



Financial Statement Disclosures for September 30, 2016

The State Board of Administration is providing the required disclosure information necessary for your entity to prepare financial statements in accordance with Governmental Accounting Standards Board (“GASB”) requirements. The following is the SBA’s interpretation of your disclosure responsibilities related to your participation in the Florida PRIME governmental investment pool and our responsibilities to provide you information needed to make your disclosure. **Please consult your accounting/auditor experts for additional information regarding your specific reporting requirements.**

General Description

As a Florida PRIME participant, your entity invests in a pool of investments whereby your entity owns a share of the respective pool, not the underlying securities. In March 1997, GASB issued Statement 31, titled “Accounting and Financial Reporting for Certain Investments and for External Investment Pools.” GASB 31 defines an external investment pool as an arrangement that commingles (pools) the moneys of more than one legally separate entity and invests, on the participants’ behalf, in an investment portfolio; one or more of the participants is not part of the sponsor’s reporting entity. GASB 31 applies to Florida PRIME.

GASB 31 outlined the two options for accounting and reporting for money market investment pools as either “2a-7 like” or fluctuating net asset value (“NAV”). GASB 31 described a “2a-7 like” pool as an “external investment pool that is not registered with the Securities and Exchange Commission (“SEC”) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with Rule 2a-7 under the Investment Company Act of 1940 (the “1940 Act”).

In June 2010, GASB issued Statement 59, titled “Financial Instruments Omnibus.” GASB 59 clarified the definition of a “2a-7 like” pool as an “external investment pool that operates in conformity with the Securities and Exchange Commission’s (SEC) Rule 2a-7 as promulgated under the Investment Company Act of 1940, as amended.” To qualify as a 2a7-like pool, the pool was required to satisfy all SEC requirements of Rule 2a-7, including that a group of individuals fulfills the functions of a board of directors. The pool was not required to register with the SEC.

In December 2015, GASB issued Statement 79 titled “Certain External Investment Pools and Pool Participants” in response to the Securities and Exchange Commission’s amendments in 2014 to regulations that apply to money market funds. GASB 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. If the external investment pool meets the criteria in GASB 79 and measures all of its investments at amortized cost, the pool’s participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes.

Investment Policies

GASB 40 requires the description of investment policies that are related to certain risks. It is our interpretation of GASB 40 that participants in an investment pool should disclose information related to credit risk and interest rate risk. Therefore, your entity should disclose the investment policies that relate to these disclosures. All Florida PRIME investment policies can be found at www.sbafla.com/prime.

Credit Quality Disclosure

Florida PRIME is rated by Standard and Poor’s. The current rating is **AAAm**.

Interest Rate Risk Disclosure

The dollar weighted average days to maturity (WAM) of Florida PRIME at September 30, 2016, is **50** days. Next interest rate reset dates for floating rate securities are used in the calculation of the WAM. The weighted average life (WAL) of Florida PRIME at September 30, 2016, is **70** days.

Foreign Currency Risk Disclosure

Florida PRIME was not exposed to any foreign currency risk during the period from October 1, 2015 through September 30, 2016.

Securities Lending Disclosure

Since your entity owns shares of Florida PRIME and not the underlying securities, it is our interpretation that your entity does not need to make a disclosure related to GASB 28. Florida PRIME did not participate in a securities lending program in the period October 1, 2015 through September 30, 2016.

Fair Value Hierarchy Disclosure

Florida PRIME currently meets all of the necessary criteria to elect to measure all of the investments in Florida PRIME at amortized cost. Therefore, your participant account balance should also be considered the fair value of your investment. It is our interpretation that your Florida PRIME investment is exempt from the GASB 72 fair value hierarchy disclosures.

Disclosures per GASB 79

GASB 79 says that if a participant has an investment in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost it should disclose the presence of any limitations or restrictions on withdrawals (such as redemption notice periods, maximum transaction amounts, and the qualifying external investment pool's authority to impose liquidity fees or redemption gates) in notes to the financial statements.

With regard to redemption gates, Chapter 218.409(8)(a), Florida Statutes, states that "The principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the Executive Director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the Trustees, the Joint Legislative Auditing Committee, the Investment Advisory Council, and the Participant Local Government Advisory Council. The Trustees shall convene an emergency meeting as soon as practicable from the time the Executive Director has instituted such measures and review the necessity of those measures. If the Trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the Executive Director until the Trustees are able to meet to review the necessity for the moratorium. If the Trustees agree with such measures, the Trustees shall vote to continue the measures for up to an additional 15 days. The Trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the Trustees exceed 15 days."

With regard to liquidity fees, Florida Statute 218.409(4) provides authority for the SBA to impose penalties for early withdrawal, subject to disclosure in the enrollment materials of the amount and purpose of such fees. At present, no such disclosure has been made.

As of September 30, 2016, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100 percent of their account value.

Financial Statements

The SBA will provide separate financial statements for Florida PRIME for the fiscal year ended June 30, 2016 once the audit is complete. The SBA will not provide financial statements for Florida PRIME for the period ending September 30th.