

Reply to: Tallahassee

May 11, 2026

**LOCAL GOVERNMENT SURPLUS FUNDS TRUST FUND  
2026 STATUTORY COMPLIANCE REVIEW**

The Local Government Surplus Funds Trust Fund (Trust Fund or Fund) is a pooled investment fund created in 1977 by Section 218.405, Florida Statutes, and administered by the State Board of Administration (SBA). F.S. § 218.403(9). Chapter 218, Florida Statutes, (§ 218.01 through § 218.80) governs “Financial Matter Pertaining to Political Subdivision.” The establishment and administration of the Fund is provided for by Part IV of Chapter 218, Florida Statutes, titled “Investment of Local Government Surplus Funds.” This Part, which includes sections 218.40 through 218.415, is now known as “Florida PRIME.”

**THE STATUTE**

The Fund is administered by the Board of Trustees of the SBA (hereinafter, the “Board” or “Trustees”), which is constituted per Article IV, Section 4 of the Florida Constitution, and consists of the Governor, as Chair, the Chief Financial Officer, as Treasurer, and the Attorney General, as Secretary. *See* F.S. § 215.44(1). Section 218.405(3), Florida Statutes, requires the Trustees to annually certify that Florida PRIME is in compliance with the requirements of Part IV, Chapter 218, Florida Statutes, and that the management of Florida PRIME is in accord with best investment practices.

This is the seventeenth annual statutory review of the Fund under section 218.405(3). There have been no substantive amendments by the Florida Legislature to Part IV, Chapter 218, Florida Statutes, since the completion of the 2025 Statutory Compliance Review.

**SCOPE OF REVIEW**

This review, which addresses the first part of the annual certification by the Trustees, examines whether the Trust Fund is in compliance with the requirements of Part IV of Chapter 218, Florida Statutes. The scope of this review is the Fund’s compliance with sections 218.40 – 218.412, Florida Statutes, during the time period June 1, 2025, through May 31, 2026.

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The remainder of Part IV, Chapter 218 – section 218.415 – is not within the scope of this review. This section comprises the second part of the certification required by section 218.405(3) – that the Fund is in accord with best investment practices – which is performed separately by Aon Hewitt Investment Consulting, Inc.

## **PURPOSE**

The intent of Part IV, Chapter 218 is:

**[T]o promote, through state assistance, the maximization of net interest earnings on invested surplus funds of local units of government, based on the principles of investor protection, mandated transparency, and proper governance, with the goal of reducing the need for imposing additional taxes.**

See, F.S. § 218.401. The definition of “surplus funds”, found at section 218.403(8), includes:

**[A]ny funds in any general or special account or fund of a unit of local government, or funds held by an independent trustee on behalf of a unit of local government, which in reasonable contemplation will not be immediately needed for the purposes intended.**

Participation in the Fund is expressly limited to units of local government, defined broadly at section 218.403(11) as “any governmental entity within the state not part of state government.” This includes (without limitation):

**... any county, municipality, school district, special district, clerk of the circuit court, sheriff, property appraiser, tax collector, supervisor of elections, authority, board, public corporations, or any other political subdivision of the state.**

This definition includes authorities, boards and public corporations, in addition to the entities specifically enumerated in the statutory language above.

The decision by a local government entity to invest in the Fund is discretionary. Section 218.407(2), Florida Statutes, requires a prospective Fund participant to determine whether participation in the Fund is in the entity’s interest. The Florida PRIME enrollment materials require each prospective participant to certify that it is authorized to invest in the Fund. In addition, the enrollment materials advise prospective participants that the SBA is not responsible for independently verifying whether participation by the local government entity is authorized or appropriate.

## **CREATION, OBJECTIVES**

The Trust Fund was created by the Florida Legislature under subsection 218.405(1), Florida Statutes, which provides:

**There is hereby created a Local Government Surplus Funds Trust Fund to be administered by the board and to be composed of local government surplus funds deposited therein by units of local government under the procedures established in this part. The board may contract with a professional money management firm to manage the trust fund.**

The Board has contracted with a professional money management firm, Federated Investment Counseling, Inc. (Federated), to manage the Trust Fund.

- (2) The primary objectives, in priority order, of investment activities shall be safety, liquidity, and competitive returns with minimization of risks.**
- (3) (Certification requirement, cited above)**
- (4) The board may adopt rules to administer the provisions of this section.**

## **RULES**

Sections 218.405(4) and 218.412 permit the Board to promulgate rules as may be needed to administer the Trust Fund. The Board has adopted such rules at Chapter 19-7, Florida Administrative Code. Most of the current administrative rules were adopted in 1982, with substantial revisions promulgated in 2002 and 2010. The Investment Policy Statement (IPS) is also incorporated, by reference, into SBA Rules. The current Investment Policy Statement for the Fund was approved by the SBA Trustees on June 10, 2025. No substantive changes were made to Chapter 19-7, Florida Administrative Code or the IPS during the review period.

## **INTERACTION WITH LOCAL GOVERNMENT AUTHORITIES**

Section 218.407 sets out requirements, which must be communicated to, and observed by a local government entity before surplus funds of that entity may be deposited in the Trust Fund. Subsection 218.407(1) provides the following:

- (1) Prior to any determination by the governing body that it is in the interest of the unit of local government to deposit surplus funds in the trust fund, the board or a professional money management firm must provide to the governing body enrollment materials, including a trust fund profile containing impartial**

**educational information describing the administration and investment policy of the trust fund, including, but not limited to:**

- (a) All rights and conditions of participation, including potential restrictions on withdrawals.**
- (b) The historical performance, investment holdings, credit quality, and average maturity of the trust fund investments.**
- (c) The applicable administrative rules.**
- (d) The rate determination processes for any deposit or withdrawal.**
- (e) Any fees, charges, penalties, and deductions that apply to the account.**
- (f) The most recently published financial statements or independent audits, if available, prepared under generally accepted accounting principles.**
- (g) A disclosure statement for signature by the appropriate local government official.**

The Board, with assistance by Federated, has created enrollment materials which are distributed to prospective participants. The Trust Fund profile and education information included in the enrollment materials are impartial and accurately inform prospective participants of Fund's administration and investment policies. These materials satisfy the requirements of subsection 218.407(1).

All materials are provided to participants and potential participants at the Board's web site: [www.sbafla.com](http://www.sbafla.com) at the Florida PRIME link, or directly at <https://prime.sbafla.com/>. The New Participant Enrollment Guide, the current Investment Policy Statement, the Earnings Allocation description and the applicable rules are included under the "Enrollment Materials" tab, as are two form documents that must be executed by a new participant: the Disclosure Statement and the Authorizing Resolution. These materials track the statutory information required by section 218.407(1).

Subsection 218.407(2) includes guidelines for investment authorization by a local government entity's governing body.

- (2) Upon review of the enrollment materials and upon determination by the governing body that it is in the interest of the unit of local government to deposit surplus funds in the trust fund, a resolution by the governing body and the signed acceptance of the disclosure statement by the local government official, who may be the chief financial or administrative officer of the local government, shall be filed with the board and, if appropriate, a copy shall be provided to a**

**professional money management firm authorizing investment of its surplus funds in the trust fund established by this part. The resolution shall name:**

- (a) The local government official, who may be the chief financial or administrative officer of the local government, or**
- (b) An independent trustee holding funds on behalf of the unit of local government, responsible for deposit and withdrawal of such funds.**

The safeguards set forth in paragraphs 218.407(1) and (2) are intended to ensure that prospective participants are fully informed about the nature, purpose, stability and processes of the Fund. The information included in the Florida PRIME enrollment materials is thorough, and satisfies the statutory requirements. Signed disclosure statements, acknowledging receipt of relevant information, are on file for Fund participants.

- (3) The board or a professional money management firm shall, upon the filing of the resolution, invest the moneys in the trust fund in the same manner and subject to the same restrictions as are set forth in s. 215.47. All units of local government that qualify to be participants in the trust fund shall have surplus funds deposited into a pooled investment account.**

Section 215.47, Florida Statutes, details the types of investments permitted for all Board funds, including Florida PRIME. Pursuant to section 218.409(2)(a), the Fund also must be invested in accordance with the current written investment policy, which must be updated annually. Section 215.47(10), Florida Statutes, was amended by the Legislature in 2023 to require the SBA, when deciding whether to invest and when investing, to make decisions based solely on pecuniary factors. The amendment prohibits the subordination of the interests of fund participants to other objectives (i.e., sacrificing investment return or undertaking additional investment risk to promote any nonpecuniary factor). An amendment to the Investment Management Agreement with Federated was executed to comply with the 2023 legislative changes.

The second part to the certification required by section 218.405(3), which is being conducted by Aon Hewitt Investment Consulting, Inc., determines whether the Fund's management is in accord with best investment practices and whether the specific holdings of the Fund are in accord with all statutory requirements including section 215.47 (cross-referenced in 218.405(3)) as implemented in the current PRIME Investment Policy Statement.

## **ADMINISTRATION OF THE TRUST FUND**

### **218.409 Administration of the trust fund.—**

- (1) Upon receipt of the items specified in s. 218.407 from the local governing body, the board or a professional money management firm shall accept all wire transfers of funds into the trust fund. The board or a professional money**

**management firm shall also wire-transfer invested local government funds to the local government upon request of the local government official named in the resolution.**

This requirement is satisfied by a clearing account maintained by Bank of America, which is a qualified public depository. The Bank of America account accepts money transmitted to the Board and transfers to BNY Mellon, as the custodian.

**(2)(a) The trustees shall ensure that the board or a professional money management firm administers the trust fund on behalf of the participants. The board or a professional money management firm shall have the power to invest such funds in accordance with a written investment policy. The investment policy shall be updated annually to conform to best investment practices. The standard of prudence to be used by investment officials shall be the fiduciary standards as set forth in s. 215.47(10), which shall be applied in the context of managing an overall portfolio. Portfolio managers acting in accordance with written procedures and an investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this part.**

The Trustees delegate the administrative and investment authority to manage Florida PRIME to the Executive Director of the SBA, subject to applicable Florida Law. The Trustees also appoint an Investment Advisory Council, which, at least annually, reviews the Investment Policy and any proposed changes prior to its presentation to the Trustees. The Investment Policy Statement was last updated by the Trustees effective June 10, 2025. The IPS is posted at the Fund website tab "Risk Management and Oversight," and under the "Enrollment Materials" tab as a separate item and is also included in the New Participant Enrollment Guide.

The Board administers the Trust Fund on behalf of the participants and handles accounting, statements, monthly reporting and compiling and maintaining enrollment materials, and has contracted with professional money management firm Federated to act as the Investment Manager and to invest the Trust Fund funds in accordance with the Investment Policy Statement. Federated interacts with participants to answer inquiries and facilitates Standard and Poor's ratings. BNY Mellon acts as custodian of all assets of the Fund, processes all trades made by Federated, and does valuation and pricing for the Fund.

**(2)(b) Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any**

**material interests in financial institutions with which they conduct business on behalf of the trust fund. They shall further disclose any personal financial or investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the board.**

All SBA employees are required to complete training to ensure that officers and employees involved in the investment process are able to recognize and avoid personal business activity that could conflict with the performance of their responsibilities with respect to the Trust Fund or impair their ability to make impartial decisions. The SBA has taken steps to confirm that all employees complete the training required for their position. The SBA Office of Human Resources is required to notify the Inspector General of any training non-compliance, and the Inspector General ensures that all required employee training for the cycle is completed.

A course cycle sets out when mandatory employee training courses must be completed. Use of Information Technology Resources, Ethics, Harassment Prevention, Incident Management Framework, Insider Trading, and Personal Investment Activity training are required every year; Public Records and Sunshine Law training are required every two years; and Confidential Information and Fiduciary Duties training is required every four years. New SBA employees are required to take all mandatory courses at the time they start working for the SBA as well as Risk Management and Compliance Awareness Training. All required courses for the fiscal year rotation were completed for the review period. Employees are also required to complete in-person fiduciary training. As of the date of this report, all employees have completed the required training.

SBA Employees and investment officials are required to disclose material interests in financial institutions with which they also conduct Trust Fund business, and any personal financial or investment positions that could be related to performance of the Trust Fund portfolio. The Inspector General ensures that any trading or investment activity by individual employees complies with applicable SBA policies.

Policy 10-041 establishes a set of internal controls governing the personal investment activity of all SBA employees, including OPS employees and interns. Policy 10-041 was revised March 11, 2025, to provide more specificity with respect to transacting covered trades with a broker dealer, for which the SBA has set up an electronic confirmation feed. The updated policy also includes the SBA's Employee Broker List, which is a list of brokers with whom SBA employees may conduct personal trading of Covered Securities.

The brokers on the list have been reviewed and approved for personal trading by the Chief Risk & Compliance Officer and those brokers have agreed to provide electronic trade confirmations and account statements to the Personal Investment Compliance System. If an individual covered by the policy wishes to trade covered securities, the account must be with a broker on the SBA

Employee Broker List, and a written authorization for the SBA to receive electronic confirmations and account information must be executed prior to trading.

To assist in these requirements, SBA has instituted the StarCompliance Personal Investment Compliance (PIC) system, which provides automated pre-clearance of personal trades and a standardized method to report and certify Covered Accounts and holdings, including private investments. SBA employees are required to submit pre-clearance requests in the PIC system, and receive approval prior to trading in any securities, as defined by Section 2(a)1 of the Securities Act of 1933, except certain exempt securities or assets (e.g., FDIC money markets, municipal bonds, insurance products, etc.). (See SBA Policy 10-041, *Definitions*, p. 4-6.) Risk Management & Compliance offered two agency-wide training sessions prior to the implementation of the StarCompliance system. A recording of the training was also made available on SBA's "WorkSmart Portal" for employees who are unable to attend either of the training sessions in person.

Policy 10-044, which addresses insider trading, includes reporting procedures for material nonpublic information. "Material" information, as it relates to securities transactions, is defined generally as information for which there is a substantial likelihood that a reasonable investor would consider it important in making his or her investment decisions, or information that is reasonably certain to have a significant effect on the price of a company's securities. Information is "nonpublic" until it has been effectively communicated to the marketplace and it can be demonstrated that the information is generally public. In addition to the Executive Director and the General Counsel & Chief Ethics Officer, the Chief Risk and Compliance Officer is responsible for consulting and coordinating with the Deputy Chief Investment Officer, as appropriate, to resolve policy questions and interpretations.

SBA employees must report material nonpublic information through the StarCompliance system. The information is then sent immediately to the Chief Risk & Compliance Officer for review. This information is used to maintain a "Restricted List" of securities, which are ineligible for trading by SBA employees on behalf of SBA funds or personal accounts, without prior written approval from the Chief Risk & Compliance Officer. There were no reports of non-compliance with any of the aforementioned, during the review period.

**(2)(c) The board or a professional money management firm and all employees have an affirmative duty to immediately disclose any material impact to the trust fund to the participants. To ensure such disclosure, a system of internal controls shall be established by the board, which shall be documented in writing as part of the investment policy. The controls shall be designed to prevent the loss of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the board or a professional money management firm. The controls shall also include formal escalation reporting**

**guidelines for all employees. The guidelines shall establish procedures to address material impacts on the trust fund that require reporting and action.**

The SBA has developed a process and document to be used by professional money manager Federated to certify that it operates in compliance with applicable ethics requirements. Federated Hermes Inc., Chief Compliance Officer and the Chief Investment Officer for Global Liquidity Markets, have each executed certifications of Compliance with Ethics Principles, for the reporting period.

Policy 10-040 (Ethics) provides comprehensive ethical requirements for all employees of the SBA, including PRIME, which are more stringent than the statutory requirements under Chapter 112, Part III, Florida Statutes. SBA management and staff have an affirmative duty to immediately escalate and report directly to the Executive Director and CIO, the Inspector General, or the General Counsel any “employee or contractual party fraud or misconduct (whether actual or suspected), employee or contractual party material error that adversely affects SBA or client assets or interests, misrepresentation or omission of material information in internal and external reporting and client communications, and violations of laws, rules or SBA policies.” The Inspector General then is required to investigate.

The SBA internet and intranet home pages include an employee toll-free fraud hotline number which allows employees to anonymously report any concerns with regard to any aspect of SBA functions, including the Trust Fund. This number is also included in all contracts with external service providers, in order to report any potential problems in these relationships. The hotline is operated by an independent company and is available 24 hours a day, 7 days a week. The Inspector General receives any reports from the hotline and copies these to the Chief Risk and Compliance Officer. There were no fraud reports to the hotline number during the review period.

The Investment Policy Statement at Section IX, Controls and Escalation Procedures, imposes extensive reporting, monitoring and escalation requirements on the executive director, all employees, the Fund custodian, the Investment Manager, an independent investment consultant and any third party used to materially implement the Fund. The IPS requires the Executive Director to develop policies and procedures to maintain an appropriate and effective risk management and compliance program, which identifies, evaluates and manages risks within business units and at the enterprise level. The Executive Director is required to appoint a Chief Risk and Compliance Officer, whose selection, compensation, and termination are to be affirmed by the Board. This position assists the Executive Director in fulfilling the Controls and Escalation Procedures and has been staffed in accordance with SBA policy.

Also, in accordance with the IPS, the Executive Director has organized an Investment Oversight Group (IOG) to regularly review, document and formally escalate compliance exceptions and events that might have a material impact on the Trust Fund. The minutes of its meetings, with a

list of participants, are posted to the Fund website. The IOG meets and reports monthly to the Executive Director.

As discussed below, the Auditor General conducts an annual Financial Audit of PRIME, and the IPS requires the audit to include testing for compliance with the IPS, pursuant to Florida law. The most recent Financial Audit (Report No. 2026-050, November 2025) is available on the Florida PRIME website under the tab, "Audits."

The IPS also requires the Trustees to review and approve management summaries of material impacts on the Fund and any actions or escalations, along with any required actions thereon. The Monthly Summary Reports, which are provided on the website, constitute these management summaries. (See further discussion on the contents of this Report under section 218.409(6).) As reflected in the quarterly reports to the Joint Legislative Auditing Committee, the Trustees have reviewed and approved the monthly summary reports.

In addition to the internal controls described above, SBA has recently expanded its training curriculum to address external security threats. Additional cyber security training was implemented, effective July 11, 2024 (Policy 10-508), which highlights risks associated with the use of information technology. The policy defines new information security training requirements for all employees, as well as any contractors and third parties, who have access to the SBA network, data and information systems, and is intended to ensure all users know how to identify and defend against malicious threats and how to react to information security events or incidents, whether at work or at home. The training curriculum, which must be completed before an employee can access sensitive SBA data or information systems includes, at a minimum, the following topics:

- SBA information security and related policies and where to find them
- Information security threats
- Creation and maintenance of appropriate passwords
- Acceptable usage of SBA data, network resources, computing devices, and software
- Handling of confidential, or otherwise sensitive data, including use of encryption capabilities, where appropriate
- Reporting information security incidents, including the reporting of abuse, policy violations and suspicious activities

The safeguards summarized above indicate stringent standards of education, review and disclosure designed to prevent the loss of funds from fraud, error, misrepresentation, market changes or imprudent actions by the Board or a money manager, and have ensured the Trust Fund is administered in accordance with what is required by statute.

**(2)(d) The investment policy shall be reviewed and approved annually by the trustees or when market changes dictate, and in each event the investment policy shall be reviewed by the Investment Advisory Council.**

The Investment Policy Statement was approved by the Trustees, without change on June 10, 2025.

**(3) The board or a professional money management firm may purchase such surety or other bonds as may be necessary for its officials in order to protect the trust fund. A reserve fund may be established to fulfill this purpose. However, any reserve must be a portion of the management fee and must be fully disclosed, including its purpose, in the enrollment materials at the time a unit of local government considers participation. Further, any change in the amount to be charged for a reserve must have a reasonable notice period to allow any participant to withdraw from the trust fund prior to the new reserve charge being imposed.**

No surety or other bonds have been purchased to protect the Trust Fund, and there is no reserve fund.

**(4) The board or a professional money management firm shall purchase investments for a pooled investment account in which all participants share pro rata in the capital gain, income, or losses, subject to any penalties for early withdrawal. Any provisions for penalties, including their purpose, must be disclosed in the enrollment materials. Any change in the amount to be charged for a penalty must have a reasonable notice period to allow any participant to withdraw from the trust fund prior to the new penalty charge being imposed. A system shall be developed by the board, and disclosed in the enrollment materials, subject to annual approval by the trustees, to keep account balances current and to apportion pooled investment earnings to individual accounts.**

All participants in the Trust Fund share pro rata in all capital gains, income or losses, as set out in the Description of Investment Pool Earnings Allocation, posted to the website. This system is designed to keep account balances current and to apportion pooled investment earnings to individual accounts.

**(5) The board shall keep a separate account, designated by name and number of each participating local government. A maximum number of accounts allowed for each participant may be established by the board. Individual transactions and totals of all investments, or the share belonging to each participant, shall be recorded in the accounts.**

Separate accounts are kept for each participant. The Board has not established a limit on the number of accounts a participant may have.

**(6)(a) The board or a professional money management firm shall provide a report, at a minimum monthly or upon the occurrence of a material event, to every participant having a beneficial interest in the trust fund, the board's executive director, the trustees, the Joint Legislative Auditing Committee, and the Investment Advisory Council. The report shall include:**

**1. Reports of any material impacts on the trust fund and any actions or escalations taken by staff to address such impacts. The trustees shall provide quarterly a report to the Joint Legislative Auditing Committee that the trustees have reviewed and approved the monthly reports and actions taken, if any, to address any impacts.**

**2. A management summary that provides an analysis of the status of the current investment portfolio and the individual transactions executed over the last month. This management summary shall be prepared in a manner that will allow anyone to ascertain whether investment activities during the reporting period have conformed to investment policies. Such reporting shall be in conformance with best market practices. The board or a professional money management firm shall furnish upon request the details of an investment transaction to any participant, the trustees, and the Investment Advisory Council.**

A document titled "Monthly Summary Report" is produced monthly and made available at the Florida PRIME website to address the above requirements. The Monthly Summary Reports satisfy the requirements of Paragraph (6)(a).

The quarterly reports of the Trustees to the Joint Legislative Auditing Committee indicate that the Trustees have reviewed and approved the monthly reports and taken responsive action, per the above. These actions are memorialized in the transcripts and minutes of the meetings of the Trustees, which are posted to the SBA website.

**(6)(b) The market value of the portfolio shall be calculated daily. Withdrawals from the trust fund shall be based on a process that is transparent to participants and will ensure that advantages or disadvantages do not occur to parties making deposits or withdrawals on any particular day. A statement of the market value and amortized cost of the portfolio shall be issued to participants in conjunction with any deposits or withdrawals. In addition, this information shall be reported monthly with the items in paragraph (a) to participants, the trustees, and the Investment Advisory Council...**

The market value of the Fund portfolio is calculated daily by BNY Mellon and posted on the website the next day. The Information Statement and Operating Procedures, posted to the website as part of the New Participant Enrollment Guide, sets out the operating procedures for the Fund, including hours of operation, holidays and timing of transactions. These procedures

are transparent and appear to ensure, to the extent possible, that disadvantages do not occur to parties making deposits or withdrawals on particular days, as each participant has equal access to the transaction system. A statement of the market value and amortized cost of the portfolio is available at all times to participants on the website, and participants receive monthly individual account statements.

**...The review of the investment portfolio, in terms of value and price volatility, shall be performed with practices consistent with the GFOA Recommended Practice on "Mark-to-Market Practices for State and Local Government Investment Portfolios and Investment Pools."**

Compliance with the above part of section 218.409(6)(b) will be determined in part two of the annual certification, conducted by Aon Hewitt Investment Consulting, Inc.

**...Additional reporting may be made to pool participants through regular and frequent ongoing multimedia educational materials and communications, including, but not limited to, historical performance, investment holdings, amortized cost and market value of the trust fund, credit quality, and average maturity of the trust fund investment.**

Additional materials are available on the Trust Fund website and are provided through the monthly reports. Board staff are available for direct communication with participants for any questions regarding their accounts.

**(7) Costs incurred in carrying out the provisions of this part shall be deducted from the interest earnings accruing to the trust fund. Such deductions shall be prorated among the participant local governments in the percentage that each participant's deposits bear to the total trust fund. The remaining interest earned shall be distributed monthly to participants according to the amount invested. Except for costs, the board or a professional money management firm may not transfer the interest or use the interest for any other purpose, including, but not limited to, making up investment losses.**

The above statutory requirement was present in the law before substantive revisions in 2008 and has been discussed in previous reviews because it is theoretically problematic: If fund investment values were to decline sufficiently in a given month, there would be no interest from which to pay costs, and the literal requirements of this provision could not be met within a given month. Staff has reviewed this issue and has concluded that based on historical asset levels, there have been more than sufficient assets to generate fees adequate to cover all administrative, operational, compliance and investment management charges.

**(8)(a) The principal, and any part thereof, of each and every account constituting the trust fund shall be 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 shall be immediately disclosed to all participants, the trustees, the Joint Legislative Auditing Committee, and the Investment 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 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 prior to the expiration of the time limit set, but in no case may the time limit set by the trustees exceed 15 days.**

In the time period covered by this review, the principal of all accounts in the Trust Fund has been paid at any time requested by a participant and there have been no events causing the Executive Director to limit contributions or withdrawals.

**(8)(b) An order to withdraw funds may not be issued upon any account for a larger amount than the share of the particular account to which it applies; and if such order is issued, the responsible official shall be personally liable under his or her bond for the entire overdraft resulting from the payment if made.**

In the time period covered by this review, there have been no orders to withdraw funds for a larger amount than the share of a particular account.

**(9) The Auditor General shall conduct an annual financial audit of the trust fund, which shall include testing for compliance with the investment policy. The completed audit shall be provided to the participants, the board, the trustees, the Investment Advisory Council, and the Joint Legislative Auditing Committee. As soon as practicable, but no later than 30 days after completion of the audit, the trustees shall report to the Joint Legislative Auditing Committee that the trustees have reviewed the audit of the trust fund and shall certify that any necessary items are being addressed by a corrective action plan that includes target completion dates.**

The Auditor General annual financial audit of the Trust Fund, Report No. 2026-050, for the fiscal years ended June 30, 2025, and June 30, 2024 was completed in November 2025. The audit did not disclose any deficiencies in internal control over Florida PRIME's financial reporting that were considered to be material weaknesses. The report noted no instances of noncompliance or other

matters required to be reported under Government Auditing Standards and included as audit objectives determining if the SBA had complied with various provisions of laws, rules, contracts, the IPS, and other guidelines that are material to the financial statements.

#### **AUTHORIZATION TO PROVIDE ASSISTANCE**

##### **218.411 Authorization for state technical and advisory assistance.**

**(1) The board is authorized, upon request, to assist local governments in investing funds that are temporarily in excess of operating needs by:**

**(a) Explaining investment opportunities to such local governments through publication and other appropriate means.**

**(b) Acquainting such local governments with the state's practice and experience in investing short-term funds.**

**(c) Providing, in cooperation with the Department of Economic Opportunity, technical assistance to local governments in investment of surplus funds.**

**(2) The board may establish fees to cover the cost of such services, which shall be paid by the unit of local government requesting such service. Such fees shall be deposited to the credit of the appropriation or appropriations from which the costs of providing the services have been paid or are to be charged.**

The education offerings of the Fund have been discontinued, and there have been no instances of the SBA providing technical assistance to a fund participant in this review period.

##### **218.412 Rulemaking authority.—**

**The board may adopt rules as it deems necessary to carry out the provisions of this part for the administration of the trust fund.**

As noted above, the Board has adopted rules for the administration of the Fund at Chapter 19-7, Florida Administrative Code.

#### **OTHER SECTIONS OF PART IV, CHAPTER 218**

Part IV of Chapter 218, Florida Statutes, covers other facets of investment of local government funds, such as local government investment policies (Section 218.415). Because this review, as mandated by Section 218.405, is of the pooled investment fund created by section 218.405 only, these sections are not a part of this review.

**CONCLUSION**

Based on the foregoing, the Local Government Surplus Funds Trust Fund, Florida PRIME, was in compliance with the requirements of Sections 218.40 – 218.412, Florida Statutes for the period covered by this review.