) in other non-current liability	.....	1,598	4	31	.....	8,863	10,496	4,940
(Increase) decrease in deposits and prepaid items	(6)	.....	11	6	.....	205	216	.....
Increase (decrease) in unearned revenue	3,789	.....	.....	.....	.....	6,519	10,308	2,837
Increase (decrease) in prize liability	.....	2,580	.....	.....	.....	.....	2,580	.....
Increase (decrease) in pension liability and deferrals	.....	(339)	(25)	(2)	.....	(2,378)	(2,744)	(2,298)
Net cash provided (used) by operating activities	$ 845,942	$ 1,729,578	$ 1,137,476	$ (37,202)	$ 565,752	$ 112,374	$ 4,353,920	$ 93,002
Noncash investing, capital, and financing activities								
Borrowing under capital lease or installment purchase	$ 56,892	$	$	$	$	$	$ 56,892	$ .....
Change in fair value of investments	27,989	6,655	9,142	423,074	.....	3,905	470,765	7,581
Contribution of capital assets	16,243	.....	.....	.....	.....	.....	16,243	.....
Other noncash items	(35,617)	.....	.....	.....	.....	33	(35,584)	.....

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 231.

PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS
Individual fund descriptions and financial statements begin on page 237.

INVESTMENT TRUST FUNDS
Individual fund descriptions and financial statements begin on page 243.

AGENCY FUNDS
Individual fund descriptions and financial statements begin on page 247.

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016
(in thousands)

	Private-Purpose Trust Funds	Pension and Other Employee Benefits Trust Funds	Investment Trust Funds	Agency Funds	Totals 6/30/16
ASSETS					
Cash and cash equivalents	$ 8,607	$ 173,882	$ 46,775	$ 41,035	$ 270,299
Pooled investments with State Treasury	700,168	112,754	1,442,188	1,359,709	3,614,819
Total cash and cash equivalents	708,775	286,636	1,488,963	1,400,744	3,885,118
Investments					
Certificates of deposit	.....	775,062	2,044,556	.....	2,819,618
U.S. government & federally guaranteed obligations	60,420	11,184,954	.....	3,808	11,249,182
Federal agencies	44,323	7,811,598	.....	.....	7,855,921
Commercial paper	.....	3,516,125	2,741,499	.....	6,257,624
Repurchase agreements	.....	850,000	119,020	.....	969,020
Bonds and notes	70,177	8,380,054	313,913	.....	8,764,144
International bonds and notes	5,836	1,737,583	115,383	.....	1,858,802
Real estate contracts	.....	10,581,549	.....	.....	10,581,549
Mutual fund investments	.....	9,163,559	.....	.....	9,163,559
Money market and short-term investments	87,325	1,101,092	1,285,510	.....	2,473,927
Domestic equity	186,562	41,051,769	.....	.....	41,238,331
Alternative investments	.....	22,440,286	.....	.....	22,440,286
International equity	50,475	31,817,433	.....	.....	31,867,908
International equity commingled	.....	5,452,110	.....	.....	5,452,110
Deferred compensation annuities	.....	23,007	.....	.....	23,007
Self-directed brokerage investments	.....	369,381	.....	.....	369,381
Other investments	.....	38,673	.....	100	38,773
Total investments	505,118	156,294,235	6,619,881	3,908	163,423,142
Receivables					
Accounts receivable	6,369	55,903	.....	528,590	590,862
State contributions receivable	.....	211	.....	.....	211
Nonstate contributions receivable	.....	227,833	.....	.....	227,833
Interest receivable	3,592	122,118	5,866	1,065	132,641
Dividends receivable	602	175,904	.....	.....	176,506
Pending investment sales	26,016	1,553,413	.....	.....	1,579,429
Foreign currency contracts receivable	52	4,651,397	.....	.....	4,651,449
Due from state funds	35	83,690	.....	132,079	215,804
Due from other governments	13,170	.....	.....	2,307	15,477
Total receivables	49,836	6,870,469	5,866	664,041	7,590,212
Security lending collateral	.....	1,915,672	.....	.....	1,915,672
Advances to other funds	930,266	.....	.....	.....	930,266
Advances to other entities	1,120,152	.....	.....	.....	1,120,152
Other loans and notes receivable, net	410	.....	.....	.....	410
Capital assets	1,403	1,121	.....	.....	2,524
Accumulated depreciation	(1,183)	(601)	.....	.....	(1,784)
Other assets	1,760	7,623	46	.....	9,429
Total assets	3,316,537	165,375,155	8,114,756	2,068,693	178,875,141
DEFERRED OUTFLOWS OF RESOURCES					
Pension-related items	421	82	.....	.....	503
Total deferred outflows of resources	421	82	.....	.....	503
LIABILITIES					
Accounts payable and accrued liabilities	2,853	100,484	142	595,353	698,832
Due to other funds	6,759	88,836	55	180,162	275,812
DROP	.....	411,260	.....	.....	411,260
Pending investment purchases	58,143	3,249,805	.....	.....	3,307,948
Short sell obligations	.....	344,045	.....	.....	344,045
Foreign currency contracts payable	52	4,631,230	.....	.....	4,631,282
Broker rebate fees	.....	504	.....	.....	504
Due to other governments	5,300	.....	48,115	539,579	592,994
Obligations under security lending agreements	32,450	1,961,010	70,825	35,811	2,100,096
Claims payable	1,856	.....	.....	21,687	23,543
Deposits payable	19,462	10,081	.....	696,002	725,545
Compensated absences	504	948	.....	.....	1,452
Other liabilities	1,006	3,096	.....	99	4,201
Pension liability	1,512	265	.....	.....	1,777
Total liabilities	129,897	10,801,564	119,137	2,068,693	13,119,291
DEFERRED INFLOWS OF RESOURCES					
Pension-related items	240	43	.....	.....	283
Total deferred inflows of resources	240	43	.....	.....	283
NET POSITION					
Restricted for pension benefits and other purposes	$ 3,186,821	$ 154,573,630	$ 7,995,619	$	$ 165,756,070

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, 2016
(in thousands)

	Private-Purpose Trust Funds	Pension and Other Employee Benefits Trust Funds	Investment Trust Funds	Totals 6/30/16
ADDITIONS				
Contributions and other deposits				
Pension fund employer contributions - state	$	$ 661,783	$	$ 661,783
Pension fund employer contributions - nonstate	.....	2,697,848	.....	2,697,848
Pension fund employee contributions	.....	935,527	.....	935,527
Other contributions	.....	154,861	.....	154,861
Purchase of time by employees	.....	7,684	.....	7,684
Fees	2,958	1,580	.....	4,538
Grants and contributions	169,396	.....	.....	169,396
Flexible benefits contributions	.....	426,911	.....	426,911
Fines, forfeits, settlements and judgments	192	.....	.....	192
Unclaimed property remittances	469,824	.....	.....	469,824
Receivership assets acquired	110,930	.....	.....	110,930
Transfers in from state funds	3,386	682,934	34,559	720,879
Total contributions and other deposits	756,686	5,569,128	34,559	6,360,373
Investment income				
Interest income	21,857	1,222,838	69,147	1,313,842
Dividends	4,807	1,869,176	.....	1,873,983
Other investment income (loss)	(10)	1,555,270	.....	1,555,260
Net increase (decrease) in fair market value	(4,358)	(3,348,167)	365	(3,352,160)
Total investment income (loss)	22,296	1,299,117	69,512	1,390,925
Investment activity expense	(4,021)	(558,243)	(2,923)	(565,187)
Net income (loss) from investing activity	18,275	740,874	66,589	825,738
Security lending activity				
Security lending income	.....	52,955	.....	52,955
Security lending expense	.....	(12,960)	.....	(12,960)
Net income from security lending	.....	39,995	.....	39,995
Total net investment income (loss)	18,275	780,869	66,589	865,733
Other additions	3,804	16,349	.....	20,153
Total additions	778,765	6,366,346	101,148	7,246,259
DEDUCTIONS				
Benefit payments	.....	11,974,524	.....	11,974,524
Insurance claims expense	60,637	59,390	.....	120,027
Supplemental insurance payments	.....	77,189	.....	77,189
Flexible reimbursement payments	.....	19,808	.....	19,808
Life insurance premium payments	.....	31,608	.....	31,608
Remittances to annuity companies	.....	175,422	.....	175,422
Program contribution refunds	.....	10,644	.....	10,644
Interest expense	1,167	1	.....	1,168
Student loan default payments	107,456	.....	.....	107,456
Payments to unclaimed property claimants	268,849	.....	.....	268,849
Distribution to State School Fund	164,973	.....	.....	164,973
Administrative expense	29,731	25,303	50	55,084
Property disposition gain (loss)	.....	15	.....	15
Transfers out to state funds	4,729	701,807	34,559	741,095
Other deductions	38,313	6	.....	38,319
Total deductions	675,855	13,075,717	34,609	13,786,181
Depositor activity				
Deposits	218,599	.....	15,360,031	15,578,630
Withdrawals	(169,257)	.....	(14,879,005)	(15,048,262)
Excess (deficiency) of deposits over withdrawals	49,342	.....	481,026	530,368
Change in net position	152,252	(6,709,371)	547,565	(6,009,554)
Net position - beginning, as restated (Note 1)	3,034,569	161,283,001	7,448,054	171,765,624
Net position - ending	$ 3,186,821	$ 154,573,630	$ 7,995,619	$ 165,756,070

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 253.

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STATEMENT OF NET POSITION
COMPONENT UNITS
JUNE 30, 2016
(in thousands)

	Florida Housing Finance Corporation	University of Florida	Citizens Property Insurance Corporation	Nonmajor Component Units	Totals 6/30/16
ASSETS					
Cash and cash equivalents	$ 229,872	$ 255,831	$ 1,396,561	$ 725,832	$ 2,608,096
Pooled investments with State Treasury	619,740	1,168,751	.....	1,740,349	3,528,840
Other investments	1,577,076	695,739	11,797,865	4,934,914	19,005,594
Receivables, net	197,999	588,868	199,663	1,134,905	2,121,435
Due from component units/primary	.....	42,690	.....	410,115	452,805
Inventories	.....	34,441	.....	33,529	67,970
Restricted cash and cash equivalents	.....	51,362	20,950	462,505	534,817
Restricted pooled investments with State Treasury	.....	97,691	.....	578,557	676,248
Restricted investments	.....	2,346,486	.....	3,039,930	5,386,416
Other loans and notes receivable, net	2,051,199	38,396	.....	60,624	2,150,219
Other assets	3,506	168,416	114,299	346,708	632,929
Capital assets, net	.....	3,282,180	10,121	20,349,905	23,642,206
Total assets	4,679,392	8,770,851	13,539,459	33,817,873	60,807,575
DEFERRED OUTFLOWS OF RESOURCES					
Accum. decrease in fair value -hedging derivatives	.....	72,997	.....	22,330	95,327
Grants paid in advance	.....	.....	.....	207	207
Amount deferred on refunding of debt	.....	416	.....	7,398	7,814
Pension-related items	.....	262,783	.....	706,575	969,358
Total deferred outflows of resources	.....	336,196	.....	736,510	1,072,706
LIABILITIES					
Accounts payable and accrued liabilities	90,310	502,162	913,156	1,060,898	2,566,526
Due to component units/primary	.....	30,756	.....	39,768	70,524
Long-term liabilities					
Due within one year	291,427	235,885	1,617,377	616,793	2,761,482
Due in more than one year	2,148,452	2,349,017	3,541,942	6,962,077	15,001,488
Total liabilities	2,530,189	3,117,820	6,072,475	8,679,536	20,400,020
DEFERRED INFLOWS OF RESOURCES					
Deferred service concession arrangement receipts	.....	.....	.....	255	255
Accum. increase in fair value -hedging derivatives	.....	8,822	.....	.....	8,822
Amount deferred on refunding of debt	.....	2,936	.....	195	3,131
Pension-related items	.....	116,304	.....	365,543	481,847
Total deferred inflows of resources	.....	128,062	.....	365,993	494,055
NET POSITION					
Net investment in capital assets	.....	1,956,289	10,121	17,357,291	19,323,701
Restricted for					
Debt service	.....	4,811	.....	58,976	63,787
Other	1,977,143	900,753	.....	3,114,882	5,992,778
Funds held for permanent endowment					
Expendable	.....	280,607	.....	337,534	618,141
Nonexpendable	.....	1,273,951	.....	2,512,634	3,786,585
Unrestricted	172,060	1,444,754	7,456,863	2,127,537	11,201,214
Total net position	$ 2,149,203	$ 5,861,165	$ 7,466,984	$ 25,508,854	$ 40,986,206

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, 2016
(in thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Florida Housing Finance Corporation
Florida Housing Finance Corporation	$ 195,169	$ 150,935	$	$	$ (44,234)
University of Florida	5,047,867	3,402,823	907,363	60,670	.....
Citizens Property Insurance Corporation	912,204	762,882	.....	.....	.....
Nonmajor component units	11,535,717	3,431,465	3,312,138	617,788	.....
Total component units	$ 17,690,957	$ 7,748,105	$ 4,219,501	$ 678,458	(44,234)
General revenues					
Property taxes					.....
Investment earnings (losses)					.....
Gain (loss) on sale of capital assets					.....
Payments from the State of Florida					.....
Miscellaneous					100,479
Contributions to permanent funds					.....
Total general revenues and contributions					100,479
Change in net position					56,245
Net position - beginning, as restated (Note 1)					2,092,958
Net position - ending					$ 2,149,203

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

Net (Expense) Revenue and Changes in Net Position

University of Florida	Citizens Property Insurance Corporation	Nonmajor Component Units	Totals 6/30/16
$	$	$	$ (44,234)
(677,011)	.....	.....	(677,011)
.....	(149,322)	.....	(149,322)
.....	.....	(4,174,326)	(4,174,326)
(677,011)	(149,322)	(4,174,326)	(5,044,893)
.....	.....	473,370	473,370
(11,294)	110,555	262,357	361,618
989	.....	(30,125)	(29,136)
689,136	.....	3,384,844	4,073,980
61,768	.....	496,880	659,127
48,592	.....	37,705	86,297
789,191	110,555	4,625,031	5,625,256
112,180	(38,767)	450,705	580,363
5,748,985	7,505,751	25,058,149	40,405,843
$ 5,861,165	$ 7,466,984	$ 25,508,854	$ 40,986,206

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

Blended Component Units

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

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

- CareerSource Florida, Inc.
- Corrections Foundation, Inc.
- Florida Board of Governors
- Florida Citrus Commission (Department of Citrus)
- Florida Clerks of Court Operations Corporation
- Florida Commission on Community Service (Volunteer Florida)
- Florida Engineers Management Corporation
- Florida 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 this component unit. The assets of this component unit at June 30, 2016, are approximately $1,597,982.

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, 2016. 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 South Western 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 Comprehensive Health Association
- Florida Concrete Masonry Education Council*
- Florida Development Finance Corporation*
- 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.
- 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 $95 million and $56 million, respectively. These amounts represent one 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 and, 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
Department Website: *http://www.myfloridacfo.com*

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 the Florida Turnpike.

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 investments for 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 and disclosed in Note 2 at fair value. 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 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, 2016, the government-wide statement of net position reported a restricted net position of $27.7 billion, of which $18.6 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, 2016 (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	$ 20,519	$ 434	$	$ 40,811	$ 7,173	$ 2,291	$ 71,228
Long-term Receivables and Advances	6,281	.....	.....	.....	.....	.....	6,281
Permanent Fund Principal	.....	.....	.....	.....	.....	23,420	23,420
Total	26,800	434	.....	40,811	7,173	25,711	100,929
Restricted:							
Grantors/Contributors	150	48,214	227	31,655	.....	29,574	109,820
Enabling Legislation	36,980	9,660	92,003	31,773	50	325,271	495,737
Constitutional Provision	.....	65,665	716,346	.....	.....	438	782,449
Creditors	9,243	41,910	872,509	6,234	.....	1,330,287	2,260,183
Federal Government	28,377	2,141,500	32,283	95,679	.....	115,001	2,412,840
Total	74,750	2,306,949	1,713,368	165,341	50	1,800,571	6,061,029
Committed:	1,032,466	996,003	396,423	1,470,239	1,935,609	1,128,162	6,958,902
Unassigned:	5,694,315	.....	(851,275)	.....	.....	.....	4,843,040
Total Fund Balances	$ 6,828,331	$ 3,303,386	$ 1,258,516	$ 1,676,391	$ 1,942,832	$ 2,954,444	$ 17,963,900

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 Stablization Fund and the General Revenue Fund through the General Appropriation Act. The amounts indicated below were identified in the State's 2016 General Appropriations Act as being unappropriated June 30, 2016, cash balances that are to be transferred to and from the funds indicated during the 2016-17 fiscal year.

Transfer to (from) Fund	$ 121,970	$ (59,070)	$	$ (47,500)	$	$ (15,400)	$ .....
Transfer from Non-Governmental Funds	130,915	.....	.....	.....	.....	.....	130,915
Totals	$ 252,885	$ (59,070)	$	$ (47,500)	$	$ (15,400)	$ 130,915

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 (EBT) 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. 72, *Fair Value Measurement and Application.* This statement defines fair value and provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments, and requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. The implementation of this statement required changes to the notes to the financial statements.

The state implemented GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* This Statement extends the approach to accounting and financial reporting established in Statement No. 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement No. 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement No. 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities. Adoption of this statement had no impact on the state's financial statements.

The state implemented GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. Adoption of this statement had no impact on the state's financial statements.

The state implemented GASB Statement No. 79, *Certain External Investment Pools and Pool Participants.* This establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Adoption of this statement had 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, 2015 have been adjusted as follows (in thousands):

	Governmental Activities	Governmental Funds	Business-Type Activities – Proprietary Funds		
	Governmental Activities	General Fund	Reemployment Assistance	Nonmajor Enterprise Funds	Internal Service Funds
Fund Balance/Net Position, June 30, 2015, as previously reported	$ 60,524,669	$ 6,908,612	$ 2,797,525	$ 342,770	$ 587,094
Capital assets: To increase/decrease net assets for prior year over/understatements	89,492				
Liabilities: To increase/decrease liabilities for prior year over/understatements	(144,835)	81,086	(21,279)	(1,690)	(451)
Fund Balance/Net Position, June 30, 2015, as restated	$ 60,469,326	$ 6,989,698	$ 2,776,246	$ 341,080	$ 586,643

	Component Units	Fiduciary Funds	
	Nonmajor Component Units	Private-purpose Trust Fund	Pension and Other Employee Benefits Trust Funds
Fund Balance/Net Position, June 30, 2015, as previously reported	$ 25,228,697	$ 3,034,650	$ 161,282,969
Liabilities: To increase/decrease liabilities for prior year over/understatements	(52,165)	(81)	32
Implementation of New Accounting Standards: Implementation of GASB Statement No. 68 and 71; reporting pensions	(118,383)		
Fund Balance/Net Position, June 30, 2015, as restated	$ 25,058,149	$ 3,034,569	$ 161,283,001

K. Budget Stabilization Fund

The State Constitution mandates the creation and maintenance of a Budget Stabilization Fund, in an amount not less than 5 percent nor more than 10 percent 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 purposes. 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, in accordance with Section 215.32, F.S.

In prior fiscal years, the Florida Legislature authorized the transfer of funds from the Budget Stabilization Fund to the General Revenue Fund. These transfers are required to be repaid in accordance with Section 215.32, F.S. The Budget Stabilization Fund had $1.35 billion in cash at June 30, 2016. The planned repayment schedule is presented below. An additional repayment was made in June 2016, resulting in full restoration.

Date	Authority	Borrowed	Repayment
9/11/2008	GAA 2008-2009 Section 77	$ 672,407,250	$ .....
2/20/2009	Senate Bill 2-A Section 51	400,000,000	.....
7/1/11-6/30/12		.....	214,481,450
7/1/12-6/30/13		.....	214,481,450
7/1/13-6/30/14		.....	214,481,450
7/1/14-6/30/15		.....	214,481,450
7/1/15-6/30/16		.....	214,481,450
	Total	$ 1,072,407,250	$ 1,072,407,250

NOTE 2 - DEPOSITS AND INVESTMENTS

A. Deposits

At June 30, 2016, the state's deposits in financial institutions totaled approximately $1.4 billion for primary government and $3.1 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, 2016, 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, 2016

	Bank Statement Balance (in U.S. $)	
Custodial Credit Risk	Primary Government	Component Units
(1)	$ 149,331	$ 469,679
(2)	35,788	324,140
(3)	.....	12,635
Total deposits subject to custodial credit risk	$ 185,119	$ 806,454

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 investments 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, 2015, 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, 2016, as illustrated in the following schedule (in thousands):

Schedule of Investments with State Board of Administration
Foreign Currency Deposits Held
As of June 30, 2016

	Bank Statement Balance (in U.S. $)			
Currency	FRS Pension Trust Fund	LCEF	Florida Prepaid Program and Investment Plan	Total
Australian dollar	$ 3,931	$	$ 9	$ 3,940
Brazilian real	1,092	13	.....	1,105
British pound sterling	10,330	143	53	10,526
Canadian dollar	15,313	13	.....	15,326
Chilean peso	29	.....	.....	29
Danish krone	692	.....	.....	692
Egyptian pound	38	2	.....	40
Euro currency unit	15,935	.....	376	16,311
Hong Kong dollar	11,892	61	51	12,004
Indian rupee	1,104	.....	.....	1,104
Indonesian rupiah	475	38	.....	513
Israeli shekel	1,284	.....	45	1,329
Japanese yen	30,057	126	564	30,747
Kenyan shilling	33	.....	.....	33
Malaysian ringgit	484	14	.....	498
Mexican peso	715	.....	.....	715
New Zealand dollar	1,371	.....	.....	1,371
Norwegian krone	2,456	.....	8	2,464
Pakistan rupee	293	.....	.....	293
Philippines peso	400	286	.....	686
Polish zloty	84	33	.....	117
Qatari riyal	178	.....	.....	178
Singapore dollar	2,374	.....	47	2,421
South African rand	3,029	440	.....	3,469
South Korean won	639	.....	.....	639
Swedish krona	891	.....	.....	891
Swiss franc	3,071	.....	.....	3,071
Taiwan new dollar	9,925	.....	.....	9,925
Thailand baht	267	9	.....	276
Turkish lira	48	.....	.....	48
UAE dirham	65	.....	.....	65
Vietnam dong	592	.....	.....	592
Other	77	5	.....	82
Total deposits subject to foreign currency risk	$ 119,164	$ 1,183	$ 1,153	$ 121,500

B. Investments

At June 30, 2016, the state's investments reported in governmental and business-type activities and fiduciary funds totaled $220.2 billion, consisting of pooled investments with the State Treasury in the amount of $24.0 billion and other investments in the amount of $196.2 billion. The State Treasury also had holdings at June 30, 2016, 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 $23.7 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.

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, 2016, was $20.1 billion or 71% 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, 2016

ASSETS	
Current and Other Assets	$ 29,137,687
Total Assets	29,137,687
LIABILITIES	
Other Liabilities	2,087,507
Total Liabilities	2,087,507
NET POSITION	
Net position held for Internal Pool Participants	25,676,686
Net position held for External Pool Participants	1,373,494
	$ 27,050,180

Condensed Statement of Changes in Fiduciary Net Position
June 30, 2016

ADDITIONS	
Net income (loss) from investing activity	$ 657,559
DEDUCTIONS	
Distributions paid and payable	(657,559)
DEPOSITOR ACTIVITY	
Deposits	109,086,764
Withdrawals	(106,132,753)
Excess (deficiency) of deposits over withdrawals	2,954,011
Change in net position	2,954,011
Net position, beginning	24,096,169
Net position, ending	$ 27,050,180

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	$ 533,235	$ 533,188	0.25%-0.40%	7/1/2016-7/28/2016
Money market funds	805,392	805,392	0.215%-0.237%	N/A
Repurchase agreements	986,062	986,062	0.27%-0.44%	7/1/2016 -7/14/2016
U.S. guaranteed obligations	6,181,603	6,280,320	0.125%-11.215%	7/12/2016-12/20/2062
Federal agencies	5,790,033	5,499,577	0.11%-17.76%	7/8/2016-4/1/2056
Bonds and notes - domestic	5,875,896	5,852,685	0.002%-10.375%	7/5/2016-7/1/2114
Bonds and notes - international	826,199	850,990	0.69%-8.87%	7/14/2016-2/26/2055
Federal agencies discounted securities	2,816,083	2,812,714	0.25%-3.00%	7/7/2016-3/25/2042
U.S. guaranteed obligations discounted securities	882,460	876,327	0.22%-2.22%	7/7/2016-5/15/2037
Commingled STIF	494,971	494,971	N/A	N/A
Unemployment compensation funds	3,175,547	3,175,547	N/A	N/A
Totals	$ 28,367,481	$ 28,167,773		

* The coupon rate in effect at June 30, 2016, is reported. If a security is discounted, the purchase yield is reported. At June 30, 2016, the State Treasury had $1.8 million of zero coupon U.S. Treasury bonds and notes. These securities had a yield of 0.75%.

The State Treasury records, as an investment, funds credited to the state's account in the Federal Unemployment Compensation Trust Fund pursuant to Section 903 of the Social Security Act. The fund is drawn upon primarily to pay 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, 2016, as well as reconciliation to the basic financial statements (in thousands):

Schedule of Pooled Investments with State Treasury
As of June 30, 2016

Investment type	Fair Value
Commercial paper	$ 533,188
Money market funds	805,392
Repurchase agreements	602,000
U.S. guaranteed obligations	7,156,647
Federal agencies	7,903,604
Bonds and notes - domestic	5,512,870
Bonds and notes - international	731,953
Commingled STIF	494,971
Unemployment compensation funds pooled with U.S. Treasury	3,175,547
Total investments excluding security lending collateral**	26,916,172
Lending collateral investments:	
Repurchase agreements	384,062
Federal agencies	408,687
Bonds and notes - domestic	339,815
Bonds and notes - international	119,037
Total lending collateral investments	1,251,601
Total investments	28,167,773
Cash on deposit	967,927
Total State Treasury holdings	29,135,700
Adjustments:	
Outstanding warrants	(491,533)
Deposits in transit	1,987
SPIA Revolving Account*	(7,370)
Unsettled securities liability	(337,047)
Reconciled balance, June 30, 2016	$ 28,301,737
Reconciliation to the basic financial statements (in thousands):	
Pooled investments with State Treasury	
Governmental activities	$ 15,402,602
Business-type activities	4,944,227
Fiduciary funds	3,614,819
Component units	3,528,840
Component units timing difference	90,758
Total pooled investments with State Treasury	27,581,246
Restricted pooled investments with State Treasury	
Business-type activities	44,243
Component units	676,248
Total restricted pooled investments with State Treasury	720,491
Total pooled investments with State Treasury	$ 28,301,737

* 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. 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 73.9% of total other investments at June 30, 2016. Investments in the FRS Investment Plan Trust Fund (Defined Contribution Pension Fund) represents 4.5% of total other investment, while investments in the Florida Hurricane Catastrophe Fund and the Florida Prepaid College Trust Fund represented another 8.1% and 6.5%, 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 and their total carrying value at June 30, 2016, as well as reconciliation to the basic financial statements (in thousands):

Schedule of Other Investments
As of June 30, 2016

	Fair value			
		Other funds		
Investment type	FRS Pension Trust Fund	Managed by SBA	Not managed by SBA	Total
Certificates of deposit	$ 775,062	$ 4,935,958	$ 4,369	$ 5,715,389
Commercial paper	3,516,125	6,642,568	.....	10,158,693
Money market funds	1,097	3,709,018	10,930	3,721,045
Repurchase agreements	850,000	1,065,000	.....	1,915,000
U.S. guaranteed obligations	11,074,342	9,730,322	4,997	20,809,661
Federal agencies	7,725,369	7,219,632	9,224	14,954,225
Domestic bonds and notes	6,595,369	2,379,911	1,673,664	10,648,944
Domestic bonds and notes commingled funds	.....	1,800,314	.....	1,800,314
International bonds and notes	1,717,405	792,568	347	2,510,320
Domestic stocks	41,029,902	1,566,447	33,825	42,630,174
Domestic equity commingled funds	.....	3,610,128	.....	3,610,128
International stocks	31,814,912	589,335	4,478	32,408,725
International equity commingled funds	5,452,110	1,667,786	.....	7,119,896
Real asset commingled funds	.....	321,026	.....	321,026
Alternative investments	22,440,286	.....	.....	22,440,286
Real estate investments (directly owned)	8,059,810	.....	529	8,060,339
Real estate investments commingled funds	2,521,739	.....	.....	2,521,739
Self-Directed brokerage accounts	.....	369,381	.....	369,381
Option contracts purchased	38,673	.....	2,442	41,115
Swap contracts (debt related)	(1,659)	.....	.....	(1,659)
Mutual funds	.....	.....	1,943,389	1,943,389
Deferred compensation annuities	.....	.....	23,007	23,007
Limited partnerships	.....	.....	8	8
Total investments excluding lending collateral	143,610,542	46,399,394	3,711,209	193,721,145
Lending collateral investments:				
Certificates of deposit	.....	818,205	.....	818,205
Commercial paper	.....	130,920	.....	130,920
Money market funds	1,046,370	.....	.....	1,046,370
Repurchase agreements	789,504	333,495	.....	1,122,999
U.S. guaranteed obligations	.....	10,005	.....	10,005
Domestic bonds and notes	79,798	.....	.....	79,798
Total lending collateral investments	1,915,672	1,292,625	.....	3,208,297
Total investments for all types - fair value	$ 145,526,214	$ 47,692,019	$ 3,711,209	$ 196,929,442
Total investments for all types - carrying value	$ 145,526,214	$ 47,690,987	$ 3,710,743	$ 196,927,944
% of total other investments	74%	24%	2%	

Reconciliation of carrying value to the basic financial statements (in thousands):

	Governmental activities	Business-type activities	Fiduciary funds	Component Units[1]	Total
Other investments	$ 1,125,239	$ 12,793,854	$	$ 719,985	$ 14,639,078
Restricted investments	.....	675,704	.....	.....	675,704
Long-term investments	226,651	16,033,905	163,423,142	.....	179,683,698
Security lending collateral[2]	.....	.....	1,915,672	.....	1,915,672
Timing and other differences[3]	(84)	(24)	(39)	13,939	13,792
Total other investments	$ 1,351,806	$ 29,503,439	$ 165,338,775	$ 733,924	$ 196,927,944

[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, 2016.

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, 2016

Investment Type	Fair Value
U.S. guaranteed obligations	$ 12,433
Federal agencies	9,829
Domestic stocks	215,832
Total	$ 238,094

In addition, cash and foreign currency required to open futures contracts (i.e. initial margin) in the FRS Pension Trust Fund were pledged as collateral with the SBA's futures counterparty. Variation margins received from or paid to clearing counterparties may be required as frequently as daily and represent the net settlement of profit or loss (i.e. the fair value increase or decrease) on open positions in futures and swaps. The initial and variation margin amounts held by counterparties, and the variation margins held by the FRS Pension Trust Fund as of June 30, 2016, 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, 2016

	Fair Value
Margin receivable from counterparty:	
Futures initial margin	$ 13,326
Futures variation margin	36,061
Swaps initial margin	3,768
Swaps variation margin	5,160
Total margin receivable	$ 58,315
Margin payable to counterparty:	
Futures variation margin	$ 274
Swaps variation margin	4,075
Forward contract variation margin	12,280
Total margin payable	$ 16,629

The FRS Pension Trust Fund also held short positions in investments at June 30, 2016. Short investment positions are reported as liabilities on the Statement of Fiduciary Net Positions. The schedule below presents the short investment positions at fair value at June 30, 2016, (in thousands):

FRS Pension Trust Fund
Short Investment Positions
As of June 30, 2016

Investment Type	Fair Value
U.S. guaranteed obligations	$ (1,891)
Federal agencies	(306,334)
Option contracts	(35,820)
Total	$ (344,045)

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, 2016. 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 and total carrying value, as of June 30, 2016, 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, 2016, are excluded.

Schedule of Other Investments
For Discretely Presented Component Units
As of June 30, 2016

Investment type	Fair value
Certificates of deposit	$ 32,099
Commercial paper	28,712
Repurchase agreements	189,251
Money market funds	304,448
U.S. guaranteed obligations	3,397,696
Federal agencies	2,276,405
Domestic bonds & notes	10,341,384
International bonds & notes	127,476
Domestic stocks	1,089,352
International stocks	546,590
Real estate investments	122,764
Mutual funds	1,947,572
Investment agreements	3,317,075
Total other investments for all types - fair value	$ 23,720,824
Total other investments for all types - carrying value	$ 23,672,025
Reconciliation of carrying value to the basic financial statements:	
Other investments	$ 19,005,594
Restricted investments	5,386,416
Less SBA Investments*	(719,985)
Total other investments for component units	$ 23,672,025

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

At June 30, 2016, 69.3% 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, 2016, 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, 2016

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		$ 805,392	$	$	$	$	$	$ 805,392
AAA		954,422	.....	9,300	931,525	13,597	.....	.....
AA		9,302,476	.....	7,890,612	1,112,271	182,347	117,246	.....
A		2,513,708	.....	.....	2,067,243	446,465	.....	.....
A-1		422,590	333,190	89,400	.....	.....	.....	.....
BBB		1,153,602	.....	.....	1,039,146	114,456	.....	.....
BB		2,499	.....	.....	2,097	402	.....	.....
B		2,923	.....	.....	893	2,030	.....	.....
Below B		76	.....	.....	76	.....	.....	.....
	Aaa	635,047	.....	.....	610,868	22,279	1,900	.....
	Aa	52,646	.....	.....	52,646	.....	.....	.....
	P-1	199,998	199,998	.....	.....	.....	.....	.....
	Baa	5,416	.....	.....	3,578	1,838	.....	.....
	Ba	1,733	.....	.....	1,733	.....	.....	.....
	B	156	.....	.....	156	.....	.....	.....
	Caa	11	.....	.....	11	.....	.....	.....
Not Rated	Not Rated	594,130	.....	322,979	30,442	67,576	173,133	.....
		16,646,825	$ 533,188	$ 8,312,291	$ 5,852,685	$ 850,990	$ 292,279	$ 805,392
Not rated[4]	Not rated[4]	7,156,647	U.S. guaranteed obligations					
Not rated	Not rated	494,971	Commingled STIF					
Not rated[4]	Not rated[4]	693,783	Repurchase agreements					
		$ 24,992,226	[1]					

[1] The remaining $3,175,547 (in thousands) reported for Pooled Investments with State Treasury is comprised of investments with the U.S. Treasury Unemployment Compensation Funds Pool.

[2] Long-term ratings are presented except for "AAAm," which is the top money market fund rating for S&P, "A-1," which is a short-term rating for S&P, and "P-1," which is a short-term rating for Moody's.

[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, 2016, 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), Federal Farm Credit Banks (FFCB), and the Federal Home Loan Mortgage Corporation (FHLMC). These investments are approximately 8 percent, 7 percent, 8 percent, and 6 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 market 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 by 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 market 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 since October 2015, eligible cash collateral investments are:

- Tri-party qualified repurchase agreement transactions in which the subject securities thereunder will be repurchased by the seller between one and forty-five calendar days from the purchase date, and such repurchase agreements are 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. These previous investment policy guidelines contained short-term rating requirements that were similar to the current *Short-term Portfolio* rating requirements. Repurchase agreements were required to be fully collateralized.

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.

Florida Lottery – Participation in the securities lending program ended prior to June 30, 2016, but did participate for most of the fiscal year. For the Florida Lottery lending program, investments with an original maturity of 13 months or less, at the time of purchase were required to carry a program or instrument rating of, or if unrated be issued or guaranteed as to principal and interest, by an issuer for guarantor whose existing comparable short-term debt obligations had received the highest applicable rating by at least one NRSRO (S&P A-1; Moody's P-1; Fitch F1). Other investments with remaining maturities greater than 13 months but less than or equal to two years, at the time of purchase were required to carry a program or instrument rating of, or if unrated be issued or guaranteed as to principal and interest, by an issuer or guarantor whose existing comparable long-term debt obligations had a rating of either A or higher by S&P, A2 or higher by Moody's, or A or higher by Fitch, except in the case of asset-backed securities which must have had a rating of AAA by S&P, Aaa by Moody's, or AAA by Fitch. Investments with remaining maturity greater than two years, at the time of purchase were required to carry a program or instrument rating of, or if unrated be issued or guaranteed as to principal and interest, by an issuer or guarantor whose existing comparable long-term debt obligations had a rating of either AA- or higher by S&P, Aa3 or higher by Moody's, or AA- or higher by Fitch, except in the case of asset-backed securities which must have had a rating of AAA by S&P, Aaa by Moody's, or AAA by Fitch. Rating requirements did not apply to securities and instruments issued or guaranteed by the U.S. Government, its agencies or instrumentalities, repurchase agreements, and shares of money market funds.

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, 2016. The schedule below discloses credit quality ratings on investments held in the FRS Pension Trust Fund at June 30, 2016 (in thousands):

FRS Pension Trust Fund
Credit Quality Ratings
As of June 30, 2016

Credit Rating[1]			Certificates	Commercial	Money market	Repurchase	Federal	Domestic	International
S&P	Moody's	Total[2]	of deposit	paper	funds	agreements	agencies	bonds and notes	bonds and notes
A-1/AAAm		$ 4,563,592	$	$ 3,516,125	$ 1,047,467	$	$	$	$ .....
AAA		750,766	.....	.....	.....	.....	.....	424,190	326,576
AA		1,064,384	200,044	.....	.....	31	14,999	686,057	163,253
A		2,086,976	.....	.....	.....	.....	.....	1,551,810	535,166
BBB		3,376,750	.....	.....	.....	.....	.....	2,875,349	501,401
BB		78,611	.....	.....	.....	.....	.....	60,810	17,801
B		24,401	.....	.....	.....	.....	.....	8,610	15,791
CCC		26,949	.....	.....	.....	.....	.....	26,949	.....
D		2,746	.....	.....	.....	.....	.....	2,746	.....
Not rated	Aaa	520,331	.....	.....	.....	.....	5,202	476,609	38,520
Not rated	Aa	52,619	.....	.....	.....	.....	4,403	39,151	9,065
Not rated	A	156,646	.....	.....	.....	.....	.....	151,032	5,614
Not rated	Baa	57,918	.....	.....	.....	.....	.....	27,625	30,293
Not rated	Ba	18,341	.....	.....	.....	.....	.....	18,341	.....
Not rated	Caa	7,770	.....	.....	.....	.....	.....	7,770	.....
Not rated	Ca	3,972	.....	.....	.....	.....	.....	3,972	.....
Not rated	Not rated	9,510,156	575,018	.....	.....	846,302	7,700,765	314,146	73,925
		22,302,928	$ 775,062	$ 3,516,125	$ 1,047,467	$ 846,333	$ 7,725,369	$ 6,675,167	$ 1,717,405
Ratings not Applicable:									
Repurchase agreements[3]		793,171							
U.S. guaranteed obligations[3]		11,074,342							
Domestic stocks		41,029,902							
International stocks		31,814,912							
International equity commingled funds		5,452,110							
Alternative investments		22,440,286							
Real estate investments		10,581,549							
Options purchased		38,673							
Swaps		(1,659)							
Total investments		$ 145,526,214							

[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-tem 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 explicitely guaranteed by the U.S. government do not require disclosure of credit quality.

All futures, options and swaps contracts held by the FRS Pension Trust Fund at June 30, 2016, were exchange traded; therefore, minimizing counterparty credit risk through the use of a futures and swap clearing merchant and a clearing house.

Counterparty credit ratings for spot and forward foreign currency exchange contracts held in the FRS Pension Trust Fund at June 30, 2016, are listed below (in thousands):

FRS Pension Trust Fund
Foreign Currency Exchange Contract Counterparty Credit Ratings
As of June 30, 2016

Counterparty Credit Rating (Long Term)[1]			Receivable	Payable	Net Unrealized
S&P	Moody	Fitch	Fair Value	Fair Value	Gain (Loss)
AA/A-1	Aa/P-1	AA/F1	$ 420,705	$ (423,368)	$ (2,663)
A/A-1	Aa/P-1	AA/F1	88	(88)	.....
A/A-1	Aa/P-1	AA/F1	3,575	(3,565)	10
A/A-1	Aa/P-1	A/F1	596	(598)	(2)
A/A-1	A/P-1	AA/F1	25,537	(25,524)	13
A/A-1	A/P-1	A/F1	3,993,398	(3,964,170)	29,228
A/A-1	NR/NR	NR/NR	288	(286)	2
A/A-2	A/P-1	A/F1	21,813	(22,420)	(607)
BBB/A-2	Baa/P-2	NR/NR	28,247	(28,291)	(44)
NR/NR	Aa/P-1	NR/NR	91,187	(93,626)	(2,439)
NR/NR	NR/NR	A/F1	50,296	(50,280)	16
NR/NR	NR/NR	NR/NR	6,739	(6,734)	5
		Total:	$ 4,642,469	$ (4,618,950)	$ 23,519

[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, 2016, (in thousands).

All SBA Managed Funds (except FRS Pension Trust Fund)
Credit Quality Ratings
As of June 30, 2016

Credit Rating[1]			Certificates		Money market	Repurchase	Federal	Domestic	Domestic bonds and notes commingled	International bonds and
S&P	Moody's	Total[2]	of deposit	Commercial paper	funds	Agreements	agencies	bonds and notes	funds	notes
A-1/AAAm		$ 9,463,051	$	$ 6,773,488	$ 2,689,563	$	$	$	$	$ .....
AAA		138,950	.....	.....	.....	.....	.....	138,432	.....	518
AA		5,944,335	90,043	.....	.....	140,451	4,538,783	785,564	.....	389,494
A		979,657	200,169	.....	.....	.....	.....	484,033	.....	295,455
BBB		829,448	.....	.....	.....	.....	.....	750,085	.....	79,363
BB		599	.....	.....	.....	.....	.....	89	.....	510
Not rated	Aaa	341,795	.....	.....	.....	2,284	200,001	138,278	.....	1,232
Not rated	Aa	119,469	75,020	.....	.....	.....	.....	44,449	.....	.....
Not rated	A	15,295	.....	.....	.....	.....	.....	15,091	.....	204
Not rated	Baa	1,321	.....	.....	.....	.....	.....	1,159	.....	162
Not rated	Ba	95	.....	.....	.....	.....	.....	95	.....	.....
Not rated	Not rated	11,778,939	5,388,931	.....	1,019,455	1,041,125	2,480,848	22,636	1,800,314	25,630
		29,612,954	$ 5,754,163	$ 6,773,488	$ 3,709,018	$ 1,183,860	$ 7,219,632	$ 2,379,911	$ 1,800,314	$ 792,568
Ratings not applicable										
Repurchase agreements[3]		214,635								
U.S. guaranteed obligations[3]		9,740,327								
Domestic stocks		1,566,447								
Domestic equity commingled funds		3,610,128								
International stocks		589,335								
International equity commingled funds		1,667,786								
Real asset commingled funds		321,026								
Self-directed brokerage accounts		369,381								
Total investments		$ 47,692,019								

[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.

The Florida Hurricane Catastrophe Fund held investments with Bank of Nova Scotia (7.70%), Federal Farm Credit Banks (16.58%), and Federal Home Loan Mortgage Corporation (8.73%) 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 (5.21%) and the Federal National Mortgage Association (5.14%) in excess of 5% of the Florida Prepaid College Program's fair value.

The Florida Prepaid Investment Plan held investments with the Federal National Mortgage Association (8.19%) 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, 2016

Component Unit	Federal agencies	Bonds & notes	Mutual funds	U.S.guaranteed obligation	Others	Total	S&P rating
Florida Housing Finance Corporation (FHFC) *	$ 105,841	$	$	$	$	$ 105,841	AA+
FHFC (continued)	.....	3,610	.....	.....	.....	3,610	AAA-AA+
FHFC (continued)	.....	30,793	.....	.....	.....	30,793	AAA-A+
FHFC (continued)	.....	7,934	.....	.....	.....	7,934	AAA-A-
FHFC (continued)	.....	86,769	.....	.....	.....	86,769	AAA-BB-
FHFC (continued)	.....	12,395	.....	.....	.....	12,395	AAA-D
University of Florida (UF)	8,225	.....	35,425	.....	.....	43,650	AAA
UF (continued)	.....	1,001	67,136	.....	.....	68,137	AA
UF (continued)	.....	3,969	17,038	.....	.....	21,007	A
UF (continued)	.....	.....	60,047	.....	.....	60,047	Less than A
Citizens Property Insurance Corporation (CPIC)	.....	8,482,653	.....	.....	.....	8,482,653	A+
CPIC (continued)	1,755,157	.....	.....	1,429,406	.....	3,184,563	AA+
CPIC (continued)	.....	.....	.....	.....	130,649	130,649	Default
	$ 1,869,223	$ 8,629,124	$ 179,646	$ 1,429,406	$ 130,649	$ 12,238,048	

* Florida Housing Finance Corporation (FHFC) reported total investments with a fair value in the amount of $156 million subject to concentration of credit risk. These investments and amounts were issued by FannieMae ($156 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, 2016. 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, 2016

	Fair value
Invested security lending collateral:	
Repurchase agreements	$ 384,062
Federal agencies	408,687
Bonds and notes - domestic	339,815
Bonds and notes - international	119,037
Total	$ 1,251,601

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, 2016. 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, 2016

	FRS Pension Trust Fund	Other funds
Invested security lending collateral:		
Certificates of deposit	$	$ 818,205
Commercial paper	.....	130,920
Repurchase agreements	139,504	333,495
U.S. guaranteed obligations	.....	10,005
Domestic bonds and notes	79,798	.....
Total	$ 219,302	$ 1,292,625

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, 2016

Component unit / Investment type	Fair value
University of Florida	
Federal agencies	$ 8,225
Bonds & notes	4,970
Total	$ 13,195

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, 2016

Investment type	Fair value	Effective weighted duration (in years)	Security Lending Market Value	Weighted average maturity (in days)
Commercial paper	$ 533,188	0.05	$	N/A
Money market funds	805,392	0.08	.....	N/A
Repurchase agreements	602,000	0.03	384,062	1.00
U.S. guaranteed obligations:				
U.S. Treasury bonds and notes	5,818,540	3.62	.....	N/A
U.S. Treasury strips	26,982	9.59	.....	N/A
U.S. Treasury bills	849,344	0.34	.....	N/A
GNMA mortgage-backed pass-through	245,815	2.37	.....	N/A
GNMA TBA pass-through	54,742	2.00	.....	N/A
GNMA collateralized mortgage obligations (CMO's)	18,720	0.91	.....	N/A
GNMA CMO's - interest only	4,589	(19.23)	.....	N/A
SBA asset-backed	137,915	2.95	.....	N/A
Federal agencies:				
Discount notes	2,812,539	0.29	.....	N/A
Unsecured bonds & notes	2,743,528	1.03	408,687	14.96
Mortgage-backed pass-through	1,642,415	2.37	.....	N/A
TBA mortgage-backed pass-through	314,992	2.47	.....	N/A
Mortgage-backed CMO's	373,100	3.08	.....	N/A
Mortgage-backed CMO's - principal only	175	5.42	.....	N/A
Mortgage-backed CMO's - interest only	16,855	(6.54)	.....	N/A
Bonds and notes - domestic:				
Corporate	3,593,621	6.01	339,815	47.91
Corporate asset-backed	807,793	1.25	.....	N/A
Non-government backed CMO's & CMBS*	746,005	3.37	.....	N/A
Non-government backed CMO's & CMBS* - interest only	32,771	1.12	.....	N/A
Municipal/provincial	332,680	5.66	.....	N/A
Bonds and notes - international:				
Government & Agency	76,190	3.92	.....	N/A
Corporate	655,763	4.64	119,037	33.93
Commingled STIF	494,971	0.08	.....	N/A
Futures contracts - long***	.....	5.34	.....	N/A
Futures contracts - short***	.....	2.18	.....	N/A
Total portfolio effective duration and weighted average maturity		2.63		21.43
Total debt investments**	$ 23,740,625		$ 1,251,601	

* Commercial Mortgage-Backed Securities (CMBS).
** The remaining $3,175,547 (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 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. Inverse floaters (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 – Effective October 2015, new 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. These guidelines included a maximum WAM for a portfolio of 60 to 90 days, depending on the lending program. 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 Standard and Poor's, 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).

The Florida Lottery ended their participation in the lending program prior to June 30, 2016. Previous investment policy guidelines in effect for most of the fiscal year for the Florida Lottery lending program required a maximum WAM for a portfolio of 90 days (for separately managed investments).

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, 2016

Investment type	Fair value (duration)	Effective weighted duration (in years)	Fair value (WAM)	Weighted average maturity (in days)
Certificates of deposit	$	N/A	$ 775,062	11
Commercial paper	.....	N/A	3,516,125	21
Money market funds	.....	N/A	1,047,467	1
Repurchase agreements	.....	N/A	1,639,504	5
U.S. guaranteed obligations:				
U.S. Treasury bills	1,815,962	0.06	.....	N/A
U.S. Treasury bonds and notes	7,289,368	4.09	.....	N/A
Index linked government bonds	283,611	7.10	.....	N/A
U.S. government guaranteed bonds and notes	54,869	4.41	.....	N/A
GNMA mortgage-backed pass-through	915,179	2.05	.....	N/A
GNMA commitments to purchase (TBAs)	440,639	1.93	.....	N/A
GNMA CMO's and CMBS[1]	274,714	2.56	.....	N/A
Federal agencies:				
Discount notes	201,167	0.06	.....	N/A
Unsecured bonds and notes	435,196	3.30	.....	N/A
Agency strips	28,504	3.83	.....	N/A
Mortgage-backed pass-through	4,889,281	2.35	.....	N/A
TBA mortgage-backed pass-through	1,422,991	2.28	.....	N/A
Mortgage-backed CMO's and CMBS[1]	748,230	2.22	.....	N/A
Domestic bonds and notes:				
Corporate	4,700,890	4.67	.....	N/A
Non-government asset and mortgage-backed	729,262	1.61	51,589	25
Non-government backed CMO's and CMBS[1]	1,161,151	2.53	14,040	25
Municipal/provincial	15,489	6.27	.....	N/A
Real estate mortgage loans	2,746	5.83	.....	N/A
International bonds and notes:				
Government and agency	700,397	3.46	.....	N/A
Corporate	976,492	4.18	.....	N/A
Non-government asset and mortgage-backed	40,516	0.94	.....	N/A
Futures contracts - long[2]	.....	2.75	.....	N/A
Swap contracts[2]	(1,659)	0.19	.....	N/A
Total debt investments	$ 27,124,995		$ 7,043,787	

[1] Includes investments in IO's, PO's, and INV's totaling $66 million at June 30, 2016.
[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, 2016.

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, 2016

Investment type	Fair value (duration)	Effective weighted duration (in years)
GNMA commitments to sell (TBAs)	$ (1,891)	(0.02)
FNMA, FHLMC commitments to sell (TBAs)	(306,334)	4.40
Futures contracts[2]	.....	3.49
Total debt investments sold short[1]	$ (308,225)	

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

[2] The futures 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, 2016.

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, 2016 (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, 2016

		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	$ 527,029	$ 527,029	$	$	$	$	$	$ .....
U.S. Treasury bonds, notes, and SLGS*	41,778	41,046	336	396	.....	.....	.....	.....
U.S. Treasury strips	348,053	45,426	46,319	39,466	96,913	83,622	19,187	17,120
Total debt investments	$ 916,860	$ 613,501	$ 46,655	$ 39,862	$ 96,913	$ 83,622	$ 19,187	$ 17,120

* 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, 2016

Investment type	Fair value (duration)	Effective weighted duration (in years)	Fair value (WAM)	Weighted average maturity (in days)
Certificates of deposit	$	N/A	$ 5,754,162	38
Commercial paper	.....	N/A	6,773,488	55
Money market funds	1,019,225	0.08	2,689,793	1
Repurchase agreements	.....	N/A	1,398,496	15
U.S. guaranteed obligations:				
U.S. Treasury bills	15,484	0.06	1,718,960	119
U.S. Treasury bonds and notes	586,965	2.92	460,277	652
U.S. Treasury strips	5,656,318	10.08	.....	N/A
Index linked government bonds	155,345	9.52	.....	N/A
U.S. government guaranteed	58,662	4.06	.....	N/A
GNMA mortgage-backed pass through	98,268	2.42	.....	N/A
GNMA commitments to purchase (TBAs)	73,173	2.66	.....	N/A
GNMA CMO's	15	3.78	.....	N/A
Federal agencies:				
Discount notes	13,749	0.05	256,769	123
Unsecured bonds and notes	141,850	8.08	5,113,438	158
Agency strips	801,147	6.74	.....	N/A
Mortgage-backed (FNMA, FHLMC)	713,504	2.29	.....	N/A
FNMA, FHLMC commitments to purchase (TBAs)	154,605	1.71	.....	N/A
Mortgage-backed CMO's	24,570	3.14	.....	N/A
Domestic bonds and notes:				
Corporate	1,332,846	7.85	752,246	31
Non-government asset and mortgage-backed	83,162	1.55	.....	N/A
Non-government backed CMO's and CMBS[1]	145,454	3.09	.....	N/A
Municipal/provincial	5,563	14.55	60,640	7
Domestic bonds and notes commingled funds	1,800,314	5.34	.....	N/A
International bonds and notes:				
Government agency discount notes	.....	N/A	24,975	34
Government and agency	8,836	7.15	324,888	84
Corporate	167,564	6.22	265,787	31
Non-government asset and mortgage-backed	518	0.02	.....	N/A
Total debt investments	$ 13,057,137		$ 25,593,919	

[1] Includes investments in IO's totaling $30.5 million at June 30, 2016, 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, 2016

Component unit / Investment type	Total fair value	Investment maturities (in years): Less than or equal to 1	> 1 to 5	> 5 to 10
University of Florida				
U.S. guaranteed obligations	$ 2,456	$	$ 2,456	$ .....
Federal agencies	8,225	.....	8,225	.....
Bonds & notes	4,970	3,001	999	970
Mutual funds	179,645	14,163	36,291	129,191
Total debt investments	$ 195,296	$ 17,164	$ 47,971	$ 130,161

Major Component Units
Debt Investments
That Use Duration or Weighted Average Maturity Method
As of June 30, 2016

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	$ 95,164	2.52	$	N/A
Federal agencies	10,677	1.04	.....	N/A
Bonds & notes	141,501	1.19	.....	N/A
Citizens Property Insurance Corporation				
U.S. guaranteed obligations	.....	N/A	1,429,406	2.70
Federal agencies	.....	N/A	1,755,157	1.83
Bonds & notes	.....	N/A	8,613,302	3.24
Total debt investments	$ 247,342		$ 11,797,865	

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, 2016. These funds are managed primarily by the use of "asset classes".

The FRS Pension Trust Fund investment policy, approved on December 9, 2014 (effective January 1, 2015), 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 holds units in international equity commingled 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 Euro currency units are included in the foreign currency risk below. 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 $20.0 billion as of June 30, 2016.

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, Lawton Chiles Endowment Fund, and Florida Prepaid College Fund investments exposed to foreign currency risk as of June 30, 2016, listed in total, by currency (in thousands).

FRS Pension Trust Fund, 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, 2016

Currency	FRS Pension Trust Fund Investment Type: Equity	Alternative Investments	Fixed Income	LCEF Investment type: Equity	Florida Prepaid Program and Investment Plan Investment type: Equity
Australian dollar[1]	$ 1,077,695	$	$	$ 10,515	$ 22,329
Brazilian real	445,084	.....	.....	3,598	.....
British pound sterling	4,473,700	13,333	.....	22,516	58,195
Canadian dollar	1,292,486	.....	.....	13,432	.....
Chilean peso	29,301	.....	.....	.....	.....
Danish krone	363,066	.....	.....	1,666	10,824
Egyptian pound	29,468	.....	.....	145	.....
Euro currency unit[1]	6,427,069	584,953	.....	45,919	98,496
Hong Kong dollar	1,916,243	.....	.....	14,773	8,151
Hungarian forint	37,775	.....	.....	152	.....
Indian rupee	706,586	.....	.....	.....	.....
Indonesian rupiah	153,610	.....	.....	1,910	.....
Israeli shekel	74,865	.....	.....	777	4,269
Japanese yen	4,519,662	.....	.....	35,832	68,089
Kenyan shilling	21,836	.....	.....	.....	.....
Malaysian ringgit	144,097	.....	.....	1,649	.....
Mexican peso	215,345	.....	.....	1,873	.....
New Zealand dollar	67,977	.....	.....	90	.....
Nigerian naira	27,884	.....	.....	.....	.....
Norwegian krone	191,105	.....	.....	1,225	1,513
Omani rial	8,634	.....	363	.....	.....
Pakistani rupee	32,780	.....	.....	.....	.....
Philippines peso	122,496	.....	.....	561	.....
Polish zloty	72,469	.....	.....	786	.....
Qatari riyal	39,279	.....	.....	.....	.....
Singapore dollar	416,356	.....	.....	1,823	4,293
South African rand	418,284	.....	.....	3,507	.....
South Korean won	839,575	.....	.....	7,382	.....
Sri Lankan rupee	16,411	.....	.....	.....	.....
Swedish krona	615,823	.....	.....	4,447	10,749
Swiss franc[1]	1,904,848	.....	.....	8,139	35,767
Taiwan new dollar	693,978	.....	.....	6,689	.....
Thailand baht	193,215	.....	.....	2,101	.....
Turkish lira	182,261	.....	.....	1,101	.....
UAE dirham	56,338	.....	.....	.....	.....
Other	62,265	.....	.....	.....	.....
Equity linked notes (various currencies)	47,562	.....	.....	.....	.....
International equity commingled funds	5,452,110	.....	.....	.....	.....
Total investments subject to foreign currency risk	$ 33,489,538	$ 598,286	$ 363	$ 192,608	$ 322,675

[1] Equity exposure to Australian dollars, Euro currency units and Swiss francs include equity currency options with fair values at June 30, 2016, of $11,870, ($4,048,661) and $3,904,123, respectively.

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, 2016, 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, 2016

			In Local Currency			
	Currency	Number of Contracts[1]	Notional Traded Exposure	Notional Market Exposure	Unrealized Gain/(Loss)[2]	Unrealized Gain/(Loss) (in U.S. $)
Stock Index Futures:						
GBP FTSE 100 Index	British pound sterling	323	19,297	20,745	1,448	$ 1,935
Canada S&P/TSE 60 Index	Canadian dollar	56	9,007	9,120	113	87
ASX SPI 200	Australian dollar	11	1,422	1,423	1	1
DJ Euro STOXX 50	Euro currency unit	1,053	29,507	30,063	556	618
TOPIX Index Future	Japanese yen	193	2,547,341	2,403,815	(143,526)	(1,399)
Yen Denom NIKKEI	Japanese yen	333	2,711,453	2,620,710	(90,743)	(885)

[1] Long positions are positive and short positions are negative.

[2] Margin receipts or payments are settled periodically in the respective local currency and are subject to foreign currency risk.

The FRS Pension Trust Fund also holds positions in interest rate swap contracts that are subject to foreign currency risk. The margin payments are exposed to foreign currency risk as well. The FRS Pension Trust Fund's interest rate swap positions at June 30, 2016, that were exposed to foreign currency risk are presented below (notional amounts and fair value amounts in thousands):

FRS Pension Trust Fund

Interest Rate Swap Positions Exposed to Foreign Currency Risk

As of June 30, 2016

Currency	Notional Amount (in Local Currency)	Receive [1]	Pay [1,2]	Maturity Dates	Fair Value (in Local Currency)	Fair Value (in U.S. $)
Euro currency unit	27,000	1.0995%	EURIBOR 6 month	02/12/36	1,618	$ 1,797
Euro currency unit	1,000,000	EURIBOR 6 month	(0.155)% - (0.153)%	02/13/17	(137)	(153)
New Zealand Dollar	40,000	3.06%	3 Month NZD_BBR_FRA	03/29/26	1,412	1,006
						$ 2,650

[1] If a range of interest rates are presented, they represent the lowest to highest fixed rates received or paid. The EURIBOR (Euro Interbank Offered Rate) is the rate at which euro wholesale money market (or interbank market) term deposits within the euro zone are offered by one prime bank to another prime bank. Euro rates at 6/30/16 were negative. The 6 month EURIBOR rate at June 30, 2016, was -0.179%.

[2] The NZD_BBR_FRA is a forward rate agreement bank bill reference rate maintained by the New Zealand Financial Markets Association, a professional body for wholesale (institutional) banking in New Zealand. The bank bill interest rate is the wholesale interbank rate within Australia and is published by the Australian Financial Markets Association (AFMA). It is the borrowing rate among the country's top market makers, and is widely used as the benchmark interest rate for financial instruments. The 3-month rate is the average interest rate at which a selection of banks are prepared to lend to one another in New Zealand dollars with a maturity of 3 months. The 3-month NZD_BBR_FRA rate at June 30, 2016, was 2.41%.

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, 2016, is presented on the next page, by currency (in thousands).

FRS Pension Trust Fund
Foreign Currency Exchange Contracts
As of June 30, 2016

Currency to Buy	Amount to Buy (Local Currency)	Currency to Sell	Amount to Sell (Local Currency)	Receivable Fair Value (in U.S. $)	Payable Fair Value (in U.S. $)	Net Unrealized Gain/(Loss) (in U.S. $)
Australian dollar	71,104	U.S. dollar	(52,835)	$ 52,858	$ (52,835)	$ 23
Brazilian real	141,551	U.S. dollar	(39,947)	43,929	(39,947)	3,982
British pound sterling	9,656	Canadian dollar	(16,684)	12,908	(12,847)	61
British pound sterling	14,956	Japanese yen	(2,058,796)	19,993	(20,069)	(76)
British pound sterling	57,613	U.S. dollar	(80,837)	77,052	(80,837)	(3,785)
Canadian dollar	146,937	U.S. dollar	(114,270)	113,155	(114,270)	(1,115)
Chilean peso	24,852,229	U.S. dollar	(36,538)	37,491	(36,538)	953
Chinese yuan renminbi	31,089	U.S. dollar	(4,681)	4,648	(4,681)	(33)
Columbian peso	10,700,000	U.S. dollar	(3,482)	3,623	(3,482)	141
Czech koruna	84,000	Euro currency unit	(3,107)	3,453	(3,461)	(8)
Czech koruna	274,870	U.S. dollar	(11,638)	11,278	(11,638)	(360)
Danish krone	33,456	U.S. dollar	(5,106)	5,008	(5,106)	(98)
Euro currency unit	3,208	Australian dollar	(4,778)	3,564	(3,558)	6
Euro currency unit	730	Canadian dollar	(1,050)	811	(808)	3
Euro currency unit	34,020	Japanese yen	(4,296,538)	37,796	(41,882)	(4,086)
Euro currency unit	11,000	Polish zloty	(48,465)	12,221	(12,234)	(13)
Euro currency unit	17,100	Swiss franc	(18,494)	18,998	(18,985)	13
Euro currency unit	273,635	U.S. dollar	(306,300)	304,321	(306,300)	(1,979)
Hong Kong dollar	4,959	Canadian dollar	(830)	639	(639)	....
Hong Kong dollar	6,764	U.S. dollar	(872)	872	(872)	....
Hungarian forint	980,000	Euro currency unit	(3,130)	3,449	(3,486)	(37)
Hungarian forint	15,416,701	U.S. dollar	(55,608)	54,255	(55,608)	(1,353)
Indian rupee	3,087,026	U.S. dollar	(45,436)	45,287	(45,436)	(149)
Indonesian rupiah	561,025,552	U.S. dollar	(41,695)	42,259	(41,695)	564
Israeli shekel	185,753	U.S. dollar	(48,550)	48,241	(48,550)	(309)
Japanese yen	8,934,384	Euro currency unit	(69,426)	87,091	(77,131)	9,960
Japanese yen	40,262,804	U.S. dollar	(361,197)	393,568	(361,197)	32,371
Kenyan shilling	801	U.S. dollar	(8)	8	(8)	....
Malaysian ringgit	14,300	U.S. dollar	(3,480)	3,578	(3,480)	98
Mexican peso	1,178,759	U.S. dollar	(63,795)	63,712	(63,795)	(83)
Moroccan dirham	551	U.S. dollar	(56)	56	(56)	....
New Zealand dollar	201,912	U.S. dollar	(143,187)	143,488	(143,187)	301
Nigerian naira	16,408	U.S. dollar	(58)	58	(58)	....
Norwegian krone	277,515	U.S. dollar	(34,006)	33,163	(34,006)	(843)
Pakistan rupee	7,752	U.S. dollar	(74)	74	(74)	....
Peruvian nuevo sol	11,700	U.S. dollar	(3,485)	3,533	(3,485)	48
Philippines peso	171,500	U.S. dollar	(3,689)	3,630	(3,689)	(59)
Polish zloty	45,585	Euro currency unit	(10,317)	11,501	(11,470)	31
Polish zloty	340,035	U.S. dollar	(86,955)	85,826	(86,955)	(1,129)
Romanian leu	30,400	Euro currency unit	(6,713)	7,476	(7,476)	....
Russian ruble	1,551,265	U.S. dollar	(23,048)	24,072	(23,048)	1,024
Singapore dollar	2,633	U.S. dollar	(1,951)	1,956	(1,951)	5
South African rand	832,934	U.S. dollar	(55,165)	56,719	(55,165)	1,554
South Korean won	125,404,388	U.S. dollar	(107,072)	108,638	(107,072)	1,566
Swedish krona	269,059	U.S. dollar	(31,983)	31,804	(31,983)	(179)
Swiss franc	6,393	Euro currency unit	(5,900)	6,562	(6,555)	7
Swiss franc	114,992	U.S. dollar	(118,073)	118,360	(118,073)	287
Taiwan new dollar	114,796	U.S. dollar	(3,518)	3,568	(3,518)	50
Thailand baht	27,656	U.S. dollar	(787)	787	(787)	....
Turkish lira	2,520	Euro currency unit	(788)	877	(876)	1
Turkish lira	139,885	U.S. dollar	(40,560)	41,487	(40,560)	927
U.S. dollar	241,133	Australian dollar	(328,723)	241,133	(244,560)	(3,427)
U.S. dollar	23,675	Brazilian real	(83,305)	23,675	(25,894)	(2,219)
U.S. dollar	170,751	British pound sterling	(121,010)	170,751	(161,818)	8,933
U.S. dollar	135,445	Canadian dollar	(174,300)	135,445	(134,226)	1,219
U.S. dollar	31,850	Chilean peso	(22,112,493)	31,850	(33,375)	(1,525)
U.S. dollar	15,643	Chinese yuan renminbi	(103,891)	15,643	(15,522)	121
U.S. dollar	13,829	Czech koruna	(335,170)	13,829	(13,753)	76
U.S. dollar	560,979	Euro currency unit	(500,567)	560,979	(556,529)	4,450
U.S. dollar	13,047	Hong Kong dollar	(101,211)	13,047	(13,051)	(4)
U.S. dollar	71,184	Hungarian forint	(20,078,064)	71,184	(70,659)	525
U.S. dollar	3,613	Indian rupee	(246,965)	3,613	(3,611)	2
U.S. dollar	7,695	Indonisian rupiah	(104,311,406)	7,695	(7,858)	(163)
U.S. dollar	79,884	Israeli shekel	(308,698)	79,884	(80,174)	(290)
U.S. dollar	344,263	Japanese yen	(36,959,934)	344,263	(361,062)	(16,799)
U.S. dollar	10	Malaysian ringgit	(40)	10	(10)	....
U.S. dollar	66,402	Mexican peso	(1,232,333)	66,402	(66,734)	(332)
U.S. dollar	62,532	New Zealand dollar	(88,837)	62,532	(63,189)	(657)
U.S. dollar	25,190	Norwegian krone	(212,825)	25,190	(25,431)	(241)
U.S. dollar	92,688	Polish zloty	(366,434)	92,688	(92,486)	202
U.S. dollar	9,480	Russian ruble	(625,377)	9,480	(9,732)	(252)
U.S. dollar	40,760	Singapore dollar	(55,305)	40,760	(41,063)	(303)
U.S. dollar	51,805	South African rand	(814,413)	51,805	(55,457)	(3,652)
U.S. dollar	72,449	South Korean won	(85,654,124)	72,449	(74,179)	(1,730)
U.S. dollar	54	Srilanka rupee	(7,992)	54	(55)	(1)
U.S. dollar	104,063	Swedish krona	(858,804)	104,063	(101,545)	2,518
U.S. dollar	168,556	Swiss franc	(163,849)	168,556	(168,583)	(27)
U.S. dollar	14,676	Taiwan new dollar	(477,277)	14,676	(14,837)	(161)
U.S. dollar	128	Thailand baht	(4,499)	128	(128)	....
U.S. dollar	30,850	Turkish lira	(91,845)	30,850	(31,876)	(1,026)
UAE dirham	493	U.S. dollar	(134)	134	(134)	....
Total				$ 4,642,469	$ (4,618,950)	$ 23,519

A Schedule of the Florida Prepaid Program's and Investment Plan's foreign currency exchange contracts outstanding at June 30, 2016, is presented below, by currency (in thousands):

Florida Prepaid Program and Investment Plan
Foreign Currency Exchange Contracts
As of June 30, 2016

Fund	Currency to Buy	Amount to Buy (Local Currency)	Currency to Sell	Amount to Sell (Local Currency)	Receivable Fair Value (in U.S. $)	Payable Fair Value (in U.S. $)	Net Unrealized Gain/(Loss) (in U.S. $)
Florida Prepaid Program	U.S. dollar	285	Euro currency units	(257)	$ 285	$ (286)	$ (1)
Florida Prepaid Investment Plan	U.S. dollar	52	Euro currency units	(46)	52	(52)	.....
Total					$ 337	$ (338)	$ (1)

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, 2016. 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 $1,251,556,912 cash collateral and $1,852,087,102 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 $1,219,215,670. Securities held with others under security lending agreements with non-cash collateral totaled $1,809,515,680. 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, 2016, are as follows (in thousands):

State Treasury Investments on Loan Under Security Lending Agreements
As of June 30, 2016

Securities on Loan for Cash Collateral, by Security Type	Fair Value of Securities on Loan*
U.S. guaranteed obligations	$ 615,000
Federal agencies	43,323
Bonds and notes - domestic	478,551
Bonds and notes - international	82,342
Total securites on loan for cash collateral	1,219,216
Securites on Loan for Non-Cash Collateral, by Security Type	
U.S. guaranteed obligations	1,759,951
Federal agencies	41,811
Bonds and notes - domestic	4,620
Bonds and notes - international	3,134
Total securities on loan for non-cash collateral	1,809,516
Total securities on loan	$ 3,028,732

* 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 Florida Lottery Trust Fund, the LCEF, and the Florida Prepaid College Program participate in security lending programs during the fiscal year ended June 30, 2016. The Florida Lottery Trust Fund ended their participation in security lending activity prior to June 30, 2016. 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 $3,258,517,366 in cash and $10,190,966,482 in U.S. government securities as collateral for the lending programs as of June 30, 2016. At June 30, 2016, the collateral held for the security lending transactions exceeded the fair value of the securities underlying the agreements (including accrued interest), except with several borrowers in the LCEF where the market value of securities on loan exceeded the market value of collateral held by $62,621. 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 7% to 12% 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, 2016, 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, 2016, there were three lending agents, including the two master custodians and one third-party agent.

The schedule below discloses the fair value and carrying value of investments on loan at June 30, 2016 (in thousands):

Schedule of Other Investments on Loan Under Security Lending Agreements
As of June 30, 2016

	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	$ 239,976	$ 940,705	$ 1,180,681
Federal agencies	15,031	55,526	70,557
Domestic bonds and notes	58,017	68,233	126,250
International bonds and notes	52,820	7,395	60,215
Domestic stocks	618,367	153,254	771,621
International stocks	918,324	46,893	965,217
Total securities on loan for cash collateral	1,902,535	1,272,006	3,174,541
Securities on Loan for Non-Cash Collateral, by Security type			
U.S. guaranteed obligations	$ 1,063,666	$ 39,469	$ 1,103,135
Federal agencies	151,266	.....	151,266
Domestic bonds and notes	666,836	497	667,333
International bonds and notes	408,131	1,190	409,321
Domestic stocks	6,805,027	10,222	6,815,249
International stocks	837,446	7,098	844,544
Total securities on loan for non-cash collateral	9,932,372	58,476	9,990,848
Total securities on loan	$ 11,834,907	$ 1,330,482	$ 13,165,389

[1]The fair value equals the carrying value of investments on loan. Fair value includes accrued interest on debt securities.

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, 2016. The State Treasury did not utilize derivatives for hedging activities during the fiscal year ending June 30, 2016. All of the State Treasury investment derivatives were reported at fair value in the accompanying financial statements as of June 30, 2016.

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

	Changes in Fair Value		Fair Value at June 30, 2016		Notional
	Classification	Amount	Classification	Amount	(in U.S. $)
State Treasury					
Investment derivative instruments:					
Futures	Investment Income	$ (5,576)	Receivable/(Payable)	$ (2,782)	$ (612,100)
Options	Investment Income	3	Not Applicable*		

This schedule includes both long and short positions.
*Options contracts were expired prior to fiscal year end.

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 cost effectively manage exposure to domestic and international equities and bond and real estate markets.

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 members in a market on an organized futures exchange. Upon entering in to 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, 2016, all of the SBA investment derivatives were reported at fair value (in thousands).

	Increase/(Decrease) in Fair Value		Fair Value at June 30, 2016		
	Classification	Amount (in U.S. $)	Classification	Amount (in U.S. $)	Notional (in U.S. $)
Fiduciary funds (FRS Pension Trust Fund)					
Investment derivative instruments:					
Futures[1]	Investment Income	$ (1,964)	Receivable/(Payable)	$ 45,167	$3,668,813
Options purchased	Investment Income	(56,620)	Investment[2]	38,673	(1,400,308)
Options sold	Investment Income	17,062	Liability[2]	(35,820)	2,094,415
Forward currency contracts	Investment Income	25,031	Receivable/(Payable)[3]	23,843	23,843
Interest rate swaps	Investment Income	(4,676)	Investment	(2,163)	1,445,884
Credit default swaps	Investment Income	302	Investment	504	116,000

[1] The total unrealized gain for open futures contracts at June 30, 2016, was $45,166,949 in the FRS Pension Trust Fund. Variation margin cash payments in the net amount of $9,380,738 had already been received from the counterparty on or before June 30, 2016. Outstanding remaining net futures variation margin at June 30, 2016, totaled $35,786,211 for the FRS Pension Trust Fund, which is reported gross on the Statement of Fiduciary Net Position as "Accounts receivable" and "Accounts payable and accrued liabilities". The total notional value on long and short futures positions were $5,585,312,940 and $(1,916,500,000), respectively.

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

[3] The total receivable and payable notional and fair values (in U.S. dollars) for forward currency contracts in the FRS Pension Trust Fund were $4,031,874,674 and ($4,008,031,731) as of June 30, 2016, and are presented on the Statement of Fiduciary Net Position as "Foreign currency contracts receivable" and "Foreign currency contracts payable".

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 $9.8 billion as of June 30, 2016.

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, 2016, the State Treasury had the following recurring fair value measurements.

Investments and Derivative Instruments Measured at Fair Value
As of June 30, 2016

Investments by fair value level	Total	Level 1	Level 2	Level 3
Commercial paper	$ 533,188	$	$ 533,188	$ .....
U.S. guaranteed obligations	7,156,647	6,681,550	475,097	.....
Federal agencies	7,903,604	.....	7,903,604	.....
Bonds and notes - domestic	5,512,870	.....	5,512,870	.....
Bonds and notes - international	731,953	6,783	725,170	.....
Commingled STIF	494,971	.....	.....	494,971
Lending collateral investments:				
Federal agencies	408,687	.....	408,687	.....
Bonds and notes - domestic	339,815	.....	339,815	.....
Bonds and notes - international	119,037	.....	119,037	.....
Total investments by fair value level	$ 23,200,772	$ 6,688,333	$ 16,017,468	$ 494,971
Investment derivative instruments				
Futures contracts	$ (2,782)	$ (2,782)	$	$ .....
Total investment derivative instruments	$ (2,782)	$ (2,782)	$	$ .....

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.

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.

The FRS Pension Trust Fund had the following fair value measurements as of June 30, 2016 (in thousands):

FRS Pension Trust Fund
As of June 30, 2016

		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	$ 775,062	$	$ 775,062	$ .....
Commercial paper	3,516,125	.....	3,516,125	.....
U.S. guaranteed obligations	11,074,342	7,289,368	3,784,974	.....
Federal agencies	7,725,369	.....	7,725,369	.....
Domestic bonds and notes	6,595,369	.....	6,579,623	15,746
International bonds and notes	1,717,405	.....	1,703,208	14,197
Total debt securities	31,403,672	7,289,368	24,084,361	29,943
Equity securities				
Domestic	41,029,902	41,028,761	.....	1,141
International	31,814,912	31,755,588	56,306	3,018
Total equity securities	72,844,814	72,784,349	56,306	4,159
Alternative Investments				
Private equity fund	323,000	.....	.....	323,000
Real Estate direct investments	8,059,810	.....	.....	8,059,810
Derivative Instruments				
Option contracts purchased	38,673	38,673	.....	.....
Swap contracts (debt)	(1,659)	.....	(1,659)	.....
Forward currency contracts[1]	23,843	.....	23,843	.....
Futures contracts[1]	45,167	45,167	.....	.....
Total Investment derivative instruments	106,024	83,840	22,184	.....
Securities lending collateral investments				
Domestic bonds and notes	79,798	.....	65,629	14,169
Total investments by fair value level	112,817,118	$ 80,157,557	$ 24,228,480	$ 8,431,081
Investments Measured at the Net Asset Value (NAV)				
International equity commingled funds	5,452,110			
Real estate commingled funds	2,521,739			
Activist equity funds	651,600			
Hedge funds	4,458,711			
Private debt/credit opportunities funds	3,089,748			
Private equity funds	10,163,107			
Private real asset funds	3,754,120			
Total investments measured at the NAV	30,091,135			
Total investments measured at fair value	$ 142,908,253			
Investments sold short (Liabilities)				
U.S. guaranteed obligations	$ (1,891)	$	$ (1,891)	$ .....
Federal agencies	(306,334)	.....	(306,334)	.....
Option contracts sold	(35,820)	(35,820)	.....	.....
Total investments sold short	$ (344,045)	$ (35,820)	$ (308,225)	$ .....

[1] Futures and forward 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.

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) as of June 30, 2016, is presented in the footnotes to the table below (in thousands):

FRS Pension Trust Fund
Additional GASB 72 Required Disclosures

	Fair Value 6/30/2016	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Investments Measured at the NAV:				
Commingled international equity funds[1]	$ 5,452,110		Daily, Monthly	2 - 120 days
Commingled real estate investment funds[1]	2,521,739		Quarterly	15 - 90 days
Activist equity funds[2]	651,601		Monthly, Annually	65 - 90 days
Hedge funds				
Diversifying strategies (CTAs)[3]	1,047,435		Daily, Monthly	10 - 35 days
Equity long/short[4]	519,283		Monthly, Quarterly	30 - 125 days
Event driven[5]	378,600		Quarterly, Biennially, Annually	45 - 90 days
Global macro[6]	550,907		Monthly, Quarterly	30 - 60 days
Multi-strategy[7]	937,686		Quarterly, Biennially, Annually	30 - 90 days
Opportunistic debt[8]	562,100		Quarterly, Annually	65 - 90 days
Relative value[9]	462,699		Quarterly	45 - 90 days
Private debt/credit opportunity funds[10]	3,089,748	$ 1,331,738		
Private equity funds[11]	10,163,107	6,135,189		
Private real asset funds[12]	3,754,120	2,092,524		
Total Investments Measured at the NAV	$ 30,091,135	$ 9,559,451		
Investments Measured at Level 3:				
Private equity funds[11]	$ 323,000			
Real estate direct investments[13]	8,059,810	$ 206,258		

[1] *Commingled International Equity Funds and Real Estate Investment Funds.* Seven international equity funds and nine real estate investment funds are considered to be commingled in nature. 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 43% of this strategy) is currently eligible for redemption monthly. Another fund (approximately 32% of this strategy) is eligible for redemption in six months due to annual lock-up restrictions. The remaining fund (approximately 25% of this strategy) may be redeemed annually with the next redemption in nine months.
[3] *Diversifying Strategies (CTAs) Hedge Funds.* The four 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 16% of the value of this strategy) is currently eligible for redemption monthly, while the remaining three funds (approximately 84% 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 four 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. One of these funds (approximately 27% of this strategy) is redeemable in six months due to lock-up restrictions. The remaining three funds (approximately 73% of this strategy) are redeemable in three months or less, as they are not subject to lock-up 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 44% 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 29% 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 18% of this strategy) is eligible for redemption in six months and annually thereafter. The remaining fund (approximately 44% 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 33% of this strategy) is eligible for redemption in fourteen months. Two funds (approximately 67% 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, 2016 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 179 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 177 funds has been determined using the NAV at June 30, 2016, 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, 2016, 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 50 real asset funds. Forty-one of these funds 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 nine funds invest in infrastructure, timberland and commodities. The fair value of these funds has been determined using the NAV at June 30, 2016, 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 fund are liquidated, which on average can occur over the span of five to ten years.
[13] *Direct Real Estate Investments.* There are 69 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, 2016, (in thousands):

All SBA Managed Funds (except FRS Pension Trust Fund)
As of June 30, 2016

Investments by fair value level	Total Fair Value	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities				
Certificates of deposit	$ 4,935,958	$	$ 4,685,958	$ 250,000
Commercial paper	6,642,568	.....	6,407,569	234,999
U.S. guaranteed obligations	9,729,421	792,264	8,937,157	.....
Federal agencies	7,219,632	.....	7,219,632	.....
Domestic bonds and notes	2,379,911	.....	2,379,911	.....
International bonds and notes	792,568	.....	767,593	24,975
Total debt securities	31,700,058	792,264	30,397,820	509,974
Equity securities				
Domestic	1,566,447	1,566,447	.....	.....
International	589,335	589,334	.....	1
Total equity securities	2,155,782	2,155,781	.....	1
Other investments				
Domestic equity mutual funds	708,487	708,487	.....	.....
International equity mutual funds	380,383	380,383	.....	.....
Self-directed brokerage account	369,381	.....	369,381	.....
Total other investments	1,458,251	1,088,870	369,381	.....
Securities lending collateral investments				
Certificates of deposit	818,205	.....	818,205	.....
Commercial paper	130,920	.....	130,920	.....
U.S. guaranteed obligations	10,005	.....	10,005	.....
Total securities lending collateral investments	959,130	.....	959,130	.....
Total investments by fair value level	36,273,221	$ 4,036,915	$ 31,726,331	$ 509,975

Investments Measured at the Net Asset Value (NAV)		Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Domestic bonds and notes commingled funds[1]	1,800,314	Daily	1 Day
Domestic equity commingled funds[2]	2,901,641	Daily, Monthly	1 - 2 Days
International equity commingled funds[2]	1,287,403	Daily	1 Day
Real asset commingled fund[3]	321,026	Daily	1 Day
Total investments measured at the NAV	6,310,384		
Total investments measured at fair value	$ 42,583,605		

[1] *Commingled Domestic Bonds and Notes Funds:* Two Treasury Inflation-Protected Securities (TIPS) funds and six domestic bonds and notes funds are considered to be commingled in nature. Each is valued at the NAV of units held at the end of the period 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. Each is valued at the NAV of units held at the end of the period 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 the end of the period 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. Additionally, the State reports Florida Housing Finance Corporation (FHFC) as of FHFC's fiscal year end December 31, which is prior to the implementation date of GASB 72; therefore, FHFC is not included in the table.

The schedule below discloses the fair value measurements for major component units at June 30, 2016, (in thousands):

Major Component Units
As of June 30, 2016

Investments by fair value level	Total Fair Value	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Citizens Property Insurance Corporation (CPIC)				
Debt securities				
U.S. guaranteed obligations	$ 1,429,406	$ 1,400,354	$ 29,052	$ .....
Federal agencies	1,755,157	51,743	1,703,414	.....
Domestic bonds and notes	8,545,458	.....	8,545,458	.....
International bonds and notes	67,844	.....	67,844	.....
Total CPIC investments by fair value level	$ 11,797,865	$ 1,452,097	$ 10,345,768	$ .....
University of Florida (UF)				
Debt securities				
U.S. guaranteed obligations	$ 2,994	$ 2,456	$ 538	$ .....
Federal agencies	8,225	.....	8,225	.....
Domestic bonds and notes	5,070	.....	5,070	.....
International bonds and notes	100	.....	100	.....
Total debt securities	16,389	2,456	13,933	.....
Equity securities				
Domestic	422	399	23	.....
International	69	69	.....	.....
Total equity securities	491	468	23	.....
Mutual funds	317,733	186,847	130,886	.....
Other investments	54,178	9,976	41,434	2,768
Total UF investments by fair value level	388,791	$ 199,747	$ 186,276	$ 2,768

Investments Measured at the Net Asset Value (NAV)		Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
University of Florida				
International equity commingled funds[1]	23		Illiquid	N/A
Short-term investments[2]	11,677		Daily	1 Day
Hedge funds - Multi-strategy[3]	10,857		Annually	90 Days
Private equity funds[4]	2,578,604	$ 223,977	Monthly	30 - 45 days
Total investments measured at the NAV	2,601,161			
Total investments measured at fair value	$ 2,989,952			

[1] *International equity commingled funds:* International equity fund considered to be commingled in nature and includes equity interests, which at year-end, are subject to a six-month lockup period, ending in January 2017. The fair value of investments in this type have been determined using NAV per share (or its equivalent) of the investments. There were no unfunded commitments related to this investment type.

[2] *Short-term investments:* This category includes investments in money market funds and other short-term instruments designed to preserve capital, liquidity and current income. The fair value of investments in this type have been determined using NAV per share (or its equivalent) of the investments. There were no unfunded commitments related to this investment type.

[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. The fair value of investments in this type have been determined using NAV per share (or its equivalent) of the investments. There were no unfunded commitments related to this investment type.

[4] *Private Equity Funds:* This category includes investments in several limited partnership funds that invest in equity securities and debt of private companies. The fair value of investments in this type have been determined using NAV per share (or its equivalent) of the investments.

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	$ 109,569	$ 6,609	$ 536	$ 904,929	$ 5,180
Contracts & grants receivable	1	798	.....	.....	247
Due from Federal government	2,010	22,389	4,738	407,040	39,545
Due from other governmental units	1	1,758	.....	1,416	127,580
Interest & dividends receivable	20,931	2,440	1,830	195	5,847
Loans & notes receivable	69,210	128,821	168	.....	21
Fees receivable	116,374	20	18	.....	.....
Taxes receivable	3,036,277	21,578	52,278	.....	240,086
Allowance for uncollectibles	(1,659,921)	(3,336)	(348)	(21,798)	(13,272)
Receivables, net	**$ 1,694,452**	**$ 181,077**	**$ 59,220**	**$ 1,291,782**	**$ 405,234**
Loans & notes receivable from other governments	$ 14,998	$ 1,218,025	$	$	$ 853,294
Long-term interest receivable	.....	.....	.....	.....	390
Other loans & notes receivable	7,811	.....	2,738	317,267	57,024
Allowance for uncollectibles	(228)	.....	(1,005)	(293,643)	(7,977)
Other loans & notes receivable, net	**$ 22,581**	**$ 1,218,025**	**$ 1,733**	**$ 23,624**	**$ 902,731**

(Continued below)

	Nonmajor Governmental Funds	Total Governmental Funds	Internal Service Funds	Government-wide Reconciling Balances	Total Governmental Activities
Accounts receivable	$ 225,387	**$ 1,252,210**	$ 18,772	$ 602,502	**$ 1,873,484**
Contracts & grants receivable	46,772	**47,818**	.....	.....	**47,818**
Due from Federal government	47,555	**523,277**	.....	.....	**523,277**
Due from other governmental units	21,521	**152,276**	4,410	.....	**156,686**
Interest & dividends receivable	1,934	**33,177**	954	.....	**34,131**
Loans & notes receivable	124,401	**322,621**	.....	.....	**322,621**
Fees receivable	101	**116,513**	.....	.....	**116,513**
Taxes receivable	16,211	**3,366,430**	.....	.....	**3,366,430**
Allowance for uncollectibles	(145,680)	**(1,844,355)**	(13)	.....	**(1,844,368)**
Receivables, net	**$ 338,202**	**$ 3,969,967**	**$ 24,123**	**$ 602,502**	**$ 4,596,592**
Loans & notes receivable from other governments	$ 815,449	**$ 2,901,766**	$	$	**$ 2,901,766**
Long-term interest receivable	.....	**390**	.....	.....	**390**
Other loans & notes receivable	130,902	**515,742**	.....	.....	**515,742**
Allowance for uncollectibles	(26,493)	**(329,346)**	.....	.....	**(329,346)**
Other loans & notes receivable, net	**$ 919,858**	**$ 3,088,552**	**$ .....**	**$ .....**	**$ 3,088,552**

BUSINESS-TYPE ACTIVITIES

	Transportation	Lottery	Hurricane Catastrophe Fund	Prepaid College Program	Reemployment Assistance
Accounts receivable	$ 26,465	$ 34,722	$ 175,335	$ 38,040	$ 239,267
Due from Federal government	.....	.....	.....	.....	236
Due from other governmental units	120	.....	.....	.....	1,096
Interest & dividends receivable	3,023	423	6,759	23,709	50,161
Loans & notes receivable	.....	.....	.....	227,763	.....
Fees receivable	932	.....	.....	.....	1,084
Taxes receivable	.....	.....	.....	.....	236,736
Allowance for uncollectibles	.....	(2,798)	(1)	.....	(328,923)
Receivables, net	**$ 30,540**	**$ 32,347**	**$ 182,093**	**$ 289,512**	**$ 199,657**
Loans & notes receivable	$ 66,437	$	$	$ 1,867,653	$ .....
Allowance for uncollectibles	.....	.....	.....	.....	.....
Future contract premiums and other receivables	.....	.....	.....	.....	.....
Other loans & notes receivable, net	**$ 66,437**	**$ .....**	**$ .....**	**$ 1,867,653**	**$ .....**

(Continued below)

	Nonmajor Enterprise Funds	**Total Enterprise Funds**	Government-wide Reconciling Balances	**Total Business-type Activities**
Accounts receivable	$ 630,054	**$ 1,143,883**	$ 102,864	**$ 1,246,747**
Due from Federal government	.....	**236**	.....	**236**
Due from other governmental units	2,720	**3,936**	.....	**3,936**
Interest & dividends receivable	488	**84,563**	.....	**84,563**
Loans & notes receivable	2,552	**230,315**	.....	**230,315**
Fees receivable	174	**2,190**	.....	**2,190**
Taxes receivable	.....	**236,736**	.....	**236,736**
Allowance for uncollectibles	(626,492)	**(958,214)**	.....	**(958,214)**
Receivables, net	**$ 9,496**	**$ 743,645**	**$ 102,864**	**$ 846,509**
Loans & notes receivable	$ 5,695	**$ 1,939,785**	$	**$ 1,939,785**
Allowance for uncollectibles	(1,437)	**(1,437)**	.....	**(1,437)**
Future contract premiums and other receivables	13	**13**	.....	**13**
Other loans & notes receivable, net	**$ 4,271**	**$ 1,938,361**	**$ .....**	**$ 1,938,361**

COMPONENT UNITS

Accounts receivable	$ 1,794,221
Contracts & grants receivable	192,144
Due from Federal government	18,365
Due from other governmental units	235,247
Interest & dividends receivable	107,564
Loans & notes receivable	211,811
Allowance for uncollectibles	(437,917)
Receivables, net	**$ 2,121,435**
Other loans & notes receivable	$ 2,424,818
Allowance for uncollectibles	(274,599)
Other loans & notes receivable, net	**$ 2,150,219**

"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	$ 346,586	$ 44,859	$ 8,536	$ 173,835	$ 300,083
Accrued salaries & wages	84,745	1,274	18	43,298	17,033
Claims payable	.....	.....	.....	.....	.....
Construction contracts	.....	.....	.....	.....	359,394
Deposits payable	179	455	.....	10	11,842
Due to Federal government	1	.....	.....	159,800	.....
Due to other governmental units	73,021	8,822	17	5,033	8,340
Other payables	.....	.....	.....	.....	.....
Accounts payable and accrued liabilities	**$ 504,532**	**$ 55,410**	**$ 8,571**	**$ 381,976**	**$ 696,692**

(Continued below)

	Nonmajor Governmental Funds	**Total Governmental Funds**	Internal Service Funds	Government-wide Reconciling Balances	**Total Governmental Activities**
Accounts payable	$ 122,938	**$ 996,837**	$ 30,770	$ 182,970	**$ 1,210,577**
Accrued salaries & wages	14,331	**160,699**	2,849	.....	**163,548**
Claims payable	.....	**.....**	141,077	.....	**141,077**
Construction contracts	120	**359,514**	.....	.....	**359,514**
Deposits payable	136	**12,622**	.....	.....	**12,622**
Due to Federal government	1,605	**161,406**	.....	.....	**161,406**
Due to other governmental units	47,183	**142,416**	.....	.....	**142,416**
Other payables	.....	**.....**	15,139	.....	**15,139**
Accounts payable and accrued liabilities	**$ 186,313**	**$ 1,833,494**	**$ 189,835**	**$ 182,970**	**$ 2,206,299**

BUSINESS-TYPE ACTIVITIES

	Transportation	Lottery	Hurricane Catastrophe Fund	Prepaid College Program	Reemployment Assistance
Accounts payable	$ 13,493	$ 6,034	$ 81,090	$ 259,574	$ 19,884
Accrued interest payable	.....	.....	32,604	.....	.....
Accrued salaries & wages	.....	.....	.....	.....	.....
Construction contracts	35,739	.....	.....	.....	.....
Deposits payable	225	2,444	.....	.....	.....
Due to Federal government	.....	.....	.....	.....	21,279
Accounts payable and accrued liabilities	**$ 49,457**	**$ 8,478**	**$ 113,694**	**$ 259,574**	**$ 41,163**

(Continued below)

	Nonmajor Enterprise Funds	**Total Enterprise Funds**	Government-wide Reconciling Balances	**Total Business-type Activities**
Accounts payable	$ 13,958	**$ 394,033**	$ 41	**$ 394,074**
Accrued interest payable	.....	**32,604**	.....	**32,604**
Accrued salaries & wages	3,709	**3,709**	.....	**3,709**
Construction contracts	.....	**35,739**	.....	**35,739**
Deposits payable	128	**2,797**	.....	**2,797**
Due to Federal government	.....	**21,279**		**21,279**
Accounts payable and accrued liabilities	**$ 17,795**	**$ 490,161**	**$ 41**	**$ 490,202**

COMPONENT UNITS

Accounts payable	$ 855,625
Accrued interest payable	42,830
Accrued salaries & wages	320,937
Claims payable	916,498
Construction contracts	53,970
Deposits payable	354,909
Due to other governmental units	7,442
Vouchers payable	14,315
Accounts payable and accrued liabilities	**$ 2,566,526**

NOTE 4 – 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	$ 24,287,673	$	$	$	$	$	$ 24,287,673
Fuel taxes:							
Motor fuel tax	.....	.....	.....	.....	2,611,492	.....	2,611,492
Pollutant tax	.....	251,307	.....	.....	.....	.....	251,307
Aviation fuel tax	.....	.....	.....	.....	36,963	.....	36,963
Solid minerals severance tax	.....	33,214	.....	.....	.....	.....	33,214
Oil and gas production tax	1,604	.....	.....	.....	.....	.....	1,604
Total fuel taxes	1,604	284,521	.....	.....	2,648,455	.....	2,934,580
Corporate income tax	2,181,244	.....	.....	.....	.....	.....	2,181,244
Documentary stamp tax	2,284,854	.....	.....	.....	.....	.....	2,284,854
Intangible personal property tax	341,418	.....	.....	.....	.....	.....	341,418
Communications service tax	648,528	.....	382,273	.....	.....	.....	1,030,801
Estate tax	155	.....	.....	.....	.....	.....	155
Gross receipts utilities tax	.....	7,188	770,216	.....	.....	.....	777,404
Beverage and tobacco taxes:							
Alcoholic beverage tax	352,898	.....	.....	.....	.....	13,273	366,171
Cigarette tax	1,190,541	.....	.....	.....	.....	.....	1,190,541
Smokeless tobacco tax	32,498	.....	.....	.....	.....	.....	32,498
Total beverage and tobacco taxes	1,575,937	.....	.....	.....	.....	13,273	1,589,210
Other taxes:							
Insurance premium tax	911,059	.....	.....	.....	.....	29,688	940,747
Hospital public assistance tax	.....	.....	.....	1,049,357	.....	.....	1,049,357
Citrus excise tax	.....	.....	.....	.....	.....	23,170	23,170
Pari-mutuel wagering tax	6,921	.....	.....	.....	.....	202,942	209,863
Total other taxes	917,980	.....	.....	1,049,357	.....	255,800	2,223,137
Total	$ 32,239,393	$ 291,709	$ 1,152,489	$ 1,049,357	$ 2,648,455	$ 269,073	$ 37,650,476

	Sales and Use Tax
Governmental fund statements	$ 24,287,673
Government-wide accruals	(31,845)
Government-wide statements	$ 24,255,828

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, 2016, is as follows (in thousands):

General Government	$ 87,326
Education	11,169
Human Services	26,688
Criminal Justice & Correction	90,859
Natural Resources & Environment	50,667
Transportation	38,174
State Courts	10,060
Total depreciation expense (governmental activities)	**$ 314,943**

Primary government capital asset activities for the fiscal year ended June 30, 2016, are as follows (in thousands):

GOVERNMENTAL ACTIVITIES

	Balance July 1, 2015	Restatement	Increases	Decreases	Balance June 30, 2016
Capital assets, not being depreciated:					
Land and other nondepreciable assets	$ 18,309,896	$	$ 384,253	$ 49,500	$ 18,644,649
Infrastructure and infrastructure improvements - nondepreciable	42,756,854	.....	4,206,069	.....	46,962,923
Construction work in progress	4,909,108	42,894	328,750	2,646,472	2,634,280
Total capital assets, not being depreciated	**65,975,858**	**42,894**	**4,919,072**	**2,695,972**	**68,241,852**
Capital assets, being depreciated:					
Buildings and building improvements	5,431,830	63,667	156,701	157,325	5,494,873
Infrastructure and infrastructure improvements	757,476	.....	18,042	3,159	772,359
Leasehold improvements	1,120	.....	1,073	12	2,181
Property under capital lease	174,082	.....	2,628	1,678	175,032
Furniture and equipment	1,749,176	.....	251,870	216,297	1,784,749
Works of art and historical treasures	1,931	.....	.....	2	1,929
Library resources	25,894	.....	156	61	25,989
Other	73,079	.....	3,851	3,210	73,720
Total capital assets, being depreciated	**8,214,588**	**63,667**	**434,321**	**381,744**	**8,330,832**
Less accumulated depreciation for:					
Buildings and building improvements	2,646,028	17,069	143,950	67,771	2,739,276
Infrastructure and infrastructure improvements	426,222	.....	29,180	2,081	453,321
Leasehold improvements	701	.....	123	5	819
Property under capital lease	80,522	.....	9,201	4,187	85,536
Furniture and equipment	1,341,448	.....	127,542	119,737	1,349,253
Works of art and historical treasures	991	.....	64	1	1,054
Library resources	14,886	.....	1,455	521	15,820
Other	55,302	.....	3,428	3,201	55,529
Total accumulated depreciation	**4,566,100**	**17,069**	**314,943**	**197,504**	**4,700,608**
Total capital assets, being depreciated, net	**3,648,488**	**46,598**	**119,378**	**184,240**	**3,630,224**
Governmental activities capital assets, net	**$ 69,624,346**	**$ 89,492**	**$ 5,038,450**	**$ 2,880,212**	**$ 71,872,076**

BUSINESS-TYPE ACTIVITIES

	Balance July 1, 2015	Restatement	Increases	Decreases	Balance June 30, 2016
Capital assets, not being depreciated:					
Land and other nondepreciable assets	$ 1,078,785	$	$ 584,026	$ 531,140	$ 1,131,671
Infrastructure and infrastructure improvements - nondepreciable	8,091,995	.....	13,862,729	13,367,359	8,587,365
Construction work in progress	1,161,795	.....	5,730,339	5,953,714	938,420
Total capital assets, not being depreciated	**10,332,575**	**.....**	**20,177,094**	**19,852,213**	**10,657,456**
Capital assets, being depreciated:					
Buildings and building improvements	472,525	.....	39,216	29,971	481,770
Infrastructure and infrastructure improvements	2,475	.....	.....	.....	2,475
Leasehold improvements	82	.....	2	.....	84
Furniture and equipment	252,126	.....	132,530	35,037	349,619
Library resources	7	.....	1	.....	8
Other	142,269	.....	2,803	173	144,899
Total capital assets, being depreciated	**869,484**	**.....**	**174,552**	**65,181**	**978,855**
Less accumulated depreciation for:					
Buildings and building improvements	146,148	.....	17,785	6,841	157,092
Infrastructure and infrastructure improvements	474	.....	202	.....	676
Leasehold improvements	12	.....	.....	.....	12
Furniture and equipment	129,587	.....	35,993	16,813	148,767
Library resources	3	.....	1	.....	4
Other	52,466	.....	9,719	139	62,046
Total accumulated depreciation	**328,690**	**.....**	**63,700**	**23,793**	**368,597**
Total capital assets, being depreciated, net	**540,794**	**.....**	**110,852**	**41,388**	**610,258**
Business-type activities capital assets, net	**$ 10,873,369**	**$ .....**	**$ 20,287,946**	**$ 19,893,601**	**$ 11,267,714**

Component units' capital asset activities for the fiscal year ended June 30, 2016, are as follows (in thousands):

COMPONENT UNITS

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Capital assets, not being depreciated:				
Land and other non-depreciable assets	$ 6,561,520	$ 109,985	$ 31,142	$ 6,640,363
Construction work in progress	1,194,900	932,900	603,759	1,524,041
Total capital assets, not being depreciated	**7,756,420**	**1,042,885**	**634,901**	**8,164,404**
Capital assets, being depreciated:				
Buildings and building improvements	18,150,497	799,968	223,200	18,727,265
Infrastructure and infrastructure improvements	2,880,873	105,581	4,068	2,982,386
Leasehold improvements	373,296	32,270	6,569	398,997
Property under capital lease	145,440	6,901	15,168	137,173
Furniture and equipment	3,459,998	245,104	141,884	3,563,218
Works of art and historical treasures	4,280	.....	495	3,785
Library resources	921,973	37,128	9,345	949,756
Other	365,271	62,200	7,336	420,135
Total capital assets, being depreciated	**26,301,628**	**1,289,152**	**408,065**	**27,182,715**
Less accumulated depreciation for:				
Buildings and building improvements	6,262,570	489,045	57,324	6,694,291
Infrastructure and infrastructure improvements	1,077,882	88,207	2,459	1,163,630
Leasehold improvements	133,194	19,168	5,062	147,300
Property under capital lease	66,042	8,010	15,368	58,684
Furniture and equipment	2,439,611	245,981	120,151	2,565,441
Works of art and historical treasures	1,794	195	317	1,672
Library resources	746,299	40,867	9,351	777,815
Other	270,340	31,989	6,249	296,080
Total accumulated depreciation	**10,997,732**	**923,462**	**216,281**	**11,704,913**
Total capital assets, being depreciated, net	**15,303,896**	**365,690**	**191,784**	**15,477,802**
Component units capital assets, net	**$ 23,060,316**	**$ 1,408,575**	**$ 826,685**	**$ 23,642,206**

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, 2016, 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), Bureau of Research and Member Communications, 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 a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution plan is the FRS Investment Plan, which is administered by the State Board of Administration. 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 Florida Retirement System 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, 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 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 Section 121.053 or Section 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. Retirees initially reemployed in regularly established positions on or after July 1, 2010, may not participate in the FRS. 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.

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 (SMSC)* - 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 Elected Officers' Class may elect to withdraw from the FRS or participate in the SMSC in lieu of the Elected Officers' Class.

- *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 (EOC)* - Members who are elected state and 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 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, 2016, the FRS Trust Fund held in trust $2,322,967,354 in accumulated benefits and interest for 34,160 DROP participants. Of these 34,160 DROP participants, 29,602 were active in the DROP with balances totaling $1,871,732,532. The remaining 4,558 participants were no longer active in the DROP and had balances totaling $451,234,822 to be processed after June 30, 2016, pending a qualifying event. Of the total accumulated DROP benefits, $411,260,011 was due and payable as of June 30, 2016.

Administration

The Department of Management Services, Division of Retirement administers the FRS Pension Plan. The State Board of Administration 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 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, 2016, was $141,781,028,000. 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 Program and a 0.04% assessment for the administration of the FRS Investment Plan and the educational program available to all FRS members. In addition, the July 1, 2015, 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, 2014 for Fiscal Year 2015-2016	July 1, 2015 Statutory Rates (Ch. 121, F.S.)
Regular	5.56%	5.56%
Senior Management Service	19.73%	19.73%
Special Risk	20.34%	20.34%
Special Risk Administrative Support	31.25%	31.25%
Elected Officers - Judges	34.01%	34.01%
Elected Officers - Legislators/Attorneys/Cabinet	44.10%	44.10%
Elected Officers - County	40.57%	40.57%
DROP - applicable to members from all of the above classes or plans	11.22%	11.22%

Employee eligibility, benefits, and contributions by class are as previously described. Employees not filling regular established positions and working under the other personal services (OPS) or temporary status are not covered by the FRS.

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 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 Department of Management Services, Division of Retirement. For the fiscal year ended June 30, 2016, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of creditable service completed at the time of retirement multiplied by $5. The payments are at least $30 but not more than $150 per month, pursuant to Section 112.363, F.S. To be eligible to receive a HIS benefit, a retiree under a state-administered retirement system must provide proof of 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, 2016, 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 Department of Management Services, Division of Retirement. 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	11,935
Retirees	784
Termintated Vested Members	137
Total	12,856

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, 2016, the State reported a total liability of $4,529,033,986 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, 2015, and the fiduciary net position of the National Guard Benefit as of the measurement date of June 30, 2016:

	FRS Pension Plan	HIS	National Guard Benefit	Total
Plan total pension liability (A)	$ 161,370,735,088	$ 10,249,201,290	$ 664,546,758	
Plan fiduciary net position (B)	(148,454,393,902)	(50,774,315)	.....	
Plan net pension liability (A-B)	12,916,341,186	10,198,426,975	664,546,758	
State's proportion	17.961696240%	15.144426318%	100.00%	
State's proportionate share	$ 2,319,993,969	$ 1,544,493,259	$ 664,546,758	$ 4,529,033,986

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, 2014	17.802202632%	15.2861833 18%
State's proportion at measurement date, June 30, 2015	17.961696240%	15.144426318%
Increase / (decrease) in proportion	0.159493608%	-0.141757000%

The table below shows the changes in National Guard Benefit net pension liability for the fiscal year ended June 30, 2016:

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, 2015	$ 504,915,152	$	$ 504,915,152
Changes for the year:			
Service Cost	9,044,063	.....	9,044,063
Interest on total pension liability	19,259,164	.....	19,259,164
Effect of economic/demographic gains or losses	27,461,729	.....	27,461,729
Effect of assumptions changes or inputs	118,279,231	.....	118,279,231
Benefit payments	(14,412,581)	(14,412,581)	.....
Employer contributions	.....	14,422,581	(14,422,581)
Administrative expenses	.....	(10,000)	10,000
Balances as of June 30, 2016	$ 664,546,758	$	$ 664,546,758

Actuarial Methods and Assumptions

Actuarial assumptions for the defined benefit cost-sharing plans are reviewed annually by the Florida Retirement System 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, 2015 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, 2015, 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 7.65%. 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 3.80% 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 no changes in benefit terms for either FRS Pension Plan or 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 2015:

- FRS Pension Plan: There were no 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 remained at 7.65%.
- HIS: The municipal rate used to determine total pension liability decreased from 4.29% to 3.80%.

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%	3.2%
Fixed income	18.0%	4.8%
Global equity	53.0%	8.5%
Real estate (property)	10.0%	6.8%
Private equity	6.0%	11.9%
Strategic investments	12.0%	6.7%
	100.0%	

The Florida National Guard Supplemental Retirement Benefit Plan (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 2.85% 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 2016 for the National Guard Benefit:

- The municipal bond rate used to determine total pension liability decreased from 3.80% to 2.85%.

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, 2015, for the FRS and HIS plans, and June 30, 2016, for the National Guard Benefit.

FRS Pension Plan

1% Decrease 6.65%	Current Discount Rate 7.65%	1% Increase 8.65%
$6,011,629,073	$2,319,993,969	($752,052,810)

HIS

1% Decrease 2.80%	Current Discount Rate 3.80%	1% Increase 4.80%
$1,759,878,172	$1,544,493,259	$1,364,894,573

National Guard Benefit

1% Decrease 1.85%	Current Discount Rate 2.85%	1% Increase 3.85%
$830,694,636	$664,546,758	$540,886,986

Pension Expense and Deferred Outflows / (Inflows) of Resources

In accordance with GASB 68, paragraphs 33 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, 2015, was 6.3 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, 2015, are presented below for each plan.

FRS Pension Plan

	Recognized in Expense Reporting Period Ending June 30, 2016	Recognition Period	Deferred Outflows of Resources	Deferred Inflows of Resources
Service cost	$ 379,718,680	Current	$	$ .....
Interest cost	2,105,391,588	Current	.....	.....
Effect of plan changes	.....	Current	.....	.....
Effect of economic/demographic gains or losses (difference between expected and actual experience)	33,415,732	6.3 years	244,922,665	(55,023,193)
Effect of assumptions changes or inputs	35,810,646	6.3 years	153,985,779	.....
Member contributions	(125,427,263)	Current	.....	.....
Projected investment earnings	(2,013,533,787)	Current	.....	.....
Changes in proportion and differences between contributions and proportionate share of contributions	32,488,906	6.3 years	418,960,935	(275,309,114)
Net difference between projected and actual investment earnings	(252,755,757)	5 years	.....	(553,975,737)
Contributions subsequent to the measurement date	.....	1 year	442,631,028	.....
Administrative expenses	3,246,393	Current	.....	.....
Total	$ 198,355,137		$ 1,260,500,407	$ (884,308,044)

Health Insurance Subsidy

	Recognized in Expense Reporting Period Ending June 30, 2016	Recognition Period	Deferred Outflows of Resources	Deferred Inflows of Resources
Service cost	$ 32,941,985	Current	$	$ .....
Interest cost	61,401,701	Current	.....	.....
Effect of plan changes	.....	Current	.....	.....
Effect of economic/demographic gains or losses (difference between expected and actual experience)	.....	7.2 years	.....	.....
Effect of assumptions changes or inputs	20,909,429	7.2 years	121,511,307	.....
Member contributions	.....	Current	.....	.....
Projected investment earnings	(468,467)	Current	.....	.....
Changes in proportion and differences between contributions and proportionate share of contributions	(4,596,955)	7.2 years	96,350,219	(122,028,915)
Net difference between projected and actual investment earnings	251,503	5 years	836,077	.....
Contributions subsequent to the measurement date	.....	1 year	76,261,055	.....
Administrative expenses	28,422	Current	.....	.....
Total	$ 110,467,618		$ 294,958,658	$ (122,028,915)

The average expected remaining service life of all employees provided with pensions through the National Guard defined benefit single-employer plan at June 30, 2016, 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, 2016, are presented below for the plan.

Florida National Guard Supplemental Retirement Benefit Plan

	Recognized in Expense Reporting Period Ending June 30, 2016	Recognition Period	Deferred Outflows of Resources	Deferred Inflows of Resources
Service cost	$ 9,044,063	Current	$	$ .....
Interest cost	19,259,164	Current	.....	.....
Effect of economic/demographic gains or losses	2,387,976	11.5 years	25,073,753	.....
Effect of assumptions changes or inputs	16,578,061	11.5 years	167,297,947	.....
Administrative expenses	10,000	Current	.....	.....
Total	$ 47,279,264		$ 192,371,700	$ .....

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
2017	$ (151,040,473)	$ 16,563,977	$ 18,996,037
2018	(151,040,473)	16,563,977	18,996,037
2019	(151,040,472)	16,563,977	18,996,037
2020	306,006,818	16,394,043	18,996,037
2021	65,627,531	16,312,474	18,996,037
Thereafter	15,048,404	14,270,241	97,541,515
Total	$ (66,438,664)	$ 96,668,688	$ 192,521,700

Payables to the Pension Plans

The State reported payables of $74 thousand to the FRS Pension Plan, and $2 thousand to the HIS Program as of June 30, 2016, for legally required contributions to the plans.

2. Defined Contribution Programs

FRS Investment Plan

The State Board of Administration 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 0.04% 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 (SUSORP)

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 2015 through June 2016. 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 unfunded actuarial liability (UAL). The required UAL contribution rate for fiscal year 2015-16 was 2.65%.

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 Senior Management Service Class. Employees in eligible state positions may make an irrevocable election to participate in the SMSOAP in lieu of the Senior Management Service Class. The Florida Legislature establishes and amends the benefit terms of the program.

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 2015 through June 2016. 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 unfunded actuarial liability (UAL). The required UAL contribution rate for fiscal year 2015-16 was 15.41%.

Pension Amounts for Defined Contribution Plans

As of June 30, 2016, the State reported the following pension amounts related to the defined contribution plans:

Reporting Period Ended June 30, 2016	FRS Investment Plan	Optional Retirement Plan	Optional Annuity Program
Pension Expense[1,2]	$ 56,148,707	$ 86,576,943	$ 165,296
Forfeitures	5,756,447	.....	.....
Pension Liability	133,881	.....	930

[1]Pension expense excludes the required unfunded actuarial liability (UAL) which is recognized in the FRS statement of 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 173,931 subscribers including 36,007 retirees at July 1, 2016. COBRA subscribers accounted for an additional 454 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 Health Investor PPO Plan, a standard Health Maintenance Organization (HMO) Plan, and a Health Investor HMO Plan. HMO coverage is available only to those retirees who live or work in the HMO's service area. The four PPO and HMO options are considered managed-care plans and have specific provider networks.

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 2016 coverage, for active employees and retirees under the age of 65 for the standard plan were $641.52 and $1,444.06 for single and family contracts, respectively. Retirees over the age of 65 pay premiums for a Medicare supplement. Monthly premiums, through June 2016 coverage, for the standard PPO Plan were $359.61 for a single contract, $719.22 for two Medicare eligible members, and $1,036.90 for a family contract when only one member is Medicare eligible. 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, 2016 and the two preceding fiscal years (dollars in thousands):

	2016	2015	2014
Annual required contribution (ARC)	$ 530,981	$ 360,424	$ 399,026
Interest on the net OPEB obligation	60,953	49,713	37,540
Adjustments to the ARC	(56,304)	(43,085)	(32,534)
Annual OPEB Cost	535,630	367,052	404,032
Employer contribution	(115,571)	(86,057)	(99,706)
Increase/(decrease) in net OPEB obligation	420,059	280,995	304,326
Net OPEB obligation - July 1	1,523,819	1,242,824	938,498
Net OPEB obligation - June 30	$ 1,943,878	$ 1,523,819	$ 1,242,824
Percent of annual OPEB cost contributed	21.58%	23.45%	24.68%

Funded Status – State Share

The funded status of the plan as of June 30, 2016, was as follows (dollars in thousands):

Actuarial valuation date	July 1, 2016
Actuarial accrued liability (AAL)	$ 6,793,584
Actuarial value of plan assets	.....
Unfunded actuarial accrued liability (UAAL)	$ 6,793,584
Actuarial value of assets as a percentage of the AAL	0.00%
Covered payroll -- State share	$ 4,410,396
UAAL (State) as a percentage of covered payroll	154.04%

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, immediately following the notes to the financial statements, 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 Preferred Provider Organization (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 Health Maintenance Organization (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, 2016, the Department had available approximately $11 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, 2016, totaled $189 million. Refer to Note 5 for additional disclosures relating to construction in progress. Construction commitments for component units totaled $2.5 billion.

B. Florida Ports Financing Commission Revenue Bonds

The state has enacted legislation obligating it 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 $556,183,539 for the fiscal year ended June 30, 2016. The table below represents the Florida Ports Financing Commission revenue bonds outstanding as of June 30, 2016:

Series	Amount
2011A	$ 8,475,000
2011B	111,655,000
2011A (Intermodal)	58,595,000
2011B (Intermodal)	41,345,000
Total	$ 220,070,000

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 $126.4 million, $9.2 million, and $48.0 million, respectively, for the year ended June 30, 2016. The following is a schedule of future non-cancelable operating lease payments for the primary government and component units at June 30, 2016 (in thousands):

	Primary Government		
	Governmental Activities	Business-type Activities	Component Units
2017	$ 124,953	$ 6,973	$ 66,262
2018	115,057	5,506	53,892
2019	105,708	2,755	44,761
2020	81,928	1,899	37,642
2021	69,441	1,584	34,683
2022-2026	126,604	4,938	110,739
2027-2031	66,610	4,091	19,943
2032-2036	2,144	1,562	11,934
2037-2041	2,217	.....	2,714
2042-2046	2,299	.....	2,929
2047-2051	.....	.....	635
2052-2056	.....	.....	635
2057-2061	.....	.....	142
2062-2066	.....	.....	142
2067-2071	.....	.....	142
2072-2076	.....	.....	142
2077-2081	.....	.....	142
2082-2086	.....	.....	142
Total	$ 696,961	$ 29,308	$ 387,621

D. Encumbrances

As of June 30, 2016, 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:	$ 268,335	$ 23,461	$ 74,729	$ 88,064	$ 41,335	$ 391,544	$ 887,468

NOTE 8 - BONDS PAYABLE AND CERTIFICATES OF PARTICIPATION

A. Bonds Payable

1. Outstanding Bonds

Bonds payable at June 30, 2016, are as follows (in thousands):

Bond Type	Original Amount	Amount Outstanding	Interest Rates	Annual Maturity To
Governmental Activities:				
Road and Bridge Bonds	$ 1,801,790	$ 1,576,755	2.500%-5.375%	2041
SBE Capital Outlay Bonds	373,720	222,605	2.000%-5.000%	2030
Lottery Education Bonds	2,815,100	1,928,397	3.000%-6.584%	2032
Public Education Bonds	10,875,495	8,913,135	2.250%-6.000%	2041
State University System Bonds	241,960	136,325	3.000%-6.500%	2033
University Auxiliary Bonds	1,106,930	879,913	2.290%-7.500%	2043
Inland Protection Bonds	96,730	60,615	4.260%-5.400%	2024
Florida Forever Bonds	1,448,655	1,051,830	3.250%-7.045%	2029
Water Pollution Control Bonds	614,775	365,075	3.250%-5.250%	2031
Florida Facilities Pool Bonds	479,060	261,975	4.000%-5.750%	2039
State Infrastructure Bank Bonds	123,615	40,980	4.250%-5.000%	2027
Seaport Investment Bonds	138,145	127,555	4.000%-5.000%	2043
Everglades Restoration Bonds	335,290	246,745	0.420%-6.450%	2035
	20,451,265	15,811,905		
Unamortized premiums (discounts) on bonds payable		867,798		
Total Bonds Payable	$ 20,451,265	$ 16,679,703		
Business-type Activities:				
Toll Facilities Bonds	$ 3,658,500	$ 2,801,390	2.500%-6.800%	2045
Florida Hurricane Catastrophe Fund Bonds	3,200,000	3,200,000	1.298%-2.995%	2022
	6,858,500	6,001,390		
Unamortized premiums (discounts) on bonds payable		154,245		
Total Bonds Payable	$ 6,858,500	$ 6,155,635		

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, serial and term, 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 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 (in thousands). For each Bond Type, the table discloses Gross Revenue, Operating Expenses, Net Revenue Available for Debt Service, Principal, Interest, Coverage Ratio, Final Maturity, Remaining Debt Service, and Revenue Ratio. The Bond Types with Operating Expenses are considered self-supporting debt and are paid from the associated facilities being financed. If Operating Expenses are not shown, the bond type is considered to be Net Tax Supported debt and serviced by dedicated tax or fee revenues.

Bond Type	Revenue[3]	Less Operating Expenses	Net Available for Debt Service	Debt Service: Principal	Debt Service: Interest[5]	Debt Service: Total Debt Service	Coverage Ratio	Final Maturity	Remaining Debt Service	Revenue Ratio[4]
Florida Turnpike (Toll Facility)	$ 987,149	$ 192,458	$ 794,691	$ 129,630	$ 131,805	$ 261,425	3.04	2045	$ 4,248,526	80.50%
Florida Forever/Everglades[1]	2,276,900	.....	2,276,900	106,415	63,456	169,871	13.40	2035	1,703,136	100.00%
Lottery Education[1,2]	1,692,550	.....	1,692,550	211,921	98,398	310,319	5.45	2032	2,460,789	100.00%
Alligator Alley (Toll Facility)	30,649	9,972	20,677	1,920	1,529	3,449	6.00	2027	37,946	67.46%
State Infrastructure Bank	51,131	.....	51,131	8,845	2,451	11,296	4.53	2027	47,862	100.00%
Florida Hurricane Catastrophe	1,217,538	18,815	1,198,723	.....	46,975	46,975	25.52	2021	3,494,090	98.45%
State University System Bonds	55,768	.....	55,768	14,010	7,352	21,362	2.61	2033	192,081	100.00%
University Auxiliary Bonds										
Parking System Revenue Bonds										
Florida International University	14,378	5,676	8,702	3,000	3,321	6,321	1.38	2043	122,402	60.52%
University of South Florida	14,151	8,148	6,003	2,485	1,075	3,560	1.69	2026	27,068	42.42%
Florida Agricultural & Mechanical University	1,942	1,039	903	200	33	233	3.87	2018	464	46.50%
University of Florida	13,093	7,298	5,794	1,570	729	2,299	2.52	2028	20,580	44.26%
Florida Atlantic University	7,277	4,208	3,069	1,365	713	2,078	1.48	2032	22,025	42.18%
University of Central Florida	21,972	4,204	17,768	3,540	1,374	4,914	3.62	2032	39,574	80.87%
Florida State University	11,669	3,298	8,371	3,050	1,771	4,821	1.74	2031	46,931	71.74%
Housing System Revenue Bonds										
Florida Agricultural & Mechanical University	14,910	7,605	7,304	2,959	2,957	5,916	1.23	2032	82,597	48.99%
Florida International University	30,578	13,141	17,437	5,465	3,840	9,305	1.87	2041	135,685	57.02%
University of Florida	59,717	38,192	21,525	4,705	3,346	8,051	2.67	2033	101,210	36.04%
Florida Atlantic University	16,665	8,136	8,529	3,020	2,746	5,766	1.48	2036	84,623	51.18%
University of Central Florida	30,881	16,641	14,240	4,395	4,400	8,795	1.62	2043	140,685	46.11%
Florida State University	45,281	21,230	24,051	6,065	7,841	13,906	1.73	2040	267,036	53.12%
Student Health and Wellness Center Revenue Bonds										
University of Central Florida	16,992	.....	16,992	410	209	619	27.45	2024	4,942	100.00%
Florida State University	14,794	.....	14,794	1,245	1,134	2,379	6.22	2030	33,322	100.00%
University of North Florida	3,939	.....	3,939	450	600	1,050	3.75	2036	24,312	100.00%
Student Activity Revenue Bonds										
University of Florida	25,098	.....	25,098	1,410	1,824	3,234	7.76	2033	54,962	100.00%
Water Pollution Control Bonds	85,635	.....	85,635	32,930	19,001	51,931	1.65	2031	486,792	100.00%
Inland Protection Bonds	206,567	.....	206,567	6,485	2,323	8,808	23.45	2024	74,927	100.00%
Seaport Investment Program	200,000	.....	200,000	2,250	6,329	8,579	23.31	2043	231,724	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 2015-16, the ratio remained below 6%, primarily due to an increase in tax revenues. Chapter 2015-222, Section 79, Laws of Florida, provided the legislature's determination that the authorization and issuance of debt for the 2015-16 fiscal year was in the best interest of the state.

5. Debt Service Requirements

Annual debt service requirements to amortize bonds at June 30, 2016, are as follows (in thousands):

Year Ending June 30	Primary Government: Governmental Activities Principal	Governmental Activities Interest	Governmental Activities Total	Business-type Activities Principal	Business-type Activities Interest	Business-type Activities Total
2017	$ 1,044,388	$ 750,624	$ 1,795,012	$ 635,605	$ 198,631	$ 834,236
2018	1,088,656	699,715	1,788,371	143,195	194,095	337,290
2019	1,070,664	646,672	1,717,336	650,755	181,745	832,500
2020	1,072,090	593,981	1,666,071	691,790	162,991	854,781
2021	1,094,848	541,141	1,635,989	1,148,950	134,897	1,283,847
2022-2026	4,907,179	1,924,251	6,831,430	1,304,540	419,978	1,724,518
2027-2031	2,961,335	959,047	3,920,382	542,700	272,623	815,323
2032-2036	1,906,195	412,334	2,318,529	516,130	155,301	671,431
2037-2041	644,055	71,083	715,138	286,860	52,938	339,798
2042-2046	22,495	1,563	24,058	80,865	6,781	87,646
Bonds payable and interest	15,811,905	6,600,411	22,412,316	6,001,390	1,779,980	7,781,370
Unamortized premiums (discounts)	867,798	.....	867,798	154,245	.....	154,245
Total bonds payable and interest	$ 16,679,703	$ 6,600,411	$ 23,280,114	$ 6,155,635	$ 1,779,980	$ 7,935,615

Year Ending June 30	Component Units: Principal	Interest	Total
2017	$ 1,294,284	$ 507,708	$ 1,801,992
2018	1,671,570	238,626	1,910,196
2019	518,119	217,888	736,007
2020	790,597	190,486	981,083
2021	293,816	169,639	463,455
2022-2026	1,455,198	644,987	2,100,185
2027-2031	778,033	449,349	1,227,382
2032-2036	843,283	301,981	1,145,264
2037-2041	602,533	171,687	774,220
2042-2046	478,827	48,530	527,357
2047-2051	36,012	4,103	40,115
2052-2056	7,278	950	8,228
2057-2061	555	.....	555
Bonds payable and interest	8,770,105	2,945,934	11,716,039
Unamortized premiums (discounts)	210,567	.....	210,567
Total bonds payable and interest	$ 8,980,672	$ 2,945,934	$ 11,926,606

Annual debt service requirements for university capital improvement debt payable at June 30, 2016, are as follows (in thousands):

Year Ending June 30	Universities: Principal	Interest	Total
2017	$ 48,024	$ 39,041	$ 87,065
2018	51,389	35,986	87,375
2019	52,805	35,720	88,525
2020	52,812	32,403	85,215
2021	54,554	30,036	84,590
2022-2026	257,738	115,226	372,964
2027-2031	229,202	61,913	291,115
2032-2036	105,373	23,212	128,585
2037-2041	41,750	6,965	48,715
2042-2046	6,540	356	6,896
Total capital improvement debt payable and interest	900,187	380,858	1,281,045
Unamortized premiums (discounts)	10,283	.....	10,283
Total capital improvement debt payable and interest	$ 910,470	$ 380,858	$ 1,291,328

6. Advance Refundings and Current Refundings

During the fiscal year ended June 30, 2016, 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, State Board of Education Public Education Capital Outlay Refunding Bonds, 2015 Series E in the amount of $306,645,000 along with additional funds of $3,711,687 were used to advance refund $323,055,000 of the State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Bonds, 2006 Series A maturing in the years 2017 through 2036. The refunding resulted in debt savings of $47,443,180, an economic gain of $35,182,502, and a deferred loss on refunding of $1,020,135.

State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Refunding Bonds, 2015 Series F in the amount of $233,135,000 along with additional funds of $5,812,747 were used to advance refund $91,165,000 of the State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Bonds, 2004 Series D maturing in the years 2017 through 2036 and $162,130,000 of the State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Bonds, 2005 Series F maturing in the years 2017 through 2036. The refunding resulted in debt savings of $44,008,285, an economic gain of $33,099,599, and a deferred loss on refunding of $1,503,641.

State of Florida, Department of Environmental Protection Florida Forever Revenue Refunding Bonds, Series 2015A in the amount of $78,725,000 were used to advance refund $90,020,000 of the State of Florida, Department of Environmental Protection Florida Forever Revenue Bonds, Series 2007A maturing in the years 2017 through 2026. The refunding resulted in debt savings of $13,416,448, an economic gain of $12,163,047, and a deferred gain on refunding of $861,669.

Business-type Activities

State of Florida, Department of Transportation Turnpike Revenue Refunding Bonds, Series 2015B in the amount of $195,875,000 along with additional funds of $3,512,083 were used to advance refund $210,725,000 of the State of Florida, Department of Transportation Turnpike Revenue Bonds, Series 2007A maturing in the years 2016 through 2036. The refunding resulted in debt savings of $43,747,077, an economic gain of $32,334,150, and a deferred loss on refunding of $2,700,000.

State of Florida, Department of Transportation Turnpike Revenue Refunding Bonds, Series 2016A in the amount of $173,385,000 along with additional funds of $1,422,958 were used to advance refund $188,090,000 of the State of Florida, Department of Transportation Turnpike Revenue Bonds, Series 2006A maturing in the years 2017 through 2026 and 2030 through 2036. The refunding resulted in debt savings of $34,888,139, an economic gain of $26,505,733, and a deferred loss on refunding of $2,300,000.

Current Refundings

Governmental Activities

State of Florida, Full Faith and Credit, Department of Transportation Right-of-Way Acquisition and Bridge Construction Refunding Bonds, Series 2015A in the amount of $213,885,000 along with additional funds of $3,303,888 were used to refund $79,565,000 of the State of Florida, Department of Transportation Right-of-Way Acquisition and Bridge Construction Refunding Bonds, Series 2005A maturing in the years 2016 through 2026 and $169,445,000 of the State of Florida, Department of Transportation Right-of-Way Acquisition and Bridge Construction Refunding Bonds, Series 2005B maturing in the years 2016 through 2025. The refunding resulted in debt savings of $27,088,501, an economic gain of $24,241,616, and a deferred loss on refunding of $12,668,008.

State of Florida, Board of Governors Florida International University Housing Facility Revenue Refunding Bonds, Series 2015A in the amount of $29,105,000, were used to refund $30,055,000 of the State of Florida, Florida Education System Florida International University Housing Facility Revenue Bonds, Series 2004A Bonds maturing in the years 2016 through 2034. The refunding resulted in debt savings of $4,014,843, an economic gain of $3,018,991, and a deferred loss on refunding of $450,629.

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 $670,976 were used to refund $41,485,000 of the State of Florida, Full Faith and Credit, Department of Transportation Right-of-Way Acquisition and Bridge Construction Refunding Bonds, Series 2005B maturing in the years 2026 through 2027, and $15,215,000 of the State of Florida, Full Faith and Credit, Department of Transportation Right-of-Way Acquisition and Bridge Construction Refunding Bonds, Series 2006A maturing in the years 2017 through 2021. The refunding resulted in debt savings of $8,132,684, an economic gain of $6,588,646, and a deferred loss on refunding of $3,864,013.

State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Refunding Bonds, 2016 Series A in the amount of $116,720,000 along with additional funds of $1,551,256 were used to refund $137,110,000 of the State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Refunding Bonds, 2007 Series A maturing in the years 2017 through 2028. The refunding resulted in debt savings of $25,211,002, an economic gain of $22,703,811, and a deferred loss on refunding of $2,123,955.

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 $2,791,013 were used to refund $50,515,000 of the State of Florida, Board of Education Lottery Revenue Bonds Series 2005A maturing in the years 2017 through 2019 and 2024, and $63,485,000 of the State of Florida, Board of Education Lottery Revenue Bonds Series 2006B maturing in the years 2017 through 2020. The refunding resulted in debt savings of $11,480,920, an economic gain of $11,042,635 and a deferred loss on refunding of $4,092,609.

Business-type Activities

State of Florida, Department of Transportation Turnpike Revenue Bonds, Series 2015A in the amount of $241,480,000 along with additional funds of $304,596, in part, were used to refund $74,625,000 of the State of Florida, Department of Transportation Turnpike Revenue Refunding Bonds, Series 2005A maturing in the years 2016 through 2029. The refunding resulted in debt savings of $12,761,202, an economic gain of $10,523,463, and a deferred loss on refunding of $2,200,000.

State of Florida, Department of Transportation Turnpike Revenue Refunding Bonds, Series 2016B in the amount of $113,350,000 along with additional funds of $1,693,084 were used to refund $125,450,000 of the State of Florida, Department of Transportation Turnpike Revenue Bonds, Series 2006A maturing in the years 2017 through 2027. The refunding resulted in debt savings of $17,229,306, an economic gain of $15,370,329, and a deferred loss on refunding of $5,100,000.

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 6/30/2016
Governmental Activities	
University Auxiliary Bonds	$ 989

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, 2016, in the following governmental activities as direct expenses on the Statement of Activities (in thousands):

Governmental Activities	Interest
Education:	
SBE Capital Outlay Bonds	$ 7,198
Lottery Education Bonds	79,898
Public Education Bonds	353,559
State University System Bonds	6,240
University Auxiliary Bonds	35,499
Total Education	482,394
Natural Resources and Environment:	
Inland Protection Bonds	3,139
Everglades Restoration Bonds	7,434
Water Pollution Control Bonds	15,414
Florida Forever Bonds	44,226
Total Natural Resources and Environment	70,213
Transportation:	
Road and Bridge Bonds (Right of Way)	55,762
State Infrastructure Bonds	2,217
Seaport Bonds	5,170
Total Transportation	63,149
Total Direct Interest	$ 615,756

10. Governmental Activities – Unrestricted Net Position Deficit

Governmental activities reflect a negative unrestricted net position balance of $12.0 billion at June 30, 2016. 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, 2016, of $11.8 billion. The state has an additional $1.1 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 $900 million.

B. Certificates of Participation

1. Primary Government

The state has issued certificates of participation (original amount of $801,055,000) 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, 2016 (in thousands):

Year Ending June 30	Principal	Interest	Total
2017	$ 38,770	$ 30,092	$ 68,862
2018	39,200	28,184	67,384
2019	35,595	26,241	61,836
2020	36,430	24,418	60,848
2021	38,040	22,500	60,540
2022-2026	224,995	78,742	303,737
2027-2031	146,335	18,493	164,828
Total	559,365	228,670	788,035
Unamortized premiums (discounts)	13,785	.....	13,785
Total certificates of participation payable	$ 573,150	$ 228,670	$ 801,820

2. Component Units

Component units (universities and a water management district) have issued certificates of participation (original amount of $982,070,000) 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, 2016(in thousands):

Year Ending June 30	Principal	Interest	Total
2017	$ 25,407	$ 39,939	$ 65,346
2018	26,502	38,816	65,318
2019	27,644	37,599	65,243
2020	28,882	36,312	65,194
2021	30,194	34,962	65,156
2022-2026	169,639	152,604	322,243
2027-2031	209,274	108,370	317,644
2032-2036	256,090	53,000	309,090
2037-2041	86,565	5,067	91,632
Total	860,197	506,669	1,366,866
Unamortized premiums (discounts)	25,150	.....	25,150
Total certificates of participation payable	$ 885,347	$ 506,669	$ 1,392,016

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, 2016, 76% of the state's installment purchase contracts for primary governmental activities were for furniture and equipment, and the remaining 24% 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, 2016 (in thousands):

Year Ending June 30	Primary Government: Governmental Activities	Primary Government: Business-type Activities	Component Units
2017	$ 11,226	$ 2,218	$ 3,510
2018	10,294	15,356	2,813
2019	8,941	.....	2,300
2020	5,918	.....	899
2021	3,523	.....	20
2022-2026	10,617	.....	.....
2027-2031	482	.....	.....
Total	51,001	17,574	9,542
Less: Interest	(5,792)	(716)	(232)
Present value of future minimum payments	$ 45,209	$ 16,858	$ 9,310

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, 2016, 27% of the state's capital leases for governmental activities were for buildings, and the remaining 73% were for furniture and equipment. Capital leases for component units consisted of 53% for buildings, 42% for furniture and equipment, and the remaining 5% for land. The following is a schedule of future minimum capital lease payments for the primary government and component units at June 30, 2016 (in thousands):

Year Ending June 30	Primary Government: Governmental Activities	Component Units
2017	$ 4,564	$ 10,772
2018	4,532	7,234
2019	4,532	6,106
2020	2,750	5,189
2021	710	850
2022-2026	2,580	13,710
2027-2031	207	13,357
2032-2036	.....	2,960
2037-2041	.....	2,282
2042-2046	.....	2,282
2047-2051	.....	2,282
2052-2056	.....	2,282
2057-2061	.....	2,282
2062-2066	.....	2,282
2067-2071	.....	2,282
2072-2076	.....	1,370
Total	19,875	77,522
Less: Interest	(2,029)	(27,554)
Present value of future minimum payments	$ 17,846	$ 49,968

C. Public-Private Partnerships

Pursuant to Section 334.30, Florida Statutes, the Department of Transportation 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, 2016 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. 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 five other public-private partnership agreements for the design, build, and finance; and two other agreements for the build and finance of various transportation projects. The remaining unpaid construction costs for these seven agreements represent 19% and 3%, respectfully, of payments due in 2017 and 2018. The following is a schedule of future maximum payments for the primary government at June 30, 2016 (in thousands):

Year Ending June 30	Primary Government: Governmental Activities	Primary Government: Business-type Activities
2017	$ 408,013	$ 54,036
2018	298,882	69,696
2019	132,888	15,457
2020	147,295	14,793
2021	155,300	15,011
2022-2026	582,731	85,271
2027-2031	576,927	101,054
2032-2036	640,547	113,312
2037-2041	727,465	130,452
2042-2046	466,983	69,457
2047-2051	62,512	.....
2052-2056	40,959	.....
Total	4,240,502	668,539
Less: Interest	(1,852,254)	(347,077)
Present value of future maximum payments	$ 2,388,248	$ 321,462

NOTE 10 - CHANGES IN LONG-TERM LIABILITIES

Changes in long-term liabilities for governmental activities during the fiscal year ended June 30, 2016, are as follows (in thousands):

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Due Within One Year (Current)
Governmental Activities					
Bonds payable:					
Road and Bridge Bonds	$ 1,569,885	$ 379,705	$ 372,835	$ 1,576,755	$ 71,770
SBE Capital Outlay Bonds	293,605	.....	71,000	222,605	52,845
Lottery Education Bonds	2,015,068	239,250	325,921	1,928,397	219,805
Public Education Bonds	9,216,135	848,650	1,151,650	8,913,135	457,655
State University System Bonds	150,335	.....	14,010	136,325	9,390
University Auxiliary Bonds	929,101	29,105	78,293	879,913	46,563
Inland Protection Bonds	67,100	.....	6,485	60,615	6,810
Florida Forever Bonds	1,154,815	78,725	181,710	1,051,830	95,160
Water Pollution Control Bonds	398,005	.....	32,930	365,075	31,700
State Infrastructure Bank Bonds	49,825	.....	8,845	40,980	8,655
Seaport Investment Bonds	129,805	.....	2,250	127,555	2,365
Everglades Restoration Bonds	214,730	46,740	14,725	246,745	15,795
Florida Facilities Pool Bonds	286,635	.....	24,660	261,975	25,875
	16,475,044	1,622,175	2,285,314	15,811,905	1,044,388
Unamortized bond premiums (discounts)	829,585	227,352	189,139	867,798	.....
Total bonds payable	17,304,629	1,849,527	2,474,453	16,679,703	1,044,388
Certificates of participation payable	614,534	.....	41,384	573,150	38,770
Deposits	581,903	719,201	701,559	599,545	588,606
Compensated absences	775,112	342,775	379,676	738,211	185,531
Claims payable	2,844,273	2,558,147	2,433,123	2,969,297	1,460,846
Installment purchases/capital leases	61,776	510,698	509,419	63,055	13,777
Public-private partnership agreements	2,201,508	474,014	287,274	2,388,248	330,491
Advances - Due to Unclaimed Prop. TF	919,661	10,605	.....	930,266	.....
Due to Other governments	.....	417,246	.....	417,246	.....
Other Postemployment Benefits	1,486,056	408,889	.....	1,894,945	.....
Pension liability	2,960,231	1,480,790	137	4,440,884	71,906
Other liabilities	22,021	150	3,860	18,311	.....
Total Governmental Activities	**$ 29,771,704**	**$ 8,772,042**	**$ 6,830,885**	**$ 31,712,861**	**$ 3,734,315**

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, 2016, are as follows (in thousands):

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Due Within One Year (Current)
Business-type Activities					
Bonds payable:					
Toll Facility Bonds	$ 2,807,730	$ 724,090	$ 730,430	$ 2,801,390	$ 135,605
Florida Hurricane Catastrophe Fund Bonds	2,000,000	1,200,000	.....	3,200,000	500,000
	4,807,730	1,924,090	730,430	6,001,390	635,605
Unamortized bond premiums (discounts)	118,352	68,776	32,883	154,245	.....
Total bonds payable	4,926,082	1,992,866	763,313	6,155,635	635,605
Accrued prize liability	449,080	5,440,569	5,477,293	412,356	174,388
Deposits	129,134	72,259	69,422	131,971	93,642
Compensated absences	22,644	8,602	7,967	23,279	5,836
Tuition and housing benefits payable	10,911,315	1,400,187	498,015	11,813,487	713,654
Installment purchases/capital leases	19,206	34,022	36,370	16,858	1,757
Public-private partnership agreements[1]	375,576	.....	54,114	321,462	36,034
Other Postemployment Benefits	34,612	10,220	.....	44,832	.....
Pension liability	58,978	29,262	1,868	86,372	1,605
Other liabilities	276	276	.....	552	.....
Total Business-type Activities	**$ 16,926,903**	**$ 8,988,263**	**$ 6,908,362**	**$ 19,006,804**	**$ 1,662,521**
Component Units					
Bonds payable	$ 9,216,567	$ 1,711,803	$ 1,947,698	$ 8,980,672	$ 1,294,284
Deposits	1,689,374	681,816	1,058,891	1,312,299	1,083,433
Compensated absences	677,755	86,947	87,654	677,048	87,222
Installment purchases/capital leases	62,468	12,106	15,296	59,278	12,336
Claims payable	1,033,876	166,039	42,255	1,157,660	32,571
Certificates of participation payable	1,037,220	21,007	172,880	885,347	25,407
Due to other governments/primary	962,439	29,908	79,879	912,468	48,024
Pension liability	1,210,693	1,235,805	399,222	2,047,276	29,187
Other liabilities	1,562,011	658,754	489,843	1,730,922	149,018
Total Component Units	**$ 17,452,403**	**$ 4,604,185**	**$ 4,293,618**	**$ 17,762,970**	**$ 2,761,482**

[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, 2016, 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, 2016, 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	$	$ 15,770	$ 319	$ 122,185	$ 7,065
Environment, Recreation and Conservation	7,040	.....	.....	618	16,283
Public Education	116	.....	.....	2,025	.....
Health and Family Services	73,867	83	.....	.....	.....
Transportation	5,853	734	.....	84	.....
Nonmajor Governmental Funds	75,039	3,600	19,050	1,663	33,112
Internal Service Funds	995	12	.....	25	142
Business-type Activities					
Transportation	143	.....	.....	.....	133,783
Lottery	30	.....	158,551	.....	.....
Hurricane Catastrophe Fund	.....	.....	.....	.....	.....
Prepaid College Program	.....	.....	.....	.....	.....
Reemployment Assistance	542	.....	.....	.....	.....
Nonmajor Enterprise Funds	6,565	.....	.....	86	.....
Fiduciary Funds					
Private-purpose Trust Funds	162	.....	1,347	.....	.....
Pension and Other Employee Benefits Trust Funds	14	.....	.....	.....	.....
Agency Funds	79,508	.....	329	2,643	3,981
Investment Trust Funds	.....	.....	.....	.....	.....
Total	**$ 249,874**	**$ 20,199**	**$ 179,596**	**$ 129,329**	**$ 194,366**

(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	$ 42,937	$ 8,929
Environment, Recreation and Conservation	575	570
Public Education	60	423
Health and Family Services	4,982	6,791
Transportation	24,396	3,822
Nonmajor Governmental Funds	3,092	3,939
Internal Service Funds	175	784
Business-type Activities		
Transportation	.....	.....
Lottery	8	59
Hurricane Catastrophe Fund	.....	.....
Prepaid College Program	.....	.....
Reemployment Assistance	1,177	.....
Nonmajor Enterprise Funds	804	295
Fiduciary Funds		
Private-purpose Trust Funds	775	1
Pension and Other Employee Benefits Trust Funds	1	54
Agency Funds	1,854	.....
Investment Trust Funds	.....	.....
Total	**$ 80,836**	**$ 25,667**

(Continued next page)

	Due from Other Funds (in thousands)			
	Business-type Activities			
Due to Other Funds (in thousands)	Transportation	Prepaid College Program	Reemployment Assistance	Nonmajor Enterprise Funds
Governmental Activities				
General Fund	$	$	$ 643	$ 2,420
Environment, Recreation and Conservation	100	.....	4	.....
Public Education	.....	.....	.....	.....
Health and Family Services	.....	.....	162	143
Transportation	418	.....	18	.....
Nonmajor Governmental Funds	.....	.....	63	2
Internal Service Funds	.....	.....	5	1
Business-type Activities				
Transportation	.....	.....	.....	.....
Lottery	.....	.....	1	6
Hurricane Catastrophe Fund	.....	.....	.....	285
Prepaid College Program	.....	.....	.....	.....
Reemployment Assistance	.....	.....	.....	.....
Nonmajor Enterprise Funds	.....	.....	20	.....
Fiduciary Funds				
Private-purpose Trust Funds	.....	4,474	.....	.....
Pension and Other Employee Benefits Trust Funds	.....	.....	.....	6,488
Agency Funds	91,833	.....	14	.....
Investment Trust Funds	.....	.....	.....	55
Total	**$ 92,351**	**$ 4,474**	**$ 930**	**$ 9,400**

(Continued below)

	Due from Other Funds (in thousands)			
	Fiduciary Funds			
Due to Other Funds (in thousands)	Private-purpose Trust Funds	Pension and Other Employee Benefits Trust Funds	Agency Funds	**Total**
Governmental Activities				
General Fund	$	$ 2	$ 85,858	**$ 286,128**
Environment, Recreation and Conservation	.....	.....	.....	**25,190**
Public Education	.....	.....	.....	**2,624**
Health and Family Services	.....	.....	24	**86,052**
Transportation	.....	.....	15,651	**50,976**
Nonmajor Governmental Funds	.....	.....	135	**139,695**
Internal Service Funds	.....	1,409	30,405	**33,953**
Business-type Activities				
Transportation	.....	.....	6	**133,932**
Lottery	.....	.....	.....	**158,655**
Hurricane Catastrophe Fund	.....	.....	.....	**285**
Prepaid College Program	35	.....	.....	**35**
Reemployment Assistance	.....	.....	.....	**1,719**
Nonmajor Enterprise Funds	.....	.....	.....	**7,770**
Fiduciary Funds				
Private-purpose Trust Funds	.....	.....	.....	**6,759**
Pension and Other Employee Benefits Trust Funds	.....	82,279	.....	**88,836**
Agency Funds	.....	.....	.....	**180,162**
Investment Trust Funds	.....	.....	.....	**55**
Total	**$ 35**	**$ 83,690**	**$ 132,079**	**$ 1,202,826**

Advances from Other Funds (in thousands)	Advances to Other Funds (in thousands) Governmental Activities: General Fund	Transportation
Governmental Activities		
General Fund	$	$ 100
Public Education	.....	.....
Nonmajor Governmental Funds	625	.....
Internal Service Funds	1,979	800
Business-type Activities		
Transportation	.....	93,734
Total	**$ 2,604**	**$ 94,634**

(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	$	**$ 100**
Public Education	930,266	**930,266**
Nonmajor	.....	**625**
Internal Service Funds	.....	**2,779**
Business-type Activities		
Transportation	.....	**93,734**
Total	**$ 930,266**	**$ 1,027,504**

During the course of operations, there are numerous transactions between funds within the State. Interfund transfers during the year are as follows (in thousands):

Transfers to Other Funds (in thousands)	Transfers from Other Funds (in thousands) Governmental Activities: General Fund	Environment, Recreation and Conservation	Public Education	Health and Family Services	Transportation
Governmental Activities					
General Fund	$	$ 772,288	$ 128,867	$ 1,559,537	$ 262,434
Environment, Recreation and Conservation	135,448	.....	.....	4,422	.....
Public Education	624	.....	.....	11,641	.....
Health and Family Services	83,619	.....	209,532	.....	.....
Transportation	56,363	23,262	.....	489	.....
Nonmajor Governmental Funds	181,923	54,900	328,690	18,471	1,193,925
Internal Service Funds	14,651	718	.....	83	990
Business-type Activities					
Transportation	.....	.....	.....	.....	54,343
Lottery	6	.....	1,692,551	.....	.....
Hurricane Catastrophe Fund	.....	.....	.....	.....	.....
Reemployment Assistance	.....	.....	.....	.....	.....
Nonmajor Enterprise Funds	67,997	.....	.....	7,883	.....
Fiduciary Funds					
Private-purpose Trust Funds	14	.....	168	374	.....
Pension and Other Employee Benefits Trust Funds	2,849	.....	.....	.....	.....
Investment Trust Funds	.....	.....	.....	.....	.....
Total	**$ 543,494**	**$ 851,168**	**$ 2,359,808**	**$ 1,602,900**	**$ 1,511,692**

(Continued below)

Transfers to Other Funds (in thousands)	Transfers from Other Funds (in thousands) Governmental Activities: Nonmajor Governmental Funds	Internal Service Funds
Governmental Activities		
General Fund	$ 414,296	$ .....
Environment, Recreation and Conservation	188,017	.....
Public Education	1,382,446	.....
Health and Family Services	151,445	.....
Transportation	479,410	.....
Nonmajor Governmental Funds	194,677	554
Internal Service Funds	8,184	2
Business-type Activities		
Transportation	.....	.....
Lottery	152	.....
Hurricane Catastrophe Fund	10,000	.....
Reemployment Assistance	19,230	.....
Nonmajor Enterprise Funds	14,617	.....
Fiduciary Funds		
Private-purpose Trust Funds	4,173	.....
Pension and Other Employee Benefits Trust Funds	86	20,112
Investment Trust Funds	.....	.....
Total	**$ 2,866,733**	**$ 20,668**

(Continued next page)

Transfers to Other Funds (in thousands)	Transfers from Other Funds (in thousands) Business-type Activities: Transportation	Reemployment Assistance	Nonmajor Enterprise Funds
Governmental Activities			
General Fund	$	$ 2,316	$ 2,072
Environment, Recreation and Conservation	.....	67	.....
Public Education	.....	18	.....
Health and Family Services	.....	851	931
Transportation	112,676	56	.....
Nonmajor Governmental Funds	.....	579	2,661
Internal Service Funds	.....	23	62
Business-type Activities			
Transportation	.....	.....	.....
Lottery	.....	7	.....
Hurricane Catastrophe Fund	.....	.....	.....
Reemployment Assistance	.....	.....	.....
Nonmajor Enterprise Funds	.....	84	.....
Fiduciary Funds			
Private-purpose Trust Funds	.....	.....	.....
Pension and Other Employee Benefits Trust Funds	.....	.....	11,569
Investment Trust Funds	.....	.....	.....
Total	**$ 112,676**	**$ 4,001**	**$ 17,295**

(Continued below)

Transfers to Other Funds (in thousands)	Transfers from Other Funds (in thousands) Fiduciary Funds: Private-purpose Trust Funds	Pension and Other Employee Benefits Trust Funds	Investment Trust Funds	Total
Governmental Activities				
General Fund	$ 3,386	$ 14,489	$	**$ 3,159,685**
Environment, Recreation and Conservation	.....	.....	.....	**327,954**
Public Education	.....	.....	.....	**1,394,729**
Health and Family Services	.....	.....	.....	**446,378**
Transportation	.....	.....	.....	**672,256**
Nonmajor Governmental Funds	.....	.....	.....	**1,976,380**
Internal Service Funds	.....	1,254	.....	**25,967**
Business-type Activities				
Transportation	.....	.....	.....	**54,343**
Lottery	.....	.....	.....	**1,692,716**
Hurricane Catastrophe Fund	.....	.....	.....	**10,000**
Reemployment Assistance	.....	.....	.....	**19,230**
Nonmajor Enterprise Funds	.....	.....	.....	**90,581**
Fiduciary Funds				
Private-purpose Trust Funds	.....	.....	.....	**4,729**
Pension and Other Employee Benefits Trust Funds	.....	667,191	.....	**701,807**
Investment Trust Funds	.....	.....	34,559	**34,559**
Total	**$ 3,386**	**$ 682,934**	**$ 34,559**	**$ 10,611,314**

NOTE 12 - RISK MANAGEMENT

A. State Risk Management Trust Fund

The State Risk Management Trust 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 $85 million per occurrence for named windstorm and flood losses through February 15, 2017, and $200 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 fiscal year ending June 30, 2015, the amount of claims paid for property claims included $70,777 for an unnamed wind event. During fiscal year ending June 30, 2016, an additional $1,999,679 in property claim losses were paid from the unnamed wind event for total paid losses of $2,070,456, exceeding the self-insured retention of $2 million per occurrence. Claim payments reported for fiscal year ending June 30, 2017 will include recoveries of $70,280 from commercial reinsurance. Changes in the Fund's property insurance claims liability amount for the fiscal years ended June 30, 2015, and June 30, 2016, 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, 2015	$ 500	$ 443	$ (339)	$ 604
June 30, 2016	$ 604	$ 2,356	$ (2,517)	$ 443

The estimated liability for unpaid property insurance claims for fiscal year ending June 30, 2016, does not include property claim loss payments resulting from two hurricanes that struck Florida in September and October of 2016. Estimated loss payments for these two hurricanes is $5,726,967, which will not exceed the aggregate self-insurance retention for named windstorm and flooding.

The State Risk Management Trust 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, 2016, was $1.16 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 $277.8 million, discounted using a 4 percent annual percentage rate per Section 625.091, Florida Statutes. The undiscounted workers' compensation indemnity claims liability is $384.1 million.

Changes in the Fund's casualty insurance claims liability for the fiscal years ended June 30, 2015, and June 30, 2016, 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, 2015	$ 1,174,797	$ 89,876	$ (97,239)	$1,167,434
June 30, 2016	$ 1,167,434	$ 95,672	$(101,606)	$1,161,500

The estimated liability for unpaid casualty insurance claims for June 30, 2016 fiscal year-end 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, 2016, increased by $5.8 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, 2015, and June 30, 2016, 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, 2015	$ 154,971	$ 1,649,140	$ (1,653,971)	$ 150,140
June 30, 2016	$ 150,140	$ 1,779,473	$ (1,766,850)	$ 162,763

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, 2016, 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 increase in the actuarial present value of future contract benefits from the prior year is primarily due to the increase in key inflation assumptions. Additional information as of June 30, 2016, is as follows:

Actuarial present value of future contract benefits and expenses payable	$ 11,813,486,106
Net position available (net of outstanding refund payments and unrealized gain/loss on securities lending portfolio)	$ 13,494,840,072
Net position as a percentage of future contract benefits and expenses obligation	114.2%

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 ending May 31, 2016, the industry retention for determining each insurer's retention was $6.898 billion per hurricane for the two hurricanes with the largest losses and $2.299 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). The FHCF has a fiscal year end of June 30 and its reimbursement contracts expire on May 31. As of June 30, 2016, the FHCF had net assets of $12.77 billion, including net assets 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 (OIR) and the Florida Surplus Lines Service Office 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, 2016, 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 not hit by any hurricanes during the 2015 season. As a result of the final settlement of all losses from prior years' hurricanes, the reported loss for the year ended June 30, 2016 is zero.

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 will 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 $500 million on July 1, 2016, $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. Specifically, the funds are to enable the FHCF to make reimbursement payments to participating insurers for reimbursable losses caused by any covered events occurring in the contract year ending May 31, 2016, or any subsequent contract year, and pay certain expenses incurred in connection with the issuance of the 2016A 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, 2016 through May 31, 2017; and $1.0 billion of losses in excess of $12.5 billion of losses, effective June 1, 2015 through May 31, 2016.

B. CITIZENS PROPERTY INSURANCE CORPORATION

Citizens Property Insurance Corporation (Citizens) was established on August 1, 2002, pursuant to Section 627.351(6), Florida Statutes (the Act), to provide certain residential and non-residential property insurance coverage to qualified risks in the State of Florida under circumstances specified in the Act. 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.

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 the Act, 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), Florida Statutes, 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 selected areas of the State of Florida, was created by an act of the Florida Legislature in 1970 pursuant to Section 627.351(2), Florida Statutes. 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. 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 accordingly 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 the deficit in the Coastal Account, Citizens would then levy a Regular Assessment on assessable insurers, as defined in Section 627.351(6), Florida Statutes. 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, Florida Statutes, 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), Florida Statutes, 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, Florida Statutes, to issue tax-exempt bonds should the funding need arise for the account specified in Section 631.55(2)(b), Florida Statutes. As of June 30, 2016, 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 Chapter 631.912, Florida Statutes, 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 1.5% (2.0% effective July 1, 2016) for 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, 2016, approximately $1.1 billion 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.

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. Florida Department of Revenue, et al., v. DirectTV, Inc., etc., et al. (SC15-1249); DirecTV, EchoStar Satellite LLC n/k/a Dish Network, LLC and Ogborn v. Department of Revenue (Consolidated Case No. 05-CA-1037); DirecTV, EchoStar Satellite LLC n/k/a Marcus and Patricia Ogborn v. Jim Zingale, acting in his official etc. et al., Case No. 1D13-5455 (Fla. 1st DCA); DIRECTV, Inc. n/k/a DIRECTV, LLC et al. v. State of Florida, Department of Revenue. et al., Case No. 1D13-5444 (Fla. 1st DCA)

Plaintiff satellite television company DirectTV 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 Appeals (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 Department appealed the DCA ruling to the Florida Supreme Court, which held oral arguments on April 6, 2016. The Court's decision is pending.

B. In re Citrus Canker Litigation, Case No. 00-18394 (17th Cir. Broward County); 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. 03-1947 (20th Cir. Lee County); In re Citrus Canker Litigation, Case No. 03-8255 (11th Cir. Miami-Dade County); Martinez v. Department of Agriculture, Case No. 02-001729; and Martinez v. Florida Department of Agriculture and Consumer Services, Case No. 03-30110 (11th Cir. Miami-Dade County)

In re Citrus Canker Litigation, Case No. 00-18394, concerns a class of Broward County homeowners who sued for compensation for their citrus trees that had been exposed to citrus canker and removed by the Florida Department of Agriculture and Consumer Services after January 1, 2000. Plaintiffs were awarded a judgment of $8,043,450, which accrues post-judgment interest as of October 6, 2008, along with a judgment for attorneys' fees and costs in the amount of $4,133,083, which accrues post-judgment interest as of March 22, 2012.

A part of the Broward County lawsuit related to Miami-Dade County residents was transferred to Federal Circuit Court (Case No. 03-8255) where a non-jury liability trial took place in May and June of 2016, but a decision is still pending. Post-judgment interest is running on all judgments.

In related cases, similar classes have been certified in Palm Beach, Lee, Orange, and Miami-Dade Counties. In Palm Beach County, the court awarded plaintiffs $23,653,376, including prejudgment interest, plus $2,422,830 in fees and costs. This judgment is on appeal to the Fourth DCA. In Lee County, the Court awarded $13,625,249, including prejudgment interest, plus $821,993 and $70,893 in fees and costs. This judgment was affirmed by the Second DCA. In Orange County, the Court awarded $31,534,721, including prejudgment interest. This judgment was affirmed by the Fifth DCA. Fees and costs have not been determined. A liability trial in Case No. 00-18394 (Miami-Dade County) took place in mid-2016 and a decision has not been rendered. A class was not certified in Case No. 02-001729 (Broward County) and the lawsuit is inactive. Post-judgment interest is running on all judgments

The claims in these cases cumulatively exceed $25,000,000.

C. United States of America v. State of Florida, Case No. 12-60460 (United States District Court for the Southern District of Florida)

The United States' Department of Justice (DOJ) alleges that the State of Florida's Agency for Health Care Administration, Department of Health, Department of Children and Families, Agency for Persons with Disabilities and the Department of Elder Affairs violated Title II of the Americans with Disabilities Act by unnecessarily institutionalizing Medicaid eligible medically complex persons under the age of 21 in nursing facilities. The district court dismissed the case for lack of standing.

D. Citizens for Strong Schools, et al., v. Florida State Board of Education, et al., Case No. 16-2862 (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, but the dismissal is currently on appeal at the First DCA. Potential damages to the State could exceed $25 million.

E. McLane Suneast, Inc. v. Florida Department of Business and Professional Regulation, Case No. 14-CA-372 (Ninth Judicial Circuit Court, 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," (Ch. 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 assessing 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 (DBPR) should be required to issue tax refunds in an unstated amount. Potential costs exceed $3.5 billion.

F. New Cingular Wireless PCS, LLC; Citrus Cellular Limited Partnership; Orlando SMSA Limited Partnership; AT&T Mobility Wireless Operations Holdings Inc.; and Florida RSA No. 2B (Indian River) LP, v. State of Florida Department of Revenue, Case No. 502015CA003700 (15th Judicial Circuit Court, Palm Beach County)

Plaintiff communication service providers filed refund claims for communications services tax that were remitted on charges for Internet access service. The Department denied each of these refund claims because Plaintiffs were not able to prove that the charges were solely for Internet access service. After two years of litigation, a settlement was reached and Plaintiffs agreed to accept $145 million in the form of tax credits that may be used over a period of 15 months.

G. Micjo v. Florida Department of Business and Professional Regulation, 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. Currently, there are numerous cases pending in various courts related to the interpretation of "wholesale sales price." A judicial determination in favor of the claimants and the potential of additional claims may result in refunds in excess of $50 million. See Note 18 C. for more information.

NOTE 17 – DEFICIT FUND BALANCE AND NET POSITION

A. Governmental Funds

The *State School Trust Fund* has a deficit unassigned fund balance of approximately $851.3 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 $20.6 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 $7.7 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.

The Internal Service Fund, *Other*, has a deficit net position of approximately $40.3 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, 2016:

Agency/Bond	Series	Amount	Matures	Interest Rate
Governmental Activities:				
Full Faith and Credit, Department of Transportation, Right-of-Way Acquisition and Bridge Construction Bonds	2016B	$ 92,520,000	07/01/2017-07/01/2046	2.500% - 5.000%
State Board of Education, Lottery Revenue Refunding Bonds	2016B	$ 211,180,000	07/01/2018-07/01/2027	5.000%
Full Faith and Credit, State Board of Education, Public Education Capital Outlay Refunding Bonds	2016 Series C	$ 147,640,000	06/01/2018-06/01/2037	2.500% - 5.000%
Full Faith and Credit, State Board of Education, Public Education Capital Outlay Refunding Bonds	2016 Series D	$ 218,885,000	06/01/2018-06/01/2037	2.625% - 5.000%
Full Faith and Credit, State Board of Education, Public Education Capital Outlay Bonds	2016 Series E	$ 206,025,000	06/01/2017-06/01/2046	2.375% - 5.000%
Department of Environmental Protection, Florida Forever Revenue Refunding Bonds	2016A	$ 159,765,000	07/01/2018-07/01/2028	2.000% - 5.000%
Board of Governors, University of South Florida, Parking Facility Revenue Refunding Bonds	2016A	$ 21,545,000	7/1/2026	2.200%
Board of Governors, Florida Atlantic University, Dormitory Revenue Refunding Bonds	2016A	$ 53,040,000	07/01/2017-07/01/2036	3.000% - 5.000%
Board of Governors, University of Florida, Dormitory Revenue Refunding Bonds	2016A	$ 19,390,000	07/01/2017-07/01/2030	3.000% - 5.000%
Board of Governors, Florida State University, Parking Facility Revenue Refunding Bonds	2017A	$ 7,857,000	07/01/2018-07/01/2026	2.1200%
Business-type Activities:				
Department of Transportation, Turnpike Revenue Refunding Bonds	2016 C	$ 142,595,000	07/01/2018-07/01/2037	4.000% - 5.000%

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 (STC) 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 plans to file an appeal with the Department Appeal's Board (DAB). 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 plans to file an appeal with the DAB. If AHCA is ultimately unsuccessful in its challenges, it may be required to return $63,233,036 to the Federal Government.

C. Other

On January 4, 2017, the Department of Business and Professional Regulation's motion for rehearing en banc, related to Micjo, Florida 2nd DCA, Case No. 78 So. 3d 124, was denied. The determination may result in refunding in excess of $50 million.

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OTHER REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULES
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(in thousands)

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Fund Balances, July 1, 2015	$ 4,506,212	$ 4,506,212	$ 4,506,212	$ .....
Reversions	99,611	99,611	99,611	.....
Fund Balances, July 1, 2015, restated	4,605,823	4,605,823	4,605,823	.....
REVENUES				
Fees and charges	1,263,288	1,245,688	1,186,436	(59,252)
Licenses	582,656	651,856	423,526	(228,330)
Taxes	31,582,851	31,751,651	32,415,647	663,996
Miscellaneous	2,992	2,992	3,369	377
Interest	153,547	106,047	134,512	28,465
Grants	21,720	21,720	17,182	(4,538)
Refunds	9,681	9,681	323,753	314,072
Transfers and distributions	2,737,536	2,728,036	2,728,956	920
Other	347,141	349,841	396,707	46,866
Total Revenues	36,701,412	36,867,512	37,630,088	762,576
Total Available Resources	41,307,235	41,473,335	42,235,911	762,576
EXPENDITURES				
Operating expenditures:				
Salaries and benefits	3,587,737	3,740,056	3,692,918	47,138
Other personal services	53,727	65,199	60,906	4,293
Expenses	354,250	394,122	382,968	11,154
Grants and aids	14,154,749	14,168,958	14,168,079	879
Operating capital outlay	16,354	22,889	21,052	1,837
Food products	69,254	66,969	66,817	152
Fixed capital outlay	68,350	68,350	68,350	.....
Lump sum	343,901	14,492	14,492	.....
Special categories	10,134,881	10,643,298	10,546,105	97,193
Financial assistance payments	241,468	241,468	241,386	82
Continuing Appropriations	.....	241,240	241,240	.....
Grants/aids to local governments	120,154	120,154	120,154	.....
Data processing services	43,803	47,864	47,300	564
Pensions and benefits	18,410	18,410	15,600	2,810
Total Operating Expenditures	29,207,038	29,853,469	29,687,367	166,102
Nonoperating expenditures:				
Transfers	5,565,132	5,565,132	5,565,132	.....
Qualified expenditures	306,523	.....	.....	.....
Refunds	25,042	449,303	449,303	.....
Other	2,241,725	2,241,725	2,241,725	.....
Total Nonoperating Expenditures	8,138,422	8,256,160	8,256,160	.....
Total Expenditures	37,345,460	38,109,629	37,943,527	166,102
Fund Balances, June 30, 2016	$ 3,961,775	$ 3,363,706	$ 4,292,384	$ 928,678

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, 2016
(in thousands)

	Environment, Recreation and Conservation			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Fund Balances, July 1, 2015	$ 1,679,063	$ 1,679,063	$ 1,679,063	$ .....
Reversions	1,634	1,634	1,634	.....
Fund Balances, July 1, 2015, restated	1,680,697	1,680,697	1,680,697	.....
REVENUES				
Fees and charges	118,879	166,076	167,117	1,041
Licenses	35,114	53,195	50,874	(2,321)
Taxes	1,588	295,388	294,746	(642)
Miscellaneous	190	1,410	1,411	1
Interest	19,061	50,843	20,295	(30,548)
Grants	228,362	177,852	198,085	20,233
Refunds	2,450	1,642	4,390	2,748
Bond proceeds	158	49,869	49,869	.....
Transfers and distributions	1,434,786	1,355,838	1,443,486	87,648
Other	177,147	21,978	155,177	133,199
Total Revenues	2,017,735	2,174,091	2,385,450	211,359
Total Available Resources	3,698,432	3,854,788	4,066,147	211,359
EXPENDITURES				
Operating expenditures:				
Salaries and benefits	329,204	329,285	313,468	15,817
Other personal services	24,777	26,232	21,956	4,276
Expenses	60,639	60,540	55,508	5,032
Grants and aids	13,310	14,860	14,544	316
Operating capital outlay	2,106	2,350	1,971	379
Fixed capital outlay	356,489	356,489	356,489	.....
Lump sum	500	.....	.....	.....
Special categories	312,320	321,487	286,446	35,041
Grants/aids to local governments	310,275	310,275	310,275	.....
Data processing services	638	1,109	934	175
Total Operating Expenditures	1,410,258	1,422,627	1,361,591	61,036
Nonoperating expenditures:				
Transfers	411,207	411,207	411,207	.....
Refunds	38,698	22,444	22,444	.....
Other	339,898	339,898	339,898	.....
Total Nonoperating Expenditures	789,803	773,549	773,549	.....
Total Expenditures	2,200,061	2,196,176	2,135,140	61,036
Fund Balances, June 30, 2016	$ 1,498,371	$ 1,658,612	$ 1,931,007	$ 272,395

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, 2016
(in thousands)

	Public Education			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Fund Balances, July 1, 2015	$ 805,712	$ 805,712	$ 805,712	$ .....
Reversions	41,287	41,287	41,287	.....
Fund Balances, July 1, 2015, restated	846,999	846,999	846,999	.....
REVENUES				
Fees and charges	1,952,769	58,199	59,030	831
Licenses	1,106	922	903	(19)
Taxes	795,087	622,923	628,046	5,123
Miscellaneous	27,130	113	113	.....
Interest	25,040	34,689	32,070	(2,619)
Grants	2,128,548	2,133,534	2,133,407	(127)
Refunds	2,192	3,383	3,015	(368)
Transfers and distributions	3,050,734	3,108,064	3,108,064	.....
Other	19,384	185,581	195,213	9,632
Total Revenues	8,001,990	6,147,408	6,159,861	12,453
Total Available Resources	8,848,989	6,994,407	7,006,860	12,453
EXPENDITURES				
Operating expenditures:				
Salaries and benefits	38,860	39,191	34,000	5,191
Other personal services	1,087	1,087	265	822
Expenses	8,567	8,461	5,064	3,397
Grants and aids	4,725,288	2,822,955	2,800,611	22,344
Operating capital outlay	951	701	48	653
Fixed capital outlay	1,822,695	1,822,695	1,822,695	.....
Special categories	908,231	952,517	952,517	.....
Financial assistance payments	63,491	63,491	63,345	146
Payments to U.S. Treasury	970	904	904	.....
Data processing services	9,714	9,769	9,352	417
Total Operating Expenditures	7,579,854	5,721,771	5,688,801	32,970
Nonoperating expenditures:				
Transfers	587,136	326,339	326,339	.....
Refunds	9,616	281	281	.....
Other	172,130	3,897	3,897	.....
Total Nonoperating Expenditures	768,882	330,517	330,517	.....
Total Expenditures	8,348,736	6,052,288	6,019,318	32,970
Fund Balances, June 30, 2016	$ 500,253	$ 942,119	$ 987,542	$ 45,423

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, 2016
(in thousands)

	Health and Family Services			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Fund Balances, July 1, 2015	$ 1,180,405	$ 1,180,405	$ 1,180,405	$ .....
Reversions	372,365	372,365	372,365	.....
Fund Balances, July 1, 2015, restated	1,552,770	1,552,770	1,552,770	.....
REVENUES				
Fees and charges	1,417,989	1,350,805	872,306	(478,499)
Licenses	24,742	24,439	23,870	(569)
Taxes	529,854	529,854	963,381	433,527
Interest	4,627	4,837	3,684	(1,153)
Grants	17,174,078	17,110,708	17,654,277	543,569
Refunds	1,655,044	1,613,994	2,051,637	437,643
Transfers and distributions	2,174,039	1,991,327	2,180,152	188,825
Other	36,076	37,542	42,523	4,981
Total Revenues	23,016,449	22,663,506	23,791,830	1,128,324
Total Available Resources	24,569,219	24,216,276	25,344,600	1,128,324
EXPENDITURES				
Operating expenditures:				
Salaries and benefits	1,283,659	1,281,558	1,190,636	90,922
Other personal services	108,673	109,764	88,403	21,361
Expenses	287,238	286,700	235,935	50,765
Grants and aids	47,092	47,092	33,865	13,227
Operating capital outlay	17,245	17,514	12,382	5,132
Food products	1,299	1,299	1,069	230
Fixed capital outlay	5,808	5,808	5,808	.....
Lump sum	34,334	.....	.....	.....
Special categories	20,826,717	20,884,428	20,542,968	341,460
Financial assistance payments	61,938	74,209	66,047	8,162
Grants/aids to local governments	1,110	1,110	1,110	.....
Data processing services	18,058	21,653	18,989	2,664
Claim bills and relief acts	2,650	2,650	2,650	.....
Total Operating Expenditures	22,695,821	22,733,785	22,199,862	533,923
Nonoperating expenditures:				
Continuing Appropriations	.....	25,289	25,289	.....
Transfers	839,335	1,211,773	1,211,773	.....
Qualified expenditures	471,471	.....	.....	.....
Refunds	10,725	5,421	5,421	.....
Other	11,608	36,956	36,956	.....
Total Nonoperating Expenditures	1,333,139	1,279,439	1,279,439	.....
Total Expenditures	24,028,960	24,013,224	23,479,301	533,923
Fund Balances, June 30, 2016	$ 540,259	$ 203,052	$ 1,865,299	$ 1,662,247

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, 2016
(in thousands)

	Transportation			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Fund Balances, July 1, 2015	$ 330,844	$ 330,844	$ 330,844	$ .....
Reversions	8,623	8,623	8,623	.....
Fund Balances, July 1, 2015, restated	339,467	339,467	339,467	.....
REVENUES				
Fees and charges	176,868	178,514	176,868	(1,646)
Taxes	2,715,775	2,739,316	2,715,775	(23,541)
Miscellaneous	358,998	.....	.....	.....
Interest	2,250	2,250	2,229	(21)
Refunds	15,422	1	15,423	15,422
Transfers and distributions	294,738	294,737	313,500	18,763
Other	21,910	17,896	18,900	1,004
Total Revenues	3,585,961	3,232,714	3,242,695	9,981
Total Available Resources	3,925,428	3,572,181	3,582,162	9,981
EXPENDITURES				
Operating expenditures:				
Salaries and benefits	457,225	3,777	3,446	331
Other personal services	.....	18	1	17
Expenses	52,083	724	688	36
Operating capital outlay	.....	5	5	.....
Fixed capital outlay	285,866	285,866	285,866	.....
Special categories	.....	51,518	51,451	67
Total Operating Expenditures	795,174	341,908	341,457	451
Nonoperating expenditures:				
Transfers	18,251	18,251	18,251	.....
Refunds	76,674	76,674	76,674	.....
Other	2,824,659	2,824,659	2,824,659	.....
Total Nonoperating Expenditures	2,919,584	2,919,584	2,919,584	.....
Total Expenditures	3,714,758	3,261,492	3,261,041	451
Fund Balances, June 30, 2016	$ 210,670	$ 310,689	$ 321,121	$ 10,432

The notes to required supplementary information are an integral part of this schedule.

BUDGET TO GAAP RECONCILIATION
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(in thousands)

	General Fund	Environment, Recreation and Conservation	Public Education	Health and Family Services	Transportation
Budgetary basis fund balances	$ 4,292,384	$ 1,931,007	$ 987,542	$ 1,865,299	$ 321,121
Items not included in budgetary basis fund balances:					
Security lending investments within the State Treasury	718,086	78,313	54,013	6,978	88,532
Fair value adjustments to investments within the State Treasury	136,278	21,456	14,798	1,912	24,256
Special investments within the State Treasury	22,012	.....	.....	27,287	.....
Non-State Treasury cash and investments	850,678	2,881	342	45,055	1,041,854
Other GAAP basis fund balances not included in budgetary basis fund balances	.....	.....	.....	.....	585,737
Adjusted budgetary basis fund balances	6,019,438	2,033,657	1,056,695	1,946,531	2,061,500
Adjustments (basis differences):					
Net receivables/(payables) not carried forward	718,790	1,246,667	127,092	294,688	534,792
Net deferred outflows/(inflows) of resources	(198,751)	(833)	.....	(693,703)	(701,967)
Inventories, prepaid items and deferred charges	20,519	434	.....	40,811	7,172
Encumbrances	268,335	23,461	74,729	88,064	41,335
GAAP basis fund balances	$ 6,828,331	$ 3,303,386	$ 1,258,516	$ 1,676,391	$ 1,942,832

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
Proportion of the net pension liability	17.802202632%	17.961696240%
Proportionate share of the net pension liability	$ 1,086,196	$ 2,319,994
Covered-employee payroll	$ 4,538,946	$ 4,591,628
Proportionate share of the net pension liability as percentage of covered payroll	23.93%	50.53%
Plan fiduciary net position as a percentage of the total pension liability	96.09%	92.00%

Notes to Schedule:

Changes in actuarial assumptions: There were no 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 remained at 7.65%.

* 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
Statutorily required contributions	$ 437,921	$ 442,631
Contributions recognized by the plan	437,921	442,631
Contribution deficiency (excess)	.....	.....
Covered-employee payroll	$ 4,591,628	$ 4,596,099
Contributions recognized by the plan as a percentage of covered-employee payroll	9.54%	9.63%

* 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
Proportion of the net pension liability	15.286183318%	15.144426318%
Proportionate share of the net pension liability	$ 1,429,295	$ 1,544,493
Covered-employee payroll	$ 4,534,435	$ 4,588,003
Proportionate share of the net pension liability as percentage of covered payroll	31.52%	33.66%
Plan fiduciary net position as a percentage of the total pension liability	0.99%	0.50%

Notes to Schedule:

Changes in actuarial assumptions: The municipal rate used to determine total pension liability was decreased from 4.29% to 3.80%.

* 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
Statutorily required contributions	$ 57,891	$ 76,261
Contributions recognized by the plan	57,891	76,261
Contribution deficiency (excess)	.....	.....
Covered-employee payroll	$ 4,588,003	$ 4,593,175
Contributions recognized by the plan as a percentage of covered-employee payroll	1.26%	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
Total Pension Liability			
Service cost	$ 5,979	$ 7,161	$ 9,044
Interest on total pension liability	18,852	19,164	19,259
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
Benefit payments	(14,366)	(14,423)	(14,413)
Net changes in total pension liability	38,391	58,232	159,632
Total pension liability, beginning	408,292	446,683	504,915
Total pension liability ending	446,683	504,915	664,547
Fiduciary Net Position			
Employer contributions	$ 14,366	$ 14,495	$ 14,423
Member contributions	.....	.....	.....
Investment income net of investment expenses	.....	.....	.....
Benefit payments	(14,366)	(14,423)	(14,413)
Administrative expenses	.....	(72)	(10)
Net change in fiduciary position	.....	.....	.....
Fiduciary net position-beginning	.....	.....	.....
Fiduciary net position-ending	.....	.....	.....
Net pension liability-ending	$ 446,683	$ 504,915	$ 664,547
Fiduciary net position as a % of the total pension liability	0.00%	0.00%	0.00%
Covered payroll	$ 466,939	$ 476,278	$ 477,549
Net pension liability as a % of covered-payroll	95.66%	106.01%	139.16%

Notes to Schedule:

Changes of assumptions or input: The municipal bond rate used to determine total pension liability 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
FLORIDA NATIONAL GUARD SUPPELEMENTAL RETIREMENT BENEFIT PLAN
LAST 10 FISCAL YEARS*
(in thousands)

	2014	2015	2016
Statutorily required State contribution	$ 14,366	$ 14,495	$ 14,423
Contributions recognized by the plan	14,366	14,495	14,423
Contribution deficiency (excess)	.....	.....	.....
Covered payroll	$ 466,939	$ 476,278	$ 477,549
Contributions as a percentage of covered-employee payroll	3.08%	3.04%	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%

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%

* 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 12,110 centerline miles of roads and 6,855 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 1 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

2016	2015	2014
92%	92%	93%

Percentage of bridges meeting FDOT standards

2016	2015	2014
96%	95%	95%

Maintenance Rating

2016	2015	2014
86	86	86

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

Resurfacing Program

	2016	2015	2014	2013	2012
Needed	$619.5	$571.6	$467.6	$514.4	$628.4
Actual	610.1	570.6	455.6	521.8	521.4

Bridge Repair/Replacement Program

	2016	2015	2014	2013	2012
Needed	$191.4	$110.4	$239.4	$332.8	$319.0
Actual	199.3	111.6	182.6	323.5	340.5

Routine Maintenance Program

	2016	2015	2014	2013	2012
Needed	$627.4	$599.9	$592.2	$574.4	$609.4
Actual	723.3	694.6	641.2	636.4	627.3

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.

A RESOLUTION AUTHORIZING THE ISSUANCE OF STATE OF FLORIDA, FULL FAITH AND CREDIT, STATE BOARD OF EDUCATION, PUBLIC EDUCATION CAPITAL OUTLAY BONDS, FOR THE PURPOSE OF FINANCING AND REFINANCING THE COST OF CAPITAL OUTLAY PROJECTS FOR THE STATE SYSTEM OF PUBLIC EDUCATION IN FLORIDA, PURSUANT TO SUBSECTION (a)(2) OF SECTION 9 OF ARTICLE XII 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 Master Resolution is adopted pursuant to the provisions of Article XII, Subsection 9(a)(2), of the Constitution of the State of Florida, as amended, Sections 215.57-215.83, Florida Statutes, and other applicable provisions of law.

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

"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 Supplemental Authorizing 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 Master Resolution for any purpose whatsoever, the principal amount of a Capital Appreciation Bond shall be deemed to be its Accreted Value.

"Act" shall mean the laws referred to in Section 1.01 hereto.

"Additional Bonds" shall mean any obligations hereafter issued pursuant to the terms and conditions of this Master Resolution and payable from the Gross Receipts Taxes on a parity with the Bonds originally issued hereunder.

"Administrative Expenses" shall mean, with respect to the Bonds or the administration of any funds under this Master Resolution, to the extent applicable: (i) fees and/or charges or both, of the State Board of Administration and the Division of Bond Finance; and (ii) such other fees and/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" 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.

"Board of Regents" shall mean the Board of Regents of the Division of Universities of the Department of Education, a public corporation of the State of Florida.

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

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

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

"Bonds" shall mean the Public Education Capital Outlay Bonds issued pursuant to this Master Resolution.

"Capital Appreciation Bonds" shall mean the Bonds issued under this Master 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.

"Capital Outlay Projects" or "Projects" shall mean the Capital Outlay Project or Projects for the State System to be financed in whole or in part by the Bonds issued pursuant to this Master Resolution, as set forth in each Supplemental Authorizing Resolution.

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

"Community College Districts" or "Junior College Districts" shall mean the Community College Districts or Junior College Districts, created by law, which are to receive a portion of the proceeds of the Bonds.

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

"Debt Service Requirements" shall mean the amounts of principal (including Amortization Installments) and interest maturing and becoming due on the Bonds.

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

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

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

"Gross Receipts Taxes" shall mean all the taxes collected from every person, including municipalities, receiving payments for electricity for light, heat or power, for natural or manufactured gas for light, heat or power, for telecommunication services and for sending of telegrams and telegraph messages, as provided and levied in Chapter 203, Florida Statutes as in existence as of the date of the adoption of this Master Resolution or as such Chapter is amended from time to time.

"Interest Payment Dates" shall mean for each Series of Bonds, such 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, shall mean the authorization, sale and delivery of the Bonds authorized to be issued by this Master 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.

"Master Resolution" shall mean this resolution.

"Original 1985 Resolution" shall mean the resolution adopted on December 18, 1984, by the State Board of Education of Florida, entitled: "A Resolution authorizing the issuance of not exceeding $100,000,000 State of Florida, Full Faith and Credit, State Board of Education, Public Education Capital Outlay Bonds, Series 1985, for the purpose of financing the cost of capital outlay projects for the State System of Public Education in Florida, pursuant to Subsection (a)(2) of Section 9 of Article XII of the Constitution of Florida, as amended".

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

(i) Bonds theretofore 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 Registered Owners 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" shall mean for each Series of Bonds, such dates of each Fiscal Year on which the principal (including Amortization Installments) of Outstanding Bonds of each Series is payable.

"Prior Lien Obligations" shall mean the outstanding (i) State of Florida, Full Faith and Credit, State Board of Education, Public Education Bonds, Series A and Series B, issued pursuant to Section 9(a) of Article XII of the Florida Constitution of 1968, as amended, and (ii) State of Florida, Full Faith and Credit, State Board of Education, Public Education Capital Outlay Bonds, Series 1985, Series 1985-A, Series 1986-B, Series 1986-C, Series 1987-A, Series 1989-A, Series 1989-B, Series 1990, Series 1991-A, Series 1991-B, Series 1991-C and Series 1992-A.

"Public Education Bond Amendment" shall mean Subsection (a)(2) of Section 9 of Article XII of the Constitution of the State of Florida, as amended effective July 1, 1975, as further amended effective January 8, 1985, and as such Subsection is amended from time to time.

"Public Education Fund" shall mean the Public Education Capital Outlay and Debt Service Trust Fund created and established pursuant to the Public Education Bond Amendment.

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

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

"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 non-purpose investments were invested at a rate equal to the yield on that series of Bonds, 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 hereof.

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

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

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

"School Districts" shall mean the several School Districts of the State of Florida, created by law, which are to receive a portion of the proceeds of the Bonds.

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

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

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

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

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

"State" shall mean the State of Florida.

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

"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.

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

"State System" shall mean the State System of Public Education provided for by Section 1 of Article IX of the Florida Constitution of 1968, including but not limited to institutions of higher learning, community or junior colleges, vocational-technical schools, and public schools, as now defined or as may hereafter be defined by law.

"Supplemental Authorizing Resolution" means, as to any Series of Bonds, the resolution or resolutions of the State Board authorizing and providing for the sale and issuance of such Series of Bonds 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" 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 for the institutions included in the State System 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 Master 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 Master 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 the Registered Owners thereof, this Master Resolution shall be deemed to be and shall constitute a contract between the State Board and such Registered Owners. The covenants and agreements to be performed by the State Board shall be for the equal benefit, protection, and security of the Registered Owners 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 of Bonds shall be deemed to be and shall constitute a contract between the State Board and the Registered Owners 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 Master Resolution, the Public Education Bond Amendment, 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, Public Education Capital Outlay Bonds. The aggregate principal amount of the Bonds which may be executed, authenticated and delivered under this Master Resolution is not limited except as may hereafter be provided in this Master 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. SUPPLEMENTAL AUTHORIZING 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. Such Supplemental Authorizing Resolution may specify 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 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 provided for in 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 provided for 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 delivery thereof; shall bear interest from their date at a rate not exceeding the legal rate per annum, with interest payments to be mailed to the Registered Owner thereof by the Bond Registrar/Paying Agent at the address shown on the registration books for the Bonds held by the Bond Registrar/Paying Agent as of the Record Date, except for Capital Appreciation Bonds which shall bear interest as described under the defined term Accreted value, payable only upon redemption, or maturity thereof; 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 Registered Owner of Bonds to be redeemed, a notice of the redemption prior to maturity of any of the Bonds shall be mailed by first class mail (postage prepaid) at least thirty days prior to the date fixed for redemption, to the Registered Owner 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 Registered Owner, or any defect therein, shall not affect the validity of the proceedings for the redemption of any Bond or portion thereof with respect to which no such failure has occurred. Any notice mailed as provided above shall be conclusively presumed to have been given, whether or not the Registered Owner of such Bond receives such notice.

The Bond Registrar/Paying Agent shall not be required (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 State Board, or the Bond Registrar/Paying Agent, in trust for the Registered Owners of the Bonds or portions thereof to be redeemed, all as provided in this Master 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 Master 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 Registered Owners 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.

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 Governing Board of the State Board, and attested by the Secretary or an Assistant Secretary, or such other officers as may be designated by 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 Master 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 - Investment Securities Law of the State of Florida, as provided in the Act.

SECTION 3.06. REGISTRATION. 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 Registered Owner or his attorney duly authorized in writing, the Bond Registrar/Paying Agent shall deliver in the name of the transferee or transferees, a fully registered Bond or Bonds of authorized denomination of the same maturity for the aggregate principal amount which the Registered Owner is entitled to receive.

All Bonds presented for transfer, exchange, redemption or payment (if so required by the 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 Registered Owner or by his duly authorized attorney.

Neither the State Board, the State Board of Administration, nor the Bond Registrar/Paying Agent may charge the Registered Owner 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 Registered Owner 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 Registered Owner whose name appears on the books of the Bond Registrar/Paying Agent as of 5:00 p.m. (local time, New York, New York) on the Record Date, 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. 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 Registered Owner 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 Registered Owner of such Bond at the close of business on the fifteenth (15th) day preceding said mailing to such Person's address as it appears on the Register on that fifteenth (15th) day preceding the mailing of such notice and, thereafter, the interest shall be payable to the Person who was the Registered Owner of such Bond as of the close of business on the Special Record Date.

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 Master 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 Registered Owner of any Bond as the absolute owner thereof for all purposes, whether or not such Bond shall be overdue, and shall not be bound by any notice to the contrary. 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 registered public obligations for a Series, it shall permit thereunder the conversion, at the option of a Registered Owner of any Bonds of such Series issued prior to the adoption of such system, of a certificated registered public obligation to an uncertificated registered public obligation, and the reconversion of the same.

SECTION 3.07. AUTHENTICATION. No Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit under this Master 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 Master 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 counterparts a copy of a certificate of destruction evidencing such destruction shall be furnished to the Division of Bond Finance or the State Board.

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 Registered Owner 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 Master Resolution, from the Gross Receipts Taxes, 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 Master 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 Gross Receipts 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 Public Education Bond Amendment and this Master Resolution. Any Series may be further secured as provided in the Supplemental Authorizing Resolution therefor. No Registered Owner 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, or any other political subdivision or agency of said State, except from the Gross Receipts Taxes pledged for the payment thereof by the Public Education Bond Amendment and this Master Resolution, moneys received pursuant to the pledge of the Full Faith and Credit of the State in the manner provided by this Master Resolution and any additional security provided for a Series by such Supplemental Authorizing Resolution.

SECTION 4.02. BONDS SECURED BY PLEDGE OF GROSS RECEIPTS 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 Master Resolution, shall be secured equally and ratably by a lien on the Gross Receipts Taxes deposited in the Public Education Fund pursuant to the Public Education Bond Amendment, subject only to the prior lien of the Prior Lien Obligations. All such Gross Receipts Taxes received pursuant to the Public Education Bond Amendment are hereby irrevocably pledged to the payment of the principal (including Amortization Installments, if any) of and interest on the Bonds herein authorized as the same become due, and for all the purposes provided in Section 4.03 of this Master Resolution.

The lien of the Registered Owners of the Bonds issued hereunder on the Gross Receipts Taxes deposited in the Public Education Fund is and shall be junior, inferior and subordinate to the prior lien thereon of the Registered Owners 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 Gross Receipts Taxes then on deposit in the Sinking Fund, hereinafter described, 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 and Interest Payment 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 Public Education Bond Amendment and other applicable provisions of the law.

SECTION 4.03. PUBLIC EDUCATION FUND. Each year, after providing for the current requirements of the Prior Lien Obligations and any prior deficiencies, all of the Gross Receipts Taxes shall, as collected, continue to be deposited in the Public Education Fund in the State Treasury of Florida. The moneys in the Public Education Fund shall be held in trust, and shall be used and applied only in the following manner and order of priority:

(a) It shall be the duty of the State Board in each Fiscal Year on or prior to the tenth day preceding each Principal or Interest Payment Date to withdraw from the Public Education Fund and transmit to the State Board of Administration, in the following manner, for deposit in the Public Education Capital Outlay Bonds 1992 Principal and Interest Sinking Fund (hereinafter called "Sinking Fund"), which is hereby created, such sums as will be sufficient for the payment of principal (including Amortization Installments, if any) and interest, and handling charges thereon, becoming due and payable on such Principal or Interest Payment Date.

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 Section 4.03(a) shall apply to such Additional Bonds equally with the Bonds theretofore issued. All payments provided under this Section 4.03(a) for the Bonds authorized by this Master Resolution and such Additional Bonds, hereafter issued, shall constitute a lien on all moneys in the Public Education Fund in the manner provided herein.

(b) Thereafter, in each Fiscal Year, but only after all payments required for such Fiscal Year by Section 4.03(a) hereof, including any deficiencies for prior payments, have been fully provided for, the remaining moneys on deposit in the Public Education Fund may be used by the State Board, as provided in the Public Education Bond Amendment:

(1) Fist, 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, including funds and accounts from which encumbrances provided for pursuant to 235.42(1), Florida Statutes, are to be paid,

(2) Second, for payments to the State in amounts sufficient to reimburse the State for any moneys paid pursuant to Section 4.02(b); and, to the extent not required for such purpose,

(3) Third, for direct payment of the cost or any part of the cost of any Capital Outlay Project theretofore authorized by the Legislature; or, at the option of the State Board,

(4) Fourth, for purchase of any Bonds issued under the Public Education Bond Amendment or any Prior Lien Obligations then outstanding at the best prices obtainable, but in no event to exceed the price at which the Bonds or Prior Lien Obligations may be redeemable on their next ensuing redemption date, or for the redemption prior to maturity of such outstanding Bonds or Prior Lien Obligations.

SECTION 4.04. INVESTMENT OF SINKING FUND MONEYS. All moneys maintained at any time in the Sinking Fund under the provisions of Section 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 Section 4.03(a) 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 Section 4.03(a) 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. INVESTMENT OF PUBLIC EDUCATION FUND MONEYS. All moneys maintained at any time in the Public Education Fund may be invested and reinvested by the State Board or by the State Board of Administration in direct obligations of the United States of America or in the other securities authorized in Section 18.20, Florida Statutes; provided, however, that the investment of moneys needed to meet the requirements of Section 4.03(a) shall mature prior to the next ensuing date for which such moneys are needed for transmittal to the State Board of Administration for deposit in the Sinking Fund.

SECTION 4.06. TRUST FUNDS. The Public Education Fund, 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 Registered Owners of the Bonds shall have a lien on such moneys until used or applied as provided in Section 4.03. The Public Education Fund and the Sinking Fund shall be maintained in a bank or banks or trust companies which are members of the Federal Reserve System, and 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 4.07. ENFORCEABILITY BY REGISTERED OWNERS. The State Board hereby irrevocably agrees that the pledge of the Gross Receipts Taxes as provided herein shall be deemed to have been made for the benefit of, and shall be a contract with, the Registered Owners of the Bonds and that such pledge and all the provisions of this Master Resolution and the applicable Supplemental Authorizing Resolution shall be enforceable in any court of competent jurisdiction by any Registered Owner or Registered Owners 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 Gross Receipts Taxes. The State Board does hereby consent to the bringing of any proceedings in any court of competent jurisdiction by any Registered Owner or Registered Owners of Bonds for the enforcement of all provisions of this Master 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 State Board may now or hereafter have as an agency of the State of Florida. However, no covenant or agreement contained in this Master 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 4.08. 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 Master 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 Bonds originally issued pursuant to this Master Resolution, but only upon the terms, restrictions and conditions contained in the Public Education Bond Amendment and this Article V.

(b) No such Additional Bonds shall be created or issued at any time unless the State Board determines that the Debt Service Requirements in each Fiscal Year thereafter on:

(1) the Prior Lien Obligations then Outstanding,

(2) the Bonds then outstanding, and

(3) the Additional Bonds then proposed to be issued,

shall not exceed ninety percent (90%) of the amount of Gross Receipts Taxes to be available in each Fiscal Year thereafter.

(c) Additional Bonds shall be deemed to have been issued pursuant to this Master Resolution to the same extent as the Bonds originally authorized and issued pursuant to this Master Resolution, and all of the covenants and other provisions of this Master Resolution (except as to details of such Additional Bonds inconsistent therewith) shall be for the equal benefit, protection and security of the Registered Owners of all Bonds issued pursuant to this Master Resolution and the Registered Owners 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 the Gross Receipts Taxes and their source and security for payment therefrom 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 Subsection 4.03(a) and 4.03(b)(1) 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 Master 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) 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.

(2) 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 Gross Receipts Taxes, to Outstanding Bonds which are not so refunded and any Additional Bonds thereafter issued.

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 obligations provided for in Section 5.02 hereof, payable from the Gross Receipts 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 Registered Owners of the Bonds upon the Gross Receipts Taxes pledged as security for such Bonds in this Master Resolution. Any such other obligations hereafter issued by the State Board, in addition to the Bonds authorized by this Master 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 Gross Receipts 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, Public 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.

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 Master Resolution, or any Supplemental Authorizing Resolution or any resolution amendatory thereof or supplemental thereto, may be made without the consent in writing of (i) the Registered Owners of more than fifty percent in principal amount of the Bonds then Outstanding or (ii) in case less than all Series of Bonds then Outstanding are affected by the modification or amendment, the Registered Owners 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 Registered Owners of Bonds required above for such modification or amendments, without the consent of the Registered Owners of all the Bonds then Outstanding.

(b) This Master Resolution, or any Supplemental Authorizing Resolution or any resolution amendatory thereof or supplemental thereto, may be amended, changed, modified and altered without the consent of the Registered Owners 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 Registered Owners, (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 this Master 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 state 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 Master Resolution, or (viii) to make any amendment, change, modification or alteration that does not materially adversely affect the interests of the Registered Owners.

SECTION 6.02. SEVERABILITY OF INVALID PROVISIONS. If any one or more of the covenants or provisions of this Master Resolution 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 this Master Resolution, and shall in no way affect the validity of the remaining covenants or provisions of this Master Resolution or of the Bonds.

SECTION 6.03. DEFEASANCE OF BONDS. The covenants, liens and pledges entered into, created or imposed pursuant to this Master 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 Master Resolution and all liability of the State Board with respect to said Bonds shall cease, terminate and be completely discharged and extinguished, and the Registered Owners thereof shall be entitled for payment solely out of the moneys or securities so deposited 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 of Bonds, any portion of any Series of Bonds, any maturity or maturities of any Series of Bonds, any portion of a maturity of any Series of Bonds or any combination thereof.

(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 State Board 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 Master 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 Master 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, non-presentment of Bonds, the holding of moneys in trust, the calculation of Rebate Amount and the payment of the Rebate Amount to the United States, shall remain in effect and be binding upon the State Board, the Division of Bond Finance, each Trustee, each Registrar, Paying Agent and the Registered Owners notwithstanding the release and discharge of the lien and pledge of this Master 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 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 Registered Owners 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 Public Education 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 of Bonds, 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 Master 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 State Board, an amount equal to the Rebate Amount. 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. Funds on deposit in any Rebate Account in excess of the applicable Rebate Amount may be withdrawn and paid over to the State Board for deposit into the Public Education 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 of Bonds 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 Registered Owners, but only to secure payment of the Rebate Amount, and the moneys in the Rebate Fund shall be available for use only as herein provided.

The Division 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 any entity as provided by law, administrative rule, or resolution of the Division of Bond Finance.

SECTION 6.06. REPEAL OF INCONSISTENT RESOLUTIONS. All resolutions and parts of resolutions heretofore adopted pertaining to the subject matter of this Master Resolution, to the extent that they are inconsistent with this Master Resolution, be and the same are hereby repealed, revoked and rescinded.

SECTION 6.07. EFFECTIVE DATE. This Master Resolution shall take effect immediately upon its adoption.

ADOPTED on July 21, 1992.

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APPENDIX D

STATE OF FLORIDA

FULL FAITH AND CREDIT
STATE BOARD OF EDUCATION
PUBLIC EDUCATION CAPITAL OUTLAY BONDS

FIFTIETH SUPPLEMENTAL AUTHORIZING RESOLUTION

PROVIDING FOR THE

ISSUANCE OF

PUBLIC EDUCATION CAPITAL OUTLAY REFUNDING BONDS

2011 SERIES (TO BE DETERMINED)

JANUARY 18, 2011

A RESOLUTION SUPPLEMENTING AND AMENDING A RESOLUTION ENTITLED "A RESOLUTION AUTHORIZING THE ISSUANCE OF STATE OF FLORIDA, FULL FAITH AND CREDIT, STATE BOARD OF EDUCATION PUBLIC EDUCATION CAPITAL OUTLAY BONDS, FOR THE PURPOSE OF FINANCING AND REFINANCING THE COST OF CAPITAL OUTLAY PROJECTS FOR THE STATE SYSTEM OF PUBLIC EDUCATION IN FLORIDA, PURSUANT TO SUBSECTION (A)(2) OF SECTION 9 OF ARTICLE XII 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 NOT EXCEEDING $700,000,000 PUBLIC EDUCATION CAPITAL OUTLAY REFUNDING BONDS, 2011 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 PUBLIC EDUCATION CAPITAL OUTLAY BONDS AND REFUNDING BONDS, 2001 SERIES A, 2001 SERIES B, AND 2001 SERIES E; AND PROVIDING AN EFFECTIVE DATE.

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 Fiftieth Supplemental Authorizing 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 Fiftieth 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 Fiftieth Supplemental Authorizing Resolution:

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

"Federal Obligations" shall mean direct obligations of the United States of America, Resolution Funding Corporation ("REFCORP") interest strips, or direct non-prepayable obligations the principal and interest on which are unconditionally guaranteed as to full and timely payment by the United States of America, none of which permit redemption prior to maturity at the option of the obligor. Federal Obligations shall not mean unit investment trusts and mutual funds.

"Fiftieth Supplemental Authorizing Resolution" shall mean this Fiftieth Supplemental Authorizing Resolution.

"Master Resolution" shall mean the Master Resolution adopted by the State Board on July 21, 1992, authorizing the issuance of Public Education Capital Outlay Bonds.

"Parity Bonds" shall mean all Bonds which are currently Outstanding and any other Bonds which may be issued under the Master Resolution prior to the issuance of the Refunding Bonds.

"Refunded Bonds" shall mean all or a portion of the Outstanding State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Bonds, 2001 Series A, 2001 Series B, and 2001 Series E, which will be refunded by the Refunding Bonds.

"Refunding Bonds" shall mean the not exceeding $700,000,000 Public Education Capital Outlay Refunding Bonds, 2011 Series [to be determined], issued pursuant to this Fiftieth Supplemental Authorizing Resolution.

"Retirement Fund" shall mean the State of Florida, Full Faith and Credit, State Board of Education, 2011 Series [to be determined] Public Education 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, shall mean 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 thereof, and the fees and expenses in connection with retirement of the Refunded Bonds.

Section 1.03. FINDINGS. It is hereby found, determined and declared by the 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, or any portion thereof, may be refunded in accordance with Article XII, Section 9(a)(2) of the State Constitution and Section 215.61, Florida Statutes.

(c) That the amount of Refunding Bonds authorized to be issued by this Fiftieth Supplemental Authorizing Resolution, together with the Parity Bonds and the Prior Lien Obligations remaining Outstanding after the refunding contemplated hereby, does not exceed ninety per centum (90%) of the amount of such Refunding Bonds which the State Board has found and determined, and does by the adoption of this Fiftieth Supplemental Authorizing Resolution find and determine, can be serviced as to both principal and interest from the Gross Receipts Taxes accruing to the State System under the provisions of the Public Education Bond Amendment.

(d) That this State Board is legally authorized to issue the Refunding Bonds authorized by this Fiftieth 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) That this State Board has been advised it is necessary to make certain amendments to the Master Resolution in order to correct obsolete statutory references and to facilitate the issuance of additional types of Bonds that are eligible for federal payment subsidies including "Build America Bonds" issued under and pursuant to the authority provided for in the American Recovery and Reinvestment Act of 2009, enacted on February 17, 2009, and in accordance with the guidance included in the Internal Revenue Service's Notice 2009-26, published on April 3, 2009, as that act and implementing regulations may be extended and expanded from time to time.

(g) That these amendments are effective pursuant to Section 6.01(b) of the Master Resolution and do not materially or adversely affect the interests of the holders of the Outstanding Bonds.

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 Fiftieth Supplemental Authorizing Resolution, bonds of the State Board are hereby authorized to be issued in the aggregate principal amount of not exceeding $700,000,000. Such bonds shall each be designated "State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Refunding Bonds, 2011 Series [to be determined]" (such series designation to be determined by the Director of the Division), provided, however, that such bonds may be sold and issued in one or more series, and may be sold in conjunction with new money Public Education Capital Outlay Bonds; if sold and issued in more than one series, the designation of each series of such bonds shall be determined by the Director of the Division. The Refunding Bonds shall be issued under and secured by the Master

Resolution, as supplemented by this Fiftieth 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 Gross Receipts 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. Except as provided by subsequent resolution adopted prior to the sale of any Series thereof, 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 June 1 and December 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 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.

Section 3.03 DELEGATION OF SALE OF THE REFUNDING BONDS. The Refunding Bonds shall be sold at competitive sale and may be sold at one time or in multiple Series from time to time as hereinafter provided.

In order to take advantage of opportunities as and when they arise in the municipal market, the State Board hereby authorizes the Division of Bond Finance, as agent for the State Board, to determine the financing structure and method of sale of the Refunding Bonds. The Division of Bond Finance, as agent for the State Board, is hereby authorized and directed to determine when, if, where and in what principal amount (if less than the full authorized amount) the Refunding Bonds shall be offered for sale, to determine the method(s) by which bids will be accepted, and to determine the specific fiscal details of the Refunding Bonds (or Series thereof) to be sold.

ARTICLE IV
APPLICATION OF 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, 2011 Series [to be determined] Public Education 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, 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 Fiftieth 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 Public Education Bond Amendment and this Fiftieth 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 Fiftieth Supplemental Authorizing Resolution, all the covenants and agreements between the State Board and the Registered Owners of Refunding Bonds contained in this Fiftieth 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.

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 Public Education 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
AMENDMENT OF MASTER RESOLUTION AND MISCELLANEOUS

Section 6.01. AMENDMENT OF THE MASTER RESOLUTION. The Master Resolution is hereby amended as follows. Language to be added is indicated by underlining and language to be deleted is indicated by ~~strike-throughs~~.

(A) Section 4.04 of the Master Resolution is hereby amended as follows:

SECTION 4.04. INVESTMENT OF SINKING FUND MONEYS. All moneys maintained at any time in the Sinking Fund under the provisions of Section 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 17.57 ~~18.10~~, Florida Statutes, as such statute shall be amended from time to time;...

(B) Section 4.05 of the Master Resolution is hereby amended as follows:

SECTION 4.05. INVESTMENT OF PUBLIC EDUCATION FUND MONEYS. All moneys maintained at any time in the Public Education Fund may be invested and reinvested by the State Board of by the State Board of Administration in direct obligations of the United States of America or in other securities authorized in Section 17.57 ~~18.20~~, Florida Statutes;...

(C) Section 5.01 of the Master Resolution is hereby amended by adding thereto a new paragraph (e) to read in its entirety as follows:

SECTION 5.01. ISSUANCE OF ADDITIONAL PARITY BONDS.

(e) to the extent that the State Board has issued or is then issuing Bonds under this Master Resolution that qualify for federal subsidy payments with respect to all or a portion of the interest or other payments due or to become due with respect to such Bonds, including "Build America Bonds" issued under and pursuant to the authority provided for in the American Recovery and Reinvestment Act of 2009, enacted on February 17, 2009, and in accordance with the guidance included in the Internal Revenue Service's Notice 2009-26, published on April 3, 2009, as that act and implementing regulations may be extended and expanded from time to time, then the State Board may take into account the amount of such federal subsidy payments in determining the amount of Debt Service Requirements on Bonds hereunder by crediting the amount of federal subsidy payments reasonably expected to be received in each Fiscal Year against the Debt Service Requirements on the Bonds in such Fiscal Year. The State Board may also provide for the direct deposit of such federal subsidy payments into the Sinking Fund for the Bonds and the use of such federal subsidy payments to pay debt service on the Bonds. The foregoing credit provisions shall have no effect on and shall not be construed to reduce or diminish the security for any Outstanding Bonds, it being the express and stated intent of the State Board that all Bonds issued hereunder shall be secured as provided herein without regard to eligibility for subsidy payments under any federal program.

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. SEVERABILITY OF PROVISIONS. If any one or more of the covenants, agreements or provisions of this Fiftieth 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 Fiftieth Supplemental Authorizing Resolution or of the Refunding Bonds.

Section 6.04. REPEAL OF INCONSISTENT RESOLUTIONS. All resolutions and parts of resolutions heretofore adopted pertaining to the subject matter of this Fiftieth Supplemental Authorizing Resolution, to the extent that they are inconsistent with this Fiftieth Supplemental Authorizing Resolution, are hereby repealed, revoked, and rescinded.

Section 6.05. TIME OF TAKING EFFECT. This Fiftieth Supplemental Authorizing Resolution shall take effect immediately upon its adoption.

ADOPTED ON January 18, 2011.

STATE OF FLORIDA

FULL FAITH AND CREDIT
STATE BOARD OF EDUCATION
PUBLIC EDUCATION CAPITAL OUTLAY BONDS

SIXTY-THIRD SUPPLEMENTAL AUTHORIZING RESOLUTION

PROVIDING FOR THE

ISSUANCE OF

PUBLIC EDUCATION CAPITAL OUTLAY REFUNDING BONDS

2017 SERIES (TO BE DETERMINED)

January 17, 2017

A RESOLUTION SUPPLEMENTING A RESOLUTION ENTITLED "A RESOLUTION AUTHORIZING THE ISSUANCE OF STATE OF FLORIDA, FULL FAITH AND CREDIT, STATE BOARD OF EDUCATION PUBLIC EDUCATION CAPITAL OUTLAY BONDS, FOR THE PURPOSE OF FINANCING AND REFINANCING THE COST OF CAPITAL OUTLAY PROJECTS FOR THE STATE SYSTEM OF PUBLIC EDUCATION IN FLORIDA, PURSUANT TO SUBSECTION (A)(2) OF SECTION 9 OF ARTICLE XII 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 NOT EXCEEDING $320,000,000 PUBLIC EDUCATION CAPITAL OUTLAY REFUNDING BONDS, 2017 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 PUBLIC EDUCATION CAPITAL OUTLAY BONDS, 2008 SERIES A, AND 2008 SERIES B, AND PROVIDING AN EFFECTIVE DATE.

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 Sixty-third Supplemental Authorizing 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 Sixty-third 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 Sixty-third Supplemental Authorizing Resolution:

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

"Federal Obligations" shall mean direct obligations of the United States of America, Resolution Funding Corporation ("REFCORP") interest strips, or direct non-prepayable obligations the principal and interest on which are unconditionally guaranteed as to full and timely payment by the United States of America, none of which permit redemption prior to maturity at the option of the obligor. Federal Obligations shall not mean unit investment trusts and mutual funds.

"Sixty-third Supplemental Authorizing Resolution" shall mean this Sixty-third Supplemental Authorizing Resolution.

"Master Resolution" shall mean the Master Resolution adopted by the State Board on July 21, 1992, authorizing the issuance of Public Education Capital Outlay Bonds.

"Parity Bonds" shall mean all Bonds which are currently Outstanding and any other Bonds which may be issued under the Master Resolution prior to the issuance of the Refunding Bonds.

"Refunded Bonds" shall mean all or a portion of the Outstanding State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Bonds, 2008 Series A, and 2008 Series B, which will be refunded by the Refunding Bonds.

"Refunding Bonds" shall mean the not exceeding $320,000,000 Public Education Capital Outlay Refunding Bonds, 2017 Series (to be determined), issued pursuant to this Sixty-third Supplemental Authorizing Resolution.

"Retirement Fund" shall mean the State of Florida, Full Faith and Credit, State Board of Education, 2017 Series (to be determined) Public Education 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, shall mean 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 thereof, and the fees and expenses in connection with retirement of the Refunded Bonds.

Section 1.03. FINDINGS. It is hereby found, determined and declared by the 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, or any portion thereof, may be refunded in accordance with Article XII, Section 9(a)(2) of the State Constitution and Section 215.61, Florida Statutes.

(c) That the amount of Refunding Bonds authorized to be issued by this Sixty-third Supplemental Authorizing Resolution, together with the Parity Bonds and the Prior Lien Obligations remaining Outstanding after the refunding contemplated hereby, does not exceed ninety per centum (90%) of the amount of such Refunding Bonds which the State Board has found and determined, and does by the adoption of this Sixty-third Supplemental Authorizing Resolution find and determine, can be serviced as to both principal and interest from the Gross Receipts Taxes accruing to the State System under the provisions of the Public Education Bond Amendment.

(d) That this State Board is legally authorized to issue the Refunding Bonds authorized by this Sixty-third 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.

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 Sixty-third Supplemental Authorizing Resolution, bonds of the State Board are hereby authorized to be issued in the aggregate principal amount of not exceeding $320,000,000. Such bonds shall each be designated "State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Refunding Bonds, 2017 Series (to be determined)" (such series designation to be determined by the Director of the Division), provided, however, that such bonds may be sold and issued in one or more series, and may be sold in conjunction with new money or other refunding Public Education Capital Outlay Bonds; if sold and issued in more than one series, the designation of each series of such bonds shall be determined by the Director of the Division. The Refunding Bonds shall be issued under and secured by the Master Resolution, as supplemented by this Sixty-third 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 Gross Receipts 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. Except as provided by subsequent resolution adopted prior to the sale of any Series thereof, 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 June 1 and December 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 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.

Section 3.03 DELEGATION OF SALE OF THE REFUNDING BONDS. The Refunding Bonds shall be sold at competitive sale and may be sold at one time or in multiple Series from time to time as hereinafter provided.

In order to take advantage of opportunities as and when they arise in the municipal market, the State Board hereby authorizes the Division of Bond Finance, as agent for the State Board, to determine the financing structure and method of sale of the Refunding Bonds. The Division of Bond Finance, as agent for the State Board, is hereby authorized and directed to determine when, if, where and in what principal amount (if less than the full authorized amount) the Refunding Bonds shall be offered for sale, to determine the method(s) by which bids will be accepted, and to determine the specific fiscal details of the Refunding Bonds (or Series thereof) to be sold.

ARTICLE IV
APPLICATION OF 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, 2017 Series (to be determined) Public Education Capital Outlay Refunding Bonds Retirement Fund" (hereinafter referred to as the "Retirement Fund") or deposited with the Bond Registrar/Paying Agent. 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 Sixty-third 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 Public Education

Bond Amendment and this Sixty-third 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 Sixty-third Supplemental Authorizing Resolution, all the covenants and agreements between the State Board and the Registered Owners of Refunding Bonds contained in this Sixty-third 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.

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 Public Education 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. 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 6.02. SEVERABILITY OF PROVISIONS. If any one or more of the covenants, agreements or provisions of this Sixty-third 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 Sixty-third Supplemental Authorizing Resolution or of the Refunding Bonds.

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

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

ADOPTED ON JANUARY 17, 2017.

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CERTAIN DEFINITIONS

"2017B Bonds" means the $261,635,000 State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Refunding Bonds, 2017 Series B, issued pursuant to the Sixty-third Supplemental Authorizing Resolution.

"Additional Bonds" means any obligations hereafter issued pursuant to the terms and conditions of the Master Resolution and payable from the Gross Receipts Taxes on a parity with the Bonds originally issued under the Master Resolution.

"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 amount of the Term Bonds.

"Arbitrage Compliance Trust Fund" means the trust fund created to administer the collection of fees charged in connection with the arbitrage compliance program.

"Board of Administration" means the State 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.

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

"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 Public Education Capital Outlay Bonds issued pursuant to the Master Resolution.

"Capital Outlay Projects" or "Projects" means the Capital Outlay Project or Projects for the State System to be financed in whole or in part by the Bonds issued pursuant to the Master Resolution, as set forth in each Supplemental Authorizing Resolution.

"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 of the Code 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.

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

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

"Fiftieth Supplemental Authorizing Resolution" means the Fiftieth Supplemental Authorizing Resolution adopted by the State Board of Education on January 18, 2011, amending the Master Resolution.

"Gross Receipts Taxes" means all the taxes collected from every person, including municipalities, receiving payments for electricity for light, heat or power, for natural or manufactured gas for light, heat or power, for telecommunication services and for sending of telegrams and telegraph messages, as provided and levied in Chapter 203, Florida Statutes, as in existence as of the date of the adoption of the Master Resolution or as such chapter is amended from time to time.

"Interest Payment Dates" means for each Series of Bonds, such 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 Master 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.

"Master Resolution" means the Master Resolution adopted by the Board of Education on July 21, 1992, as amended on January 18, 2011, authorizing the issuance of Public Education Capital Outlay Bonds.

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

(i) Bonds theretofore 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 Master Resolution;

(iii) Bonds in lieu of which other Bonds have been issued pursuant to the provisions of the Master 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 Master Resolution by the Registered Owners of a specified percentage of principal amount of Bonds, Bonds held by or for the account of the Division of Bond Finance or the Board of Education.

"Parity Bonds" means the outstanding State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Bonds, 1999 Series D through 2016 Series G, and 2017 Series A, which will be issued on September 12, 2017.

"Principal Payment Date" means for each Series of Bonds, such dates of each Fiscal Year on which the principal (including Amortization Installments) of Outstanding Bonds of each Series is payable.

"Public Education Bond Amendment" means Subsection (a)(2) of Section 9 of Article XII of the Constitution of the State of Florida, as amended effective July 1, 1975, as further amended effective January 8, 1985, and as such Subsection is amended from time to time.

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

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

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

"Refunded Bonds" means a portion of the State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Bonds, 2008 Series A, and 2008 Series B.

"Refunding Bonds" means the 2017B 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 of Bonds, the 15th day of the calendar month next preceding a Principal or Interest Payment Date or such other date specified for a Series by the applicable Supplemental Authorizing Resolution.

"Series" means all of the Bonds authenticated and delivered on original issuance and pursuant to the Master Resolution or the Supplemental Authorizing Resolution authorizing such Bonds as a separate Series of Bonds, or any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds, pursuant to Article II of the Master Resolution, regardless of variations in maturity, interest rate or other provisions "Sinking Fund" means the trust fund, created in the Master Resolution, to be held and administered by the State Board of Administration, pursuant to Article IV of the Master Resolution.

"Sixty-third Supplemental Authorizing Resolution" means the Sixty-third Supplemental Authorizing Resolution adopted by the State Board of Education on January 17, 2017, authorizing the issuance of Public Education Capital Outlay Refunding Bonds.

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

"State" means the State of Florida.

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

"State System" means the State System of Public Education provided for by Section 1 of Article IX of the Florida Constitution of 1968, including but not limited to institutions of higher learning, community or junior colleges, vocational-technical schools, and public schools, as now defined or as may hereafter be defined by law.

"Supplemental Authorizing Resolution" means, as to any Series of Bonds, the resolution or resolutions of the Board of Education authorizing and providing for the sale and issuance of such Series of Bonds 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, created in the Master Resolution, as set forth in the Supplemental Authorizing Resolution applicable thereto.

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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") in connection with the issuance of $261,635,000 State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Refunding Bonds, 2017 Series B (the "Bonds"). This Disclosure Agreement is being executed and delivered pursuant to Section 6.01 of the resolution adopted by the Board of Education on January 17, 2017, (the "Resolution"), providing for the issuance of the Bonds. The Board of Education and the Division covenant and agree as follows:

SECTION 1. PURPOSE OF THE DISCLOSURE AGREEMENT. This Disclosure Agreement is being executed and delivered by the Board of Education and the Division for the benefit of the Registered Owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with Rule 15c2-12 (the "Rule") of the Securities and Exchange Commission (the "SEC"). It shall inure solely to the benefit of the Board of Education, the Division, the Registered Owners, the Beneficial Owners and the Participating Underwriters.

SECTION 2. DEFINITIONS. In addition to the definitions set forth in the Resolution and the Master Resolution adopted by the Board of Education on July 21, 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, 2017, and thereafter, annual financial information and operating data shall be provided within nine months after the end of the State's fiscal year. Such information shall include:

(a) Gross Receipts Tax Collections;
(b) Investment of Funds;
(c) Debt Service Coverage;
(d) Periodic Gross Receipts Tax Collections;
(e) Sources and Amounts of State Funds;
(f) History of Legislative Appropriations;
(g) Statement of Resources and Liabilities;
(h) Schedule of Outstanding Bonds; and
(i) Litigation.

(2) Audited Financial Statements. If not submitted as part of the annual financial information, a copy of the State's audited financial statements, prepared in accordance with generally accepted accounting principles, will be provided when and if available.

(3) Material Events Notices. Notice of the following events relating to the Bonds will be provided in a timely manner not in excess of ten business days after the occurrence of the event:

(a) principal and interest payment delinquencies;
(b) non-payment related defaults;
(c) unscheduled draws on debt-service reserves reflecting financial difficulties;
(d) unscheduled draws on credit enhancements reflecting financial difficulties;
(e) substitution of credit or liquidity providers, or their failure to perform;
(f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
(g) modifications to rights of security holders, if material;
(h) bond calls, if material, and tender offers;
(i) defeasances;
(j) release, substitution or sale of property securing repayment of the securities, if material;
(k) rating changes;
(l) bankruptcy, insolvency, receivership or similar event of the obligated person;
(m) the consummation of merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
(n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(4) Failure to Provide Annual Financial Information; Remedies.

(a) Notice of the failure of the 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 _____, 2017.

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

By_____
Assistant Secretary

STATE BOARD OF EDUCATION OF FLORIDA

By_____
Deputy Commissioner
Finance and Operations

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APPENDIX H

FORM OF BOND COUNSEL OPINION

Upon delivery of the 2017B Bonds, Squire Patton Boggs (US) LLP, Bond Counsel, proposes to render its final opinion with respect to the 2017B 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 the State 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 $261,635,000 State of Florida, Full Faith and Credit, State Board of Education, Public Education Capital Outlay Refunding Bonds, 2017 Series B (the "2017 Series B Bonds"), dated the date of delivery thereof. The 2017 Series B Bonds are issued pursuant to Article XII, Section 9(a)(2) of the Constitution of the State of Florida, as amended (the "Public Education Bond Amendment"), and a resolution adopted by the Board of Education on July 21, 1992, as amended and supplemented (collectively, the "Resolution"), for the purpose of refunding a portion of the outstanding State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Bonds, 2008 Series A and 2008 Series B, which bonds were issued for the purpose of financing or refinancing the cost of Capital Outlay Projects for the State System of Public Education. Capitalized terms used and not otherwise defined herein shall have the same meanings specified in the Resolution.

The Board of Education has issued, since August 1992, multiple series of State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Bonds (collectively, the "Parity Bonds").

In our capacity as bond counsel, we have examined the transcript of proceedings relating to the issuance of the 2017 Series B 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 2017 Series B Bonds and the Resolution incorporated in the Transcript are valid, legal, binding and enforceable in accordance with their respective terms. The 2017 Series B 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 2017 Series B Bonds, together with the principal of, premium, if any, and interest on the Parity Bonds and additional bonds issuable under the Resolution on a parity with the 2017 Series B Bonds are payable primarily from the Gross Receipts Taxes levied and collected pursuant to Chapter 203, Florida Statutes, which are required to be deposited in the Public Education Capital Outlay and Debt Service Trust Fund administered by the Board of Education under the provisions of the Public Education Bond Amendment, and are additionally secured by the full faith and credit of the State of Florida.

3. The 2017 Series B 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 2017 Series B 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 imposed on individuals and corporations; however, portions of the interest on the 2017 Series B 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 2017 Series B 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 the interest on the 2017 Series B 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 2017 Series B Bonds may cause interest on the 2017 Series B 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 2017 Series B Bonds and the enforceability of the 2017 Series B 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 2017 Series B Bonds has concluded with their issuance 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 2017B Bonds. The 2017B 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 2017B Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities and Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants" and together with Direct Participants, the "Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at **www.dtcc.com**

Purchases of the 2017B Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2017B Bonds on DTC's records. The ownership interest of each actual purchaser of each 2017B 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 2017B 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 2017B Bonds, except in the event that use of the book-entry system is discontinued.

To facilitate subsequent transfers, all 2017B 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 2017B 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 2017B Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2017B 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 2017B Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the 2017B Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2017B Bond documents. For example, Beneficial Owners of 2017B Bonds may wish to ascertain that the nominee holding the 2017B 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 2017B 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 2017B 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 2017B 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 2017B 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 2017B 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 2017B 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 2017B Bonds will be printed and delivered as provided in the documents authorizing the issuance and sale of the 2017B Bonds.

For every transfer and exchange of beneficial interests in the 2017B 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 2017B Bonds, references herein to the Registered Owners or Holders of the 2017B Bonds shall mean Cede & Co. and not mean the Beneficial Owners of the 2017B 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 2017B 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 2017B 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 2017B Bonds, or the purchase price of, any 2017B 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 2017B Bonds for partial redemption.

So long as the 2017B 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 2017B Bonds for all purposes whatsoever, including, without limitation:

(i) the payment of the principal of, premium, if any, and interest on the 2017B Bonds;

(ii) giving notices of redemption and other matters with respect to the 2017B Bonds;

(iii) registering transfers with respect to the 2017B Bonds; and

(iv) the selection of the beneficial ownership interests in the 2017B 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 2017B Bond as the absolute owner for all purposes, whether or not such 2017B Bond is overdue, and will not be bound by any notice to the contrary.

Principal of and premium, if any, on the 2017B Bonds will be payable upon presentation and surrender of the 2017B 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 2017B 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 2017B 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 2017B 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 2017B 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 2017B 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 2017B Bond is delivered.

The Bond Registrar/Paying Agent will not be required to issue, transfer or exchange any 2017B Bonds on the Record Date.

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