FINANCIAL SECTION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Photo provided by Outdoor Indiana Magazine, Indiana Department of Natural Resources

A reintroduced river otter walks the ice along riverbanks at Tippecanoe River State Park.

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INDEPENDENT AUDITOR'S REPORT

TO: The Honorable Mitchell E. Daniels, Jr.
The Members of the General Assembly, and
The Citizens of the State of Indiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Indiana, as of and for the year ended June 30, 2011, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Indiana's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the local government investment pool which represent 100% of the assets and revenues of the investment trust fund. We also did not audit certain component units of the State, as discussed in Note I(A), which represent 23.3% of the assets and 9.4% of the revenues of the colleges and universities and 99.6% of the assets and 98.9% of the revenues of the proprietary discretely presented component units. The financial statements of the investment trust fund and these component units were audited by other auditors whose reports thereon have been furnished to us and, our opinions, insofar as they relate to those units, are based upon the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Indiana as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note I(A) to the financial statements, the Indiana Housing and Community Development Authority, Ports of Indiana, Indiana State Fair Commission, Indiana Comprehensive Health Insurance Association and the Indiana Political Subdivision Risk Management Commission, discretely presented component units, report on a December 31, 2010, year-end. As discussed in Note IV(G) to the financial statements, the State of Indiana has restated certain beginning fund balances and net assets.

The Management Discussion and Analysis and Schedules of Funding Progress for Employee Retirement Systems and Plans and Other Postemployment Benefit Plans, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Indiana's basic financial statements. The introductory section, combining and individual nonmajor and discretely presented component unit fund information, budgetary comparison information and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor and discretely presented component unit financial statements and budgetary comparison schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

State Board of Accounts

STATE BOARD OF ACCOUNTS

December 29, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

STATE OF INDIANA
Management's Discussion and Analysis
June 30, 2011

The following discussion and analysis of the State of Indiana's financial performance provides an overview of the State's financial activities for the fiscal year ended June 30, 2011. Please read it in conjunction with the transmittal letter at the front of this report and the State's financial statements, which follow this section. Because of prior period adjustments and reclassifications as described in Note IV(G) in the Notes to the Financial Statements, fiscal year (FY) 2010 numbers have been restated.

Financial Highlights

- For FY 2011, on a government-wide basis, the assets of the State of Indiana exceeded its liabilities by $17.4 billion. This compares with $16.3 billion for FY 2010, as restated. Of this amount, $5.6 billion may be used to meet the government's ongoing obligations to citizens and creditors.
- At the end of the current fiscal year, unassigned fund balance for the general fund was $2.4 billion, or 21.6% of the total general fund expenditures.
- On a government-wide basis for the primary government, the State incurred expenses net of program revenue of $13.9 billion, which are offset by general revenues totaling $15.0 billion, giving an increase in net assets of $1.1 billion.
- General revenue for the primary government increased by $1.7 billion, or 12.4%, from FY 2010. The driving forces behind this increase were increases in individual income, corporate income, and sales taxes. The State's unemployment rate dropped 12.4% indicating the Indiana economy is beginning to recover from the recession.
- The State of Indiana closed FY 2011 with more than $1.18 billion in total reserves. Governor Daniels ordered spending reductions of more than $1.06 billion.
- In FY 2010 and FY 2011, states raised taxes by more than $30 billion according to the National Association of State Budget Officers. While other states raised taxes, Indiana provided Hoosiers with the largest tax cut in state history through more than $600 million of net property tax relief.
- According to State Budget Solutions, Indiana had the 3rd lowest debt per capita in 2010.
- Indiana is one of only nine states with the top bond rating from all three major credit rating agencies. According to the independent credit rating agency Standard & Poor's Ratings Service (S&P), the rating "reflects the state's continued strong management that has led to the property tax reform that has realigned state and local spending and is not expected to impact the state's long-term financial performance. As well, the state's commitment to attract diverse jobs through its economic development efforts has translated into a shift away from traditional manufacturing employment." The report said the administration has made significant financial management changes and strengthened budgeting practices.

Key Economic Indicators

	Dec. 31, 2010	Dec. 31, 2009	% Change
Total Employed Labor Force	2,814,409	2,779,719	1.2%
Total Goods and Service Employment	2,805,800	2,797,700	0.3%
Service-Providing Employment	2,241,600	2,238,500	0.1%
Goods-Producing Employment	564,200	559,200	0.9%
Unemployment Rate	9.2%	10.5%	-12.4%
Median Household Income	46,322	47,465	-2.4%

Sources: Indiana Department of Workforce Development, Bureau of Labor Statistics, and U.S. Census Bureau.

Salaries and benefits for State employees represent approximately 7.6% of governmental fund expenditures. The following table shows a ten year history of the count of full time State employees.

Full Time State Employees Paid Through The Auditor of State's Office

	Governor's Authority	Judiciary	Other Elected Officials	On Disability Leave - In Pay Status	On Disability Leave - Not in Pay Status	Total
2011	28,472	830	1,067	610	351	31,330
2010	29,911	846	1,056	647	341	32,801
2009	31,254	835	1,093	624	358	34,164
2008	32,606	811	1,139	727	339	35,622
2007	31,524	772	1,123	789	313	34,521
2006	31,822	753	1,102	941	279	34,897
2005	34,673	743	1,058	1,077	269	37,820
2004	35,794	756	1,020	1,012	266	38,848
2003	34,909	741	1,003	988	248	37,889
2002	35,474	731	1,017	1,078	252	38,552

For more information on people paid through the Auditor of State’s Office, please read the Statistical Section.

Overview of the Financial Statements

This Financial Section consists of four parts: management's discussion and analysis (this part), the basic financial statements, required supplementary information, and other supplementary information. The basic financial statements include two kinds of statements that present different views of the State. The first two statements are government-wide financial statements that provide both long-term and short-term information about the State's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the State government, reporting the State's operations in more detail than the government-wide statements.

- The governmental fund statements tell how general government services such as public safety, education, and welfare were financed in the short term as well as what remains for future spending.
- Proprietary fund statements offer short and long-term financial information about the activities the government operates like businesses, such as the Unemployment Compensation Fund.
- Fiduciary fund statements provide information about the financial relationships in which the State acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong, such as the retirement plan for the State's employees.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* and *other supplementary information* that further explain and support the information in the financial statements.

Government-wide Financial Statements

The government-wide financial statements report information about the State as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the State's net assets and how they have changed. Net assets, the difference between the State's assets and liabilities, is one way to measure the State's financial health, or position. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the State of Indiana is improving or deteriorating. To assess the overall health of the State, additional non-financial factors should be considered, such as changes in the State's tax base, the condition of the State's roads and the State's student population. The government-wide financial statements of the State are divided into three categories:

- **Governmental activities**. Most of the State's basic services are included here, such as the State's roads and bridges, and health and environmental programs. State sales and income taxes and federal grants finance most of these activities.
- **Business-type activities**. The State provides goods and services through these activities that are financed or recovered primarily through fees and user charges. The Unemployment Compensation Fund, the Inns and Concessions Fund, and the Indiana Residual Malpractice Insurance Authority are included here.
- **Discretely Presented Component Units**. These are legally separate discretely presented entities for which the State is financially accountable. These include, among others, the Indiana Finance Authority, the Indiana Bond Bank, the Board for Depositories, the Indiana Housing and Community Development Authority, and colleges and universities that receive State funding.

Fund Financial Statements

The fund financial statements provide more detailed information about the State's most significant funds, not the State as a whole. Funds are accounting devices that the State uses to keep track of specific sources of funding and spending for particular purposes. The State of Indiana uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The State has three kinds of funds: governmental funds, proprietary funds, and fiduciary funds.

1. **Governmental funds**. Most of the State's basic services are included in governmental funds, which focus on (1) cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer

financial resources that can be spent in the near future to finance the State's programs.

*Relationship and Reconciliation***.** Because the information provided in the governmental funds statements does not encompass the additional long-term focus of the government-wide statements, reconciliation pages are provided. On the page following each governmental fund's financial statement, these reconciliations explain the differences between the government-wide and the fund financial statement. Government-wide statements use full accrual accounting. Revenues are recognized when they are earned and expenses are recognized as soon as the liability is incurred, regardless of the timing of related cash inflows and outflows. Governmental fund financial statements use the modified accrual basis of accounting. Revenues are recognized when earned so long as they are collectible within the current period or soon enough afterwards to pay liabilities of the current period. Debt service payments and a number of specific accrued liabilities are recognized as expenditures when payment is due because that is when they are normally liquidated with expendable available financial resources.

Non-current assets such as infrastructure, land, and property, plant and equipment appear on the government-wide statements but not on the governmental fund statements where they are expensed as acquired rather than capitalized. Non-current liabilities such as revenue bonds payable and net pension obligations also appear on the government-wide statements but not on the fund statements. Internal service funds are included as part of the governmental activities in the government-wide statements but not the governmental fund financial statements because they provide services to the governmental funds.

2. **Proprietary funds**. Services for which the State charges customers a fee are generally reported in proprietary funds. These funds use the economic resources measurement focus and the accrual basis of accounting. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. In fact, the State's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information such as cash flows. The State uses internal service funds (the other type of proprietary fund) to report activities that provide supplies and services for the State's other programs and activities. An example would be the State Employee Health Insurance Fund.

3. **Fiduciary funds**. The State is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The State is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Fiduciary funds use the economic resources measurement focus and the accrual basis of accounting. All of the State's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. These activities are excluded from the State's government-wide financial statements because the State cannot use these assets to finance its operations.

Financial Analysis of the State as a Whole

Net Assets

The following is condensed from the Statement of Net Assets:

State of Indiana
Condensed Schedule of Net Assets
(in millions of dollars)

	Primary Government					
	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Current and other assets	$ 11,463.1	$ 11,074.0	$ 217.9	$ 153.6	$ 11,681.0	$ 11,227.6
Capital assets	12,516.2	11,992.6	0.1	0.1	12,516.3	11,992.7
Total assets	23,979.3	23,066.6	218.0	153.7	24,197.3	23,220.3
Current liabilities	2,329.6	2,670.1	1,878.9	1,721.4	4,208.5	4,391.5
Long-term liabilities	2,537.4	2,483.7	29.6	42.4	2,567.0	2,526.1
Total liabilities	4,867.0	5,153.8	1,908.5	1,763.8	6,775.5	6,917.6
Net assets:						
Invested in capital assets, net of related debt	11,290.9	10,722.7	0.1	0.1	11,291.0	10,722.8
Restricted	573.1	1,462.0	-	-	573.1	1,462.0
Unrestricted	7,248.3	5,728.1	(1,690.6)	(1,610.2)	5,557.7	4,117.9
Total net assets	$ 19,112.3	$ 17,912.8	$ (1,690.5)	$ (1,610.1)	$ 17,421.8	$ 16,302.7

At the end of the current fiscal year, net assets for the primary governmental were $17.4 billion as compared to $16.3 billion in 2010. There was an increase of $1.1 billion.

Current and other assets increased by $453.4 million with an increase in taxes receivable making up the bulk of this.

Capital assets increased by $523.6 million. The principal reason for the increase in capital assets was the increase in land, infrastructure, and construction in progress at the Indiana Department of Transportation due to the State's Major Moves initiative.

Total liabilities decreased by $142.1 million. This decrease is explained principally by a decrease in securities on loan as of June 30, 2011 of $518.7 million offset by increases in unearned revenue of $157.4 million, net pension obligations of $117.8 million, and due to federal government of $157.4 million.

Changes in Net Assets

The following is condensed from the Statement of Activities:

State of Indiana
Condensed Schedule of Change in Net Assets
(in millions of dollars)

	Primary Government					
	Governmental Activities Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Revenues						
Program revenues:						
Charges for services	$ 1,459.4	$ 1,315.9	$ 1,654.5	$ 2,421.1	$ 3,113.9	$ 3,737.0
Operating grants and contributions	10,939.0	11,223.5	1,496.7	-	12,435.7	11,223.5
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Individual and corporate income taxes	5,751.4	4,495.6	-	-	5,751.4	4,495.6
Sales taxes	6,365.1	5,937.2	-	-	6,365.1	5,937.2
Other	2,869.9	2,908.2	11.8	3.7	2,881.7	2,911.9
Total revenues	27,384.8	25,880.4	3,163.0	2,424.8	30,547.8	28,305.2
Program Expense						
General government	2,127.8	1,659.2	-	-	2,127.8	1,659.2
Public safety	1,402.1	1,496.6	-	-	1,402.1	1,496.6
Health	344.1	394.5	-	-	344.1	394.5
Welfare	9,817.2	9,785.9	-	-	9,817.2	9,785.9
Conservation, culture and development	583.8	590.3	-	-	583.8	590.3
Education	10,232.3	10,308.9	-	-	10,232.3	10,308.9
Transportation	1,679.8	1,907.7	-	-	1,679.8	1,907.7
Interest expense	0.8	0.6	-	-	0.8	0.6
Unemployment compensation fund	-	-	3,217.6	3,223.1	3,217.6	3,223.1
Other	-	-	23.2	24.1	23.2	24.1
Total expenses	26,187.9	26,143.7	3,240.8	3,247.2	29,428.7	29,390.9
Excess (deficiency) before transfers	1,196.9	(263.3)	(77.8)	(822.4)	1,119.1	(1,085.7)
Transfers	2.6	2.6	(2.6)	(2.6)	-	-
Change in net assets	1,199.5	(260.7)	(80.4)	(825.0)	1,119.1	(1,085.7)
Beginning net assets, as restated	17,912.8	18,173.5	(1,610.1)	(785.1)	16,302.7	17,388.4
Ending net assets	$ 19,112.3	$ 17,912.8	$ (1,690.5)	$ (1,610.1)	$ 17,421.8	$ 16,302.7

Governmental Activities

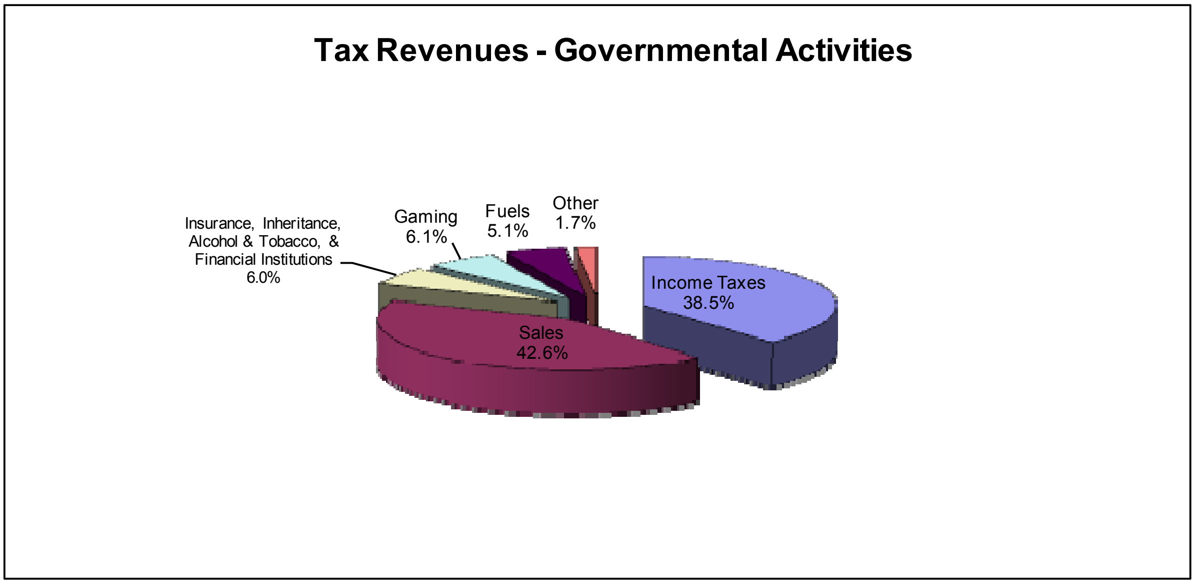
Program expenses exceeded program revenues by $13.8 billion. General revenues and transfers were $15.0 billion. The increase in net assets was $1.2 billion, which is 4.4% of total revenues and 4.6% of total expenses.

The increase to excess (deficiency) before transfers of $1.2 billion was brought about by an increase of total revenues of $1.5 billion offset by an increase in total expenses of $44.2 million.

Revenues increased mainly because of the increases in individual and corporate income taxes of $1.3 billion as explained earlier.

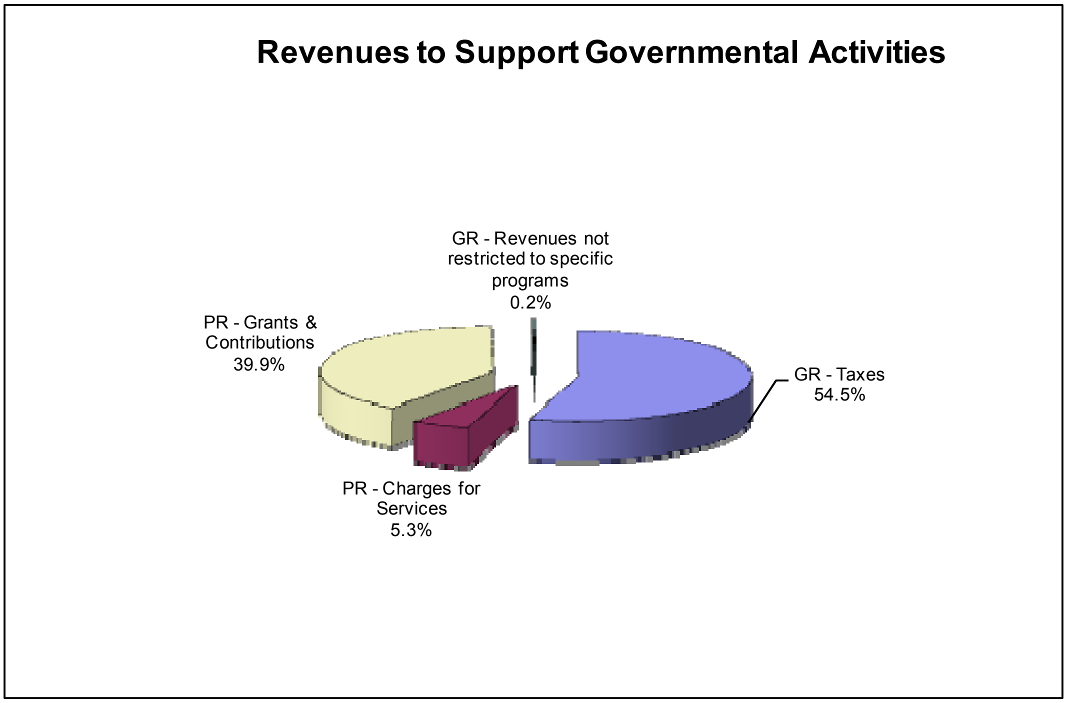
Expenses increased by $44.2 million or by 0.2%. Although General Government expenses increased by $468.6 million, this represents just 36.0% of the fiscal year 2009 level. Welfare expenses increased by $31.3 million due to increases in Medicaid assistance.

Tax revenues for governmental activities were broken down as follows:



Tax revenues of $14.9 billion represent 54.5% of total revenues for governmental activities. This compares to $13.2 billion in FY 2010 or 51.1% of total revenues in FY 2010. Program revenues accounted for $12.4 billion or 45.3% of total revenues. In FY 2010, program revenues accounted for $12.5 billion or 48.5% of total revenues. General revenues other than tax revenues were $57.8 million or 0.2% of total revenues. Of this $22.5 million was investment earnings. This compares to 2010, when general revenues other than taxes were $109.9 million or 0.4% of total revenues and $76.3 million was investment earnings. Investment earnings decreased by $41.0 million from FY 2010 to FY 2011 or 53.8% due to lower interest rates.

Total revenues for governmental activities were broken down as follows:



PR = program revenues
GR = general revenues

Total revenues were 104.6% of expenses which was an increase from 99.0% in FY 2010. Total revenues increased 5.8% from $25.9 billion in FY 2010 to $27.4 billion in FY 2011. Expenses grew 0.2% from $26.1 billion in FY 2010 to $26.2 billion in FY 2011.

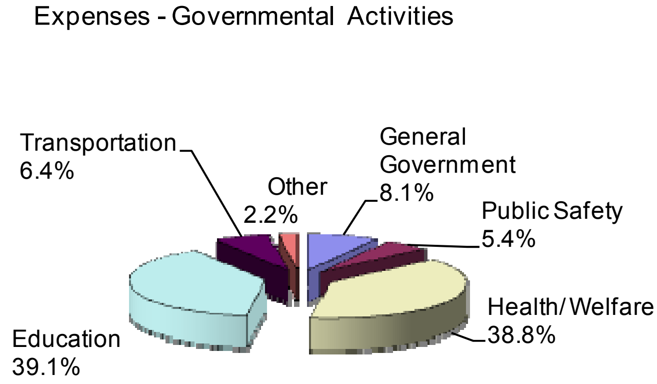
The largest portion of the State's expenses is Education, which is $10.2 billion, or 39.1% of total expenses. This compares with $10.3 billion, or 39.4% of total expenses in FY 2010. The change in expenses was a decrease of $76.6 million or 0.7%. All but $1.4 billion of Education expenses in FY 2011 were funded from general revenues.

Some of the major expenses were tuition support, $6.2 billion, Federal Food Stamp Program, $1.5 billion, General Fund appropriations for State colleges and universities, $1.4 billion, federal grant programs from the U.S. Department of Health and Human Services Fund, $1.4 billion, federal grant programs from the U.S. Department of Education Fund, $723.0 million, federal grant programs from the U.S. Department of Transportation Fund, $1.0 billion, and the Teachers' Retirement Pension, $643.8 million.

Health and Welfare comprises 38.8%, or $10.2 billion, of the State's expenses. In FY 2010, Health and Welfare accounted for 38.9%, or $10.2 billion, of expenses. The change in expenses was a decrease of $19.1 million, or .2%. Some of the major expenses were Medicaid assistance, $6.0 billion, the U.S. Department of Health and Human Services Fund, $1.4 billion, and the federal food stamp program, $1.5 billion.

$2.1 billion, or 8.1% of expenses, was spent for General Government. General Government comprised $1.7 billion or 6.3% of expenses in FY 2010. General Government includes local distributions and money for State administration and those functions that serve the State as a whole. Some reasons for the increase were increases in expenditures for local distributions and for grants made through the Lieutenant Governor's Office and to component units for housing and urban development projects.

Total expenses for governmental activities were broken down as follows:



Business-type Activities

Business-type activities represent 10.4% of the Primary Government's revenues and 11.0% of the expenses. The Unemployment Compensation Fund accounts for 99.2% of business-type activities' operating revenues and 99.3% of operating expenses. The change in net assets for business-type activities was a decline of $80.4 million.

The Unemployment Compensation Fund collects employer taxes and the federal share of unemployment compensation. Benefits are paid to eligible individuals and the fund covers general and administrative expenses. Benefits and administrative expenses paid exceeded revenue in the fund by $92.4 million. This compares to FY 2010 when this fund's expenses exceeded revenue by $829.4 million. Employer contributions into the fund increased by $1.1 billion, from $496.2 million in FY 2010 to $1.6 billion in FY 2011. Federal revenues into the fund decreased by $413.9 million, from $1.9 billion in FY 2010 to $1.5 billion in FY 2011. The decrease in net assets is due to the increase in the amount due to the federal government for continued borrowings in order to pay unemployment benefits.

Net Cost of Primary Government
(in millions)

	June 30, 2011	June 30, 2010	% Change
Governmental Activities:			
General government	1,297.4	$ 594.9	118.1%
Public safety	782.5	828.9	-5.6%
Health	121.0	116.6	3.8%
Welfare	2,219.2	2,638.3	-15.9%
Conservation, culture, and development	150.8	138.0	9.3%
Education	8,807.3	8,882.9	-0.9%
Transportation	410.5	404.2	1.6%
Unallocated interest expense	0.8	0.6	33.3%
Other	-	-	100.0%
Business-type Activities:			
Unemployment Compensation Fund	92.4	829.4	-88.9%
Malpractice Insurance Authority	(0.3)	(0.4)	-25.0%
Inns and Concessions	(2.7)	(2.8)	-3.6%
TOTAL	$ 13,878.9	$ 14,430.6	-3.8%

This schedule shows the net expense (revenue) attributable to each function of government. Each function of Indiana government is either self-supporting (a negative number) or requires additional general revenues to cover expenses (a positive number).

Financial Analysis of the State's Funds

The following is an analysis of the State's major governmental funds. Please note that transfers in and transfers out for these funds are explained in much greater detail in note IV(B) in the Notes to the Financial Statements.

General Fund

The General Fund is maintained to account for resources obtained and used for those services traditionally provided by State government which are not required to be accounted for in another fund. The fund balance of the General Fund at June 30, 2011 was $3.1 billion, which is 68.1% of assets. This compares to a fund balance at June 30, 2010 of $2.5 billion, which was 61.9% of assets. This indicates that the State's financial position in the General Fund increased from the prior year by $548.9 million. The fund balance of $3.1 billion is composed of restrictions of $72.0 million and assignments of $602.9 million, leaving an unassigned balance of $2.4 billion. The restricted amount consists of the State's Rainy Day Fund. For more information on the components of fund balance, see the chart in the Notes to the Financial Statements III(B).

The General Fund's revenues increased 11.7%, or $1.3 billion, from FY 2010, because of the increase in total taxes revenue which included income taxes up by $1.1 billion. Income taxes increased 23.8% from FY 2010. Sales tax revenues increased by $344.6 million, or 5.8%, from FY 2010. The increase in tax revenues is explained by the beginning of a recovery in the State's economy.

General Fund expenditures increased $535.8 million, or 5.1% from FY 2010. Distributions to local units of government were a reason for the increase in expenditures.

The General Fund had transfers in of $1.7 billion compared to $2.8 billion in FY 2010. Transfers out were $3.1 billion compared to $3.0 billion in FY 2010. More detail on these transfers can be found in the Notes to the Financial Statements IV(B).

Overall, the increased position of the General Fund in the amount of $548.9 million can be attributed to increases in the general revenues of the State.

Public Welfare-Medicaid Assistance Fund

Medicaid is an insurance program for low-income people. It is jointly funded by the Federal government and the State. The Medicaid Assistance Fund received $4.5 billion in Federal revenue as compared to $4.0 billion in FY 2010. State funding comes through the $2.0 billion of transfers in from the General Fund which was an increase of $506.2 million from FY 2010. Transfers out were $560.8 million compared with $160.6 million in FY 2010. The Fund distributed $6.0 billion in Medicaid assistance during the year, which is an increase of $598.3 million over FY 2010. The change in fund balance increased by $114.4 million from FY 2010 to FY 2011.

Major Moves Construction Fund

The Major Moves Construction Fund was created in fiscal year 2006 as part of the leasing of the Indiana Toll Road to Cintra-Mcquarie, a private company. This fund distributes money received from the Toll Road lease for new constructions and major preservation of highways and bridges throughout Indiana.

The Major Moves Construction Fund transferred $521.8 million to the State Highway Department Fund. The fund received $113.9 million in investment income and distributed $10.0 million to the Northwest Indiana Regional Development Authority. The change in fund balance from FY 2010 to FY 2011 was a decline of $324.4 million.

ARRA of 2009 Fund

The ARRA of 2009 Fund was created in FY 2009 upon the American Recovery and Reinvestment Act of 2009 becoming law on February 17, 2009. The objective for ARRA of 2009 Fund spending is to stimulate the economy and create jobs. The programs expected to receive the largest amount of funds include Medicaid, Education, Infrastructure, and Nutrition.

The ARRA of 2009 Fund received $1.1 billion in federal grants revenues compared to $1.6 billion in FY 2010. The fund expended $1.1 billion during the year, compared with $1.9 billion in FY 2010. Grant revenues and expenditures of the fund decreased primarily due to the completion of grant programs under the act. The largest decreases in expenditures were for Welfare of $462.5 million and for Education of $281.8 million. The Welfare expenditures were for the Medicaid program. The Education expenditures primarily were for special education and other local educational programs.

The fund balance decreased by $39.9 million from FY 2010 to FY 2011.

U.S. Department of Transportation Fund

The State Highway Department Fund was created to fund the construction, reconstruction, operation, maintenance, and control of State highways and tollways. The fund collected $882.0 million in grants and received $394.7 million in transfers in, which are taxes and revenues collected in other funds, compared with $1.1 billion and $366.6 million in FY 2010, respectively. The fund expended $1.0 billion during the year, which is a decrease of $493.7 million from FY 2010. The fund balance increased by $243.4 million from FY 2010 to FY 2011. The increase is principally from the reduction in transportation expenditures.

U.S. Department of Health and Human Services Fund

The U.S. Department of Health and Human Services Fund is a new fund created during the fiscal year with the implementation of the new statewide accounting system to account for federal grants that are used to carry out health and human services programs.

The US DHHS Fund received $1.2 billion in federal grant revenues and expended $1.4 billion. The US DHHS Fund received transfers in of $374.0 million mostly from the General Fund for various health and human services programs. The change in fund balance from FY 2010 to FY 2011 was an increase of $134.9 million.

General Fund Budgetary Highlights

Actual State general fund revenue collections increased by $1,087.5 million, or 8.9%, in FY 2011. This follows two consecutive years of decreases, with FY 2010 revenues decreasing by 5.6% after a drop of 7.4% in FY 2009. At the time the budget was enacted in June 2009, State reserves were projected to total $1,008.0 million at the close of FY 2011. Actual expenditure growth, normalizing for the impact of American Recovery and Reinvestment Act (ARRA) funds, was 0.03% in FY 2011 compared with FY 2010, after declining by 1.91% in FY 2010 compared with FY 2009. Annual expenditure growth has averaged 1.4% over the past six years in comparison to growth of nearly 5.9% between FY 1996 and FY 2004.

At year-end, the State had $1,181.5 million in reserves, with $1,124.3 million residing in the general fund and $57.2 million residing in the Rainy Day Fund.

Capital Asset and Debt Administration

Capital Assets

Capital assets were $12.5 billion, which was 53.0% of total assets for the primary government. Related debt was $1.2 billion. Total capital assets net of related debt for the primary government was $11.3 billion. Related debt was 9.8% of capital assets. Total capital assets increased by $523.7 million or 4.4% and is attributable to increases in the Indiana Department of Transportation's land, infrastructure, and construction in progress (CIP). The net increase in capital assets is comprised of increases for INDOT's capital assets of $584.9 million and software in development of $19.6 million and to decreases of $60.6 million for the primary government, $17.3 million in DOA Public Works CIP, $2.0 million in capital lease assets, and $1.0 million in internal service funds' capital assets. CIP consisting of right of way and work in progress increased $287.9 million, infrastructure consisting of interstate roads, non-interstate roads, and bridges increased $178.0 million, and land increased by $119.0 million. More detailed information about the State's capital assets is presented in Note IV(D) to the Financial Statements.

The following table shows the percentage change from fiscal year 2010 to fiscal year 2011.

State of Indiana
Capital Assets
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total Primary Government		Total % Change
	2011	2010	2011	2010	2011	2010	
Land	$ 1,623.5	$ 1,502.5	$ -	$ -	$ 1,623.5	$ 1,502.5	8.1%
Infrastructure	8,239.2	8,062.7	-	-	8,239.2	8,062.7	2.2%
Construction in Progress	1,773.7	1,483.7	-	-	1,773.7	1,483.7	19.5%
Property, plant and equipment	2,060.6	2,100.5	0.4	0.4	2,061.0	2,100.9	-1.9%
Computer software	37.8	35.8	-	-	37.8	35.8	5.6%
Less accumulated depreciation	(1,218.5)	(1,192.6)	(0.3)	(0.3)	(1,218.8)	(1,192.9)	2.2%
Total	**$ 12,516.3**	**$ 11,992.6**	**$ 0.1**	**$ 0.1**	**$ 12,516.4**	**$ 11,992.7**	**4.4%**

Long-term Obligations

Major long-term obligations items are included in the following table. These items comprised 100% of total long-term liabilities and 36.5% of total liabilities.

The following table shows the percentage change from fiscal year 2010 to fiscal year 2011.

State of Indiana
Long-term Liabilities
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total Primary Government		Total % Change
	2011	**2010**	**2011**	**2010**	**2011**	**2010**	
Accrued liability for compensated absences	$ 62.4	$ 66.6	$ 0.3	$ 0.3	$ 62.7	$ 66.9	-6.3%
Intergovernmental payable	30.0	40.0	-	-	30.0	40.0	-25.0%
Capital lease payable	1,178.3	1,222.9	-	-	1,178.3	1,222.9	-3.6%
Claims payable	-	-	29.3	42.1	29.3	42.1	-30.4%
Net pension obligations	1,065.9	948.1	-	-	1,065.9	948.1	12.4%
Other postemployment benefits	118.2	112.4	-	-	118.2	112.4	5.2%
Pollution remediation	32.6	43.7	-	-	32.6	43.7	N/A
Due to component units	50.0	50.0	-	-	50.0	50.0	0.0%
Total	**$ 2,537.4**	**$ 2,483.7**	**$ 29.6**	**$ 42.4**	**$ 2,567.0**	**$ 2,526.1**	**1.6%**

Total long-term liabilities increased by 1.6% or $40.9 million. The largest increase was in net pension obligations of $117.8 million. The other long-term liability to increase was OPEB by $5.8 million.

The increase in net pension obligations is because there was an increase of $113.7 million in the TRF's Pre-1996 Plan's NPO. Two other retirement plan NPOs increased by $4.1 million.

Other postemployment benefits increased by $5.8 million. This increase in OPEB liability is based on the OPEB financial report for the fiscal year ending June 30, 2011. The Indiana State Police Plan's liability increased by $15.1 million, the Conservation Excise Police Plan increased by $2.9 million, and the

Legislature Plan increased by $0.2 million. The Indiana State Personnel Plan decreased by $12.4 million. The Indiana State Police Plan through establishment of a 401(h) trust account and the Indiana State Personnel Plan started pre-funding retiree health benefits.

Significant decreases in long-term liabilities were for capital leases payable of $44.6 million, pollution remediation payable of $11.1 million, and intergovernmental payables of $10.0 million. The decrease in capital leases payable is because there was a decrease of $45.9 million in the direct financing lease with the Highway Revenue Bonds fund of the Indiana Finance Authority while there was a net increase in other capital leases of $1.3 million. The decrease in the pollution remediation liability was because of the decrease in IDEM's Superfund pollution sites. The $10.0 million decrease in intergovernmental payables resulted from a distribution for infrastructure projects under the Major Moves Construction Fund.

Claims payable for business activities decreased by $12.8 million. This was the amount of decrease in claims payable for the Indiana Residual Malpractice Insurance Authority.

More detailed information about the State's long term obligations is presented in Note IV(F) to the Financial Statements.

Infrastructure

As required by GASB Statement No. 34, the State has capitalized its infrastructure. This amounts to $8.2 billion in roads and bridges using the modified approach, $1.4 billion in right of way classified as land, and $22.7 million in property (septic, sewer, and water systems; and streets/sidewalks/curbs) and dams being depreciated. In order to utilize the modified approach, the State is required to:

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets.
- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Estimate each year the annual amount to maintain and preserve the assets at the condition level established and disclosed by the State.
- Document that the assets are being preserved approximately at or above the established condition level.

Under the modified approach, the State expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include approximately 11,000 centerline miles of pavement on 214 routes and approximately 5,200 bridges that the State is responsible to maintain.

The State has consistently maintained the assessed conditions of roads over the past three years. It is the State's policy to maintain a network average International Roughness Index (IRI) of no more than 95 for Interstate Roads, NHS Non-Interstate and Non-NHS Roads (a good rating is in the range of 80–115). The most recent condition assessment, completed for FY 2011, indicated that the average IRI for roads was in an acceptable range.

The State has maintained the assessed conditions of bridges at levels which are above the established benchmarks. It is the State's policy to maintain Interstate bridges at an average sufficiency rating of 87%, NHS Non-Interstate bridges at an average sufficiency rating of 85%, and Non-NHS bridges at an average sufficiency rating of 83% (a good rating is 80% - 90%). The most recent condition assessment, completed in FY 2011, indicated that the average sufficiency rating for bridges exceeded the minimum acceptable standard.

Total actual maintenance and preservation costs for roads exceeded plan. Actual maintenance costs for interstate roads were lower than planned; however, this roadway type maintained a good condition rating.

Total actual maintenance and preservation costs for bridges on all road classes were lower than planned. Bridge sufficiency ratings were within the State's policy for the maintenance of bridges in all road classes

Economic Factors

The economic and revenue forecasts upon which the FY 2010 – FY 2011 State budget was based were presented to the State Budget Committee on May 27, 2009. At that time, real Gross Domestic Product (real GDP) was forecast to increase by 2.8% in FY 2011. Corporate profits were forecast to increase by 14.8%, while the value of U.S. household financial assets was projected to increase by 9.0%. Indiana personal income (IPI) was forecast to increase in FY 2011 by 2.3%, with a smaller increase of 1.8% forecast for Indiana wage and salary disbursements.

The May 2009 forecast was last updated on April 15, 2011. Real GDP was forecast to increase by 2.8% in FY 2011, while nominal GDP was forecast to increase by 1.4%. Corporate profits were forecast to increase by 12.6% and the S&P 500 was forecast to increase by 13.2%. Indiana personal income and Indiana personal income net of transfer payments were forecast to increase by 4.6%. The Indiana unemployment rate was forecast to average 9.6% for FY 2011.

The U.S. Bureau of Economic Analysis (BEA) currently estimates that real and nominal GDP increased by 2.6% and 4.4%, respectively, in FY 2011. Corporate profits and the S&P 500 increased by 15.1% and 13.4%, respectively, in FY 2011. BEA currently estimates that IPI and IPI net of transfers increased by 4.7% and 5.0%, respectively. The Indiana unemployment rate averaged 9.3% in FY 2011.

Contacting the Auditor of State

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Auditor of State, Room 240 State House, 200 West Washington Street, Indianapolis, Indiana 46204-2793, telephone (317) 232-3300.


SEAL OF THE STATE OF INDIANA
1816

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE

FINANCIAL STATEMENTS

State of Indiana
Statement of Net Assets
June 30, 2011
(amounts expressed in thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Assets:				
Current assets:				
Cash, cash equivalents and investments	$ 6,545,012	$ 127,555	**$ 6,672,567**	$ 3,940,480
Securities lending collatera	284,931	-	**284,931**	188,955
Receivables (net)	2,728,038	89,754	**2,817,792**	738,026
Intergovernmental receivables	-	-	**-**	344,582
Inventory	4,423	552	**4,975**	17,841
Prepaid expenses	84,414	75	**84,489**	10,461
Loans	90,044	-	**90,044**	2,789
Due from primary government	-	-	**-**	16,637
Due from component unit	6,241	-	**6,241**	-
Due from agency fund	539,697	-	**539,697**	-
Investment in direct financing lease	-	-	**-**	62,157
Funds held in trust by others	-	-	**-**	34,614
Other current assets	-	-	**-**	71,528
Total current assets	10,282,800	217,936	**10,500,736**	5,428,070
Noncurrent assets:				
Cash, cash equivalents and investments - restricted	-	-	**-**	2,362,627
Taxes, interest, and penalties receivable	747,773	-	**747,773**	4,046
Pollution remediation recovery	10,711	-	**10,711**	-
Other receivables	222	-	**222**	1,754,918
Investments - unrestricted	-	-	**-**	4,759,434
Loans	335,022	-	**335,022**	2,831,857
Bond issuance costs net of amortization	-	-	**-**	42,077
Intergovernmental loans	-	-	**-**	1,812,250
Due from primary government	-	-	**-**	50,000
Investment in direct financing lease	-	-	**-**	2,232,883
Deferred outflow - derivative instrument	-	-	**-**	136,540
Net pension assets	86,621	-	**86,621**	84
Other postemployment benefits	-	-	**-**	16,495
Other noncurrent assets	-	-	**-**	67,119
Capital assets:				
Land	1,623,509	-	**1,623,509**	450,893
Infrastructure	8,239,152	-	**8,239,152**	631,485
Construction in progress	1,773,709	-	**1,773,709**	900,515
Property, plant, and equipment	2,060,560	410	**2,060,970**	10,546,146
Computer software	37,810	-	**37,810**	-
Less accumulated depreciation/amortization	(1,218,543)	(326)	**(1,218,869)**	(4,647,775)
Total capital assets, net of depreciation/amortization	12,516,197	84	**12,516,281**	7,881,264
Total noncurrent assets	13,696,546	84	13,696,630	23,951,594
Total assets	**23,979,346**	**218,020**	**24,197,366**	**29,379,664**
Liabilities:				
Current liabilities:				
Accounts payable	1,354,709	551	**1,355,260**	312,315
Claims payable	-	3,702	**3,702**	17,765
Interest payable	-	-	**-**	165,507
Current portion of long-term debt	-	-	**-**	1,078,203
Line of credit	-	-	**-**	100,000
Intergovernmental payable	157,552	-	**157,552**	-
Due to primary government	-	-	**-**	6,241
Due to component unit	16,637	-	**16,637**	-
Capital lease payable	47,063	-	**47,063**	1,567
Accrued prize liability	-	-	**-**	62,813
Salaries, health, disability, and benefits payable	129,105	472	**129,577**	135,556
Tax refunds payable	67,528	-	**67,528**	-
Unearned revenue	183,993	4,614	**188,607**	306,301
Accrued liability for compensated absences	79,377	203	**79,580**	82,915
Due to federal government (net)	-	1,868,813	**1,868,813**	-
Pollution remediation payable	8,698	-	**8,698**	69
Securities lending payable	32	-	**32**	-
Securities lending collatera	284,931	-	**284,931**	188,955
Deposits held in custody for others	-	-	**-**	78,864
Other current liabilities	-	491	**491**	16,045
Total current liabilities	2,329,625	1,878,846	**4,208,471**	2,553,116

State of Indiana
Statement of Net Assets
June 30, 2011
(amounts expressed in thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Long-term liabilities:				
Accrued liability for compensated absences	62,395	269	**62,664**	73,267
Claims payable	-	29,361	**29,361**	-
Intergovernmental payable	30,000	-	**30,000**	-
Accrued prize liability	-	-	**-**	122,843
Net pension obligations	1,065,925	-	**1,065,925**	-
Other postemployment benefits	118,229	-	**118,229**	59,991
Pollution remediation payable	32,610	-	**32,610**	3,230
Due to component unit	50,000	-	**50,000**	-
Unearned revenue	-	-	**-**	3,493,665
Capital lease payable	1,178,249	-	**1,178,249**	3,081
Funds held in trust for others	-	-	**-**	175,199
Advances from federal government	-	-	**-**	29,406
Revenue bonds/notes payable	-	-	**-**	11,555,607
Derivative instrument liability	-	-	**-**	136,409
Other noncurrent liabilities	-	-	**-**	90,192
Total long-term liabilities	2,537,408	29,630	2,567,038	15,742,890
Total liabilities	**4,867,033**	**1,908,476**	**6,775,509**	**18,296,006**
Net Assets:				
Invested in capital assets net of related debt	11,290,885	84	**11,290,969**	3,971,413
Restricted-nonexpendable:				
Grants/constitutional restrictions	-	-	**-**	32,983
Permanent funds	501,125	-	**501,125**	64,689
Future debt service	-	-	**-**	234,458
Public safety programs	-	-	**-**	2,730
Capital projects	-	-	**-**	4,568
Pension fund distribution	-	-	**-**	489
Instruction and research	-	-	**-**	684,115
Student aid	-	-	**-**	728,610
Other purposes	-	-	**-**	317,626
Total restricted-nonexpendable	501,125	-	**501,125**	2,070,268
Restricted-expendable:				
Instruction and research	-	-	**-**	610,630
Grants/constitutional restrictions	71,990	-	**71,990**	12,375
Endowments	-	-	**-**	443,294
Future debt service	-	-	**-**	221,856
Public safety programs	-	-	**-**	4,703
Student aid	-	-	**-**	736,519
Auxiliary enterprises	-	-	**-**	2,555
Capital projects	-	-	**-**	265,910
Water pollution and drinking water projects	-	-	**-**	1,106,895
Other purposes	-	-	**-**	484,530
Total restricted-expendable	71,990	-	**71,990**	3,889,267
Unrestricted	7,248,313	(1,690,540)	**5,557,773**	1,152,710
Total net assets	**$ 19,112,313**	**$ (1,690,456)**	**$ 17,421,857**	**$ 11,083,658**

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

State of Indiana
Statement of Activities
For the Year Ended June 30, 2011
(amounts expressed in thousands)

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
					Primary Government			
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-type Activities**	**Total**	**Component Units**
Primary government:								
Governmental activities:								
General government	$ 2,127,752	$ 636,558	$ 193,820	$ -	$ (1,297,374)	$ -	$ (1,297,374)	$ -
Public safety	1,402,056	433,810	185,709	-	(782,537)	-	(782,537)	-
Health	344,063	8,129	214,951	-	(120,983)	-	(120,983)	-
Welfare	9,817,167	179,991	7,417,970	-	(2,219,206)	-	(2,219,206)	-
Conservation, culture and development	583,836	149,781	283,293	-	(150,762)	-	(150,762)	-
Education	10,232,388	4,202	1,420,856	-	(8,807,330)	-	(8,807,330)	-
Transportation	1,679,805	46,914	1,222,383	-	(410,508)	-	(410,508)	-
Unallocated interest expense	796	-	-	-	(796)	-	(796)	-
Total governmental activities	26,187,863	1,459,385	10,938,982	-	(13,789,496)	-	(13,789,496)	-
Business-type activities								
Unemployment Compensation Fund	3,217,559	1,628,446	1,496,679	-	-	(92,434)	(92,434)	-
Malpractice Insurance Authority	2,510	2,761	-	-	-	251	251	-
Inns and Concessions	20,657	23,342	-	-	-	2,685	2,685	-
Total business-type activities	3,240,726	1,654,549	1,496,679	-	-	(89,498)	(89,498)	-
Total primary government	$ 29,428,589	$ 3,113,934	$ 12,435,661	$ -	(13,789,496)	(89,498)	(13,878,994)	-
Component units:								
Governmental	38,315	221	21,020	-	-	-	-	(17,075)
Proprietary	2,126,513	1,393,876	897,590	11,688	-	-	-	176,641
Colleges and universities	6,057,922	3,127,526	1,132,253	76,140	-	-	-	(1,722,003)
Total component units	$ 8,222,750	$ 4,521,623	$ 2,050,863	$ 87,828	$ -	$ -	$ -	$ (1,562,437)
		General Revenues:						
		Income tax			$ 5,751,404	$ -	$ 5,751,404	$ -
		Sales tax			6,365,077	-	6,365,077	-
		Fuels tax			754,863	-	754,863	-
		Gaming tax			904,422	-	904,422	1,066
		Unemployment tax			320	-	320	-
		Inheritance tax			160,917	-	160,917	-
		Alcohol & Tobacco tax			464,702	-	464,702	-
		Insurance tax			189,948	-	189,948	-
		Financial Institutions tax			84,743	-	84,743	-
		Other tax			252,176	-	252,176	-
		Total taxes			14,928,572	-	14,928,572	1,066
		Revenue not restricted to specific programs						
		Investment earnings			22,522	1,750	24,272	896,907
		Payments from State of Indiana			-	-	-	1,456,002
		Other			35,283	10,000	45,283	652,909
		Transfers within primary government			2,618	(2,618)	-	-
		Total general revenues and transfers			14,988,995	9,132	14,998,127	3,006,884
		Changes in net assets			1,199,499	(80,366)	1,119,133	1,444,448
		Net assets - beginning, as restated			17,912,814	(1,610,090)	16,302,724	9,639,211
		Net assets - ending			$ 19,112,313	$ (1,690,456)	$ 17,421,857	$ 11,083,658

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

FUND FINANCIAL
STATEMENTS

State of Indiana
Balance Sheet
Governmental Funds
June 30, 2011

(amounts expressed in thousands)

	General Fund	Public Welfare-Medicaid Assistance Fund	Major Moves Construction Fund	ARRA of 2009
Assets:				
Cash, cash equivalents and investments-unrestricted	$ 1,446,921	$ 119,947	$ 1,729,832	$ 3,377
Securities lending collateral	165,654	-	35,338	-
Receivables:				
Taxes (net of allowance for uncollectible accounts)	2,030,339	-	-	-
Securities lending	14	-	15	-
Accounts	11,442	9,734	-	-
Grants	-	250,007	-	24,489
Interest	5,422	-	154	-
Interfund loans	290,191	-	-	-
Due from agency fund	539,697	-	-	-
Due from component unit	230	-	-	-
Prepaid expenditures	172	80,210	-	4,204
Loans	15,288	-	-	-
Total assets	$ 4,505,370	$ 459,898	$ 1,765,339	$ 32,070
Liabilities:				
Accounts payable	$ 143,791	$ 264,837	$ 39	$ 14,661
Salaries and benefits payable	39,810	-	-	3
Interfund loans	-	-	-	-
Interfund services used	2,534	-	-	1
Intergovernmental payable	41,234	-	-	-
Due to component unit	-	-	-	16,637
Tax refunds payable	57,899	-	-	-
Deferred revenue	985,338	56,152	-	25,184
Accrued liability for compensated absences-current	2,539	-	-	-
Pollution remediation payable	-	-	-	-
Securities lending payable	14	-	15	-
Securities lending collateral	165,654	-	35,338	-
Total liabilities	1,438,813	320,989	35,392	56,486
Fund balance:				
Nonspendable:	-	-	-	-
Restricted:	71,990	-	-	-
Committed:	-	-	-	-
Assigned:	602,917	138,909	1,729,947	-
Unassigned:	2,391,650	-	-	(24,416)
Total fund balances	3,066,557	138,909	1,729,947	(24,416)
Total liabilities and fund balances	$ 4,505,370	$ 459,898	$ 1,765,339	$ 32,070

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

US Department of Transportation	US Department of Health & Human Services	Non-Major Governmental Funds	Total
$ 130,257	$ -	$ 2,984,594	**$ 6,414,928**
-	-	83,939	**284,931**
-	-	191,425	**2,221,764**
-	-	3	**32**
541	-	40,124	**61,841**
71,203	239,784	210,268	**795,751**
-	-	201	**5,777**
-	-	-	**290,191**
-	-	-	**539,697**
-	-	6,011	**6,241**
13	3	120	**84,722**
-	-	409,778	**425,066**
$ 202,014	$ 239,787	$ 3,926,463	**$ 11,130,941**
$ 110,068	$ 62,685	200,331	**$ 796,412**
46	6,391	36,284	**82,534**
-	123,185	167,006	**290,191**
6	1,301	2,867	**6,709**
-	-	106,318	**147,552**
-	-	-	**16,637**
-	-	9,629	**67,528**
-	-	204,849	**1,271,523**
-	367	2,737	**5,643**
-	-	3	**3**
-	-	3	**32**
-	-	83,939	**284,931**
110,120	193,929	813,966	**2,969,695**
-	-	501,125	**501,125**
-	-	-	**71,990**
-	-	569,870	**569,870**
91,894	45,858	2,264,879	**4,874,404**
-	-	(223,377)	**2,143,857**
91,894	45,858	3,112,497	**8,161,246**
$ 202,014	$ 239,787	$ 3,926,463	**$ 11,130,941**

State of Indiana
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2011
(amounts expressed in thousands)

Total fund balances-governmental funds		$ 8,161,246
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Land	$ 1,623,509	
Infrastructure assets	8,239,152	
Construction in progress	1,773,709	
Property, plant, and equipment	2,033,109	
Accumulated depreciation	(1,173,661)	
Total capital assets, net of depreciation		12,495,818
The State's pension funds have net pension assets not reported as assets in the funds.		86,621
Some of the state's receivables will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.		
Taxes receivable	1,087,534	
Accounts receivable	64,632	
		1,152,166
Some liabilities reported in the statement of net assets do not require the use of current financial resources and therefore are not reported as expenditures in the funds.		
Accounts payable	(286,292)	
Salaries, health, disability and benefits payable	(1,608)	
Pollution remediation	(30,594)	
		(318,494)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		117,976
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Accrued liability for compensated absences	(131,932)	
Other postemployment benefits	(118,229)	
Loan from the Indiana Board for Depositories	(50,000)	
Capital lease payable	(1,216,934)	
Net pension obligations	(1,065,925)	
Total long-term liabilities		(2,583,020)
Net assets of governmental activities		$ 19,112,313

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

State of Indiana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011
(amounts expressed in thousands)

	General Fund	Public Welfare-Medicaid Assistance Fund	Major Moves Construction Fund	ARRA of 2009
Revenues:				
Taxes:				
Income	$ 5,464,957	$ -	$ -	$ -
Sales	6,257,133	-	-	-
Fuels	-	-	-	-
Gaming	90,674	-	-	-
Unemployment	-	-	-	1
Inheritance	160,912	-	-	-
Alcohol and tobacco	282,549	-	-	-
Insurance	185,858	-	-	-
Financial Institutions	-	-	-	-
Other	229,423	-	-	-
Total taxes	12,671,506	-	-	1
Current service charges	221,268	125,828	-	252
Investment income	22,521	-	113,865	-
Sales/rents	1,094	-	-	-
Grants	49,451	4,467,201	-	1,097,645
Other	34,189	4	-	-
Total revenues	13,000,029	4,593,033	113,865	1,097,898
Expenditures:				
Current:				
General government	957,408	-	-	320,833
Public safety	671,302	-	-	14,690
Health	46,841	-	-	10,653
Welfare	641,873	5,958,202	-	306,195
Conservation, culture and development	74,116	-	-	44,675
Education	8,710,221	-	-	172,781
Transportation	1,970	-	40,609	268,470
Total expenditures	11,103,731	5,958,202	40,609	1,138,297
Excess (deficiency) of revenues over (under) expenditures	1,896,298	(1,365,169)	73,256	(40,399)
Other financing sources (uses):				
Transfers in	1,731,406	2,040,353	124,158	885
Transfers (out)	(3,078,812)	(560,830)	(521,785)	(397)
Proceeds from capital lease	-	-	-	-
Total other financing sources (uses)	(1,347,406)	1,479,523	(397,627)	488
Net change in fund balances	548,892	114,354	(324,371)	(39,911)
Fund Balance July 1, as restated	2,517,665	24,555	2,054,318	15,495
Fund Balance June 30	**$ 3,066,557**	**$ 138,909**	**$ 1,729,947**	**$ (24,416)**

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

US Department of Transportation	US Department of Health & Human Services	Non-Major Governmental Funds	Total
$ -	$ -	$ 6,261	**$ 5,471,218**
-	-	51,223	**6,308,356**
-	-	747,569	**747,569**
-	-	813,749	**904,423**
-	-	319	**320**
-	-	-	**160,912**
-	-	181,062	**463,611**
-	-	4,090	**189,948**
-	-	56,726	**56,726**
-	-	21,414	**250,837**
-	-	1,882,413	**14,553,920**
183	744	1,112,064	**1,460,339**
-	-	34,444	**170,830**
-	7	18,163	**19,264**
881,997	1,232,670	3,054,813	**10,783,777**
11	4,067	56,885	**95,156**
882,191	1,237,488	6,158,782	**27,083,286**
505	11,946	840,413	**2,131,105**
20,919	4,931	637,156	**1,348,998**
-	141,707	146,351	**345,552**
-	1,255,885	1,745,986	**9,908,141**
1,423	-	463,059	**583,273**
-	1,564	1,230,507	**10,115,073**
1,002,754	-	983,451	**2,297,254**
1,025,601	1,416,033	6,046,923	**26,729,396**
(143,410)	(178,545)	111,859	**353,890**
394,715	374,005	2,284,509	**6,950,031**
(7,898)	(60,587)	(2,717,104)	**(6,947,413)**
-	54	2,941	**2,995**
386,817	313,472	(429,654)	**5,613**
243,407	134,927	(317,795)	**359,503**
(151,513)	(89,069)	3,430,292	**7,801,743**
$ 91,894	**$ 45,858**	**$ 3,112,497**	**$ 8,161,246**

State of Indiana
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2011
(amounts expressed in thousands)

Net change in fund balances-total governmental funds	$	359,503
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report net capital outlays for infrastructure as expenditures. However in the statement of activities these outlays are capitalized and under the modified approach not depreciated. This is the amount of the net capital outlays for infrastructure under the modified approach in the current period.		584,920
Governmental funds report net capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which net capital outlays ($132,177) exceeds depreciation of $71,874 in the current period.		(60,303)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Tax revenue		377,201
Non-tax revenue		(3,146)
Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the funds.		
Operating expenses		11,648
Statutory expenses		10,000
Amounts due to component units		44,293
The change in net pension assets and net pension obligations do not provide or require the use of current financial resources:		
Increase in net pension assets		(5,145)
Decrease in net pension obligations		(117,844)
The change in other postemployment benefits do not provide or require the use of current financial resources.		(5,824)
Internal service funds are used by management to charge the costs of certain activities, such as insurance, data processing, telecommunications, fleet management, and printing, to individual funds. The net revenue (expense) of internal service funds is reported with governmental activities.		4,196
Change in net assets of governmental activities.	$	1,199,499

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

State of Indiana
Statement of Fund Net Assets
Proprietary Funds
June 30, 2011

(amounts expressed in thousands)

	Unemployment Compensation Fund	Non-Major Enterprise Funds	Total	Internal Service Funds
Assets				
Current assets:				
Cash, cash equivalents and investments - unrestricted	$ 55,464	$ 72,091	**$ 127,555**	$ 130,086
Receivables:				
Accounts	84,826	853	**85,679**	22,457
Interest	-	612	**612**	-
Grants	3,463	-	**3,463**	-
Interfund services provided	-	-	**-**	6,709
Inventory	-	552	**552**	4,423
Prepaid expenses	-	75	**75**	-
Total current assets	143,753	74,183	**217,936**	163,675
Noncurrent assets:				
Capital assets:				
Property, plant, and equipment	-	410	**410**	65,261
Less accumulated depreciation	-	(326)	**(326)**	(44,882)
Total capital assets, net of depreciation	-	84	**84**	20,379
Total noncurrent assets	-	84	**84**	20,379
Total assets	**143,753**	**74,267**	**218,020**	**184,054**
Liabilities				
Current liabilities:				
Accounts payable	-	551	**551**	8,230
Claims payable	-	3,702	**3,702**	-
Salaries and benefits payable	-	472	**472**	1,943
Capital lease payable	-	-	**-**	306
Health/disability benefits payable	-	-	**-**	43,020
Accrued liability for compensated absences	-	203	**203**	2,273
Due to federal government (net)	1,868,813	-	**1,868,813**	-
Deferred revenue	-	4,614	**4,614**	310
Other liabilities	-	491	**491**	-
Total current liabilities	1,868,813	10,033	**1,878,846**	56,082
Noncurrent liabilities:				
Accrued liability for compensated absences	-	269	**269**	1,924
Capital lease payable	-	-	**-**	8,072
Claims payable	-	29,361	**29,361**	-
Total noncurrent liabilities	-	29,630	**29,630**	9,996
Total liabilities	**1,868,813**	**39,663**	**1,908,476**	**66,078**
Net assets				
Invested in capital assets net of related debt	-	84	**84**	12,001
Unrestricted	(1,725,060)	34,520	**(1,690,540)**	105,975
Total net assets	**$ (1,725,060)**	**$ 34,604**	**$ (1,690,456)**	**$ 117,976**

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

State of Indiana
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2011
(amounts expressed in thousands)

	Unemployment Compensation Fund	Non-Major Enterprise Funds	Total	Internal Service Funds
Operating revenues:				
Sales/rents/premiums	$ -	$ 25,941	**$ 25,941**	$ 490,621
Employer contributions	1,628,446	-	**1,628,446**	-
Charges for services	-	-	**-**	8,249
Federal revenues	1,479,968	-	**1,479,968**	-
Other	-	162	**162**	148
Total operating revenues	3,108,414	26,103	**3,134,517**	499,018
Cost of sales	-	4,113	**4,113**	21,079
Gross margin	3,108,414	21,990	**3,130,404**	477,939
Operating expenses:				
General and administrative expense	857	17,145	**18,002**	139,225
Claims expense	-	1,855	**1,855**	-
Health / disability benefit payments	-	-	**-**	326,599
Unemployment compensation benefits	3,204,437	-	**3,204,437**	-
Depreciation and amortization	-	33	**33**	7,187
Other	12,255	21	**12,276**	52
Total operating expenses	3,217,549	19,054	**3,236,603**	473,063
Operating income (loss)	(109,135)	2,936	**(106,199)**	4,876
Nonoperating revenues (expenses):				
Interest and other investment income	-	1,750	**1,750**	1
Interest and other investment expense	(10)	-	**(10)**	(796)
Gain (Loss) on disposition of assets	-	-	**-**	(13)
Federal grants	16,711	-	**16,711**	-
Other	-	10,000	**10,000**	(18)
Total nonoperating revenues (expenses)	16,701	11,750	**28,451**	(826)
Income before contributions and transfers	(92,434)	14,686	**(77,748)**	4,050
Capital contributions	-	-	**-**	146
Transfers in	-	-	**-**	24,564
Transfers (out)	-	(2,618)	**(2,618)**	(24,564)
Change in net assets	(92,434)	12,068	**(80,366)**	4,196
Total net assets, July 1, as restated	**(1,632,626)**	**22,536**	**(1,610,090)**	**113,780**
Total net assets, June 30	**$ (1,725,060)**	**$ 34,604**	**$ (1,690,456)**	**$ 117,976**

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

State of Indiana
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2011
(amounts expressed in thousands)

	Unemployment Compensation Fund	Non-Major Enterprise Funds	Total	Internal Service Funds
Cash flows from operating activities:				
Cash received from customers	$ 2,311,182	$ 25,674	**$ 2,336,856**	$ 502,056
Cash paid for general and administrative	(13,113)	(17,223)	**(30,336)**	(139,074)
Cash paid for salary/health/disability benefit payments	-	-	**-**	(332,159)
Cash paid to suppliers	-	(4,099)	**(4,099)**	(20,912)
Cash paid for claims expense	(4,138,063)	(4,265)	**(4,142,328)**	-
Net cash provided (used) by operating activities	(1,839,994)	87	**(1,839,907)**	9,911
Cash flows from noncapital financing activities:				
Transfers in	-	-	**-**	24,564
Transfers out	-	(2,618)	**(2,618)**	(24,564)
Loan from federal government	2,646,627	-	**2,646,627**	-
Repayment of loan from federal government	(777,814)	-	**(777,814)**	-
Federal grants	14,699	-	**14,699**	-
Other	-	-	**-**	(18)
Net cash provided (used) by noncapital financing activities	1,883,512	(2,618)	**1,880,894**	(18)
Cash flows from capital and related financing activities:				
Acquisition/construction of capital assets	-	(28)	**(28)**	(6,348)
Proceeds from sale of assets	-	-	**-**	318
Principal payments -- capital leases	-	-	**-**	(299)
Interest paid	-	-	**-**	(796)
Net cash provided (used) by capital and related financing activities	-	(28)	**(28)**	(7,125)
Cash flows from investing activities:				
Proceeds from sales of investments	-	9,006	**9,006**	-
Purchase of investments	-	(9,880)	**(9,880)**	-
Interest income (expense) on investments	(10)	3,795	**3,785**	1
Net cash provided (used) by investing activities	(10)	2,921	**2,911**	1
Net increase (decrease) in cash and cash equivalents	43,508	362	**43,870**	2,769
Cash and cash equivalents, July 1	11,956	4,873	**16,829**	127,317
Cash and cash equivalents, June 30	**$ 55,464**	**$ 5,235**	**$ 60,699**	**$ 130,086**
Reconciliation of cash , cash equivalents and investments:				
Cash and cash equivalents unrestricted at end of year	$ 55,464	$ 5,235	**$ 60,699**	$ 130,086
Investments unrestricted	-	66,856	**66,856**	-
Cash, cash equivalents and investments per balance sheet	**$ 55,464**	**$ 72,091**	**$ 127,555**	**$ 130,086**
Noncash investing, capital and financing activities:				
Increase (Decrease) in fair value of investments	$ -	$ (1,939)	**$ (1,939)**	$ -

State of Indiana
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2011
(amounts expressed in thousands)

	Unemployment Compensation Fund	Non-Major Enterprise Funds	Total	Internal Service Funds
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	$ (109,135)	$ 2,936	**$ (106,199)**	$ 4,876
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation/amortization expense	-	33	**33**	7,187
(Increase) decrease in receivables	(19,418)	(177)	**(19,595)**	(1,278)
(Increase) decrease in interfund services provided	-	-	**-**	4,468
(Increase) decrease in inventory	-	14	**14**	174
(Increase) decrease in prepaid expenses	-	3	**3**	-
Increase (decrease) in claims payable	-	(2,409)	**(2,409)**	-
Increase (decrease) in health and disability benefits payable	-	-	**-**	(5,698)
Increase (decrease) in accounts payable	(1,711,441)	26	**(1,711,415)**	447
Increase (decrease) in deferred revenue	-	(291)	**(291)**	15
Increase (decrease) in salaries payable	-	(43)	**(43)**	157
Increase (decrease) in compensated absences	-	(24)	**(24)**	(402)
Increase (decrease) in other payables	-	19	**19**	(35)
Net cash provided (used) by operating activities	**$ (1,839,994)**	**$ 87**	**$ (1,839,907)**	**$ 9,911**

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

State of Indiana
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011
(amounts expressed in thousands)

	Pension and Other Employee Benefit Trust Funds	Private-Purpose Trust Funds	Investment Trust Fund	Agency Funds
Assets:				
Cash, cash equivalents and non-pension investments	$ 2,871,305	$ 39,771	$ -	$ 348,336
Securities lending collateral	1,106	-	3,858	1,030
Receivables:				
Taxes	-	4,452	-	15,035
Contributions	203,574	-	-	-
Interest	83,292	1	103	-
Member loans	1,302	-	-	-
Interfund	-	-	-	-
Due from other funds	25,160	-	-	-
Due from component unit	1,792	-	-	-
Due from primary government	-	-	-	-
From investment sales	953,698	-	-	-
Other	1,560	-	-	49
Total receivables	1,270,378	4,453	103	15,084
Due from local governmental units	-	-	-	539,697
Pension and other employee benefit investments at fair value:				
Equity Securities	9,928,319	-	-	-
Debt Securities	8,805,549	-	-	-
Mutual Funds and Collective Trust Funds	1,187,639	-	-	-
Other	4,189,340	-	-	-
Total investments	24,110,847	-	-	-
Pool Investments at Amortized Cost:				
Cash and cash equivalents	-	-	441,734	-
U.S. Government Agencies	-	-	72,146	-
Commercial Paper	-	-	105,767	-
Total investments	-	-	619,647	-
Property, plant and equipment net of accumulated depreciation	10,435	-	-	-
Total assets	**28,264,071**	**44,224**	**623,608**	**$ 904,147**
Liabilities:				
Accounts/escrows payable	27,061	810	-	$ 348,385
Salaries and benefits payable	973	-	-	-
Management fee payable	-	-	55	-
Due to other funds	25,160	-	-	-
Benefits payable	99,287	-	-	-
Distributions payable	-	-	3	-
Due to component unit	1,792	-	-	-
Compensated absences	488	-	-	-
Intergovernmental payable	-	1,271	-	-
Securities purchased payable	1,744,105	-	-	-
Securities lending collateral	1,106	-	3,858	1,030
Due to general fund	-	-	-	539,697
Other	-	-	19	15,035
Total liabilities	**1,899,972**	**2,081**	**3,935**	**$ 904,147**
Net assets:				
Held in trust for:				
Employees' pension benefits	26,082,819	-	-	
OPEB benefits	217,235	-	-	
Future death benefits	11,106	-	-	
State and local units	52,939	-	-	
Trust beneficiaries	-	42,143	-	
Local government investment pool participants	-	-	619,673	
Total net assets	**$ 26,364,099**	**$ 42,143**	**$ 619,673**	

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

State of Indiana
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2011
(amounts expressed in thousands)

	Pension and Other Employee Benefit Trust Funds	Private-Purpose Trust Funds	Investment Trust Fund
Additions:			
Member contributions	$ 336,364	$ 4,120	$ 816,358
Employer contributions	1,446,998	-	-
Contributions from the State of Indiana	211,263	-	-
Net investment income (loss)	4,157,525	99	1,924
Taxes	-	80,634	-
Less investment expense	(142,089)	-	(1)
Federal reimbursements	1,474	-	-
Donations/escheats	-	79,359	-
Transfers in	15,407	-	-
Reinvestment of distributions	-	-	1,218
Other	2,930	-	-
Total additions	6,029,872	164,212	819,499
Deductions:			
Pension and disability benefits	1,971,568	-	-
Retiree health benefits	10,347	-	-
Death benefits	1,224	-	-
Payments to participants/beneficiaries	-	160,418	1,218
Refunds of contributions and interest	91,447	-	608,030
Administrative	34,399	-	526
Pension relief distributions	219,425	-	-
Capital projects	1,630	-	-
Depreciation	190	-	-
Transfers out	15,410	-	-
Other	2,894	-	180
Total deductions	2,348,534	160,418	609,954
Net increase (decrease) in net assets	3,681,338	3,794	209,545
Net assets held in trust, July 1, as restated	22,682,761	38,349	410,128
Net assets held in trust, June 30	**$ 26,364,099**	**$ 42,143**	**$ 619,673**

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

State of Indiana
Combining Statement of Net Assets
Discretely Presented Component Units
June 30, 2011
(amounts expressed in thousands)

	Governmental	Proprietary	Colleges and Universities	Total
Assets:				
Current assets				
Cash, cash equivalents and investment	$ 111,692	$ 2,022,099	$ 1,806,689	**$ 3,940,480**
Securities lending collatera	-	-	188,955	**188,955**
Receivables (net)	6	347,099	390,921	**738,026**
Intergovernmental receivable	-	344,582	-	**344,582**
Inventory	-	629	17,212	**17,841**
Prepaid expenses	-	5,479	4,982	**10,461**
Loans receivable	2,789	-	-	**2,789**
Due from primary governmen	-	-	16,637	**16,637**
Investment in direct financing leas	-	62,157	-	**62,157**
Funds held in trust by other	-	-	34,614	**34,614**
Other current assets	-	9,974	61,554	**71,528**
Total current assets	114,487	2,792,019	2,521,564	**5,428,070**
Noncurrent assets				
Cash, cash equivalents and investments - restricte	-	227,995	2,134,632	**2,362,627**
Taxes, interest, and penalties receivabl	-	4,046	-	**4,046**
Other receivables	-	1,398,447	356,471	**1,754,918**
Investments - unrestricted	-	556,347	4,203,087	**4,759,434**
Loans receivable	16,709	2,815,148	-	**2,831,857**
Bond issuance costs net of amortizatior	-	40,819	1,258	**42,077**
Intergovernmental loans	-	1,812,250	-	**1,812,250**
Due from primary governmen	-	50,000	-	**50,000**
Investment in direct financing leas	-	2,232,883	-	**2,232,883**
Deferred outflow - derivative instrumen	-	134,552	1,988	**136,540**
Net pension assets	-	84	-	**84**
Other postemployment benefits	-	-	16,495	**16,495**
Other noncurrent assets	-	36,758	30,361	**67,119**
Capital assets:				
Land	-	237,505	213,388	**450,893**
Infrastructure	-	317,814	313,671	**631,485**
Construction in progress	-	260,193	640,322	**900,515**
Property, plant, and equipmen	343	1,399,714	9,146,089	**10,546,146**
Less accumulated depreciatior	(141)	(579,535)	(4,068,099)	**(4,647,775)**
Capital assets, net of accumulated depreciatior	202	1,635,691	6,245,371	**7,881,264**
Total noncurrent assets	16,911	10,945,020	12,989,663	**23,951,594**
Total assets	**131,398**	**13,737,039**	**15,511,227**	**29,379,664**
Liabilities:				
Current liabilities				
Accounts payable	4,311	73,293	234,711	**312,315**
Claims payable	-	17,765	-	**17,765**
Interest payable	-	128,520	36,987	**165,507**
Current portion of long-term deb	-	823,812	254,391	**1,078,203**
Line of credit	-	100,000	-	**100,000**
Due to primary governmen	-	6,241	-	**6,241**
Capital lease payable	-	-	1,567	**1,567**
Accrued prize liability	-	62,813	-	**62,813**
Salaries, health, disability, and benefits payabl	274	138	135,144	**135,556**
Deferred revenue	111	79,294	226,896	**306,301**
Accrued liability for compensated absences	294	166	82,455	**82,915**
Pollution remediation payable	-	-	69	**69**
Securities lending collatera	-	-	188,955	**188,955**
Deposits held in custody for others	-	33,822	45,042	**78,864**
Other current liabilities	-	7,724	8,321	**16,045**
Total current liabilities	4,990	1,333,588	1,214,538	**2,553,116**
Long-term liabilities				
Accrued liability for compensated absences	137	186	72,944	**73,267**
Accrued prize liability	-	122,843	-	**122,843**
Other postemployment benefits	-	-	59,991	**59,991**
Pollution remediation payable	-	3,230	-	**3,230**
Deferred revenue	-	3,436,173	57,492	**3,493,665**
Capital lease payable	-	-	3,081	**3,081**
Funds held in trust for others	-	-	175,199	**175,199**
Advances from federal governmen	-	537	28,869	**29,406**
Revenue bonds/notes payable	-	8,934,657	2,620,950	**11,555,607**
Derivative instrument liabilit	-	134,421	1,988	**136,409**
Other noncurrent liabilities	-	5,356	84,836	**90,192**
Total long-term liabilities	137	12,637,403	3,105,350	**15,742,890**
Total liabilities	**5,127**	**13,970,991**	**4,319,888**	**18,296,006**
Net Assets:				
Invested in capital assets net of related deb	202	377,397	3,593,814	**3,971,413**
Restricted-nonexpendable				
Grants/constitutional restriction	-	32,983	-	**32,983**
Permanent funds	-	-	64,689	**64,689**
Future debt service	-	234,458	-	**234,458**
Public safety programs	-	-	2,730	**2,730**
Capital projects	-	-	4,568	**4,568**
Pension fund distributior	-	489	-	**489**
Instruction and researct	-	-	684,115	**684,115**
Student aid	-	-	728,610	**728,610**
Other purposes	-	-	317,626	**317,626**
Total restricted-nonexpendable	-	267,930	1,802,338	**2,070,268**
Restricted-expendable				
Instruction and researct	-	-	610,630	**610,630**
Grants/constitutional restriction	-	57	12,318	**12,375**
Endowments	-	-	443,294	**443,294**
Future debt service	-	215,821	6,035	**221,856**
Public safety programs	-	-	4,703	**4,703**
Student aid	-	284	736,235	**736,519**
Auxiliary enterprises	-	156	2,399	**2,555**
Capital projects	-	27,688	238,222	**265,910**
Water pollution and drinking water projects	-	1,106,895	-	**1,106,895**
Other purposes	-	1,681	482,849	**484,530**
Total restricted-expendable	-	1,352,582	2,536,685	**3,889,267**
Unrestricted	126,069	(2,231,861)	3,258,502	**1,152,710**
Total net assets	**$ 126,271**	**$ (233,952)**	**$ 11,191,339**	**$ 11,083,658**

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

State of Indiana
Combining Statement of Activities
Discretely Presented Component Units
For the Fiscal Year Ended June 30, 2011
(amounts expressed in thousands)

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental	Proprietary	Colleges and Universities	Net (Expense) Revenue
Governmental	$ 38,315	$ 221	$ 21,020	$ -	$ (17,075)	$ -	$ -	$ (17,075)
Proprietary	2,126,513	1,393,876	897,590	11,688	-	176,641	-	176,641
Colleges and universities	6,057,922	3,127,526	1,132,253	76,140	-	-	(1,722,003)	(1,722,003)
Total component units	$ 8,222,750	$ 4,521,623	$ 2,050,863	$ 87,828	(17,075)	176,641	(1,722,003)	(1,562,437)
		General Revenues:						
		Gaming tax			1,066	-	-	1,066
		Investment earnings			-	46,444	850,463	896,907
		Payments from State of Indiana			-	8,041	1,447,961	1,456,002
		Other			-	326	652,583	652,909
		Total general revenues			1,066	54,811	2,951,007	3,006,884
		Change in net assets			(16,008)	231,452	1,229,004	1,444,448
		Net assets - beginning, as restated			142,280	(465,404)	9,962,335	9,639,211
		Net assets - ending			$ 126,271	$ (233,952)	$ 11,191,339	$ 11,083,658

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

State of Indiana
Combining Statement of Net Assets
Discretely Presented Component Units - Proprietary Funds
June 30, 2011
(amounts expressed in thousands)

	Indiana Finance Authority	Indiana Bond Bank	Indiana Housing and Community Development Authority	Board for Depositories	Secondary Market for Education Loans
Assets					
Current assets:					
Cash, cash equivalents and investments	$ 970,379	$ 121,146	$ 513,672	$ 144,070	$ 108,412
Receivables (net)	182,830	24,558	148	594	118,195
Intergovernmental receivable	-	344,582	-	-	-
Inventory	-	-	-	-	-
Prepaid expenses	-	-	-	-	1,316
Investment in direct financing lease	60,990	-	-	-	-
Other current assets	66	-	9,908	-	-
Total current assets	1,214,265	490,286	523,728	144,664	227,923
Noncurrent assets:					
Cash, cash equivalents and investments - restricted	-	33,068	54,214	-	-
Taxes, interest, and penalties receivable	-	-	4,046	-	-
Loans receivable	-	-	953,178	-	1,422,212
Investments - unrestricted	392,349	-	52,158	105,820	6,020
Loans	2,815,148	-	-	-	-
Bond issuance costs, net of amortization	13,414	19,828	7,201	-	-
Intergovernmental loans	-	1,812,250	-	-	-
Due from primary government	-	-	-	50,000	-
Investment in direct financing lease	1,279,084	-	-	-	-
Deferred outflow - derivative instrument	105,725	15,380	13,447	-	-
Net pension assets	-	-	-	-	-
Other noncurrent assets	-	-	31,081	4	5,673
Capital assets:					
Land	85,885	-	-	-	-
Infrastructure	266,818	-	-	-	-
Construction in progress	245,534	-	-	-	-
Property, plant, and equipment	1,246,652	-	5,510	209	1,517
Less accumulated depreciation	(446,451)	-	(3,790)	(193)	(1,174)
Total capital assets, net of depreciation	1,398,438	-	1,720	16	343
Total noncurrent assets	6,004,158	1,880,526	1,117,045	155,840	1,434,248
Total assets	**7,218,423**	**2,370,812**	**1,640,773**	**300,504**	**1,662,171**
Liabilities					
Current liabilities:					
Accounts payable	19,595	387	16,114	28	7,994
Claims payable	-	-	-	-	-
Interest payable	67,046	38,594	21,454	-	252
Current portion of long-term debt	210,660	406,267	205,260	-	-
Line of credit	-	-	100,000	-	-
Due to primary government	250	-	-	-	-
Accrued prize liability	-	-	-	-	-
Salaries, health, disability, and benefits payable	-	-	-	-	-
Deferred revenue	69,403	-	-	-	-
Accrued liability for compensated absences	-	-	-	-	-
Deposits held in custody for others	-	33,697	125	-	-
Other current liabilities	2,762	-	-	3	-
Total current liabilities	369,716	478,945	342,953	31	8,246
Long-term liabilities:					
Accrued liability for compensated absences	-	-	-	-	-
Accrued prize liability	-	-	-	-	-
Pollution remediation payable	3,230	-	-	-	-
Deferred revenue	3,435,684	489	-	-	-
Advances from federal government	537	-	-	-	-
Revenue bonds/notes payable	4,574,076	1,856,907	953,369	-	1,539,106
Derivative instrument liability	105,594	15,380	13,447	-	-
Other noncurrent liabilities	-	-	2,625	-	1,896
Total long-term liabilities	8,119,121	1,872,776	969,441	-	1,541,002
Total liabilities	**8,488,837**	**2,351,721**	**1,312,394**	**31**	**1,549,248**
Net assets					
Invested in capital assets net of related debt	154,477	-	1,720	16	343
Restricted-nonexpendable					
Grants/constitutional restrictions	-	-	32,719	-	-
Future debt service	-	-	223,327	-	11,131
Pension fund distribution	-	-	-	489	-
Total restricted-nonexpendable	-	-	256,046	489	11,131
Restricted-expendable					
Grants/constitutional restrictions	-	-	-	-	-
Future debt service	207,935	3,736	-	-	-
Student aid	-	-	-	-	-
Auxiliary enterprises	-	-	-	-	-
Capital projects	-	-	-	-	-
Water pollution and drinking water projects	1,106,895	-	-	-	-
Other purposes	-	-	-	-	-
Total restricted-expendable	1,314,830	3,736	-	-	-
Unrestricted (deficit)	(2,739,721)	15,355	70,613	299,968	101,449
Total net assets	**$ (1,270,414)**	**$ 19,091**	**$ 328,379**	**$ 300,473**	**$ 112,923**

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

continued on next page

State Lottery Commission	Indiana Stadium and Convention Building Authority	Non-Major	IFA & ISCBA Elimination	Total Component Units
$ 59,920	$ 58,082	$ 46,418	$ -	**$ 2,022,099**
22,112	2,480	6,403	(10,221)	**347,099**
-	-	-	-	**344,582**
402	-	227	-	**629**
3,769	-	394	-	**5,479**
-	1,000	167	-	**62,157**
-	-	-	-	**9,974**
86,203	61,562	53,609	(10,221)	**2,792,019**
135,159	-	5,554	-	**227,995**
-	-	-	-	**4,046**
-	-	-	(976,943)	**1,398,447**
-	-	-	-	**556,347**
-	-	-	-	**2,815,148**
-	-	376	-	**40,819**
-	-	-	-	**1,812,250**
-	-	-	-	**50,000**
-	953,337	462	-	**2,232,883**
-	105,594	-	(105,594)	**134,552**
-	-	84	-	**84**
-	-	-	-	**36,758**
-	-	151,620	-	**237,505**
-	-	50,996	-	**317,814**
-	-	14,659	-	**260,193**
7,854	-	137,972	-	**1,399,714**
(5,499)	-	(122,428)	-	**(579,535)**
2,355	-	232,819	-	**1,635,691**
137,514	1,058,931	239,295	(1,082,537)	**10,945,020**
223,717	**1,120,493**	**292,904**	**(1,092,758)**	**13,737,039**
24,588	3,845	1,645	(903)	**73,293**
-	-	17,765	-	**17,765**
-	9,221	271	(8,318)	**128,520**
-	1,000	1,625	(1,000)	**823,812**
-	-	-	-	**100,000**
5,991	-	-	-	**6,241**
62,813	-	-	-	**62,813**
-	-	138	-	**138**
870	-	9,021	-	**79,294**
-	-	166	-	**166**
-	-	-	-	**33,822**
1,612	835	2,512	-	**7,724**
95,874	14,901	33,143	(10,221)	**1,333,588**
-	-	186	-	**186**
122,843	-	-	-	**122,843**
-	-	-	-	**3,230**
-	-	-	-	**3,436,173**
-	-	-	-	**537**
-	976,943	11,199	(976,943)	**8,934,657**
-	105,594	-	(105,594)	**134,421**
-	835	-	-	**5,356**
122,843	1,083,372	11,385	(1,082,537)	**12,637,403**
218,717	**1,098,273**	**44,528**	**(1,092,758)**	**13,970,991**
2,355	-	218,486	-	**377,397**
-	-	264	-	**32,983**
-	-	-	-	**234,458**
-	-	-	-	**489**
-	-	264	-	**267,930**
-	-	57	-	**57**
-	-	4,150	-	**215,821**
-	-	284	-	**284**
-	-	156	-	**156**
-	22,220	5,468	-	**27,688**
-	-	-	-	**1,106,895**
-	-	1,681	-	**1,681**
-	22,220	11,796	-	**1,352,582**
2,645	-	17,830	-	**(2,231,861)**
$ 5,000	**$ 22,220**	**$ 248,376**	**$ -**	**$ (233,952)**

State of Indiana
Combining Statement of Activities
Discretely Presented Component Units - Proprietary Funds
For the Fiscal Year Ended June 30, 2011
(amounts expressed in thousands)

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Indiana Finance Authority	Indiana Bond Bank	Indiana Housing and Community Development Authority
Indiana Finance Authority (IFA)	$ 359,887	$ 419,994	$ 102,639	$ -	$ 162,746	$ -	$ -
Indiana Bond Bank	105,075	606	104,854	-	-	385	-
Indiana Housing and Community Development Authority	671,225	65,412	624,505	-	-	-	18,692
Board for Depositories	2,867	-	986	-	-	-	-
Secondary Market for Educational Loans	23,390	-	39,493	-	-	-	-
State Lottery Commission	788,189	791,552	-	-	-	-	-
Indiana Stadium and Convention Building Authority (ISCBA)	64,372	-	26,899	8,546	-	-	-
Non-Major Proprietary	163,358	163,739	2,637	3,142	-	-	-
IFA & ISCBA Interfund Eliminations	(51,850)	(47,427)	(4,423)	-	-	-	-
Total component units	$ 2,126,513	$ 1,393,876	$ 897,590	$ 11,688	162,746	385	18,692
General revenues:							
Investment earnings					18,629	191	30,737
Payments from State of Indiana					-	-	-
Other					-	-	-
Total general revenues					18,629	191	30,737
Change in net assets					181,375	576	49,429
Net assets - beginning, as restated					(1,451,789)	18,515	278,950
Net assets - ending					$ (1,270,414)	$ 19,091	$ 328,379

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

continued on next page

State of Indiana
Combining Statement of Activities
Discretely Presented Component Units - Proprietary Funds
For the Fiscal Year Ended June 30, 2011
(amounts expressed in thousands)

	Net (Expense) Revenue and Changes in Net Assets						
	Board for Depositories	Secondary Market for Education Loans	State Lottery Commission	Indiana Stadium and Convention Building Authority	Non-Major	IFA & ISCBA Interfund Eliminations	Net (Expense) Revenue
Indiana Finance Authority (IFA)	$ -	$ -	$ -	$ -	$ -	$ -	$ 162,746
Indiana Bond Bank	-	-	-	-	-	-	385
Indiana Housing and Community Development Authority	-	-	-	-	-	-	18,692
Board for Depositories	(1,881)	-	-	-	-	-	(1,881)
Secondary Market for Educational Loans	-	16,103	-	-	-	-	16,103
State Lottery Commission	-	-	3,363	-	-	-	3,363
Indiana Stadium and Convention Building Authority (ISCBA)	-	-	-	(28,927)	-	-	(28,927)
Non-Major Proprietary	-	-	-	-	6,160	-	6,160
IFA and ISCBA Interfund Eliminations	-	-	-	-	-	-	-
Total component units	(1,881)	16,103	3,363	(28,927)	6,160	-	176,641
General revenues:							
Investment earnings	-	-	(3,363)	-	250	-	46,444
Payments from State of Indiana	-	-	-	-	8,041	-	8,041
Other	-	-	-	-	326	-	326
Total general revenues	-	-	(3,363)	-	8,617	-	54,811
Change in net assets	(1,881)	16,103	-	(28,927)	14,777	-	231,452
Net assets - beginning, as restated	302,354	96,820	5,000	51,147	233,599	-	(465,404)
Net assets - ending	$ 300,473	$ 112,923	$ 5,000	$ 22,220	$ 248,376	$ -	$ (233,952)

State of Indiana
Combining Statement of Net Assets
Discretely Presented Component Units - Colleges and Universities
June 30, 2011
(amounts expressed in thousands)

	Indiana University	Purdue University	Non-Major Colleges and Universities	Totals
Assets				
Current assets:				
Cash, cash equivalents and investments	$ 807,802	$ 574,252	$ 424,635	**$ 1,806,689**
Securities lending collateral	179,019	9,936	-	**188,955**
Receivables (net)	124,585	133,082	133,254	**390,921**
Inventory	12,020	-	5,192	**17,212**
Prepaid expenses	-	-	4,982	**4,982**
Due from primary government	9,697	3,060	3,880	**16,637**
Funds held in trust by others	-	-	34,614	**34,614**
Other current assets	33,376	26,432	1,746	**61,554**
Total current assets	1,166,499	746,762	608,303	**2,521,564**
Noncurrent assets:				
Cash, cash equivalents and investments - restricted	-	2,072,415	62,217	**2,134,632**
Other receivables	243,096	79,592	33,783	**356,471**
Investments - unrestricted	2,529,788	861,574	811,725	**4,203,087**
Bond issuance costs net of amortization	-	-	1,258	**1,258**
Deferred outflow - derivative instrument	-	-	1,988	**1,988**
Other postemployment benefits	-	-	16,495	**16,495**
Other noncurrent assets	-	15,167	15,194	**30,361**
Capital assets:				
Land	54,439	28,179	130,770	**213,388**
Infrastructure	160,075	67,840	85,756	**313,671**
Construction in progress	154,340	332,229	153,753	**640,322**
Property, plant, and equipment	3,845,106	2,939,465	2,361,518	**9,146,089**
Less accumulated depreciation	(1,737,998)	(1,391,541)	(938,560)	**(4,068,099)**
Total capital assets, net of depreciation	2,475,962	1,976,172	1,793,237	**6,245,371**
Total noncurrent assets	5,248,846	5,004,920	2,735,897	**12,989,663**
Total assets	**6,415,345**	**5,751,682**	**3,344,200**	**15,511,227**
Liabilities				
Current liabilities:				
Accounts payable	107,583	76,772	50,356	**234,711**
Interest payable	17,617	17,188	2,182	**36,987**
Current portion of long-term debt	48,808	147,570	58,013	**254,391**
Capital lease payable	1,269	-	298	**1,567**
Salaries, health, disability, and benefits payable	67,098	37,480	30,566	**135,144**
Deferred revenue	156,708	37,829	32,359	**226,896**
Accrued liability for compensated absences	41,585	26,504	14,366	**82,455**
Pollution remediation payable	-	-	69	**69**
Securities lending collateral	179,019	9,936	-	**188,955**
Deposits held in custody for others	516	21,870	22,656	**45,042**
Other current liabilities	-	-	8,321	**8,321**
Total current liabilities	620,203	375,149	219,186	**1,214,538**
Long-term liabilities:				
Accrued liability for compensated absences	24,203	31,797	16,944	**72,944**
Other postemployment benefits	19,557	27,263	13,171	**59,991**
Deferred revenue	57,492	-	-	**57,492**
Capital lease payable	2,069	-	1,012	**3,081**
Funds held in trust for others	92,067	57,771	25,361	**175,199**
Advances from federal government	-	19,933	8,936	**28,869**
Revenue bonds/notes payable	851,304	968,236	801,410	**2,620,950**
Derivative instrument liability	-	-	1,988	**1,988**
Other noncurrent liabilities	47,841	7,969	29,026	**84,836**
Total long-term liabilities	1,094,533	1,112,969	897,848	**3,105,350**
Total liabilities	**1,714,736**	**1,488,118**	**1,117,034**	**4,319,888**
Net assets				
Invested in capital assets net of related debt	1,621,228	1,035,092	937,494	**3,593,814**
Restricted-nonexpendable				
Permanent funds	20,429	-	44,260	**64,689**
Public safety programs	-	-	2,730	**2,730**
Capital projects	2,345	-	2,223	**4,568**
Instruction and research	380,844	271,510	31,761	**684,115**
Student aid	377,673	254,772	96,165	**728,610**
Other purposes	252,449	46,814	18,363	**317,626**
Total restricted-nonexpendable	1,033,740	573,096	195,502	**1,802,338**
Restricted-expendable				
Instruction and research	278,943	260,375	71,312	**610,630**
Grants/constitutional restrictions	-	-	12,318	**12,318**
Endowments	-	443,232	62	**443,294**
Future debt service	288	-	5,747	**6,035**
Public safety programs	-	-	4,703	**4,703**
Student aid	136,803	534,782	64,650	**736,235**
Auxiliary enterprises	-	4	2,395	**2,399**
Capital projects	86,327	30,387	121,508	**238,222**
Other purposes	340,420	131,220	11,209	**482,849**
Total restricted-expendable	842,781	1,400,000	293,904	**2,536,685**
Unrestricted (deficit)	1,202,860	1,255,376	800,266	**3,258,502**
Total net assets	**$ 4,700,609**	**$ 4,263,564**	**$ 2,227,166**	**$ 11,191,339**

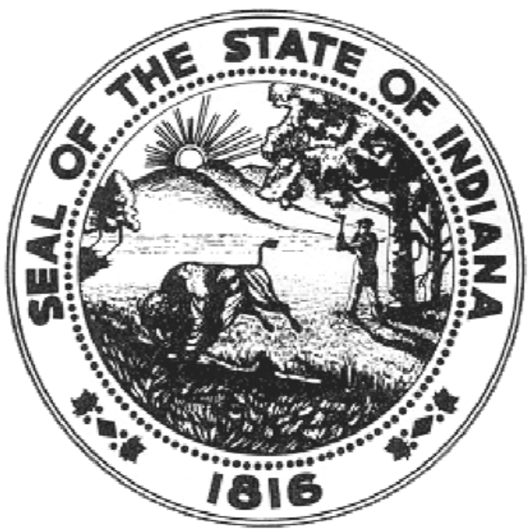
The notes to the financial statements are an integral part of this statement.

State of Indiana
Combining Statement of Activities
Discretely Presented Component Units - Colleges and Universities
For the Year Ended June 30, 2011
(amounts expressed in thousands)

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Indiana University	Purdue University	Non-Major Colleges and Universities	Net (Expense) Revenue
Indiana University	$ 2,656,055	$ 1,543,184	$ 586,135	$ 26,549	$ (500,187)	$ -	$ -	$ (500,187)
Purdue University	1,852,330	975,265	396,884	24,345	-	(455,836)	-	(455,836)
Non-Major Colleges and Universities	1,549,537	609,077	149,234	25,246	-	-	(765,980)	(765,980)
Total component units	$ 6,057,922	$ 3,127,526	$ 1,132,253	$ 76,140	(500,187)	(455,836)	(765,980)	(1,722,003)
General revenues:								
Investment earnings					343,387	437,794	69,282	850,463
Payments from State of Indiana					549,917	385,300	512,744	1,447,961
Other					144,358	100,721	407,504	652,583
Total general revenues					1,037,662	923,815	989,530	2,951,007
Change in net assets					537,475	467,979	223,550	1,229,004
Net assets - beginning, as restated					4,163,134	3,795,585	2,003,616	9,962,335
Net assets - ending					$ 4,700,609	$ 4,263,564	$ 2,227,166	$11,191,339

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

NOTES TO THE FINANCIAL STATEMENTS



STATE OF INDIANA

Notes to the Financial Statements
June 30, 2011

STATE OF INDIANA
Notes to the Financial Statements
June 30, 2011
(schedule amounts are expressed in thousands)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

As required by generally accepted accounting principles, these financial statements present the government (State of Indiana) and its component units. Blended component units, although legally separate entities, are in substance part of the government's operations; data from these units are combined with data of the primary government. Discretely presented component units are reported in one column in the government-wide financial statements. This column contains the governmental fund types, proprietary fund types and colleges and universities. This is to emphasize that, as well as being legally separate from the government, they also provide services to and benefit local governments and/or the citizens of the State of Indiana. Of the component units, the Indiana Housing and Community Development Authority, Ports of Indiana, Indiana State Fair Commission, Indiana Comprehensive Health Insurance Association, and the Indiana Political Subdivision Risk Management Commission have a December 31, 2010, fiscal year-end.

Blended Component Units

The following component units are reported under the blended method as the primary government appoints a voting majority of the board and is able to impose its will. These units, although legally separate from the State, are reported as part of the State because they provide services entirely or almost entirely to the State. These component units are audited by the State Board of Accounts.

The Bureau of Motor Vehicle Commission (BMVC) was established by state law to develop and update Bureau of Motor Vehicles (BMV) policy, establish standards for the operation and maintenance of license branches, and submit budget proposals for the BMVC, BMV, and license branches. The BMVC has significant interrelated operations with the BMV and license branches. The BMV is responsible for the accurate and timely distribution of the fees and taxes (excise and wheel) collected at the license branches for driver licenses, auto and watercraft registrations, and license plates.

The BMVC consists of four individuals appointed by the governor and the chairperson who is the commissioner of the BMV. No more than three of the members may be of the same political party. The BMVC is reported as a non-major governmental fund.

The State Student Assistance Commission of Indiana (SSACI) was established by state law to assist the State in increasing the opportunities of higher education for every person who resides in Indiana and who, though being highly qualified and desiring to receive a higher education, is deterred by financial considerations. They provide data to the General Assembly to allow them to make educated policy decisions about financial aid. In addition, they assist the State in identifying which students qualify for financial aid enabling the State to efficiently distribute funds.

The SSACI consists of ten citizens appointed by the governor. Each of Indiana’s nine congressional districts must be represented by a resident of the district. An at-large student member who is a student at an approved postsecondary educational institution is also an appointed member. The SSACI is reported as a non-major governmental fund.

Discretely Presented Component Units

The following are discretely presented component units of the State of Indiana. The primary government appoints a voting majority of their boards and is able to impose its will. All governmental and proprietary component units are audited by outside auditors except for the Indiana Economic Development Corporation and State Fair Commission which are audited by the State Board of Accounts. The State Board of Accounts audits the colleges, universities, and the discrete pension trust funds. College and university foundations are audited by outside auditors.

The Indiana Economic Development Corporation (IEDC) was created to improve the quality of life for the citizens of Indiana by encouraging the diversification of Indiana’s economy, by the orderly economic development and growth of Indiana, the creation of new jobs, the retention of existing jobs, the growth and modernization of existing industry and the promotion of Indiana. The IEDC is composed of 12 members, none of whom may be members of the general assembly. These members consist of the governor and 11 individuals appointed by the governor. At least five members must belong to the same political party as the governor. At least three members must belong to a major political party other than the party of which the governor is a member. The IEDC is reported as a non-major governmental fund. The IEDC does not issue their own separately audited financial statements.

Formed on May 15, 2005, the Indiana Finance Authority (IFA) combined five formerly independent bodies under one entity. The entities combined included the Indiana Development Finance Authority, State Office Building Commission, Indiana Transportation Finance Authority, Recreational Development Commission and the State Revolving Fund. Effective July 1, 2005, all records, money, and other property held by the Auditor of State with respect to the Supplemental Drinking Water and Wastewater Assistance Programs were transferred to the IFA as the successor entity. The IFA is a body both corporate and politic, and though separate from the State of Indiana (State); the exercise by the IFA of its powers constitutes an essential governmental function. Indiana's constitution restricts State incurrence of debt. As a result, the General Assembly created the IFA and authorized it to issue revenue bonds and other obligations to finance projects for lease to the State.

The IFA finances and refinances state hospitals, state office buildings, state garages, correctional facilities, recreational facilities, highways, bridges, airport facilities, and other related facilities for the benefit of the State. The IFA also provides low interest loans to Indiana communities for environmental improvements. It also promotes business and employment opportunities by issuing tax-exempt financing for industrial development projects, rural development projects, childcare financing, and educational facility projects.

The IFA's revenue bonds and notes are special and limited obligations of the IFA, payable from lease rental revenue, bond or note proceeds and investment income. The IFA's revenue bonds are not general obligations of the IFA nor are they State debt within the meaning of any constitutional provision or limitation. The IFA cannot compel the General Assembly to make appropriations to pay lease rentals. The Authority is reported as a proprietary fund.

The Indiana Bond Bank, created in 1984, is controlled by a board composed of the Treasurer of State, Director of Public Finance and five appointees of the Governor. The Bond Bank issues debt obligations and invests the proceeds in various projects of State and local governments. The unit is reported as a proprietary fund.

The Indiana Housing and Community Development Authority was created in 1978 for the purpose of financing residential housing for persons and families of low and moderate incomes. The Authority's board consists of the Public Finance Director of the Indiana Finance Authority, the Lieutenant Governor, the State Treasurer and four persons appointed by the Governor. The Lieutenant Governor chairs the board. The unit is reported as a proprietary fund.

The Indiana Board for Depositories was established to ensure the safekeeping and prompt payment of all public funds deposited in Indiana banks. The Board, consisting of the Governor, Treasurer of State, Auditor of State, Chairman of the Commission for Financial Institutions, State Examiner of the State Board of Accounts and four members appointed by the Governor, provides insurance on public funds in excess of the Federal Deposit Insurance Corporation limit. The unit is reported as a proprietary fund.

The Indiana Secondary Market for Education Loans, Inc. (ISM) was formed at the request of the Governor to purchase education loans in the secondary market. The Governor appointed the original Board of Directors. ISM provides in its articles of incorporation that changes in the composition of its directors or in its bylaws are subject to the approval of the Governor. The unit is reported as a proprietary fund.

The State Lottery Commission of Indiana is composed of five members appointed by the Governor. Net proceeds from the Lottery are distributed to the State to be used to supplement teachers' retirement, public employees' retirement, and the Build Indiana Fund. A portion of the Build Indiana Fund is then used to supplement the Motor Vehicle Excise Tax Replacement Fund. The Commission is reported as a proprietary fund.

Effective May 15, 2005, the Indiana Stadium and Convention Building Authority was established pursuant to House Bill 1120, which has now been codified at Indiana Code 5-1-17, as an entity of the

State to finance, design, construct and own the new Indiana Stadium in Indianapolis and the upcoming expansion of the adjacent Indiana Convention Center. The Building Authority is governed by a seven member board, comprised of four appointments by the Governor, two appointments by the Mayor of the City of Indianapolis and one appointment by the Governor following nomination from one of the counties surrounding Marion County. The Authority is reported as a proprietary fund.

The White River State Park Development Commission has the responsibility to design and implement a plan for the establishment and development of park, exposition, educational, athletic, and recreational projects to be located within one mile from the banks of the Indiana White River in a consolidated first-class city and county. The Commission is reported as a non-major proprietary fund.

The Ports of Indiana is created under Indiana Code 8-10-1-3 to construct, maintain, and operate public ports with terminal facilities and traffic exchange points for all forms of transportation on Lake Michigan and the Ohio and Wabash Rivers. The Commission consists of seven members appointed by the governor. The Commission is reported as a non-major proprietary fund.

The State Fair Commission was established per Indiana Code 15-13-2 as the trustee for and on behalf of the people of the State of Indiana to administer the State Fairgrounds as trust property of the State of Indiana. The Commission is responsible for holding the annual Indiana State Fair in August, as well as providing accessible, cost-effective, secure and modern facilities for the variety of events held at the Fairgrounds and other properties it owns. The Commission consists of eight members appointed by the governor. The Commission is reported as a non-major proprietary fund.

The Indiana Comprehensive Health Insurance Association was created by the State of Indiana to assure that health insurance is made available throughout the year to each eligible Indiana resident applying to the Association for coverage. The board of directors of the Association consists of nine members whose principal residence is in Indiana. Four members are appointed by the insurance commissioner from the members of the Association, one of which must be a representative of a health maintenance organization. Two members are appointed by the commissioner and shall be consumers representing policyholders. Other members are the state budget director or designee and the commissioner of the department of insurance or designee. One member appointed by the commissioner must be a representative of health care providers. The Association is reported as a non-major proprietary fund.

The Indiana Political Subdivision Risk Management Commission was created per Indiana Code 27-1-29 to administer the Political Subdivision Risk Management Fund (Basic fund) and the Political Subdivision Catastrophic Liability Fund (Catastrophic fund). These funds aid political subdivisions in protecting themselves against liabilities. The Commission consists of eleven members appointed by the governor. The Commission is reported as a non-major proprietary fund.

Effective July 1, 2000, the Public Employees' Retirement Fund (PERF) became an independent body corporate and politic. PERF is not a department or agency for the State but is an independent instrumentality exercising essential government functions. The PERF board is composed of five trustees appointed by the Governor and the director of the budget agency or the director's designee as an ex officio voting member of the board. The board of trustees administers the following funds: Public Employees' Retirement Fund, Judges' Retirement System, Excise Police, Gaming Agent, Gaming Control Officer and Conservation Enforcement Officers' Retirement Plan, the 1977 Police Officers' and Firefighters' Pension and Disability Fund, the Legislators' Retirement System Defined Benefit Plan, the Legislators' Retirement System Defined Contribution Plan, the Prosecuting Attorneys' Retirement Fund, the Pension Relief Fund, and two death benefit funds. For more information on PERF see Note V(E) Employee Retirement Systems and Plans. All of these funds have been aggregated for presentation from PERF's financial statements.

Effective July 1, 2000, the Teachers' Retirement Fund (TRF) became an independent body corporate and politic. TRF is not a department or agency for the State but is an independent instrumentality exercising essential government functions. The TRF board is composed of five trustees appointed by the Governor and the director of the budget agency or director's designee as an ex officio voting member of the board. For more information on TRF see Note V(E) Employee Retirement Systems and Plans.

Effective July 1, 2011, the Indiana Public Retirement System (INPRS) was established as an independent body corporate and politic. All of the funds previously administered by PERF and TRF are now administered by INPRS. The INPRS board is comprised of nine trustees appointed by the Governor.

The Public Employees' Retirement Fund and the Teachers' Retirement Fund were determined to be significant for note disclosure purposes involving the discretely presented fiduciary component units.

Each of the seven colleges and universities included in this report was established by individual legislation to provide higher education opportunities to the citizens of Indiana. The authority to administer the operations of each institution is granted to a separate board of trustees for each of the seven institutions. The number and makeup of the board of trustees of each college and university is prescribed by legislation specific for that institution. Four universities have nine member boards; two have ten member boards; Ivy Tech Community College has a fourteen-member board of trustees. Appointments to the boards of trustees are made by the Governor and by election of the alumni of the respective universities. Indiana University and Purdue University are reported as a major discretely presented component unit.

The primary government's officials are also responsible for appointing the members of the boards of other organizations, but the primary government's accountability for these organizations does not extend beyond making the appointments.

The financial statements of the individual component units whom issue separately audited financial statements may be obtained from their administrative offices as follows:

Indiana Finance Authority
One North Capitol Ave., Suite 900
Indianapolis, IN 46204

Indiana Stadium and Convention
Building Authority
425 W. South Street
Indianapolis, IN 46225

Indiana Board for Depositories
One North Capitol Ave, Suite 444
Indianapolis, IN 46204

Ports of Indiana
150 West Market Street, Suite 100
Indianapolis, IN 46204

Ivy Tech Community College
Assistant Treasurer
50 West Fall Creek Parkway North Drive
Indianapolis, IN 46208

Ball State University
Administration Bldg., 301
2000 West University Avenue
Muncie, IN 47306

Purdue University
Accounting Services
401 South Grant Street
West Lafayette, IN 47907-2024

Indiana Bond Bank
10 West Market St. Suite 2980
Indianapolis, IN 46204

Indiana Housing and Community
Development Authority
40 South Meridian, Suite 1000
Indianapolis, IN 46204

Indiana White River State Park
Development Commission
801 West Washington Street
Indianapolis, IN 46204

Indiana State Fair Commission
1202 E. 38th Street
Indianapolis, IN 46205

University of Southern Indiana
8600 University Boulevard
Evansville, IN 47712

Indiana State University
Office of the Controller
210 N. 7th Street
Terre Haute, IN 47809

State of Indiana
Public Employees' Retirement Fund
One North Capitol Ave., Suite 001
Indianapolis, IN 46204

State Lottery Commission of Indiana
1302 N. Meridian St.
Indianapolis, IN 46202

Secondary Market for Education Loans,
Inc.
Capital Center, Suite 400
251 N. Illinois
Indianapolis, IN 46204

Indiana Comprehensive Health Insurance
Association
9465 Counselors Row, Suite 200
Indianapolis, IN 46240

Indiana Political Subdivision Risk
Management Commission
c/o Indiana Department of Insurance
311 W. Washington St., Suite 300
Indianapolis, IN 46204

Indiana University
Poplar's Room. 500, 107 S. Indiana Ave.
Bloomington, IN 47405-1202

Vincennes University
1002 North 1st Street
Vincennes, IN 47591

Indiana State Teachers' Retirement Fund
One North Capitol Ave., Suite 001
Indianapolis, IN 46204-2809

B. Government-Wide and Fund Financial Statements

The government-wide financial statements consist of a statement of net assets and a statement of activities. These statements report information about the overall government. They exclude information about fiduciary activities, including component units, which are fiduciary in nature, such as the public employee retirement systems. They distinguish between the primary government and its discretely presented component units as defined under the reporting entity above. They also distinguish between governmental activities and business-type activities of the State. Governmental activities rely on taxes and intergovernmental revenues for their support. Business-type activities, on the other hand, rely on fees and charges for services provided for their support.

The statement of activities matches the State's direct functional expense with the functional program revenue to identify the relative financial burden of each of the State's functions. This format identifies the extent to which each function of the government draws from the general revenues of the government or is self-financing through fees and intergovernmental aid. Certain indirect costs are included in the program expense reported for individual functions of government. Program revenues derive directly from the program itself or from parties outside the State's taxpayers, as a whole. They reduce the net cost of the function to be financed from the general revenues. Program revenues include charges for services, program-specific operating grants and contributions, and program-specific capital grants and contributions. Revenues that do not meet the criteria of program revenues are general revenues. These include all taxes, even those levied for a specific purpose and are reported by type of tax. Investment income is also a general revenue.

Separate financial statements are presented for the State's governmental, proprietary and fiduciary funds. Governmental fund financial statements are the balance sheet and the statement of revenues, expenditures, and changes in fund balances. Major governmental funds are presented in separate columns and non-major funds are aggregated in a separate column. Proprietary and fiduciary funds are reported using the statement of net assets and the statement of changes in net assets. In addition proprietary funds include a statement of cash flows.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Measurement Focus and Basis of Accounting

The government-wide statements and the proprietary and fiduciary fund statements use the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Government-mandated nonexchange revenues and voluntary nonexchange revenues, including federal government mandates on the State, certain grants and entitlements, and most donations, are recognized in the period when all applicable eligibility requirements have been met.

For the government-wide financial statements and enterprise and fiduciary fund statements, the State applies all applicable FASB pronouncements issued before December 1, 1989, and those issued after that date which do not contradict any previously issued GASB pronouncements.

Governmental funds are used to account for the government's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For the State of Indiana, "available" means collectible within one month of the fiscal year end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and related liabilities, and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Individual and corporate income tax, sales tax, inheritance tax, cigarette tax, alcoholic beverage tax, motor fuel tax, fines, and penalties are accrued using one month's revenues.

Gaming taxes and fees and vehicle licenses are received daily via electronic funds transfer with a one to three working day delay, so the first several working days in July revenues are reviewed for materiality and accrued accordingly.

Financial Statement Presentation

A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions.

Governmental funds are used to account for the government's general government activities. Governmental funds include the general fund, special revenue funds, capital projects funds, debt service funds and permanent funds.

The *General Fund* is the State's primary operating fund. It is maintained to account for resources obtained and used for those services traditionally provided by State government, which are not required to be accounted for in another fund. The General Fund is a major fund.

The *special revenue* funds account for specific revenue sources that are legally restricted or committed to expenditure for specific purposes except for major capital projects.

The following special revenue funds are presented as major.

- The *Public Welfare-Medicaid Assistance Fund* receives federal grants and State appropriations which are used to administer the Medicaid program. Federal grant revenues, quality assessment fees, Intermediate Care Facility for the Mentally Retarded fees, and other resources disclosed under interfund transfers in Note IV(B) are reported in this fund.

- The *Major Moves Construction Fund* distributes money received from the Toll Road lease. This money is used for new construction and major preservation of highways and bridges throughout Indiana. Interest income and other resources disclosed under interfund transfers in Note IV(B) are reported in this fund.

- The *ARRA of 2009* Fund is used to account for funds received under the American Recovery and Reinvestment Act of 2009 which became law on February 17, 2009. These funds are supplementing existing federal programs in areas such as Medicaid, education, transportation, housing, and employment services. Federal grant revenues and other resources disclosed under interfund transfers in Note IV(B) are reported in this fund.

- The U.S. Department of Transportation Fund receives federal grants and State appropriations that are used for State transportation programs. Federal grant revenues and other resources disclosed under interfund transfers in Note IV(B) are reported in this fund.

- The *U.S. Department of Health and Human Services Fund* receives federal grants that are used to carry out health and human services programs. Federal grant revenues, child support annual fees, and other resources disclosed under interfund transfers in Note IV(B) are reported in this fund.

The *capital projects funds* account for financial resources that are restricted, committed, or assigned to expenditures for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or fiduciary funds. There are no major capital project funds.
The *permanent funds* are used to account for resources that are legally restricted to the extent that only earnings and not principal may be used for the benefit of the government or its citizens. There are no major permanent funds.

Proprietary funds focus on the determination of operating income, changes in net assets, financial position and cash flows. Operating revenues and expenses are the revenues and expenses that pertain to the fund's principal operations. Nonoperating revenues and expenses are those revenues resulting from secondary or auxiliary activities of the fund. Nonoperating items include interest/investment revenue and expense. Proprietary funds include both enterprise funds and internal service funds.

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

The State reports the following major enterprise fund:

- The *Unemployment Compensation Fund* collects employer taxes and the federal share of unemployment compensation. Benefits are paid to eligible individuals.

Internal service funds account for operations that provide goods and services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis. The goods and services provided include fleet management, information technology and communication, aviation, printing, products of correctional industries, and self-insurance. Major fund reporting requirements do not apply to internal service funds. Combined totals for all internal service funds are reported as a separate column on the face of the proprietary fund financial statements.

Fiduciary funds account for assets held by or on behalf of the government in a trustee capacity or as an agent on behalf of others. They cannot be used to support the State's own programs. Fiduciary funds include pension (and other employee benefit) trust funds, private-purpose trust funds, investment trust funds, and agency funds.

Pension (and other employee benefit) trust funds are used to report resources held in trust for the members and beneficiaries of defined benefit pension plans, and defined contribution pension plans. Pension and other employee benefits trust funds include the Public Employees' Retirement Fund, Teachers' Retirement Fund, State Police Pension Fund, State Police Retiree Health Benefit Trust Fund and the Retiree Health Benefit Trust Fund.

Private-purpose trust funds are used to account for trust arrangements in which both the principal and interest may be spent for the benefit of individuals, private organizations or other governments. Private Purpose funds include the Abandoned Property Fund and the Private Purpose Trust Fund.

Investment trust funds are used to report the external portion of investment pools operated by a sponsoring government. The Treasurer of State, local units of government, and quasi-governmental units in Indiana have the opportunity to invest in a common pool of investments that preserves the principal of the public's funds, remains highly-liquid, and maximizes the return on the investment of public funds. The State's investment trust fund is TrustINdiana operated by the state treasurer. The amounts reported represent the external portion of the pool.

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. These funds are used to account for assets that the government holds for others in an agency capacity. Agency Funds include Employee Payroll Withholding and Benefits, Local Distributions, Child Support and Department of Insurance.

D. Eliminating Internal Activity

Interfund loans including those from cash overdrafts in funds, interfund services provided or used, and prepaid expenditures of internal service funds are eliminated as internal balances in the government-wide statement of net assets. This is to minimize the "grossing-up" effect on assets and liabilities within the governmental and business-type activities columns of the primary government. As a result, interfund loans and interfund services provided and/or used reported in the governmental funds balance sheet have been eliminated in the government-wide statement of net assets.

Eliminations were made in the statement of activities to remove the "doubling-up" effect of internal service fund activity. The effect of similar internal events that are, in effect, allocations of overhead expenses from one function to another or within the same function have also been eliminated, so that the allocated expenses are reported only by the function to which they were allocated. The effect of interfund services provided and used between functions has not been eliminated in the statement of activities since to do so would misstate both the expenses of the purchasing function and the program revenues of the selling function.

E. Assets, Liabilities and Equity

1. Deposits, Investments and Securities Lending

For purposes of reporting cash flows, cash and cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and near their maturity (generally three months or less from the date of acquisition).

Cash balances of most State funds are commingled in general checking accounts and several special purpose banking accounts. The available cash balance not necessary beyond immediate need is pooled and invested. Interest earned from investments purchased with pooled cash is deposited in the general fund, except as otherwise provided by statute.

Investments and secured lending transactions are stated at fair value. However, money market investments and participating interest-earning investment contracts that mature within one year of acquisition are reported at amortized cost, which approximates fair value. Fair value is determined by quoted market prices which approximate fair value.

Indiana Code 5-13-9 and 5-13-10.5 authorizes the Treasurer to invest in deposit accounts issued or offered by a designated depository; securities backed by the full faith and credit of the United States Treasury; securities issued by any U.S. government agency; AAA money market mutual funds with a portfolio limited to direct obligations of the U.S., obligations of any federal agency, and/or repurchase agreements fully collateralized with U.S. government obligations or U.S. agency obligations; AAA rated commercial paper, and repurchase agreements that are fully collateralized, as determined by the current market value computed on the day the agreement is effective, by interest-bearing obligations that are issued, fully insured or guaranteed by the United States or any U.S. government agency.

The Treasurer of State is authorized by statute to accept as collateral safekeeping receipts for securities from: (1) a duly designated depository or (2) a financial institution located either in or out of Indiana, having physical custody of securities, with a combined capital and surplus of at least $10 million, according to the last statement of condition filed by the financial institution with its governmental supervisory body. The Treasurer may not deposit aggregate funds in deposit accounts in any one designated depository in an amount aggregating at any one time more than 50% of the combined capital, surplus and undivided profits of that depository as determined by the last published statement.

Investments which are authorized for the State Teachers' Retirement Fund (TRF) include: U.S. Treasury and Agency obligations, U.S. Government securities, common stock, international equity, corporate bonds, notes and debentures, repurchase agreements secured by U.S. Treasury obligations, mortgage securities, commercial paper, banker's acceptances, limited liability partnerships, real estate securities, options, and swaps. The investments of TRF are subject to the provisions of IC 5-10.4-3-10.

Investments which are authorized for the State Police Retirement fund include: U.S. Treasury and Agency obligations, State and municipal obligations, domestic corporate bonds/notes, common stock and equity securities, foreign stocks and bonds, mortgage pool investments, and repurchase agreements. The investments of the State Police Retirement fund are subject to the provisions of IC 10-12-2-2.

The remaining six retirement systems and the Pension Relief Fund are administered by the Public Employees' Retirement Fund (PERF) Board of Trustees. The PERF Board of Trustees is required to diversify investments in accordance with the prudent investor standard. The investment policy statement adopted by the PERF Board of Trustees and the asset allocation approved by the PERF Board of Trustees contain limits and goals for each type of investment portfolio and specifies prohibited transactions. These guidelines authorize investments of: U.S. Treasury and Agency obligations, domestic corporate bonds/notes, common stock and equity securities, foreign stocks and bonds, mortgage securities, mutual funds, collective trust funds, asset backed, commercial mortgage backed, international stocks, and real estate. The investments of PERF are subject to the provisions of IC 5-10.3-5-3.

2. Receivables and Payables

In the government-wide and proprietary fund financial statements, revenues are recognized on the flow of economic resources measurement focus. Material receivables are recognized as follows. Uncollected taxes due in the following periods are subject to accrual.

> Individual income tax – Individual withholding tax is due from employers by the 20th day after the end of the month collected. Estimated payments are due from individuals by the 15th of the month immediately following each quarter or the calendar year.
>
> Corporate income tax - Due quarterly on the 20th day of April, June, September, and December with the last payment due on April 15th for a calendar year taxpayer.
>
> Sales tax – Due by the 20th day after the end of the month collected.
>
> Fuel tax – Gasoline tax is due the 20th day after the end of the month collected. Special fuel tax, depending on the status of the taxpayer, is due by the 15th day after the end of the month collected or the 15th day after the end of the quarter collected. Motor carrier surtax is due at the end of the month following the end of the quarter.
>
> Financial institutions tax – same laws as corporate income taxes (see above) for making payments.
>
> Alcohol and tobacco taxes – Cigarette distributors must purchase tax stamps within 6 days after they accept delivery of the cigarettes. Cigarette tax is due within 30 days of the issuance of the tax stamp. Alcoholic beverage tax is due by the 20th day after the end of the month collected.
>
> Inheritance tax – except as otherwise provided in IC 6-4.1-6-6(b), the inheritance tax imposed as a result of a decedent's death is due twelve (12) months after the person's date of death.

In the governmental fund financial statements, revenue is recognized on the flow of current financial resources. Material receivables are subject to accrual for receipts collected in the month of July.

The State of Indiana does not collect property tax, which is collected by local units of government; a minor portion is remitted to the State semiannually (June and December) for distribution to the State

Fair Commission, Department of Natural Resources and Family and Social Services Administration.

Deferred revenue is the liability for the full accrual income taxes receivable net of the allowance for doubtful accounts plus cash on hand from federal grant programs.

3. Interfund Transactions and Balances

The State has the following types of interfund transactions in the governmental fund and proprietary financial statements:

Interfund services provided and used (reciprocal interfund activity) – Charges for goods or services rendered by one fund to another are treated as revenues of the recipient fund and expenditures/expenses of the disbursing fund.

Interfund Transfers (non-reciprocal interfund activity) – Legally authorized transfers whereby the two parties do not receive equivalent cash, goods or services are reported as transfers.

The types of assets and liabilities resulting from these transactions are:

Interfund loans – These are balances arising from the short-term and long-term portion of interfund transactions.

Interfund services provided/used – These are balances arising in connection with reciprocal interfund activity or reimbursements. Balances relating to discretely presented component units are presented as 'Due from/to component units'.

Interfund services provided and interfund loans are eliminated in the government-wide statements because they are provided by one governmental activity on behalf of another or by one business-type activity on behalf of another.

4. Inventories and Prepaid Items

Inventories for the Inns & Concessions, Institutional Industries and Administrative Services Revolving funds are valued at cost. The costs of governmental fund-type inventories are recorded as expenditures when purchased. The first in/first out (FIFO) method is used for valuation of inventories.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

5. Restricted Net Assets

Certain net assets are classified as restricted net assets because their use is completely restricted by bond indentures, contracts, grantors, contributors, laws or regulations of other governments, or through constitutional provisions or enabling legislation.

6. Capital Assets

Capital outlays are reported as expenditures in the governmental funds and as assets in the government-wide statements to the extent the State's $20,000 capitalization threshold for external financial reporting is met. In accordance with GASB Statement No. 34, all infrastructure assets have been capitalized retroactively.

The Indiana Department of Transportation (INDOT) uses the modified approach for reporting its infrastructure. The Department of Natural Resources (DNR) uses the depreciation approach for reporting its infrastructure.

Under the modified approach, the State has determined that the condition level for INDOT infrastructure assets to be maintained is:

- a network average International Roughness Index (IRI) of no more than 95 and no more than 10% of all pavements in the unacceptable range for Interstates, National Highway Safety (NHS) Non-Interstate roads, and Non-NHS roads,
- an average sufficiency rating of 87% for interstate bridges,
- an average sufficiency rating of 85% for NHS Non-Interstate bridges, and
- an average sufficiency rating of 83% for Non-NHS bridges.

The Asset Management, Program Engineering, and Road Inventory Division of INDOT is responsible for determining the appropriate condition level of the infrastructure assets.

No amounts are capitalized in connection with improvements that lengthen the lives of such assets, unless the improvements also increase their service potential.

INDOT projects are capitalized based on capitalization and preservation percentages assigned to three hundred sixty-seven (367) work types. For example, the cost for constructing a new bridge would likely be 100% capitalized; whereas, the cost for adding travel lanes to a road would likely be assigned a work type code resulting in capitalization at 50% and preservation at 50%.

The State maintains an inventory of these infrastructure assets and performs periodic condition assessments to establish that the predetermined condition level is being maintained. Road pavement condition assessments are performed annually on all INDOT state routes, including interstates. Condition assessments of all bridges are determined on a bi-annual basis. Sufficiency ratings of all bridges are determined on an annual basis by the Federal Highway Administration based on annual submittal of bridge condition data.

The State makes annual estimates of the amounts that must be expended to preserve and maintain these infrastructure assets at the predetermined condition levels.

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation.

Capital assets are depreciated in the proprietary and similar trust funds using the straight-line method on both the fund basis and the government-wide basis. Both the government-wide statements and proprietary and similar trust funds use the following estimated useful lives:

Assets	Months
Buildings and other structures including improvements to buildings and other structures	240-480
Computer software	36
Infrastructure (not using modified approach)	240-720
Furniture, machinery and equipment	12-168
Motor pool vehicles	96-168

The State of Indiana maintains several collections of works of art, historical treasures, and similar assets that are not capitalized. While the collections are maintained by different agencies, each collection is:

- Held for public exhibition, education, or research in furtherance of public service, rather than financial gain.
- Protected, kept unencumbered, cared for, and preserved.
- Subject to an organizational policy that either prohibits sale or requires the proceeds from sales of collection items to be used to acquire other items for collections.

The State's major collections are:

- The State Museum Collection, which is a part of the Indiana Department of Natural Resources, consists of historical buildings and furnishings; personal artifacts; tools and equipment; communication, transportation, recreational and societal artifacts; and art objects.
- The Commission on Public Records, State Archives Collection consists of historical and legal documents, that are generated on: paper or paper substitutes; photographic or chemically based media; magnetic or machine readable media; or any other materials, regardless of form or characteristics.
- The State Library has two collections, the Manuscript Collection and the Indiana History Collection. These collections include historical documents and works of art, most of it of Indiana origin.

Other collections include the Historical Bureau's Indiana Governors' Portrait Collection, the Department of Administration's Statehouse Collection, and the Indiana Arts Commission's Collection. These collections consist primarily of art objects.

7. Compensated Absences

Full-time employees of the State of Indiana are permitted to accumulate earned but unused vacation and sick pay benefits. Vacation leave accumulates at the rate of one day per month and sick leave at the rate of one day every two months plus an extra day every four months. Bonus vacation days are awarded upon completion of five, ten and twenty years of employment.

Personal leave days are earned at the rate of one day every four months; any personal leave accumulated in excess of three days automatically becomes part of the sick leave balance. Upon separation of service, in good standing, employees will be paid for a maximum of thirty (30) unused vacation leave days. In addition, qualifying retiring employees are paid an additional payment up to a maximum of $5,000, which is made up of unused vacation leave over 30 days, unused personal leave, and unused sick leave.

Employees of the legislative and judicial branches as well as those of the separately elected officials (i.e., Auditor of State) may convert a portion of accrued but unused vacation and sick leave into the deferred compensation plan. An employee must have at least 300 hours of vacation or sick leave accrued in order to participate in this plan. There is a sliding scale which determines how many hours are converted from those hours the employee has accrued. The hours converted are deposited into the deferred compensation program's 401(a) plan at 60% of the employee's hourly rate. Employees of the legislative branch of government have elected to participate in this program for FY 2012.

Vacation and personal leave and salary-related payments that are expected to be liquidated with expendable available financial resources are reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts not expected to be liquidated with expendable available financial resources are reported as long term liabilities in the government-wide, proprietary, and fiduciary fund financial statements.

8. Long-Term Obligations

Long-term debt and other obligations are reported in the government-wide statements and the proprietary funds statements as liabilities in the applicable governmental activities, business-type activities, or proprietary fund.

In the governmental fund financial statements, bond issuance costs and bond discounts are treated as period costs in the year of issue. Proceeds of long term debt, issuance premiums or discounts and certain payments to escrow agents for bond refundings are reported as other financing sources and uses.

9. Fund Balance

In the fund financial statements, fund balances are categorized as nonspendable, restricted, committed, assigned, or unassigned. A brief description of each category is as follows:

Nonspendable – represents amounts that are either not in spendable form, such as inventories, and activity that is legally or contractually required to be maintained intact, such as a principal balance in a permanent fund.

Restricted – represents amounts restricted to specific purposes because of constraints placed on their use that are either externally imposed such as by grantors or imposed by law through constitutional provisions or enabling legislation.

Committed – represents amounts that can only be used for a specific purpose pursuant to constraints imposed by the government's highest level of decision making authority. The State of Indiana's highest level of decision making authority is the General Assembly. The formal action necessary would be the enactment of a State law that specifically establishes, modifies, or rescinds a fund balance commitment.

Assigned – represents amounts that are constrained by the government's intent to be used for specific purposes as expressed by the governing body itself or the official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. The State Budget Agency has the authority per the biennial budget bill to make assignments of fund balances for specific purposes except for those restricted by law. The State Board of Finance comprised of the Governor, Auditor of State and Treasurer of State is empowered to make assignments of funds except for trust funds per I.C. 4-9.1-1-7.

Unassigned – represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. Only the general fund may report a positive unassigned fund balance; whereas, other governmental funds may need to report a negative unassigned fund balance if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

Funds on the State's accounting system are assigned one of the five fund balance classifications. If a fund has resources that are both restricted and unrestricted, then expenditures are applied first to restricted fund balance and then unrestricted amounts. A fund's unrestricted fund balance would have committed amounts reduced first, assigned amounts second, and unassigned amounts third when expenditures are incurred for purposes for which amounts in any of these unrestricted fund balance classifications could be used.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

As described in Note I, Summary of Significant Accounting Policies, differences exist between the government-wide and the governmental fund financial statements. These differences are summarized in the reconciliations that follow the governmental fund financial statements.

A. Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets

In the government-wide financial statements, capital assets are considered economic resources and are capitalized at cost or estimated historical cost at time of acquisition. Where applicable these costs are offset by accumulated depreciation.

The government-wide statements use the flow of economic resources and accrue receivables that are not available soon enough in the subsequent period to pay for the current period's expenditures. Also under the flow of economic resources, expenses reported in the statement of activities do not require the use of current financial resources. Both these receivables and payables are accrued in the government-wide statements, but not in the fund financial statements.

Internal service funds are used by management to charge the costs of certain activities to individual funds. In the government-wide financial statements, the assets and liabilities of internal service funds are included in governmental activities in the statement of net assets. In the proprietary fund financial statements internal service fund balances are segregated and reported as their own fund type.

B. Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

In the government-wide financial statements, the cost for capital outlays, except for governmental infrastructure, is allocated over the assets' useful lives and is reported as depreciation expense. In the fund financial statements, capital outlays are reported as expenditures in the functional line items.

The government-wide statements use the flow of economic resources and therefore do not report revenues and expenses dependent on the availability of financial resources, as is reported in the fund financial statements. Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund financial statements. Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the fund financial statements. Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental fund financial statements, but the repayment reduces long-term liabilities in the statement of net assets.

Internal service funds are used by management to charge the costs of certain activities to individual funds. In the government-wide financial statements, the expenses of internal service funds are included in governmental activities in the statement of activities. In the proprietary fund financial statements internal service fund balances are segregated and reported as their own fund type.

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Deficit Fund Equity

At June 30, 2011, various funds had a deficit fund balance caused by overdrafts from pooled cash and investments and the posting of accruals to the balance sheet. Temporary cash overdrafts are reported as interfund loans from the general fund.

Fund	Overdraft from pooled cash	Accrual deficits
Governmental Funds		
ARRA of 2009	-	(24,416)
Motor Vehicle Commission	-	(302)
US Department of Agriculture	(74,577)	(88,820)
US Department of Education	(84,587)	24,909

B. Fund Balance

The State of Indiana reports its fund balances for governmental funds as nonspendable, restricted, committed, assigned, and unassigned. The detail of the fund balance classifications at June 30, 2011 is as follows:

		Major Special Revenue Funds					
	General Fund	Public Welfare-Medicaid Assistance Fund	Major Moves Construction Fund	ARRA of 2009	US Department of Transportation	US Department of Health & Human Services	Non-Major Funds
Fund balances:							
Nonspendable:							
Permanent fund principal	$ -	$ -	$ -	$ -	$ -	$ -	$ 501,125
Restricted:							
General Government	71,990	-	-	-	-	-	-
Committed:							
Education	-	-	-	-	-	-	553,720
Transportation	-	-	-	-	-	-	16,150
Assigned:							
General Government	151,636	-	-	-	144	-	690,713
Public Safety	8,396	-	-	-	2,825	-	296,702
Health	278	-	-	-	-	-	16,224
Welfare	77,007	138,909	-	-	-	45,858	701,491
Conservation, culture and develop.	50,085	-	-	-	644	-	243,605
Education	9,572	-	-	-	-	-	63,153
Transportation	2,925	-	1,729,947	-	88,281	-	252,991
Encumbrances	303,018	-	-	-	-	-	-
Unassigned:	2,391,650	-	-	(24,416)	-	-	(223,377)
Total fund balance	$ 3,066,557	$ 138,909	$ 1,729,947	$ (24,416)	$ 91,894	$ 45,858	$ 3,112,497

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits, Investments and Securities Lending

1. *Primary Government – Other than Major Moves Construction Fund and Next Generation Trust Fund, Investment Trust Funds, and Pension and Other Employee Benefit Trust Funds.*

Investment Policy

Indiana Code, Title 5, Article13, Chapters 9, 10, and 10.5, establishes the investment powers and guidelines regarding the State of Indiana investments. However, the Major Moves Construction Fund and the Next Generation Trust Fund have separate investment authority as established under Indiana Code 8-14-14 and Indiana Code 8-14-15, respectively. The Treasurer of State shall invest these funds in the same manner as the public employees' retirement fund under Indiana Code 5-10.3-5 with the exception that monies may not be invested in equity securities. For more information, please see the PERF policy in note IV(A)3. There are no formal deposit and investment policies for the investment of these funds other than compliance to State statute. State statute does not establish any parameters or guidelines related to the concentration of investment risk, investment credit risk, nor interest rate risk.

Indiana Code 5-13-9 authorizes the Treasurer to invest in deposit accounts issued or offered by a designated depository; securities backed by the full faith and credit of the United States Treasury; and repurchase agreements that are fully collateralized, as determined by the current market value computed on the day the agreement is effective, by interest bearing obligations that are issued, fully insured or guaranteed by the United States or any U.S. government agency.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. State statute does not establish any parameters or guidelines related to interest rate risk.

The following is a summary of the Interest Rate Risk Disclosure as of June 30, 2011:

Primary Government

Investment Type	Fair Value Totals	Investment Maturities (in Years) Less than 1	1 - 5	6- 10
U.S. Treasuries	$ 99,998	$ 99,998	$ -	$ -
U.S. Agencies	2,786,091	2,608,872	177,219	-
Supranationals	310,003	299,995	10,008	-
Municipal Bonds	57,701	38,879	-	18,822
Local Govt Investment Pool	200,000	200,000	-	-
Non-U.S. Fixed Income	15,015	5,000	10,015	-
Certificate of Deposits	161,468	161,468	-	-
Money Market Mutual Funds	374,000	374,000	-	-
Total	$ 4,004,276	$ 3,788,212	$ 197,242	$ 18,822.00

Custodial Credit Risk

Deposits – The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

At June 30, 2011, the balance of the State of Indiana's deposits was covered in full by federal depository insurance or by the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

Investment Custodial Credit Risk – The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured and unregistered and are either held by the counterparty's trust department or agent, but not in the name of the State of Indiana. None of the State's investments are exposed to custodial credit risk because they are held in the name of the State of Indiana. Additionally, the Treasurer of State requires all custodians to indemnify the State against all out-of-pocket expenses or losses incurred as a result of (i) the custodian's operational failure, (ii) custodians failure to carry out the credit analysis, (iii) custodian's failure to maintain proper collateral for each loan, or (iv) failure of an approved counterparty to comply with its obligations under the applicable securities lending agreement.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Indiana Code 5-13-9-2 authorizes the State Treasurer to invest or reinvest in securities fully guaranteed and issued by (1) the United States Treasury, (2) a federal agency, (3) a federal instrumentality, or (4) a federal government sponsored enterprise. The State Treasurer also may invest or reinvest in money market mutual funds that are in the form of securities of or interests in an open-end, no-load, management-type investment company or investment trust registered under the provisions of the federal Investment Company Act of 1940. The portfolio of the investment company or investment trust must be limited to direct obligations of the United States, a federal agency, a federal instrumentality, a federal government sponsored enterprise, or repurchase agreements fully collateralized by obligations described in numbers (1) through (4) above. The statute also states the securities of or interests in an investment company or investment trust must be rated as one of the following: (1) AAA, or its equivalent, by Standard & Poor's Corporation or its successor; or (2) Aaa, or its equivalent, by Moody's Investors Service, Inc. or its successor.

The following table provides information on the credit quality ratings for investments in debt securities as well as investments in external investment pools, money market funds, bond mutual funds, and other pooled investments of fixed-income securities. The table below reflects the "greatest risk" rating (the credit rating reflecting the greatest degree of risk) as set by three nationally recognized rating organizations (S&P, Moody, and Fitch) for each investment type.

Primary Government

Investment Type	Greatest Risk	Fair Value
U.S. Treasuries	UST	$ 99,998
U.S. Agencies	AGY	2,781,981
	AA	4,110
Supranationals	A	299,995
	NR	10,008
Certificate of Deposits	NR	161,468
Municipal Bonds	NR	57,701
Non-US Fixed Income Bonds	A	15,015
Local Govt Investment Pool	NR	200,000
Money Market Mutual Funds	AAA	374,000
Total		$ 4,004,276

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Indiana Code 5-13-10-3 states that the State Treasurer may not deposit aggregate funds in deposit accounts in any one designated depository in an amount aggregating at any one time more than fifty percent (50%) of the combined capital, surplus, and undivided profits of that depository as determined by its last published statement of condition filed with the State Board for Depositories.

Investments in any one issuer, other than securities issued or guaranteed by the US government, that represent 5% or more of the total investments are (amounts in thousands):

FNMA	24.48%	$1,154,330
FHLB	23.06%	$1,087,432
FHLMC	8.03%	$378,625
IBRD	6.57%	$310,003

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. As of June 30, 2011, there were no deposits or investments denominated in foreign currencies, thus there was no foreign currency risk.

Securities Lending Credit Risk

The Treasurer of State is authorized by Indiana Code 5-13-10.5-13 to lend securities. Securities may be lent only if the agreement under which the securities are lent is collateralized by (1) cash or (2) interest bearing obligations that are issued by, fully insured by, or guaranteed by the United States, an agency of the United States, a federal instrumentality, or a federal government sponsored enterprise, in excess of the total market value of the loaned securities. The Treasurer of State is authorized by statute (IC 5-13-10.5) to accept as collateral safekeeping receipts for securities from: (1) a duly designated depository, having physical custody of securities, with a combined capital and surplus of at least $10 million, according to the last statement of condition filed by the financial institution with its governmental supervisory body. The Treasurer may not deposit aggregate funds in deposit accounts in any one designated depository in an amount or (2) a financial institution located either in or out of Indiana aggregating at any one time more than 50% of the combined capital, surplus and undivided profits of that depository as determined by the last published statement.

Indiana Code 5-13-10.5-13 states that securities may be lent only if the agreement under which the securities are lent is collateralized by (1) cash or (2) interest bearing obligations that are issued by, fully insured by, or guaranteed by the United States, an agency of the United States government, a federal instrumentality, or a federal government sponsored enterprise; in excess of the total market value of the loaned securities. State statutes and policies permit the State to lend securities to broker-dealers and other entities (borrowers) for collateral with a simultaneous agreement to return the collateral for the same securities in the future.

The State's custodial banks manage the securities lending programs and receive cash as collateral. The types of securities lent during the year may include U.S. Treasury and agency obligations, corporate bonds/notes, and foreign bonds. Collateral cash are initially pledged at 102% of the market value of the securities lent. Generally, there are no restrictions on the amount of assets that can be lent at one time, except for the Public Employees' Retirement Fund and the State Teachers' Retirement Fund (discretely presented component units), which allow no more than 40% to be lent at one time.

Cash collateral may be invested. Cash collateral is generally invested in securities of a longer term with the mismatch of maturities generally 0-35 days. The weighted average maturity gap at June 30, 2011 was 30 days. The contracts with the State's custodians requires them to indemnify the funds if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the funds for income distributions by the securities' issuers while the securities are on loan.

At year end, the State had no credit risk exposure to any borrowers because the amount the State owes the borrowers exceeds the amounts the borrowers owe the State.

Major Moves Construction Fund/Next Generation Trust Funds

Investment Policy

Indiana Code, Title 5, Article13, Chapters 9, 10, and 10.5, establishes the investment powers and guidelines regarding the State of Indiana investments. However, the Major Moves Construction Fund and the Next Generation Trust Fund have separate investment authority as established under Indiana Code 8-14-14 and Indiana Code 8-14-15, respectively. The Treasurer of State shall invest these funds in the same manner as the public employees' retirement fund under Indiana Code 5-10.3-5, except the funds may not be invested in equity securities. Investment Policy Statements for the investment of these two funds has been adopted by the Treasurer of State. The Investment Policy Statements are written in conformity with the applicable investment statutes and in accordance with prudent investor standards. There is no formal deposit policy other than compliance to State statute. State statute does not establish any parameters or guidelines related to the concentration of investment risk, investment credit risk, nor interest rate risk. The Investment Policy Statements establish asset allocations for both Funds and set limits for the exposure in securities from any one issuer to not more than 5% of a Core Fixed Income Investment Manager's portfolio and not more than 10% of a Core Plus Fixed Income Investment Manager's portfolio.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investments. The Fund's policy for controlling its exposure to interest rate fluctuations should be viewed with the appropriate perspective. A long-term strategy was employed to achieve the Fund's objectives, but there was consideration given to the short-term liquidity needs to meet disbursements required by the Fund. The asset allocation and investment manager structure was designed to tolerate some interim fluctuations in market value while maintaining a long-term return objective of 5.25%.

The following table provides the interest rate risk disclosure for the Major Moves/Next Generation Trust Fund as of June 30, 2011:

Major Moves/Next Generation Funds

		Investment Maturities (in Years)			
Investment Type	Fair Value	Less than 1	1 - 5	6- 10	More than 10
U.S Treasuries	$ 331,038	$ 59,021	$ 156,102	$ 46,533	$ 69,382
U.S. Agencies	580,222	519,530	24,493	13,351	22,848
Government Asset and Mortgage Backed	417,766	-	-	26,432	391,334
Collateralized Mortgage Obligations					
Government CMOs	34,867	-	2,833	3,284	28,750
Corp CMOs	59,027	-	630	11,232	47,165
Corporate Bonds	384,970	11,180	157,875	171,550	44,365
Corporate Asset Backed	109,787	33	31,962	9,257	68,535
Private Placements	296,402	4,875	139,658	98,200	53,669
Municipal Bonds	18,016	1,767	3,660	1,878	10,711
Non U.S. Govt/Corp Bonds	121,938	4,046	39,973	52,661	25,258
Money Market Mutual Funds	183,685	183,685	-	-	-
	$ 2,537,718	$ 784,137	$ 557,186	$ 434,378	$ 762,017

Custodial Credit Risk

Deposits – The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

At June 30, 2011, the balance of the State of Indiana's deposits was covered in full by federal depository insurance or by the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

Investment Custodial Credit Risk – The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured and unregistered and are either held by the counterparty's trust department or agent, but not in the name of the State of Indiana. None of the State's investments are exposed to custodial credit risk because they are held in the name of the State of Indiana. Additionally, the Treasurer of State requires all custodians to indemnify the State against all out-of-pocket expenses or losses incurred as a result of (i) the custodian's operational failure, (ii) custodians failure to carry out the credit analysis, (iii) custodian's failure to maintain proper collateral for each loan, or (iv) failure of an approved counterparty to comply with it's obligations under the applicable securities lending agreement.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The investment managers must adhere to the following guidelines:

Intermediate and Core Fixed Income Managers

a. The average credit quality of each manager's portfolio shall not be lower than Aa3/AA-
b. All securities at the time of purchase shall have a Moody's, S&P's and/or Fitch's credit quality rating of no less than BBB
c. In the event a holding is downgraded to less than BBB, the manager will have the discretion over when to sell the security, generally, no later than 90 days following the downgrade.

Core Plus Fixed Income Managers

d. At least 60% of the securities held in the portfolio shall have a credit rating of no less than BBB
e. Investments in high-yield and non-US debt are permitted, but combined exposure to those sectors should not exceed 40%
f. The average credit quality of each manager's portfolio shall not be lower than single A

Hybrid Fixed Income Managers

g. High-yield and non-US debt securities are permitted
h. Non US-dollar currency exposure is permitted

The following table provides information on the credit quality ratings for investments in debt securities, short-term money market funds, bond mutual funds and bond commingled funds, municipal securities, asset-backed, and mortgage-backed securities. The table below reflects the "greatest risk" rating (the credit rating reflecting the greatest degree of risk) as set by three nationally recognized rating organizations (S&P, Moody, and Fitch) for each investment type.

Major Moves/Next Generation Funds

Investment Type	Greatest Risk Ratings	Fair Value
U.S. Treasuries	AAA	$ 2,529
	UST	328,509
U.S. Agencies	AAA	1,347
	A	3,379
	AGY	555,143
	NR	20,353
Government Asset and Mortgage Backed	AGY	188,142
	NR	229,624
Collateralized Mortgage Obligations		
Government CMO's	AAA	1,752
	AGY	32,310
	NR	805
Corporate CMO's	AAA	17,806
	AA	1,178
	A	4,157
	BBB	1,907
	BB	3,008
	B	6,253
	CCC&Below	22,925
	NR	1,793
Non US Govt/Corp Bonds	AAA	11,712
	AA	7,324
	A	23,035
	BBB	47,047
	BB	20,222
	B	9,244
	CCC&Below	317
	NR	3,037
Corporate Bonds	AAA	5,515
	AA	18,036
	A	131,422
	BBB	137,309
	BB	46,828
	B	32,868
	CCC&Below	12,624
	NR	368
Corporate Asset and Mortgage Backed	AAA	76,126
	AA	9,882
	A	8,834
	BBB	3,676
	BB	1,042
	B	2,401
	CCC&Below	7,826
Private Placements	AAA	40,934
	AA	17,687
	A	18,441
	BBB	56,949
	BB	19,395
	B	29,796
	CCC&Below	22,541
	NR	90,659
Municipal Bonds	AAA	1,504
	AA	5,163
	A	9,043
	BBB	1,967
	NR	339
Money Market Mutual Funds	NR	183,685
Total		$ 2,537,718

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer representing 5% or more of the total investments. The only exemptions from disclosures are US Government Debt, US Government Guaranteed Investments, Mutual Funds, or External Investment Pools. For Intermediate and Core Fixed Income Managers, securities in any one issuer should be limited to not more than 5% of the investment manager's portion of the Fund portfolio measured at market value. For Core Plus Fixed Income Managers, the exposure of each manager's portfolio should be limited to not more than 10% of the manager's portion of the Fund portfolio measured at market value.

Investments in any one issuer that represent 5% or more of the total investments are:

FNMA	21.18%	$475,661,932
FHLMC	14.06%	$315,773,777

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Major Moves/Next Generation Trust Fund's foreign currency exposure is focused primarily in fixed income securities. The exposure to foreign currency fluctuation is as follows:

Currency	Combined Total	% of Total Market Value
Brazil Real	$ 6,359	0.3%
Canadian Dollar	3,320	0.2%
Columbian Peso	3,694	0.2%
Indonesian Rupian	4,020	0.2%
Mexico New Peso	5,512	0.3%
New Turkish Lira	4,841	0.2%
Philippines Peso	3,904	0.2%
Polish Zloty	3,208	0.1%
Russian Rubel	2,826	0.1%
South African Comm	2,472	0.1%
Uruguayan Peso	2,358	0.1%
Others	12,494	0.6%
Total	$ 55,008	2.6%

Securities Lending Credit Risk

The Treasurer of State is authorized by Indiana Code 5-13-10.5-13 to lend securities. Securities may be lent only if the agreement under which the securities are lent is collateralized by (1) cash or (2) interest bearing obligations that are issued by, fully insured by, or guaranteed by the united states, an agency of the United State, an agency of the united States government, a federal instrumentality, or a federal government sponsored enterprise in excess of the total market value of the loaned securities.

At year end, the State had no credit risk exposure to any borrowers because the amount the State owes the borrowers exceeds the amounts the borrowers owe the State.

TrustINdiana, Local Government Investment Pool (Investment Trust Funds)

Investment Policy

Indiana Code, Title 5, Article13, Chapter 9, Section 11 established the local government investment pool (TrustINdiana) within the office and custody of the Treasurer of State. The Treasurer of State shall invest the funds in TrustINdiana in the same manner, in the same type of instruments, and subject to the same limitations provided for the deposit and investment of state funds by the Treasurer of State under Indiana Code 5-13-10.5. State statute does not establish any parameters or guidelines related to the concentration of investment risk, investment credit risk, nor interest rate risk. However, pursuant to IC 5-13-9-11(g)(7), no less than fifty percent of funds available for investment shall be deposited in banks qualified to hold deposits of participating local government entities. Investment criteria have been established to create the principles and procedures by which the funds of TrustINdiana shall be invested and to comply with state statute relating to the investment and deposit of public funds.

Valuation of Investments

Consistent with the provisions of a 2a-7 like pool as defined by GASB Statement No. 31, TrustINdiana securities are valued at amortized cost, which approximates market value.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The following is a summary of the Interest Rate Risk Disclosure as of June 30, 2011:

TrustINdiana - Local Government Investment Pool

Investment Type	Amortized Cost	Investment Maturities (in Years) Less than 1	1 - 5
U.S. Agencies	$ 72,146	$ 53,247	$ 18,899
Commercial Paper	105,767	105,767	-
Total	$ 177,913	$ 159,014	$ 18,899

Custodial Credit Risk

Deposits – The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

At June 30, 2011, the balance of all bank deposits were covered in full by federal depository insurance or by the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

Investment Custodial Credit Risk – The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured and unregistered and are either held by the counterparty's trust department or agent, but not in the name of the State of Indiana. None of the State's investments are exposed to custodial credit risk because they are held in the name of the State of Indiana. Additionally, the Treasurer of State requires all custodians to indemnify the State against all out-of-pocket expenses or losses incurred as a result of (i) the custodian's operational failure, (ii) custodians failure to carry out the credit analysis, (iii) custodian's failure to maintain proper collateral for each loan, or (iv) failure of an approved counterparty to comply with its obligations under the applicable securities lending agreement.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. TrustINdiana limits its investments in any one issuer to the highest rating category issued by one nationally recognized statistical rating organization.

The following table provides information on the credit quality ratings for investments in TrustINdiana:

TrustINdiana - Local Government Investment Pool

Investment Type	S & P Ratings	S & P Fair Value	Moody's Ratings	Moody's Fair Value
U.S. Agencies	AAA	$ 72,146	Aaa	$ 72,146
Commercial Paper	AA	52,873	AA	60,425
	A-1	52,894	NR	45,342
Total		$177,913		$177,913

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer representing 5% or more of the total investments. As noted above, TrustINdiana 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, TrustINdiana 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. The only exemptions from disclosures are US Government Debt, US Government Guaranteed Investments, Mutual Funds, or External Investment Pools.

Investments in any one issuer, not exempt from disclosure, that represents 5% or more of the total investments were (amount in thousands):

Federal Farm Credit Bank	6.10%	$ 37,802

Securities Lending Credit Risk

The Treasurer of State is authorized by Indiana Code 5-13-10.5-13 to lend securities. Securities may be lent under an agreement which requires the loaned securities to be collateralized in the form of (1) cash or (2) interest bearing obligations that are issued by, fully insured by, or guaranteed by the United States, an agency of the United States, a federal instrumentality, or a federal government sponsored enterprise, in an amount at least equal to 102% of the current market value of the loaned securities. The net income earned through securities lending is recorded as additional income to the Pool.

At year end, part of one security was out on loan. There was no credit risk exposure to any borrowers because the amount the State owes the borrowers exceeds the amounts the borrower owes the State.

2. Pension and Other Employee Benefit Trust Funds – Primary Government

State Police Pension Fund

Investment Policy – The Indiana State Police Pension Trust was established in 1937 to provide pension, death, survivor, and other benefits to present and former employees of the department and their beneficiaries who meet the statutory requirement for such benefits.

Indiana Code 10-1-2-2(c), established the prudent investor standard as the primary statutory provision governing the investment of the Trust's assets. IC 10-1-2-2 (c) reads as follows:

The trust fund may not be commingled with any other funds and shall be invested only in accordance with Indiana laws for the investment of trust funds, together with such other investments as are specifically designated in the pension trust. Subject to the terms of the pension trust, the Trustee, with the approval of the Department and the Pension Advisory Board, may establish investment guidelines and limits on all types of investments (including, but not limited to, stocks and bonds) and take other action necessary to fulfill its duty as a fiduciary for the trust fund. However, the Trustee shall invest the trust fund assets with the same care, skill, prudence, and diligence, that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims. The Trustee shall also diversify such investments in accordance with prudent investment standards. There is no formal deposit policy other than compliance to State statute.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The following table provides information on the credit quality ratings for investments in debt securities as well as investments in external investment pools, money market funds, bond mutual funds, and other pooled investments of fixed-income securities**:**

State Police Pension

Investment Type	S & P Ratings	S & P Fair Value	Moody's Ratings	Moody's Fair Value
U.S. Treasuries	UST	$ 16,788	UST	$ 16,788
Government Assets and Mortgage	AGY	16,221	AGY	26,215
Backed Securities	NR	9,994	NR	-
Collateralized Mortgage Obligations				
Corporate CMO's	AAA	4,323	AAA	2,457
	B	-	B	184
	CCC & Below	213	CCC & Below	87
	NR	197	NR	2,005
Government CMOs	AGY	1,711	AGY	1,711
Corporate Bonds	AAA	280	AAA	280
	AA	1,993	AA	3,016
	A	8,526	A	7,927
	BBB	8,194	BAA	8,288
	BB	756	BA	885
	B	564	B	564
	NR	724	NR	77
Corporate Asset Backed	AAA	2,190	AAA	1,992
	AA	227	AA	-
	A	203	A	1,212
	BBB	23	BAA	300
	BB	-	BA	26
	B	-	B	23
	CCC & Below	478	CAA & Below	507
	NR	1,706	NR	767
Foreign Bonds	A	269	A	269
Private Placements	AAA	229	AAA	750
	AA	155	AA	417
	A	1,573	A	934
	BBB	1,251	BAA	1,628
	NR	680	NR	159
Municipal Bonds	AAA	207	AAA	207
	AA	1,559	AA	1,661
	A	714	A	412
	BBB	131	BAA	-
	NR	-	NR	331
Mutual/Commingled Funds	NR	200,164	NR	200,164
Total		$ 282,243		$ 282,243

Custodial Credit Risk

Deposits – The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

At June 30, 2011, the balance of the State Police Pension Trust deposits was covered in full by federal depository insurance or by the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

Investment Custodial Credit Risk – The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured and unregistered and are either held by the counterparty's trust department or agent, but not in the name of the customer. None of the Indiana State Police Pension Trust's investments are exposed to custodial credit risk because they are held in the name of the Indiana State Police Pension Trust. Additionally, the Treasurer of State requires all custodians to indemnify the State against all out-of-pocket expenses or losses incurred as a result of (i) the custodian's operational failure, (ii) custodians failure to carry out the credit analysis, (iii) custodian's failure to maintain proper collateral for each loan, or (iv) failure of an approved counterparty to comply with its obligations under the applicable securities lending agreement.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Indiana State Police Trust has thirteen different investments managers. The purchase of securities in any one nongovernmental corporation shall be limited to an initial cost of 5% of the market value of an investment manager's portfolio. Additionally, the following limits are set to further limit credit exposure:

Large/Mid/Small Capitalization Equity Managers: equity holdings in any one company should not exceed 7.5% of the market value of the investment manager's portion of the Fund's portfolio. Equity holdings in any one industry should not exceed 25% of the market value of the investment manager's portion and equity holdings in any one sector should not exceed 35% of the investment manager's portfolio market value.

Non-US Equity Investment Managers: equity holdings in any one international company shall not exceed 7.5% of the total value of all investments in international equity securities and equity holdings in any one country shall not exceed 35% of all investments in international equity securities.

Domestic Core Fixed/ Domestic Core Plus/Hybrid Managers: securities of any one issuer is limited to not more that 5% of the investment manager's portion of the portfolio measured at market value. Securities backed by the full faith and credit of the United States Government or any of its instrumentalities shall not be subject to exposure limitations. Investments in high-yield and non-US debt securities should be limited to 20% high-yield and 20% non-U.S. debt with a combined exposure to those sectors not to exceed 30%.

There were no investments in any one issuer that represents 5% or more of the total investments.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investments. The Fund's policy for controlling its exposure to interest rate fluctuations should be viewed with the appropriate perspective. A long-term strategy was employed to achieve the Fund's objectives, but there was consideration given to the short-term liquidity needs to meet disbursements required by the Fund. The asset allocation and investment manager structure was designed to tolerate some interim fluctuations in market value while maintaining a long-term return objective to exceed the actuarial assumed interest rate of 7%.

The following table provides the interest rate risk disclosure for the Indiana State Police Pension Fund:

State Police Pension

		Investment Maturities (in Years)			
Investment Type	Fair Value	Less than 1	1 - 5	6- 10	More than 10
U.S. Treasuries	$ 16,788	$ 5,461	$ 4,783	$ 3,524	$ 3,020
U.S. Agencies	27,926	-	546	3,259	24,121
Collateralized Mortgage Obligations					
Corporate CMO's	4,733	-	42	284	4,407
Corporate Bonds	21,037	394	7,487	8,663	4,493
Corporate Asset Backed	4,827	-	2,272	362	2,193
Foreign Bonds	269	-	269	-	-
Private Placements	3,888	-	1,808	1,756	324
Municipal Bonds	2,611	75	354	199	1,983
Money Market Mutual Funds	200,164	200,164	-	-	-
Total Fixed Income Securities	$ 282,243	$ 206,094	$ 17,561	$ 18,047	$ 40,541

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The State Police Pension Trust's foreign currency exposure is focused primarily in international and global equity holdings. The exposure to foreign currency fluctuation is as follows

Currency	Market Value	% of Total Market Value
Australian Dollar	$ 691	0.2%
Brazil Real	636	0.2%
British Pound	1,536	0.4%
Canadian Dollar	616	0.2%
Danish Krone	24	0.0%
Euro	4,810	1.2%
Hong Kong	22	0.0%
Japanese Yen	1,198	0.3%
Norwegian Krone	265	0.1%
Swedish Krona	129	0.0%
Swiss Franc	1,296	0.3%
Thailand Baht	72	0.0%
Total	$ 11,295	2.9%

Securities Lending Credit Risk - The Treasurer of State is authorized by Indiana Code 5-13-10.5-13 to lend securities. Securities may be lent only if the agreement under which the securities are lent is collateralized by (1) cash of (2) interest bearing obligations that are issued by, fully insured by, or guaranteed by the United States, and agency of the United States, an agency of the United States, a federal instrumentality, or a federal government sponsored enterprise. The market value of the required collateral must be in an amount at least equal to 102% of the current market value of the loaned securities. As of June 30, 2011, the State Police Pension Trust had received cash as collateral in an amount exceeding 102% of the fair value of the underlying securities on loan. The State Police Pension Trust recorded the value of the cash collateral received as an asset in the accompanying financial statements. A corresponding liability has also been recorded because the cash collateral must be returned to the borrower upon expiration of the loan. The lending agent invests the cash collateral received by the borrowers. The weighted average maturity of the cash collateral investments generally matched the term of the securities loans.

At year end, the State Police Pension Trust had no credit risk exposure to any borrowers because the amount the State Police Pension Trust owes the borrowers exceeds the amounts the borrowers owe the State Police Pension Trust.

State Police Retiree Health Benefit Trust Fund

Investment Policy – The State Police 401H Fund is established pursuant to section 401(h) of the Internal Revenue Service and is established within the Indiana State Police Pension Fund as a separate account for the purpose of paying benefits for sickness, accident, hospitalization, and medical expenses. The assets in this account may be commingled for investment purposes only with the other accounts of the Indiana State Police Pension Fund. The investment authority for this Fund, since it is to be invested in the same manner as the State Police Pension Fund, is established under Indiana Code IC 10-12-2-2(c). There is no formal deposit policy other than compliance to State statute.

IC 10-12-2-2(c) reads as follows:

The trust fund shall be invested only in accordance with Indiana laws for the investment of trust funds, together with such other investments as are specifically designated in the pension trust. Subject to the terms of the pension trust, the Trustee, with the approval of the Department and the Pension Advisory Board, may establish investment guidelines and limits on all types of investments (including, but not limited to, stocks and bonds) and take other action necessary to fulfill its duty as a fiduciary for the trust fund. However, the Trustee shall invest the trust fund assets with the same care, skill, prudence, and diligence, that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims. The Trustee shall also diversify such investments in accordance with prudent investment standards.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The following table provides information on the credit quality ratings for investments in the State Police 401h Fund:

State Police Retiree Health Benefit Trust Fund

	S & P		Moody's	
Investment Type	Ratings	Fair Value	Ratings	Fair Value
U.S. Agencies	AGY	$ 4,126	AGY	$ 4,126
Certificate of Deposits	AAA	995	Aaa	995
Total		$ 5,121		$ 5,121

Custodial Credit Risk

Deposits – The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

At June 30, 2011, the balance of any bank deposits was covered in full by federal depository insurance or by the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

Investment Custodial Credit Risk – The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured and unregistered and are either held by the counterparty's trust department or agent, but not in the name of the State of Indiana. None of the State's investments are exposed to custodial credit risk because they are held in the name of the State of Indiana. Additionally, the Treasurer of State requires all custodians to indemnify the State against all out-of-pocket expenses or losses incurred as a result of (i) the custodian's operational failure, (ii) custodians failure to carry out the credit analysis, (iii) custodian's failure to maintain proper collateral for each loan, or (iv) failure of an approved counterparty to comply with its obligations under the applicable securities lending agreement.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer representing 5% or more of the total investments. The only exemptions from disclosures are US Government Debt, US Government Guaranteed Investments, Mutual Funds, or External Investment Pools.

Investments in any one issuer, not exempt from disclosure, that represent 5% or more of the total investments were:

Federal Home Loan Banks	80.60%	$ 4,126,172

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. There was no foreign currency risk.

Securities Lending Credit Risk - The Treasurer of State is authorized by Indiana Code 5-13-10.5-13 to lend securities. Securities may be lent only if the agreement under which the securities are lent is collateralized by (1) cash or (2) interest bearing obligations that are issued by, fully insured by, or guaranteed by the united states, an agency of the United State, an agency of the united States government, a federal instrumentality, or a federal government sponsored enterprise in excess of the total market value of the loaned securities.

At year end, there were no securities on loan and therefore, no credit risk exposure.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The following is a summary of the Interest Rate Risk Disclosure as of June 30, 2011:

State Police Retiree Health Benefit Trust Fund

		Investment Maturities (in Years)	
Investment Type	Fair Value	Less than 1	1 - 5
U.S. Agencies	$ 4,126	$ -	$ 4,126
Certificate of Deposits	995	995	-
Total Fixed Income Securities	$ 5,121	$ 995	$ 4,126

State Employee Retiree Health Benefit Trust Fund

Investment Policy – Indiana Code, Title 5, Article13, Chapters 9, 10, and 10.5, establishes the investment powers and guidelines regarding the State of Indiana investments. However, the Retiree Health Benefit Trust Fund has separate investment authority as established under Indiana Code 5-10-8-8.5 (b). The Treasurer of State shall invest the money in the trust fund not currently needed to meet the obligations of the trust fund in the same manner as other public money may be invested. There are no formal deposit and investment policies for the deposit and investment of these funds other than compliance to State statute. State statute does not establish any parameters or guidelines related to the concentration of investment risk, investment credit risk, nor interest rate risk.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The following table provides information on the credit quality ratings for investments in State Retiree Health Benefit Trust Fund:

State Employee Retiree Health Benefit Trust Fund

	S & P		Moody's	
Investment Type	Ratings	Fair Value	Ratings	Fair Value
U.S. Agencies	AGY	$ 114,232	AGY	$ 114,232
	NR	5,004	NR	5,004
Total		$ 119,236		$ 119,236

Custodial Credit Risk

Deposits – The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

At June 30, 2011, the balance of any bank deposits was covered in full by federal depository insurance or by the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

Investment Custodial Credit Risk – The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured and unregistered and are either held by the counterparty's trust department or agent, but not in the name of the State of Indiana. None of the State's investments are exposed to custodial credit risk because they are held in the name of the State of Indiana. Additionally, the Treasurer of State requires all custodians to indemnify the State against all out-of-pocket expenses or losses incurred as a result of (i) the custodian's operational failure, (ii) custodians failure to carry out the credit analysis, (iii) custodian's failure to maintain proper collateral for each loan, or (iv) failure of an approved counterparty to comply with its obligations under the applicable securities lending agreement.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer representing 5% or more of the total investments. The only exemptions from disclosures are US Government Debt, US Government Guaranteed Investments, Mutual Funds, or External Investment Pools.

Investments in any one issuer, not exempt from disclosure, that represent 5% or more of the total investments were:

Federal Home Loan Banks	46.16%	$ 55,047
Federal Home Loan Mortgage Corp.	12.58%	15,000
Federal National Mortgage Association	32.85%	39,175

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. There was no foreign currency risk.

Securities Lending Credit Risk - The Treasurer of State is authorized by Indiana Code 5-13-10.5-13 to lend securities. Securities may be lent only if the agreement under which the securities are lent is collateralized by (1) cash or (2) interest bearing obligations that are issued by, fully insured by, or guaranteed by the united states, an agency of the United State, an agency of the united States government, a federal instrumentality, or a federal government sponsored enterprise in excess of the total market value of the loaned securities.

At year end, there were no securities on loan and therefore, no credit risk exposure.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The following is a summary of the Interest Rate Risk Disclosure as of June 30, 2011:

State Retiree Health Benefit Trust

		Investment Maturities (in Years)	
Investment Type	Fair Value	Less than 1	1 - 5
U.S. Agencies	$ 119,236	$ 54,991	$ 64,245
Total Fixed Income Securities	$ 119,236	$ 54,991	$ 64,245

3. Pension Trust Funds – Discrete Component Units

Public Employees' Retirement System

Investment Guidelines and Limitations – The Indiana General Assembly enacted the prudent investor standard to apply to the PERF Board of Trustees and govern all its investments. Under the statute (IC 5-10.3-5-3(a)), the PERF Board of Trustees must "invest its assets with the care, skill, prudence and diligence that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims." The PERF Board of Trustees also is required to diversify such investments in accordance with the prudent investor standard.

Within these governing statutes, the PERF Board of Trustees has broad authority to invest the assets of the plans. The PERF Board of Trustees utilizes external investment managers, each with specific mandates to implement the investment program. Depending on the mandate and the contractual agreement with the investment manager, investments may be managed in separate accounts, commingled accounts, mutual funds or other structures acceptable to the PERF Board of Trustees. An asset allocation review is conducted at least annually to determine the allocation in achieving the objectives of the Fund.

The strategic asset allocation for the Consolidated Retirement Investment Fund (CRIF) on June 30, 2011 is as follows:

Asset Classes	Target Allocation - %	Allowable Ranges - %
Equities	40	25 -55
Fixed Income	30	20 - 40
Alternatives	30	15- 45

Investments in the PERF annuity savings accounts and Legislators' Defined Contribution plan are directed by the members in each plan and as such the asset allocation will differ from that of the CRIF. The Pension Relief Fund is invested 100 percent in a money market fund. The Special Death Benefit Funds are one hundred percent fixed income.

Deposit Risks – Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized or collateralized with securities held by the pledging financial institution. Deposits held in the two demand deposit accounts are carried at cost and are insured up to $250,000 each. Deposits in the demand accounts held in excess of $250,000 are not collateralized. Deposits with the Indiana Treasurer of State are entirely insured. Deposits held with the investment custodian are insured up to $250,000. Deposits held with brokers and counterparties are carried at cost and are not insured or collateralized.

Cash Deposits	Total
Demand Deposit Account – Bank Balances	$ 11,112
Held with Treasurer of State	2,300
Held with Counterparties	45,931
Held with Brokers	130,566
Held with Custodian	1,359,560
Total	$ 1,549,469

Credit Risk – The credit risk of investments is the risk that the issuer will default and not meet their obligations. PERF's IPS sets credit quality rating guidelines and benchmark indices for each of its sub-asset classes and is outlined in each portfolio manager contract. The guidelines and benchmarks are as follows: the Core fixed income portfolio (excluding TIPS) must maintain an average credit quality rating of at least A1 (Moody's) or the equivalent; securities must be rated at least Baa3 (Moody's) or the equivalent at the time of purchase unless specifically approved by the PERF Board of Trustees. In the case of a split rating, the higher rating will be used. The Core-Opportunistic fixed income portfolio must maintain an average credit quality rating of at least investment grade by Moody's or the equivalent. The benchmark for the fixed income portfolio is the Barclays Capital Aggregate Bond Index and Barclays Capital Universal Bond Index. The Treasury Inflation Protection Securities (TIPS) and global linkers portfolio must substantially match the quality of its benchmarks, the Barclays Capital US TIPS Index and the Global Customized Benchmark, respectively. The quality rating of investments in debt securities as described by Moody's at June 30, 2011 is as follows:

Moody's Rating	Total	Percentage of Debt & Cash Equivalents
Aaa	$ 2,414,563	53.9%
US Government Guaranteed	465,866	10.4%
Aa	197,978	4.4%
A	264,438	5.9%
Baa	357,084	8.0%
Ba	149,034	3.3%
B	54,949	1.2%
Below B	16,527	0.4%
Unrated	562,698	12.5%
Subtotal	4,483,137	100.0%
Cash - not applicable	1,575,308	
Total	$ 6,058,445	

The $563 million not rated by Moody's is primarily in the following security types: asset backed securities, commercial mortgages and CMO/Remics.

Custodial Credit Risk – Custodial credit risk is the risk that PERF will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of an outside party if the counterparty fails. Investment securities are exposed to risk if the securities are uninsured, are not registered in the name of PERF and are held by either the counterparty or the counterparty trust department's agent, but not in PERF's name.

There was no custodial credit risk for investments including investments related to securities lending collateral as of June 30, 2011. Per IC 5-10.3-5-4(a) and IC 5-10.3-5-5, securities held for the fund are held by banks under custodial agreements in the fund's name. While PERF's Investment Policy Statement does not specify custodial risk, statutes provide certain custodial requirements.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss that may arise in the event of default by a single issuer. PERF's IPS limits the purchase of securities of any one issuer (with the exception of the US Government and its agencies) to an initial cost of 5 percent or two times the benchmark weight of the market value of an investment manager's portfolio, whichever is greater. Through capital appreciation, no such holding should exceed 10 percent of the market value of the total holdings of such investment manager's portfolio, unless the Board approves an exception.

For investment managers contracted to manage concentrated portfolios, exposure to the securities issued by a single issuer (with the exception of the U.S. Government and its agencies) is limited to 7.5 percent or two times the benchmark weight of the market value of the investment manager's portfolio, whichever is greater. Through capital appreciation, no such holdings should exceed 15 percent of the market value of the total holdings of the investment manager's portfolio, unless the Board approves an exception.

At June 30, 2011, there was no concentration of credit risk for the CRIF.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investments. Duration is a measure of interest rate risk. The longer the maturity, the more the value of the fixed-income investment will fluctuate with interest rate changes.

PERF's IPS sets duration guidelines for the fixed income investment portfolio. The fixed income portfolios must substantially match the duration characteristics of the benchmark index. The Core fixed income portfolio limits the duration of the portfolio to not vary more than 20 percent above or below the duration of the applicable benchmark index. The duration of the Core-Opportunistic portfolio may not vary more than 5 years above or below the duration of the benchmark index.

The Fund invests in securities with contractual cash flows, such as asset-backed securities, collateralized mortgage obligations and commercial mortgage-backed securities, including securities backed by residential and commercial real estate loans. The value, liquidity and related income of these securities are sensitive to changes in economic conditions, including real estate value, delinquencies or defaults, or both, and may be adversely affected by shifts in the market's perception of the issuers and changes in interest rates.

As of June 30, 2011, the Fund had the following duration information:

Debt Security Type	Fair Value 6/30/2011	% of All Debt Securities	Portfolio Weighted Average Effective Duration (Years)
Cash & Cash Equivalents			
Short Term Bills and Notes	$ 300,756	5.0%	0.33
Commercial Paper	42,585	0.7%	0.18
Certficates of Deposit	6,698	0.1%	0.16
Discounted Notes	8,500	0.1%	0.06
Duration Not Available	1,531,324	25.3%	N/A
Total Cash & Cash Equivalents	**1,889,863**	**31.2%**	
Investment Debt Securities			
Asset-Backed Securities	213,274	3.5%	0.08
Commercial Mortgage-Backed Securities	179,495	3.0%	0.35
Corporate Bonds	934,842	15.4%	1.32
Government Bonds	1,982,673	32.7%	0.94
Government Mortgage-Backed Securities	367,745	6.1%	0.96
Municipal/Provincial Bonds	43,191	0.7%	0.09
Commercial Mortgage Obligations	118,941	2.0%	0.09
Duration Not Available	328,421	5.4%	N/A
Total Investment Debt Securities	**4,168,582**	**68.8%**	
Total Debt Securities	**$ 6,058,445**	**100.0%**	**3.07**

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. PERF's foreign currency exposure is focused primarily in international equity holdings.

PERF's IPS refers to foreign currency guidelines that are linked directly, or indirectly, to the benchmark indices for each sub-asset class or as outlined in each portfolio manager contract. The equity portfolio sub-asset classes have specific guidelines for international equities and global equity investments. Certain sub-asset classes do not allow emerging markets investments while some allow up to 30 percent of market value to be held in emerging markets. PERF has exposure to foreign currency fluctuation as follows:

Currency	Cash & Cash Equivalents	Debt Securities	Equity Securities	Other Investments	Grand Total	% of Total
Australian Dollar	$ 270	$ 12,536	$ 164,731	$ 73	$ 177,610	1.1%
Brazilian Dollar	-	14,664	47,113	517	62,294	0.4%
British Pound Sterling	466	70,111	540,182	1,100	611,859	3.9%
Canadian Dollar	152	93,994	44,659	58	138,863	0.9%
Czech Koruna	-	-	7,318	-	7,318	0.1%
Danish Koruna	-	-	33,526	-	33,526	0.2%
Egyptian Pound	-	-	1,283	-	1,283	0.0%
Euro Currency Unit	1,028	170,670	876,694	115,636	1,164,028	7.3%
Hong Kong Dollar	86	-	188,213	-	188,299	1.2%
Hungarian Forint	-	-	10,414	-	10,414	0.1%
Indian Rupee	-	10,822	19,347	-	30,169	0.2%
Indonesian Rupiah	-	14,711	6,161	-	20,872	0.1%
Israeli New Sheqel	-	-	18,918	-	18,918	0.1%
Japanese Yen	242	610	534,445	-	535,297	3.4%
Korean Won	-	9,384	112,497	-	121,881	0.8%
Malaysian Ringgit	-	2,413	9,620	-	12,033	0.1%
Mexican Peso	-	9,903	8,880	2	18,785	0.1%
New Zealand Dollar	-	8,026	4,646	(432)	12,240	0.1%
Norwegian Krone	-	-	40,656	26,498	67,154	0.4%
Philipine Peso	-	7,460	726	-	8,186	0.1%
Polish Zloty	-	-	21,558	-	21,558	0.1%
Singapore Dollar	-	1,490	64,840	-	66,330	0.4%
South African Rand	-	-	53,109	-	53,109	0.3%
Swedish Krona	84	22,655	77,474	-	100,213	0.6%
Swiss Franc	-	-	188,469	-	188,469	1.2%
Taiwan Dollar	-	-	54,292	-	54,292	0.3%
Thai Bhat	-	-	21,482	-	21,482	0.1%
Turkish Lira	-	-	34,171	-	34,171	0.2%
Held in Foreign Currency	2,328	449,449	3,185,424	143,452	3,780,653	23.8%
Held in US Dollar	1,887,535	3,719,133	3,414,753	3,067,610	12,089,031	76.2%
Total	**$ 1,889,863**	**$ 4,168,582**	**$ 6,600,177**	**$ 3,211,062**	**$ 15,869,684**	**100.0%**

Securities Lending – Indiana Code 5-10.2-2-13(d) provides that the PERF Board of Trustees may authorize a custodian bank to enter into a securities lending program agreement under which securities held by the custodian on behalf of PERF may be loaned. The purpose of such a program is to provide additional revenue for PERF.

Statute requires that collateral initially in excess of the total market value of the loaned securities must be pledged by the borrower and must be maintained at no less than the total market value of the loaned securities. The PERF Board of Trustees requires that collateral securities and cash be initially pledged at 102 percent of the market value of the securities lent. No more than 40 percent of CRIF's total assets may be lent at one time. The custodian bank and/or its securities lending sub-agents provide 100 percent indemnification to the PERF Board of Trustees and the CRIF against borrower default, overnight market risk and failure to return loaned securities. Securities received as collateral cannot be pledged or sold by the PERF Board of Trustees unless the borrower defaults. PERF retains the market value risk with respect to the investment of the cash collateral.

Cash collateral investments are subject to the investment guidelines specified by PERF's Investment Policy Statement. It states that the maximum weighted average days to maturity may not exceed 60. The securities lending agent matches the maturities of the cash collateral investments with stated securities loans' termination dates. Cash collateral received for open-ended loans that can be terminated on demand are invested with varying maturities.

At year end, the Fund has no securities lending transactions. The custodian agreement with JP Morgan Chase was terminated as of June 30, 2011 and as of July 1, 2011 the Fund's new custodian was Bank of NY Mellon.

Repurchase Agreements – A repurchase agreement, also known as a repo, is the sale of securities together with an agreement for the seller to buy back the securities at an agreed-upon price at a later date. A reverse repurchase agreement is the same as a repurchase agreement, but from the perspective of the buyer rather than the seller. Repurchase agreements are basically a secured loan with the collateral held at a custodian bank. PERF's Investment Policy Statement permits the following collateral for repos – bonds or notes issued by the United States Treasury, or other securities guarantees as to principal and interest by the Government of the United States and its agencies, and corporate obligations of domestic and foreign issuers with a minimum credit rating. Repos are typically for an overnight term; however, they can be done for a longer term.

Reverse Repurchase Agreements by Collateral Type	Cash Collateral Posted	Market Value
US Treasuries	$ 34,800	$ 33,109
US Agencies	7,500	7,380
Total Repurchase Agreements	**$ 42,300**	**$ 40,489**

Repurchase Agreements by Collateral Type (dollars in thousands)	Market Value	Cash Collateral Received
US Inflation Linked Bonds	$ 145,122	$ 142,697
Total Reverse Repurchase	**$ 145,122**	**$ 142,697**

Outstanding Short Sales – Short sales occur when investments have been sold which are not yet owned by the Fund. Prior to settlement of the sale, the investments will be procured. For the investments directly held by the Fund within the custody accounts, the outstanding short sales are included as accounts receivable from sales of investments and as negative investments. A schedule of the negative investments as of June 30, 2011, is listed below. These investments reduced the debt securities investments shown on the balance sheet. These transactions involve market risk, as the asset to be delivered may become more costly to procure and then losses would be realized.

Outstanding short sales, June 30, 2011	
Type of Investment:	
Government Mortgage-Backed	$ 42,563
Total	**$ 42,563**

Derivative Financial Instruments – Derivative instruments are financial contracts whose values depend on the values of one or more underlying assets, reference rates, or financial indices. PERF's Investment Policy Statement allows the use of derivatives such as options, swaps (including credit default swaps) and futures to manage any investment risk, including market, interest rate, credit, liquidity, and currency risk consistent with managers' guidelines. The Investment Policy Statement prohibits derivative use for speculative purposes or to create leverage. The Fund's derivatives are all related to fiduciary activities. The fair value of all derivative financial instruments is reported in the Statement of Fiduciary Net Assets as either assets or liabilities, and the change in the fair value is recorded in the Statement of Changes in Fiduciary Net Assets as investment income. A derivative instrument could be a contract negotiated on behalf of the Master Trust and a specific counterparty. This would typically be referred to as an "OTC contract" (Over the Counter) such as swaps, forward contracts and TBAs (Mortgage To Be Announced). Alternatively, a derivative instrument, such as futures, could be listed and traded on an exchange and referred to as "exchange traded". Due to the level of risk associated with certain derivative investment securities, it is reasonably possible that changes in the value of investment securities will occur in the near term, and such changes could affect the amounts reported in the financial statements. Investments in limited partnerships may include derivatives that are not shown in the derivative total. During the year, the Fund's derivative investments included:

Futures

A futures contract is an agreement between two parties to buy and sell a financial instrument at a set price on a future date.

PERF's investment managers use financial futures to replicate an underlying security or index they intend to hold or sell in the portfolio. In certain instances, it may be beneficial to own a futures contract rather than the underlying security. Additionally, PERF's investment managers use futures contracts to adjust the portfolio risk exposure. Futures contracts may be used for the purpose of investing cash flows or modifying duration, but in no event may leverage be created by any individual security or combination of securities. No short sales of equity securities or equity index derivatives are permitted.

As the market value of the futures contract varies from the original contract price, a gain or loss is recognized and paid to, or received from, the clearinghouse. The cash or securities to fulfill these obligations are held in the investment portfolio.

Options

Options are agreements that give the owner of the option the right, but not obligation, to buy (in the case of a call) or to sell (in the case of a put) a specific amount of an asset for a specific price on or before a specified expiration date.

The purchaser of put options pays a premium at the outset of the agreement and stands to gain from an unfavorable change (i.e., a decrease) in the price of the instrument underlying the option. The writer of call option receives a premium at the outset of the agreement and bears the risk of an unfavorable change (i.e., an increase) in the price of the instrument underlying the option. An interest rate swaption is the options to enter into an interest rate swap based off a set of predetermined conditions.

Options are generally used to manage interest rate risk, adjust portfolio duration, or rebalance the total portfolio to the target asset allocation. The fair value of exchange traded options is determined based upon quoted market prices.

The fair value of over the counter options is determined by external pricing services using various proprietary methods, based upon the type of option.

Rights/Warrants

Rights provide the holder with the right, but not the obligation, to buy a company's common stock at a predetermined price, the subscription price. The right is good until its expiration date. A right permits the investor to buy at a price that may be below the actual market price for that stock. A warrant is an option to buy an underlying equity security at a predetermined price for a finite period of time.

Forwards

Foreign Currency

A forward exchange contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. A contract is classified as a forward contract when the settlement date is more than two days after the trade date. Risks associated with such contracts include movement in the value of a foreign currency relative to the U.S. dollar. The contracts are valued at forward exchange rates and include net appreciation / depreciation in the Statement of Fiduciary Net Assets. Realized gains or losses on forward currency contracts is the difference between the original contract and the closing value of such contract and is included in the Statement of Changes in Fiduciary Net Assets.

The Fund enters into forward currency forwards to manage exposure to fluctuations in foreign currency exchange rates on portfolio holdings and to settle future obligations.

TBA

A TBA (Mortgage To Be Announced) is a contract for the purchase or sale of agency mortgage-backed securities to be delivered at a future agreed upon date. Associated gains are derived from the change in market value of the contract due to a change in price of the underlying security. Future settlement risk is the risk of not receiving the asset or associated gains specified in the contract.

TBAs are used to achieve the desired market exposure of a security or asset class or adjust portfolio duration.

The fair value is determined by external pricing services using various proprietary methods.

Swaps

Interest Rate Swaps

Interest rate swaps are derivative instruments in which one party exchanges a stream of fixed interest rate cash flows for floating interest rate cash flows. A notional amount of principal is required to compute the actual cash amounts and is determined at the inception of the contract.

Interest rate swaps are generally used to manage interest rate risk, adjust portfolio duration, or rebalance the total portfolio to the target asset allocation.

The fair value is determined by external pricing services using various proprietary methods.

Inflation Swap

An inflation swap is a derivative used to transfer inflation risk from one party to another through an exchange of cash flows. In an inflation swap, one party pays a fixed rate on a notional principal amount, while the other party pays a floating rate linked to an inflation index, such as the Consumer Price Index (CPI) or an inflation bond.

Credit Default Swaps

Credit default swap agreements involve one party (referred to as the buyer of protection) making a stream of payments to another party (the seller of protection) in exchange for the right to receive a specified return in the event of a default or other predetermined credit event for the referenced entity, obligation or index.

Credit default swaps are used to achieve the desired credit exposure of a security or basket of securities. One of the main advantages of a credit default swap is it allows for exposure to credit risk while limiting exposure to other risks, such as interest rate and currency risk.

The fair value is determined by external pricing services using various proprietary methods.

The table below summarizes PERF's derivative information for the year ending June 30, 2011:

Investment Derivatives	Changes in Fair Value	Fair Value	Notional (USD)
Futures			
Listed			
Commodity	$ (11,453)	$ (1,421)	$ 398,791
Equity Index	(3,903)	1,642	3,769,345
Bond	(855)	(442)	873,881
Currency	971	(103)	2,751,608
Total Futures	**(15,240)**	**(324)**	**7,793,625**
Options			
Listed			
Currency	5	(42)	271,000
Bond Options	(34)	(173)	34,300
Subtotal Listed	(29)	(215)	305,300
OTC			
Swaptions	1,101	3,733	480,700
Inflation	48	(22)	7,500
Credit Index	4	(3)	2,400
Interest Rate	953	(1,005)	300,300
Subtotal OTC	2,106	2,703	790,900
Total Options	**2,077**	**2,488**	**1,096,200**
Swaps			
OTC			
Interest Rate Swaps	(881)	4,035	1,295,387
Inflation Swaps	18	18	13,440
Credit Default Swaps Single Name	768	246	78,300
Credit Default Swaps Index	(1,097)	1,191	100,536
Total Swaps	**(1,192)**	**5,490**	**1,487,663**
Rights/Warrants			
Rights	(86)	210	708
Warrants	97	11,362	2,756
Total Rights/Warrants	**11**	**11,572**	**3,464**
TBA	**(1,436)**	**361,932**	**354,645**
Total	**$ (15,780)**	**$ 381,158**	**$ 10,735,597**

	Swap Maturity Profile at June 30, 2011 (dollars in thousdands)					
Swap Type	**< 1 yr**	**1 - 5 yrs**	**5 -1 0 yrs**	**10 - 20 yrs**	**20 + yrs**	**Total**
Credit Default - Index	$ -	$ 1,330	$ (147)	$ 8	$ -	$ 1,191
Credit Default - Single Name	-	(358)	604	-	-	246
Inflation Swaps	-	215	(197)	-	-	18
Interest Rate Swaps	2	4,141	(1,243)	1,539	(404)	4,035
Total Swap Fair Value	**$ 2**	**$ 5,328**	**$ (983)**	**$ 1,547**	**$ (404)**	**$ 5,490**

Credit Risk

Inherent in the use of Over the Counter (OTC) derivatives, the Fund is exposed to counterparty credit risk on all open OTC positions. Counterparty credit risk is the risk that a derivative counterparty may fail to meet its payment obligation under the derivative contract. The Fund uses International Swaps and Derivatives Association Master Agreements and collateral to mitigate counterparty credit risk. Securities eligible as collateral are typically United States government bills and U.S. dollar cash. Generally, any positive movement in market value requires the counterparty to transfer a minimum of $250 thousand in collateral. This margin is adjusted at a minimum weekly and can be called as frequently as daily.

The maximum amount of loss due to credit risk that the Fund would incur if the counterparty to the derivative instrument failed to perform according to the terms of the contract, without respect to any collateral or other security, or netting arrangements is the total unrealized gain of derivatives at the end of the reporting period. The aggregate fair value of investment derivative instruments in asset positions at June 30, 2011, was $7,279 thousand of which $371 thousand was uncollaterized.

Some of the Fund's master agreements are subject to credit-related contingent features. In the event the Fund's assets decline by various, pre-specified rates over predetermined time periods, the Fund is either required to post more collateral or may be required to pay off the open liability contracts given the counterparties right to terminate the contract. Contingent features that could result in an immediate payment from the counterparty include a downgrade of the counterparty below a lower specified rating, commonly A-/A3. It is important to note that these contingent features are not compulsory, rather they are voluntary.

		Fair Value			Collateral	
Swaps Counterparty	**S&P Rating**	**Receivable/ Unrealized Gain**	**Payable/ (Unrealized Loss)**	**Total Fair Value**	**Posted**	**Received**
Bank of America Corp	A	$ -	$ (422)	$ (422)	$ 480	$ -
Barclays Bank	AA-	1,784	-	1,784	-	(1,660)
BNP Paribas SA	AA-	-	(49)	(49)	-	-
BNP Paribas Securities Corp	AA-	15	-	15	402	-
Citibank	A+	161	(374)	(213)	787	(3,676)
Credit Suisse	A+	1,142	-	1,142	-	(2,196)
Deutsche Bank	A+	728	-	728	150	(1,050)
Goldman Sachs Bank	A	60	-	60	-	-
Goldman Sachs International	A	-	(173)	(173)	90	-
HSBC Securities Inc	AA-	128	-	128	-	(160)
JPMorgan Chase Bank	AA-	1,741	(122)	1,619	-	(1,630)
Merrill Lynch & Co	A	61	-	61	-	-
Morgan Stanley Capital Services	A	1,222	(206)	1,016	702	(2,080)
Royal Bank of Canada	AA-	237	(85)	152	330	(349)
Royal Bank of Scotland	A+	-	(292)	(292)	630	-
UBS	A+	-	(66)	(66)	60	-
Grand Total		$ 7,279	$ (1,789)	$ 5,490	$ 3,631	$(12,801)

Credit Default Swaps				
Investment Type		**Reference**	**Fair Value**	**Notional**
Index	Bought	CDX IG	$ 93	$ 36,736
Index	Bought	CDX EM	2,657	23,600
Index	Bought	CDX HY	20	2,700
Index	Bought	MCDX	(1,579)	37,500
Total CDS - Index			**$ 1,191**	**$ 100,536**
Single Name	Sold	Various	$ (3,136)	$ 38,250
Single Name	Bought	Various	3,382	40,050
Total CDS - Single Name			**$ 246**	**$ 78,300**

Interest Rate Risk

The Fund has exposure to interest rate risk due to investments in interest rate and inflation swaps and TBAs. The required risk disclosures are included in the Interest Rate Risk schedule.

Derivative Instruments Highly Sensitive to Interest Rate Changes

Investment Type	Reference Rate	Fair Value	Notional
TBA Securities	3.50%	$ 29,627	$ 29,300
TBA Securities	4	102,923	102,560
TBA Securities	4.5	89,857	86,575
TBA Securities	5	68,892	66,010
TBA Securities	5.5	4,894	10,500
TBA Securities	6	60,853	55,400
TBA Securities	6.5	4,886	4,300
Total TBA Securities		**$ 361,932**	**$ 354,645**
Interest Rate Swap	Pay Variable AUD-BBR 3 mo./Receive Fixed 5.25%	73	23,286
Interest Rate Swap	Pay Variable MXN-TII 28 day/Receive Fixed 6.5%	2	230
Interest Rate Swap	Pay Variable BZDIOVRA/Receive Fixed Various (10% - 13%)	517	46,984
Interest Rate Swap	Receive Variable NZD-BBR 3 mo./Pay Fixed Rate Various 3.70% - 4.70%	(432)	50,628
Interest Rate Swap	Pay Variable 6 mo. EURIBOR/Receive Fixed Various 2.1% - 3.9%	(79)	596,454
Interest Rate Swap	Pay Variable 3 mo. USD-LIBOR 3 mo./Receive Fixed Various 2.1% - 4.6%	816	263,575
Interest Rate Swap	Pay Fixed Various 3.0% - 4.2%/Receive Variable 6 mo. GBP-LIBOR	4,687	214,665
Interest Rate Swap	Pay Fixed Various 2.11% - 2.14%/Receive Variable 3 mo. CDOR	58	35,965
Interest Rate Swap	Pay Fixed Various 1.25% - 4.2%/Receive Variable 6 mo. USD-LIBOR	(1,607)	63,600
Total Interest Rate Swaps		**$ 4,035**	**$ 1,295,387**
Inflation Swap	Pay Variable CPURNSA/Receive Fixed 1.84%	215	5,800
Inflation Swap	Pay Variable CPURNSA/Receive Fixed 2.46%	(128)	3,100
Inflation Swap	Pay Variable CPURNSA/Receive Fixed 2.66%	(69)	4,540
Total Inflaction Swaps		**$ 18**	**$ 13,440**

Foreign Currency Risk

The Fund is exposed to foreign currency risk on its foreign currency forward contracts and futures contracts. The required risk disclosures are included in the Foreign Currency Risk schedule.

At June 30, 2011, PERF's investments included the following currency forwards balances:

Foreign Currency Contract Receivable	733.1
Foreign Currency Contract Payable	733.4

Long Term Commitments for Alternative Investments – PERF had entered into long term commitments for funding alternative investments in private equity and private real estate of $4.0 billion of which $1.8 billion was outstanding as of June 30, 2011. These amounts include five Euro-denominated and one Norwegian Kroner-denominated commitment to limited liability partnerships converted to United States dollars at the closing exchange rate as of June 30, 2011. The expected investment term of these commitments extend through 2028. These investments had a net asset value of $2.2 billion as of June 30, 2011.

State Teachers' Retirement Fund (TRF)

Investment Policy - The Fund's Investment policy states the following:

Description of TRF

The Indiana State Teachers' Retirement Fund ("TRF" or the "Fund") is a Defined Benefit plan under Internal Revenue Code Section 401(a) and is governed by federal law, the Indiana Constitution, Indiana Code, Indiana Administrative Code, and policies set by the TRF Board of Trustees (the "Board"). Pursuant to Indiana law and the Internal Revenue Code, TRF must be operated for the exclusive benefit of, and solely in the interest of, members and their beneficiaries. In order to provide the ensuing tax advantages to its members, TRF is required by Indiana law to meet all rules applicable to a qualified plan under Section 401 of the Internal Revenue Code. In addition, TRF is a trust, exempt from taxation under Section 501 of the Internal Revenue Code.

Objectives

All aspects of this policy statement should be interpreted in a manner consistent with the Fund's objectives. The objectives of the Fund have been established in conjunction with a comprehensive review of the current and projected financial requirements. These objectives are:

1. To have the ability to pay all benefit and expense obligations when due;
2. To achieve the actuarial rate of return while limiting downside risk; and
3. To control the costs of administering the Fund and managing the investments.

Description of the Primary Statutory Investment Provision

The Indiana General Assembly enacted the prudent investor standard to apply to the Board and govern all its investments. See PL 37-1996. The primary governing statutory provision is that the Board must "invest its assets with the care, skill, prudence, and diligence that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims." The Board is also required to diversify such investments in accordance with prudent investment standards. See IC 5-10.4-3-10.

Other pertinent investment requirements in the Indiana Code ("IC") include the following:

1. Fund investments must be held for the Fund by banks or trust companies under a custodial agreement or agreements. All Custodians must be domiciled in the United States. IC 5-10.4-3-13;
2. The Board may not engage in any prohibited transaction, as described in Section 503(b) of the Internal Revenue Code. IC 5-10.2-2-1.5(9); and
3. The Board must divest from firms that do business with Sudan under IC 5-10.2-9 and State Sponsors of Terror under IC 5-10.2-10.

It is the responsibility of the Board of Trustees to determine the allocation of assets among distinct capital markets.

The strategic asset allocation for employer assets effective on June 30, 2011 is as follows:

Global Equity	41%
Global Fixed Income	37%
Inflation Sensitive	18%
Absolute Return	4%
Total	100%

The asset allocation for the Guaranteed Fund, which is employee assets in the members' Annuity Savings Accounts, is 100% fixed income securities.

Credit Risk - The credit risk of investments is the risk that the issuer will default and not meet their obligation. This credit risk is measured by the credit quality ratings issued by national rating agencies such as Moody's and Standard and Poor's. The Fund's credit risk of investments policy is set on a manager by manager basis.

The following table (in thousands of dollars) provides information on the credit ratings associated with the Fund's investments in debt securities. Ratings were obtained from Moody's.

Moody's Rating	Total	Percentage of Debt & Cash Equivalents
Aaa	$ 1,118,720	23.5%
US Government Guaranteed	1,046,750	21.9%
Aa	281,646	5.9%
A	475,970	10.0%
Baa	657,008	13.8%
Ba	188,244	3.9%
B	65,742	1.4%
Below B	21,117	0.4%
Unrated	915,636	19.2%
Subtotal	4,770,833	100.0%
Cash - not applicable	398,762	
Total	$ 5,169,595	

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 Fund will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured and unregistered and are either held by the counterparty's trust department or agent, but not in the name of the Fund.

There was no custodial credit risk for investments including investments related to securities-lending collateral. Per IC 5-10.4-3-13, all Fund investments are held by banks or trust companies under custodial agreements and all custodians must be domiciled in the United States.

Deposit Risks – Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized or collateralized with securities held by the pledging financial institution. Deposits held in the demand deposit account are carried at cost and are insured up to $250 thousand each. Deposits in the demand accounts held in excess of $250 thousand are not collateralized. Deposits with the Treasurer of State are entirely insured. Cash deposits held with the custodian, brokers and counterparty are carried at cost and are not insured or collateralized.

Assets Exposed:	
Demand Deposit Accounts – Bank Balance	$122,768
Initial/Variation Margin	3,290
Cash Collateral with Counterparty	1,640
Cash Held with Custodian	9,754
Total Exposed	$137,452

Concentration of Credit Risk – As of June 30, 2011, TRF did not have investments in any one issuer, other than securities issued or guaranteed by the U.S. government that represented more than 5% of net investments.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investment. Duration is a measure of interest rate risk. The longer the maturity, the more the value of the fixed-income investment will fluctuate with interest rate changes.

The Fund uses the Barclays Capital Aggregate Index as the benchmark for performance measurement of domestic fixed income managers and various other indices for international fixed income managers.

The Fund invests in securities with contractual cash flows, such as asset-backed securities, collateralized mortgage obligations and commercial mortgage-backed securities, including securities backed by residential and commercial real estate loans. The value, liquidity and related income of these securities are sensitive to changes in economic conditions, including real estate value, delinquencies or defaults, or both, and may be adversely affected by shifts in the market's perception of the issuers and changes in interest rates.

As of June 30, 2011, the Fund had the following duration information:

Debt Security Type	Fair Value 6/30/2011	% of All Debt Securities	Portfolio Weighted Average Effective Duration (Years)
Cash & Cash Equivalents			
Short Term Bills and Notes	$ 219,568	4.2%	0.44
Commercial Paper	3,575	0.1%	0.03
Duration Not Available	507,726	9.8%	N/A
Total Cash & Cash Equivalents	**730,869**	**14.1%**	
Investment Debt Securities			
Asset-Backed Securities	270,847	5.2%	0.62
Commercial Mortgage-Backed Securities	257,296	5.0%	2.22
Corporate Bonds	1,552,988	30.0%	3.35
Collateralized Bonds	133	0.0%	0.23
Government Issued Commercial Mortgage-Backed Securities	9,788	0.2%	4.36
Index Linked Government Bonds	102,852	2.0%	4.47
Guaranteed Fixed Income	24,569	0.5%	1.47
Government Agencies	123,835	2.4%	3.03
Government Bonds	585,744	11.3%	5.46
Government Mortgage-Backed Securities	683,106	13.2%	3.07
Bank Loans	2,846	0.1%	0.18
Municipal/Provincial Bonds	21,040	0.4%	5.65
Non-Government Backed C.M.O.s	147,890	2.9%	0.95
Other Fixed Income	699	0.0%	0.56
Duration Not Available	655,093	12.7%	N/A
Total Investment Debt Securities	**4,438,726**	**85.9%**	
Total Debt Securities	**$ 5,169,595**	**100.0%**	

Foreign Currency Risk – Foreign currency risk is defined as any deposit or investment that are denominated in foreign currencies, which bear a potential risk of loss arising from changes in currency exchange rates. As of June 30, 2011, 11.0% of the Fund's investments were in foreign currencies. The objective of the Fund's foreign currency risk policy is to effectively manage portfolio return volatility associated with foreign currency risk, allowing for a structure that will manage the level of strategic currency risk to the Fund.

The table below breaks down the Fund's exposure to each foreign currency (in thousands of dollars):

Currency	Total	% of Total
Australian Dollar	$ 43,183	0.5%
Brazilian Dollar	7,632	0.1%
British Pound Sterling	143,714	1.5%
Canadian Dollar	49,148	0.5%
Danish Koruna	3,412	0.0%
Euro Currency Unit	449,089	4.8%
Hong Kong Dollar	32,344	0.3%
Israeli New Sheqel	2,891	0.0%
Japanese Yen	183,043	1.9%
Mexican Peso	8,509	0.1%
New Zealand Dollar	528	0.0%
Norwegian Krone	7,329	0.1%
Philipine Peso	-	0.0%
Polish Zloty	4,841	0.1%
Singapore Dollar	10,561	0.1%
South Korean Won	4,247	0.0%
Swedish Krona	23,929	0.3%
Swiss Franc	63,923	0.7%
Thai Bhat	725	0.0%
Held in Foreign Currency	1,039,048	11.0%
Held in US Dollar	8,396,761	89.0%
Total	**$ 9,435,809**	**100.0%**

Securities Lending – State statutes and the Board of Trustees permit the Fund to lend securities to broker-dealers and other entities (borrowers) for collateral that will be returned for the same securities in the future. The Fund's custodial bank manages the securities lending program and receives securities or cash as collateral. The Fund’s custodial bank maintains a list of broker-dealers that have passed their credit analysis and are eligible to borrow securities. In addition, the Fund can have any borrower removed from this list by requesting the custodian not lend to this borrower. The collateral securities cannot be pledged or sold by the Fund unless the borrower defaults, but cash collateral may be invested by the Fund. Collateral securities and cash are initially pledged at 102% of the market value of domestic securities lent and 105% on international securities lent. Collateral is adjusted to the market on a daily basis. No more than 40% of TRF's total assets may be lent at any one time. Approximately 25% of the securities loans can be terminated on demand either by the Fund or by the borrower, although generally the average term of these loans is one day.

At year end, the Fund has no securities lending transactions. The custodian agreement with Northern Trust was terminated as of June 30, 2011 and as of July 1, 2011 the Fund’s new custodian was Bank of NY Mellon.

Outstanding Short Sales – Short sales occur when investments have been sold which are not yet owned by the Fund. Prior to settlement of the sale, the investments will be procured. For the investments directly held by the Fund within the custody accounts, the outstanding short sales are included as accounts receivable from sales of investments and as negative investments. A schedule of the negative investments as of June 30, 2011, is listed below. These investments reduced the debt securities investments shown on the balance sheet. These transactions involve market risk, as the asset to be delivered may become more costly to procure and then losses would be realized.

A schedule of the outstanding short sales at June 30, 2011 follows (dollars in thousands):

Type of Investment	Total Short Sales
Government Mortgage Backed	$ 96,741

Derivative Financial Instruments – Derivative instruments are financial contracts whose values depend on the values of one or more underlying assets, reference rates, or financial indexes. The Fund’s derivatives are all related to fiduciary activities. The fair value of all derivative financial instruments is reported in the Statement of Fiduciary Net Assets as either assets or liabilities, and the change in the fair value is recorded in the Statement of Changes in Fiduciary Net Assets as investment income. TRF’s directly-held investments in derivatives are not leveraged. A derivative instrument could be a contract negotiated on behalf of the Master Trust and a specific counterparty. This would typically be referred to as an “OTC contract” (Over the Counter) such as swaps, forward contracts and TBAs (Mortgage To Be Announced). Alternatively, a derivative instrument, such as futures, could be listed and traded on an exchange and referred to as “exchange traded”. Due to the level of risk associated with certain derivative investment securities, it is reasonably possible that changes in the value of investment securities will occur in the near term, and such changes could affect the amounts reported in the financial statements. Investments in limited partnerships may include derivatives that are not shown in the derivative total.

During the year, the Fund’s derivative investments included:

Futures

A futures contract is an agreement between two parties to buy and sell a financial instrument at a set price on a future date.

TRF's investment managers use financial futures to replicate an underlying security or index they intend to hold or sell in the portfolio. In certain instances, it may be beneficial to own a futures contract rather than the underlying security. Additionally, TRF's investment managers use futures contracts to adjust the portfolio risk exposure. Futures contracts may be used for the purpose of investing cash flows or modifying duration, but in no event may leverage be created by any individual security or combination of securities. As the market value of the futures contract varies from the original contract price, a gain or loss is recognized and paid to, or received from, the clearinghouse. The cash or securities to fulfill these obligations are held in the investment portfolio.

Options

Options are agreements that give the owner of the option the right, but not obligation, to buy (in the case of a call) or to sell (in the case of a put) a specific amount of an asset for a specific price on or before a specified expiration date.

The purchaser of put options pays a premium at the outset of the agreement and stands to gain from an unfavorable change (i.e., a decrease) in the price of the instrument underlying the option. The writer of a call option receives a premium at the outset of the agreement and bears the risk of an unfavorable change (i.e., an increase) in the price of the instrument underlying the option. Interest rate swaptions are options to enter into an interest rate swap based off a set of predetermined conditions.

Options are generally used to manage interest rate risk, adjust portfolio duration, or rebalance the total portfolio to the target asset allocation. The fair value of exchange traded options is determined based upon quoted market prices.

The fair value of over the counter options is determined by external pricing services using various proprietary methods, based upon the type of option.

Rights/Warrants

Rights provide the holder with the right, but not the obligation, to buy a company's common stock at a predetermined price, the subscription price. The right is good until its expiration date. A right permits the investor to buy at a price that may be below the actual market price for that stock. A warrant is an option to buy an underlying equity security at a predetermined price for a finite period of time.

Forwards

Foreign Currency

A forward exchange contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. A contract is classified as a forward contract when the settlement date is more than two days after the trade date. Risks associated with such contracts include movement in the value of a foreign currency relative to the U.S. dollar. The contracts are valued at forward exchange rates and include net appreciation / depreciation in the Statement of Fiduciary Net Assets. Realized gains or losses on forward currency contracts is the difference between the original contract and the closing value of such contract and is included in the Statement of Changes in Fiduciary Net Assets.

The Fund enters into forward currency forwards to manage exposure to fluctuations in foreign currency exchange rates on portfolio holdings and to settle future obligations.

Bond Forwards

A bond forward is a contract for the purchase or sale of debt security, to be delivered at a future agreed-upon date. Bond forwards are used to achieve the desired market exposure of a security or asset class or adjust portfolio duration.

TBA

A TBA (Mortgage To Be Announced) is a contract for the purchase or sale of agency mortgage-backed securities to be delivered at a future agreed upon date. Associated gains are derived from the change in market value of the contract due to a change in price of the underlying security. Future settlement risk is the risk of not receiving the asset or associated gains specified in the contract.

TBAs are used to achieve the desired market exposure of a security or asset class or adjust portfolio duration.

The fair value is determined by external pricing services using various proprietary methods.

Swaps

Interest Rate Swaps

Interest rate swaps are derivative instruments in which one party exchanges a stream of fixed interest rate cash flows for floating interest rate cash flows. A notional amount of principal is required to compute the actual cash amounts and is determined at the inception of the contract.

Interest rate swaps are generally used to manage interest rate risk, adjust portfolio duration, or rebalance the total portfolio to the target asset allocation.

The fair value is determined by external pricing services using various proprietary methods.

Credit Default Swaps

Credit default swap agreements involve one party (referred to as the buyer of protection) making a stream of payments to another party (the seller of protection) in exchange for the right to receive a specified return in the event of a default or other predetermined credit event for the referenced entity, obligation or index.

Credit default swaps are used to achieve the desired credit exposure of a security or basket of securities. One of the main advantages of a credit default swap is it allows for exposure to credit risk while limiting exposure to other risks, such as interest rate and currency risk.

The fair value is determined by external pricing services using various proprietary methods.

The table below summarizes TRF's derivative information for the year ending June 30, 2011:

Investment Derivatives	Changes in Fair Value	Fair Value	Notional (USD)
Futures			
Commodity Index Futures	$ (1,832)	$ (1,832)	$ 35,126
Bond Futures	(331)	(331)	563,284
Foreign Exchange Futures	2	2	67,781
	(2,161)	(2,161)	666,191
Options			
Call Swaptions (LIBOR)	(6)	(48)	8,400
Put Swaptions (LIBOR)	490	482	41,653
Inflation	3	(3)	600
Bond Options	669	5,338	21,000
	1,156	5,769	71,653
Swaps			
Interest Rate Swaps	(1,380)	(1,289)	44,027
Credit Default Swaps Single Name	(76)	(209)	61,467
Credit Default Swaps Index	906	928	55,565
	(550)	(570)	161,059
Rights/Warrants			
Rights	15	15	283
Warrants	73	73	76
	88	88	359
Forwards			
Bond Forwards	(67)	(297)	23,000
TBA	165	206,429	285,080
Total	**$ (1,369)**	**$ 209,258**	**$ 1,207,342**

	Swap Maturity Profile at June 30, 2011 (dollars in thousdands)					
Swap Type	**< 1 yr**	**1 - 5 yrs**	**5 -1 0 yrs**	**10 - 20 yrs**	**20 + yrs**	**Total**
Credit Default - Single Name	$ (76)	$ (230)	$ 97	$ -	$ -	$ (209)
Credit Default - Index	-	74	406	-	448	928
Interest Rate Swaps	73	407	(274)	(1,459)	(36)	(1,289)
Total Swap Fair Value	**$ (3)**	**$ 251**	**$ 229**	**$ (1,459)**	**$ 412**	**$ (570)**

Interest Rate Risk

The Fund has exposure to interest rate risk due to the investment in interest rate swaps and TBAs. The required risk disclosures are included in the Interest Rate Risk schedule above.

	Derivative Instruments Highly Sensitive to Interest Rate Changes		
Investment Type	**Reference Rate**	**Fair Value**	**Notional**
TBA Securities	3.5%	$ (956)	$ 1,000
TBA Securities	4.0%	52,015	66,025
TBA Securities	4.5%	123,229	153,910
TBA Securities	5.0%	29,105	61,395
TBA Securities	5.5%	825	750
TBA Securities	6.0%	2,211	2,000
Total TBA Securities		**$ 206,429**	**$ 285,080**
Interest Rate Swap	Pay Variable 6 month BP/Receive Fixed 3.5%	3	642
Interest Rate Swap	Pay Variable BRL 1D LIBOR/Receive Fixed 11.57%	73	3,905
Interest Rate Swap	Pay Variable BRL LIBOR/Receive Fixed 11.49%	(3)	1,088
Interest Rate Swap	Pay Variable 6 month LIBOR/Receive Fixed 6.0%	409	5,940
Interest Rate Swap	Pay Variable 6 month LIBOR/Receive Fixed 3.5%	22	482
Interest Rate Swap	Pay Fixed 2.5%/Receive Variable 3 month LIBOR	(24)	1,000
Interest Rate Swap	Pay Fixed 4.0%/Receive Variable 3 month LIBOR	(244)	3,300
Interest Rate Swap	Pay Fixed 3.5%/Receive Variable 3 month LIBOR	(29)	1,300
Interest Rate Swap	Pay Variable CAD 3 month BBR/Receive Fixed 5.8%	323	13,263
Interest Rate Swap	Pay Fixed 5.0%/Receive Variable 3 month LIBOR	(1,782)	11,800
Interest Rate Swap	Pay Variable 3 month CDOR/Receive Fixed 5.0%	(1)	207
Interest Rate Swap	Pay Fixed 4.25%/Receive Variable 3 month LIBOR	(36)	1,100
Total Interest Rate Swaps		**$ (1,289)**	**$ 44,027**

Credit Risk

Inherent in the use of OTC derivatives, the Fund is exposed to counterparty credit risk on all open OTC positions. Counterparty credit risk is the risk that a derivative counterparty may fail to meet its payment obligation under the derivative contract. The Fund uses International Swaps and Derivatives Association Master Agreements and collateral to mitigate counterparty credit risk. Securities eligible as collateral are typically United States government bills and U.S. dollar cash. Generally, any positive movement in market value requires the counterparty to transfer a minimum of $250 thousand in collateral. This margin is adjusted at a minimum weekly and can be called as frequently as daily.

The maximum amount of loss due to credit risk that the Fund would incur if the counterparty to the derivative instrument failed to perform according to the terms of the contract, without respect to any collateral or other security, or netting arrangements is the total unrealized gain of derivatives at the end of the reporting period. The aggregate fair value of investment derivative instruments in asset positions at June 30, 2011, was $1,451 thousand of which $212 thousand was uncollaterized.

Some of the Fund's master agreements are subject to credit-related contingent features. In the event the Fund's assets decline by various, pre-specified rates over predetermined time periods, the Fund is either required to post more collateral or may be required to pay off the open liability contracts given the counterparties right to terminate the contract. Contingent features that could result in an immediate payment from the counterparty include a downgrade of the counterparty below a lower specified rating, commonly A-/A3. It is important to note that these contingent features are not compulsory, rather they are voluntary.

		Fair Value			Collateral	
Swaps Counterparty	**S&P Rating**	**Receivable/ Unrealized Gain**	**Payable/ (Unrealized Loss)**	**Total Fair Value**	**Posted**	**Received**
Bank of America Corp	A	$ -	$ (1,293)	$ (1,293)	$ 1,510	$ -
Barclays Bank	AA-	-	(454)	(454)	130	-
Citibank	A+	353	-	353	-	(440)
Credit Suisse	A+	-	(6)	(6)	-	-
Deutshe Bank	A+	340	-	340	-	(520)
Goldman Sachs Bank	A	406	-	406	-	(290)
Goldman Sachs International	A	-	(117)	(117)	-	-
JPMorgan Chase Bank	AA-	140	-	140	-	(260)
Merrill Lynch & Co	A	3	-	3	-	-
Morgan Stanley Capital Services	A	93	-	93	-	-
Royal Bank of Canada	AA-	116	-	116	-	(260)
Royal Bank of Scotland	A+	-	(71)	(71)	-	(270)
UBS	A+	-	(80)	(80)	-	-
Grand Total		**$ 1,451**	**$ (2,021)**	**$ (570)**	**$ 1,640**	**$ (2,040)**

Credit Default Swaps				
Investment Type		**Reference**	**Fair Value**	**Notional**
Index	Sold	CDX	$ 82	$ 16,530
Index	Bought	CDX	398	35,413
Index	Bought	ABX	448	3,622
Total CDS - Index			**$ 928**	**$ 55,565**
Single Name	Sold	Various	$ (54)	$ 6,967
Single Name	Bought	Various	(155)	54,500
Total CDS - Single Name			**$ (209)**	**$ 61,467**

Foreign Currency Risk

The Fund is exposed to foreign currency risk on its foreign currency forward contracts and futures contracts. The required risk disclosures are included in the Foreign Currency Risk schedule.

At June 30, 2011, TRF's investments included the following currency forwards balances:

Forward Currency Contract Receivables	$ 261.1
Forward Currency Contract Payables	$ 260.9

Long Term Commitments for Alternative Investments – TRF had entered into long term commitments for funding alternative investments in private equity and private real estate of $1,461 million as of June 30, 2011. These investments had a net asset value of $788 million as of June 30, 2011. The funding period for the amounts that TRF has already committed is from April 2002 to approximately June 2018. The outstanding commitments at June 30, 2011, totaled $728 million.

B. Interfund Transactions

Interfund Loans

As explained in Note III(A) above, temporary cash overdrafts in various funds are reported as interfund loans from the General Fund. As of June 30, 2011, the following funds had temporary cash overdrafts covered by loans from the General Fund: US DHHS Fund, $123.2 million, US Department of Agriculture Fund, $74.6 million, US Department of Labor Fund, $7.6 million, U.S. Department of Education Fund, $84.6 million, and S&S Children's Home Construction Fund, $0.2 million.

The following is a summary of the Interfund Loans as of June 30, 2011:

Interfund Loans - Current	Loans To Governmental Funds	Loans From Governmental Funds
Governmental Funds		
General Fund	$ 290,191	$ -
US DHHS	-	123,185
Nonmajor Governmental Funds	-	167,006
Total Governmental Funds	290,191	290,191
Total Interfund Loans	$ 290,191	$ 290,191

Interfund Services Provided/Used

Interfund Services Provided of $6.7 million represents amounts owed by various governmental funds to the Institutional Industries Fund and the Administrative Services Revolving Funds, both internal service funds, for goods and services rendered.

The following is a schedule of Interfund Services Provided/Used as of June 30, 2011:

Interfund Services Provided/Used	Interfund Services Provided To Governmental Funds	Interfund Services Used By Governmental Funds
Governmental Funds		
General Fund	$ -	$ 2,534
ARRA of 2009	-	1
U.S. Department of Transportation	-	6
U.S. Department of Health & Human Services	-	1,301
Nonmajor Governmental Funds	-	2,867
Total Governmental Funds	-	6,709
Proprietary Funds		
Internal Service Funds	6,709	-
Total Proprietary Funds	6,709	-
Total Interfund Services Provided/Used	$ 6,709	$ 6,709

Due From/Due Tos

Current – The $16.6 million is the State ARRA appropriation owed to the colleges and universities. Interfund balance of $6.0 million represents the accrued distribution amount from the State Lottery Commission to the Build Indiana Fund. The Indiana Finance Authority owed $250 thousand to governmental funds with $230 thousand due the General Fund and the balance of $20 thousand due non-major governmental funds.

Non-current – The interfund balance of $50.0 million represents funds the General Fund borrowed in June 2004, interest free, from the Indiana Board for Depositories, a discretely presented component unit. This money is due to be repaid, either from the General Fund prior to January 1, 2023, or by a budget request submitted to the 2023 session of the general assembly. This non-current interfund balance appears on the government-wide statements, but not the General Fund statements.

The following are current and non-current schedules of Due From/Due Tos of Component Units, as of June 30, 2011:

Component Units - Current

	Due From Primary Government	Due To Component Units	Due From Component Units	Due To Primary Government
Governmental Funds				
General Fund	$ -	$ -	$ 230	$ -
ARRA of 2009	-	16,637	-	-
Nonmajor Governmental Funds	-	-	6,011	-
Total Governmental Funds	-	16,637	6,241	-
Component Units				
Indiana University	9,697	-	-	-
Purdue University	3,060	-	-	-
Nonmajor Universities	3,880	-	-	-
Indiana Finance Authority	-	-	-	230
State Lottery Commission	-	-	-	6,011
Indiana State Fair Commission	-	-	-	-
Total Component Units	16,637	-	-	6,241
Total Due From/To	**$ 16,637**	**$ 16,637**	**$ 6,241**	**$ 6,241**

Component Units - Non-current

	Due From Primary Government	Due To Component Units
Governmental Funds		
General Fund	$ -	$ 50,000
Total Governmental Funds	-	50,000
Component Units		
Board for Depositories	50,000	-
Total Component Units	50,000	-
Total Due From/To	**$ 50,000**	**$ 50,000**

Effective July 1, 2008, members who have service in both the Public Employees' Retirement Fund (PERF) and the State Teachers' Retirement Fund (TRF) have the option of choosing from which of these funds they would like to retire. The fund that the member chooses pays the retirement benefits to the member. The member's pension is computed and vested status determined on the basis of the combined creditable service in both funds. The annuity, if any, is computed on the basis of amounts credited to the employee in the annuity savings accounts in both funds minus any amount withdrawn by the member under IC 5-10.2-3-6.5.

The fund in which the employee was a member must pay to the fund responsible for paying the member's benefits:

(1) the amount credited to the member in the member's annuity savings account, minus any amount withdrawn by the member; and
(2) the proportionate actuarial cost of the member's pension.

At the time the retirement benefit is calculated, PERF and TRF will set up a receivable (Due from component unit) or payable (Due to component unit) in their respective Statements of Fiduciary Net Assets based on which retirement fund will pay benefits to the member.

The following is a schedule of Due From/ Due Tos within Component Units, as of June 30, 2011:

Within Component Units	Due From Component Units	Due To Component Units
Discretely Presented Component Units Pension Trust:		
Pension Trust		
Public Employees' Retirement Fund	$ 738	$ 1,054
State Teachers' Retirement Fund	1,054	738
Total Discretely Presented Component Units Pension Trust	1,792	1,792
Total Due From /To	$ 1,792	$ 1,792

The State has established a due from agency fund in the General Fund and a due to General Fund in the Local Distributions agency fund for the over distribution of taxes collected on behalf of local units of government computed as of June 30, 2011. It is the State's intention to have the total repaid through adjustments in future distributions in accordance with state law (CAGIT: IC 6-3.5-1.1-9(b)(2); COIT: IC 6-3.5-6-17(b)(2); and CEDIT: IC 6-3.5-7-11(b)(2). The following schedule presents the Due from/Due to between the General Fund and the Agency Fund:

Between General Fund and Agency Funds	Due from Agency Funds	Due to General Fund
Governmental Funds		
General Fund	$ 539,697	$ -
Agency Funds		
Local Distributions	-	539,697
Total Due From/To	**$ 539,697**	**$ 539,697**

Interfund Transfers

Major Governmental Funds

Transfers constitute the movement of money from the fund that receives the resources to the fund that utilizes them. These numerous transfers generally result from legislation passed by the Indiana General Assembly that directs how the transfers are made. In the case of the General Fund, many appropriations are made in the General Fund and then are transferred during the year to the funds where these appropriations are used. Also in the case of the General Fund, various taxes and other revenues are collected in other funds and transferred to the General Fund. Following are the principal purposes of the State's interfund transfers:

General Fund – The General Fund had the following transfers in: $660.4 million was transferred in from the State Gaming Fund which were wagering taxes from riverboats and slot machines at horse tracks; $560.8 million was transferred in from the Public Welfare-Medicaid Assistance Fund of which $207.3 million was inter-governmental transfers (IGT) from disproportionate share hospital and supplemental payments; $144.1 million was a return of funds at fiscal year end; $98.8 million was qualifying assessment fees that can only be used for the State's share of Medicaid services under Title XIX of the Social Security Act; $30.2 million was received by a state psychiatric hospital for their operations; $29.4 million was the State Operated Facilities' Disproportionate share of Medicaid; $22.0 million was for IGT Medicaid Assistance; $16.4 million was from reimbursement of Medicaid expenditures from parties other than medical providers and Medicaid recipients; and $12.6 million was from Intermediate Care Facility for the Mentally Retarded (ICF/MR) assessment fees. The Build Indiana Fund transferred in $236.2 million as Motor Vehicle Excise Tax Cut Replacement distributions. $57.6 million was transferred in from the Tobacco Master Settlement Fund for various health and welfare purposes including residential services for the developmentally disabled, Indiana's Children with Special Health Care Needs health insurance coverage, and community health centers. $52.0 million was transferred to the Office of Medicaid Policy and Planning's State Medicaid General Fund and to the Division of Family Resources' Division of Family and Children Local Office fund from the Hospital Care for the Indigent Fund. $52.0 million was transferred in from the Fund 6000 Programs of which $21.9 million was distribution of financial institutions tax per IC 6-5.5; $11.7 million was transferred to the Office of Medicaid Policy and Planning's State Medicaid General Fund which were appropriation and reversion transfers; $9.4 million was transferred in for Indiana Veterans' Home administration from the Comfort-Welfare Fund's receipts of resident fees and Medicaid and Medicare reimbursements; $5.1 million was transferred in from permit fees collected from business that sell alcoholic beverages per IC 7.1-4-9-4; and $4.0 million was transferred in from the Skills 2016 Training Fund for the Department of Workforce Development's Employment and Training Administration fund. $31.6 million was transferred in from the U.S. Department of Health and Human Services Fund of which $26.1 million was for the Office of Medicaid Policy and Planning's FSSA Medicaid Fund; $3.6 million was reimbursement of federal indirect costs to the State Budget Agency; $0.8 million was for Division of Family Resources information systems; $0.5 million was for the Attorney General's Office's Medicaid and welfare fraud units; $0.4 million was for county prosecutors and judges state match returned at fiscal year end; and $0.2 million was an allocation of federal indirect costs by the Department of Child Services. The Medicaid Indigent Care Trust Fund transferred in $26.1 million for the Office of Medicaid Policy and Planning's State Medicaid General Fund to cover Medicaid Assistance expenditures and to cover the state match of Medicaid supplemental payments under IC 12-15-20-2.

The following were transfers out from the General Fund: The Public Welfare Medicaid Assistance Fund received $1.9 billion in transfers for Medicaid current obligations and for Medicaid administration to enable the Office of Medicaid Policy and Planning to carry out all services under IC 12-8-6. These services include, but may not be limited to the provision of care and treatment for individuals with mental illness, developmental disability, long term care needs, and family and child services needs. $316.4 million was transferred to the U.S. Department of Health and Human Services Fund in support of: the State Medicaid program; the Family and Children Fund of the Department of Child Services; child care services and the temporary assistance for needy families program both administered through FSSA's Division of Family Resources; county child care services offices' administration and child welfare services administration both administered through the Department of Child Services; information systems for the Department of Child Services; client services provided through the Division of Disability and Rehabilitation Services; adoption services through the Department of Child Services; and other health and human services programs and services. $268.7

million was transferred to the State Student Assistance Commission of Indiana mostly for the awarding of the State's grants and scholarships for Hoosier students to attend colleges. The Mental Health Centers Fund received transfers in totaling $88.3 million for services to adults who are seriously mentally ill in comprehensive community health centers and for administration by the Department of Mental Health. The Build Indiana Fund received $86.8 million from riverboat wagering and pari-mutuel taxes which went to the Lottery and Gaming Surplus Account. $71.3 million was transferred to the Federal Food Stamp Program administered by FSSA's Division of Family Resources. $61.5 million was transferred to the Hospital Care for the Indigent Fund for the Hospital Care for the Indigent Program. $52.4 million was transferred from the General Fund to the Motor Vehicle Highway Fund for State Police administration and pensions. $28.3 million was transferred to the U.S. Department of Education Fund of the FSSA's Division of Disability and Rehabilitative Services mostly for vocational rehabilitation and children's prevention services.

Medicaid Assistance Fund – The Medicaid Assistance Fund had a transfer in of $1.9 billion from the General Fund to support the state Medicaid program administered through the Office of Medicaid Policy and Planning. $31.6 million was transferred in from the Mental Health Center Fund for funds collected from providers of services to the seriously mentally ill for the local/State set-aside match. $30.0 million was transferred in from the Medicaid Indigent Care Trust Fund for reimbursement of hospital care for the indigent supplement payments made from the Medicaid Assistance Fund. $3.0 million was transferred in from the Hospital Care for the Indigent Fund to support care of indigents at state hospitals.

Transfers out included $560.8 million to the General Fund of which $207.3 million was inter-governmental transfers (IGT) from disproportionate share hospital and supplemental payments, $144.1 million was a return of funds at fiscal year end, $98.8 million was qualifying assessment fees that can only be used for the State's share of Medicaid services under Title XIX of the Social Security Act, $30.2 million was received by a state psychiatric hospital for their operations, $29.4 million was the State Operated Facilities' Disproportionate share of Medicaid, $22.0 million was for IGT Medicaid Assistance, $16.4 million was from reimbursement of Medicaid expenditures from parties other than medical providers and Medicaid recipients, and $12.6 million was from Intermediate Care Facility for the Mentally Retarded (ICF/MR) assessment fees.

Major Moves Construction Funds – The Major Moves Construction Fund received $124.2 million of interest earned from the Next Generation Trust Fund and transferred per IC 8-14-15-10. The Major Moves Construction Fund had a transfer out of $521.8 million to the State Highway Department for construction and maintenance of the State's highways, roads, and bridges.

ARRA of 2009 Fund – The American Recovery and Reinvestment Act of 2009 Fund received $639.7 thousand from the U.S. Department of Justice Fund to support the Supreme Court's Edward Byrne Memorial Justice Assistance Grant program. $140.8 thousand was received from the U.S. Department of Homeland Security Fund for the National Oceanic and Atmospheric Administration habitat restoration program of the Indiana Department of Natural Resources. The Tobacco Master Settlement Agreement Fund transferred in $105.0 thousand for the Indiana Department of Health's ARRA-State Loan Repayment program whose objective is to increase the State's ability to address the shortages of primary health care practitioners.

The American Recovery and Reinvestment Act of 2009 Fund transferred out $362.3 thousand to the U.S. Department of Labor Fund for expenditure adjustments made by the Indiana Department of Workforce Development.

U.S. Department of Transportation Fund– The U.S. Department of Transportation Fund had the following major transfers in: $323.1 million of state and local match money was transferred in from the State Highway Department Fund for use by the Indiana Department of Transportation for transportation projects; and $68.0 million was received from the Public Mass Transportation Fund for the promotion and development of efficient and effective public transportation in Indiana.

The U.S. Department of Transportation Fund transferred out $4.9 million and $2.6 million to the State Highway Department Fund and the Public Mass Transportation Fund, respectively, at fiscal year end.

U.S. Department of Health and Human Services Fund – The U.S. Department of Health and Human Services (USDHHS) Fund had transfers in totaling $316.4 million from the General Fund for the State Medicaid program; child care services and the temporary assistance for needy families program both administered through the Division of Family

Resources; county child care offices and welfare services administration both run through the Department of Child Services (DCS); information systems for DCS; the Division of Mental Health's Child Psychiatric Service Fund; client services provided through the Division of Disability and Rehabilitation Services; administrative costs of the DCS; and other health and human services programs and services. $38.9 million was received from the Tobacco Settlement Fund for the programs and services of the Indiana Family and Social Services' Bureau of Developmental Disabilities and Office of Medicaid Policy and Planning. $0.9 million was received from the Tobacco Master Settlement Fund for the Indiana Department of Health's U.S. Department of Health and Human Services Fund.

The U.S. Department of Health and Human Services transferred out to the General Fund $31.6 million of which: $26.1 million was for the Office of Medicaid Policy and Planning's FSSA Medicaid Fund; $3.6 million was reimbursement of federal indirect costs to the State Budget Agency; $0.8 million was for the Division of Family Resources information systems; $0.5 million was for the Attorney General's Office's Medicaid and welfare fraud units; $0.4 million was county prosecutors and judges state match returned at fiscal year end; and $0.2 million was an allocation of federal indirect costs by the Department of Child Services. The Welfare-Work Incentive Fund received $10.7 million for the FSSA administration account. The Fund 6000 Programs received $9.7 million for expenditures of the Division of Disability and Rehabilitation Services' programs of crisis management, objective assistance system for independent services (OASIS), and outreach – state operating services. $8.7 million was transferred to the U.S. Department of Education Fund for education grant programs and services at the Division of Disability and Rehabilitation Services, Indiana School for the Blind, and Indiana Department of Education.

Proprietary Funds

Non-Major Enterprise Funds

The Inns and Concessions Fund – This fund had transfers out of $2.6 million, representing cash contributions to the Department of Natural Resources (DNR) which are to be used for repayments of bonds made by the Indiana Finance Authority.

Internal Service Funds

$24.6 million was transferred from the State Employee Disability Fund to the State Employee Health Insurance Fund for the payment of future other post-employment benefit liabilities.

A summary of interfund transfers for the year ended June 30, 2011 is as follows:

	Operating transfers in	Operating transfers (out)	**Net transfers**
Governmental Funds			
General Fund	$ 1,731,406	$ (3,078,812)	**$ (1,347,406)**
Public Welfare-Medicaid Assistance Fund	2,040,353	(560,830)	**1,479,523**
Major Moves Construction Fund	124,158	(521,785)	**(397,627)**
ARRA of 2009	885	(397)	**488**
U.S. DOT Fund	394,715	(7,898)	**386,817**
U.S. DHHS Fund	374,005	(60,587)	**313,418**
Nonmajor Governmental Fund	2,284,509	(2,717,104)	**(432,595)**
Proprietary Funds			
Inns and Concessions	-	(2,618)	**(2,618)**
Internal Service Funds	24,564	(24,564)	**-**
Total	$ 6,974,595	$ (6,974,595)	**$ -**

C. Taxes Receivable/Tax Refunds Payable

Taxes Receivable/Tax Refunds Payable as of year end, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities			
	General Fund	Special Revenue Funds	Capital Projects Funds	Total Primary Government
Income taxes	$ 1,442,531	$ 2,135	$ -	**$ 1,444,666**
Sales taxes	899,128	4,469	-	**903,597**
Fuel taxes	-	115,791	-	**115,791**
Gaming taxes	524	7,515	-	**8,039**
Inheritance taxes	43,852	-	-	**43,852**
Alcohol and tobacco taxes	27,610	15,175	1,859	**44,644**
Insurance taxes	2,741	-	-	**2,741**
Financial institutions taxes	-	67,696	-	**67,696**
Other taxes	16,295	14,886	-	**31,181**
Total taxes receivable	2,432,681	227,667	1,859	**2,662,207**
Less allowance for uncollectible accounts	(402,342)	(38,097)	(4)	**(440,443)**
Net taxes receivable	**$ 2,030,339**	**$ 189,570**	**$ 1,855**	**$ 2,221,764**
Tax refunds payable	**$ 57,899**	**$ 9,629**	**$ -**	**$ 67,528**

D. Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2011, was as follows:

Primary Government – Governmental Activities

	Balance, July 1, As restated	Increases	Decreases	Balance, June 30
Governmental Activities:				
Capital assets, not being depreciated/amortized:				
Land	$ 1,502,521	$ 121,866	$ (878)	$ 1,623,509
Infrastructure	8,038,460	194,880	(16,855)	8,216,485
Construction in progress	1,483,716	509,124	(219,131)	1,773,709
Total capital assets, not being depreciated/amortized	11,024,697	825,870	(236,864)	11,613,703
Capital assets, being depreciated/amortized:				
Buildings and improvements	1,607,232	3,353	(53,640)	1,556,945
Furniture, machinery, and equipment	493,256	29,467	(19,108)	503,615
Computer software	35,790	2,042	(22)	37,810
Infrastructure	24,212	55	(1,600)	22,667
Total capital assets, being depreciated/amortized	2,160,490	34,917	(74,370)	2,121,037
Less accumulated depreciation/amortization for:				
Buildings and improvements	(820,976)	(36,158)	34,584	(822,550)
Furniture, machinery, and equipment	(323,104)	(41,216)	17,337	(346,983)
Computer software	(34,411)	(833)	-	(35,244)
Infrastructure	(14,076)	(518)	828	(13,766)
Total accumulated depreciation/amortization	(1,192,567)	(78,725)	52,749	(1,218,543)
Total capital assets being depreciated/amortized, net	967,923	(43,808)	(21,621)	902,494
Governmental activities capital assets, net	$ 11,992,620	$ 782,062	$ (258,485)	$ 12,516,197

Primary Government – Business-Type Activities

Business-Type Activities:	Balance, July 1	Increases	Decreases	Balance, June 30
Capital assets, being depreciated:				
Buildings and improvements	$ 149	$ -	$ -	$ 149
Furniture, machinery, and equipment	232	29	-	261
Infrastructure	-	-	-	-
Total capital assets, being depreciated	381	29	-	410
Less accumulated depreciation for:				
Buildings and improvements	(82)	(18)	-	(100)
Furniture, machinery, and equipment	(211)	(15)	-	(226)
Total accumulated depreciation	(293)	(33)	-	(326)
Total capital assets being depreciated, net	88	(4)	-	84
Business-type activities capital assets, net	$ 88	$ (4)	$ -	$ 84

Depreciation/amortization expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	$ 6,148
Public safety	32,785
Health	952
Welfare	4,995
Conservation, culture and development	11,254
Education	1,530
Transportation	21,061
Total depreciation/amortization expense - governmental activities	$ 78,725
Business-type activities:	
Inns and Concessions	$ 33
Total depreciation expense - business-type activities	$ 33

E. Leases

The future minimum lease obligations, the net present value of these minimum lease payments as of June 30, 2011 and the assets acquired through capital leases are as follows:

Future minimum lease payments

Year ending June 30,	Operating leases	Capital leases Governmental Activities
2012	$ 24,849	$ 104,475
2013	21,680	101,817
2014	17,224	101,827
2015	13,986	102,833
2016	13,071	101,736
2017-2021	16,334	506,397
2022-2026	-	509,289
2027-2031	-	310,119
2032-2036	-	4,422
Total minimum lease payments (excluding executory costs)	**$ 107,144**	**1,842,915**
Less:		
Remaining premium(discount)		(20,862)
Amount representing interest		(596,741)
Present value of future minimum lease payments		**$ 1,225,312**

Assets acquired through capital lease

Building	$ 45,900
Machinery and equipment	2,346
Infrastructure	1,199,759
less accumulated depreciation	(12,250)
	$ 1,235,755

Operating Leases

The State leases building and office facilities and other equipment under non-cancelable operating leases. Total payments for such leases with aggregate payments of $20,000 or more were $32.1 million for the year ended June 30, 2011. A table of future minimum lease payments (excluding executory costs) is presented above.

Capital Leases Liabilities

The State has entered into various lease agreements with aggregate payments of $20,000 or more to finance the acquisition of buildings, land and equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date in the government-wide statements.

F. Long-Term Obligations

Changes in long-term obligations for the primary government for the year ended June 30, 2011 were as follows:

Changes in Long-Term Obligations	Balance, July 1, as Restated	Increases	Decreases	Balance, June 30	Amounts Due Within One Year	Amounts Due Thereafter
Governmental activities:						
Compensated absences	$ 145,434	$ 3,045	$ (6,707)	$ 141,772	$ 79,377	$ 62,395
Due to component unit	57,073	9,564	-	66,637	16,637	50,000
Net pension obligation	948,080	117,845	-	1,065,925	-	1,065,925
Other postemployment benefits	112,405	18,247	(12,423)	118,229	-	118,229
Pollution remediation	58,261	-	(16,952)	41,309	8,699	32,610
Intergovernmental payable	162,446	35,107	(10,001)	187,552	157,552	30,000
Capital leases	1,269,936	2,995	(47,619)	1,225,312	47,063	1,178,249
	$ 2,753,635	$ 186,803	$ (93,702)	$ 2,846,736	$ 309,328	$ 2,537,408
Business-type activities:						
Compensated absences	$ 496	$ 176	$ (200)	$ 472	$ 203	$ 269
Claims liability	45,473	8,145	(20,555)	33,063	3,702	29,361
	$ 45,969	$ 8,321	$ (20,755)	$ 33,535	$ 3,905	$ 29,630

Long term obligations of governmental activities include capital lease obligations of governmental funds as presented in Note IV(E), net pension obligations for the State Police Retirement Fund, Prosecuting Attorney's Retirement Fund, and the State Teachers' Retirement Fund (Pre-1996 Account) as presented in Note V(E), other postemployment benefits, pollution remediation, amounts due to component units, and compensated absence obligations. The General Fund typically has been used to liquidate any other long-term liabilities.

Long-term obligations of the business-type activities consist of claims liability of the Indiana Residual Malpractice Insurance Authority and compensated absences of the Inns and Concessions Fund.

Revenue bonds are issued by entities established by statute as corporate and politic units with the separate legal authority to finance certain essential governmental functions. Income from the acquired or constructed assets is used to pay debt service.

G. Prior Period Adjustments and Reclassifications

For the fiscal year ended June 30, 2011, certain changes have been made to the financial statements to more appropriately reflect financial activity of the State of Indiana. These prior period adjustments and restatements are reflected in the beginning net assets in the government-wide statement of activities.

Prior Period Adjustments

In the fund statements for governmental funds, there is an increase of $148.9 million in net assets of the General Fund and a corresponding decrease in net assets of the Department of Revenue's Collection Fund (Non-major Governmental fund) for electronically filed estimated corporate income tax not transferred in prior years.

In the fund statements for governmental funds, and the government-wide statements, net assets of the ARRA of 2009 Fund increased $305.4 million for adjustments for cash omitted from financial statement presentation in prior years.

In the fund financial statements for Special Revenue Funds, and the government-wide statements, net assets decreased by $13.7 million due to a change in presentation of the BMV holding fund.

In the fund statements for governmental funds, and the government-wide statements, there is an increase of $2.8 million in net assets for existing cash that was incorrectly recorded in the prior year
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In the fund statements for governmental funds and the government-wide statements, there is a decrease of $751 thousand due to errors relating to current receivable and payable accruals in 2010.

In the fund statements for permanent funds, there was a decrease of $2.6 million for the reclassification of three funds to private-purpose trust funds. For the government-wide statements, there was a decrease of $4.1 million for the aforementioned reclassification of three permanent funds to private-purpose trust funds and a $1.5 million decrease for the reclassification of an internal service fund to an agency fund.

For the government-wide statements, there is a decrease of $33.0 thousand in net assets for infrastructure assets included in INDOT infrastructure as of June 30, 2010.

For the government-wide statements, there is a decrease of $11.8 million in net assets for Department of Administration (DoA) work in process. This was primarily the result of incorrectly capitalizing maintenance projects as of June 30, 2010.

For the government-wide statements, there is an increase of $64.1 million in net assets for capital assets. This was the result of not capitalizing capital assets by June 30, 2010 that were acquired prior to this date, for corrections to acquisition cost by state agencies, and for the elimination of duplicate assets found in the 2010 report.

For the government-wide statements, there is an increase of $6.6 million for software that was in development by June 30, 2010 from implementing GASB statement number 51, Accounting and Financial Reporting for Intangible Assets.

For the government-wide statements, there is an increase of $3.5 million in net assets for capital assets acquired through leases that were not included in the prior year.

For the Internal Service funds and the government-wide statements, there is an increase of $33.0 million in net assets for the correction of errors. There was an increase of $34.8 million in net assets because parts of the Administrative Services Revolving and Institutional Industries Funds were not included in last year's financial statements. Net assets for the Aviation Rotary Fund increased by $0.1 million for aircraft omitted in the prior year financial statements. Net assets for the Administrative Services Revolving fund decreased by $1.9 million because the Motor Pool's 2010 ending balance for gasoline inventory was overstated by this amount. Net assets for internal service funds decreased by $1.5 million for the reclassification of a fund from an internal service fund to an agency fund.

The net assets for business type activities increased by $23.0 thousand for correction of errors by the Inns and Concessions.

For the discrete component units, the Indiana Economic Development Corporation's net assets increased by $5.5 million for loans receivable not included in their 2010 financial statements.

There was an increase of $1.8 million in beginning net assets for the correction of an error by Indiana State University for a foundation pledge receivable that should have been recorded in the prior year as the conditions were met. Purdue University's net assets increased by $3.9 million comprised of a $9.4 million increase for Foundation trust funds omitted in the prior year financial statements and a decrease of $5.5 million to agree the foundation's net assets to the underlying accounting records.

The following schedule reconciles June 30, 2010 net assets as previously reported, to beginning net assets, as restated:

	Governmental Activities	Business-Type Activities	Discretely Presented Component Units (Non Fiduciary)
June 30, 2010, fund balance/retained earnings/net assets as reported	$ 17,527,882	$ (1,610,113)	$ 9,627,982
Correction of errors	389,031	23	11,229
Reclassifications of funds	(4,099)	-	-
Balance July 1, 2010 as restated	$ 17,912,814	$ (1,610,090)	$ 9,639,211

V. OTHER INFORMATION

A. Risk Management

The State of Indiana is exposed to various risks of loss. This includes damage to property owned by the agencies, personal injury or property damage liabilities incurred by a State officer, agent or employee, errors, omissions and theft by employees, certain employee health benefits, employee death benefits, and unemployment and worker's compensation costs for State employees.

The State records an expenditure for any loss as the liability is incurred or replacement items are purchased. The State purchases commercial insurance related to certain employee health benefits and also some insurance coverage exists for DNR Inns properties. The State also purchases immaterial amounts of commercial insurance related to errors, omissions, and theft by employees. Settlements related to commercial insurance have not exceeded coverage in the past three fiscal years.

The State does have risk financing activity for the State employees' disability, certain State employees' health benefits, and certain health, disability and death benefits for State Police officers. These are reported in three individual Internal Service Funds.

The State employees' disability program is financed partially by State employees through payroll withholdings and by the funds from which employees are paid. The employees' health benefits and the State Police traditional health plan are funded by the employees who have selected certain health care benefit packages and the funds from which those employees are paid. (An insurance carrier does provide claims administration services for the health insurance programs.)

Located below is the table of claim liabilities. The liabilities are not maintained in the accounting records of the State. The claim liabilities for the health insurance programs and the State Disability fund were estimated based on the historical experience rate of claims paid that were for service dates incurred during a prior fiscal year. The surplus retained earnings in these funds are reserved for future catastrophic losses.

	State Police Health Insurance Fund	State Employees' Health Insurance Fund	State Employee Disability Fund	Total
2011				
Unpaid Claims, July 1	$ 4,004	$ 39,641	$ 4,932	**$ 48,577**
Incurred Claims and Changes in Estimate	28,644	276,553	21,405	**326,602**
Claims Paid	(28,504)	(282,449)	(21,206)	**(332,159)**
Unpaid Claims, June 30	**$ 4,144**	**$ 33,745**	**$ 5,131**	**$ 43,020**
2010				
Unpaid Claims, July 1, as restated	$ 4,584	$ 40,515	$ 4,137	**$ 49,236**
Incurred Claims and Changes in Estimate	28,638	277,708	21,189	**327,535**
Claims Paid	(29,218)	(278,582)	(20,394)	**(328,194)**
Unpaid Claims, June 30	**$ 4,004**	**$ 39,641**	**$ 4,932**	**$ 48,577**

B. Contingencies and Commitments

Litigation

The State does not establish reserves for judgments or other legal or equitable claims against the State. Judgments and other such claims must be paid from the State's unappropriated balances and reserves, if any.

With respect to tort claims only, the State's liability is limited to: (A) $300,000 for a cause of action that accrues before January 2006; (B) $500,000 for a cause of action that accrues between 2006 and 2008; or (C) $700,000 for a cause of action that accrues on or after January 2008, for injury to or death of one person in any one occurrence and $5 million for injury to or death of all persons in that occurrence.

The Indiana Attorney General's office estimates a total payment for liabilities and litigation expenses of $11.3 million to be made from the Tort Claim Fund during the next fiscal year. During the fiscal year ending June 30, 2011, the State paid $7.7 million for settlements, judgments, claims and litigation expenses from the Tort Claim Fund.

The following is a summary of certain significant litigation and claims currently pending against the State involving amounts exceeding $5 million individually or in the aggregate. This summary is not exhaustive, either as to the description of the specific litigation or claims described or as to all of the litigation or claims currently pending or threatened against the State.

The Indiana Attorney General's office is currently handling the following cases that could result in significant liabilities to the State:

In 1968, a lawsuit seeking to desegregate the Indianapolis Public Schools was filed in the United States District Court for the Southern District of Indiana. Since 1978, the State has paid several million dollars per year for inter-district busing that is expected to continue through 2016. The District Court entered its final judgment in 1981 holding the State responsible for most of the costs of its desegregation plan, and those costs have been part of the State's budget since then. In June 1998, the parties negotiated an 18-year phase out of the desegregation plan that was approved by the Court for some school corporations and a 13-year phase out of the desegregation plan for the school corporations that had already began the desegregation plan. State expenditures will be gradually reduced as the plan is phased out.

In 1993, Plaintiffs filed a breach of employment contract lawsuit in a state trial court alleging that the State has failed to pay certain similarly classified state employees at an equal rate of pay from 1973 to 1993. The Court certified Plaintiffs' class and class notification was completed. Plaintiffs seek to recover damages as well as attorney fees and costs. A four-day bench trial was conducted. The Court took the matter under advisement and gave the parties time to submit proposed findings of fact and conclusions of law. In July 2009, the Court entered judgment against the State in the total amount of $43 million ($21 million awarded to merit, overtime eligible employees; $17 million awarded to non-merit, overtime eligible employees; $3 million awarded to merit, overtime exempt employees; $2 million awarded to non-merit, overtime exempt employees). In November 2009, Plaintiffs reduced their settlement demand to $20 million. The State responded with an offer of $8.5 million (inclusive of fees and costs) and later increased the offer to $10 million. The matter is fully briefed in the Court of Appeals. In its October 2010 opinion, the Court of Appeals reversed in part, affirmed in part and remanded to trial court for determination of damages; excused exhaustion of administrative remedies, but limited back pay to 10 days (instead of 20 years) for merit employees; affirmed 20 years of back pay for non-merit employees. Impact of the opinion is a reduction in the trial court's judgment from $43 million to approximately $19 million. In November 2010, both Plaintiffs and the State filed Petitions for Rehearing. The State's Petition for Rehearing denied. Plaintiff's Petition for Rehearing granted in part remanding to trial court for determination of if/when individual merit plaintiffs filed administrative complaints. Plaintiffs and the State each filed Petitions for Transfer to the Indiana Supreme Court, which were granted in June 2011. Oral argument was held in the Supreme Court in September 2011 and taken under advisement.

In August 2011, due to a sudden wind gust resulting from inclement weather conditions, an outdoor stage collapsed at the Indiana State Fair resulting in multiple injuries and deaths. Tort claim notices against the Indiana State Fair Commission and the State have been filed with the Indiana Attorney General. Lawsuits against the State and other parties have been filed and other lawsuits are expected. The State contends that immunities and limitations on damages under the Indiana Tort Claims Act apply to these claims.

Other Litigation

The State on behalf of the Indiana Family and Social Services Administration (FSSA) is currently involved in the following case that could result in significant liability to the State:

In May 2010 the State of Indiana, on behalf of the Indiana Family and Social Services Administration (FSSA), and counterclaim Plaintiff sued each other regarding counterclaim Plaintiff's state welfare system contract entered into in 2006. In October 2009 the State announced its intention to terminate the 10-year contract early effective December 2009 due to counterclaim Plaintiff's deficient performance. The State and counterclaim Plaintiff engaged in a series of informal dispute resolution meetings to try to resolve the competing claims. The State, represented by outside counsel, filed suit against counterclaim Plaintiff for breach of contract and unjust enrichment seeking to recover $438 million in payments, indemnification, damages, costs, fees, interest, treble damages, declaratory judgment, and other relief. Counterclaim Plaintiff filed suit against the State seeking deferred costs and fees, costs for Plaintiff's equipment retained by the State and other fees and costs related to the termination of the contract in excess of $100 million. The State and counterclaim Plaintiff filed amended complaints in November 2010. The Court denied the State's motion to dismiss the counterclaim Plaintiff's tort claims in March 2011. The State answered and filed counterclaims to the counterclaim Plaintiff's amended complaint in May 2011. The counterclaim Plaintiff answered the State's counterclaims in June 2011. The parties are currently engaged in expert discovery and depositions. Dispositive motions were filed November 15, 2011 with supplemental briefing through mid-December 2011. Trial is set for February 2012.

Other Loss Contingencies

The U.S. Office of Inspector General (USOIG) has issued four audit reports that are dated September 2008 through June 2011 on Indiana's Medicaid Assistance Program. Findings in these reports identify several issues including state psychiatric hospitals that were ineligible to receive Medicaid Inpatient payments, coding issues, and unreported Medicaid overpayments. The reports request repayments totaling $111 million, but FSSA believes the possible loss contingency for these findings totals $42 million. FSSA management is working to arrange a settlement of these findings. It is unknown how much of this loss contingency, if any, will have to be repaid to the federal government.

Construction Commitments

As of June 30, 2011, the Indiana Department of Transportation had outstanding construction commitments totaling $1.6 billion for road and bridge projects. It is anticipated that these projects will be financed with approximately 6% State funds, 2% local funds, 54% Federal funds, and 38% from the Major Moves Construction Fund.

The Indiana Department of Administration, Public Works Division, had remaining construction commitments totaling $5.4 million for building and improvement projects of the State's agencies as of June 30, 2011. These projects are to be funded through State appropriations, the State Highway Department Fund, capital projects funds, and federal funds.

The State had $18.5 million in total commitments for software in development as of June 30, 2011. These commitments are to be funded through federal funds and state dedicated funds.

Encumbrances

Significant encumbrances by major funds and non-major funds in the aggregate as of June 30, 2011 were as follows:

Governmental Funds	Encumbrances
General Fund	$ 324,259
ARRA of 2009	132,611
US Department of Transportation	1,316,617
US Department of Health & Human Services	259,362
Non-Major Governmental Funds	1,359,871
Total	**$ 3,392,720**

C. Other Revenue

Other revenue represents revenue received which cannot accurately be included with any of the other revenue sources. In most cases, the amount of "other revenue" received by a fund is insignificant in comparison with total revenues received.

D. Economic Stabilization Fund

In 1982 the Indiana General Assembly adopted Indiana Code 4-10-18, which established the Counter-Cyclical Revenue and Economic Stabilization Fund ("Rainy Day Fund").

This fund was established to assist in stabilizing revenue during periods of economic recession and is accounted for within the State general fund.

Each year the State Budget Director determines calendar year Adjusted Personal Income (API) for the State and its growth rate over the previous year, using a formula determined by the legislature.

In general, monies are deposited automatically into the Rainy Day Fund if the growth rate in API exceeds 2%; monies are removed automatically from the Rainy Day Fund if API declines by more than 2%. If the balance in the fund at the end of the fiscal year exceeds 7% of total general fund revenues for the same period, the excess is transferred from the Rainy Day Fund to the State General Fund.

Loans can be made from the Rainy Day Fund to local units of government for specific purposes. The Rainy Day Fund cash and investment balance at the end of fiscal year 2011 was $57.2 million. Total outstanding loans were $14.8 million, resulting in total assets of $72.0 million. Because the API increased by more than 2%, $53.5 million was transferred from the General Fund to the Rainy Day Fund.

E. Employee Retirement Systems and Plans

The State of Indiana sponsors eight public employee retirement systems (PERS) that are included in the State's financial statements. They are reported and administered as described in Note I(A).

<u>Summary of Significant Accounting Policies (Primary government and discretely presented component units)</u>

The accrual basis is used for financial statement reporting purposes. Receivables are not maintained on the accounting records, but are calculated or estimated for financial statement reporting purposes. Throughout the year, the investments are maintained on the accounting records at the net asset value per the custodian banks. The custodian banks maintain records of the detailed holdings and accounts that comprise the net asset value. At fiscal year end, the accounting records and financial statements recognize investment receivables and payables using investment unit trust accounting. Investments of defined benefit plans are reported at fair value. Short-term investments are reported at market value when available, or at cost, which approximates fair value.

Securities traded on a national or international exchange are valued at the official closing price at current exchange rates. Collective trust funds' fair values are determined by the fair value per share of the pool's underlying portfolio as provided by the trustee. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Values for limited partnership interests are those estimates most recently provided by the general manager, plus or minus cash flows transacted since the valuation date. Investments that do not have an established market are reported at estimated fair value.

The State sponsors the following defined benefit single-employer plans:

<u>State Police Retirement Fund (Presented as a pension fund)</u>

<u>Plan Description</u> The State Police Retirement Fund (SPRF) is a defined benefit, single-employer PERS, and is administered by the Treasurer of the State of Indiana as Trustee under a Pension Trust Agreement with the Indiana Department of State Police. Indiana Code 10-12-2-2 grants authority to the Department to establish and operate an actuarially sound pension plan governed by a pension trust. It also authorizes the Department to make annual contributions as necessary to prevent any deterioration in the actuarial status of the trust.

The State Police Retirement Fund does not issue a stand-alone financial report. The SPRF's financial statements are included in the State of Indiana's CAFR as part of the statements presented with fiduciary funds.

<u>Funding Policy</u> The pre-1987 plan required employee contributions of five percent of the salary of a sixth-year trooper. The 1987 plan applies to all officers hired after June 30, 1987. In addition, State police officers hired prior to July 1, 1987 could elect to be covered under this plan if the employee filed an election with the trustee before July 1, 1989. Participants under the 1987 plan contribute six percent of their monthly salary.

Periodic employer contributions to the pension plan are determined on an actuarial basis using the entry age normal cost actuarial method. Normal cost is funded on a current basis. Under the terms of the Trust Agreement, in the event the Department fails to make the minimum contribution for five successive years, the Trust shall terminate and the fund shall be liquidated. The unfunded actuarial accrued liability is being funded over a thirty-year closed period which commenced July 1, 2010. Periodic contributions for both normal cost and the amortization of the unfunded actuarial accrued liability are based on the level dollar of payroll method. The funding policy for normal cost and unfunded actuarial accrued liability should provide sufficient resources to pay employee pension benefits on a timely basis.

Funded Status and Funding Progress As of June 30, 2011, the most recent actuarial valuation date, the plan was 77 percent funded. The actuarial accrued liability for benefits was $470.9 million, and the actuarial value of assets was $361.5 million, resulting in an unfunded actuarial accrued liability (UAAL) of $109.4 million. The covered payroll (annual payroll of active employees covered by the plan) was $64.9 million, and the ratio of the UAAL to the covered payroll was 168 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statement, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

State Excise Police, Gaming Agent, Gaming Control Officer and Conservation Enforcement Officers' Retirement Plan (Presented as part of PERF – a discretely presented component unit)

Plan Description The State Excise Police, Gaming Agent, Gaming Control Officer and Conservation Enforcement Officers' Retirement Plan (ECRP) is a single employer defined benefit plan administered by the Board of Trustees of the Public Employees' Retirement Fund. The retirement fund is for certain employees of the Indiana Department of Natural Resources, the Indiana Alcohol and Tobacco Commission, and any State excise police officer, Indiana state conservation enforcement officer, gaming agent or any gaming control officer who is engaged exclusively in the performance of law enforcement duties.

The Excise Police, Gaming Agent and Conservation Enforcement Officers' Retirement Plan provides retirement, disability, and survivor benefits. Indiana Code 5-10-5.5 governs the requirements of the Fund. The Public Employees' Retirement Fund Board of Trustees issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole. That report may be obtained by writing the Public Employees Retirement Fund, One North Capitol, Suite 001, Indianapolis, IN 46204, by calling 888-526-1687, or by visiting PERF's website, www.in.gov/inprs.

Funding Policy Members are required by statute to contribute 4 percent of the member's annual salary to the Plan. The State of Indiana, as employer, is required by statute to contribute the remaining amount necessary to actuarially fund the benefits. The funding policy for employer contributions of the State Excise Police, Gaming Agent, Gaming Control Officer, and Conservation Enforcement Officers' Retirement Plan provides for biennial appropriations authorized by the Indiana General Assembly which, when combined with anticipated member contributions are sufficient to actuarially fund benefits (normal cost), amortize the unfunded accrued liability over thirty years, and prevent the State's unfunded accrued liability from increasing.

Funded Status and Funding Progress As of July 1, 2010, the most recent actuarial valuation date, the plan was 72 percent funded. The actuarial accrued liability for benefits was $97.8 million, and the actuarial value of assets was $70.3 million, resulting in an unfunded actuarial accrued liability (UAAL) of $27.5 million. The covered payroll (annual payroll of active employees covered by the plan) was $26.7 million, and the ratio of the UAAL to the covered payroll was 103 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statement, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Prosecuting Attorneys' Retirement Fund (Presented as part of PERF – a discretely presented component unit)

Plan Description The Prosecuting Attorneys' Retirement Fund (PARF) is a defined benefit single-employer plan administered by the Board of Trustees of the Public Employees' Retirement Fund. The Prosecuting Attorneys' Retirement Fund provides retirement, disability, and survivor benefits for individuals who serve as a prosecuting attorney or chief deputy prosecuting attorney; or serve as the executive director or assistant executive director of the Indiana Prosecuting Attorneys Council or as a state-paid deputy prosecuting attorney.

These individuals' salaries are paid from the General Fund of the State of Indiana. Indiana Code 33-39-7 governs the requirements of the Fund. The Public Employees' Retirement Fund Board of Trustees issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole. That report may be obtained by writing the Public

Employees Retirement Fund, One North Capitol, Suite 001, Indianapolis, IN 46204, by calling 888-526-1687, or by visiting PERF's website, www.in.gov/inprs.

Funding Policy Contributions made by or on the behalf of members are not actuarially determined but are set by statute at six percent (6%) of wages. The amount required to actuarially fund participants' retirement benefits, as determined by the PERF Board of Trustees on the recommendations of the actuary, is to be appropriated from the State's General Fund.

Funded Status and Funding Progress As of July 1, 2010, the most recent actuarial valuation date, the plan was 53 percent funded. The actuarial accrued liability for benefits was $49.2 million, and the actuarial value of assets was $26.2 million, resulting in an unfunded actuarial accrued liability (UAAL) of $23.0 million. The covered payroll (annual payroll of active employees covered by the plan) was $21.0 million, and the ratio of the UAAL to the covered payroll was 109 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statement, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Legislators' Retirement System – Legislators' Defined Benefit Plan (Presented as part of PERF – a discretely presented component unit)

Plan Description The Legislators' Defined Benefit Plan (IC 2-3.5-4), a single-employer defined benefit plan, applies to each member of the Indiana General Assembly who was serving on April 30, 1989 and filed an election under IC 2-3.5-3-1(b). The Legislators' Defined Benefit Plan provides retirement, disability and survivor benefits. The plan is administered by the Board of Trustees of the Public Employees' Retirement Fund. The Public Employees' Retirement Fund Board of Trustees issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole. That report may be obtained by writing the Public Employees Retirement Fund, One North Capitol, Suite 001, Indianapolis, IN 46204, by calling 888-526-1687, or by visiting PERF's website, www.in.gov/inprs.

Funding Policy The amount required by the funding policy to actuarially fund participants' retirement benefits, as determined by the PERF Board of Trustees on the recommendation of the actuary, is to be appropriated from the State's General Fund.

Funded Status and Funding Progress As of July 1, 2010, the most recent actuarial valuation date, the plan was 83 percent funded. The actuarial accrued liability for benefits was $4.9 million, and the actuarial value of assets was $4.1 million, resulting in an unfunded actuarial accrued liability (UAAL) of $0.8 million. The benefit formula is determined based on service rather than compensation. The unfunded liability per active participant was $41,702 as of the most recent actuarial valuation.

The schedule of funding progress, presented as RSI following the notes to the financial statement, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Judges' Retirement System (Presented as part of PERF – a discretely presented component unit)

Plan Description The Judges' Retirement System (JRS) is a defined benefit single-employer public employee retirement system administered by the Board of Trustees of the Public Employees' Retirement Fund, and is governed by IC 33-38-6, 33-38-7, and IC 33-38-8. The Judges' Retirement System provides retirement, disability, and survivor benefits. Coverage is for any person who has served, is serving or shall serve as a regular judge or justice of any of the following courts: Supreme Court of the State of Indiana; Court of Appeals; Circuit Court of a Judicial Circuit; Indiana Tax Court; or county courts including Superior, Criminal, Probate, Juvenile, Municipal and County Courts. The system consists of two plans: the 1977 system and the 1985 system. IC 33-38-7 applies to judges who began service before September 1, 1985. IC 33-38-8 applies to judges beginning service after August 31, 1985. The Public Employees' Retirement Fund Board of Trustees issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole. That report may be obtained by writing the Public Employees Retirement Fund, One North Capitol, Suite 001, Indianapolis, IN 46204, by calling 888-526-1687, or by visiting PERF's website, www.in.gov/inprs.

Funding Policy Member contributions are established by statute at six percent of total statutory compensation paid by the state of Indiana, deducted from the member's salary and remitted by the Auditor of State. However, no contribution is required and no such amounts shall be paid by the member for more than 22 years of service.

Employer contributions are determined by the Indiana General Assembly as biennial appropriations from the State's General Fund. Indiana Code 33-38-6-17 provides that this appropriation only include sufficient funds to cover the aggregate liability of the fund for benefits to the end of the biennium, on an actuarially funded basis. The statute also provide for remittance of docket fees and court fees. These are considered employer contributions.

Funded Status and Funding Progress As of July 1, 2010, the most recent actuarial valuation date, the plan was 67 percent funded. The actuarial accrued liability for benefits was $364.1 million, and the actuarial value of assets was $242.1 million, resulting in an unfunded actuarial accrued liability (UAAL) of $122.0 million. The covered payroll (annual payroll of active employees covered by the plan) was $36.7 million, and the ratio of the UAAL to the covered payroll was 332 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statement, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The State sponsors the following defined benefit agent multiple-employer plan:

Public Employees' Retirement Fund (Presented as part of PERF – a discretely presented component unit)

Plan Description The Public Employees' Retirement Fund (PERF) is a defined benefit agent multiple-employer plan for units of state and local governments administered by the Public Employees' Retirement Fund Board of Trustees. PERF provides retirement, disability, and survivor benefits. Indiana Code 5-10.2 and 5-10.3 governs the requirements of the Fund. The Public Employees' Retirement Fund Board of Trustees issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole. That report may be obtained by writing the Public Employees Retirement Fund, One North Capitol, Suite 001, Indianapolis, IN 46204, by calling 888-526-1687, or by visiting PERF's website, www.in.gov/inprs. At June 30, 2011, the number of participating political subdivisions was 1,131.

Funding Policy The State of Indiana and any political subdivision that elects to participate in the PERF fund is obligated by statute to make contributions to the plan. The required contributions are determined by the PERF Board of Trustees based on actuarial investigation and valuation. The funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to fund the pension portion of the retirement benefit (normal cost) and the amortization of unfunded liabilities.

Contributions made by or on the behalf of members are not actuarially determined but are set by statute at three percent (3%) of compensation. These contributions are credited to the member's annuity savings account that is a separate benefit from the defined pension benefit. The State is required to contribute for State employees at an actuarially determined rate; the current rate is 8.6% of covered payroll.

Funded Status and Funding Progress Funded status and funding progress information is being disclosed for the State of Indiana employee portion of the plan. The funded status and funding progress information presented is for non-retired assets.

State of Indiana Employees: As of July 1, 2010, the most recent actuarial valuation date, the state employees portion of the plan was 67 percent funded. The actuarial accrued liability for benefits was $2.7 billion, and the actuarial value of assets was $1.8 billion, resulting in an unfunded actuarial accrued liability (UAAL) of $0.9 billion. The covered payroll (annual payroll of active employees covered by the plan) was $1.7 billion, and the ratio of the UAAL to the covered payroll was 51 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Annual Pension Cost and Net Pension Obligation The annual pension cost and net pension obligations, the significant actuarial assumptions, and three-year historical trend information of the single and agent multiple employer defined benefit plans are as follows:

(amounts expressed in thousands)	Primary Government	Discretely Presented Component Units					
	SPRF	PERF -State	ECRF	JRS	PARF	LRS	TRF - Pre-1996 Account
Annual Pension Cost and Net Pension Obligation (Asset)							
Annual required contribution	$ 12,266.6	$ 118,199.9	$ 5,237.0	$ 16,076.9	$ 1,662.6	$ 63.4	$ 850,493.0
Interest on net pension obligation	960.3	(4,579.2)	(187.1)	(1,870.3)	328.6	(16.5)	69,737.0
Adjustment to annual required contribution	(1,105.5)	5,218.3	213.2	2,203.2	(382.5)	27.6	(78,730.0)
Annual pension cost	12,121.4	118,839.0	5,263.1	16,409.8	1,608.7	74.5	841,500.0
Contributions made	(9,449.7)	(111,554.8)	(5,255.9)	(18,630.7)	(170.0)	-	(727,766.0)
Increase (decrease) in net pension obligation	2,671.7	7,284.2	7.2	(2,220.9)	1,438.7	74.5	113,734.0
Net pension obligation, beginning of year	13,718.2	(63,160.8)	(2,581.1)	(25,797.0)	4,532.9	(227.3)	929,829.0
Net pension obligation, end of year	$ 16,389.9	$ (55,876.6)	$ (2,573.9)	$ (28,017.9)	$ 5,971.6	$ (152.8)	$ 1,043,563.0
Significant Actuarial Assumptions							
Investment rate of return	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%
Projected future salary increases:							
Total	3.50 - 9.00%	4.00%	4.50%	4.00%	4.00%	3.00%	3.50 - 12.50%
Attributed to inflation	3.5%	3.0%	3.0%	3.0%	3.0%	3.0%	3.00%
Cost of living adjustments	N/A	1.00%	1.00%	4.00%	N/A	1.00%	1.00%
Contribution rates:							
State	22.40%	8.60%	20.75%	51.50%	8.75%	Flat Dollar Amount **	pay-as-you-go
Plan members	5.00% - 6.00%	3.00%	4.00%	6.00%	6.00%	0.00%	3.0%
Actuarial valuation date	7/1/2011	6/30/2010	6/30/2010	6/30/2010	6/30/2010	6/30/2010	6/30/2010
Actuarial cost method	entry age normal cost	entry age normal cost	entry age normal cost	entry age normal cost	entry age normal cost	traditional unit cost	entry age normal cost
Amortization method	level dollar	level dollar	level dollar	level dollar	level dollar	level dollar	level dollar
Amortization period	30 years	30 years	30 years	30 years	30 years	30 years	30 years
Amortization period (from date)	7/1/2010	7/1/2008	7/1/2007	7/1/2006	7/1/2007	7/1/1992	N/A
Amortization period (open or closed)	closed	closed	closed	closed	closed	closed	closed
Asset valuation method	smoothed basis	4-year smoothed market value with 20% corridor	4-year smoothed market value with 20% corridor	4-year smoothed market value with 20% corridor	4-year smoothed market value with 20% corridor	4-year smoothed market value with 20% corridor	4-year smoothed market value with 20% corridor
Historical Trend Information							
Year ended June 30, 2011							
Annual pension cost (APC)	$ 12,121.4	*	*	*	*	*	*
Percentage of APC contributed	78.0%	*	*	*	*	*	*
Net pension obligation (asset)	$ 16,389.9	*	*	*	*	*	*
Year ended June 30, 2010							
Annual pension cost (APC)	$ 14,117.4	118,839.0	5,263.1	16,409.8	1,608.7	74.5	841,500.0
Percentage of APC contributed	67.1%	93.9%	99.9%	113.5%	10.6%	0.0%	86.5%
Net pension obligation (asset)	$ 13,718.2	(55,876.6)	(2,573.9)	(28,017.9)	5,971.6	(152.8)	1,043,563.0
Year ended June 30, 2009							
Annual pension cost (APC)	$ 10,266.8	$ 108,594.0	$ 4,444.2	$ 16,384.6	$ 1,302.8	$ 52.5	$ 691,168.0
Percentage of APC contributed	92.3%	102.4%	119.1%	127.3%	13.0%	190.5%	102.2%
Net pension obligation (asset)	$ 9,071.9	$ (63,160.8)	$ (2,581.1)	$ (25,797.0)	$ 4,532.9	$ (227.3)	$ 929,829.0
Year ended June 30, 2008							
Annual pension cost (APC)	$ 9,082.8	$ 99,674.7	$ 3,681.5	$ 10,199.4	$ 1,014.4	$ 71.9	$ 667,175.0
Percentage of APC contributed	103.6%	107.2%	131.9%	156.1%	16.9%	139.0%	101.3%
Net pension obligation (asset)	$ 8,277.6	$ (60,540.9)	$ (1,731.8)	$ (21,320.6)	$ 3,400.1	$ (179.7)	$ 945,027.0

SPRF - State Police Retirement Fund
PERF - Public Employees' Retirement Fund
ECRF - Excise Police, Gaming Agent and Conservation Enforcement Officers' Retirement Fund (Administered by the PERF Board of Trustees)
JRS - Judges' Retirement System (Administered by the PERF Board of Trustees)
PARF - Prosecuting Attorneys' Retirement Fund (Administered by the PERF Board of Trustees)
LRS - Legislators' Retirement System (Administered by the PERF Board of Trustees)
TRF - Teachers' Retirement Fund
N/A - not applicable
* - information not available.
** - $113,099 based on June 30, 2010 actuarial valuation.

The State sponsors the following cost-sharing multiple-employer plans:

State Teachers' Retirement Fund (Presented as a discretely presented component unit)

Plan Description The State Teachers' Retirement Fund (STRF), is a defined benefit, multiple-employer cost-sharing PERS, administered by the Indiana State Teachers' Retirement Fund Board of Trustees. Indiana Code 5-10.4-2 governs the requirements of the Fund. The Indiana State Teachers' Retirement Fund Board of Trustees issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole. That report may be obtained by writing the Indiana State Teachers' Retirement Fund, One North Capitol, Suite 001, Indianapolis, IN 46204, by calling 888-286-3544, or at STRF's website, www.in.gov/inprs.

At June 30, 2011, the number of participating employers was 381.

Funding Policy Each member is required to contribute 3% of his/her compensation to the plan. The Indiana State Teachers' Retirement Fund is funded on a "pay as you go" basis for employees hired prior to July 1, 1995, and who have maintained continuous employment with the same school corporation or covered institution since that date. State appropriations are made for the amount of estimated pension benefit payouts for each fiscal year. If the actual pension benefit payout for the fiscal year exceeds the amount appropriated, the difference is paid from the Pension Stabilization Fund. For employees hired on or after July 1, 1995; or hired before July 1, 1995, and prior to June 30, 2005, were either hired by another school corporation or institution covered by the Fund or were re-hired by a covered prior employer; the individual employer will make annual contributions. These contributions are set as a percentage of the employee's salary at a rate recommended by the Fund's actuary and approved by the Fund's Board of Trustees.

As of June 30, 2010, TRF was 44% funded. Members in the Pre-1996 Account are funded on a "pay as you go" method for the employer portion of the pension and members in the 1996 Account are funded with employer contributions as they work. TRF accounts for these two classes of members as "Pre-1996 Account" and "1996 Account", respectively. The Pre-1996 Account is 33% funded and the 1996 Account is 95% funded.

The funded ratio of the Fund has decreased from 45% at June 30, 2004, to the ratio of 44% at June 30, 2010. The actuarial value of the Fund's assets as of the June 30, 2010 valuation was $8.8 billion and the actuarial accrued liability was $19.9 billion. The difference is the Fund's unfunded actuarial accrued liability of $11.1 billion. The annual covered payroll as of the June 30, 2010, actuarial valuation was $4.3 billion and the ratio of the unfunded actuarial liability to the annual covered payroll was 257%.

1977 Police Officers' and Firefighters' Pension and Disability Fund (Presented as part of PERF – a discretely presented component unit)

Plan Description The 1977 Police Officers' and Firefighters' Pension and Disability Fund (PFPF) is a defined benefit, multiple employer cost sharing public employees retirement system administered by the Public Employees' Retirement Fund Board of Trustees. Indiana Code 36-8-8 governs the requirements of the Fund that provides retirement, disability, and survivor benefits. The Public Employees' Retirement Fund Board of Trustees issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole. That report may be obtained by writing the Public Employees Retirement Fund, One North Capitol, Suite 001, Indianapolis, IN 46204, by calling 888-526-1687, or by visiting PERF's website, www.in.gov/inprs.

At June 30, 2011, the number of participating employer units totaled 166 (which includes 260 police and fire departments).

Funding Policy A participant is required by statute to contribute six percent of a first class officer's or firefighter's salary for the term of their employment up to 32 years. Employer contributions are determined actuarially and the current rate is 19.7 percent of the salary of a first-class officer or firefighter. The funding policy mandated by statute requires quarterly remittances of member and employer contributions based on percentages of locally established estimated salary rates, rather than actual payroll.

The annual required contributions, percentage contributed, and three-year historical trend information, for the cost sharing, multiple-employer plans are as follows:

	Discretely Presented Component Units	
	STRF	PFPF *
Historical Trend Information		
Year ended June 30, 2010		
Annual required contribution	$ 850,493	$ 126,558
Percentage contributed	86%	103%
Employer contribution	$ 727,766	$ 130,775
Year ended June 30, 2009		
Annual required contribution	$ 700,307	$ 62,881
Percentage contributed	101%	102%
Employer contribution	$ 706,366	$ 64,285
Year ended June 30, 2008		
Annual required contribution	$ 678,050	$ 117,773
Percentage contributed	100%	113%
Employer contribution	$ 675,682	$ 133,196

STRF - State Teachers' Retirement Fund - Pre-1996 Account
PFPF - 1977 Police Officers and Firefighters' Retirement Fund (Administered by PERF)
* - year ended December 31 for 2008; June 30 for 2009 and 2010. Actuarial valuation date changed from January 1 to June 30 beginning with June 30, 2009 valuation. For the fiscal year ending June 30, 2009, the first six months are included in the 2008 data. Therefore, 2009 is for only six months.

The State sponsors the following defined contribution plan:

Legislators' Retirement System – Legislators' Defined Contribution Plan (Presented as part of PERF – a discretely presented component unit)

Plan Description The Legislators' Defined Contribution Plan (IC 2-3.5-5), a single employer defined contribution plan applies to each member of the General Assembly who was serving April 30, 1989 and files an election under IC 2-3.5-3-1(b), and each member of the General Assembly who is elected or appointed after April 30, 1989. The plan is administered by the Board of Trustees' of the Public Employees' Retirement Fund. The Public Employees' Retirement Fund Board of Trustees issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole. That report may be obtained by writing the Public Employees Retirement Fund, One North Capitol, Suite 001, Indianapolis, IN 46204, by calling 888-526-1687, or by visiting PERF's website, www.in.gov/inprs.

Funding Policy For the Legislators' Defined Contribution Plan, each participant is required to contribute 5 percent of annual salary. In addition, the state of Indiana is required to contribute a percentage of the member's annual salary on behalf of the participant as determined by PERF and confirmed by the State Budget Agency each year. Effective January 1, 2011 the rate was established at 10.0 percent. For the LDB Plan, the amount required to actuarially fund participants' retirement benefits, as determined by the PERF Board of Trustees on the recommendation of the actuary, is to be appropriated from the state of Indiana General Fund.

F. Other Postemployment Benefits

Defined Benefit Plans

Plan Descriptions The State of Indiana sponsors and contributes to four single-employer defined benefit healthcare plans: State Personnel Plan (SPP); Legislature Plan (LP); Indiana State Police Plan (ISPP); and the Conservation and Excise Police Plan (CEPP). The SPP and LP are administered by the State Personnel Department. The Indiana State Police administer the ISPP. The CEPP is administered by the Indiana State Excise Police and Indiana Conservation Officers Health Insurance Committee. All four plans provide medical plan health care benefits to eligible State employee retirees and beneficiaries. The medical benefits provided to retirees are the same benefit options afforded active employees. Benefit provisions for each plan are established and may be amended by Indiana Code 5-10-8 *et seq*. Separate financial reports are not issued for these plans.

Funding Policy and Annual OPEB Cost The contribution funding policy for each of the four plans is on a pay-as-you-go cash basis. The State of Indiana's annual other postemployment benefit (OPEB) cost (expense) for each plan is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The State of Indiana's annual OPEB cost for the current year and the related information for each plan are as follows (dollar amounts in thousands):

	State Personnel Healthcare Plan	Legislature's Healthcare Plan	Indiana State Police Healthcare Plan	Conservation and Excise Police Health Care Plan
Contribution rates:				
State of Indiana	Pay-as-you-go	Pay-as-you-go	Pay-as-you-go	Pay-as-you-go
Plan members (monthly premium)	See next chart	See next chart	See next chart	See next chart
Annual required contribution	$ 4,664	$ 561	$ 30,155	$ 4,423
Interest on net OPEB obligation	1,093	27	4,515	458
Amortization adjustment to ARC	(1,258)	(37)	(5,755)	(625)
Annual OPEB Cost	4,499	551	28,915	4,256
Contributions made	(16,922)	(353)	(13,787)	(1,336)
Change in net OPEB obligation	(12,423)	198	15,128	2,920
Net OPEB obligation - beginning of year	15,615	608	86,003	10,180
Net OPEB obligation - end of year	$ 3,192	$ 806	$ 101,131	$ 13,100

The plan administrators (see plan descriptions above) establish the contribution requirements of plan members. Plan members (retirees and eligible dependents) who participate in these healthcare plans must pay the full 2011 monthly premiums (except for grandfathered LP current retirees) as shown in the following chart.

	Monthly Premium
State Personnel Healthcare Plan (SP) and Legislature's Healthcare Plan (LP)	
Consumer Driven Health Plan #1	
Single (Non-Tobacco)	$ 398.71
Family (Non-Tobacco)	1,134.77
Consumer Driven Health Plan #2	
Single (Non-Tobacco)	435.80
Family (Non-Tobacco)	1,307.58
Traditional PPO	
Single (Non-Tobacco)	699.44
Family (Non-Tobacco)	1,995.15
Indiana State Police Healthcare Plan (ISPP)	
Basic Plan - Medical Only	
Retiree Only (Pre-Medicare)	248.58
Retiree Plus One Dependent (Pre-Medicare)	319.72
Retiree Only (Post-Medicare)	109.47
Retiree Plus One Dependent (Post-Medicare)	131.79
Optional Plan - Medical, Dental, & Vision	
Retiree Only (Pre-Medicare)	290.68
Retiree Plus One Dependent (Pre-Medicare)	397.15
Retiree Only (Post-Medicare)	127.57
Retiree Plus One Dependent (Post-Medicare)	168.18
Conservation and Excise Police Health Care Plan (CEPP)	
Single - Under Age 60 (Pre-Medicare)	300.00
Family - Under Age 60 (Pre-Medicare)	450.00
Single - Age 60 -64 (Pre-Medicare)	200.00
Family - Age 60-64 (Pre-Medicare)	300.00
Single (Post-Medicare)	90.00
Family (Post-Medicare)	140.00

The State of Indiana's annual OPEB cost, the percentage of annual OPEB cost contributed , and the net OPEB obligation for June 30, 2009 through June 30, 2011 for each of the plans were as follows (dollar amounts in thousands):

	Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
State Personnel Healthcare Plan	6/30/2011	$ 4,499	376.1%	$ 3,191
	6/30/2010	6,105	31.3%	15,615
	6/30/2009	7,624	23.6%	11,423
Legislature's Healthcare Plan	6/30/2011	$ 551	64.0%	$ 806
	6/30/2010	512	61.1%	608
	6/30/2009	493	61.0%	409
Indiana State Police Healthcare Plan	6/30/2011	$ 28,915	47.7%	$ 101,131
	6/30/2010	41,224	21.9%	86,003
	6/30/2009	34,831	22.7%	53,787
Conservation and Excise Police Health Care Plan	6/30/2011	$ 4,257	31.4%	$ 13,101
	6/30/2010	5,271	24.7%	10,180
	6/30/2009	4,128	23.8%	6,212

Funded Status and Funding Progress The funded status of the plans as of June 30, 2011, was as follows (dollar amounts in thousands):

	State Personnel Healthcare Plan	Legislature's Healthcare Plan	Indiana State Police Healthcare Plan	Conservation and Excise Police Health Care Plan
Actuarial accrued liability (a)	$ 37,733	$ 9,092	$ 306,132	$ 49,510
Actuarial value of plan assets (b)	14,007	-	5,280	-
Unfunded actuarial accrued liability (funding excess) (a) - (b)	$ 23,726	$ 9,092	$ 300,852	$ 49,510
Funded ratio (b)/(a)	37.1%	0.0%	1.7%	0.0%
Covered payroll (c)	N/A	N/A	N/A	N/A
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll ([(a)-(b)]/(c))	N/A	N/A	N/A	N/A

GASB 45 regulations permit employers to use the most recent available actuarial information up to two years prior to the current period. Accordingly, the State has elected to use the actuarial results for the period ending on June 30, 2010 for the period ending June 30, 2011.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Significant methods and assumptions were as follows:

	State Personnel Healthcare Plan	Legislature's Healthcare Plan	Indiana State Police Healthcare Plan	Conservation and Excise Police Health Care Plan
Actuarial valuation date	6/30/2011	6/30/2011	6/30/2011	6/30/2011
Actuarial cost method	Projected unit credit	Projected unit credit	Projected unit credit	Projected unit credit
Amortization method	Level dollar amount, open	Level dollar amount, open	Level dollar amount, open	Level dollar amount, open
Remaining amortization period	30 years	30 years	30 years	30 years
Asset valuation method	Market Value of Assets	N/A	Market Value of Assets	N/A
Actuarial assumptions:				
Inflation rate	3.0%	3.0%	3.0%	3.0%
Investment rate of return	7.0%	4.5%	5.3%	4.5%
Projected salary increases	4.0%	4.0%	4.0%	4.0%
Healthcare inflation rate	9.2%	9.2% pre-65 & 10.0% post-65	9.2% pre-65 & 10.0% post-65	9.2% pre-65 & 10.0% post-65

GASB 45 regulations permit employers to use the most recent available actuarial information up to two years prior to the current period. The State elected to use the actuarial results for the period ending June 30, 2010 projected to June 30, 2011 with adjustments for known experience for the period ending June 30, 2011. There have been no material changes in the retiree health benefits or contribution requirements from the most recent available actuarial valuation for the period ending June 30, 2010 except for the pre-funding of retiree health benefits for ISPP and SPP. However, the actuarial valuation date and the healthcare inflation rates were updated for the actuarial results projected to June 30, 2010.

Defined Contribution Plan

Plan Description The State of Indiana sponsors one single employer defined contribution OPEB plan established as a trust fund, the Retiree Health Benefit Trust Fund, in IC 5-10-8-8.5. The State established this trust fund to provide funding for the retiree health benefit plan developed under IC 5-10-8.5. The plan is a benefit to employees who retire and are eligible for and have received a normal, unreduced or disability retirement benefit (as determined by statutes and codes governing a State public employee retirement fund). Qualified retirees of the State are eligible to receive retirement medical benefits from this Plan. Retirees' and/or covered dependents' qualifying health insurance and medical costs are eligible for reimbursement from their reimbursement account, subject to Plan conditions and limitations.

Plan Provisions Benefit provisions for this plan are established or may be amended by the State legislature. The State Budget Agency of the State of Indiana is the administrator of the plan pursuant to Indiana Code 5-10-8-8.5. The plan establishes a retirement medical benefits account for elected officers, appointed officers, and employees of the executive, legislative, and judicial branches of state government to pay for participants' medical insurance after retirement. Benefits are entitled to be received from this account for a participant who: a) is eligible for and has applied to receive a normal, unreduced or disability retirement benefit under the Public Employees' Retirement Fund; or b) has completed at least 10 years of service as an elected or appointed officer; or c) has completed at least 15 years of service with the state for an employee. A surviving spouse or IRS dependent of a retired participant is allowed to receive the benefit from this account. Amounts credited to a retired participant are forfeited if the participant dies without a surviving spouse or IRS dependent.

The trust meets the requirements of a qualified OPEB trust. The trust is qualified under section 115 of the Internal Revenue Code.

Contributions The State is required to make annual contributions to the account based on the following schedule:

Employee's Age	Annual State Contributions
Less than 30	$500
At least 30, but less than 40	$800
At least 40, but less than 50	$1,100
At least 50	$1,400

An additional bonus contribution is to be made upon a participant's retirement with normal unreduced benefits if the retirement occurs between July 1, 2007 and July 1, 2017, and the retiree on the last day of service has completed at least 15 years of service or 10 years of service as an elected or appointed officer. The additional bonus contribution amount is one thousand dollars ($1,000) multiplied by the participant's years of service (rounded down to the nearest whole year).

At June 30, 2011, the plan participants consisted of:

Description	**Number**
Active participants with accounts, not yet retired	30,037
Retired participants with accounts	3,760
Total	**33,797**

At June 30, 2011, plan participants' retirement medical plan account balances totaled $207.6 million which consisted of $121.6 million in unretired active participants' accounts and $86.0 million in retired participants' accounts.

This plan is a defined contribution individual account for GASB 45 purposes. The employer subsidy is defined in terms of an annual contribution to an individual account. Plan assets are maintained in the Retiree Health Benefit Trust Fund created by the State as a dedicated trust fund.

The trust fund consists of cigarette tax revenues deposited in the fund under IC 6-7-1-28.1(7) and other appropriations, revenues, or transfers to the trust fund under IC 4-12-1. The plan benefits satisfy the condition of being a defined contribution OPEB benefit and by definition, there is no unfunded liability.

For the fiscal year ending June 30, 2011, the State contributed $27.2 million to the State Retiree Health Fund. Another $24.9 million was contributed by state agencies that are funded by federal or dedicated funds for their portion of funding. The total contribution for the fiscal year was $52.1 million. The retiree contribution includes the bonus contributions of $1,000 per year of service to employees retiring after July 1, 2007 who also met certain minimum age and service requirements. The annual required contribution for the year is $50.6 million.

G. Pollution Remediation Obligations

<u>Nature and source of pollution remediation obligations:</u> Five state agencies have identified themselves as responsible or potentially responsible parties to remediate fifty-six pollution sites pursuant to the State's implementation of GASB 49, Accounting and Financial Reporting for Pollution Remediation Obligations effective July 1, 2008. Obligating events for the cleanup of these sites include the federal Superfund law, being named by a regulator to remediate hazardous wastes and contamination, violation of the Resource Recovery and Conservation Act, being named in a lawsuit, and voluntarily assuming responsibility because of imminent threats to human health and the environment.

<u>Amount of the estimated liability, methods and assumptions used for the estimate, and the potential for changes:</u> The State's total estimated liability is $41.3 million of which $8.7 million is estimated to be payable within one year and $32.6 million estimated to be payable in more than one year. State agencies calculated their estimated liabilities using various approaches including existing agreements, contractor bids/surveys, records of decisions from regulators, matching requirements under the Superfund law, previous actual costs to cleanup similar sites, investigation activities, well known and recognized estimation methods, and through the sampling and knowing the size and volume of existing contamination at a site. Superfund site estimated liabilities also applied a rolling thirty year liability as this was the number of years determined to be reasonably estimable. The estimated liabilities of state agencies are subject to annual review and adjustment for changes in agreements, laws, regulations, court decisions, price increases or decreases for goods and services used in cleanup, and other relevant changes that come to light.

<u>Estimated recoveries reducing the liability:</u> The estimated recoveries total $10.9 million. Of this total, $0.2 million is unrealizable or has not yet been realized and has been applied to reduce the State's total estimated liability. Estimated recoveries include the proceeds from the sale of stock from a bankruptcy court settlement, coverage of allowable costs by the State's Excess Liability Trust Fund (ELTF), a credit received for work performed on another Superfund site, and a court order. The ELTF state law states that if insufficient funds exist to pay claims neither the State nor the Fund are liable for unpaid claims. The State recognized $0.3 million of program revenue for two sites whose realized recoveries exceeded the pollution remediation liability.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress
Employee Retirement Systems and Plans

(amounts expressed in thousands)	Primary Government	---------Discretely Presented Component Units---------					
	SPRF	PERF - State	ECRF	JRS	PARF	LRS	TRF - Pre-1996 Account
Valuation Date: July 1, 2011							
Actuarial value of assets	$ 361,457	*	*	*	*	*	*
Actuarial accrued liability (AAL)	470,852	*	*	*	*	*	*
Excess of assets over (unfunded) AAL	(109,395)	*	*	*	*	*	*
Funded ratio	77%	*	*	*	*	*	*
Covered payroll	64,948	*	*	*	*	*	*
Excess (unfunded) AAL as a percentage of covered payroll	-168%	*	*	*	*	*	*
Valuation Date: July 1, 2010							
Actuarial value of assets	$ 363,487	$ 1,803,664	$ 70,327	$ 242,143	$ 26,166	$ 4,075	$ 5,382,410
Actuarial accrued liability (AAL)	447,064	2,678,031	97,862	364,123	49,174	4,909	16,282,066
Excess of assets over (unfunded) AAL	(83,577)	(874,367)	(27,535)	(121,980)	(23,008)	(834)	(10,899,656)
Funded ratio	81%	67%	72%	67%	53%	83%	33%
Covered payroll	66,603	1,730,480	26,709	36,722	21,016	**	1,865,102
Excess (unfunded) AAL as a percentage of covered payroll	-125%	-51%	-103%	-332%	-109%	**	-584%
Valuation Date: July 1, 2009							
Actuarial value of assets	$ 356,056	$ 2,121,550	$ 68,170	$ 240,954	$ 26,467	$ 4,730	$ 5,109,086
Actuarial accrued liability (AAL)	453,688	2,443,039	89,296	330,551	44,632	5,087	16,027,093
Excess of assets over (unfunded) AAL	(97,632)	(321,489)	(21,126)	(89,597)	(18,165)	(357)	(10,918,007)
Funded ratio	78%	87%	76%	73%	59%	93%	32%
Covered payroll	68,283	1,749,781	25,238	36,196	20,782	**	2,030,484
Excess (unfunded) AAL as a percentage of covered payroll	-143%	-18%	-84%	-248%	-87%	**	-538%
Valuation Date: July 1, 2008							
Actuarial value of assets	$ 386,873	$ 2,469,432	$ 65,375	$ 234,881	$ 26,350	$ 5,120	$ 5,953,991
Actuarial accrued liability (AAL)	438,460	2,513,791	77,177	338,749	38,069	5,039	15,792,305
Excess of assets over (unfunded) AAL	(51,587)	(44,359)	(11,802)	(103,868)	(11,719)	81	(9,838,314)
Funded ratio	88%	98%	85%	69%	69%	102%	38%
Covered payroll	65,421	1,661,248	21,333	33,729	20,617	**	2,295,816
Excess (unfunded) AAL as a percentage of covered payroll	-79%	-3%	-55%	-308%	-57%	**	-429%

SPRF - State Police Retirement Fund
PERF - Public Employees' Retirement Fund
ECRF - Excise Police, Gaming Agent and Conservation Enforcement Officers' Retirement Fund (Administered by the PERF board of trustees)
JRS - Judges' Retirement System (Administered by the PERF board of trustees)
PARF - Prosecuting Attorneys' Retirement Fund (Administered by the PERF board of trustees)
LRS - Legislators' Retirement System (Administered by the PERF board of trustees)
TRF - Teachers' Retirement Fund

* Information not available
** The benefit formula is determined based on service rather than compensation. July 1, 2010: The unfunded liability is expressed per active participant and there were 20 active participants. The unfunded liability per active participant was $41,702; July 1, 2009: The unfunded liability is expressed per active participant and there were 33 active participants. The unfunded liability per active participant was $10,817; July 1, 2008: The unfunded liability is expressed per active participant and there were 34 active participants. The funding excess per active participant was ($2,378).

Schedule of Funding Progress
Other Postemployment Benefits

(dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
State Personnel Healthcare Plan						
6/30/2010	$ 14,007	$ 37,733	$ 23,726	37.1%	N/A	N/A
6/30/2009	$ -	$ 51,306	$ 51,306	0.0%	N/A	N/A
6/30/2008	$ -	$ 67,405	$ 67,405	0.0%	N/A	N/A
Legislature's Healthcare Plan						
6/30/2010	$ -	$ 9,092	$ 9,092	0.0%	N/A	N/A
6/30/2009	$ -	$ 8,402	$ 8,402	0.0%	N/A	N/A
6/30/2008	$ -	$ 8,009	$ 8,009	0.0%	N/A	N/A
Indiana State Police Healthcare Plan						
6/30/2010	$ 5,280	$ 306,132	$ 300,852	1.7%	N/A	N/A
6/30/2009	$ -	$ 407,846	$ 407,846	0.0%	N/A	N/A
6/30/2008	$ -	$ 341,923	$ 341,923	0.0%	N/A	N/A
Conservation and Excise Police Healthcare Plan						
6/30/2010	$ -	$ 49,510	$ 49,510	0.0%	N/A	N/A
6/30/2009	$ -	$ 57,305	$ 57,305	0.0%	N/A	N/A
6/30/2008	$ -	$ 45,308	$ 45,308	0.0%	N/A	N/A

Schedule of Employer Contributions
Other Postemployment Benefits
(dollar amounts in thousands)

Year Ended June 30	State Personnel Healthcare Plan		Legislature's Healthcare Plan		Indiana State Police Healthcare Plan		Conservation and Excise Police Healthcare Plan		Retiree Health Benefit Trust Fund	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
2011	$ 4,664	362.8%	$ 561	62.8%	$ 30,155	45.7%	$ 4,423	30.2%	$ 52,075	100.0%
2010	6,292	30.4%	519	60.3%	42,106	21.4%	5,373	24.3%	55,502	100.0%
2009	7,716	23.3%	497	60.6%	35,271	22.4%	4,178	23.5%	67,213	100.0%

Budgetary Information

The Governor submits a budget biennially to be adopted by the General Assembly for the ensuing two-year period. The budget covers the general fund and most special revenue funds, but excludes the Armory Board and the Recreation funds at State institutions. The General Assembly enacts the budget through passage of specific appropriations. Appropriations for programs funded from special revenue funds may allow expenditures in excess of original appropriations to the extent that revenues collected exceed estimated revenues.

The original budget is composed of the budget bill and continuing appropriations. The budget bill is enacted as the Appropriations Act that the Governor may veto, subject to legislative override. Continuing appropriations report budgeted expenditures as equal to the amount of revenues received during the year plus any balances carried forward from the previous year as determined by statute. Except as specifically provided by statute, appropriations or any part thereof remaining unexpended and unencumbered at the close of any fiscal year will lapse and be returned to the fund from which it was appropriated.

The final budget is composed of budgeted amounts as adopted and as amended by supplemental appropriations or appropriation transfers that were necessary during the current year. The State Board of Finance, which consists of the Governor, Auditor of State and Treasurer of State, is empowered to transfer appropriations from one agency of the State to another, with the exception of trust funds. The State Budget Agency may transfer, assign, and reassign almost any appropriation, except those restricted by law; but only when the uses and purposes of the funds concur. Excess general fund revenue is used to cover non-budgeted recurring expenditures and overdrafts of budgeted amounts at the end of the current year, or is carried forward to the next year in the State's reserve funds to provide a cushion against a potential downturn in general fund revenue. Capital appropriations are released by the State Budget Agency after approval by the State Budget Committee (if equal to or greater than $100,000) or by the State Budget Agency via administrative action (if less than $100,000). In addition, expenditures under many federal grants are required to be spent before they are reimbursed by the federal government. These actions are considered supplemental appropriations; therefore, expenditures do not exceed appropriations for individual funds.

The legal level of budgetary control (the level on which expenditures may not legally exceed appropriations) is maintained at the fund level by the State Budget Agency. When budgets are submitted for each fund, certain recurring expenditures are not budgeted (e.g., tort claims) according to instructions from the State Budget Agency to the various agencies. The Budget Agency monitors all funds regularly in addition to monitoring excess general fund revenue that will be available at the end of the fiscal year to cover non-budgeted, recurring expenditures or to increase the level of state reserves.

State of Indiana
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2011
(amounts expressed in thousands)

	General Fund			
	Budget		Actual	Variance to Final Budget
	Original	Final		
Revenues:				
Taxes:				
Income	$ 5,366,326	$ 5,366,326	$ 5,418,508	$ 52,182
Sales	6,438,400	6,438,400	6,220,101	(218,299)
Fuels	-	-	-	-
Gaming	660,700	660,700	94,064	(566,636)
Inheritance	167,500	167,500	148,944	(18,556)
Alcohol and tobacco	295,904	295,904	283,622	(12,282)
Insurance	177,200	177,200	185,439	8,239
Other	267,255	267,255	234,468	(32,787)
Total taxes	13,373,285	13,373,285	12,585,146	(788,139)
Current service charges	164,488	164,488	216,759	52,271
Investment income	65,077	65,077	23,105	(41,972)
Sales/rents	994	994	1,094	100
Grants	-	-	58,808	58,808
Other	27,955	27,955	34,189	6,234
Total revenues	13,631,799	13,631,799	12,919,101	(712,698)
Expenditures:				
Current:				
General government	1,005,612	1,354,609	1,011,738	342,871
Public safety	812,542	838,473	682,828	155,645
Health	70,134	59,061	47,683	11,378
Welfare	3,147,446	3,457,128	625,003	2,832,125
Conservation, culture and development	128,385	187,507	67,646	119,861
Education	9,078,909	9,100,352	8,717,811	382,541
Transportation	1,650	4,236	1,762	2,474
Total expenditures	14,244,678	15,001,366	11,154,471	3,846,895
Excess of revenues over (under) expenditures	(612,879)	(1,369,567)	1,764,630	(3,134,197)
Other financing sources (uses):				
Total other financing sources (uses)	(1,347,407)	(1,347,407)	(1,347,407)	-
Net change in fund balances	$ (1,960,286)	$ (2,716,974)	417,223	$ 3,134,197
Fund balances July 1, as restated			1,534,236	
Fund balances June 30			**$ 1,951,459**	

Public Welfare-Medicaid Assistance				Major Moves Construction Fund			
Budget		Actual	Variance to Final Budget	Budget		Actual	Variance to Final Budget
Original	Final			Original	Final		
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
643	643	230,923	230,280	-	-	-	-
-	-	-	-	220,894	220,894	156,980	(63,914)
-	-	-	-	-	-	-	-
4,094,715	4,094,715	4,441,972	347,257	-	-	-	-
-	-	4	4	-	-	-	-
4,095,358	4,095,358	4,672,899	577,541	220,894	220,894	156,980	(63,914)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	7,646,588	6,130,473	1,516,115	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	535,000	684,616	40,381	644,235
-	7,646,588	6,130,473	1,516,115	535,000	684,616	40,381	644,235
4,095,358	(3,551,230)	(1,457,574)	(2,093,656)	(314,106)	(463,722)	116,599	(580,321)
1,479,523	1,479,523	1,479,523	-	(397,627)	(397,627)	(397,627)	-
$ 5,574,881	$ (2,071,707)	21,949	$ 2,093,656	$ (711,733)	$ (861,349)	(281,028)	$ 580,321
		97,998				1,983,922	
		$ 119,947				**$ 1,702,894**	

continued on next page

State of Indiana
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2011
(amounts expressed in thousands)

	ARRA of 2009 Fund			
	Budget		Actual	Variance to Final Budget
	Original	Final		
Revenues:				
Taxes:				
Income	$ -	$ -	$ -	$ -
Sales	-	-	-	-
Fuels	-	-	-	-
Gaming	-	-	-	-
Inheritance	-	-	-	-
Alcohol and tobacco	-	-	-	-
Insurance	-	-	-	-
Other	-	-	-	-
Total taxes	-	-	1	1
Current service charges	-	-	252	252
Investment income	-	-	-	-
Sales/rents	-	-	-	-
Grants	1,547,508	1,547,508	1,180,443	(367,065)
Other	98	98	-	(98)
Total revenues	1,547,606	1,547,606	1,180,696	(366,910)
Expenditures:				
Current:				
General government	(517,438)	(371,071)	324,087	(695,158)
Public safety	7,518	20,583	15,335	5,248
Health	5,744	42,875	10,627	32,248
Welfare	2,119	1,177,007	335,319	841,688
Conservation, culture and development	13,771	67,163	47,158	20,005
Education	160	384,682	163,672	221,010
Transportation	620,737	873,434	280,403	593,031
Total expenditures	132,611	2,194,673	1,176,601	1,018,072
Excess of revenues over (under) expenditures	1,414,995	(647,067)	4,095	(651,162)
Other financing sources (uses):				
Total other financing sources (uses)	488	488	488	-
Net change in fund balances	$ 1,415,483	$ (646,579)	4,583	$ 651,162
Fund balances July 1, as restated			(193)	
Fund balances June 30			**$ 4,390**	

U.S. Department of Transportation Fund				U.S. Department of Health and Human Services Fund			
Budget		Actual	Variance to Final Budget	Budget		Actual	Variance to Final Budget
Original	Final			Original	Final		
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	44	44	-	(44)
-	-	-	-	44	44	-	(44)
3	3	183	180	589	589	744	155
-	-	-	-	11	11	-	(11)
-	-	-	-	-	-	7	7
801,468	801,468	883,530	82,062	1,083,762	1,083,762	1,067,950	(15,812)
36	36	11	(25)	8,352	8,352	4,067	(4,285)
801,507	801,507	883,724	82,217	1,092,758	1,092,758	1,072,768	(19,990)
2	1,360	527	833	258	21,802	11,999	9,803
5,237	63,475	20,743	42,732	1,691	11,430	4,895	6,535
-	-	-	-	22,207	337,390	142,750	194,640
-	-	-	-	234,343	1,991,495	1,240,498	750,997
3,018	4,609	1,351	3,258	-	-	-	-
-	-	-	-	864	3,130	1,444	1,686
1,308,360	3,506,035	984,985	2,521,050	-	-	-	-
1,316,617	3,575,479	1,007,606	2,567,873	259,363	2,365,247	1,401,586	963,661
(515,110)	(2,773,972)	(123,882)	(2,650,090)	833,395	(1,272,489)	(328,818)	(943,671)
386,817	386,817	386,817	-	313,418	313,418	313,418	-
$ (128,293)	$ (2,387,155)	262,935	$ 2,650,090	$ 1,146,813	$ (959,071)	(15,400)	$ 943,671
		(119,461)				(125,750)	
		$ 143,474				**$ (141,150)**	

Budget/GAAP Reconciliation
Major Funds

The cash basis of accounting (budgetary basis) is applied to each budget. The budgetary basis differs from GAAP. The major differences between budgetary (non-GAAP) basis and GAAP basis are:

(amounts expressed in thousands)	GENERAL FUND	PUBLIC WELFARE-MEDICAID ASSIS	MAJOR MOVES CONSTRUCTION FUND	2009 ARRA FUND	U.S. DEPARTMENT OF TRANSPORTATION	U.S. DEPARTMENT OF HEALTH AND HUMAN	Total
Net change in fund balances (budgetary basis)	$ 417,223	$ 21,949	$ (281,028)	$ 4,583	$ 262,935	$ (15,400)	**$ 410,262**
Adjustments necessary to convert the results of operations on a budgetary basis to a GAAP basis are:							
Revenues are recorded when earned (GAAP) as opposed to when cash is received (budgetary)	80,928	34,920	(43,115)	(82,798)	(1,533)	164,720	**153,122**
Expenditures are recorded when the liability is incurred (GAAP) as opposed to when payment is made (budgetary)	50,741	57,485	(228)	38,304	(17,995)	(14,393)	**113,914**
Net change in fund balances (GAAP basis)	**$ 548,892**	**$ 114,354**	**$ (324,371)**	**$ (39,911)**	**$ 243,407**	**$ 134,927**	**$ 677,298**

Infrastructure - Modified Reporting
Condition Rating of the State's Highways and Bridges

Roads	**Average International Roughness Index (IRI)**		
	2011	**2010**	**2009**
Interstate Roads (excluding Rest Areas and Weigh Stations)	82%	84%	78%
NHS Roads - Non-Interstate (excluding Rest Areas and Weigh Stations)	85%	88%	81%
Non-NHS Roads	95%	97%	77%

The condition of road pavement is based on the International Roughness Index (IRI), which is a measure of the roughness of the pavement in terms of inches per mile, and applies both to Portland cement concrete (PCC) and hot mix asphalt (HMA) pavements. IRI's range from zero for a pavement that is perfectly smooth to ratings above 170 for a pavement that warrants replacement. The condition index is used to classify roads in excellent condition (0-79), good condition (80-114), fair condition (115-149), marginal condition (150-169), and poor condition (above 170). It is the State's policy to maintain a network average of no more than 95 IRI. Condition assessments are determined on an annual basis for all roads maintained by INDOT. The ratings provided are based on data gathered during the summer (May to October) for each fiscal year. The data is evaluated and compared to standard criteria by the end of the fiscal year.

Bridges	**Average Sufficiency Rating**		
	2011	**2010**	**2009**
Interstate Bridges	88.9%	88.8%	90.6%
NHS Bridges - Non-Interstate	89.9%	90.0%	90.6%
Non-NHS Bridges	87.4%	87.4%	88.7%

The condition of the State's bridges is measured based on a sufficiency rating, which is based on a weighted average of four factors indicative of a bridge's sufficiency to remain in service. The sufficiency rating uses a measurement scale that ranges from zero for an entirely insufficient or deficient bridge to 100 for an entirely sufficient bridge. The sufficiency rating is used to classify bridges in excellent condition (90-100), good condition (80-89), fair condition (70-79), marginal condition (60-69), and poor condition (below 60). It is the State's policy to maintain Interstate bridges at a minimum sufficiency rating of 87%, NHS Non-Interstate bridges at 85%, and Non-NHS bridges at 83%. Sufficiency ratings are determined at least on a biennial basis for all bridges. Sufficiency ratings are determined more frequently for certain bridges depending on their design.

Infrastructure - Modified Reporting
Comparison of Needed-to-Actual Maintenance/Preservation
(dollars in thousands)

	2011	2010	2009	2008	2007
Roads					
Interstate Roads (including Rest Areas and Weigh Stations):					
Needed	$ 222,707	$ 241,935	$ 263,764	$ 120,147	$ 212,485
Actual	194,727	226,401	246,089	256,482	248,803
NHS and Non-NHS Roads - Non-Interstate (including Rest Areas and Weigh Stations)					
Needed	314,282	381,433	391,641	419,001	145,720
Actual	364,173	423,949	571,000	374,770	297,223
Roads at State Institutions and Properties					
Needed	2,046	2,073	1,734	1,225	2,529
Actual	3,386	1,635	4,884	3,146	3,069
Total					
Needed	539,035	625,441	657,139	540,373	360,734
Actual	562,286	651,985	821,973	634,398	549,095
Bridges					
Interstate Bridges					
Needed	$ 62,746	$ 75,181	$ 82,668	$ 34,723	$ 37,157
Actual	54,505	51,416	37,931	43,904	37,070
NHS Bridges - Non-Interstate					
Needed	27,240	25,706	24,438	4,695	10,220
Actual	27,085	24,299	7,794	13,568	14,154
Non-NHS Bridges					
Needed	84,736	79,055	48,214	26,694	31,549
Actual	73,713	60,861	39,707	34,138	35,118
Bridges at State Institutions and Properties					
Needed	-	5	-	-	-
Actual	-	354	253	3	-
Total					
Needed	174,722	179,947	155,320	66,112	78,926
Actual	155,303	136,930	85,685	91,613	86,342

Data provided by Comparative Report of Preservation Costs

OTHER SUPPLEMENTARY INFORMATION

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes. Funds of material significance are presented separately in these combining statements. All other funds are included under the description “Other Special Revenue Funds.”

The following fund is used to report the State Student Assistance Commission of Indiana (SSACI) whose mission is to make college affordable through need-based grants and to allow choice by granting awards to those attending public, independent and proprietary colleges:

State Student Assistance Commission of Indiana (SSACI)

The following fund id used to account for welfare assistance and administration and other welfare and education related entitlement programs:

Federal Food Stamp Program

The following funds are used to account for transportation and motor vehicle related programs:

Motor Vehicle Highway
Bureau of Motor Vehicles Commission
Primary Road and Street
State Highway Department

The following funds are used to account for health and environmental programs:

Indiana Check-Up Plan
Patients Compensation Fund
Tobacco Settlement Fund

The following funds are used to receive and distribute certain revenues to the proper sources:

State Gaming Fund
Build Indiana Fund

The following fund is used to account for federal and non-federal programs:

Fund 6000 Programs

The following fund is used to provide low interest construction and technology loans for qualifying schools:

Common School Fund

The following funds are used to account for federal grant programs:

U.S. Department of Agriculture
U.S. Department of Labor
U.S. Department of Education

NON-MAJOR GOVERNMENTAL FUNDS

CAPITAL PROJECTS FUNDS

Capital project funds account for financial resources to be used by the State for the acquisition or construction of major capital facilities (other than those financed by proprietary and trust funds).

State Police Building Commission Fund – This fund accounts for new construction, rehabilitation and preventative maintenance for this state commission.

Post War Construction Fund – This fund accounts for new construction, rehabilitation and preventative maintenance of penal, benevolent and charitable institutions of the state.

PERMANENT FUNDS

Permanent Funds account for resources of the State that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support State programs.

Next Generation Trust Fund - This fund is used to hold title to proceeds transferred to the trust under IC 8-15.5-11. The interest is appropriated every five years beginning March 15, 2011 and is to be used exclusively for the provision of highways, roads, and bridges for the benefit of the people of Indiana and the users of those facilities.

State of Indiana
Balance Sheet
Non-Major Governmental Funds
June 30, 2011
(amounts expressed in thousands)

	Non-Major Special Revenue Funds	Non-Major Capital Projects Funds	Non-Major Permanent Funds	Total
Assets:				
Cash, cash equivalents and investments-unrestricted	$ 2,366,635	$ 100,680	$ 517,279	**$ 2,984,594**
Securities lending collateral	55,829	-	28,110	**83,939**
Receivables:				
Taxes (net of allowance for uncollectible accounts)	189,570	1,855	-	**191,425**
Securities lending	1	-	2	**3**
Accounts	40,079	45	-	**40,124**
Grants	210,268	-	-	**210,268**
Interest	199	-	2	**201**
Due from component unit	6,011	-	-	**6,011**
Prepaid expenditures	120	-	-	**120**
Loans	409,778	-	-	**409,778**
Total assets	$ 3,278,490	$ 102,580	$ 545,393	**$ 3,926,463**
Liabilities:				
Accounts payable	$ 199,573	$ 758	$ -	**$ 200,331**
Interest payable	-	-	-	**-**
Salaries and benefits payable	36,284	-	-	**36,284**
Interfund loans	166,806	200	-	**167,006**
Interfund services used	2,867	-	-	**2,867**
Intergovernmental payable	106,318	-	-	**106,318**
Tax refunds payable	9,629	-	-	**9,629**
Deferred revenue	204,840	9	-	**204,849**
Accrued liability for compensated absences-current	2,737	-	-	**2,737**
Pollution remediation payable	3	-	-	**3**
Securities lending payable	1	-	2	**3**
Securities lending collateral	55,829	-	28,110	**83,939**
Total liabilities	784,887	967	28,112	**813,966**
Fund balance:				
Nonspendable:	-	-	501,125	**501,125**
Committed:	553,714	-	16,156	**569,870**
Assigned:	2,163,266	101,613	-	**2,264,879**
Unassigned:	(223,377)	-	-	**(223,377)**
Total fund balances	2,493,603	101,613	517,281	**3,112,497**
Total liabilities and fund balances	$ 3,278,490	$ 102,580	$ 545,393	**$ 3,926,463**

State of Indiana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2011
(amounts expressed in thousands)

	Non-Major Special Revenue Funds	Non-Major Capital Projects Funds	Non-Major Permanent Funds	Total
Revenues:				
Taxes:				
Income	$ 6,261	$ -	$ -	**$ 6,261**
Sales	51,223	-	-	**51,223**
Fuels	747,569	-	-	**747,569**
Gaming	813,749	-	-	**813,749**
Unemployment	319	-	-	**319**
Alcohol and tobacco	162,759	18,303	-	**181,062**
Insurance	4,090	-	-	**4,090**
Financial Institutions	56,726	-	-	**56,726**
Other	21,414	-	-	**21,414**
Total taxes	1,864,110	18,303	-	**1,882,413**
Current service charges	1,110,287	1,777	-	**1,112,064**
Investment income	2,174	-	32,270	**34,444**
Sales/rents	18,163	-	-	**18,163**
Grants	3,054,813	-	-	**3,054,813**
Other	56,885	-	-	**56,885**
Total revenues	6,106,432	20,080	32,270	**6,158,782**
Expenditures:				
Current:				
General government	840,400	6	7	**840,413**
Public safety	630,867	6,289	-	**637,156**
Health	145,585	766	-	**146,351**
Welfare	1,745,901	85	-	**1,745,986**
Conservation, culture and development	463,059	-	-	**463,059**
Education	1,230,371	136	-	**1,230,507**
Transportation	983,385	-	66	**983,451**
Total expenditures	6,039,568	7,282	73	**6,046,923**
Excess (deficiency) of revenues over (under) expenditures	66,864	12,798	32,197	**111,859**
Other financing sources (uses):				
Transfers in	2,282,292	2,217	-	**2,284,509**
Transfers (out)	(2,587,362)	(5,584)	(124,158)	**(2,717,104)**
Proceeds from capital lease	2,941	-	-	**2,941**
Total other financing sources (uses)	(302,129)	(3,367)	(124,158)	**(429,654)**
Net change in fund balances	(235,265)	9,431	(91,961)	**(317,795)**
Fund Balance July 1, as restated	2,728,868	92,182	609,242	**3,430,292**
Fund Balance June 30	**$ 2,493,603**	**$ 101,613**	**$ 517,281**	**$ 3,112,497**

State of Indiana
Combining Balance Sheet
Non-Major Special Revenue Funds
June 30, 2011

(amounts expressed in thousands)

	STATE GAMING FUND	MOTOR VEHICLE HIGHWAY	MOTOR VEHICLE COMMISSION	BUILD INDIANA FUND
Assets:				
Cash, cash equivalents and investments-unrestricted	$ 17,542	$ 42,587	$ 3,280	$ 5,553
Securities lending collateral	-	-	-	-
Receivables:				
Taxes (net of allowance for uncollectible accounts)	5,999	13,270	-	-
Securities lending	-	-	-	-
Accounts	-	3,828	311	-
Grants	-	-	-	-
Interest	-	-	-	-
Due from component unit	-	-	-	5,991
Prepaid expenditures	-	18	-	-
Loans	-	-	-	9
Total assets	$ 23,541	$ 59,703	$ 3,591	$ 11,553
Liabilities:				
Accounts payable	$ 61	$ 7,255	$ 2,151	$ 429
Salaries and benefits payable	146	7,620	1,501	2
Interfund loans	-	-	-	-
Interfund services used	17	607	115	-
Intergovernmental payable	100	22,137	-	-
Tax refunds payable	-	3,804	-	-
Deferred revenue	-	7,607	-	-
Accrued liability for compensated absences-current	18	76	126	-
Pollution remediation payable	-	-	-	-
Securities lending payable	-	-	-	-
Securities lending collateral	-	-	-	-
Total liabilities	342	49,106	3,893	431
Fund balance:				
Committed:	-	-	-	-
Assigned:	23,199	10,597	-	11,122
Unassigned:	-	-	(302)	-
Total fund balances	23,199	10,597	(302)	11,122
Total liabilities and fund balances	$ 23,541	$ 59,703	$ 3,591	$ 11,553

STATE HIGHWAY FUND	INDIANA CHECK-UP PLAN	FUND 6000 PROGRAMS	PATIENTS COMPENSATION FUND	ROAD & STREET, PRIMARY HIGHWAY
$ 256,000	$ 301,917	$ 339,138	$ 243,567	$ 5,836
-	-	-	51,000	-
3,221	11,031	80,550	-	11,582
-	-	-	-	-
15,153	-	10,365	-	271
13	-	-	-	-
-	-	5	165	-
-	-	-	-	-
-	-	86	-	-
10,300	-	958	-	-
$ 284,687	$ 312,948	$ 431,102	$ 294,732	$ 17,689
$ 50,919	$ 3,837	$ 5,876	$ 45,013	$ -
10,790	-	957	21	-
-	-	-	-	-
561	3	59	2	-
-	-	2,405	-	6,547
-	-	5,825	-	-
568	584	82,114	-	4,980
886	-	34	1	-
-	-	-	-	-
-	-	-	-	-
-	-	-	51,000	-
63,724	4,424	97,270	96,037	11,527
-	-	-	-	-
220,963	308,524	333,832	198,695	6,162
-	-	-	-	-
220,963	308,524	333,832	198,695	6,162
$ 284,687	$ 312,948	$ 431,102	$ 294,732	$ 17,689

continued on next page

State of Indiana
Combining Balance Sheet
Non-Major Special Revenue Funds
June 30, 2011
(amounts expressed in thousands)

	TOBACCO SETTLEMENT FUND	COMMON SCHOOL FUND	US DEPARTMENT OF AGRICULTURE	US DEPARTMENT OF LABOR
Assets:				
Cash, cash equivalents and investments-unrestricted	$ 92,527	$ 159,380	$ -	$ -
Securities lending collateral	-	4,829	-	-
Receivables:				
Taxes (net of allowance for uncollectible accounts)	-	-	-	-
Securities lending	-	1	-	-
Accounts	-	-	-	247
Grants	-	-	-	72,316
Interest	7	-	-	-
Due from component unit	-	-	-	-
Prepaid expenditures	-	-	-	-
Loans	-	392,633	-	-
Total assets	$ 92,534	$ 556,843	$ -	$ 72,563
Liabilities:				
Accounts payable	$ 2,716	$ -	$ 2,788	$ 7,020
Salaries and benefits payable	101	-	297	2,892
Interfund loans	-	-	74,577	7,642
Interfunds services used	11	-	9	591
Intergovernmental payable	-	-	11,581	-
Tax refunds payable	-	-	-	-
Deferred revenue	-	-	74,131	-
Accrued liability for compensated absences-current	10	-	14	207
Pollution remediation payable	-	-	-	-
Securities lending payable	-	1	-	-
Securities lending collateral	-	4,829	-	-
Total liabilities	2,838	4,830	163,397	18,352
Fund balance:				
Committed:	-	552,013	-	-
Assigned:	89,696	-	-	54,211
Unassigned:	-	-	(163,397)	-
Total fund balances	89,696	552,013	(163,397)	54,211
Total liabilities and fund balances	$ 92,534	$ 556,843	$ -	$ 72,563

US DEPARTMENT OF EDUCATION	FEDERAL FOOD STAMP PROGRAM	STATE STUDENT ASSISTANCE	Other Non-Major Special Revenue Funds	Total
$ -	$ 90,627	$ 42,783	$ 765,898	**$ 2,366,635**
-	-	-	-	**55,829**
-	-	-	63,917	**189,570**
-	-	-	-	**1**
-	-	-	9,904	**40,079**
97,728	1,282	1,996	36,933	**210,268**
-	-	-	22	**199**
-	-	-	20	**6,011**
-	-	2	14	**120**
-	-	-	5,878	**409,778**
$ 97,728	$ 91,909	$ 44,781	$ 882,586	**$ 3,278,490**
$ 10,263	$ 1,253	$ 561	$ 59,431	**$ 199,573**
956	77	57	10,867	**36,284**
84,587	-	-	-	**166,806**
75	3	-	814	**2,867**
61,444	-	-	2,104	**106,318**
-	-	-	-	**9,629**
-	-	-	34,856	**204,840**
81	15	4	1,265	**2,737**
-	-	-	3	**3**
-	-	-	-	**1**
-	-	-	-	**55,829**
157,406	1,348	622	109,340	**784,887**
-	-	-	1,701	**553,714**
-	90,561	44,159	771,545	**2,163,266**
(59,678)	-	-	-	**(223,377)**
(59,678)	90,561	44,159	773,246	**2,493,603**
$ 97,728	$ 91,909	$ 44,781	$ 882,586	**$ 3,278,490**

State of Indiana
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Special Revenue Funds
For the Year Ended June 30, 2011
(amounts expressed in thousands)

	STATE GAMING FUND	MOTOR VEHICLE HIGHWAY	MOTOR VEHICLE COMMISSION	BUILD INDIANA FUND
Revenues:				
Taxes:				
Income	$ -	$ -	$ -	$ -
Sales	-	-	-	-
Fuels	-	377,505	-	-
Gaming	787,210	-	-	-
Unemployment	-	-	-	-
Alcohol and tobacco	-	-	-	-
Insurance	-	-	-	-
Financial Institutions	-	-	-	-
Other	-	-	-	-
Total taxes	787,210	377,505	-	-
Current service charges	1,918	253,919	94,050	129,381
Investment income	-	-	-	-
Sales/rents	-	1,080	-	-
Grants	-	25	23	1
Other	-	43	13	-
Total revenues	789,128	632,572	94,086	129,382
Expenditures:				
Current:				
General government	136,927	276,939	-	-
Public safety	-	184,449	78,111	-
Health	-	-	-	-
Welfare	-	-	-	-
Conservation, culture and development	-	-	-	8
Education	-	216	-	3,519
Transportation	-	-	-	-
Total expenditures	136,927	461,604	78,111	3,527
Excess (deficiency) of revenues over (under) expenditures	652,201	170,968	15,975	125,855
Other financing sources (uses):				
Transfers in	600	113,680	-	89,977
Transfers (out)	(660,379)	(275,610)	(2,376)	(246,489)
Proceeds from capital lease	-	-	-	-
Total other financing sources (uses)	(659,779)	(161,930)	(2,376)	(156,512)
Net change in fund balances	(7,578)	9,038	13,599	(30,657)
Fund Balance July 1, as restated	30,777	1,559	(13,901)	41,779
Fund Balance June 30	**$ 23,199**	**$ 10,597**	**$ (302)**	**$ 11,122**

	STATE HIGHWAY FUND	INDIANA CHECK-UP PLAN	FUND 6000 PROGRAMS	PATIENTS COMPENSATION FUND	ROAD & STREET, PRIMARY HIGHWAY
	$ -	$ -	$ 6,166	$ -	$ -
	-	-	4,316	-	-
	30,248	-	-	-	184,514
	-	-	487	-	-
	-	-	208	-	-
	-	125,815	64	-	-
	-	-	-	-	-
	-	-	56,726	-	-
	-	-	17,818	-	-
	30,248	125,815	85,785	-	184,514
	27,040	-	86,587	109,235	18,191
	344	-	176	952	-
	793	-	3,892	-	-
	14,060	-	25,080	-	-
	42,026	-	7,538	-	-
	114,511	125,815	209,058	110,187	202,705
	-	-	112,798	-	73,888
	-	-	16,171	106,468	-
	-	10,560	1,385	-	-
	-	53,954	5,025	-	-
	-	-	9,894	-	-
	-	-	3,872	-	-
	869,792	-	1,075	-	-
	869,792	64,514	150,220	106,468	73,888
	(755,281)	61,301	58,838	3,719	128,817
	955,642	-	38,701	-	7,645
	(324,997)	-	(107,378)	(10)	(135,579)
	2,941	-	-	-	-
	633,586	-	(68,677)	(10)	(127,934)
	(121,695)	61,301	(9,839)	3,709	883
	342,658	247,223	343,671	194,986	5,279
	$ 220,963	**$ 308,524**	**$ 333,832**	**$ 198,695**	**$ 6,162**

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State of Indiana
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Special Revenue Funds
For the Year Ended June 30, 2011
(amounts expressed in thousands)

	TOBACCO SETTLEMENT FUND	COMMON SCHOOL FUND	US DEPARTMENT OF AGRICULTURE	US DEPARTMENT OF LABOR
Revenues:				
Taxes:				
Income	$ -	$ -	$ -	$ -
Sales	-	-	-	-
Fuels	-	-	-	-
Gaming	-	-	-	-
Unemployment	-	-	-	111
Alcohol and tobacco	-	-	-	-
Insurance	-	-	-	-
Financial Institutions	-	-	-	-
Other	-	-	-	-
Total taxes	-	-	-	111
Current service charges	127,051	214	-	672
Investment income	81	17	-	-
Sales/rents	-	-	-	-
Grants	50	-	339,756	230,711
Other	90	6,159	-	-
Total revenues	127,272	6,390	339,756	231,494
Expenditures:				
Current:				
General government	12,379	28	653	59
Public safety	-	-	3,284	4,372
Health	27,279	-	99,011	-
Welfare	2,988	-	-	3,985
Conservation, culture and development	-	-	3,020	157,880
Education	-	-	336,200	-
Transportation	-	-	-	-
Total expenditures	42,646	28	442,168	166,296
Excess (deficiency) of revenues over expenditures	84,626	6,362	(102,412)	65,198
Other financing sources (uses):				
Transfers in	7,020	-	121,739	3,260
Transfers (out)	(108,602)	-	(165,572)	(1,454)
Proceeds from capital lease	-	-	-	-
Total other financing sources (uses)	(101,582)	-	(43,833)	1,806
Net change in fund balances	(16,956)	6,362	(146,245)	67,004
Fund Balance July 1, as restated	106,652	545,651	(17,152)	(12,793)
Fund Balance June 30	**$ 89,696**	**$ 552,013**	**$ (163,397)**	**$ 54,211**

US DEPARTMENT OF EDUCATION	FEDERAL FOOD STAMP PROGRAM	STATE STUDENT ASSISTANCE	OTHER SPECIAL REVENUE FUNDS	Total
$ -	$ -	$ -	$ 95	**$ 6,261**
-	-	-	46,907	**51,223**
-	-	-	155,302	**747,569**
-	-	-	26,052	**813,749**
-	-	-	-	**319**
-	-	-	36,880	**162,759**
-	-	-	4,090	**4,090**
-	-	-	-	**56,726**
-	13	-	3,583	**21,414**
-	13	-	272,909	**1,864,110**
-	-	1,002	261,027	**1,110,287**
6	-	-	598	**2,174**
177	-	-	12,221	**18,163**
657,076	1,423,645	5,107	359,279	**3,054,813**
6	1	5	1,004	**56,885**
657,265	1,423,659	6,114	907,038	**6,106,432**
10,920	-	-	215,809	**840,400**
3,428	-	-	234,584	**630,867**
-	-	-	7,350	**145,585**
87,145	1,474,166	-	118,638	**1,745,901**
10,884	-	-	281,373	**463,059**
610,607	-	268,519	7,438	**1,230,371**
-	-	-	112,518	**983,385**
722,984	1,474,166	268,519	977,710	**6,039,568**
(65,719)	(50,507)	(262,405)	(70,672)	**66,864**
49,695	235,086	279,934	379,313	**2,282,292**
(17,037)	(114,123)	(11,964)	(415,792)	**(2,587,362)**
-	-	-	-	**2,941**
32,658	120,963	267,970	(36,479)	**(302,129)**
(33,061)	70,456	5,565	(107,151)	**(235,265)**
(26,617)	20,105	38,594	880,397	**2,728,868**
$ (59,678)	**$ 90,561**	**$ 44,159**	**$ 773,246**	**$ 2,493,603**

State of Indiana
Combining Balance Sheet
Non-Major Capital Projects Funds
June 30, 2011
(amounts expressed in thousands)

	State Police Building Commission	Post War Construction	Other Non-Major Capital Projects Funds	Total
Assets:				
Cash, cash equivalents and investments-unrestricted	$ 5,343	$ 84,595	$ 10,742	**$ 100,680**
Receivables:				
Taxes (net of allowance for uncollectible accounts)	-	1,855	-	**1,855**
Accounts	45	-	-	**45**
Total assets	$ 5,388	$ 86,450	$ 10,742	**$ 102,580**
Liabilities:				
Accounts payable	$ 63	$ 626	$ 69	**$ 758**
Interfund loans	-	-	200	**200**
Deferred revenue	-	9	-	**9**
Total liabilities	63	635	269	**967**
Fund balance:				
Nonspendable:	-	-	-	**-**
Restricted:	-	-	-	**-**
Committed:	-	-	-	**-**
Assigned:	5,325	85,815	10,673	**101,813**
Unassigned:	-	-	(200)	**(200)**
Total fund balances	5,325	85,815	10,473	**101,613**
Total liabilities and fund balances	$ 5,388	$ 86,450	$ 10,742	**$ 102,580**

State of Indiana
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Capital Projects Funds
For the Year Ended June 30, 2011
(amounts expressed in thousands)

	State Police Building Commission	Post War Construction	Other Non-Major Capital Projects Funds	Total
Revenues:				
Taxes:				
Alcohol and tobacco	$ -	$ 18,303	$ -	**$ 18,303**
Total taxes	-	18,303	-	**18,303**
Current service charges	1,777	-	-	**1,777**
Total revenues	1,777	18,303	-	**20,080**
Expenditures:				
Current:				
General government	-	-	6	**6**
Public safety	1,178	4,945	166	**6,289**
Health	-	20	746	**766**
Welfare	-	85	-	**85**
Education	-	136	-	**136**
Total expenditures	1,178	5,186	918	**7,282**
Excess (deficiency) of revenues over (under) expenditures	599	13,117	(918)	**12,798**
Other financing sources (uses):				
Transfers in	-	498	1,719	**2,217**
Transfers (out)	-	(5,384)	(200)	**(5,584)**
Total other financing sources (uses)	-	(4,886)	1,519	**(3,367)**
Net change in fund balances	599	8,231	601	**9,431**
Fund Balance July 1, as restated	4,726	77,584	9,872	**92,182**
Fund Balance June 30	**$ 5,325**	**$ 85,815**	**$ 10,473**	**$ 101,613**

State of Indiana
Combining Balance Sheet
Non-Major Permanent Funds
June 30, 2011
(amounts expressed in thousands)

	Next Generation Trust Fund	Other Non-Major Permanent Funds	Total
Assets:			
Cash, cash equivalents and investments-unrestricted	$ 516,148	$ 1,131	**$ 517,279**
Securities lending collateral	28,110	-	**28,110**
Receivables:			
Securities lending	2	-	**2**
Interest	2	-	**2**
Total assets	$ 544,262	$ 1,131	**$ 545,393**
Liabilities:			
Securities lending payable	$ 2	$ -	**$ 2**
Securities lending collateral	28,110	-	**28,110**
Total liabilities	28,112	-	**28,112**
Fund balance:			
Nonspendable:	500,000	1,125	**501,125**
Committed:	16,150	6	**16,156**
Total fund balances	516,150	1,131	**517,281**
Total liabilities and fund balances	$ 544,262	$ 1,131	**$ 545,393**

State of Indiana
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Permanent Funds
For the Year Ended June 30, 2011
(amounts expressed in thousands)

	Next Generation Trust Fund	Other Non-Major Permanent Funds	Total
Revenues:			
Investment income	$ 32,265	$ 5	**$ 32,270**
Total revenues	32,265	5	**32,270**
Expenditures:			
Current:			
General government	-	7	**7**
Total expenditures	66	7	**73**
Excess (deficiency) of revenues over (under) expenditures	32,199	(2)	**32,197**
Other financing sources (uses):			
Transfers (out)	(124,158)	-	**(124,158)**
Total other financing sources (uses)	(124,158)	-	**(124,158)**
Net change in fund balances	(91,959)	(2)	**(91,961)**
Fund Balance July 1, as restated	608,109	1,133	**609,242**
Fund Balance June 30	**$ 516,150**	**$ 1,131**	**$ 517,281**

State of Indiana
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2011
(amounts expressed in thousands)

	State Gaming Fund			
	Budget		Actual	Variance to Final Budget
	Original	Final		
Revenues:				
Taxes:				
Income	$ -	$ -	$ -	$ -
Sales	-	-	-	-
Fuels	-	-	-	-
Gaming	799,610	799,610	787,098	(12,512)
Unemployment	-	-	-	-
Alcohol and tobacco	-	-	-	-
Insurance	-	-	-	-
Financial institutions	-	-	-	-
Other	-	-	-	-
Total taxes	799,610	799,610	787,098	(12,512)
Current service charges	1,775	1,775	1,918	143
Investment income	-	-	-	-
Sales/rents	-	-	-	-
Grants	-	-	-	-
Other	30	30	-	(30)
Total revenues	801,415	801,415	789,016	(12,399)
Expenditures:				
Current:				
General government	4,373	14,046	137,103	(123,057)
Public safety	-	-	-	-
Health	-	-	-	-
Welfare	-	-	-	-
Conservation, culture and development	-	-	-	-
Education	-	-	-	-
Transportation	-	-	-	-
Total expenditures	4,373	14,046	137,103	(123,057)
Excess of revenues over (under) expenditures	797,042	787,369	651,913	135,456
Other financing sources (uses):				
Total other financing sources (uses)	(659,779)	(659,779)	(659,779)	-
Net change in fund balances	$ 137,263	$ 127,590	(7,866)	$ (135,456)
Fund balances July 1, as restated			25,406	
Fund balances June 30			**$ 17,540**	

Motor Vehicle Highway Fund				Motor Vehicle Commission			
Budget		Actual	Variance to Final Budget	Budget		Actual	Variance to Final Budget
Original	Final			Original	Final		
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-	-
402,406	402,406	379,357	(23,049)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
402,406	402,406	379,357	(23,049)	-	-	-	-
226,947	226,947	254,720	27,773	98,356	98,356	94,166	(4,190)
-	-	-	-	-	-	-	-
671	671	1,080	409	-	-	-	-
84	84	25	(59)	-	-	23	23
1,042	1,042	43	(999)	15	15	13	(2)
631,150	631,150	635,225	4,075	98,371	98,371	94,202	(4,169)
301,473	571,016	276,245	294,771	-	-	-	-
220,577	208,717	182,904	25,813	97,678	80,411	77,027	3,384
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
253	264	213	51	-	-	-	-
500	500	-	500	-	-	-	-
522,803	780,497	459,362	321,135	97,678	80,411	77,027	3,384
108,347	(149,347)	175,863	(325,210)	693	17,960	17,175	785
(161,930)	(161,930)	(161,930)	-	(2,376)	(2,376)	(2,376)	-
$ (53,583)	$ (311,277)	13,933	$ 325,210	$ (1,683)	$ 15,584	14,799	$ (785)
		24,667				(12,260)	
		$ 38,600				**$ 2,539**	

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State of Indiana
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2011
(amounts expressed in thousands)

	Build Indiana Fund			
	Budget		Actual	Variance to Final Budget
	Original	Final		
Revenues:				
Taxes:				
Income	$ -	$ -	$ -	$ -
Sales	-	-	-	-
Fuels	-	-	-	-
Gaming	-	-	-	-
Unemployment	-	-	-	-
Alcohol and tobacco	-	-	-	-
Insurance	-	-	-	-
Financial institutions	-	-	-	-
Other	-	-	-	-
Total taxes	-	-	-	-
Current service charges	32,557	32,557	160,199	127,642
Investment income	-	-	-	-
Sales/rents	-	-	-	-
Grants	-	-	1	1
Other	91,304	91,304	-	(91,304)
Total revenues	123,861	123,861	160,200	36,339
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Health	-	-	-	-
Welfare	-	-	-	-
Conservation, culture and development	-	100	8	92
Education	6,166	4,239	3,512	727
Transportation	-	-	-	-
Total expenditures	6,166	4,339	3,520	819
Excess of revenues over (under) expenditures	117,695	119,522	156,680	(37,158)
Other financing sources (uses):				
Total other financing sources (uses)	(156,513)	(156,513)	(156,513)	-
Net change in fund balances	$ (38,818)	$ (36,991)	167	$ 37,158
Fund balances July 1, as restated			4,970	
Fund balances June 30			**$ 5,137**	

State Highway Fund				Indiana Check-Up Plan			
Budget		Actual	Variance to Final Budget	Budget		Actual	Variance to Final Budget
Original	Final			Original	Final		
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-	-
24,876	24,876	30,227	5,351	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	128,182	128,182	127,440	(742)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
24,876	24,876	30,227	5,351	128,182	128,182	127,440	(742)
11,659	11,659	26,883	15,224	-	-	-	-
199	199	344	145	-	-	-	-
711	711	793	82	-	-	-	-
8,100	8,100	14,060	5,960	-	-	-	-
83,571	83,571	42,026	(41,545)	-	-	-	-
129,116	129,116	114,333	(14,783)	128,182	128,182	127,440	(742)
5,000	6,809	2	6,807	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	11,884	11,797	10,066	1,731
-	-	-	-	2,899	245,614	53,646	191,968
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,799,211	2,422,922	876,804	1,546,118	-	-	-	-
1,804,211	2,429,731	876,806	1,552,925	14,783	257,411	63,712	193,699
(1,675,095)	(2,300,615)	(762,473)	(1,538,142)	113,399	(129,229)	63,728	(192,957)
630,645	630,645	630,645	-	-	-	-	-
$ (1,044,450)	$ (1,669,970)	(131,828)	$ 1,538,142	$ 113,399	$ (129,229)	63,728	$ 192,957
		382,853				235,617	
		$ 251,025				**$ 299,345**	

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State of Indiana
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2011
(amounts expressed in thousands)

	Fund 6000 Programs			
	Budget		Actual	Variance to Final Budget
	Original	Final		
Revenues:				
Taxes:				
Income	$ 36,797	$ 36,797	$ 4,570	$ (32,227)
Sales	29,043	29,043	3,657	(25,386)
Fuels	18,580	18,580	31,540	12,960
Gaming	267	267	515	248
Unemployment	-	-	208	208
Alcohol and tobacco	754	754	45	(709)
Insurance	34	34	-	(34)
Financial institutions	55,959	55,959	55,584	(375)
Other	59,663	59,663	18,498	(41,165)
Total taxes	201,097	201,097	114,617	(86,480)
Current service charges	153,981	153,981	85,723	(68,258)
Investment income	8,832	8,832	181	(8,651)
Sales/rents	3,259	3,259	3,892	633
Grants	16,326	16,326	27,402	11,076
Other	54,052	54,052	7,538	(46,514)
Total revenues	437,547	437,547	239,353	(198,194)
Expenditures:				
Current:				
General government	2,179	351,098	112,779	238,319
Public safety	2,724	30,533	14,470	16,063
Health	1,784	5,395	1,363	4,032
Welfare	476	9,056	5,794	3,262
Conservation, culture and development	7,013	16,373	9,772	6,601
Education	355	6,650	4,200	2,450
Transportation	2,535	4,151	870	3,281
Total expenditures	17,066	423,256	149,248	274,008
Excess of revenues over (under) expenditures	420,481	14,291	90,105	(75,814)
Other financing sources (uses):				
Total other financing sources (uses)	(68,677)	(68,677)	(68,677)	-
Net change in fund balances	$ 351,804	$ (54,386)	21,428	$ 75,814
Fund balances July 1, as restated			317,252	
Fund balances June 30			**$ 338,680**	

Patients Compensation Fund				Road and Street, Primary Highway			
Budget		Actual	Variance to Final Budget	Budget		Actual	Variance to Final Budget
Original	Final			Original	Final		
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-	-
-	-	-	-	174,998	174,998	185,587	10,589
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	174,998	174,998	185,587	10,589
124,594	124,594	110,898	(13,696)	18,387	18,387	18,294	(93)
254	254	707	453	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
124,848	124,848	111,605	(13,243)	193,385	193,385	203,881	10,496
-	-	-	-	-	3,926	74,038	(70,112)
1,910	65,127	126,457	(61,330)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,910	65,127	126,457	(61,330)	-	3,926	74,038	(70,112)
122,938	59,721	(14,852)	74,573	193,385	189,459	129,843	59,616
(10)	(10)	(10)	-	(127,934)	(127,934)	(127,934)	-
$ 122,928	$ 59,711	(14,862)	$ (74,573)	$ 65,451	$ 61,525	1,909	$ (59,616)
		258,425				3,926	
		$ 243,563				**$ 5,835**	

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State of Indiana
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2011
(amounts expressed in thousands)

	Tobacco Settlement Fund			
	Budget		Actual	Variance to Final Budget
	Original	Final		
Revenues:				
Taxes:				
Income	$ -	$ -	$ -	$ -
Sales	-	-	-	-
Fuels	-	-	-	-
Gaming	-	-	-	-
Unemployment	-	-	-	-
Alcohol and tobacco	-	-	-	-
Insurance	-	-	-	-
Financial institutions	-	-	-	-
Other	-	-	-	-
Total taxes	-	-	-	-
Current service charges	135,025	135,025	127,051	(7,974)
Investment income	178	178	76	(102)
Sales/rents	-	-	-	-
Grants	26	26	50	24
Other	1,460	1,460	90	(1,370)
Total revenues	136,689	136,689	127,267	(9,422)
Expenditures:				
Current:				
General government	119,634	91,968	12,496	79,472
Public safety	-	-	-	-
Health	39,277	41,161	27,375	13,786
Welfare	2,110	6,235	3,007	3,228
Conservation, culture and development	-	2	-	2
Education	-	-	-	-
Transportation	-	-	-	-
Total expenditures	161,021	139,366	42,878	96,488
Excess of revenues over (under) expenditures	(24,332)	(2,677)	84,389	(87,066)
Other financing sources (uses):				
Total other financing sources (uses)	(101,582)	(101,582)	(101,582)	-
Net change in fund balances	$ (125,914)	$ (104,259)	(17,193)	$ 87,066
Fund balances July 1, as restated			109,512	
Fund balances June 30			**$ 92,319**	

Common School Fund				U.S. Department of Agriculture			
Budget		Actual	Variance to Final Budget	Budget		Actual	Variance to Final Budget
Original	Final			Original	Final		
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,330	1,330	214	(1,116)	1	1	-	(1)
507	507	-	(507)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	287,333	287,333	461,537	174,204
7,336	7,336	6,159	(1,177)	238	238	-	(238)
9,173	9,173	6,373	(2,800)	287,572	287,572	461,537	173,965
-	-	-	-	370	9,916	566	9,350
-	-	-	-	31	5,495	3,277	2,218
-	-	-	-	16,406	141,268	97,219	44,049
-	-	-	-	-	-	-	-
-	-	-	-	1,100	5,090	2,988	2,102
-	-	-	-	2,535	353,327	333,056	20,271
-	-	-	-	-	-	-	-
-	-	-	-	20,442	515,096	437,106	77,990
9,173	9,173	6,373	2,800	267,130	(227,524)	24,431	(251,955)
-	-	-	-	(43,833)	(43,833)	(43,833)	-
$ 9,173	$ 9,173	6,373	$ (2,800)	$ 223,297	$ (271,357)	(19,402)	$ 251,955
		545,640				(56,089)	
		$ 552,013				**$ (75,491)**	

continued on next page

State of Indiana
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2011
(amounts expressed in thousands)

	U.S. Department of Labor			
	Budget		Actual	Variance to Final Budget
	Original	Final		
Revenues:				
Taxes:				
Income	$ -	$ -	$ -	$ -
Sales	-	-	-	-
Fuels	-	-	-	-
Gaming	-	-	-	-
Unemployment	807	807	111	(696)
Alcohol and tobacco	-	-	-	-
Insurance	-	-	-	-
Financial institutions	-	-	-	-
Other	-	-	-	-
Total taxes	807	807	111	(696)
Current service charges	672	672	672	-
Investment income	-	-	-	-
Sales/rents	-	-	-	-
Grants	182,865	182,865	163,025	(19,840)
Other	745	745	-	(745)
Total revenues	185,089	185,089	163,808	(21,281)
Expenditures:				
Current:				
General government	14	90	29	61
Public safety	34	7,345	4,372	2,973
Health	-	-	-	-
Welfare	455	8,311	3,984	4,327
Conservation, culture and development	57,669	309,570	155,272	154,298
Education	-	-	-	-
Transportation	-	-	-	-
Total expenditures	58,172	325,316	163,657	161,659
Excess of revenues over (under) expenditures	126,917	(140,227)	151	(140,378)
Other financing sources (uses):				
Total other financing sources (uses)	1,806	1,806	1,806	-
Net change in fund balances	$ 128,723	$ (138,421)	1,957	$ 140,378
Fund balances July 1, as restated			(10,125)	
Fund balances June 30			**$ (8,168)**	

U.S. Department of Education				Federal Food Stamp Program			
Budget		Actual	Variance to Final Budget	Budget		Actual	Variance to Final Budget
Original	Final			Original	Final		
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	13	13
-	-	-	-	-	-	13	13
1,446	1,446	(378)	(1,824)	-	-	-	-
9	9	6	(3)	-	-	-	-
124	124	177	53	-	-	-	-
704,580	704,580	636,421	(68,159)	56,207	56,207	57,771	1,564
1,477	1,477	6	(1,471)	-	-	1	1
707,636	707,636	636,232	(71,404)	56,207	56,207	57,785	1,578
1	1,009	10,885	(9,876)	-	-	-	-
1,187	6,294	3,428	2,866	-	-	-	-
-	-	-	-	-	-	-	-
5,233	142,552	87,462	55,090	3,686	193,382	99,694	93,688
2,134	25,282	11,054	14,228	-	-	-	-
44,883	935,227	581,748	353,479	-	-	-	-
-	-	-	-	-	-	-	-
53,438	1,110,364	694,577	415,787	3,686	193,382	99,694	93,688
654,198	(402,728)	(58,345)	(344,383)	52,521	(137,175)	(41,909)	(95,266)
(17,037)	(17,037)	32,658	49,695	120,963	120,963	120,963	-
$ 637,161	$ (419,765)	(25,687)	$ 394,078	$ 173,484	$ (16,212)	79,054	$ 95,266
		(62,655)				11,558	
		$ (88,342)				**$ 90,612**	

continued on next page

State of Indiana
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2011
(amounts expressed in thousands)

	State Student Assistance			
	Budget		Actual	Variance to Final Budget
	Original	Final		
Revenues:				
Taxes:				
Income	$ -	$ -	$ -	$ -
Sales	-	-	-	-
Fuels	-	-	-	-
Gaming	-	-	-	-
Unemployment	-	-	-	-
Alcohol and tobacco	-	-	-	-
Insurance	-	-	-	-
Financial institutions	-	-	-	-
Other	-	-	-	-
Total taxes	-	-	-	-
Current service charges	2,113	2,113	1,002	(1,111)
Investment income	-	-	-	-
Sales/rents	-	-	-	-
Grants	3,720	3,720	3,111	(609)
Other	-	-	5	5
Total revenues	5,833	5,833	4,118	(1,715)
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Health	-	-	-	-
Welfare	-	-	-	-
Conservation, culture and development	-	-	-	-
Education	269,544	318,793	267,940	50,853
Transportation	-	-	-	-
Total expenditures	269,544	318,793	267,940	50,853
Excess of revenues over (under) expenditures	(263,711)	(312,960)	(263,822)	(49,138)
Other financing sources (uses):				
Total other financing sources (uses)	267,970	267,970	267,970	-
Net change in fund balances	$ 4,259	$ (44,990)	4,148	$ 49,138
Fund balances July 1, as restated			38,597	
Fund balances June 30			**$ 42,745**	

Other Non-Major Special Revenue Funds			
Budget		Actual	Variance to Final Budget
Original	Final		
$ 130	$ 130	$ 95	$ (35)
47,462	47,462	50,357	2,895
152,605	152,605	154,612	2,007
22,386	22,386	26,867	4,481
-	-	-	-
36,068	36,068	37,109	1,041
3,983	3,983	4,090	107
-	-	-	-
10,246	10,246	3,610	(6,636)
272,880	272,880	276,740	3,860
272,173	272,173	265,857	(6,316)
692	692	591	(101)
12,591	12,591	12,221	(370)
357,128	357,128	413,355	56,227
44,840	44,840	1,004	(43,836)
960,304	960,304	969,768	9,464
330,320	796,750	213,369	583,381
150,288	1,270,785	232,697	1,038,088
10,777	10,200	7,274	2,926
14,425	761,398	123,340	638,058
243,295	578,630	276,654	301,976
6,556	23,814	8,400	15,414
145,129	152,691	112,681	40,010
900,790	3,594,268	974,415	2,619,853
59,514	(2,633,964)	(4,647)	(2,629,317)
(36,479)	(36,479)	(36,479)	-
$ 23,035	$ (2,670,443)	(41,126)	$ 2,629,317
		802,451	
		$ 761,325	

Budget/GAAP Reconciliation
Nonmajor Special Revenue Funds

The cash basis of accounting (budgetary basis) is applied to each budget. The budgetary basis differs from GAAP. The major differences between budgetary (non-GAAP) basis and GAAP basis are:

(amounts expressed in thousands)	**Nonmajor Special Revenue Funds**
Net change in fund balances (budgetary basis)	$ (50,468)
Adjustments necessary to convert the results of operations on a budgetary basis to a GAAP basis are:	
Revenues are recorded when earned (GAAP) as opposed to when cash is received (budgetary)	1,120,803
Expenditures are recorded when the liability is incurred (GAAP) as opposed to when payment is made (budgetary)	(1,379,867)
Funds not subject to legally adopted budget	1,242
Net change in fund balances (GAAP basis)	**$ (308,290)**

NON-MAJOR PROPRIETARY FUNDS

ENTERPRISE FUNDS

Enterprise Funds account for operations established to provide services to the general public in a manner similar to private business enterprises. Cost of providing the goods or services are financed or recovered primarily through fees and user charges. The non-major enterprise funds are as follows:

Residual Malpractice Insurance Authority – IC 34-18-17 created the Residual Malpractice Insurance Authority to make malpractice liability insurance available to those who cannot obtain this coverage through other insurers. The Indiana Department of Insurance is the designated residual malpractice insurance authority per State law. Revenues are from the premiums collected.

Inns and Concessions - This fund accounts for the operations of various State Park Inns which provide lodging throughout the year for park tourists, and for the restaurant and concessions at Fort Benjamin Harrison.

State of Indiana
Combining Statement of Fund Net Assets
Non-Major Enterprise Funds
June 30, 2011
(amounts expressed in thousands)

	Residual Malpractice Insurance Authority	Inns and Concessions	Total
Assets			
Current assets:			
Cash, cash equivalents and investments - unrestricted	$ 67,406	$ 4,685	**$ 72,091**
Receivables:			
Accounts	398	455	**853**
Interest	612	-	**612**
Inventory	-	552	**552**
Prepaid expenses	-	75	**75**
Total current assets	68,416	5,767	**74,183**
Noncurrent assets:			
Capital assets:			
Property, plant, and equipment	-	410	**410**
Less accumulated depreciation	-	(326)	**(326)**
Total capital assets, net of depreciation	-	84	**84**
Total noncurrent assets	-	84	**84**
Total assets	**68,416**	**5,851**	**74,267**
Liabilities			
Current liabilities:			
Accounts payable	-	551	**551**
Claims payable	3,702	-	**3,702**
Salaries and benefits payable	-	472	**472**
Accrued liability for compensated absences	-	203	**203**
Deferred revenue	1,381	3,233	**4,614**
Other liabilities	48	443	**491**
Total current liabilities	5,131	4,902	**10,033**
Noncurrent liabilities:			
Accrued liability for compensated absences	-	269	**269**
Claims payable	29,361	-	**29,361**
Total noncurrent liabilities	29,361	269	**29,630**
Total liabilities	**34,492**	**5,171**	**39,663**
Net assets			
Invested in capital assets net of related debt	-	84	**84**
Unrestricted	33,924	596	**34,520**
Total net assets	**$ 33,924**	**$ 680**	**$ 34,604**

State of Indiana
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Non-Major Enterprise Funds
For the Fiscal Year Ended June 30, 2011

(amounts expressed in thousands)

	Residual Malpractice Insurance Authority	Inns and Concessions	Total
Operating revenues:			
Sales/rents/premiums	$ 2,761	$ 23,180	**$ 25,941**
Other	-	162	**162**
Total operating revenues	2,761	23,342	**26,103**
Cost of sales	-	4,113	**4,113**
Gross margin	2,761	19,229	**21,990**
Operating expenses:			
General and administrative expense	655	16,490	**17,145**
Claims expense	1,855	-	**1,855**
Depreciation and amortization	-	33	**33**
Other	-	21	**21**
Total operating expenses	2,510	16,544	**19,054**
Operating income (loss)	251	2,685	**2,936**
Nonoperating revenues (expenses):			
Interest and other investment income	1,733	17	**1,750**
Other	10,000	-	**10,000**
Total nonoperating revenues (expenses)	11,733	17	**11,750**
Income before contributions and transfers	11,984	2,702	**14,686**
Transfers (out)	-	(2,618)	**(2,618)**
Change in net assets	11,984	84	**12,068**
Total net assets, July 1	**21,940**	**596**	**22,536**
Total net assets, June 30	**$ 33,924**	**$ 680**	**$ 34,604**

State of Indiana
Combining Statement of Cash Flows
Non-Major Enterprise Funds
For the Fiscal Year Ended June 30, 2011

(amounts expressed in thousands)

	Residual Malpractice Insurance Authority	Inns and Concessions	Total
Cash flows from operating activities:			
Cash received from customers	$ 2,519	$ 23,155	**$ 25,674**
Cash paid for general and administrative	(675)	(16,548)	**(17,223)**
Cash paid to suppliers	-	(4,099)	**(4,099)**
Cash paid for claims expense	(4,265)	-	**(4,265)**
Net cash provided (used) by operating activities	(2,421)	2,508	**87**
Cash flows from noncapital financing activities:			
Transfers out	-	(2,618)	**(2,618)**
Net cash provided (used) by noncapital financing activities	-	(2,618)	**(2,618)**
Cash flows from capital and related financing activities:			
Acquisition/construction of capital assets	-	(28)	**(28)**
Net cash provided (used) by capital and related financing activities	-	(28)	**(28)**
Cash flows from investing activities:			
Proceeds from sales of investments	9,006	-	**9,006**
Purchase of investments	(9,880)	-	**(9,880)**
Interest income (expense) on investments	3,778	17	**3,795**
Net cash provided (used) by investing activities	2,904	17	**2,921**
Net increase (decrease) in cash and cash equivalents	483	(121)	**362**
Cash and cash equivalents, July 1	502	4,371	**4,873**
Cash and cash equivalents, June 30	**$ 985**	**$ 4,250**	**$ 5,235**
Reconciliation of cash , cash equivalents and investments:			
Cash and cash equivalents unrestricted at end of year	$ 985	$ 4,250	**$ 5,235**
Investments unrestricted	66,421	435	**66,856**
Cash, cash equivalents and investments per balance sheet	**$ 67,406**	**$ 4,685**	**$ 72,091**
Noncash investing, capital and financing activities:			
Increase in fair value of investments	$ (1,939)	$ -	**$ (1,939)**

State of Indiana
Combining Statement of Cash Flows
Non-Major Enterprise Funds
For the Fiscal Year Ended June 30, 2011
(amounts expressed in thousands)

	Residual Malpractice Insurance Authority	Inns and Concessions	Total
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (loss)	$ 251	$ 2,685	**$ 2,936**
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation/amortization expense	-	33	**33**
(Increase) decrease in receivables	-	(177)	**(177)**
(Increase) decrease in inventory	-	14	**14**
(Increase) decrease in prepaid expenses	-	3	**3**
(Increase) decrease in claims payable	(2,409)	-	**(2,409)**
Increase (decrease) in accounts payable	-	26	**26**
Increase (decrease) in deferred revenue	(242)	(49)	**(291)**
Increase (decrease) in salaries payable	-	(43)	**(43)**
Increase (decrease) in compensated absences	-	(24)	**(24)**
Increase (decrease) in other payables	(21)	40	**19**
Net cash provided (used) by operating activities	**$ (2,421)**	**$ 2,508**	**$ 87**

INTERNAL SERVICE FUNDS

Internal Service Funds account for the operations of State agencies that supply goods or services to other agencies of governmental units on a cost-reimbursement basis.

Institutional Industries - This fund accounts for revenues and expenses incurred from the operation of inmate employment programs. Goods produced or manufactured as a result of such programs are sold to state agencies and political subdivisions of the State as well as to the general public.

Administrative Services Revolving – This fund is used to account for the following rotary funds.

Information Technology Services provides telecommunications and data processing services to State agencies. Revenues consist of charges to user agencies.

Motor Pool Rotary Fund accounts for the operation and maintenance of State garages including the servicing and repair of all automotive equipment owned or controlled by the State. Revenues consist of charges to user agencies.

Printing Rotary Fund accounts for the operation of the State Print Shop, which provides printing services to other State agencies. Revenues consist of charges to user agencies.

General Services Rotary accounts for postal service charges to agencies. Revenues consist of charges to user agencies.

Aviation Rotary Fund accounts for the operation and maintenance of state aircraft. Revenues consist of charges to user agencies.

Self-Insurance Funds - The self-insurance funds consist of the **State Police Health Insurance Fund, State Employee Disability Fund, and the State Employee Health Insurance Fund.** These funds administer health insurance and disability plans for state employees and state police personnel as well as for certain school corporations.

State Personnel Department - This fund accounts for revenues and expenses incurred by the Indiana State Personnel Department for providing human resource services to the executive branch of the government.

State of Indiana
Combining Statement of Net Assets
Internal Service Funds
June 30, 2011
(amounts expressed in thousands)

	Institutional Industries	Administrative Services Revolving	State Police Health Insurance Fund	State Employee Disability Fund	State Employee Health Insurance Fund	State Personnel Department Fund	Total
Assets							
Current assets:							
Cash, cash equivalents and investments - unrestricted	$ 548	$ 60,177	$ 7,253	$ 2,124	$ 58,338	$ 1,646	**$ 130,086**
Receivables:							
Accounts	4,692	427	1,436	1,016	14,886	-	**22,457**
Interfund services provided	960	5,749	-	-	-	-	**6,709**
Inventory	4,112	311	-	-	-	-	**4,423**
Total current assets	10,312	66,664	8,689	3,140	73,224	1,646	**163,675**
Noncurrent assets:							
Capital assets:							
Property, plant, and equipment	19,662	45,599	-	-	-	-	**65,261**
Less accumulated depreciation	(11,784)	(33,098)	-	-	-	-	**(44,882)**
Total capital assets, net of depreciation	7,878	12,501	-	-	-	-	**20,379**
Total noncurrent assets	7,878	12,501	-	-	-	-	**20,379**
Total assets	**18,190**	**79,165**	**8,689**	**3,140**	**73,224**	**1,646**	**184,054**
Liabilities							
Current liabilities:							
Accounts payable	2,932	4,388	-	50	858	2	**8,230**
Salaries and benefits payable	374	1,224	-	-	-	345	**1,943**
Capital lease payable	182	124	-	-	-	-	**306**
Health/disability benefits payable	-	-	4,144	5,131	33,745	-	**43,020**
Accrued liability for compensated absences	429	1,428	-	-	-	416	**2,273**
Deferred revenue	22	288	-	-	-	-	**310**
Total current liabilities	3,939	7,452	4,144	5,181	34,603	763	**56,082**
Noncurrent liabilities:							
Accrued liability for compensated absences	363	1,209	-	-	-	352	**1,924**
Capital lease payable	7,963	109	-	-	-	-	**8,072**
Total noncurrent liabilites	8,326	1,318	-	-	-	352	**9,996**
Total liabilities	**12,265**	**8,770**	**4,144**	**5,181**	**34,603**	**1,115**	**66,078**
Net assets							
Invested in capital assets net of related debt	(267)	12,268	-	-	-	-	**12,001**
Unrestricted (deficit)	6,192	58,127	4,545	(2,041)	38,621	531	**105,975**
Total net assets	**$ 5,925**	**$ 70,395**	**$ 4,545**	**$ (2,041)**	**$ 38,621**	**$ 531**	**$ 117,976**

State of Indiana
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
For the Fiscal Year Ended June 30, 2011
(amounts expressed in thousands)

	Institutional Industries	Administrative Services Revolving	State Police Health Insurance Fund	State Employee Disability Fund	State Employee Health Insurance Fund	State Personnel Department Fund	Total
Operating revenues:							
Sales/rents/premiums	$ 36,198	$ 112,976	$ 28,584	$ 22,264	$ 290,599	$ -	**$ 490,621**
Charges for services	-	184	-	-	-	8,065	**8,249**
Other	142	6	-	-	-	-	**148**
Total operating revenues	36,340	113,166	28,584	22,264	290,599	8,065	**499,018**
Cost of sales	19,890	1,189	-	-	-	-	**21,079**
Gross margin	16,450	111,977	28,584	22,264	290,599	8,065	**477,939**
Operating expenses:							
General and administrative expense	14,179	98,690	1,458	602	16,928	7,368	**139,225**
Health / disability benefit payments	-	-	28,643	21,404	276,552	-	**326,599**
Depreciation and amortization	793	6,394	-	-	-	-	**7,187**
Other	-	-	-	52	-	-	**52**
Total operating expenses	14,972	105,084	30,101	22,058	293,480	7,368	**473,063**
Operating income (loss)	1,478	6,893	(1,517)	206	(2,881)	697	**4,876**
Nonoperating revenues (expenses):							
Interest and other investment income	1	-	-	-	-	-	**1**
Interest and other investment expense	(780)	(16)	-	-	-	-	**(796)**
Gain (Loss) on disposition of assets	5	(18)	-	-	-	-	**(13)**
Other	-	(18)	-	-	-	-	**(18)**
Total nonoperating revenues (expenses)	(774)	(52)	-	-	-	-	**(826)**
Income before contributions and transfers	704	6,841	(1,517)	206	(2,881)	697	**4,050**
Capital contributions	-	146	-	-	-	-	**146**
Transfers in	-	-	-	-	24,564	-	**24,564**
Transfers (out)	-	-	-	(24,564)	-	-	**(24,564)**
Change in net assets	704	6,987	(1,517)	(24,358)	21,683	697	**4,196**
Total net assets, July 1, as restated	5,221	63,408	6,062	22,317	16,938	(166)	**113,780**
Total net assets, June 30	**$ 5,925**	**$ 70,395**	**$ 4,545**	**$ (2,041)**	**$ 38,621**	**$ 531**	**$ 117,976**

State of Indiana
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2011
(amounts expressed in thousands)

	Institutional Industries	Administrative Services Revolving	State Police Health Insurance Fund	State Employee Disability Fund	State Employee Health Insurance Fund	State Personnel Department Fund	Total
Cash flows from operating activities:							
Cash received from customers	$ 37,356	$ 117,609	$ 28,403	$ 22,263	$ 288,360	$ 8,065	**$ 502,056**
Cash paid for general and administrative	(14,087)	(98,979)	(1,458)	(652)	(16,616)	(7,282)	**(139,074)**
Cash paid for salary/health/disability benefit payments	-	-	(28,504)	(21,206)	(282,449)	-	**(332,159)**
Cash paid to suppliers	(22,894)	1,982	-	-	-	-	**(20,912)**
Net cash provided (used) by operating activities	375	20,612	(1,559)	405	(10,705)	783	**9,911**
Cash flows from noncapital financing activities:							
Transfers in	-	-	-	-	24,564	-	**24,564**
Transfers out	-	-	-	(24,564)	-	-	**(24,564)**
Other	-	(18)	-	-	-	-	**(18)**
Net cash provided (used) by noncapital financing activities	-	(18)	-	(24,564)	24,564	-	**(18)**
Cash flows from capital and related financing activities:							
Acquisition/construction of capital assets	(143)	(6,205)	-	-	-	-	**(6,348)**
Proceeds from sale of assets	(5)	323	-	-	-	-	**318**
Principal payments -- capital leases	(182)	(117)	-	-	-	-	**(299)**
Interest paid	(780)	(16)	-	-	-	-	**(796)**
Debt issue expense	-	-	-	-	-	-	**-**
Net cash provided (used) by capital and related financing activities	(1,110)	(6,015)	-	-	-	-	**(7,125)**
Cash flows from investing activities:							
Interest income (expense) on investments	1	-	-	-	-	-	**1**
Net cash provided (used) by investing activities	1	-	-	-	-	-	**1**
Net increase (decrease) in cash and cash equivalents	(734)	14,579	(1,559)	(24,159)	13,859	783	**2,769**
Cash and cash equivalents, July 1	1,282	45,598	8,812	26,283	44,479	863	**127,317**
Cash and cash equivalents, June 30	**$ 548**	**$ 60,177**	**$ 7,253**	**$ 2,124**	**$ 58,338**	**$ 1,646**	**$ 130,086**
Reconciliation of cash , cash equivalents and investments:							
Cash and cash equivalents unrestricted at end of year	$ 548	$ 60,177	$ 7,253	$ 2,124	$ 58,338	$ 1,646	**$ 130,086**
Cash, cash equivalents and investments per balance sheet	**$ 548**	**$ 60,177**	**$ 7,253**	**$ 2,124**	**$ 58,338**	**$ 1,646**	**$ 130,086**

State of Indiana
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2011
(amounts expressed in thousands)

	Institutional Industries	Administrative Services Revolving	State Police Health Insurance Fund	State Employee Disability Fund	State Employee Health Insurance Fund	State Personnel Department Fund	Total
Reconciliation of operating income to net cash provided (used) by operating activities:							
Operating income (loss)	$ 1,478	$ 6,893	$ (1,517)	$ 206	$ (2,881)	$ 697	**$ 4,876**
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:							
Depreciation/amortization expense	793	6,394	-	-	-	-	**7,187**
(Increase) decrease in receivables	(602)	1,745	(182)	-	(2,239)	-	**(1,278)**
(Increase) decrease in interfund services provided	1,736	2,732	-	-	-	-	**4,468**
(Increase) decrease in inventory	169	5	-	-	-	-	**174**
Increase (decrease) in health and disability benefits payable	-	-	-	198	(5,896)	-	**(5,698)**
Increase (decrease) in accounts payable	(3,174)	3,167	140	1	311	2	**447**
Increase (decrease) in deferred revenue	15	-	-	-	-	-	**15**
Increase (decrease) in salaries payable	-	141	-	-	-	16	**157**
Increase (decrease) in compensated absences	(5)	(465)	-	-	-	68	**(402)**
Increase (decrease) in other payables	(35)	-	-	-	-	-	**(35)**
Net cash provided (used) by operating activities	**$ 375**	**$ 20,612**	**$ (1,559)**	**$ 405**	**$ (10,705)**	**$ 783**	**$ 9,911**

FIDUCIARY FUNDS

Fiduciary funds account for assets held by or on behalf of the government in a trustee capacity or as an agent on behalf of others.

PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS

Pension trust funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, and other post-employment benefit plans.

The Public Employees' Retirement Fund – This fund is a defined benefit agent multiple-employer plan administered by the Public Employees' Retirement Fund Board of Trustees.

The State Teachers' Retirement Fund – This fund is a defined benefit, multiple-employer cost-sharing public employee retirement system, administered by the Indiana State Teachers' Retirement Fund Board of Trustees.

State Police Pension Fund - This fund is used to account for assets held for a defined benefit, single-employer public employee retirement system administered by the Indiana State Police.

State Police Retiree Health Benefit Trust Fund - This fund is used to account for assets held for a defined benefit, single-employer OPEB plan administered by the Indiana State Police.

Retiree Health Benefit Trust Fund - This fund is used to account for assets held for a defined contribution, single-employer OPEB plan administered by the State Budget Agency.

PRIVATE-PURPOSE TRUST FUNDS

Private-Purpose trust funds are used to account for trust arrangements in which both the principal and interest may be spent for the benefit of individuals, private organizations or other governments.

Abandoned Property Fund - This fund is used to administer abandoned property of individuals, private organizations and other governments held by the State.

Private-Purpose Trust Fund - This fund is used to account for a group of fund centers under which principal and interest benefit individuals, private organizations, or other governments.

FIDUCIARY FUNDS

AGENCY FUNDS

Agency funds account for resources that are custodial in nature. They generally are amounts held by the State of Indiana on behalf of third parties.

Employee Payroll, Withholding and Benefits Funds - These funds are used for the disposition of various payroll-related deductions and contributions such as social security and insurance contributions.

Local Distributions Fund - This fund is composed of accounts used to distribute revenue collections to local units of government based upon statutory formulas.

Child Support Fund - This fund is used for the collection and distribution of child support payments.

Department of Insurance Fund - This fund includes security deposits of insurance companies, health maintenance organizations and third party administrators as required.

Other Agency Funds – This category comprises various escrows, revenue collection, and agency accounts for which the State acts in an agent capacity until proper disposition of the assets can be made.

State of Indiana
Combining Statement of Fiduciary Net Assets
Pension and Other Employee Benefit Trust Funds
June 30, 2011

(amounts expressed in thousands)

	Primary Government			Discrete Component Units		
	State Police Pension Fund	State Police Retiree Health Benefit Trust Fund	State Employee Retiree Health Benefit Trust Fund	Public Employees' Retirement System	State Teachers' Retirement Fund	Total
Assets:						
Cash and cash equivalents	$ 156,729	$ 1,057	$ 92,787	$ 1,889,863	$ 730,869	**$ 2,871,305**
Securities lending collateral	1,106	-	-	-	-	**1,106**
Receivables:						
Contributions	205	96	125	142,739	60,409	**203,574**
Interest	687	10	17	48,411	34,167	**83,292**
Member loans	268	-	-	1,034	-	**1,302**
Due from other funds	-	-	-	25,160	-	**25,160**
Due from component unit	-	-	-	738	1,054	**1,792**
From investment sales	2,628	-	-	604,485	346,585	**953,698**
Other	-	-	-	1,229	331	**1,560**
Total receivables	3,788	106	142	823,796	442,546	**1,270,378**
Investments at fair value:						
Equity Securities	40,207	-	-	6,600,177	3,287,935	**9,928,319**
Debt Securities	74,871	4,117	119,252	4,168,583	4,438,726	**8,805,549**
Mutual Funds and Collective Trust Funds	130,471	-	-	1,057,168	-	**1,187,639**
Other	-	-	-	3,211,061	978,279	**4,189,340**
Total investments	245,549	4,117	119,252	15,036,989	8,704,940	**24,110,847**
Capital assets:						
Property, plant and equipment	-	-	-	9,948	3,775	**13,723**
less accumulated depreciation	-	-	-	(2,522)	(766)	**(3,288)**
Total assets	**$ 407,172**	**$ 5,280**	**$ 212,181**	**$ 17,758,074**	**$ 9,881,364**	**$ 28,264,071**
Liabilities and fund balances:						
Liabilities:						
Accounts payable	$ 28	$ -	$ 14	$ 16,363	$ 10,656	**$ 27,061**
Salaries and benefits payable	-	-	-	862	111	**973**
Due to other funds	-	-	-	25,160	-	**25,160**
Benefits payable	-	-	212	-	99,075	**99,287**
Due to component unit	-	-	-	1,054	738	**1,792**
Compensated absences	-	-	-	358	130	**488**
Securities purchased payable	14,847	-	-	1,080,341	648,917	**1,744,105**
Securities lending collateral	1,106	-	-	-	-	**1,106**
Total liabilities	**15,981**	**-**	**226**	**1,124,138**	**759,627**	**1,899,972**
Net assets:						
Held in trust for:						
Employees' pension benefits	391,191	-	-	16,569,891	9,121,737	**26,082,819**
OPEB benefits	-	5,280	211,955	-	-	**217,235**
Future death benefits	-	-	-	11,106	-	**11,106**
State and local units	-	-	-	52,939	-	**52,939**
Total net assets	**$ 391,191**	**$ 5,280**	**$ 211,955**	**$ 16,633,936**	**$ 9,121,737**	**$ 26,364,099**

State of Indiana
Combining Statement of Changes in Fiduciary Net Assets
Pension and Other Employee Benefit Trust Funds
For the Year Ended June 30, 2011
(amounts expressed in thousands)

	Primary Government			Discrete Component Units		
	State Police Pension Fund	**State Police Retiree Health Benefit Trust Fund**	**State Employee Retiree Health Benefit Trust Fund**	**Public Employees' Retirement System**	**State Teachers' Retirement Fund**	**Total**
Additions:						
Member contributions	$ 3,815	$ 2,235	$ -	$ 203,530	$ 126,784	**$ 336,364**
Employer contributions	13,240	-	52,075	501,072	880,611	**1,446,998**
Contributions from the State of Indiana	-	-	-	176,263	35,000	**211,263**
Net investment income (loss)	73,044	13	451	2,865,893	1,218,124	**4,157,525**
Less investment expense	(1,267)	(3)	-	(100,084)	(40,735)	**(142,089)**
Federal reimbursements	-	1,474	-	-	-	**1,474**
Transfers from other retirement funds	-	-	-	6,580	8,827	**15,407**
Other	-	1,568	-	1,362	-	**2,930**
Total additions	88,832	5,287	52,526	3,654,616	2,228,611	**6,029,872**
Deductions:						
Pension and disability benefits	28,168	-	-	732,401	1,210,999	**1,971,568**
Retiree health benefits	-	-	10,347	-	-	**10,347**
Death benefits	-	-	-	1,224	-	**1,224**
Refunds of contributions and interest	-	-	-	70,882	20,565	**91,447**
Administrative	147	7	147	25,078	9,020	**34,399**
Pension relief distributions	-	-	-	219,425	-	**219,425**
Capital projects	-	-	-	-	1,630	**1,630**
Depreciation	-	-	-	-	190	**190**
Transfers to other retirement funds	-	-	-	10,171	5,239	**15,410**
Other	-	-	-	2,894	-	**2,894**
Total deductions	28,315	7	10,494	1,062,075	1,247,643	**2,348,534**
Net increase (decrease) in net assets	60,517	5,280	42,032	2,592,541	980,968	**3,681,338**
Net assets held in trust for pension and other employee benefits, July 1, as restated:						
Pension benefits	330,674	-	-	13,932,356	8,140,769	**22,403,799**
OPEB benefits	-	-	169,923	-	-	**169,923**
Future death benefits	-	-	-	10,335	-	**10,335**
State and local units	-	-	-	98,704	-	**98,704**
Net assets held in trust for pension and other employee benefits, June 30	**$ 391,191**	**$ 5,280**	**$ 211,955**	**$ 16,633,936**	**$ 9,121,737**	**$ 26,364,099**

State of Indiana
Combining Statement of Net Assets
Private-Purpose Trust Funds
June 30, 2011
(amounts expressed in thousands)

	Abandoned Property Fund	Private Purpose Trust Fund	Total
Assets:			
Cash, cash equivalents and investments	$ 20,754	$ 19,016	$ 39,771
Receivables:			
Taxes	-	4,452	4,452
Interest	1	-	1
Total assets	**$ 20,755**	**$ 23,468**	**$ 44,224**
Liabilities:			
Accounts payable	$ 483	$ 327	$ 810
Intergovernmental payable	-	1,271	1,271
Total liabilities	483	1,598	2,081
Net assets:			
Held in trust for trust beneficiaries	20,273	21,870	42,143
Total net assets	**$ 20,273**	**$ 21,870**	**$ 42,143**

State of Indiana
Combining Statement of Changes in Net Assets
Private-Purpose Trust Funds
For the Year Ended June 30, 2011
(amounts expressed in thousands)

	Abandoned Property Fund	Private-Purpose Trust Fund	Total
Additions:			
Taxes	$ -	$ 80,634	$ 80,634
Investment Income	41	57	99
Member Contributions	-	4,120	4,120
Donations/escheats	79,359	-	79,359
Total additions	79,401	84,811	164,212
Deductions:			
Payments to participants/beneficiaries	75,182	85,236	160,418
Total deductions	75,182	85,236	160,418
Net increase (decrease) in net assets	4,219	(425)	3,794
Net assets held in trust, July 1, as restated	**16,054**	**22,295**	**38,349**
Net assets held in trust, June 30	**$ 20,273**	**$ 21,870**	**$ 42,143**

State of Indiana
Combining Statement of Net Assets
Agency Funds
June 30, 2011
(amounts expressed in thousands)

	Employee Payroll, Withholding and Benefits	Local Distributions	Child Support	Department of Insurance	Other Agency Funds	Total
Assets:						
Cash, cash equivalents and investments	$ 4,293	$ -	$ 22,944	$ 269,175	$ 51,924	**$ 348,336**
Receivables:						
Taxes	-	-	-	-	15,035	**15,035**
Other	-	-	-	-	49	**49**
Securities lending collateral	-	1,030	-	-	-	**1,030**
Due from local governmental units	-	539,697	-	-	-	**539,697**
Total assets	**$ 4,293**	**$ 540,727**	**$ 22,944**	**$ 269,175**	**$ 67,008**	**$ 904,147**
Liabilities:						
Accounts/escrows payable	$ 4,293	$ -	$ 22,944	$ 269,175	$ 51,973	**$ 348,385**
Due to general fund	-	539,697	-	-	-	**539,697**
Securities lending collateral	-	1,030	-	-	-	**1,030**
Other liabilities	-	-	-	-	15,035	**15,035**
Total liabilities	**$ 4,293**	**$ 540,727**	**$ 22,944**	**$ 269,175**	**$ 67,008**	**$ 904,147**

State of Indiana
Combining Statement of Changes In Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2011

(amounts expressed in thousands)

	Balance, July 1	Additions	Deductions	Balance, June 30
Employee Payroll, Withholding and Benefits				
Assets:				
Cash, cash equivalents, and investments	$ 6,009	$ 3,949,832	$ 3,951,548	**$ 4,293**
Total assets	$ 6,009	$ 3,949,832	$ 3,951,548	**$ 4,293**
Liabilities:				
Accounts / escrows payable	$ 6,009	$ 3,949,832	$ 3,951,548	**$ 4,293**
Total liabilities	$ 6,009	$ 3,949,832	$ 3,951,548	**$ 4,293**
Local Distributions				
Assets:				
Cash, cash equivalents, and investments	$ -	$ 1	$ 1	**$ -**
Receivables	-	-	-	**-**
Securities lending collateral	-	1,030	-	**1,030**
Due from local governmental units	360,138	1,488,925	1,309,366	**539,697**
Total assets	$ 360,138	$ 1,489,956	$ 1,309,367	**$ 540,727**
Liabilities:				
Accounts / escrows payable	$ -	$ 1	$ 1	**$ -**
Securities lending collateral	-	1,030	-	**1,030**
Due to general fund	360,138	1,488,925	1,309,366	**539,697**
Total liabilities	$ 360,138	$ 1,489,956	$ 1,309,367	**$ 540,727**
Child Support				
Assets:				
Cash, cash equivalents, and investments	$ 22,080	$ 849,156	$ 848,292	**$ 22,944**
Total assets	$ 22,080	$ 849,156	$ 848,292	**$ 22,944**
Liabilities:				
Accounts / escrows payable	$ 22,080	$ 849,156	$ 848,292	**$ 22,944**
Total liabilities	$ 22,080	$ 849,156	$ 848,292	**$ 22,944**

continued on next page

State of Indiana
Combining Statement of Changes In Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2011

(amounts expressed in thousands)

	Balance, July 1	Additions	Deductions	Balance, June 30
Department of Insurance				
Assets:				
Cash, cash equivalents, and investments	$ 260,567	$ 17,496	$ 8,888	**$ 269,175**
Total assets	$ 260,567	$ 17,496	$ 8,888	**$ 269,175**
Liabilities:				
Accounts / escrows payable	$ 260,567	$ 17,496	$ 8,888	**$ 269,175**
Total liabilities	$ 260,567	$ 17,496	$ 8,888	**$ 269,175**
Other Agency Funds				
Assets:				
Cash, cash equivalents, and investments	$ 49,388	$ 699,781	$ 697,245	**$ 51,924**
Receivables	14,727	15,084	14,727	**15,084**
Total assets	$ 64,115	$ 714,865	$ 711,972	**$ 67,008**
Liabilities:				
Accounts / escrows payable	$ 49,434	$ 699,830	$ 697,291	**$ 51,973**
Other liabilities	14,681	15,035	14,681	**15,035**
Total liabilities	$ 64,115	$ 714,865	$ 711,972	**$ 67,008**
Total Agency Funds				
Assets:				
Cash, cash equivalents, and investments	**$ 338,044**	**$ 5,516,266**	**$ 5,505,974**	**$ 348,336**
Receivables	**14,727**	**15,084**	**14,727**	**15,084**
Securities lending collateral	**-**	**1,030**	**-**	**1,030**
Due from local governmental units	**360,138**	**1,488,925**	**1,309,366**	**539,697**
Total assets	**$ 712,909**	**$ 7,021,305**	**$ 6,830,067**	**$ 904,147**
Liabilities:				
Accounts / escrows payable	**$ 338,090**	**$ 5,516,315**	**$ 5,506,020**	**$ 348,385**
Securities lending collateral	**-**	**1,030**	**-**	**1,030**
Due to general fund	**360,138**	**1,488,925**	**1,309,366**	**539,697**
Other liabilities	**14,681**	**15,035**	**14,681**	**15,035**
Total liabilities	**$ 712,909**	**$ 7,021,305**	**$ 6,830,067**	**$ 904,147**

NON-MAJOR DISCRETELY PRESENTED COMPONENT UNITS

GOVERNMENTAL FUNDS

Governmental component units represent funds that are legally separate from the State of Indiana, but provide valuable and beneficial services to the State and its citizens. The non-major discretely presented component unit consists of the following governmental fund:

Indiana Economic Development Corporation – The responsibility of this corporation is to improve the quality of life for the citizens of Indiana by encouraging the diversification of Indiana's economy, by the orderly economic development and growth of Indiana, the creation of new jobs, the growth and modernization of existing industry and the promotion of Indiana.

PROPRIETARY FUNDS

Proprietary component units represent funds that are legally separate from the State of Indiana, but provide valuable and beneficial services to the State and its citizens. The non-major discretely presented component units consist of the following proprietary funds:

White River State Park Development Commission – The responsibility of this commission is to design and implement a plan for the establishment and development of park, exposition, educational, athletic, and recreational projects to be located within one mile from the banks of the Indiana White River in a consolidated first-class city and county.

Ports of Indiana – The responsibility of this commission is to construct, maintain, and operate public ports with terminal facilities and traffic exchange points for all forms of transportation on Lake Michigan and the Ohio and Wabash Rivers.

State Fair Commission – This commission is responsible for holding the annual Indiana State Fair and for operating and maintaining the State Fairgrounds and other properties it owns.

Indiana Comprehensive Health Insurance Association – The responsibility of this Association is to assure that health insurance is made available throughout the year to each eligible Indiana resident applying to the Association for coverage.

Indiana Political Subdivision Risk Management Commission – This commission is responsible for administering the Basic and Catastrophic funds that aid political subdivisions in protecting themselves against liabilities.

COLLEGES AND UNIVERSITIES

College and university funds are used to account for the operations of state-supported colleges and universities. The non-major discretely presented component units consist of the following institutions:

Ball State University
Indiana State University
Ivy Tech Community College of Indiana
University of Southern Indiana
Vincennes University

State of Indiana
Combining Statement of Net Assets
Non-Major Discretely Presented Component Units - Governmental Funds
June 30, 2011
(amounts expressed in thousands)

	Indiana Economic Development Corporation	Total
Assets:		
Current assets:		
Cash, cash equivalents and investments	$ 111,692	$ 111,692
Receivables (net)	6	6
Loans	2,789	2,789
Total current assets	114,487	114,487
Noncurrent assets:		
Loans	16,709	16,709
Capital assets:		
Property, plant, and equipment	343	343
Less accumulated depreciation	(141)	(141)
Total capital assets, net of depreciation	202	202
Total noncurrent assets	16,911	16,911
Total assets	**131,398**	131,398
Liabilities:		
Current liabilities:		
Accounts payable	4,311	4,311
Salaries, health, disability, and benefits payable	274	274
Deferred revenue	111	111
Accrued liability for compensated absences	294	294
Total current liabilities	4,990	4,990
Long-term liabilities:		
Accrued liability for compensated absences	137	137
Total long-term liabilities	137	137
Total liabilities	**5,127**	5,127
Net Assets:		
Invested in capital assets net of related debt	202	202
Unrestricted	126,069	126,069
Total net assets	**$ 126,271**	$ 126,271

State of Indiana
Combining Statement of Activities
Non-Major Discretely Presented Component Units - Governmental Funds
For the Fiscal Year Ended June 30, 2011
(amounts expressed in thousands)

	Indiana Economic Development Corporation	Total
Expenses:		
General Government	$ 38,315	$ 38,315
Total Expenses	38,315	38,315
Program Revenues:		
Charges for services	221	221
Operating Grants and Contributions	21,020	21,020
Total Program Revenues	21,241	21,241
Net Program (Expense) Revenue	(17,075)	(17,075)
General Revenues:		
Gaming Taxes	1,066	1,066
Total General Revenues	1,066	1,066
Change in Net Assets	(16,008)	(16,008)
Net Assets, beginning	142,280	142,280
Net Assets, ending	$ 126,271	$ 126,271

State of Indiana
Combining Balance Sheet
Indiana Economic Development Corporation
Discretely Presented Component Units - Governmental Funds
June 30, 2011
(amounts expressed in thousands)

	Indiana Economic Development Corporation	Total
Assets:		
Cash, cash equivalents and investments-unrestricted	$ 111,692	$ **111,692**
Receivables:		
Interest	6	**6**
Loans	19,498	**19,498**
Total assets	**131,196**	**131,196**
Liabilities:		
Accounts payable	2,438	**2,438**
Salaries and benefits payable	274	**274**
Deferred revenue	111	**111**
Accrued liability for compensated absences-current	24	**24**
Total liabilities	**2,847**	**2,847**
Fund balance:		
Assigned:		
General Government	127,818	**127,818**
Unassigned:	531	**531**
Total fund balance	128,349	**128,349**
Total liabilities and fund balance	**$ 131,196**	**$ 131,196**

State of Indiana
Reconciliation of the Balance Sheet to the Statement of Net Assets
Indiana Economic Development Corporation
Discretely Presented Component Units - Governmental Funds
June 30, 2011
(amounts expressed in thousands)

Total fund balances-governmental funds		$ 128,349
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Property, plant, and equipment	$ 343	
Accumulated depreciation	(141)	
Total capital assets, net of depreciation		202
Some liabilities reported in the statement of net assets do not require the use of current financial resources and therefore are not reported as expenditures in the funds.		
Accounts payable	(1,873)	
		(1,873)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Accrued liability for compensated absences	(407)	
		(407)
Net assets of governmental activities		$ 126,271

State of Indiana
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Indiana Economic Development Corporation
Discretely Presented Component Units - Governmental Funds
For the Year Ended June 30, 2011

(amounts expressed in thousands)

	Indiana Economic Development Corporation	Total
Revenues:		
Taxes:		
Gaming	$ 1,066	**$ 1,066**
Total taxes	1,066	**1,066**
Current service charges	221	**221**
Investment income	32	**32**
Sales/rents	1	**1**
Grants	20,852	**20,852**
Other	135	**135**
Total revenues	22,307	**22,307**
Expenditures:		
Current:		
General government	37,033	**37,033**
Total expenditures	37,033	**37,033**
Excess (deficiency) of revenues over expenditures	(14,726)	**(14,726)**
Net change in fund balances	(14,726)	**(14,726)**
Fund Balance July 1, as restated	143,076	**143,076**
Fund Balance June 30	**$ 128,349**	**$ 128,349**

State of Indiana
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities
Indiana Economic Development Corporation
Discretely Presented Component Unit - Governmental Funds
For the Year Ended June 30, 2011
(amounts expressed in thousands)

Net change in fund balances-total governmental funds	$	(14,726)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report net capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which net capital outlays ($22) exceeds depreciation ($11) in the current period.		11
Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the funds.		
Operating expenses		(1,293)
Change in net assets of governmental activities.	$	(16,008)

State of Indiana
Combining Statement of Net Assets
Non-Major Discretely Presented Component Units - Proprietary Funds
June 30, 2011
(amounts expressed in thousands)

	White River State Park Development Commission	Ports of Indiana	Indiana State Fair Commission	Indiana Comprehensive Health Insurance Association	Indiana Political Subdivision Risk Management Commission	Totals
Assets						
Current assets:						
Cash, cash equivalents and investments	$ 4,091	$ 15,983	$ 9,888	$ 7,293	$ 9,163	**$ 46,418**
Receivables (net)	114	889	947	4,440	13	**6,403**
Inventory	11	-	216	-	-	**227**
Prepaid expenses	84	258	52	-	-	**394**
Investment in direct financing lease	-	167	-	-	-	**167**
Total current assets	4,300	17,297	11,103	11,733	9,176	**53,609**
Noncurrent assets:						
Cash, cash equivalents and investments - restricted	300	-	5,254	-	-	**5,554**
Bond issuance costs, net of amortization	-	-	376	-	-	**376**
Investment in direct financing lease	-	462	-	-	-	**462**
Net pension assets	-	-	84	-	-	**84**
Capital assets:						
Land	79,783	56,998	14,839	-	-	**151,620**
Infrastructure	-	50,996	-	-	-	**50,996**
Construction in progress	-	13,927	732	-	-	**14,659**
Property, plant, and equipment	42,192	21,059	74,721	-	-	**137,972**
Less accumulated depreciation	(15,418)	(56,538)	(50,472)	-	-	**(122,428)**
Total capital assets, net of depreciation	106,557	86,442	39,820	-	-	**232,819**
Total noncurrent assets	106,857	86,904	45,534	-	-	**239,295**
Total assets	**111,157**	**104,201**	**56,637**	**11,733**	**9,176**	**292,904**
Liabilities						
Current liabilities:						
Accounts payable	302	911	432	-	-	**1,645**
Claims payable	-	-	-	17,765	-	**17,765**
Interest payable	-	-	271	-	-	**271**
Current portion of long-term debt	-	-	1,625	-	-	**1,625**
Salaries, health, disability, and benefits payable	50	-	88	-	-	**138**
Deferred revenue	-	7	203	8,811	-	**9,021**
Accrued liability for compensated absences	-	-	166	-	-	**166**
Other current liabilities	-	1,473	6	1,033	-	**2,512**
Total current liabilities	352	2,391	2,791	27,609	-	**33,143**
Long-term liabilities:						
Accrued liability for compensated absences	-	-	186	-	-	**186**
Revenue bonds/notes payable	-	-	11,199	-	-	**11,199**
Total long-term liabilities	-	-	11,385	-	-	**11,385**
Total liabilities	**352**	**2,391**	**14,176**	**27,609**	**-**	**44,528**
Net assets						
Invested in capital assets net of related debt	106,557	84,969	26,960	-	-	**218,486**
Restricted-nonexpendable						
Grants/constitutional restrictions	-	-	-	264	-	**264**
Total restricted-nonexpendable	-	-	-	264	-	**264**
Restricted-expendable						
Grants/constitutional restrictions	57	-	-	-	-	**57**
Future debt service	-	-	4,150	-	-	**4,150**
Student aid	284	-	-	-	-	**284**
Auxiliary enterprises	-	-	156	-	-	**156**
Capital projects	648	-	4,820	-	-	**5,468**
Other purposes	-	-	1,084	-	597	**1,681**
Total restricted-expendable	989	-	10,210	-	597	**11,796**
Unrestricted (deficit)	3,259	16,841	5,291	(16,140)	8,579	**17,830**
Total net assets	**$ 110,805**	**$ 101,810**	**$ 42,461**	**$ (15,876)**	**$ 9,176**	**$ 248,376**

State of Indiana
Combining Statement of Activities
Non-Major Discretely Presented Component Units - Proprietary Funds
For the Fiscal Year Ended June 30, 2011
(amounts expressed in thousands)

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets					
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	White River State Park Development Commission	Ports of Indiana	Indiana State Fair Commission	Indiana Comprehensive Health Insurance Association	Indiana Political Subdivision Risk Management Commission	Total
White River State Park Development Commission	$ 4,178	$ 2,212	$ 1	$ -	$ (1,965)	$ -	$ -	$ -	$ -	$ (1,965)
Ports of Indiana	7,973	9,136	-	2,947	-	4,110	-	-	-	4,110
Indiana State Fair Commission	25,437	18,054	447	195	-	-	(6,741)	-	-	(6,741)
Indiana Comprehensive Health Insurance Association	125,701	134,202	2,189	-	-	-	-	10,690	-	10,690
Indiana Political Subdivision Risk Management Commission	69	135	-	-	-	-	-	-	66	66
Total component units	$ 163,358	$ 163,739	$ 2,637	$ 3,142	(1,965)	4,110	(6,741)	10,690	66	6,160
General revenues:										
Investment earnings					11	151	40	34	14	250
Payments from State of Indiana					814	-	7,227	-	-	8,041
Other					-	326	-	-	-	326
Total general revenues					825	477	7,267	34	14	8,617
Change in net assets					(1,140)	4,587	526	10,724	80	14,777
Net assets - beginning, as restated					111,945	97,223	41,935	(26,600)	9,096	233,599
Net assets - ending					$ 110,805	$ 101,810	$ 42,461	$ (15,876)	$ 9,176	$ 248,376

State of Indiana
Combining Statement of Net Assets
Discretely Presented Component Units - Colleges and Universities
June 30, 2011
(amounts expressed in thousands)

	Ball State University	Indiana State University	Ivy Tech Community College	University of Southern Indiana	Vincennes University	Totals
Assets						
Current assets:						
Cash, cash equivalents and investments	$ 128,612	$ 57,766	$ 164,555	$ 51,040	$ 22,662	**$ 424,635**
Receivables (net)	41,255	15,541	54,119	9,122	13,217	**133,254**
Inventory	1,557	86	-	1,459	2,090	**5,192**
Prepaid expenses	3,487	1,037	208	2	248	**4,982**
Due from primary government	3,636	2	242	-	-	**3,880**
Funds held in trust by others	15,385	-	18,863	352	14	**34,614**
Other current assets	-	15	-	1,216	515	**1,746**
Total current assets	193,932	74,447	237,987	63,191	38,746	**608,303**
Noncurrent assets:						
Cash, cash equivalents and investments - restricted	1,618	46,453	13,967	179	-	**62,217**
Other receivables	10,924	12,125	9,945	-	789	**33,783**
Investments - unrestricted	325,141	81,160	130,573	110,636	164,215	**811,725**
Bond issuance costs net of amortization	1,258	-	-	-	-	**1,258**
Deferred outflow - derivative instrument	-	-	-	1,858	130	**1,988**
Other postemployment benefits	6,822	7,104	-	-	2,569	**16,495**
Other noncurrent assets	5,205	4,947	150	4,667	225	**15,194**
Capital assets:		-	-			
Land	52,273	29,405	27,733	4,984	16,375	**130,770**
Infrastructure	26,703	33,385	19,387	6,281	-	**85,756**
Construction in progress	62,923	28,447	40,761	2,620	19,002	**153,753**
Property, plant, and equipment	714,763	472,561	650,820	290,430	232,944	**2,361,518**
Less accumulated depreciation	(291,455)	(233,264)	(198,292)	(118,865)	(96,684)	**(938,560)**
Total capital assets, net of depreciation	565,207	330,534	540,409	185,450	171,637	**1,793,237**
Total noncurrent assets	916,175	482,323	695,044	302,790	339,565	**2,735,897**
Total assets	**1,110,107**	**556,770**	**933,031**	**365,981**	**378,311**	**3,344,200**
Liabilities						
Current liabilities:						
Accounts payable	24,235	4,244	16,405	1,596	3,876	**50,356**
Interest payable	-	-	-	2,182	-	**2,182**
Current portion of long-term debt	11,275	8,686	24,859	9,393	3,800	**58,013**
Capital lease payable	-	295	-	-	3	**298**
Salaries, health, disability, and benefits payable	4,716	7,997	5,622	6,650	5,581	**30,566**
Deferred revenue	1,566	1,351	24,892	2,049	2,501	**32,359**
Accrued liability for compensated absences	-	3,324	9,909	-	1,133	**14,366**
Pollution remediation payable	-	69	-	-	-	**69**
Deposits held in custody for others	8,717	2,947	6,038	-	4,954	**22,656**
Other current liabilities	1,342	779	-	5,604	596	**8,321**
Total current liabilities	51,851	29,692	87,725	27,474	22,444	**219,186**
Long-term liabilities:						
Accrued liability for compensated absences	7,927	776	5,590	2,651	-	**16,944**
Other postemployment benefits	-	-	13,171	-	-	**13,171**
Capital lease payable	-	1,001	-	-	11	**1,012**
Funds held in trust by others	-	610	-	-	24,751	**25,361**
Advances from federal government	-	7,820	-	-	1,116	**8,936**
Revenue bonds/notes payable	196,219	106,182	309,949	132,192	56,868	**801,410**
Derivative instrument liability	-	-	-	1,858	130	**1,988**
Other noncurrent liabilities	20,636	7,563	129	44	654	**29,026**
Total long-term liabilities	224,782	123,952	328,839	136,745	83,530	**897,848**
Total liabilities	**276,633**	**153,644**	**416,564**	**164,219**	**105,974**	**1,117,034**
Net assets						
Invested in capital assets net of related debt	369,558	222,855	193,773	40,675	110,633	**937,494**
Restricted-nonexpendable						
Permanent funds	-	44,260	-	-	-	**44,260**
Public safety programs	2,730	-	-	-	-	**2,730**
Capital projects	212	-	2,011	-	-	**2,223**
Instruction and research	24,483	557	1,300	5,421	-	**31,761**
Student aid	36,955	2,204	18,100	22,623	16,283	**96,165**
Other purposes	4,980	2,771	-	5,653	4,959	**18,363**
Total restricted-nonexpendable	69,360	49,792	21,411	33,697	21,242	**195,502**
Restricted-expendable						
Instruction and research	51,234	5,319	7,664	7,095	-	**71,312**
Grants/constitutional restrictions	7,443	4,623	-	-	252	**12,318**
Endowments	-	-	62	-	-	**62**
Future debt service	5,747	-	-	-	-	**5,747**
Public safety programs	4,703	-	-	-	-	**4,703**
Student aid	37,046	-	3,636	18,243	5,725	**64,650**
Auxiliary enterprises	1,408	-	-	987	-	**2,395**
Capital projects	47,734	10,282	58,407	787	4,298	**121,508**
Other purposes	3,555	1,174	2,228	2,569	1,683	**11,209**
Total restricted-expendable	158,870	21,398	71,997	29,681	11,958	**293,904**
Unrestricted (deficit)	235,686	109,081	229,286	97,709	128,504	**800,266**
Total net assets	**$ 833,474**	**$ 403,126**	**$ 516,467**	**$ 201,762**	**$ 272,337**	**$ 2,227,166**

State of Indiana
Combining Statement of Activities
Non-Major Discretely Presented Component Units - Colleges and Universities
For the Year Ended June 30, 2011
(amounts expressed in thousands)

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets					
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Ball State University	Indiana State University	Ivy Tech State College	University of Southern Indiana	Vincennes University	Total
Ball State University	$ 422,814	$ 218,758	$ 22,614	$ 3,266	$ (178,176)	$ -	$ -	$ -	$ -	$ (178,176)
Indiana State University	212,907	87,937	13,721	9,616	-	(101,633)	-	-	-	(101,633)
Ivy Tech Community College	645,644	185,052	63,998	2,305	-	-	(394,289)	-	-	(394,289)
University of Southern Indiana	143,785	67,927	28,619	2,366	-	-	-	(44,873)	-	(44,873)
Vincennes University	124,387	49,403	20,282	7,693	-	-	-	-	(47,009)	(47,009)
Total component units	$ 1,549,537	$ 609,077	$ 149,234	$ 25,246	(178,176)	(101,633)	(394,289)	(44,873)	(47,009)	(765,980)
General revenues:										
Investment earnings					27,448	11,960	8,682	13,564	7,628	69,282
Payments from State of Indiana					145,030	81,126	194,579	49,658	42,351	512,744
Other					61,378	33,697	283,551	1,342	27,536	407,504
Total general revenues					233,856	126,783	486,812	64,564	77,515	989,530
Change in net assets					55,680	25,150	92,523	19,691	30,506	223,550
Net assets - beginning, as restated					777,794	377,976	423,944	182,071	241,831	2,003,616
Net assets - ending					$ 833,474	$ 403,126	$ 516,467	$ 201,762	$ 272,337	$ 2,227,166