

MEETING OF THE STATE BOARD OF ADMINISTRATION

**GOVERNOR SCOTT AS CHAIRMAN
CHIEF FINANCIAL OFFICER ATWATER AS TREASURER
ATTORNEY GENERAL BONDI AS SECRETARY**

MARCH 7, 2013

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AGENDA

- ITEM 1.** Request approval of the minutes of the December 11, 2012 and January 23, 2013 meetings.

(See Attachments 1A and 1B)

ACTION REQUIRED

- ITEM 2.** Request approval of a draft letter certifying the Trustees have reviewed the Auditor General's Annual Financial Audit (Report No. 2013-092) of the Local Government Surplus Funds Trust Fund (now known as "Florida Prime").

Pursuant to Section 218.409(9), F.S., the Auditor General shall conduct an annual financial audit of the trust fund, which shall include testing for compliance with the investment policy. The trustees shall report to the Joint Legislative Auditing Committee that the trustees have reviewed the report of the trust fund audit and shall certify that any necessary items are being addressed by a corrective action plan that includes target completion dates. The Auditor General did not report any material findings, but did recommend a corrective action plan that has been implemented.

(See Attachments 2A and 2B)

ACTION REQUIRED

- ITEM 3.** Request approval of Amy Lovoy, Director of Management and Budget, Escambia County, Gary Price, Founder and Principal, Fifth Avenue Advisors, Naples, Florida, Doug Belden, Hillsborough County Tax Collector, and Patsy Heffner, Osceola County Tax Collector, to the Participant Local Government Advisory Council (S.218.409(10)(A), F.S.).

(See Attachments 3A through 3D)

ACTION REQUIRED

S T A T E O F F L O R I D A

*JOINT MEETING OF THE
CABINET OF THE STATE OF FLORIDA
AND THE
STATE BOARD OF ADMINISTRATION*

DATE: December 11, 2012

LOCATION: Cabinet Meeting Room, LL-03
The Capitol
Tallahassee, Florida

TIME: Commenced at 12:51 p.m.
Concluded at 1:14 p.m.

REPORTED BY: CAROLYN L. RANKINE
Registered Professional
Reporter and Notary Public

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APPEARANCES:

Representing the Florida Cabinet:

RICK SCOTT
Governor

PAM BONDI
Attorney General

JEFF ATWATER
Chief Financial Officer

INDEX

STATE BOARD OF ADMINISTRATION (Presented by EXECUTIVE DIRECTOR ASH WILLIAMS)

<u>ITEM</u>	<u>ACTION</u>	<u>PAGE</u>
1	APPROVED	4
2	APPROVED	5
3	APPROVED	5
4	APPROVED	6
5	APPROVED	14
6	APPROVED	15
7	APPROVED	16

QUARTERLY REPORTS:

Executive Director/CIO Introductory Remarks	16
Standing Reports:	
Investment Advisory Council, Martin Garcia	18
Audit Committee, Rolf Engmann	19
PLGAC, Ash Williams	21
Major Mandates Investment Review	22
Mike Sabastian, Hewitt EnnisKnupp	
CERTIFICATE OF REPORTER	27

P R O C E E D I N G S

GOVERNOR SCOTT: Next I would like to recognize Executive Director Ash Williams of the State Board of Administration Quarterly Trustees meeting.

EXECUTIVE DIRECTOR WILLIAMS: Thank you, Governor, Cabinet Members. Item 1. Request approval of minutes of our September 18 and October 9, 2012 meetings.

GOVERNOR SCOTT: Is there a motion to approve?

ATTORNEY GENERAL BONDI: So moved.

GOVERNOR SCOTT: Is there a second?

CFO ATWATER: Second.

GOVERNOR SCOTT: Any comments or objections?

(No response.)

GOVERNOR SCOTT: Hearing none the motion carries.

EXECUTIVE DIRECTOR WILLIAMS: Item 2. Items 2 and 3 are actually both fiscal sufficiencies relating to refunding bonds for PECO and DOT, respectively, and they correspond to items that were just on Director Watkins' agenda. If you just want to move those

1 together.

2 GOVERNOR SCOTT: Sure. Is there a motion
3 to approve items 2 and 3?

4 CFO ATWATER: So moved.

5 ATTORNEY GENERAL BONDI: Second.

6 GOVERNOR SCOTT: Any comments or
7 objections?

8 (No response.)

9 GOVERNOR SCOTT: Hearing none the motion
10 carries.

11 EXECUTIVE DIRECTOR WILLIAMS: Thank you.
12 Item 4 relates to Florida Atlantic University
13 and it contains two different fiscal
14 sufficiencies. One is for a new money bond
15 issue of \$15,600,000, the other is a refunding
16 issue. What I would like to do if we could is
17 withdraw the component of item 4 relating to
18 the new money bond piece, and have it go
19 forward simply as a fiscal sufficiency for
20 \$10.5 million, State of Florida, Board of
21 Governors, Florida Atlantic University parking
22 facility revenue refunding bonds.

23 GOVERNOR SCOTT: All right. Are there any
24 questions or comments?

25 CFO ATWATER: So move.

1 ATTORNEY GENERAL BONDI: Second.

2 GOVERNOR SCOTT: Okay. Any objections?

3 (No response.)

4 GOVERNOR SCOTT: Hearing none the motion
5 carries.

6 EXECUTIVE DIRECTOR WILLIAMS: Thank you.
7 Item 5 requests approval of revised
8 comprehensive investment plans for the
9 Stanley G. Tate Florida Prepaid College Program
10 and Florida 529 Savings Plan. These revisions
11 that were recommended by the third-party
12 fiduciary adviser to the program Callan
13 Associates. They're an absolutely incredible
14 institution.

15 And the SBA has independently reviewed
16 these recommended changes, finds them to be
17 prudent and appropriate. We will recommend the
18 adoption. Mr. Kevin Thompson who is Executive
19 Director of the Florida Prepaid Program is
20 here. If you have any questions, he's
21 certainly available.

22 GOVERNOR SCOTT: Okay. All right. Kevin,
23 now do you have some -- do you have some data
24 you're going to be giving us? Great.

25 EXECUTIVE DIRECTOR THOMPSON: Governor,

1 Trustees, good morning -- or good afternoon.
2 Excuse me. We've been here since this
3 morning. I'll try to keep my comments down
4 from -- sorry -- my family's had a -- got a lot
5 of illness going around, I'm trying to lose my
6 voice a little bit.

7 Governor, you had some questions for us,
8 and we got some answers for you. You know, Ben
9 was talking about student debt. At Florida
10 College Prepaid Program we're concerned about
11 student debt. Florida Prepaid has been around
12 since 1987, we sold over a million-and-a-half
13 prepaid plans helping Florida families save for
14 college.

15 Nearly one in every 10 Florida child from
16 newborn to high-school age has a Florida
17 Prepaid Plan now. And I can tell you that
18 there are a lot of other families that would
19 like to buy plans, but you're going to hear
20 some concerns we got, issues we got about
21 prices that's preventing some of those families
22 to be able to do that.

23 I would also like to add, Governor and
24 Trustees, that -- well, some of the prepaid
25 programs around the country have struggled

1 financially with your good guidance,
2 conservative investment principles, and the 35
3 Trustees that have been put in place and
4 approved by a board have helped Florida Prepaid
5 remain financially sound. Today the program
6 has over \$10 billion investments, and most
7 importantly we're 105-percent funded.

8 Governor, getting to your specific
9 questions that you had asked us about -- asked
10 us to provide some data on. Again I have that
11 information for you. And I can you tell you
12 based on data, just big picture that -- I
13 mentioned this earlier -- the ability -- the
14 ability of Floridians, Florida families to
15 purchase the prepaid university plan in
16 particular has been significantly challenged by
17 rising cost of college.

18 And one might think -- you want to think
19 of prepaid as kind of leading indicator of what
20 people can afford, and in that regard any
21 efforts to keep the cost of tuition low for
22 Florida families -- Chancellor Hanna was here
23 earlier this morning talking about the \$10,000
24 champ challenge. It's a great example of those
25 type efforts. Those efforts are much

1 appreciated.

2 With regard to your questions on sales and
3 prices, before you, you should have slide
4 number 1 which shows the contract sold by year
5 for Florida Prepaid. And other than in 2003,
6 when there was some concern the program may be
7 shut down, there were over a hundred thousand
8 contracts sold that year. The sales have been
9 staying in the 40,000 range until 2011.

10 And if you notice then the sales dropped
11 by 50 percent. And if I overlay what's
12 happened with the price of a four-year
13 university contract -- this is the newborn
14 price, this is our most popular plan. When I
15 add that to the chart it kind of helps explain
16 the reason for that significance decline.
17 Since 2006 and seven, the price of a four-year
18 university plan for a newborn has increased
19 from about \$15,000 to \$54,000. Fifty-three
20 seven twenty-nine to be exact. So very a
21 significant increase.

22 Governor, I would like to add also here
23 that as a result of your efforts to keep
24 tuition affordable in Florida, the prepaid
25 board felt comfortable in making a couple of

1 pricing adjustments in '12-13 this past year.
2 And we adjusted, lowered prepaid premium prices
3 from what they otherwise would have been. One
4 of the things we did was reduce our tuition
5 replacement assumptions for the next three
6 years from 15 percent to 10 percent. And we
7 also put in place some pricing caps.

8 And just to illustrate impacts of that,
9 what the impact on that was on prices for a
10 four-year university contract for a newborn for
11 a university contract, that price was reduced
12 by about \$4700, and the price of a seventh
13 grade contract was reduced by about \$2400.

14 Finally, Governor, you asked us to provide
15 you with some protections on what the prepaid
16 plan prices for a four-year university plan
17 would have been if we could have assumed that
18 the rate of inflation for tuition fees was only
19 three percent. Let me just say currently our
20 inflation assumptions assume 10-percent
21 increases in tuition and differential fees
22 increases of 10 percent total for the next
23 three years and 15 percent thereafter until we
24 hit the national in the average. And the
25 national average is around seven percent.

1 And so here in this next slide you can see
2 how this would have changed our estimated cost
3 for a four-year university estimated tuition
4 and fees. If we just looked at the newborn
5 again for example, that total cost would have
6 dropped from 140,000 to just over \$40,000 using
7 a three-percent inflation number, rather than
8 the inflation numbers that I mentioned
9 earlier.

10 And so you say, well, what impact will
11 that have on your prices. Would that have that
12 many plans for affordable for Florida families,
13 you bet. Here, the blue line shows the current
14 prices for the four-year university plan. I
15 mentioned earlier the newborn price, it's just
16 over 50 -- around 54,000, and you can see that
17 if you would have assumed three-percent
18 inflation, that cost would have dropped down to
19 around \$18,000. So a 66-percent decrease.

20 GOVERNOR SCOTT: Okay. So I have a
21 grandson one year old, it's going to cost me
22 \$54,000.

23 EXECUTIVE DIRECTOR THOMPSON: Right.

24 GOVERNOR SCOTT: Approximately.

25 EXECUTIVE DIRECTOR THOMPSON:

1 Approximately.

2 GOVERNOR SCOTT: If we only have
3 three-percent tuition increases, then you could
4 sell it for 18,000.

5 EXECUTIVE DIRECTOR THOMPSON: Yes.

6 GOVERNOR SCOTT: So if a family -- see, my
7 understanding of the numbers is the monthly
8 cost right now for the 54,000 is a little over
9 \$330.

10 EXECUTIVE DIRECTOR THOMPSON: Right.

11 GOVERNOR SCOTT: So you go down to 112.

12 EXECUTIVE DIRECTOR THOMPSON: Yes, sir,
13 that's right.

14 GOVERNOR SCOTT: And we all have to
15 remember over 50 percent of the families in
16 this state make less than \$50,000 a year.
17 Families. I don't know how people are going to
18 pay for this.

19 ATTORNEY GENERAL BONDI: And when
20 Stanley Tate created this program, that was --
21 the intent was for affordable college for all
22 of our citizens, all of our youth. I mean, I
23 don't know how anyone can afford this. I know
24 that begs the question. But do you have any
25 other plan?

1 EXECUTIVE DIRECTOR THOMPSON: We price
2 based on primarily what's in the statute. And
3 right now the statutes allow for 15-percent
4 increases until the national average is
5 reached. At which point in time it can't
6 increase more than the national average. So
7 for us give it would take, if the law was more
8 legislatively, if it was limited more, then it
9 could probably affect our pricing.

10 GOVERNOR SCOTT: What change in the law
11 would require?

12 EXECUTIVE DIRECTOR THOMPSON: Governor, I
13 think we would need the statute where it
14 references the 15 percent would likely need to
15 be reduced or some other type language put
16 there that would further limit those increases
17 on an annual basis.

18 GOVERNOR SCOTT: So it could say it
19 couldn't grow faster than inflation or
20 something like that.

21 EXECUTIVE DIRECTOR THOMPSON: Yes, sir.
22 Thank you, Governor.

23 GOVERNOR SCOTT: Thank you very much.

24 EXECUTIVE DIRECTOR THOMPSON: Yes, sir.

25 GOVERNOR SCOTT: I think what the point of

1 this is, as price has gone up, you have fewer
2 sales.

3 ATTORNEY GENERAL BONDI: Significantly.

4 GOVERNOR SCOTT: I don't know how anybody
5 is going to pay for it so... Do we need to --

6 EXECUTIVE DIRECTOR WILLIAMS: You need
7 to approve the item.

8 GOVERNOR SCOTT: All right. Is there a
9 motion to approve?

10 CFO ATWATER: So move.

11 GOVERNOR SCOTT: Is there second?

12 ATTORNEY GENERAL BONDI: Second.

13 GOVERNOR SCOTT: Any comments; questions;
14 objections?

15 (No response.)

16 GOVERNOR SCOTT: Hearing none the motion
17 carries.

18 EXECUTIVE DIRECTOR WILLIAMS: Thank you.
19 Item number 6. Request approval of the SBA
20 Quarterly Report required by the Protecting
21 Florida's Investment Act, and the report, to
22 summarize very briefly shows very little
23 activity. A net of zero involving Iran. And
24 involving Sudan we have a reduction of three
25 companies in the scrutinize category, an

1 increase of four in the continued examination
2 category.

3 GOVERNOR SCOTT: Is there a motion to
4 approve.

5 CFO ATWATER: So move.

6 GOVERNOR SCOTT: Is there a second?

7 ATTORNEY GENERAL BONDI: Second. And,
8 Governor, may I make a quick statement on
9 that.

10 GOVERNOR SCOTT: Sure.

11 ATTORNEY GENERAL BONDI: I was just at the
12 meeting with all national attorneys general
13 and, Ash, we were specifically mentioned in
14 Florida as doing a very, very good diligent job
15 of vetting these companies, so thank you.

16 EXECUTIVE DIRECTOR WILLIAMS: Great, thank
17 you. Mike McCauley of our team who runs the
18 show in that area is right here.

19 ATTORNEY GENERAL BONDI: Thank you.

20 EXECUTIVE DIRECTOR WILLIAMS: Very good,
21 thank you.

22 GOVERNOR SCOTT: We need a vote -- no
23 objections?

24 CFO ATWATER: No.

25 GOVERNOR SCOTT: Okay. The motion

1 carries. Thanks.

2 EXECUTIVE DIRECTOR WILLIAMS: Okay. Item
3 8 is a quarterly report -- oh, wait a minute,
4 sorry. Got out of order. Item 7. Request
5 approval of draft letter to the Joint
6 Legislative Auditing Committee affirming that
7 the SBA Trustees have reviewed and approved the
8 monthly Florida PRIME and Fund B management
9 summary reports and actions taken if any to
10 address any material impacts. There have been
11 no material impacts. Request approval.

12 GOVERNOR SCOTT: Is there a motion to
13 approve?

14 CFO ATWATER: So moved.

15 GOVERNOR SCOTT: Is there a second?

16 ATTORNEY GENERAL BONDI: Second.

17 GOVERNOR SCOTT: Any comments or
18 objections?

19 (No response.)

20 GOVERNOR SCOTT: Hearing none the motion
21 carries.

22 EXECUTIVE DIRECTOR WILLIAMS: Thank you.
23 That brings us to the Quarterly portion of our
24 meeting. And I would open by offering the
25 usual starting summary. As of last night's

1 close, the balance in the Florida Retirement
2 System Trust Fund stood at \$127.7 billion.
3 That's 12.95 percent calendar year to date 120
4 basis points ahead of target.

5 We have the usual collection of standing
6 reports from key staff members of the SBA. We
7 also have with us the Vice-Chairman soon to be
8 Chairman of Investment Advisory Council
9 Mr. Martin Garcia who will deliver the
10 Investment Advisory Council's Report. We have
11 Rolf Engmann the Chairman of our Audit
12 Committee. Earlier today we had with us
13 Judy -- she's still with us -- Judy Goodman a
14 Member of our Audit Committee is in the room.

15 Our Inspector General Ken Chambers is
16 here. General Counsel, Maureen Hazen. Chief
17 Risk and Compliance Officer Eric Nelson. All
18 here. On the staff reports they're all here
19 for your information. If you have questions,
20 all the individuals are here as am I of course
21 to answer them.

22 We respectfully request that we move
23 forward and have the IAC report and Audit
24 Committee report. The PLGAC Chair Dan Wolfson
25 was not able to be with us. His report was in

1 the book.

2 GOVERNOR SCOTT: Okay.

3 EXECUTIVE DIRECTOR WILLIAMS: Thank you.

4 GOVERNOR SCOTT: Good afternoon.

5 MR. GARCIA: Good afternoon. Governor
6 Scott and Members of the Cabinet: my report
7 will be very brief. Since this is the first
8 time I've appeared before you all in this
9 capacity, I think it would be appropriate for
10 me to thank the CFO, the Governor, and the
11 General for your appointments of my fellow
12 members of the IAC. I mean, it's an incredibly
13 qualified and deeply engaged group of
14 individuals and I feel very honored to serve
15 with them. I mean, we got world class
16 professional investors on our IAC and the
17 citizens of Florida should be proud of that and
18 so I thank you for those appointments.

19 And the only issue I have to report at
20 this stage is that our currently constituted
21 IAC its desire to expand their agenda topics
22 and issues. And so over the coming years as
23 I -- the coming year I serve as chairman, you
24 will receive reports from me on some topics and
25 issues that you haven't yet received since each

1 of you were elected to your cabinet positions.
2 And so that concludes my report. Do you all
3 have any questions of me?

4 ATTORNEY GENERAL BONDI: Mr. Garcia, thank
5 you. You're my appointee. As to all of our
6 appointees on IAC, I -- people just -- I don't
7 really understand, this is more than a
8 full-time unpaid job for all of you, and thank
9 you for your public service and to all our
10 appointees.

11 MR. GARCIA: Thank you, General.

12 GOVERNOR SCOTT: Thank you very much.

13 EXECUTIVE DIRECTOR WILLIAMS: Thank you,
14 Martin. We have Rolf Engmann with us, Chairman
15 of the Audit Committee.

16 MR. ENGMANN: Good afternoon. I'll be
17 quicker. There is a report, details, it's
18 dated November 21st, we had all the big audits
19 done by the outside public accountants, the EY
20 reports, KPMG reports of the retirement plan
21 and the CAT fund, respectfully, yielded no
22 significant findings.

23 Unfortunately one of the joint ventures
24 had some problems with a third-party accounting
25 system so we had a positive adjustment fairly

1 large, almost \$13 million, but it was due to a
2 systemic error. They didn't update the system
3 for new changes on how you account for fair
4 value of debt. No material weaknesses, but it
5 was just a restated financial statement.

6 The internal audit has issued several
7 reports, no material findings. The compliance
8 function and the ERN function basically have
9 produced your annual report for the first
10 time. They finished the coordination with the
11 strategic plan and there was a technical error
12 uncovered by a third party that the compliance
13 officer reported to the Audit Committee having
14 to do with a security that shouldn't have been
15 purchased. They got rid of it, liquidated it,
16 add a gain. But again there was a third-party
17 error in the system, the vendor has been
18 fixed -- who bought, fixed, but again nothing
19 wrong with the SBA, but these are third-party
20 corrections.

21 Two other points. We have a meeting
22 within an hour with the Auditor General's
23 staff. We're trying to coordinate investment
24 technology -- excuse me -- information
25 technology audits. We have a convergence of

1 three different groups on the SBA so we're
2 meeting this afternoon to try to offer up the
3 works that's been done, primarily by Ernst &
4 Young, to see if that will satisfy some of the
5 needs of the Auditor General. Other than that,
6 do you got any questions?

7 GOVERNOR SCOTT: Thank you very much.

8 MR. ENGMANN: Thanks.

9 EXECUTIVE DIRECTOR WILLIAMS: As I said,
10 Dan Wolfson, the Chairman of the Participant
11 Local Government Advisory Council, was not able
12 to be with us today. We had a meeting of the
13 Council in Tampa on the 29th of November. It
14 was very productive, we reviewed Pool B, we
15 reviewed the progress of Florida PRIME in terms
16 of portfolio clientele, *et cetera*, all good.

17 At this point, unless there are questions
18 of any of the staff reports -- and I would also
19 mention, I failed to touch on the corporate
20 governance reports that Mike McCauley has
21 prepared and has in the book. Why don't we
22 move forward to Mike Sebastian of Hewitt
23 EnnisKnupp & Associates for a briefing on the
24 major mandates.

25 GOVERNOR SCOTT: Okay. Housing prices are

1 going up. You better hurry.

2 MR. SABASTIAN: Yeah, thank you. Governor
3 Scott, Trustees: thank you. I will keep my
4 regular report a bit shorter today. Just in
5 summary we cover in our report the performance
6 of Florida FRS Pension Plan, the investment
7 plan, the Hurricane Catastrophe Fund, Florida
8 PRIME, and Lawton Chiles Endowment Fund. And I
9 report that each one of those funds has
10 relative to its performance benchmark,
11 reflection for investment strategy has
12 outperformed or approximated the benchmark over
13 the quarter, one-, three-, five-, and 10-year
14 periods. So a good performance being posted
15 across all major mandates overseen by the SBA.

16 Just a quick dig into the FRS Pension
17 Plan -- we seem to be a little jammed up
18 here -- we show its performance over a variety
19 of time periods relative to two measures, first
20 the performance benchmark which reflects its
21 investment strategy, and second the absolute
22 nominal target rate of return, which is five
23 percent per year plus the CPI rate of
24 inflation.

25 As I suggested in my introductory remarks

1 the FRS Pension Plan has performed well
2 relative to its performance benchmark over
3 nearly every period shown here relative to the
4 nominal target rate of return, five percent
5 plus inflation, it's done very well in shorter
6 term periods, it's lagged over the 15-year
7 period shown here. To put that in some context
8 of longer periods, we show 15, 20, and 25
9 years.

10 So performance relative to the nominal
11 target rate of return is going to be driven in
12 large part by performance of the equity
13 markets. The 15-year return is below the
14 target reflecting the financial crisis of 2008,
15 and the downturn of 2001 and 2002 still being
16 felt, but it is in general on the way up.

17 And the 10-year rate of return recently at
18 this quarter actually crossed the absolute
19 target rate of performance. Over longer
20 periods 20 and 25 years, the time horizon of
21 this plan is for 40 years or more, performance
22 relative to the absolute nominal target rate of
23 return has been positive, has been good.

24 We're going to give a really quick look at
25 performance relative to peers. This is

1 relative to the top 10 defined benefit plans
2 created by a group called Trust Universe
3 Comparison System, TUCS. So this is \$1.1
4 trillion in total pension assets, average size
5 of about 110 billion. So large, large peers of
6 the FRS Pension Plan.

7 Performance has been good relative to that
8 peer group over most periods, including the
9 10-year period. Over the one quarter period I
10 would note it was in the first percentile, the
11 best performing fund out of the top 10.

12 And then lastly to close out on the
13 Pension Plan, there's a report done by a group
14 called Cost Effectiveness Measurements, CEM,
15 once per year, and the report was recently
16 issued. It covers a period through
17 12/31/2011. And it puts together a peer group
18 of similar funds, in this case 17 funds,
19 ranging from 20 billion to about \$220 billion
20 in assets, average size about 70 billion.

21 These are public funds and corporate
22 retirement funds as well. And it compares
23 excess cost on the horizontal axis and value
24 added on the vertical axis. So where you want
25 to be is the upper left-hand corner, that would

1 be lower cost, investment and administration
2 cost in peers, and higher value added to
3 ultimate performance benchmark, and that is in
4 fact where the FRS Pension Plan is, the lower
5 costs and higher value added wealth to the
6 benchmarks.

7 The remainder of the report gives more
8 detail on the other mandates and I would be
9 happy to do that if you desire or just respond
10 to questions.

11 GOVERNOR SCOTT: Any questions?

12 ATTORNEY GENERAL BONDI: No.

13 CFO ATWATER: No.

14 GOVERNOR SCOTT: Thank you very much. I
15 think home prices are up eight percent.

16 EXECUTIVE DIRECTOR WILLIAMS: He was
17 warned to be ready for that.

18 ATTORNEY GENERAL BONDI: You really need
19 to come up with an answer for him next time.

20 MR. SABASTIAN: I know, I know.

21 ATTORNEY GENERAL BONDI: Come on, we'll
22 help you.

23 GOVERNOR SCOTT: You're on the same team.
24 There are more people moving in.

25 ATTORNEY GENERAL BONDI: He needs to buy a

1 condo or something.

2 GOVERNOR SCOTT: They're going up fast.

3 EXECUTIVE DIRECTOR WILLIAMS: So I think
4 unless we have any questions or other items we
5 can address, that pretty well covers our
6 agenda.

7 GOVERNOR SCOTT: All right. Thank you
8 very much.

9 EXECUTIVE DIRECTOR WILLIAMS: Thank you.

10 GOVERNOR SCOTT: All right. This
11 concludes our Cabinet meeting. Our next
12 meeting will be January 23rd at 9:00 a.m. in
13 Tallahassee. We're adjourned.

14 (Joint meeting concluded at 1:14 p.m.)

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T H E C A B I N E T
S T A T E O F F L O R I D A

Representing:

DIVISION OF BOND FINANCE
STATE BOARD OF ADMINISTRATION
FLORIDA HURRICANE CATASTROPHE FUND FINANCE CORPORATION
FLORIDA LAND AND WATER ADJUDICATORY COMMISSION
BOARD OF TRUSTEES OF THE INTERNAL IMPROVEMENT TRUST FUND

The above agencies came to be heard before
THE FLORIDA CABINET, the Honorable Governor Scott
presiding, in the Cabinet Meeting Room, LL-03, The
Capitol, Tallahassee, Florida, on Wednesday, January 23,
2013, commencing at approximately 9:13 a.m.

Reported by:

MARY ALLEN NEEL
Registered Professional Reporter
Florida Professional Reporter
Notary Public

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Governor

PAM BONDI
Attorney General

JEFF ATWATER
Chief Financial Officer

ADAM PUTNAM
Commissioner of Agriculture

* * *

I N D E X

DIVISION OF BOND FINANCE
(Presented by BEN WATKINS)

ITEM	ACTION	PAGE
1	Discussed	4
2	Approved	6

STATE BOARD OF ADMINISTRATION
(Presented by ASH WILLIAMS)

ITEM	ACTION	PAGE
1	Approved	7
2	Approved	8
3	Approved	9
4	Approved	9
5	Approved	10
6	Approved	10
7	Approved	11

INDEX CONTINUEDFLORIDA HURRICANE CATASTROPHE FUND FINANCE CORPORATION
(Presented by ASH WILLIAMS)

ITEM	ACTION	PAGE
1	Approved	12
2	Approved	12

FLORIDA LAND AND WATER ADJUDICATORY COMMISSION
(Presented by MARK KRUSE)

ITEM	ACTION	PAGE
1	Approved	14
2	Approved	15

BOARD OF TRUSTEES OF THE INTERNAL IMPROVEMENT TRUST FUND
(Presented by HERSCHEL VINYARD)

ITEM	ACTION	PAGE
1	Approved	16
2	Approved	19
3	Approved	25
4	Approved	37
5	Approved	37

CERTIFICATE OF REPORTER	38
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1 GOVERNOR SCOTT: Next I would like to ask
2 Executive Director Ash Williams to present his
3 agenda. Good morning.

4 MR. WILLIAMS: Good morning, Governor and
5 Trustees.

6 First, by way of an update, finishing the
7 calendar year-end, the 12/31/12 number for the
8 Florida Retirement System Trust Fund was
9 \$128.5 billion. That represents a return over the
10 calendar year of 14.1 percent, which is 119 basis
11 points ahead of target. And for the fiscal
12 year-to-date, we are currently at \$131.8 billion as
13 of last night's close, a 10.1 percent year-to-date
14 increase, essentially on target, slightly ahead,
15 but essentially right on target.

16 Item 1 today is a request for approval of the
17 minutes from our October 23, 2012 meeting.

18 GOVERNOR SCOTT: Is there a motion to approve?

19 ATTORNEY GENERAL BONDI: So moved.

20 GOVERNOR SCOTT: Is there a second?

21 CFO ATWATER: Second.

22 GOVERNOR SCOTT: Any comments or objections?

23 Hearing none, the motion carries.

24 MR. WILLIAMS: Thank you. Items 2 and 3 are
25 both fiscal determinations for the Florida Housing

1 Finance Corporation, neither of which is a general
2 obligation of the State of Florida.

3 Item 2 is a determination for an amount not
4 exceeding \$525 million Florida Housing Finance
5 Corporation homeowner mortgage revenue bonds. The
6 proceeds of this issue would be used to refund some
7 outstanding existing bonds at higher interest rates
8 and also to provide funding for new below-market
9 mortgages that would support housing for low,
10 moderate, and middle income Floridians. Request
11 approval of Item 2.

12 GOVERNOR SCOTT: Is there a motion to approve?

13 ATTORNEY GENERAL BONDI: So moved.

14 CFO ATWATER: Second.

15 GOVERNOR SCOTT: Any comments or objections?

16 Hearing none, the motion carries.

17 MR. WILLIAMS: Thank you. Item 3 is a fiscal
18 determination not exceeding \$4,280,000 for
19 multifamily mortgage revenue bonds. This would be
20 for an acquisition and rehabilitation of a facility
21 in Leon County, Florida.

22 GOVERNOR SCOTT: Is there a motion to approve?

23 ATTORNEY GENERAL BONDI: So moved.

24 GOVERNOR SCOTT: Is there a second?

25 CFO ATWATER: Second.

1 GOVERNOR SCOTT: Any comments or objections?

2 Hearing none, the motion carries.

3 MR. WILLIAMS: Thank you. Item 4, request
4 approval of and authority to file a notice of
5 proposed rule for Rules 19-8.029, Florida
6 Administrative Code, the insurer reporting
7 requirements and insurer responsibilities. This is
8 essentially the data requirements for the Hurricane
9 Catastrophe Fund for the coming season. Request
10 approval.

11 GOVERNOR SCOTT: Is there a motion to approve?

12 ATTORNEY GENERAL BONDI: So moved.

13 GOVERNOR SCOTT: Is there a second?

14 CFO ATWATER: Second.

15 GOVERNOR SCOTT: Any comments or objections?

16 Hearing none, the motion carries.

17 MR. WILLIAMS: Thank you. Item 5, request
18 appointment of a chair for the Florida Commission
19 on Hurricane Loss Projection Methodology. Each
20 year the SBA is required by statute to appoint a
21 Commission member to serve as chair. Commonly the
22 process has been that the Commission members
23 recommend a chair which we bring forward to the
24 Trustees for approval. Dr. Lorilee Medders, a
25 statistics expert from the Florida State University

1 College of Business, is the group's recommendation
2 to serve as chair.

3 GOVERNOR SCOTT: Is there a motion to approve?

4 ATTORNEY GENERAL BONDI: So moved.

5 GOVERNOR SCOTT: Is there a second?

6 CFO ATWATER: Second.

7 GOVERNOR SCOTT: Any comment or objections?

8 Hearing none, the motion carries.

9 MR. WILLIAMS: Thank you. Item 6, request the
10 adoption of a resolution to expand the Florida
11 Hurricane Catastrophe Fund's liquidity program to
12 help reduce post-event market access risk. This is
13 something we discussed previously. The notion is
14 that we would build cash reserves of the Cat Fund
15 through pre-event debt issuance in a very low
16 interest rate environment, and in so doing, reduce
17 our reliance on post-event debt issuance should we
18 have a need. Request approval.

19 GOVERNOR SCOTT: Is there a motion to approve?

20 ATTORNEY GENERAL BONDI: So moved.

21 GOVERNOR SCOTT: Is there a second?

22 CFO ATWATER: Second.

23 GOVERNOR SCOTT: Any comments or objections?

24 Hearing none, the motion carries.

25 MR. WILLIAMS: Thank you. What I would like

1 to do, Governor and Trustees, if I may, is go ahead
2 and complete Item 7 and then go to a convening of
3 the Florida Hurricane Catastrophe Finance
4 Corporation very quickly just to affirm the same
5 item we just did.

6 Item 7, request approval of a fiscal
7 sufficiency of an amount not exceeding \$15,600,000
8 State of Florida, Board of Governors, Florida
9 Atlantic University parking facility revenue bonds,
10 not a state obligation.

11 GOVERNOR SCOTT: Is there a motion to approve?

12 ATTORNEY GENERAL BONDI: So moved.

13 GOVERNOR SCOTT: Is there a second?

14 CFO ATWATER: Second.

15 GOVERNOR SCOTT: Any comments or objections?

16 Hearing none, the motion carries.

17 MR. WILLIAMS: Thank you.



**STATE BOARD OF ADMINISTRATION
OF FLORIDA**

**1801 HERMITAGE BOULEVARD
TALLAHASSEE, FLORIDA 32308
(850) 488-4406**

**POST OFFICE BOX 13300
32317-3300**

**RICK SCOTT
GOVERNOR
AS CHAIRMAN**
**JEFF ATWATER
CHIEF FINANCIAL OFFICER**
**PAM BONDI
ATTORNEY GENERAL**
**ASH WILLIAMS
EXECUTIVE DIRECTOR & CIO**

March 7, 2013

Honorable Joseph Abruzzo
Alternating Chair
Joint Legislative Auditing Committee
222 Senate Office Building
404 South Monroe Street
Tallahassee, Florida 32399-1100

Honorable Lake Ray
Alternating Chair
Joint Legislative Auditing Committee
405 House Office Building
402 South Monroe Street
Tallahassee, Florida 32399-1300

Dear Senator Abruzzo and Representative Ray:

Section 218.409(9), Florida Statutes, requires the Trustees to report to the Joint Legislative Auditing Committee that they have reviewed the Auditor General's Annual Financial Audit (Report No. 2013-092) of the Local Government Surplus Funds Trust Fund (now known as Florida PRIME). The fund's Financial Audit for the fiscal years 2012 and 2011 was completed in February 2013. The Trustees are also required to certify that any necessary item(s) are being addressed by corrective action by the State Board of Administration (SBA). The Auditor General did not report any material findings, but did recommend a corrective action plan that has been implemented.

Please contact me if you have any questions.

Sincerely,

A handwritten signature in blue ink, reading "Ashbel C. Williams".

Ashbel C. Williams
Executive Director & CIO

ACW/db
Attachment

cc: Honorable Rob Bradley
Honorable Alan Hays
Honorable Jeremy Ring
Honorable Wilton Simpson
Honorable Daphne Campbell
Honorable Gayle Harrell
Honorable Daniel Raulerson
Honorable Ray Rodrigues
Honorable Cynthia Stafford
Ms. Kathy Dubose, Director

**STATE OF FLORIDA
STATE BOARD OF ADMINISTRATION
LOCAL GOVERNMENT SURPLUS
FUNDS TRUST FUND (AN EXTERNAL
INVESTMENT POOL)**

Financial Audit

For the Fiscal Years Ended
June 30, 2012 and 2011



STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

STATE BOARD OF ADMINISTRATION

The State Board of Administration's Board of Trustees is composed of the Governor, as Chair, the Chief Financial Officer, and the Attorney General. The Trustees delegate administrative and investment authority to an appointed Executive Director. Mr. Ashbel Williams served as Executive Director during the audit period.

The Auditor General conducts audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

The audit team leader was Allen G. Weiner, CPA, and the audit was supervised by Kathryn D. Walker, CPA. Please address inquiries regarding this report to Kathryn D. Walker, CPA, Audit Manager, by e-mail at kathrynwalker@aud.state.fl.us or by telephone at (850) 487-9085.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 487-9175; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

STATE BOARD OF ADMINISTRATION
LOCAL GOVERNMENT SURPLUS FUNDS TRUST FUND (FLORIDA PRIME)
TABLE OF CONTENTS

	PAGE NO.
EXECUTIVE SUMMARY	i
INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS	1
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	3
BASIC FINANCIAL STATEMENTS	7
Statements of Net Assets.....	7
Statements of Changes in Net Assets	8
Notes to Financial Statements	9
1. Summary of Significant Accounting Policies	9
2. Deposits and Investments	12
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	24
SCHEDULE OF FINDINGS	26
EXHIBIT A MANAGEMENT'S RESPONSE	28

EXECUTIVE SUMMARY

Summary of Report on Financial Statements

Our audit disclosed that the financial statements prepared by the State Board of Administration (SBA) present fairly, in all material respects, the net assets of the Local Government Surplus Funds Trust Fund (Florida PRIME) and the changes in net assets thereof in accordance with prescribed financial reporting standards.

Summary of Report on Internal Control and Compliance

Our audit did not disclose any deficiencies in internal control over Florida PRIME's financial reporting that we consider to be material weaknesses.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* issued by the Comptroller General of the United States; however, we noted an additional matter as summarized below.

ADDITIONAL MATTER

Finding No. 1: Our tests disclosed that Florida PRIME had purchased approximately \$221 million of ineligible Securities and Exchange Commission (SEC) Rule 144A securities during the 2011-12 fiscal year. We noted that controls to prevent and detect such purchases were not in operation. Upon notification, the one remaining SEC Rule 144A ineligible security still in inventory was sold by Florida PRIME.

Audit Objectives and Scope

Our audit objectives were to determine whether the SBA had:

- Presented Florida PRIME's basic financial statements in accordance with accounting principles generally accepted in the United State of America;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements;
- Complied with the various provisions of laws, rules, regulations, and contracts that are material to the financial statements;

The scope of this audit included an examination of Florida PRIME's basic financial statements as of and for the fiscal years ended June 30, 2012, and 2011. We obtained an understanding of SBA's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and Florida PRIME's investment policy.

Audit Methodology

The methodology used in this report included the examination of pertinent SBA records in connection with the application of procedures required by auditing standards generally accepted in the United States of America and applicable standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States.



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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



PHONE: 850-488-5534
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 ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the State Board of Administration's (SBA) Local Government Surplus Funds Trust Fund (Florida PRIME), as of and for the fiscal years ended June 30, 2012, and 2011, as listed in the table of contents. These financial statements are the responsibility of SBA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the net assets and changes in net assets of Florida PRIME and do not purport to, and do not, present fairly the operations of the State of Florida as of June 30, 2012, and 2011, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

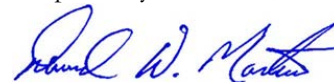
In our opinion, the financial statements referred to above, present fairly, in all material respects, the net assets of Florida PRIME as of June 30, 2012, and 2011, and the changes in its net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of SBA's internal control over financial reporting relating to Florida PRIME and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.**

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 internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS** on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 regarding 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 audits 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.

Respectfully submitted,



David W. Martin, CPA
February 1, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEARS ENDED JUNE 30, 2012, AND JUNE 30, 2011

The State Board of Administration (SBA) is responsible for the management of the Local Government Surplus Funds Trust Fund (Florida PRIME).¹ The SBA was established on June 21, 1929, pursuant to Chapter 14486, Laws of Florida (1929). The SBA was subsequently created as a constitutional body corporate on January 1, 1943, by Article IX, Section 16 of the State Constitution of 1885, as amended. The SBA was subsequently continued as a body corporate by Article IV, Section 4(e) of the State Constitution (1968), as amended. The SBA is composed of the Governor, as Chair, the Chief Financial Officer, and the Attorney General.

As management of the SBA, we offer readers of Florida PRIME's financial statements this overview and analysis of Florida PRIME's financial results and position for the fiscal years ended June 30, 2012 and 2011. We encourage readers to consider the information presented here in conjunction with the financial statements and notes to the financial statements, which begin on page 7.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements provide financial information about Florida PRIME as an investment trust fund, a fiduciary fund type. Investment trust funds are accounted for using an economic resources measurement focus and the accrual basis of accounting. Earnings on investments are recognized as revenue when earned, and expenses are recorded when a liability is incurred.

Florida PRIME presents the following basic financial statements: a Statement of Net Assets and a Statement of Changes in Net Assets. The Statement of Net Assets presents all Florida PRIME's assets and liabilities with the difference reported as net assets. The Statement of Changes in Net Assets shows the increase or decrease in net assets during the year as a result of investment activities and participant contributions and withdrawals.

¹ As of August 3, 2009, SBA began using the name "Florida PRIME" when referring to the Local Government Surplus Fund Trust Fund.

FINANCIAL SUMMARY

A summary comparison of Florida PRIME's Statement of Net Assets at June 30, 2012, and the prior fiscal years at June 30, 2011, and 2010, is presented below (in thousands):

	At June 30,		
	2012	2011	2010
Total assets	\$ 6,754,150	\$ 6,824,328	\$ 5,483,034
Total liabilities	1,706	406	2,098
Net assets held in trust for pool participants	<u>\$ 6,752,444</u>	<u>\$ 6,823,922</u>	<u>\$ 5,480,936</u>

A summary comparison of Florida PRIME's Statement of Changes in Net Assets for the current fiscal year ended June 30, 2012, and the prior fiscal years ended June 30, 2011, and 2010, is presented below (in thousands):

	Year Ended June 30,		
	2012	2011	2010
Increase (decrease) in net assets:			
Net income from investing activity	\$ 19,665	\$ 17,771	\$ 16,269
Distributions paid and payable	(19,666)	(17,771)	(16,269)
Participant contributions	15,243,370	15,223,064	12,653,338
Participant withdrawals	(15,371,147)	(13,968,553)	(13,278,921)
Investment transfer from Fund B	56,300	88,475	122,225
Total increase (decrease) in net assets	<u>(71,478)</u>	<u>1,342,986</u>	<u>(503,358)</u>
Net assets, July 1	6,823,922	5,480,936	5,984,294
Net assets, June 30	<u>\$ 6,752,444</u>	<u>\$ 6,823,922</u>	<u>\$ 5,480,936</u>

FINANCIAL ANALYSIS**Assets**

Total assets decreased by \$70.2 million (1%) from \$6.82 billion at June 30, 2011, to \$6.75 billion at June 30, 2012. At the end of fiscal year 2011, total assets were \$1.3 billion (24%) more than the \$5.48 billion at the end of fiscal year 2010. The decrease in total assets in fiscal year 2012 was due primarily to the fact that non-State participant withdrawals exceeded participant contributions by \$271 million while State participant deposits exceeded withdrawals by \$180 million. The increase in total assets during fiscal year 2011 was mainly the result of participant contributions exceeding participant withdrawals and the addition of \$326 million of moneys for State accounts that were previously invested in the SBA Commingled Asset Management Program Money Market Pool (CAMPMM).

Liabilities

Total liabilities at June 30, 2012, were \$1.7 million, which was \$1.3 million higher than the total liabilities of \$400 thousand at June 30, 2011. The total liabilities at June 30, 2011, were \$1.7 million lower than the June 30, 2010, amount of \$2.1 million. The main reason for the increase in fiscal year 2012 was an increase in "Due to local

governments” due to an increase in unregistered deposits (deposits sent without prior notification to the SBA). The main reason for the decrease in fiscal year 2011 was a decrease in “Due to local governments” due to a decline in unregistered deposits. Deposits sent in without being registered by participants are recorded as liabilities until the depositor is identified and credit is awarded to the participant.

Change in Net Assets

Net assets declined by \$71.5 million (1%) at June 30, 2012, from June 30, 2011. Net assets increased by \$1.3 billion (25%) from June 30, 2010, to June 30, 2011. Net assets at June 30, 2012, 2011, and 2010 were \$6.75 billion, \$6.8 billion, and \$5.5 billion, respectively. The main reason for the decrease (in fiscal year 2012) was non-State participant withdrawals exceeding contributions by \$271 million while State contributions exceeded withdrawals by \$180 million. The increase in net assets in fiscal year 2011 was due to the increase in non-State participant contributions exceeding withdrawals by \$1 billion and the addition of \$326 million of moneys for State accounts that were previously invested in the CAMPM.

Net income from investing activity of \$19.7 million for the current fiscal year ended June 30, 2012, was \$1.9 million higher than the \$17.8 million earned for fiscal year 2011. Most of the increase in the current fiscal year was the result of higher average participant balances during the period. Net income from investing activity for fiscal year 2011 was \$1.5 million higher than the \$16.3 million earned for fiscal year 2010 because of increased average participant balances. The Federal Reserve continued a monetary policy stance (that began in the latter part of the 2009 fiscal year) to keep overnight interest rates to nearly zero in an effort to help stabilize global financial markets. As a result of this policy, other Federal government economic stimulus measures, and slow economic growth, short-term interest rates remained at historic lows during recent fiscal years.

Investment transfers from Fund B of \$56.3 million for the current fiscal year ended June 30, 2012, were 36 percent less than the \$88.5 million received for fiscal year 2011. The \$88.5 million received for fiscal year 2011 was \$33.7 million (28 percent) less than the amounts received for fiscal year 2010. Investment transfers from Fund B have declined mainly because principal reductions in Fund B assets caused by refinancing activity have slowed year over year as mortgage rates have declined.

FINANCIAL HIGHLIGHTS

The purpose of Chapter 218, Part IV, Florida Statutes, is to promote, through State assistance, the maximization of net interest earnings on invested surplus funds of units of local government, based on the principles of investor protection, mandated transparency, and proper governance, with the goal of reducing the need for imposing additional taxes. The primary investment objectives, in priority order, are safety, liquidity, and competitive returns with minimization of risks.

For the fiscal year ended June 30, 2012:

- Participant contributions were consistent with the prior fiscal year, while participant withdrawals increased 10 percent, resulting in net participant withdrawals of \$127.8 million.
- Net income from investing activity increased \$1.9 million over the prior fiscal year; however, the average participant yield for the fiscal year was steady at 0.28 percent, just under the average participant yield of 0.29 percent of the prior fiscal year. The increase in net income from investing activity was due to the higher average participant balances, as interest rates stayed at historic lows during the fiscal year. Average daily participant balances increased 9 percent over the prior fiscal year, even though total participant balances decreased by June 30, 2012.
- Investment transfers from Fund B decreased 36 percent from the prior fiscal year due to reduced asset balances in Fund B and decreased refinancing activity in Fund B mortgage collateral pools.

For the fiscal year ended June 30, 2011:

- Participant contributions increased 20 percent over the prior fiscal year, while participant withdrawals increased only 5 percent, resulting in net participant contributions of \$1.25 billion (\$920 million non-State participants and \$326 million from State participants who were previously invested in CAMPMM).
- Net income from investing activity increased \$1.5 million over the prior fiscal year; however, the average participant yield for the fiscal year was 0.29 percent, the same average yield as the prior fiscal year. The increase in net income from investing activity is due to the higher average participant balances, as interest rates stayed at historic lows during the fiscal year.
- Investment transfers from Fund B decreased 28 percent from the prior fiscal year due to reduced asset balances in Fund B and decreased refinancing activity in Fund B mortgage collateral pools.

CONTACT INFORMATION

These financial statements reflect only the transactions and balances for Florida PRIME. For additional information on this Fund, please contact the State Board of Administration, Chief Operating & Financial Officer, 1801 Hermitage Boulevard, Suite 100, Tallahassee, Florida 32308 or visit SBA's website at <https://www.sbafla.com/prime/>.

BASIC FINANCIAL STATEMENTS

STATE BOARD OF ADMINISTRATION
 LOCAL GOVERNMENT SURPLUS FUNDS TRUST FUND (FLORIDA PRIME)
 STATEMENTS OF NET ASSETS
 As of June 30, 2012, and June 30, 2011
 (In Thousands)

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
ASSETS		
Cash and cash equivalents	\$ 1,099	\$ 215
Investments:		
Certificates of deposit	2,532,981	2,732,517
Commercial paper	1,810,308	1,977,209
Repurchase agreements	1,300,000	1,470,000
Money market funds	529,590	530,210
Domestic corporate bonds & notes	417,207	23,295
Municipal bonds & notes	89,135	12,700
Foreign corporate note (\$ denom)	55,001	45,000
U.S. Treasury notes	<u>15,177</u>	<u>30,056</u>
Total investments	<u>6,749,399</u>	<u>6,820,987</u>
 Interest receivable	 3,631	 3,106
Prepaid fees	20	19
Undistributed expenses	<u>1</u>	<u>1</u>
Total Assets	<u>6,754,150</u>	<u>6,824,328</u>
 LIABILITIES		
Accounts payable and accrued liabilities	342	136
Distributions payable	51	55
Due to local governments	<u>1,313</u>	<u>215</u>
Total Liabilities	<u>1,706</u>	<u>406</u>
 NET ASSETS		
Held in trust for pool participants	<u>\$ 6,752,444</u>	<u>\$ 6,823,922</u>

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

STATE BOARD OF ADMINISTRATION
 LOCAL GOVERNMENT SURPLUS FUNDS TRUST FUND (FLORIDA PRIME)
 STATEMENTS OF CHANGES IN NET ASSETS
 Years ended June 30, 2012, and June 30, 2011
 (In Thousands)

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
ADDITIONS		
Investment operations:		
Income from investing activity:		
Interest income	\$ 21,402	\$ 19,314
Investment management fees	(1,154)	(1,002)
Administrative service charges	(411)	(378)
Bank fees	(68)	(63)
Compliance review fees	(63)	(62)
Standard and Poor's rating maintenance fees	(39)	(38)
Consulting fees (Education Center)	(2)	.....
Net income from investing activity	<u>19,665</u>	<u>17,771</u>
Total Additions	<u>19,665</u>	<u>17,771</u>
 DEDUCTIONS		
Distributions paid and payable	<u>19,666</u>	<u>17,771</u>
Total Deductions	<u>19,666</u>	<u>17,771</u>
 SHARE TRANSACTIONS		
Participant contributions	15,243,370	15,223,064
Participant withdrawals	(15,371,147)	(13,968,553)
Investment transfer from Fund B	<u>56,300</u>	<u>88,475</u>
Net Increase (Decrease) Resulting from Share Transactions	<u>(71,477)</u>	<u>1,342,986</u>
 Total increase (decrease) in net assets	<u>(71,478)</u>	<u>1,342,986</u>
 Net assets, beginning of year	<u>6,823,922</u>	<u>5,480,936</u>
Net assets, end of year	<u>\$ 6,752,444</u>	<u>\$ 6,823,922</u>

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

NOTES TO FINANCIAL STATEMENTS

**STATE BOARD OF ADMINISTRATION
LOCAL GOVERNMENT SURPLUS FUNDS TRUST FUND (FLORIDA PRIME)
Years ended June 30, 2012, and June 30, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following summary of the Local Government Surplus Funds Trust Fund's (Florida PRIME's) significant accounting policies is presented to assist the reader in interpreting the financial statements. These policies should be viewed as an integral part of the accompanying financial statements.

a. Reporting Entity

The State Board of Administration (SBA) is responsible for the management of Florida PRIME. The SBA was established on June 21, 1929, pursuant to Chapter 14486, Laws of Florida (1929). The SBA was subsequently created as a constitutional body corporate on January 1, 1943, by Article IX, Section 16 of the State Constitution of 1885, as amended. The SBA was subsequently continued as a body corporate by Article IV, Section 4(e) of the State Constitution (1968), as amended. The SBA is composed of the Governor, as Chair, the Chief Financial Officer and the Attorney General.

The Local Government Surplus Funds Trust Fund was created by act of Florida Legislature effective October 1, 1977, (Chapter 218, Part IV, Florida Statutes). The law allowed SBA to manage investments on an individual basis or to establish a pooled account. The funds were managed on an individual basis until January 1, 1982. On August 3, 2009, the SBA began using "Florida PRIME" when referring to the Local Government Surplus Funds Trust Fund.

Sections 218.40 through 218.415, Florida Statutes, and State Board of Administration Rules 19-7.002 through 19-7.016, Florida Administrative Code, promulgated pursuant to Section 218.405(4), Florida Statutes, govern the operation of Florida PRIME.

The assets and liabilities of Florida PRIME are included in the Comprehensive Annual Financial Report (CAFR) of the State of Florida. However, the accompanying financial statements present only Florida PRIME and are not intended to present fairly the financial position of the State of Florida and the results of its operations in conformity with generally accepted accounting principles.

b. Regulatory Oversight

Florida PRIME is not a registrant with the Securities and Exchange Commission (SEC); however, SBA has adopted operating procedures consistent with those required of an SEC Rule 2a-7-like fund. A 2a-7-like external investment pool is one that is not registered with the SEC as an investment company,

but nevertheless has a policy that it will, and does, operate in a manner consistent with SEC Rule 2a-7, which governs the operation of SEC regulated money market funds.

c. *Basis of Presentation*

These financial statements have been prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and reporting principles.

Florida PRIME is reported as an investment trust fund, a fiduciary fund type.

d. *Measurement Focus and Basis of Accounting*

Basis of accounting refers to when the recognition of revenues and expenses and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The accompanying financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with GAAP. Under this method, earnings on investments, including interest income, are recognized as revenue when earned, and expenses are recognized when a liability is incurred.

e. *Cash and Cash Equivalents*

Florida PRIME reports as “Cash and cash equivalents” all cash on hand and on deposit in banks, including demand deposits, time deposits, and non-negotiable certificates of deposit.

f. *Investments*

Florida PRIME’s investments are recorded at amortized cost, consistent with GASB Statement Number 31. Fair values, for note disclosures, are calculated using quoted market prices. If quoted market prices are not available, the discounted cash flow model and broker quotes are used to price securities.

g. *Method Used to Determine Participants’ Shares Sold and Redeemed*

In a manner similar to that used for SEC Rule 2a-7 money market funds, participants’ shares are sold and redeemed in Florida PRIME using the amortized cost method, which is consistent with the method used to report Florida PRIME’s investments. The amortized cost method calculates an investment’s value by adjusting its acquisition cost for the accretion of discount or amortization of premium over the period from purchase to maturity.

h. Legally Binding Guarantees

The SBA has not provided or obtained any legally binding guarantees during the fiscal years ended June 30, 2012, and June 30, 2011, for Florida PRIME.

i. Involuntary Participation

There is no requirement under Florida Statutes for any local government or state agency to participate in Florida PRIME.

j. Frequency of Determining Fair Value of Shares

The fair value of the investments of Florida PRIME is determined on a daily basis. SEC Rule 2a-7 requires that a periodic comparison be made between amortized cost and market value and that specific actions be taken if the two values differ by more than .50 percent. As of June 30, 2012, and June 30, 2011, the ratios of fair value to amortized cost were 100.00 percent and 100.01 percent, respectively.

k. Fees and Administrative Service Charges

Federated Investment Counseling (Federated) is the investment manager for Florida PRIME. Federated charges an annual investment management fee based on the average daily net assets (i.e., average daily amortized cost) of Florida PRIME (excluding Federated money market fund balances), as follows:

First \$1 billion in Account Assets	3.5 basis points
Next \$1.5 billion in Account Assets	3.0 basis points
Next \$2.5 billion in Account Assets	2.5 basis points
Balance of Account Assets over \$5 billion	2.0 basis points

This fee is taken out of monthly earnings prior to the allocation of net earnings to participant balances. Total investment management fees incurred by Florida PRIME in the fiscal years ended June 30, 2012, and June 30, 2011, were \$1,154,443 and \$1,002,239, respectively.

In addition, SBA charges a .6 basis point charge (.00006) on total Florida PRIME assets to cover the SBA's administrative costs of the fund. These charges are taken out of the monthly earnings prior to the distribution of net earnings to participant balances each month. Total administrative service charges incurred by Florida PRIME for the fiscal year ended June 30, 2012, were \$410,660 and for June 30, 2011, were \$377,879. Effective July 1, 2012, the SBA administrative fee will be increased to a 1.0 basis point charge on total Florida PRIME assets to adequately cover costs related to operating the fund.

Various bank fees, including transaction charges, custody fees, consulting and performance analytics fees are incurred by Florida PRIME. These fees are taken out of the monthly earnings prior to the distribution of net earnings to participant balances each month. The total bank fees incurred by

Florida PRIME for the fiscal year ended June 30, 2012, were \$68,035 and for June 30, 2011, were \$62,541. Standard and Poor's (S&P) rating maintenance fees were \$38,550 and \$38,000 for fiscal years ending June 30, 2012, and 2011, respectively. Consulting fees for the fiscal year ended June 30, 2012, were \$2,000 and were paid to set up the Education Center website for participants. Compliance review fees were \$63,251 and \$62,181 for those same years. The compliance review service fees resulted from the provisions of Section 218.405(3), Florida Statutes, which require that the trustees annually certify to the Joint Legislative Auditing Committee that Florida PRIME is in compliance with Florida law.

I. Fund B Surplus Funds Trust Fund

Pursuant to Section 218.417, Florida Statutes, the Fund B Surplus Funds Trust Fund (Fund B) was created in May 2008. Amounts credited to Fund B consist of the investments, interest earned, and reserve in Fund B of Florida PRIME. Fund B of Florida PRIME was originally formed as part of a restructuring of the Local Government Surplus Funds Trust Fund in December 2007 to hold certain securities with limited liquidity.

Fund B is administered by SBA and SBA distributes cash holdings to Florida PRIME as they become available from maturities, sales, investment interest, and other income received from assets in Fund B. These distributions are recorded on the Statement of Changes in Net Assets as a Transfer from Fund B.

2. DEPOSITS AND INVESTMENTS

a. Deposits

Cash is held in demand deposits at various financial institutions. These deposits totaled \$1,099,486 at June 30, 2012, and \$215,499 at June 30, 2011. All deposits in Florida PRIME were covered by Federal insurance or the State's collateral pool pursuant to Chapter 280, Florida Statutes. Chapter 280, Florida Statutes, generally requires public funds to be deposited in a bank or savings association designated by the State of Florida Chief Financial Officer (State CFO) as a qualified public depository.

The State CFO determines the collateral requirements and collateral pledging level for each qualified public depository following guidelines outlined in Department of Financial Services Rules, Chapter 69C-2, Florida Administrative Code, and Section 280.04, Florida Statutes. Eligible collateral includes Federal, federally-guaranteed, state and local government obligations; corporate bonds; and letters of credit issued by a Federal Home Loan Bank. Other collateral may be eligible, with the State CFO's permission.

b. Investment Authority and Compliance

The SBA has the authority to administer and invest the funds of Florida PRIME in accordance with Chapter 218, Part IV, Florida Statutes. The statute states SBA shall invest the moneys of Florida

PRIME in the same manner and subject to the same restrictions as are set forth in Section 215.47, Florida Statutes, which identifies all authorized securities.

Section 215.47, Florida Statutes, includes a broad range of instruments to enable SBA to administer its varied investment responsibilities. The Investment Policy Statement for Florida PRIME lists the following authorized principal investments:

1. United States (U.S.) Treasury obligations.
2. U.S. Government Agency obligations.
3. Government securities, which are defined as any security issued or guaranteed as to principal or interest by the United States, or by a person controlled or supervised by and acting as an instrumentality of the Government of the United States pursuant to authority granted by the Congress of the United States; or any certificate of deposit for any of the foregoing.
4. Insurance contracts, including guaranteed investment contracts, funding agreements, and annuities.
5. Corporate debt securities, such as notes, bonds, debentures, commercial paper, interests in bank loans to companies, and demand instruments.
6. Bank instruments (including Yankee and Eurodollar), such as bank accounts, time deposits, certificates of deposit, and bankers' acceptances. Yankee instruments are denominated in U.S. dollars and issued by U.S. branches of foreign banks. Eurodollar instruments are denominated in U.S. dollars and issued by non-U.S. branches of U.S. or foreign banks.
7. Asset-backed securities, which may be in the form of commercial paper, notes, or pass-thru certificates.
8. Municipal securities issued by states, counties, cities, and other political subdivisions and authorities.
9. Foreign securities (i.e., U.S. dollar-denominated securities of issuers based outside the United States).
10. Mortgage-backed securities representing interests in pools of mortgages. Mortgages may have fixed or adjustable interest rates.
11. Private placements of securities – The SBA has determined that Florida PRIME constitutes (i) an “accredited investor” as defined in Rule 501(a)(7) promulgated under the Securities Act of 1933, as amended (the Securities Act), as long as Florida PRIME has total assets in excess of \$5,000,000 and (ii) a “qualified purchaser” as defined in Section 2(a)(51)(A)(iv) of the 1940 Act, as long as Florida PRIME in the aggregate owns and invests on a discretionary basis not less than \$25,000,000 in investments, but does not constitute a “qualified institutional buyer” as defined in Rule 144A(a)(1) promulgated under the Securities Act. Florida PRIME is restricted from purchasing or acquiring securities or investments that would require Florida PRIME to represent in connection with such purchase or acquisition that it is a “qualified institutional buyer” as defined in Rule 144A(a)(1) promulgated under the Securities Act.
12. Shares of registered investment companies that are money market mutual funds, including those that are affiliated with Federated (Investment Manager).

13. Special transactions, including repurchase agreements and delayed delivery transactions. Repurchase agreements involve transactions in which Florida PRIME buys a security from a dealer or bank and agrees to sell the security back at a mutually agreed-upon time and price. Delayed delivery transactions, including when-issued transactions, are arrangements in which Florida PRIME buys securities for a set price, with payment and delivery of the securities scheduled for a future time but no later than seven days in the future.

The primary investment objectives for Florida PRIME, in priority order, are safety, liquidity, and competitive returns with minimization of risks. This is accomplished by structuring the portfolio consistent with Part 270 of the Investment Company Act of 1940 (17 CFR 270.2a-7, Money Market Funds). In buying and selling portfolio securities for Florida PRIME, the Investment Manager will comply with the diversification, maturity, and credit quality conditions imposed by Rule 2a-7 under the 1940 Act; with the requirements imposed by any nationally recognized statistical rating organization (NRSRO) that rates Florida PRIME to ensure that it maintains a AAAm rating (or the equivalent); and with the investment limitations imposed by Section 215.47, Florida Statutes.

When the deviation between the market value and amortized cost of Florida PRIME exceeds 0.25 percent, the Investment Policy Statement requires that the Investment Manager establish a formal action plan. The Investment Policy Statement also requires that the Investment Oversight Group review the formal action plan and prepare a recommendation for the Executive Director's consideration.

When the deviation between the market value and amortized cost of Florida PRIME exceeds 0.50 percent, the Investment Policy Statement requires that the Executive Director promptly consider what action, if any, would be initiated. Where the Executive Director believes the extent of any deviation from Florida PRIME's amortized cost price per share may result in material dilution or other unfair results to investors or existing shareholders, he will cause Florida PRIME to take such action as he deems appropriate to eliminate or reduce to the extent reasonably practicable such dilution or unfair results.

c. *Violation of Investment Policy*

Florida PRIME Investment Policy restricts the Florida PRIME from purchasing or acquiring any security or investment that would require Florida PRIME to represent in connection with such purchase or acquisition that it is a “qualified institutional buyer” (QIB) as defined in SEC Rule 144A(a)(1).

On September 12, 2012, the SBA received notification from the Investment Manager that the Svenska Handelsbanken AB investment (\$45 million at par) purchased on September 20, 2011, and due to mature on October 16, 2012, was not an eligible investment for Florida PRIME. The Svenska Handelsbanken AB position was then sold on September 14, 2012.

Subsequent investigation of fiscal year 2011-12 investment purchases identified three additional ineligible investment purchases of JP Morgan Chase Putters/Drivers Trust notes, which occurred in February and March 2012 for par values of \$146.75 million, \$20 million, and \$9.135 million. All three of these securities were sold by the Investment Manager in May 2012 resulting in no realized gain or loss.

To prevent similar Investment Policy violations, the Investment Manager revised its compliance system to flag for further research all transactions involving SEC Rule 144A securities in order to mitigate the risk of purchasing an ineligible SEC Rule 144A security for the Florida PRIME.

d. *Summary of Investment Holdings*

The following tables provide a summary of the par value or share amount, carrying amount, fair value, range of interest rates, and range of maturity dates for each major investment classification as of June 30, 2012, and June 30, 2011, (expressed in thousands):

As of June 30, 2012					
Investment Type	Par	Carrying Value	Fair Value	Range of Interest Rates ¹	Range of Maturity Dates
Certificates of deposit	\$ 2,533,000	\$ 2,532,981	\$ 2,533,238	.18%-.55%	7/2/12-5/22/13
Commercial paper	1,811,400	1,810,308	1,810,293	.23%-.51%	7/2/12-1/3/13 ⁴
Money market funds	529,590	529,590	529,590	.01%-.17%	N/A ²
Domestic corporate bonds & notes	416,006	417,207	417,174	.18%-5.38%	7/27/12-7/1/29 ³
Municipal bonds & notes	89,135	89,135	89,135	.18%-.30%	6/1/32-11/15/42 ³
Foreign corporate note (\$ denom)	55,000	55,001	54,998	0.57%-3.45%	7/2/12-10/16/12
U.S. Treasury notes	15,000	15,177	15,180	1.75%	4/15/13
Repurchase agreements	1,300,000	1,300,000	1,300,000	.18%-.20%	7/2/12
Totals	<u>\$ 6,749,131</u>	<u>\$ 6,749,399</u>	<u>\$ 6,749,608</u>		

¹ The coupon rate in effect at June 30, 2012, is reported. If a security is discounted, the purchase yield is reported. The 7 day yield as of June 30, 2012, is reported for the money market funds. The yields fluctuate daily.

² Money market funds do not have a specified maturity date.

³ Florida PRIME may tender these bonds and notes for 100 percent of the principal amount, plus accrued interest (if tendered between interest payment dates) with a minimum of 7 days prior notification to the trustee of the bonds or notes.

⁴ Florida PRIME has the option to extend the maturity date on one position in commercial paper on a monthly basis until the final maturity date of November 4, 2014. The maturity date on this position as of June 30, 2012, is December 4, 2012.

As of June 30, 2011					
Investment Type	Par	Carrying Value	Fair Value	Range of Interest Rates ¹	Range of Maturity Dates
Certificates of deposit	\$ 2,732,500	\$ 2,732,517	\$ 2,732,995	.18%-.61%	7/1/11-3/8/13
Commercial paper	1,977,769	1,977,209	1,977,377	.09%-.51%	7/5/11-12/8/11
Money market funds	530,210	530,210	530,210	.00%-.10%	N/A ²
Domestic corporate bonds & notes	23,295	23,295	23,295	.18%-.19%	1/1/28-7/1/29 ³
Municipal bonds & notes	12,700	12,700	12,700	.08%-.09%	8/15/25-8/1/31 ³
Foreign corporate note (\$ denom)	45,000	45,000	45,014	0.31%	7/17/12 ⁴
U.S. Treasury notes	30,000	30,056	30,081	0.75%	11/30/11
Repurchase agreements	1,470,000	1,470,000	1,470,000	.05%-.06%	7/1/11
Totals	<u>\$ 6,821,474</u>	<u>\$ 6,820,987</u>	<u>\$ 6,821,672</u>		

¹ The coupon rate in effect at June 30, 2011, is reported. If a security is discounted, the purchase yield is reported. The 7 day yield as of June 30, 2011, is reported for the money market funds. The yields fluctuate daily.

² Money market funds do not have a specified maturity date.

³ Florida PRIME may tender these bonds and notes for 100 percent of the principal amount, plus accrued interest (if tendered between interest payment dates) with a minimum of 7 days prior notification to the trustee of the bonds or notes.

⁴ Florida PRIME has the option to extend this maturity date on a monthly basis until the final maturity date of March 17, 2017. The maturity date as of June 30, 2011, is July 17, 2012.

e. Investment 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 investment in a single issuer.

Pursuant to the Investment Policy Statement, investment credit risk and concentration of credit risk of debt securities will be managed as follows:

1. The Investment Manager will purchase short-term, high-quality fixed income securities. To be considered high-quality, a security must be rated in the highest short-term rating category by one or more NRSROs, or be deemed to be of comparable quality thereto by the Investment Manager, subject to Section 215.47(1)(j), Florida Statutes.
2. The Investment Manager will perform a credit analysis to develop a database of issuers and securities that meet the Investment Manager's standard for minimal credit risk. The Investment Manager will monitor the credit risks of all Florida PRIME's portfolio securities on an ongoing

basis by reviewing the financial data, issuer news and developments, and ratings of designated NRSROs.

3. The Investment Manager generally will comply with the following diversification limitations that are additional to those set forth in SEC Rule 2a-7. First, at least 50 percent of Florida PRIME assets will be invested in securities rated “A-1+” or those deemed to be of comparable credit quality thereto by the Investment Manager (i.e., so long as such deeming is consistent with the requirements of the NRSRO’s AAAM (or equivalent) rating criteria), subject to Section 215.47(1)(j), Florida Statutes. Second, exposure to any single non-governmental issuer will not exceed 5 percent (at the time a security is purchased) and exposure to any single money market mutual fund will not exceed 10 percent of Florida PRIME assets.

In the event that a security receives a credit rating downgrade and ceases to be in the highest rating category, or the Investment Manager determines that the security is no longer of comparable quality to the highest short-term rating category (in either case, a “downgrade”), the Investment Manager will reassess whether the security continues to present minimal credit risk and will cause Florida PRIME to take any actions determined by the Investment Manager to be in the best interest of Florida PRIME. The Investment Manager will not be required to make reassessments if Florida PRIME disposes of the security (or the security matures) within five business days of the downgrade.

In the event that a security no longer meets the criteria for purchase due to default, event of insolvency, a determination that the security no longer presents minimal credit risks, or other material event (affected security), the Investment Manager must dispose of the security as soon as practical consistent with achieving an orderly disposition of the affected security, by sale, exercise of a demand feature or otherwise. An affected security may be held only if the Executive Director has determined, based upon a recommendation from the Investment Manager and the Investment Oversight Group, that it would not be in the best interest of Florida PRIME to dispose of the security taking into account market conditions that may affect an orderly disposition.

Florida PRIME’s credit quality ratings were as follows at June 30, 2012, and June 30, 2011 (fair values expressed in thousands):

Ratings ¹		Fair Value of Florida PRIME Investments as of June 30, 2012					
S&P	Moody's	Total	Certificates of Deposit	Commercial Paper	Money Market Funds	Domestic Corporate & Municipal Bonds & Notes	Foreign Corporate Note (\$ denom)
AAAm		\$ 529,590	\$	\$	\$ 529,590	\$	\$
AAA		53,900	.....	.....	.....	53,900	.....
AA		169,151	.....	.....	.....	169,151	.....
A		43,272	.....	.....	.....	33,272	10,000
Not rated ¹	Aa	150,037	150,037	.....	.....	.....	.....
A-1		1,810,293	.....	1,810,293	.....	.....	.....
Not rated ¹	Not rated ¹	2,678,185	2,383,201	.....	.....	249,986	44,998
		<u>\$ 5,434,428</u>	<u>\$ 2,533,238</u>	<u>\$ 1,810,293</u>	<u>\$ 529,590</u>	<u>\$ 506,309</u>	<u>\$ 54,998</u>
Not rated ²	Not rated ²	1,300,000	Repurchase agreements				
Not rated ³	Not rated ³	15,180	U.S. Treasury notes				
		<u>\$ 6,749,608</u>	Total				

¹Ratings for investments are presented using S&P credit ratings. If S&P did not rate a security, then Moody's ratings are presented. All of the investments presented as "Not rated" had short-term issuer credit ratings that met Florida PRIME's investment and SEC Rule 2a-7 guidelines.

²Repurchase agreements are not negotiable instruments and do not carry individual security ratings.

³U.S. Treasury obligations do not carry individual security ratings, but carried overall ratings of AA+ by S&P, Aaa by Moody's and AAA by Fitch as of June 30, 2012.

Ratings ¹		Fair Value of Florida PRIME Investments as of June 30, 2011					
S&P	Moody's	Total	Certificates of Deposit	Commercial Paper	Money Market Funds	Domestic Corporate & Municipal Bonds & Notes	Foreign Corporate Note (\$ denom)
AAAm		\$ 530,210	\$	\$	\$ 530,210	\$	\$
AAA		7,700	.....	.....	.....	7,700	.....
AA		54,809	.....	.....	.....	9,795	45,014
Not rated ¹	Aa	5,000	.....	.....	.....	5,000	.....
A-1		1,990,877	.....	1,977,377	.....	13,500	.....
Not rated ¹	Not rated ¹	2,732,995	2,732,995	.....	.....	.....	.....
		<u>\$ 5,321,591</u>	<u>\$ 2,732,995</u>	<u>\$ 1,977,377</u>	<u>\$ 530,210</u>	<u>\$ 35,995</u>	<u>\$ 45,014</u>
Not rated ²	Not rated ²	1,470,000	Repurchase agreements				
Not rated ³	Not rated ³	30,081	U.S. Treasury notes				
		<u>\$ 6,821,672</u>	Total				

¹Ratings for investments are presented using S&P credit ratings. If S&P did not rate a security, then Moody's ratings are presented. All of the investments presented as "Not rated" had short-term issuer credit ratings that met Florida PRIME's investment and SEC Rule 2a-7 guidelines.

²Repurchase agreements are not negotiable instruments and do not carry individual security ratings.

³U.S. Treasury obligations do not carry individual security ratings, but carried overall ratings of AAA by S&P, Aaa by Moody's and AAA by Fitch as of June 30, 2011. In August 2011, the S&P downgraded U.S. obligations to a AA+ rating. Moody's and Fitch ratings on U.S. debt obligations remain unchanged.

With respect to the concentration of credit risk, at June 30, 2012, and June 30, 2011, Florida PRIME had exposure of 5 percent or more to each of the following issuers (carrying values and fair values expressed in thousands):

As of June 30, 2012

Issuer Name	Carrying Value	Percent of Portfolio Carrying Value	Fair Value	Percent of Portfolio Fair Value
Bank of America - Domestic corporate bonds & notes ¹	\$ 250,000	3.70%	\$ 249,986	3.70%
Bank of America - Repurchase agreements ²	900,000	13.33%	900,000	13.33%
Bank of America Total	<u>\$ 1,150,000</u>	<u>17.03%</u>	<u>\$ 1,149,986</u>	<u>17.03%</u>
Deutsche Bank - Certificates of deposit ¹	\$ 345,000	5.11%	\$ 345,037	5.11%
Deutsche Bank - Repurchase agreements ²	400,000	5.93%	400,000	5.93%
Deutsche Bank Total	<u>\$ 745,000</u>	<u>11.04%</u>	<u>\$ 745,037</u>	<u>11.04%</u>
Royal Bank of Canada - Certificates of deposit ³	<u>\$ 348,000</u>	<u>5.16%</u>	<u>\$ 348,163</u>	<u>5.16%</u>

¹ For purposes of the SEC Rule 2a-7 exposure restriction calculations, the Bank of America domestic corporate bonds & notes is considered a separate issuer position from the Bank of America collateralized repurchase agreements. Likewise, the Deutsche Bank certificates of deposit is considered a separate issuer position from the Deutsche Bank collateralized repurchase agreements.

² For purposes of SEC Rule 2a-7 exposure restriction calculations, acquisitions of repurchase agreements may be deemed to be acquisitions of the underlying securities, provided the obligation of the seller is fully collateralized. These agreements are fully collateralized. Consequently, they are not subject to SEC Rule 2a-7 issuer exposure restrictions.

³ Under SEC Rule 2a-7, liquidations are not required for exposures over 5 percent if the overage is caused by participant account movements (i.e., withdrawals). The excess exposure to Royal Bank of Canada was caused by participant account movements.

As of June 30, 2011

Issuer Name	Carrying Value	Portfolio Carrying Value	Fair Value	Percent of Portfolio Fair Value
Bank of America - Commercial paper ¹	\$ 199,956	2.93%	\$ 199,975	2.93%
Bank of America - Repurchase agreements ²	1,070,000	15.69%	1,070,000	15.69%
Bank of America Total	<u>\$ 1,269,956</u>	<u>18.62%</u>	<u>\$ 1,269,975</u>	<u>18.62%</u>
BNP Paribas - Commercial paper	\$ 38,950	0.57%	\$ 38,970	0.57%
BNP Paribas - Certificates of deposit	315,000	4.62%	315,173	4.62%
BNP Paribas Total ³	<u>\$ 353,950</u>	<u>5.19%</u>	<u>\$ 354,143</u>	<u>5.19%</u>
Credit Agricole - Commercial paper	\$ 108,342	1.59%	\$ 108,360	1.59%
Credit Agricole - Certificates of deposit	236,000	3.46%	236,069	3.46%
Credit Agricole Total ³	<u>\$ 344,342</u>	<u>5.05%</u>	<u>\$ 344,429</u>	<u>5.05%</u>
Morgan Stanley ³	<u>\$ 400,000</u>	<u>5.86%</u>	<u>\$ 400,000</u>	<u>5.86%</u>
Societe Generale - Commercial paper	\$ 224,887	3.30%	\$ 224,951	3.30%
Societe Generale - Certificates of deposit	130,000	1.90%	130,019	1.90%
Societe Generale Total ³	<u>\$ 354,887</u>	<u>5.20%</u>	<u>\$ 354,970</u>	<u>5.20%</u>

¹ For purposes of the SEC Rule 2a-7 exposure restriction calculations, the Bank of America commercial paper is considered a separate issuer position from the Bank of America collateralized repurchase agreements.

² For purposes of SEC Rule 2a-7 exposure restriction calculations, acquisitions of repurchase agreements may be deemed to be acquisitions of the underlying securities, provided the obligation of the seller is fully collateralized. These agreements are fully collateralized. Consequently, they are not subject to SEC Rule 2a-7 issuer exposure restrictions.

³ Under SEC Rule 2a-7, liquidations are not required for exposures over 5 percent if the overage is caused by participant account movements (i.e., withdrawals). The excess exposure to BNP Paribas, Credit Agricole, Morgan Stanley, and Societe Generale were caused by participant account movements.

f. Investments, Custodial Credit Risk

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

The SBA's policy is 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, separate and apart from the assets of the custodian banks.

The SBA engaged BNY Mellon (Custodian) to provide asset safekeeping, custody, fund accounting, and performance measurement services to Florida PRIME. At June 30, 2012, and June 30, 2011, all investments, except those in money market funds in which the SBA invests (i.e. in commingled funds with other investors), were held in SBA's name by SBA's custodial bank.

g. Investments, Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. Pursuant to the Investment Policy Statement, the Investment Manager will target a dollar-weighted average maturity (DWAM) range for Florida PRIME based on its interest rate outlook. The Investment Manager will formulate its interest rate outlook by analyzing a variety of factors, such as current and expected U.S. economic growth; current and expected interest rates and inflation; and the Federal Reserve Board's monetary policy. The Investment Manager will generally shorten Florida PRIME's DWAM when it expects interest rates to rise and extend Florida PRIME's DWAM when it expects interest rates to fall. The Investment Manager will exercise reasonable care to maintain a DWAM of 60 days or less for Florida PRIME. For purposes of calculating DWAM, the maturity of an adjustable rate security generally will be the period remaining until its next interest rate reset date.

Presented below are the investments held in Florida PRIME at June 30, 2012, and June 30, 2011, at fair value (expressed in thousands), with the DWAM for each security type:

As of June 30, 2012

Investment Type	Fair Value	Dollar Weighted Average Days to Maturity ¹
Certificates of deposit ²	\$ 2,533,238	42
Commercial paper ²	1,810,293	59
Money market funds ³	529,590	2
Domestic corporate bonds & notes	417,174	78
Municipal bonds & notes	89,135	4
Foreign corporate note (\$ denom)	54,998	40
U.S. Treasury notes	15,180	289
Repurchase agreements	1,300,000	2
Total	<u>\$ 6,749,608</u>	
Portfolio dollar-weighted average maturity		38

¹ Interest rate reset dates are used in the calculation of the dollar-weighted average days to maturity.

² Certificates of deposit and commercial paper include domestic and U.S. dollar-denominated foreign issues.

³ The weighted average days to maturity of the underlying securities in the three money market funds at June 30, 2012, ranged from 42 to 52 days. However, the money market funds provided daily liquidity.

As of June 30, 2011

Investment Type	Fair Value	Dollar Weighted Average Days to Maturity ¹
Certificates of deposit ²	\$ 2,732,995	45
Commercial paper ²	1,977,377	42
Money market funds ³	530,210	1
Domestic corporate bonds & notes	23,295	7
Municipal bonds & notes	12,700	7
Foreign corporate note (\$ denom)	45,014	48
U.S. Treasury notes	30,081	153
Repurchase agreements	1,470,000	1
Total	<u>\$ 6,821,672</u>	
Portfolio dollar-weighted average maturity		31

¹ Interest rate reset dates are used in the calculation of the dollar-weighted average days to maturity.

² Certificates of deposit and commercial paper include domestic and U.S. dollar-denominated foreign issues.

³ The weighted average days to maturity of the underlying securities in the three money market funds at June 30, 2011, ranged from 40 to 53 days. However, the money market funds provided daily liquidity.

h. Investments, Foreign Currency Risk

Florida PRIME may purchase only U.S. dollar-denominated securities, and was not exposed to foreign currency risk during the fiscal years ended June 30, 2012, and June 30, 2011. All investments were denominated in U.S. dollars.



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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111 West Madison Street
Tallahassee, Florida 32399-1450



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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

We have audited the financial statements of the State Board of Administration's (SBA) Local Government Surplus Funds Trust Fund (Florida PRIME), as of and for the fiscal year ended June 30, 2012, and have issued our report thereon included under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered SBA's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SBA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of SBA's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Florida PRIME's financial statements are free of material misstatement, we performed tests of SBA's compliance with certain provisions of laws, rules, regulations, contracts, and policies, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted an additional matter which is described in finding No. 1 of the **SCHEDULE OF FINDINGS** section of this report.

Management's response to the findings described in the **SCHEDULE OF FINDINGS** section of this report is included as Exhibit A. We did not audit management's response and, accordingly, we express no opinion on it.

Our **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON THE AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*** is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, and applicable management and is not intended to be and should not be used by anyone other than those specified parties.

Respectfully submitted,



David W. Martin, CPA
February 1, 2013

**STATE BOARD OF ADMINISTRATION
LOCAL GOVERNMENT SURPLUS FUNDS TRUST FUND (FLORIDA PRIME)
SCHEDULE OF FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

BACKGROUND

The State Board of Administration (SBA), pursuant to Florida law, is responsible for administering the Local Government Surplus Funds Trust Fund (Florida PRIME).² The Florida PRIME is composed of local government surplus funds deposited by participating local governments and is managed by an external investment manager.

The Florida PRIME is described as a “2a-7-like” pool, meaning that it is operated so as to reasonably comply with Securities and Exchange Commission (SEC) Rule 2a-7,³ which establishes requirements relating to money market funds operated by SEC registered investment companies.

SBA management is responsible for the design and operation of internal controls which reasonably ensure compliance with SEC Rule 2a-7, applicable provisions of Florida law, and the Florida PRIME investment policy.

ADDITIONAL MATTER

Finding No. 1: Purchase of Ineligible Rule 144A Securities

Florida PRIME Investment Policy restricts the Florida PRIME from purchasing or acquiring any SEC Rule 144A security or investment that would require the Florida PRIME to represent, in connection with such purchase or acquisition, that it is a “qualified institutional buyer” (QIB) as defined in SEC Rule 144A(a)(1).

During the conduct of our audit, we questioned the eligibility of four SEC Rule 144A securities purchased for the Florida PRIME. Following audit inquiry, the Investment Manager acknowledged to the SBA that the securities (\$221 million in par value) were SEC Rule 144A securities and only available for resale to QIBs and, thus, ineligible for purchase by the Florida PRIME. One security was sold at a small gain in September 2012 upon notification of ineligibility, and the other three securities had been sold during the 2011-12 fiscal year at no gain or loss.

To ensure that only eligible securities were purchased, SBA relied on the Investment Manager to properly codify client restrictions in the Investment Manager’s automated portfolio management and trading systems. However, restrictions relating to SEC Rule 144A securities were not effectively implemented. Also, because the SBA believed that edits were in place, the SBA did not consider SEC Rule 144A(a)(1) noncompliance to be a high-risk investment compliance issue, and the SBA’s risk-based compliance program did not subject applicable SEC Rule 144A criteria to monthly monitoring. The existence of system checks or edits for SEC Rule 144A securities may have prevented the purchase of those ineligible securities.

We were advised that to prevent similar investment policy violations, the Investment Manager had revised its compliance system. Specifically, the Investment Manager’s trader will receive a “stop” message that will require an

² Part IV, Chapter 218, Florida Statutes.

³ Title 17, Section 270, Code of Federal Regulations.

override by the portfolio manager before the trade can be executed. The “stop” will trigger an additional checkpoint requiring the portfolio manager to review the offering documents to verify that the security is an eligible security.

Recommendation: We recommend that SBA add verification of SEC Rule 144A security eligibility to Florida PRIME’s risk-based investment compliance program.

EXHIBIT - A
MANAGEMENT'S RESPONSE



**STATE BOARD OF ADMINISTRATION
OF FLORIDA**

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ATTORNEY GENERAL

ASH WILLIAMS
EXECUTIVE DIRECTOR & CIO

February 1, 2013

Mr. David W. Martin, CPA
Auditor General
Office of the Auditor General of the State of Florida
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Mr. Martin,

We have reviewed the preliminary findings and recommendations which may be included in a management letter on your audit of the financial statements of the State Board of Administration's (SBA) Local Government Surplus Funds Trust Fund (Florida PRIME) for the fiscal year ended June 30, 2012 and 2011. As recommended, we agree to add verification of SEC Rule 144A security eligibility to Florida PRIME's risk based compliance program. As of the September 2012 month-end reporting period, implementation actions include enhancement of compliance checks in the Investment Manager's automated compliance system, addition of a written representation from the Investment Manager as part of the monthly compliance checklist verifying that, "Unregistered securities must be eligible for sale to Accredited Investors or Qualified Purchasers," and SBA compliance staff review of the Bloomberg description for each security purchased on a monthly basis to screen for SEC Rule 144A investments that are only eligible to be sold to Qualified Institutional Buyers (QIB).

As always, we appreciate the Auditor General staff's diligence and professionalism.

Sincerely,

A handwritten signature in blue ink, appearing to read "Ash Williams".

Ashbel C. Williams
Executive Director & Chief Investment Officer

cc: Ms. Florida Rivera-Alsing, Chief Audit Executive, SBA
Mr. Eric Nelson, Chief Risk & Compliance Officer, SBA
Mr. Mike McCauley, Senior Officer – Investment Programs & Governance, SBA

Amy Lovoy

Experience

1998 – 1999 Advantage Credit International Pensacola, FL •

Chief Financial Officer

- Acted as the CFO for multi-million dollar credit reports reseller.
- Managed accounts payable, accounts receivable and payroll.
- Secured credit lines and other financing vehicles for rapid expansion of business.

2001 – 2008 Escambia County Pensacola, FL

Budget Manager

- Responsible for the preparation and recommendation of the County's \$356 million budget.
- Responsible for developing financing vehicles to accomplish County goals.
- Responsible for the overall financial position of the County.

2008 – Present Escambia County Pensacola, FL •

Department Director, Management and Budget Services •

- Department head in charge of Purchasing, Risk Management and the Budget Office.
- Responsible for the operations of each division within the bureau.

Education

1986 - 1990 Huntingdon College Montgomery, AL

- B.A., Business Administration with specialization in finance.
- Graduated Cum Laude.

1990 - 1993 University of West Florida Pensacola, FL

- Master of Business Administration (MBA).

Biography

Amy Lovoy became the budget manager for Escambia County in 2001 where she was responsible for the preparation of the County's \$367 million annual budget. Her duties and responsibilities steadily increased, and in 2008 she became the department director for all of Management and Budget services, just in time for the collapse of the housing market and start of the great recession. Her responsibilities include preparing and recommending the County's annual budget, which in 2013 is more than \$11 million less than the 2001 budget. She is also responsible for the County's Purchasing division and Risk Management division. During her tenure, she has instituted new and streamlined procedures within her own department that have allowed a reduction in her direct operating budget of 33% and a down-staffing of 19%.

In 2010, April to be precise, an unprecedented disaster hit Escambia County in the form of the Deepwater Horizon oil spill. While there were many laws on the books that required the "responsible party" to pay for the costs of the oil spill, there was never instituted a method or process for these reimbursements especially to local governments. Working with partners at the State level, Amy oversaw the County's effort to receive reimbursement for costs incurred by the County and for revenues lost to that date as a direct result of the oil spill.

In 2011 and 2012 she oversaw the refinancing of the County's outstanding bonded debt which resulted in net present value savings to the taxpayers of more than \$15.7 million. In addition to her normal responsibilities she is currently working on the consolidation of the West Florida Public Library System under the auspices of the Board of County Commissioners with the stated goal of a seamless transition and no interruption of service to the public, and she is working with FEMA and State officials on closing out the project worksheets for Hurricanes Ivan and Isaac.

Gary B. Price, Jr.

Mr. Price grew up in Granville, Ohio. His parents owned and operated a real estate development company. Mr. Price graduated from The Ohio State University with a BSBA in Real Estate and Urban Analysis. While attending OSU, he was also a four-year varsity athlete. Mr. Price spent the last 20 years helping clients manage their wealth, focusing on being an advocate for families. His passion is serving families and helping them create plans to preserve family wealth for multiple generations. He is a Principal/Founder of Fifth Avenue Advisors in Naples.

Mr. Price's public service started in 2001 when he was appointed to the Planning Advisory Board for the City of Naples. He was appointed to a vacant seat on the Naples City Council in September 2005. He then was elected twice to the same office in February 2006 and 2010. Mr. Price is currently the Vice Mayor. He has served as the Chairman of the City's pension board for four years. He is the past Chairman of the Community Redevelopment Agency as well as chair of the Metropolitan Planning Organization.

He has been a leader in all areas of budget and pension reform for the City of Naples. His latest accomplishment is helping the City come to an agreement with the police to reform their pension, the first voluntary pension reform for police in the State of Florida. Mr. Price has been instrumental in achieving significant savings totaling \$120 million dollars in the City of Naples over the next 30 years. He worked diligently to have the Council keep the millage rate fixed for the past three years, making it one of the lowest millage rates in the country.

He is the Founder and President of the Institute for Sustainable Pensions. Mr. Price believes that cities in Florida are facing historic decisions related to budgets and pension obligations. His combination of being an elected official, chair of the pension board and an accomplished financial professional allows him to be uniquely qualified to help cities with their decisions. His passion is helping elected officials process all the information regarding reform options and make good decisions for their constituents.

Mr. Price has been married to his wife Kim for 21 years and they have two children ages 17 and 15. He is an instrument rated private pilot. His greatest joy is his faith and family.



Doug Belden

Doug Belden, Hillsborough County's Tax Collector, was elected in November 1998 to fill the unexpired term of Melvin Smith, who served as tax collector for 25 years before retiring.

A Tampa native, he worked in real estate before coming to the State Attorney's Office as head of the office's Elderly Abuse Task Force. During that time, he also served on the Tampa Sports Authority. He is a graduate of the University of South Florida and a member of Sacred Heart Church. He lives on Harbor Island with his son, Doug Jr.

Doug's goal as tax collector is simple: To save taxpayers money through consolidation and efficiency and while improving service at the branch offices. His objective is to make the Hillsborough County Tax Collector's Office the most modern and efficient office in the state.

Patsy Heffner

Certified Florida Collector
Osceola County Tax Collector
P.O. Box 422105
Kissimmee, FL 34744
(407) 742-4035

**Education:**

Graduate of Osceola High School – 1963
Attended Florida State University
Completed DOR requirements for Certified Florida Collector designation

Current Position:

Received appointment to office of Osceola County Tax Collector in December 1999 and have served continuously since that time. I was appointed at the conclusion of a Grand Jury investigation and given 5 months to address the 66 areas of concern and implement the 99 recommendations of the Grand Jury and the DOR auditors. The final audit, in May of 2000, performed by the DOR auditors, as mandated by the Grand Jury, resulted in the following conclusion as stated in a letter dated June 7, 2000, to Mr. Hal Epperson, Assistant State Attorney:

“We are extremely pleased to report that the Tax Collector and her staff have done a remarkable job in correcting the many deficiencies that were previously reported....Based upon this final review and evaluation, it is our opinion that the Osceola County Tax Collector’s office is now being managed and operated in an effective and efficient manner, and the citizens of Osceola County can feel confident that the past woes of this office are simply ‘history’.”

*Archie H. Delaughter
Auditor – Compliance Review
Florida Department of Revenue*

In November, 2007, upon the freezing of the SBA Local Government Investment Pool Accounts, I was selected to represent the Tax Collector Association on the SBA Advisory Committee, which was formed immediately upon the freezing those accounts. I served in that capacity until such time as the committee was disbanded due to the establishment of the official Local Government Investment Pool Participant Advisory Committee.

Prior Employment Experience:

1997 – 1999 Chief Deputy, Osceola County Clerk of Court

1965 – 1997 Worked in the private sector in various positions Including 12 years in a law firm, four years in banking management, 4 years in public relations as CEO of the Kissimmee/Osceola County Chamber of Commerce, and 12 years in business administration as Vice President of Administration, Tompkins Development Group.

Professional and Community Affiliations:

1. Member, Florida Tax Collector Association (Past Director and Treasurer)
2. Trustee, Florida Hospital
3. Chairman, Florida Hospital Kissimmee Community Advisory Board
4. Board Member, Foundation for Osceola Education
5. Chairman, Community Vision Data Assessment Committee
6. Board Member, Osceola County Council on Aging
7. Member, Kissimmee/Osceola County Chamber of Commerce
8. Participant, Osceola County School Reading Program
9. Past Member, State Judicial Qualifications Commission
10. Past Board Member, Junior Achievement
11. Past Board Member, Community Vision
12. Past President, Kissimmee Boat-A-Cade
13. Past Director, United Way
14. Past “Big Boss” Silver Spurs Rodeo