



B35820

STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

January 6, 2010

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

Dear Ms. Mitchell:

We have received the audit report prepared by London Witte Group, LLC, Independent Public Accountants, for the period July 1, 2008 to June 30, 2009. Per the auditors' opinion, the audit was conducted in accordance with auditing standards generally accepted in the United States of America and the financial statements included in the report present fairly the financial condition of Trust INdiana as of June 30, 2009 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

STATE BOARD OF ACCOUNTS

TrustIndiana
Annual Report

June 30, 2009

(With report of independent auditors within)



Report of Independent Auditors

To the Treasurer of the State of Indiana

We have audited the statement of assets, liabilities and joint value of TrustINDiana (A Component Unit of the State of Indiana) as of June 30, 2009, and the portfolio of investments and the related statements of operations and for the year ended June 30, 2009 and the statements of changes in joint value for the year end June 30, 2009 and the period February 1, 2008 to June 30, 2008. These financial statements are the responsibility of the Treasurer of the State of Indiana. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

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

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

London Witte Group, LLC

September 30, 2009

Statement of Assets, Liabilities and Joint Value

June 30, 2009

	<u>TrustIndiana</u>	<u>External Participants</u>
Assets		
Investments at fair value (amortized cost \$549,610,144)	\$549,610,144	\$293,544,879
Securities lending collateral	5,243,750	2,800,669
Interest income receivable	<u>257,668</u>	<u>137,620</u>
Total assets	<u>\$555,111,562</u>	<u>\$296,483,168</u>
Liabilities and Joint Value		
Payable on return of securities loaned	\$ 5,243,750	\$ 2,800,669
Management fee payable	34,492	18,422
Distributions payable	6,414	3,426
Other payables	<u>23,598</u>	<u>12,604</u>
Total liabilities	<u>5,308,254</u>	<u>2,835,121</u>
Joint Value	<u>549,803,308</u>	<u>293,648,047</u>
Total liabilities and joint value	<u>\$555,111,562</u>	<u>\$296,483,168</u>

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

Portfolio of Investments

June 30, 2009

Principal Amount		Value
Money Market Funds - 27.7%		
\$152,412,249	Goldman Sachs Financial Square Government Fund, FST Shares, 0.25%	\$152,412,249 (a)
Total Money Market Funds (market value \$152,412,249)		<u>152,412,249</u>
U.S. Government Agencies - 5.5%		
5,000,000	Federal Home Loan Mortgage Corporation 3.13%, maturity date 02/12/10	5,000,000 (b)
10,000,000	Federal Farm Credit Bank 1.10%, maturity date 02/28/11	10,000,000
15,000,000	Federal Home Loan Bank 0.94%, maturity date 03/11/10	15,000,000 (c)
Total U.S. Government Agencies (market value \$30,123,990)		<u>30,000,000</u>
Bank Deposits - 55.9%		
100,137,463	Bank of America 0.75%, due on demand	100,137,463
80,107,025	Charter One Bank Deposit 0.50%, due on demand	80,107,025
25,001,435	Fifth Third Bank 0.42%, due on demand	25,001,435
26,348,016	PNC Bank 0.31%, due on demand	26,348,016 (d)
75,645,792	US Bank 0.31%, due on demand	75,645,792 (e)
533	Wells Fargo Bank 0.27%, due on demand	533 (f)
Total Bank Deposits (market value \$307,240,264)		<u>307,240,264</u>
Commercial Paper - 6.4%		
15,000,000	ING US Funding LLC 0.64%, maturity date 07/19/09	14,995,303 (g)
10,000,000	Rabobank USA Finance Corp. 0.45%, maturity date 12/14/09	19,958,492 (g)
Total Commercial Paper (market value \$34,953,115)		<u>34,953,795</u>
FDIC Guaranteed Securities - 4.5%		
25,003,836	Key Bank, NA NOW Account, 0.40%, due on demand	25,003,836
Total FDIC Guaranteed Securities (market value \$25,003,836)		<u>25,003,836</u>
Total Investments - 100.0% (amortized cost \$549,610,144)		549,610,144
Other assets in excess of liabilities - 0.0%		193,164
Joint Value - 100.0%		<u>\$549,803,308</u>

(a) Interest rate as of June 30, 2009. Rate is declared daily.

(b) All or part of security is on loan.

(c) Interest rate is reset daily based on Fed Fund Effective plus 72 bps.

(d) Interest rate is reset daily based on 1-month LIBOR

(e) Interest rate is reset weekly based on 1-month LIBOR.

(f) Interest rate is reset daily.

(g) Represents effective yield at June 30, 2009.

bps-Basis points (100 basis points equals one percentage point).

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

Statement of Operations

For the year ended June 30, 2009

	<u>TrustIndiana</u>	<u>External Participants</u>
Revenues:		
Interest income	\$ 8,471,693	\$ 4,789,498
Securities lending income	<u>71,988</u>	<u>41,177</u>
Total revenues	8,543,681	4,830,675
Expenses:		
Management fee	425,228	240,404
Securities lending fees	54,265	30,679
Other expenses	<u>210,467</u>	<u>118,988</u>
Total expenses	<u>689,960</u>	<u>390,071</u>
Net investment income	7,853,721	4,440,604
Net realized gain/loss on investments	<u>-</u>	<u>-</u>
Net increase in joint value from operations	<u>\$ 7,853,721</u>	<u>\$ 4,440,604</u>

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

Statement of Changes in Joint Value

	For the year ended June 30, 2009		For the Period February 1, 2008 ¹ to June 30, 2008	
	TrustIndiana	External Participants	TrustIndiana	External Participants
Increase in joint value				
Operations:				
Net investment income	\$ 7,853,721	\$ 4,440,604	\$ 3,711,784	\$ 966,565
Net realized gain/(loss) on investments	-	-	-	-
Net increase in joint value from operations	7,853,721	4,440,604	3,711,784	966,565
Distributions to participants	(7,869,032)	(4,448,782)	(3,711,784)	(966,565)
Participants' transactions:				
Contributions	1,519,663,530	1,469,663,530	496,306,937	246,306,937
Reinvestment of distributions	7,891,150	4,457,644	3,683,252	954,364
Withdrawals	(1,421,619,127)	(1,371,619,127)	(56,107,123)	(56,107,123)
Net increase in joint value from participants' transactions	105,935,553	102,502,047	443,883,066	191,154,178
Total increase in joint value	105,920,242	102,493,869	443,883,066	191,154,178
Joint value				
Beginning of period	443,883,066	191,154,178	-	-
End of period	\$ 549,803,308	\$ 293,648,047	\$ 443,883,066	\$ 191,154,178

¹ Commencement of operations.

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

Notes to Financial Statements

For the year ended June 30, 2009

1. Description of TrustIndiana

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

At June 30, 2009 certain Pool participants held a significant participation interest in the Pool. Investment activities of these participants could have a material impact on the Pool.

2. Significant Accounting Policies

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

Valuation of investments

Consistent with the provisions of a 2a-7 like pool as defined by Statement No. 31 of the Governmental Accounting Standards Board, portfolio securities are valued at amortized cost, which approximates market value. The amortized cost method involves valuing a security at its cost on the date of purchase and thereafter accreting any discount or amortizing any premium to maturity. Investments in money market mutual funds are valued at the current day's closing net asset value per share.

In September 2006, the Statement of Financial Accounting Standards No. 157 — Fair Value Measurements — ("SFAS 157"), was issued and is effective for fiscal years beginning after November 15, 2007. SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS 157 requires disclosure surrounding the various inputs that are used in determining the fair value of the Pool's investments. These inputs are summarized into the three broad levels listed below.

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

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used as of June 30, 2009 in valuing the Pool's assets and liabilities carried at amortized cost which approximates fair value:

Description	Valuation Inputs			
	Total	Level 1	Level 2	Level 3
Investments at value	\$549,610,144	\$177,416,085	\$372,194,059	\$0

Notes to Financial Statements continued

For the year ended June 30, 2009

Accounting for investments

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

Credit risk of investments

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

Concentration risk

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

Income taxes

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

Distributions to participants

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

Joint value

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

Securities Lending

The Pool has entered into a securities lending agreement, as authorized by state statute and the policies of the Pool, with Bank of New York Mellon ("BNY Mellon"), its custodian. BNY Mellon may loan the Pool's securities to brokers, dealers and financial institutions determined by them to be creditworthy and approved by the Indiana Treasurer of State. The Pool continues to receive the interest on the loaned securities during the term of the loan. The loans can be terminated on demand by either the Pool or the borrower. The loans of securities are collateralized in the form of cash in an amount at least equal to 102% of the current market value of the loaned securities. The cash collateral is reinvested by BNY Mellon and the net income earned on the reinvestment, less the borrower's rebate and a fee to BNY Mellon, is recorded as additional income to the Pool.

3. Management

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

The Indiana Treasurer of State has contracted with MBIA Municipal Investors Service Corporation ("MBIA-MISC") to provide the administration, and certain portfolio management and marketing services for the program not retained by the Treasurer's office. MBIA-MISC is entitled to a fee payable monthly based on the amortized cost valuation of the portion of the portfolio that it has been

Notes to Financial Statements continued

For the year ended June 30, 2009

contracted to advise (the "MBIA-MISC portion"). The fee is calculated at an annual rate of 0.12% of the daily value of the MBIA-MISC portion up to \$1,000,000,000; 0.11% on the next \$500,000,000; 0.10% on the next \$500,000,000; and 0.09% over \$2,000,000,000. For the year ended June 30, 2009, MBIA-MISC earned fees equal to \$425,228.

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

4. Contingencies and Commitments

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

Selected Data per Dollar of Joint Value and Ratios

Selected data per dollar of joint value and ratios for the period presented is as follows:

Data per dollar of joint value¹:

	For the year ended June 30, 2009	For the Period February 1, 2008² to June 30, 2008
Net investment income and net realized gain/(loss) on investments	\$ 0.014	\$ 0.011
Distributions to participants	\$(0.014)	\$(0.011)
Total Return ³ :	1.39%	1.09%
Ratios/Supplemental data:		
Joint value, end of period	\$549,803,308	\$443,883,066
Ratios to average joint value:		
Net investment income ⁴	1.35%	2.58%
Expenses ⁴	0.12%	0.13%

¹ Calculated based upon average joint value during the period.

² Commencement of operations.

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

⁴ Annualized for periods less than one year.

See Independent Auditors' Report.

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

TrustINDiana Advisory Committee

Kathy Friend
Chief Financial Officer
Fort Wayne Community Schools

Michael W. Griffin
Clerk-Treasurer
Highland

Retha S. Hicks
Clerk-Treasurer
Winona Lake

David Holt
Business Manager
Warren Township Schools

Robert Lee
Treasurer
Allen County

Tammy McEwan
Treasurer
Jasper County

Judith C. Rhodes
Clerk-Treasurer
West-Lafayette City

Amy J. Roberts
Clerk-Treasurer
Town of Danville

Steve Sontag
Director of Business
Clark-Pleasant Community Schools

Joe Wray
Treasurer
Brown County

Kelly Mitchell
Director
TrustINDiana

Management

Administrator: Indiana Treasurer of State and MBIA Asset Management

Investment Advisor: Indiana Treasurer of State and MBIA Asset Management

Custodian: Bank of New York/Mellon

Professional Services

Independent Auditors: London Witte Group, LLC