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MEMORANDUM

To: Local Government Surplus Funds Trust Fund ("LGIP") Participants
Fund B Surplus Funds Trust Fund ("Fund B") Participants

From: State Board of Administration

Date: October 10, 2008

RE: Financial Statement Disclosures

The following is the SBA's interpretation of your disclosure responsibilities related to your participation in the Local Government Surplus Funds Trust Fund Investment Pool (the "**LGIP**") and the Fund B Surplus Funds Trust Fund (the "**Fund B**") 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 **LGIP** and/or **Fund B** pool participant, your entity invests in pools 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 applies to the **LGIP** and **Fund B**.

GASB 31 outlines 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 describes 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")." Rule 2a-7 is the rule that permits money market funds to use amortized cost to maintain a constant NAV of \$1.00 per share, provided that such funds meet certain conditions.

The **LGIP** is considered a SEC 2a7-like fund, thus your account balance should also be considered the fair value of your investment.

The **Fund B** is accounted for as a fluctuating NAV pool. The Fair Value factor for September 30, 2008 was .798385. You should multiply your account balance by the factor in order to calculate the fair value of your investment in Fund B.

Investment Policies

GASB 40 requires the description of investment policies that are related to the risks GASB 40 requires to be disclosed. 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.

Credit Quality Disclosure

The **LGIP** is rated by Standard and Poors. The current rating is AAAM.

The **Fund B** is not rated by any nationally recognized statistical rating agency.

Interest Rate Risk Disclosure

The weighted average days to maturity (WAM) of the **LGIP** at September 30, 2008 was 8.5 days.

The weighted average life (WAL) of **Fund B** at September 30, 2008 was 9.36 years.

Securities Lending Disclosure

Since your entity owns shares of the **LGIP** and/or **Fund B** and not the underlying securities, it is our interpretation that your entity does not need to make a disclosure related to GASB 28.

Fund B has not participated in a securities lending program in the fiscal year ending September 30, 2008.

Financial Statements

The SBA will provide financial statements for **LGIP and Fund B** for June 30th each year. We will not provide financial statements for the **LGIP or Fund B** for the period ending September 30th. However, we will provide you with an updated version of this memorandum for your accounts for both **LGIP and Fund B** to help you with your reporting requirements each June 30th and September 30th.