State of Florida
Division of Bond Finance

Notice

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<u>Refunding Issue - Book-Entry Only</u>

This Official Statement has been prepared by the Division of Bond Finance to provide information about the 2019D 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.

$168,825,000
STATE OF FLORIDA
Full Faith and Credit
State Board of Education
Public Education Capital Outlay Refunding Bonds, 2019 Series D

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

Bond Ratings	AAA (stable outlook) - Fitch Ratings Aaa (stable outlook) - Moody's Investors Service AAA (stable outlook) - S&P Global Ratings
Tax Status	In the opinion of Bond Counsel, under existing law (i) assuming continuing compliance with certain covenants and the accuracy of certain representations, interest on the 2019D Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the alternative minimum tax, and (ii) the 2019D Bonds and the income thereon are not subject to any Florida taxes, except estate taxes imposed by Chapter 198, Florida Statutes, as amended, and net income and franchise taxes imposed by Chapter 220, Florida Statutes, as amended. See "TAX MATTERS" herein for a more complete discussion of the tax aspects, and see "Appendix H - Form of Bond Counsel Opinion".
Redemption	The 2019D Bonds maturing on and after June 1, 2030, are subject to optional redemption as provided herein.
Security	The 2019D 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 2019D 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 2019D Bonds is $7,284,790,000. See "SECURITY FOR THE 2019D BONDS - Outstanding Obligations" herein for more detailed information.
Additional Bonds	Additional Bonds payable on a parity with the 2019D 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 2019D Bonds will be used to refund the Outstanding State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Bonds, 2007 Series G Build America Bonds (Federally Taxable - Issuer Subsidy), and to pay costs of issuance.
Interest Payment Dates	June 1 and December 1, commencing December 1, 2019.
Record Dates	May 15 and November 15.
Form/Denomination	The 2019D 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 2019D Bonds will not receive physical delivery of the 2019D Bonds.
Closing/Settlement	It is anticipated that the 2019D Bonds will be available for delivery through the facilities of DTC in New York, New York on September 19, 2019.
Bond Registrar/ Paying Agent	U.S. Bank Trust National Association, New York, New York.
Bond Counsel	Squire Patton Boggs (US) LLP, Tampa, Florida.
Issuer Contact	Division of Bond Finance, (850) 488-4782, bond@sbafla.com
Maturity Structure	The 2019D Bonds will mature on the dates and bear interest at the rates set forth on the inside front cover.

August 20, 2019

MATURITY STRUCTURE

Initial CUSIP©	Due Date	Principal Amount	Interest Rate	Price or Yield*	First Optional Redemption Date and Price
34153QRT5	June 1, 2020	$3,790,000	5.00%	1.00%	-
34153QRU2	June 1, 2021	5,605,000	5.00	1.00	-
34153QRV0	June 1, 2022	5,885,000	5.00	1.00	-
34153QRW8	June 1, 2023	6,180,000	5.00	1.00	-
34153QRX6	June 1, 2024	6,485,000	5.00	1.00	-
34153QRY4	June 1, 2025	6,810,000	5.00	1.00	-
34153QRZ1	June 1, 2026	7,150,000	5.00	1.09	-
34153QSA5	June 1, 2027	7,510,000	5.00	1.14	-
34153QSB3	June 1, 2028	7,885,000	5.00	1.22	-
34153QSC1	June 1, 2029	8,280,000	5.00	1.29	-
34153QSD9	June 1, 2030**	8,695,000	4.00	1.40	June 1, 2029 @ 100%
34153QSE7	June 1, 2031**	9,040.000	4.00	1.50	June 1, 2029 @ 100
34153QSF4	June 1, 2032**	9,405,000	4.00	1.60	June 1, 2029 @ 100
34153QSG2	June 1, 2033**	9,780,000	4.00	1.75	June 1, 2029 @ 100
34153QSH0	June 1, 2034**	10,170,000	4.00	1.80	June 1, 2029 @ 100
34153QSJ6	June 1, 2035**	10,575,000	3.00	2.20	June 1, 2029 @ 100
34153QSK3	June 1, 2036**	10,895,000	3.00	2.24	June 1, 2029 @ 100
34153QSL1	June 1, 2037**	11,220,000	3.00	2.28	June 1, 2029 @ 100
34153QSM9	June 1, 2038**	11,560,000	3.00	2.32	June 1, 2029 @ 100
34153QSN7	June 1, 2039**	11,905,000	3.00	2.36	June 1, 2029 @ 100

* Price and yield information provided by the Underwriter.

** The yield on these maturities are calculated to a 100% call on June 1, 2029.

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

STATE OFFICIALS

STATE BOARD OF EDUCATION

ANDY TUCK
MARVA JOHNSON
BENJAMIN J. GIBSON

TOM GRADY
MICHAEL OLENICK
JOE YORK

COMMISSIONER OF EDUCATION
RICHARD CORCORAN

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Director
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Finance and Operations
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State Board of Administration of Florida

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OFFICIAL STATEMENT
Relating to
$168,825,000
STATE OF FLORIDA
Full Faith and Credit
State Board of Education
Public Education Capital Outlay Refunding Bonds, 2019 Series D

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 $168,825,000 State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Refunding Bonds, 2019 Series D, dated the Date of Delivery (the "2019D Bonds"), by the Division of Bond Finance of the State Board of Administration of Florida (the "Division of Bond Finance").

Proceeds of the 2019D Bonds will be used to refund the Outstanding State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Bonds, 2007 Series G Build America Bonds (Federally Taxable - Issuer Subsidy) (collectively, 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 2019D 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 2019D BONDS" herein for more detailed information.

The lien of the 2019D 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 2019D Bonds is $7,284,790,000. See "SECURITY FOR THE 2019D BONDS - Outstanding Obligations" herein for more detailed information.

Requests for additional information may be made to:

Division of Bond Finance
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Mail: P. O. Box 13300
Tallahassee, Florida 32317-3300

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Any statements made in this Official Statement which involve opinions or estimates, whether or not expressly stated, are set forth as such and not as representations of fact. No representation is made that any of the opinions or estimates will be realized. To make an informed decision, a full review should be made of the entire Official Statement. The descriptions of the 2019D Bonds and the documents authorizing and securing the same do not purport to be comprehensive or definitive. All references to and descriptions of such documents are qualified by reference to the actual documents. Copies of such documents may be obtained from the Division of Bond Finance.

End of Introduction

AUTHORITY FOR THE ISSUANCE OF THE 2019D 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 2019D 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, and the Commissioner currently is Richard Corcoran.

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

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

* There is currently one vacancy on the Board.
** Will remain in office until reappointed or 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 serves as an assistant secretary of the Governing Board, and directs the day-to-day operations of the Division, including the issuance of bonds.

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-seventh Supplemental Authorizing Resolution adopted on March 19, 2019, 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 2019D Bonds. The Master Resolution, the Fiftieth Supplemental Authorizing Resolution, and the Sixty-seventh 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 2019D Bonds by a resolution adopted on March 19, 2019.

The Division of Bond Finance authorized the issuance and sale of the 2019D Bonds by resolutions adopted on April 2, 2019. The Board of Administration approved the fiscal sufficiency of the 2019D Bonds by a resolution adopted on April 2, 2019.

DESCRIPTION OF THE 2019D BONDS

The 2019D Bonds are full faith and credit obligations of the State issued in the name of the Board of Education.

The 2019D Bonds are being issued as fully registered bonds in the denomination of $1,000 or integral multiples thereof. The 2019D Bonds are payable from the Pledged Revenues as described herein. The 2019D 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, 2019, for the period from the Date of Delivery to December 1, 2019, and semiannually thereafter on June 1 and December 1 of each year until maturity or redemption.

The 2019D Bonds will initially be issued exclusively in "book-entry" form. Ownership of one 2019D 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 2019D Bonds. Individual purchases of the 2019D Bonds will be made in book-entry form only, and the purchasers will not receive physical delivery of the 2019D Bonds or any certificate representing their beneficial ownership interest in the 2019D 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 2019D Bonds if the book-entry only system of registration is discontinued.

REDEMPTION PROVISIONS

Optional Redemption

The 2019D Bonds maturing in the years 2020 through 2029, inclusive, are not redeemable prior to their stated dates of maturity. The 2019D Bonds maturing in 2030 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, 2029, or on any date thereafter, at the principal amount of the 2019D Bonds so redeemed, together with interest accrued to the date of redemption.

Notice of Redemption

All notices of redemption of 2019D Bonds will be transmitted to the Bond Registrar/Paying Agent, registered securities depositories and the Municipal Securities Rulemaking Board ("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 2019D Bonds to be redeemed, of record as of 45 days prior to the date of redemption. Such notices of redemption will specify the 2019D Bonds to be redeemed, if less than all; the redemption price thereof; the place for presentation thereof; and that interest on the 2019D 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 2019D Bonds will not affect the validity of the call for redemption of any 2019D 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 2019D Bonds will be used to refund the State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Bonds, 2007 Series G Build America Bonds (Federally Taxable - Issuer Subsidy), maturing in the years 2020 through 2039, in the outstanding principal amount of $197,310,000 (the "Refunded Bonds") and to pay costs of issuance. This refunding is being effectuated to achieve debt service savings.

Simultaneously with the delivery of the 2019D Bonds, the Board of Education will cause to be deposited a portion of the proceeds of the 2019D Bonds, along with other legally available moneys, into an irrevocable escrow account to be known as the "State of Florida, Full Faith and Credit, State Board of Education, 2019 Series D Public Education Capital Outlay Refunding Bonds Retirement Fund" (hereinafter referred to as the "Escrow Deposit Trust Fund") under an Escrow Deposit Agreement to be entered into among the Board of Education, the Division of Bond Finance, and the Board of Administration (the latter, the "Escrow Agent"). The Escrow Agent will hold those moneys uninvested.

The escrow will be funded in an amount which will be sufficient to redeem the Refunded Bonds on the redemption date. As a result, the Refunded Bonds will be considered legally as well as economically defeased, will no longer have any claim upon the Pledged Gross Receipt Taxes or the full faith and credit of the State, and will have a claim only upon the Escrow Deposit Trust Fund.

The Refunded Bonds will be called for redemption (by separate redemption notice) on September 20, 2019, at a redemption price equal to the principal amount thereof with interest due thereon through the redemption date. No funds held in escrow will be available to pay debt service on the 2019D Bonds.

Sources and Uses of Funds

Sources:	
Par Amount of 2019D Bonds	$168,825,000
Plus Original Issue Premium	27,397,272
Available Sinking Fund Transfer	5,036,186
Total Sources	$201,258,458
Uses:	
Deposit to Escrow	$200,616,341
Cost of Issuance	293,623
Underwriter's Discount	348,494
Total Uses	$201,258,458

Application of the 2019D Bond Proceeds

Upon receipt of the proceeds of the 2019D 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 2019D 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 2019D 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 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 2019D BONDS

The 2019D 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 2019D 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 2019D Bonds will be entitled to require the payment of the principal of or interest on the 2019D 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 2019D 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 2019D 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 and Refunding Bonds, 1999 Series D through 2019 Series C (collectively, the "Parity Bonds"). The 2019D Bonds will be on a parity with the Parity Bonds as to the lien on the Gross Receipts Taxes. Subsequent to the issuance of the 2019D Bonds, the aggregate principal amount of Parity Bonds which will be outstanding is $7,284,790,000.

Future Bonding

There is currently no legislative authorization for additional Public Education Capital Outlay Bonds to finance new capital outlay projects during the 2019-20 Fiscal Year. 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 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 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. Upon delivery of the 2019D Bonds, there will be no Outstanding Parity Bonds issued as Build America Bonds eligible to receive federal subsidy payments.

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%. Prior to 2010, the gross receipts tax on the sale of communications services was taxed at a rate of 2.37%; however, in 2010, the Legislature provided for an additional 0.15% tax on communications services to be pledged to the Bonds, resulting in a rate of 2.52% on such sales. 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.

Supermajority Vote for Legislation Increasing Taxes or Fees

In 2018, voters approved an amendment to the Florida Constitution which requires a two-thirds vote of each house of the Legislature to adopt legislation authorizing a new state tax or fee or raising any state tax or fee. The amendment took effect on January 8, 2019. If the Legislature proposes to increase the rate at which Gross Receipt Taxes are levied, or proposes to reduce an exemption on such taxes, the proposed legislation would require two-thirds approval. Prior to the amendment, any such proposed legislation would have required a majority vote. No assurance can be given as to the potential impact of the amendment on Gross Receipt Tax rates because it is dependent on future legislative decisions.

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 2019D Bonds authorizes such investments.

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)

Fiscal Year	Electric	Telecommunications	Gas Fuels	Total Gross Receipts	Percent Change from Prior Year
2008-09	$623.71	$473.10	$29.41	$1,126.22	0.02%[1]
2009-10	633.05	431.70	32.91	1,097.66	(2.54)
2010-11	606.92	432.19	32.52	1,071.63	(2.37)
2011-12	586.55	424.38	22.95	1,033.88	(3.52)
2012-13	558.56	418.27	26.22	1,003.05	(2.98)
2013-14	575.17	404.44	25.75	1,005.36	0.23
2014-15	739.36[2]	385.65	27.37	1,152.38[2]	14.62[2]
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)
2017-18	760.44	364.15	29.14	1,153.72	3.79
2018-19[3]	767.30	352.76[4]	28.82	1,148.88	(0.42)

Source: Office of Economic and Demographic Research.

1 Compared to total collections of $1,125.96 million in Fiscal Year 2007-08.

2 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.

3 Fiscal Year 2018-19 collections were released and added to this table subsequent to the posting date of the Preliminary Official Statement.

4 Telecommunications collections for Fiscal Year 2018-19 are adjusted in this table to reflect actual collections owed because a processing error by the Department of Revenue resulted in an under distribution of such collections in EDR's published report.

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

Gross Receipts Tax Monthly Collections

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
July	$88,047,917	$103,207,255	$93,169,460	$99,108,406	$100,597,181	$97,427,409[8]
August	102,748,304[1]	106,041,972	97,896,279	104,528,223	102,364,079	-
September	103,701,659	112,675,035	106,591,564	101,375,164	107,996,535	-
October	111,638,781	105,711,941	102,465,659	109,126,199	102,743,275	-
November	101,060,336	98,692,136	96,456,513	101,781,546	63,702,381[5,6]	-
December	94,157,699	95,899,547	92,386,062	96,131,976	136,720,617[5]	-
January	95,224,804	91,859,337	86,449,225	116,026,806[4]	89,048,338	-
February	91,345,803	89,949,765	87,525,142	68,343,146[4]	93,792,347[6]	-
March	81,130,651	90,733,765	83,738,038	90,667,464	84,672,434	-
April	93,568,557	86,942,843	85,416,654	88,652,345	86,787,129	-
May	94,311,729	85,246,059	86,126,243	87,156,819	87,571,493	-
June	95,445,842	90,767,381	93,378,447	90,826,807	92,881,263	-
Total	$1,152,382,082	1,157,727,036	1,111,599,286	$1,153,724,902	$1,148,877,072[7]	$97,427,409
Percent Change	14.62%[2]	0.46%	(3.98)%[3]	3.79%	(0.42)%	

Source: Office of Economic and Demographic Research.

1 Beginning August 2014, monthly collections include additional Gross Receipts Tax collections resulting from legislation converting certain sales taxes to a Gross Receipts Tax.

2 Based on a comparison with the total collections of $1,005,357,521 for Fiscal Year 2013-14.

3 Decrease partially attributable to $19.2 million credited back to a taxpayer in Fiscal Year 2016-17 to settle litigation.

4 January 2018 Gross Receipts Tax collections were overstated as a result of a taxpayer error which was corrected in February 2018.

5 There was a processing delay for Gross Receipts Taxes in November 2018, and a portion of November 2018 collections were not recorded until December 2018.

6 November 2018 and February 2019 collections were revised to account for refunds credited subsequent to the posting date of the Preliminary Official Statement.

7 Total is revised due to the refunds credited in November and February of this Fiscal Year. See footnoted 6 to this table.

8 July 2019 collections were released and added to this table subsequent to the posting date of the Preliminary Official Statement.

Projected. Presented below are projected Gross Receipts Tax collections, which are revised at least semiannually by the Consensus Estimating Conference and most recently revised subsequent to the posting date of the Preliminary Official Statement. For a comparison to the prior projections, see "Comparison of Projected Gross Receipts Tax Collections" below. 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
2019-20	$1,157.64	0.76%[2]
2020-21	1,165.14	0.65
2021-22	1,174.38	0.79
2022-23	1,187.90	1.15
2023-24	1,202.38	1.22
2024-25	1,216.66	1.19
2025-26	1,230.81	1.16
2026-27	1,246.56	1.28
2027-28	1,261.85	1.23
2028-29	1,277.08	1.21

[1] Official projections adopted by the Florida Revenue Estimating Conference held July 2019.
[2] Compared to actual total collections of $1,148.88 million in Fiscal Year 2018-19.

The following table shows a comparison of the current and previous projected Gross Receipts Tax Collections. New projections from the July 2019 Revenue Estimating Conference were released subsequent to the posting date of the Preliminary Official Statement and were added to the table below.

Comparison of Projected Gross Receipts Tax Collections
(in millions)

Fiscal Year	November 2018 Projections[1]	March 2019 Projections[2]	Percent Change in Projections from Nov. to March	July 2019 Projections[3]	Percent Change in Projections from March to July
2019-20	$1,150.51	$1,148.86	(0.14) %	$1,157.64	0.76%
2020-21	1,166.51	1,159.22	(0.62)	1,165.14	0.51
2021-22	1,181.53	1,169.72	(1.00)	1,174.38	0.40
2022-23	1,198.62	1,183.18	(1.29)	1,187.90	0.40
2023-24	1,217.45	1,198.36	(1.57)	1,202.38	0.34
2024-25	1,238.56	1,215.59	(1.85)	1,216.66	0.09
2025-26	1,254.57	1,230.81	(1.89)	1,230.81	0.00
2026-27	1,272.58	1,247.39	(1.98)	1,246.56	(0.07)
2027-28	1,289.62	1,263.70	(2.01)	1,261.85	(0.15)
2028-29	-	-	-	1,277.08	-

[1] Projected collections are official figures adopted by the Florida Revenue Estimating Conference held November 2018.
[2] Projected collections are official figures adopted by the Florida Revenue Estimating Conference held March 2019.
[3] Projected collections are official figures adopted by the Florida Revenue Estimating Conference held July 2019.

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
2014-15	$1,152,382,082	$886,094,034[2]	1.30x
2015-16	1,157,727,036	865,245,988[3]	1.34x
2016-17	1,111,599,286	854,822,361[4]	1.30x
2017-18	1,153,724,902	830,050,983[5]	1.39x
2018-19	1,148,877,072[6]	842,610,181[7]	1.36x

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 $24,694,207 of accrued debt service on previously refunded Bonds.
3 Includes $15,968,342 of accrued debt service on previously refunded Bonds.
4 Includes $7,123,066 of accrued debt service on previously refunded Bonds.
5 Includes $11,464,698 of accrued debt service on previously refunded Bonds.
6 Revised based on adjustments made to historical collections subsequent to the posting date of the Preliminary Official Statement.
7 Includes $10,392,804 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 2019D Bonds and total debt service for the Bonds.

Fiscal Year	Parity Bonds Debt Service	2019D Bonds Debt Service			Total Debt Service
		Principal	Interest	Total	
2020[1]	$815,604,688	$3,790,000	$4,793,075	$8,583,075	$824,187,763
2021	831,186,049	5,605,000	6,657,750	12,262,750	843,448,799
2022	837,912,199	5,885,000	6,377,500	12,262,500	850,174,699
2023	811,950,399	6,180,000	6,083,250	12,263,250	824,213,649
2024	730,212,349	6,485,000	5,774,250	12,259,250	742,471,599
2025	671,885,474	6,810,000	5,450,000	12,260,000	684,145,474
2026	526,324,074	7,150,000	5,109,500	12,259,500	538,583,574
2027	498,795,174	7,510,000	4,752,000	12,262,000	511,057,174
2028	473,659,876	7,885,000	4,376,500	12,261,500	485,921,376
2029	447,610,306	8,280,000	3,982,250	12,262,250	459,872,556
2030	427,441,169	8,695,000	3,568,250	12,263,250	439,704,419
2031	406,397,575	9,040,000	3,220,450	12,260,450	418,658,025
2032	386,268,456	9,405,000	2,858,850	12,263,850	398,532,306
2033	343,355,294	9,780,000	2,482,650	12,262,650	355,617,944
2034	303,964,950	10,170,000	2,091,450	12,261,450	316,226,400
2035	281,321,075	10,575,000	1,684,650	12,259,650	293,580,725
2036	247,126,100	10,895,000	1,367,400	12,262,400	259,388,500
2037	205,885,688	11,220,000	1,040,550	12,260,550	218,146,238
2038	132,143,500	11,560,000	703,950	12,263,950	144,407,450
2039	78,896,450	11,905,000	357,150	12,262,150	91,158,600
2040	51,774,063	-	-	-	51,774,063
2041	19,251,113	-	-	-	19,251,113
2042	14,607,050	-	-	-	14,607,050
2043	14,612,750	-	-	-	14,612,750
2044	14,611,300	-	-	-	14,611,300
2045	14,607,300	-	-	-	14,607,300
2046	14,610,200	-	-	-	14,610,200
2047	12,139,000	-	-	-	12,139,000
2048	6,817,200	-	-	-	6,817,200
	$9,620,970,818	$168,825,000	$72,731,425	$241,556,425	$9,862,527,243

[1] Includes approximately $10.3 million in 2019-20 of accrued debt service on the Refunded Bonds and previously refunded bonds. Debt service in Fiscal Year 2020 takes into consideration approximately $1.075 million of the expected subsidy payment on the Refunded Bonds and the $1.3 million on previously refunded bonds. The Refunded Bonds and the previously refunded bonds will no longer be eligible for the subsidy payment upon the redemption date.

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 2019D 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 2019D Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for purposes of the federal alternative minimum tax; and (ii) the 2019D 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 2019D Bonds.

The opinion on federal tax matters will be based on and will assume the accuracy of certain representations and certifications, and continuing compliance with certain covenants, of the Division of Bond Finance and the Board of Education contained in the transcript of proceedings and that are intended to evidence and assure the foregoing, including that the 2019D 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 2019D 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 2019D Bonds being included in gross income for federal income tax purposes retroactively to the date of issuance of the 2019D 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 2019D 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 2019D 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 2019D Bonds or the market value of the 2019D Bonds.

Interest on the 2019D 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 2019D Bonds. Bond Counsel will express no opinion regarding those consequences.

Payments of interest on tax-exempt obligations, including the 2019D Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. If a 2019D 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 2019D Bonds ends with the issuance of the 2019D 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 2019D 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 2019D Bonds, under current IRS procedures, the IRS will treat the Board of Education as the taxpayer and the beneficial owners of the 2019D 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 2019D 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 2019D Bonds.

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

Risk of Future Legislative Changes and/or Court Decisions

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the State legislature. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the 2019D Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the 2019D Bonds will not have an adverse effect on the tax status of interest on the Bonds or the market value or marketability of the 2019D 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 2019D Bonds from gross income for federal or state income tax purposes for all or certain taxpayers.

For example, the federal tax legislation that was enacted on December 22, 2017, reduced corporate tax rates, modified individual tax rates, eliminated many deductions, repealed the corporate alternative minimum tax and eliminated tax-exempt advance refunding bonds, among other things. Additionally, investors in the Bonds should be aware that future legislative actions may increase, reduce or otherwise change (including retroactively) the financial benefits and the treatment of all or a portion of the interest on the 2019D Bonds for federal income tax purposes for all or certain taxpayers. In all such events, the market value of the 2019D Bonds may be affected and the ability of holders to sell their 2019D Bonds in the secondary market may be reduced.

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

Original Issue Premium

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

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

State Taxes

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

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

RECENT STATE FINANCIAL DEVELOPMENTS

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

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

Fiscal Year 2016-17

Budget – The Fiscal Year 2016-17 Budget totaled $82.3 billion, an increase of approximately $3.9 billion, or 5%, over the Fiscal Year 2015-16 Budget of $78.4 billion. The General Fund budget totaled $30.2 billion and was funded primarily with estimated General Revenue collections of $29.5 billion and $253 million in trust fund transfers.

Revenues – Actual net General Revenue collections of $29.6 billion for Fiscal Year 2016-17 increased approximately $1.3 billion, or 4.5%, over the prior fiscal year. Growth in Fiscal Year 2016-17 revenues was primarily a result of higher sales tax, corporate income tax, and highway safety license revenues.

Reserves – The General Fund Retrospect statement released on December 8, 2017, finalized the Fiscal Year 2016-17 year-end General Fund balance as $1.5 billion, which includes the effects of 2017 legislation directing $300 million of the $400 million BP Oil Entities settlement payment received by the State from the General Revenue Fund to the Triumph Gulf Coast Trust Fund. The Budget included an approximately $31 million transfer to the Budget Stabilization Fund, which increased the Budget Stabilization Fund balance to approximately $1.4 billion at June 30, 2017. When including the Budget Stabilization Fund, General Fund reserves at fiscal year-end totaled approximately $2.9 billion (9.8% of Fiscal Year 2016-17 General Revenue collections). The Fiscal Year 2016-17 year-end trust fund reserve balances were $2.9 billion, including $655 million in the Lawton Chiles Endowment Fund and approximately $2.2 billion in various unreserved trust fund balances. The inclusion of trust fund reserve balances increased total reserves to approximately $5.8 billion at fiscal year-end (19.6% of Fiscal Year 2016-17 General Revenue collections).

Fiscal Year 2017-18

Budget – The Fiscal Year 2017-18 Budget totaled $85.0 billion, an increase of approximately $2.7 billion, or 3.3%, over the Fiscal Year 2016-17 Budget of $82.3 billion. The General Fund budget totaled approximately $31.5 billion and was funded primarily from General Revenue collections and approximately $458 million in trust fund transfers.

Revenues – Actual net General Revenue collections of $31.2 billion for Fiscal Year 2017-18 represented growth of $1.6 billion, or 5.5%, over the prior fiscal year. The increase in revenue collections was driven primarily by higher sales tax collections, Indian gaming revenues, documentary stamp tax collections, and insurance tax collections.

Reserves – The General Fund Retrospect statement released on November 15, 2018, finalized the Fiscal Year 2017-18 year-end General Fund balance as $1.6 billion. The General Fund balance reflects the release of approximately $227 million in payments associated with banked card games which were previously held in escrow. The release of these monies was based on a Settlement Agreement and Stipulation entered into between the Seminole Tribe of Florida and the State of Florida in July 2017. The General Fund balance also reflects approximately $351 million of budget amendments related to Hurricane Irma expenses and bridge loans. See "Impact of Recent Hurricanes" for more information on estimated costs to the State. The Fiscal Year 2017-18 Budget included a $32 million transfer to the Budget Stabilization Fund, which increased the Budget Stabilization Fund balance to approximately $1.4 billion at June 30, 2018. When including the Budget Stabilization Fund, General Fund reserves at fiscal year-end totaled approximately $3.1 billion (9.8% of Fiscal Year 2017-18 General Revenue collections). The Fiscal Year 2017-18 year-end trust fund reserve balances were $3.3 billion, including $738 million in the Lawton Chiles Endowment Fund and more than $2.6 billion in various unreserved trust fund balances. The inclusion of trust fund reserve balances increases the total reserves to approximately $6.4 billion at fiscal year-end (20.4% of Fiscal Year 2017-18 General Revenue collections).

Fiscal Year 2018-19

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

Revenues – Actual net General Revenue collections of $33.4 billion for Fiscal Year 2018-19 were approximately $2.2 billion, or 7.0%, higher than the prior fiscal year. Approximately $686 million of the year-over-year growth in net General Revenue collections was a result of increased Corporate Income Tax collections. Following the passage of federal tax reform in late 2017, the Florida Legislature passed a law which will result in a refund of $543.2 million of the increased Fiscal Year 2018-19 Corporate Income Tax collections. The refunds will be paid out in Fiscal Year 2019-20 and will reduce the net Corporate Income Tax collections and net General Revenue collections in that year. Fiscal Year 2018-19 General Revenue collections, net of the Corporate Income Tax refunds that will be paid out in Fiscal Year 2019-20, totaled $32.9 billion, representing an increase of $1.7 billion, or 5.3%, over the prior fiscal year. The effect of the Corporate Income Tax refunds, and an additional effect of a temporary reduction in the Corporate Income Tax rate, are included in the projected General Revenue collections and reserve balances for Fiscal Year 2019-20 discussed below.

Reserves – Based on the August 14, 2019 General Fund Outlook Statement, the Fiscal Year 2018-19 year-end General Fund balance is projected to be $2.2 billion, approximately $627.8 million higher than the projected General Fund balance from the July 12, 2019 Post-Session General Fund Outlook Statement. The increase was primarily the result of higher than projected revenue collections, however, as discussed above, $543.2 million of the increased revenue collections represent excess Corporate Income Tax collections that will be refunded to taxpayers in Fiscal Year 2019-20. The Fiscal Year 2018-19 Budget included a $67 million transfer to the Budget Stabilization Fund, which increased the Budget Stabilization Fund balance to approximately $1.5 billion at June 30, 2019. When including the Budget Stabilization Fund, General Fund reserves at fiscal year-end are total approximately $3.7 billion (11.0% of Fiscal Year 2018-19 General Revenue collections). The Fiscal Year 2018-19 year-end trust fund reserve balances are estimated at $2.8 billion, including approximately $817 million in the Lawton Chiles Endowment Fund and about $2.0 billion in various unreserved trust fund balances. The inclusion of trust fund reserve balances increases the estimated total reserves to approximately $6.5 billion (19.5% of Fiscal Year 2018-19 General Revenue collections) at fiscal year-end. Estimates are based on information available at the time they are made and are subject to revision as additional information becomes available.

Fiscal Year 2019-20

Budget – The 2019 legislative session ended May 4, 2019, with the State Legislature adopting the General Appropriations Act for Fiscal Year 2019-20 (the "2019-20 Budget"). The Governor signed the General Appropriations Act on June 21, 2019. After the Governor's $131.3 million in line-item vetoes, the 2019-20 Budget totals $90.98 billion, which is $1.7 billion, or 1.9%, more than the Fiscal Year 2018-19 Budget of $89.3 billion. The General Fund budget totals approximately $33.93 billion and will be funded primarily from General Revenue collections and $336.5 million in trust fund transfers.

Revenues – The August 2019 Revenue Estimating Conference ("REC") forecast for net General Revenue collections in Fiscal Year 2019-20 totaled $32.9 billion, which would represent a $470.5 million, or 1.4%, decrease over net General Revenue collections in Fiscal Year 2018-19. The estimated decrease in net General Revenue collections in Fiscal Year 2019-20 is primarily attributable to two factors: Seminole Gaming Compact revenues and Corporate Income Tax collections. As of May 2019, the Seminole Tribe of Florida has ceased making payments to the State under the terms of the Seminole Gaming Compact. Payments from the Seminole Tribe of Florida totaled $247.7 million in Fiscal Year 2018-19, and no Seminole Gaming Compact revenues are included in the current General Revenue estimates for Fiscal Year 2019-20. Additionally, Corporate Income Tax refunds and a

Corporate Income Tax rate reduction are estimated to reduce net Corporate Income Tax collections by $972.4 million in Fiscal Year 2019-20. Sales Tax collections in Fiscal Year 2019-20, which represent approximately 77% of General Revenue collections, are estimated to grow by $751.7 million, or 3.0%, partially offsetting the decrease in Seminole Gaming Compact revenues and net Corporate Income Tax collections. Excluding the impacts of the Corporate Income Tax refunds in both fiscal years, net General Revenue collection estimates would total $33.5 billion in Fiscal Year 2019-20, representing an increase of $600 million, or 1.9%, over Fiscal Year 2018-19 net General Revenue collections.

Reserves – Based on the August 14, 2019 General Fund Outlook Statement, the Fiscal Year 2019-20 year-end General Fund balance is projected to be $1.5 billion, approximately $398.2 million higher than the projected General Fund balance from the July 12, 2019 Post-Session General Fund Outlook Statement. The 2019-20 Budget includes a $91.2 million transfer to the Budget Stabilization Fund, which will increase the balance to $1.57 billion. When including the Budget Stabilization Fund, total General Fund reserves at fiscal year-end are expected to equal approximately $3.0 billion (9.2% of projected General Revenue). The Fiscal Year 2019-20 year-end trust fund reserves are currently estimated at $2.5 billion, including an estimated $877 million in the Lawton Chiles Endowment Fund and $1.6 billion in various unreserved trust fund balances. The inclusion of the trust fund reserve balances increases the estimated total reserves to approximately $5.5 billion (16.7% of projected General Revenue) at fiscal year-end. Fiscal Year 2019-20 reserve estimates do not include anticipated Federal Emergency Management ("FEMA") reimbursements related to hurricane expenses. The State currently anticipates receiving up to $159.6 million of FEMA reimbursements during Fiscal Year 2019-20 which, if received, would increase the estimated year-end combined General Fund reserves to $3.2 billion (9.7% of projected General Revenue) and total reserves to $5.7 billion (17.2% of projected General Revenue). Estimates are based on information available at the time they are made and are subject to revision as additional information becomes available.

Impact of Recent Hurricanes

The State has experienced two serious hurricanes in recent years, with Hurricane Irma making landfall in Florida in September 2017 and Hurricane Michael hitting the State in October 2018. States of emergency were declared in advance of both hurricanes, which provided the Governor with broad spending authority to meet the State's financial needs resulting from the storms.

As of August 13, 2019, the State estimates that it will spend a total of $2.81 billion in response to Hurricanes Irma and Michael; however, approximately $1.75 billion, or 62%, of the State's spending is expected to be reimbursed by the Federal Emergency Management Agency ("FEMA"). Approximately $1.90 billion of the State's costs will be paid by State agencies. The State continues to monitor all storm-related spending by State agencies, and these expenses will be submitted to FEMA for reimbursement. The State anticipates that it will receive reimbursements from FEMA for 75%, 90%, or 100% of these costs, with the reimbursement levels dependent on the category, timing, and overall amount of expenses for each storm. The State currently projects that $1.75 billion of the costs incurred by State agencies will be reimbursed by FEMA, resulting in an estimated net cost to State agencies of approximately $149.5 million. The State is also obligated to pay a portion of the costs of certain categories of individual assistance and transitional sheltering assistance provided by FEMA to Florida citizens, with those expenses currently totaling approximately $130.2 million. The State also anticipates $18.0 million of costs related to the Disaster Supplemental Nutrition Assistance Program in affected counties. Additionally, the State will be responsible for paying a portion of the hurricane-related expenses of affected counties, with the State's share of county costs for both storms currently estimated at $769.4 million. The county cost are expected to be paid out over several budget years. These cost estimates will continue to develop and the exact timing of the expenditures and FEMA reimbursements is currently unknown.

The total net anticipated cost to the State of Hurricanes Irma and Michael is $1.07 billion ($538.4 million for Hurricane Irma and $528.8 million for Hurricane Michael) with $979.3 million expected to be funded from the State's General Revenue Fund and $87.9 million to be paid from various State trust funds. The Fiscal Year 2018-19 projected year-end General Fund balance of $2.20 billion from the August 14, 2019 General Fund Outlook Statement, includes $783.4 million in net General Revenue costs related to Hurricanes Irma and Michael ($987.2 million of expenditures net of $203.8 million of FEMA reimbursements received through that date). The State projects that it will incur additional net General Revenue costs of $58.5 million ($735.4 million of expenditures net of $676.9 million of FEMA reimbursements) by the end of Fiscal Year 2019-20, with an additional net General Revenue cost of $137.4 million ($486.6 million in expenditures net of $349.2 million of FEMA reimbursements) expected to be incurred over the following several fiscal years.

Additionally, the State has approved the use $75.5 million from available General Revenue to provide bridge loans to small businesses, citrus growers, and agricultural producers of field cops (expected to be repaid to the State over the next one to two fiscal years). The State has also approved $76 million of spending for a small business revolving loan program and community development block grant, with the costs of those programs being paid from State trust funds.

The State has sufficient reserves to fund these disaster recovery efforts and has sufficient liquidity to cover expenses in advance of FEMA reimbursements. The costs resulting from Hurricanes Irma and Michael are not expected to have a material effect on the State's budget or financial position.

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

Litigation Challenging Use of Revenues Restricted by Florida Constitution

In November 2014, the voters of Florida approved an amendment to the Florida Constitution (the "Amendment") which requires that 33% of documentary stamp taxes collected on real estate transactions be set aside in the Land Acquisition Trust Fund (the "LATF") for a period of twenty years beginning July 1, 2015 and be used to acquire and manage lands for conservation and related purposes. The Florida Wildlife Federation, Inc., et al., and the Florida Defenders of the Environment, Inc., et al. (the "Plaintiffs") subsequently sued the State in the Circuit Court of the Second Judicial Circuit in and for Leon County, Florida (the "Circuit Court"), alleging that the Florida Legislature did not comply with the provisions of the Amendment when they adopted the Fiscal Year 2015-16 and 2016-17 budgets. Specifically, Plaintiffs allege that the appropriations from the LATF were used to fund expenditures not allowable under the Amendment. The judge ruled for the Plaintiffs, holding that (1) the State unconstitutionally commingled LATF moneys with General Revenue and other moneys, (2) moneys appropriated from the LATF must be used only for purposes authorized by the Amendment, and (3) the State may spend LATF moneys only on acquiring conservation land and improving, managing and restoring conservation land acquired after the effective date of the Amendment. The State has appealed the Circuit Court decision to the Florida First District Court of Appeal and the Circuit Court decision is stayed pending the outcome of the State's appeal.

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

Documentary stamp tax collections were $2.5 billion in Fiscal Year 2017-18, and the 33% constitutionally dedicated to land conservation purposes was approximately $833 million. Debt service on bonds issued for acquiring conservation land and specifically allowed by the Amendment was approximately $170 million in Fiscal Year 2017-18, leaving a balance of $663 million restricted to appropriations allowable under the Amendment. This is the estimated maximum budgetary impact for unconstitutional appropriations for Fiscal Year 2017-18 if the State loses the appeal and all challenged appropriations from the LATF, except debt service payments, are determined to be unconstitutional. This estimate is intended to illustrate the magnitude of the potential budgetary impact, not to project the potential budgetary impact for future years. The exact dollar amount of the budgetary impact depends on a number of factors including the amount of documentary stamp tax collections and future budgetary decisions. No assurance can be given as to the potential budgetary impact or the ultimate outcome of this litigation. The Fiscal Year 2018-19 General Revenue budget for the State is $32.8 billion. The case is currently pending before the First District Court of Appeal.

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 and B (Multi-Modal), outstanding in the amount of $50,270,000 (the "Variable Rate Everglades Restoration Bonds"). The Division of Bond Finance sold fixed rate bonds to refinance the outstanding Variable Rate Everglades Restoration Bonds on August 8, 2019. The redemption date for the outstanding Variable Rate Everglades Restoration Bonds will be no later than December 4, 2019; thus, upon redemption, the Division of Bond Finance will not have outstanding variable rate debt. The Variable Rate Everglades Restoration Bonds are insured by Assured Guaranty and internal liquidity is provided through a standby bond purchase agreement with the State Treasury, both of which will terminate upon the redemption of the outstanding Variable Rate Everglades Restoration Bonds.

Investment of Funds

All State funds are invested by either the Chief Financial Officer or the Board of Administration. At closing, the 2019D Bond proceeds will be deposited as described above under the heading "THE REFUNDING PROGRAM - Application of the 2019D 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, 2019, the ratio was approximately 48% internally managed funds, 44% externally managed funds, 4% Certificates of Deposit and 4% in an externally managed Security Lending program. The total portfolio market value on June 30, 2019, was $27.001 billion.

Under State law, the Treasury is charged with investing funds of each State agency and the judicial branch. As of June 30, 2019, $20.126 billion of the investments in the Treasury consisted of accounts held by State agencies that are required by law to maintain their investments in the Treasury; additionally, $5.350 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, 2019 the Board of Administration directed the investment/administration of 28 funds.

As of June 30, 2019 the total market value of the FRS (Defined Benefit) Trust Fund was $163.135 billion. 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 27 designated funds other than the FRS (Defined Benefit) Trust Fund. As of June 30, 2019, the total market value of these funds equaled $43.222 billion. Each fund is independently managed by the Board of Administration in accordance with the applicable documents, legal requirements and investment plans. Liquidity and preservation of capital are preeminent investment objectives for most of these funds, so investments for these are restricted to high quality money market instruments (e.g., cash, short-term treasury securities, certificates of deposit, banker's acceptances, and commercial paper). The term of these investments is generally short, but may vary depending upon the requirements of each trust and its investment plan.

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

Bond Ratings

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

Information Technology Security

Similar to other large organizations, the State relies on electronic systems and information technologies ("IT") to conduct operations. Protecting the State's IT infrastructure and data is essential to delivering government services.

The State maintains a security posture designed to protect its data and deter attacks on its IT infrastructure and respond to such attacks to minimize their impact on operations. In 2019, the State Legislature created the Division of State Technology, within the Department of Management Services (formerly known as the Agency for State Technology, or the "AST"), to establish standards and processes for IT security consistent with generally accepted best practices, adopt rules for IT security,[1] develop and annually update a statewide IT security strategic plan,[2] develop a framework for use by state agencies for IT security responsibilities such as conducting IT security risk assessments and reporting IT security incidents, provide IT security training for state agency information security managers, and annually review state agency IT security plans. In addition, the 2019 legislation requires state agencies to annually review and consider upgrades to computing and software applications, with a preference for cloud computing and software solutions. Further, the 2019 legislation created the Florida Cybersecurity Task Force, administratively supported by DMS, to review and provide recommendations for the improvement of the state's cybersecurity infrastructure, governance, and operations. The task force is required to convene by October 1, 2019, meet at least quarterly, and submit a final report of its findings and recommendations to the Executive Office of the Governor, the President of the Senate, and the Speaker of the House of Representatives by November 1, 2020. Historically, the State has maintained reserve funds and a liquidity position that provide the ability to respond to potential attacks.

The Board of Administration acts as the fiscal agent for the bonds that the Division of Bond Finance issues on behalf of the State and its agencies. As trustee for the Division of Bond Finance's bond programs, the Board of Administration protects its data and IT infrastructure, including data and information related to bond programs, through a multifaceted cybersecurity strategy. The Board of Administration's cybersecurity strategy includes a comprehensive set of security policies and procedures, which are designed to guide staff in their cybersecurity responsibilities; a security awareness program, which educates staff on active cybersecurity threats and security best practices; and a risk-based threat and vulnerability management program, which is internally monitored. Additionally, the Board of Administration has implemented access and authentication protocols, which includes multi-factor authentication, and industry standard encryption to protect data in transit and at rest. As a further precaution, the Board of Administration's cybersecurity program is subjected to routine internal audits to evaluate the effectiveness of the program, as well as annual external audits and penetration testing to identify opportunities to improve its security posture. The Board of

[1] In 2016, the AST promulgated rules which serve as the Florida Cybersecurity Standards.
[2] Most recently updated by the AST in February 2018, the Statewide Information Technology Security Strategic Plan focused on protecting the confidentiality, maintaining the integrity, and ensuring the availability of the State's data.

Administration's cybersecurity strategy is supported by administrative and technical controls, which assist in identifying potential threats and preventing attacks that may target the Board of Administration's data and IT systems. Although the State does not have a state-wide "cyber-insurance" policy, the Board of Administration has purchased "cyber-insurance" for expenses incurred as result of cyber incidents or network extortion threats. In the event a cybersecurity issue arises, the Board of Administration has an incident response capability to quickly address such issues.

Despite the State's and the Board of Administration's robust cybersecurity policies and procedures designed to protect their data and IT infrastructure, no assurance is given that the State's security measures will prevent cyber-attacks, nor can any assurance be given that any cyber-attacks, if successful, will not have a material impact on State operations.

Environmental Risk Factors

With more than 2,000 linear miles of coastline, Florida's weather and natural resources affect its economy in a variety of ways. Economic activity attributable to in-migration and tourism represents a significant part of the State's economy, and the State's warm weather and beaches are responsible for attracting seasonal and permanent residents and tourists to the State. Because of the State's reliance on its natural resources to generate business and sustain in-migration, its economy and financial condition may be vulnerable to the impacts of environmental events.

The State has effectively responded to past environmental events, such as multiple hurricanes and the 2010 oil spill in the Gulf of Mexico from the Deepwater Horizon oil drilling rig, and has a variety of resources available to respond to damage caused by such events. The State has financial reserves available to cover response-related expenditures, and, in most cases, the State can request reimbursement from federal relief funds to pay for a portion of such expenditures. In addition, upon a declaration of a state of emergency, Florida law provides the Governor broad spending authority to meet financial needs resulting from a disaster. The Division of Emergency Management ("DEM") was established as part of the State's structure to plan for and respond to both natural and manmade disasters. In addition to coordinating disaster response activities, DEM prepares and implements a statewide Comprehensive Emergency Management Plan and routinely conducts extensive exercises to test state and county emergency response capabilities. In January 2019, the Governor created the Office of Environmental Accountability and Transparency, led by the State's Chief Science Officer, within the Department of Environmental Protection to, in part, conduct scientific research that focuses on current and emerging environmental concerns most pressing to Floridians. In August 2019, the Governor appointed a Chief Resilience Officer to work with the Department of Environmental Protection and other state agencies to, in part, develop and coordinate the implementation of comprehensive statewide resilience goals to mitigate and adapt to the environmental challenges facing Florida's communities.

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

Litigation

Currently there is no litigation pending, or to the knowledge of the Board of Education or the Division of Bond Finance threatened, which if successful would have the effect of restraining or enjoining the issuance or delivery of the 2019D Bonds or questioning or affecting the validity of the 2019D Bonds or the proceedings and authority under which such 2019D 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 2019D 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 2019D 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 2019D 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 2019D 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 2019D 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 2019D 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 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 (the "Rule"). Additionally, the Division of Bond Finance has policies and procedures in place to assist the Board of Education in complying with disclosure undertakings. The form of the CDA and the Division's policies and procedures were amended in response to the two new material events that were added, effective February 27, 2019, to the list of events for which notice is required by the Rule.

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

Bank of America Merrill Lynch (the "Underwriter") has agreed to purchase the 2019D Bonds at an aggregate purchase price of $195,873,778.61 (which represents the par amount of the 2019D Bonds plus an original issue premium of $27,397,272.75 and minus the Underwriter's discount of $348,494.14). The Underwriter may offer and sell the 2019D Bonds to certain dealers (including dealers depositing bonds into investment trusts) and others at prices lower than the offering price stated on the inside front cover.

Execution of Official Statement

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

RICHARD CORCORAN
Commissioner of Education

J. BEN WATKINS III
Director, Division of Bond Finance

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 20.8 million as of April 1, 2018. This represents a 1.7% increase from April 1, 2017.

While the State's population grew by 30.0% between 2000 and 2018, 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. Beginning in 2015 Florida's average annual population growth rate rebounded to 1.58% or higher while the U.S. average annual growth rate remained at 0.74% or lower for the same time period. 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 returned as a decisive factor beginning 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 20.4% by 2020. Whereas the nation's population aged 65 or older in 2010 was approximately 13% 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 in 2010 was 62.9% of total population currently and projected to increase to 61%.

Population Change
Florida and U.S., 1990 - 2030
_(April 1 census day figures)_*

	Florida		U. S.	
Year	(in thousands)	% change	(in thousands)	% change
1990	12,938	32.7%	248,710	9.8%
2000	15,983	23.5	281,425	13.2
2010	18,801	17.6	308,746	9.7
2020 (projected)	21,547	14.6	332,639	7.7
2030 (projected)	24,409	13.2	355,101	6.7

Source: Office of Economic and Demographic Research, The Florida Legislature (July 2019) and U.S. Census Bureau.
*U.S. projected populations as of July 1 of each year.

Florida Population Age Trends, 2010-2030

Age	2010 Population	2010 % of total	2020 Population	2020 % of total	2030 Population	2030 % of total
0-4	1,073,506	5.7%	1,190,749	5.5%	1,337,941	5.5%
5 to 17	2,928,585	15.6%	3,167,969	14.7%	3,520,831	14.5%
18-24	1,739,657	9.3%	1,847,086	8.6%	2,022,859	8.3%
25-44	4,720,799	25.1%	5,349,271	24.8%	6,013,970	24.7%
45-64	5,079,161	27.0%	5,571,633	25.9%	5,542,982	22.7%
65+	3,259,602	17.3%	4,399,839	20.4%	5,918,420	24.3%
Total	18,801,310		21,526,547		24,357,003	

Source: Office of Economic and Demographic Research, The Florida Legislature (June 2018).

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. According to the U.S. Bureau of Economic Analysis (BEA), the State's GDP for 2018 is estimated at $918 billion, which is approximately 4% higher than 2017 GDP of $883 billion.

Florida's GDP has increased 17.1% over the past five years from $784 billion in 2013 to $918 billion in 2018. Private industry accounted for 87% of the State's 2018 GDP and government accounted for the remaining 13%. Real estate was the largest single industry, accounting for 16% of Florida's 2018 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
2013 and 2018

(millions of chained 2012 dollars)[1]

Industry	2013	% of Total	2018	% of Total
Agriculture, forestry, fishing and hunting	$6,229	0.8%	$7,064	0.8%
Mining	1,855	0.2	1,619	0.2
Utilities	15,833	2.0	15,428	1.7
Construction	26,550	3.4	42,552	4.6
Manufacturing	40,074	5.1	50,019	5.4
Wholesale trade	56,974	7.3	68,320	7.4
Retail trade	59,451	7.6	72,583	7.9
Transportation and warehousing,	25,565	3.3	29,328	3.2
Information	34,892	4.4	49,250	5.4
Finance and insurance	43,528	5.6	47,783	5.2
Real estate and rental and leasing	128,404	16.4	147,609	16.1
Professional, scientific, and technical services	55,905	7.1	69,778	7.6
Management of companies and enterprises	12,636	1.6	16,412	1.8
Administrative and waste management services	30,585	3.9	38,048	4.1
Educational services	9,234	1.2	9,145	1.0
Health care and social assistance	69,144	8.8	81,187	8.8
Arts, entertainment and recreation	13,255	1.7	14,473	1.6
Accommodation and food services	34,655	4.4	37,947	4.1
Other services, except government	20,902	2.7	22,578	2.5
Government	98,512	12.6	97,299	10.6
Total [2]	$784,182		$918,442	

Source: U.S. Department of Commerce, Bureau of Economic Analysis (July 2019).

[1] A measure of real output and prices using 2012 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 126.9 million people visited the State in 2018, a 7.2% increase over the final 2017 total. A majority of the tourism-related industries are in the leisure and hospitality industry sector of the Florida ecomony. The leisure and hospitality industry has a significant impact on Florida's Gross Domestic Product (GPD) and total employment within the state. According to the BEA, the leisure and hospitality industry was responsible for approximately 6% of Florida's GDP in 2018. Further, BEA estimates that Florida's leisure and hospitality industry employed approximately 1.4 million people in Florida in 2017, which represents approximately 12% of all non-farm jobs in Florida. According to the Florida Department of Business and Professional Regulation, as of July 1, 2019, 55,640 food service establishments were licensed with seating capacity of 4,192,308, and 47,337 lodging establishments were licensed with 1,777,067 total units. According to the Florida Department of Environmental Protection, visitors to the State's public parks and recreation areas totaled 28.1 million for Fiscal Year 2018, a 14.4 decrease from the prior year, which is attributable to closures caused by Hurricane Irma.

Transportation of goods and passengers is facilitated by Florida's integrated transportation system. According to the Florida Department of Transportation, the State has approximately 122,848 miles of public roads, 2,743 miles of railroad track, AMTRAK passenger train service, 15 deep water seaports, and 31 fixed route urban transit systems. According to the Federal Aviation Administration (FAA), there are 881 aviation facilities, of which 131 are available for public use, 21 provide scheduled commercial service and 15 provide international service. Based on calendar year 2017 FAA enplanements numbers, five Florida airports were among the top 50 in the U.S.

In 2018, agriculture, forestry and fishing constituted only about 0.8% of GDP. However, according to the US Department of Agriculture, in 2017, the State ranked 1st in production of oranges, squash, sugar cane, grapefruit, tomatoes, snap beans and cucumbers and ranked 2nd for production of bell peppers, strawberries, watermelon, cabbage and corn. In 2017, Florida accounted for more than half of the nation's agricultural value of production for grapefruit and oranges.

Construction activity, which constituted approximately 4.6% of Florida's 2018 GDP, is another factor to consider in analyzing the State's economy. The following table shows housing starts and construction values from 2008- 2018.

Florida Housing Starts and Construction Value: 2008-2018[1]

	Housing Starts (thousands)		Construction Value (millions of current dollars)			
Year	Single Family	Multi-Family	Single Family	Multi-Family	Non-Residential	Total
2008	34.5	25.4	$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	7,707.9	1,124.4	15,871.7	24,704.1
2011	29.3	12.3	8,180.6	1,486.1	13,139.9	22,806.7
2012	40.0	20.6	11,806.2	2,693.8	14,186.4	28,686.4
2013	53.4	29.6	16,923.0	3,805.7	12,892.3	33,621.1
2014	53.5	39.4	17,212.8	6,914.4	15,891.7	40,018.9
2015	64.5	49.8	21,406.7	8,061.3	22,206.1	51,674.1
2016	71.1	52.4	22,721.8	10,083.8	23,732.8	56,538.4
2017	79.8	50.8	24,980.4	7,543.0	28,700.8	61,224.2
2018	90.9	53.8	28,081.6	8,755.4	25,704.2	62,541.2

Source: Office of Economic and Demographic Research, The Florida Legislature (July 2019)

[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 9.5 million in Fiscal Year 2017 to more than 10.7 million in Fiscal Year 2018. The unemployment rate decreased for an eighth consecutive year to 3.9% in Fiscal Year 2018. 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 15.7% since 2012 to 8.6 million in 2017. At the same time, total US non-agricultural jobs have increased 9.3% since 2012 to 146.6 million in 2017.

Unemployment Rate, Florida vs. U.S.
Fiscal Years 2008-2018

Fiscal Year	Total Civilian Labor Force (in thousands) Florida	U.S.	Total Employment (in thousands) Florida	U.S.	Annual Average Unemployment Rate (percent) Florida	U.S.
2007-08	9,220.9	153,700.0	8,790.2	146,100.0	4.7%	4.9%
2008-09	9,183.0	154,600.0	8,420.6	142,800.0	8.3	7.6
2009-10	9,159.4	153,900.0	8,143.6	138,900.0	11.1	9.7
2010-11	9,195.1	153,600.0	8,186.6	139,400.0	11.0	9.3
2011-12	9,319.9	154,300.0	8,441.0	141,200.0	9.4	8.5
2012-13	9,409.8	155,300.0	8,670.6	143,200.0	7.9	7.8
2013-14	9,497.9	155,500.0	8,869.7	145,000.0	6.6	6.8
2014-15	9,597.0	156,600.0	9,046.0	147,700.0	5.7	5.7
2015-16	9,729.1	158,000.0	9,243.8	150,100.0	5.0	5.0
2016-17	9,967.3	159,800.0	9,492.5	152,400.0	4.8	4.7
2017-18	10,161.7	161,100.0	9,763.3	154,500.0	3.9	4.1

Source: Office of Economic and Demographic Research, (November 2018).

Composition of Nonagricultural Employment
Florida and the Nation
2012 and 2017
(thousands)

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

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

Income

Historically, Florida's total personal income has grown at rates similar to those of the U.S. and the other southeastern states. From 2009 to 2018, Florida's total personal income grew by 54% and per capita income increased approximately 35%. For the nation and the Southeast, total personal income increased by 46% and 44%, respectively, while per capita income grew 37% and 32%, 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 2013 and 2018. Total Income in Florida has increased approximately 32% over the five year time period. Increases and decreases in income varied across industries, with mining and real estate realizing the largest percentage increases.

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

	Total Personal Income (In millions of Current Dollars)						Per Capita Personal Income (In Current Dollars)					
Year	U.S.	% Change	S.E.	% Change	Florida	% Change	U.S.	% Change	S.E.	% Change	Florida	% Change
2009	$12,051,307	n/a	$2,753,800	n/a	$682,320	n/a	$39,284	n/a	$35,389	n/a	$36,580	n/a
2010	12,541,995	4.1%	2,866,027	4.1%	725,801	6.4%	40,546	3.2%	36,477	3.1%	38,513	5.3%
2011	13,315,478	6.2	3,020,755	5.4	766,186	5.6	42,735	5.4	38,122	4.5	40,128	4.2
2012	13,998,383	5.1	3,151,613	4.3	791,919	3.4	44,599	4.4	39,432	3.4	40,976	2.1
2013	14,175,503	1.3	3,164,660	0.4	794,797	0.4	44,851	0.6	39,287	(0.4)	40,627	(0.9)
2014	14,983,140	5.7	3,350,203	5.9	858,499	8.0	47,060	4.9	41,234	5.0	43,227	6.4
2015	15,711,634	4.9	3,526,433	5.3	919,227	7.1	48,985	4.1	42,986	4.2	45,452	5.1
2016	16,115,630	2.6	3,626,161	2.8	953,261	3.7	49,883	1.8	43,743	1.8	46,208	1.7
2017	16,820,250	4.4	3,783,717	4.3	1,000,624	5.0	51,731	3.7	45,224	3.4	47,701	3.2
2018	17,572,929	4.5	3,952,330	4.5	1,052,550	5.2	53,712	3.8	46,830	3.6	49,417	3.6

Source: U.S. Department of Commerce, Bureau of Economic Analysis (March 2019).

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Florida Personal Income and Earnings by Major Source: 2013 vs. 2018

(thousands of current dollars)

	2013	% Total	2018	% Total
Wages and Salaries/Earnings:				
Private:				
Forestry, fishing and other	1,666,493	0.2%	1,818,969	0.2%
Mining	86,749	0.0%	549,008	0.0%
Utilities	3,061,349	0.3%	3,716,234	0.3%
Construction	22,853,790	2.5%	45,314,666	3.7%
Manufacturing	23,384,739	2.5%	30,160,016	2.5%
Wholesale Trade	27,603,011	3.0%	33,971,082	2.8%
Retail Trade	37,692,325	4.1%	46,872,816	3.9%
Transportation & Warehousing	17,738,287	1.9%	23,378,103	1.9%
Information	15,060,625	1.6%	17,403,707	1.4%
Finance and insurance	33,318,835	3.6%	44,864,402	3.7%
Real estate and rental and leasing	7,490,929	0.8%	15,566,591	1.3%
Professional and technical services	46,345,258	5.0%	62,855,943	5.2%
Management of companies and enterprises	10,573,345	1.1%	14,171,128	1.2%
Administrative and waste services	27,479,817	3.0%	37,400,783	3.1%
Educational services	7,775,583	0.8%	8,954,135	0.7%
Health care and social assistance	62,899,500	6.8%	78,866,540	6.5%
Arts, entertainment and recreation	9,610,805	1.0%	11,869,718	1.0%
Accommodation and food services	22,480,051	2.4%	28,078,261	2.3%
Other services, except public administration	22,480,051	2.4%	28,078,261	2.3%
Total Private	400,910,157	43.6%	537,514,535	44.4%
Government & government enterprises	79,154,171	8.6%	88,311,850	7.3%
Total Non Farm Earnings:	480,064,328	52.2%	625,826,385	51.7%
Farm Earnings:	2,836,078	0.3%	2,310,820	0.2%
Total Wages & Salaries Earnings:	482,900,406	52.5%	628,137,205	51.9%
Other Income:				
plus: Dividends, Interest & Rent	204,649,895	22.3%	285,971,314	23.6%
plus: Personal current transfer receipts	160,920,491	17.5%	207,872,196	17.2%
plus: Adjustment for residence	3,051,652	0.3%	3,624,976	0.3%
Less: Contributions for social insurance	(56,725,464)	(6.2)%	(73,055,537)	(6.0)%
Total Other Income:	311,896,574	33.9%	424,412,949	35.0%
Total Personal Income and Earnings:	794,796,980	86.4%	1,052,550,154	86.9%
Other Earnings:				
Supplements to wages and salaries	80,385,943	8.7%	96,093,264	7.9%
Proprietors' income:	44,298,248	4.8%	62,631,322	5.2%
Total Other Earnings:	124,684,191	13.6%	158,724,586	13.1%
TOTAL INCOME AND EARNINGS:	$919,481,171	100.0%	$1,211,274,740	100.0%

Source: US Department of Commerce, Bureau of Economic Analysis (March 2019).

International Trade

Florida's location lends itself to international trade and travel. Florida was the 8th largest exporter in the nation in 2017. The State's international merchandise trade (imports and exports) totaled $147.7 billion in 2017, an increase of 3.6% over 2016. Between 2016 and 2017, Florida's merchandise exports grew by 3.5% and imports grew by 3.7%. During the same period, the nation's exports and imports decreased by 3.3% and 2.6%, respectively.

The State's top five exports for 2017 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 2017 were Brazil, China, Chile, Japan and Columbia.
(Source: Enterprise Florida, June 2017)

Florida's International Trade: 2008-2017
(billions of U.S. dollars)

Year	Exports	% Change	Imports	% Change
2008	$73,022	23.9%	$57,525	2.9%
2009	59,884	(18.0)	43,107	(25.1)
2010	73,064	22.0	53,164	23.3
2011	86,753	18.7	62,413	17.4
2012	90,360	4.2	71,833	15.1
2013	85,460	(5.4)	73,119	1.8
2014	81,776	(4.3)	71,228	(2.6)
2015	73,305	(10.4)	73,797	3.6
2016	67,834	(7.5)	74,723	1.3
2017	70,200	3.5	77,489	3.7

Source: Enterprise Florida (June 2017).

Primary Sources of Sales Tax

The following tables illustrate taxable sales by category of expenditure over the past ten years, and compare the top twenty-five types of businesses generating sales tax revenues in Fiscal Years 2013 and 2018.

Florida Taxable Sales and Sales Tax Liability by Category
Fiscal Years ended June 30
(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
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	5,528.6	120,795	7,301.1	73,841	4,415.6	26,632	1,592.5	25,500	1,524.4	81,998	4,745.7
2018	98,448	5,887.0	125,786	7,600.0	76,471	4,573.0	27,791	1,662.0	27,373	1,637.0	87,193	5,108.0

Source: Office of Economic and Demographic Research (December 2018)

State Sales Tax Collections by Top 25 Business Types
Fiscal Years Ended June 30, 2013 vs. 2018 [1,3]

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

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

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

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

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

STATE FINANCIAL OPERATIONS

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

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

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

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

Budgetary Process

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

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

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

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

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

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

Revenue Estimates

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

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

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

State Revenue Limitation

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

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

Financial Control

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

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

Budget Shortfalls

Appropriations are maximum amounts available for expenditure in the current fiscal year and are contingent upon the collection of sufficient revenues. The Governor and the Chief Financial Officer are responsible for ensuring that revenues collected will be sufficient to meet appropriations and that no deficit occurs in any state fund. A determination that a deficit has occurred or will occur can be made by either the Governor or the Chief Financial Officer after consultation with the revenue estimating conference. If the Governor fails to certify a deficit, the Speaker of the House of Representatives and President of the Senate may do so after consultation with the revenue estimating conference. A determination made by the Chief Financial Officer is reported to the Governor, the Speaker of the House and the President of the Senate, and subsequently to the Legislative Budget Commission for further action, if neither the Governor nor the House Speaker and Senate President certifies the existence of a deficit within 10 days after the report by the Chief Financial Officer. Within 30 days after determining that a budget shortfall will occur, the Governor is required to develop a plan of action to eliminate the budget shortfall for the executive branch and the Chief Justice of the Supreme Court is required to develop a plan of action for the judicial branch.

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

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

Evaluation, Accounting and Auditing Procedures

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

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

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

REVENUES

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

Sales and Use Tax

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

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

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

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

Motor Fuel Tax

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

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

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

Alcoholic Beverage Tax

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

Corporate Income Tax

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

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

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

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

Documentary Stamp Tax

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

At its inception, documentary stamp tax proceeds were credited to the General Revenue Fund. However, over the years a series of statutory amendments have dedicated portions of the proceeds to various trust funds for specific purposes. The 2005 legislature enacted legislation which dedicates a portion (currently $541.75 million) of documentary tax collections which otherwise would have gone to the General Revenue Fund, for growth management.

In addition, a measure was adopted, effective July 1, 2007, which limits the dollar amount of distributions to certain funds, subject to adjustment, beginning July 1, 2008, if collections exceed the prior year's receipts.

Documentary stamp tax collections are currently distributed as follows:

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

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

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

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

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

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

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

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

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

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

The balance of the remainder to the General Revenue Fund.

Intangible Personal Property Tax

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

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

Insurance Premium Tax

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

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

Gross Receipts Tax

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

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

Communications Services Tax

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

Other State Taxes

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

Tobacco Litigation Settlement

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

A portion of the tobacco settlement revenues have been deposited in the Lawton Chiles Endowment Fund to provide a perpetual source of funding for health and human services for children and elders, and for biomedical research activities. As of September 30, 2017, the market value of the endowment was $731.9 million.

Lottery

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

FLORIDA FINANCIAL INFORMATION

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

Five Year History of Trust Fund and General Revenues

(millions of dollars)

General Revenue Receipts[1]	2013-14	2014-15	2015-16	2016-17	2017-18
Sales and Use Tax[2]	$19,707.7	$21,062.7	$21,998.0	$22,987.4	$24,138.7
Beverage Licenses and Taxes	443.8	451.4	357.7	314.7	289.2
Corporation Income Tax	2,042.5	2,236.3	2,272.1	2,366.4	2,413.0
Documentary Stamp Tax	603.7	756.3	744.1	762.2	867.2
Corporate Filing Fees	298.6	309.8	317.4	352.9	367.0
Tobacco Tax	178.2	181.2	187.5	183.0	182.6
Insurance Premium Tax	675.6	666.9	682.8	708.4	799.6
Indian Gaming	230.3	248.5	207.7	116.0	328.5
Pari-mutuel Fees, Licenses and Taxes	14.8	13.8	12.8	10.8	17.4
Slot Machine Licenses GR	10.5	13.0	11.0	12.0	11.5
Intangible Personal Property Tax	256.1	303.9	338.7	372.9	371.2
Earnings on Investments	75.6	106.5	115.8	131.0	136.1
Auto Title and Lien Fees	65.3	92.0	108.9	116.1	121.6
Oil and Gas Severance Tax	7.0	4.2	1.2	1.1	1.4
Solid Mineral Severance Tax	12.9	10.5	10.7	10.4	10.8
Drivers Licenses and Fees	178.4	147.8	106.0	188.0	217.6
HSMV Misc Fees, Licences & Fines	64.4	61.4	66.8	66.9	72.2
Motor Vehicle and Mobile Home Licenses	451.4	180.6	114.9	118.7	127.2
Article V Fees & Transfers	173.7	151.1	138.8	126.6	104.0
Counties' Medicaid Share GR	296.1	289.6	301.6	301.5	295.3
Miscellaneous Revenue GR[5]	6.0	6.5	6.9	6.6	7.0
Motor Vehicle Charges	117.7	104.6	2.9	0.0	0.0
Fines/Foreitures/Judgements GR[5]	24.2	4.0	25.7	34.0	6.6
Other GR[4,5]	176.0	171.0	182.1	170.0	225.2
Total GR Collections and Transfers	**26,110.6**	**27,573.7**	**28,312.0**	**29,457.7**	**31,110.7**
Plus Service Charges to GR	466.8	500.1	455.2	464.9	472.0
Less Refunds of GR	(379.5)	(392.7)	(441.7)	(328.2)	(364.6)
Net GR Collections and Transfers	**26,198.0**	**27,681.1**	**28,325.4**	**29,594.5**	**31,218.2**
Trust Fund Revenues[1]					
Major Transportation Revenues:					
Auto Title and Lien Fees	319.9	323.8	329.8	341.7	345.1
Motor Fuel Tax	1,955.3	2,052.0	2,158.5	2,234.7	2,300.6
Motor Vehicle and Mobile Home Licenses	867.2	891.0	928.5	975.6	1,017.9
Motor Vehicle Fees and Charges	250.8	302.0	435.7	438.0	441.4
Subtotal	3,393.1	3,568.8	3,852.4	3,990.0	4,104.9
Workers Insurance Tax:					
Workers Compensation Assessment	82.4	81.6	81.7	82.0	78.9
Workers' Comp. Special Disability	46.6	43.6	45.1	45.6	47.5
Reemployment Assistance Tax	1,937.4	1,541.6	1,074.1	821.2	606.3
Subtotal	2,066.4	1,666.7	1,201.0	948.7	732.7
Conservation and Recreational Lands:					
Documentary Stamp Tax	1,147.3	1,303.1	1,532.8	1,655.5	1,642.8
Solid Mineral Severance Tax	15.5	14.0	13.7	13.0	16.8
Oil and Gas Severance Tax	2.2	0.1	0.1	0.4	0.5
Sales and Use Tax	23.3	22.7	22.5	25.0	27.3
Subtotal	1,188.3	1,340.0	1,569.1	1,693.9	1,687.4
Education - Tuition , Fees and Charges:					
Slot Machine Tax to Education	173.1	182.2	187.3	191.6	191.9
Lottery to Education	1,475.0	1,479.0	1,582.0	1,724.7	1,760.0
Unclaimed Property (State School Trust Fund)	142.3	213.0	175.6	133.9	178.5
Subtotal	1,790.4	1,874.2	1,944.9	2,050.2	2,130.4
Agencies' Administrative Trust Funds:					
Beverage Licenses and Taxes	32.0	31.4	33.1	34.0	29.6
Insurance Premium Tax	53.3	50.6	52.0	51.5	51.1
General Inspection Fees and Licenses	57.6	72.0	58.0	72.2	57.1
Citrus Inspection Fees and Licenses	15.4	14.0	13.0	11.2	8.5
D.F.S. and Treas Fees, Licenses & Taxes	132.6	155.8	157.2	158.6	157.7
Citrus Taxes	31.1	25.0	23.3	6.8	4.6
Hunting and Fishing Licenses	53.5	59.1	57.6	60.1	60.1
Pari-mutuel Fees, Licenses and Taxes	12.3	12.4	13.5	15.3	9.4
Professional Fees and Licenses	78.2	86.5	82.7	98.8	86.8
Drivers' Licenses and Fees	139.4	154.6	145.9	148.6	156.3
HSMV, Misc Fees, Licenses & Fines	33.6	33.6	32.5	33.6	34.5
Slot Machine Licenses and Fees	5.6	3.1	7.3	6.3	6.8
Lottery to Administration	420.1	450.9	555.4	368.9	492.5
Subtotal	1,064.6	1,149.0	1,231.4	1,066.0	1,155.1

Other Trust Fund Revenues for State Use:	2013-14	2014-15	2015-16	2016-17	2017-18
Tobacco Tax	987.3	1,004.4	1,020.3	1,012.6	983.1
Lottery Prizes	3,482.9	3,664.8	3,938.1	4,075.8	4,462.0
Unclaimed Property DFS Trust (Residual)	241.2	269.4	296.8	296.9	330.5
Tobacco Fines/Forfeitures/Judgements Trust	378.0	367.8	368.8	362.2	339.0
Other Fines/Forfeitures/Judgements Trust	260.5	254.2	205.1	228.6	195.3
Article V Fees	122.2	114.8	109.1	105.9	104.6
Earnings on Investments	104.8	184.3	203.5	228.7	247.5
Miscellaneous Revenues[3]	187.4	196.4	237.1	210.6	204.5
Refunds & Reimbursement	1,468.8	1,833.0	1,959.4	2,302.1	2,949.2
Sales, Concessions, Rent & Leases	77.3	136.7	77.2	93.1	102.6
Other Fees, Licenses and Taxes	3,569.2	3,502.6	2,947.2	2,783.9	2,907.9
Subtotal	10,879.6	11,528.3	11,362.6	11,700.4	12,826.2
Total Trust Fund Revenue for State Use	**20,382.6**	**21,126.9**	**21,161.4**	**21,449.2**	**22,636.6**
Revenues Shared With Local Governments and School Districts					
Sales and Use Tax	2,396.3	2,554.7	2,692.5	2,793.5	2,927.0
Beverage Licenses and Taxes	15.5	16.0	16.1	16.3	16.8
Documentary Stamp Tax	61.5	61.4	0.0	0.0	0.0
Insurance Premium Tax	173.1	169.7	175.9	172.3	179.6
Indian Gaming	7.0	7.1	7.7	6.3	3.5
Motor Fuel Tax	368.8	381.7	399.3	410.3	416.3
Oil and Gas Severance Tax	1.8	1.2	0.4	0.3	0.4
Solid Mineral Severance Tax	8.1	6.8	9.4	8.7	6.7
Gross Receipts Tax[2]	1,005.4	1,152.4	1,157.7	1,111.6	1,153.7
Mtr Vehicle and Mobile Home Licenses	147.1	156.9	165.8	170.8	182.3
Tobacco Taxes	7.0	7.2	7.4	7.3	7.0
Other Fees, Licenses and Taxes[2]	54.9	56.9	60.3	64.3	63.4
Total Local Government	**4,246.5**	**4,572.1**	**4,692.5**	**4,761.8**	**4,956.7**
Federal and Local Assistance					
Counties and Cities	66.3	59.1	80.0	80.8	80.7
U.S. Government	23,874.8	23,915.3	24,946.1	25,420.4	26,931.5
Other Assistance and Donations Grants	109.3	180.5	134.7	144.4	77.9
Total Federal and Local Assistance	**24,050.4**	**24,155.0**	**25,160.8**	**25,645.6**	**27,090.2**
Summary of Trust Fund and General Revenue					
General Revenue	26,198.0	27,681.1	28,325.4	29,594.5	31,218.2
Trust Fund	20,382.6	21,126.9	21,161.4	21,449.2	22,636.6
Revenues Shared with Local Governments	4,246.5	4,572.1	4,692.5	4,761.8	4,956.7
Donations & Fed Assistance	24,050.4	24,155.0	25,160.8	25,645.6	27,090.2
Total Direct Revenues	**$74,877.5**	**$77,535.1**	**$79,340.1**	**$81,451.1**	**$85,901.7**

Source: Florida Office of Economic and Demographic Research (January 2019).

1 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.

2 Includes a portion of Communications Services Tax.

3 Includes an unknown amount of General Revenue appropriations.

4 Includes Other Fees Licenses and Taxes General Revenue and Other Nonoperating General Revenue.

5 Numbers have been adjusted to reflect historical changes made in January 2019 conference results.

GENERAL REVENUE FUND
FINANCIAL RETROSPECT AND OUTLOOK STATEMENTS

Retrospect Statement
Fiscal Years 2016-17 and 2017-18
(millions of dollars)

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

The cash balance in the Budget Stabilization Fund (not shown here) at the end of Fiscal Year 2016-17 was $1,384.4 million. The revenue collections for Fiscal Year 2016-17 do not include payments received by the state that are related to the continuation of banked card games. These payments were accounted for separately (effectively held in reserve) and totaled $166.5 million in Fiscal Year 2016-17. The first payment of $400 million from the BP Settlement Agreement was received July 1, 2016. Pursuant to Chapter 2017-63, L.O.F., 75 percent of all payments to the state must be transferred immediately from the General Revenue Fund to the Triumph Gulf Coast Trust Fund for subsequent transfer to a trust account held by Triumph Gulf Coast, Inc. The revenue numbers shown here are net of this transfer.

	Recurring Funds	Non-Recurring Funds	Total All Funds
FUNDS AVAILABLE 2017-18			
Balance Forward from 2016-17	$0.0	$1,514.5	$1,514.5
Revenue Collections	30,850.5	406.1	31,256.6
BP Settlement Agreement Payment State Share	26.7	(26.7)	0.0
Transfers from Trust Funds	0.0	449.8	449.8
Release of Indian Gaming Reserve	0.0	226.8	226.8
FEMA Reimbursements	0.0	22.2	22.2
Miscellaneous Adjustments	0.0	0.1	0.1
Fixed Capital Outlay Reversions	0.0	6.6	6.6
Federal Funds Interest Payment	(0.3)	0.0	(0.3)
Total 2017-18 Funds Available	$30,876.8	$2,599.4	$33,476.2
EXPENDITURES 2017-18			
Operations	$15,710.9	$411.0	$16,121.9
Aid to Local Governments	15,126.4	8.0	15,134.4
Fixed Capital Outlay	149.9	234.0	383.9
Fixed Capital Outlay/Aid to Local Governments	2.1	149.4	151.5
Transfer to Budget Stabilization Fund	0.0	32.1	32.1
Miscellaneous Nonoperating Expenditures	0.0	6.5	6.5
Total 2017-18 Expenditures	$30,989.3	$841.0	$31,830.3
ENDING BALANCE	($112.5)	$1,758.4	$1,645.9

The cash balance in the Budget Stabilization Fund (not shown here) at the end of Fiscal Year 2017-18 was $1,416.5 million. Based on the Settlement Agreement and Stipulation entered into between the Seminole Tribe of Florida and the State of Florida in July 2017, the payments associated with banked card games that the state has held in reserve ($233.8 million) were released in August 2017, and no future payments will be placed in reserve. The total reserve release shown is net of the $7.0 million local distribution. Amounts are displayed to one decimal place but calculated at the full dollar amount, so they may not add to the total.

Source: Office of Economic and Demographic Research.

GENERAL REVENUE FUND
FINANCIAL OUTLOOK STATEMENT

Including Results of August 14, 2019 Revenue Estimating Conference and Other Adjustments as of August 2, 2019
Fiscal Year 2018-19 through Fiscal Year 2024-25
(in millions of dollars)

	Recurring Funds	Non-Recurring Funds	Total All Funds
FUNDS AVAILABLE 2018-19			
Balance Forward from 2017-18	$0.0	$1,645.9	$1,645.9
Revenues	32,724.7	689.1	33,413.8
BP Settlement Agreement Payment State Share[4]	26.7	0.0	26.7
HB 5001 (2018) Transfers from Trust Funds (Net of Vetoes)	0.0	398.6	398.6
Fixed Capital Outlay Reversions	0.0	2.0	2.0
FEMA Reimbursements	0.0	203.8	203.8
Budget Amendments - Revert FCO Carry Forward	0.0	7.7	7.7
SB 2500 (2019) - Revert FCO Carry Forward	0.0	0.9	0.9
SB 2500 (2019) - FCO Carry Forward Reversion with Reappropriation	0.0	0.8	0.8
Federal Funds Interest Earnings Rebate	(2.0)	0.0	(2.0)
Total 2018-19 Funds Available[1,2,3,4]	$32,749.4	$2,948.8	$35,698.2
EFFECTIVE APPROPRIATIONS 2018-19			
State Operations	$16,210.2	$734.6	$16,994.8
Aid to Local Government	15,507.1	(78.6)	15,428.5
Fixed Capital Outlay	55.0	187.7	242.7
Fixed Capital Outlay/Aid to Local Government	1.8	230.8	232.6
HB 5001 (2018) Transfer to Budget Stabilization Fund[1]	0.0	66.5	66.5
Budget Amendments - Campaign Finance Match	0.0	9.9	9.9
Budget Amendments - Bridge Loans	0.0	53.0	53.0
Bridge Loans Reversion from Unbudgeted Reserve	0.0	(20.0)	(20.0)
Budget Amendments - Red Tide Response	0.0	17.2	17.2
Budget Amendments - Hurricane Michael Response	0.0	590.6	590.6
Reappropriations - 2017-18 Hurricane Response	0.0	48.2	48.2
Reappropriations - Other	0.0	27.1	27.1
SB 2500 (2019) Reversions	0.0	(160.8)	(160.8)
SB 2500 (2019) Supplemental Appropriations	0.0	98.6	98.6
Bills with Appropriations (Net of Vetoes)	0.0	0.2	0.2
SB 2500 (2019) Reversions with Reappropriations	0.0	(84.9)	(84.9)
Total 2018-19 Effective Appropriations	$31,774.1	$1,720.1	$33,494.2
Ending Balance[2,3]	$975.3	$1,228.7	$2,204.0
FUNDS AVAILABLE 2019-20			
Balance Forward from 2018-19	$0.0	$2,204.0	$2,204.0
Estimated Revenues	34,005.4	(1,062.1)	32,943.3
Prior Year Indian Gaming State Liability for Local Distribution	0.0	(7.2)	(7.2)
BP Settlement Agreement Payment State Share[4]	26.7	0.0	26.7
SB 2500 (2019) Trust Fund Transfers (Net of Vetoes)	0.0	343.3	343.3
Unused Appropriations/Reversions	0.0	94.0	94.0
Fixed Capital Outlay Reversions	0.0	2.0	2.0
Federal Funds Interest Earnings Rebate	(3.3)	0.0	(3.3)
Total 2019-20 Funds Available[1,2,3,4]	$34,028.8	$1,574.0	$35,602.8
EFFECTIVE APPROPRIATIONS 2019-20			
State Operations	$16,568.6	$631.8	$17,200.4
Aid to Local Government	16,277.1	(133.2)	16,143.9
Fixed Capital Outlay	41.0	146.5	187.5
Fixed Capital Outlay/Aid to Local Government	3.7	406.6	410.3
SB 2500 (2019) Transfer to Budget Stabilization Fund[1]	0.0	91.2	91.2
Reappropriations	0.0	85.7	85.7
Budget Amendments - Bridge Loans	0.0	9.0	9.0
Budget Amendments - Hurricane Michael Response	0.0	21.9	21.9
Total 2019-20 Effective Appropriations	$32,890.4	$1,259.5	$34,149.9
Ending Balance[2,3]	$1,138.4	$314.5	$1,452.9

GENERAL REVENUE FUND
FINANCIAL OUTLOOK STATEMENT (cont)

	Recurring Funds	Non-Recurring Funds	Total All Funds
FUNDS AVAILABLE 2020-21			
Balance Forward from 2019-20	$0.0	$1,452.9	$1,452.9
Estimated Revenues	35,067.8	(704.5)	34,363.3
BP Settlement Agreement Payment State Share[4]	26.7	0.0	26.7
Unused Appropriations/Reversions	0.0	94.9	94.9
Fixed Capital Outlay Reversions	0.0	2.0	2.0
Federal Funds Interest Earnings Rebate	(1.2)	0.0	(1.2)
Total 2020-21 Funds Available[1,2,3,4]	$35,093.3	$845.3	$35,938.6
FUNDS AVAILABLE 2021-22			
Estimated Revenues	$36,183.7	($471.4)	$35,712.3
BP Settlement Agreement Payment State Share[4]	26.7	0.0	26.7
Unused Appropriations/Reversions	0.0	94.9	94.9
Fixed Capital Outlay Reversions	0.0	2.0	2.0
Federal Funds Interest Earnings Rebate	(1.4)	0.0	(1.4)
Total 2021-22 Funds Available[1,2,3,4]	$36,209.0	($374.5)	$35,834.5
FUNDS AVAILABLE 2022-23			
Estimated Revenues	$37,189.6	($115.1)	$37,074.5
BP Settlement Agreement Payment State Share[4]	26.7	0.0	26.7
Unused Appropriations/Reversions	0.0	94.9	94.9
Fixed Capital Outlay Reversions	0.0	2.0	2.0
Federal Funds Interest Earnings Rebate	(1.7)	0.0	(1.7)
Total 2022-23 Funds Available[1,2,4]	$37,214.6	($18.2)	$37,196.4
FUNDS AVAILABLE 2023-24			
Estimated Revenues	$38,246.6	($9.5)	$38,237.1
BP Settlement Agreement Payment State Share[4]	26.7	0.0	26.7
Unused Appropriations/Reversions	0.0	94.9	94.9
Fixed Capital Outlay Reversions	0.0	2.0	2.0
Federal Funds Interest Earnings Rebate	(2.0)	0.0	(2.0)
Total 2023-24 Funds Available[1,2,4]	$38,271.3	$87.4	$38,358.7
FUNDS AVAILABLE 2024-25			
Estimated Revenues	$39,468.8	($1.8)	$39,467.0
BP Settlement Agreement Payment State Share[4]	26.7	0.0	26.7
Unused Appropriations/Reversions	0.0	94.9	94.9
Fixed Capital Outlay Reversions	0.0	2.0	2.0
Federal Funds Interest Earnings Rebate	(2.1)	0.0	(2.1)
Total 2024-25 Funds Available[1,2,4]	$39,493.4	$95.1	$39,588.5

Source: Office of Economic and Demographic Research.

1 The cash balance in the Budget Stabilization Fund (not shown here) at the time of this Outlook was $1,483.0 million and included the Fiscal Year 2018-19 transfer of $66.5 million. The required balance for Fiscal Year 2019-20 is $1,574.2 million, requiring a transfer of $91.2 million. Based on the August 14, 2019 forecast, transfers of $97.8 million in Fiscal Year 2020-21, zero in Fiscal Year 2021-22, $71.0 million in Fiscal Year 2022-23, $138.5 million in Fiscal Year 2023-24 and $135.6 million in Fiscal Year 2024-25 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 2018-19 were lower than the January 2012 estimate; thus, no transfer is required for Fiscal Year 2019-20. The estimate of repayment for Fiscal Year 2020-21 is zero. The final repayment of $304.7 million (not shown on this Outlook) will be due in Fiscal Year 2021-22, in accordance with section 409.915(8), F.S.

4 Payments are associated with the settlement reached in In re: Oil Spill by the Oil Rig “Deepwater Horizon” in the Gulf of Mexico, MDL No. 2179 (April 20, 2010). The payments are in consideration of the full and complete settlement and release of claims by the State for various damages. It provides a total payment to the State of Florida of $2.0 billion over the period Fiscal Year 2016-17 through 2032-33. The first payment of $400 million was received on July 1, 2016. Annual payments of $106.7 million began 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 2018-19 of $33,413.8 million were $2.20 billion, or 7.0%, more than collections for Fiscal Year 2017-18. General revenue projections adopted at the August 14, 2019 meeting of the Revenue Estimating Conference for Fiscal Years 2019-20 through 2022-23, are shown in the following table.

General Revenues
Fiscal Years 2018-19 through 2022-23
(millions of dollars)

	Actual 2018-19	Est. 2019-20	% change	Est. 2020-21	% change	Est. 2021-22	% change	Est. 2022-23	% Change
Sales Tax	$25,385.3	$26,137.0	3.0%	$27,025.0	3.4%	$27,932.8	3.4%	$28,822.6	3.2%
Beverage Tax & License	305.3	290.6	(4.8)%	312.1	7.4%	324.1	3.8%	335.1	3.4%
Corporate Income Tax	3,139.9	2,729.8	(13.1)%	2,762.1	1.2%	2,962.3	7.2%	3,388.6	14.4%
Doc Stamp Tax	912.1	947.6	3.9%	981.9	3.6%	1,014.6	3.3%	1,047.9	3.3%
Tobacco Tax	184.9	173.8	(6.0)%	169.9	(2.2)%	171.2	0.8%	169.7	(0.9)%
Insurance Premium Tax	877.1	947.4	8.0%	975.0	2.9%	1,025.9	5.2%	1,065.5	3.9%
Pari-Mutuels Tax	22.2	22.1	(0.5)%	22.2	0.5%	22.2	0.0%	22.4	0.9%
Intangibles Tax	385.2	396.9	3.0%	406.3	2.4%	415.7	2.3%	425.3	2.3%
Indian Gaming Revenues	247.7	-	(100.0)%	-	0.0%	-	0.0%	-	0.0%
Earnings on Investments	224.4	214.7	(4.3)%	234.0	9.0%	271.3	15.9%	279.3	2.9%
Highw ay Safety Licenses & Fees	545.9	511.5	(6.3)%	471.1	(7.9)%	418.8	(11.1)%	393.0	(6.2)%
Counties' Medicaid Share	298.7	302.1	1.1%	330.8	9.5%	332.1	0.4%	341.2	2.7%
Severence Taxes	11.9	11.2	(5.9)%	10.8	(3.6)%	10.9	0.9%	10.6	(2.8)%
Service Charges	481.4	484.9	0.7%	493.2	1.7%	498.0	1.0%	507.2	1.8%
Corporate Filing Fees	398.8	411.7	3.2%	425.5	3.4%	438.5	3.1%	449.5	2.5%
Other Taxes, Licenses & Fees	387.9	314.9	(18.8)%	302.2	(4.0)%	291.6	(3.5)%	283.2	(2.9)%
Total Revenue	33,808.7	33,896.2	0.3%	34,922.1	3.0%	36,130.0	3.5%	37,541.1	3.9%
Less: Refunds	(394.9)	(952.9)	141.3%	(558.8)	(41.4)%	(417.7)	(25.3)%	(466.6)	11.7%
Net General Revenue	$33,413.8	$32,943.3	(1.4)%	$34,363.3	4.3%	$35,712.3	3.9%	$37,074.5	3.8%

Source: Office of Economic and Demographic Research, August 14, 2019 Consensus Revenue Estimating Conference.
[1] Represents percentage change from prior year, based on current estimates.
[2] Florida law redirects to various trust funds Documentary Stamp Tax Collections which otherwise would go into the General Revenue Fund.

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

Operating and Fixed Capital Outlay Budget By Program Area
Fiscal Years 2015-16 through 2019-20
(in million of dollars)

Program	2015-16[1]		2016-17[1]		2017-18[1]		2018-19[1]		2019-20[2]	
General Revenue	Operating	FCO	Operating	FCO	Operating	FCO	Operating	FCO	Operating	FCO
Education	$15,101.7	$1.7	$15,577.1	$29.0	$16,628.3	$143.8	$16,972.6	$245.9	$17,432.7	$101.3
Human Services	8,761.6	12.0	9,488.3	8.4	9,361.2	12.2	9,920.4	6.8	10,194.5	11.1
Criminal Justice & Corrections	3,494.2	77.3	3,587.9	85.1	3,712.9	71.5	3,757.6	68.5	4,016.7	80.2
Natural Resources, Environmental										
Growth Mngmt, & Transportation	158.6	140.6	185.7	174.9	192.4	166.2	340.2	99.1	193.8	342.1
General Government	655.6	54.7	679.8	73.0	720.0	44.5	931.0	55.0	1,104.8	86.7
Judicial Branch	411.1	15.4	420.5	14.0	439.9	3.4	451.6	-	459.0	1.0
Total General Revenue	$28,582.7	$301.7	$29,939.4	$384.3	$31,054.8	$441.5	$32,373.3	$475.2	$33,401.5	$622.5
Trust Funds										
Education	$6,014.7	$1,804.9	$6,291.4	$2,007.2	$6,564.1	$1,699.7	$6,926.0	$1,651.7	$5,108.2	$1,316.7
Human Services	24,194.8	27.7	25,095.4	20.2	26,686.5	57.1	27,277.2	10.3	27,447.8	14.1
Criminal Justice & Corrections	681.8	-	808.2	-	807.8	-	844.1	5.3	773.2	-
Natural Resources, Environment										
Growth Mngmt, Transportation	2,823.3	10,246.6	3,143.5	11,082.6	3,108.0	10,994.3	3,120.9	11,247.8	3,134.5	11,087.6
General Government	3,573.7	84.4	3,642.8	60.1	3,699.5	50.5	5,226.5	61.0	5,947.2	71.5
Judicial Branch	92.7	-	91.2	-	93.0	-	93.3	-	94.4	0.6
Total Trust Funds	$37,381.0	$12,163.5	$39,072.9	$13,170.1	$40,958.9	$12,801.6	$43,488.1	$12,976.1	$42,505.3	$12,490.5
Total All Funds										
Education	$21,116.5	$1,806.6	$21,868.5	$2,036.3	$23,192.3	$1,843.4	$23,898.5	$1,897.6	$22,541.0	$1,418.0
Human Services	32,956.4	39.7	34,584.2	28.6	36,047.8	69.4	37,197.7	17.0	37,642.3	25.2
Criminal Justice & Corrections	4,176.0	77.3	4,396.1	85.1	4,520.7	71.5	4,601.7	73.8	4,789.9	80.2
Natural Resources, Environment										
Growth Mngmt, Transportation	2,981.9	10,387.2	3,329.3	11,257.5	3,300.4	11,160.4	3,461.1	11,346.9	3,328.2	11,429.8
General Government	4,229.2	139.1	4,322.6	133.1	4,419.5	95.1	6,157.5	116.0	7,052.1	158.2
Judicial Branch	503.8	15.4	511.7	14.0	532.9	3.4	544.9	-	553.3	1.6
Total All Funds	$65,963.7	$12,465.2	$69,012.3	$13,554.5	$72,013.7	$13,243.1	$75,861.4	$13,451.3	$75,906.8	$13,113.0

[1] Source: Executive Office of the Governor. Fiscal Years 2015-16 through 2018-19 appropriations in annual General Appropriations Bills and other legislation after Governor's vetoes.
[2] Fiscal Year 2019-20 includes only appropriations in the General Appropriations Bill and is prior to Governor's vetoes.

STATE DEBT

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

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

State Full Faith and Credit Debt

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

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

State Revenue Bonds

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

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

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

Other Obligations

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

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

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

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

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

Per Capita Tax Supported Debt
For Fiscal Years Ended June 30

Year	Population[1] (thousands)	Total Principal Outstanding[2] (millions)	Per Capita
2009	18,767	$22,373	1,192
2010	18,761	23,557	1,256
2011	18,880	22,945	1,215
2012	19,028	21,593	1,135
2013	19,214	20,348	1,059
2014	19,440	20,013	1,029
2015	19,738	21,406	1,085
2016	20,051	20,077	1,001
2017	20,393	18,870	925
2018	20,747	17,480	843

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

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

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

Fiscal	Net Tax-Supported Debt Outstanding			Self-Supporting Debt Outstanding			Total Debt Outstanding		
Year	Principal*	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2019	$ 1,367,132,653	$ 679,319,235	$ 2,046,451,887	$ 52,910,000	$ 66,443,467	$ 119,353,467	$ 1,420,042,653	$ 745,762,702	$ 2,165,805,354
2020	1,438,478,103	629,790,846	2,068,268,949	102,465,000	115,294,500	217,759,500	1,540,943,103	745,085,346	2,286,028,449
2021	1,443,398,975	627,095,572	2,070,494,547	143,700,000	148,603,550	292,303,550	1,587,098,975	775,699,122	2,362,798,097
2022	1,545,830,505	576,795,555	2,122,626,060	149,725,000	146,698,500	296,423,500	1,695,555,505	723,494,055	2,419,049,560
2023	1,131,573,220	509,185,159	1,640,758,379	155,695,000	148,867,950	304,562,950	1,287,268,220	658,053,109	1,945,321,329
2024	1,050,012,514	460,205,291	1,510,217,805	160,945,000	145,908,700	306,853,700	1,210,957,514	606,113,991	1,817,071,505
2025	996,794,571	414,809,222	1,411,603,792	168,990,000	137,861,450	306,851,450	1,165,784,571	552,670,672	1,718,455,242
2026	853,352,905	371,747,227	1,225,100,132	177,430,000	129,411,950	306,841,950	1,030,782,905	501,159,177	1,531,942,082
2027	786,130,930	336,797,144	1,122,928,074	186,310,000	120,540,450	306,850,450	972,440,930	457,337,594	1,429,778,524
2028	712,239,083	307,321,836	1,019,560,919	195,620,000	111,224,950	306,844,950	907,859,083	418,546,786	1,326,405,869
2029	644,499,348	280,957,563	925,456,911	205,405,000	101,443,950	306,848,950	849,904,348	382,401,513	1,232,305,861
2030	601,126,994	257,849,418	858,976,412	215,665,000	91,173,700	306,838,700	816,791,994	349,023,118	1,165,815,112
2031	545,547,131	239,022,471	784,569,602	189,685,000	80,490,100	270,175,100	735,232,131	319,512,571	1,054,744,702
2032	536,310,652	220,349,644	756,660,296	140,475,000	71,039,500	211,514,500	676,785,652	291,389,144	968,174,796
2033	491,233,247	204,219,780	695,453,027	65,340,000	64,050,750	129,390,750	556,573,247	268,270,530	824,843,777
2034	434,236,494	190,773,454	625,009,948	52,850,000	61,046,300	113,896,300	487,086,494	251,819,754	738,906,248
2035	402,643,910	178,539,503	581,183,412	55,370,000	58,521,950	113,891,950	458,013,910	237,061,453	695,075,362
2036	383,774,862	166,863,406	550,638,268	58,025,000	55,876,300	113,901,300	441,799,862	222,739,706	664,539,568
2037	353,904,801	157,044,054	510,948,856	60,795,000	53,102,850	113,897,850	414,699,801	210,146,904	624,846,706
2038	274,668,069	148,161,308	422,829,377	63,695,000	50,196,000	113,891,000	338,363,069	198,357,308	536,720,377
2039	213,270,591	142,549,787	355,820,378	66,745,000	47,149,450	113,894,450	280,015,591	189,699,237	469,714,828
2040	176,010,350	135,936,016	311,946,366	69,935,000	43,955,900	113,890,900	245,945,350	179,891,916	425,837,266
2041	151,969,791	134,553,254	286,523,045	73,290,000	40,608,600	113,898,600	225,259,791	175,161,854	400,421,645
2042	144,849,292	134,239,005	279,088,297	76,795,000	37,099,550	113,894,550	221,644,292	171,338,555	392,982,847
2043	153,011,576	136,414,430	289,426,006	80,475,000	33,421,450	113,896,450	233,486,576	169,835,880	403,322,456
2044	121,213,935	67,314,944	188,528,879	84,320,000	29,565,850	113,885,850	205,533,935	96,880,794	302,414,729
2045	82,702,045	25,854,731	108,556,776	88,365,000	25,524,750	113,889,750	171,067,045	51,379,481	222,446,526
2046	70,870,467	22,384,468	93,254,935	92,610,000	21,288,350	113,898,350	163,480,467	43,672,818	207,153,285
2047	66,427,791	19,419,194	85,846,985	97,045,000	16,847,000	113,892,000	163,472,791	36,266,194	199,738,985
2048	41,950,512	16,549,248	58,499,760	101,705,000	12,191,450	113,896,450	143,655,512	28,740,698	172,396,210
2049	43,932,662	14,567,097	58,499,759	58,865,000	7,310,750	66,175,750	102,797,662	21,877,847	124,675,509
2050	46,008,470	12,491,291	58,499,761	41,245,000	4,367,500	45,612,500	87,253,470	16,858,791	104,112,261
2051	48,182,357	10,317,402	58,499,759	22,845,000	2,305,250	25,150,250	71,027,357	12,622,652	83,650,009
2052	50,458,962	8,040,798	58,499,760	17,375,000	1,163,000	18,538,000	67,833,962	9,203,798	77,037,760
2053	52,843,134	5,656,625	58,499,759	5,885,000	294,250	6,179,250	58,728,134	5,950,875	64,679,009
2054	55,339,959	3,159,800	58,499,759	-	-	-	55,339,959	3,159,800	58,499,759
2055	16,004,001	150,500	16,154,501	-	-	-	16,004,001	150,500	16,154,501
	$ 17,527,934,864	$ 7,846,446,276	$ 25,374,381,140	$ 3,578,595,000	$ 2,280,889,967	$ 5,859,484,967	$ 21,106,529,864	$ 10,127,336,243	$ 31,233,866,107

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

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

Net Tax-Supported Bonds Issued Since July 1, 2018

(chronological, by date of issuance)

Department of Transportation, Right-of-Way Acquisition and Bridge Construction Bonds, Series 2018B	$245,280,000
State Board of Education, Public Education Capital Outlay Bonds, 2018 Series B	116,070,000
State Board of Education, Public Education Capital Outlay Refunding Bonds, 2018 Series C	149,120,000
Less: Public Education Capital Outlay Bonds refunded	(162,390,000)
Department of Transportation, Financing Corporation Revenue Bonds, Series 2018	164,005,000
Department of Management Services, Refunded Certificates of Participation, Series 2018A	251,945,000
Less: Certificates of Participation refunded	(313,710,000)
Department of Environmental Protection, Florida Forever Revenue Refunding Bonds, Series 2018A	119,305,000
Less: Florida Forever Revenue Refunding Bonds refunded	(149,480,000)
State Board of Education, Capital Outlay Refunding Bonds, 2019 Series A	8,560,000
Less: Capital Outlay Bonds refunded	(9,705,000)
State Board of Education, Lottery Revenue Refunding Bonds, Series 2019A	74,685,000
Less: Lottery Revenue Bonds refunded	(99,200,000)
Department of Transportation, Right-of-Way Acquisition and Bridge Construction Refunding Bonds, Series 2019A	240,695,000
Less: Right-of-Way Acquisition and Bridge Construction Bonds refunded	(267,195,000)
State Board of Education, Public Education Capital Outlay Refunding Bonds, 2019 Series A	438,900,000
Less: Public Education Capital Outlay Bonds refunded	(471,360,000)
Department of Environmental Protection, Everglades Restoration Revenue Refunding Bonds, Series 2019A	19,570,000
Less: Everglades Restoration Bonds refunded	(26,595,000)
State Board of Education, Public Education Capital Outlay Refunding Bonds, 2019 Series B	135,465,000
Less: Public Education Capital Outlay Bonds refunded	(158,505,000)
State Board of Education, Public Education Capital Outlay Refunding Bonds, 2019 Series C	234,155,000
Less: Public Education Capital Outlay Bonds refunded	(264,980,000)
Department of Transportation, Right-of-Way Acquisition and Bridge Construction Bonds, Series 2019B	184,500,000
Department of Environmental Protection, Everglades Restoration Revenue Refunding Bonds, Series 2019B*	42,220,000
Less: Everglades Restoration Bonds refunded*	(50,270,000)
State Board of Education, Public Education Capital Outlay Refunding Bonds, 2019 Series D**	168,825,000
Less: Public Education Capital Outlay Bonds refunded**	(197,310,000)
	$422,600,000

*Subject to the delivery of the Department of Environmental Protection, Everglades Restoration Revenue Refunding Bonds, Series 2019B on September 5, 2019.
**Subject to the delivery of the State Board of Education, Public Education Capital Outlay Refunding Bonds, 2019 Series D on September 19, 2019.

Self Supporting Bonds Issued Since July 1, 2018

(chronological, by date of issuance)

Board of Governors, University of Florida Parking Facility Revenue Bonds, Series 2018A	$39,070,000
Less: University of Florida Parking Bonds refunded	(11,375,000)
Department of Transportation, Turnpike Revenue Bonds, Series 2018A	299,975,000
Department of Transportation, Turnpike Revenue Refunding Bonds, Series 2019A	224,455,000
Less: Turnpike Revenue Bonds refunded	(255,000,000)
Board of Governors, Florida Agricultural and Mechanical University Dormitory Revenue Refunding Bonds, Series 2019 A	53,249,765
Less: Florida Agricultural and Mechanical University Dormitory Bonds refunded	(51,816,000)
Board of Governors, Florida Agricultural and Mechanical University Dormitory Revenue Bonds, Series 2019A*	8,615,317
Department of Transportation, Sunshine Skyway Revenue Bonds, Series 2019A	86,640,000
Board of Governors, Florida International University Parking Facility Revenue Refunding Bonds, Series 2019A	19,805,000
Less: Florida International University Bonds refunded	(25,110,000)
	$388,509,082

* These bonds were issued as a drawdown loan with the US Department of Education. The amount shown is the current loan balance and the final loan amount will not exceed $70 million after all draws are made.

STATEMENT OF ASSETS AND LIABILITIES

Administered by State Chief Financial Officer

		ASSETS	
		JUNE 30, 2018	JUNE 30, 2017
Currency and Coins		$0.00	$0.00
Unemployment Compensation Investments Due From U.S Treasury -Unemployment TF	(1)	3,852,368,375.68	3,597,148,273.72
Deferred Compensation Assets	(2)	4,368,498,085.07	4,041,387,838.90
Bank Accounts	(3)	(47,254,027.96)	(119,159,502.32)
Consolidated Revolving Account	(4)	320,669.85	213,933.04
Total Cash, Receivables, and Other Assets		$8,173,933,102.64	$7,519,590,543.34
Certificates of Deposit		$1,027,100,000.00	$1,046,500,000.00
Securities	(6)	22,338,239,544.44	22,434,139,155.06
Total Investments		23,365,339,544.44	23,480,639,155.06
Total Assets of the Division of Treasury		$31,539,272,647.08	$31,000,229,698.40

		LIABILITIES	
		JUNE 30, 2018	JUNE 30, 2017
Due to:			
General Revenue Fund		$3,531,908,908.38	$3,256,232,411.23
Trust Fund	(7)	16,286,517,940.05	15,927,054,158.59
Budget Stabilization Fund		1,416,490,000.00	1,384,390,000.00
Total State Liabilities		$21,234,916,848.43	$20,567,676,569.82
Interest Payable & Securities Liability	(8)	$8,207,650.08	$211,764,928.79
Due to Special Purpose Investment Accounts	(5)	5,927,329,393.65	6,179,186,427.85
Due to Deferred Compensation Participants and/or Program	(2)	4,368,498,085.07	4,041,387,838.90
Due to Consolidated Revolving Account Agency Participants	(4)	320,669.85	213,933.04
Total Liabilities of the Division of Treasury		$31,539,272,647.08	$31,000,229,698.40

Source: Annual Report of the State Chief Financial Officer for the Division of Treasury for the Fiscal Year Ended June 30, 2018.

Note: The following footnotes apply to the 2018 numbers only. For footnotes regarding the 2017 numbers, see the Annual Report of the State Chief Financial Officer for the Division of Treasury for the Fiscal Year Ended June 30, 2017.

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

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

[3] Represents the "Per Reconciled Cash Balance" of $55,283,484.52 as of June 30, 2018 with receipted items in transit of $220,589,496.69 and disbursed items in transit of ($4,103,166.25), which nets to $216,486,330.44. These items have cleared the bank but have not been posted to the State ledger. The total Bank Accounts figure does not include $151,420,794.34 held in clearing and\or revolving accounts outside the Treasury.

[4] The amount due to agency participants in the Consolidated Revolving Account as of June 30, 2018, is $7,424,669.85. Of this, $320,669.85 is in a financial institution account and $7,104,000.00 is invested in Special Purpose Investment Accounts.

[5] 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.

[6] Includes Purchased Interest in the amount of $3,104,561.73.

[7] Included in the Trust Fund Balance is $7,494,797,235.15 earning interest for the benefit of Trust Funds; Unemployment Trust Fund balance of $3,852,368,375.68; the remaining balance of $4,939,352,329.22 earning interest for General Revenue.

[8] Represents $7,768,290.24 in interest not yet receipted to State Accounts and Securities Liability Cost of $439,359.84 which settled July 2018.

Note:	June 30, 2018	June 30, 2017
Total Market Value of all Securities held by the Treasury	$23,452,279,649.06	$23,328,701,501.85

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

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

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

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

FRS membership is compulsory for employees working in regularly established positions for a state agency, county governmental unit, district school board, state university, state college or participating city, independent special district, charter school or metropolitan planning district, except for retirees initially reemployed on or after July 1, 2010 who may not be enrolled. As of June 30, 2018, The State's and State Universities' aggregate allocable portion of FRS Contributions was approximately 23.3%. There are five classes of plan membership: Regular Class, Special Risk Class, Special Risk Administrative Support Class, Elected Officers' Class ("EOC"), and Senior Management Service Class ("SMSC"). For members initially enrolled in the FRS on or after January 1, 2018, enrollees who do not make an initial selection will default into the FRS Investment Plan, except for Special Risk Class, which will continue to default into the FRS Pension Plan. Elected officials who are eligible to participate in the EOC may elect to withdraw from the FRS altogether or choose to participate in the SMSC in lieu of the EOC. Regular Class membership covers any position that is not designated to participate in any other membership class.

Participation by cities, municipalities, special districts, charter schools, and metropolitan planning districts although optional, is generally irrevocable once the election to participate is made. As of June 30, 2018, there were 1,002 participating employers enrolling New Members and 42 Participating employers closed to new FRS membership with grandfathered FRS members, and 1,210,795 individual members, as follows:

Retirees & Beneficiaries	415,483[1]
Terminated Vested Members	118,547
DROP Participants	33,432
Active Vested Members	432,227
Active Non-vested members	211,106
TOTAL	1,210,795 [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% for members with an effective DROP begin date before July 1, 2011, and an equivalent annual rate of 1.3% for members with a effective DROP begin date on or after July 1, 2011. At termination the member's DROP accumulation may be paid out as a lump sum, a rollover, or a combination of these two payout methods and the member begins receiving monthly benefits determined when DROP participation began, increased by annual cost of living adjustments.

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

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

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

Certain Senior Management Service Class members, State University System faculty, Executive Service staff, Administrative and Professional Service staff, and Florida College System faculty and certain administrators may elect to participate in the existing, non-integrated optional defined contribution programs for these targeted employee groups instead of either of the two primary integrated programs offered under the FRS, the FRS Pension Plan and the FRS Investment Plan. The Senior Management Service Optional Annuity Program was closed to new participants effective July 1, 2017. At the time of closure, fewer than 30 members participated in this optional retirement program.

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

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

Employee Contributions -

- Effective July 1, 2011, most FRS members must contribute 3% of their salary as retirement contributions, on a pre-tax basis, automatically deducted by the employer

- Members participating in the Deferred Retirement Option Program ("DROP") and re-employed retirees, who are not allowed to renew membership in the FRS, are not required to make 3% employee contributions

DROP -

- Members with an effective DROP begin date on or before June 30, 2011 will retain an annual interest rate of 6.5%

- The annualized DROP interest rate will be 1.3% for members whose DROP participation begins on or after July 1, 2011

Cost-of-Living Adjustment (COLA) -

- Members with an effective retirement date (includes DROP participation) before August 1, 2011 will retain their 3% post-retirement COLA

- Members with an effective retirement date or DROP begin date on or after August 1, 2011 will have an individually calculated COLA that is a reduction from 3% and will be calculated by dividing the total years of service before July 1, 2011 by the total years of service at retirement, and then multiplying the result by 3% to get the retiree's COLA

- Members initially enrolled on or after July 1, 2011, will not have a post-retirement COLA

-

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

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

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

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

Fiscal Year	2014	2015	2016	2017	2018
Annuitants	363,034	377,671	394,907	406,374	415,800
Benefits Payments (000 omitted)	$7,175,496	$7,731,851	$8,389,673	$8,873,268	$9,323,302
Average Benefits	$19,765	$20,472	$21,245	$21,835	$22,423

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

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, 2018, FRS actuarial determinations for funding purposes are based on the following:

Actuarial Cost Method: Ultimate Entry Age Normal

Amortization method:	30 year, Level Percentage of Pay, Closed, Layered
Asset valuation method:	5-year Smoothed Method
Investment rate of return:	7.40%[1]
Payroll growth rate:	3.25%
Inflation level:	2.60%
Post-retirement cost of living adjustments:	3.00%[2]

[1]Changed to 7.40% beginning July 1, 2018. The Actuary has concluded that the 7.40% investment rate of return assumption, adopted by the FRS conference in October 2018, is unreasonable; consequently, an investment rate of 7.00% was used for GASB 67 reporting purposes.
[2] Granted only for pre-July 1, 2011 service.

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

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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:	7.00%[1]
Discount rate:	7.00%[2]
Payroll growth rate:	3.25%
Inflation level:	2.60%
Post-retirement cost of living adjustments:	3.00%[3]

[1]Changed to 7.00% beginning July 1, 2018. The Actuary has concluded that a 7.00% investment rate of return assumption is reasonable.
[2] The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees in determining the projected depletion date. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.
[3] Granted only for pre-July 1, 2011 service.

Assumed Investment Rate of Return. Both the actuarial funding valuation and the financial reporting valuation assume a long-term investment rate of return on the assets in the Florida Retirement System Trust Fund (7.75% through June 30, 2014; 7.65% from July 1, 2014 through June 30, 2016, 7.60% from July 1, 2016 through June 30, 2017; 7.50% from July 1, 2017 through July 1, 2018). The actuarial funding valuation beginning July 1, 2018 assumed a long-term investment rate of return on the assets in the Florida Retirement System Trust Fund of 7.40%, which the actuary concluded was unreasonable. The financial reporting valuation beginning July 1, 2018 used a long-term investment rate of return on the assets in the Florida Retirement System Trust Fund of 7.00%, which the actuary concluded was a reasonable assumed rate of return. This disparity, when combined with other actuarial assumptions, that are not considered best practice, contributes to differences between the Net Pension Liability figures reported in the financial reporting valuation and the Unfunded Actuarial Liability. Should the Florida Legislature continue to adopt long-term investment rate of return assumptions that differ from the rates the actuary determines to be reasonable, then the disparity between the Net Pension Liability and the Unfunded Actuarial Liability may increase over time. Due to the volatility of the marketplace, however, the actual rate of return earned by the Florida Retirement System Trust Fund on its assets may be higher or lower than the assumed rate. Changes in the Florida Retirement System Trust Fund's assets as a result of market performance will lead to an increase or decrease in the UAL/NPL and the funded ratio. The five-year Asset Smoothing Method required by Florida law for funding purposes attenuates the impact of sudden market fluctuations. Only a portion of these increases or decreases will be recognized in the current year, with the remaining gain or loss spread over the remaining four years.

Adverse market conditions resulted in negative investment returns on the Florida Retirement System Trust Fund's assets in Fiscal Years 2008 and 2009, contributing to (in conjunction with plan experience) a significant reduction in the Funded Ratio and a corresponding increase in the UAL. The table below shows the assumed and actual rates of Investment return for the last ten years, as well as the differences between the two, and additionally shows annualized annual returns fro the most recent 3, 5, 10 and 15 year periods. No assurance can be given about future market performance and its impact on the UAL/NPL.

Actual versus Assumed Rate of Returns and Historical Performance

Fiscal Year	Actual Rate of Return[1,2]	Difference
2008-09	(19.71)%	(27.46)%
2009-10	14.00	6.25
2010-11	22.10	14.35
2011-12	0.29	(7.46)
2012-13	13.12	5.37
2013-14	17.40	9.75
2014-15	3.67	(3.98)
2015-16	0.54	(7.06)
2016-17	13.77	6.27
2017-18	8.98	1.58

Annualized Return for 3 Year Period of Fiscal Years 2016-2018[3]	7.62%
Annualized Return for 5 Year Period of Fiscal Years 2014-2018[3]	8.69%
Annualized Return for 10 Year Period of Fiscal Years 2009-2018[3]	6.85%
Annualized Return for 15 Year Period of Fiscal Years 2004-2018[3]	7.86%

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

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

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

As of June 30, 2018, the Florida Retirement System Trust Fund was valued at $160.4 billion (market value), and invested in the following asset classes and approximate percentages as follows:

56.1%	Global Equity
18.7%	Fixed Income
8.9%	Real Estate
7.1%	Private Equity
8.1%	Strategic Investments
1.1%	Cash

For additional information, see the Florida Retirement System Pension Plan Annual Report on the “Publications” page of the Division of Retirement’s website or contact them at, 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 $150.6 billion in Fiscal Year 2017 to $156.1 billion in Fiscal Year 2018 on an actuarial basis and increased from $154.1 billion to $161.2 billion on a market value basis. The actuarial liabilities computed for funding purposes increased from $178.6 billion in Fiscal Year 2017 to $186.0 billion in Fiscal Year 2018. As of end of Fiscal Year 2018, the FRS had an aggregate UAL of approximately $29.9 billion on an actuarial basis (using the Asset Smoothing Method) and $24.8 billion on a market value basis. The Fiscal Year 2018 Funded Ratios for the UALs are 83.95% (on an acturial value basis) and 86.69% (on a market value basis). For financial reporting purposes, the Total Pension Liability increased from $183.6 billion in Fiscal Year 2017 to $191.3 billion in Fiscal Year 2018. As of the end of Fiscal Year 2018, the FRS had an aggregate NPL of approximately $30.1 billion. The Funded Ratio for the NPL was 84.26%. The FRS is a multi-employer plan, which employees working for a state agency, county governmental unit, district school board, state university, state college or participating city, independent school district, charter school or metropolitan planning district may participate in. As such, the allocable portion of the UAL and NPL to the State, state agencies and universities ranged from 20.6% to 23.3%, based on percentage of contributions, over the six Fiscal Years 2013-2018.

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, 2009	$118,764,692	$136,375,597	$17,610,905	87.09%	$26,554,114	66.32%
July 1, 2010	120,929,666	139,652,377	18,722,711	86.59	25,747,369	72.72
July 1, 2011	126,078,053	145,034,475	18,956,422	86.93	25,668,958	73.85
July 1, 2012	127,891,781	148,049,596	20,157,815	86.38	24,476,272	82.36
July 1, 2013	131,680,615	154,125,953	22,445,338	85.44	24,553,693	91.41
July 1, 2014	138,621,201	160,130,502	21,509,301	86.56	24,723,565	87.00
July 1, 2015	143,195,531	165,548,928	22,353,397	86.50	32,726,034	68.30
July 1, 2016	145,451,612	170,374,609	24,922,997	85.37	33,214,217	75.04
July 1, 2017	150,593,242	178,579,116	27,985,874	84.33	33,775,800	82.86
July 1, 2018	156,104,350	185,950,079	29,845,729	83.95	34,675,018	86.07

Source: Florida Department of Management Services, Division of Retirement, Florida Retirement System Annual Reports for Fiscal Years 2009 through 2013 and the FRS CAFRS for Fiscal Years 2014 through 2018. 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)
2009	$96,503,162	$136,375,597	$39,872,435	70.76%	$26,554,114	150.16%
2010	107,179,990	139,652,377	32,472,387	76.75	25,747,369	126.12
2011	126,579,720	145,034,475	18,454,755	87.28	25,668,958	71.90
2012	119,981,465	148,049,596	28,068,131	81.04	24,476,272	114.67
2013	129,672,088	154,125,953	24,453,865	84.13	24,553,693	99.59
2014	150,014,292	160,130,502	10,116,210	93.68	24,723,565	40.92
2015	148,454,394	165,548,928	17,094,534	89.67	32,726,034	68.21
2016	141,780,921	170,374,609	28,593,688	83.22	33,214,217	86.09
2017	154,053,263	178,579,116	24,525,853	86.27	33,775,800	72.61
2018	161,196,881	185,950,079	24,753,198	86.69	34,675,018	71.39

[1] Source: Florida Department of Management Services, Division of Retirement, Florida Retirement System Annual Reports for Fiscal Years 2009 through 2013 and the FRS CAFRS for Fiscal Years 2014 through 2018. 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 2009 through 2013 and the FRS CAFRS for Fiscal Years 2014 through 2018. Beginning in Fiscal Year 2014, some information is obtained from the FRS Pension Plan Actuarial Valuations. Actuarial Liability is determined as of the July 1 immediately after the end of each Fiscal Year.

[3] Source: Florida Department of Management Services, Division of Retirement, Florida Retirement System Annual Reports for Fiscal Years 2008 through 2013 and the FRS CAFRS for Fiscal Years 2014 through 2018. 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)
2014	$150,014,292	$156,115,763	$ 6,101,471	96.09%	$24,723,565	24.68%
2015	148,454,394	161,370,735	12,916,341	92.00	32,726,034	39.47
2016	141,780,921	167,030,999	25,250,078	84.88	33,214,217	76.02
2017	154,053,263	183,632,592	29,579,329	83.89	33,775,800	87.58
2018	161,196,881	191,317,399	30,120,518	84.26	34,675,018	86.87

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

[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 2008 through 2018. 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 2008 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 2018, 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 2019. The Florida Legislature adopted employer contribution rates to fully fund the ADC for Fiscal Year 2019; however, the ADC was calculated using certain assumptions that are not based on actuarial best practices and an investment rate of return assumption that the actuary has deemed unreasonable.

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Employer Contributions to the FRS Pension Fund
(thousands of dollars)

Fiscal Year	State Employer Contributions (a)	Non-State Employer Contributions (b)	Total Employer Contributions (a+b)	Actuarially Determined Contribution (ADC)[1] (c)	Percent of ADC Contributed (a+b)/c	Amount of ADC Unfunded c-(a+b)
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]	276,947	1,068,752	1,345,698	2,091,343	63.95	753,902
2014 [5]	496,739	1,693,685	2,190,424	2,190,424	100.00	0
2015 [6]	564,233	1,873,852	2,438,085	2,438,085	100.00	0
2016 [7]	569,154	1,869,505	2,438,659	2,438,659	100.00	0
2017 [8]	594,497	2,008,749	2,603,246	2,603,246	100.00	0
2018 [9,10]	N/A	N/A	2,849,920	2,849,920	100.00	0

Source: Florida Department of Management Services, Division of Retirement, Florida Retirement System Annual Reports for Fiscal Years 2008 through 2013 and the FRS CAFRs for Fiscal Years 2014 and 2015. Beginning in Fiscal Year 2014, some information is obtained from the FRS Pension Plan Actuarial Valuations.

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

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

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

[4] Employee contributions totaled $694.9 million.

[5] Employee contributions totaled $699.6 million.

[6] Employee contributions totaled $698.3 million.

[7] Employee contributions totaled $710.7 million.

[8] Employee contributions totaled $744.8 million.

[9] Employee contributions totaled $740.7 million.

[10] Breakdown of Employer Contributions between State and Non-State employers is not yet available.

RETIREE HEALTH INSURANCE SUBSIDY AND OTHER POSTEMPLOYMENT BENEFITS

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

Retiree Health Insurance Subsidy Program

The Retiree Health Insurance Subsidy ("HIS") Program is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, F.S. The Florida Legislature establishes and amends the contribution requirements and benefit terms of the HIS Program. The benefit is a monthly payment to assist eligible retirees and surviving beneficiaries of state-administered retirement systems in paying their health insurance costs and is administered by the Division of Retirement within the Department of Management Services. For the fiscal year ended June 30, 2018, 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)

	2013	2014	2015	2016	2017	2018
Recipients	310,139	323,098	336,529	349,865	366,285	376,031
Contributions	$327,574	$342,566	$382,262	$512,564	$529,229	$542,539
Benefits Paid	$390,973	$407,276	$425,086	$449,857	$465,980	$491,530
Trust Fund Net Assets	$157,928	$93,385	$50,774	$113,859	$178,311	$232,463

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

HIS actuarial determinations are based on the following:

Valuation Date: July 1, 2018
Actuarial Cost Method: Individual Entry Age
Amortization method: Level Percentage of Pay, Open
Equivalent Single amortization period: 30 years[1]
Asset valuation method: Fair Market Value
Actuarial Assumptions:
Discount rate: 3.87%[2,3]
Projected salary increases: 3.25%[2]
Cost of living adjustments: 0.00%

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

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

[2] Includes inflation at 2.60%.

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

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

Retiree Health Insurance Subsidy Program Schedule of Funding Progress
Actuarial Value of Assets

(dollars in thousands)

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

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

[1] Includes DROP and PEORP payroll.

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

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

June 30	Fiduciary Net Position (FNP)[2] (a)	Total Pension Liability (TPL) Entry Age[2] (b)	Net Pension Liability (NPL) (b-a)	Funded Ratio (%) (FNP as % of TPL) (a/b)	Covered Payroll[2,3] (c)	NPL as a Percentage of Coverage Payroll (b-a)/c)
2014	$93,385	$9,443,629	$9,350,244	0.99%	$29,676,340	31.51%
2015	$50,774	$10,249,201	$10,198,427	0.50%	$30,340,449	33.61%
2016	$113,859	$11,768,445	$11,654,586	0.97%	$30,875,274	37.75%
2017	$178,311	$10,870,772	$10,692,461	1.64%	$31,885,633	33.53%
2018	$232,463	$10,816,576	$10,584,112	2.15%	$32,670,918	32.40%

1 This schedule will fill in to a ten year schedule as results for new fiscal years are calculated.
2 Source: Florida Department of Management Services, Division of Retirement, Florida Retirement System Comprehensive Annual Financial Reports.
3 Covered payroll includes the normal cost and UAL payroll for active Pension Plan and Investment Plan members and payroll of reemployed retirees without renewed membership.

Schedule of Employer Contributions
(dollars in thousands)

Fiscal Year Ended June 30	Annual Required Contribution (ARC)[1]	Actual Contribution	Contribution as a Percentage of ARC
2007	$363,175	$326,052	90%
2008	$391,847	$334,819	85%
2009	$395,256	$341,569	86%
2010	$409,546	$332,023	81%
2011	$563,907	$334,449	59%
2012	$584,600	$322,610	55%
2013	$539,831	$327,575	60%
2014	n/a	$342,566	n/a
2015	n/a	$382,262	n/a
2016	n/a	$512,564	n/a
2017	n/a	$529,229	n/a
2018	n/a	$542,539	n/a

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

Other Postemployment Benefits (OPEB)

The following information is based on prior GASB reporting requirements for OPEB. GASB reporting requirements for OPEB have subsequently changed due to the implementation of GASB 75 and the new information is not readily comparable to the prior reported data. For Fiscal Year ended June 30, 2018 OPEB information, which conforms to GASB 75 reporting requirements, please see the State of Florida Comprehensive Annual Financial Report, which is included as Appendix B to this Official Statement. The following information is based on the July 1, 2016 interim update of 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. Retirees are required to enroll in the Medicare program as soon as they are eligible.

There are 21 participating employers including the primary government of the state, the 12 state universities, and other governmental entities. There was an enrollment of 175,654 subscribers including 35,273 retirees at July 1, 2017. COBRA subscribers accounted for an additional 516 members. Employees must make an election to participate in the plan within 60 days of the effective date of their retirement to be eligible to continue in the plan as a retiree. Four types of health plans are offered to eligible participants: a standard statewide Preferred Provider Organization ("PPO") Plan, a high deductible PPO Plan, a standard Health Maintenance Organization ("HMO") Plan, and a high deductible HMO Plan. HMO coverage is available only to those retirees who live or work in the HMO's service area. The four PPO and HMO options are considered managed-care plans and have specific provider networks.

Funding Policy

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

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

Actuarial Methods and Assumptions

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

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

The entry age normal actuarial cost method was used for the July 1, 2016 interim update of the July 1, 2015 actuarial valuation. This method allocates the value of a member's benefit as a level percentage of pay between entry age and retirement age. Allocating costs as a level percentage of pay, even though the benefits are not pay-related, helps with budgeting for these employee benefits costs as a percentage of payroll. Actuarial assumptions included a 3% inflation rate, a 4% return on invested assets, and a 3.25% payroll growth rate. Initial healthcare cost trend rates used for the PPO Plans are 3.1%, 7.5%, 8.8%, and 9.7% for the first four years followed by 10.1% in the fifth year, then grading to 3.9%, over the course of 60 years. For the HMO Plans - Pre-Medicare, initial healthcare cost trend rates of 3.0%, 5.7%, 7.0%, and 7.8% are used for the first four years followed by 8.4% in the fifth 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%, 8.8%, and 9.5% are used for the first four years followed by 10% in the fifth 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%, 7.0%, and 7.6% are used for the first five years followed by 9.4% in the sixth year, then grading to 4.0% over the course of 60 years. The unfunded actuarial accrued liability is being amortized as a level percentage of pay - on an open basis, over a 30 year period.

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

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

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

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

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

Schedule of Employer Contributions
(thousands of dollars)

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

Source: State of Florida Comprehensive Annual Financial Reports.

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

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

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

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

Funded Status - State Share

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

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

Source: State of Florida Comprehensive Annual Financial Reports.

APPENDIX B

State of Florida

FINANCIAL INFORMATION

The portion of the State of Florida Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2018 meeting the minimum requirements for general purpose financial statement, including the Introductory Section through the Required Supplementary Information follows herein. The remainder of the Report as indicated in the Table of Contents, including Combining and Individual Fund Statements and Schedules - Nonmajor Funds and Statistical and Economic Data is not provided herewith, but is available upon request from the Office of the Chief Financial Officer, Att: Statewide Financial Reporting Section at 200 East Gaines Street, Tallahassee, FL 32399-0354.

STATE OF FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2018

Ron DeSantis
GOVERNOR

Jimmy Patronis
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, 2018

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INTRODUCTORY SECTION

CHIEF FINANCIAL OFFICER
JIMMY PATRONIS
STATE OF FLORIDA

February 8, 2019

Citizens of the State of Florida
The Honorable Ron DeSantis, Governor
The Honorable Bill Galvano, President of the Senate
The Honorable Jose R. Oliva, Speaker of the House of Representatives

To the Citizens of Florida, Governor DeSantis, President Galvano, and Speaker Oliva:

I am pleased to submit the State of Florida's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2018, 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, 2018. 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&Acomplements 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.

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

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 ninth consecutive year of positive growth in General Fund collections in June 2018. While the state's recovery from the Great Recession was protracted, most of the key measures of the Florida economy had returned to or surpassed their prior peaks by the close of the 2016-17 fiscal year and have now moved beyond those levels. The drags—particularly construction—have proven to be more persistent than past events, but the strength in tourism is compensating for this, allowing overall healthy economic conditions to be achieved during the 2017-18 and current fiscal year. In this regard, the state's Economic Estimating Conference confirmed in mid-December that Florida's overall economy improved as expected in the first half of the 2018-19 fiscal year, although some slowing of economic growth is expected by 2020. This is largely due to national events beyond the state's control and produces a u-shaped pattern, with some variables exhibiting stronger growth rates in fiscal year 2018-19 than in 2019-20 and 2020-21. The key drivers underlying the Florida-specific 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 (GDP) in 2017 showed growth of 2.2 percent, matching the national average and ranking Florida 16th among states for growth. Newly released data for the second quarter (GDP for 2018:Q2) indicated strengthening growth in the current year, ranking Florida ninth in the nation in real growth and moving it slightly above the national average (4.5 percent in Florida versus the 4.2 percent national average). On the more real-time measure of personal income, the calendar year results were even stronger: Florida ended 2017 with 5.0 percent growth over 2016—above the national growth rate of 4.4 percent. Florida's pace for the third quarter of 2018 (2018:Q3) was similar to the annual result: Florida ranked 16th in the country with 4.3 percent growth over the prior quarter, which was above the United States reported growth of 4.0 percent. Even with the slightly weaker national outlook, the forecast for the 2018-19 fiscal year assumes Florida will achieve 5.2 percent growth over the prior year and straddle 4.0 percent over the long term. Underpinning the projected growth in personal income is continued population growth; these projections were slightly strengthened in November 2018 by the Demographic Estimating Conference. In addition, tourist visits continue to contribute strongly to Florida's economy. The Revenue Estimating Conference met in December in response to the new economic and population forecasts, indicating that state's revenue collections for the General Fund are expected to grow 4.8 percent this year—largely on the strength of these measures in the first half of the fiscal 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 2018 calendar year, total non-farm employment stood at just over 8.8 million jobs. The forecast indicates that non-farm employment will add approximately 259,800 jobs during the course of the 2018-19 fiscal year, representing a 3.0 percent increase over the prior fiscal year. At 3.3 percent in November, Florida's unemployment rate was 0.4 percentage point below the national rate of 3.7 percent. The Economic Estimating Conference believes Florida is now below the "full employment" unemployment rate (about 4.0 percent), and will stay there through the 2021-22 fiscal year.

While typical economic recoveries are led by increases in lending and housing construction; the recovery from the Great Recession has behaved differently in Florida. Overall, Florida economic growth rates are healthy *in spite of* subdued construction activity, particularly in the residential sector. For now, tourism strength is overwhelming this persistent weakness. In the current forecast, tourism remains at record-breaking levels, while none of the key construction metrics for housing show a return to peak levels until the 2026-27 fiscal year.

February 8, 2019
Page Three

Even though it remains at relatively low levels, the construction sector is improving. Single-Family building permit activity, an indicator of new construction, remains in positive territory, showing strong back-to-back growth in both the 2012 and 2013 calendar years (over 30 percent in each year). The final data for the 2014 calendar year revealed significantly slowing (but still positive) activity—posting only 1.6 percent growth over the prior year. However, annual activity for the past three calendar years ran above their individual periods a year prior; single family data was higher than the prior year by 20.3 percent in 2015, 11.1 percent in 2016, and 13.5 percent in 2017. Despite the strong percentage growth rates in five of the last six calendar years, the level is still low by historic standards—about half of the long-run per capita level. More recent data for the first 10 months of the 2018 calendar year indicates that single-family building permit activity is running about 13.2 percent over the same period in the prior year, close to the 2017 annual growth rate. The latest forecast calls for continuing improvement in these starts, reaching annual rates of 87.9 thousand units in the 2018-19 fiscal year and 91.8 thousand units in the 2019-20 fiscal year. To put these numbers in perspective, the peak year for single-family starts was the 2004-05 fiscal year at nearly 182 thousand units.

Because the most recent sales tax forecast relies heavily on strong tourism growth, the Legislative Office of Economic and Demographic Research (EDR) feels tourism-related revenue losses pose the greatest potential risk to the economic outlook in the near-term. In terms of magnitude, a recent study by EDR found an estimated 12.9 percent of the state's sales tax collections for the General Fund was directly attributable to purchases made by tourists. In the new forecast, meaningful improvement in the housing market is expected to continue to lag behind the rest of Florida's economy as homeownership rates remain low, mortgage rates increase, and housing affordability becomes a challenge. The latest downward revisions to the national economic forecast for many of these measures have further slowed Florida's pace of recovery. This means that tourism will need to continue its outsized performance in order for the broader economic measures to stay in normal territory.

According to the constitutionally required Long-Range Financial Outlook adopted in September 2018, the state is not anticipating a budget gap for the upcoming budget year, meaning that projected revenues are sufficient to address anticipated expenditures. However, this assessment comes with two caveats. First, it was developed immediately prior to the onset of Hurricane Michael and does not include any of those effects, positive or negative. Second, the projections for the subsequent years provide a warning that a structural imbalance will occur in the future without Legislative intervention to head it off. In addition, the Long-Range Financial Outlook identifies potential future obligations of the Florida Hurricane Catastrophe Fund and Citizens Property Insurance Corporation as significant risks to the forecast. Refer to Note 14 to the financial statements for additional information related to the state's insurance enterprises.

ACKNOWLEDGEMENTS

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

Sincerely,

Jimmy Patronis
Chief Financial Officer

JP:pjb

ORGANIZATION AT JUNE 30, 2018

THE ELECTORATE OF FLORIDA

Legislative Branch
- Senate
- House of Representatives

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

Executive Branch

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

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

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

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

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

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

PRINCIPAL OFFICIALS AT JUNE 30, 2018

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

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

Judicial Branch
Jorge Labarga, Chief Justice

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FINANCIAL SECTION

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AUDITOR GENERAL
STATE OF FLORIDA

Sherrill F. Norman, CPA
Auditor General

Claude Denson Pepper Building, Suite G74
111 West Madison Street
Tallahassee, Florida 32399-1450

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

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Florida, as of and for the fiscal year ended June 30, 2018, 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 29 percent and 6 percent, respectively, of the assets and revenues of the business-type activities.
- The Florida Turnpike System, which represents 81 percent and 86 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 34 percent and 12 percent, respectively, of the assets and revenues of the business-type activities.
- The College Savings Plan and the trust fund maintained by the State Board of Administration to account for the investments of the Public Employee Optional Retirement Program, which collectively represent 6 percent of the assets and 4 percent of the revenues/additions of the aggregate remaining fund information.
- The Florida Retirement System Trust Fund maintained by the State Board of Administration to account for the assets and investment income of the Florida Retirement System Defined Benefit Pension Plan which represent 92 percent and 65 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 63 percent and 36 percent, respectively, of the assets and revenues of the discretely presented component units.

The financial statements for the above-listed funds and entities were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for 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, 2018, 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 1 and Note 6, the State implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is a change in accounting principle that addresses accounting and financial reporting for other postemployment benefits. This affects the comparability of amounts reported in the 2017-18 fiscal year with the amounts reported for the 2016-17 fiscal year. Our opinion is not modified with respect to this matter.

As discussed in Note 8, the State implemented GASB Statement No. 86, *Certain Debt Extinguishment Issues*, which is a change in accounting principle that addresses accounting and financial reporting for certain in-substance defeasance of debt and prepaid insurance on debt that is extinguished. This statement also requires additional note disclosures. 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 16 through 21 and the budgetary information, funding and contribution information for pension and other postemployment benefits, and information on infrastructure using the modified approach on pages 176 through 189 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The Introductory Section on pages 6 through 9 and the combining and individual fund statements, related budgetary comparison schedules, and Statistical Section on pages 193 through 307 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 8, 2019, 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 the effectiveness of the State's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control over financial reporting and compliance. That report will be included as part of our separately issued report entitled *State of Florida Compliance and Internal Controls Over Financial Reporting and Federal Awards*.

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
February 8, 2019

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, 2018 (fiscal year 2017-18). Please read the MD&A in conjunction with the state's financial statements that are presented in the Financial Section of this Comprehensive Annual Financial Report (CAFR).

Financial Statements Overview

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

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

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

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

Table 1: Major Features of the Basic Financial Statements

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

Condensed Government-wide Financial Statements and Overall Financial Analysis

Statement of Net Position

Table 2 below presents the state's Condensed Statement of Net Position as of June 30, 2018, and 2017, derived from the government-wide Statement of Net Position. The state's net position at the close of the fiscal year was $62.5 billion for governmental activities and $31.5 billion for business-type activities which was a combined total of $94.0 billion for the primary government. The three components of net position include net investments in capital assets; restricted; and unrestricted. The largest component, totaling $81.1 billion as of June 30, 2018, 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 $29.6 billion as of June 30, 2018. 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 $17.7 billion at June 30, 2018. This deficit primarily results from education-related bonds for which the state is responsible for the liability while the related assets are owned by local school districts and are therefore not included in the state's financial statements. Refer to Note 8 to the financial statements, Governmental Activities – Unrestricted Net Position Deficit, for more information.

Business-type activities reflect a restricted net position of $20.0 billion at June 30, 2018, a decrease of $518 million 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	
	2018	2017	2018	2017	2018	2017
Current and other assets	$ 26,811	$ 25,608	$ 40,642	$ 38,684	$ 67,453	$ 64,292
Capital assets, net	76,037	74,275	13,493	11,910	89,530	86,185
Total assets	102,848	99,883	54,135	50,594	156,983	150,477
Total deferred outflows of resources	4,049	3,409	101	95	4,150	3,504
Other liabilities	4,027	3,267	3,481	2,459	7,508	5,726
Noncurrent liabilities	38,240	33,190	19,077	17,662	57,317	50,852
Total liabilities	42,267	36,457	22,558	20,121	64,825	56,578
Total deferred inflows of resources	2,135	653	208	162	2,343	815
Net position						
Net investments in capital assets	70,555	69,022	10,521	8,652	81,076	77,674
Restricted	9,627	9,561	19,962	20,480	29,589	30,041
Unrestricted	(17,687)	(12,401)	987	1,274	(16,700)	(11,127)
Total net position	$ 62,495	$ 66,182	$ 31,470	$ 30,406	$ 93,965	$ 96,588

Statement of Activities

Table 3 presents the state's Condensed Statement of Activities for fiscal year 2017-18 and fiscal year 2016-17, 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 $3.4 billion. The net position of governmental activities increased by $2.5 billion, and the net position of business-type activities increased by $932 million. The majority of the increase in total program expenses for governmental activities relates to a $1.8 billion increase in Human Services and a $1.3 billion increase in Education expenses, while the largest increase in business-type activities expenses is the $2.5 billion increase in Hurricane Catastrophe Fund 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	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues						
Charges for services	$ 8,322	$ 7,895	$ 11,030	$ 10,258	$ 19,352	$ 18,153
Operating grants and contributions	29,889	27,968	12	5	29,901	27,973
Capital grants and contributions	2,491	2,251	43	6	2,534	2,257
Total program revenues	40,702	38,114	11,085	10,269	51,787	48,383
General revenues and payments						
Sales and use tax	26,781	25,333	—	—	26,781	25,333
Other taxes	13,677	13,689	—	—	13,677	13,689
Investment earnings (loss)	231	62	4	(1)	235	61
Miscellaneous	—	—	3	1	3	1
Total general revenues and payments	40,689	39,084	7	—	40,696	39,084
Total revenues	81,391	77,198	11,092	10,269	92,483	87,467
Program expenses						
General government	7,121	6,920	—	—	7,121	6,920
Education	22,087	20,805	—	—	22,087	20,805
Human services	37,656	35,857	—	—	37,656	35,857
Criminal justice and corrections	4,641	4,277	—	—	4,641	4,277
Natural resources and environment	3,348	3,137	—	—	3,348	3,137
Transportation	4,384	4,405	656	574	5,040	4,979
Judicial branch	605	587	—	—	605	587
Lottery	—	—	4,956	4,522	4,956	4,522
Hurricane Catastrophe Fund	—	—	2,578	80	2,578	80
Prepaid College Program	—	—	50	(252)	50	(252)
Reemployment Assistance	—	—	451	415	451	415
Nonmajor enterprise funds	—	—	376	339	376	339
Indirect interest on long term debt	87	84	—	—	87	84
Total program expenses	79,929	76,072	9,067	5,678	88,996	81,750
Excess (deficiency)before gain (loss) and transfers	1,462	1,126	2,025	4,591	3,487	5,717
Gain (loss) on sale of capital assets	(49)	(167)	(6)	(1)	(55)	(168)
Transfers	1,087	1,541	(1,087)	(1,541)	—	—
Change in net position	2,500	2,500	932	3,049	3,432	5,549
Beginning net position, as restated (Note 1)	59,995	63,682	30,538	27,357	90,533	91,039
Ending net position	$ 62,495	$ 66,182	$ 31,470	$ 30,406	$ 93,965	$ 96,588

Major Fund Analysis

Governmental Funds

The state's governmental funds reported a combined ending fund balance of $18.2 billion at June 30, 2018, a $361 million or 2.0 percent increase from the prior year. Revenues increased by $4.0 billion or 5.2 percent, other financing sources and uses increased by $438 million or 19.1 percent, and expenditures increased by $3.9 billion or 4.9 percent. Overall increases in revenues and expenditures were primarily attributable to a rise in tax revenues.

Proprietary Funds

The state's proprietary funds report combined ending net position of $31.5 billion at June 30, 2018, of which $10.5 billion is the net investment in capital assets, and $20.0 billion is restricted for specific purposes. The remaining $1.0 billion was unrestricted and available for purposes of the various funds. Information is provided below regarding major funds with significant variances relative to the prior year.

Lottery – This fund reported a net position of $48 million at June 30, 2018, a decrease of $30 million or 38.5 percent. Revenues increased by $560 million or 9.10 percent while expenses and operating transfers out increased by $536 million or 8.68 percent. Revenues increased as result of an increase on tickets sales, prompted by higher jackpots and introduction of new games during the fiscal year. The increase in expenses and operating transfers out were due to higher ticket sales, which increased related prize expense and transfers to the Educational Enhancement Trust Fund. The decrease in net position was primarily due to a $24.6 million restatement of the fund's beginning net position related to the implementation of GASB Statement No. 75. For additional information, see Note 1 of the Notes to the Financial Statements.

Hurricane Catastrophe Fund – The net position at June 30, 2018, totaled $12.7 billion, a decrease of $1.3 billion or 9.2 percent, primarily due to a $1.8 billion increase for the recorded loss reserves for Hurricane Irma at June 30, 2018.

Prepaid College Program – The net position at June 30, 2018, totaled $3.0 billion, an increase of $587 million or 24.8 percent. Revenues and operating transfers in increased by $179 million or 39.0 percent while expenses and operating transfers out increased by $301 million or 119.7 percent. The increase in revenues was due to several factors, including an increase in contract revenue net of refunds, an increase in the actuarial determination of the present value of future contract premiums and an increase in overall investment earnings. The increase in the actuarial present value of future contract premiums was due to contract sales exceeding payments received from customers during the period. Expenses increased over the prior year primarily because the actuarial determination of the present value of future benefit payments did not decrease as much as it decreased in the prior fiscal year. Decreases in the actuarial determination of the present value of future benefit payments was less due to several factors, including updates to actuarial assumptions and methodology and actual contract usage and cancellation behavior.

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 $356 million increase between the original and final estimated revenues. Final budgeted total expenditures increased by $931 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, 2018, the state reported $76.0 billion in net capital assets for governmental activities and $13.5 billion in net capital assets for business-type activities. Net capital assets for governmental and business-type activities increased from fiscal year 2016-17 to fiscal year 2017-18 by approximately 3.9 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 $14.4 billion. Construction commitments by other state agencies for major projects including office buildings and correctional facilities increased by $197 million compared to the prior year. Refer to Note 5 to the financial statements for information on capital assets and Note 7 to the financial statements for information on construction commitments.

Long-term Debt Activity

Total bonded debt outstanding decreased by $1.1 billion, or approximately 5.3 percent, from the prior fiscal year to a total of $19.6 billion at June 30, 2018 due to new debt issued being less than scheduled amortization and debt service payments. The majority of the outstanding bonded debt serves to finance educational facilities ($10.7 billion), the Florida Hurricane Catastrophe Fund

($2.7 billion) and transportation ($4.6 billion). New and refinanced bonded debt issues for 2018 totaled $2.2 billion. Public-Private Partnership (PPP) contracts outstanding increased from the prior year by $16 million or 0.6 percent to a total of $2.7 billion. The annual debt service requirements increased from $2.2 billion in 2017 to $2.3 billion in 2018 due to the refinement of how PPP obligations are reflected in outstanding debt. In Fiscal Year 2017 and 2018, debt service increased by $125 million and $117 million, respectively, to nearly $2.3 billion in Fiscal Year 2018 reflecting the impact of PPP payments. The annual debt service is projected to decrease and then increase to $2.1 billion in Fiscal Year 2022, reflecting the payment obligations for the PPP I-595 and I-4 Projects.

Pursuant to the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68 – *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, the State of Florida recorded $7.5 billion in pension liabilities for the defined benefit plans it administers for the fiscal year ended June 30, 2018. The $7.5 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.)

Pursuant to the provisions of GASB Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the State of Florida recorded $8.0 billion in other postemployment benefit liabilities for the fiscal year ended June 30, 2018. This resulted in an increase of $5.7 billion or 240 percent. (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, 2018, two of the three major rating agencies rated the State in the highest rating category. Standard & Poor's Rating Services and Fitch Ratings each affirmed the State's AAA general obligation rating and Stable outlooks. On June 21, 2018, Moody's Investors Services upgraded the State's general obligation rating to from Aa1 to Aaa and assigned a stable outlook. The State's benchmark debt ratio remained at 5.59 percent and is projected to remain below the 6 percent policy target for the foreseeable future.

Section 11 of Article VII of the State Constitution authorizes the state to issue general obligation bonds or revenue bonds to finance or refinance fixed capital outlay projects authorized by law. General obligation bonds are secured by the full faith and credit of the state and payable from specified taxes. Revenue bonds are payable solely from specified revenues. The responsibility to issue most state bonds rests with the Division of Bond Finance of the State Board ofAdministration. However, certain quasi-governmental entities also incur debt and are reported as part of the primary government. See the *State of Florida 2018 Debt Report* for more detailed information about the state's debt position. The report can be found at *www.sbafla.com/bondfinance* or by contacting the Division of Bond Finance, 1801 Hermitage Boulevard, Suite 200, Tallahassee, Florida 32308, (850) 488-4782. Additional information on long-term debt is also found in Notes 6, 8, 9, and 10 to the financial statements and the Statistical Section of this report.

Infrastructure Accounted for Using the Modified Approach

The state elected to use the modified approach to account for roadways, bridges, and other infrastructure assets of the State Highway System. Under this approach, the Florida Department of Transportation (FDOT) committed to maintain these assets at levels established by FDOT and approved by the Florida Legislature. No depreciation expense is reported for these assets, nor are amounts capitalized in connection with improvements that lengthen the lives of such assets, unless the improvements also increase their service potential. FDOT maintains an inventory of these assets and performs periodic assessments to establish that predetermined condition levels are being maintained. The condition assessments performed during fiscal year 2017-18 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, 2018, came in 5.2 percent higher than the prior fiscal year, bettering the annual growth rate recorded for fiscal year 2016-17. Nine years after the back-to-back negative growth rates seen during the collapse of the housing boom and entry into the Great Recession, Florida finally left its long recovery period behind and largely returned to normalcy. However, a significant amount of the growth in final collections for the 2017-18 fiscal year (approximately 16 percent) was associated with one-time events that are not expected to be repeated in the future. These included rebuilding associated with Hurricane Irma, changes to the Indian Gaming revenue share payment calculation and structure, recognition of Medicaid Achieved Savings Rebates, and repayments of hurricane-related Bridge Loans. This means that the growth rate for fiscal year 2017-18 is at the high-end of the range moving toward the 3.1 percent annual growth projected for the long-run.

Most (86.2 percent) of the year-over-year net increase in General Fund receipts (total revenue minus refunds) came from gains in sales tax collections. For fiscal year 2017-18, this revenue source noticeably increased its dominant share of the fund, ending the year with 69.8 percent of total revenue received. As the economy remained strong with gains in the state's Gross Domestic Product and personal income over the prior year, signs of a fully recovered economy 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 5.4 percent from fiscal year 2016-17 to fiscal year 2017-18. This equates to nearly $1.36 billion in growth for this source, with $1.15 billion flowing through to the General Fund.

Including sales tax, two-thirds of the state's general revenue sources posted gains over the prior year, with a few continuing to make progress against strong headwinds. In this respect, several key 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. Twelve years after the boom's peak, each metric still has a unique story to tell. For statewide existing single-family home sales and their associated median sales price, the direction was mixed with sales losing some ground relative to the prior fiscal year (-0.9 percent) and the median price gaining ground (7.8 percent). However, the picture solidified for both single-family private housing starts (up 12.0 percent) and total construction expenditures (up 9.9 percent), enabling total documentary stamp taxes to grow 3.7 percent. This growth brought documentary stamp taxes to 61.8 percent of their prior peak and made the general revenue share of documentary stamp taxes the state's second strongest contributor to General Fund growth after excluding one-time events. Reflecting a slightly different aspect of the market, intangibles tax collections, which entirely benefit the General Fund, softened as refinancing activity pulled back, posting a 0.5 percent loss over the prior year. Overall, the collection levels are still low by historic standards for the two sources, sometimes distorting the magnitude of percentage changes.

Just as national corporate profits increased in fiscal year 2017-18 over fiscal year 2016-17, the state's corporate income tax collections also grew over the year, making this source one of the state's stronger contributors to real revenue growth. Still slightly below peak collections, corporate income tax receipts prior to refunds posted 2.0 percent growth to achieve 98.7 percent of the previous high. Because corporate refunds were higher than the prior year, net collections showed smaller growth of 0.5 percent.

At the end of the 2017-18 state fiscal year, total General Fund collections were $205.2 million above the estimate for the year, a gain of 0.7 percent and well within the plus or minus one percent range the Conference usually attributes to statistical noise. This is the third consecutive year that the fiscal year ended within one percent of the estimate, signaling the underlying stability in the economy. Further, General Fund sources collectively performed the same as the class of total revenue for the state. Including federal dollars, total revenue increased by 4.6 percent over this period.

The Revenue Estimating Conference last met in December 2018 to revise the General Fund forecast for fiscal years 2018-19 and 2019-20. The near-term National and Florida Economic Forecasts were weaker in several key areas compared to August; however, revenue collections had run above monthly estimates by a combined $365.2 million since the last conference. Focusing on the year-to-date gains to the forecast, anticipated revenues were revised upward by $461.5 million in fiscal year 2018-19 and by $380.5 million in fiscal year 2019-20, for a two-year total of $842.0 million, a change of 1.4 percent in fiscal year 2018-19 and 1.1 percent in fiscal year 2019-20. While this is the largest combined increase since April 2006, during the peak of the housing boom, the Conference recognized that there is an elevated level of risk due to the mature stage of the current economic expansion.

As a buffer against future financial shocks, the latest General Revenue Outlook shows that there will be just over $1.720 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 $1.483 billion on June 30, 2019. The fund cash balance is now at the highest recorded level in its history. The other source most frequently mentioned as part of the state's informal reserve system is the Lawton Chiles Endowment Fund which had a market value of $763.1 million at the end of the second quarter of the 2018 calendar year, bringing the total of all reserves to nearly $3.966 billion or 12.1 percent of the state's estimated General Fund tax collections. According to the state's Long-Range Financial Outlook adopted in September 2018, the state is not anticipating a budget gap for the upcoming fiscal year, meaning the projected revenues should meet all anticipated needs. However, this assessment comes with two caveats. First, it was made immediately prior to the landfall of Hurricane Michael and did not include any of those effects, positive or negative. Second, the projections for the subsequent years indicate that a structural imbalance is beginning to occur and that the Legislature will need to take future action.

Contact the State's Financial Management

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

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

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FINANCIAL SECTION:

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION
JUNE 30, 2018
(in thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Totals	Component Units
ASSETS				
Cash and cash equivalents	$ 113,750	$ 76,801	$ 190,551	$ 2,267,069
Pooled investments with State Treasury	16,021,471	5,519,454	21,540,925	3,856,879
Other investments	1,443,567	30,731,243	32,174,810	17,094,440
Receivables, net	5,272,112	2,026,076	7,298,188	2,165,416
Internal balances	259,518	(259,518)	—	—
Due from component units/primary	21,897	540	22,437	611,290
Inventories	58,290	8,137	66,427	88,642
Restricted cash and cash equivalents	—	2,775	2,775	649,103
Restricted pooled investments with State Treasury	—	39,223	39,223	738,251
Restricted investments	—	544,160	544,160	5,749,114
Advances to other entities	780,906	—	780,906	—
Other loans and notes receivable, net	2,838,355	1,916,977	4,755,332	2,204,103
Other assets	757	36,304	37,061	495,283
Capital assets, net	76,037,123	13,493,130	89,530,253	25,086,934
Total assets	102,847,746	54,135,302	156,983,048	61,006,524
DEFERRED OUTFLOWS OF RESOURCES				
Accum. decrease in fair value - hedging derivatives	—	—	—	36,386
Grants paid in advance	51,061	—	51,061	51
Amount deferred on refunding of debt	105,125	26,492	131,617	25,665
Pension-related items	3,670,475	68,632	3,739,107	1,756,367
Other postemployment benefits	221,930	6,409	228,339	64,997
Total deferred outflows of resources	4,048,591	101,533	4,150,124	1,883,466
LIABILITIES				
Accounts payable and accrued liabilities	2,338,698	1,448,386	3,787,084	2,994,844
Due to other governments	7	7,538	7,545	—
Due to component units/primary	91,511	423	91,934	85,178
Obligations under security lending agreements	1,596,005	2,025,375	3,621,380	—
Long-term liabilities				
Due within one year	4,044,535	3,462,635	7,507,170	1,898,704
Due in more than one year	34,195,884	15,614,074	49,809,958	16,234,577
Total liabilities	42,266,640	22,558,431	64,825,071	21,213,303
DEFERRED INFLOWS OF RESOURCES				
Deferred service concession arrangement receipts	—	148,382	148,382	54,821
Accum. increase in fair value - hedging derivatives	—	—	—	2,862
Amount deferred on refunding of debt	86,523	17,088	103,611	2,789
Pension-related items	843,217	12,548	855,765	309,077
Other postemployment benefits liability	1,204,699	30,326	1,235,025	402,569
Irrevocable split-interest agreements	—	—	—	4,204
Total deferred inflows of resources	2,134,439	208,344	2,342,783	776,322
NET POSITION				
Net investments in capital assets	70,555,222	10,521,410	81,076,632	20,885,592
Restricted for				
Natural resources, environment, and growth management	3,477,284	—	3,477,284	—
Public Education	597,870	—	597,870	—
Health and Family Services	1,850,079	—	1,850,079	—
Transportation	1,701,574	250,887	1,952,461	—
Nonmajor governmental funds	1,197,583	—	1,197,583	—
Debt service	162,511	—	162,511	141,835
Lottery	—	91,991	91,991	—
Prepaid College Program	—	2,954,127	2,954,127	—
Hurricane Catastrophe Fund	—	12,700,446	12,700,446	—
Reemployment Assistance	—	3,951,714	3,951,714	—
Other	639,860	12,286	652,146	7,136,609
Funds held for permanent endowment				
Expendable	—	—	—	945,738
Nonexpendable	—	—	—	3,986,584
Unrestricted	(17,686,725)	987,199	(16,699,526)	7,804,007
Total net position	$ 62,495,258	$ 31,470,060	$ 93,965,318	$ 40,900,365

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(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	$ 7,121,076	$ 4,986,966	$ 993,744	$ 12,083	$ (1,128,283)
Education	22,087,266	267,724	2,465,895	157	(19,353,490)
Human services	37,655,551	2,119,895	24,682,941	2,346	(10,850,369)
Criminal justice and corrections	4,641,430	272,208	110,457	420	(4,258,345)
Natural resources and environment	3,348,183	351,419	1,537,545	32,053	(1,427,166)
Transportation	4,384,174	233,922	97,636	2,443,871	(1,608,745)
Judicial branch	604,607	89,863	1,292	—	(513,452)
Indirect interest on long-term debt	87,061	—	—	—	(87,061)
Total governmental activities	$ 79,929,348	$ 8,321,997	$ 29,889,510	$ 2,490,930	$ (39,226,911)
Business-type activities:					
Transportation	655,689	1,234,814	—	34,364	613,489
Lottery	4,956,621	6,709,553	—	—	1,752,932
Hurricane Catastrophe Fund	2,578,144	1,306,875	—	—	(1,271,269)
Prepaid College Program	49,629	636,471	—	—	586,842
Reemployment Assistance	450,662	663,818	11,591	—	224,747
Nonmajor enterprise funds	375,950	478,163	577	8,658	111,448
Total business-type activities	9,066,695	11,029,694	12,168	43,022	2,018,189
Total primary government	$ 88,996,043	$ 19,351,691	$ 29,901,678	$ 2,533,952	$ (37,208,722)
Component units					
Florida Housing Finance Corporation	$ 151,553	$ 186,113	$ —	$ —	$ 34,560
University of Florida	5,639,500	3,698,010	1,025,146	115,596	$ (800,748)
Citizens Property Insurance Corporation	1,884,641	631,509	—	—	(1,253,132)
Nonmajor component units	12,685,469	3,714,923	3,771,092	843,399	(4,356,055)
Total component units	$ 20,361,163	$ 8,230,555	$ 4,796,238	$ 958,995	$ (6,375,375)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Net (expense) revenue	$ (39,226,911)	$ 2,018,189	$ (37,208,722)	$ (6,375,375)
General revenues:				
Taxes				
Sales and use tax	26,781,181	—	26,781,181	—
Fuel taxes	3,111,590	—	3,111,590	—
Corporate income tax	2,412,220	—	2,412,220	—
Documentary stamp tax	2,517,733	—	2,517,733	—
Intangible personal property tax	376,744	—	376,744	—
Communications service tax	1,031,288	—	1,031,288	—
Beverage and tobacco taxes	1,465,590	—	1,465,590	—
Insurance premium tax	1,084,872	—	1,084,872	—
Gross receipts utilities tax	793,809	—	793,809	—
Property taxes	—	—	—	483,557
Other taxes	882,784	—	882,784	—
Investment earning (loss)	231,040	4,400	235,440	1,004,070
Gain (loss) on sale of capital assets	(49,064)	(6,248)	(55,312)	6,976
Payments from the State of Florida	—	—	—	4,779,523
Emergency assessments	—	192	192	—
Miscellaneous	—	2,973	2,973	765,986
Transfers	1,087,452	(1,087,452)	—	—
Contributions to permanent funds	—	—	—	90,557
Total general revenues, transfers and contributions	41,727,239	(1,086,135)	40,641,104	7,130,669
Changes in net position	2,500,328	932,054	3,432,382	755,294
Net position - beginning, as restated (Note 1)	59,994,930	30,538,006	90,532,936	40,145,071
Net position - ending	$ 62,495,258	$ 31,470,060	$ 93,965,318	$ 40,900,365

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.

NATURAL RESOURCES, ENVIRONMENT, AND GROWTH MANAGEMENT
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 193.

2018 STATE OF FLORIDA CAFR

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018
(in thousands)

	General Fund	Natural Resources, Environment, and Growth Management	Public Education	Health and Family Services	Transportation	Nonmajor Governmental Funds	Totals 6/30/18
ASSETS							
Current assets							
Cash and cash equivalents	$ 17,586	$ 1,697	$ 36	$ 5,570	$ 807	$ 30,655	$ 56,351
Pooled investments with State Treasury	6,301,909	2,219,759	1,153,643	1,827,996	2,108,416	1,726,052	15,337,775
Other investments	1,001,945	—	—	—	4,935	262,615	1,269,495
Receivables, net	1,920,511	204,431	62,568	1,949,905	498,379	501,889	5,137,683
Due from other funds	237,446	24,159	95,677	80,746	209,207	120,565	767,800
Due from component units/primary	1,341	387	1,522	17,485	—	9	20,744
Inventories	11,075	769	—	36,901	7,099	2,446	58,290
Other	604	—	—	—	—	153	757
Total current assets	9,492,417	2,451,202	1,313,446	3,918,603	2,828,843	2,644,384	22,648,895
Noncurrent assets							
Long-term investments	—	—	—	—	—	135,478	135,478
Advances to other funds	2,603	—	—	—	72,476	—	75,079
Advances to other entities	4,560	1,276	773,925	—	1,145	—	780,906
Other loans and notes receivable, net	5,554	1,347,490	839	32,847	623,822	827,803	2,838,355
Total noncurrent assets	12,717	1,348,766	774,764	32,847	697,443	963,281	3,829,818
Total assets	9,505,134	3,799,968	2,088,210	3,951,450	3,526,286	3,607,665	26,478,713
DEFERRED OUTFLOWS OF RESOURCES							
Grants paid in advance	—	—	—	—	51,061	—	51,061
Total deferred outflows of resources	—	—	—	—	51,061	—	51,061
Total assets and deferred outflows	9,505,134	3,799,968	2,088,210	3,951,450	3,577,347	3,607,665	26,529,774
LIABILITIES							
Current liabilities							
Accounts payable and accrued liabilities	530,298	62,378	6,254	477,687	708,531	183,855	1,969,003
Due to other funds	283,244	25,862	2,971	92,198	53,069	160,956	618,300
Due to component units/primary	13,132	37,389	16,355	21,073	—	3,030	90,979
Compensated absences	9,312	1,671	87	1,324	3,048	825	16,267
Claims payable	226,498	—	—	573,869	—	5,528	805,895
Deposits	6,838	5,797	14,033	2,124	509,486	156,067	694,345
Obligations under security lending agreements	1,138,388	116,934	83,624	6,185	132,217	77,083	1,554,431
Total current liabilities	2,207,710	250,031	123,324	1,174,460	1,406,351	587,344	5,749,220
Noncurrent liabilities							
Advances from other funds	—	—	936,873	—	—	733	937,606
Deposits	—	—	—	—	—	17,056	17,056
Other	—	—	40	—	—	—	40
Total noncurrent liabilities	—	—	936,913	—	—	17,789	954,702
Total liabilities	2,207,710	250,031	1,060,237	1,174,460	1,406,351	605,133	6,703,922
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue	160,020	1,119	—	867,865	470,098	153,033	1,652,135
Total deferred inflows of resources	160,020	1,119	—	867,865	470,098	153,033	1,652,135
FUND BALANCES							
Nonspendable	16,142	769	—	36,901	7,099	28,860	89,771
Restricted	39,684	2,492,472	1,479,490	144,402	50	1,617,859	5,773,957
Committed	1,239,072	1,055,577	436,842	1,727,822	1,693,749	1,202,780	7,355,842
Unassigned	5,842,506	—	(888,359)	—	—	—	4,954,147
Total fund balances	7,137,404	3,548,818	1,027,973	1,909,125	1,700,898	2,849,499	18,173,717
Total liabilities, deferred inflows and fund balances	$ 9,505,134	$ 3,799,968	$ 2,088,210	$ 3,951,450	$ 3,577,347	$ 3,607,665	$ 26,529,774

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, 2018
(in thousands)

Total fund balances for governmental funds		$	18,173,717
Amounts reported for governmental activities in the Statement of Net Position are different because:			
Capital assets used in governmental activities reported in governmental funds are not financial resources and therefore are not reported in the funds.			
Land and other nondepreciable assets	19,601,044		
Nondepreciable infrastructure	49,942,915		
Buildings, equipment and other depreciable assets	6,919,953		
Accumulated depreciation	(4,448,333)		
Construction work in progress	3,025,190		
			75,040,769
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences	(728,746)		
Installment purchases/capital leases/public-private partnership agreements	(2,482,659)		
Claims payable	(1,986,582)		
Bonds payable	(14,132,253)		
Certificates of participation payable	(74,115)		
Net other post employment benefits	(7,690,803)		
Pension Liability	(7,260,499)		
Due to other governments	(397,066)		
Other	(12,427)		
			(34,765,150)
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.			22,603
Deferred amounts for pension-related items are reported in the Statement of Net Position as deferred outflows or deferred inflows of resources (to be amortized as pension expense) but are not reported in the funds.			2,790,661
Deferred amounts for other postemployment 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.			(968,676)
Accrued interest payable on bonds that is not recognized on the fund statements but is recognized on the Statement of Net Position.			(44,282)
Assets (receivables) not available to provide current resources are offset with deferred inflows of resources in the fund statements. The reduction of the deferred inflow and recognition of revenue increases net position in the Statement of Net Position.			1,652,135
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.			593,481
Net position of governmental activities		$	62,495,258

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

2018 STATE OF FLORIDA CAFR

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(in thousands)

	General Fund	Natural Resources, Environment, and Growth Management	Public Education	Health and Family Services	Transportation	Nonmajor Governmental Funds	Totals 6/30/18
REVENUES							
Taxes	$ 35,282,816	$ 316,120	$ 1,154,714	$ 660,405	$ 2,799,610	$ 259,805	$ 40,473,470
Licenses and permits	606,216	50,641	920	40,286	13,681	1,557,197	2,268,941
Fees and charges	1,540,934	171,044	61,418	1,353,706	457,381	760,126	4,344,609
Grants and donations	22,777	149,205	2,280,655	24,682,016	2,542,184	2,566,259	32,243,096
Investment earnings (losses)	163,510	45,224	60,355	2,707	20,511	56,196	348,503
Fines, forfeits, settlements and judgments	89,605	3,112	150,747	67,814	2,836	493,051	807,165
Other	9,466	20,035	4,822	673,042	29,283	56,110	792,758
Total revenues	37,715,324	755,381	3,713,631	27,479,976	5,865,486	5,748,744	81,278,542
EXPENDITURES							
Current:							
General government	4,574,771	24,692	—	146,510	203,723	2,044,336	6,994,032
Education	16,640,441	—	4,842,673	—	—	196,486	21,679,600
Human services	8,570,801	—	—	28,461,951	—	454,650	37,487,402
Criminal justice and corrections	3,713,290	—	—	—	—	562,460	4,275,750
Natural resources and environment	540,482	1,157,615	—	—	—	1,516,984	3,215,081
Transportation	2,716	—	—	—	4,269,469	—	4,272,185
Judicial branch	446,722	—	—	—	—	82,017	528,739
Capital outlay	92,915	76,033	410	12,316	2,583,212	79,484	2,844,370
Gain (loss) on disposal of general fixed assets	—	(322)	—	—	—	3	(319)
Debt service:							
Principal retirement	12,202	—	—	7,555	379,143	1,134,393	1,533,293
Interest and fiscal charges	4,693	—	—	76	82,248	664,239	751,256
Total expenditures	34,599,033	1,258,018	4,843,083	28,628,408	7,517,795	6,735,052	83,581,389
Excess (deficiency) of revenues over expenditures	3,116,291	(502,637)	(1,129,452)	(1,148,432)	(1,652,309)	(986,308)	(2,302,847)
OTHER FINANCING SOURCES (USES)							
Proceeds of bond issues	2,649	—	—	—	409,900	5,022	417,571
Proceeds of refunding bonds	—	—	—	—	—	1,376,618	1,376,618
Proceeds of financing agreements	—	—	—	—	439,968	704	440,672
Operating transfers in	684,677	957,725	2,297,700	1,608,908	1,664,814	2,963,084	10,176,908
Operating transfers out	(3,345,613)	(351,166)	(1,319,593)	(438,778)	(717,219)	(2,124,119)	(8,296,488)
Payments to refunded bond agent	—	—	—	—	—	(1,376,618)	(1,376,618)
Total other financing sources (uses)	(2,658,287)	606,559	978,107	1,170,130	1,797,463	844,691	2,738,663
Net change in fund balances	458,004	103,922	(151,345)	21,698	145,154	(141,617)	435,816
Fund balances - beginning, as restated (Note 1)	6,679,400	3,444,896	1,179,318	1,887,427	1,555,744	2,991,116	17,737,901
Fund balances - ending	$ 7,137,404	$ 3,548,818	$ 1,027,973	$ 1,909,125	$ 1,700,898	$ 2,849,499	$ 18,173,717

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, 2018
(in thousands)

Net change in fund balance - total governmental funds		$ 435,816
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.		54,643
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	2,844,370	
Capital asset transfers, net	(786,405)	
Depreciation expense	(315,076)	
		1,742,889
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.		47,049
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.		97,142
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Increase in compensated absences	(21,062)	
Decrease in accrued interest	2,558	
Decrease in claims payable	97,936	
Increase in net other post employment benefits	(355,787)	
Increase in net pension related items	(434,790)	
Increase in due to other governments	20,264	
Decrease in other liabilities	3,748	
		(687,133)
The incurrence of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayments of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts, deferred amounts on refundings when debt is issued, whereas these amounts are deferred and amortized in the Statement of Activities.		
Bond proceeds	(417,571)	
Refunding bond proceeds	(1,376,618)	
Financing agreement proceeds	(440,672)	
Repayment of bonds	1,133,552	
Repayment of capital leases/installment purchase contracts	399,741	
Payment to refunded bond escrow agent	1,376,618	
Amortization of bond premium	195,194	
Amortization of amount deferred on refunding of debt	(9,425)	
Accrued interest payable at refunding	(50,897)	
		809,922
Change in net position of governmental activities		$ 2,500,328

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

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PROPRIETARY FUND FINANCIAL STATEMENTS

Major Funds

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

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

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

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

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

Nonmajor Funds

Nonmajor enterprise funds are presented on page 229.

Internal Service Funds

Internal service funds are presented on page 235.

2018 STATE OF FLORIDA CAFR

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018
(in thousands)

	Transportation	Lottery	Hurricane Catastrophe Fund	Prepaid College Program	Reemployment Assistance	Nonmajor Enterprise Funds	Totals 6/30/18	Internal Service Funds
ASSETS								
Current assets								
Cash and cash equivalents	$ 3,746	$ 303	$ 4,009	$ 11,076	$ 128	$ 57,539	$ 76,801	$ 57,399
Pooled investments with State Treasury	1,057,300	195,211	—	—	3,864,244	402,699	5,519,454	683,696
Other investments	—	—	8,825,994	2,234,950	—	12,165	11,073,109	38,594
Receivables, net	10,999	51,203	1,179,401	501,240	112,397	23,945	1,879,185	37,511
Due from other funds	139,331	—	—	6	648	11,635	151,620	25,210
Due from component units/primary	—	—	—	—	317	223	540	1,153
Inventories	6,863	1,274	—	—	—	—	8,137	—
Other	—	2,889	4	3	—	1,471	4,367	—
Total current assets	1,218,239	250,880	10,009,408	2,747,275	3,977,734	509,677	18,713,213	843,563
Noncurrent assets								
Restricted cash and cash equivalents	2,775	—	—	—	—	—	2,775	—
Restricted pooled investments with State Treasury	—	39,223	—	—	—	—	39,223	—
Restricted investments	252,853	291,307	—	—	—	—	544,160	—
Long-term investments	—	—	8,389,288	11,203,239	—	65,607	19,658,134	—
Other loans and notes receivable, net	77,316	—	—	1,837,435	—	2,226	1,916,977	—
Capital assets								
Land and other non-depreciable assets	1,159,158	3,566	—	—	—	—	1,162,724	319
Non-depreciable infrastructure	9,614,944	—	—	—	—	—	9,614,944	—
Buildings, equipment, and other depreciable assets	1,199,943	13,566	49	122	—	159,720	1,373,400	1,572,699
Accumulated depreciation	(387,633)	(10,145)	(41)	(48)	—	(66,858)	(464,725)	(586,973)
Construction work in progress	1,790,327	—	49	—	—	16,411	1,806,787	10,309
Other	—	26,676	—	—	—	5,261	31,937	—
Total noncurrent assets	13,709,683	364,193	8,389,345	13,040,748	—	182,367	35,686,336	996,354
Total assets	14,927,922	615,073	18,398,753	15,788,023	3,977,734	692,044	54,399,549	1,839,917
DEFERRED OUTFLOWS OF RESOURCES								
Amount deferred on refunding of debt	26,492	—	—	—	—	—	26,492	2,593
Pension-related items	—	10,696	706	1,211	—	56,019	68,632	46,601
Other postemployment benefits	—	549	37	38	—	5,785	6,409	2,667
Total deferred outflows of resources	26,492	11,245	743	1,249	—	61,804	101,533	51,861
LIABILITIES								
Current liabilities								
Accounts payable and accrued liabilities	72,929	10,681	1,099,945	191,030	17,171	56,485	1,448,241	188,278
Accrued prize liability	—	178,788	—	—	—	—	178,788	—
Due to other governments	—	—	—	—	7,538	—	7,538	7
Due to other funds	113,263	68,408	311	57	1,311	8,674	192,024	27,777
Due to component units/primary	—	—	—	—	—	423	423	532
Compensated absences	—	740	77	74	—	5,600	6,491	2,799
Installment purchases/capital leases	2,462	—	—	—	—	20,096	22,558	5,254
Bonds payable	—	—	500,000	—	—	—	500,000	14,165
Bonds payable from restricted assets	142,935	—	—	—	—	—	142,935	—
Deposits	52,712	—	—	—	—	13,745	66,457	169,018
Claims payable	—	—	1,896,663	—	—	—	1,896,663	—
Obligations under security lending agreements	76,102	16,395	—	1,908,580	—	24,298	2,025,375	41,574
Certificates of participation payable	—	—	—	—	—	—	—	30,595
Tuition and housing benefits payable	—	—	—	644,106	—	—	644,106	—
Pension liability	—	162	10	13	—	999	1,184	511
Other postemployment benefits	—	519	9	11	—	2,914	3,453	1,566
Total current liabilities	460,403	275,693	3,497,015	2,743,871	26,020	133,234	7,136,236	482,076
Noncurrent liabilities								
Advances from other funds	72,368	—	—	—	—	—	72,368	1,978
Accrued prize liability	—	241,823	—	—	—	—	241,823	—
Bonds payable	2,454,657	—	2,200,000	—	—	—	4,654,657	197,682
Certificates of participation payable	—	—	—	—	—	—	—	387,331
Installment purchases/capital leases	215,221	—	—	—	—	8,600	223,821	9,144
Deposits	351	—	—	—	—	56,795	57,146	—
Compensated absences	—	3,003	151	255	—	13,769	17,178	10,365
Tuition and housing benefits payable	—	—	—	10,088,489	—	—	10,088,489	—
Pension liability	—	21,258	1,304	1,819	—	109,959	134,340	86,618
Other postemployment benefits liability	—	29,728	391	482	—	165,122	195,723	89,745
Other	—	—	—	—	—	897	897	—
Total noncurrent liabilities	2,742,597	295,812	2,201,846	10,091,045	—	355,142	15,686,442	782,863
Total liabilities	3,203,000	571,505	5,698,861	12,834,916	26,020	488,376	22,822,678	1,264,939
DEFERRED INFLOWS OF RESOURCES								
Deferred service concession arrangement receipts	148,382	—	—	—	—	—	148,382	—
Amount deferred on refunding of debt	17,088	—	—	—	—	—	17,088	6,594
Pension-related items	—	2,070	73	83	—	10,322	12,548	10,004
Other postemployment benefits	—	4,508	59	72	—	25,687	30,326	16,760
Total deferred inflows of resources	165,470	6,578	132	155	—	36,009	208,344	33,358
NET POSITION								
Net investment in capital assets	10,434,278	6,987	57	74	—	80,014	10,521,410	348,182
Restricted for Reemployment Assistance	—	—	—	—	3,951,714	—	3,951,714	—
Restricted for Lottery	—	91,991	—	—	—	—	91,991	—
Restricted for Hurricane Catastrophe Fund	—	—	12,700,446	—	—	—	12,700,446	—
Restricted for Prepaid College Program	—	—	—	2,954,127	—	—	2,954,127	—
Restricted for Transportation	250,887	—	—	—	—	—	250,887	—
Restricted - other	—	—	—	—	—	12,286	12,286	80,599
Unrestricted	900,779	(50,743)	—	—	—	137,163	987,199	164,700
Total net position	$ 11,585,944	$ 48,235	$ 12,700,503	$ 2,954,201	$ 3,951,714	$ 229,463	$ 31,470,060	$ 593,481

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

2018 STATE OF FLORIDA CAFR

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(in thousands)

	Transportation	Lottery	Hurricane Catastrophe Fund	Prepaid College Program	Reemployment Assistance	Nonmajor Enterprise Funds	Totals 6/30/18	Internal Service Funds
OPERATING REVENUES								
Sales - nonstate	$ 23,340	$ 6,707,156	$ 1,066,845	$ 426,839	$ —	$ 87,838	$ 8,312,018	$ 55,164
Change in actuarial value of contract premiums	—	—	—	61,188	—	—	61,188	—
Fees	1,162,422	—	1	2,578	567,290	270,538	2,002,829	—
Sales - state	—	—	41	225	—	42,656	42,922	2,493,492
Rents and royalties - nonstate	10,032	537	—	—	—	4	10,573	48
Rents - state	—	—	—	—	—	133	133	157,442
Fines, forfeits, settlements and judgments	11,777	179	—	—	—	11,025	22,981	89
Other	—	—	—	—	—	46,251	46,251	18,850
Total operating revenues	1,207,571	6,707,872	1,066,887	490,830	567,290	458,445	10,498,895	2,725,085
OPERATING EXPENSES								
Benefit payments	—	—	—	—	409,127	—	409,127	—
Payment of lottery winnings	—	4,394,400	—	—	—	—	4,394,400	—
Commissions on lottery sales	—	373,819	—	—	—	—	373,819	—
Contractual services	431,474	137,273	3,702	404,884	—	121,606	1,098,939	546,527
Change in actuarial value of contract benefit payments	—	—	2,499,000	(393,504)	—	—	2,105,496	—
Insurance claims expense	—	—	—	—	—	—	—	1,951,302
Personal services	22,336	31,064	1,664	2,280	—	204,670	262,014	104,466
Depreciation	55,607	1,108	5	15	—	8,421	65,156	37,926
Materials and supplies	26,870	2,073	33	48	—	5,613	34,637	6,137
Repairs and maintenance	—	735	—	138	—	3,319	4,192	2,982
Basic services	—	4,325	166	184	—	28,585	33,260	8,005
Interest and fiscal charges	—	—	3	29	—	1,539	1,571	1,220
Bad debt	—	—	—	—	—	—	—	3
Total operating expenses	536,287	4,944,797	2,504,573	14,074	409,127	373,753	8,782,611	2,658,568
Operating income (loss)	671,284	1,763,075	(1,437,686)	476,756	158,163	84,692	1,716,284	66,517
NONOPERATING REVENUES (EXPENSES)								
Grants and donations	34,364	—	—	—	11,591	9,235	55,190	177
Investment earnings (losses)	21,867	1,681	239,988	145,641	94,113	5,809	509,099	9,605
Interest and fiscal charges	(119,402)	(11,824)	(73,571)	(35,556)	—	(884)	(241,237)	(26,700)
Fines, forfeits, judgments and settlements	1,521	—	1,315	137	—	—	2,973	—
Property disposition gain (loss)	(14,329)	(13)	—	—	—	3	(14,339)	(7)
Grant expense and client benefits	—	—	—	—	—	(1,094)	(1,094)	—
Emergency assessment funds received	—	—	192	—	—	—	192	—
Other	5,551	—	—	—	(39,135)	(203)	(33,787)	(497)
Total nonoperating revenues (expenses)	(70,428)	(10,156)	167,924	110,222	66,569	12,866	276,997	(17,422)
Income (loss) before transfers and contributions	600,856	1,752,919	(1,269,762)	586,978	224,732	97,558	1,993,281	49,095
Operating transfers in	148,357	3	—	—	2,619	24,997	175,976	25,874
Operating transfers out	(97,662)	(1,758,469)	(10,000)	—	(12,792)	(152,776)	(2,031,699)	(20,364)
Capital contributions	794,490	—	—	—	—	6	794,496	38
Change in net position	1,446,041	(5,547)	(1,279,762)	586,978	214,559	(30,215)	932,054	54,643
Total net position - beginning, as restated (Note 1)	10,139,903	53,782	13,980,265	2,367,223	3,737,155	259,678	30,538,006	538,838
Total net position - ending	$ 11,585,944	$ 48,235	$ 12,700,503	$ 2,954,201	$ 3,951,714	$ 229,463	$ 31,470,060	$ 593,481

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(in thousands)

	Transportation	Lottery	Hurricane Catastrophe Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	$ 1,155,848	$ 6,697,616	$ 1,068,055
Cash paid to vendors	(437,109)	(514,261)	(3,945)
Cash paid to employees	(22,339)	(28,300)	(1,531)
Cash received/(paid) for grants	—	—	—
Lottery prizes	—	(4,383,135)	—
Cash paid for insurance claims	—	—	(603,118)
Reemployment assistance	—	—	—
Net cash provided (used) by operating activities	696,400	1,771,920	459,461
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in (out)	50,401	(1,761,647)	(10,000)
Advances from or repayment from other funds	(4,337)	—	—
Advances, grants or loans (to) from or repayment from others	(84,707)	—	—
Payment of bonds or loans (principal and interest)	—	—	(69,529)
Cash received from noncapital grants or donations	—	—	—
Emergency assessment funds received	—	—	195
Net cash provided (used) by noncapital financing activities	(38,643)	(1,761,647)	(79,334)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Cash received from sale or lease of capital assets	—	—	—
Cash received from the issuance of debt	—	—	—
Cash received from capital grants and donations	34,364	—	—
Payment of bond principal	(142,405)	—	—
Payment of principal on installment purchase/capital lease	—	—	—
Payment of interest on bonds/installment purchase/capital lease	(132,476)	—	—
Purchase or construction of capital assets	(532,900)	(1,844)	(5)
Line of credit draws/(payments)	—	—	—
Net cash provided (used) by capital and related financing activities	(773,417)	(1,844)	(5)
CASH FLOWS FROM INVESTING ACTIVITIES			
Security lending	24,858	6,122	—
Proceeds from the sale or maturity of investments	3,021,373	26,712	158,630,724
Cash paid to grand prize winners upon maturity of grand prize investments	—	(26,712)	—
Investment earnings	21,550	4,669	108,813
Purchase of investments	(2,965,942)	—	(159,115,661)
Net cash provided (used) by investing activities	101,839	10,791	(376,124)
Net increase (decrease) in cash and cash equivalents	(13,821)	19,220	3,998
Cash and cash equivalents - beginning	1,077,642	215,517	11
Cash and cash equivalents - ending	$ 1,063,821	$ 234,737	$ 4,009

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

	Prepaid College Program	Reemployment Assistance	Nonmajor Enterprise Funds	Totals 6/30/18	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	$ 562,454	$ 565,404	$ 414,294	$ 10,463,671	$ 2,719,363
Cash paid to vendors	(535,949)	—	(152,256)	(1,643,520)	(566,911)
Cash paid to employees	(2,042)	—	(180,944)	(235,156)	(93,433)
Cash received/(paid) for grants	—	—	36,394	36,394	—
Lottery prizes	—	—	—	(4,383,135)	—
Cash paid for insurance claims	—	—	—	(603,118)	(1,953,707)
Reemployment assistance	—	(407,380)	—	(407,380)	—
Net cash provided (used) by operating activities	24,463	158,024	117,488	3,227,756	105,312
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in (out)	—	(10,174)	(128,611)	(1,860,031)	(5,137)
Advances from or repayment from other funds	—	—	—	(4,337)	1,478
Advances, grants or loans (to) from or repayment from others	—	—	(945)	(85,652)	—
Payment of bonds or loans (principal and interest)	—	—	—	(69,529)	—
Cash received from noncapital grants or donations	—	12,908	552	13,460	—
Emergency assessment funds received	—	—	—	195	—
Net cash provided (used) by noncapital financing activities	—	2,734	(129,004)	(2,005,894)	(3,659)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Cash received from sale or lease of capital assets	—	—	24	24	—
Cash received from the issuance of debt	—	—	17,500	17,500	—
Cash received from capital grants and donations	—	—	8,658	43,022	—
Payment of bond principal	—	—	—	(142,405)	(60,336)
Payment of principal on installment purchase/capital lease	—	—	(5,234)	(5,234)	(4,457)
Payment of interest on bonds/installment purchase/capital lease	—	—	—	(132,476)	(26,780)
Purchase or construction of capital assets	(72)	—	(20,770)	(555,591)	(10,005)
Line of credit draws/(payments)	—	—	18,001	18,001	—
Net cash provided (used) by capital and related financing activities	(72)	—	18,179	(757,159)	(101,578)
CASH FLOWS FROM INVESTING ACTIVITIES					
Security lending	5,293	—	7,008	43,281	11,340
Proceeds from the sale or maturity of investments	11,506,664	—	89,352	173,274,825	—
Cash paid to grand prize winners upon maturity of grand prize investments	—	—	—	(26,712)	—
Investment earnings	123,816	94,113	5,024	357,985	8,763
Purchase of investments	(11,652,235)	—	(94,325)	(173,828,163)	—
Net cash provided (used) by investing activities	(16,462)	94,113	7,059	(178,784)	20,103
Net increase (decrease) in cash and cash equivalents	7,929	254,871	13,722	285,919	20,178
Cash and cash equivalents - beginning	3,147	3,609,501	446,516	5,352,334	720,917
Cash and cash equivalents - ending	$ 11,076	$ 3,864,372	$ 460,238	$ 5,638,253	$ 741,095

2018 STATE OF FLORIDA CAFR

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(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 6/30/18	Internal Service Funds
Operating income (loss)	$ 671,284	$ 1,763,075	$ (1,437,686)	$ 476,756	$ 158,163	$ 84,692	$ 1,716,284	$ 66,517
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:								
Depreciation and amortization expense	55,607	1,108	5	15	—	8,421	65,156	37,926
Changes in assets and liabilities:								
(Increase) decrease in accounts receivable	13,820	(10,927)	822	86	(10,109)	24,061	17,753	(363)
(Increase) decrease in due from other funds	(53,667)	—	—	17	3	(15,999)	(69,646)	(4,761)
Increase (decrease) in allowance for uncollectibles	—	706	—	—	11,683	(21,688)	(9,299)	(753)
(Increase) decrease in inventories	(1,808)	152	—	—	—	—	(1,656)	—
(Increase) decrease in future contract premiums and other receivables	—	—	—	(61,188)	—	177	(61,011)	—
(Increase) decrease in other non-current assets	—	(2,499)	—	—	—	—	(2,499)	—
Increase (decrease) in accounts payable	8,470	4,276	517	1,991	(1,706)	14,956	28,504	(6,155)
Increase (decrease) in compensated absences	—	(45)	22	12	—	409	398	655
Increase (decrease) in due to other funds	15,466	—	1	56	(10)	2,111	17,624	(71)
Increase (decrease) in claims payable	—	—	1,895,663	—	—	—	1,895,663	—
Increase (decrease) in tuition and housing benefits payable	—	—	—	(393,504)	—	—	(393,504)	—
Increase (decrease) in other non-current liability	—	—	—	(90)	—	(46,465)	(46,555)	(31,173)
(Increase) decrease in deposits and prepaid items	247	(498)	—	1	—	(252)	(502)	—
Increase (decrease) in unearned revenue	(13,019)	—	—	—	—	4,844	(8,175)	4,285
Increase (decrease) in prize liability	—	13,764	—	—	—	—	13,764	—
Increase (decrease) in pension liability and deferrals	—	1,449	95	195	—	7,852	9,591	4,219
Increase (decrease) in OPEB liability and deferrals	—	1,359	22	116	—	54,369	55,866	34,986
Net cash provided (used) by operating activities	$ 696,400	$ 1,771,920	$ 459,461	$ 24,463	$ 158,024	$ 117,488	$ 3,227,756	$ 105,312
Noncash investing, capital, and financing activities								
Borrowing under capital lease or installment purchase	$ 62,535	$ —	$ —	$ —	$ —	$ —	$ 62,535	$ —
Change in fair value of investments	—	(17,962)	(6,669)	(425,437)	—	(1,358)	(451,426)	(2,192)
Contribution of capital assets	12,078	—	—	—	—	—	12,078	—
Other noncash items	(26,962)	—	—	—	—	561	(26,401)	—

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 243.

PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS
Individual fund descriptions and financial statements begin on page 249.

INVESTMENT TRUST FUNDS
Individual fund descriptions and financial statements begin on page 255.

AGENCY FUNDS
Individual fund descriptions and financial statements begin on page 259.

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018
(in thousands)

	Private-Purpose Trust Funds	Pension and Other Employee Benefits Trust Funds	Investment Trust Funds	Agency Funds	Totals 6/30/18
ASSETS					
Cash and cash equivalents	$ 1,494	$ 158,012	$ 599,269	$ 45,836	$ 804,611
Pooled investments with State Treasury	453,353	124,908	711,098	977,986	2,267,345
Total cash and cash equivalents	454,847	282,920	1,310,367	1,023,822	3,071,956
Investments					
Certificates of deposit	—	200,077	2,565,762	—	2,765,839
U.S. government & federally guaranteed obligations	66,034	12,423,431	144,055	426,651	13,060,171
Federal agencies	59,360	9,712,723	—	—	9,772,083
Commercial paper	—	4,182,322	4,680,946	—	8,863,268
Repurchase agreements	—	800,000	455,318	—	1,255,318
Bonds and notes	87,458	8,900,056	52,608	—	9,040,122
International bonds and notes	8,640	2,213,334	5,350	—	2,227,324
Real estate contracts	—	11,406,346	—	—	11,406,346
Mutual fund investments	6,954	10,925,013	—	—	10,931,967
Money market and short-term investments	89,252	1,121,362	521,129	—	1,731,743
Domestic equity	276,900	47,668,658	—	—	47,945,558
Alternative investments	—	26,432,707	—	—	26,432,707
International equity	63,883	33,345,072	—	—	33,408,955
International equity commingled	—	8,569,819	—	—	8,569,819
Deferred compensation annuities	—	18,647	—	—	18,647
Self-directed brokerage investments	—	633,004	—	—	633,004
Other investments	—	546	—	100	646
Total investments	658,481	178,553,117	8,425,168	426,751	188,063,517
Receivables					
Accounts receivable	3,155	68,904	—	537,144	609,203
State contributions receivable	—	11,413	—	—	11,413
Nonstate contributions receivable	—	303,643	—	—	303,643
Interest receivable	3,888	144,092	11,866	1,392	161,238
Dividends receivable	925	217,525	—	—	218,450
Pending investment sales	3,652	2,930,714	—	1,066	2,935,432
Foreign currency contracts receivable	20	5,291,502	—	—	5,291,522
Due from state funds	2,213	55,724	—	132,299	190,236
Due from other governments	5,044	—	—	71	5,115
Total receivables	18,897	9,023,517	11,866	671,972	9,726,252
Security lending collateral	—	2,631,692	—	—	2,631,692
Advances to other funds	936,873	—	—	—	936,873
Advances to other entities	34,127	—	—	—	34,127
Capital assets	1,522	1,117	—	—	2,639
Accumulated depreciation	(296)	(657)	—	—	(953)
Other assets	4,257	5,056	26	—	9,339
Total assets	2,108,708	190,496,762	9,747,427	2,122,545	204,475,442
DEFERRED OUTFLOWS OF RESOURCES					
Pension-related items	1,583	172	—	—	1,755
Other postemployment benefits	81	529	—		610
Total deferred outflows of resources	1,664	701	—	—	2,365
LIABILITIES					
Accounts payable and accrued liabilities	7,152	139,174	602	599,521	746,449
Due to other funds	902	60,930	75	234,858	296,765
DROP	—	247,611	—	—	247,611
Pending investment purchases	21,409	5,087,077	84,600	—	5,193,086
Short sell obligations	—	265,745	—	—	265,745
Foreign currency contracts payable	20	5,282,602	—	—	5,282,622
Broker rebate fees	—	4,159	—	—	4,159
Due to other governments	2,803	16	3,404	651,732	657,955
Obligations under security lending agreements	31,478	2,660,577	52,170	16,134	2,760,359
Claims payable	316	—	—	17,920	18,236
Deposits payable	19,287	11,335	—	602,196	632,818
Compensated absences	574	1,023	—	—	1,597
Other liabilities	—	—	—	184	184
Pension liability	1,538	364	—	—	1,902
Other postemployment benefits liability	4,566	13,601	—	—	18,167
Total liabilities	90,045	13,774,214	140,851	2,122,545	16,127,655
DEFERRED INFLOWS OF RESOURCES					
Pension-related items	93	307	—	—	400
Other postemployment benefits	895	1,926	—	—	2,821
Total deferred inflows of resources	988	2,233	—	—	3,221
NET POSITION					
Restricted for pension benefits and other purposes	$ 2,019,339	$ 176,721,016	$ 9,606,576	$ —	$ 188,346,931

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, 2018
(in thousands)

	Private-Purpose Trust Funds	Pension and Other Employee Benefits Trust Funds	Investments Trust Funds	Totals 6/30/18
ADDITIONS				
Contributions and other deposits				
Pension fund employer contributions - state	$ —	$ 748,820	$ —	$ 748,820
Pension fund employer contributions - nonstate	—	3,058,917	—	3,058,917
Pension fund employee contributions	—	1,019,057	—	1,019,057
Other contributions	—	161,144	—	161,144
Purchase of time by employees	—	5,656	—	5,656
Fees	3,720	1,797	—	5,517
Grants and contributions	138,507	—	—	138,507
Flexible benefits contributions	—	385,637	—	385,637
Fines, forfeits, settlements and judgments	283	—	34	317
Unclaimed property remittances	507,532	—	—	507,532
Receivership assets acquired	38,652	—	—	38,652
Transfers in from state funds	2,167	685,145	—	687,312
Total contributions and other deposits	690,861	6,066,173	34	6,757,068
Investment income				
Interest income	12,757	1,244,110	163,487	1,420,354
Dividends	6,467	1,902,031	—	1,908,498
Other investment income (loss)	(535)	2,390,376	—	2,389,841
Net increase (decrease) in fair market value	26,531	10,276,820	1,721	10,305,072
Total investment income (loss)	45,220	15,813,337	165,208	16,023,765
Investment activity expense	(2,556)	(607,044)	(4,193)	(613,793)
Net income (loss) from investing activity	42,664	15,206,293	161,015	15,409,972
Security lending activity				
Security lending income	—	71,625	—	71,625
Security lending expense	—	(29,043)	—	(29,043)
Net income from security lending	—	42,582	—	42,582
Total net investment income (loss)	42,664	15,248,875	161,015	15,452,554
Other additions	3,706	15,134	—	18,840
Total additions	737,231	21,330,182	161,049	22,228,462
DEDUCTIONS				
Benefit payments	—	11,838,786	—	11,838,786
Insurance claims expense	862,891	7,189	—	870,080
Supplemental insurance payments	—	84,783	—	84,783
Flexible reimbursement payments	—	14,705	—	14,705
Life insurance premium payments	—	31,498	—	31,498
Remittances to annuity companies	—	195,287	—	195,287
Program contribution refunds	—	19,325	—	19,325
Interest expense	641	1	—	642
Student loan default payments	63,264	—	—	63,264
Payments to unclaimed property claimants	317,942	—	—	317,942
Distribution to State School Fund	148,644	—	—	148,644
Administrative expense	21,402	26,483	55	47,940
Property disposition gain (loss)	65	—	—	65
Transfers out to state funds	3,996	713,523	—	717,519
Other deductions	39,548	10	—	39,558
Total deductions	1,458,393	12,931,590	55	14,390,038
Depositor activity				
Deposits	27,125	—	20,075,016	20,102,141
Withdrawals	(57,188)	—	(19,564,388)	(19,621,576)
Excess (deficiency) of deposits over withdrawals	(30,063)	—	510,628	480,565
Change in net position	(751,225)	8,398,592	671,622	8,318,989
Net position - beginning, as restated (Note 1)	2,770,564	168,322,424	8,934,954	180,027,942
Net position - ending	$ 2,019,339	$ 176,721,016	$ 9,606,576	$ 188,346,931

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 265.

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STATEMENT OF NET POSITION
COMPONENT UNITS
JUNE 30, 2018
(in thousands)

	Florida Housing Finance Corporation	University of Florida	Citizens Property Insurance Corporation	Nonmajor Component Units	Totals 6/30/18
ASSETS					
Cash and cash equivalents	$ 239,337	$ 253,074	$ 957,574	$ 817,084	$ 2,267,069
Pooled investments with State Treasury	1,012,509	1,175,324	—	1,669,046	3,856,879
Other investments	1,284,341	1,009,895	9,094,083	5,706,121	17,094,440
Receivables, net	158,899	661,288	142,027	1,203,202	2,165,416
Due from component units/primary	—	88,423	—	522,867	611,290
Inventories	—	43,281	—	45,361	88,642
Restricted cash and cash equivalents	—	41,077	8,243	599,783	649,103
Restricted pooled investments with State Treasury	—	114,933	—	623,318	738,251
Restricted investments	—	2,405,119	—	3,343,995	5,749,114
Other loans and notes receivable, net	2,069,033	33,143	—	101,927	2,204,103
Other assets	804	202,160	8,083	284,236	495,283
Capital assets, net	—	3,626,780	7,458	21,452,696	25,086,934
Total assets	4,764,923	9,654,497	10,217,468	36,369,636	61,006,524
DEFERRED OUTFLOWS OF RESOURCES					
Accum. decrease in fair value -hedging derivatives	—	35,073	—	1,313	36,386
Grants paid in advance	—	—	—	51	51
Amount deferred on refunding of debt	—	336	—	25,329	25,665
Pension-related items	—	350,526	—	1,405,841	1,756,367
Other postemployment benefits	—	18,652	—	46,345	64,997
Total deferred outflows of resources	—	404,587	—	1,478,879	1,883,466
LIABILITIES					
Accounts payable and accrued liabilities	102,837	571,392	1,251,799	1,068,816	2,994,844
Due to component units/primary	—	29,010	—	56,168	85,178
Long-term liabilities					
Due within one year	246,244	243,540	754,635	654,285	1,898,704
Due in more than one year	1,917,785	3,236,484	1,872,163	9,208,145	16,234,577
Total liabilities	2,266,866	4,080,426	3,878,597	10,987,414	21,213,303
DEFERRED INFLOWS OF RESOURCES					
Deferred service concession arrangement receipts	—	—	—	54,821	54,821
Accum. increase in fair value -hedging derivatives	—	2,862	—	—	2,862
Amount deferred on refunding of debt	—	2,528	—	261	2,789
Pension-related items	—	81,507	—	227,570	309,077
Other postemployment benefits	—	156,203	—	246,366	402,569
Irrevocable split-interest agreements	—	—	—	4,204	4,204
Total deferred inflows of resources	—	243,100	—	533,222	776,322
NET POSITION					
Net investment in capital assets	—	2,232,262	7,458	18,645,872	20,885,592
Restricted for					
Debt service	—	4,289	—	137,546	141,835
Other	2,344,289	524,058	8,243	4,260,019	7,136,609
Funds held for permanent endowment					
Expendable	—	428,133	—	517,605	945,738
Nonexpendable	—	1,399,174	—	2,587,410	3,986,584
Unrestricted	153,768	1,147,642	6,323,170	179,427	7,804,007
Total net position	$ 2,498,057	$ 5,735,558	$ 6,338,871	$ 26,327,879	$ 40,900,365

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, 2018
(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	University of Florida	Citizens Property Insurance Corporation	Nonmajor Component Units	Totals 6/30/18
Florida Housing Finance Corporation	$ 151,553	$ 186,113	$ —	$ —	$ 34,560	$ —	$ —	$ —	$ 34,560
University of Florida	5,639,500	3,698,010	1,025,146	115,596	—	(800,748)	—	—	(800,748)
Citizens Property Insurance Corporation	1,884,641	631,509	—	—	—	—	(1,253,132)	—	(1,253,132)
Nonmajor component units	12,685,469	3,714,923	3,771,092	843,399	—	—	—	(4,356,055)	(4,356,055)
Total component units	$ 20,361,163	$ 8,230,555	$ 4,796,238	$ 958,995	34,560	(800,748)	(1,253,132)	(4,356,055)	(6,375,375)
General revenues									
Property taxes					—	—	—	483,557	483,557
Investment earnings (losses)					—	243,812	283,692	476,566	1,004,070
Gain (loss) on sale of capital assets					—	7,670	—	(694)	6,976
Payments from the State of Florida					—	781,153	—	3,998,370	4,779,523
Miscellaneous					172,357	75,035	—	518,594	765,986
Contributions to permanent funds					—	59,692	—	30,865	90,557
Total general revenues and contributions					172,357	1,167,362	283,692	5,507,258	7,130,669
Change in net position					206,917	366,614	(969,440)	1,151,203	755,294
Net position - beginning, as restated (Note 1)					2,291,140	5,368,944	7,308,311	25,176,676	40,145,071
Net position - ending					$ 2,498,057	$ 5,735,558	$ 6,338,871	$ 26,327,879	$ 40,900,365

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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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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 Department of Transportation Financing Corporation*
- Florida Engineers Management Corporation
- Florida Intergovernmental Relations Foundation*
- Florida Prepaid College Board
- Florida School for the Deaf and the Blind
- Florida Surplus Lines Service Office
- Florida Water Pollution Control Financing Corporation
- Inland Protection Financing Corporation
- Prescription Drug Monitoring Program Foundation*
- Scripps Florida Funding Corporation
- Space Florida
- State Board of Administration (SBA)
- State Board of Education (SBE)
- Wireless Emergency Telephone System

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

* The state's financial statements do not include amounts relating to these component units. The assets of these component units at June 30, 2018, are approximately $1,519,096.

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, 2018. 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[1]

Non-major:

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

Florida College System Institutions

Non-major:

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

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

[1] Significant transactions occurring during the 2017-18 fiscal year between the University of Florida and the state totaled $839 million. These funds represent state appropriated funds to the University of Florida.

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. Significant transactions occurring during the 2017-18 fiscal year between the Florida Housing Finance Corporation and the state included revenues of state documentary stamp taxes totaling $284.0 million and transfers to state agencies of $116.9 million.

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.

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

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

Non-major:

- Commission for Florida Law Enforcement Accreditation, Inc.*
- Enterprise Florida, Inc.
- Florida Agricultural Museum*
- Florida Agriculture Center and Horse Park Authority*
- Florida Agriculture in the Classroom, Inc.*
- Florida Birth-Related Neurological Injury Compensation Plan
- Florida Board of Governors Foundation, Inc.*
- Florida Concrete Masonry Education Council*
- Florida Corrections Accreditation Commission, Inc.*
- Florida Education Foundation, Inc.*
- Florida Education Fund, Inc.
- Florida Fund for Minority Teachers, Inc.*
- Florida Healthy Kids Corporation
- Florida Is For Veterans, Inc.*
- Florida Mobile Home Relocation Corporation*
- Florida Patient's Compensation Fund
- Florida State Fair Authority
- Florida Telecommunications Relay, Inc.*

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- Florida Tourism Industry Marketing Corporation, Inc.
- Florida Veterans Foundation, Inc.*
- Florida Virtual School
- Forestry Arson Alert Association, Inc.*
- Friends of Florida State Forests, Inc.*
- Higher Educational Facilities Financing Authority
- Prison Rehabilitative Industries and Diversified Enterprises, Inc. (PRIDE)
- South Florida Regional Transportation Authority
- The Florida College System Foundation, Inc.*
- The Florida Endowment Foundation for Vocational Rehabilitation, Inc.
- Triumph Gulf Coast, Inc.
- Wildlife Alert Reward Association*
- Wildlife Foundation of Florida, Inc.*

* The state's financial statements do not include amounts relating to several component units. The assets and revenues relating to these component units totaled $107 million and $39 million, respectively. These amounts represent less than one percent 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.

Interstate Commission of Nurse Licensure Compact Administrators. Section 464.0095, F.S., enacted this compact into law joining the State of Florida and other states with the general purpose to facilitate the states' responsibility to protect the public's health and safety with regards to nurse licensure and regulation. This compact is additionally purposed with facilitating the exchange of information among party states in the areas of nurse regulation, investigation, and adverse actions, promote compliance with the laws governing the practice of nursing, and decrease redundancies in the consideration and issuance of nurse licenses.

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, aviation authorities and a financing corporation. The state is not financially accountable for any of these organizations; therefore, applicable financial data is not included in the state's financial statements.

Contact

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

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

Natural Resources, Environment, and Growth Management **–** 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. Prior to 6/30/2018, this fund was reported as the Environment, Recreation, and Conservation Fund.

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

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

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

Major Business-type Funds

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

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

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

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

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

Fund Types

Additionally, the state reports the following fund types:

Internal Service Funds

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

- ***Employee Health and Disability*** – includes funds that account for state employees' health and disability plans.
- ***Data Centers*** **–** includes funds that account for services provided by data processing centers operated by various agencies.

- ***Communications and Facilities –*** includes funds that primarily account for services provided by the Department of Management Services such as those related to the construction, operation, and maintenance of public facilities, and management and operation of the SUNCOM (state communication) Network.
- ***Other –*** includes funds that account for services provided to other state agencies such as legal services, records management, and community services (inmate work squads).

Fiduciary Fund Types

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

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

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

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

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

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

Cash and Cash Equivalents

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

Investments

Florida Statutes authorize the state to invest in various instruments. The state reports investments in accordance with GASB Codification Section I50, *Investments.*

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

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

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

- The price of a security is not received from the primary price source.
- The primary price source no longer prices a particular asset type, class or issue.
- The SBA or its portfolio investment manager challenges a price and BNY Mellon Bank reviews the price with the vendor, who agrees that the price provided by that vendor may not be appropriate.

- The price from the primary source exceeds BNY Mellon Bank's price tolerance checkpoints and results in a vendor comparison review where another source is deemed to be more appropriate by the BNY Mellon Bank.

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

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

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

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

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

Investment detail is included in Note 2.

Inventories

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

Capital Assets

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

Deferred Outflows of Resources

A consumption of net assets by the government that is applicable to a future reporting period is presented as a deferred outflow of resources.

Long-term Liabilities

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

Compensated Absences Liability

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

Deferred Inflows of Resources

A deferred inflow of resources is an acquisition of net assets by the government that is applicable to a future reporting period.

Components of Net Position

The government-wide statement of net position classifies net position into the following categories: (1) net investment in capital assets, (2) restricted, and (3) unrestricted. The "net investment in capital assets" component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. "Restricted" net position is reported when constraints are placed on net position that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. "Unrestricted" net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets." When both restricted and unrestricted resources are to be used for the same purpose, the agency responsible for administering the resources determines the flow assumption used to identify the portion of expenses paid from restricted resources. At June 30, 2018, the government-wide statement of net position reported a restricted net position of $29.6 billion, of which $20.3 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, 2018 (in thousands).

	General Fund	Natural Resources, Environment, and Growth Management	Public Education	Health and Family Services	Transportation	Nonmajor Governmental Funds	Total
Fund balances:							
Nonspendable:							
Inventory and Prepaid Items	$ 11,680	$ 769	$ —	$ 36,901	$ 7,099	$ 2,590	$ 59,039
Long-term Receivables and Advances	4,462	—	—	—	—	—	4,462
Permanent Fund Principal	—	—	—	—	—	26,270	26,270
Total	16,142	769	—	36,901	7,099	28,860	89,771
Restricted:							
Grantors/Contributors	611	55,772	268	35,444	—	30,276	122,371
Enabling Legislation	—	9,744	104,456	4,568	50	301,048	419,866
Constitutional Provision	—	52,110	598,988	—	—	443	651,541
Creditors	9,598	15,313	759,892	3,108	—	1,186,249	1,974,160
Federal Government	29,475	2,359,533	15,886	101,282	—	99,843	2,606,019
Total	39,684	2,492,472	1,479,490	144,402	50	1,617,859	5,773,957
Committed:	1,239,072	1,055,577	436,842	1,727,822	1,693,749	1,202,780	7,355,842
Unassigned:	5,842,506	—	(888,359)	—	—	—	4,954,147
Total Fund Balances	$ 7,137,404	$ 3,548,818	$ 1,027,973	$ 1,909,125	$ 1,700,898	$ 2,849,499	$ 18,173,717

Section 215.32(2)(b)4.a., F.S., provides that the unappropriated cash balances from selected trust funds may be authorized by the Legislature for transfer to the Budget Stabilization Fund and the General Revenue Fund through the General Appropriation Act. The amounts indicated below were identified in the State's 2018 General Appropriations Act as being unappropriated June 30, 2018, cash balances that are to be transferred to and from the funds indicated during the 2018-19 fiscal year (in thousands).

	General Fund	Natural Resources, Environment, and Growth Management	Public Education	Health and Family Services	Transportation	Nonmajor Governmental Funds	Total
Transfer to (from) Fund	$ 154,673	$ (61,000)	$ —	$ (19,000)	$ —	$ (74,673)	$ —
Transfer from Non-Governmental Funds	234,341	—	—	—	—	—	234,341
Total	$ 389,014	$ (61,000)	$ —	$ (19,000)	$ —	$ (74,673)	$ 234,341

F. Interfund Activity and Balances

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

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

For additional information, refer to Note 11.

G. Nonmonetary Transactions

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

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

H. Operating and Non-Operating Revenues

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

I. Accounting and Reporting Changes

The state implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* This statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. This statement establishes standards for recognizing and measuring OPEB liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. The implementation of this standard required restatement of beginning equity and the recording of deferred outflows of resources and deferred inflows of resources related to OPEB in the financial statements. Additionally, implementation required changes to the notes to the financial statements and required supplemental information for OPEB plans.

The state implemented GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. This Statement establishes recognition and measurement requirements for irrevocable split-interest agreements created through trusts, or other legally enforceable agreements with characteristics that are equivalent to irrevocable split-interest agreements. The implementation of this standard required restatement of beginning equity and the recording of deferred inflows of resources related to irrevocable split-interest agreements in the financial statements.

The state implemented GASB Statement No. 85, *Omnibus 2017*. This Statement establishes accounting and financial reporting requirements for blended component units, goodwill, fair value measurement and application, and postemployment benefits (pension and OPEB). Adoption of this statement had no impact on the state's financial statements.

The state implemented GASB Statement No. 86, *Certain Debt Extinguishment Issues.* This statement establishes standards of accounting and financial reporting for certain in-substance defeasance transactions and amends standards of accounting and financial reporting for prepaid insurance on debt that is extinguished. The implementation of this standard required restatement of beginning equity in the financial statements.

J. Fund Balance and Net Position Reclassifications and Restatements

Fund balances and net position at June 30, 2017 have been adjusted as follows (in thousands):

		Governmental Funds	Business-type Activities			
			Proprietary Funds			
	Governmental Activities	Transportation	Transportation	Lottery	Hurricane Catastrophe Fund	Prepaid College
Fund Balance/Net Position, June 30, 2017, as previously reported	$ 66,181,538	$ 1,630,744	$ 9,849,434	$ 78,397	$ 13,980,592	$ 2,367,634
To decrease fund balance as a result of the implementation of GASB 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"	(6,111,608)			(24,615)	(327)	(411)
To increase net position for assets not capitalized in a prior fiscal year			290,469			
To decrease net position for revenue recorded but not yet earned in a prior fiscal year	(75,000)	(75,000)				
Fund Balance/Net Position, June 30, 2017, as restated	$ 59,994,930	$ 1,555,744	$ 10,139,903	$ 53,782	$ 13,980,265	$ 2,367,223

	Business-type Activities					
	Proprietary Funds		Component Units		Fiduciary Funds	
	Nonmajor Enterprise Funds	Internal Service Funds	University of Florida	Nonmajor Component Units	Private-Purpose Trust Fund	Pension and Other Employee Benefits Trust Funds
Fund Balance/Net Position, June 30, 2017, as previously reported	$ 393,248	$ 609,256	$ 6,209,219	$ 26,469,345	$ 2,774,527	$ 168,332,965
To decrease fund balance as a result of the implementation of GASB 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"	(133,570)	(70,418)	(840,275)	(1,297,187)	(3,963)	(10,541)
To decrease fund balance as a result of the implementation of GASB 81, "Irrevocable Split-Interest Agreements"				(435)		
To increase fund balance as a result of the implementation of GASB 86, "Certain Debt Extinguishment Issues"				4,953		
Fund Balance/Net Position, June 30, 2017, as restated	$ 259,678	$ 538,838	$ 5,368,944	$ 25,176,676	$ 2,770,564	$ 168,322,424

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.

The Budget Stabilization Fund had $1.42 billion in cash at June 30, 2018. During fiscal year 2017-18, the fund was authorized to transfer $32.1 million from General Revenue Fund to the Budget Stabilization Fund. There were no disbursements made from the fund.

NOTE 2 - DEPOSITS AND INVESTMENTS

A. Deposits

At June 30, 2018, the state's deposits in financial institutions totaled approximately $2.1 billion for primary government and $2.6 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, 2018, 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, 2018

	Bank Statement Balance (in U.S. $)	
Custodial Credit Risk	Primary Government	Component Units
(1)	$ 732,244	$ 449,801
(2)	43,546	323,697
(3)	—	12,255
Total deposits subject to custodial credit risk	$ 775,790	$ 785,753

2. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of a deposit. Under Section 215.47, F.S., and subject to the limitations and conditions of the State Constitution or of the trust agreement relating to a trust fund, moneys available for investment by the State Board of Administration (SBA) may be invested in fixed income obligations or stocks denominated in foreign currency. The SBA has developed total fund investment policies for the investment of assets in the Florida Retirement System (FRS) Pension Trust Fund and the Lawton Chiles Endowment Fund (LCEF) that set ranges on investments by asset class in each fund. Under the FRS Pension Trust Fund and LCEF investment policy statements approved by SBA Trustees effective October 17, 2017 and June 17, 2014, respectively, foreign and domestic equity securities are included in the global equity

asset class. The FRS Pension Trust Fund and LCEF have target allocations to global equities of 53% and 71%, respectively, with policy ranges from 45-70% for FRS and 61-81% for LCEF, but within these ranges there are no limits on the amount of foreign equity securities that are denominated in foreign currency. The FRS Pension Trust Fund is not limited to holding securities in foreign currency only in the global equity asset class. All asset classes may hold non-U.S. securities, depending on portfolio guidelines. The Florida Prepaid Program's comprehensive investment plan limits investment in foreign equities to 25% of total equities, with the target for total equities to be the lesser of 15% of the total fund, or the actuarial reserve. In all cases, Florida law limits the exposure to foreign securities held outside of commingled funds to 50% of the total fund. The investment plans may be modified in the future if the SBA or Florida Prepaid adopts changes. This investment activity in foreign investments resulted in deposits in foreign currency as of June 30, 2018, as illustrated in the following schedule (in thousands):

Schedule of Investments with State Board of Administration
Foreign Currency Deposits Held
As of June 30, 2018

	Bank Statement Balance (in U.S. $)			
Currency	FRS Pension Trust Fund	LCEF	Florida Prepaid Program and Investment Plan	Total
Australian dollar	$ 6,004	$ 77	$ 13	$ 6,094
Bangladesh taka	18	—	—	18
Brazilian real	269	13	—	282
British pound sterling	14,914	127	133	15,174
Canadian dollar	7,423	52	—	7,475
Chilean peso	421	—	—	421
Chinese yuan renminbi	685	10	—	695
Colombian peso	14	—	—	14
Czech koruna	2	—	—	2
Danish krone	502	—	—	502
Egyptian pound	27	1	—	28
Euro currency unit	8,817	15	231	9,063
Hong Kong dollar	7,353	125	129	7,607
Hungarian forint	38	5	—	43
Indian rupee	3,844	—	—	3,844
Indonesian rupiah	99	4	—	103
Israeli shekel	2,161	13	17	2,191
Japanese yen	24,999	133	248	25,380
Malaysian ringgit	454	36	—	490
Mexican peso	56	22	—	78
Moroccan dirham	8	—	—	8
New Zealand dollar	737	88	7	832
Nigerian naira	25	—	—	25
Norwegian krone	1,013	5	31	1,049
Pakistan rupee	92	—	—	92
Philippines peso	686	9	—	695
Polish zloty	401	—	—	401
Qatari riyal	36	—	—	36
Singapore dollar	3,279	—	—	3,279
South African rand	2,337	7	—	2,344
South Korean won	2,888	—	—	2,888
Swedish krona	559	—	8	567
Swiss franc	918	2	—	920
Taiwan new dollar	7,111	74	—	7,185
Thailand baht	91	7	—	98
Turkish lira	490	—	—	490
United Arab Emirate dirham	56	—	—	56
Vietnam dong	1,018	—	—	1,018
Other	1	—	—	1
Total deposits subject to foreign currency risk	$ 99,846	$ 825	$ 817	$ 101,488

B. Investments

At June 30, 2018, the state's investments reported in governmental and business-type activities and fiduciary funds totaled $247.2 billion, consisting of pooled investments with the State Treasury in the amount of $23.8 billion and other investments in the amount of $223.4 billion. The State Treasury also had holdings at June 30, 2018, of $4.4 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, excluding those investments held by SBA, totaled $22.2 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 Council per Section 17.575, F.S. The authorized investment types are set forth in Section 17.57, F.S.

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

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

Per Section 17.61(1), F.S., the State Treasury shall invest all general revenue funds, trust funds, all agency funds of each state agency, and of the judicial branch. As a result, state agencies and the judicial branch are considered involuntary participants in pooled investments with the State Treasury. The total involuntary participation as of June 30, 2018, was $21.2 billion or 75% of the pool.

2018 STATE OF FLORIDA CAFR

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, 2018

ASSETS	
Current and Other Assets	$ 29,071,122
Total Assets	29,071,122
LIABILITIES	
Other Liabilities	2,582,657
Total Liabilities	2,582,657
NET POSITION	
Net position held for Internal Pool Participants	25,828,328
Net position held for External Pool Participants	660,137
	$ 26,488,465

Condensed Statement of Changes of Fiduciary Net Position
June 30, 2018

ADDITIONS	
Net income (loss) from investing activity	$ (281,655)
DEDUCTIONS	
Distributions paid and payable	281,655
DEPOSITOR ACTIVITY	
Deposits	112,601,377
Withdrawals	(112,553,098)
Excess (deficiency) of deposits over withdrawals	48,279
Change in net position	48,279
Net position, beginning	26,440,186
Net position, ending	$ 26,488,465

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	$ 292,095	$ 291,851	1.862% - 2.040%	7/5/2018 - 9/26/2018
Money market funds	188,106	188,106	0.314% - 2.090%	N/A
Repurchase agreements	1,400,623	1,400,623	1.880% - 2.120%	7/2/2018 - 7/12/2018
U.S. guaranteed obligations	7,526,636	7,284,753	0.125% - 8.500%	7/15/2018 - 4/1/2065
Federal agencies	5,682,882	5,259,194	0.004% - 12.130%	7/5/2018 - 10/25/2057
Bonds and notes - domestic	6,534,984	6,249,845	0.002%-10.375%	7/1/2018 - 9/1/2117
Bonds and notes - international	1,165,282	1,155,513	1.125% - 9.625%	7/27/2018 - 12/6/2057
Federal agencies discounted securities	866,054	864,847	1.746% - 3.410%	7/2/2018 - 3/25/2042
U.S. guaranteed obligations discounted securities	857,645	836,865	1.388% - 3.020%	8/2/2018 - 5/15/2037
Commingled STIF	517,392	517,392	N/A	N/A
Unemployment compensation	3,852,368	3,852,368	N/A	N/A
Totals	$ 28,884,067	$ 27,901,357		

* The coupon rate in effect at June 30, 2018, is reported. If a security is discounted, the purchase yield is reported.

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

2018 STATE OF FLORIDA CAFR

The schedule below discloses the detail of the State Treasury holdings at fair value at June 30, 2018, as well as reconciliation to the basic financial statements (in thousands):

Schedule of Pooled Investments with State Treasury
As of June 30, 2018

Investment type	Fair Value
Commercial paper	$ 262,958
Money market funds	188,106
U.S. guaranteed obligations	8,121,618
Federal agencies	5,898,567
Bonds and notes - domestic	5,837,348
Bonds and notes - international	1,015,640
Repurchase agreements	400,000
Commingled STIF	517,392
Unemployment compensation funds pooled with U. S. Treasury	3,852,368
Total investments excluding security lending collateral**	26,093,997
Lending collateral investments:	
Commercial paper	28,893
Repurchase agreements	1,000,623
Federal agencies	225,474
Bonds and notes - domestic	412,497
Bonds and notes - international	139,873
Total lending collateral investments	1,807,360
Total investments	27,901,357
Cash on deposit	1,167,125
Total State Treasury holdings	29,068,482
Adjustments:	
Outstanding warrants	(491,316)
Deposits in transit	2,640
SPIA Revolving Account*	(7,104)
Unsettled securities liability	(276,673)
Reconciled balance, June 30, 2018	$ 28,296,029

Reconciliation to the basic financial statements (in thousands):	
Pooled investments with State Treasury	
Governmental activities	$ 16,021,471
Business-type activities	5,519,454
Fiduciary funds	2,267,345
Component units	3,856,879
Component units timing difference	(146,594)
Total pooled investments with State Treasury	27,518,555
Restricted pooled investments with State Treasury	
Business-type activities	39,223
Component units	738,251
Total restricted pooled investments with State Treasury	777,474
Total pooled investments with State Treasury	$ 28,296,029

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

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

Other Investments

Other investments in various funds of the state are primarily managed by the SBA. The largest of these funds managed by the SBA is the FRS Pension Trust Fund (Defined Benefit Pension Fund), whose total investments represented 73.9% of total other investments at June 30, 2018. Investments in the FRS Investment Plan Trust Fund (Defined Contribution Pension Fund) represents 4.8% of total other investment, while investments in the Florida Hurricane Catastrophe Fund and the Florida Prepaid College Trust Fund represented another 7.7% and 6.0%, respectively, of total other investments. Section 215.47, F.S., allows the SBA to invest funds in a range of instruments, including security lending agreements, reverse repurchase agreements, and alternative investments (including limited partnerships and hedge funds).

The schedule below discloses other investments at fair value at June 30, 2018, as well as reconciliation to the basic financial statements (in thousands):

Schedule of Other Investments
As of June 30, 2018

	Fair Value*			
		Other funds		
Investment types	FRS Pension Trust Fund	Managed by SBA	Not managed by SBA	Total
Certificates of deposit	$ 200,077	$ 5,025,046	$ 3,195	$ 5,228,318
Commercial paper	4,182,322	5,888,789	—	10,071,111
Money market funds	35,981	2,442,463	532	2,478,976
Repurchase agreements	800,000	535,000	—	1,335,000
U.S. guaranteed obligations	12,308,170	16,680,794	4,008	28,992,972
Federal agencies	9,641,445	3,960,197	5,345	13,606,987
Domestic bonds and notes	7,005,685	3,708,833	1,787,216	12,501,734
Commingled domestic bonds and notes funds	—	1,817,415	—	1,817,415
International bonds and notes	2,197,600	1,363,036	596	3,561,232
Domestic stocks	47,062,304	2,583,559	47,746	49,693,609
Commingled domestic equity funds	—	3,878,934	—	3,878,934
International stocks	33,319,165	744,604	6,743	34,070,512
Commingled international equity funds	8,569,819	2,186,136	—	10,755,955
Commingled real asset funds	—	740,128	—	740,128
Alternative investments	26,432,707	—	—	26,432,707
Real estate investments (directly owned)	8,948,949	—	—	8,948,949
Commingled real estate investments funds	2,457,397	—	703	2,458,100
Self-Directed brokerage accounts	—	633,004		633,004
Futures (debt and equity)	(47,040)	—		(47,040)
Option contracts purchased	40,306	—	2,451	42,757
Swap contracts (debt related)	7,280	—	—	7,280
Mutual funds	—	—	2,530,812	2,530,812
Deferred compensation annuities	—	—	18,647	18,647
Total investments excluding lending collateral	163,162,167	52,187,938	4,407,994	219,758,099
Lending collateral investments:				
Certificates of deposit	—	625,097	—	625,097
Commercial paper	—	309,345	—	309,345
Money market funds	1,711,600	—	—	1,711,600
Repurchase agreements	863,630	972,370	—	1,836,000
Domestic bonds and notes	56,462	—	—	56,462
Total lending collateral investments	2,631,692	1,906,812	—	4,538,504
Total investments for all types - fair value	$ 165,793,859	$ 54,094,750	$ 4,407,994	$ 224,296,603
% of total other investments	74%	24%	2%	

* Investments of the Local Government Surplus Funds Trust Fund are reported based on amortized cost which approximates fair value. See the Local Government Surplus Funds Trust Fund disclosure on page 78 to obtain investment details of the Local Government Surplus Funds Trust Fund. In addition, investments of the Debt Service Escrowed Fund, which meet the requirements of a legal or in-substance defeasance, are reported at cost.

Reconciliation to the basic financial statements (in thousands):

	Governmental activities	Business-type activities	Fiduciary funds	Component Units[1]	Total
Other investments	$ 1,308,089	$ 11,073,109	$ —	$ 632,694	$ 13,013,892
Restricted investments	—	544,160	—		544,160
Long-term investments	135,478	19,658,134	188,063,517	—	207,857,129
Security lending collateral[2]	—	—	2,631,692	—	2,631,692
Timing and other differences[3]	(16,142)	(4,598)	(13,839)	284,309	249,730
Total other investments	$ 1,427,425	$ 31,270,805	$ 190,681,370	$ 917,003	$ 224,296,603

[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, 2018.

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, 2018

Investment Type	Fair Value
U.S. guaranteed obligations	$ 101,326
Federal Agencies	1,606
Total	$ 102,932

In addition, cash and foreign currency required to open futures and swap contracts (i.e. initial margin) in the FRS Pension Trust Fund may be pledged as collateral with the SBA's futures and swap counterparties. Pursuant to these types of contracts, and also pending foreign currency contracts, the FRS Pension Trust Fund agrees to receive or pay to the counterparties an amount of cash equal to the daily fluctuation in the value of the contract. Such receivables and payables are known as variation margin. All initial and variation margin amounts held by counterparties, and the variation margins held by the FRS Pension Trust Fund as of June 30, 2018, 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, 2018

	Fair Value
Margin receivable from counterparties:	
Futures contracts	$ 59,121
Swap contracts	1,759
Total margin receivable	$ 60,880
Margin payable to counterparties:	
Futures contracts	6,401
Swap contracts	8,265
Foreign currency contracts	5,170
Total margin payable	$ 19,836

The FRS Pension Trust Fund also held short positions in investments at June 30, 2018. Short investment positions are reported as liabilities on the Statement of Fiduciary Net Position. The schedule below presents the short investment positions at fair value at June 30, 2018, (in thousands):

FRS Pension Trust Fund
Short Investment Position
As of June 30, 2018

Investment Type	Fair Value
U.S. guaranteed obligations	$ (71,843)
Federal agencies	(177,174)
Option contracts	(16,728)
Total	$ (265,745)

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, 2018. This report may be obtained from the Chief Operating & Financial Officer, State Board of Administration of Florida, 1801 Hermitage Boulevard, Suite 101, Tallahassee, Florida 32308, (850) 488-4406.

Component Units

The schedule below discloses other investments reported at fair value, as of June 30, 2018, 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, 2018, are excluded.

Schedule of Other Investments
For Discretely Presented Component Units
As of June 30, 2018

Investment type	Fair Value
Certificates of deposit	$ 24,151
Commercial paper	36,472
Money market funds	312,981
U.S. guaranteed obligations	3,471,048
Federal agencies	1,591,154
Domestic bonds & notes	7,257,447
International bonds & notes	754,281
Domestic stocks	1,115,549
International stocks	870,087
Real estate investments	94,451
Mutual funds	2,460,611
Investment agreements	4,222,628
Total other investments for all types	$ 22,210,860
Reconciliation of fair value to the basic financial statements:	
Other investments	$ 17,094,440
Restricted investments	5,749,114
Less SBA Investments*	(632,694)
Total other investment for component units	$ 22,210,860

*Investment types for component units with investments held by SBA are disclosed on the Schedule of Other Investments on page 76.

At June 30, 2018, 62.10% 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, 2018, were rated by the nationally recognized statistical rating organizations (NRSRO) Standard and Poor's (S&P) and Moody's. S&P ratings were primarily used. If S&P did not rate a security, or if the Moody's rating was lower for a security, then Moody's ratings were used. The ratings are presented below using the applicable rating scale (in thousands):

State Treasury
Credit Quality Ratings
As of June 30, 2018

S&P rating[2]	Moody's rating[2]	Total[1]	Commercial paper	Federal agencies	Domestic bonds & notes	International bonds & notes	Repurchase agreements	Money Market funds
AAAm		$ 188,106	$ —	$ —	$ —	$ —	$ —	$ 188,106
AAA		1,067,351	—	18,686	859,379	189,286	—	—
AA		6,647,567	—	5,869,632	649,147	121,283	7,505	—
A		2,742,431	—	—	2,331,786	410,645	—	—
A-1		291,851	291,851	—	—	—	—	—
BBB		1,118,466	—	—	982,877	135,589	—	—
BB		3,934	—	—	3,934	—	—	—
B		782	—	—	782	—	—	—
Below B		11,628	—	—	11,628	—	—	—
	Aaa	758,081	—	—	683,334	74,747	—	—
	Aa	82,973	—	793	82,180	—	—	—
	A	385,024	—	—	273,249	111,775	—	—
	Baa	348,000	—	—	299,763	48,237	—	—
	Ba	52,125	—	—	45,995	6,130	—	—
	B	426	—	—	426	—	—	—
	Below B	21	—	—	21	—	—	—
Not Rated	Not Rated	1,149,232	—	234,930	25,344	57,821	831,137	—
		14,847,998	$ 291,851	$ 6,124,041	$ 6,249,845	$ 1,155,513	$ 838,642	$ 188,106
Not rated[3]	Not rated[3]	8,121,618	U.S. guaranteed obligations					
Not rated	Not rated	517,392	Commingled STIF					
Not rated[3]	Not rated[3]	561,981	Repurchase agreements					
		$ 24,048,989	[1]					

[1] The remaining $3,852,368 (in thousands) reported for Pooled Investments with State Treasury is comprised primarily of investments with the U.S. Treasury Unemployment Compensation Funds Pool.

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

[3] 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, 2018, more than five percent of the State Treasury's investment pool is invested in Federal National Mortgage Association (FNMA), Federal Home Loan Bank System (FHLB), and the Federal Home Loan Mortgage Corporation (FHLMC). These investments are approximately 8 percent, 11 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.

<u>FRS Pension Trust Fund</u> – 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).

Generally, securities in other major portfolios, such as the Mortgage Index Portfolio, Intermediate Aggregate Less MBS Index Portfolio and the Core Portfolio, should be rated investment grade (S&P BBB-, Moody's Baa3, and Fitch BBB-) by at least one of the NRSROs at the time of purchase [allowing a very small allocation to below investment grade (down to BB-/Ba3) for the Core Portfolio]. Securities for a single issuer are generally limited to 5% of the fair value 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. Generally, securities in these portfolios should be rated investment grade by at least one NRSRO at the time of purchase allowing a very small allocation to below investment grade (down to BB-Ba3) for the core portfolio. Securities for a single issuer are generally limited to 5% of the fair value of the portfolio (excluding U.S. Treasuries and Agencies).

Intermediate Aggregate Less MBS Index Portfolio and the Core Portfolio – These portfolios allow U.S. Treasuries, U.S. Government agencies and corporates. The Core Portfolio allow mortgage and asset backed securities, foreign sovereign debt, and municipals as well.

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

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

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

<u>Lawton Chiles Endowment Fund</u> – 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.

<u>Florida Prepaid College Program Lending Program</u> – Short-term obligations should be limited to obligations rated in the highest rating category by all NRSROs or, if only rated by one NRSRO, rated at the time of purchase in the highest rating category by that NRSRO (S&P A-1, Moody's P-1, Fitch F1 or equivalent). A "short-term obligation" means any eligible security or instrument (other than a repurchase agreement) which has an original maturity of 397 days or less at the time of purchase or has a put that entitles the holder to receive the principal amount at specified intervals not exceeding 397 days. With respect to bonds and other long-term obligations, investment is limited to obligations at the time of purchase in one of the two highest rating categories by at least two NRSROs or, if only rated by one NRSRO, rated at the time of purchase in one of the two highest rating categories by that NRSRO, or those of comparable quality in the case of unrated securities. The minimum permissible credit rating for long-term obligations is AA- or its equivalent. A "long-term obligation" means any eligible security or instrument (other than a repurchase agreement) which has a remaining maturity of greater than 397 days at the time of purchase and is not subject to a demand feature in 397 days or less.

The FRS Pension Trust Fund did not hold any investments with a single issuer representing 5% or more of the fund's fair market value at June 30, 2018. The schedule below discloses credit quality ratings on investments held in the FRS Pension Trust Fund at June 30, 2018 (in thousands):

FRS Pension Trust Fund
Credit Quality Ratings
As of June 30, 2018

Credit Rating[1] S&P	Moody's	Total[2]	Certificates of deposit	Commercial paper	Money market funds	Repurchase agreements	Federal[4] agencies	Domestic bonds & notes	International bonds & notes
A-1/AAAm		$ 5,736,226	$ —	$ 3,988,645	$ 1,747,581	$ —	$ —	$ —	$ —
A-2		193,677	—	193,677	—	—	—	—	—
AAA		991,251	—	—	—	—	—	659,560	331,691
AA		1,121,050	—	—	—	68,732	507,801	345,177	199,340
A		2,089,634	—	—	—	—	—	1,459,874	629,760
BBB		3,498,207	—	—	—	—	—	2,842,235	655,972
BB		77,820	—	—	—	—	—	41,422	36,398
B		19,947	—	—	—	—	—	6,924	13,023
CCC		2,055	—	—	—	—	—	2,055	—
CC		15,954	—	—	—	—	—	15,954	—
D		1,864	—	—	—	—	—	1,864	—
Not rated	Aaa	635,968	—	—	—	—	—	586,026	49,942
Not rated	Aa	41,609	—	—	—	—	—	35,214	6,395
Not rated	A	209,059	—	—	—	—	—	165,538	43,521
Not rated	Baa	539,394	—	—	—	—	—	451,547	87,847
Not rated	Ba	191,593	—	—	—	—	—	144,477	47,116
Not rated	Caa	2,510	—	—	—	—	—	2,510	—
Not rated	Not rated	10,174,385	200,077	—	—	442,299	9,133,644	301,770	96,595
		25,542,203	$ 200,077	$ 4,182,322	$ 1,747,581	$ 511,031	$ 9,641,445	$ 7,062,147	$ 2,197,600
Ratings not Applicable:									
Repurchase agreements[3]		1,152,599							
U.S. guaranteed obligations[3]		12,308,170							
Domestic stocks		47,062,304							
International stocks		33,319,165							
Commingled international equity funds		8,569,819							
Alternative investments		26,432,707							
Real estate (directly owned)		11,406,346							
Futures (debt and equity)		(47,040)							
Options purchased		40,306							
Swaps		7,280							
Total investments		$ 165,793,859							

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

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

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

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

All futures, options, and swaps contracts held by the FRS Pension Trust Fund at June 30, 2018, were exchange traded, thereby minimizing counterparty credit risk through the use of futures and swaps clearing merchants and clearing houses.

Counterparty credit ratings for spot and forward foreign currency exchange contracts held in the FRS Pension Trust Fund at June 30, 2018, are listed below (in thousands):

FRS Pension Trust Fund
Foreign Currency Exchange Contract Counterparty Credit Ratings
As of June 30, 2018

Counterparty Credit Rating (Long /Short)[1] S&P	Moody	Receivable Fair Value	Payable Fair Value	Net Unrealized Gain (Loss)
AA/A-1		$ 207,605	$ (203,162)	$ 4,443
A/A-1		5,013,784	(5,006,163)	7,621
BBB/A-2		866	(866)	—
	A/P-1	262	(262)	—
	A/NR	26	(26)	—
	NR/P-1	41,337	(41,102)	235
NR/NR	NR/NR	25,863	(25,851)	12
	Total	$ 5,289,743	$ (5,277,432)	$ 12,311

[1] S&P or Moody ratings indicative of the greatest degree of credit risk were reported. If no rating exists, "NR" is reported.

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The schedule below discloses credit quality ratings on investments held in all funds managed by the SBA (except the FRS Pension Trust Fund) at June 30, 2018, (in thousands):

All SBA Managed Funds (except FRS Pension Trust Fund)
Credit Quality Ratings
As of June 30, 2018

Credit Rating[1] S&P	Moody's	Total[2]	Certificates of deposit	Commercial paper	Money market funds	Repurchase agreements	Federal agencies	Domestic bonds and notes	Commingled domestic bonds and notes funds	International bonds and notes
AAAm		$ 1,538,715	$ —	$ —	$ 1,538,715	$ —	$ —	$ —	$ —	$ —
A-1		5,998,398	—	5,998,398	—	—	—	—	—	—
AAA		241,228	—	—	—	—	5,877	215,750	—	19,601
AA		3,567,131	—	—	—	185,224	1,740,608	1,056,703	—	584,596
A		1,497,335	—	—	—	—	—	1,055,419	—	441,916
BBB		782,967	—	—	—	—	—	671,821	—	111,146
BB		12,597	—	—	—	—	—	12,141	—	456
Not rated	p-1	199,736	—	199,736	—	—	—	—	—	—
Not rated	Aaa	511,801	—	—	—	15	294,910	216,876	—	—
Not rated	Aa	51,839	—	—	—	—	—	34,870	—	16,969
Not rated	A	467,729	24,008	—	—	—	—	288,061	—	155,660
Not rated	Baa	104,499	—	—	—	—	—	77,488	—	27,011
Not rated	Ba	59,856	—	—	—	—	—	54,306	—	5,550
Not rated	Not rated	10,522,089	5,626,135	—	903,748	230,460	1,918,802	25,398	1,817,415	131
		25,555,920	$ 5,650,143	$ 6,198,134	$ 2,442,463	$ 415,699	$ 3,960,197	$ 3,708,833	$ 1,817,415	$ 1,363,036
Ratings not applicable										
Repurchase agreements[3]		1,091,671								
U.S. guaranteed obligations[3]		16,680,794								
Domestic stocks		2,583,559								
Commingled domestic equity funds		3,878,934								
International stocks		744,604								
Commingled international equity funds		2,186,136								
Commingled real asset funds		740,128								
Self-directed brokerage accounts		633,004								
Total investments		$ 54,094,750								

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

The Florida Hurricane Catastrophe Fund held investments with Federal Farm Credit Banks (9.56%) 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 (5.55%) in excess of 5% of the Florida Prepaid College Program's fair value.

The Florida Prepaid Investment Plan held investments with the FNMA (8.06%) 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, 2018

Component Unit	Federal agencies	Bonds & notes	Money market funds	Mutual funds	U.S. guaranteed obligations	Commercial paper	Total	S&P rating
Florida Housing Finance Corporation (FHFC) *	$ —	$ 5,443	$ —	$ —	$ —	$ —	$ 5,443	AAA-AA+
FHFC (continued)	—	26,040	—	—	—	—	26,040	AAA-AA-
FHFC (continued)	—	10,794	—	—	—	—	10,794	AAA-BBB+
FHFC (continued)	—	123,024	—	—	—	—	123,024	AAA-BBB-
FHFC (continued)	—	9,222	—	—	—	—	9,222	AAA-D
FHFC (continued)	74,817	—	—	—	—	—	74,817	AA+
FHFC (continued)	—	—	—	—	—	397	397	A 1
University of Florida (UF)*	2,036	7,929	16,279	45,970	—	—	72,214	AAA
UF (continued)	621	5,182	—	51,297	—	—	57,100	AA
UF (continued)	—	6,991	—	19,875	—	—	26,866	A
UF (continued)	—	47,066	50	18,205	—	—	65,321	Less than A
Citizens Property Insurance Corporation (CPIC)*	964,325	—	—	—	1,758,461	—	2,722,786	AA+
CPIC (continued)	—	6,351,379	—	—	—	—	6,351,379	A+
CPIC (continued)	—	—	—	—	—	19,918	19,918	A-1
	$ 1,041,799	$ 6,593,070	$ 16,329	$ 135,347	$ 1,758,461	$ 20,315	$ 9,565,321	

* The Florida State major Component Units do not have any investments subject to concentration of credit risk.

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, 2018. 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, 2018

	Fair value
Invested security lending collateral:	
Commercial paper	$ 28,893
Repurchase agreements	1,000,623
Federal agencies	225,474
Bonds and notes - domestic	412,497
Bonds and notes - international	139,873
Total	$ 1,807,360

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, 2018. 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, 2018

	FRS Pension Trust Fund	Other funds
Invested security lending collateral:		
Certificates of deposit	$ —	$ 625,097
Commercial paper	—	309,345
Repurchase agreements	18,630	972,370
Domestic bonds and notes	56,462	—
Total	$ 75,092	$ 1,906,812

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, 2018

Component unit / Investment type	Fair value
University of Florida	
Federal agencies	$ 2,657
Bonds and notes	35,774
U.S. guaranteed obligations	2,867
Money market funds	10,798
Total	$ 52,096

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, 2018

Investment type	Fair value	Effective weighted duration (in years)	Security Lending Market Value	Weighted average maturity (in days)
Commercial paper	$ 262,958	0.01	$ 28,893	64
Money market funds	188,106	—	—	N/A
Repurchase agreements	400,000	0.02	1,000,623	2
U.S. guaranteed obligations:				
U.S. Treasury bonds and notes	6,833,233	3.03	—	N/A
U.S. Treasury strips	489,382	1.22	—	N/A
U.S. Treasury bills	299,007	0.28	—	N/A
GNMA mortgage-backed pass-through	309,918	5.02	—	N/A
GNMA TBA pass-through	14,306	3.93	—	N/A
GNMA collateralized mortgage obligations (CMO's)	16,134	3.22	—	N/A
GNMA CMO's - interest only	11,406	4.94	—	N/A
NCUA - CMO's	3,222	0.10	—	N/A
SBA asset-backed	145,010	4.37	—	N/A
Federal agencies:				
Discount notes	854,194	0.06	—	N/A
Unsecured bonds & notes	2,642,854	1.04	225,474	18
Mortgage-backed pass-through	1,735,983	4.81	—	N/A
TBA mortgage-backed pass-through	229,374	4.22	—	N/A
Mortgage-backed CMO's	423,934	5.20	—	N/A
Mortgage-backed CMO's - principal only	109	4.19	—	N/A
Mortgage-backed CMO's - interest only	12,119	6.25	—	N/A
Bonds and notes - domestic:				
Corporate	4,024,739	5.03	412,497	48
Corporate asset-backed	785,988	1.21	—	N/A
Non-government backed CMO's & CMBS*	670,377	4.48	—	N/A
Non-government backed CMO's & CMBS* - interest only	8,211	2.20	—	N/A
Municipal/provincial	348,033	5.59	—	N/A
Bonds and notes - international:				
Government & Agency	72,027	4.35	—	N/A
Corporate	943,613	3.47	139,873	41
Commingled STIF	517,392	—	—	N/A
Futures contracts - long***	—	2.73	—	N/A
Futures contracts - short***	—	2.05	—	N/A
Total debt investments**	$ 22,241,629		$ 1,807,360	

* Commercial Mortgage-Backed Securities (CMBS).

** The remaining $3,852,368 (in thousands) reported for Pooled Investments with State Treasury is comprised of investments with the U.S. Treasury Unemployment Compensation Funds Pool.

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

Other Investments

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

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

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

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

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

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

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

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

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

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

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

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

period of time remaining until either (i) the next readjustment of the interest rate or (ii) the principal amount can be recovered through demand (if applicable).

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

FRS Pension Trust Fund
Debt Investments
As of June 30, 2018

Investment type	Fair value (duration)	Effective weighted duration (in years)	Fair value (WAM)	Weighted average maturity (in days)
Certificates of deposit	$ —	N/A	$ 200,077	14
Commercial paper	—	N/A	4,182,322	12
Money market funds	—	N/A	1,747,581	2
Repurchase agreements	—	N/A	1,663,630	4
U.S. guaranteed obligations:				
U.S. Treasury bills	1,117,717	0.35	—	N/A
U.S. Treasury bonds and notes	8,397,610	3.69	—	N/A
Index linked government bonds	322,918	3.18	—	N/A
U.S. government guaranteed bonds and notes	15,717	3.98	—	N/A
Asset-backed	337,180	5.18	—	N/A
GNMA mortgage-backed pass-through	1,566,906	4.34	—	N/A
GNMA TBA mortgage-backed pass-through	311,382	4.34	—	N/A
GNMA CMO's and CMBS[1]	238,740	6.30	—	N/A
Federal agencies:				
Discount notes	1,307,593	0.03	—	N/A
Unsecured bonds and notes	507,801	3.18	—	N/A
Agency strips	141,742	2.59	—	N/A
Mortgage-backed pass-through	4,202,301	5.13	—	N/A
FNMA, FHLMC TBA mortgage-backed pass-through	1,905,623	5.21	—	N/A
Mortgage-backed CMO's and CMBS[1]	1,576,385	4.59	—	N/A
Domestic bonds and notes:				
Corporate	5,145,926	4.44	—	N/A
Non-government asset and mortgage-backed	881,814	1.44	45,556	25
Non-government backed CMO's and CMBS[1]	970,987	4.29	1,540	25
Municipal/provincial	13,663	4.93	—	N/A
Real estate mortgage loans	2,661	1.47	—	N/A
International bonds and notes:				
Government and agency	721,524	3.29	—	N/A
Corporate	1,410,541	3.95	—	N/A
Non-government asset and mortgage-backed	28,218	0.65	—	N/A
Non-government backed CMO's and CMBS[1]	37,317	5.14	—	N/A
Futures contracts - long (debt)[2]	9,141	4.44	—	N/A
Futures contracts - short (debt)[2]	(6,450)	9.02	—	N/A
Credit default swaps[2]	6,343	0.07	—	N/A
Interest rate swap contracts[2]	937	(2.82)	—	N/A
Total debt investments	$ 31,172,237		$ 7,840,706	

[1]Includes investments in IO's, PO's, and INV's totaling $53 million at June 30, 2018.
[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, 2018.

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, 2018

Investment type	Fair value (duration)	Effective weighted duration (in years)
GNMA commitments to sell (TBAs)	$ (71,843)	4.53
FNMA, FHLMC commitments to sell (TBAs)	(177,174)	4.70
Total debt investments sold short[1]	$ (249,017)	

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

Presented below are interest rate risk schedules for all debt-related investments managed by the SBA (excluding the FRS Pension Trust Fund), as of June 30, 2018 (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, 2018

		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	$ 146,526	$ 146,526	$ —	$ —	$ —	$ —	$ —	$ —
U.S. Treasury bonds, notes, and SLGS*	677,926	548,250	129,676	—	—	—	—	—
U.S. Treasury strips	291,306	21,713	41,797	39,445	92,260	58,979	19,690	17,422
Total debt investments	$ 1,115,758	$ 716,489	$ 171,473	$ 39,445	$ 92,260	$ 58,979	$ 19,690	$ 17,422

* 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, 2018

Investment type	Fair value (duration)	Effective weighted duration (in years)	Fair value (WAM)	Weighted average maturity (in days)
Certificates of deposit	$ —	N/A	$ 5,650,143	29
Commercial paper	—	N/A	6,198,134	32
Money market funds	903,511	0.08	1,538,952	2
Repurchase agreements	—	N/A	1,507,370	3
U.S. guaranteed obligations:				
U.S. Treasury bills	—	N/A	4,538,922	117
U.S. Treasury bonds and notes	268,268	4.94	4,816,422	781
U.S. Treasury strips	5,542,480	9.51	—	N/A
Index linked government bonds	194,592	8.87	—	N/A
U.S. government guaranteed	547	3.66	—	N/A
U.S. guaranteed (SBA) asset-backed	66,387	4.04	—	N/A
GNMA mortgage-backed pass through	117,107	4.57	—	N/A
GNMA commitments to purchase (TBAs)	20,204	4.08	—	N/A
GNMA CMO's and CMBS	107	5.49	—	N/A
Federal agencies:				
Discount notes	—	N/A	109,563	2
Unsecured bonds and notes	35,908	10.61	1,881,011	87
Agency strips	1,008,804	6.57	—	N/A
Mortgage-backed (FNMA, FHLMC)	844,830	5.08	—	N/A
FNMA, FHLMC commitments to purchase (TBAs)	31,933	4.67	—	N/A
Mortgage-backed CMO's	48,148	5.87	—	N/A
Domestic bonds and notes:				
Corporate	1,278,295	7.59	2,035,208	558
Non-government asset and mortgage-backed	236,138	1.79	—	N/A
Non-government backed CMO's and CMBS[1]	138,938	5.55	—	N/A
Municipal/provincial	6,229	11.44	14,025	9
Commingled Domestic bonds and notes funds	1,817,415	5.84	—	N/A
International bonds and notes:				
Government and agency	22,517	8.44	144,547	128
Corporate	224,790	6.69	971,182	690
Total debt investments	$ 12,807,148		$ 29,405,479	

[1] Includes investments in IO's totaling $16.1 million at June 30, 2018, 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, 2018

		Investment maturities (in years)			
Component unit / Investment type	Total fair value	Less than or equal to 1	> 1 to 5	> 5 to 10	> 10
University of Florida					
U.S. guaranteed obligations	$ 4,991	$ 349	$ 2,848	$ —	$ 1,794
Federal agencies	2,657	621	2,036	—	—
Bonds & notes	67,167	34,317	10,112	22,738	—
Bond Mutual funds	135,349	3,772	34,208	97,369	—
Total debt investments	$ 210,164	$ 39,059	$ 49,204	$ 120,107	$ 1,794

Major Component Units
Debt Investments
That Use Duration or Weighted Average Maturity Method
As of June 30, 2018

Component unit / Investment type	Fair value (duration)	Effective weighted duration (in years)	Fair value (WAM)	Weighted average maturity (in days)
Florida Housing Finance Corporation				
U.S. guaranteed obligations	$ 67,275	1.98	$ —	N/A
Federal agencies	7,542	1.15	—	N/A
Bonds & notes	174,523	1.21	—	N/A
Commercial paper	397	N/A	—	N/A
Citizens Property Insurance Corporation				
Commercial paper	—	N/A	15,924	0.27
U.S. guaranteed obligations	—	N/A	1,758,461	4.28
Federal agencies	—	N/A	964,325	5.35
Bonds & notes	—	N/A	5,660,131	5.65
International bonds and notes	—	N/A	695,242	4.49
Total debt investments	$ 249,737		$ 9,094,083	

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, 2018. These funds are managed primarily by the use of “asset classes”.

The FRS Pension Trust Fund investment policy, approved on October 17, 2017 (effective October 17, 2017), by the Trustees, limits the global equity asset class (including domestic and foreign equities) to a policy range of 45-70% and a target allocation of 53%. All asset classes may hold non-U.S. securities, depending on portfolio guidelines. Within the global equity asset class, the FRS Pension Trust Fund also holds units in commingled international equity funds. The FRS Pension Trust Fund owns only a portion of the overall investment in the funds, which are also owned by other investors.* Participatory notes (P-notes) allow the FRS Pension Trust Fund to participate in certain foreign equity markets where direct participation is not possible due to local government regulations, tax policies, or other reasons. The FRS Pension Trust Fund’s unit holdings in the overall investments or notes themselves may be valued in U.S. dollars, but a portion of the underlying assets are exposed to foreign currency risk in various currencies. Within the alternative investment asset class, the FRS Pension Trust owns an interest in several alternative investment commingled funds (primarily limited partnerships) with other investors and, therefore, owns only a portion of the overall investment in the funds. The alternative investment funds denominated in foreign currency are presented in the foreign currency risk table below by currency. For the alternative investment funds denominated in U.S. dollars, some of the underlying investments may be exposed to foreign currency risk in various currencies. Alternative investments with potential exposure to foreign currency risk totaled $25.4 billion as of June 30, 2018.

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 outside of commingled funds 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.

* Exchange - traded funds (ETFS) are investment funds that hold assets such as stocks or bonds and are traded on the stock exchanges.

Presented below in U.S. dollars are the FRS Pension Trust Fund investments exposed to foreign currency risk as of June 30, 2018, listed in total, by currency (in thousands).

FRS Pension Trust Fund
Investments Exposed to Foreign Currency Risk (fair values in U.S.$, in thousands)
As of June 30, 2018

	Investment Type				
Currency	Equity	Alternative Investments	Fixed Income	Equity, Options and Swaps	Foreign Currency Contracts, Net
Australian dollar	$ 975,574	$ —	$ —	$ (647)	$ (121,659)
Bangladesh taka	17,719	—	—	—	—
Brazilian real	518,490	—	—	—	(802)
British pound sterling	3,881,481	63,391	871	1,070	(32,602)
Canadian dollar	1,451,843	—	—	14	(17,620)
Chilean peso	31,192	—	—	—	—
Chinese yuan renminbi	161,119	—	—	—	(13,000)
Colombian peso	9,260	—	—	—	5,654
Costa rican colon	3,051	—	—	—	—
Czech koruna	1,141	—	—	—	5,764
Danish krone	479,363	—	—	—	(1,484)
Egyptian pound	31,250	—	—	—	—
Euro currency unit	7,227,076	921,077	—	367	(35,628)
Ghanaian cedi	3,957	—	—	—	—
Hong Kong dollar	2,722,247	—	—	—	(17,216)
Hungarian forint	42,288	—	—	—	11,258
Indian rupee	859,735	—	—	—	62,698
Indonesian rupiah	148,011	—	—	—	50,631
Israeli shekel	102,803	—	—	—	(14,341)
Japanese yen	4,477,044	—	—	(109)	35,159
Kenyan shilling	26,513	—	—	—	—
Kuwaiti dinar	16,367	—	—	—	—
Malaysian ringgit	133,503	—	—	—	1,588
Mauritius rupee	2,667	—	—	—	—
Mexican peso	209,721	—	—	—	7,020
Moroccan dirham	5,318	—	—	—	—
New Zealand dollar	56,063	—	—	—	(46,009)
Nigerian naira	37,401	—	—	—	—
Norwegian krone	316,265	—	—	—	(25,886)
Omani rial	1,430	—	—	—	—
Pakistani rupee	15,080	—	—	—	—
Peruvian sol	—	—	—	—	6,700
Philippines peso	75,773	—	—	—	(18,389)
Polish zloty	85,600	—	—	—	31,248
Qatari riyal	25,257	—	—	—	—
Romanian new leu	19,225	—	—	—	6,138
Russian ruble	785	—	—	—	43,325
Singapore dollar	346,406	—	—	—	(25,753)
South African rand	423,989	—	—	—	21,332
South Korean won	1,191,859	—	—	—	(39,626)
Sri Lankan rupee	16,352	—	—	—	—
Swedish krona	547,351	—	—	—	9,837
Swiss franc	1,347,407	—	—	3,170	99,354
Taiwan new dollar	819,799	—	—	—	(2,756)
Thailand baht	217,421	—	—	—	5,283
Turkish lira	134,326	—	—	—	14,255
United Arab Emirates dirham	48,697	—	—	—	—
Vietnam dong	39,134	—	—	—	—
Total foreign currency risk	29,304,353	984,468	871	3,865	4,473
Other investments with potential exposure to foreign currency risk:					
Alternative investments	—	25,448,239	—	—	—
P-notes and ETFs	297,377	—	—	—	—
Commingled international equity funds	8,569,819	—	—	—	—
Total investments subject to foreign currency risk	$ 38,171,549	$ 26,432,707	$ 871	$ 3,865	$ 4,473

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In addition to the investments presented above, the FRS Pension Trust Fund holds positions in futures contracts that are subject to foreign currency risk. A futures contract is an agreement between two parties, a buyer and a seller, to exchange a particular good for a particular price at a particular date in the future, all of which are specified in a contract common to all participants in a market on an organized futures exchange. Upon entering into a futures contract, collateral is deposited with the counterparty, in the 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 upon specified collateral and margin limits mutually agreed upon by the SBA and the third-party counterparty. The margin payments are exposed to foreign currency risk. The FRS Pension Trust Fund's futures contract positions at June 30, 2018, 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, 2018

			In Local Currency			
	Currency	Number of Contracts	Notional Traded Exposure	Notional Market Exposure	Unrealized Gain/(Loss)	Unrealized Gain/(Loss) (in U.S. $)
Stock Index Futures:						
GBP FT SE 100 Index	British pound sterling	53	4,034	4,029	(5)	$ (7)
Canada S&P/T SE 60 Index	Canadian dollar	21	4,028	4,046	18	14
DJ Euro STOXX 50	Euro currency unit	279	9,622	9,460	(162)	(189)
TOPIX Index Future	Japanese yen	35	617,722	605,675	(12,047)	(109)
Mini MSCI EAFE[1]	U.S. Dollar	3,894	393,866	380,717	(13,149)	(13,149)

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

The FRS Pension Trust Fund also held positions in option contracts that are subject to foreign currency risk at June 30, 2018. 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.

FRS Pension Trust Fund
Options Exposed to Foreign Currency Risk
As of June 30, 2018

	In Local Currency		(In U.S. $)
Currency	Notional Amount	Total Market Value	Total Market Value
Options purchased:			
Australian dollar	42,000	438	$ 323
British pound sterling	75,600	815	1,077
Euro currency unit	151,200	667	779
Swiss franc	381,546	3,334	3,358
U.S. dollar[1]	3,371,099	34,769	34,769
Options sold:			
Australian dollar	(126,000)	(1,313)	(970)
Euro currency unit	(126,000)	(191)	(223)
Swiss franc	(107,289)	(186)	(188)
U.S. dollar[1]	(1,725,356)	(15,347)	(15,347)
Total subject to foreign currency risk			$ 23,578

[1]Currency options on a currency pair, that are denominated in U.S. dollars, are dependent on the exchange rate of the given foreign currency relative to the U.S. dollar.

The FRS Pension Trust Fund did not hold any positions in swap contracts that were exposed to foreign currency risk at June 30, 2018.

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 may be used to mitigate currency risk for changes in value associated with foreign holdings, payables and/or receivables. In addition, such contracts may be used to seek additional value independent of underlying equity assets. 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, 2018, is presented on the next page, by currency (in thousands):

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FRS Pension Trust Fund
Foreign Currency Exchange Contracts
As of June 30, 2018

Currency	Forward Currency Contracts				Spot Currency Contracts			
	Receivable Fair Value	Payable Fair Value	Net Receivables/ Payables	Unrealized Gain/ (Loss)	Receivable Fair Value	Payable Fair Value	Net Receivables/ Payables	Unrealized Gain/ (Loss)
Australian dollar	$ 63,110	$ (201,988)	$ (138,878)	$ 1,209	$ 31,194	$ (13,975)	$ 17,219	$ 52
Brazilian real	26,952	(29,783)	(2,831)	489	3,552	(1,523)	2,029	9
British pound sterling	91,600	(106,161)	(14,561)	254	38,940	(56,981)	(18,041)	(67)
Canadian dollar	30,197	(63,454)	(33,257)	48	17,391	(1,754)	15,637	103
Chilean peso	—	(13,000)	(13,000)	436	—	—	—	—
Chinese yuan renminbi	5,654	—	5,654	(120)	—	—	—	—
Columbian peso	5,764	—	5,764	(141)	—	—	—	—
Czech koruna	—	—	—	—	747	(2,231)	(1,484)	2
Danish krone	517,086	(501,520)	15,566	6,447	169,556	(220,750)	(51,194)	(980)
Euro currency unit	7,358	(19,532)	(12,174)	14	9,135	(14,177)	(5,042)	(1)
Hong Kong dollar	11,258	—	11,258	(508)	—	—	—	—
Hungarian forint	69,856	(7,158)	62,698	(1,004)	—	—	—	—
Indian rupee	50,631	—	50,631	(1,615)	—	—	—	—
Indonesian rupiah	—	(14,341)	(14,341)	257	—	—	—	—
Israeli shekel	390,172	(462,767)	(72,595)	6,260	213,131	(105,377)	107,754	(284)
Japanese yen	—	—	—	—	2,349	(761)	1,588	—
Malaysian ringgit	23,027	(16,424)	6,603	263	448	(31)	417	—
Mexican peso	20,594	(63,804)	(43,210)	1,611	42,699	(45,498)	(2,799)	303
New Zealand dollar	47,637	(75,272)	(27,635)	(634)	1,749	—	1,749	3
Norwegian krone	6,700	—	6,700	(3)	—	—	—	—
Philippines peso	5,642	(24,208)	(18,566)	33	177	—	177	—
Polish zloty	57,505	(26,247)	31,258	(2,291)	—	(10)	(10)	—
Romanian new leu	5,741	—	5,741	(64)	436	(39)	397	3
Russian ruble	43,325	—	43,325	(394)	—	—	—	—
Singapore dollar	63,725	(99,804)	(36,079)	1,139	12,050	(1,724)	10,326	(3)
South African rand	24,854	(3,240)	21,614	(2,082)	42	(324)	(282)	—
South Korean won	2,223	(44,359)	(42,136)	1,622	4,919	(2,409)	2,510	(2)
Swedish krona	62,420	(57,209)	5,211	(2,516)	5,360	(734)	4,626	25
Swiss franc	151,580	(189,154)	(37,574)	791	351,306	(214,378)	136,928	832
Taiwan new dollar	5,703	(7,942)	(2,239)	55	—	(517)	(517)	—
Thailand baht	5,596	—	5,596	(231)	—	(313)	(313)	—
Turkish lira	17,547	(3,289)	14,258	175	—	(3)	(3)	—
U.S. dollar	1,984,256	(1,757,557)	226,699	—	586,849	(805,710)	(218,861)	2,816
Total	**$ 3,797,713**	**$(3,788,213)**	**$ 9,500**	**$ 9,500**	**$ 1,492,030**	**$(1,489,219)**	**$ 2,811**	**$ 2,811**

A schedule of the Lawton Chiles Endowment Fund and Florida Prepaid College Fund investments exposed to foreign currency risk as of June 30, 2018, is presented below, by currency (in thousands):

Lawton Chiles Endowment Fund (LCEF) and Florida Prepaid College Program
Investments Exposed to Foreign Currency Risk (fair values in U.S.$, in thousands)
As of June 30, 2018

	LCEF Investment Type		Florida Prepaid Program and Investment Plan Investment type	
Currency	Equity	Foreign Currency Contracts, Net	Equity	Foreign Currency Contracts, Net
Australian dollar	$ 13,773	$ —	$ 30,252	$ —
Brazilian real	3,575	(103)	—	—
British pound sterling	27,284	754	61,056	—
Canadian dollar	15,788	—	—	—
Chinese yuan renminbi	1,969	—	—	—
Czech koruna	220	—	—	—
Danish krone	1,498	—	14,019	—
Egyptian pound	292	—	—	—
Euro currency unit	55,137	(682)	126,736	(223)
Hong Kong dollar	21,536	—	12,004	(130)
Hungarian forint	542	—	—	—
Indonesian rupiah	2,172	(30)	—	—
Israeli shekel	1,022	72	1,607	—
Japanese yen	45,105	384	96,749	—
Malaysian ringgit	1,587	—	—	—
Mexican peso	3,111	—	—	—
New Zealand dollar	319	—	2,274	—
Norwegian krone	3,736	—	5,815	—
Philippines peso	986	—	—	—
Polish zloty	1,485	59	—	—
Singapore dollar	601	—	6,671	—
South African rand	3,607	261	—	—
South Korean won	11,696	161	—	—
Swedish krona	6,475	(177)	9,205	—
Swiss franc	11,675	(471)	27,260	—
Taiwan new dollar	6,531	(150)	—	—
Thailand baht	4,043	—	—	—
Turkish lira	1,221	33	—	—
Total investments subject to foreign currency risk	$ 246,986	$ 111	$ 393,648	$ (353)

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A Schedule of the Lawton Chiles Endowment Fund's, Florida Prepaid Program's and Investment Plan's foreign currency exchange contracts outstanding at June 30, 2018, is presented below, by currency (in thousands):

Lawton Chiles Endowment Fund, Florida Prepaid Program and Investment Plan
Foreign Currency Exchange Contracts
As of June 30, 2018

	Spot Currency Contracts			
Currency	**Receivables**	**Payables**	**Net Receivables/ Payables**	**Net Unrealized Gain/(Loss)**
Lawton Chiles Endowment Fund:				
Brazil real	$ —	$ (103)	$ (103)	$ (1)
British pound sterling	754	—	754	7
Euro currency unit	—	(682)	(682)	(6)
Indonesian rupia	—	(30)	(30)	—
Israeli shekel	72	—	72	—
Japanese yen	384	—	384	(1)
Polish Zloty	59	—	59	—
South African rand	261	—	261	3
South Korean won	190	(28)	162	—
Swedish krona	—	(177)	(177)	(1)
Swiss franc	—	(471)	(471)	(4)
Taiwan dollar	—	(150)	(150)	—
Turkish lira	33	—	33	—
U.S. dollar	824	(936)	(112)	—
Total Lawton Chiles Endowment Fund	$ 2,577	$ (2,577)	$ —	$ (3)
Florida Prepaid Program:				
Euro currency unit	$ —	$ (215)	$ (215)	$ (1)
Hong Kong dollar	—	(118)	(118)	—
U.S. dollar	333	—	333	—
Total Florida Prepaid Program	$ 333	$ (333)	$ —	$ (1)
Florida Prepaid Investment Plan				
Euro currency unit	$ —	$ (8)	$ (8)	$ —
Hong Kong dollar	—	(12)	(12)	—
U.S. dollar	20	—	20	—
Total Florida Prepaid Investment Plan	$ 20	$ (20)	$ —	$ —

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, 2018. 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 $ 1,807,563,555 cash collateral and $1,559,480,572 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 $1,760,901,891. Securities held with others under security lending agreements with non-cash collateral totaled $1,559,394,898. 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, 2018, are as follows (in thousands):

State Treasury Investments on Loan Under Security Lending Agreements
As of June 30, 2018

Securities on Loan for Cash Collateral, by Security Type		Fair Value of Securities on Loan*
U.S. guaranteed obligations	$	1,165,685
Federal agencies		123,230
Bonds and notes - domestic		409,166
Bonds and notes - international		62,821
Total securities on loan for cash collateral		1,760,902
Securities on Loan for Non-Cash Collateral, by Security Type		
U.S. guaranteed obligations		1,554,332
Federal agencies		4,926
Bonds and notes - domestic		137
Total securities on loan for non-cash collateral		1,559,395
Total securities on loan	$	3,320,297

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

Other Investments

Through the SBA, various funds, including the FRS Pension Trust Fund, the LCEF, and the Florida Prepaid College Program participate in security lending programs during the fiscal year ended June 30, 2018. 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 $4,574,173,141 in cash and $10,651,616,645 in U.S. government securities as collateral for the lending programs as of June 30, 2018. At June 30, 2018, the collateral held for the security lending transactions exceeded the fair value of the securities underlying the agreements (including accrued interest). Most security lending programs have indemnity clauses requiring the lending agent to assume borrower's risk from default. The FRS Pension Trust Fund also participated indirectly in security lending through investments in four commingled funds that do not offer borrower indemnification. The Fund receives a proportionate share of the security lending income generated from these activities. 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 11% to 28% 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, 2018, 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, 2018, there were four lending agents, including the two master custodians and two third-party agents.

The schedule below discloses the fair value and carrying value of investments on loan at June 30, 2018 (in thousands):

Schedule of Other Investments on Loan Under Security Lending Agreements
As of June 30, 2018

	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	$	60,950	$	1,654,368	$	1,715,318
Federal agencies		33,496		25,176		58,672
Domestic bonds and notes		39,945		69,791		109,736
International bonds and notes		81,584		13,558		95,142
Domestic stocks		144,785		103,200		247,985
International Stocks		2,165,492		9,799		2,175,291
Total Securities on loan for cash collateral		2,526,252		1,875,892		4,402,144
Securities on Loan for Non-Cash Collateral, by Security type						
U.S. guaranteed obligations	$	2,533,830	$	153,066	$	2,686,896
Federal agencies		5,346		—		5,346
Domestic bonds and notes		6,404		102,580		108,984
International bonds and notes		22,667		15,283		37,950
Domestic stocks		6,972,054		55,218		7,027,272
International stocks		544,372		8,124		552,496
Total securities on loan for non-cash collateral		10,084,673		334,271		10,418,944
Total securities on loan	$	12,610,925	$	2,210,163	$	14,821,088

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

6. Derivatives

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

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

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

Pooled Investments with the State Treasury

Pursuant to the State Treasury's established investment policy guidelines, interest rate futures are used as part of the investment strategy related to interest rate risk, duration adjustments, and yield curve strategies. Although put and call options on any security are permitted under the State Treasury's investment guidelines, interest rate futures were the only type of derivative held as of June 30, 2018. The State Treasury did not utilize derivatives for hedging activities during the fiscal year ending June 30, 2018. All of the State Treasury investment derivatives were reported at fair value in the accompanying financial statements as of June 30, 2018.

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

	Notional (in U.S. $)	Changes in Fair Value		Fair Value at June 30, 2018	
		Classification	Amount	Classification	Amount
State Treasury					
Investment derivative instruments:					
Futures	$ (350,300)	Investment Income	$ 4,386	Receivable/(Payable)	$ (174)

This schedule includes both long and short positions.

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

Other Investments

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

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

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

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

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

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

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

A summary of investment derivatives traded in the FRS Pension Trust Fund is presented below. As of June 30, 2018, all of the SBA investment derivatives were reported at fair value (in thousands).

	Notional (in U.S. $)	Increase/(Decrease) in Fair Value		Fair Value at June 30, 2018	
		Classification	Amount (in U.S. $)	Classification	Amount (in U.S. $)
Fiduciary funds (FRS Pension Trust Fund)					
Investment derivative instruments:					
Futures[1]					
Futures (debt)	$ 1,570,100	Investment Income	$ (42,343)	Investment	$ 2,691
Futures (equity)	1,911,248	Investment Income	147,816	Investment	(49,731)
Total futures	$ 3,481,348		$ 105,473		$ (47,040)
Forward currency contracts, net[2]	$ 9,500	Investment Income	$ (9,014)	Receivable/ (Payable), net	$ 9,500
Options					
Options purchased	$ 4,062,730	Investment Income	$ (97,127)	Investment[3]	$ 40,306
Options sold	(2,073,613)	Investment Income	48,966	Liability[3]	(16,728)
Total options	$ 1,989,117		$ (48,161)		$ 23,578
Swaps					
Interest rate swaps	$ 30,260	Investment Income	$ 9,354	Investment	$ 937
Credit default swaps	496,000	Investment Income	(1,953)	Investment	6,343
Total swaps	$ 526,260		$ 7,401		$ 7,280

[1]The total notional values of long and short fixed income (i.e., debt) futures positions were $2,174,800,000 and $(604,700,000), respectively. The total notional value of long equity futures positions was $1,911,248,384.

[2]The total receivable and payable notional and fair values (in U.S. dollars) for forward currency contracts in the FRS Pension Trust Fund were $3,797,712,678 and $(3,788,213,197) as of June 30, 2018, and are presented on the Statement of Fiduciary Net Position as "Foreign currency contracts receivable" and "Foreign currency contracts payable".

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

7. Commitments

Each year the FRS Pension Trust Fund enters into a number of agreements that commit the Fund, upon request, to make additional investment purchases (i.e., capital commitments) up to predetermined amounts over certain investment time periods. The unfunded capital commitments that are not reported on the FRS Pension Trust Fund Statement of Fiduciary Net Position totaled $13.4 billion as of June 30, 2018.

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, 2018, the State Treasury had the following recurring fair value measurements:

Investments and Derivative Instruments Measured at Fair Value
As of June 30, 2018

Investments by fair value level	**Total**	**Level 1**	**Level 2**	**Level 3**
Commercial paper	$ 262,958	$ —	$ 262,958	$ —
U.S. guaranteed obligations	8,121,618	7,615,525	506,093	—
Federal agencies	5,898,567	—	5,898,567	—
Bonds and notes - domestic	5,837,348	—	5,837,348	—
Bonds and notes - international	1,015,640	3,097	1,012,543	—
Commingled STIF	517,392	—	—	517,392
Lending collateral investments:				
Commercial Paper	28,893	—	28,893	—
Federal agencies	225,474	—	225,474	—
Bonds and notes - domestic	412,497	—	412,497	—
Bonds and notes - international	139,873	—	139,873	—
Total investments by fair value level	$ 22,460,260	$ 7,618,622	$ 14,324,246	$ 517,392
Investment derivative instruments				
Futures contracts	$ (174)	$ (174)	$ —	$ —
Total investment derivative	$ (174)	$ (174)	$ —	$ —

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, which utilize primary exchanges.

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

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

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

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

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

Certain investments, such as money market funds, repurchase agreements and U.S. guaranteed State and Local Government Series (SLGS) securities are not reported at fair value in the tables below because they are carried at cost and not priced at fair value. Additionally, U.S. guaranteed securities in the Debt Service Escrowed Fund and all investments of the Local Government Surplus Funds Trust Fund are not included in the tables below because they are carried at cost and amortized cost, respectively. See page 78 for information to obtain the Local Government Surplus Funds Trust Fund investment detail. Commingled investments are measured at the NAV per share (or its equivalent).

The FRS Pension Trust Fund had the following fair value measurements as of June 30, 2018 (in thousand):

FRS Pension Trust Fund
As of June 30, 2018

	Fair Value Measurement Using			
Investments by fair value level	Total Fair Value	Level 1	Level 2	Level 3
Debt securities				
Certificates of deposit	$ 200,077	$ —	$ 200,077	$ —
Commercial paper	4,182,322	—	4,182,322	—
U.S. guaranteed obligations	12,308,170	—	12,308,170	—
Federal agencies	9,641,445	—	9,641,445	—
Domestic bonds and notes	7,005,685	—	6,954,900	50,785
International bonds and notes	2,197,600	—	2,187,296	10,304
Total debt securities	35,535,299	—	35,474,210	61,089
Equity securities				
Domestic	47,062,304	47,062,088	7	209
International	33,319,165	33,271,646	—	47,519
Total equity securities	80,381,469	80,333,734	7	47,728
Alternative Investments				
Private equity fund	363,717	—	—	363,717
Real Estate direct investments	8,948,949	—	—	8,948,949
Derivative Instruments[2]				
Futures (debt)	2,691	2,691	—	—
Futures (equity)	(49,731)	(49,731)	—	—
Option contracts purchased	40,306	40,306	—	—
Swap contracts (debt)	7,280	—	7,280	—
Forward currency contracts, net[1]	9,500	—	9,500	—
Total Investment derivative instruments	10,046	(6,734)	16,780	—
Securities lending collateral investments				
Domestic bonds and notes	56,462	—	47,096	9,366
Total investments by fair value level	125,295,942	$ 80,327,000	$ 35,538,093	$ 9,430,849
Investments Measured at the Net Asset Value (NAV)				
Commingled international equity funds	8,569,819			
Commingled real estate investment funds	2,457,397			
Activist equity funds	897,773			
Hedge funds	4,373,986			
Insurance funds	118,209			
Private debt/credit opportunities funds	3,125,641			
Private equity funds	13,371,340			
Private real asset funds	4,182,041			
Total investments measured at the NAV	37,096,206			
Total investments measured at fair value[1]	162,392,148			
Other investments carried at amortized cost				
Money market funds	35,981			
Money market funds - security lending collateral	1,711,600			
Repurchase agreements	800,000			
Repurchase agreements - security lending collateral	863,630			
Total investments carried at amortized cost	3,411,211			
Total investments	$ **165,803,359**			
Investments sold short (Liabilities) measured at fair value				
U.S. guaranteed obligations	$ (71,843)	$ —	$ (71,843)	$ —
Federal agencies	(177,174)	—	(177,174)	—
Option contracts sold	(16,728)	(16,728)	—	—
Total investments sold short	$ (265,745)	$ (16,728)	$ (249,017)	$ —

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

[2] Spot contracts totaling approximately $2.8 million, are not considered derivative instruments and therefore, not included in this table.

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) as of June 30, 2018, is presented in the footnotes to the table below (in thousands):

FRS Pension Trust Fund
Additional GASB 72 Required Disclosures

	Fair Value 6/30/2018	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Investments Measured at the NAV:				
Commingled international equity funds[1]	$ 8,569,819	$ —	Daily, Monthly	2 - 120 days
Commingled real estate investment funds[2]	2,457,397	—	Quarterly	15 - 90 days
Activist equity funds[3]	897,773	—	Monthly, Annually	65 - 90 days
Hedge funds				
Diversifying strategies (managed futures)[4]	1,058,404	—	Daily, Monthly	10 - 35 days
Equity long/short[5]	549,946	—	Monthly, Quarterly	30 - 125 days
Event driven[6]	352,438	—	Quarterly, Biennially, Annually	45 - 90 days
Global macro[7]	756,624	—	Monthly, Quarterly	15 - 60 days
Multi-strategy[8]	795,875	—	Quarterly, Biennially, Annually	60 - 90 days
Opportunistic debt[9]	525,827	—	Quarterly, Annually	60 - 90 days
Relative value[10]	334,872	—	Quarterly	45 - 90 days
Insurance funds[11]	118,209	184,865	Monthly, Biannually	30 - 90 days
Private debt/credit opportunity funds[12]	3,125,641	2,470,351		
Private equity funds[13]	13,371,340	7,878,568		
Private real asset funds[14]	4,182,041	2,721,631		
Total Investments Measured at the NAV	$ 37,096,206	$ 13,255,415		
Investments Measured at Level 3:				
Private equity funds[13]	$ 363,717			
Real estate direct investment[15]	$ 8,948,949	$ 168,929		

[1] *Commingled International Equity Funds.* The six funds in this group are primarily invested in publicly traded international equity securities. Three of these funds focus on emerging markets. Each are valued at the NAV of units held at the end of the period based upon the fair value of the underlying investments. Four funds within this strategy are redeemable daily and two funds are redeemable monthly.
[2] *Commingled Real Estate Investment Funds.* The eight funds in this group consist primarily of real estate investments owned directly or through partnership interests located in the United States. These investments include multi-family, industrial, retail, office, apartments and mortgage loans on income producing property. Each are valued at the NAV of units held at the end of the period based upon the fair value of the underlying investments. All funds within this strategy are eligible for redemption quarterly.
[3] *Activist Equity Funds.* The three funds in 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 39% of this strategy) is currently eligible for redemption monthly. Another fund (approximately 35% of this strategy) is eligible for redemption in six months due to annual lock-up restrictions. The remaining fund (approximately 26% of this strategy) is subject to contractual lock-up restrictions and is not currently eligible for redemption.
[4] *Diversifying Strategies (Managed Futures) Hedge Funds.* The three funds that make up this group primarily trade equity and commodity futures, but can also participate in indexes, rates and currencies in markets across the globe. These funds use a systematic approach and focus on trends in price and other market signals. These investments are valued at the NAV per share. All funds within this strategy are redeemable within a month or less, as they are not subject to lock-up restrictions.
[5] *Equity Long/Short Hedge Funds.* Consisting of five 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. Two funds (approximately 29% of the value of this strategy) are currently eligible for redemption monthly, while the remaining three funds (approximately 71% of this strategy) are redeemable in three months or less due to quarterly redemption restrictions.
[6] *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. Three funds in this strategy are no longer under contractual lockup, but due to exit restrictions, the redemption period ranges from three to eighteen months. The remaining fund has been fully redeemed with a portion of the capital balance retained for contingency reserves.
[7] *Global Macro Hedge Funds.* Consisting of five funds, which base their holdings (such as long and short positions in various equity, fixed income, currency, and futures markets) primarily on overall economic and political view of various countries. These funds are valued at the NAV per share. All funds in this strategy are no longer subject to contractual lock-up, and are redeemable in three months or less due to monthly and quarterly redemption restrictions.
[8] *Multi-Strategy Hedge Funds.* The three 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. One fund (approximately 40% of this strategy) is eligible for redemption in six months or less due to annual redemption restrictions. Another fund (approximately 38% of this strategy) is eligible for redemption biennially with the next redemption date in six months. The remaining fund (approximately 22% of this strategy) is eligible for redemption quarterly with the next redemption in three months.
[9] *Opportunistic Debt Hedge Funds.* Consisting of four 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 24% of this strategy) is eligible for redemption in six months and annually, thereafter. Two funds (approximately 45% of this strategy) are currently eligible for redemption in three months due to quarterly redemption restrictions. The remaining fund (approximately 31%) is currently in the redemption process and the final distribution is expected in four months.

[10]*Relative Value Hedge Funds.* Consisting of two 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. One fund (approximately 51% of this strategy) is eligible for redemption in three months, subject to exit restrictions. The other fund (approximately 49% of this strategy) is eligible for redemption in three months and quarterly thereafter.

[11]*Insurance funds*. The two funds in this group invest primarily in reinsurance contracts and insurance-linked securities. These investments are valued at NAV per share. One fund (approximately 43%) is eligible for redemption in six months, subject to exit restrictions. The other fund (approximately 57%) has varying restrictions due to underlying investment funds and redeemable within one to six months.

[12]*Private Debt/Credit Opportunity Funds.* There are 53 private debt/credit funds investing primarily in Distressed, Mezzanine and Loans with some exposure to Special Situations. The fair value of these funds has been determined using the NAV at June 30, 2018 or one quarter in arrears adjusted for current quarter cash flows. These funds are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the span of five to ten years.

[13]*Private Equity funds.* There are 204 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 202 funds has been determined using the NAV at June 30, 2018, 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, 2018, 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.

[14]*Private Real Asset Funds.* There are 66 real asset funds, 50 of which invest in real estate assets such as commercial office buildings, retail properties, multi-family residential properties, developments or hotels. In addition, the funds may be structured with a focus on specific geographic domestic or foreign regions. The remaining 16 funds invest in infrastructure, timberland, transportation and commodities. The fair value of these funds has been determined using the NAV at June 30, 2018, 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.

[15]*Direct Real Estate Investments*. There are 74 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, 2018, (in thousands):

All SBA Managed Funds (except FRS Pension Trust Fund)
As of June 30, 2018

		Fair Value Measurement Using		
Investments by fair value level	**Total Fair Value**	**Level 1**	**Level 2**	**Level 3**
Debt securities				
Certificates of deposit	$ 2,009,603	$ —	$ 2,009,603	$ —
Commercial paper	388,573	—	388,573	—
U.S. guaranteed obligations	16,086,665	—	16,086,665	—
Federal agencies	3,960,197	—	3,960,197	—
Domestic bonds and notes	3,647,017	—	3,646,861	156
International bonds and notes	1,356,751	—	1,356,751	—
Total debt securities	27,448,806	—	27,448,650	156
Equity securities				
Domestic	2,583,559	2,583,559	—	—
International	744,604	743,194	1,410	—
Total equity securities	3,328,163	3,326,753	1,410	—
Other investments				
Domestic bonds and notes mutual funds	2,332	2,332	—	—
Domestic equity mutual funds	549,123	549,123	—	—
International equity mutual funds	493,279	493,279	—	—
Self-directed brokerage account	633,004	—	633,004	—
Total other investments	1,677,738	1,044,734	633,004	—
Securities lending collateral investments				
Certificates of deposit	625,097	—	625,097	—
Commercial paper	309,345	—	309,345	—
International bonds and notes	—	—	—	—
Total securities lending collateral investments	934,442	—	934,442	—
Total investments by fair value level	33,389,149	$ 4,371,487	$ 29,017,506	$ 156
Investments Measured at the Net Asset Value (NAV)				
Commingled domestic bonds and notes funds	1,815,083			
Commingled domestic equity funds	3,329,811			
Commingled international equity fund	1,692,857			
Commingled real asset fund	740,128			
Total investments measured at the NAV	7,577,879			
Total investments measured at fair value	40,967,028			
Other investments carried at cost or amortized cost				
Money market funds	2,442,471			
Certificates of deposit	3,014,780			
Commercial paper	5,500,129			
Repurchase agreements	535,000			
Repurchase agreements - security lending collateral	972,370			
U.S. guaranteed obligations	595,917			
Domestic bonds and notes	61,815			
International bonds and notes	6,286			
Total investments carried at cost or amortized cost	13,128,768			
Total investments	**$ 54,095,796**			

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) as of June 30, 2018, is presented in the footnotes to the table below (in thousands):

All SBA Managed Funds (except FRS Pension Trust Fund)
Additional GASB 72 Disclosures

	6/30/2018	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Investments Measured at the NAV				
Commingled domestic bonds and notes funds[1]	$ 1,815,083	$ —	Daily	2 - 15 Days
Commingled domestic equity funds[2]	3,329,811	—	Daily	1 - 5 Days
Commingled international equity fund[3]	1,692,857	—	Daily	2 Days
Commingled real asset funds[4]	740,128	—	Daily	1 - 15 Days
Total investments measured at the NAV	$ 7,577,879			

[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. The TIPS funds seek long-term real total return and is designed to keep pace with inflation. The six domestic bonds and notes funds utilize various investment strategies such as short/intermediate duration, index/benchmark tracking, high-yield, and corporate/government investment grade debt. Each fund is valued at the NAV of units held at 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:* Seven domestic equity funds are considered to be commingled in nature. The domestic equity funds utilize various investment strategies such as index/benchmark tracking, small/mid cap, and large cap growth/value seeking appreciation and income. Each 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.
[3]*Commingled International Equity Fund:* One international equity fund is considered to be commingled in nature. The fund invests in a portfolio of international equity securities whose total rates of return will approximate as closely as practicable the capitalization weighted total rates of return of the markets in certain countries for equity securities traded outside the United States. 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.
[4]*Commingled Real Asset Funds:* These two funds consist of various investments such as commodities, real estate, floating rate loans, energy industry Master Limited Partnerships, global infrastructure and agriculture. These funds are 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, money market funds, and various investment agreements, are not included in the table, because they are carried at cost and not priced at fair value.

The schedule below discloses the fair value measurements for major component units at June 30, 2018, (in thousands):

Major Component Units
As of June 30, 2018

		Fair Value Measurement Using		
Investment by fair value level	Total Fair Value	Level 1	Level 2	Level 3
Florida Housing Finance Corporation (FHFC)				
Debt securities				
Commercial paper	$ 939	$ —	$ 939	$ —
U.S. guaranteed obligations	1,057,641	—	1,057,641	—
Federal agencies	5,713	—	5,713	—
Domestic bonds and notes	215,954	—	215,954	—
Total debt securities	1,280,247	—	1,280,247	—
Other investments	1,049	—	1,049	—
Total FHFC investments by fair value level	$ 1,281,296	$ —	$ 1,281,296	$ —
Citizens Property Insurance Corporation (CPIC)				
Debt securities				
Commercial paper	$ 15,924	$ 15,924	$ —	$ —
U.S. guaranteed obligations	1,758,461	1,758,461	—	—
Federal agencies	964,325	—	964,325	—
Domestic bonds and notes	5,660,131	—	5,660,131	—
International bonds and notes	695,242	3,994	691,248	—
Total CPIC investments by fair value level	$ 9,094,083	$ 1,778,379	$ 7,315,704	$ —
University of Florida (UF)				
Debt securities				
Certificates of deposit	$ 500	$ 500	$ —	$ —
Commercial paper	10,250	10,250	—	—
U.S. guaranteed obligations	5,370	2,125	3,245	—
Federal agencies	2,657	—	2,657	—
Domestic bonds and notes	63,192	31,394	31,798	—
International bonds and notes	4,081	—	4,081	—
Total debt securities	86,050	44,269	41,781	—
Equity securities				
Domestic	1,598	1,598	—	—
International	137	137	—	—
Total equity securities	1,735	1,735	—	—
Swap contracts (debt)	1,747	—	—	1,747
Mutual funds	291,792	188,191	103,601	—
Investments agreements	23,429	1,722	21,707	—
Total UF investments by fair value level	404,753	$ 235,917	$ 167,089	$ 1,747

Investments Measured at the Net AssetValue (NAV)		Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice :Period
University of Florida				
International equity commingled funds[1]	74		Illiquid	N/A
Hedge funds - Multi-strategy[2]	5,860		Quarterly	45 Days
Private equity funds[3]	2,956,174	$ 262,248	Monthly	30 - 45 days
Total investments measured at the NAV	2,962,108			
Total investments measured at fair value	$ 3,366,861			

[1] *International equity commingled funds:* Include illiquid stocks. The fair values have been estimated using the NAV per share (or its equivalent) of the investments as practical expedient as of June 30, 2018.

[2] *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.

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

NOTE 3 - RECEIVABLES AND PAYABLES

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

GOVERNMENTAL ACTIVITIES

	General Fund	Natural Resources, Environment, and Growth Management	Public Education	Health and Family Services	Transportation
Accounts receivable	$ 121,008	$ 10,027	$ 822	$ 1,106,815	$ 13,528
Contracts & grants receivable	154	32	—	—	74,986
Due from Federal government	5,734	27,112	6,344	877,344	105,059
Due from other governmental units	37	3,447	—	5,850	62,316
Interest & dividends receivable	28,227	2,331	1,982	294	5,931
Loans & notes receivable	93,066	140,698	69	—	30
Fees receivable	117,004	11	—	—	—
Taxes receivable	3,295,797	35,443	53,443	—	262,182
Allowance for uncollectibles	(1,740,516)	(14,670)	(92)	(40,398)	(25,653)
Receivables, net	**$ 1,920,511**	**$ 204,431**	**$ 62,568**	**$ 1,949,905**	**$ 498,379**
Loans & notes receivable from other governments	$ —	$ 1,347,490	$ —	$ —	$ 600,709
Long-term interest receivable	—	—	—	—	390
Other loans & notes receivable	5,615	—	2,892	365,618	58,625
Allowance for uncollectibles	(61)	—	(2,053)	(332,771)	(35,902)
Other loans & notes receivable, net	**$ 5,554**	**$ 1,347,490**	**$ 839**	**$ 32,847**	**$ 623,822**

(Continued below)

	Nonmajor Governmental Funds	**Total Governmental Funds**	Internal Service Funds	Government-wide Reconciling Balances	**Total Governmental Activities**
Accounts receivable	$ 365,396	**$ 1,617,596**	$ 32,397	$ 96,918	**$ 1,746,911**
Contracts & grants receivable	41,726	**116,898**	—	—	**116,898**
Due from Federal government	89,282	**1,110,875**	—	—	**1,110,875**
Due from other governmental units	35,943	**107,593**	5,101	—	**112,694**
Interest & dividends receivable	3,312	**42,077**	1,060	—	**43,137**
Loans & notes receivable	130,594	**364,457**	—	—	**364,457**
Fees receivable	248	**117,263**	—	—	**117,263**
Taxes receivable	820	**3,647,685**	—	—	**3,647,685**
Allowance for uncollectibles	(165,432)	**(1,986,761)**	(1,047)	—	**(1,987,808)**
Receivables, net	**$ 501,889**	**$ 5,137,683**	**$ 37,511**	**$ 96,918**	**$ 5,272,112**
Loans & notes receivable from other governments	$ 754,475	**$ 2,702,674**	$ —	$ —	**$ 2,702,674**
Long-term interest receivable	—	**390**	—	—	**390**
Other loans & notes receivable	103,452	**536,202**	—	—	**536,202**
Allowance for uncollectibles	(30,124)	**(400,911)**	—	—	**(400,911)**
Other loans & notes receivable, net	**$ 827,803**	**$ 2,838,355**	**$ —**	**$ —**	**$ 2,838,355**

BUSINESS-TYPE ACTIVITIES

	Transportation	Lottery	Hurricane Catastrophe Fund	Prepaid College Program	Reemployment Assistance
Accounts receivable	$ 8,247	$ 53,784	$ 1,135,306	$ 132,621	$ 226,020
Due from Federal government	—	—	—	—	178
Due from other governmental units	113	—	—	—	657
Interest & dividends receivable	2,625	509	44,095	27,527	52,676
Loans & notes receivable	—	—	—	341,092	—
Fees receivable	14	—	—	—	1,170
Taxes receivable	—	—	—	—	158,097
Allowance for uncollectibles	—	(3,090)	—	—	(326,401)
Receivables, net	**$ 10,999**	**$ 51,203**	**$ 1,179,401**	**$ 501,240**	**$ 112,397**
Loans & notes receivable	$ 78,611	$ —	$ —	$ 1,837,435	$ —
Allowance for uncollectibles	(1,295)	—	—	—	—
Future contract premiums and other receivables	—	—	—	—	—
Other loans & notes receivable, net	**$ 77,316**	**$ —**	**$ —**	**$ 1,837,435**	**$ —**

(Continued below)

	Nonmajor Enterprise Funds	**Total Enterprise Funds**	Government-wide Reconciling Balances	**Total Business-type Activities**
Accounts receivable	$ 64,588	**$ 1,620,566**	$ 146,891	**$ 1,767,457**
Due from Federal government	—	**178**	—	**178**
Due from other governmental units	20,389	**21,159**	—	**21,159**
Interest & dividends receivable	1,136	**128,568**	—	**128,568**
Loans & notes receivable	3,133	**344,225**	—	**344,225**
Fees receivable	112	**1,296**	—	**1,296**
Taxes receivable	—	**158,097**	—	**158,097**
Allowance for uncollectibles	(65,413)	**(394,904)**	—	**(394,904)**
Receivables, net	**$ 23,945**	**$ 1,879,185**	**$ 146,891**	**$ 2,026,076**
Loans & notes receivable	$ 2,720	**$ 1,918,766**	$ —	**$ 1,918,766**
Allowance for uncollectibles	(515)	**(1,810)**	—	**(1,810)**
Future contract premiums and other receivables	21	**21**	—	**21**
Other loans & notes receivable, net	**$ 2,226**	**$ 1,916,977**	**$ —**	**$ 1,916,977**

COMPONENT UNITS

Accounts receivable	$ 1,770,044
Contracts & grants receivable	198,642
Due from Federal government	25,878
Due from other governmental units	335,719
Interest & dividends receivable	98,883
Loans & notes receivable	151,550
Allowance for uncollectibles	(415,300)
Receivables, net	**$ 2,165,416**
Other loans & notes receivable	$ 2,431,203
Allowance for uncollectibles	(227,100)
Other loans & notes receivable, net	**$ 2,204,103**

"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	Natural Resources, Environment, and Growth Management	Public Education	Health and Family Services	Transportation
Accounts payable	$ 392,126	$ 52,111	$ 6,201	$ 197,286	$ 450,924
Accrued salaries & wages	81,287	3,099	52	50,333	17,476
Claims payable	—	—	—	—	—
Construction contracts	—	—	—	—	217,399
Deposits payable	189	736	—	12	14,601
Due to Federal government	—	—	—	220,568	7
Due to other governmental units	56,696	6,432	1	9,488	8,124
Other payables	—	—	—	—	—
Accounts payable and accrued liabilities	**$ 530,298**	**$ 62,378**	**$ 6,254**	**$ 477,687**	**$ 708,531**

(Continued below)

	Nonmajor Governmental Funds	**Total Governmental Funds**	Internal Service Funds	Government-wide Reconciling Balances	**Total Governmental Activities**
Accounts payable	$ 115,940	**$ 1,214,588**	$ 23,032	$ 181,417	**$ 1,419,037**
Accrued salaries & wages	14,505	**166,752**	3,238	—	**169,990**
Claims payable	—	—	149,378	—	**149,378**
Construction contracts	1,136	**218,535**	—	—	**218,535**
Deposits payable	129	**15,667**	—	—	**15,667**
Due to Federal government	1,344	**221,919**	—	—	**221,919**
Due to other governmental units	50,801	**131,542**	—	—	**131,542**
Other payables	—	—	12,630	—	**12,630**
Accounts payable and accrued liabilities	**$ 183,855**	**$ 1,969,003**	**$ 188,278**	**$ 181,417**	**$ 2,338,698**

BUSINESS-TYPE ACTIVITIES

	Transportation	Lottery	Hurricane Catastrophe Fund	Prepaid College Program	Reemployment Assistance
Accounts payable	$ 4,867	$ 8,514	$ 1,065,181	$ 191,030	$ 14,863
Accrued interest payable	—	—	34,764	—	—
Accrued salaries & wages	—	80	—	—	—
Construction contracts	67,814	—	—	—	—
Deposits payable	248	2,087	—	—	—
Due to Federal government	—	—	—	—	2,308
Accounts payable and accrued liabilities	**$ 72,929**	**$ 10,681**	**$ 1,099,945**	**$ 191,030**	**$ 17,171**

(Continued below)

	Nonmajor Enterprise Funds	**Total Enterprise Funds**	Government-wide Reconciling Balances	**Total Business-type Activities**
Accounts payable	$ 33,943	**$ 1,318,398**	$ 145	**$ 1,318,543**
Accrued interest payable	—	**34,764**	—	**34,764**
Accrued salaries & wages	4,414	**4,494**	—	**4,494**
Construction contracts	—	**67,814**	—	**67,814**
Deposits payable	18,128	**20,463**	—	**20,463**
Due to Federal government	—	**2,308**	—	**2,308**
Accounts payable and accrued liabilities	**$ 56,485**	**$ 1,448,241**	**$ 145**	**$ 1,448,386**

COMPONENT UNITS

Accounts payable	$ 926,114
Accrued interest payable	24,705
Accrued salaries & wages	378,332
Claims payable	1,269,383
Construction contracts	59,882
Deposits payable	295,123
Due to other governmental units	13,916
Vouchers payable	27,389
Accounts payable and accrued liabilities	**$ 2,994,844**

NOTE 4 – TAXES AND TAX ABATEMENTS

A. Taxes

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

	General Fund	Natural Resources, Environment, and Growth Management	Public Education	Health and Family Services	Transportation	Nonmajor Governmental Funds	Total
Sales and use tax	$ 26,796,840	$ —	$ —	$ —	$ —	$ —	$ 26,796,840
Fuel taxes:							
Motor fuel tax	—	—	—	—	2,774,772	—	2,774,772
Pollutant Tax	—	274,886	—	—	—	—	274,886
Aviation fuel tax	—	—	—	—	24,838	—	24,838
Solid minerals severance tax	—	34,677	—	—	—	—	34,677
Oil and gas production tax	2,417	—	—	—	—	—	2,417
Total fuel taxes	2,417	309,563	—	—	2,799,610	—	3,111,590
Corporate income tax	2,412,220	—	—	—	—	—	2,412,220
Documentary stamp tax	2,517,733	—	—	—	—	—	2,517,733
Intangible personal property tax	376,744	—	—	—	—	—	376,744
Communications service tax	663,826	—	367,462	—	—	—	1,031,288
Estate tax	1,927	—	—	—	—	—	1,927
Gross receipts utilities tax	—	6,557	787,252	—	—	—	793,809
Beverage and tobacco taxes:							
Alcoholic beverage tax	279,240	—	—	—	—	13,858	293,098
Cigarette tax	1,136,201	—	—	—	—	—	1,136,201
Smokeless tobacco tax	36,291	—	—	—	—	—	36,291
Total beverage and tobacco taxes	1,451,732	—	—	—	—	13,858	1,465,590
Other taxes:							
Insurance premium tax	1,051,025	—	—	—	—	33,847	1,084,872
Hospital public assistance tax	—	—	—	660,405	—	—	660,405
Citrus excise tax	—	—	—	—	—	4,640	4,640
Pari-mutuel wagering tax	8,352	—	—	—	—	207,460	215,812
Total other taxes	1,059,377	—	—	660,405	—	245,947	1,965,729
Total	$ 35,282,816	$ 316,120	$ 1,154,714	$ 660,405	$ 2,799,610	$ 259,805	$ 40,473,470

	Sales and Use Tax
Governmental fund statements	$ 26,796,840
Government-wide accruals	(15,659)
Government-wide statements	$ 26,781,181

B. Tax Abatements

For financial reporting purposes, a tax abatement is defined as an agreement between the government and an individual or entity through which the government promises to forgo tax revenues and the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the government or its citizens. As of June 30, 2018, tax abatement programs are as follows:

Program Name	Entertainment Industry Financial Incentive Program	Entertainment Industry Sales Tax Exemption Program
Program Purpose	To encourage the use of the state as a site for filming, for the digital production of films, and to develop and sustain the workforce and infrastructure for film, digital media, and entertainment production.	To encourage the use of the state as a site for filming, for the digital production of films, and to develop and sustain the workforce and infrastructure for film, digital media, and entertainment production.
Taxes being abated	Corporate Income Tax; Sales and Use Tax	Sales and Use Tax
Authority under which abatements are entered into	Section 288.1254, Florida Statutes (F.S.)	Section 288.1258, F.S.
Criteria to be eligible to receive abatements and commitment of the taxpayer	Applicants must meet minimum required Florida qualified expenditures, minimum requirements for hiring Florida employees, requirements for production type, provide proof of financing, and must not be considered obscene under Chapter 847, F.S.	Applicants must be a qualified production company producing specified types of content in Florida.
How taxes are reduced	Tax Credit	Tax Exemption
How amount of abatement is determined	Statutorily defined allocation determines the amount available for award to applicants. Applicants present estimated eligible costs and a total estimated tax credit is awarded. Awardees present actual expenditures to use of the credit and an actual credit is certified.	Point of sale exemption on items used as an integral part of the production process in Florida, including production equipment, set design and construction, props, wardrobe, and real estate rental.
Provisions for recapturing abated taxes	Revocation of tax credits and any taxes exempted are due with interest and penalty.	Revocation of certificate and any taxes exempted are due with interest and penalty.
Type of commitments other than taxes	N/A	N/A
Total tax revenues reduced during fiscal year (in thousands)	$21,123	$15,113

Tax abatement programs, continued:

Program Name	Florida Renew Tech Credit	Florida Tax Credit Scholarship Program
Program Purpose	To encourage investments in the production, storage and distribution of biodiesel, ethanol, and other renewable fuel in the state.	To encourage private, voluntary contributions to nonprofit scholarship-funding organizations to expand educational opportunities for children of families that have limited financial resources.
Taxes being abated	Corporate Income Tax	Sales and Use Tax; Corporate Income Tax; Severance Taxes; Insurance Premium Tax
Authority under which abatements are entered into	Sections 220.192, F.S.	Section 1002.395, F.S.
Criteria to be eligible to receive abatements and commitment of the taxpayer	A taxpayer must provide the capital costs, operation and maintenance costs, and research and development costs incurred in connection with an investment in the production, storage and distribution of renewable fuels for transportation in the state.	A taxpayer must apply for approval and be issued an approval letter by the State. Taxpayer must make an eligible contribution to an eligible nonprofit scholarship-funding organization by the end of the tax year to earn the credit on the return.
How taxes are reduced	Tax Credit	Tax Credit
How amount of abatement is determined	Eligible costs must be incurred between July 1, 2012, and June 30, 2016. This program allows $1 million per state fiscal year for each taxpayer with a limit of $10 million per state fiscal year.	Statutorily defined tax credit cap determines the amount available for award to applicants. The applicant must specify in the application each tax for which the taxpayer requests a credit and the applicable taxable year for a credit. The State approves tax credits on a first-come, first-served basis.
Provisions for recapturing abated taxes	If erroneous credits are discovered during an audit of the taxpayer's books and records the amount of tax offset by the credit will be assessed.	If erroneous credits are discovered during an audit of the taxpayer's books and records, the amount of tax offset by the credit will be assessed.
Type of commitments other than taxes	N/A	N/A
Total tax revenues reduced during fiscal year (in thousands)	$6,162	$149,727

Tax abatement programs, continued:

Program Name	Capital Investment Tax Credit	New Markets Development Program
Program Purpose	To attract and grow capital-intensive industries in the State.	To promote capital investment in rural and urban low-income communities by allowing taxpayers to earn credits against specified taxes by investing in qualified community development entities that make low-income community investments in qualified active low-income community businesses to create and retain jobs.
Taxes being abated	Corporate Income Tax; Premium Tax	Corporate Income Tax; Insurance Premium Tax
Authority under which abatements are entered into	Section 220.191, F.S.	Section 288.9916, F.S.
Criteria to be eligible to receive abatements and commitment of the taxpayer	The business must establish a qualified project certified by the State and meet minimum capital investment, job creation, and wage requirements.	Qualified Community Development Entities (CDEs) apply to Department of Economic Opportunity to have investments approved as qualified investments for tax credits. Taxpayers then earn credits by investing in CDEs that make investments in active low-income community businesses.
How taxes are reduced	Tax Credit	Tax Credit
How amount of abatement is determined	An annual credit may be claimed for up to 20 years in an annual amount up to 5 percent of the eligible capital costs generated by a qualifying project. The annual tax credit shall not exceed specified percentages of the annual tax liability.	Credit equal to 39 percent of the purchase price of the qualified investment.
Provisions for recapturing abated taxes	If erroneous credits are discovered during an audit of the taxpayer's books and records the amount of tax offset by the credit will be assessed.	If erroneous credits are discovered during an audit of the taxpayer's books and records the amount of tax offset by the credit will be assessed.
Type of commitments other than taxes	N/A	N/A
Total tax revenues reduced during fiscal year (in thousands)	$9,310	$46,109

Tax abatement programs, continued:

Program Name	Contaminated Site Rehabilitation Tax Credit	Building Materials in Redevelopment Projects
Program Purpose	To encourage voluntarily rehabilitation of brownfield sites or sites contaminated with dry-cleaning solvent.	To promote property redevelopment for the purpose of low-income housing in certain area.
Taxes being abated	Corporate Income Tax	Sales and Use Tax
Authority under which abatements are entered into	Sections 220.1845 and 376.30781, F.S.	Section 212.08(5)(o), F.S.
Criteria to be eligible to receive abatements and commitment of the taxpayer	Participants must meet applicable eligibility criteria and enter either a Voluntary Cleanup Agreement or Brownfield Site Rehabilitation Agreement.	Taxpayer must claim a refund of sales tax paid on materials used in new or existing construction of a housing project or mixed-use project in an urban high-crime area, an enterprise zone, an empowerment zone, a Front Porch Florida Community, brownfield area, or an urban infill area.
How taxes are reduced	Tax Credit	Tax Refund
How amount of abatement is determined	The credit is 50 percent of rehabilitation costs, up to $500,000 per site per year. To encourage completion of site rehabilitation the applicant may claim an additional 25 percent of the total site rehabilitation costs, not to exceed $500,000, in the final year of cleanup. To encourage the construction of affordable housing an applicant meeting applicable requirements may claim an additional 25 percent of the total site rehabilitation costs, not to exceed $500,000.	Applicant must redevelop real property by converting existing manufacturing or industrial building(s) into low income housing, or by construction of new low income housing in a brownfield area.
Provisions for recapturing abated taxes	If erroneous credits are discovered during an audit of the taxpayer's books and records the amount of tax offset by the credit will be assessed.	If erroneous credits are discovered during an audit of the taxpayer's books and records the amount of tax offset by the credit will be assessed.
Type of commitments other than taxes	N/A	N/A
Total tax revenues reduced during fiscal year (in thousands)	$8,818	$5,774

Tax abatement programs, continued:

Program Name	Qualified Target Industry Tax Refund Program	Florida Renew Production Credit
Program Purpose	To encourage the growth of higher-wage jobs and a diverse economic base by providing state tax refunds to qualified target industry businesses that originate or expand in the state or that relocate to the state.	To encourage the production of renewable energy in the state.
Taxes being abated	Sales and Use Tax; Corporate Income Tax; Intangible Personal Property Tax; Excise Tax; Ad Valorem Tax; Insurance Premium Tax; Communication Service Tax	Corporate Income Tax
Authority under which abatements are entered into	Section 288.106, F.S.	Section 220.193, F.S.
Criteria to be eligible to receive abatements and commitment of the taxpayer	Applicants must be a new or expanding business in Florida, create a minimum number of new full-time jobs within one or more of Florida's designated targeted industries and meet minimum wage requirements.	The credit equals to $0.01 per kilowatt-hour (kWh) of electricity produced and sold by the taxpayer to an unrelated party during a given tax year. The credit may be claimed for electricity produced and sold on or after January 1, 2013, through June 30, 2016. The combined total amount of tax credits which may be granted for all taxpayers under this section is limited to $5 million in state fiscal year 2012-2013 and $10 million per state fiscal year in state fiscal years 2013-2014 through 2016-2017.
How taxes are reduced	Tax Refund	Tax Credit
How amount of abatement is determined	Demonstrate minimum Florida job creation, maintenance and wages paid.	The Florida Renewable Energy Production Credit, which provided $5 million for the first fiscal year of the program and $10 million for subsequent years for an annual corporate tax credit equal to $0.01/kWh of renewable electricity produced and sold.
Provisions for recapturing abated taxes	If erroneous credits are discovered during an audit of the taxpayer's books and records the amount of tax offset by the credit will be assessed.	If erroneous credits are discovered during an audit of the taxpayer's books and records the amount of tax offset by the credit will be assessed.
Type of commitments other than taxes	N/A	N/A
Total tax revenues reduced during fiscal year (in thousands)	$17,805	$5,277

Tax abatement programs, continued:

Program Name	Community Contribution Tax Credit Program
Program Purpose	To encourage donations and local private support of projects that provide housing opportunities for persons with special needs or home ownership opportunities for low-income or very-low-income families.
Taxes being abated	Corporate Income Tax; Insurance Premium Tax; Sales and Use Tax
Authority under which abatements are entered into	Sections 212.08(5)(p); 220.183; and 624.5105, F.S.
Criteria to be eligible to receive abatements and commitment of the taxpayer	A taxpayer must apply for approval and be issued an approval letter by the State. A community contribution by a person must be in the following form: (a) Cash or other liquid assets; (b) Real property, including 100 percent ownership of a real property holding company; (c) Goods or inventory; or (d) Other physical resources identified by the State.
How taxes are reduced	Tax Credit or Refund
How amount of abatement is determined	The credit is equal to 50 percent of the value of the donation, with a limit of $200,000 per year. Annual limit of entire program is 24.9 million.
Provisions for recapturing abated taxes	If erroneous credits are discovered during an audit of the taxpayer's books and records the amount of tax offset by the credit will be assessed.
Type of commitments other than taxes	N/A
Total tax revenues reduced during fiscal year (in thousands)	$24,900

The State had additional tax abatement programs, each amounting to less than $5 million in revenue and estimated to be reduced in fiscal year 2017-18. In total, these programs resulted in $14.2 million in estimated tax abatements. These include the Research and Development Tax Credit, Rural Job Tax Credit Program, Urban High-Crime Area Job Tax Credit Program, Brownfield Redevelopment Bonus Tax Refund, Qualified Defense and Space Contractor Tax Refund Program, Semi-Conductor Defense and Space Technology Tax Exemption, Enterprise Zone Job Credits, Enterprise Zone Business Property Credits, Enterprise Zone Building Material Credit, Enterprise Zone Property Credit, and New and Expanding Business tax refund.

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, 2018, is as follows (in thousands):

General Government	$	96,318
Education		11,342
Human Services		27,460
Criminal Justice & Corrections		116,591
Natural Resources & Environment		57,783
Transportation		39,973
Judicial Branch		3,535
Total depreciation expense (governmental activities)	**$**	**353,002**

Primary government capital asset activities for the fiscal year ended June 30, 2018, are as follows (in thousands):

GOVERNMENTAL ACTIVITIES

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Capital assets, not being depreciated:				
Land and other nondepreciable assets	$ 19,144,027	$ 567,691	$ 110,355	$ 19,601,363
Infrastructure and infrastructure improvements - nondepreciable	48,429,257	2,132,179	618,521	49,942,915
Construction work in progress	3,134,133	1,866,809	1,965,443	3,035,499
Total capital assets, not being depreciated	**70,707,417**	**4,566,679**	**2,694,319**	**72,579,777**
Capital assets, being depreciated:				
Buildings and building improvements	5,536,435	213,448	157,367	5,592,516
Infrastructure and infrastructure improvements	790,410	26,050	2,430	814,030
Leasehold improvements	4,188	7,624	5,073	6,739
Property under capital lease	174,924	—	115	174,809
Furniture and equipment	1,795,168	228,712	224,110	1,799,770
Works of art and historical treasures	1,928	—	9	1,919
Library resources	25,611	311	23	25,899
Other	74,574	2,817	421	76,970
Total capital assets, being depreciated	**8,403,238**	**478,962**	**389,548**	**8,492,652**
Less accumulated depreciation for:				
Buildings and building improvements	2,842,827	149,326	9,689	2,982,464
Infrastructure and infrastructure improvements	478,491	30,269	379	508,381
Leasehold improvements	1,149	2,083	401	2,831
Property under capital lease	95,918	10,483	104	106,297
Furniture and equipment	1,341,742	154,998	140,386	1,356,354
Works of art and historical treasures	1,117	65	9	1,173
Library resources	16,336	1,585	883	17,038
Other	58,017	4,193	1,442	60,768
Total accumulated depreciation	**4,835,597**	**353,002**	**153,293**	**5,035,306**
Total capital assets, being depreciated, net	**3,567,641**	**125,960**	**236,255**	**3,457,346**
Governmental activities capital assets, net	**$ 74,275,058**	**$ 4,692,639**	**$ 2,930,574**	**$ 76,037,123**

BUSINESS-TYPE ACTIVITIES

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Capital assets, not being depreciated:				
Land and other nondepreciable assets	$ 1,160,746	$ 954,523	$ 952,545	$ 1,162,724
Infrastructure and infrastructure improvements - nondepreciable	8,918,407	18,670,362	17,973,825	9,614,944
Construction work in progress	1,238,605	17,973,754	17,405,572	1,806,787
Total capital assets, not being depreciated	**11,317,758**	**37,598,639**	**36,331,942**	**12,584,455**
Capital assets, being depreciated:				
Buildings and building improvements	486,449	174,860	161,705	499,604
Infrastructure and infrastructure improvements	15,689	291,415	389	306,715
Leasehold improvements	96	—	30	66
Furniture and equipment	365,595	56,158	41,634	380,119
Library resources	10	2	—	12
Other	144,625	42,323	64	186,884
Total capital assets, being depreciated	**1,012,464**	**564,758**	**203,822**	**1,373,400**
Less accumulated depreciation for:				
Buildings and building improvements	170,286	25,234	18,300	177,220
Infrastructure and infrastructure improvements	1,013	781	10	1,784
Leasehold improvements	12	18	—	30
Furniture and equipment	179,250	32,355	2,626	208,979
Library resources	6	1	—	7
Other	70,004	6,767	66	76,705
Total accumulated depreciation	**420,571**	**65,156**	**21,002**	**464,725**
Total capital assets, being depreciated, net	**591,893**	**499,602**	**182,820**	**908,675**
Business-type activities capital assets, net	**$ 11,909,651**	**$ 38,098,241**	**$ 36,514,762**	**$ 13,493,130**

Component units' capital asset activities for the fiscal year ended June 30, 2018, are as follows (in thousands):

COMPONENT UNITS

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Capital assets, not being depreciated:				
Land and other non-depreciable assets	$ 6,685,340	$ 174,383	$ 22,093	$ 6,837,630
Construction work in progress	1,814,641	1,242,573	1,492,806	1,564,408
Total capital assets, not being depreciated	**8,499,981**	**1,416,956**	**1,514,899**	**8,402,038**
Capital assets, being depreciated:				
Buildings and building improvements	19,314,653	1,121,749	73,583	20,362,819
Infrastructure and infrastructure improvements	3,156,030	587,098	90,902	3,652,226
Leasehold improvements	447,722	10,365	123	457,964
Property under capital lease	134,824	8,892	1,786	141,930
Furniture and equipment	3,683,484	438,182	299,511	3,822,155
Works of art and historical treasures	3,785	—	—	3,785
Library resources	971,270	40,997	8,720	1,003,547
Other	451,147	38,276	16,143	473,280
Total capital assets, being depreciated	**28,162,915**	**2,245,559**	**490,768**	**29,917,706**
Less accumulated depreciation for:				
Buildings and building improvements	7,150,638	522,989	21,803	7,651,824
Infrastructure and infrastructure improvements	1,244,745	206,535	870	1,450,410
Leasehold improvements	151,517	16,132	39	167,610
Property under capital lease	54,144	7,551	1,737	59,958
Furniture and equipment	2,666,709	263,432	206,020	2,724,121
Works of art and historical treasures	1,859	172	—	2,031
Library resources	806,243	36,166	5,197	837,212
Other	320,320	26,879	7,555	339,644
Total accumulated depreciation	**12,396,175**	**1,079,856**	**243,221**	**13,232,810**
Total capital assets, being depreciated, net	**15,766,740**	**1,165,703**	**247,547**	**16,684,896**
Component units capital assets, net	**$ 24,266,721**	**$ 2,582,659**	**$ 1,762,446**	**$ 25,086,934**

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, 2018, the Department administered three defined benefit plans, two defined contribution plans, a supplemental funding of defined benefit plans for municipal police officers and firefighters, and various general revenue funded pension programs. Beginning with the fiscal year ended June 30, 2014, the Department issued a publicly-available, audited comprehensive annual financial report (CAFR) that includes financial statements, notes and required supplementary information for each of the pension plans which it administers. Detailed information about the plans is provided in the CAFR which is available online or by contacting the Department.

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

t. Defined Benefit Plans

<u>The Florida Retirement System</u>

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

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

Membership

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

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

There are five general classes of membership, as follows:

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

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

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

  For members initially enrolled in the FRS Pension Plan on or after July 1, 2011, eight or more years of creditable service and age 65, or the age after completing eight years of creditable service if after age 65. Thirty-three years of creditable service regardless of age before age 65.
- *Special Risk Class and Special Risk Administrative Support Class Members* - For members initially enrolled in the FRS Pension Plan before July 1, 2011, six or more years of Special Risk Class service and age 55, or the age after completing six years of Special Risk Class service if after age 55. Twenty-five years of special risk service regardless of age before age 55. A total of 25 years of service including special risk service and up to four years of active duty wartime service and age 52. Without six years of Special Risk Class service, members of the Special Risk Administrative Support Class must meet the requirements of the Regular Class.

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

Bene/its

The Florida Legislature establishes and amends the benefit terms of the FRS Pension Plan. Benefits under the FRS Pension Plan are computed on the basis of age, average final compensation, creditable years of service, and accrual value per year by membership class. Members are also provided in-line-of-duty or regular disability and survivors' benefits. Pension benefits of eligible retirees and annuitants are increased each July 1 by a cost-of-living adjustment. If the member is initially enrolled in the FRS Pension Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3% per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. This individually calculated annual cost-of-living adjustment is a proportion of 3% determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3%. FRS Pension Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

The DROP became effective July 1, 1998, subject to provisions of Section 121.091(13), F.S. FRS Pension Plan members who reach normal retirement are eligible to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in the DROP for a maximum of 60 months. Authorized instructional personnel may participate in the DROP for up to 36 additional months beyond their initial 60-month participation period. Monthly retirement benefits remain in the FRS Trust Fund during DROP participation and accrue interest until the member terminates to finalize retirement. As of June 30, 2018, the FRS Trust Fund held in trust $2,432,971,600 in accumulated benefits and interest for 36,001 DROP participants. Of these 36,001 DROP participants, 34,173 were active in the DROP with balances totaling $2,185,360,679. The remaining participants were no longer active in the DROP and had balances totaling $247,610,920 to be processed after June 30, 2018.

Administration

The Division administers the FRS Pension Plan. The SBA invests the assets of the FRS Pension Plan held in the FRS Trust Fund. Costs of administering the FRS Pension Plan are funded from earnings on investments of the FRS Trust Fund. Reporting of the FRS Pension Plan is on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the obligation is incurred.

Contributions

All participating employers must comply with statutory contribution requirements. Section 121.031(3), F.S., requires an annual actuarial valuation of the FRS Pension Plan, which is provided to the Legislature as guidance for funding decisions. Employer and employee contribution rates are established in Section 121.71, F.S. Employer contribution rates under the uniform rate structure (a blending of both the FRS Pension Plan and Investment Plan rates) are recommended by the actuary but set by the Legislature. Statutes require that any unfunded actuarial liability (UAL) be amortized within 30 plan years. Pursuant to Section 121.031(3)(f), F.S., any surplus actuarial amounts available to offset total retirement system costs are to be amortized over a 10-year rolling period on a level-dollar basis. The balance of legally required reserves for the FRS Pension Plan at June 30, 2018, was $161,196,880,609. These funds were reserved to provide for total current and future benefits, refunds, and administration of the FRS Pension Plan.

The table below presents FRS employer contribution rates. Rates indicated are uniform rates for all FRS members and include UAL contribution rates. These rates do not include a 1.66% contribution rate for the Retiree Health Insurance Subsidy (HIS) Program and a 0.06% assessment for the administration of the FRS Investment Plan and the educational program available to all FRS members. In addition, the July 1, 2017, 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, 2016 for Fiscal Year 2017-2018	July 1, 2017 Statutory Rates (Ch. 121, F.S.)
Regular	6.20%	6.20%
Senior Management Service	20.99%	20.99%
Special Risk	21.55%	21.55%
Special Risk Administrative Support	32.91%	32.91%
Elected Officers - Judges	37.92%	37.92%
Elected Officers - Legislators/Attorneys/Cabinet	49.14%	49.14%
Elected Officers - County	43.78%	43.78%
DROP - applicable to members from all of the above classes or plans	11.60%	11.60%

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

Retiree Health Insurance Subsidy Program

The HIS Program is a non-qualified cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, F.S. The Florida Legislature establishes and amends the contribution requirements and benefit terms of the HIS Program. The benefit is a monthly payment to assist retirees of state-administered retirement systems in paying their health insurance costs and is administered by the Division. For the fiscal year ended June 30, 2018, 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, 2018, the contribution rate was 1.66% of payroll pursuant to Section 112.363, F.S. The state contributed 100% of its statutorily required contributions for the current and preceding two years. HIS contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, the legislature may reduce or cancel HIS payments.

The Florida National Guard Supplemental Retirement Benefit Plan

The Florida National Guard Supplemental Retirement Benefit Plan (National Guard Benefit) is a single-employer, non-qualified defined benefit pension plan established under Section 250.22, F.S., and is administered by the Division. The Florida Legislature establishes and amends the plan. Florida National Guard retirees must have at least 30 years of Florida National Guard service. Normal retirement is at age 62 with early retirement available beginning at age 60. The monthly benefit is equal to 50% of the federal military pay table for the highest rank held while in the Florida National Guard less the benefit received from the Federal Government for 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	11,436
Retirees	768
Terminated Vested Members	309
Total	12,513

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, 2018, the State reported a total liability of $7,483,189,069 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, 2017, and the fiduciary net position of the National Guard Benefit as of the measurement date of June 30, 2018:

	FRS Pension Plan	HIS	National Guard Benefit	Total
Plan total pension liability (A)	$ 183,632,592,000	$ 10,870,772,218	$ 732,441,066	
Plan fiduciary net position (B)	(154,053,262,968)	(178,310,841)	—	
Plan net pension liability (A-B)	29,579,329,032	10,692,461,377	732,441,066	
State's proportion	17.591496280%	14.470956524%	100.00%	
State's proportionate share	$ 5,203,446,566	$ 1,547,301,437	$ 732,441,066	$ 7,483,189,069

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, 2016	18.150587866%	14.878355474%
State's proportion at measurement date, June 30, 2017	17.591496280%	14.470956524%
Increase / (decrease) in proportion	-0.559091586%	-0.407398950%

The table below shows the changes in National Guard Benefit net pension liability for the fiscal year ended June 30, 2018:

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, 2017	$ 586,288,494	$ —	$ 586,288,494
Changes for the year:			
Service Cost	9,925,133	—	9,925,133
Interest on total pension liability	21,080,128	—	21,080,128
Effect of economic/demographic gains or losses	39,056,346	—	39,056,346
Effect of assumptions changes or inputs	90,988,437	—	90,988,437
Benefit payments	(14,897,472)	(14,897,472)	—
Employer contributions	—	14,904,972	(14,904,972)
Administrative expenses	—	(7,500)	7,500
Balances as of June 30, 2018	$ 732,441,066	$ —	$ 732,441,066

Actuarial Methods and Assumptions

The FRS Actuarial Assumption Conference is responsible for setting the assumptions used in the funding valuations of the defined benefit pension plan pursuant to section 216.136(10), Florida Statutes. The Department determines the assumptions in the valuations for GASB Statement No. 67 reporting purposes. The FRS Pension Plan's GASB Statement No. 67 valuation is performed annually. The HIS program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS Pension Plan was completed in 2014 for the period July 1, 2008, through June 30, 2013. Because the HIS Program is funded on a pay-as-you-go basis, no experience study has been completed for that program. The actuarial assumptions that determined the total pension liability for the HIS Program were based on certain results of the most recent experience study for the FRS Pension Plan.

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, 2017, 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 7.10%. 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 3.58% was used to determine the total pension liability for the program. Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB tables.

There were changes in benefit terms for the FRS Investment Plan prior to the measurement date that affected the total pension liability. One change was the addition of in-line-of-duty death benefits for surviving spouses or dependent children of members in classes other than the Special Risk Class if the members' death occurred on or after July 1, 2002, for benefit payable on or after July 1, 2017. Also, eligibility was extended retroactively for the existing in-line-of-duty death benefits for Special Risk Class members from July 1, 2013 to July 1, 2002, for eligible survivors of Pension Plan or Investment Plan members. There were no changes in benefit terms for HIS that affected the total pension liability since the prior measurement date. There were no changes between the measurement date and the reporting date which significantly impact the State's proportionate share of the net pension liability, deferred outflows, deferred inflows and pension expense for either FRS Pension Plan or HIS.

The following changes in actuarial assumptions occurred in 2017:

- FRS Pension Plan: The long-term expected rate of return was reduced from 7.60% to 7.10%.
- HIS: The municipal rate used to determine total pension liability increased from 2.85% to 3.58%.

The long-term expected rate of return on FRS Pension Plan investments was determined using a forward-looking capital market economic model, which includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.0%	3.0%
Fixed income	18.0%	4.5%
Global equity	53.0%	7.8%
Real estate (property)	10.0%	6.6%
Private equity	6.0%	11.5%
Strategic investments	12.0%	6.1%
	100.0%	

The National Guard Benefit has not had a formal actuarial experience study performed. Due to the pay-as-you-go nature of the program, full actuarial valuations will be conducted in even-numbered years. Liabilities for odd-numbered years will be developed based on the results of a full actuarial valuation using standard actuarial roll-forward techniques. The total pension liability was determined by an actuarial valuation as of the valuation date, July 1, 2018, 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 2.60%.

Because the National Guard Benefit uses a pay-as-you-go funding structure, a municipal bond rate of 3.87% 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 2018 for the National Guard Benefit:

- The municipal bond rate used to determine total pension liability increased from 3.58% to 3.87%.
- The annual cost-of-living-adjustment used to determine total pension liability increased from 1.50% to 2.60%.

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.

FRS Pension Plan

1% Decrease 6.10%	Current Discount Rate 7.10%	1% Increase 8.10%
$9,417,924,010	$5,203,446,566	$1,704,464,708

HIS

1% Decrease 2.58%	Current Discount Rate 3.58%	1% Increase 4.58%
$1,765,675,843	$1,547,301,437	$1,365,407,620

National Guard Benefit

1% Decrease 2.87%	Current Discount Rate 3.87%	1% Increase 4.87%
$909,917,363	$732,441,066	$599,639,979

Pension Expense and Deferred Outflows / (Inflows) of Resources

In accordance with GASB Statement No. 68, paragraphs 54 and 71, changes in the net pension liability are recognized in pension expense in the current measurement period, except as indicated below. For each of the following, a portion is recognized in pension expense in the current measurement period, and the balance is amortized as deferred outflows or deferred inflows of resources using a systematic and rational method over a closed period, as defined below:

- Differences between expected and actual experience with regard to economic and demographic factors – amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employees).
- Changes of assumptions or other inputs – amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employees).
- Changes in proportion and differences between contributions and proportionate share of contributions - amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employee).
- 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, 2017, was 6.4 years for FRS Pension Plan and 7.2 years for HIS.

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The State's proportionate share of the components of collective pension expense and deferred outflows and inflows of resources reported in the pension allocation schedules for the measurement date year ended June 30, 2017, are presented below for each plan.

FRS Pension Plan

	Recognized in Expense Reporting Period Ending June 30, 2018	Recognition Period	Deferred Outflows of Resources	Deferred Inflows of Resources
Service cost	$ 364,804,320	Current	$ —	$ —
Interest cost	2,196,151,809	Current	—	—
Effect of plan changes	16,216,721	Current	—	—
Effect of economic/demographic gains or losses (difference between expected and actual experience)	98,493,219	6.4 years	477,551,176	(28,824,422)
Effect of assumptions changes or inputs	349,218,525	6.4 years	1,748,725,408	—
Member contributions	(131,028,397)	Current	—	—
Projected investment earnings	(1,852,695,828)	Current	—	—
Changes in proportion and differences between contributions and proportionate share of contributions	23,108,027	6.4 years	344,582,319	(320,722,437)
Net difference between projected and actual investment earnings	(177,719,840)	5 years	—	(128,954,410)
Contributions subsequent to the measurement date	—	1 year	505,400,346	—
Administrative expenses	3,226,326	Current	—	—
Total	$ 889,774,882		$ 3,076,259,249	$ (478,501,269)

Health Insurance Subsidy

	Recognized in Expense Reporting Period Ending June 30, 2018	Recognition Period	Deferred Outflows of Resources	Deferred Inflows of Resources
Service cost	$ 44,069,374	Current	$ —	$ —
Interest cost	48,837,511	Current	—	—
Effect of plan changes	—	Current	—	—
Effect of economic/demographic gains or losses (difference between expected and actual experience)	(619,564)	7.2 years	—	(3,221,731)
Effect of assumptions changes or inputs	25,581,932	7.2 years	217,497,380	(133,796,795)
Member contributions	—	Current	—	—
Projected investment earnings	(598,727)	Current	—	—
Changes in proportion and differences between contributions and proportionate share of contributions	(13,638,539)	7.2 years	92,394,098	(161,466,492)
Net difference between projected and actual investment earnings	393,662	5 years	858,093	—
Contributions subsequent to the measurement date	—	1 year	79,398,665	—
Administrative expenses	25,633	Current	—	—
Total	$ 104,051,282		$ 390,148,236	$ (298,485,018)

The average expected remaining service life of all employees provided with pensions through the National Guard defined benefit single-employer plan at June 30, 2018, was 11.6 years. The State's pension expense and deferred outflows and deferred inflows of resources reported for the fiscal year ended June 30, 2018, are presented below for the plan.

National Guard Benefit

	Recognized in Expense Reporting Period Ending June 30, 2018	Recognition Period	Deferred Outflows of Resources	Deferred Inflows of Resources
Service cost	$ 9,925,133	Current	$ —	$ —
Interest cost	21,080,128	Current	—	—
Effect of economic/demographic gains or losses (difference between expected and actual experience)	5,754,902	11.6 years	55,987,221	—
Effect of assumptions changes or inputs	16,110,134	11.6 years	217,286,431	(78,961,698)
Administrative expenses	7,500	Current	—	—
Total	$ 52,877,797		$ 273,273,652	$ (78,961,698)

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, 2018. 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
2019	$ 293,099,931	$ 11,717,492	$ 21,865,036
2020	740,727,237	11,555,114	21,865,036
2021	504,890,546	11,477,173	21,865,036
2022	94,325,425	7,448,979	21,865,036
2023	334,873,702	(1,970,943)	21,865,036
Thereafter	124,440,793	(27,963,261)	84,986,774
Total	$ 2,092,357,634	$ 12,264,554	$ 194,311,954

Payables to the Pension Plans

The State reported payables of $7.4 million to the FRS Pension Plan, and $1.7 million to the HIS Program as of June 30, 2018, for legally required contributions to the plans.

2. Defined Contribution Programs

FRS Investment Plan

The SBA administers the defined contribution plan officially titled the FRS Investment Plan. The Florida Legislature establishes and amends the contribution requirements and benefit terms of the plan. Retirement benefits are based upon the value of the member's account upon retirement. The FRS Investment Plan provides vesting after one year of service regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the FRS Investment Plan, the years of service required for vesting under the Pension Plan (including the service credit represented by the transferred funds) is required to be vested for these funds and the earnings on the funds. The employer pays a contribution as a percentage of salary that is deposited into the individual member's account. Effective July 1, 2011, there is a mandatory employee contribution of 3.00%. The FRS Investment Plan member directs the investment from the options offered under the plan. Costs of administering the plan, including the FRS Financial Guidance Program, are funded through an employer assessment of 0.06% of payroll and by forfeited benefits of plan members. After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the FRS Investment Plan, receive a lump-sum distribution, or leave the funds invested for future distribution. Upon receiving a distribution, other than a de minimis distribution or required minimum distribution, the member is a retiree. Disability coverage is provided for total and permanent disability (non-duty or line of duty); 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. Survivor benefit coverage is provided to the surviving spouse or dependent children of members who die in line of duty; the employer pays an employer contribution to fund the survivor benefit which is deposited in the FRS Trust Fund. The member's account balance must be transferred to the FRS Pension Plan when approved for survivor benefits to receive guaranteed lifetime monthly benefits under the FRS Pension Plan for the surviving spouse or on behalf of the dependent children until the youngest unmarried dependent child reaches age 18, or up to age 25 if unmarried and enrolled as a fulltime student.

State University System Optional Retirement Program

Section 121.35, F.S., created the SUSORP for eligible State University System faculty, administrators, and administrative and professional staff. The Florida Legislature establishes and amends the contribution requirements and 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 2017, through June 2018. 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. SUSORP members are not eligible to receive HIS Payments from the HIS Trust Fund. There is a HIS component included in the employer's contribution deposited in the members' accounts. Effective July 1, 2011, there is a mandatory employee contribution of 3.00%. A participant may contribute by salary reduction an amount not to exceed the percentage contributed by the university. In addition to the employer funding to the participants' accounts, the employing universities are required to make a contribution as a percent of covered payroll that is transferred to the FRS Trust Fund to help amortize any UAL. The required UAL contribution rate for fiscal year 2017-18 was 3.30%.

Senior Management Service Optional Annuity Program (SMSOAP)

Section 121.055, F.S., created the SMSOAP as an optional retirement program alternative for state members of the SMSC. Employees in eligible state positions may make an irrevocable election to participate in the SMSOAP in lieu of the SMSC. The Florida Legislature establishes and amends the contribution requirements and benefit terms of the program, and closed the program to new members effective July 1, 2017.

The SMSOAP is a defined contribution plan that, upon signing an investment contract, provides full and immediate vesting of all contributions paid on behalf of the participants to the participating provider companies. Participants direct the investment of contributions to provide retirement and death benefits. Employers were required to contribute 6.27% of covered payroll from

July 2017 through June 2018. 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 or deduction an amount not to exceed the percentage contributed by the employer. In addition to the employer funding to the participants' accounts, the state agencies are required to make a contribution as a percent of covered payroll that is transferred to the FRS Trust Fund to help amortize the UAL. The required UAL contribution rate for fiscal year 2017-18 was 16.70%.

Pension Amounts for Defined Contribution Plans

As of June 30, 2018, the State reported the following pension amounts related to the defined contribution plans:

Reporting Period Ended June 30, 2018	FRS Investment Plan	Optional Retirement Plan	Optional Annuity Program
Pension Expense[1,2]	$ 65,789,583	$ 98,128,312	$ 103,144
Forfeitures	5,832,857	—	—
Pension Liability	2,289,469	—	—

[1] Pension expense excludes the required UAL which is recognized in the Defined Benefit Pension Plan as contributions.

[2] The amount of forfeitures is not reflected in pension expense recognized by the State and is used to offset administrative costs.

B. Other Postemployment Benefits (OPEB)

The Division of State Group Insurance (DSGI) within the Department is responsible for administering the State Employees' Group Health Insurance Program. The program covers retired employees and is considered an other postemployment benefits plan.

Plan Description

The DSGI Other Postemployment Benefits Plan (OPEB Plan) is a multiple-employer defined benefit plan which provides healthcare benefits to retired state and university employees in accordance with Section 110.123, Florida Statutes (F.S.). Pursuant to the provisions of Section 112.0801, Florida Statutes, all public employers that offer benefits through a group insurance plan shall allow their retirees and their eligible dependents the option to continue participation in the plan during retirement. As a part of normal retirement, a retiree has 60 days after separation to elect post-retirement health coverage. After 60 days, they are no longer entitled to benefits. A retiree is defined as any officer or employee who retires under a State retirement system or State optional annuity or retirement program or is placed on disability retirement and who begins receiving retirement benefits immediately after retirement from employment. In addition, any officer or employee who retires under the Florida Retirement System Investment Plan is considered a "retiree" if he or she meets the age and service requirements to qualify for normal retirement or has attained the age of 59.5 years and has the years of service required for vesting. 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. As a result, the state implicitly subsidizes the premium rates paid by retirees 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.

There are six participating employers including, the primary government of the state and 14 discretely presented component units which are reported as one employer in the valuation, along with five other governmental entities. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. Benefit provisions as described by Section 110.123, F.S., and contributions, can be amended by the Florida Legislature. 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.

Benefits Provided

The benefits provided are the same as those provided for active employees. Spouses and dependents of eligible retirees are also eligible for medical coverage. All non-OPS employees of the State are eligible to receive postemployment health care benefits. Four types of health plans are offered to eligible participants:

- Standard statewide Preferred Provider Organization (PPO) Plan.
- High Deductible PPO Plan.
- Standard Health Maintenance Organization (HMO) Plan.
- High Deductible HMO Plan.

HMO coverage is available only to those retirees who live or work in the HMO's service area. The four PPO and HMO options are considered managed-care plans and have specific provider networks.

Employees covered by benefit terms

At July 1, 2017, there were 190,666 employees covered by the OPEB Plan, as shown in the following table:

Active members	137,962
No Coverage Active Members	15,658
Retired and Inactive Members	37,046
Total employees	190,666

There are currently zero inactive plan members entitled to but not yet receiving benefits because the OPEB Plan does not provide a vested termination benefit.

Contributions

Retirees participating in the group insurance plans offered by the State of Florida are required to contribute 100% of the premiums. The State of Florida implicitly subsidizes the healthcare premium rates paid by retirees by allowing them to participate in the same health plan offered to active employees. Retirees under age 65 pay the same premium amounts as applicable to the 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 Medicare is the primary payer. Retirees are required to enroll in the Federal Medicare (Medicare) program for their primary coverage as soon as they are eligible.

Note that the projected post-65 employee contributions for the fully-insured HMO plan are assumed to cover the entire cost of the program.

Total OPEB Liability

As of June 30, 2018, the State reported a total OPEB liability of $10,811,085 of which the State (primary government) and its component units reported $7,999,457,000 and $2,811,628,000, respectively, for its proportionate share the total OPEB liability measured as of June 30, 2017. The table below presents the State and its component units proportion change in proportion since the prior measurement date:

	State	Component Units
Proportion at prior measurement date, June 30, 2016	74.23 %	25.77%
Proportion at measurement date, June 30, 2017	73.99 %	26.01%
Increase / (Decrease) in proportion	(0.24)%	0.24%

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	July 1, 2017
Measurement date	June 30, 2017
Actuarial cost method	Entry age normal
Amortization method	The recognition period for the changes in assumption and proportionate share is 8 years
Actuarial value of assets	N/A
Inflation	2.60%
Salary Increases	Varies by FRS Class
Discount rate	3.58%
Healthcare Cost trend rates	7.8% and 5.2% for PPO and HMO respectfully for 2018, increasing to 10.6% and 8.0% by 2022, then decreasing by 0.1% and 0.4% per year to an ultimate rate of 3.8% for 2075 and later years
Retirees' share of benefit-related costs	100% of projected health insurance premiums for retirees
Medical Aging Factors	4% per year prior to age 65 3% per year between ages 65 and 75 2% per year between ages 75 and 85 0% per year thereafter
Marital Status	80% assumed married, with male spouses 3 years older than female spouses
Health care participation (HMO)	50% participation assumed, with 25% electing spouse coverage. Members who elected no coverage as actives are assumed to elect coverage in the same proportion as active members with coverage
Health care participation (PPO)	50% participation assumed, with 35% electing spouse coverage. Members who elected no coverage as actives are assumed to elect coverage in the same proportion as active members with coverage

The discount rate of 3.58% was based on the Bond Buyer General Obligation 20-year Municipal Bond Index. The discount rate changed from 2.85% for the opening balance as of June 30, 2016 to 3.58% as of June 30, 2017 actually resulting in an overall decrease in total OPEB liability.

Mortality rates were based on the Generational RP-2000 with Projected Improvement Scale BB. Disabled mortality has not adjusted for mortality improvements.

The demographic actuarial assumptions for retirement, disability, withdrawal and salary merit scales used in the June 30, 2017 OPEB valuation were based on the results of an actuarial experience study for the period January 1, 2010, through December 31, 2014, adopted by the Florida Retirement System July 1, 2016 Actuarial Valuation. Comparing with the previous valuation as of July 1, 2015, all the demographic assumptions remain unchanged except active mortality which was based on the Generational RP-2000 with Projected Improvement Scale BB and updated using the rates mandated by Chapter 2015-17, Florida Statutes for pension plans. The overall effect of the mortality change was an increase in the actuarial liability and normal cost.

The healthcare trend rates for the first five years used in this valuation were consistent with the Report on the Financial Outlook for the Fiscal Years Ending June 30, 2017 through June 30, 2023 as presented on August 3, 2017 at the Self-Insurance Estimating Conference. For out years, the long-term healthcare trends were generated by the Getzen Model, but no longer reflect the potential impact of the excise tax due to its uncertainty. The actuarial liability increased, and normal cost decreased slightly due to the changes in healthcare trend rate assumptions.

Retirees participating in the group insurance plans offered by the State of Florida are required to contribute 100% of the premiums. Retiree contributions were not as high as expected based on the expected increases from July 1, 2015 to July 1, 2017. As such, the net implicit subsidy gap further widened and costs increased.

Changes in Total OPEB Liability

See chart below for details.

Changes in Total OPEB Liability	State	Component Units	Total
Reporting Period ending June 30, 2017	$ 8,767,466	$ 3,044,370	$ 11,811,836
Changes for the Year:			
Service cost	413,075	145,209	558,284
Interest	259,134	91,094	350,228
Changes of benefit terms	—	—	—
Difference between expected and actual experience	—	—	—
Changes of assumptions or other inputs	(1,292,133)	(454,228)	(1,746,361)
Benefit payments	(126,193)	(36,709)	(162,902)
Changes of proportionate shares to the total OPEB liability and difference between the actual benefit payments and expected benefit payments	(21,892)	21,892	—
Other Changes	—	—	—
Net changes	(768,009)	(232,742)	(1,000,751)
Reporting Period ending June 30, 2018	$ 7,999,457	$ 2,811,628	$ 10,811,085

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following table demonstrates 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 total OPEB liability if the discount rate was 1.00% higher or 1.00% lower than the current discount rate (expressed in thousands):

	1% Decrease 2.58%	Current Discount Rate 3.58%	1% Increase 4.58%
State	$ 9,830,773	$ 7,999,457	$ 6,592,763
Component Units	3,464,570	2,811,628	2,310,116
Total	$ 13,295,343	$ 10,811,085	$ 8,902,879

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following table demonstrates the sensitivity of the net pension liability to changes in the healthcare cost trend rates. The sensitivity analysis shows the impact to the state's proportionate share of the total OPEB liability if the healthcare cost trend rates were 1.00% higher or 1.00% lower than the current healthcare cost trend rate (expressed in thousands):

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase 4.58%
State	$ 6,497,464	$ 7,999,457	$ 10,012,415
Component Units	2,271,747	2,811,628	3,537,841
Total	$ 8,769,211	$ 10,811,085	$ 13,550,256

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2018, the State of Florida recognized OPEB expense of $513,360,000 and $180,463,000 for primary government and the component units respectively. At June 30, 2018, the State of Florida reported deferred outflows of resources and deferred inflows of resources related to OPEB for state primary governments and component units from the following sources (expressed in thousands):

	State		Component Units	
	Deferred Outflows	**Deferred Inflows**	**Deferred Outflows**	**Deferred Inflows**
Changes of assumptions or other inputs	$ —	$ 1,130,616	$ —	$ 397,450
Changes of proportionate shares to the total OPEB liability and difference between the actual benefit payments and expected benefit payments	—	19,155	19,155	—
Transaction subsequent to the measurement date	140,871	—	42,661	—
Total	$ 140,871	$ 1,149,771	$ 61,816	$ 397,450

Amounts reported as deferred outflows of resources related to OPEB resulting from transactions subsequent to the measurement date as shown in the table above will be recognized as a reduction of the total OPEB liability in the reporting period ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (expressed in thousands):

Year Ending June 30:	**State**	**Components Units**	**Total**
2019	$ (164,253)	$ (54,042)	$ (218,295)
2020	(164,253)	(54,042)	(218,295)
2021	(164,253)	(54,042)	(218,295)
2022	(164,253)	(54,042)	(218,295)
2023	(164,253)	(54,042)	(218,295)
Thereafter	(328,504)	(108,087)	(436,591)
Total	$ (1,149,769)	$ (378,297)	$ (1,528,066)

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, 2018, the Department had available approximately $14.4 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, 2018, totaled $453 million. Refer to Note 5 for additional disclosures relating to construction in progress. Construction commitments for component units totaled $3.3 billion.

B. Florida Ports Financing Commission Revenue Bonds

Section 320.20, Florida Statutes, obligates the state to remit annually $25 million to a designated trustee for the purpose of repaying the debt on certain Florida Ports Financing Commission revenue bonds. The Florida Ports Financing Commission is not part of the state's reporting entity. These revenue bonds do not create or constitute a legal obligation or debt of the state. Funding for the annual remittance comes from the State of Florida, Department of Transportation's portion of motor vehicle registration fees, which was $611,127,440 for the fiscal year ended June 30, 2018. The table below represents the Florida Ports Financing Commission revenue bonds outstanding as of June 30, 2018:

Series	Amount
2011A	$ 7,095,000
2011B	94,545,000
2011A (Intermodal)	52,515,000
2011B (Intermodal)	37,080,000
Total	$ 191,235,000

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 $138.8 million, $14.7 million, and $78.1 million, respectively, for the year ended June 30, 2018. The following is a schedule of future non-cancelable operating lease payments for the primary government and component units at June 30, 2018 (in thousands):

	Primary Government		
	Governmental Activities	Business-type Activities	Component Units
2019	$ 141,815	$ 8,867	$ 69,954
2020	130,565	7,733	53,307
2021	120,487	7,041	47,098
2022	108,344	6,904	37,294
2023	91,738	6,335	29,397
2024-2028	110,407	26,058	101,284
2029-2033	36,534	3,703	37,918
2034-2038	20,188	342	14,446
2039-2043	15,950	—	4,053
2044-2048	772	—	7,256
2049-2053	80	—	635
2054-2058	—	—	438
2059-2063	—	—	142
2064-2068	—	—	142
2069-2073	—	—	142
2074-2078	—	—	142
2079-2083	—	—	142
2084-2088	—	—	85
Total	$ 776,880	$ 66,983	$ 403,875

D. Encumbrances

As of June 30, 2018, encumbrances for major and nonmajor governmental funds were (in thousands):

	General Fund	Natural Resources, Environment, and Growth Management	Public Education	Health and Family Services	Transportation	Nonmajor Governmental Funds	Total
Encumbrances:	$ 213,146	$ 13,955	$ 76,935	$ 93,293	$ 35,777	$ 301,504	$ 734,610

NOTE 8 - BONDS PAYABLE AND CERTIFICATES OF PARTICIPATION

A. Bonds Payable

1. Outstanding Bonds

Bonds payable at June 30, 2018, are as follows (in thousands):

Bond Type	Original Amount	Amount Outstanding	Interest Rates	Annual Maturity To
Governmental Activities:				
Road and Bridge Bonds	$ 2,128,005	$ 1,777,970	2.500%-5.000%	2047
SBE Capital Outlay Bonds	350,345	122,525	2.000%-5.000%	2030
Lottery Education Bonds	1,960,165	1,195,750	3.000%-6.584%	2032
Public Education Bonds	10,556,200	7,792,120	2.250%-6.000%	2047
State University System Bonds	158,775	106,805	3.000%-5.000%	2033
University Auxiliary Bonds	1,018,137	773,925	2.120%-7.500%	2043
Inland Protection Bonds	60,615	46,805	4.700%-5.400%	2024
Florida Forever Bonds	1,239,635	810,040	2.000%-7.045%	2029
Water Pollution Control Bonds	564,775	304,605	3.500%-5.250%	2031
Florida Facilities Pool Bonds	190,835	190,835	3.000%-5.000%	2039
State Infrastructure Bank Bonds	123,615	24,165	4.250%-5.000%	2027
Seaport Investment Bonds	138,145	122,705	4.000%-5.000%	2043
Everglades Restoration Bonds	266,535	202,285	1.500%-6.450%	2035
	18,755,782	13,470,535		
Unamortized premiums (discounts) on bonds payable		873,565		
Total Bonds Payable	$ 18,755,782	$ 14,344,100		
Business-type Activities:				
Toll Facilities Bonds	$ 3,585,665	$ 2,474,485	2.500%-6.800%	2045
Florida Hurricane Catastrophe Fund Bonds	3,200,000	2,700,000	2.107%-2.995%	2022
	6,785,665	5,174,485		
Unamortized premiums (discounts) on bonds payable		123,107		
Total Bonds Payable	$ 6,785,665	$ 5,297,592		

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 mature serially and are secured by a pledge of a portion of the state-assessed motor vehicle license tax and by a pledge of the full faith and credit of the state.

Lottery Education Bonds are issued to finance all or a portion of the costs of various local school district educational facilities. The bonds, serial and term, are secured by a pledge of a portion of the lottery revenues transferred to the Educational Enhancement Trust Fund.

Public Education Bonds are issued to finance capital outlay projects of local school districts, community colleges, vocational technical schools, and state universities. The bonds, serial and term, are secured by a pledge of the state's gross receipts tax revenues and by a pledge of the full faith and credit of the state.

State University System Bonds are issued to construct university student life facilities. The bonds, serial and term, are secured by a system pledge of Capital Improvement Fee revenues.

University Auxiliary Bonds are issued to construct university facilities, including parking and housing. The bonds, serial and term, are secured by university pledges of certain housing system revenues, parking system revenues, and student fee assessments.

Inland Protection Bonds are issued by the Inland Protection Financing Corporation (a blended component unit) for the purpose of financing the rehabilitation of petroleum contaminated sites. The bonds mature serially and are secured by a pledge of moneys derived from a wholesale excise tax primarily on petroleum products.

Florida Forever Bonds are issued to finance the cost of acquisition and improvements of lands, water areas, and related property interests and resources in the State of Florida for the purposes of restoration, conservation, recreation, water resource development, or historical preservation. The bonds, serial and term, are secured by a pledge of a portion of the documentary stamp tax.

Florida Water Pollution Control Bonds are issued by the Florida Water Pollution Control Financing Corporation (a blended component unit) to fund loans to local governments to finance or refinance the cost of wastewater treatment and storm water management projects. The bonds mature serially and are secured by a pledge of the loan payments from local governments.

Florida Facilities Pool Bonds are issued to provide funds for the acquisition and construction of facilities to be leased to state agencies. The bonds mature serially and are secured by a pledge of the revenues derived from the leasing and operations of these facilities.

State Infrastructure Bank Bonds are issued primarily to finance loans made for the purpose of financing qualified transportation projects. The bonds mature serially and are secured by a pledge of repayments on pledged loans and moneys and investments held in reserve accounts.

Seaport Investment Program Bonds are issued primarily to finance improvements at various seaports within the State of Florida. The bonds, serial and term, are secured by a first lien on the annual allocation of certain fees derived from motor vehicle certificates to the Seaport Investment Program.

Everglades Restoration Bonds are revenue bonds issued to finance or refinance the costs of acquisition and improvement of lands, water areas, and related property interests and resources for the purpose of implementing the Comprehensive Everglades Restoration Plan and to fund the Florida Keys Area of Critical State Concern Protection Program. The bonds mature serially and are secured by a pledge of a portion of the documentary stamp tax.

Toll Facilities Bonds are issued to provide construction funds for roads and bridges. Toll bonds, serial and term, are secured by a pledge of toll facility revenues.

Florida Hurricane Catastrophe Fund Post-Event Bonds are issued by the State Board of Administration Finance Corporation to make payments to participating insurers for losses resulting from covered events (hurricanes). The bonds mature serially and are secured by emergency assessments and reimbursement premiums. Pre-event notes are also issued to provide a source of funds to reimburse participating insurers for losses relating to future covered events and are secured by reimbursement premiums.

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3. Pledged Revenues

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

				Debt Service						
Bond Type	Revenue[3]	Less Operating Expenses	Net Available for Debt Service	Principal	Interest[5]	Total Debt Service	Coverage Ratio	Final Maturity	Remaining Debt Service	Revenue Ratio[4]
Florida Turnpike (Toll Facility)	$ 1,063,729	$ 225,002	$ 838,727	$ 140,640	$ 115,874	$ 256,514	3.27	2045	3,658,287	78.85%
Florida Forever/Everglades[1]	2,510,000	—	2,510,000	112,810	51,784	164,594	15.25	2035	1,277,999	100.00%
Lottery Education[1,2]	1,758,329	—	1,758,329	244,688	71,054	315,742	5.57	2032	1,472,821	100.00%
Alligator Alley (Toll Facility)	33,003	9,973	23,030	1,765	1,097	2,862	8.05	2027	25,157	69.78%
State Infrastructure Bank	43,041	—	43,041	8,160	1,576	9,736	4.42	2027	27,462	100.00%
Florida Hurricane Catastrophe	1,308,382	19,610	1,288,772	—	69,529	69,529	18.53	2021	2,858,000	98.50%
State University System Bonds	58,324	—	58,324	9,525	5,765	15,290	3.81	2033	134,838	100.00%
University Auxiliary Bonds										
Parking System Revenue Bonds										
Florida International University	15,275	5,600	9,675	3,280	3,047	6,327	1.53	2043	108,603	63.34%
University of South Florida	14,701	8,526	6,175	2,495	441	2,936	2.10	2026	19,093	42.01%
Florida Agricultural & Mechanical University	1,922	1,597	325	220	12	232	1.40	2018	—	16.89%
University of Florida	14,694	9,551	5,143	980	537	1,517	3.39	2028	15,199	35.00%
Florida Atlantic University	7,230	2,977	4,253	1,460	616	2,076	2.05	2032	17,872	58.83%
University of Central Florida	22,597	3,890	18,707	3,280	1,081	4,361	4.29	2032	30,132	82.79%
Florida State University	12,241	3,248	8,993	3,389	1,351	4,740	1.90	2031	36,727	73.47%
Housing System Revenue Bonds										
Florida Agricultural & Mechanical University	16,219	8,031	8,188	3,266	2,658	5,924	1.38	2032	70,752	50.48%
Florida International University	31,280	17,720	13,560	3,915	3,503	7,418	1.83	2041	120,848	43.35%
University of Florida	56,893	37,070	19,823	5,045	2,779	7,824	2.53	2033	82,319	34.84%
Florida Atlantic University	18,072	7,676	10,396	2,935	2,452	5,387	1.93	2036	68,333	57.53%
University of Central Florida	30,085	16,417	13,668	4,795	3,987	8,782	1.56	2042	119,136	45.43%
Florida State University	49,798	24,695	25,103	7,605	7,691	15,296	1.64	2040	236,698	50.41%
Student Health and Wellness Center Revenue Bonds										
University of Central Florida	17,519	—	17,519	445	172	617	28.40	2024	3,709	100.00%
Florida State University	15,026	—	15,026	1,360	1,019	2,379	6.32	2030	28,561	100.00%
University of North Florida	4,281	—	4,281	475	572	1,047	4.09	2036	21,661	100.00%
Student Services Center Revenue Bonds										
University of Florida	28,504	—	28,504	1,555	1,680	3,235	8.81	2033	48,494	100.00%
Water Pollution Control Bonds	75,944	—	75,944	28,770	16,077	44,847	1.69	2031	392,745	100.00%
Inland Protection Bonds	222,671	—	222,671	7,000	1,802	8,802	25.30	2024	55,473	100.00%
Seaport Investment Program	200,000	—	200,000	2,485	6,098	8,583	23.30	2043	214,559	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 2017-18, the ratio remained below 6%.

5. Debt Service Requirements

Annual debt service requirements to amortize bonds at June 30, 2018, are as follows (in thousands):

Year Ending June 30	Primary Government					
	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2019	$ 1,036,040	$ 618,607	$ 1,654,647	$ 642,935	$ 178,944	$ 821,879
2020	1,036,537	566,769	1,603,306	682,375	160,583	842,958
2021	1,057,069	515,576	1,572,645	1,139,060	132,958	1,272,018
2022	1,069,566	463,633	1,533,199	777,490	102,357	879,847
2023	1,038,190	412,104	1,450,294	125,385	87,352	212,737
2024-2028	3,915,969	1,388,901	5,304,870	624,710	345,356	970,066
2029-2033	2,420,464	670,729	3,091,193	522,270	222,244	744,514
2034-2038	1,424,070	259,421	1,683,491	428,425	108,201	536,626
2039-2043	351,720	55,919	407,639	206,380	27,562	233,942
2044-2048	120,910	10,697	131,607	25,455	1,404	26,859
Bonds payable and interest	13,470,535	4,962,356	18,432,891	5,174,485	1,366,961	6,541,446
Unamortized premiums (discounts)	873,565	—	873,565	123,107	—	123,107
Total bonds payable and interest	$ 14,344,100	$ 4,962,356	$ 19,306,456	$ 5,297,592	$ 1,366,961	$ 6,664,553

Year Ending June 30	Component Units		
	Principal	Interest	Total
2019	$ 544,770	$ 356,252	$ 901,022
2020	1,174,564	184,047	1,358,611
2021	302,498	167,021	469,519
2022	542,111	144,528	686,639
2023	135,156	131,792	266,948
2024-2028	1,044,575	529,415	1,573,990
2029-2033	741,292	377,738	1,119,030
2034-2038	629,272	240,120	869,392
2039-2043	590,084	132,115	722,199
2044-2048	283,437	19,065	302,502
2049-2053	12,523	1,584	14,107
2054-2058	3,240	185	3,425
2059-2063	—	—	—
Bonds payable and interest	6,003,522	2,283,862	8,287,384
Unamortized premiums (discounts)	143,554	—	143,554
Total bonds payable and interest	$ 6,147,076	$ 2,283,862	$ 8,430,938

Annual debt service requirements for university capital improvement debt payable at June 30, 2018, are as follows (in thousands):

Year Ending June 30	Universities		
	Principal	Interest	Total
2019	$ 51,573	$ 33,764	$ 85,337
2020	52,041	31,560	83,601
2021	53,687	29,283	82,970
2022	53,144	27,013	80,157
2023	52,352	24,700	77,052
2024-2028	244,436	91,331	335,767
2029-2033	189,273	43,179	232,452
2034-2038	63,915	14,668	78,583
2039-2043	30,786	3,235	34,021
Total capital improvement debt payable and interest	791,207	298,733	1,089,940
Unamortized premiums (discounts)	18,118	—	18,118
Total capital improvement debt payable and interest	$ 809,325	$ 298,733	$ 1,108,058

6. Advance Refundings and Current Refundings

During the fiscal year ended June 30, 2018, 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 into irrevocable trusts and invested in direct obligations of the Federal government, obligations guaranteed by the Federal government, or Special Purpose Investment Accounts with the State Treasury. The funds deposited along with the interest to be earned will be sufficient to meet the future principal and interest payments on the refunded bonds as they become 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, Department of Environmental Protection Florida Forever Revenue Refunding Bonds, Series 2017A in the amount of $75,125,000 along with additional funds of $14,966,284 were used to advance refund $98,805,000 of the State of Florida, Department of Environmental Protection Florida Forever Revenue Bonds, Series 2008B maturing in the years 2019 through 2028. The refunding resulted in debt savings of $18,671,205 an economic gain of $15,377,311, and a deferred loss on refunding of $665,056.

State of Florida, Department of Management Services Florida Facilities Pool Revenue Refunding Bonds, Series 2017A in the amount of $190,835,000 along with additional funds of $4,227,293 were used to advance refund $31,570,000 of the State of Florida, Department of Management Services Florida Facilities Pool Revenue Bonds, Series 2008A maturing in the years 2017 through 2038. The refunding resulted in debt savings of $10,010,959, an economic gain of $7,243,332, and a deferred loss on refunding of $1,338,865.

State of Florida, State Board of Education Lottery Revenue Refunding Bonds, Series 2017A in the amount of $239,705,000 along with additional funds of $48,215,011 were used to advance refund $124,035,000 of the State of Florida, State Board of Education Lottery Revenue Bonds, Series 2008B maturing in the years 2019 through 2028 and $191,269,000 of the State of Florida, State Board of Education Lottery Revenue Bonds, Series 2009A maturing in the years 2019 through 2026. The refunding resulted in debt savings of $63,697,603, an economic gain of $52,949,793, and a deferred loss on refunding of $3,899,479.

State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Refunding Bonds, 2017 Series B in the amount of $261,635,000 along with additional funds of $4,542,343 were used to advance refund $123,060,000 of 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 and the $162,610,000 of the State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Bonds, 2008 Series B maturing in the years 2019 through 2038. The refunding resulted in debt savings of $78,569,205, an economic gain of $59,071,609, and a deferred loss on refunding of $3,153,009.

State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Refunding Bonds, 2017 Series C in the amount of $272,905,000 along with additional funds of $1,199,576 were used to advance refund $159,670,000 of the State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Bonds, 2007 Series E maturing in the years 2020 through 2038 and the $127,325,000 of the State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Bonds, 2010 Series B maturing in the years 2021 through 2040. The refunding resulted in debt savings of $66,190,059, an economic gain of $48,743,004, and a deferred loss on refunding of $15,825,724.

State of Florida, Board of Governors University System Improvement Revenue Refunding Bonds, Series 2017B in the amount of $38,450,000 along with additional funds of $6,168,588 were used to advance refund $45,385,000 of the State of Florida, Board of Governors University System Improvement Revenue Bonds, Series 2008A maturing in the years 2019 through 2033. The refunding resulted in debt savings of $15,127,265, an economic gain of $11,218,823, and a deferred loss on refunding of $764,602.

State of Florida, Full Faith and Credit, State Board of Education Capital Outlay Refunding Bonds, 2017 Series A in the amount of $35,805,000 along with additional funds of $483,421 were used to advance refund $29,840,000 of the State of Florida, Full Faith and Credit, State Board of Education Capital Outlay Bonds, 2008 Series A maturing in the years 2019 through 2028. The refunding resulted in debt savings of $4,451,385, an economic gain of $3,926,457, and a deferred loss on refunding of $29,040.

Business-type Activities

State of Florida, Department of Transportation Turnpike Revenue Refunding Bonds, Series 2017A in the amount of $131,885,000 along with additional funds of $2,252,375 were used to advance refund $90,095,000 of the State of Florida, Department of Transportation, Turnpike Revenue Refunding Bonds, Series 2010A maturing in the years 2020 through 2030. The refunding resulted in debt savings of $8,620,799, an economic gain of $7,858,459, and a deferred loss on refunding of $3,143,608

Current Refundings

Governmental Activities

State of Florida, Board of Governors University of Central Florida Dormitory Revenue Refunding Bonds, Series 2018A in the amount of $23,255,000 along with additional funds of $667,467 were used to refund $2,435,000 of the State of Florida, Florida Board of Education University of Central Florida Housing Revenue Refunding Bonds, Series 2002, maturing in the years 2019 and 2020 and $23,630,000 of the State of Florida, Board of Governors University of Central Florida Dormitory Revenue Refunding Bonds, Series 2007A, maturing in the years 2019 through 2029. The refunding resulting in debt savings of $3,977,202, an economic gain of $3,439,521, and a deferred loss on refunding of $315,909.

State of Florida, Board of Governors University of Central Florida Parking Facility Revenue Refunding Bonds, Series 2018A in the amount of $4,790,000 along with additional funds of $105,936 were used to refund $5,220,000 of the State of Florida, Florida Education System University of Central Florida Parking Facility Revenue Bonds, Series 2004A, maturing in the years 2019 through 2024. The refunding resulted in debt savings $323,112, an economic gain of $295,881, and a deferred loss on refunding of $12,158.

State of Florida, Department of Management Services Florida Facilities Pool Revenue Refunding Bonds, Series 2017A in the amount of $190,835,000 along with additional funds of $20,233,910 were used to refund $6,375,000 of the State of Florida, Department of Management Services Florida Facilities Pool Revenue Bonds, Series 1998A maturing in the years 2017 through 2027, $26,205,000 of the State of Florida, Department of Management Services Florida Facilities Pool Revenue Bonds, Series 1998B maturing in the years 2017 through 2028, $11,035,000 of the State of Florida, Department of Management Services Florida Facilities Pool Revenue Bonds, Series 1999A maturing in the years 2017 through 2028, $20,345,000 of the State of Florida, Department of Management Services Florida Facilities Pool Revenue Refunding Bonds, Series 2002A maturing in the years 2017 through 2023, $61,640,000 of the State of Florida, Department of Management Services Florida Facilities Pool Revenue Refunding Bonds, Series 2005A maturing in the years 2017 through 2029, and $75,415,000 of the State of Florida Department of Management

Services Florida Facilities Pool Revenue Bonds, Series 2007A maturing in the years 2017 through 2036. The refunding resulted in debt savings of $33,124,152, an economic gain of $27,927,842, and a deferred gain on refunding of $3,626,084.

State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Refunding Bonds, 2017 Series A in the amount of $148,555,000 along with additional funds of $2,197,012 were used to refund $162,065,000 of the State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Bonds, 2007 Series B maturing in the years 2018 through 2037. The refunding resulted in debt savings of $38,258,376, an economic gain of $29,406,279, and a deferred loss on refunding of $353,344.

State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Refunding Bonds, 2018 Series A in the amount of $146,465,000 along with additional funds of $3,525,767 were used to refund $161,965,000 of the State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Bonds, 2006 Series E maturing in the years 2019 through 2038. The refunding resulted in debt savings of $35,516,289, an economic gain of $26,255,794, and a deferred gain on refunding of $175,510.

Business-type Activities

State of Florida, Department of Transportation Alligator Alley Revenue Refunding Bonds, Series 2017A in the amount of $21,635,000 along with additional funds of $1,315,718 were used to refund $26,640,000 State of Florida, Department of Transportation Alligator Alley Revenue Refunding Bonds, Series 2007A maturing in the years 2018 through 2027. The refunding resulted in debt savings of $5,229,591, an economic gain of $4,629,845, and a deferred gain on refunding of $438,787.

State of Florida, Department of Transportation, Turnpike Revenue Refunding Bonds, Series 2017A in the amount of $131,885,000 along with additional funds of $20,511,002 were used to refund $70,325,000 of the State of Florida, Department of Transportation, Turnpike Revenue Bonds, Series 2008A maturing in the years 2019 through 2021. The refunding resulted in debt savings of $5,871,649, an economic gain of $4,733,638, and a deferred loss on refunding of $257,200.

Cash In-substance Defeasance

Governmental Activities

The State of Florida, Department of Management Services Florida Facilities Pool Revenue Refunding Bonds, Series 2003A, in the amount of $3,515,000, was in-substance defeased on August 24, 2017, when a cash deposit of $3,607,287 was made to an irrevocable escrow account to make the final payment on the series 2003A Bonds on September 1, 2017. These funds were not subsequently invested.

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 6/30/2018
Governmental Activities	
University Auxiliary Bonds	$ 614

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, 2018, in the following governmental activities as direct expenses on the Statement of Activities (in thousands):

Governmental Activities	Interest
Education:	
SBE Capital Outlay Bonds	$ 5,159
Lottery Education Bonds	52,648
Public Education Bonds	291,104
State University System Bonds	5,715
University Auxiliary Bonds	30,585
Total Education	385,211
Natural Resources and Environment:	
Inland Protection Bonds	2,677
Everglades Restoration Bonds	5,870
Water Pollution Control Bonds	13,420
Florida Forever Bonds	31,598
Total Natural Resources and Environment	53,565
Transportation:	
Road and Bridge Bonds (Right of Way)	58,420
State Infrastructure Bank Bonds	1,461
Seaport Investment Bonds	5,138
Total Transportation	65,019
Total Direct Interest	$ 503,795

10. Governmental Activities – Unrestricted Net Position Deficit

Governmental activities reflect a negative unrestricted net position balance of $17.7 billion at June 30, 2018. 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, 2018, of $9.9 billion. The state has an additional $0.9 billion in other bonds, including Florida Forever bonds in which the state does not own the related capital assets. The resources related to the payment of this debt will be provided from future revenue sources. If these bonds were removed, the adjusted unrestricted net position for governmental activities would be a negative $6.9 billion.

B. Certificates of Participation

1. Primary Government

The state has issued certificates of participation (original amount of $704,095,000) to finance privately operated detention and mental health facilities. The certificates of participation's interest rates range from 4.000% - 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, 2018 (in thousands):

Year Ending June 30	Principal	Interest	Total
2019	$ 35,595	$ 26,084	$ 61,679
2020	36,430	24,252	60,682
2021	38,040	22,326	60,366
2022	39,750	20,276	60,026
2023	42,380	18,081	60,461
2024-2028	217,345	52,438	269,783
2029-2033	71,855	4,649	76,504
Total	481,395	168,106	649,501
Unamortized premiums (discounts)	10,646	—	10,646
Total certificates of participation payable	$ 492,041	$ 168,106	$ 660,147

2. Component Units

Component units (universities and a water management district) have issued certificates of participation (original amount of $817,645,000) primarily to finance academic and student facilities, and construction projects for Everglades restoration. The certificates of participation's interest rates range from 2.310% 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, 2018 (in thousands):

Year Ending June 30	Principal	Interest	Total
2019	$ 26,179	$ 34,219	$ 60,398
2020	40,282	50,308	90,590
2021	29,199	30,953	60,152
2022	30,519	29,640	60,159
2023	31,763	29,276	61,039
2024-2028	176,652	123,884	300,536
2029-2033	217,164	80,006	297,170
2034-2038	196,320	27,043	223,363
2039-2043	3,420	449	3,869
Total	751,498	405,778	1,157,276
Unamortized premiums (discounts)	66,757	—	66,757
Total certificates of participation payable	$ 818,255	$ 405,778	$ 1,224,033

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, 2018, 52% of the state's installment purchase contracts for primary governmental activities were for furniture and equipment, and the remaining 48% 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, 2018 (in thousands):

	Primary Government		
Year Ending June 30	Governmental Activities	Business-type Activities	Component Units
2019	$ 9,802	$ 20,748	$ 2,813
2020	7,564	8,728	1,396
2021	4,975	—	773
2022	3,116	—	39
2023	2,263	—	—
2024-2028	6,312	—	—
2029-2033	—	—	—
Total	34,032	29,476	5,021
Less: Interest	(3,403)	(779)	(103)
Present value of future minimum payments	$ 30,629	$ 28,697	$ 4,918

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, 2018, 17% of the state's capital leases for governmental activities were for buildings, and the remaining 83% were for furniture and equipment. Capital leases for component units consisted of 34% for buildings, 64% for furniture and equipment, and the remaining 2% for land. The following is a schedule of future minimum capital lease payments for the primary government and component units at June 30, 2018 (in thousands):

	Primary Government	
Year Ending June 30	Governmental Activities	Component Units
2019	$ 4,456	$ 11,519
2020	2,749	10,382
2021	710	9,271
2022	707	8,207
2023	710	6,513
2024-2028	1,967	26,903
2029-2033	—	14,529
2034-2038	—	7,402
2039-2043	—	2,283
2044-2048	—	2,283
2049-2053	—	2,282
2054-2058	—	2,282
2059-2063	—	2,282
2064-2068	—	2,282
2069-2073	—	2,282
2074-2078		456
Total	11,299	111,158
Less: Interest	(1,496)	(33,344)
Present value of future minimum payments	$ 9,803	$ 77,814

C. Public-Private Partnerships

Pursuant to Section 334.30, Florida Statutes, the Department of Transportation (Department) executed two 35-year, Public-Private Partnership concession agreements in March and October of 2009 for the design, build, finance, operation and maintenance of the Interstate 595 Corridor and the Port of Miami Tunnel. Payments consist of construction-period payments, lump-sum final acceptance payments upon completion of construction, and annual performance-based availability payments to be made during the 30-year operations and maintenance period. The Department executed a 40-year concession agreement in September 2014 for the design, build, finance, operation and maintenance of 21 miles of the Interstate 4 Corridor in Seminole and Orange Counties. Annual availability payments are all-inclusive payments consisting of unpaid portions of construction costs, annual operations costs, and maintenance expenses. The payment schedule below includes the full amount of the estimated payments for the Interstate 595 Corridor and the Port of Miami Tunnel and is an estimate of unpaid construction payments during the term of the agreements based on the percentage of completion of the projects at June 30, 2018, for the Interstate 4 Corridor. The annual availability payments for Interstate 595 Corridor and the Port of Miami Tunnel are performance-based and are subject to change based on a fixed percentage as defined in the agreement and on the Consumer Price Index, which could impact the payment schedule. In October 2015, the Department executed a supplemental agreement with the I-595 concessionaire reflecting overall cost reductions for this project as a result of the concessionaire's debt refinancing. The annual availability payments for the Interstate 4 Corridor are performance-based with a portion of the payment that is level and another portion that is indexed based on the Consumer Price Index, which could impact the payment schedule. The lanes were open to traffic on Interstate 595 and Port of Miami Tunnel in March and August 2014, respectively. Construction for the Interstate 4 Corridor is expected to be completed during fiscal year 2021. The following is a schedule of future maximum payments for the primary government at June 30, 2018 (in thousands):

	Primary Government	
Year Ending June 30	Governmental Activities	Business-type Activities
2019	$ 339,625	$ 17,007
2020	228,696	16,332
2021	227,363	16,612
2022	264,403	11,207
2023	109,809	16,889
2024-2028	587,058	91,860
2029-2033	637,557	100,053
2034-2038	722,965	119,706
2039-2043	782,094	129,571
2044-2048	218,106	10,442
2049-2053	120,166	—
2054-2058	35,359	—
Total	4,273,201	529,679
Less: Interest	(1,816,576)	(311,997)
Present value of future maximum payments	$ 2,456,625	$ 217,682

NOTE 10 - CHANGES IN LONG-TERM LIABILITIES

Changes in long-term liabilities for governmental activities during the fiscal year ended June 30, 2018, are as follows (in thousands):

	Balance July 1, 2017	Restatement	Additions	Deletions	Balance June 30, 2018	Due Within One Year (Current)
Governmental Activities						
Bonds payable:						
Road and Bridge Bonds	$ 1,469,980	$ —	$ 388,695	$ 80,705	$ 1,777,970	$ 86,500
SBE Capital Outlay Bonds	195,505	—	—	72,980	122,525	19,950
Lottery Education Bonds	1,516,037	—	239,705	559,992	1,195,750	199,770
Public Education Bonds	8,318,510	—	829,560	1,355,950	7,792,120	494,245
State University System Bonds	123,265	—	38,450	54,910	106,805	9,945
University Auxiliary Bonds	826,082	—	28,045	80,202	773,925	50,120
Inland Protection Bonds	53,805	—	—	7,000	46,805	7,205
Florida Forever Bonds	931,465	—	75,125	196,550	810,040	100,580
Water Pollution Control Bonds	333,375	—	—	28,770	304,605	28,030
State Infrastructure Bank Bonds	32,325	—	—	8,160	24,165	7,200
Seaport Investment Bonds	125,190	—	—	2,485	122,705	2,605
Everglades Restoration Bonds	217,350	—	—	15,065	202,285	15,725
Florida Facilities Pool Bonds	236,100	—	190,835	236,100	190,835	14,165
	14,378,989	—	1,790,415	2,698,869	13,470,535	1,036,040
Unamortized bond premiums (discounts)	863,175	—	215,620	205,230	873,565	—
Total bonds payable	15,242,164	—	2,006,035	2,904,099	14,344,100	1,036,040
Certificates of participation payable	532,825	—	—	40,784	492,041	35,595
Deposits	697,637	—	935,482	752,700	880,419	863,364
Compensated absences	733,159	—	453,599	428,581	758,177	190,764
Claims payable	3,125,415	—	1,756,081	2,089,019	2,792,477	1,441,503
Installment purchases/capital leases	55,550	—	1,467	16,585	40,432	13,009
Public-private partnership agreements	2,395,801	—	450,340	389,516	2,456,625	272,477
Advances - Due to Unclaimed Prop. TF	907,026	—	29,847	—	936,873	—
Due to other governments	417,330	—	3,671	23,935	397,066	—
Other postemployment benefits[1]	2,293,676	6,111,608	—	623,170	7,782,114	133,472
Pension liability	6,772,993	—	575,076	441	7,347,628	58,311
Other liabilities	16,175	—	817	4,525	12,467	—
Total Governmental Activities	**$ 33,189,751**	**$ 6,111,608**	**$ 6,212,415**	**$ 7,273,355**	**$ 38,240,419**	**$ 4,044,535**

[1]Restatement to Beginning Balance due to the implementation of GASB Statement No. 75.

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, 2018, are as follows (in thousands):

	Balance July 1, 2017	Restatement	Additions	Deletions	Balance June 30, 2018	Due Within One Year (Current)
Business-type Activities						
Bonds payable:						
Toll Facility Bonds	$ 2,650,430	$ —	$ 153,520	$ 329,465	$ 2,474,485	$ 142,935
Florida Hurricane Catastrophe Fund Bonds	2,700,000	—	—	—	2,700,000	500,000
	5,350,430	—	153,520	329,465	5,174,485	642,935
Unamortized bond premiums (discounts)	137,350	—	19,966	34,209	123,107	—
Total bonds payable	5,487,780	—	173,486	363,674	5,297,592	642,935
Accrued prize liability	398,758	—	6,097,699	6,075,846	420,611	178,788
Deposits	160,853	—	112,494	149,744	123,603	66,457
Compensated absences	23,276	—	13,527	13,134	23,669	6,491
Tuition and housing benefits payable	11,126,100	—	129,035	522,540	10,732,595	644,106
Installment purchases/capital leases	16,430	—	17,501	5,234	28,697	20,096
Claims payable	1,000	—	2,418,427	522,764	1,896,663	1,896,663
Public-private partnership agreements[1]	262,027	—	—	44,345	217,682	2,462
Other postemployment benefits	54,860	229,341	—	85,025	199,176	3,453
Pension liability	129,370	—	6,901	747	135,524	1,184
Other liabilities	622	—	275	—	897	—
Total Business-type Activities	**$ 17,661,076**	**$ 229,341**	**$ 8,969,345**	**$ 7,783,053**	**$ 19,076,709**	**$ 3,462,635**
Component Units						
Bonds payable	$ 7,672,635	$ —	$ 131,863	$ 1,657,421	$ 6,147,076	$ 544,770
Deposits	1,178,754	—	878,214	907,649	1,149,319	914,763
Compensated absences	697,650	—	96,578	74,752	719,477	89,688
Installment purchases/capital leases	73,046	—	22,116	12,430	82,732	12,264
Claims payable	1,144,347	—	40,797	20,766	1,164,378	32,175
Certificates of participation payable	853,623	—	71	35,439	818,255	26,179
Due to other governments/primary	862,435	—	28,044	79,154	811,325	51,573
Other postemployment benefits[2]	—	2,137,460	826,266	—	2,963,726	44,192
Pension liability	3,197,727	—	1,594,037	1,302,189	3,489,575	23,943
Other liabilities	1,720,565	—	702,888	1,636,035	787,418	159,157
Total Component Units	**$ 17,400,782**	**$ 2,137,460**	**$ 4,320,874**	**$ 5,725,835**	**$ 18,133,281**	**$ 1,898,704**

[1]Public-private partnerships are included in the Installment purchases/capital leases lines of the Proprietary Funds Statement of Net Position.
[2]Restatement to Beginning Balance due to the implementation of GASB Statement No. 75.

NOTE 11 - INTERFUND BALANCES AND TRANSFERS

At June 30, 2018, 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, 2018, consist of the following (in thousands):

	Due from Other Funds (in thousands)				
	Governmental Activities				
Due to Other Funds (in thousands)	General Fund	Natural Resources, Environment, and Growth Management	Public Education	Health and Family Services	Transportation
Governmental Activities					
General Fund	$ —	$ 17,699	$ 268	$ 73,169	$ 7,929
Natural Resources, Environment, and Growth Management	7,354	—	—	737	16,963
Public Education	147	—	—	2,194	—
Health and Family Services	74,842	4	8	—	—
Transportation	6,876	2,017	—	72	—
Nonmajor Governmental Funds	63,668	4,423	21,179	1,490	61,368
Internal Service Funds	774	16	—	8	80
Business-type Activities					
Transportation	144	—	—	—	113,119
Lottery	33	—	68,329	—	—
Hurricane Catastrophe Fund	—	—	—	—	—
Prepaid College Program	—	—	—	—	—
Reemployment Assistance	144	—	—	—	—
Nonmajor Enterprise Funds	7,032	—	—	326	—
Fiduciary Funds					
Private-purpose Trust Funds	153	—	738	—	—
Pension and Other Employee Benefits Trust Funds	4	—	—	—	—
Agency Funds	76,275	—	5,155	2,750	9,748
Investment Trust Funds	—	—	—	—	—
Total	**$ 237,446**	**$ 24,159**	**$ 95,677**	**$ 80,746**	**$ 209,207**

(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	$ 72,431	$ 6,937
Natural Resources, Environment, and Growth Management	9	798
Public Education	526	102
Health and Family Services	13,077	4,070
Transportation	24,219	10,268
Nonmajor Governmental Funds	6,254	2,290
Internal Service Funds	98	191
Business-type Activities		
Transportation	—	—
Lottery	8	35
Hurricane Catastrophe Fund	—	—
Prepaid College Program	—	—
Reemployment Assistance	1,072	—
Nonmajor Enterprise Funds	839	456
Fiduciary Funds		
Private-purpose Trust Funds	—	2
Pension and Other Employee Benefits Trust Funds	—	61
Agency Funds	2,032	—
Investment Trust Funds	—	—
Total	**$ 120,565**	**$ 25,210**

(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	$ —	$ —	$ 404	$ 3,262
Natural Resources, Environment, and Growth Management	—	—	1	—
Public Education	—	—	2	—
Health and Family Services	—	—	144	28
Transportation	447	—	8	—
Nonmajor Governmental Funds	—	—	61	21
Internal Service Funds	—	—	3	6
Business-type Activities				
Transportation	—	—	—	—
Lottery	—	—	—	3
Hurricane Catastrophe Fund	—	—	—	311
Prepaid College Program	—	—	—	7
Reemployment Assistance	—	—	—	—
Nonmajor Enterprise Funds	—	—	21	—
Fiduciary Funds				
Private-purpose Trust Funds	—	6	—	1
Pension and Other Employee Benefits Trust Funds	—	—	1	7,910
Agency Funds	138,884	—	3	11
Investment Trust Funds	—	—	—	75
Total	**$ 139,331**	**$ 6**	**$ 648**	**$ 11,635**

(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	$ 2,166	$ 73	$ 98,906	**$ 283,244**
Natural Resources, Environment, and Growth Management	—	—	—	**25,862**
Public Education	—	—	—	**2,971**
Health and Family Services	—	—	25	**92,198**
Transportation	—	2	9,160	**53,069**
Nonmajor Governmental Funds	—	—	202	**160,956**
Internal Service Funds	—	2,690	23,911	**27,777**
Business-type Activities				
Transportation	—	—	—	**113,263**
Lottery	—	—	—	**68,408**
Hurricane Catastrophe Fund	—	—	—	**311**
Prepaid College Program	45	5	—	**57**
Reemployment Assistance	—	—	95	**1,311**
Nonmajor Enterprise Funds	—	—	—	**8,674**
Fiduciary Funds				
Private-purpose Trust Funds	2	—	—	**902**
Pension and Other Employee Benefits Trust Funds	—	52,954	—	**60,930**
Agency Funds	—	—	—	**234,858**
Investment Trust Funds	—	—	—	**75**
Total	**$ 2,213**	**$ 55,724**	**$ 132,299**	**$ 1,134,866**

Advances from Other Funds (in thousands)	Advances to Other Funds (in thousands) — Governmental Activities: General Fund	Transportation
Governmental Activities		
Public Education	$ —	$ —
Nonmajor Governmental Funds	625	108
Internal Service Funds	1,978	—
Business-type Activities		
Transportation	—	72,368
Total	**$ 2,603**	**$ 72,476**

(Continued below)

Advances from Other Funds (in thousands)	Advances to Other Funds (in thousands) — Fiduciary Funds: Private-purpose Trust Funds	**Total**
Governmental Activities		
Public Education	$ 936,873	**$ 936,873**
Nonmajor	—	**733**
Internal Service Funds	—	**1,978**
Business-type Activities		
Transportation	—	**72,368**
Total	**$ 936,873**	**$ 1,011,952**

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

	Transfers from Other Funds (in thousands)				
	Governmental Activities				
Transfers to Other Funds (in thousands)	General Fund	Natural Resources, Environment, and Growth Management	Public Education	Health and Family Services	Transportation
Governmental Activities					
General Fund	$ —	$ 870,055	$ —	$ 1,567,530	$ 297,616
Natural Resources, Environment, and Growth Management	163,708	—	—	4,577	—
Public Education	986	—	—	12,709	—
Health and Family Services	71,108	—	208,909	—	—
Transportation	58,253	23,141	—	276	—
Nonmajor Governmental Funds	250,613	64,354	330,448	18,228	1,269,044
Internal Service Funds	8,927	175	—	23	492
Business-type Activities					
Transportation	—	—	—	—	97,662
Lottery	—	—	1,758,329	—	—
Hurricane Catastrophe Fund	—	—	—	—	—
Reemployment Assistance	—	—	—	—	—
Nonmajor Enterprise Funds	127,943	—	—	5,041	—
Fiduciary Funds					
Private-purpose Trust Funds	28	—	14	524	—
Pension and Other Employee Benefits Trust Funds	3,111	—	—	—	—
Total	**$ 684,677**	**$ 957,725**	**$ 2,297,700**	**$ 1,608,908**	**$ 1,664,814**

(Continued below)

	Transfers from Other Funds (in thousands)	
	Governmental Activities	
Transfers to Other Funds (in thousands)	Nonmajor Governmental Funds	Internal Service Funds
Governmental Activities		
General Fund	$ 588,795	$ 450
Natural Resources, Environment, and Growth Management	182,844	—
Public Education	1,305,887	—
Health and Family Services	156,796	—
Transportation	487,133	—
Nonmajor Governmental Funds	187,385	824
Internal Service Funds	8,086	—
Business-type Activities		
Transportation	—	—
Lottery	139	—
Hurricane Catastrophe Fund	10,000	—
Reemployment Assistance	12,792	—
Nonmajor Enterprise Funds	19,726	—
Fiduciary Funds		
Private-purpose Trust Funds	3,426	—
Pension and Other Employee Benefits Trust Funds	75	24,600
Total	**$ 2,963,084**	**$ 25,874**

(Continued next page)

Transfers to Other Funds (in thousands)	Transfers from Other Funds (in thousands) Business-type Activities: Transportation	Lottery	Reemployment Assistance	Nonmajor Enterprise Funds
Governmental Activities				
General Fund	$ —	$ 3	$ 1,479	$ 2,610
Natural Resources, Environment, and Growth Management	—	—	37	—
Public Education	—	—	11	—
Health and Family Services	—	—	561	1,404
Transportation	148,357	—	59	—
Nonmajor Governmental Funds	—	—	369	2,854
Internal Service Funds	—	—	21	10
Business-type Activities				
Transportation	—	—	—	—
Lottery	—	—	1	—
Hurricane Catastrophe Fund	—	—	—	—
Reemployment Assistance	—	—	—	—
Nonmajor Enterprise Funds	—	—	66	—
Fiduciary Funds				
Private-purpose Trust Funds	—	—	4	—
Pension and Other Employee Benefits Trust Funds	—	—	11	18,119
Total	**$ 148,357**	**$ 3**	**$ 2,619**	**$ 24,997**

(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	$ 2,167	$ 14,908	$ —	**$ 3,345,613**
Natural Resources, Environment, and Growth Management	—	—	—	**351,166**
Public Education	—	—	—	**1,319,593**
Health and Family Services	—	—	—	**438,778**
Transportation	—	—	—	**717,219**
Nonmajor Governmental Funds	—	—	—	**2,124,119**
Internal Service Funds	—	2,630	—	**20,364**
Business-type Activities				
Transportation	—	—	—	**97,662**
Lottery	—	—	—	**1,758,469**
Hurricane Catastrophe Fund	—	—	—	**10,000**
Reemployment Assistance	—	—	—	**12,792**
Nonmajor Enterprise Funds	—	—	—	**152,776**
Fiduciary Funds				
Private-purpose Trust Funds	—	—	—	**3,996**
Pension and Other Employee Benefits Trust Funds	—	667,607	—	**713,523**
Total	**$ 2,167**	**$ 685,145**	**$ —**	**$ 11,066,070**

NOTE 12 - RISK MANAGEMENT

A. State Risk Management Trust Fund

The State Risk Management Trust Fund (Fund) provides property insurance coverage for state buildings and contents against loss from fire, lightning, sinkholes, flood, and other hazards customarily insured by extended coverage. The property insurance program has a self-insured retention of $2 million per occurrence for losses arising from all perils listed above except named windstorm and flood. The property insurance program also has a self-insured retention of $2 million per occurrence for losses arising from named windstorm and flood, but with an additional annual aggregate self-insured retention of $40 million. Commercial reinsurance is purchased for losses over the self-insured retention up to $78 million per occurrence for named windstorm and flood losses through February 15, 2019, and $225 million per occurrence for covered perils other than named wind and flood.

The Fund's estimated liability for unpaid property insurance claims at the fiscal year-end is determined by an actuarial method and includes an amount for losses incurred but not yet reported. During the fiscal years ended June 30, 2015, and June 30, 2016, paid property claim losses resulting from an unnamed wind event totaled $2,070,280, exceeding the self-insured retention of $2 million per occurrence. Claim payments reported for fiscal year ended June 30, 2017, included recoveries of $70,280 from commercial reinsurance. Changes in the Fund's property insurance claims liability amount for the fiscal years ended June 30, 2017, and June 30, 2018, 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, 2017	$ 443	$ 2,171	$ (1,379)	$ 1,235
June 30, 2018	$ 1,235	$ 785	$ (940)	$ 1,080

The amounts reported above for Current Year Claims and Changes in Estimate and Claim Payments for the fiscal year ended June 30, 2017, have been restated from the prior year. The estimated liability for unpaid property insurance claims for the fiscal year ended June 30, 2018, does not include outstanding property claim loss payments resulting from Hurricane Irma that struck Florida in September of 2017 or property claim loss payments resulting from Hurricane Michael that struck Florida in October of 2018. Estimated unpaid loss payments for Hurricane Irma total $13.5 million. Preliminary estimates of Hurricane Michael losses total $45 million. If paid losses from Hurricane Michael exceed the self-insured retention of $2 million per occurrence and the additional annual aggregate self-insured retention of $40 million, the Fund would expect to receive recoveries from commercial reinsurance for paid losses exceeding $42 million.

The Fund also provides casualty insurance coverage for the risks of loss related to federal civil rights and employment actions, workers' compensation, court-awarded attorney fees, automobile liability, and general liability. The state is self-insured for all claims associated with liability risks and workers' compensation coverage.

The estimated liability for unpaid casualty insurance claims at June 30, 2018, was $1.14 billion. This amount was determined through an actuarial method based on historical paid and incurred losses and includes an amount for losses incurred but not yet reported. In addition, this amount includes the present value of workers' compensation indemnity claims liability of $259 million, discounted using a 4 percent annual percentage rate per Section 625.091, Florida Statutes. The undiscounted workers' compensation indemnity claims liability is $361.4 million.

Changes in the Fund's casualty insurance claims liability for the fiscal years ended June 30, 2017, and June 30, 2018, 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, 2017	$ 1,161,500	$ 113,811	$ (135,707)	$ 1,139,604
June 30, 2018	$ 1,139,604	$ 138,379	$ (134,532)	$ 1,143,451

Actual current year claims and changes in estimate for casualty lines of coverage for the fiscal year ended June 30, 2018, increased by $24.4 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, 2017, and June 30, 2018, 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, 2017	$ 162,763	$ 1,865,679	$ (1,857,432)	$ 171,010
June 30, 2018	$ 171,010	$ 1,946,441	$ (1,950,153)	$ 167,298

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, 2018, were transferred from the State Employees Group Health Insurance Trust Fund and reported in Other Agency Funds in accordance with the requirements of GASB Codification Section P53, *Reporting Assets Accumulated for Defined Postemployment Benefits Other Than Pensions not Provided Through Trusts that Meet Specified Criteria.*

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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 actuarial present value of future contract benefits reflects the present value of estimates contract benefits and expenses that will be paid in future years and is adjusted for the effects of projected tuition and fees and dormitory housing fees increases and termination of contracts. Additional information as of June 30, 2018, is as follows:

Actuarial present value of future contract benefits and expenses payable	$ 10,732,595,356
Net position available (net of outstanding refund payments and unrealized gain/loss on securities lending portfolio)	$ 13,717,000,000
Net position as a percentage of future contract benefits and expenses obligation	127.8%

NOTE 14 -INSURANCE ENTERPRISES

The State of Florida has established multiple enterprises that provide insurance, reinsurance, and guarantee services. The primary risk exposures to the state relate to catastrophic hurricane losses, access to liquidity from credit markets, and ultimate dependence on public assessments.

A. FLORIDA HURRICANE CATASTROPHE FUND

The Florida Hurricane Catastrophe Fund (FHCF) was created in 1993 by the Florida Legislature, as a state fund administered by the State Board of Administration (SBA) to provide a source of reimbursement to most residential property insurers for catastrophic hurricane losses, thereby creating additional insurance capacity. Most admitted residential property insurers writing FHCF covered policies are required to purchase reimbursement coverage with the FHCF.

The reimbursement coverage covers a portion of hurricane losses in excess of an insurer's share of an industry wide retention, up to the lesser of either the statutory limit or the actual claims-paying capacity of the FHCF. For the contract year ended May 31, 2018, the industry retention for determining each insurer's retention was $7.029 billion per hurricane for the two hurricanes with the largest losses and $2.343 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 is required to contract with each insurer writing covered policies in the state to reimburse the insurer for a specified percentage of losses from covered events in excess of the insurer's retention. The total obligation of the SBA with respect to all contracts covering a particular contract year is statutorily capped at the "actual claims-paying capacity" of the FHCF, defined by law as the sum of the balance of the fund as of December 31 of the contract year, plus any reinsurance purchased by the fund, plus the amount the SBA is able to raise through the issuance of post-event revenue bonds. This amount is determined by the FHCF based on reports of its financial advisors and bond underwriters and is reviewed 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, 2018, the FHCF had a net position of $12.70 billion, including the net position of the State Board of Administration Finance Corporation.

If available resources and pre-catastrophe debenture financing are not adequate to satisfy reimbursement claims, the State Board of Administration Finance Corporation may issue revenue bonds secured by emergency assessments. The SBA has the sole authority to direct the Florida Office of Insurance Regulation to levy assessments on most property and casualty insurance policy premiums on behalf of the FHCF. Aggregate assessments may not exceed 10% and assessments in relation to losses in one contract year may not exceed 6%. This assessment authority is neither related to nor restricted by the assessments levied by either Citizens Property Insurance Corporation (Citizens), a discretely presented component unit, or the Florida Insurance Guaranty Association, Inc. (FIGA). As of June 30, 2018, the FHCF is not levying assessments for any policies issued or renewed on or after January 1, 2015.

To build up cash resources and reduce the reliance on post-event bonding, legislation was passed in 2009 that allows for a "cash build up" factor of 5% to be included in rates for the coverage. This factor increased each year by 5% until it ultimately reached 25% in year five and thereafter. This provision was designed to address the liquidity needs of the FHCF over the long run by allowing it to accelerate the build-up of its cash balance for paying claims.

Hurricane losses represent the estimated ultimate cost of all reported and unreported claims during the year that exceed the participating insurers' individual company retention levels. The estimates for current year and prior year losses are continually reviewed and adjusted as experience develops or new information becomes known and such adjustments are included in current operations. The State of Florida was impacted by two hurricanes during the fiscal year. On September 10, 2017, Hurricane Irma made landfall in the Florida Keys as a Category 4 hurricane and made a second Florida landfall as a Category 3 hurricane at Marco Island later that day. Irma's path through Florida was largely inland along the western side of the peninsula. As of June 30, 2018, the estimated ultimate loss to the FHCF for this hurricane is $2.50 billion. On October 7, 2017, Hurricane Nate made landfall in southeast Louisiana, near the Florida Panhandle, as a Category 1 hurricane. As of June 30, 2018, the FHCF has received no loss reimbursement requests related to this hurricane.

In April 2013, pre-event Series 2013A Revenue Bonds were issued in the amount of $2.0 billion to maximize the ability of the FHCF to meet future obligations. The proceeds from these bonds may be used to pay for losses incurred from future covered events. Investment earnings on these funds, as well as reimbursement premiums, if necessary, are used to pay the debt service

requirements of these bonds. The remaining amounts due at maturity and the maturity dates for these bonds are $500 million on July 1, 2018, and $1.0 billion on July 1, 2020.

In March 2016, pre-event Series 2016A Revenue Bonds were issued in the amount of $1.2 billion to provide funds, together with other available funds, to maximize the ability of the FHCF to meet future obligations. The proceeds from these bonds may be used to pay for losses incurred from future covered events. Investment earnings on these funds, as well as reimbursement premiums, if necessary, are used to pay the debt service requirements of these bonds. The amounts due at maturity and the maturity dates for these bonds will be $550 million on July 1, 2019, and $650 million on July 1, 2021.

In addition to the issuance of bonds, the FHCF purchased aggregate excess catastrophe reinsurance providing coverage to the FHCF for $1.0 billion of losses in excess of $10.5 billion of losses, effective June 1, 2018 through May 31, 2019; and $1.0 billion of losses in excess of $11.5 billion of losses, effective June 1, 2017 through May 31, 2018.

B. CITIZENS PROPERTY INSURANCE CORPORATION

Citizens Property Insurance Corporation (Citizens) was established on August 1, 2002, pursuant to Section 627.351(6), Florida Statutes (F.S.), to provide certain residential and non-residential property insurance coverage to qualified risks in the State of Florida under specified circumstances. This legislation was enacted such that property insurance be provided through Citizens to applicants who are in good faith entitled to procure insurance through the voluntary market but are unable to do so. Citizens results from a combination of the Florida Residential Property and Casualty Joint Underwriting Association (the FRPCJUA) and the Florida Windstorm Underwriting Association (the FWUA). The FRPCJUA was renamed Citizens and the FWUA's rights, obligations, assets, liabilities and all insurance policies were transferred to Citizens. Unlike private insurers offering coverage through the admitted market, Citizens is not required to obtain or to hold a certificate of authority issued by the Florida Department of Financial Services, Office of Insurance Regulation (the Office). Likewise, Citizens is not subject to Risk-Based Capital (RBC) 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), under Section 627.351(6), F.S., approved by the Financial Services Commission (the Commission) of the State of Florida. The Commission is composed of the Governor, the Chief Financial Officer, the Attorney General and the Commissioner of Agriculture of the State of Florida.

Citizens is supervised by a Board of Governors (the Board) which consists of nine individuals who reside in the State of Florida. The Governor appoints three members, and the Chief Financial Officer, the President of the Senate and the Speaker of the House of Representatives each appoint two members of the Board. At least one of the two members appointed by each appointing officer must have a demonstrated expertise in the insurance industry. The Chief Financial Officer designates one of the appointees as the Board's chair. All Board members serve at the pleasure of their appointing officers.

Citizens' President and Chief Executive Officer (Executive Director) and senior managers are engaged by and serve at the pleasure of the Board. The Executive Director is subject to confirmation by the Florida Senate.

Pursuant to Section 627.351(6), F.S., all revenues, expenses, assets and liabilities of Citizens shall remain divided into three separate accounts: the Personal Lines Account, the Commercial Lines Account and the Coastal Account (collectively, the Accounts). A brief history of each account follows:

Personal Lines Account History - The FRPCJUA began operations on January 21, 1993, after Hurricane Andrew, pursuant to Section 627.351(6), F.S., to provide certain residential property insurance coverage to qualified risks in the State of Florida for applicants who were in good faith entitled to procure insurance through the private market but were unable to do so. Residential property coverage consists of the types of coverage provided to homeowners, mobile homeowners, tenants, condominium unit owners, and similar policies. The policies provide coverage for all perils covered under a standard residential policy, subject to certain underwriting requirements. Such policies may exclude windstorm coverage on property within eligible areas. This portion of the FRPCJUA's activities became the Personal Lines Account (PLA) under Citizens.

Commercial Lines Account History - The Florida Property and Casualty Joint Underwriting Association (FPCJUA) was activated in early 1994 to provide commercial residential coverage (i.e., coverage for condominium associations, apartment buildings and homeowner associations) to organizations unable to obtain such coverage from a private insurer. During 1995, legislation was enacted to transfer all obligations, rights, assets, and liabilities related to commercial residential coverage from the FPCJUA to the FRPCJUA. The legislation required that the premiums, losses, assets, and liabilities be accounted for separately from the FRPCJUA's personal residential business. This portion of the FRPCJUA's activities became the Commercial Lines Account (CLA) under Citizens. In 2006, the FPCJUA was re-activated to provide commercial non-residential wind-only coverage. In 2007, legislation was enacted which resulted in the transfer and assumption of the FPCJUA's commercial non-residential policies by Citizens. These policies were added to the CLA.

Coastal Account History - The FWUA, which was a residual market mechanism for windstorm and hail coverage in select areas of the State of Florida, was created by an act of the Florida Legislature in 1970 pursuant to Section 627.351(2), F.S. FWUA was a Florida unincorporated association, the members of which were all property insurance companies holding a certificate of authority to provide property insurance coverage in the State of Florida. FWUA provided policies of windstorm insurance for property owners within the eligible areas who were unable to obtain such coverage from private insurers. Insured properties include personal residential, commercial residential and commercial non-residential properties. This portion of the FWUA's activities became the High-Risk Account under Citizens. In 2007, Citizens received authority to issue multi-peril policies in the High-Risk Account. Pursuant to legislative changes during 2011, the High-Risk Account was renamed the Coastal Account.

ASSESSMENTS

Citizens' enabling legislation and the Plan establish a process by which Citizens is required to levy assessments to recover deficits incurred in a given plan year for any of its three accounts. Deficits are calculated separately, and assessments are levied separately, for each of the three accounts. The Plan provides for deficits to be determined in accordance with standards promulgated by the Governmental Accounting Standards Board, adjusted for certain items.

In the event of a Plan Year Deficit in any Account, Citizens must first levy an assessment against the premium of each Citizens policyholder (the "Citizens Policyholder Surcharge") in each of Citizens' Accounts, as a uniform percentage of the premium of the policy of up to 15% of such premium. Citizens Policyholder Surcharges are not subject to commissions, fees, or premium taxes; however, failure to pay a Citizens Policyholder Surcharge will be treated as failure to pay premiums.

If the Citizens Policyholder Surcharge is insufficient to eliminate a deficit in the Coastal Account, Citizens would then levy a Regular Assessment on assessable insurers, as defined in Section 627.351(6), F.S. The assessment is based upon each assessable insurer's share of direct written premium for the Subject Lines of Business in the State of Florida for the calendar year preceding the year in which the deficit occurred, and is applied as a uniform percentage of up to 2% of subject premiums. The Regular Assessment is not available for deficits within the PLA or CLA.

If the deficit in any year in any account is greater than the amount that may be recovered through Citizens' Policyholder Surcharges and Regular Assessments, Citizens is required to levy any remaining Plan Year Deficit as an Emergency Assessment. An Emergency Assessment is to be collected by all assessable insurers, Surplus Lines Agents, and Citizens from policyholders upon the issuance or renewal of policies for Subject Lines of Business for as many years as necessary to cover the Plan Year Deficit in the account. The primary difference between the assessment base for Regular Assessments and Emergency Assessments is the inclusion of Citizens' direct written premium in the assessment base for Emergency Assessments, in addition to the Regular Assessment being limited to the Coastal Account only.

For purposes of Regular Assessments and Emergency Assessments, the "Subject Lines of Business" are all lines of property and casualty insurance, including automobile lines, but excluding accident and health, workers' compensation, and medical malpractice insurance, and also excluding insurance under the National Flood and Federal Crop insurance programs.

In November 2012, Citizens received notice of an assessment from the FIGA totaling $27.8 million. Amounts recouped from policyholders relating to this assessment were $1.1 million and $2.4 million during 2017 and 2016, respectively. As of December 31, 2017, Citizens reported an over-collection in the amount of $152,000 other current liabilities on the statements of net position. Citizens discontinued collections effective March 1, 2018 and plans to settle the net over-collection with FIGA pursuant to Section 631.57(3)(f), F.S. and will file a final reconciliation with the Office.

Effective March 5, 2015, the 2005 Emergency Assessment was terminated for all policies with effective dates on or after July 1, 2015. The 2005 Emergency Assessment was anticipated to be collected over a ten-year period commencing July 1, 2007. As of December 31, 2017, and 2016, collections in excess of the Emergency Assessment were $143.6 million and $143.9 million, respectively. These balances are reported as the reserve for future assessments on the accompanying statements of net position

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until such time as the Board approves a change to direct these excess collections to be used for any lawful purpose available within the Plan.

C. FLORIDA INSURANCE GUARANTY ASSOCIATION, INC.

The Florida Insurance Guaranty Association, Inc. (FIGA), a not-for-profit corporation, was established by the Florida Legislature through the Florida Insurance Guaranty Association Act of 1970 (the Act). FIGA was created to provide a mechanism for the payment of covered claims of insolvent insurers and to assist in the detection and prevention of insurers' insolvencies. FIGA operates under the supervision and approval of a board of directors, comprised of five to nine persons, recommended by member insurers pursuant to Section 631.56, F.S., and subsequently appointed by the Florida Department of Financial Services.

The members of FIGA are all insurers that hold a certificate of authority to provide property and casualty coverage in the State of Florida.

The funding of FIGA's activities is provided by distributions from the estates of insolvent insurers and assessments of members. The assessments are calculated and, as considered necessary, levied against member insurers on the basis of net direct written premiums in the State of Florida in the classes protected by the Act. FIGA obtains the amount of the net direct written premiums, by company and by class of protection, to use as the basis for assessment calculations. The maximum regular assessment rate is 2%. In addition to the regular assessment, during 2006, the Florida Legislature granted FIGA the authority to levy an emergency assessment up to an additional 2% of net direct written premiums for the account specified in Section 631.55(2)(b), F.S., to pay covered claims of insurers rendered insolvent by the effects of a hurricane. Also in 2006, FIGA was granted the authority to work with an affected municipality, county, or financing conduit organization under Chapter 163, F.S., to issue tax-exempt bonds should the funding need arise for the account specified in Section 631.55(2)(b), F.S. As of June 30, 2018, FIGA has not needed to utilize this bonding authority and no tax-exempt bonds have been issued.

D. FLORIDA WORKERS' COMPENSATION INSURANCE GUARANTY ASSOCIATION, INC.

The Florida Workers' Compensation Insurance Guaranty Association, Inc. (FWCIGA), a not-for-profit corporation, was established by the Florida Legislature in 1997 as a merger of the workers' compensation account of the Florida Insurance Guaranty Association, Inc., and the Florida Self-Insurance Fund Guaranty Association. FWCIGA was created to provide a mechanism for the payment of covered claims of insolvent workers' compensation insurers and to assist in the detection and prevention of insurers' insolvencies. FWCIGA operates under the supervision and approval of a board of directors, comprised of eleven persons. Eight directors are recommended by member insurers pursuant to Section 631.912, F.S., and subsequently appointed by the Florida Department of Financial Services. The remaining three directors are the Florida Insurance Consumer Advocate, designee of the state's Chief Financial Officer, and one person with commercial insurance experience appointed by the Governor.

The members of FWCIGA are all insurers that hold a certificate of authority to provide workers' compensation coverage in the State of Florida.

The funding of FWCIGA's activities is provided by distributions from the estates of insolvent insurers and assessments of members. The assessments are calculated and, as considered necessary, levied against member insurers on the basis of workers' compensation net direct written premiums in the State of Florida without taking into account any applicable discounts or credits for deductibles. FWCIGA obtains the amount of the net direct written premiums, by company, to use as the basis for assessment calculations. The maximum regular assessment rate is 2% for insurance companies and self-insurance funds. In addition to the regular assessment, the Florida Legislature granted FWCIGA the authority to levy an emergency assessment up to an additional 1.5% of net direct written premiums.

NOTE 15 - CONTINGENCIES

A. Federal Family Education Loans Program

The Florida Department of Education (FDOE) administers the Federal Family Education Loan Program (FFELP), 20 USC s. 1071 et. seq. The primary purpose is to guarantee the repayment of principal and accrued interest of eligible student loans made by participating lenders under the FFELP.

The Higher Education Amendments of 1998 (the Amendments) were enacted on October 7, 1998, with a retroactive date of October 1, 1998, for most provisions. The Amendments changed the financial and reporting structure of guaranty agencies. Pursuant to the amendments, the FDOE established a Federal Student Loan Reserve Fund (Federal Fund) and a Guaranty Agency Operating Fund, as required, to account for the FFELP activities, 20 USC s. 1072a and s. 1072b.

The regulations for administering the program are found in Title 34 of the Code of Federal Regulations, Part 682. Student loans are issued by participating financial institutions to eligible students and their parents under FFELP. If a student loan guaranteed by FDOE defaults, the Federal Fund pays the lender for the defaulted student loan. The United States Department of Education (USDOE) is the program's reinsurer. Reinsurance amounts received from the USDOE to replenish the Federal Fund are currently 100%. Once the loan has defaulted, the FDOE begins collection activities with the borrower.

The passage of the Health Care and Education Reconciliation Act of 2010 ended the guarantor portion of the program after June 30, 2010. FDOE still maintains administrative and collection activities for the loans guaranteed by FDOE prior to July 1, 2010, as required by FFELP. The Federal Fund is used to account for assets held by FDOE as an agent for the Federal government and therefore is custodial in nature and is the property of USDOE. At June 30, 2018, approximately $520 million of Program loans were still outstanding from loans that had been made prior to the Program ending on June 30, 2010. The amount of potential liability to the federal fund is indeterminable.

B. Federally Assisted Grant Programs

Medicaid Program - The United States Department of Health and Human Services, Centers for Medicare and Medicaid Services (CMS) is requesting state reimbursement of amounts determined unallowable under the Florida Medicaid Reform Section 1115 Demonstration Waiver Special Terms and Conditions for state fiscal years ended June 30, 2006, through June 30, 2014. The State of Florida submitted Low Income Pool (LIP) cost limit reconciliations showing LIP payments in excess of allowable costs for LIP providers. The disallowance notice was issued on September 28, 2016, and the Agency for Health Care Administration (AHCA) filed its Request for Reconsideration with the CMS on November 21, 2016. On January 19, 2017, AHCA's Request for Reconsideration was denied by CMS. AHCA has filed an appeal with the Department Appeal's Board (DAB). At this time, the State is in the briefing stage of this proceeding. A decision is expected to be issued a few months after briefing has been completed. If AHCA is ultimately unsuccessful in its challenges, it may be required to return $97,570,183, plus interest, to the Federal Government.

Medicaid Program - CMS is requesting state reimbursement of the federal share paid for claimed Medicaid expenditures associated with LIP payments made under Florida's Medicaid Reform Section 1115 Demonstration covering the period from July 1, 2006, through June 30, 2009. The disallowance notices were issued on September 28, 2016, and AHCA filed its Request for Reconsideration with the CMS on November 21, 2016. On January 19, 2017, AHCA's Request for Reconsideration was denied by CMS. AHCA has filed an appeal with the DAB. At this time, the State is in the briefing stage of this proceeding. A decision is expected to be issued a few months after briefing has been completed. If AHCA is ultimately unsuccessful in its challenges, it may be required to return $63,233,036 to the Federal Government.

C. Other

Micjo v. Florida Department of Business and Professional Regulation (DBPR), Case No. 78 So. 3d 124 (Fla 2nd DCA) - The Plaintiffs alleged certain charges, such as federal excise taxes and delivery costs, should be included when calculating the "wholesale sales price" for taxing other tobacco products. The Court held in the above-styled matter that the charges were not allowable. This ruling exposes DBPR to the risk of other distributors seeking a refund of a portion of the tobacco tax. On January 4, 2017, DBPR's motion for rehearing en banc, related to Micjo, Florida 2nd DCA, Case No. 78 So. 3d 124, was denied. As a result, DBPR began processing refunds for those qualifying requests in accordance with the court's decision. Potential refund amount is estimated at $49 million.

Disability Rights Florida Inc. v. Julie Jones, Secretary, Florida Department of Corrections, Case No. 3:18-cv-179-J-25JRK (U.S. District Court, Middle District of Florida) - Plaintiffs alleged that the Florida Department of Corrections (DOC) denied mental health care to mentally ill inmates confined in the inpatient mental health units, in violation of the Eighth Amendment of the U.S. Constitution, Title II of the Americans with Disabilities Act, and the Rehabilitation Act. In February 2018, the Court approved a consent decree under which DOC agreed to implement widespread changes to its psychiatric treatment system. Potential costs to implement this agreement exceed $115 million.

Inpatient/Outpatient hospital rate challenges - Approximately 60 petitioner hospitals challenged Notice of Agency Action letters issued by the AHCA in February 2015 regarding inpatient and outpatient hospital rates. The hospitals filed petitions with the Agency Clerk, which were forwarded to the Division of Administrative Hearings. By mutual agreement between AHCA and the petitioners, the cases were relinquished back to AHCA in March 2015 for settlement negotiations, which continue. An adjustment to inpatient and outpatient reimbursement rates could result in a net fiscal impact exceeding $25 million.

NOTE 16 - LITIGATION

Due to its size and broad range of activities, the State is involved in various, though sometimes routine, legal actions. The following are the significant loss contingencies associated with legal proceedings:

A. In re Citrus Canker Litigation, Case No. 00-18394 (08CACE) (17th Cir. Broward County); Mendez v. Florida Department of Agriculture and Consumer Services, Case No. 02-13717AJ (15th Cir. Palm Beach County); Dellaselva v. Florida Department of Agriculture and Consumer Services, Case No. 03-CA-1947 (20th Cir. Lee County); Ayers v. Florida Department of Agriculture and Consumer Services, Case No. 05-CA-4120 (9th Cir. Orange County); In re Citrus Canker Litigation, Case No. 03-8255CA13 (11th Cir. Miami-Dade County)

Plaintiffs in these actions are homeowners seeking compensation for the removal of their canker-exposed citrus trees by the Florida Department of Agriculture and Consumer Services (DACS) after January 1, 2000.

In re Citrus Canker Litigation, Case No. 00-18394 (08CACE)*,* concerns homeowners in Broward County. Plaintiffs were awarded judgments for compensation, attorneys' fees, and costs. The 2018 Florida Legislature appropriated $22,049,046 to pay the judgments and interest. The DACS received a satisfaction of judgment and the funds were paid to class counsel for distribution in July 2018. This case is closed.

Mendez, Case No. 02-13717AJ, concerns homeowners in Palm Beach County. Plaintiffs were awarded judgments for compensation, attorneys' fees, and costs. The 2018 Florida Legislature appropriated $30,045,125 to pay the judgments and interest. The DACS received a satisfaction of judgment and the funds were paid to the class counsel for distribution in July 2018. This case is closed.

Dellaselva, Case No. 03-CA-1947, concerns homeowners in Lee County. Plaintiffs were awarded judgments of $13,625,249 for compensation and $892,886 in attorneys' fees and costs, plus interest. The 2017 Florida Legislature appropriated $16,475,800 for these judgments, but the Governor vetoed the appropriation and no such appropriation was made by the 2018 Legislature. The Court issued a peremptory writ of mandamus ordering the DACS to pay the judgments, with accrued interest, which is stayed pending appeal. These judgments remain unpaid, while accruing post-judgment interest.

Ayers, Case No. 05-CA-4120, concerns homeowners in Orange County. Plaintiffs were awarded judgments of $31,534,722 for compensation, and $770,813 for attorneys' fees and costs, plus interest. These judgments remain unpaid, while accruing post-judgment interest.

In re Citrus Canker Litigation, Case No. 03-8255CA13, concerns homeowners in Miami-Dade County. The Court found no liability on behalf of the DACS. Plaintiffs' appeal is pending.

B. Citizens for Strong Schools, et al., v. Florida State Board of Education, et al., Case No. SC18-67 (Florida Supreme Court); Citizens for Strong Schools, et al., v. Florida State Board of Education, et al., Case No. 1D16-2862 (Fla. 1st DCA)

Plaintiffs claimed that the funding of K-12 education by the State of Florida is inadequate. The State prevailed in Circuit Court and the First District Courted Appeal affirmed in December 2017. Plaintiffs have petitioned for discretionary review by the Florida Supreme Court, which has accepted jurisdiction, and on January 4, 2019, the Florida Supreme Court ruled in favor of the State. This case is closed.

C. McLane Suneast, Inc. v. Florida Department of Business and Professional Regulation, Case No. 14-CA-372 (9th Cir., Osceola County)

McLane Suneast, Inc., a major distributor of tobacco products including cigars, cigarettes, and smokeless tobacco, alleges that the "Protecting Florida's Health Act," (Chapter 2009-79, Laws of Florida), violates the dormant Commerce Clause and the Equal Protection Clause of the U. S. Constitution by taxing different kinds of tobacco products disparately, and by increasing taxes on cigarettes and smokeless tobacco products without taxing cigars. Plaintiff contends the law violates the dormant Commerce Clause by preferring the domestic cigar industry over interstate suppliers of cigarettes and other tobacco products. Plaintiff seeks declaratory and monetary relief, including a determination that the Department of Business and Professional Regulation should be required to issue tax refunds in an unstated amount.

While no hearings are currently scheduled, litigation continues. Potential costs exceed $3.5 billion.

D. Carl Hoffer, Ronald McPherson, and Roland Molina v. Julie Jones, Secretary, Department of Corrections, Case No. 4:17-cv-214-MW-CAS (U.S. District Court, Northern District of Florida)

Plaintiffs allege that the Florida Department of Corrections (DOC) failed to provide proper medical treatment to inmates with chronic Hepatitis C, thus violating the Eighth Amendment of the U.S. Constitution, Title II of the Americans with Disabilities Act, and the Rehabilitation Act. In November 2017, the Court certified the class and in December 2017 issued the initial preliminary injunction ordering DOC to provide certain treatment. The claim potentially represents future costs exceeding $82 million for testing, treatment and staffing.

E. Alexis F. Geffin, et al., v. Governor Rick Scott, etc., et al., Case No. 17-CA-1364 (2nd Cir. Leon County) and Thomas A. Warren, et al., v. Governor Rick Scott, etc., et al., Case No. 17-CA-1526 (2nd Cir. Leon County)

Plaintiff students and donors, respectively, allege that the State of Florida Governor, Chief Financial Officer (CFO), Board of Governors, Board of Education, Department of Education, and Commissioner of Education are liable for failure to match private donations to public colleges, universities, and their students pursuant to four statutory programs. Plaintiffs allege breach and impairment of contract, and seek declaratory relief, damages of over $1 billion, and mandamus relief against the CFO to pay damages. Motions to dismiss are currently pending.

F. Florida Education Association, et al., v. Department of Education, et al., Case No. 4-17-cv-414-RH/CAS (U.S. District Court, Northern District of Florida)

Plaintiffs, including the Florida Education Association and seven individual teachers seek to maintain a class action against the Department of Education (DOE), all 67 school districts, the university charter lab schools, and the Florida School of the Deaf and Blind. Plaintiffs allege violations of Title VII of the Civil Rights Act and the Florida Civil Rights Act based on claims of racial and age discrimination related to the application of the Best and Brightest Teacher Scholarship Program and seek unspecified damages and injunctive and declaratory relief.

In January 2019, the Court certified three classes and ruled the Title VII applied to the DOE. The Court also ruled that the DOE was not immune to liability under the Eleventh Amendment. These rulings potentially subject the DOE to significant liability. The case is stayed pending the outcome of the DOE's appeal of the Court's ruling on immunity. The DOE has also appealed the Court's ruling on class certification.

NOTE 17 - DEFICIT FUND BALANCE AND NET POSITION

A. Governmental Funds

The *Public Education Fund* has a deficit unassigned fund balance of approximately $888.4 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 $50.7 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 $14.4 million. This deficit is primarily due to long-term obligations, consisting mainly of a compensated absences liability and an accrual of pension and other post-employment benefit (OPEB) liabilities. The compensated absences liability will be liquidated on a pay-as-you-go basis. The pension and OPEB liabilities do not require cash flows and have no effect on the ability to provide services.

The Internal Service Fund, *Other*, has a deficit net position of approximately $85.0 million. This deficit is primarily due to long-term obligations, consisting mainly of a compensated absences liability and an accrual of pension and OPEB liabilities. The compensated absences liability will be liquidated on a pay-as-you-go basis. The pension and OPEB liabilities do not require cash flows and have no effect on the ability to provide services.

C. Component Units

The Component Units, *Florida Colleges* and *Other State Universities*, have deficit unrestricted net positions of approximately $272.0 million and $287.6 million, respectively. Those deficits are 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.

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NOTE 18 - SUBSEQUENT EVENTS

A. Bonds

The following bonds and certificates of participation for governmental activities and business-type activities of the primary government were issued or sold subsequent to June 30, 2018:

Agency/Bond	Series	Amount	Matures	Interest Rate
Governmental Activities:				
Full Faith and Credit, Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds	2018B	$ 245,280,000	07/01/2019-07/01/2048	4.000% - 5.000%
Full Faith and Credit, State Board of Education Public Education Capital Outlay Bonds	2018 Series B	$ 116,070,000	06/01/2019-06/01/2048	4.000% - 5.000%
Full Faith and Credit, State Board of Education Public Education Capital Outlay Refunding Bonds	2018 Series C	$ 149,120,000	06/01/2019-06/01/2038	2.000% - 5.000%
Department of Management Services Refunding Certificates of Participation	2018A	$ 251,945,000	11/01/2019-1/01/2029	5.000% - 5.000%
Department of Transportation Financing Corporation Revenue Bonds	2018	$ 164,005,000	07/01/2019-07/01/2033	4.000% - 5.000%
Board of Governors University of Florida Parking Facility Revenue Bonds	2018A	$ 39,070,000	08/01/2019-08/01/2038	4.000% - 5.000%
Full Faith and Credit, State Board of Education Capital Outlay Refunding Bonds	2019 Series A	$ 8,560,000	01/01/2020-01/01/2029	5.000% - 5.000%
Department of Environmental Protection Florida Forever Revenue Refunding Bonds	2018A	$ 119,305,000	07/01/2020-07/01/2029	5.000% - 5.000%
Business-type Activities:				
Department of Transportation Turnpike Revenues Bonds	2018A	$ 299,975,000	07/01/2019-07/01/2048	4.000% - 5.000%

B. Hurricanes

1. Hurricane Michael, a Category 4 hurricane, passed through Florida's panhandle in October 2018 causing damage to the region. The preliminary cost of damage from this storm is estimated at $10.9 billion, including losses to homes, business, and agriculture, as well as costs to state and local governments for emergency services and damage to public facilities and infrastructure. A portion of these costs will be covered by insurance and federal grant programs. The state may be required to match federal funding with state and local funds.
2. Hurricane Irma passed through the state in September 2017, causing damage in almost every county. As of June 30, 2018, the Florida Hurricane Catastrophe Fund's loss reserve for the damage was estimated at $1.8 billion. As of September 30, 2018, the Fund increased the estimate for the loss reserves by an additional $700 million. This increase is not reflected in the financial statements as of June 30, 2018.

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OTHER REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULES
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(in thousands)

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Fund Balances, July 1, 2017	$ 4,207,520	$ 4,207,520	$ 4,207,520	$ —
Reversions	57,367	57,367	57,367	—
Fund Balances, July 1, 2017, restated	4,264,887	4,264,887	4,264,887	—
REVENUES				
Fees and charges	1,241,805	1,257,305	1,292,491	35,186
Licenses	683,179	850,079	605,753	(244,326)
Taxes	34,691,600	34,686,020	35,374,971	688,951
Miscellaneous	1,474	1,474	3,746	2,272
Interest	190,416	177,416	130,939	(46,477)
Grants	24,890	24,890	23,743	(1,147)
Refunds	8,665	8,665	360,315	351,650
Transfers and distributions	3,198,399	3,154,199	3,035,092	(119,107)
Other	346,111	582,011	331,370	(250,641)
Total Revenues	40,386,539	40,742,059	41,158,420	416,361
Total Available Resources	44,651,426	45,006,946	45,423,307	416,361
EXPENDITURES				
Operating expenditures:				
Salaries and benefits	3,676,354	3,909,761	3,856,156	53,605
Other personal services	58,806	72,763	68,784	3,979
Expenses	357,512	388,362	379,952	8,410
Grants and aids	15,109,337	15,135,318	15,133,287	2,031
Operating capital outlay	14,069	17,305	16,014	1,291
Food products	68,405	67,480	67,280	200
Fixed capital outlay	125,339	125,339	125,339	—
Lump sum	405,649	16,238	16,238	—
Special categories	11,529,219	12,203,603	11,990,395	213,208
Financial assistance payments	353,115	352,260	351,060	1,200
Continuing Appropriations	—	326,894	326,894	—
Grants/aids to local governments	145,527	145,527	145,527	—
Data processing services	43,502	48,852	48,453	399
Pensions and benefits	2,497	2,497	1,122	1,375
Claim bills and relief acts	—	8,477	8,477	—
Total Operating Expenditures	31,889,331	32,820,676	32,534,978	285,698
Nonoperating expenditures:				
Transfers	5,628,750	5,628,750	5,628,750	—
Refunds	377,131	377,131	377,131	—
Other	2,437,759	2,437,759	2,437,759	—
Total Nonoperating Expenditures	8,443,640	8,443,640	8,443,640	—
Total Expenditures	40,332,971	41,264,316	40,978,618	285,698
Fund Balances, June 30, 2018	$ 4,318,455	$ 3,742,630	$ 4,444,689	$ 702,059

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, 2018
(in thousands)

	Natural Resources, Environment, and Growth Management			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Fund Balances, July 1, 2017	$ 2,055,437	$ 2,055,437	$ 2,055,437	$ —
Reversions	4,687	4,687	4,687	—
Fund Balances, July 1, 2017, restated	2,060,124	2,060,124	2,060,124	—
REVENUES				
Fees and charges	125,312	230,746	168,884	(61,862)
Licenses	42,325	55,259	51,035	(4,224)
Taxes	5,330	310,600	315,011	4,411
Miscellaneous	227	445	374	(71)
Interest	23,589	51,397	26,837	(24,560)
Grants	234,039	174,014	163,981	(10,033)
Refunds	2,679	6,406	8,111	1,705
Bond proceeds	170	—	—	—
Transfers and distributions	1,548,462	1,533,403	1,603,098	69,695
Other	114,334	26,849	136,707	109,858
Total Revenues	2,096,467	2,389,119	2,474,038	84,919
Total Available Resources	4,156,591	4,449,243	4,534,162	84,919
EXPENDITURES				
Operating expenditures:				
Salaries and benefits	333,868	346,103	330,525	15,578
Other personal services	24,152	24,417	21,754	2,663
Expenses	61,206	61,047	57,596	3,451
Grants and aids	14,493	14,493	14,433	60
Operating capital outlay	3,855	4,335	4,064	271
Fixed capital outlay	511,994	511,994	511,994	—
Lump sum	500	—	—	—
Special categories	290,260	313,788	278,732	35,056
Grants/aids to local governments	380,110	380,110	380,110	—
Data processing services	911	910	907	3
Total Operating Expenditures	1,621,349	1,657,197	1,600,115	57,082
Nonoperating expenditures:				
Transfers	484,241	484,241	484,241	—
Refunds	20,759	20,759	20,759	—
Other	350,786	350,786	350,786	—
Total Nonoperating Expenditures	855,786	855,786	855,786	—
Total Expenditures	2,477,135	2,512,983	2,455,901	57,082
Fund Balances, June 30, 2018	$ 1,679,456	$ 1,936,260	$ 2,078,261	$ 142,001

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, 2018
(in thousands)

	Public Education			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Fund Balances, July 1, 2017	$ 1,043,223	$ 1,043,223	$ 1,043,223	$ —
Reversions	11,856	11,856	11,856	—
Fund Balances, July 1, 2017, restated	1,055,079	1,055,079	1,055,079	—
REVENUES				
Fees and charges	72,923	61,340	60,440	(900)
Licenses	958	920	931	11
Taxes	780,416	638,399	640,666	2,267
Miscellaneous	679	78	78	—
Interest	27,046	37,364	35,464	(1,900)
Grants	2,167,300	2,272,175	2,266,318	(5,857)
Refunds	2,125	4,190	4,226	36
Bond proceeds	127,805	—	—	—
Transfers and distributions	2,962,108	3,125,702	3,125,702	—
Other	131,967	158,785	188,496	29,711
Total Revenues	6,273,327	6,298,953	6,322,321	23,368
Total Available Resources	7,328,406	7,354,032	7,377,400	23,368
EXPENDITURES				
Operating expenditures:				
Salaries and benefits	38,541	39,230	34,106	5,124
Other personal services	1,088	1,088	270	818
Expenses	8,250	8,215	4,668	3,547
Grants and aids	3,155,720	3,259,620	3,244,675	14,945
Operating capital outlay	701	701	137	564
Fixed capital outlay	1,749,646	1,749,646	1,749,646	—
Special categories	963,271	952,891	952,891	—
Financial assistance payments	59,838	59,838	59,770	68
Payments to U.S. Treasury	970	69	69	—
Data processing services	10,316	10,352	9,058	1,294
Total Operating Expenditures	5,988,341	6,081,650	6,055,290	26,360
Nonoperating expenditures:				
Transfers	328,282	328,282	328,282	—
Refunds	78	78	78	—
Other	9,519	9,519	9,519	—
Total Nonoperating Expenditures	337,879	337,879	337,879	—
Total Expenditures	6,326,220	6,419,529	6,393,169	26,360
Fund Balances, June 30, 2018	$ 1,002,186	$ 934,503	$ 984,231	$ 49,728

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

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BUDGETARY COMPARISON SCHEDULES
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(in thousands)

	Health and Family Services			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Fund Balances, July 1, 2017	$ 1,828,525	$ 1,828,525	$ 1,828,525	$ —
Reversions	521,259	521,259	521,259	—
Fund Balances, July 1, 2017, restated	2,349,784	2,349,784	2,349,784	—
REVENUES				
Fees and charges	1,666,077	1,787,422	1,342,324	(445,098)
Licenses	21,797	21,873	23,933	2,060
Taxes	627,406	627,406	632,134	4,728
Interest	3,835	2,992	2,633	(359)
Grants	20,006,614	20,250,617	18,788,993	(1,461,624)
Refunds	2,068,943	2,100,683	2,192,468	91,785
Bond proceeds	—	65,377	—	(65,377)
Transfers and distributions	2,570,502	2,622,400	2,465,165	(157,235)
Other	36,751	39,513	71,689	32,176
Total Revenues	27,001,925	27,518,283	25,519,339	(1,998,944)
Total Available Resources	29,351,709	29,868,067	27,869,123	(1,998,944)
EXPENDITURES				
Operating expenditures:				
Salaries and benefits	1,273,645	1,299,004	1,222,529	76,475
Other personal services	119,216	121,581	97,234	24,347
Expenses	288,671	288,160	234,208	53,952
Grants and aids	46,374	61,643	48,776	12,867
Operating capital outlay	17,082	17,002	10,896	6,106
Food products	1,110	1,110	940	170
Fixed capital outlay	5,701	5,701	5,701	—
Lump sum	11,612	—	—	—
Special categories	23,240,264	23,059,846	22,789,725	270,121
Financial assistance payments	65,691	65,691	28,781	36,910
Grants/aids to local governments	2,081	2,081	2,081	—
Data processing services	22,090	22,715	22,161	554
Claim bills and relief acts	4,525	4,525	4,525	—
Total Operating Expenditures	25,098,062	24,949,059	24,467,557	481,502
Nonoperating expenditures:				
Continuing Appropriations	39,640	39,640	39,640	—
Transfers	1,271,668	1,271,668	1,271,668	—
Refunds	14,509	14,509	14,509	—
Other	299,877	299,877	299,877	—
Total Nonoperating Expenditures	1,625,694	1,625,694	1,625,694	—
Total Expenditures	26,723,756	26,574,753	26,093,251	481,502
Fund Balances, June 30, 2018	$ 2,627,953	$ 3,293,314	$ 1,775,872	$ (1,517,442)

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, 2018
(in thousands)

	Transportation			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Fund Balances, July 1, 2017	$ 301,678	$ 301,678	$ 301,678	$ —
Reversions	1,943	1,943	1,943	—
Fund Balances, July 1, 2017, restated	303,621	303,621	303,621	—
REVENUES				
Fees and charges	173,976	175,000	173,976	(1,024)
Taxes	2,852,297	3,113,000	2,852,297	(260,703)
Miscellaneous	207,550	—	—	—
Interest	1,442	1,442	1,393	(49)
Grants	—	—	1	1
Refunds	15,904	15,904	15,904	—
Bond proceeds	302,000	302,000	409,900	107,900
Transfers and distributions	443,078	427,174	387,051	(40,123)
Other	19,800	19,047	19,047	—
Total Revenues	4,016,047	4,053,567	3,859,569	(193,998)
Total Available Resources	4,319,668	4,357,188	4,163,190	(193,998)
EXPENDITURES				
Operating expenditures:				
Salaries and benefits	4,101	4,058	3,651	407
Other personal services	18	18	9	9
Expenses	771	771	695	76
Operating capital outlay	5	5	5	—
Fixed capital outlay	329,449	329,449	329,449	—
Special categories	80,455	56,712	55,717	995
Total Operating Expenditures	414,799	391,013	389,526	1,487
Nonoperating expenditures:				
Transfers	368,039	368,039	368,039	—
Refunds	71,935	71,935	71,935	—
Other	2,967,999	2,967,999	2,967,999	—
Total Nonoperating Expenditures	3,407,973	3,407,973	3,407,973	—
Total Expenditures	3,822,772	3,798,986	3,797,499	1,487
Fund Balances, June 30, 2018	$ 496,896	$ 558,202	$ 365,691	$ (192,511)

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, 2018
(in thousands)

	General Fund	Natural Resources, Environment, and Growth Management	Public Education	Health and Family Services	Transportation
Budgetary basis fund balances	$ 4,444,689	$ 2,078,261	$ 984,231	$ 1,775,872	$ 365,691
Items not included in budgetary basis fund balances:					
Security lending investments within the State Treasury	1,132,027	116,934	83,624	6,185	132,217
Fair value adjustments to investments within the State Treasury	(129,735)	(19,360)	(13,845)	(1,024)	(21,891)
Special investments within the State Treasury	26,544	—	—	28,737	—
Non-State Treasury cash and investments	1,027,606	2,400	36	26,265	1,159,525
Adjustment for State Transportation Trust Fund elimination	—	—	—	—	418,670
Adjusted budgetary basis fund balances	6,501,131	2,178,235	1,054,046	1,836,035	2,054,212
Adjustments (basis differences):					
Net receivables/(payables) not carried forward	571,467	1,356,978	(103,008)	810,761	22,847
Net deferred outflows/(inflows) of resources	(160,020)	(1,119)	—	(867,865)	(419,037)
Inventories, prepaid items and deferred charges	11,680	769	—	36,901	7,099
Encumbrances	213,146	13,955	76,935	93,293	35,777
GAAP basis fund balances	$ 7,137,404	$ 3,548,818	$ 1,027,973	$ 1,909,125	$ 1,700,898

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. For the fiscal year ended June 30, 2018, State Transportation Trust fund revenues and expenditures totaled $2.87 billion and $7.08 billion, respectively.

Budget to GAAP Reconciliation

The budgetary comparison schedules for the General Fund and the major special revenue funds present comparisons of the original budget and final budget with actual revenues and expenditures on a budgetary basis. A budget to GAAP reconciliation is presented following the budgetary comparison schedules because accounting principles for budgetary basis differ significantly from those used to present financial statements in conformity with GAAP.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FLORIDA RETIREMENT SYSTEM
LAST 10 FISCAL YEARS*
(in thousands)

	2014	2015	2016	2017
Proportion of the net pension liability	17.802202632%	17.961696240%	18.150587866%	17.591496280%
Proportionate share of the net pension liability	$ 1,086,196	$ 2,319,994	$ 4,583,038	$ 5,203,447
Covered-employee payroll	$ 4,538,946	$ 4,591,628	$ 4,596,099	$ 4,621,442
Proportionate share of the net pension liability as percentage of covered payroll	23.93%	50.53%	99.72%	112.59%
Plan fiduciary net position as a percentage of the total pension liability	96.09%	92.00%	84.88%	83.89%

Notes to Schedule:

Changes in actuarial assumptions: The long-term expected rate of return was decreased from 7.60% to 7.10%.

* Fiscal year 2015 was the first year of GASB Statement No. 68 implementation; therefore, information was not available for a full 10-year presentation.

SCHEDULE OF STATE CONTRIBUTIONS TO PENSION PLAN
FLORIDA RETIREMENT SYSTEM
LAST 10 FISCAL YEARS*
(in thousands)

	2015	2016	2017	2018
Statutorily required contributions	$ 437,921	$ 442,631	$ 457,950	$ 505,400
Contributions recognized by the plan	437,921	442,631	457,950	505,400
Contribution deficiency (excess)	$ —	$ —	$ —	$ —
Covered payroll	$ 4,591,628	$ 4,596,099	$ 4,621,442	$ 4,791,286
Contributions recognized by the plan as a percentage of covered payroll	9.54%	9.63%	9.91%	10.55%

* Fiscal year 2015 was the first year of GASB Statement No. 68 implementation; therefore, information was not available for a full 10-year presentation.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
RETIREE HEALTH INSURANCE SUBSIDY PROGRAM
LAST 10 FISCAL YEARS*
(in thousands)

	2014	2015	2016	2017
Proportion of the net pension liability	15.286183318%	15.144426318%	14.878355474%	14.470956524%
Proportionate share of the net pension liability	$ 1,429,295	$ 1,544,493	$ 1,734,011	$ 1,547,301
Covered-employee payroll	$ 4,534,435	$ 4,588,003	$ 4,593,175	$ 4,619,123
Proportionate share of the net pension liability as percentage of covered payroll	31.52%	33.66%	37.75%	33.50%
Plan fiduciary net position as a percentage of the total pension liability	0.99%	0.50%	0.97%	1.64%

Notes to Schedule:

Changes in actuarial assumptions: The municipal rate used to determine total pension liability was increased from 2.85% to 3.58%.

* Fiscal year 2015 was the first year of GASB Statement No. 68 implementation; therefore, information was not available for a full 10-year presentation.

SCHEDULE OF STATE CONTRIBUTIONS TO PENSION PLAN
RETIREE HEALTH INSURANCE SUBSIDY PROGRAM
LAST 10 FISCAL YEARS*
(in thousands)

	2015	2016	2017	2018
Statutorily required contributions	$ 57,891	$ 76,261	$ 76,584	$ 79,399
Contributions recognized by the plan	57,891	76,261	76,584	79,399
Contribution deficiency (excess)	$ —	$ —	$ —	$ —
Covered payroll	$ 4,588,003	$ 4,593,175	$ 4,619,123	$ 4,789,207
Contributions recognized by the plan as a percentage of covered payroll	1.26%	1.66%	1.66%	1.66%

* Fiscal year 2015 was the first year of GASB Statement No. 68 implementation; therefore, information was not available for a full 10-year presentation.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FLORIDA NATIONAL GUARD SUPPLEMENTAL RETIREMENT BENEFIT PLAN
LAST 10 FISCAL YEARS*
(in thousands)

	2014	2015	2016	2017	2018
Total Pension liability					
Service cost	$ 5,979	$ 7,161	$ 9,044	$ 12,904	$ 9,925
Interest on total pension liability	18,852	19,164	19,259	19,100	21,080
Effect of plan changes	—	—	—	—	—
Effect of economic/demographic (gains) or losses	—	—	27,462	—	39,056
Effects of assumption changes or inputs	27,926	46,330	118,280	(95,586)	90,989
Benefit payments	(14,366)	(14,423)	(14,413)	(14,677)	(14,897)
Net changes in total pension liability	38,391	58,232	159,632	(78,259)	146,153
Total pension liability, beginning	408,292	446,683	504,915	664,547	586,288
Total pension liability, ending	$ 446,683	$ 504,915	$ 664,547	$ 586,288	$ 732,441
Fiduciary Net Position					
Employer contributions	$ 14,366	$ 14,495	$ 14,423	$ 14,720	$ 14,905
Member contributions	—	—	—	—	—
Investment income net of investment expenses	—	—	—	—	—
Benefit payments	(14,366)	(14,423)	(14,413)	(14,677)	(14,897)
Administrative expenses	—	(72)	(10)	(43)	(8)
Net change in fiduciary position	—	—	—	—	—
Fiduciary net position-beginning	—	—	—	—	
Fiduciary net position-ending	$ —	$ —	$ —	$ —	$ —
Net pension liability-ending	$ 446,683	$ 504,915	$ 664,547	$ 586,288	$ 732,441
Fiduciary net position as a % of the total pension liability	0.00%	0.00%	0.00%	0.00%	0.00%
Covered payroll	$ 466,939	$ 476,278	$ 477,549	$ 487,100	$ 485,666
Net pension liability as a % of covered-payroll	95.66%	106.01%	139.16%	120.36%	150.81%

Notes to Schedule:

Changes of assumptions or input: The municipal bond rate used to determine total pension liability increased from 3.58% to 3.87%. The annual cost-of-living adjustment used to determine total pension liability increased from 1.5% to 2.6%.

* Fiscal year 2015 was the first year of GASB Statement No. 68 implementation; therefore, information was not available for a full 10-year presentation.

SCHEDULE OF STATE CONTRIBUTIONS TO PENSION PLAN
FLORIDA NATIONAL GUARD SUPPLEMENTAL RETIREMENT BENEFIT PLAN
LAST 10 FISCAL YEARS*
(in thousands)

	2014	2015	2016	2017	2018
Statutorily required State contribution	$ 14,366	$ 14,495	$ 14,423	$ 14,720	$ 14,905
Contributions recognized by the plan	14,366	14,495	14,423	14,720	14,905
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —
Covered payroll	$ 466,939	$ 476,278	$ 477,549	$ 487,100	$ 485,666
Contributions as a percentage of covered-employee payroll	3.08%	3.04%	3.02%	3.02%	3.07%

* 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 OTHER POSTEMPLOYMENT BENEFITS LIABILITY
LAST 10 FISCAL YEARS*
(in thousands)

	2017
Total OPEB Liability	
Service cost	$ 558,284
Interest	350,228
Changes of benefit terms	—
Difference between expected and actual experience	—
Changes of assumptions or other inputs	(1,746,361)
Benefit payments	(162,902)
Other changes	—
Net Changes in Total OPEB Liability	(1,000,751)
Total OPEB Liability - Beginning	11,811,836
Total OPEB Liability - Ending	$ 10,811,085
Covered-employee payroll	$ 7,847,743
Total OPEB liability as a percentage of covered-employee payroll	137.76 %

*Fiscal Year 2018 was the first year of GASB Statement No. 75 implementation; therefore, information was not available for a full 10-year presentation.

Note to Required Supplementary Information

The Division of State Group Insurance's Other Postemployment Benefits Plan (OPEB) does not have assets accumulated in a trust that meets the criteria in Paragraph 4 of GASB Statement No. 75 to pay related benefits.

Potential factors that may significantly decrease/increase State's total OPEB liability reported as of June 30, 2018 include discount rate, inflation rate, salary increases, payroll growth, healthcare inflation, retiree contribution increase rate, medical aging factors, healthcare participation, healthcare cost trends, mortality rates, and other demographic assumptions.

The discount rate changed from 2.85% for the opening balance as of June 30, 2016 to the discount rate of 3.58% as of June 30, 2017. This change resulted in a decrease in total OPEB liability.

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 12,106 centerline miles of roads and 6,979 bridges that the state is responsible for maintaining.

In order to utilize the modified approach, the state is required to:

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets.
- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Estimate each year the annual amount to maintain and preserve the assets at the condition level established and disclosed by the state.
- Document that the assets are being preserved approximately at, or above, the established condition level.

Condition and Maintenance Programs

Resurfacing Program: Road pavements require periodic resurfacing. The frequency of resurfacing depends on the volume of traffic, type of traffic, pavement material variability, and weather conditions. Resurfacing preserves the structural integrity of highway pavements and includes pavement resurfacing, pavement rehabilitation, and minor reconstruction.

The Florida Department of Transportation (FDOT) conducts an annual Pavement Condition Survey. Pavements are rated on a scale of 0 to 10 (with 10 being the best) in each of three criteria: ride smoothness, pavement cracking, and wheel path rutting. Ride smoothness is what the motorist experiences. It directly affects motor vehicle operation costs. Pavement cracking refers to the structural deterioration of the pavement, which leads to loss of smoothness and deterioration of the road base by water seepage if not corrected. Wheel path rutting refers to depressions in pavement caused by heavy use. Ride smoothness and wheel path rutting are measured mechanically using lasers. Pavement cracking is determined through visual observation by experienced survey crews.

The condition rating scales were set by a statewide committee of pavement engineers, so that a pavement segment receiving a rating of six or less in any of the three rating criteria is designated a deficient pavement segment. In low-speed areas, the ride rating must drop to five or less before a pavement segment is considered deficient due to ride.

The FDOT standard is to ensure that 80% of the pavement on the State Highway System remains non-deficient.

Bridge Repair/Replacement Program: The FDOT Bridge Repair Program places primary emphasis on periodic maintenance and specified rehabilitation work activities on State Highway System bridge structures. The FDOT Bridge Replacement Program's primary focus is on the replacement of structurally deficient or weight restricted bridges on the State Highway System. In addition, the Bridge Replacement Program addresses bridges that require structural repair but which are more cost effective to replace.

The FDOT conducts bridge condition surveys using the National Bridge Inspection Standards to determine condition ratings. Each bridge is inspected at least once every two years. During the inspection process, the major components such as deck, superstructure, and substructure are assigned a condition rating. The condition rating ranges from 0 to 9. By FDOT policy, a rating of 8 to 9 is excellent. A rating of 6 to 7 is good. A rating of 5 indicates fair condition. A rating of 4 or less identifies bridges in poor condition requiring major repairs or replacement per FDOT policy. A rating of 2 indicates a critical bridge condition, and a rating of 1 indicates imminent bridge failure and is used for a bridge that is closed, but with corrective action may be put back into light service. A rating of 0 indicates that the bridge is out of service and beyond corrective action. Per FDOT policy, bridges rated fair or poor do not meet performance standards.

The FDOT standard is to ensure that 90% of all department maintained bridges do not need major repairs or replacement.

Routine Maintenance Program: The FDOT is responsible for managing and performing routine maintenance on the State Highway System to help preserve the condition of the system. Routine maintenance includes many activities, such as repairing

highways, keeping up roadsides, responding to emergencies, maintaining signs, striping roadways, and keeping storm drains clear and structurally sound.

The quality and effectiveness of the routine maintenance program is monitored by periodic surveys, using the Maintenance Rating Program (MRP), which results in an annual assessment. The MRP has been used since 1985 to evaluate routine maintenance of the transportation system in five broad categories or elements. The five rating elements are roadway, roadside, vegetation/aesthetics, traffic services, and drainage. The MRP provides a maintenance rating of 0 to 100 for each category and overall.

The FDOT standard is to achieve and maintain an overall maintenance rating of 80.

Condition Rating for the State Highway System

Percentage of pavement meeting FDOT standards

2018	2017	2016
91%	92%	92%

Percentage of bridges meeting FDOT standards

2018	2017	2016
95%	96%	96%

Maintenance Rating

2018	2017	2016
85	86	86

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

Resurfacing Program

	2018	2017	2016	2015	2014
Needed	$ 590.4	$ 530.8	$ 619.5	$ 571.6	$ 467.6
Actual	522.6	541.5	610.1	570.6	455.6

Bridge Repair/Replacement Program

	2018	2017	2016	2015	2014
Needed	$ 239.6	$ 642.5	$ 191.4	$ 110.4	$ 239.4
Actual	240.3	567.2	199.3	111.6	182.6

Routine Maintenance Program

	2018	2017	2016	2015	2014
Needed	$ 655.0	$ 661.3	$ 627.4	$ 599.9	$ 592.2
Actual	756.1	741.7	723.3	694.6	641.2

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 <u>underlining</u> 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 <u>17.57</u> ~~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.

APPENDIX E

STATE OF FLORIDA

FULL FAITH AND CREDIT
STATE BOARD OF EDUCATION
PUBLIC EDUCATION CAPITAL OUTLAY BONDS

SIXTY-SEVENTH SUPPLEMENTAL AUTHORIZING RESOLUTION

PROVIDING FOR THE

ISSUANCE OF

PUBLIC EDUCATION CAPITAL OUTLAY REFUNDING BONDS

2019 SERIES (TO BE DETERMINED)

MARCH 19, 2019

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 $640,000,000 PUBLIC EDUCATION CAPITAL OUTLAY REFUNDING BONDS, 2019 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, 2006 SERIES G BUILD AMERICA BONDS (FEDERALLY TAXABLE-ISSUER SUBSIDY), 2007 SERIES G BUILD AMERICA BONDS (FEDERALLY TAXABLE-ISSUER SUBSIDY), 2008 SERIES D BUILD AMERICA BONDS (FEDERALLY TAXABLE-ISSUER SUBSIDY), AND 2009 SERIES F BUILD AMERICA BONDS (FEDERALLY TAXABLE-ISSUER SUBSIDY), 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-seventh 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-seventh 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-seventh 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-seventh Supplemental Authorizing Resolution" shall mean this Sixty-seventh 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, 2006 Series G Build America Bonds (Federally Taxable-Issuer Subsidy), 2007 Series G Build America Bonds (Federally Taxable-Issuer Subsidy), 2008 Series D Build America Bonds (Federally Taxable-Issuer Subsidy), and 2009 Series F Build America Bonds (Federally Taxable-Issuer Subsidy), which will be refunded by the Refunding Bonds.

"Refunding Bonds" shall mean the not exceeding $640,000,000 Public Education Capital Outlay Refunding Bonds, 2019 Series (to be determined), issued pursuant to this Sixty-seventh Supplemental Authorizing Resolution.

"Retirement Fund" shall mean the State of Florida, Full Faith and Credit, State Board of Education, 2019 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-seventh 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-seventh 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-seventh 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-seventh Supplemental Authorizing Resolution, bonds of the State Board are hereby authorized to be issued in the aggregate principal amount of not exceeding $640,000,000. Such bonds shall each be designated "State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Refunding Bonds, 2019 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-seventh 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, 2019 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-seventh 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-seventh 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-seventh Supplemental Authorizing Resolution, all the covenants and agreements between the State Board and the Registered Owners of Refunding Bonds contained in this Sixty-seventh 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-seventh 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-seventh 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-seventh Supplemental Authorizing Resolution, to the extent that they are inconsistent with this Sixty-seventh Supplemental Authorizing Resolution, are hereby repealed, revoked, and rescinded.

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

ADOPTED ON MARCH 19, 2019.

APPENDIX F

CERTAIN DEFINITIONS

"2019D Bonds" means the $168,825,000 State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Refunding Bonds, 2019 Series D, issued pursuant to the Sixty-seventh 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 2019 Series C.

"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 the State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Bonds, 2007 Series G Build America Bonds (Federally Taxable - Issuer Subsidy), which will be redeemed pursuant to the issuance of the 2019D Bonds.

"Refunding Bonds" means the 2019D 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-seventh Supplemental Authorizing Resolution” means the Sixty-seventh Supplemental Authorizing Resolution adopted by the State Board of Education on March 19, 2019, 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 $168,825,000 State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Refunding Bonds, 2019 Series D (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 March 19, 2019 (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, as amended and supplemented, 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.

"Financial Obligation" shall mean a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) a guarantee of (a) or (b). The term financial obligation does not include municipal securities as to which a final official statement has been otherwise provided to the Municipal Securities Rulemaking Board (the "MSRB") under the Rule.

"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, 2019, and thereafter, annual financial information and operating data shall be provided within nine months after the end of the State's fiscal year. Such information shall include:

(a) Gross 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, as enumerated in the Rule, relating to the Bonds will be provided in a timely manner not in excess of ten business days after the occurrence of the event:

(1) principal and interest payment delinquencies; (2) non-payment related defaults;
(3) unscheduled draws on debt-service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform;
(6) 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;
(7) modifications to rights of security holders, if material; (8) bond calls, if material, and tender offers;
(9) defeasances;
(10) release, substitution or sale of property securing repayment of the securities, if material; (11) rating changes;
(12) bankruptcy, insolvency, receivership or similar event of the obligated person;
(13) 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;
(14) appointment of a successor or additional trustee or the change of name of a trustee, if material;
(15) incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and
(16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

(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 MSRB using the MSRB's Electronic Municipal Market Access System ("EMMA") or by such other method as may be subsequently determined by the MSRB.

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

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

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

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

(D) The Board of Education's obligations hereunder shall continue until such time as the Bonds are no longer Outstanding or until the Board of Education shall otherwise no longer remain obligated on the Bonds.

(E) This Disclosure Agreement may be amended or modified so long as:

(1) any such amendments are not violative of any rule or regulation of the SEC or MSRB, or other federal or state regulatory body;

(2) the amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the obligated person, or type of business conducted;

(3) this Disclosure Agreement, as amended, would have complied with the requirements of Rule 15c2-12 of the SEC at the time of the primary offering, after taking into account any amendments or interpretations of the rule, as well as any change in circumstances; and

(4) the amendment does not materially impair the interests of Beneficial Owners or Registered Owners, as determined either by parties unaffiliated with the issuer or obligated person (such as bond counsel), or by approving vote of the Beneficial Owners and Registered Owners pursuant to the terms of the Resolution at the time of the amendment.

SECTION 4. ADDITIONAL INFORMATION. If, when submitting any information required by this Disclosure Agreement, the Board of Education chooses to include additional information not specifically required by this Disclosure Agreement, the Board of Education shall have no obligation under this Disclosure Agreement to update such information or include it in any such future submission.

Dated this ___ day of _______, 2019.

GOVERNING BOARD OF 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 2019 Series D Bonds, Squire Patton Boggs (US) LLP, Bond Counsel, proposes to render its final opinion with respect to the 2019 Series D 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 $168,825,000 State of Florida, Full Faith and Credit, State Board of Education, Public Education Capital Outlay Refunding Bonds, 2019 Series D (the "2019 Series D Bonds"), dated the date of delivery thereof. The 2019 Series D 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 all or a portion of the Outstanding State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Bonds, 2007 Series G Build America Bonds (Federally Taxable - Issuer Subsidy), 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 2019 Series D Bonds, a conformed copy of the signed but unauthenticated Bond of the first maturity, the Resolution and such other documents, matters and law as we deem necessary to render the opinions set forth in this letter.

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

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

2. The principal of, premium, if any, and interest on the 2019 Series D 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 2019 Series D 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. Interest on the 2019 Series D 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. The 2019 Series D 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.

We express no opinion as to any other tax consequences regarding the 2019 Series D 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 treatment of the interest on the 2019 Series D Bonds under the federal tax laws, we further assume and rely upon compliance with the covenants in the proceedings and documents we have examined, including those of the Board of Education. Failure to comply with certain of those covenants subsequent to issuance of the 2019 Series D Bonds may cause interest on the 2019 Series D Bonds to be included in gross income for federal income tax purposes retroactively to their date of issuance.

The rights of the owners of the 2019 Series D Bonds and the enforceability of the 2019 Series D Bonds and the Resolution are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or transfer, and other laws relating to or affecting the rights and remedies of creditors generally; to the application of equitable principles, whether considered in a proceeding at law or in equity; to the exercise of judicial discretion; and to limitations on legal remedies against public entities.

No opinions other than those expressly stated herein are implied or shall be inferred as a result of anything contained in or omitted from this letter. The opinions expressed in this letter are stated only as of the time of its delivery and we disclaim any obligation to revise or supplement this letter thereafter. Our engagement as bond counsel in connection with the original issuance and delivery of the 2019 Series D Bonds is concluded upon delivery of this letter.

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 (THE “DIVISION”) BELIEVES TO BE RELIABLE; HOWEVER, THE DIVISION TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Refunding Bonds, 2019 Series D Bonds (the “2019D Bonds”). The 2019D 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 2019D Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities and Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants” and together with Direct Participants, the “Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission.

Purchases of the 2019D Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2019D Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2019D 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 2019D 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 2019D Bonds, except in the event that use of the book-entry system is discontinued.

To facilitate subsequent transfers, all 2019D 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 2019D 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 2019D Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such 2019D 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 2019D Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the 2019D Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2019D Bond documents. For example, Beneficial Owners of 2019D Bonds may wish to ascertain that the nominee holding the 2019D 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 2019D 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 2019D Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Division as soon as practicable after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2019D 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 2019D Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the Bond Registrar/Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, (nor its nominee), the Bond Registrar/Paying Agent, the Division, or the 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 2019D Bonds at any time by giving reasonable notice to the Division or Bond Registrar/Paying Agent and discharging its responsibilities with respect thereto under applicable law. The Division may decide to discontinue use of the system of book-entry transfers for the 2019D 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 2019D Bonds will be printed and delivered as provided in the documents authorizing the issuance and sale of the 2019D Bonds.

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

The Division, 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 2019D 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 2019D 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 2019D Bonds, or the purchase price of, any 2019D 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 2019D Bonds for partial redemption.

So long as the 2019D Bonds are held in book-entry only form, the Division, 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 2019D Bonds for all purposes whatsoever, including, without limitation:

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

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

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

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

Payment, Registration, Transfer and Exchange

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

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

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

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

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

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