Financial Statements and Other Financial Information

Florida Hurricane Catastrophe Fund
Years Ended June 30, 2005 and 2004

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Contents

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Report of Independent Auditors

The Trustees of the State Board of Administration of Florida
Florida Hurricane Catastrophe Fund

We have audited the accompanying financial statements of the Florida Hurricane Catastrophe Fund as of and for the years ended June 30, 2005 and 2004. These financial statements are the responsibility of the Florida Hurricane Catastrophe Fund'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 and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Florida Hurricane Catastrophe Fund's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Florida Hurricane Catastrophe Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1, the financial statements present only the financial position of the Florida Hurricane Catastrophe Fund and are not intended to present fairly the financial position of the State Board of Administration of Florida and the results of its operations and cash flows of its proprietary fund types and nonexpendable trust funds, in conformity with accounting principles generally accepted in the United States.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Florida Hurricane Catastrophe Fund as of June 30, 2005 and 2004, and the results of its operations for the years then ended, in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have issued our report dated September 1, 2005, on our consideration of the Florida Hurricane Catastrophe Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report when considering the results of our audits.

Ernst & Young LLP

September 1, 2005, except for Note 10, as
to which the date is October 31, 2005

Florida Hurricane Catastrophe Fund

Statements of Net Assets
(In Thousands)

	June 30	
	2005	**2004**
Assets		
Current assets:		
Cash and cash equivalents	**$ 1**	$ 35,005
Short-term investments	**2,488,541**	3,477,920
Security lending receivable	**1,361**	1,245
Security lending collateral	**716,963**	954,050
Accrued interest	**7,009**	8,383
Loss reimbursement advances receivable	**20,485**	–
Excess loss payments receivable	**704**	–
Premiums receivable, net	**67**	2
Total current assets	**3,235,131**	4,476,605
Long-term assets:		
Long-term investments	**819,180**	1,989,587
Capital assets, net of accumulated depreciation of $94 and $85 for June 30, 2005 and 2004, respectively	**10**	15
Total long-term assets	**819,190**	1,989,602
Total assets	**$4,054,321**	$6,466,207
Liabilities and net assets		
Current liabilities:		
Hurricane losses:		
Unpaid hurricane losses	**$ 925,827**	$ –
Losses payable	**22,619**	–
Obligation under security lending agreement	**699,292**	951,017
Premium refunds payable	**19**	–
Accrued expenses	**1,712**	1,134
Pending investment purchases	**–**	34,998
Security lending pending investment purchases	**17,696**	2,781
Total current liabilities	**1,667,165**	989,930
Long-term liabilities:		
Compensated absences, net of current portion	**92**	85
Total long-term liabilities	**92**	85
Total liabilities	**1,667,257**	990,015
Net assets:		
Unrestricted	**2,288,307**	5,476,155
Invested in capital assets, net of related debt	**10**	15
Restricted by legislature	**98,725**	–
Restricted for hurricane mitigation	**22**	22
Total net assets	**2,387,064**	5,476,192
Total liabilities and net assets	**$4,054,321**	$6,466,207

See accompanying notes.

Florida Hurricane Catastrophe Fund

Statements of Revenues, Expenses, and Changes in Net Assets
(In Thousands)

	Year Ended June 30	
	2005	**2004**
Operating revenues:		
Current contract year premium revenue	**$ 617,208**	$ 488,465
Prior contract year adjustment:		
Premium billed	**2,020**	1,729
Premium refunded	**(2,276)**	(1,612)
Premium interest	**137**	(27)
Net premium revenue	**617,089**	488,555
Net interest on loss disbursements and adjustments	**1,118**	–
Total operating revenues	**618,207**	488,555
Operating expenses:		
Hurricane losses	**3,750,000**	–
Administrative and actuarial fees	**2,409**	2,305
Other professional fees	**915**	789
Personnel expenses	**684**	659
Depreciation	**9**	15
Other	**144**	160
Total operating expenses	**3,754,161**	3,928
Operating (loss) income	**(3,135,954)**	484,627
Nonoperating revenue (expense):		
Investment income	**107,689**	56,953
Investment advisor fees	**(685)**	(882)
Security lending income	**20,744**	10,864
Security lending expense	**(19,076)**	(8,808)
Security lending net appreciation	**(571)**	418
Total nonoperating revenue	**108,101**	58,545
(Loss) income before transfers	**(3,027,853)**	543,172
Transfers to other funds	**(61,275)**	(10,000)
Change in net assets	**(3,089,128)**	533,172
Net assets, beginning of year	**5,476,192**	4,943,020
Net assets, end of year	**$2,387,064**	$5,476,192

See accompanying notes.

Florida Hurricane Catastrophe Fund

Statements of Cash Flows
(In Thousands)

	Year Ended June 30	
	2005	**2004**
Operating activities		
Premium received	**$ 617,043**	$ 488,459
Hurricane losses paid	**(2,479,869)**	–
Administrative and actuarial fees	**(2,293)**	(2,219)
Loss reimbursement advances and related interest	**(341,756)**	–
Other professional fees	**(848)**	(810)
Personnel expenses	**(677)**	(648)
Other operating expenses	**(137)**	(149)
Net cash (used in) provided by operating activities	**(2,208,537)**	484,633
Investing activities		
Purchases of investments	**(102,453,214)**	(65,142,090)
Sales and maturities of investments	**104,585,517**	64,618,062
Interest received	**101,523**	83,276
Investment advisor fees	**(718)**	(879)
Security lending	**1,705**	2,011
Net cash provided by (used in) investing activities	**2,234,813**	(439,620)
Financing from noncapital activities		
Transfers to other funds	**(61,275)**	(10,000)
Financing from capital activities		
Purchases of capital assets	**(5)**	(11)
Net (decrease) increase in cash and cash equivalents	**(35,004)**	35,002
Cash and cash equivalents at beginning of year	**35,005**	3
Cash and cash equivalents at end of year	**$ 1**	$ 35,005

See accompanying notes.

Florida Hurricane Catastrophe Fund

Reconciliations of Operating Income to Net Cash Provided by Operating Activities
(In Thousands)

	Year Ended June 30	
	2005	**2004**
Operating (loss) income	**$(3,135,954)**	$484,627
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities:		
(Increase) decrease in premiums receivable, net	**(65)**	118
Increase (decrease) in premium refunds payable	**19**	(214)
Increase in unpaid hurricane losses	**925,827**	–
Increase in losses payable	**22,619**	–
Increase in loss reimbursement advances receivable	**(20,485)**	–
Increase in excess loss payments receivable	**(704)**	–
Increase in accrued expenses	**197**	87
Depreciation	**9**	15
Net cash (used in) provided by operating activities	**$(2,208,537)**	$484,633

See accompanying notes.

1. Organization

Business

The Florida Hurricane Catastrophe Fund (the Fund), which was created in November 1993 during a special legislative session following Hurricane Andrew, provides catastrophic reinsurance coverage to all authorized primary insurers of habitational structures with wind/hurricane coverage in the state of Florida. Premiums are calculated for each of the approximately 230 insurers using rates developed based on hurricane modeling of the trended data from the prior year. The modeling takes into consideration factors such as historical records of hurricane strength and landfall patterns, geographic location, type of business, construction, coverage selected, and deductions. The Fund is administered by the State Board of Administration of Florida (SBA), which has contracted for administrative and actuarial services.

Basis of Presentation

The Fund is classified as an enterprise fund, which is a type of proprietary fund. The financial statements of proprietary funds are prepared using the economic resources measurement focus and the accrual basis of accounting. All assets and liabilities associated with the operations of this fund are included in the statement of net assets. The statement of revenues, expenses, and changes in net assets presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the Fund finances and meets the cash flow needs of its activities.

The financial statements presented herein relate solely to the financial position and results of operations of the Fund and are not intended to present the financial position of the SBA or the results of its operations and cash flows. The Fund follows Governmental Accounting Standards Board (GASB) pronouncements and only Financial Accounting Standards Board pronouncements issued before December 1, 1989, that do not conflict with or contradict GASB pronouncements.

1. Organization (continued)

Limited Liability of the Fund

The Fund's obligation to participating insurers, in the event of a hurricane(s) that causes reimbursable losses, is limited to the claims-paying capacity of the Fund. For the purpose of defining claims-paying capacity, the SBA shall use the unrestricted net assets as of December 31 of the applicable contract year, to which is added reported fund losses (including loss adjustment expense) for the then-current contract year, whether paid or unpaid by the Fund, as of December 31; any reinsurance purchased by the Fund; and the amount the SBA is able to raise through the issuance of revenue bonds up to the statutory annual aggregate fund limit; and from which is subtracted any reinsurance recovered prior to, or recoverable as of, December 31; any obligations paid or expected to be paid with bonding proceeds or receipts from emergency assessments; amounts needed for administration for the then-current state of Florida fiscal year which have not been spent and which are not reflected on the statement of net assets; and the amount of mitigation funds appropriated for the then-current state of Florida fiscal year. If revenue bonds are issued under authorization of Section 215.555(6) of the Florida Statutes, the SBA shall direct the Florida Office of Insurance Regulation to levy an emergency assessment on each insurer writing property and casualty business in this state. The Fund, therefore, has no risk that it will be unable to meet its contractual obligations to participating insurers because its obligation is limited to its ability to pay.

If bonds are issued on behalf of the Fund, the state of Florida assumes no liability for the repayment of the bonds. Additionally, the state of Florida has no legal responsibility to make any contribution to the Fund should its obligations exceed available resources.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Although estimates are considered to be fairly stated at the time the estimates are made, actual results could differ from those estimates.

2. Significant Accounting Policies

Measurement Focus

As mentioned in Note 1, the Fund uses the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, premium revenues are recognized when billed. Expenses are recorded at the time they are incurred.

Investments

The Fund invests all funds in relatively low-risk, highly liquid fixed-maturity securities. These investments are recorded at fair value, and the fair values are primarily obtained from independent quoted market prices. No investments were recorded at amortized cost as of June 30, 2005 and 2004. The Fund considers all investments with maturity dates of less than one year to be short-term investments. Investments with maturity dates in excess of one year are included in long-term investments. Investment advisory services are provided by the SBA.

Security Lending

The Fund, under authorization of Section 215.47(16) of the Florida Statutes, engages in security lending. In a security lending program, a lender (i.e., the Fund) loans various securities to a borrower for collateral with a simultaneous agreement to return the collateral for the same securities in the future. The market value of the loaned securities is monitored on a daily basis with additional collateral obtained or refunded as the market value of the loaned securities fluctuates. Initial collateral on cash or U.S. government securities is required at a rate of at least 100% of the market value of a loaned security. The obligation recorded as a current liability represents the obligation to return the collateral received. Interest earned on short-term investments purchased with the cash collateral held is recognized as revenue. Lending agent costs and borrower rebate fees are recognized as expenses when incurred.

Premiums Receivable

Premiums receivable represent amounts from previous billings that have not yet been collected and are net of any allowances management has established to anticipate uncollectible billings.

2. Significant Accounting Policies (continued)

Loss Reimbursement Advances Receivable

Certain companies may qualify for advances from the Fund, which are in essence loans based on a company's potential recoveries from the Fund (e.g., based on incurred losses rather than paid losses). Loss reimbursement advances receivable represent amounts currently outstanding on these advances, including accrued interest.

Capital Assets

Capital assets, primarily electronic data processing equipment, are stated at cost, less accumulated depreciation. Depreciation is recorded on a straight-line basis over the estimated useful lives, ranging from three to seven years.

Premium Refunds Payable

Premium refunds payable represent amounts due to participating insurers where provisional or estimated premium payments are in excess of amounts actually owed based upon the current exposure data. Also included are premium amounts received from companies pending exemption. These amounts are returned once an exemption is granted.

Compensated Absences

Compensated absences represent the Fund's obligation to accrue a liability for employees' rights to receive compensation for future absences, such as vacation and sick leave. The Fund allows vested employees to carry forward any unpaid leave indefinitely. The short-term portion of this liability, $42,000 in 2005 and $43,000 in 2004, is included in accrued expenses on the statements of net assets. The remaining liability is included as compensated absences with long-term liabilities on the statements of net assets.

Current Contract Year Premium Revenue

Premium revenue is recognized when billed. Coverage is provided to the participating insurers on a contract-year basis, which runs from June 1 to May 31. Premiums are billed in three installments, with provisional payments due August 1 and October 1 and a final payment due December 1.

2. Significant Accounting Policies (continued)

Prior Contract Year Adjustments

Participating insurers remit premium to the Fund based upon current policyholder exposure information. When insurers provide updated or corrected exposure information, the Fund may bill and receive additional premium relating to a prior contract year; the Fund may also be required to refund amounts to insurers relating to a prior contract year.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the Fund, these revenues are primarily the premiums charged to all participating insurers. Operating expenses include incurred losses and necessary costs incurred to provide and administer catastrophic reinsurance to the Fund's participants.

Net Interest on Premium Adjustments

Participating insurers have the option of paying the billed provisional premium or estimating premium for the August and October installments. If the provisional or estimated payments were too high, interest is returned to the insurer on the overpayment. Likewise, if estimated premiums were underpaid, interest is charged to the insurer with the December installment. For the contract years ended May 31, 2005 and 2004, the interest rate was 1.65% for overpayments of premium and 4.65% for underestimated payments.

Hurricane Losses

Hurricane losses represent the estimated ultimate cost of all reported and unreported claims incurred during the year that exceed the participating insurers' individual company retention levels. The reserves for unpaid claims are estimated primarily by management's review of reported loss information obtained from the participating insurers. Although considerable variability is inherent in such estimates, management believes that the reserves for hurricane losses are adequate. The estimates are continually reviewed and adjusted as experience develops or new information becomes known, and such adjustments are included in current operations.

2. Significant Accounting Policies (continued)

Operating Transfers

Pursuant to Section 215.555(7)(c) of the Florida Statutes, the Florida Legislature will appropriate from the Fund an amount no less than $10,000,000 and no more than 35% of the investment income from the prior fiscal year, providing that the actuarial soundness of the Fund is not jeopardized, for the purpose of providing funding for governments, agencies, and educational institutions to support programs intended to improve hurricane preparedness or reduce potential losses in the event of a hurricane. For these purposes, in fiscal year 2004–2005 and 2003–2004, $10,000,000 and $10,000,000, respectively, was appropriated from the Fund, and $22,400 was available from prior years. The remaining $22,400 available for transfer in fiscal year 2004–2005 has been restricted in the June 30, 2005, net assets for future transfer.

Pursuant to Chapter 2004-480 of House Bill Number 9A, the Legislature appropriated $150,000,000 for the Hurricane Multiple Deductible Reimbursements Program for reimbursements to residential property insurance policyholders for the expense of multiple hurricane deductibles. Of this appropriation, $51,275,300 had been paid and $98,724,700 remained restricted as of June 30, 2005.

Income Taxes

The Fund is exempt from federal and state income taxes. This tax-exempt status was affirmed by a private letter ruling obtained from the Internal Revenue Service in November 1994.

3. Investments

The Fund is authorized to invest in accordance with Section 215.47 of the Florida Statutes, which includes, but is not limited to, certificates of deposit, commercial paper, U.S. government agency notes, U.S. Treasury bills, repurchase agreements, and variable rate notes that enhance the Fund's investment income while maintaining liquidity.

3. Investments (continued)

As of June 30, 2005, the Fund held the following investments (in thousands):

Investment Type	Fair Value	Weighted Average Maturity (Days)
Certificates of deposit	$ 99,998	23
Commercial paper	1,651,756	11
Corporate bonds and notes	859,109	35
U.S. agencies callable	347,990	82
U.S. agencies callable stepped	348,868	364
Total fair value	3,307,721	
Portfolio weighted average maturity		62
Securities lending short-term collateral investment pool	716,963	26
	$4,024,684	

Interest Rate Risk

Liquidity being a primary concern, the investment policy objective is to invest in highly liquid, relatively short-term investment strategies which are reviewed on an annual basis to ensure the appropriateness of the strategic goal. The Fund utilizes the weighted average maturity method to limit exposure to interest rate risk. In accordance with the policy, no individual security shall have a final maturity date longer than five years and the weighted average maturity of the portfolio shall not exceed 365 days. For purposes of this calculation, the maturity date is assumed to be the next reset date rather than the stated maturity.

At June 30, 2005, the Fund held $348,868,706 in callable stepped notes issued by the Federal Home Loan Bank System. A step-up note grants the issuer the option to call the note on certain specified dates. At the call date, should the issuer not call the note, the coupon rate of the note increases (steps up) by an amount specified at inception.

3. Investments (continued)

Credit Risk

Funds are invested in accordance with Section 215.47 of the Florida Statutes, which includes, but is not limited to, certificates of deposit, commercial paper, U.S. government agency notes, U.S. Treasury bills, repurchase agreements, and variable rate notes that enhance the Fund's investment income while maintaining liquidity. The investment policy further states that all securities must be investment grade at the time of purchase. For short-term ratings, this has been defined as the highest applicable rating by at least one nationally recognized statistical rating organization. For long-term ratings, this has been defined as BBB or better by at least two nationally recognized statistical rating organizations. The schedule below provides the credit quality ratings by Standard and Poor's and Moody's Investor Services at June 30, 2005 (in thousands).

Investment Type	**Fair Value**	**S&P**	**Moody**
Certificates of deposit	$ 99,998	A	Not rated
Commercial paper	33,155	A-1	Not rated
Commercial paper	1,589,230	A-1	P-1
Commercial paper	29,371	Not rated	P-1
Corporate bonds and notes	35,000	AAA	Aaa
Corporate bonds and notes	49,975	AA	Not rated
Corporate bonds and notes	35,000	A-1	Aaa
Corporate bonds and notes	345,020	A	Aa
Corporate bonds and notes	240,260	A	A
Corporate bonds and notes	153,854	A	Not rated
U. S. agencies	696,858	AAA	Aaa
Total fair value	3,307,721		
Securities lending short-term collateral investment pool	716,963	Not rated	Not rated
	$4,024,684		

3. Investments (continued)

Concentration of Credit Risk

Securities of a single issuer shall not represent more than 5% of portfolio amortized cost (excluding U.S. Treasuries and Agencies) if less than one year to final maturity. If greater than one year to final maturity, single issuer exposure will be limited to 3% of portfolio amortized cost. At June 30, 2005, the Fund held $609,495,957 in U.S. Agencies issued by the Federal Home Loan Bank System which represents 18.4% of total investments.

Custodial Credit Risk

Custodial credit risk is defined as the risk that the Fund may not recover securities held by another party. The Fund does not have a formal investment policy for custodial credit risk. At June 30, 2005, all investments held were either insured or registered and held by the Fund or its agent in the Fund's name.

Foreign Currency Risk

No exposure to foreign currency risk existed at June 30, 2005.

Securities Lending Transactions

The Fund, under authorization of Section 215.47(16) of the Florida Statutes, engages in security lending transactions. Cash collateral invested in the lending agent's short-term investment pool at June 30, 2005 had a weighted average maturity of 26 days. There was no credit risk exposure to borrowers at year-end. The investment pool is not rated.

3. Investments (continued)

The fair value of the Fund's investments and security lending collateral is as follows (in thousands):

	June 30	
	2005	**2004**
Short-term investments		
Investments:		
Certificates of deposit	**$ 99,998**	$ 224,951
Commercial paper	**1,651,755**	2,360,843
U.S. government and federally guaranteed obligations	**–**	198,188
Federal agencies	**447,929**	–
Repurchase agreements	**–**	1
Corporate bonds and notes, fixed rate	**–**	28,370
Corporate bonds and notes, variable rate	**288,859**	665,567
Total short-term investments	**$2,488,541**	$3,477,920
Long-term investments		
Investments:		
Certificates of deposit	**$ –**	$ 50,000
Federal agencies	**248,930**	927,527
Corporate bonds and notes, variable rate	**570,250**	1,012,060
Total long-term investments	**$ 819,180**	$1,989,587
Security lending short-term collateral investment pool	**$ 716,963**	$ 954,050

4. Security Lending

The Fund has a contract with Dresdner Bank to act as a lending agent in the performance of security lending transactions. Under the security lending program, Dresdner Bank delivers various securities of the Fund to authorized brokers in return for collateral in the form of cash or U.S. government securities. Borrowers under the transactions must be approved by Dresdner Bank's credit department, and Dresdner Bank is required to indemnify the Fund if the borrower fails to return the underlying securities or fails to pay income distributions on them. The Fund is contractually limited from pledging or selling collateral represented by loaned securities except in the event of borrower default. No violations of legal or contractual provisions occurred, and no losses were incurred due to borrower or lending agent defaults in 2005.

The collateral held represents 102% in 2005 and 101% in 2004 of the market value of the securities lent. Dresdner Bank monitors daily the market value of the securities lent and requests additional collateral if the collateral for any loan is less than 100% of the market value of the underlying securities for that loan. The Fund had no credit risk exposure to borrowers at June 30, 2005 or 2004, because the amounts the Fund owes the borrowers exceed the amounts the borrowers owe the Fund.

The collateral held as assets is recorded in the balance sheet at fair value in accordance with Statement No. 31. Obligations under the program are recorded as liabilities based on the cash value of the collateral received. Details of the lending transactions for the Fund at June 30, 2005 and 2004, are as follows (in thousands):

Securities on Loan	Fair Value of Underlying Securities Lent	Cash Collateral Held	Fair Value of Collateral Investment Pool
2005 U.S. obligations	**$686,840**	**$699,292**	**$716,963**
2004 U.S. obligations	937,128	951,017	954,050

As of June 30, 2005 and 2004, the Fund held $699,291,575 and $951,017,288, respectively, of cash collateral from Dresdner Bank. The cash was reinvested in various short-term instruments as authorized by the security lending agreement. Maturities of investments made with cash collateral generally are not matched to maturities of the securities loans, due to securities loan agreements being open-ended with no fixed expiration date.

5. Capital Assets

A summary of the Fund's capital assets and the related accumulated depreciation for the years ended June 30, 2005 and 2004, is as follows (in thousands):

	Equipment	Accumulated Depreciation	Net
Balance as of June 30, 2003	$138	$(109)	$29
Additions	1	(15)	(14)
Sales or disposals	(39)	39	–
Balance as of June 30, 2004	100	(85)	15
Additions	**4**	**(9)**	**(5)**
Sales or disposals	**(1)**	**1**	**–**
Balance as of June 30, 2005	**103**	**(93)**	**10**

6. Hurricane Losses

The state of Florida was hit by four hurricanes during August and September of 2004. These hurricanes were category 4 Hurricane Charley on August 13, category 2 Hurricane Frances on September 4, category 3 Hurricane Ivan on September 16, and category 3 Hurricane Jeanne on September 25. Hurricane losses incurred for the year ended June 30, 2005, were $3.75 billion. Hurricane losses paid during the year ended June 30, 2005, were $2.82, billion resulting in remaining reimbursable losses of $926 million at June 30, 2005. There were no hurricane losses for the year ended June 30, 2004.

7. Compensated Absences

Compensated absences were as follows (in thousands):

Balance as of June 30, 2003	$119
Increases	63
Decreases	(54)
Balance as of June 30, 2004	128*
Increases	**59**
Decreases	**(53)**
Balance as of June 30, 2005	**$134***

*Includes long-term and short-term balances, of which $42 and $43 is estimated due within one year of June 30, 2005 and 2004, respectively.

8. Premium Revenues

Fiscal year premiums, net of prior contract year adjustments, as reported in the statements of revenue, expenses, and changes in net assets, relate to contract years as follows (in thousands):

	Year Ended June 30	
	2005	**2004**
Contract year 2004	**$617,262**	$ –
Contract year 2003	**(236)**	488,329
Contract year 2002	**63**	(28)
Contract year 2001	**–**	291
Contract year 2000	**–**	(37)
	$617,089	$488,555

9. Related Parties

The Fund paid the SBA approximately $760,000 and $957,000 in the fiscal years ended June 30, 2005 and 2004, respectively, for investment advisory services.

10. Subsequent Events

The state of Florida was hit by four hurricanes during July through October 2005. These hurricanes, at the time they impacted Florida, were: category 3 Hurricane Dennis on July 10, category 1 Hurricane Katrina on August 25, category 1 Hurricane Rita on September 20, and category 3 Hurricane Wilma on October 24. The participating insurers are required to submit a Proof of Loss Report for each storm by December 31, 2005. The Fund's liability for losses will not be known until that time. Preliminary modeling results indicate that the Fund should have sufficient unrestricted net assets to cover this liability.

Other Financial Information

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

The Trustees of the State Board of Administration of Florida
Florida Hurricane Catastrophe Fund

We have audited the financial statements of the Florida Hurricane Catastrophe Fund (the Fund) as of and for the years ended June 30, 2005 and 2004, and have issued our report thereon dated September 1, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States 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 the Fund's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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*.

This report is intended solely for the information and use of the Florida Auditor General and the management of the State Board of Administration of Florida and is not intended to be and should not be used by anyone other than these specified parties.

Ernst & Young LLP

September 1, 2005