

State Board of Administration
Local Government Surplus Funds Trust Fund Investment Pool
STATEMENT OF NET ASSETS
June 30, 2006
(in thousands)
(UNAUDITED)

ASSETS

Investments:

Certificates of deposit	\$ 1,444,988
Commercial paper	6,921,652
Liquidity notes	7,664,879
Domestic bonds and notes	2,921,842
Federal agencies	2,481,697
U.S. obligations	648,392
Lending collateral investments	3,045,058
Cash and cash equivalents	11,405
Receivables	61,073
Undistributed expenses	79
TOTAL ASSETS	<u>25,201,065</u>

LIABILITIES & NET ASSETS

Accounts payable and accrued liabilities	12,366
Distributions payable	500
Obligations under securities lending agreements	3,041,919
Due to local governments	11,362
TOTAL LIABILITIES	<u>3,066,147</u>
NET ASSETS HELD IN TRUST FOR PARTICIPANTS	<u>\$ 22,134,918</u>

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

State Board of Administration
Local Government Surplus Funds Trust Fund Investment Pool
STATEMENT OF CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2006
(in thousands)
(UNAUDITED)

OPERATIONS

Income from investing activity:

Investment income	\$ 874,069
Bank fees	(430)
Administrative expense	<u>(2,588)</u>

Net income from investing activity 871,051

From securities lending activities:

Securities lending income	152,418
Securities lending expense	<u>(147,714)</u>

Net income from securities lending 4,704

NET INCREASE RESULTING FROM OPERATIONS 875,755

DISTRIBUTIONS PAID AND PAYABLE (872,444)

SHARE TRANSACTIONS

Investment contributions	56,473,674
Investment withdrawals	<u>(52,031,670)</u>

NET DECREASE RESULTING FROM SHARE TRANSACTIONS 4,442,004

TOTAL DECREASE IN NET ASSETS 4,445,315

NET ASSETS HELD IN TRUST FOR PARTICIPANTS:

Net assets, July 1 17,689,603

NET ASSETS, JUNE 30 \$ 22,134,918

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

State Board of Administration
Local Government Surplus Funds Trust Fund Investment Pool
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2006
(UNAUDITED)

1. Summary of Significant Accounting Policies

The following summary of the Local Government Surplus Funds Trust Fund Investment Pool'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 (Board) was established on June 21, 1928, pursuant to Chapter 14486, 1929, Laws of Florida. The Board was subsequently created as a constitutional body corporate on January 1, 1943, under the provisions of Senate Joint Resolution No. 324, 1941; approved by the electorate in November 1942. The Board is composed of the Governor, as Chairman, the State Chief Financial Officer, as Treasurer, and the State Attorney General, as Secretary, and has as its major investment responsibilities: the Florida Retirement System, the Local Government Surplus Funds Trust Fund, the debt service accounts for State bonds, the Florida Hurricane Catastrophe Trust Fund, the Lawton Chiles Endowment Fund, and managing the assets of various other Trust Funds.

The Board is defined as a special-purpose unit of the State of Florida based on the criteria identified and described in GASB Statement Number 14. The definition of a special-purpose government is a government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments.

These financial statements reflect only the transactions and balances for the Local Government Surplus Funds Trust Fund Investment Pool (LGSF Pool). For additional information on the LGSF Pool, please contact Robert Copeland, Senior Operating Officer, Finance & Accounting, at the State Board of Administration.

The Local Government Surplus Funds Trust Fund was created by Act of the Florida Legislature effective October 1, 1977 (Chapter 218, Part IV, F.S.). The law allowed the Board 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.

All units of Local Government that qualified to be participants in the Local Government Surplus Funds Trust Fund after January 1, 1982 had surplus funds deposited into the Pooled Investment Account. Rules 19-7.001 through 19-7.017 have been developed for the Local Government Pooled Investment Account pursuant to Section 218.409, F.S.

B. Regulatory Oversight

The Local Government Surplus Funds Trust Fund is governed by Ch. 19-7 of the Florida Administrative Code, which identifies the Rules of the State Board of Administration. These rules provide guidance and establish the general operating procedures for the administration of the Local Government Surplus Funds Trust Fund. Additionally, the Office of the Auditor General performs the operational audit of the activities and investments of the State Board of Administration.

The Local Government Surplus Funds Trust Fund is not a registrant with the Securities and Exchange Commission (SEC); however, the Board has adopted operating procedures consistent with the requirements for a 2a-7-like fund.

State Board of Administration
Local Government Surplus Funds Trust Fund Investment Pool
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2006
(UNAUDITED)

1. Summary of Significant Accounting Policies (continued)

C. Basis of Presentation

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

D. Fund Accounting

The LGSF Pool reports on its financial position and the results of operations using funds. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording assets, liabilities, fund equity, revenues, either expenditures or expenses depending on the fund type, and other financing sources and uses. The LGSF Pool is reported as an investment trust fund in the financial statements.

Investment trust funds, a fiduciary fund type, are used to account for assets held in a trustee capacity, and the primary purpose of the funds is investment for the purposes of generating additional financial resources.

E. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses, transfers 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.

Investment trust funds are accounted for using the full accrual basis of accounting. Revenues are recognized when earned. Expenses are recognized when incurred.

F. Deposits and Investments

Consistent with GAAP, the LGSF Pool reports as "Cash" all cash on hand and on deposit in banks, including demand deposits, time deposits, and non-negotiable certificates of deposit. All cash deposits are held by banks as required under Florida law. See Note Two for further detailed information.

The LGSF Pool's investments are recorded at amortized cost, consistent with GASB Statement Number 31. The securities lending cash collateral investments are recorded at fair value, since SEC Rule 2a-7 does not impose the same maturity limitations and other constraints for collateral investments. The fair value of commercial paper is estimated by obtaining broker discount rates based on the remaining days to maturity, and converting those discount rates to market prices, since quoted prices are not available.

G. Method used to determine participants' shares sold and redeemed

In accordance with the regulations of 2a7-like pools, the method used to determine the participants' shares sold and redeemed is the amortized cost method. 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. Accrued income, based on the par value of interest bearing investments, is also included in an investment's value.

State Board of Administration
Local Government Surplus Funds Trust Fund Investment Pool
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2006
(UNAUDITED)

1. Summary of Significant Accounting Policies (continued)

H. Legally binding guarantees

The Board has not provided or obtained any legally binding guarantees during the fiscal year ended June 30, 2006 for the LGSF Pool.

I. Involuntary Participation

There is no requirement under Florida Statutes for any local government or state agency to involuntarily participate in the LGSF Pool.

J. Frequency of determining fair value of shares

The fair value of the investments of the LGSF Pool is determined on a monthly 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 .5%. As of June 30, 2006, the ratio of fair value divided by amortized cost was 99.96%.

2. Deposits and Investments

A. Deposits

At June 30, 2006, the carrying amount of deposits totaled \$11,404,655. All deposits were held in one of the financial institutions utilized by the Board. The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Board will not be able to recover deposits. Chapter 280, Florida Statutes (F.S.), generally requires public funds to be deposited in a bank or savings association designated by the State Chief Financial Officer (CFO) as authorized to receive deposits in the State and that meets the collateral requirements as set forth in Chapter 280, F.S.

The State CFO determines the collateral requirements and collateral pledging level for each Qualified Public Depository (QPD) following guidelines outlined in Chapter 69C-2, Florida Administrative Code, and Section 280.04 F.S. 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.

Statutes provide that if a loss to public depositors is not covered by deposit insurance and the proceeds from the sale of securities pledged by the defaulting depository, the difference will be provided by an assessment levied against other QPD's of the same type as the depository in default.

The deposit balances reported by the LGSF Pool's banks totaled \$11,404,318. All deposits were covered by Federal insurance or the collateral pool described above.

State Board of Administration
Local Government Surplus Funds Trust Fund Investment Pool
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2006
(UNAUDITED)

2. Deposits and Investments (continued)

B. Investments

1. Investment Authority

The Board has the authority to administer and invest the funds of the Local Government Surplus Funds Trust Fund in accordance with Chapter 218, Part IV, Florida Statutes. The statute states the Board shall invest the monies in the trust fund in the same manner and subject to the same restrictions as are set forth in Chapter 215.47, F.S., which identifies all authorized securities.

Florida Statute 215.47 includes a wide range of instruments including, but not limited to, federally-guaranteed obligations, certain state bonds, corporate bonds, commercial paper, bankers acceptances, short-term obligations purchased individually or in pooled accounts, interests in certain open-end or closed-end management type investment companies or investment trusts, common and preferred stock, repurchase and reverse repurchase agreements, real estate, futures contracts, option contracts and domestic or foreign notional principal contracts. While Florida Statute 215.47 includes a broad range of instruments to enable the Board to administer its varied investment responsibilities, the investments for the LGSF Pool will only consist of short-term high quality instruments.

The objective of the internally managed LGSF Pool portfolio is to pool investment funds of local government participants in an investment portfolio of money market instruments that provides liquidity while preserving capital. 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). The portfolio is designed to accommodate the liquidity needs of the participants. The pertinent investment constraints contained in 2a-7 include the following:

- Weighted average portfolio (WAM) maturity limited to 90 days (reset dates used to calculate WAM)
- Maximum maturity for government and agency securities limited to 762 days
- Money market instruments limited to maximum maturity of 397 days
- Credit ratings must be "first tier" at time of purchase
- Diversification provided by limiting single issuer to 5% of total assets
- Market value must remain within plus or minus ½ of 1% of amortized cost

The Board has set up a five member Investment Oversight Committee, which consists of the following:

- Senior Investment Officer-Fixed Income
- Manager of Operations and Securities Lending-Fixed Income
- Director of Short Term Investments & Operations-Fixed Income
- SBA Inspector General
- SBA Deputy Executive Director

Procedures have been established to review the compliance of the LGSF Pool investments with each of the investment constraints. In the event that an investment fails to meet the compliance standards, or if the market value deviation from amortized cost exceeds ½ of 1% of total amortized cost of LGSF Pool investments, the Investment Policy Guidelines state that the Investment Oversight Committee will promptly consider what action, if any, shall be initiated by the Portfolio Manager to bring the investment(s) back into compliance.

State Board of Administration
Local Government Surplus Funds Trust Fund Investment Pool
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2006
(UNAUDITED)

2. Deposits and Investments (continued)

2. Derivatives

GASB Technical Bulletin 2003-1 is effective for periods ending after June 15, 2003; and supersedes GASB Technical Bulletin 1994-1. GASB TB 2003-1 states that the derivative definition from FASB Statement 133, paragraph 6, as amended, should be used. The basic definition of a derivative is as follows:

A derivative instrument is a financial instrument or other contract with **all three** of the following characteristics:

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

Under GASB TB 1994-1, derivatives were generally defined as a contract whose value was dependent on, or derived from, the value of an underlying asset, reference rate or index.

While the Board has statutory authority for a wide range of derivative instruments, the LGSF Pool did not hold any investments at June 30, 2006 that could be classified as "derivative" investments under GASB TB 2003-1. Floating and variable rate notes previously reported as derivatives under GASB TB 1994-1 no longer appear to fit the definition of a derivative under the recently issued GASB TB 2003-1. Although the floating and variable rate notes held by the LGSF Pool contain terms requiring their interest rates to change based on an underlying reference rate or interest rate index, none appear to meet the second and third requirements in the GASB TB 2003-1 derivative definition. Their terms do not require or permit net settlement and their initial net investment is not smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

Floating rate and adjustable rate securities held by the LGSF Pool at June 30, 2006 are debt instruments with a variable interest rate generally tied to prevailing short-term interest rates such as the London Interbank Offered Rate (LIBOR), Prime or Fed Funds rates. The fair value of these securities is relatively insensitive to interest rate changes. These floating rate instruments are used as part of the investment strategy to hedge against interest rate risk and provide diversification to the portfolio. Floating rate and adjustable rate securities in the LGSF Pool are reported at amortized cost (for Pool investments) and fair value (for securities lending cash collateral investments) on the statement of net assets. As of June 30, 2006, the LGSF Pool held approximately \$9.9 billion in floating and variable rate securities (not including stepped rate securities), representing 44.7% of investments. The LGSF Pool also held approximately \$1.23 billion in floating and variable rate securities in the Met West invested securities lending collateral account.

State Board of Administration
Local Government Surplus Funds Trust Fund Investment Pool
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2006
(UNAUDITED)

2. Deposits and Investments (continued)

3. Credit Risk & 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 LGSF Pool's investment in a single issuer.

The LGSF Pool is run similar to an SEC 2a-7 money market fund. Investments must be first tier at the time of purchase. The 2a-7 first tier definition includes (1) a rated security that has received a short-term rating from the Nationally Recognized Statistical Rating Organizations (NRSROs) in the highest short-term rating category for debt obligations; or (2) is an unrated security that is of comparable quality to a security meeting the requirements for a rated security in (1), as determined by the fund's board of directors; or (3) is a security issued by a registered investment company that is a money market fund; or (4) is a Government security. For investments with remaining maturities of 397 days or less at the time of purchase, short-term ratings should be at least S&P A-1, Moody's P-1, or Fitch F-1. For securities without short-term ratings, long-term minimum ratings by at least one NRSRO are required consisting of S&P A-, Moody's A3, or Fitch A-. The LGSF Pool's exposure to a single issuer is limited to 5% of portfolio amortized cost (excluding U.S. Treasuries and Agencies). Maximum exposure to second tier issuers is limited to no more than 1% of portfolio amortized cost.

The LGSF Pool utilizes several securities lending programs. At the time of purchase, investments purchased in these programs with original maturities of less than or equal to 1 year should carry a rating consisting of the highest applicable short-term rating by at least one of the NRSROs (i.e. S&P A-1, Moody's P-1, Fitch F-1). For investments with original maturities of greater than 1 year, but less than or equal to 2 years, at the time of purchase, should carry at least one rating by an NRSRO of at least S&P A, Moody's A2, or Fitch A, except for asset backed securities which must have a rating of AAA by S&P, Aaa by Moody or AAA by Fitch. Investments with original maturities of greater than 2 years should have, at time of purchase, a rating by at least one NRSRO of at least S&P AA-, Moody's Aa3 or Fitch AA-, except for asset backed securities, which must be rated AAA by one of the above. Ratings are not applied to U.S. Government securities, its agencies or instrumentalities, repurchase agreements or shares of mutual funds. There is no limit on the amount of securities purchased within a portfolio if the securities are issued or guaranteed by the U.S. Government, its agencies or instrumentalities. There is also no limit on repurchase agreements collateralized by the same. For other securities, aggregate exposure to any single issuer or guarantor or counterparty (in connection to repurchase agreements) shall not exceed the greater of \$5 million or 5% of the book value of the portfolio. An additional 5% of the book value of the portfolio can be invested in the obligations of a single issuer (i.e. no more than the greater of 10% of the book value or \$5 million) that will mature on the next business day, that are redeemable upon demand, or that contain an unconditional put feature.

State Board of Administration
Local Government Surplus Funds Trust Fund Investment Pool
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2006
(UNAUDITED)

2. Deposits and Investments (continued)

At June 30, 2006, the LGSF Pool had investments totaled \$1.56 billion issued by the Federal Home Loan Bank System, representing 7% of total investments. The LGSF Pool's credit quality ratings are as follows at June 30, 2006:

Local Government Surplus Fund Investment Pool
Credit Quality Ratings as of June 30, 2006
(expressed in thousands)

Fair Value of Pool Investments							
Certificates of Deposit	Commercial Paper	Liquidity Notes	Domestic Bonds & Notes	Federal Agencies	Total	S&P Rating**	Moody Rating**
\$	\$	\$	\$ 121,488	\$ 1,570,915	\$ 1,692,403	AAA	
394,923	.....	.....	1,080,041	.....	1,474,964	AA	
799,315	.....	.....	1,670,115	.....	2,469,430	A	
.....	4,618,798	7,578,767	.....	906,990	13,104,555	A-1*	
.....	399,272	.....	.....	.....	399,272	A-2 *	
.....	1,361,533	84,925	.....	.....	1,446,458		P-1*
249,967	539,956	.....	49,889	.....	839,812	Not rated***	Not rated***
<u>\$ 1,444,205</u>	<u>\$ 6,919,559</u>	<u>\$ 7,663,692</u>	<u>\$ 2,921,533</u>	<u>\$ 2,477,905</u>	<u>21,426,894</u>		
				U.S. Treasury Notes	647,863	Not rated	Not rated
					<u>\$ 22,074,757</u>		

Fair Value of Invested Securities Lending Collateral							
Certificates of Deposit	Commercial Paper	Domestic Bonds & Notes	International Bonds & Notes	Short-term Investment Funds	Total	S&P Rating**	Moody Rating**
\$	\$	\$ 514,225	\$ 50,000	\$ 1,285	\$ 565,510	AAA	
.....	.....	149,104	.....	.....	149,104	AA	
99,980	.....	257,718	.....	.....	357,698	A	
.....	.....	.....	.....	130	130		Aaa
.....	54,891	.....	.....	.....	54,891	A-1*	
<u>\$ 99,980</u>	<u>\$ 54,891</u>	<u>\$ 921,047</u>	<u>\$ 50,000</u>	<u>\$ 1,415</u>	<u>1,127,333</u>		
				Repurchase Agreements	103,622	Not rated	Not rated
				Securities lending collateral investment pools	1,814,103	Not rated	Not rated
					<u>\$ 3,045,058</u>		

* Long-term ratings are presented except for "A-1", "A-2" and "P-1". These are short-term ratings for S&P and Moody's.

** S&P Ratings were primarily used. If S&P did not rate a security, then Moody's ratings were used. If neither rating agency issued a rating, the security was listed as "Not rated".

*** All certificates of deposit that were unrated by S&P and Moody's carried a Fitch credit rating of "A"; or the issuer had an overall "A" debt rating by S&P. All unrated commercial paper carried an overall issuer debt rating of "A-1" by S&P. All domestic bonds & notes that were unrated by S&P and Moody's carried a Fitch credit rating of "AA".

State Board of Administration
Local Government Surplus Funds Trust Fund Investment Pool
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2006
(UNAUDITED)

2. Deposits and Investments (continued)

4. Custodial Credit Risk

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

The Board does not have an overall policy addressing custodial credit risk. However, based on negotiated trust and custody contracts, all of the LGSF Pool's investments are held in the Board's name by the Board's custodial financial institutions at June 30, 2006.

5. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. The LGSF Pool is run similar to a SEC 2a-7 money market fund. The LGSF Pool's weighted average maturity (WAM) is not allowed to exceed 90 days. Next reset dates are used for investments with floating and variable interest rates to calculate the WAM. Maturities of money market securities are not allowed to exceed 397 days, and maturities of government securities are not allowed to exceed 762 days. The LGSF Pool also participates in three securities lending programs. SEC 2a-7 regulations limit the amount of securities that may be on loan at any one time to no more than one third of the portfolio. Maximum weighted average maturity (WAM) is either 45 or 60 days, depending on the lending program. Next reset dates (for floating rate securities) are used to calculate WAM.

Presented below are the investments held in the LGSF Pool at June 30, 2006 at fair value, with the WAM for each security type.

State Board of Administration
Local Government Surplus Funds Trust Fund Investment Pool
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2006
(UNAUDITED)

2. Deposits and Investments (continued)

Local Government Surplus Fund Investment Pool
Weighted Average Days to Maturity
Investments Held as of June 30, 2006
(expressed in thousands)

Investment Type	Fair Value	Weighted Average Days to Maturity *
<u>Pool Investments:</u>		
Certificates of deposit	\$ 1,444,205	34
Commercial paper	6,919,559	11
Liquidity notes	7,663,692	14
Domestic bonds & notes **	2,921,533	19
Federal agencies	1,123,844	50
Federal agencies, stepped	447,071	393
Federal agency discount notes	906,990	20
U.S. Treasury notes	647,863	91
Totals	<u>\$ 22,074,757</u>	
Portfolio weighted average maturity		27
<u>Invested Securities Lending Collateral:</u>		
Certificates of deposit	\$ 99,980	24
Commercial paper	54,891	17
Domestic corporate bonds & notes **	816,803	37
Domestic non-government backed collateralized mortgage obligations (CMO's)	104,244	20
International non-government backed CMO's	50,000	12
Short-term investment funds	1,415	3
Repurchase agreements	103,622	3
Securities lending collateral investment pools	1,814,103	19
	<u>\$ 3,045,058</u>	

* Interest rate reset dates were used in the calculation of the weighted average days to maturity.

** Domestic bonds & notes include corporate debentures and asset backed securities

6. Foreign Currency Risk

The LGSF Pool fund did not have any foreign currency risk as of June 30, 2006. All investments were denominated in U.S. Dollars.

State Board of Administration
Local Government Surplus Funds Trust Fund Investment Pool
NOTES TO FINANCIAL STATEMENTS
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3. Securities Lending

The Board, on behalf of the LGSF Pool, under authorization of Section 215.47 of the Florida Statutes, participated in several securities lending programs during fiscal year 2005-2006. While SEC Rule 2a-7 does not directly address the portion of the portfolio that may be on loan at any given time, the Board has adopted industry practice for 2a-7 type funds which generally restricts lending activity to no more than 1/3 of the portfolio.

In a securities lending program, a lender (the Board) loans various securities to a borrower for collateral with a simultaneous agreement to return collateral for the same securities in the future. The Board is contractually limited from pledging or selling collateral except in the event of borrower default. All securities lending programs have indemnity clauses requiring the lender to consume any losses from insufficient collateral. No significant violations of legal or contractual provisions occurred and no losses were incurred due to borrower or lending agent defaults.

The Board held \$3,041,918,583 in cash as collateral for the lending programs as of June 30, 2006. The collateral held for the securities lending transactions exceeded the fair value of the securities underlying the agreements (including accrued interest) at June 30, 2006. 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. As such, investments made with cash collateral are primarily in short-term investments. However, investments purchased in the securities lending programs included investments with final maturities of six months or more representing approximately 38 percent to 91 percent of total collateral invested.

4. Summary of Investment Holdings

GASB Statement 31 requires certain disclosures to be made in separate or stand-alone financial reports for governmental external investment pools. Included in those requirements is a summary of the fair value, carrying amount, the number of shares or the principal amount, ranges of interest rates and maturity dates of each major investment classification. The following table provides this information (in thousands):

State Board of Administration
Local Government Surplus Funds Trust Fund Investment Pool
NOTES TO FINANCIAL STATEMENTS
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4. Summary of Investment Holdings (continued)

Local Government Surplus Fund Investment Pool
All Investment Holdings as of June 30, 2006
(expressed in thousands)

	Par	Carrying Value	Fair Value	Range of Interest Rates*	Range of Next Reset Dates^	Range of Final Maturity Dates^^
<u>Pool Investments:</u>						
Certificates of deposit	\$ 1,445,000	\$ 1,444,988	\$ 1,444,205	4 98 - 5 33219	7/8/06 - 9/12/06	7/10/06 - 6/26/07
Commercial paper	6,925,976	6,921,652	6,919,559	5 08 - 5 45	7/3/06 - 8/07/06	7/3/06 - 3/22/07
Liquidity notes	7,679,443	7,664,879	7,663,692	5 10 - 5 36	7/3/06	7/3/06 - 2/5/07
Domestic corporate bonds & notes ¹	2,921,688	2,921,842	2,921,533	5 08938 - 5 56	7/3/06 - 9/27/06	7/5/06 - 10/10/07
Federal agencies	2,484,231	2,481,697	2,477,905	3 375 - 5 30625	7/3/06 - 9/23/06	7/5/06 - 6/13/08
U S Obligations	650,000	648,392	647,863	2 375 - 6 50	na	7/31/06 - 2/28/07
	<u>\$ 22,106,338</u>	<u>\$ 22,083,450</u>	<u>\$ 22,074,757</u>			
<u>Invested Securities Lending Collateral:</u>						
Certificates of deposit	\$ 100,000	\$ 99,980	\$ 99,980	5 33219	7/24/06	6/25/07
Repurchase agreements	103,622	103,622	103,622	5 4225 - 5 4325	7/3/06	7/3/06
Commercial paper	54,900	54,891	54,891	5 26875	7/17/06	1/16/07 - 4/16/07
Short-term investment funds	1,415	1,415	1,415	5 06 - 5 17**	open	open
Securities lending collateral investment pools ³	1,811,152	1,814,103	1,814,103	5 124 - 5 22**	open	open
Domestic corporate bonds & notes ¹	1,017,550	816,803	816,803	2 72 - 5 80875	7/10/06 - 9/25/06	4/23/07 - 4/08/39
Domestic non-government backed collateralized mortgage obligations (CMO's)	229,000	104,244	104,244	5 2975 - 5 4725	7/6/06 - 7/25/06	1/25/09 - 8/25/35
International non-government backed CMO's ²	50,000	50,000	50,000	5 29938	7/12/06	4/12/36
	<u>\$ 3,367,639</u>	<u>\$ 3,045,058</u>	<u>\$ 3,045,058</u>			

na - not applicable

¹ Domestic corporate bonds & notes include corporate debentures and asset backed securities

² International non-government backed CMO's include senior notes that are backed by residential mortgages in the United Kingdom

³ Securities lending collateral investment pools include the Dresdner and KeyBank lending programs. Cash collateral is pooled with cash collateral from several other funds and the investment of that cash is consolidated in a pooled investment account. The LGSF Pool does not own individual securities, but a percentage of the collateral pool.

* The coupon rate in effect at 6/30/06 is reported. If a security is discounted, the purchase yield is reported.

** The average portfolio yield as of 6/30/06 is reported for short term investment funds and securities lending collateral investment pools.

^ Not all securities within a security type have reset dates. Some are discounted or may have a fixed interest rate.

^^ The earlier of the final stated maturity date or the next put date available is reported. Certain asset backed securities also have "expected maturity dates" that may be much shorter than the final maturity dates reported.