



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B38842

STATE BOARD OF ACCOUNTS
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June 28, 2011

Ms. Kelly Mitchell
Director, Trust Indiana
Office of the Treasurer of Indiana
242 Statehouse
Indianapolis, IN 46204

Dear Ms. Mitchell:

We have received the audit report prepared by London Witte Group, LLC, Independent Public Accountants, for the period July 1, 2009 to June 30, 2010. Per the auditors' opinion, the audit was conducted in accordance with auditing standards generally accepted in the United States of America and the financial statements included in the report present fairly the financial condition of Trust INdiana as of June 30, 2010 and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a public record.

STATE BOARD OF ACCOUNTS

TrustINDiana
Annual Report

June 30, 2010

(With report of independent auditors within)



Report of Independent Auditors

INDEPENDENT AUDITORS' REPORT

To the Treasurer of the State of Indiana

We have audited the statement of assets, liabilities and joint value of **TrustINDiana** (A Component Unit of the State of Indiana) as of June 30, 2010, the portfolio of investments as of June 30, 2010, the related statements of operations for the year ended June 30, 2010 and the statements of changes in joint value for the years ended June 30, 2010 and 2009. These financial statements are the responsibility of the Treasurer of the State of Indiana. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TrustINDiana as of June 30, 2010, and the results of its operations and changes in joint value for the period then ended and the changes in joint value for the years ended June 30, 2010 and 2009, in conformity with generally accepted accounting principles in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. Additional information is presented for purposes of further analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by the GASB. Management's Discussion and Analysis has not been included with the basic financial statements.

London Witte Group, LLC

August 31, 2010

Statement of Assets, Liabilities and Joint Value

June 30, 2010

	<u>TrustINDiana</u>	<u>External Participants</u>
Assets		
Investments at amortized cost (market value \$591,920,834)	\$591,914,233	\$410,003,206
Interest income receivable	<u>270,944</u>	<u>187,676</u>
Total assets	<u>592,185,177</u>	<u>410,190,882</u>
Liabilities and Joint Value		
Management fee payable	57,821	40,051
Distributions payable	5,428	3,760
Other payables	<u>27,033</u>	<u>18,725</u>
Total liabilities	<u>90,282</u>	<u>62,536</u>
Joint Value	<u>592,094,895</u>	<u>410,128,346</u>
Total liabilities and joint value	<u>\$592,185,177</u>	<u>\$410,190,882</u>

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

Portfolio of Investments

June 30, 2010

<u>Principal Amount</u>		<u>Value</u>
Money Market Funds - 0.5%		
\$ 3,104,561	Goldman Sachs Financial Square Government Fund, FST Shares, 0.03%	\$ 3,104,561 (a)
Total Money Market Funds (market value \$3,104,561)		<u>3,104,561</u>
U.S. Government Agencies - 10.2%		
5,000,000	Federal Farm Credit Bank 0.21%, maturity date 01/04/11	5,000,459 (b)
20,000,000	Federal Home Loan Bank 0.55%, maturity date 04/27/11	19,998,355
15,000,000	0.625%, maturity date 04/21/11	15,000,000
20,000,000	0.65%, maturity date 05/25/11	20,000,000
Total U.S. Government Agencies (market value \$60,005,415)		<u>59,998,814</u>
Bank Deposits - 89.3%		
152,505,641	Wells Fargo Bank, 0.45%, due on demand	152,505,641
69,552,526	Wells Fargo Bank, 0.40%, due on demand	69,552,526
50,084,626	Bank of New York Mellon, 0.41%, due on demand	50,084,626 (c)
100,283,047	Harris Bank, 0.45%, due on demand	100,283,047
50,100,076	Huntington National Bank, 0.50%, due on demand	50,100,076
106,284,942	JPMorgan Chase, 0.38%, due on demand	106,284,942 (d)
Total Bank Deposits (market value \$528,810,858)		<u>528,810,858</u>
Total Investments - 100.0% (market value \$591,920,834)		591,914,233
Other assets in excess of liabilities - 0.0%		<u>180,662</u>
Joint Value - 100.0%		<u>\$592,094,895</u>

(a) Interest rate as of June 30, 2010. Rate is declared daily.

(b) Interest rate is reset daily based on Federal Reserve Bank Prime Loan Rate US minus 304 bps.

(c) Interest rate is reset daily based on 90 day T-Bill plus 25 bps.

(d) Interest rate is reset daily based on JPM floating LIBOR minus 5 bps. 38 bps floor.
bps -Basis points (100 basis points equals one percentage point).

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

Statement of Operations

For the year ended June 30, 2010

	<u>TrustINDiana</u>	<u>External Participants</u>
Revenues:		
Interest income	\$ 2,912,285	\$ 1,778,847
Securities lending income	<u>5,820</u>	<u>3,555</u>
Total revenues	2,918,105	1,782,402
Expenses:		
Management fee	570,559	348,502
Securities lending fees	5,042	3,080
Other expenses	261,352	159,636
Total expenses	<u>836,953</u>	<u>511,218</u>
Net investment income	<u>2,081,152</u>	<u>1,271,184</u>
Net increase in joint value from operations	<u>\$ 2,081,152</u>	<u>\$ 1,271,184</u>

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

Statement of Changes in Joint Value

	For the year ended June 30, 2010		For the year ended June 30, 2009	
	External TrustINdiana	External Participants	TrustINdiana	Participants
Increase in joint value				
Operations:				
Net investment income	\$ 2,081,152	\$ 1,271,184	\$ 7,853,721	\$ 4,440,604
Net increase in joint value from operations	2,081,152	1,271,184	7,853,721	4,440,604
Distributions to participants	(2,065,841)	(1,263,006)	(7,869,032)	(4,448,782)
Participants' transactions:				
Contributions	674,238,028	674,238,028	1,519,663,530	1,469,663,530
Reinvestment of distributions	2,066,827	1,262,672	7,891,150	4,457,644
Withdrawals	(634,028,579)	(559,028,579)	(1,421,619,127)	(1,371,619,127)
Net increase in joint value from participants' transactions	42,276,276	116,472,121	105,935,553	102,502,047
Total increase in joint value	42,291,587	116,480,299	105,920,242	102,493,869
Joint value				
Beginning of year	549,803,308	293,648,047	443,883,066	191,154,178
End of year	\$ 592,094,895	\$ 410,128,346	\$ 549,803,308	\$ 293,648,047

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

Notes to Financial Statements

For the year ended June 30, 2010

1. Description of TrustINdiana

TrustINdiana (the "Pool") is a local government investment pool created pursuant to IC §5-13-9-11(b) within the office and custody of the Treasurer of the State of Indiana. The purpose of the Pool is to allow local units of government (e.g., counties, municipalities, school corporations, townships, and other units of local government) as well as the State of Indiana to invest in a common pool of investment assets. For purposes of these financial statements, external participants are defined as all investors other than the State of Indiana. The difference between the amounts presented in total and external participants represents the investment by the State of Indiana.

At June 30, 2010 certain Pool participants held a significant participation interest in the Pool. Investment activities of these participants could have a material impact on the Pool.

2. Significant Accounting Policies

The following significant accounting policies are consistently followed by the Pool in the preparation of its financial statements. The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Valuation of investments

The Pool has elected to use the amortized cost method of valuation consistent with the provisions of a 2a-7 like pool as defined by Statement No. 31 of the Governmental Accounting Standards Board. This involves valuing a security at its cost initially and thereafter assuming a constant amortization to maturity of any discounts or premium, regardless of the impact of fluctuating interest rates on the market value of the security. Generally amortized cost approximates the fair value of a security. This method may result in periods during which value, as determined by amortized cost, is higher or lower than the price the Pool would receive if it sold the security. The market value of securities in the Pool can be expected to vary inversely with changes in prevailing interest rates. Investments in money market funds are valued at the current day's closing net asset value per share.

In accordance with ASC 820-10, Fair Market Measurements and Disclosures, the various inputs that are used in determining the fair value of the Pool's investments are summarized into the three broad levels listed below.

- Level 1 — quoted prices in active markets for identical securities
- Level 2 — other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 — significant unobservable inputs (including the Pool's own assumptions in determining the fair value of investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. For example, money market securities are valued using amortized cost, in accordance with the provisions of Statement No. 31 of the Governmental Accounting Standards Board. Generally, amortized cost approximates the current fair value of a security, but since the value is not obtained from a quoted price in an active market, such securities are reflected as Level 2.

Notes to Financial Statements continued

For the year ended June 30, 2010

The following is a summary of the inputs used as of June 30, 2010, in valuing the Pool's assets carried at amortized cost which approximates fair value:

Description	Valuation Inputs			
	Total	Level 1	Level 2	Level 3
Money Market Funds	\$ 3,104,561	\$ 3,104,561	\$ 0	\$0
U.S. Government Agencies	\$ 59,998,814	\$ 0	\$59,998,814	\$0
Bank Deposits	\$528,810,858	\$528,810,858	\$ 0	\$0
Total Investments	\$591,914,233	\$531,915,419	\$59,998,814	\$0

The Pool did not invest in any level 3 securities during the year ended June 30, 2010.

Accounting for investments

Security transactions are accounted for on the trade date. Realized gains and losses on sales of investments are calculated on an identified cost basis. Interest income, including any amortization of discount or premium, is recorded on an accrual basis.

Credit, market and interest rate risks

The Pool is exposed to various types of risks, including market risk, interest rate risk, and credit risk. Market risk is the risk in decline in value of the investments held by the Pool because of a number of reasons, including changes in prevailing market and interest rates, increases in defaults, increases in voluntary prepayments for investments subject to prepayment risk, and widening credit spreads. Interest rate risk is the risk associated with the effects of the fluctuations in the prevailing level of market interest rates. Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The Pool attempts to minimize its exposure to market and credit risk through the use of various strategies and credit monitoring techniques.

The Pool limits its investments in any one issuer to the highest rating category issued by one nationally recognized statistical rating organization.

Concentration risk

The Pool is required to be comprised of no less than 50% of deposits in banks from an approved list maintained by the State of Indiana. In addition, the Pool limits its investments in any one issuer to 40% of net assets if the issuer is rated A1+/P1 and 25% of net assets if the issuer is rated A1/P1.

Income taxes

The Pool is not subject to federal, state or local income taxes, and accordingly, no tax provision has been made. The Pool files tax returns annually.

Distributions to participants

Net investment income, adjusted for net realized gains or losses, is declared and distributed to participants daily. Such amounts are automatically reinvested the following business day.

Joint value

The joint value of the Pool is its assets less its liabilities. The joint value represents the value of the beneficial interests of the Participants in the Pool.

Notes to Financial Statements continued

For the year ended June 30, 2010

Securities Lending

The Pool has entered into a securities lending agreement, as authorized by state statute and the policies of the Pool, with Bank of New York Mellon (“BNY Mellon”), its custodian. BNY Mellon may loan the Pool’s securities to brokers, dealers and financial institutions determined by them to be creditworthy and approved by the Indiana Treasurer of State. The Pool continues to receive the interest on the loaned securities during the term of the loan. The loans can be terminated on demand by either the Pool or the borrower. The loans of securities are collateralized in the form of cash in an amount at least equal to 102% of the current market value of the loaned securities. The cash collateral is reinvested by BNY Mellon and the net income earned on the reinvestment, less the borrower’s rebate and a fee to BNY Mellon, is recorded as additional income to the Pool. As of June 30, 2010, there were no securities out on loan.

3. Management

The Indiana Treasurer of State has been designated by statute as the administrator of the Pool and the Deputy Treasurer of State and Portfolio Manager (the “Investment Officer”) shall have general oversight over the daily operation of the Pool. The Investment Officer shall also supervise the investment of the funds in the Pool that are not designated to be invested by an investment advisor and shall oversee the functions of such investment advisor, all in accordance with the policies of the Pool and Indiana Law.

The Indiana Treasurer of State has contracted with Cutwater Investor Services Corp. (“CISC”) formerly known as MBIA Municipal Investors Service Corporation to provide the administration, and certain portfolio management and marketing services for the program not retained by the Treasurer’s office. CISC is entitled to a fee payable monthly based on the amortized cost valuation of the portion of the portfolio that it has been contracted to advise (the “CISC portion”). The fee is calculated at an annual rate of 0.12% of the daily value of the CISC portion up to \$1,000,000,000; 0.11% on the next \$500,000,000; 0.10% on the next \$500,000,000; and 0.09% over \$2,000,000,000. For the year ended June 30, 2010, CISC earned fees equal to \$570,559.

The other administrative expenses of the Pool shall be accounted for by the Treasurer and shall be paid from the earnings of the Pool.

4. Contingencies and Commitments

In the course of business, the Pool enters into contracts that contain representations and warranties and which provide general indemnifications. The Pool’s exposure, if any, under these arrangements is unknown, as this would involve future claims that may be made against the Pool that have not yet occurred. To date, no claims have been brought against the Pool for any of these provisions. Based on experience, the Pool expects the risk of liability to be remote.

5. Subsequent Events

Management has evaluated all subsequent transactions and events after the balance sheet date through August 31, 2010, the date on which these financial statements were issued, and except as already included in the notes to these financial statements, has determined that no additional items require disclosure.

Selected Data per Dollar of Joint Value and Ratios

Selected data per dollar of joint value and ratios for the periods presented are as follows:

Data per dollar of joint value¹:

	For the year ended June 30, 2010	For the year ended June 30, 2009	For the Period February 1, 2008² to June 30, 2008
Net investment income and net realized gain/(loss) on investments	<u>\$0.003</u>	<u>\$0.014</u>	<u>\$0.011</u>
Distributions to participants	<u>\$(0.003)</u>	<u>\$(0.014)</u>	<u>\$(0.011)</u>
Total Return ³ :	0.35%	1.39%	1.09%
Ratios/Supplemental data:			
Joint value, end of period (000's)	\$592,095	\$549,819	\$443,883
Ratios to average joint value:			
Net investment income ⁴	0.35%	1.35%	2.58%
Expenses ⁴	0.14%	0.12%	0.13%

¹ Calculated based upon average joint value during the period.

² Commencement of operations.

³ Total returns for periods less than one year are not annualized.

⁴ Annualized for periods less than one year.

See Independent Auditors' Report.

Richard E. Mourdock
Indiana Treasurer of State
242 State House
200 West Washington St.
Indianapolis, IN 46204

TrustINDiana Advisory Committee

Kathy Friend
Chief Financial Officer
Fort Wayne Community Schools

Michael W. Griffin
Clerk-Treasurer
Highland

Retha S. Hicks
Clerk-Treasurer
Winona Lake

David Holt
Business Manager
Warren Township Schools

Robert Lee
Treasurer
Allen County

Tammy McEwan
Treasurer
Jasper County

Judith C. Rhodes
Clerk-Treasurer
West-Lafayette City

Amy J. Roberts
Clerk-Treasurer
Town of Danville

Steve Sontag
Director of Business
Clark-Pleasant Community Schools

Joe Wray
Treasurer
Brown County

Kelly Mitchell
Director
TrustINDiana

Management

Administrator: Indiana Treasurer of State and Cutwater Asset Management

Investment Advisor: Indiana Treasurer of State and Cutwater Asset Management

Custodian: Bank of New York/Mellon

Professional Services

Independent Auditors: London Witte Group, LLC

August 31, 2010

To the Board of Directors
of TrustINDiana

In planning and performing our audit of the financial statements of TrustINDiana for the year ended June 30, 2010, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered its internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements and not for the purpose of expressing our an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

As part of obtaining reasonable assurance about whether TrustINDiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, 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 for the information of management.



London Witte Group, LLC