FINANCIAL SECTION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Drawing provided by the Indiana Historical Bureau
Artist, Mike Scherer

The cardinal (Richmondena cardinalis cardinalis) was adopted as the state bird by the 1933 General Assembly (Indiana Code 1-2-8). The male (shown above) is bright red; the female is brown with dull red crest, wings and tail. They remain in Indiana year round and nest in thickets of brambles or low saplings. The eggs, 2 to 4, are bluish-white with brown markings.

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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, 2010, 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 21.4% of the assets and 11.0% of the revenues of the colleges and universities and 99.6% of the assets and 98.7% 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, 2010, 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, 2009, 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, Schedules of Funding Progress for Employee Retirement Systems and Plans and Other Postemployment Benefit Plans, and Budgetary Comparison Schedules (General and Major Special Revenue funds), 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

February 25, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

STATE OF INDIANA
Management's Discussion and Analysis
June 30, 2010

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, 2010. 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) 2009 numbers have been restated.

Financial Highlights

- For FY 2010, on a government-wide basis, the assets of the State of Indiana exceeded its liabilities by $15.9 billion. This compares with $17.1 billion for FY 2009, as restated. Of this amount, $3.8 billion may be used to meet the government's ongoing obligations to citizens and creditors.
- At the end of the current fiscal year, unreserved fund balance for the general fund was $1.8 billion, or 16.9% of the total general fund expenditures.
- On a government-wide basis for the primary government, the State incurred expenses net of program revenue of $14.5 billion, which are offset by general revenues totaling $13.3 billion, giving a decrease in net assets of $1.2 billion.
- General revenue for the primary government decreased by $1.2 billion, or 8.0%, from FY 2009. The driving forces behind this decrease were the declines in income and sales taxes revenue as a result of the national recession. The State's unemployment rate remained at a high level during FY 2010.
- The State of Indiana closed FY 2010 with more than $830 million in total reserves. Governor Daniels ordered spending reductions of nearly $785 million. These actions, coupled with the use of American Recovery and Reinvestment Act (ARRA) funds, position Indiana to achieve a structurally balanced budget by no later than FY 2013 while maintaining a prudent level of reserves.
- In FY 2010, states raised taxes by nearly $24 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 Moody's Investors Service, Indiana had the 10th 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, 2009	Dec. 31, 2008	% Change
Total Employed Labor Force	2,782,030	2,962,682	-6.1%
Total Goods and Service Employment	2,781,500	2,918,800	-4.7%
Service-Providing Employment	2,230,000	2,290,000	-2.6%
Goods-Producing Employment	551,500	628,800	-12.3%
Unemployment Rate	9.7%	8.0%	21.3%
Median Household Income	47,465	47,966	-1.0%

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

Salaries and benefits for State employees represent approximately 9.2% 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
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
2001	36,376	728	1,002	969	238	39,313

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	
	2010	2009	2010	2009	2010	2009
Current and other assets	$ 10,750.1	$ 11,507.8	$ 153.6	$ 173.3	$ 10,903.7	$ 11,681.1
Capital assets	11,930.1	11,615.9	0.1	0.1	11,930.2	11,616.0
Total assets	22,680.2	23,123.7	153.7	173.4	22,833.9	23,297.1
Current liabilities	2,668.8	2,744.2	1,721.4	915.7	4,390.2	3,659.9
Long-term liabilities	2,483.5	2,500.6	42.4	42.8	2,525.9	2,543.4
Total liabilities	5,152.3	5,244.8	1,763.8	958.5	6,916.1	6,203.3
Net assets:						
Invested in capital assets, net of related debt	10,660.3	10,315.3	0.1	0.1	10,660.4	10,315.4
Restricted	1,466.8	1,323.6	-	-	1,466.8	1,323.6
Unrestricted	5,400.8	6,240.0	(1,610.2)	(785.2)	3,790.6	5,454.8
Total net assets	$ 17,527.9	$ 17,878.9	$ (1,610.1)	$ (785.1)	$ 15,917.8	$ 17,093.8

At the end of the current fiscal year, net assets for the primary governmental were $15.9 billion as compared to $17.1 billion in 2009. There was a decrease of $1.2 billion.

Current and other assets decreased by $777.4 million with a decrease in cash, cash equivalents, and investments making up the bulk of this. Because of total revenue being down substantially, cash and investments on hand were needed to meet the operating budget.

Capital assets increased by $314.2 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 increased by $712.8 million. This increase is explained principally from an increase in amounts borrowed from the federal government to pay unemployment insurance benefits. Liabilities for governmental activities decreased by $92.5 million, which is explained mainly by a decrease in securities on loan as of June 30, 2010.

Other liabilities that increased included accounts payable (AP), OPEB, and unearned revenue. The AP increase can be explained from implementing the new state accounting system which has a fully functioning AP module. The OPEB liability increase is mainly due to the increase in the net pension obligation per the GASB 45 Financial Report for the fiscal year ended June 30, 2010. The unearned revenue increase is due to the increase in federal grants with cash greater than expenses at fiscal year end.

The State maintains a Counter-Cyclical Revenue and Economic Stabilization Fund ("Rainy Day Fund"). This fund was established to assist in stabilizing revenue of the State's General Fund during periods of economic recession. In other words, in good times the balance in the fund should increase, and in bad times, the money can be used to offset deficits. The fund had no available assets of the total governmental activities unrestricted net assets. This is because the entire available balance in the Rainy Day Fund was transferred to the General Fund at fiscal year end as the growth rate in adjusted personal income from 2008 to 2009 was -7.1% (Indiana Code 4-10-18-4).

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		Business-type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Revenues						
Program revenues:						
Charges for services	$ 1,280.8	$ 1,353.9	$ 2,421.1	$ 1,251.9	$ 3,701.9	$ 2,605.8
Operating grants and contributions	11,224.0	10,495.0	-	10.5	11,224.0	10,505.5
Capital grants and contributions	-	21.4	-	-	-	21.4
General revenues:						
Individual and corporate income taxes	4,437.3	5,135.4	-	-	4,437.3	5,135.4
Sales taxes	5,937.2	6,146.4	-	-	5,937.2	6,146.4
Other	2,965.7	3,220.6	3.7	6.3	2,969.4	3,226.9
Total revenues	25,845.0	26,372.7	2,424.8	1,268.7	28,269.8	27,641.4
Program Expense						
General government	1,671.1	4,288.9	-	-	1,671.1	4,288.9
Public safety	1,497.2	1,467.6	-	-	1,497.2	1,467.6
Health	394.6	369.4	-	-	394.6	369.4
Welfare	9,773.8	9,111.4	-	-	9,773.8	9,111.4
Conservation, culture and development	638.0	674.0	-	-	638.0	674.0
Education	10,315.0	8,926.6	-	-	10,315.0	8,926.6
Transportation	1,908.3	1,267.6	-	-	1,908.3	1,267.6
Interest expense	0.6	0.7	-	-	0.6	0.7
Unemployment compensation fund	-	-	3,223.1	2,341.3	3,223.1	2,341.3
Other	-	-	24.1	25.5	24.1	25.5
Total expenses	26,198.6	26,106.2	3,247.2	2,366.8	29,445.8	28,473.0
Excess (deficiency) before transfers	(353.6)	266.5	(822.4)	(1,098.1)	(1,176.0)	(831.6)
Transfers	2.6	(2.1)	(2.6)	2.1	-	-
Change in net assets	(351.0)	264.4	(825.0)	(1,096.0)	(1,176.0)	(831.6)
Beginning net assets, as restated	17,878.9	17,614.5	(785.1)	310.9	17,093.8	17,925.4
Ending net assets	$ 17,527.9	$ 17,878.9	$ (1,610.1)	$ (785.1)	$ 15,917.8	$ 17,093.8

Governmental Activities

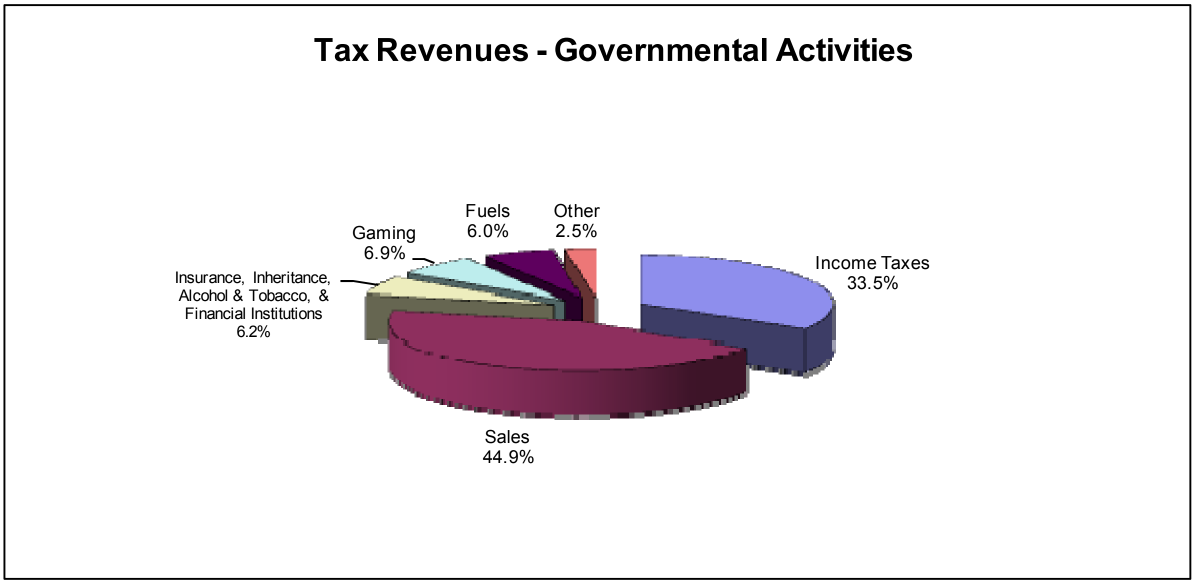
Program expenses exceeded program revenues by $13.7 billion. General revenues and transfers were $13.3 billion. The decrease in net assets was $351.0 million, which is 1.4% of total revenues and 1.3% of total expenses.

The decrease to excess (deficiency) before transfers of $620.1 million was brought about by a decrease of total revenues of $527.7 million and by an increase in total expenses of $92.4 million.

Revenues decreased mainly because of the decline in individual and corporate income taxes of $698.1 million. The continued recession and high unemployment explains the income taxes decrease and the decrease in sales taxes.

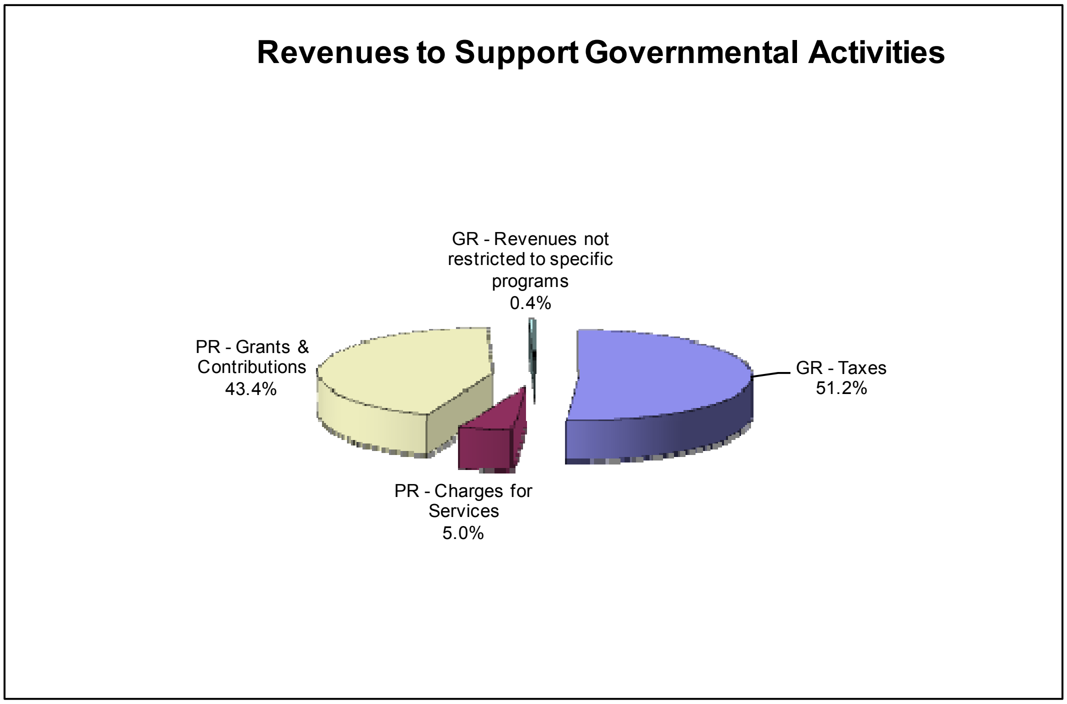
Expenses increased by only $92.4 million or by 0.4%. While Education, Welfare, and Transportation expenses increased, General Government expenses decreased significantly. General Government expenses decreased because of spending cuts of at least 10% by state agencies, from using dedicated funds, and from the increase in General Fund expenses for Education instead of the now defunct Property Tax Replacement Fund.

Tax revenues for governmental activities were broken down as follows:



Tax revenues of $13.2 billion represent 51.2% of total revenues for governmental activities. This compares to $14.4 billion in FY 2009 or 54.5% of total revenues in FY 2009. Program revenues accounted for $12.5 billion or 48.4% of total revenues. In FY 2009, program revenues accounted for $11.9 billion or 45.0% of total revenues. General revenues other than tax revenues were $111.6 million or 0.4% of total revenues. Of this $32.7 million was investment earnings. This compares to 2009, when general revenues other than taxes were $130.3 million or 0.5% of total revenues and $91.3 million was investment earnings. Investment earnings decreased by $58.6 million from FY 2009 to FY 2010 or 64.2% due to less investable cash and lower interest rates.

Total revenues for governmental activities were broken down as follows:



PR = program revenues
GR = general revenues

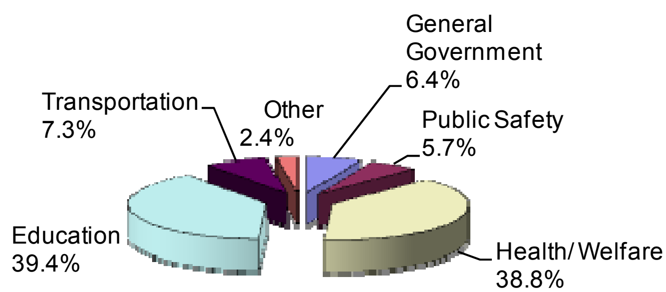
Total revenues were 98.7% of expenses which was a decrease from 101.0% in FY 2009. Total revenues decreased 2.0% from $26.4 billion in FY 2009 to $25.8 billion in FY 2010. Expenses grew 0.4% from $26.1 billion in FY 2009 to $26.2 billion in FY 2010.

The largest portion of the State's expenses is Education, which is $10.3 billion, or 39.4% of total expenses. This compares with $8.9 billion, or 34.2% of total expenses in FY 2009. The change in expenses was an increase of $1.4 billion or 15.6%. Expenses increased due to the increase in the General Fund's expenses, which is responsible for a larger portion of Education expenses with the closing of the Property Tax Replacement Fund. Some of the major expenses were tuition support, $6.1 billion, General Fund appropriations for State colleges and universities, $1.4 billion, federal grant programs from the U.S. Department of Education Fund, $670.0 million, Teachers' Retirement Pension, $629.1 million, $454.5 million for K-12 and higher education from the ARRA of 2009 Fund, and the national school lunch program, $320.1 million. All but $1.5 billion of Education expenses in FY 2010 were funded from general revenues.

Health and Welfare comprises 38.8%, or $10.2 billion, of the State's expenses. In FY 2009, Health and Welfare accounted for 36.3%, or $9.5 billion, of expenses. The change in expenses was an increase of $687.6 million, or 7.3%. Some of the major expenses were Medicaid assistance, $5.4 billion, the U.S. Department of Health and Human Services Fund, $1.5 billion, and the federal food stamp program, $1.4 billion.

$1.7 billion, or 6.4% of expenses, was spent for General Government. General Government comprised $4.3 billion or 16.4% of expenses in FY 2009. General Government includes local distributions and money for State administration and those functions that serve the State as a whole. Spending cuts and use of dedicated funds were two of the major reasons for the decrease in General Government expenses. A third reason for the decline is that substantially more of the General Fund expenses went for Education rather than General Government purposes.

Total expenses for governmental activities were broken down as follows:



Business-type Activities

Business-type activities represent 8.6% of the Primary Government's revenues and 11.0% of the expenses. The Unemployment Compensation Fund accounts for 98.9% 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 $825.0 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 $829.4 million. This compares to FY 2009 when this fund's expenses exceeded revenue by $1.1 billion. Employer contributions into the fund increased by $103.9 million, from $392.3 million in FY 2009 to $496.2 million in FY 2010. Federal revenues into the fund increased by $1.1 billion, from $831.4 million in FY 2009 to $1.9 billion in FY 2010. 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, 2010	June 30, 2009	% Change
Governmental Activities:			
General government	$ 641.6	$ 3,225.4	-80.1%
Public safety	829.4	738.2	12.4%
Health	116.7	131.3	-11.1%
Welfare	2,626.2	2,481.9	5.8%
Conservation, culture, and development	186.0	224.7	-17.2%
Education	8,888.5	7,399.9	20.1%
Transportation	404.8	33.8	1097.6%
Unallocated interest expense	0.6	0.7	-14.3%
Business-type Activities:			
Unemployment Compensation Fund	829.4	1,107.1	-25.1%
Malpractice Insurance Authority	(0.4)	(4.3)	-90.7%
Inns and Concessions	(2.8)	16.1	-117.4%
TOTAL	$ 14,520.0	$ 15,354.8	-5.4%

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, 2010 was $2.3 billion, which is 60.2% of assets. This compares to a fund balance at June 30, 2009 of $1.6 billion, which was 51.5% of assets. This indicates that the State's financial position in the General Fund increased from the prior year by $785.2 million. The fund balance of $2.3 billion is composed of reserves of $558.4 million and unreserved of $1.8 billion. Major reserves are:

- Encumbrances of $38.7 million, which is money set aside to pay for future obligations.
- Loans of $510.4 million, which consists of $18.8 million in loans to entities outside the primary government and $491.6 million in interfund loans.

The unreserved, undesignated fund balance of $1.5 billion plus the unreserved fund balance designated for appropriations of $101.3 million, plus the unreserved fund balance designated for allotments of $230.0 million equals the total unreserved fund balance of $1.8 billion. For more information on designations of unreserved fund balance, see the chart in the Notes to the Financial Statements III(B).

The General Fund's revenues decreased 6.8%, or $843.0 million, from FY 2009, because of the decrease in total taxes revenue which included income taxes down by $680.7 million. Income taxes decreased 13.5% from FY 2009. Sales tax revenues decreased by $97.2 million, or 1.6%, from FY 2009. The decrease in tax revenues is explained by the continued recession in 2010.

General Fund expenditures remained flat, as expenditures totaled $10.6 billion in FY 2010 and $10.5 billion in FY 2009. Expenditures remained consistent due to prudent fiscal management. Spending cuts, primarily in General Government, and use of dedicated funds enabled expenditures to remain at 2009 levels.

The General Fund had transfers in of $2.9 billion compared to $2.6 billion in FY 2009. Transfers out were $3.0 billion compared to $5.7 billion in FY 2009. 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 $785.2 million can be attributed to spending reductions made by state agencies at the direction of the Governor, use of dedicated funds, and from use of reserves.

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 $4.0 billion in Federal revenue as compared to $3.6 billion in FY 2009. State funding comes through the $1.5 billion of transfers in from the General Fund which was a decrease of $286.4 million from FY 2009. Transfers out were $160.6 million compared with $329.4 million in FY 2009. The Fund distributed $5.4 billion in Medicaid assistance during the year, which is the same as in FY 2009. The change in fund balance increased by $91.3 million from FY 2009 to FY 2010.

State Highway Department 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 $754.1 million in grants and received $991.8 million in transfers in, which are taxes and revenues collected in other funds, compared with $970.8 million and $839.8 million in FY 2009, respectively. The fund expended $1.9 billion during the year, which is consistent with FY 2009. The fund balance decreased by $27.4 million from FY 2009 to FY 2010. The decrease is principally from the decrease in federal grants revenue.

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 $535.3 million to the State Highway Department Fund. The fund received $337.5 million in investment income and distributed $10.0 million to the Northwest

Indiana Regional Development Authority. The change in fund balance from FY 2009 to FY 2010 was a decline of $208.3 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, Nutrition, and Weatherization.

The ARRA of 2009 Fund received $1.6 billion in federal grants revenues compared to $996.6 million in FY 2009. The fund expended $1.9 billion during the year, compared with $985.0 million in FY 2009. Grant revenues and expenditures of the fund increased primarily due to this being the second year of funding, which was a full fiscal year. The largest increases in expenditures were for Welfare of $349.6 million and for Transportation of $337.1 million. The Welfare expenditures were for the Medicaid program. The Transportation expenditures primarily were for highway construction projects.

The change in fund balance decreased by $302.3 million from FY 2009 to FY 2010.

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 $1.1 billion in federal grant revenues and expended $1.5 billion. The US DHHS Fund received transfers in of $366.6 million mostly from the General Fund for various health and human services programs. The change in fund balance from FY 2009 to FY 2010 was a decline of $75.6 million. In FY 2009, this fund comprised several funds whose funding sources were federal funds from the US DHHS.

General Fund Budgetary Highlights

Actual state general fund revenue collections decreased by $719.5 million, or 5.6%, in FY 2010. This follows a decrease of $962.9 million, or 7.4%, in general fund revenue collections in FY 2009, when normalized for the impact of HEA 1001 (2008). At the time the budget was enacted in June 2009, state reserves were projected to remain flat in FY 2010 as a result of projected revenue growth, an overall reduction in appropriations, and the use of American Recovery and Reinvestment Act (ARRA) funds. With state general fund revenues falling nearly $1 billion short of the May 2009 forecast, Governor Daniels ordered reductions in state spending coupled with the prudent use of a portion of the state's reserves. Consequently, actual expenditure growth, normalizing for the impact of ARRA funds, was -1.9% in FY 2010 compared with FY 2009. Annual expenditure growth has averaged less than 1.7% 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 $830.7 million in reserves, with all of the reserves residing in the general fund.

Capital Asset and Debt Administration

Capital Assets

Capital assets were $11.9 billion, which was 53.7% of total assets for the primary government. Related debt was $1.3 billion. Total capital assets net of related debt for the primary government was $10.7 billion. Related debt was 10.6% of capital assets. Total capital assets increased by $314.2 million or 2.7% and is attributable to increases in the Indiana Department of Transportation's land, infrastructure, and construction in progress (CIP). INDOT's capital assets increase of $433.1 million combined with decreases of $89.0 million in the primary government's capital assets, $28.1 million in DOA Public Works' CIP, and $1.7 million in capital lease assets accounts for the net increase in capital assets. CIP consisting of right of way and work in progress increased $231.2 million, infrastructure consisting of interstate roads, non-interstate roads, and bridges increased $107.7 million, and land increased by $94.2 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 2009 to fiscal year 2010.

State of Indiana
Capital Assets
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total Primary Government		Total % Change
	2010	2009	2010	2009	2010	2009	
Land	$ 1,500.5	$ 1,405.1	$ -	$ -	$ 1,500.5	$ 1,405.1	6.8%
Infrastructure	8,062.5	7,954.8	-	-	8,062.5	7,954.8	1.4%
Construction in Progress	1,488.9	1,285.6	-	-	1,488.9	1,285.6	15.8%
Property, plant and equipment	1,932.4	2,018.0	0.4	0.4	1,932.8	2,018.4	-4.2%
Computer software	35.3	34.6	-	-	35.3	34.6	2.0%
Less accumulated depreciation	(1,089.5)	(1,082.2)	(0.3)	(0.3)	(1,089.8)	(1,082.5)	0.7%
Total	**$ 11,930.1**	**$ 11,615.9**	**$ 0.1**	**$ 0.1**	**$ 11,930.2**	**$ 11,616.0**	**2.7%**

Long-term Obligations

Major long-term obligations items are included in the following table. These items comprised 100% of total long-term liabilities and 40.1% of total liabilities.

The following table shows the percentage change from fiscal year 2009 to fiscal year 2010.

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

	Governmental Activities		Business-type Activities		Total Primary Government		Total % Change
	2010	2009	2010	2009	2010	2009	
Accrued liability for compensated absences	$ 66.6	$ 67.1	$ 0.3	$ 0.3	$ 66.9	$ 67.4	-0.7%
Intergovernmental payable	40.0	50.0	-	-	40.0	50.0	-20.0%
Capital lease payable	1,222.7	1,252.1	-	-	1,222.7	1,252.1	-2.3%
Claims payable	-	-	42.1	42.5	42.1	42.5	-0.9%
Net pension obligations	948.1	957.5	-	-	948.1	957.5	-1.0%
Other postemployment benefits	112.4	71.8	-	-	112.4	71.8	56.5%
Pollution remediation	43.7	52.1	-	-	43.7	52.1	N/A
Due to component units	50.0	50.0	-	-	50.0	50.0	0.0%
Total	**$ 2,483.5**	**$ 2,500.6**	**$ 42.4**	**$ 42.8**	**$ 2,525.9**	**$ 2,543.4**	**-0.7%**

Total long-term liabilities decreased by 0.7% or $17.5 million. The largest decreases were in capital leases payable of $29.4 million and intergovernmental payable of $10.0 million.

The decrease in capital leases payable is because there was a decrease of $29.6 million in the direct financing lease with the Highway Revenue Bonds fund of the Indiana Finance Authority. We had other capital leases that increased by a total of $0.2 million.

The $10.0 million decrease in intergovernmental payables resulted from a distribution for infrastructure projects under the Major Moves Construction Fund.

The decrease in net pension obligations (NPO) is due to increased employer contributions for the Teachers Retirement Fund Pre-1996 Plan. The NPOs of two other pension plans increased by $5.8 million.

The long term liability for pollution remediation liability decreased by $8.4 million. The pollution remediation liability for waste tires decreased by $7.1 million and the long-term liability for the Department of Natural Resources' sites decreased by $1.3 million.

Other postemployment benefits increased $40.6 million. This increase in OPEB liability is based on the OPEB financial report for the fiscal year ending June 30, 2010. The Indiana State Police Plan's liability increased by $32.2 million, the Indiana State Personnel Plan increased by $4.2 million, the Conservation Excise Police Plan increased by $4.0 million, and the Legislature Plan increased by $0.2 million.

Claims payable for business activities decreased by $0.4 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 $8.0 billion in roads and bridges using the modified approach, $1.3 billion in right of way classified as land, and $24.0 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 211 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 2010, 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 2010, indicated that the average sufficiency rating for bridges exceeded the minimum acceptable standard.

INDOT's total actual maintenance and preservation costs for infrastructure presented as required supplementary information were lower than the total planned amount. This is because the planned amounts for projects are estimates forecasted with no budget limitations. For FY10, INDOT's priority was new road construction.

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 forecasted to decrease by 1.2% in FY 2010. Corporate profits were forecasted to decline by 3.3%, while the value of U.S. household financial assets was projected to increase by 3.5%. Indiana personal income (IPI) was forecasted to decrease in FY 2010 by 0.6%, with a larger decline of 1.9% projected for Indiana wage and salary disbursements.

The May 2009 forecast was updated on December 15, 2009. Real GDP was forecasted to increase by 0.3%, while nominal GDP was forecasted to increase by 1.0%. Corporate profits were forecasted to increase by 10.8%. Indiana wage and salary disbursements were forecasted to decline by 2.7% in FY 2010. U.S. personal consumption expenditures, the value of U.S. household financial assets, and IPI were replaced as forecast variables by U.S. personal savings and IPI, net of government transfer payments. U.S. personal savings was forecasted to increase by 16.2% in FY 2010. IPI, net of government transfer payments, was forecasted to decline by 1.9%.

The U.S. Bureau of Economic Analysis (BEA) currently estimates that real and nominal GDP increased by 0.7% and 1.2%, respectively, in FY 2010. U.S. personal savings increased by 8.2%, while corporate profits increased by 27.0% in FY 2010. BEA currently estimates that IPI, net of government transfer payments, declined by 2.0% in FY 2010.

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.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE

FINANCIAL STATEMENTS

State of Indiana
Statement of Net Assets
June 30, 2010
(amounts expressed in thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Assets:				
Current assets:				
Cash, cash equivalents and investments	$ 6,189,153	$ 84,751	**$ 6,273,904**	$ 3,917,411
Securities lending collateral	803,661	-	**803,661**	318,610
Receivables (net)	2,364,302	68,253	**2,432,555**	773,263
Due from agency fund	360,138	-	**360,138**	418,365
Inventory	6,511	566	**7,077**	19,085
Prepaid expenses	-	78	**78**	30,796
Loans	75,418	-	**75,418**	1,165
Due from primary government	-	-	**-**	7,075
Due from component unit	37,014	-	**37,014**	-
Investment in direct financing lease	-	-	**-**	68,389
Funds held in trust by others	-	-	**-**	98,306
Other current assets	-	-	**-**	73,792
Total current assets	9,836,197	153,648	**9,989,845**	5,726,257
Noncurrent assets:				
Cash, cash equivalents and investments - restricted	-	-	**-**	2,498,297
Taxes, interest, and penalties receivable	435,062	-	**435,062**	4,745
Pollution remediation recovery	8,766	-	**8,766**	-
Other receivables	201	-	**201**	4,665,662
Investments - unrestricted	-	-	**-**	3,956,375
Loans	378,111	-	**378,111**	5,551
Bond issuance costs net of amortization	-	-	**-**	45,527
Intergovernmental loans	-	-	**-**	1,859,834
Due from primary government	-	-	**-**	50,000
Investment in direct financing lease	-	-	**-**	1,990,704
Deferred outflow - derivative instrument	-	-	**-**	134,374
Net pension assets	91,766	-	**91,766**	100
Other postemployment benefits	-	-	**-**	12,766
Other noncurrent assets	-	-	**-**	70,622
Capital assets:				
Land	1,500,467	-	**1,500,467**	436,197
Infrastructure	8,062,495	-	**8,062,495**	615,446
Construction in progress	1,488,896	-	**1,488,896**	1,055,568
Property, plant, and equipment	1,932,438	381	**1,932,819**	10,024,695
Computer software	35,327	-	**35,327**	-
Less accumulated depreciation/amortization	(1,089,563)	(293)	**(1,089,856)**	(4,407,836)
Total capital assets, net of depreciation/amortization	11,930,060	88	**11,930,148**	7,724,070
Total noncurrent assets	12,843,966	88	12,844,054	23,018,627
Total assets	**22,680,163**	**153,736**	**22,833,899**	**28,744,884**
Liabilities:				
Current liabilities:				
Accounts payable	1,395,886	525	**1,396,411**	392,559
Claims payable	-	3,331	**3,331**	48,506
Interest payable	-	-	**-**	176,889
Current portion of long-term debt	-	-	**-**	1,240,986
Line of credit	-	-	**-**	307,475
Intergovernmental payable	122,445	-	**122,445**	-
Due to primary government	-	-	**-**	37,014
Due to component unit	7,075	-	**7,075**	-
Capital lease payable	47,106	-	**47,106**	1,410
Accrued prize liability	-	-	**-**	64,196
Salaries, health, disability, and benefits payable	130,896	515	**131,411**	21,123
Tax refunds payable	41,376	-	**41,376**	-
Unearned revenue	26,301	4,905	**31,206**	296,398
Accrued liability for compensated absences	79,181	200	**79,381**	85,001
Due to federal government (net)	-	1,711,441	**1,711,441**	-
Pollution remediation payable	14,547	-	**14,547**	-
Securities lending payable	247	-	**247**	6
Securities lending collateral	803,661	-	**803,661**	318,610
Deposits held in custody for others	-	-	**-**	75,317
Other current liabilities	37	494	**531**	38,296
Total current liabilities	2,668,758	1,721,411	**4,390,169**	3,103,786

State of Indiana
Statement of Net Assets
June 30, 2010
(amounts expressed in thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Long-term liabilities:				
Accrued liability for compensated absences	66,621	296	**66,917**	71,750
Claims payable	-	42,142	**42,142**	-
Intergovernmental payable	40,000	-	**40,000**	-
Accrued prize liability	-	-	**-**	103,803
Net pension obligations	948,080	-	**948,080**	-
Other postemployment benefits	112,405	-	**112,405**	41,978
Pollution remediation payable	43,714	-	**43,714**	4,164
Due to component unit	50,000	-	**50,000**	-
Unearned revenue	-	-	**-**	3,548,882
Capital lease payable	1,222,703	-	**1,222,703**	3,823
Funds held in trust for others	-	-	**-**	162,614
Advances from federal government	-	-	**-**	30,393
Revenue bonds/notes payable	-	-	**-**	11,814,752
Derivative instrument liability	-	-	**-**	134,237
Other noncurrent liabilities	-	-	**-**	96,720
Total long-term liabilities	2,483,523	42,438	2,525,961	16,013,116
Total liabilities	**5,152,281**	**1,763,849**	**6,916,130**	**19,116,902**
Net Assets:				
Invested in capital assets net of related debt	10,660,251	88	**10,660,339**	3,752,199
Restricted-nonexpendable:				
Grants/constitutional restrictions	-	-	**-**	19,685
Permanent funds	1,159,704	-	**1,159,704**	19,399
Future debt service	-	-	**-**	197,325
Capital projects	-	-	**-**	1,939
Instruction and research	-	-	**-**	227,965
Student aid	-	-	**-**	215,348
Other purposes	-	-	**-**	29,895
Total restricted-nonexpendable	1,159,704	-	**1,159,704**	711,556
Restricted-expendable:				
Instruction and research	-	-	**-**	502,279
Grants/constitutional restrictions	307,073	-	**307,073**	15,249
Endowments	-	-	**-**	356,226
Future debt service	-	-	**-**	214,851
Pension fund distribution	-	-	**-**	2,370
Public safety programs	-	-	**-**	7,013
Student aid	-	-	**-**	654,459
Auxiliary enterprises	-	-	**-**	6,248
Capital projects	-	-	**-**	229,080
Water pollution and drinking water projects	-	-	**-**	1,068,970
Other purposes	-	-	**-**	102,439
Total restricted-expendable	307,073	-	**307,073**	3,159,184
Unrestricted	5,400,854	(1,610,201)	**3,790,653**	2,005,043
Total net assets	**$ 17,527,882**	**$ (1,610,113)**	**$ 15,917,769**	**$ 9,627,982**

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, 2010
(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	$ 1,671,106	$ 552,008	$ 477,491	$ -	$ (641,607)	$ -	$ (641,607)	$ -
Public safety	1,497,187	483,421	184,364	9	(829,393)	-	(829,393)	-
Health	394,626	8,076	269,852	-	(116,698)	-	(116,698)	-
Welfare	9,773,841	23,344	7,124,261	-	(2,626,236)	-	(2,626,236)	-
Conservation, culture and development	637,984	159,252	292,711	-	(186,021)	-	(186,021)	-
Education	10,314,994	8,489	1,418,027	-	(8,888,478)	-	(8,888,478)	-
Transportation	1,908,307	46,231	1,457,255	-	(404,821)	-	(404,821)	-
Unallocated interest expense	592	-	-	-	(592)	-	(592)	-
Total governmental activities	26,198,637	1,280,821	11,223,961	9	(13,693,846)	-	(13,693,846)	-
Business-type activities								
Unemployment Compensation Fund	3,223,194	2,393,810	-	-	-	(829,384)	(829,384)	-
Malpractice Insurance Authority	3,678	4,062	-	-	-	384	384	-
Inns and Concessions	20,389	23,218	-	-	-	2,829	2,829	-
Total business-type activities	3,247,261	2,421,090	-	-	-	(826,171)	(826,171)	-
Total primary government	$ 29,445,898	$ 3,701,911	$ 11,223,961	$ 9	(13,693,846)	(826,171)	(14,520,017)	-
Component units:								
Governmental	56,126	148	6,582	-	-	-	-	(49,396)
Proprietary	1,850,062	1,279,799	682,205	16,691	-	-	-	128,633
Colleges and universities	5,916,141	2,974,126	1,190,537	87,367	-	-	-	(1,664,111)
Total component units	$ 7,822,329	$ 4,254,073	$ 1,879,324	$ 104,058	$ -	$ -	$ -	$ (1,584,874)
General Revenues:								
Income tax					4,437,275	-	4,437,275	-
Sales tax					5,937,225	-	5,937,225	-
Fuels tax					799,356	-	799,356	-
Gaming tax					911,633	-	911,633	-
Unemployment tax					807	-	807	-
Inheritance tax					127,673	-	127,673	-
Alcohol & Tobacco tax					458,420	-	458,420	-
Insurance tax					179,024	-	179,024	-
Financial Institutions tax					55,611	-	55,611	-
Other tax					324,201	-	324,201	-
Total taxes					13,231,225	-	13,231,225	-
Revenue not restricted to specific programs								
Investment earnings					32,741	3,713	36,454	626,499
Payments from State of Indiana					-	-	-	1,488,067
Other					76,289	-	76,289	567,298
Transfers within primary government					2,572	(2,572)	-	-
Total general revenues and transfers					13,342,827	1,141	13,343,968	2,681,864
Changes in net assets					(351,019)	(825,030)	(1,176,049)	1,096,990
Net assets - beginning, as restated					17,878,901	(785,083)	17,093,818	8,530,992
Net assets - ending					$ 17,527,882	$ (1,610,113)	$ 15,917,769	$ 9,627,982

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, 2010
(amounts expressed in thousands)

	General Fund	Public Welfare-Medicaid Assistance Fund	State Highway Department	Major Moves Construction Fund
Assets:				
Cash, cash equivalents and investments-unrestricted	$ 779,992	$ 145,920	$ 352,978	$ 2,054,336
Securities lending collateral	638,280	-	-	107,767
Receivables:				
Taxes (net of allowance for uncollectible accounts)	1,584,643	-	3,145	-
Securities lending	136	-	-	62
Accounts	6,938	43	1,256	-
Grants	9,233	180,652	38,373	-
Interest	6,909	-	-	21
Interfund loans	491,607	-	-	-
Due from agency fund	360,138	-	-	-
Due from component unit	205	-	-	-
Loans	18,767	-	11,478	-
Total assets	$ 3,896,848	$ 326,615	$ 407,230	$ 2,162,186
Liabilities:				
Accounts payable	$ 145,974	$ 242,595	$ 152,191	$ 39
Salaries and benefits payable	35,883	-	10,006	-
Interfund loans	-	-	-	-
Interfund services used	3,848	-	773	-
Intergovernmental payable	38,939	-	-	-
Due to component unit	-	-	-	-
Tax refunds payable	35,554	-	-	-
Deferred revenue	648,223	12,026	3,795	-
Accrued liability for compensated absences-current	2,668	-	896	-
Pollution remediation payable	-	-	41	-
Securities lending payable	136	-	-	62
Securities lending collateral	638,280	-	-	107,767
Total liabilities	1,549,505	254,621	167,702	107,868
Fund balance:				
Reserved:				
Encumbrances	38,748	-	853,799	-
Special purposes	-	-	-	-
Tuition support	-	-	-	-
Interfund loans	491,607	-	-	-
Long-term loans and advances	18,767	-	11,478	-
Restricted purposes	9,233	-	11,171	-
Unreserved:				
Unreserved fund balance reported in:				
General fund	1,788,988	-	-	-
Special revenue funds	-	71,994	(636,920)	2,054,318
Capital projects funds	-	-	-	-
Permanent funds	-	-	-	-
Total fund balances	2,347,343	71,994	239,528	2,054,318
Total liabilities and fund balances	$ 3,896,848	$ 326,615	$ 407,230	$ 2,162,186

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

ARRA of 2009	Us Department Of Health & Human Services	Non-major Governmental Funds	Total
$ -	$ -	$ 2,761,927	**$ 6,095,153**
-	-	57,614	**803,661**
-	-	183,765	**1,771,553**
-	-	49	**247**
-	78	29,363	**37,678**
84,413	76,977	209,608	**599,256**
-	-	79	**7,009**
-	-	36,665	**528,272**
-	-	-	**360,138**
-	-	36,809	**37,014**
-	-	423,284	**453,529**
$ 84,413	$ 77,055	$ 3,739,163	**$ 10,693,510**
$ 90,625	$ 52,207	173,468	**$ 857,099**
1,313	5,619	26,627	**79,448**
272,807	86,214	169,251	**528,272**
-	1,687	4,563	**10,871**
-	-	73,506	**112,445**
7,075	-	-	**7,075**
-	-	5,822	**41,376**
2,496	1,913	68,174	**736,627**
-	355	1,794	**5,713**
-	-	3	**44**
-	-	49	**247**
-	-	57,614	**803,661**
374,316	147,995	580,871	**3,182,878**
219,320	46,694	376,106	**1,534,667**
-	-	4,264	**4,264**
-	-	-	**-**
-	-	36,665	**528,272**
-	-	423,284	**453,529**
40,910	76,475	169,284	**307,073**
-	-	-	**1,788,988**
(550,133)	(194,109)	1,313,271	**2,058,421**
-	-	89,829	**89,829**
-	-	745,589	**745,589**
(289,903)	(70,940)	3,158,292	**7,510,632**
$ 84,413	$ 77,055	$ 3,739,163	**$ 10,693,510**

State of Indiana
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2010
(amounts expressed in thousands)

Total fund balances-governmental funds			$	7,510,632
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	$	1,500,467		
Infrastructure assets		8,062,495		
Construction in progress		1,488,764		
Property, plant, and equipment		1,871,922		
Computer software		35,327		
Accumulated depreciation		(1,050,216)		
Total capital assets, net of depreciation				11,908,759
The State's pension funds have net pension assets not reported as assets in the funds.				91,766
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	$	710,333		
Accounts receivable		67,778		
				778,111
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	$	(286,031)		
Salaries, health, disability and benefits payable		(1,084)		
Pollution remediation		(49,451)		
				(336,566)
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.				82,274
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	$	(135,490)		
Other postemployment benefits		(112,405)		
Loan from the Indiana Board for Depositories		(50,000)		
Capital lease payable		(1,261,119)		
Net pension obligations		(948,080)		
Total long-term liabilities				(2,507,094)
Net assets of governmental activities			$	17,527,882

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, 2010
(amounts expressed in thousands)

	General Fund	Public Welfare-Medicaid Assist	State Highway Department	Major Moves Construction Fund
Revenues:				
Taxes:				
Income	$ 4,354,395	$ -	$ -	$ -
Sales	5,912,564	-	-	-
Fuels	1	-	27,531	-
Gaming	93,791	-	-	-
Unemployment	-	-	-	-
Inheritance	127,674	-	-	-
Alcohol and tobacco	277,332	-	-	-
Insurance	175,032	-	-	-
Financial Institutions	-	-	-	-
Other	277,001	-	-	-
Total taxes	11,217,790	-	27,531	-
Current service charges	202,984	115,299	12,833	-
Investment income	28,691	-	194	337,516
Sales/rents	767	-	711	-
Grants	32,942	4,024,949	754,136	-
Other	75,522	-	83,607	-
Total revenues	11,558,696	4,140,248	879,012	337,516
Expenditures:				
Current:				
General government	582,063	372	374	-
Public safety	705,219	-	22,907	-
Health	60,138	-	-	-
Welfare	529,366	5,422,088	-	-
Conservation, culture and development	80,265	-	305	-
Education	8,629,877	-	-	-
Transportation	1,704	-	1,881,242	10,531
Total expenditures	10,588,632	5,422,460	1,904,828	10,531
Excess (deficiency) of revenues over (under) expenditures	970,064	(1,282,212)	(1,025,816)	326,985
Other financing sources (uses):				
Transfers in	2,858,825	1,534,157	991,834	-
Transfers (out)	(3,044,075)	(160,632)	(7,281)	(535,271)
Proceeds from capital lease	390	-	13,887	-
Total other financing sources (uses)	(184,860)	1,373,525	998,440	(535,271)
Net change in fund balances	785,204	91,313	(27,376)	(208,286)
Fund Balance July 1, as restated	1,562,139	(19,319)	266,904	2,262,604
Fund Balance June 30	**$ 2,347,343**	**$ 71,994**	**$ 239,528**	**$ 2,054,318**

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

ARRA of 2009	US Department of Health and Human Services	Non-Major Governmental Funds	Total
$ -	$ -	$ 22,228	**$ 4,376,623**
-	-	66,355	**5,978,919**
-	-	769,092	**796,624**
-	-	817,757	**911,548**
-	-	807	**807**
-	-	-	**127,674**
-	-	180,777	**458,109**
-	-	3,992	**179,024**
-	-	56,726	**56,726**
-	44	54,117	**331,162**
-	44	1,971,851	**13,217,216**
-	589	1,068,783	**1,400,488**
-	9	82,629	**449,039**
-	-	16,645	**18,123**
1,580,791	1,117,745	2,959,282	**10,469,845**
98	8,352	192,396	**359,975**
1,580,889	1,126,739	6,291,586	**25,914,686**
252,906	11,231	845,661	**1,692,607**
10,781	4,274	655,017	**1,398,198**
16,864	242,796	64,451	**384,249**
775,154	1,231,459	1,848,840	**9,806,907**
32,359	10,724	491,696	**615,349**
454,534	641	1,226,361	**10,311,413**
349,096	-	120,760	**2,363,333**
1,891,694	1,501,125	5,252,786	**26,572,056**
(310,805)	(374,386)	1,038,800	**(657,370)**
8,467	366,585	3,120,919	**8,880,787**
-	(67,830)	(5,024,387)	**(8,839,476)**
-	-	195	**14,472**
8,467	298,755	(1,903,273)	**55,783**
(302,338)	(75,631)	(864,473)	**(601,587)**
12,435	4,691	4,022,765	**8,112,219**
$ (289,903)	**$ (70,940)**	**$ 3,158,292**	**$ 7,510,632**

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, 2010
(amounts expressed in thousands)

Net change in fund balances-total governmental funds	$	(601,587)
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.		433,084
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 ($29,085) exceeds depreciation of $89,682 in the current period.		(118,767)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Tax revenue		17,758
Non-tax revenue		(16,478)
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		(46,119)
Statutory expenses		10,000
Amounts due to component units		27,218
The change in net pension assets and net pension obligations do not provide or require the use of current financial resources:		
Decrease in net pension assets		7,993
Increase in net pension obligations		9,419
The change in other postemployment benefits do not provide or require the use of current financial resources.		(40,574)
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.		(32,966)
Change in net assets of governmental activities.	$	(351,019)

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, 2010
(amounts expressed in thousands)

	Unemployment Compensation Fund	Non-Major Enterprise Funds	Total	Internal Service Funds
Assets				
Current assets:				
Cash, cash equivalents and investments - unrestricted	$ 11,956	$ 72,795	**$ 84,751**	$ 93,999
Receivables:				
Accounts	65,408	676	**66,084**	21,213
Interest	-	718	**718**	-
Grants	1,451	-	**1,451**	-
Interfund services provided	-	-	**-**	10,871
Inventory	-	566	**566**	6,511
Prepaid expenses	-	78	**78**	-
Total current assets	78,815	74,833	**153,648**	132,594
Noncurrent assets:				
Capital assets:				
Construction in progress	-	-	**-**	132
Property, plant, and equipment	-	381	**381**	60,516
Less accumulated depreciation	-	(293)	**(293)**	(39,347)
Total capital assets, net of depreciation	-	88	**88**	21,301
Total noncurrent assets	-	88	**88**	21,301
Total assets	**78,815**	**74,921**	**153,736**	**153,895**
Liabilities				
Current liabilities:				
Accounts payable	-	525	**525**	7,924
Claims payable	-	3,331	**3,331**	-
Salaries and benefits payable	-	515	**515**	1,786
Capital lease payable	-	-	**-**	272
Health/disability benefits payable	-	-	**-**	48,578
Accrued liability for compensated absences	-	200	**200**	2,412
Due to federal government (net)	1,711,441	-	**1,711,441**	-
Deferred revenue	-	4,905	**4,905**	7
Other liabilities	-	494	**494**	37
Total current liabilities	1,711,441	9,970	**1,721,411**	61,016
Noncurrent liabilities:				
Accrued liability for compensated absences	-	296	**296**	2,187
Capital lease payable	-	-	**-**	8,418
Claims payable	-	42,142	**42,142**	-
Total noncurrent liabilities	-	42,438	**42,438**	10,605
Total liabilities	**1,711,441**	**52,408**	**1,763,849**	**71,621**
Net assets				
Invested in capital assets net of related debt	-	88	**88**	12,611
Unrestricted	(1,632,626)	22,425	**(1,610,201)**	69,663
Total net assets	**$ (1,632,626)**	**$ 22,513**	**$ (1,610,113)**	**$ 82,274**

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, 2010
(amounts expressed in thousands)

	Unemployment Compensation Fund	Non-Major Enterprise Funds	Total	Internal Service Funds
Operating revenues:				
Sales/rents/premiums	$ -	$ 27,095	**$ 27,095**	$ 496,206
Employer contributions	496,172	-	**496,172**	-
Charges for services	-	-	**-**	6,364
Federal revenues	1,893,842	-	**1,893,842**	-
Other	-	185	**185**	787
Total operating revenues	2,390,014	27,280	**2,417,294**	503,357
Cost of sales	-	4,125	**4,125**	24,807
Gross margin	2,390,014	23,155	**2,413,169**	478,550
Operating expenses:				
General and administrative expense	1,207	16,768	**17,975**	135,440
Claims expense	-	3,115	**3,115**	-
Health / disability benefit payments	-	-	**-**	327,566
Unemployment compensation benefits	3,221,634	-	**3,221,634**	-
Depreciation and amortization	-	33	**33**	8,673
Other	292	25	**317**	-
Total operating expenses	3,223,133	19,941	**3,243,074**	471,679
Operating income (loss)	(833,119)	3,214	**(829,905)**	6,871
Nonoperating revenues (expenses):				
Interest and other investment income	-	3,713	**3,713**	8
Interest and other investment expense	(61)	-	**(61)**	(592)
Gain (Loss) on disposition of assets	-	-	**-**	(486)
Federal grants	3,796	-	**3,796**	-
Other	-	-	**-**	(28)
Total nonoperating revenues (expenses)	3,735	3,713	**7,448**	(1,098)
Income before contributions and transfers	(829,384)	6,927	**(822,457)**	5,773
Transfers (out)	-	(2,573)	**(2,573)**	(38,739)
Change in net assets	(829,384)	4,354	**(825,030)**	(32,966)
Total net assets, July 1, as restated	**(803,242)**	**18,159**	**(785,083)**	**115,240**
Total net assets, June 30	**$ (1,632,626)**	**$ 22,513**	**$ (1,610,113)**	**$ 82,274**

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, 2010
(amounts expressed in thousands)

	Unemployment Compensation Fund	Non-Major Enterprise Funds	Total	Internal Service Funds
Cash flows from operating activities:				
Cash received from customers	$ 1,817,540	$ 26,611	**$ 1,844,151**	$ 503,671
Cash paid for general and administrative	(1,499)	(16,892)	**(18,391)**	(134,148)
Cash paid for salary/health/disability benefit payments	-	-	**-**	(328,226)
Cash paid to suppliers	-	(4,083)	**(4,083)**	(19,013)
Cash paid for claims expense	(3,543,215)	(3,346)	**(3,546,561)**	-
Other operating income	-	-	**-**	-
Net cash provided (used) by operating activities	(1,727,174)	2,290	**(1,724,884)**	22,284
Cash flows from noncapital financing activities:				
Transfers out	-	(2,573)	**(2,573)**	(38,739)
Loan from federal government	2,294,804	-	**2,294,804**	-
Repayment of loan from federal government	(583,363)	-	**(583,363)**	-
Federal grants	6,833	-	**6,833**	-
Other	-	-	**-**	(24)
Net cash provided (used) by noncapital financing activities	1,718,274	(2,573)	**1,715,701**	(38,763)
Cash flows from capital and related financing activities:				
Acquisition/construction of capital assets	-	-	**-**	(9,340)
Proceeds from sale of assets	-	-	**-**	497
Principal payments -- capital leases	-	-	**-**	(275)
Interest paid	-	-	**-**	(593)
Debt issue expense	-	-	**-**	-
Net cash provided (used) by capital and related financing activities	-	-	**-**	(9,711)
Cash flows from investing activities:				
Proceeds from sales of investments	-	6,010	**6,010**	-
Purchase of investments	-	(8,745)	**(8,745)**	(400)
Interest income (expense) on investments	(61)	2,764	**2,703**	7
Net cash provided (used) by investing activities	(61)	29	**(32)**	(393)
Net increase (decrease) in cash and cash equivalents	(8,961)	(254)	**(9,215)**	(26,583)
Cash and cash equivalents, July 1	20,918	5,127	**26,045**	119,181
Cash and cash equivalents, June 30	**$ 11,957**	**$ 4,873**	**$ 16,830**	**$ 92,598**
Reconciliation of cash , cash equivalents and investments:				
Cash and cash equivalents unrestricted at end of year	$ 11,956	$ 4,873	**$ 16,829**	$ 92,599
Investments unrestricted	-	67,922	**67,922**	1,400
Cash, cash equivalents and investments per balance sheet	**$ 11,956**	**$ 72,795**	**$ 84,751**	**$ 93,999**
Noncash investing, capital and financing activities:				
Increase in fair value of investments	$ -	$ 963	**$ 963**	$ -

State of Indiana
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2010
(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)	$ (833,119)	$ 3,214	**$ (829,905)**	$ 6,871
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation/amortization expense	-	33	**33**	8,673
(Increase) decrease in receivables	10,889	150	**11,039**	765
(Increase) decrease in interfund services provided	-	-	**-**	(393)
(Increase) decrease in inventory	-	42	**42**	(98)
(Increase) decrease in prepaid expenses	-	(29)	**(29)**	4,858
(Increase) decrease in claims payable	-	(231)	**(231)**	-
Increase (decrease) in health and disability benefits payable	-	-	**-**	(659)
Increase (decrease) in accounts payable	(904,944)	(17)	**(904,961)**	1,268
Increase (decrease) in deferred revenue	-	(836)	**(836)**	(57)
Increase (decrease) in salaries payable	-	7	**7**	339
Increase (decrease) in compensated absences	-	(12)	**(12)**	717
Increase (decrease) in other payables	-	(31)	**(31)**	-
Net cash provided (used) by operating activities	**$ (1,727,174)**	**$ 2,290**	**$ (1,724,884)**	**$ 22,284**

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, 2010
(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	$ 2,086,264	$ 32,656	$ -	$ 336,564
Securities lending collateral	3,384,054	-	-	-
Receivables:				
Taxes	-	4,456	-	14,681
Contributions	203,486	-	-	-
Interest	79,482	6	188	-
Member loans	1,272	-	-	-
Due from other funds	24,355	-	-	-
Due from component unit	1,538	-	-	-
From investment sales	1,117,534	-	-	-
Other	1,161	-	-	32
Total receivables	1,428,828	4,462	188	14,713
Due from local governmental units	-	-	-	360,138
Pension and other employee benefit investments at fair value:				
Equity Securities	7,384,407	-	-	-
Debt Securities	8,536,569	-	-	-
Mutual Funds and Collective Trust Funds	1,370,491	-	-	-
Other	3,333,431	-	-	-
Total investments	20,624,898	-	-	-
Pool Investments at Amortized Cost:				
Cash and cash equivalents	-	-	366,293	-
Money Market Mutual Funds	-	-	2,150	-
U.S. Government Agencies	-	-	41,560	-
Commercial Paper	-	-	-	-
Total investments	-	-	410,003	-
Property, plant and equipment net of accumulated depreciation	10,137	-	-	-
Total assets	**27,534,181**	**37,118**	**410,191**	**$ 711,415**
Liabilities:				
Accounts/escrows payable	18,250	1,375	-	336,596
Salaries and benefits payable	1,073	-	-	-
Management fee payable	-	-	40	-
Due to other funds	24,356	-	-	-
Benefits payable	70,738	-	-	-
Distributions payable	-	-	4	-
Due to component unit	1,538	-	-	-
Deferred revenue	26	-	-	-
Compensated absences	460	-	-	-
Securities purchased payable	1,350,925	-	-	-
Securities lending collateral	3,384,054	-	-	-
Due to general fund	-	-	-	360,138
Other	-	-	19	14,681
Total liabilities	**4,851,420**	**1,375**	**63**	**$ 711,415**
Net assets:				
Held in trust for:				
Employees' pension benefits	22,403,799	-	-	
OPEB benefits	169,923	-	-	
Future death benefits	10,335	-	-	
State and local units	98,704	-	-	
Trust beneficiaries	-	35,743	-	
Local government investment pool participants	-	-	410,128	
Total net assets	**$ 22,682,761**	**$ 35,743**	**$ 410,128**	

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, 2010
(amounts expressed in thousands)

	Pension and Other Employee Benefit Trust Funds	Private-Purpose Trust Funds	Investment Trust Fund
Additions:			
Member contributions	$ 339,294	$ 86,089	$ 674,238
Employer contributions	1,404,630	-	-
Contributions from the State of Indiana	225,617	-	-
Net investment income (loss)	2,820,965	(17)	1,782
Taxes	-	4,456	-
Less investment expense	(124,281)	-	(3)
Donations/escheats	-	60,281	-
Transfers in	8,154	-	-
Reinvestment of distributions	-	-	1,263
Other	176	-	-
Total additions	4,674,555	150,809	677,280
Deductions:			
Pension and disability benefits	1,709,285	-	-
Retiree health benefits	7,264	-	-
Death benefits	1,464	-	-
Payments to participants/beneficiaries	-	143,254	1,263
Refunds of contributions and interest	53,297	-	559,028
Administrative	35,559	-	349
Pension relief distributions	213,035	-	-
Capital projects	2,884	-	-
Depreciation	330	-	-
Transfers out	8,176	-	-
Other	96	-	160
Total deductions	2,031,390	143,254	560,800
Net increase (decrease) in net assets	2,643,165	7,555	116,480
Net assets held in trust, July 1, as restated	20,039,596	28,188	293,648
Net assets held in trust, June 30	**$ 22,682,761**	**$ 35,743**	**$ 410,128**

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, 2010
(amounts expressed in thousands)

	Governmental	Proprietary	Colleges and Universities	Total
Assets:				
Current assets:				
Cash, cash equivalents and investments	$ 134,421	$ 2,038,965	$ 1,744,025	**$ 3,917,411**
Securities lending collateral	-	924	317,686	**318,610**
Receivables (net)	957	376,091	396,215	**773,263**
Intergovernmental receivable	-	418,365	-	**418,365**
Inventory	-	639	18,446	**19,085**
Prepaid expenses	-	4,386	26,410	**30,796**
Loans	1,165	-	-	**1,165**
Due from primary government	-	-	7,075	**7,075**
Investment in direct financing lease	-	68,389	-	**68,389**
Funds held in trust by others	-	-	98,306	**98,306**
Other current assets	-	17,395	56,397	**73,792**
Total current assets	136,543	2,925,154	2,664,560	**5,726,257**
Noncurrent assets:				
Cash, cash equivalents and investments - restricted	-	703,297	1,795,000	**2,498,297**
Taxes, interest, and penalties receivable	-	4,745	-	**4,745**
Other receivables	-	4,299,272	366,390	**4,665,662**
Investments - unrestricted	-	479,168	3,477,207	**3,956,375**
Loans	5,551	-	-	**5,551**
Bond issuance costs net of amortization	-	45,318	209	**45,527**
Intergovernmental loans	-	1,859,834	-	**1,859,834**
Due from primary government	-	50,000	-	**50,000**
Investment in direct financing lease	-	1,990,704	-	**1,990,704**
Deferred outflow - derivative instrument	-	134,293	81	**134,374**
Net pension assets	-	100	-	**100**
Other postemployment benefits	-	-	12,766	**12,766**
Other noncurrent assets	-	6,696	63,926	**70,622**
Capital assets:				
Land	-	236,871	199,326	**436,197**
Infrastructure	-	317,767	297,679	**615,446**
Construction in progress	-	475,257	580,311	**1,055,568**
Property, plant, and equipment	300	1,384,583	8,639,812	**10,024,695**
Less accumulated depreciation	(126)	(537,207)	(3,870,503)	**(4,407,836)**
Capital assets, net of accumulated depreciation	174	1,877,271	5,846,625	**7,724,070**
Total noncurrent assets	5,725	11,450,698	11,562,204	**23,018,627**
Total assets	**142,268**	**14,375,852**	**14,226,764**	**28,744,884**
Liabilities:				
Current liabilities:				
Accounts payable	4,867	60,117	327,575	**392,559**
Claims payable	-	22,173	26,333	**48,506**
Interest payable	-	136,707	40,182	**176,889**
Current portion of long-term debt	-	951,877	289,109	**1,240,986**
Line of credit	-	307,475	-	**307,475**
Due to primary government	-	37,014	-	**37,014**
Capital lease payable	-	-	1,410	**1,410**
Accrued prize liability	-	64,196	-	**64,196**
Salaries, health, disability, and benefits payable	252	144	20,727	**21,123**
Deferred revenue	-	73,993	222,405	**296,398**
Accrued liability for compensated absences	285	230	84,486	**85,001**
Securities lending payable	6	-	-	**6**
Securities lending collateral	-	924	317,686	**318,610**
Deposits held in custody for others	-	30,285	45,032	**75,317**
Other current liabilities	-	24,388	13,908	**38,296**
Total current liabilities	5,410	1,709,523	1,388,853	**3,103,786**
Long-term liabilities:				
Accrued liability for compensated absences	109	195	71,446	**71,750**
Accrued prize liability	-	103,803	-	**103,803**
Other postemployment benefits	-	-	41,978	**41,978**
Pollution remediation payable	-	4,164	-	**4,164**
Deferred revenue	-	3,486,008	62,874	**3,548,882**
Capital lease payable	-	-	3,823	**3,823**
Funds held in trust for others	-	-	162,614	**162,614**
Advances from federal government	-	1,486	28,907	**30,393**
Revenue bonds/notes payable	-	9,395,684	2,419,068	**11,814,752**
Derivative instrument liability	-	134,156	81	**134,237**
Other noncurrent liabilities	-	6,237	90,483	**96,720**
Total long-term liabilities	109	13,131,733	2,881,274	**16,013,116**
Total liabilities	**5,519**	**14,841,256**	**4,270,127**	**19,116,902**
Net Assets:				
Invested in capital assets net of related debt	174	328,953	3,423,072	**3,752,199**
Restricted-nonexpendable:				
Grants/constitutional restrictions	-	19,685	-	**19,685**
Permanent funds	-	-	19,399	**19,399**
Future debt service	-	197,325	-	**197,325**
Capital projects	-	-	1,939	**1,939**
Instruction and research	-	-	227,965	**227,965**
Student aid	-	-	215,348	**215,348**
Other purposes	-	-	29,895	**29,895**
Total restricted-nonexpendable	-	217,010	494,546	**711,556**
Restricted-expendable:				
Instruction and research	-	-	502,279	**502,279**
Grants/constitutional restrictions	938	130	14,181	**15,249**
Endowments	-	-	356,226	**356,226**
Future debt service	-	203,720	11,131	**214,851**
Pension fund distribution	-	2,370	-	**2,370**
Public safety programs	-	-	7,013	**7,013**
Student aid	-	306	654,153	**654,459**
Auxiliary enterprises	-	60	6,188	**6,248**
Capital projects	-	55,311	173,769	**229,080**
Water pollution and drinking water projects	-	1,068,970	-	**1,068,970**
Other purposes	-	1,699	100,740	**102,439**
Total restricted-expendable	938	1,332,566	1,825,680	**3,159,184**
Unrestricted	135,637	(2,343,933)	4,213,339	**2,005,043**
Total net assets	**$ 136,749**	**$ (465,404)**	**$ 9,956,637**	**$ 9,627,982**

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, 2010
(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	$ 56,126	$ 148	$ 6,582	$ -	$ (49,396)	$ -	$ -	$ (49,396)
Proprietary	1,850,062	1,279,799	682,205	16,691	-	128,633	-	128,633
Colleges and universities	5,916,141	2,974,126	1,190,537	87,367	-	-	(1,664,111)	(1,664,111)
Total component units	$ 7,822,329	$ 4,254,073	$ 1,879,324	$ 104,058	(49,396)	128,633	(1,664,111)	(1,584,874)
General Revenues:								
Investment earnings					-	64,472	562,027	626,499
Payments from State of Indiana					30,607	10,836	1,446,624	1,488,067
Other					-	1,014	566,284	567,298
Total general revenues					30,607	76,322	2,574,935	2,681,864
Change in net assets					(18,789)	204,955	910,824	1,096,990
Net assets - beginning, as restated					155,538	(670,359)	9,045,813	8,530,992
Net assets - ending					$ 136,749	$ (465,404)	$ 9,956,637	$ 9,627,982

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, 2010
(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	$ 971,824	$ 139,752	$ 386,210	$ 200,615	$ 89,543
Securities lending collateral	-	-	-	924	-
Receivables (net)	215,396	24,558	214	605	118,383
Intergovernmental receivable	-	418,365	-	-	-
Inventory	-	-	-	-	-
Prepaid expenses	-	-	-	-	-
Investment in direct financing lease	59,110	-	-	-	-
Other current assets	105	-	14,880	-	2,410
Total current assets	1,246,435	582,675	401,304	202,144	210,336
Noncurrent assets:					
Cash, cash equivalents and investments - restricted	-	30,467	541,973	-	2,500
Taxes, interest, and penalties receivable	-	-	4,745	-	-
Loans receivable	2,710,102	-	1,027,892	-	1,539,211
Investments - unrestricted	428,029	-	-	51,139	-
Bond issuance costs, net of amortization	14,586	21,937	8,356	-	-
Intergovernmental loans	-	1,859,834	-	-	-
Due from primary government	-	-	-	50,000	-
Investment in direct financing lease	1,341,242	-	-	-	-
Deferred outflow - derivative instrument	116,708	17,585	-	-	-
Net pension assets	-	-	-	-	-
Other noncurrent assets	-	-	-	3	6,693
Capital assets:					
Land	85,885	-	-	-	-
Infrastructure	265,252	-	-	-	-
Construction in progress	197,466	-	-	-	-
Property, plant, and equipment	1,235,168	-	4,276	212	2,212
Less accumulated depreciation	(411,808)	-	(2,818)	(185)	(1,687)
Total capital assets, net of depreciation	1,371,963	-	1,458	27	525
Total noncurrent assets	5,982,630	1,929,823	1,584,424	101,169	1,548,929
Total assets	**7,229,065**	**2,512,498**	**1,985,728**	**303,313**	**1,759,265**
Liabilities					
Current liabilities:					
Accounts payable	13,578	652	1,606	32	7,985
Claims payable	-	-	-	-	-
Interest payable	70,054	39,342	26,617	-	394
Current portion of long-term debt	205,885	500,969	243,488	-	-
Line of credit	-	-	307,475	-	-
Due to primary government	205	-	-	-	-
Accrued prize liability	-	-	-	-	-
Salaries, health, disability, and benefits payable	-	-	-	-	-
Deferred revenue	64,533	-	-	-	-
Accrued liability for compensated absences	-	-	-	-	-
Securities lending collateral	-	-	-	924	-
Deposits held in custody for others	-	30,127	158	-	-
Other current liabilities	5,424	-	15,609	3	-
Total current liabilities	359,679	571,090	594,953	959	8,379
Long-term liabilities:					
Accrued liability for compensated absences	-	-	-	-	-
Accrued prize liability	-	-	-	-	-
Pollution remediation payable	4,164	-	-	-	-
Deferred revenue	3,480,559	492	-	-	-
Advances from federal government	1,486	-	-	-	-
Revenue bonds/notes payable	4,718,395	1,904,816	1,110,729	-	1,648,925
Derivative instrument liability	116,571	17,585	-	-	-
Other noncurrent liabilities	-	-	1,096	-	5,141
Total long-term liabilities	8,321,175	1,922,893	1,111,825	-	1,654,066
Total liabilities	**8,680,854**	**2,493,983**	**1,706,778**	**959**	**1,662,445**
Net assets					
Invested in capital assets net of related debt	114,947	-	1,458	27	525
Restricted-nonexpendable					
Grants/constitutional restrictions	-	-	19,450	-	-
Future debt service	-	-	197,325	-	-
Total restricted-nonexpendable	-	-	216,775	-	-
Restricted-expendable					
Grants/constitutional restrictions	-	-	-	-	-
Future debt service	181,357	3,148	-	-	15,097
Pension fund distribution	-	-	-	2,370	-
Student aid	-	-	-	-	-
Auxiliary enterprises	-	-	-	-	-
Capital projects	-	-	-	-	-
Water pollution and drinking water projects	1,068,970	-	-	-	-
Other purposes	-	-	-	-	-
Total restricted-expendable	1,250,327	3,148	-	2,370	15,097
Unrestricted (deficit)	(2,817,063)	15,367	60,717	299,957	81,198
Total net assets	**$ (1,451,789)**	**$ 18,515**	**$ 278,950**	**$ 302,354**	**$ 96,820**

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
$ 89,139	$ 114,687	$ 47,195	$ -	**$ 2,038,965**
-	-	-	-	**924**
21,687	8,633	5,172	(18,557)	**376,091**
-	-	-	-	**418,365**
450	-	189	-	**639**
3,998	-	388	-	**4,386**
-	9,125	154	-	**68,389**
-	-	-	-	**17,395**
115,274	132,445	53,098	(18,557)	**2,925,154**
119,253	-	9,104	-	**703,297**
-	-	-	-	**4,745**
-	-	-	(977,933)	**4,299,272**
-	-	-	-	**479,168**
-	-	439	-	**45,318**
-	-	-	-	**1,859,834**
-	-	-	-	**50,000**
-	648,834	628	-	**1,990,704**
-	116,571	-	(116,571)	**134,293**
-	-	100	-	**100**
-	-	-	-	**6,696**
-	-	150,986	-	**236,871**
-	-	52,515	-	**317,767**
-	276,490	1,301	-	**475,257**
6,594	-	136,121	-	**1,384,583**
(5,163)	-	(115,546)	-	**(537,207)**
1,431	276,490	225,377	-	**1,877,271**
120,684	1,041,895	235,648	(1,094,504)	**11,450,698**
235,958	**1,174,340**	**288,746**	**(1,113,061)**	**14,375,852**
23,836	10,131	2,297	-	**60,117**
-	-	22,173	-	**22,173**
-	9,433	299	(9,432)	**136,707**
-	9,125	1,535	(9,125)	**951,877**
-	-	-	-	**307,475**
36,809	-	-	-	**37,014**
64,196	-	-	-	**64,196**
-	-	144	-	**144**
442	-	9,018	-	**73,993**
-	-	230	-	**230**
-	-	-	-	**924**
-	-	-	-	**30,285**
1,872	-	1,480	-	**24,388**
127,155	28,689	37,176	(18,557)	**1,709,523**
-	-	195	-	**195**
103,803	-	-	-	**103,803**
-	-	-	-	**4,164**
-	-	4,957	-	**3,486,008**
-	-	-	-	**1,486**
-	977,933	12,819	(977,933)	**9,395,684**
-	116,571	-	(116,571)	**134,156**
-	-	-	-	**6,237**
103,803	1,094,504	17,971	(1,094,504)	**13,131,733**
230,958	**1,123,193**	**55,147**	**(1,113,061)**	**14,841,256**
1,432	-	210,564	-	**328,953**
-	-	235	-	**19,685**
-	-	-	-	**197,325**
-	-	235	-	**217,010**
-	-	130	-	**130**
-	-	4,118	-	**203,720**
-	-	-	-	**2,370**
-	-	306	-	**306**
-	-	60	-	**60**
-	51,147	4,164	-	**55,311**
-	-	-	-	**1,068,970**
-	-	1,699	-	**1,699**
-	51,147	10,477	-	**1,332,566**
3,568	-	12,323	-	**(2,343,933)**
$ 5,000	**$ 51,147**	**$ 233,599**	**$ -**	**$ (465,404)**

State of Indiana
Combining Statement of Activities
Discretely Presented Component Units - Proprietary Funds
For the Fiscal Year Ended June 30, 2010
(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)	$ 379,763	$ 387,847	$ 136,510	$ -	$ 144,594	$ -	$ -
Indiana Bond Bank	106,570	936	106,170	-	-	536	-
Indiana Housing and Community Development Authority	431,146	71,465	357,883	-	-	-	(1,798)
Board for Depositories	8,665	-	2,796	-	-	-	-
Secondary Market for Educational Loans	30,207	-	41,398	-	-	-	-
State Lottery Commission	746,531	740,516	-	-	-	-	-
Indiana Stadium and Convention Building Authority (ISCBA)	42,180	-	39,484	16,578	-	-	-
Non-Major Proprietary	156,354	125,942	2,411	113	-	-	-
IFA & ISCBA Interfund Eliminations	(51,354)	(46,907)	(4,447)	-	-	-	-
Total component units	$ 1,850,062	$ 1,279,799	$ 682,205	$ 16,691	144,594	536	(1,798)
General revenues:							
Investment earnings					33,012	391	24,487
Payments from State of Indiana					-	-	-
Other					-	-	-
Total general revenues					33,012	391	24,487
Change in net assets					177,606	927	22,689
Net assets - beginning, as restated					(1,629,395)	17,588	256,261
Net assets - ending					$ (1,451,789)	$ 18,515	$ 278,950

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, 2010
(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)	$ -	$ -	$ -	$ -	$ -	$ -	$ 144,594
Indiana Bond Bank	-	-	-	-	-	-	536
Indiana Housing and Community Development Authority	-	-	-	-	-	-	(1,798)
Board for Depositories	(5,869)	-	-	-	-	-	(5,869)
Secondary Market for Educational Loans	-	11,191	-	-	-	-	11,191
State Lottery Commission	-	-	(6,015)	-	-	-	(6,015)
Indiana Stadium and Convention Building Authority (ISCBA)	-	-	-	13,882	-	-	13,882
Non-Major Proprietary	-	-	-	-	(27,888)	-	(27,888)
IFA and ISCBA Interfund Eliminations	-	-	-	-	-	-	-
Total component units	(5,869)	11,191	(6,015)	13,882	(27,888)	-	128,633
General revenues:							
Investment earnings	-	-	6,015	-	567	-	64,472
Payments from State of Indiana	-	-	-	-	10,836	-	10,836
Other	-	-	-	-	1,014	-	1,014
Total general revenues	-	-	6,015	-	12,417	-	76,322
Change in net assets	(5,869)	11,191	-	13,882	(15,471)	-	204,955
Net assets - beginning, as restated	308,223	85,629	5,000	37,265	249,070	-	(670,359)
Net assets - ending	$ 302,354	$ 96,820	$ 5,000	$ 51,147	$ 233,599	$ -	$ (465,404)

State of Indiana
Combining Statement of Net Assets
Discretely Presented Component Units - Colleges and Universities
June 30, 2010
(amounts expressed in thousands)

	Indiana University	Purdue University	Non-Major Colleges and Universities	Totals
Assets				
Current assets:				
Cash, cash equivalents and investments	$ 871,561	$ 507,339	$ 365,125	**$ 1,744,025**
Securities lending collateral	147,855	169,831	-	**317,686**
Receivables (net)	123,372	146,418	126,425	**396,215**
Inventory	13,021	-	5,425	**18,446**
Prepaid expenses	-	-	26,410	**26,410**
Due from primary government	1,914	15	5,146	**7,075**
Funds held in trust by others	-	-	98,306	**98,306**
Other current assets	34,265	20,225	1,907	**56,397**
Total current assets	1,191,988	843,828	628,744	**2,664,560**
Noncurrent assets:				
Cash, cash equivalents and investments - restricted	-	1,751,105	43,895	**1,795,000**
Other receivables	254,268	75,265	36,857	**366,390**
Investments - unrestricted	2,080,881	670,251	726,075	**3,477,207**
Bond issuance costs net of amortization	-	-	209	**209**
Deferred outflow - derivative instrument	-	-	81	**81**
Other postemployment benefits	-	-	12,766	**12,766**
Other noncurrent assets	-	34,407	29,519	**63,926**
Capital assets:				
Land	53,183	23,634	122,509	**199,326**
Infrastructure	155,243	63,694	78,742	**297,679**
Construction in progress	168,155	205,053	207,103	**580,311**
Property, plant, and equipment	3,654,656	2,856,103	2,129,053	**8,639,812**
Less accumulated depreciation	(1,668,761)	(1,302,281)	(899,461)	**(3,870,503)**
Total capital assets, net of depreciation	2,362,476	1,846,203	1,637,946	**5,846,625**
Total noncurrent assets	4,697,625	4,377,231	2,487,348	**11,562,204**
Total assets	**5,889,613**	**5,221,059**	**3,116,092**	**14,226,764**
Liabilities				
Current liabilities:				
Accounts payable	171,038	75,258	81,279	**327,575**
Claim payable	-	26,333	-	**26,333**
Interest payable	24,746	13,174	2,262	**40,182**
Current portion of long-term debt	60,848	178,778	49,483	**289,109**
Capital lease payable	1,149	-	261	**1,410**
Salaries, health, disability, and benefits payable	-	5,172	15,555	**20,727**
Deferred revenue	151,319	38,202	32,884	**222,405**
Accrued liability for compensated absences	42,608	25,213	16,665	**84,486**
Securities lending collateral	147,855	169,831	-	**317,686**
Deposits held in custody for others	-	22,782	22,250	**45,032**
Other current liabilities	-	-	13,908	**13,908**
Total current liabilities	599,563	554,743	234,547	**1,388,853**
Long-term liabilities:				
Accrued liability for compensated absences	21,415	32,782	17,249	**71,446**
Other postemployment benefits	13,903	18,646	9,429	**41,978**
Deferred revenue	62,874	-	-	**62,874**
Capital lease payable	2,600	-	1,223	**3,823**
Funds held in trust for others	88,625	50,777	23,212	**162,614**
Advances from federal government	-	19,970	8,937	**28,907**
Revenue bonds/notes payable	882,731	744,518	791,819	**2,419,068**
Derivative instrument liability	-	-	81	**81**
Other noncurrent liabilities	54,768	7,917	27,798	**90,483**
Total long-term liabilities	1,126,916	874,610	879,748	**2,881,274**
Total liabilities	**1,726,479**	**1,429,353**	**1,114,295**	**4,270,127**
Net assets				
Invested in capital assets net of related debt	1,555,422	984,844	882,806	**3,423,072**
Restricted-nonexpendable				
Permanent funds	19,399	-	-	**19,399**
Capital projects	-	-	1,939	**1,939**
Instruction and research	-	225,154	2,811	**227,965**
Student aid	-	180,470	34,878	**215,348**
Other purposes	-	25,061	4,834	**29,895**
Total restricted-nonexpendable	19,399	430,685	44,462	**494,546**
Restricted-expendable				
Instruction and research	114,316	297,064	90,899	**502,279**
Grants/constitutional restrictions	-	-	14,181	**14,181**
Endowments	-	316,562	39,664	**356,226**
Future debt service	6,300	-	4,831	**11,131**
Public safety programs	-	-	7,013	**7,013**
Student aid	25,067	518,572	110,514	**654,153**
Auxiliary enterprises	-	2,640	3,548	**6,188**
Capital projects	10,115	50,770	112,884	**173,769**
Other purposes	-	80,518	20,222	**100,740**
Total restricted-expendable	155,798	1,266,126	403,756	**1,825,680**
Unrestricted (deficit)	2,432,515	1,110,051	670,773	**4,213,339**
Total net assets	**$ 4,163,134**	**$ 3,791,706**	**$ 2,001,797**	**$ 9,956,637**

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, 2010
(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	$ 2,641,019	$ 1,492,891	$ 677,625	$ 20,328	$ (450,175)	$ -	$ -	$ (450,175)
Purdue University	1,820,009	914,213	384,286	46,428	-	(475,082)	-	(475,082)
Non-Major Colleges and Universities	1,455,113	567,022	128,626	20,611	-	-	(738,854)	(738,854)
Total component units	$ 5,916,141	$ 2,974,126	$ 1,190,537	$ 87,367	(450,175)	(475,082)	(738,854)	(1,664,111)
General revenues:								
Investment earnings					219,024	295,738	47,265	562,027
Payments from State of Indiana					549,755	387,561	509,308	1,446,624
Other					108,851	112,376	345,057	566,284
Total general revenues					877,630	795,675	901,630	2,574,935
Change in net assets					427,455	320,593	162,776	910,824
Net assets - beginning, as restated					3,735,679	3,471,113	1,839,021	9,045,813
Net assets - ending					$ 4,163,134	$ 3,791,706	$ 2,001,797	$ 9,956,637

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, 2010

STATE OF INDIANA
Notes to the Financial Statements
June 30, 2010
(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, 2009, 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 increase the opportunity to receive a 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; and to accomplish this goal by establishing a system of higher education awards that will assist the student in selecting and attending a qualified public or private postsecondary institution.

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 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.

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 Bond Bank 10 West Market St. Suite 2980 Indianapolis, IN 46204	State Lottery Commission of Indiana Pan Am Plaza 201 S. Capitol, Suite 1100 Indianapolis, IN 46225
Indiana Stadium and Convention Building Authority 425 W. South Street Indianapolis, IN 46225	Indiana Housing and Community Development Authority 40 South Meridian, Suite 1000 Indianapolis, IN 46204	Secondary Market for Education Loans, Inc. Capital Center, Suite 400 251 N. Illinois Indianapolis, IN 46204
Indiana Board for Depositories One North Capitol Ave, Suite 444 Indianapolis, IN 46204	Indiana White River State Park Development Commission 801 West Washington Street Indianapolis, IN 46204	Indiana Comprehensive Health Insurance Association 9465 Counselors Row, Suite 200 Indianapolis, IN 46240
Ports of Indiana 150 West Market Street, Suite 100 Indianapolis, IN 46204	Indiana State Fair Commission 1202 E. 38th Street Indianapolis, IN 46205	Indiana Political Subdivision Risk Management Commission c/o Indiana Department of Insurance 311 W. Washington St., Suite 300 Indianapolis, IN 46204
Ivy Tech Community College Assistant Treasurer 50 West Fall Creek Parkway North Drive Indianapolis, IN 46208	University of Southern Indiana 8600 University Boulevard Evansville, IN 47712	Indiana University Poplar's Room. 500, 107 S. Indiana Ave. Bloomington, IN 47405-1202
Ball State University Administration Bldg., 301 2000 West University Avenue Muncie, IN 47306	Indiana State University Office of the Controller 210 N. 7th Street Terre Haute, IN 47809	Vincennes University 1002 North 1st Street Vincennes, IN 47591
Purdue University Accounting Services 401 South Grant Street West Lafayette, IN 47907-2024	State of Indiana Public Employees' Retirement Fund One North Capitol Ave., Suite 001 Indianapolis, IN 46204	Indiana State Teachers' Retirement Fund 150 West Market Street, Suite 300 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 revenue sources that are legally restricted to expenditure for specific purposes except for major capital projects.

The following special revenue funds are presented as major.

- The *Medicaid Assistance Fund* receives federal grants and State appropriations which are used to administer the Medicaid and Children's Health Insurance programs.

- The *State Highway Department Fund* receives federal grants and State appropriations that are used for State transportation programs.

- 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.

- 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.

- The *U.S. Department of Health and Human Services Fund* receives federal grants that are used to carry out health and human services programs.

The *capital projects funds* account 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.

When both restricted and unrestricted resources are available for use, it is the primary government's policy to use restricted resources first, then unrestricted resources as they are needed.

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 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 service 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 Program Engineering 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-two (362) 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 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. However, due to budgetary constraints there were no participants in this plan for FY 2011.

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 Equity

In the fund financial statements, reservations of fund equity represent those portions of fund balances that are legally restricted by outside parties for a specific purpose or are not appropriable. In the accompanying balance sheet, reserves for encumbrances and tuition support are examples of the former. Reserves for intergovernmental loans and advances receivables are examples of the latter. The following is a brief description of each reserve and the purpose for which it was established:

Reserve for Encumbrances – established to recognize money set aside out of one year's budget for goods and/or services ordered during that year that will not be paid for until they are received in a subsequent year.

Reserve for Special Purposes – established to recognize that money has been set aside for specific purposes as designated by the governmental entity or fund pursuant to its management's direction or in accordance with any rules, laws, or procedures.

Reserve for Tuition Support – established to recognize that the legislature has set aside money, as determined by the State Budget Agency, for paying the monthly distributions to local school units at the beginning of the succeeding fiscal year.

Reserve for Interfund Loans – established to recognize short-term and long-term loans issued to other funds within this government and therefore not currently available for expenditure.

Reserve for Long-Term Loans and Advances – established to recognize short-term and long-term loans issued by various governmental activities' funds to entities outside this government and therefore, not currently available for expenditure. The majority of these loans are made from the Common School Fund to school corporations for construction and/or technology initiatives.

Reserve for Restricted Purposes – established to recognize legal limitations that specify the purpose or purposes for which resources derived from government-mandated and voluntary nonexchange transactions are to 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, 2010, 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	(272,807)	(17,096)
US Department of Health & Human Services	(86,214)	15,274
Motor Vehicle Highway	(10,094)	11,653
Motor Vehicle Commission	-	(13,901)
US Department of Agriculture	(55,647)	38,495
US Department of Labor	(9,500)	-
US Department of Education	(57,345)	31,572

B. Unreserved Fund Balance

The State of Indiana designates its unreserved fund balance as designated for appropriations, designated for allotments, and undesignated. In order for money to be spent out of a fund it must be appropriated by the legislature and then allotted by the State Budget Agency. The following are the designations of unreserved fund balance at June 30, 2010:

Unreserved Fund Balance

	Designations of Unreserved Fund Balance			
	Designated for Appropriations	Designated for Allotments	Undesignated	Total Unreserved Fund Balance
Governmental Funds				
General Fund	$ 101,262	$ 230,043	$ 1,457,683	$ 1,788,988
Medicaid Assistance	27,800	44,194	-	71,994
State Highway Department	-	-	(636,920)	(636,920)
Major Moves Construction Fund	764,665	-	1,289,653	2,054,318
ARRA of 2009	-	-	(550,133)	(550,133)
US Department of Health and Human Services	-	-	(194,109)	(194,109)
Non-Major Special Revenue Funds	655,805	810,125	(152,659)	1,313,271
Non-Major Capital Projects Funds	-	84,313	5,516	89,829
Non-Major Permanent Funds	658	135,250	609,681	745,589
Total Governmental Funds	$ 1,550,190	$ 1,303,925	$ 1,828,712	$ 4,682,827

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 is no formal investment policy 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, 2010:

Primary Government
(Amounts in thousands)

Investment Type	Fair Value Totals	Investment Maturities (in Years) Less than 1	1 - 5	6- 10
U.S. Treasuries	$ 1,755,272	$ 1,755,272	$ -	$ -
U.S. Agencies	831,114	435,915	395,199	-
Municipal Bonds	12,572	3,315	-	9,257
Local Govt Investment Pool	181,968	181,968	-	-
Non-U.S. Fixed Income	10,000	-	10,000	-
Certificate of Deposits	219,681	219,681	-	-
Money Market Mutual Funds	733,700	733,700	-	-
Total	$ 3,744,307	$ 3,329,851	$ 405,199	$ 9,257

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, 2010, 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:

Primary Government
(Amounts in thousands)

Investment Type	S & P	Moody's	Fair Value
U.S. Treasuries	AAA	Aaa	$ 1,755,272
U.S. Agencies	AAA	Aaa	831,114
Certificate of Deposits	NR	NR	219,681
Municipal Bonds	NR	NR	12,572
Non-US Fixed Income Bonds	A	A	10,000
Local Govt Investment Pool	NR	NR	181,968
Money Market Mutual Funds	AAA	Aaa	733,700
Total			$ 3,744,307

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 Treasurer.

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):

Federal Home Loan Bank	8.91%	$381,009
Federal Home Loan Mortgage Corp.	7.41%	$317,004

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 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 securities or 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 securities and 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.

The collateral securities cannot be pledged or sold by the State unless the borrower defaults, but 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, 2010 was 25 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. 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, 2010:

Major Moves/Next Generation Funds
(Amounts in thousands)

		Investment Maturities (in Years)			
Investment Type	Fair Value	Less than 1	1 - 5	6- 10	More than 10
U.S Treasuries	$ 492,644	$ 63,142	$ 213,955	$ 136,213	$ 79,334
U.S. Agencies	94,545	44,328	28,740	17,102	4,375
Government Asset and Mortgage Backed	331,020	-	1,161	52,720	277,139
Collateralized Mortgage Obligations					
Government CMOs	39,483	-	6,104	2,019	31,360
Corp CMOs	83,820	-	431	6,413	76,976
Corporate Bonds	728,191	14,419	216,629	322,206	174,937
Corporate Asset Backed	189,666	-	67,238	10,584	111,844
Private Placements	370,689	5,795	177,990	108,972	77,932
Municipal Bonds	28,714	1,751	1,870	7,760	17,333
Miscellaneous Other Fixed Income	99,143	5,604	27,299	39,538	26,702
Money Market Mutual Funds	175,827	175,827	-	-	-
Total	$ 2,633,742	$ 310,866	$ 741,417	$ 703,527	$ 877,932

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, 2010, 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.

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 as of June 30, 2010.

Major Moves/Next Generation Funds
(Amounts in thousands)

	S & P		Moody's	
Investment Type	Ratings	Fair Value	Ratings	Fair Value
U.S. Treasuries	AAA	$ 492,644	Aaa	$ 492,644
U.S. Agencies	AAA	94,545	Aaa	94,545
Government Asset And Mortgage Backed	AAA	227,836	Aaa	227,836
	NR	103,184	NR	103,184
Collateralized Mortgage Obligations				
Government CMO's	AAA	39,483	Aaa	39,483
Corporate CMO's	AAA	31,276	Aaa	14,561
	AA	955	Aa	2,202
	A	2,515	A	2,383
	BBB	3,257	Baa	1,668
	BB	1,780	Ba	3,312
	B	4,409	B	10,324
	CCC&Below	27,876	Caa&Below	13,619
	NR	11,752	NR	35,751
Non US Govt/Corp Bonds	AAA	40,273	Aaa	31,400
	AA	7,472	Aa	10,074
	A	13,680	A	865
	BBB	6,777	Baa	23,211
	BB	13,377	Ba	12,545
	B	1,252	B	930
	CCC&Below	85	Caa&Below	85
	NR	16,227	NR	20,033
Corporate Bonds	AAA	18,912	Aaa	22,097
	AA	37,897	Aa	50,940
	A	223,320	A	186,205
	BBB	273,152	Baa	279,369
	BB	75,909	Ba	92,414
	B	61,617	B	57,915
	CCC&Below	16,361	Caa&Below	26,035
	NR	21,023	NR	13,216
Corporate Asset Backed	AAA	104,692	Aaa	113,369
	AA	9,224	Aa	15,146
	A	23,012	A	6,520
	BBB	13,815	Baa	2,058
	BB	2,596	Ba	2,969
	B	1,002	B	2,657
	CCC&Below	6,994	Caa&Below	7,502
	NR	28,331	NR	39,445
Private Placements	AAA	32,493	Aaa	34,629
	AA	24,107	Aa	31,581
	A	45,355	A	48,378
	BBB	65,825	Baa	68,183
	BB	27,972	Ba	27,752
	B	37,605	B	36,447
	CCC&Below	9,754	Caa&Below	12,641
	NR	127,578	NR	111,078
Municipal Bonds	AAA	2,092	Aaa	662
	AA	5,875	Aa	8,183
	A	13,493	A	8,747
	BBB	1,980	Baa	5,465
	BB	-	Ba	-
	NR	5,274	NR	5,657
Money Market Mutual Funds	NR	175,827	NR	175,827
Total		$ 2,633,742		$ 2,633,742

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	9.43%	$250,526,611

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	Total Market Value (amount in thousands)	Percent of Total Fund Market Value
Australian Dollar	$ 4,794	0.18%
Brazil Real	5,853	0.22%
British Pound	4,857	0.18%
Canadian Dollar	6,031	0.23%
Indian Rupee	4,113	0.15%
Japanese Yen	10,168	0.38%
Mexico New Peso	7,223	0.27%
Polish Zloty	1,253	0.05%
Other	19,501	0.73%
Total	$ 63,793	2.40%

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.

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 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, 2010:

TrustINdiana - Local Government Investment Pool
(Amounts are in thousands)

Investment Type	Amortized Cost	Investment Maturities (in Years) Less than 1
U.S. Agencies	$ 41,560	$ 41,560
Money Market Mutual Funds	2,150	2,150
Total	$ 43,710	$ 43,710

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, 2010, 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. 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
(Amounts are in thousands)

Investment Type	S & P Ratings	S & P Fair Value	Moody's Ratings	Moody's Fair Value
U.S. Agencies	AAA	$ 41,560	Aaa	$ 41,560
Money Market Mutual Funds	AAA	2,150	Aaa	2,150
Total		$ 43,710		$ 43,710

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 (amounts in thousands):

Federal Home Loan Bank	9.30%	$ 38,145

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

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.

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
(Amounts in thousands)

	S & P		Moody's	
Investment Type	Ratings	Fair Value	Ratings	Fair Value
U.S. Treasuries	AAA	$ 14,809	Aaa	$ 14,809
U.S. Agencies	AAA	1,354	Aaa	1,354
Government Assets and Mortgage Backed Securities	AAA	14,482	Aaa	14,482
Collateralized Mortgage Obligations				
Corporate CMO's	AAA	2,229	Aaa	1,394
	AA	105	Aa	356
	A	305	A	-
	BBB	356	Baa	-
	BB	-	Ba	305
	B	-	B	509
	CCC & Below	362	CCC & Below	78
	NR	633	NR	1,348
Government CMOs	AAA	4,687	Aaa	4,687
Corporate Bonds	AA	1,528	Aa	2,369
	A	10,264	A	7,558
	BBB	7,279	Baa	9,668
	BB	982	Ba	1,794
	B	759	B	162
	CCC & Below	-	CCC & Below	-
	NR	813	NR	74
Corporate Asset Backed	AAA	2,882	Aaa	2,839
	AA	-	Aa	231
	A	215	A	1,050
	BBB	-	Baa	394
	BB	96	Ba	-
	B	-	B	-
	CCC & Below	365	CCC & Below	365
	NR	2,163	NR	842
Foreign Bonds	A	310	A	310
Private Placements	AAA	364	Aaa	717
	AA	361	Aa	295
	A	2,323	A	2,508
	BBB	1,783	Baa	1,759
	BB	149	Ba	212
	B	284	B	146
	CCC & Below	-	CCC & Below	-
	NR	896	NR	523
Municipal Bonds	AAA	1,227	Aaa	-
	AA	105	Aa	1,453
	A	89	A	-
	BBB	163	Baa	-
	NR	121	NR	252
Money Market Mutual Funds	AAA	-	Aaa	-
	NR	44,598	NR	44,598
Total		$ 119,441		$ 119,441

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, 2010, 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
(Amounts in thousands)

		Investment Maturities (in Years)			
Investment Type	Fair Value	Less than 1	1 - 5	6- 10	More than 10
U.S. Treasuries	$ 14,809	$ -	$ 6,982	$ 4,470	$ 3,357
U.S. Agencies	20,523	-	1,986	4,372	14,165
Collateralized Mortgage Obligations					
Corporate CMO's	3,990	-	90	155	3,745
Corporate Bonds	21,625	32	5,009	11,198	5,386
Corporate Asset Backed	5,721	-	3,212	-	2,509
Foreign Bonds	310	40	270	-	-
Private Placements	6,160	336	1,892	2,248	1,684
Municipal Bonds	1,705	-	105	89	1,511
Money Market Mutual Funds	44,598	44,598	-	-	-
Total Fixed Income Securities	$ 119,441	$ 45,006	$ 19,546	$ 22,532	$ 32,357

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 (amount in thousands)	Percent of Total Market Value
Australian Dollar	$ 638	0.2%
Brazil Real	487	0.2%
British Pound	913	0.3%
Canadian Dollar	822	0.3%
Danish Krone	1	0.0%
Euro	3,208	1.0%
Hong Kong	39	0.0%
Japanese Yen	888	0.3%
Singapore Dollar	94	0.0%
Swiss Franc	1,066	0.3%
Thailand Baht	82	0.0%
Total	$ 8,238	2.6%

Securities Lending Credit Risk - The Treasurer of State is authorized by Indiana Cod 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 in excess of the total market value of the loaned securities.

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 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 is no formal investment policy 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.

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
(Amounts are in thousands)

	S & P		Moody's	
Investment Type	Ratings	Fair Value	Ratings	Fair Value
U.S. Treasuries	AAA	$ 13,978	Aaa	$ 13,978
U.S. Agencies	AAA	31,008	Aaa	31,008
Total		$ 44,986		$ 44,986

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, 2010, 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.

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 Farm Credit Bank	57.82%	$ 26,009,533
Federal Home Loan Mortgage Corp.	11.11%	4,998,500

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, 2010:

State Retiree Health Benefit Trust
(Amounts in thousands)

Investment Type	Fair Value	Investment Maturities (in Years) Less than 1
U.S. Treasuries	$ 13,978	$ 13,978
U.S. Agencies	31,008	31,008
Total Fixed Income Securities	$ 44,986	$ 44,986

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.

The PERF Board of Trustees approved a new asset allocation for the Consolidated Retirement Investment Fund (CRIF) on October 17, 2008 as follows:

Asset Classes	Target Norm - %	Allowable Ranges - %
Equities - Domestic	40	30 - 50
Fixed Income - Core & Core-Opportunistic	20	15 - 25
Fixed Income - TIPS	10	5 - 15
Alternatives – Private Equity	10	5 - 15
Alternatives – Real Assets	10	5 - 15
Alternatives – Absolute Return	10	5 - 15

Investments in the PERF annuity savings accounts and Legislators' Defined Contribution plan are directed by the members in each respective 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.

Investment constraints are set forth in PERF's investment policy statement (IPS) for each individual asset class. PERF's Board of Trustees approved the latest restatement of the IPS in February 2010.

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.

Cash Deposits (dollars in thousands)	Total	JP Morgan Chase	PNC Bank	Bank of New York Mellon
Demand deposit account – carrying value	$1,350.0	$980.1	$27.7	$342.2
Demand deposit account – bank balance	11,114.9	4,971.4	28.2	6,115.3
Held with Treasurer of State	7,699.0	-	-	-
Held with investment custodian:				
Cash	39,694.0	-	-	-

Credit Risk – 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 the Nationally Recognized Statistical Rating Organization (NRSRO) Standard and Poor's at June 30, 2010 is as follows:

Quality Rating (dollars in millions)	Fair Value	Percent of Portfolio
AAA	$2,738.6	51.0
AA	106.3	2.0
A	406.2	7.6
A-1	227.4	4.2
BBB	378.7	7.0
BB	103.3	1.9
B	87.8	1.6
CCC	78.2	1.5
CC	15.0	0.3
C	0.2	0.0
D	5.8	0.1
Not Rated	1,226.1	22.8
Total	$5,373.6	100.0

The credit risk schedule includes debt securities, short-term money market funds, bond mutual funds and bond commingled funds. Of the total fair value reported, approximately $2.3 billion (43.3 percent) is AAA rated US Treasury, US Agency or US Agency Mortgage Backed Securities. The remaining balance of approximately $3.0 billion (56.7 percent) consists of corporate debt, short-term custodial money market funds, commingled or mutual funds, municipal securities, asset-backed, mortgage-backed securities, and emerging markets debt of various credit quality ratings.

The $1.2 billion not rated by Standard & Poor's is primarily in money market funds, mutual funds or commingled funds.

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, 2010. 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, 2010, 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 greater the duration of a bond or a portfolio of bonds, the greater its price volatility will be in response to a change in interest rates and vice-versa. Duration, measured in years, is an indicator of a bond price's sensitivity to a 100 basis point change in interest rates.

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.

Duration information is provided below:

Investment Type (dollars in millions)	Net Asset Fair Value	% of Net Asset Fair Value	Duration
Short-term Investment Fund	$1,039.2	18.1	0.00
Government & Agency Obligations	2,000.8	34.9	4.02
Residential & Commercial Mortgage-Backed Securities	790.2	13.8	1.52
Corporate Bonds	1,082.5	18.9	5.13
Asset-backed	180.6	3.1	0.72
Municipal Securities	21.7	0.4	8.25
Other[1]	620.7	10.8	0.57
Total Net Asset Fair Value	**$5,735.7**	**100**	**2.70**

[1] Includes mutual funds, collective trusts, and derivatives

PERF investments are directly, or indirectly, sensitive to changes in the interest rate environment. Some derivative products, identified in the derivatives financial instruments section, are also sensitive to interest rate risk. Debt securities, debt securities mutual funds and commingled funds, and short-term cash and cash-equivalents represent the portions of the portfolio most sensitive to interest rate risk and are included in the duration information.

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. Futures currency contracts are reported in the following schedule at gross exposure value. Forward currency contracts values include both receivables and payables.

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	**Total Fair Value (dollars in millions)**	**% of Foreign Currency**
Euro	$870.0	28.6
Pound Sterling	510.7	16.8
Japanese Yen	473.3	15.5
Hong Kong Dollar	170.2	5.6
Australian Dollar	155.0	5.1
Swiss Franc	126.9	4.2
Other	740.1	24.2
Total	**$3,046.2**	**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 subagents 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. Per the disclosure regarding last year's credit event PERF injected capital into the pool during fiscal year 2010 to bring the value of the collateral pool back to 102% of the market value of securities lent.

Cash collateral investments are subject to the investment guidelines specified by PERF's IPS. It states that the maximum weighted average days to maturity may not exceed 60. The average term to maturity of the cash collateral portfolio was approximately 25 days at June 30, 2010. 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.

The fair value of securities lent for cash collateral at June 30, 2010, was:

Investment Type (dollars in millions)	**Loan Value**
Government Obligation	$1,058.4
Corporate Bonds	159.5
Equities	936.2
Total Fair Value	**$2,154.1**

The credit quality of the cash collateral investments as described by Standard and Poor's at June 30, 2010, was:

Cash Collateral Investments Quality Rating (dollars in millions)	Fair Value	Percent of Portfolio
AAA	$ 183.5	6.5
AA	110.0	4.9
A-1 and A-1+	1,830.7	84.2
Not Rated	97.9	4.4
Total	**$ 2,222.1**	**100**

The majority of A-1 and A-1+ collateral investments are commercial paper. The majority of the Not Rated collateral investments are money market funds.

At June 30, 2010, PERF had loaned approximately $238.3 million US Treasury and government agency obligations for securities collateral. The securities collateral value was approximately $241.9 million which represented 102 percent coverage.

Derivative Financial Instruments – Derivative transactions involve, to varying degrees, the following risks:

Market risk – Market risk is the possibility that a change in the referenced position will cause the value of a financial instrument to decrease or become more costly to settle. The market risk associated with derivatives, the prices of which are constantly fluctuating, is regulated by imposing strict limits as to the types, amounts and degree of risk that investment managers may undertake.

Interest Rate Risk — Interest rate risk is the risk of change in the market value of the assets due to a change in interest rates. Bond futures, interest rate swaps and interest rate swaptions are generally used to manage interest rate risk, adjust portfolio duration, or rebalance the total portfolio to the target asset allocation. A futures contract is an agreement between two parties to buy and sell a financial instrument at a set price on a future date. Interest rate swap agreements involve the exchange by the Master Trust, with a counterparty, of respective commitments to pay or receive interest, e.g., an exchange of floating rate payments for fixed rate payments, with respect to the notional amount of principal. Interest rate swaptions are options to enter into an interest rate swaps based off a set of predetermined conditions. Refer to the interest rate risk note of the Fund.

Credit Risk — Credit risk is the risk of change in the market value of assets due to the change in creditworthiness of the underlying issuer. Credit default swaps are used to achieve the desired credit exposure of a security or basket of securities. 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 credit event for the referenced entity, obligation or index.

Currency Risk — Currency risk is the risk of a change in market value due to the change in foreign currency exchange rates. Generally, currency futures, forward contracts and options are used to achieve the desired currency exposure, generate value-added performance, or rebalance the total portfolio to the target asset allocation. Foreign currency futures and forwards are agreements between two parties to buy and sell a set of currencies at a set exchange rates on a specified future dates. A currency option gives the buyer the right, but not the obligation, to buy one currency or sell another currency at a set exchange rate on or before a given date.

Equity Risk — Equity risk is the risk of a change in market value of assets due to the change in equity or equity index prices. Equity futures are generally used to achieve the desired market exposure of a security or index or rebalance the total portfolio to the target asset allocation. An equity futures contract is an agreement between two parties to buy and sell a financial instrument at a set price on a future date.

Future Settlement Risk — Future settlement risk is the risk of not receiving the asset or associated gains specified in the contract. Associated gains are derived from the change in market value of the contract due to a change in price of the underlying security. Mortgage to be announced (TBAs) and treasury forwards are used to achieve the desired market exposure of a security or asset class or adjust portfolio duration. A TBA is a contract for the purchase or sale of agency mortgage-backed securities to be delivered at a future agreed-upon date; similarly, a treasury forward is a contract for the purchase or sale of U.S. Treasury securities to be delivered at a future agreed-upon date.

PERF's IPS authorizes the use of derivative instruments as a meaningful component of the strategies within the absolute return and commodities allocations. The fair value of total investments in the absolute return portfolio was

$1.1 billion and the fair value of total investments in the commodities portfolio was $568 million at June 30, 2010. PERF's directly held investments in derivatives are not leveraged. In the case of an obligation to purchase (long a financial future or a call option), the full value of the obligation is held in cash or cash equivalents. For obligations to sell (short a financial future or buy a put option), the reference security is held in the portfolio. During the year, PERF's derivative investments included but were not limited to, foreign currency forward contracts, swaps, options, TBAs and futures. The table below summarizes PERF's derivative information for the year ending June 30, 2010 (dollars in thousands):

	Change in Fair Value		Fair Value at June 30, 2010		
Investment Derivatives	Classification	Amount	Classification	Amount	Notional
Fiduciary funds					
Investment derivatives					
Futures	Realized and unrealized gain (loss)	$ 35,154.9	Equity	$ 1,383.6	$ 12.1
Options	Realized and unrealized gain (loss)	3,872.7	Other	(1,798.4)	(214,100.7)
Swaps	Realized and unrealized gain (loss)	3,725.0	Other	2,154.4	890,191.7
TBAs	Realized and unrealized gain (loss)	9,760.9	Debt	135,912.9	126,900.0
Forward currency contracts	Realized and unrealized gain (loss)	4,562.4	Cash	(775.4)	224,830.2

Foreign currency forward contracts are used to hedge against the currency risk in PERF's foreign equity stock and debt security portfolios. A foreign currency forward contract is an agreement to buy or sell a specific amount of a foreign currency at a specified delivery or maturity date for an agreed-upon price. Fluctuations in the market value of foreign currency forward contracts are marked to market on a daily basis.

At June 30, 2010, PERF's investments included the following currency forwards balances (dollars in millions):

Forward Currency Contract Receivables	$ 783.7
Forward Currency Contract Payables	$ 779.6

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. A financial futures contract is an agreement to buy or sell a specific amount at a specified delivery or maturity date for an agreed-upon price. Financial future positions are recorded with a corresponding offset, which results in a carrying value equal to zero. 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. 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.

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 "over the counter (OTC) contract" such as swaps, forward contracts and TBAs. Alternatively, a derivative instrument, such as futures, could be listed and traded on an exchange and referred to as "exchange traded."

Inherent in the use of OTC derivatives, the Master Trust 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. As of June 30, 2010, the Master Trust counterparty risk was not deemed to be significant, whether evaluating counterparty exposure outright or netting collateral against net asset positions on contracts with each counterparty. Additionally, with the use of collateral, master netting agreements assist in mitigating counterparty credit risk.

The quality ratings and fair value exposure of counterparties as of June 30, 2010 was:

Counterparty	Quality Ratings of Counterparty	Fair Value of Exposure
HSBC Bank USA	AA	$ 1,200.5
Barclays Bank	AA-	991.9
J.P. Morgan	AA-	973.4
Bank of America	A+	910.8
Bank of New York Mellon	AA	639.0
Societe Generale SA	A+	610.8
Royal Bank of Canada	AA-	410.9
Brown Brothers Harriman	A+	225.1
BNP PARIBAS S.A.	AA	87.8
Standard Chartered Bank	A	77.1
State Street Bank & Trust	AA-	39.2
Royal Bank of Scotlan	A+	24.9
Citibank	A+	10.5
Goldman Sachs & Co.	A	3.9
Morgan Stanley Capital Services Inc.	A	(0.9)
Credit Suisse	A+	(86.2)
Deutsche Bank	A+	(416.8)

The aggregate amount of plan collateral with brokers was $1.06 million, while the aggregate amount of collateral posted by counterparties was $2.8 million. The aggregate amount of liabilities included in netting arrangements was $1.2 million. Securities eligible as collateral are typically United States government bills and US dollar cash. Collateral movement threshold is typically zero with a $.25 million minimum transfer account per counterparty, per account. It is important to note that margin may be called at a minimum weekly, with the ability to call as frequently as daily.

The Master Trust may be subject to credit-related contingent features for those contracts governed by an International Swaps and Derivatives Association Master Agreement (generally swaps) with each counterparty for each open contract in a net liability position. In those instances, the Master Trust is generally regarded as having liquidity risk. In the event the Master Trust's assets decline by various, pre-specified rates over predetermined time periods, the Master Trust 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. At June 30, 2010, the Master Trust had a fair value of $29.6 million in contracts in a net liability position with contingent features; $1.1 million was posted in collateral against those positions. Contingent features that could result in an immediate payment from the counterparty include a downgrade of the counterparty below a specified rating, commonly A-/A3. Additionally, immediate payment can be made to the counterparty in the event assets under management of the portfolio falls below certain thresholds. It is important to note that these contingent features are not compulsory, rather they are voluntary.

Long Term Commitments for Alternative Investments – PERF had entered into long term commitments for funding alternative investments in private equity, private real estate, and absolute return of approximately $3.7 billion as of June 30, 2010. The fund has disbursed approximately $1.76 billion toward the commitments as of June 30, 2010. The expected investment term of these commitments extend through 2028. These amounts include five Euro-denominated and one Norwegian Kroner-denominated commitments to limited liability partnerships converted to United States dollars at the closing exchange rate as of June 30, 2010.

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 in accordance with allowable legal limits.

The strategic asset allocation for employer assets effective on June 30, 2010 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 are 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.

Rating	Fair Value	Percentage of Portfolio
Aaa	$ 1,353,621	29.0%
US Government Guaranteed	642,318	13.7%
Aa	254,140	5.4%
A	466,480	10.0%
Baa	672,068	14.4%
Ba	174,782	3.7%
B	55,752	1.2%
Caa	17,671	0.4%
Ca	599	0.0%
C	105	0.0%
Unrated	1,034,960	22.2%
Total	$ 4,672,496	100.0%

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 $250,000 each. Deposits in the demand accounts held in excess of $250,000 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 (dollars in thousands):	
Demand Deposit Accounts – Bank Balance	$37,529
Margin Deposits with Brokers	6,647
Cash Collateral with Counterparty	2,400
Cash Held with Custodian	5,701
Total Exposed	$52,277

Concentration of Credit Risk – As of June 30, 2010, 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 – 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.

As of June 30, 2010, the Fund had the following duration information (dollars in thousands):

Investment Type:	Net Asset Fair Value	% of Net Asset Fair Value	Effective Duration
Short Term Investment Funds	$ 175,373	3.8%	0.00
Short Term Bills and Notes	42,406	0.9%	0.12
Commercial Paper	48,797	1.0%	0.03
Asset-Backed Securities	208,789	4.5%	0.81
Commercial Mortgage-Backed Securities	243,708	5.2%	3.34
Corporate Bonds	1,500,081	32.2%	4.12
Government Issued Commercial Mortgage-Backed Securities	2,108	0.0%	2.27
Index Linked Government Bonds	102,482	2.2%	4.42
Guaranteed Fixed Income	15,032	0.3%	0.56
Government Agencies	104,695	2.2%	3.36
Government Bonds	969,976	20.9%	4.16
Government Mortgage Backed Securities	389,601	8.3%	1.78
Bank Loans	1,378	0.0%	0.02
Municipal/Provincial Bonds	16,169	0.3%	5.95
Collateralized Mortgage Obligations	76,473	1.6%	1.88
Other Fixed Income	700	0.0%	1.56
Duration Not Available	774,728	16.6%	N/A
Total	$4,672,496	100.0%	3.32

Foreign Currency Risk – As of June 30, 2010, 11.0% of the Fund's investments were in foreign currencies. The Fund does not have a formal policy relating to foreign currency risk. The table below breaks down the Fund's exposure to each foreign currency (in thousands of dollars):

Currency	Total Fair Value	Percent of Total Fund Fair Value
Euro Currency Unit	$ 303,515	3.7%
Japanese Yen	182,902	2.3%
British Pound Sterling	127,394	1.6%
Australian Dollar	63,706	0.8%
Swiss Franc	48,702	0.6%
Hong Kong Dollar	36,069	0.4%
Canadian Dollar	34,239	0.4%
Swedish Krona	21,336	0.3%
South Korean Won	19,974	0.3%
Other	51,806	0.6%
Totals	$ 889,643	11.0%

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. At year-end, TRF has no credit risk exposure to borrowers because the amount TRF owes the borrowers exceeds the amounts the borrowers owe TRF.

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. Total cash collateral of $916 million is invested in a pooled fund.

As of June 30, 2010, the Fund had the following securities on loan (dollars in thousands):

Security Type	Market Value of Loaned Securities Collateralized by Cash	Market Value of Loaned Securities Collateralized by Noncash	Total Securities Loaned
Global Equities	$ 87,518	$ 356	$ 87,874
U.S. Agencies	11,720	-	11,720
U.S. Corporate Fixed	195,007	-	195,007
U.S. Equities	246,886	411	247,297
U.S. Gov't Fixed	349,180	1,022	350,202
Total	$ 890,311	$ 1,789	$ 892,100

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, 2010, 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, 2010 follows (dollars in thousands):

Type of Investment	Total Short Sales
Government Mortgage Backed	$ 51,639

Derivative Financial Instruments – Derivative transactions involve, to varying degrees, the following risks:

Market risk – Market risk is the possibility that a change in the referenced position will cause the value of a financial instrument to decrease or become more costly to settle. The market risk associated with derivatives, the prices of which are constantly fluctuating, is regulated by imposing strict limits as to the types, amounts and degree of risk that investment managers may undertake.

Interest Rate Risk — Interest rate risk is the risk of change in the market value of the assets due to a change in interest rates. Bond futures, interest rate swaps and interest rate swaptions are generally used to manage interest rate risk, adjust portfolio duration, or rebalance the total portfolio to the target asset allocation. A futures contract is an agreement between two parties to buy and sell a financial instrument at a set price on a future date. Interest rate swap agreements involve the exchange by the Master Trust, with a counterparty, of respective commitments to pay or receive interest, e.g., an exchange of floating rate payments for fixed rate payments, with respect to the notional amount of principal. Interest rate swaptions are options to enter into an interest rate swaps based off a set of predetermined conditions. Refer to the interest rate risk note of the Fund .

Credit Risk — Credit risk is the risk of change in the market value of assets due to the change in creditworthiness of the underlying issuer. Credit default swaps are used to achieve the desired credit exposure of a security or basket of securities. 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 credit event for the referenced entity, obligation or index.

Currency Risk — Currency risk is the risk of a change in market value due to the change in foreign currency exchange rates. Generally, currency futures, forward contracts and options are used to achieve the desired currency exposure, generate value-added performance, or rebalance the total portfolio to the target asset allocation. Foreign currency futures and forwards are agreements between two parties to buy and sell a set of currencies at a set exchange rates on a specified future dates. A currency option gives the buyer the right, but not the obligation, to buy one currency or sell another currency at a set exchange rate on or before a given date.

Equity Risk — Equity risk is the risk of a change in market value of assets due to the change in equity or equity index prices. Equity futures are generally used to achieve the desired market exposure of a security or index or rebalance the total portfolio to the target asset allocation. An equity futures contract is an agreement between two parties to buy and sell a financial instrument at a set price on a future date.

Future Settlement Risk — Future settlement risk is the risk of not receiving the asset or associated gains specified in the contract. Associated gains are derived from the change in market value of the contract due to a change in price of the underlying security. Mortgage TBAs and treasury forwards are used to achieve the desired market exposure of a security or asset class or adjust portfolio duration. A TBA is a contract for the purchase or sale of agency mortgage-backed securities to be delivered at a future agreed-upon date; similarly, a treasury forward is a contract for the purchase or sale of U.S. Treasury securities to be delivered at a future agreed-upon date.

TRF’s directly held investments in derivatives are not leveraged. In the case of an obligation to purchase (long a financial future or a call option), the full value of the obligation is held in cash or cash equivalents. For obligations to sell (short a financial future or buy a put option), the reference security is held in the portfolio. During the year, TRF’s derivative investments included but were not limited to, foreign currency forward contracts, SWAPS, options, TBAs and futures.

The table below summarizes TRF's derivative information for the year ending June 30, 2010 (dollars in thousands):

Investment Derivatives	Change in Fair Value Classification	Change in Fair Value Amount	Fair Value at June 30, 2010 Classification	Fair Value at June 30, 2010 Amount	Notional
Fiduciary funds					
Investment derivatives					
Futures	Investment Income	$ 38,603	Investments	$ -	$ 60,899
Options	Investment Income	125	Investments	212	
Swaps	Investment Income	(7,984)	Investments	424	
Rights/Warrants	Investment Income	1,623	Investments	66	
Forwards	Investment Income	7,111	Investments	-	
Broker Commissions Recaptured	Investment Income	119	Investments	N/A	
Total		$ 39,597		$ 702	$ 60,899

Foreign currency forward contracts are used to hedge against the currency risk in TRF's foreign equity stock and debt security portfolios. A foreign currency forward contract is an agreement to buy or sell a specific amount of a foreign currency at a specified delivery or maturity date for an agreed-upon price. Fluctuations in the market value of foreign currency forward contracts are marked to market on a daily basis.

At June 30, 2010, TRF's investments included the following currency forwards balances:

Forward Currency Contract Receivables	$ 117.8
Forward Currency Contract Payables	$ 115.5

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. A financial futures contract is an agreement to buy or sell a specific amount at a specified delivery or maturity date for an agreed-upon price. Financial future positions are recorded with a corresponding offset, which results in a carrying value equal to zero. 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. 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.

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" such as swaps, forward contracts and TBAs. Alternatively, a derivative instrument, such as futures, could be listed and traded on an exchange and referred to as "exchange traded."

Inherent in the use of OTC derivatives, the Master Trust 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. As of June 30, 2010, the Master Trust counterparty risk was not deemed to be significant, whether evaluating counterparty exposure outright or netting collateral against net asset positions on contracts with each counterparty. Additionally, with the use of collateral, master netting agreements assist in mitigating counterparty credit risk.

Counterparty	Quality Ratings of Counterparty	Fair Value of Exposure
Barclays Capital	AA-	$ 144.0
BNP PARIBAS S.A.	AA	(462.0)
Citibank, New York	A+	318.0
Credit Suisse	A+	(108.0)
Deutsche Bank AG	A+	692.0
Standard Chartered Bank	A	(28.0)
UBS (Warburg)	A+	(2,155.0)
Bank of America NA	A+	230.0
Goldman Sachs Bank USA	A	26.0
Goldman Sachs International	A	921.0
JP Morgan Chase Bank N.A.	AA-	23,600.0
Merrill Lynch Capital Services Inc.	A	1.0
Morgan Stanley Capital Services Inc.	A	144.0
Royal Bank of Canada	AA-	59.0
Royal Bank of Scotland PLC	A+	1,157.0

The aggregate amount of plan collateral with brokers was $1,960,000, while the aggregate amount of collateral posted by counterparties was

$2,950,000. The aggregate amount of liabilities included in netting arrangements was $1,090,105. 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 $250,000 in collateral. It is important to note that margin may be called at a minimum weekly with the ability to call as frequently as daily.

The Master Trust may be subject to credit-related contingent features for those contracts governed by an International Swaps and Derivatives Association Master Agreement (generally swaps) with each counterparty for each open contract in a net liability position. In those instances, the Master Trust is generally regarded as having liquidity risk. In the event the Master Trust's assets decline by various, per-specified rates over predetermined time periods, the Master Trust 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. At June 30, 2010, the Master Trust had a fair value of $1,090,105 in contracts in a net liability position with contingent features; $1,960,000 was posted in collateral against those positions. Contingent features that could result in an immediate payment from the counterparty include a downgrade of the counterparty below a specified rating, commonly A-/A3. Additionally, immediate payment can be made to the counterparty in the event assets under management of the portfolio falls below certain thresholds. It is important to note that these contingent features are not compulsory, rather they are voluntary.

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 $1,497.4 million as of June 30, 2010. These investments had a net asset value of $692.3 million as of June 30, 2010. 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, 2010, totaled $614.1 million.

B. Interfund Transactions

Interfund Loans

Interfund loans of $36.7 million represents amounts owed by the Bureau of Motor Vehicles Commission Fund to the Motor Vehicle Highway Fund.

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, 2010, the following funds had temporary cash overdrafts covered by loans from the General Fund: Motor Vehicle Highway Fund, $10.1 million, ARRA of 2009 Fund, $272.8 million, US DHHS Fund, $86.2 million, US Department of Agriculture Fund, $55.6 million, US Department of Labor Fund, $9.5 million, and the U.S. Department of Education Fund, $57.3 million.

The following is a summary of the Interfund Loans as of June 30, 2010:

Interfund Loans - Current	Loans To Governmental Funds	Loans From Governmental Funds
Governmental Funds		
General Fund	$ 491,607	$ -
Motor Vehicle Highway Fund	36,665	-
ARRA of 2009	-	272,807
US DHHS	-	86,214
Nonmajor Governmental Funds	-	169,251
Total Governmental Funds	528,272	528,272
Total Interfund Loans	$ 528,272	$ 528,272

Interfund Services Provided/Used

Interfund Services Provided of $10.9 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, 2010:

Interfund Services Provided/Used	Interfund Services Provided To Governmental Funds	Interfund Services Used By Governmental Funds
Governmental Funds		
General Fund	$ -	$ 3,848
State Highway Department	-	773
U.S. Department of Health & Human Services	-	1,687
Nonmajor Governmental Funds	-	4,563
Total Governmental Funds	-	10,871
Proprietary Funds		
Internal Service Funds	10,871	-
Total Proprietary Funds	10,871	-
Total Interfund Services Provided/Used	$ 10,871	$ 10,871

Due From/Due Tos

Current – Interfund balance of $36.8 million represents the accrued distribution amount from the State Lottery Commission to the Build Indiana Fund. The Indiana Finance Authority owed $205 thousand to governmental funds with $204 thousand due the General Fund and the balance of $1 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, 2013, or by a budget request submitted to the 2013 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, 2010:

Component Units - Current

	Due From Primary Government	Due To Component Units	Due From Component Units	Due To Primary Government
Governmental Funds				
General Fund	$ -	$ 7,075	205	$ -
Nonmajor Governmental Funds	-	-	36,809	-
Total Governmental Funds	-	7,075	37,014	-
Component Units				
Indiana University	1,914	-	-	-
Purdue University	15	-	-	-
Nonmajor Universities	5,146	-	-	-
Indiana Finance Authority	-	-	-	205
State Lottery Commission	-	-	-	36,809
Indiana State Fair Commission	-	-	-	-
Total Component Units	7,075	-	-	37,014
Total Due From/To	**$ 7,075**	**$ 7,075**	**$ 37,014**	**$ 37,014**

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 at least one year of 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 employee chooses pays the retirement benefits to the employee. The employee'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.

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

(1) the amount credited to the employee in the employee's annuity savings account, minus any amount withdrawn by the employee; and

(2) the proportionate actuarial cost of the employee'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, 2010:

Within Component Units	Due From Component Units	Due To Component Units
Discretely Presented Component Units Pension Trust:		
Pension Trust		
Public Employees' Retirement Fund	$ 167	$ 1,371
State Teachers' Retirement Fund	1,371	167
Total Discretely Presented Component Units Pension Trust	1,538	1,538
Total Due From /To	$ 1,538	$ 1,538

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, 2010. 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 (Amounts in thousands)	Due from Agency Funds	Due to General Fund
Governmental Funds		
General Fund	$ 360,138	$ -
Agency Funds		
Local Distributions	-	360,138
Total Due From/To	**$ 360,138**	**$ 360,138**

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: $945.7 million was transferred in from the State Tuition Reserve Fund per a determination made by the budget director per IC 4-12-1-15.7 that it was needed to cover tuition support distributions. The State Gaming Fund transferred in $655.5 million of wagering taxes from riverboats and slot machines at horse tracks. The Welfare, Child Service Fund transferred in $277.5 million for use in the Family and Children Fund to make social services payments direct support including adoption assistance. The General Fund's Motor Vehicle Excise Tax Fund received $236.2 million in transfers in from the Build Indiana Fund per IC 4-30-17-3.5. The Fund 6000 Programs transferred in $157.8 million from income, sales and financial institutions taxes collected and received by the Department of Revenue, from allocations of commercial vehicle excise tax and financial institutions tax ultimately for local civil taxing units and school corporations and to support various administration such as of the Indiana Veterans Home, the State Police Motor Vehicle Highway Fund, and the Employment and Training Administration of the Department of Workforce

Development. The Public Welfare-Medicaid Assistance Fund received transfers in totaling $142.0 million of which $33.3 million was for quality assessment fees collected throughout the fiscal year which can only be used for the State's share of Medicaid services under Title XIX of the Social Security Act, $58.7 million was received by the State's psychiatric hospitals for the disproportionate share program, and $50.0 million was received by the Office of Medicaid Policy and Planning for administration and Medical Assistance to Wards. $86.8 million was transferred in from the Tobacco Settlement Fund for various health and welfare purposes including the Children's Health Insurance Program. The Mental Institutions Fund transferred in $44.5 million to reimburse the General Fund for the federal share of revenue accruing to the state development centers under IC 12-15 based on the federal Medicaid assistance percentage from the hospital's fiscal year 2010 revenues. $36.4M was transferred in from the Mental Health Centers Fund to the State's Serious Mentally Ill State Appropriation fund per June 2010 administrative action of the State Budget Agency. Per February 2010 administrative action of the State Budget Agency, the State's Medicaid State Appropriation fund received transfers in of $44.6 million from the County Welfare Administration Fund. Per July 2009 administrative action of the State Budget Agency, the State's Hospital Care for the Indigent Fund State Appropriation account received transfers in of $33.0 million from the Hospital Care for the Indigent Fund.

The following were transfers out from the General Fund: The Public Welfare Medicaid Assistance Fund received $1.4 billion in transfers for Medicaid current obligations for the purpose of enabling 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. $419.2 million was transferred to the Welfare, Child Service Fund, administered by the Department of Child Services for family and children services including welfare-case services and adoption assistance. The U.S. Department of Health and Human Services Fund received transfers in of $282.5 million in support of: 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 services offices' administration and child welfare services administration both administered through the Department of Child Services; information systems for the Division of Family Resources and Department of Child Services; 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 Department of Child Services; and other health and human services programs and services. The State Student Assistance Commission of Indiana received transfers in totaling $199.2 million for the Frank O'Bannon Grant program which provides tuition and regularly assessed fees support for Hoosier students to attend eligible postsecondary institutions. The Frank O'Bannon Grant program was formerly the Higher Education Award and Freedom of Choice Award. The Build Indiana Fund received $126.4 million from riverboat wagering and pari-mutuel taxes which went to the Lottery and Gaming Surplus Account and the David C. Ford Education Technology Program. The Mental Health Centers Fund received transfers in totaling $95.0 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 Department of Child Services Local Office Administration Fund received transfers in of $105.0 million for administration of children's services in the counties. The County Welfare Administration Fund received transfers in of $57.3 million for Division of Family Resources' District Welfare Administration. $53.0 million was transferred from the General Fund to the Motor Vehicle Highway Fund primarily for State Police administration and pensions. $45.8 million was transferred to the Hospital Care for the Indigent Fund for the Hospital Care for the Indigent Program. The Twenty-first Century Scholars Fund received transfers in of $30.3 million to support the Twenty-first Century Scholars Program which offers tuition support to Indiana colleges for enrolled students of low and moderate income families that fulfill a pledge of good citizenship. $26.2 million was transferred to close out the Property Tax Replacement Fund.

Medicaid Assistance Fund – The Medicaid Assistance Fund had a transfer in of $1.4 billion from the General Fund to support the state Medicaid program administered through the Office of Medicaid Policy and Planning. $35.6 million was transferred in from the Mental Institutions Fund for funds collected from providers of services to the seriously mentally ill for the local/State set-aside match. $60.5 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. $33.0 million was transferred in from the Hospital Care for the Indigent Fund to support care of indigents at state hospitals. There was also a transfer in of $21.3 million from the U.S. Department of Health and Human Services (US DHHS) Fund to support the state Medicaid program.

Transfers out included $142.0 million to the General Fund of which $38.0 was to support Medicaid administration, $33.3 million went to the State Budget Agency for qualifying assessment fees that can only be used for the state's share of Medicaid services under Title XIX of the Social Security Act, $58.7 million was paid to the state psychiatric hospitals for disproportionate share hospital (DSH) payments, and $12.0 million was for medical assistance to wards. The US DHHS Fund received $8.6 million for Medicaid administration and $1.8 million for the Money Follows the Person Program, a special project to assist Hoosiers moving from a nursing facility or hospital to a residential setting in the community. $8.0 million was transferred to the District Welfare Administration Fund to support county welfare administration.

Major Moves Construction Funds – The Major Moves Construction Fund had a transfer out of $535.3 million to the State Highway Department for construction and maintenance of the State's highways, roads, and bridges.

State Highway Department Fund – The State Highway Department Fund had the following major transfers in: $276.8 million was transferred in from the Motor Vehicle Highway Fund for use by the Indiana Department of Transportation for maintenance services, access road construction, and the research and highway extension program. Another $6.3 million was received from the Motor Vehicle Highway Fund for distributions to local governments for highway projects, State Police administration, pension, and benefits, and traffic safety initiatives of the Indiana Criminal Justice Institute. $129.8 million was transferred in from the Road and Street Primary Highway Fund's collection of motor fuel taxes, motor carrier surtaxes, and vehicle registration fees. $535.3 million was transferred in from the Major Moves Construction Fund as described above for construction and maintenance of the State's highways, roads, and bridges. $20.0 million was transferred in from the Gasoline and Special Fuel Tax Fund for highway maintenance services. $17.3 million was received from the Public Mass Transportation Fund for the promotion and development of efficient and effective public transportation in Indiana.

The State Highway Department Fund had the following transfers out: $3.3 million was transferred to the U.S. Department of Interior (USDOI) Fund for use in Fish and Wildlife Division programs of the Indiana Department of Natural Resources. The General Fund received $1.1 million for a surplus adjustment.

ARRA of 2009 Fund – The American Recovery and Reinvestment Act of 2009 Fund received $6.3 million from the General Fund. Of this $6.3 million, $5.0 million is to provide for various repairs at the Indiana Veterans' Home and to provide for renovations to dormitories at the Adjutant General's Hoosier Youth Challenge Academy Knightstown; $645.4 thousand was received from the DNR GF Construction Fund for state match to support repairs and improvements to the West Beach Parking Lot at Indiana Dunes State Park; and $622.5 thousand was received from the Adjutant General's State Match Fund for sustainment, restoration, and modernization projects at National Guard facilities throughout the State. $505 thousand was received from the State Highway Department Fund for institutional road construction.

The American Recovery and Reinvestment Act of 2009 Fund transferred out $732 thousand to the U.S. Department of Justice Fund to support the Supreme Court's Edward Byrne Memorial Justice Assistance subgrant.

U.S. Department of Health and Human Services Fund – The U.S. Department of Health and Human Services (USDHHS) Fund received $282.5 million from the General Fund for the support of: 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 services offices' administration and child welfare services administration both administered through the Department of Child Services; information systems for the Division of Family Resources and Department of Child Services; 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 Department of Child Services; and other health and human services programs and services. $37.9 million was received from the Tobacco Settlement Fund for the programs and services of the Indiana Family and Social Services' Division of Disability and Rehabilitation Services and Office of Medicaid Policy and Planning. The Fund 6000 Programs transferred in $21.8 million to support aging, disability, and rehabilitation programs and services administered through the Indiana Family and Social Services Administration.

The USDHHS Fund transferred out $21.3 million to the Medicaid Assistance Fund to support the state Medicaid program. $20.0 million was transferred to the County Welfare Administration Fund for local office family and children administration. The General Fund received transfers in totaling $8.6 million which was primarily for FSSA Medicaid Fund administrative expenses and reimbursement of federal indirect costs. The Division of Family Resources received $4.5 million for the Federal Food Stamp Program Fund that covers administrative costs. $4.0 million was transferred to the U.S. Department of Education Fund for education grant programs and services at the Indiana Department of Education and Division of Disability and Rehabilitation Services. The Welfare-Work Incentive Fund received $3.4 million for reimbursement of administrative costs per FSSA's approved cost allocation plan.

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

$2.0 million was transferred from the Institutional Industries Fund, an Internal Service Fund, to the General Fund at the request of the State Budget Agency.

$36.7 million was transferred from the Administrative Services Revolving Fund, an Internal Service Fund, to the General Fund. $35.3 million was to close unencumbered cash, $1.0 million was to help supplement the General Fund, and $0.4 million was for State Employee Retiree Medical Benefits.

A summary of interfund transfers for the year ended June 30, 2010 is as follows:

	Operating transfers in	Operating transfers (out)	**Net transfers**
Governmental Funds			
General Fund	$ 2,858,825	$ (3,044,075)	**$ (185,250)**
Public Welfare-Medicaid Assistance Fund	1,534,157	(160,632)	**1,373,525**
Major Moves Construction Fund	-	(535,271)	**(535,271)**
State Highway Department	991,834	(7,281)	**984,553**
ARRA of 2009	8,467	-	**8,467**
U.S. DHHS Fund	366,585	(67,830)	**298,755**
Nonmajor Governmental Fund	3,120,919	(5,024,387)	**(1,903,468)**
Proprietary Funds			
Inns and Concessions	-	(2,572)	**(2,572)**
Internal Service Funds	-	(38,739)	**(38,739)**
Total	$ 8,880,787	$ (8,880,787)	**$ -**

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	$ 1,165,557	$ 539	$ -	**$ 1,166,096**
Sales taxes	859,724	7,258	-	**866,982**
Fuel taxes	-	146,086	-	**146,086**
Gaming taxes	3,913	8,283	-	**12,196**
Inheritance taxes	31,751	-	-	**31,751**
Alcohol and tobacco taxes	28,189	16,521	1,735	**46,445**
Insurance taxes	2,366	-	-	**2,366**
Financial institutions taxes	(21)	33,407	-	**33,386**
Other taxes	21,372	16,767	-	**38,139**
Total taxes receivable	2,112,851	228,861	1,735	**2,343,447**
Less allowance for uncollectible accounts	(528,208)	(43,679)	(7)	**(571,894)**
Net taxes receivable	**$ 1,584,643**	**$ 185,182**	**$ 1,728**	**$ 1,771,553**
Tax refunds payable	**$ 35,554**	**$ 5,822**	**$ -**	**$ 41,376**

D. Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2010, was as follows:

Primary Government – Governmental Activities

Governmental Activities:	**Balance, July 1, As restated**	**Increases**	**Decreases**	**Balance, June 30**
Capital assets, not being depreciated/amortized:				
Land	$ 1,405,144	$ 99,217	$ (3,894)	$ 1,500,467
Infrastructure	7,930,840	113,603	(5,950)	8,038,493
Construction in progress	1,285,594	359,764	(156,462)	1,488,896
Total capital assets, not being depreciated/amortized	10,621,578	572,584	(166,306)	11,027,856
Capital assets, being depreciated/amortized:				
Buildings and improvements	1,531,575	37,376	(122,674)	1,446,277
Furniture, machinery, and equipment	486,324	29,200	(29,363)	486,161
Computer software	34,645	682	-	35,327
Infrastructure	24,002	-	-	24,002
Total capital assets, being depreciated/amortized	2,076,546	67,258	(152,037)	1,991,767
Less accumulated depreciation/amortization for:				
Buildings and improvements	(756,805)	(29,987)	65,814	(720,978)
Furniture, machinery, and equipment	(287,312)	(53,462)	20,473	(320,301)
Computer software	(22,785)	(11,634)	-	(34,419)
Infrastructure	(15,203)	(3,360)	4,698	(13,865)
Total accumulated depreciation/amortization	(1,082,105)	(98,443)	90,985	(1,089,563)
Total capital assets being depreciated/amortized, net	994,441	(31,185)	(61,052)	902,204
Governmental activities capital assets, net	$ 11,616,019	$ 541,399	$ (227,358)	$ 11,930,060

Primary Government – Business-Type Activities

Business-Type Activities:	Balance July 1, As restated	Increases	Decreases	Balance June 30
Capital assets, being depreciated:				
Buildings and improvements	$ 149	$ -	$ -	$ 149
Furniture, machinery, and equipment	232	-	-	232
Total capital assets, being depreciated	381	-	-	381
Less accumulated depreciation for:				
Buildings and improvements	(67)	(15)	-	(82)
Furniture, machinery, and equipment	(193)	(18)	-	(211)
Total accumulated depreciation	(260)	(33)	-	(293)
Total capital assets being depreciated, net	121	(33)	-	88
Business-type activities capital assets, net	$ 121	$ (33)	$ -	$ 88

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

Governmental activities:	
General government	$ 8,335
Public safety	38,597
Health	1,073
Welfare	13,667
Conservation, culture and development	13,028
Education	1,106
Transportation	22,637
Total depreciation/amortization expense - governmental activities	$ 98,443
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, 2010 and the assets acquired through capital leases are as follows:

Future minimum lease payments

Year ending June 30,	Operating leases	Capital leases Governmental Activities
2011	$ 27,457	$ 107,207
2012	22,264	104,905
2013	18,762	102,461
2014	14,024	102,464
2015	12,939	103,528
2016-2020	36,427	509,454
2021-2025	22	508,926
2026-2030	-	408,859
2031-2035	-	5,983
2036-2040	-	-
Total minimum lease payments (excluding executory costs)	**$ 131,895**	**1,953,787**
Less:		
Remaining premium(discount)		(23,777)
Amount representing interest		(660,201)
Present value of future minimum lease payments		**$ 1,269,809**

Assets acquired through capital lease

Land	$ -
Infrastructure	51,773
Building	3,574
Machinery and equipment	1,244,052
less accumulated depreciation	(18,902)
	$ 1,280,497

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 $31.6 million for the year ended June 30, 2010. 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, 2010 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	$ 147,274	$ 2,756	$ (4,228)	$ 145,802	$ 79,181	$ 66,621
Construction retention	-	-	-	-	-	-
Due to component unit	50,000	7,075	-	57,075	7,075	50,000
Net pension obligation	957,499	5,779	(15,198)	948,080	-	948,080
Other postemployment benefits	71,831	40,574	-	112,405	-	112,405
Pollution remediation	66,677	-	(8,416)	58,261	14,547	43,714
Intergovernmental payable	175,035	-	(12,590)	162,445	122,445	40,000
Capital leases	1,300,727	14,472	(45,390)	1,269,809	47,106	1,222,703
	$ 2,769,043	$ 70,656	$ (85,822)	$ 2,753,877	$ 270,354	$ 2,483,523
Business-type activities:						
Compensated absences	$ 508	$ 271	$ (283)	$ 496	$ 200	$ 296
Claims liability	45,704	3,115	(3,346)	45,473	3,331	42,142
	$ 46,212	$ 3,386	$ (3,629)	$ 45,969	$ 3,531	$ 42,438

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 and the Prosecuting Attorney's Retirement Fund as presented in Note V(E), other postemployment benefits, pollution remediation, amounts due to component units, amounts due the federal government 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, 2010, 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 Special Revenue Funds, and the government-wide statements, there is an increase of $2.0 million in net assets for existing receivables that were not recorded by June 30, 2009.

In the fund statements for Special Revenue Funds, and the government-wide statements, there is a decrease of $12.1 million in net assets for existing liabilities that were not recorded by June 30, 2009.

In the fund statements for governmental funds and the government-wide statements, there is an increase of $69.8 million due to an overstatement in accounts payable in 2009.

For the government-wide statements, there is an increase of $42.3 million in net assets for INDOT infrastructure not capitalized by June 30, 2009 that were completed work-in-progress projects prior to this date.

For the government-wide statements, there is an increase of $4.1 million in net assets for Department of Administration (DoA) work in process. This was the result of not capitalizing projects by June 30, 2009 that had been initiated prior to this date per DoA's work in process records.

For the government-wide statements, there is an increase of $110.6 million in net assets for capital assets. This was the result of not capitalizing capital assets by June 30, 2009 that were acquired prior to this date, for corrections to acquisition cost by state agencies, for implementation of GASB 51, Accounting and Financial Reporting for Intangible Assets, and for the elimination of duplicate assets found in the 2009 report.

For the government-wide statements, there is a decrease of $14.6 million in net assets for capital leases entered into and not recorded as a liability by June 30, 2009.

For the government-wide statements, there is an increase of $24.1 million in net assets for capital assets acquired through leases that were completed by June 30, 2009.

The net assets for business type activities decreased by $14.4 as a result of capital assets reclassified from Inns and Concessions to the Indiana Department of Natural Resources.

For the Internal Service funds and the government-wide statements, there is an increase of $6.1 million in net assets. Net assets for the Administrative Services Revolving fund decreased by $41.0 thousand due to the Motor Pool's gasoline inventory being understated by $2.4 thousand and for deferred revenue that is no longer being recognized by the Indiana Office of Technology in the amount of $43.4 thousand. The State Police Health Insurance Fund's net assets decreased by $1.5 million because of health claims payable being understated by this amount in fiscal year 2009. Net assets increased by $1.2 million for the addition of the State Police 20% LTD fund, a new internal service fund. The net assets of the State Employees' Health Insurance fund increased by $6.5 million which was the result of accounts receivable being understated by $14.9 million, and health/dental claims payable being understated by $8.4 million in fiscal year 2009.

For the discrete component units, there was an increase of $86 thousand due to the Indiana State Fair Commission establishing a skate shop inventory for items that had been expensed in prior years. In addition, the Indiana Economic Development Corporation was added as a component unit which increased net assets by $155.5 million.

There was an increase of $1.2 million in beginning net assets for the correction of errors by Ivy Tech Community College. Ivy Tech Community College's beginning net assets increased by this amount due to the Ivy Tech Foundation's change in basis of accounting from the modified cash basis to the accrual basis.

The following schedule reconciles June 30, 2009 net assets as previously reported, to beginning net assets, as restated:

	Governmental Activities	Business-Type Activities	Discretely Presented Component Units (Non Fiduciary)
June 30, 2009, fund balance/retained earnings/net assets as reported	$ 17,646,102	$ (770,680)	$ 8,374,186
Correction of errors	231,562	-	1,268
Reclassifications of funds	1,237	(14,403)	155,538
Balance July 1, 2009 as restated	$ 17,878,901	$ (785,083)	$ 8,530,992

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
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**
2009				
Unpaid Claims, July 1	$ 2,883	$ 30,138	$ 4,281	**$ 37,302**
Incurred Claims and Changes in Estimate	25,877	293,397	23,696	**342,970**
Claims Paid	(25,723)	(291,414)	(23,840)	**(340,977)**
Unpaid Claims, June 30	**$ 3,037**	**$ 32,121**	**$ 4,137**	**$ 39,295**

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 $14 million to be made from the Tort Claim Fund during the next fiscal year. During the fiscal year ending June 30, 2010, the State paid $5 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 affirmed in part, reversed in part (applying 10-day limitation period to reduce back pay period for merit employees from 20 years to about eight weeks), and remanded with instructions to recalculate the amount of back pay to which the merit employees are entitled. 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 have filed Petitions for Rehearing. The State filed a Brief In Opposition to Appellees/Plaintiffs' Petition for Rehearing.

In 2000, Plaintiffs along the Fawn River in northeastern Indiana, brought action against the State alleging violations of the Clean Water Act, unconstitutional takings of property and federal civil rights violations. Plaintiffs are seeking in excess of $38 million in damages, costs and attorney fees. The federal trial court granted summary judgment in favor of the State and Plaintiffs appealed. A federal appeals court remanded the case to the trial court on one issue under the federal Clean Water Act. This matter was reassigned to outside counsel. Plaintiffs renewed their request for attorney fees. In a 2008 order, the District Court ruled in favor of Plaintiffs and awarded nearly $1 million interim fees and costs which the State paid. The parties met with the consultants, IDEM, and the Army Corps to discuss next steps in getting federal and state approval for the removal of the sediment from the river. A Settlement Conference was held in November 2010 with another Settlement Conference set for December 2010.

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:

Other Litigation

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. Trial is set for September 2011.

Other Loss Contingencies

The U.S. Office of Inspector General (USOIG) has issued four audit reports that are dated September 2008 through October 2010 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 $70 million, but FSSA believes the possible loss contingency for these findings totals $34.3 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, 2010, 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, 6% local funds, 51% Federal funds, and 37% from the Major Moves Construction Fund.

The Indiana Department of Administration, Public Works Division, had remaining construction commitments totaling $8.7 million for building and improvement projects of the State's business units as of June 30, 2010. These projects are to be funded through State appropriations, the State Highway Department Fund, capital projects funds, and federal funds.

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 2010 was $0.00. Total outstanding loans were $18.3 million, resulting in total assets of $18.3 million. Because the API declined by more than 2%, $371.0 million was transferred from the Rainy Day Fund to the General 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:

State Police Retirement Fund (Presented as a pension fund)

Plan Description 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.

Funding Policy 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, 2007. 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, 2010, the most recent actuarial valuation date, the plan was 81 percent funded. The actuarial accrued liability for benefits was $447.1 million, and the actuarial value of assets was $363.5 million, resulting in an unfunded actuarial accrued liability (UAAL) of $83.6 million. The covered payroll (annual payroll of active employees covered by the plan) was $66.6 million, and the ratio of the UAAL to the covered payroll was 125 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, 143 West Market Street, 5th Floor, Indianapolis, IN 46204, by calling 317-233-4162, or by visiting PERF's website, www.in.gov/perf.

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 for thirty years, and prevent the State's unfunded accrued liability from increasing.

Funded Status and Funding Progress As of July 1, 2009, the most recent actuarial valuation date, the plan was 76 percent funded. The actuarial accrued liability for benefits was $89.3 million, and the actuarial value of assets was $68.2 million, resulting in an unfunded actuarial accrued liability (UAAL) of $21.1 million. The covered payroll (annual payroll of active employees covered by the plan) was $25.2 million, and the ratio of the UAAL to the covered payroll was 84 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, chief deputy prosecuting attorney, or certain other deputy prosecuting attorneys paid by the state of Indiana.

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, 143 West Market Street, 5th Floor, Indianapolis, IN 46204, by calling 317-233-4162, or by visiting PERF's website, www.in.gov/perf.

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 Board of Trustees on the recommendations of an actuary, is to be appropriated from the State's General Fund.

Funded Status and Funding Progress As of July 1, 2009, the most recent actuarial valuation date, the plan was 59 percent funded. The actuarial accrued liability for benefits was $44.6 million, and the actuarial value of assets was $26.5 million, resulting in an unfunded actuarial accrued liability (UAAL) of $18.2 million. The covered payroll (annual payroll of active employees covered by the plan) was $20.8 million, and the ratio of the UAAL to the covered payroll was 87 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, 143 West Market Street, 5th Floor, Indianapolis, IN 46204, by calling 317-233-4162, or by visiting PERF's website, www.in.gov/perf.

Funding Policy The amount required by the funding policy to actuarially fund participants' retirement benefits, as determined by the 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, 2009, the most recent actuarial valuation date, the plan was 93 percent funded. The actuarial accrued liability for benefits was $5.1 million, and the actuarial value of assets was $4.7 million, resulting in an unfunded actuarial accrued liability (UAAL) of $0.4 million. The benefit formula is determined based on service rather than compensation. The unfunded liability per active participant was $10,817 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 of any of the following courts: Supreme Court of the State of Indiana; Circuit Court of any Judicial Circuit; Indiana Tax Court; or county courts including Circuit, Superior, Criminal, Probate, Juvenile, and Municipal 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, 143 West Market Street, 5th Floor, Indianapolis, IN 46204, by calling 317-233-4162, or by visiting PERF's website, www.in.gov/perf.

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 statutes also provide for remittance of docket fees and court fees. These are considered employer contributions.

Funded Status and Funding Progress As of July 1, 2009, the most recent actuarial valuation date, the plan was 73 percent funded. The actuarial accrued liability for benefits was $330.6 million, and the actuarial value of assets was $241.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of $89.6 million. The covered payroll (annual payroll of active employees covered by the plan) was $36.2 million, and the ratio of the UAAL to the covered payroll was 248 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, 143 West Market Street, 5th Floor, Indianapolis, IN 46204, by calling 317-233-4162, or by visiting PERF's website, www.in.gov/perf. At June 30, 2010, the number of participating political subdivisions was 1,208.

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 7.0% 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, 2009, the most recent actuarial valuation date, the state employees portion of the plan was 87 percent funded. The actuarial accrued liability for benefits was $2.4 billion, and the actuarial value of assets was $2.1 billion, resulting in an unfunded actuarial accrued liability (UAAL) of $0.3 billion. The covered payroll (annual payroll of active employees covered by the plan) was $1.7 billion, and the ratio of the UALL to the covered payroll was 18 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	$ 14,229.9	$ 107,981.0	$ 4,426.7	$ 16,131.1	$ 1,340.1	$ 44.6	$ 700,307.0
Interest on net pension obligation	635.0	(4,389.0)	(125.6)	(1,545.7)	246.5	(13.0)	70,878.0
Adjustment to annual required contribution	(747.5)	5,002.0	143.1	1,799.2	(283.8)	20.9	(80,017.0)
Annual pension cost	14,117.4	108,594.0	4,444.2	16,384.6	1,302.8	52.5	691,168.0
Contributions made	(9,471.1)	(111,214.0)	(5,293.5)	(20,861.1)	(170.0)	(100.0)	(706,366.0)
Increase (decrease) in net pension obligation	4,646.3	(2,620.0)	(849.3)	(4,476.5)	1,132.8	(47.5)	(15,198.0)
Net pension obligation, beginning of year	9,071.9	(60,540.9)	(1,731.8)	(21,320.5)	3,400.1	(179.7)	945,027.0
Net pension obligation, end of year	$ 13,718.2	$ (63,160.9)	$ (2,581.1)	$ (25,797.0)	$ 4,532.9	$ (227.2)	$ 929,829.0
Significant Actuarial Assumptions							
Investment rate of return	7.00%	7.25%	7.25%	7.25%	7.25%	7.25%	7.50%
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%	3.25%
Cost of living adjustments	N/A	1.50%	1.50%	4.00%	N/A	1.50%	1.50%
Contribution rates:							
State	18.40%	7.00%	20.75%	pay-as-you-go	8.00%	Flat Dollar Amount ***	N/A
Plan members	5.00% - 6.00%	3.00%	4.00%	6.00%	6.00%	0.00%	3.0%
Actuarial valuation date	7/1/2010	7/1/2009	7/1/2009	7/1/2009	7/1/2009	7/1/2009	6/30/2009
Actuarial cost method	entry age normal cost	entry age normal cost	entry age normal cost	entry age normal cost	entry age normal cost	accrued benefit (unprojected unit credit)	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	N/A
Asset valuation method	smoothed basis	smoothed market value	smoothed market value	smoothed market value	smoothed market value	smoothed market value	4-year smoothed market value with corridor
Historical Trend Information							
Year ended June 30, 2010							
Annual pension cost (APC)	$ 14,117.4	*	*	*	*	*	*
Percentage of APC contributed	67.1%	*	*	*	*	*	*
Net pension obligation (asset)	$ 13,718.2	*	*	*	*	*	*
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%	190.7%	102.2%
Net pension obligation (asset)	$ 9,071.9	$ (63,160.9)	$ (2,581.1)	$ (25,797.0)	$ 4,532.9	$ (227.2)	$ 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
Year ended June 30, 2007							
Annual pension cost (APC)	$ 9,361.2	$ 97,043.2	$ 3,130.9	$ 12,384.3	$ 1,026.1	$ 126.3	$ 592,436.0
Percentage of APC contributed	129.4%	92.5%	107.3%	118.4%	18.5%	79.2%	107.4%
Net pension obligation (asset)	$ 8,607.0	$ (53,348.3)	$ (559.1)	$ (15,599.6)	$ 2,555.7	$ (151.6)	$ 953,534.0

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.
*** - $63,407 based on July 1, 2009 actuarial valuation.
**** - 30 year amortization "fresh started" effective with the July 1, 2010 actuarial valuation. 40 year period was permitted for 10 years after the effective date (July 1, 1997 for Indiana) of GASB 27.

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, 150 West Market Street, Suite 300, Indianapolis, IN 46204, by calling 317-232-3860, or at STRF's website, www.in.gov/trf.

At June 30, 2010, the number of participating employers was 394.

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 actuaries and approved by the Fund's Board of Trustees.

As of June 30, 2009, TRF was 42% 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 32% funded and the 1996 Account is 93% funded.

The funded ratio of the Fund has decreased from 45% at June 30, 2004, to the ratio of 42% at June 30, 2009. The actuarial value of the Fund's assets as of the June 30, 2009 valuation was $8.0 billion and the actuarial accrued liability was $19.1 billion. The difference is the Fund's unfunded actuarial accrued liability of $11.1 billion. The annual covered payroll as of the June 30, 2009, 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, 143 West Market Street, 5th Floor, Indianapolis, IN 46204, by calling 317-233-4162, or by visiting PERF's website, www.in.gov/perf.

At June 30, 2010, the number of participating employer units totaled 163 (which include 258 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 19.5 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 (dollars in thousands)		
Year ended June 30, 2009		
Annual required contribution	$ 700,307.0	$ 62,881.3
Percentage contributed	101%	102%
Employer contribution	$ 706,366.0	$ 64,285.3
Year ended June 30, 2008		
Annual required contribution	$ 678,050.0	$ 89,673.7
Percentage contributed	100%	137%
Employer contribution	$ 675,682.0	$ 122,711.6
Year ended June 30, 2007		
Annual required contribution	$ 602,904.0	$ 102,964.2
Percentage contributed**	105%	139%
Employer contribution	$ 636,039.0	$ 143,271.7

STRF - State Teachers' Retirement Fund - Pre-1996 Account
PFPF - 1977 Police Officers and Firefighters' Retirement Fund (Administered by PERF)
* - year ended December 31 for 2007 and 2008, but June 30 for 2009. Actuarial valuation date changed and calculations were adjusted for the short plan year.
n/a - not available

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, 143 West Market Street, 5th Floor, Indianapolis, IN 46204, by calling 317-233-4162, or by visiting PERF's website, www.in.gov/perf.

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, 2010 the rate was established at 9.5 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	$ 6,292	$ 519	$ 42,106	$ 5,373
Interest on net OPEB obligation	514	19	2,421	279
Amortization adjustment to ARC	(701)	(25)	(3,302)	(381)
Annual OPEB Cost	6,105	513	41,225	5,271
Contributions made	(1,913)	(313)	(9,009)	(1,303)
Change in net OPEB obligation	4,192	200	32,216	3,968
Net OPEB obligation - beginning of year	11,423	408	53,787	6,212
Net OPEB obligation - end of year	$ 15,615	$ 608	$ 86,003	$ 10,180

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 2010 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)	
High Deductible Health Plan #1	
Single (Non-Tobacco)	$ 278.07
Family (Non-Tobacco)	865.02
High Deductible Health Plan #2	
Single (Non-Tobacco)	369.33
Family (Non-Tobacco)	1,064.31
Anthem Traditional II	
Single (Non-Tobacco)	558.61
Family (Non-Tobacco)	1,573.39
Indiana State Police Healthcare Plan (ISPP)	
Basic Plan - Medical Only	
Retiree Only (Pre-Medicare)	201.58
Retiree Plus One Dependent (Pre-Medicare)	259.72
Retiree Only (Post-Medicare)	109.47
Retiree Plus One Dependent (Post-Medicare)	131.79
Optional Plan - Medical, Dental, & Vision	
Retiree Only (Pre-Medicare)	235.68
Retiree Plus One Dependent (Pre-Medicare)	322.15
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)	240.00
Family - Under Age 60 (Pre-Medicare)	360.00
Single - Age 60 -64 (Pre-Medicare)	160.00
Family - Age 60-64 (Pre-Medicare)	240.00
Single (Post-Medicare)	21.43
Family (Post-Medicare)	56.48

The State of Indiana’s annual OPEB cost, the percentage of annual OPEB cost contributed , and the net OPEB obligation for June 30, 2008 (first year of OPEB reporting) through June 30, 2010 (third year of OPEB reporting) 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	6/30/2010	$ 6,105	31.3%	$ 15,615
	6/30/2009	7,624	23.6%	11,423
	6/30/2008	7,231	22.6%	5,595
Legislature's Healthcare Plan	6/30/2010	$ 512	61.1%	$ 608
	6/30/2009	493	61.0%	409
	6/30/2008	492	56.1%	216
Indiana State Police Healthcare Plan	6/30/2010	$ 41,224	21.9%	$ 86,003
	6/30/2009	34,831	22.7%	53,787
	6/30/2008	34,275	21.6%	26,867
Conservation and Excise Police Health Care Plan	6/30/2010	$ 5,271	24.7%	$ 10,180
	6/30/2009	4,128	23.8%	6,212
	6/30/2008	3,965	22.7%	3,067

Funded Status and Funding Progress The funded status of the plans as of June 30, 2010, 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)	$ 51,306	$ 8,402	$ 407,846	$ 57,305
Actuarial value of plan assets (b)	-	-	-	-
Unfunded actuarial accrued liability (funding excess) (a) - (b)	$ 51,306	$ 8,402	$ 407,846	$ 57,305
Funded ratio (b)/(a)	0.0%	0.0%	0.0%	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, 2009 for the period ending June 30, 2010.

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	6/30/2009	6/30/2009	6/30/2009	6/30/2009
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	N/A	N/A	N/A	N/A
Actuarial assumptions:				
Investment rate of return	4.5%	4.5%	4.5%	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. Accordingly, the State has elected to use the actuarial results for the period ending on June 30, 2009 for the period ending 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 new 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, 2010, the plan participants consisted of:

Description	Number
Active participants with accounts, not yet retired	32,341
Retired participants with accounts	2,700
Total	**35,041**

At June 30, 2010, plan participants' retirement medical plan account balances totaled $164.4 million which consisted of $100.8 million in unretired active participants' accounts and $63.6 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, 2010, the State contributed $27.3 million to the State Retiree Health Fund. Another $28.2 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 $55.5 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 $55.5 million.

G. Pollution Remediation Obligations

Nature and source of pollution remediation obligations: Five state agencies have identified themselves as responsible or potentially responsible parties to remediate eighty-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.

Amount of the estimated liability, methods and assumptions used for the estimate, and the potential for changes: The State's total estimated liability is $58.3 million of which $14.6 million is estimated to be payable within one year and $43.7 million estimated to be payable in more than one year. State agencies calculated their estimated liabilities using various approaches including existing agreements, contractor bids, 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, court established fee structure, 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.

Estimated recoveries reducing the liability: The estimated recoveries total $9.2 million. Of this total, $0.4 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 exists to pay claims neither the State nor the Fund are liable for unpaid claims

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, 2010							
Actuarial value of assets	$ 363,487	*	*	*	*	*	*
Actuarial accrued liability (AAL)	447,064	*	*	*	*	*	*
Excess of assets over (unfunded) AAL	(83,577)	*	*	*	*	*	*
Funded ratio	81%	*	*	*	*	*	*
Covered payroll	66,603	*	*	*	*	*	*
Excess (unfunded) AAL as a percentage of covered payroll	-125%	*	*	*	*	*	*
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%
Valuation Date: July 1, 2007							
Actuarial value of assets	$ 371,918	$ 2,350,652	$ 57,414	$ 211,747	$ 23,815	$ 5,035	$ 5,763,508
Actuarial accrued liability (AAL)	413,969	2,335,082	74,451	283,995	32,052	5,169	15,988,259
Excess of assets over (unfunded) AAL	(42,051)	15,570	(17,037)	(72,248)	(8,237)	(134)	(10,224,751)
Funded ratio	90%	101%	77%	75%	74%	97%	36%
Covered payroll	59,863	1,573,566	17,715	29,712	18,092	**	2,376,390
Excess (unfunded) AAL as a percentage of covered payroll	-70%	1%	-96%	-243%	-46%	**	-430%

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, 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); July 1, 2007: The unfunded liability is expressed per active participant and there were 43 active participants. The unfunded liability per active participant was $3,117.

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						
6/30/2009	$ -	$ 51,306	$ 51,306	0.0%	N/A	N/A
6/30/2008	$ -	$ 67,405	$ 67,405	0.0%	N/A	N/A
6/30/2007	$ -	$ 62,190	$ 62,190	0.0%	$ 1,130,900	5.5%
Legislature's Healthcare Plan						
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
6/30/2007	$ -	$ 7,950	$ 7,950	0.0%	N/A	N/A
Indiana State Police Healthcare Plan						
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
6/30/2007	$ -	$ 329,292	$ 329,292	0.0%	N/A	N/A
Conservation and Excise Police Healthcare Plan						
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
6/30/2007	$ -	$ 42,836	$ 42,836	0.0%	$ 12,900	332.1%

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

	State Personnel Healthcare Plan		Legislature's Healthcare Plan		Indiana State Police Healthcare Plan		Conservation and Excise Police Healthcare Plan		Retiree Health Benefit Trust Fund	
Year Ended June 30	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
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%
2008	$ 7,231	22.6%	$ 492	56.1%	$ 34,275	21.6%	$ 3,965	22.7%	$ 56,113	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, the sum of which may not exceed estimated revenues. 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 fund 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. Capital appropriations are initially posted to general government. As projects are approved by the State Budget Committee the appropriations are transferred to the function of government from which they are disbursed. 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 (medical service payments, 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 the non-budgeted, recurring expenditures.

State of Indiana
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2010
(amounts expressed in thousands)

	General Fund			
	Budget		Actual	Variance to Final Budget
	Original	Final		
Revenues:				
Taxes:				
Income	$ 5,089,306	$ 5,089,306	$ 4,407,837	$ (681,469)
Sales	6,131,700	6,131,700	5,891,874	(239,826)
Fuels	-	-	1	1
Gaming	645,800	645,800	91,144	(554,656)
Inheritance	167,500	167,500	133,164	(34,336)
Alcohol and tobacco	302,004	302,004	282,836	(19,168)
Insurance	177,200	177,200	176,469	(731)
Other	355,955	355,955	270,047	(85,908)
Total taxes	12,869,465	12,869,465	11,253,372	(1,616,093)
Current service charges	164,488	164,488	216,621	52,133
Investment income	50,077	50,077	27,551	(22,526)
Sales/rents	994	994	767	(227)
Grants	-	-	28,388	28,388
Other	30,055	30,055	75,522	45,467
Total revenues	13,115,079	13,115,079	11,602,221	(1,512,858)
Expenditures:				
Current:				
General government	1,208,396	1,919,986	1,090,533	829,453
Public safety	753,555	852,064	693,614	158,450
Health	59,581	80,501	58,523	21,978
Welfare	2,648,190	2,712,317	507,686	2,204,631
Conservation, culture and development	104,306	221,474	79,512	141,962
Education	9,195,527	9,213,742	8,638,332	575,410
Transportation	500	4,379	1,679	2,700
Total expenditures	13,970,055	15,004,463	11,069,879	3,934,584
Excess of revenues over (under) expenditure	(854,976)	(1,889,384)	532,342	(2,421,726)
Other financing sources (uses):				
Total other financing sources (uses)	(185,250)	(185,250)	(185,250)	-
Net change in fund balances	$ (1,040,226)	$ (2,074,634)	$ 347,092	$ 2,421,726
Fund balances July 1, as restated			$ 1,016,822	
Fund balances June 30			**$ 1,363,914**	

Public Welfare-Medicaid Assistance				State Highway Department			
Budget		Actual	Variance to Final Budget	Budget		Actual	Variance to Final Budget
Original	Final			Original	Final		
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-	-
-	-	-	-	3	3	24,876	24,873
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	3	3	24,876	24,873
-	-	115,429	115,429	1,421	1,421	11,662	10,241
-	-	-	-	201	201	199	(2)
-	-	-	-	2,239	2,239	711	(1,528)
3,655,521	3,655,521	4,094,715	439,194	945,876	945,876	809,568	(136,308)
143,397	143,397	-	(143,397)	89,212	89,212	83,607	(5,605)
3,798,918	3,798,918	4,210,144	411,226	1,038,952	1,038,952	930,623	(108,329)
-	-	372	(372)	20,000	21,590	923	20,667
-	-	-	-	-	61,729	22,774	38,955
-	-	-	-	-	-	-	-
-	6,861,932	5,519,895	1,342,037	-	-	-	-
-	-	-	-	-	3,511	488	3,023
-	-	-	-	-	-	-	-
-	-	-	-	2,013,029	4,827,939	1,816,152	3,011,787
-	6,861,932	5,520,267	1,341,665	2,033,029	4,914,769	1,840,337	3,074,432
3,798,918	(3,063,014)	(1,310,123)	(1,752,891)	(994,077)	(3,875,817)	(909,714)	(2,966,103)
1,373,525	1,373,525	1,373,525	-	984,553	984,553	984,553	-
$ 5,172,443	$ (1,689,489)	$ 63,402	$ 1,752,891	$ (9,524)	$ (2,891,264)	$ 74,839	$ 2,966,103
		82,036				$ 236,936	
		$ 145,438				**$ 311,775**	

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, 2010
(amounts expressed in thousands)

	Major Moves Construction Fund			
	Budget		Actual	Variance to Final Budget
	Original	Final		
Revenues:				
Taxes:				
Income	$ -	$ -	$ -	$ -
Sales	-	-	-	-
Fuels	-	-	-	-
Gaming	-	-	-	-
Alcohol and tobacco	-	-	-	-
Insurance	-	-	-	-
Other	-	-	-	-
Total taxes	-	-	-	-
Current service charges	-	-	-	-
Investment income	108,843	108,843	220,894	112,051
Sales/rents	-	-	-	-
Grants	-	-	-	-
Other	-	-	-	-
Total revenues	108,843	108,843	220,894	112,051
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Health	-	-	-	-
Welfare	-	-	-	-
Conservation, culture and development	-	-	-	-
Education	-	-	-	-
Transportation	545,000	555,000	10,661	544,339
Total expenditures	545,000	555,000	10,661	544,339
Excess of revenues over (under) expenditures	(436,157)	(446,157)	210,233	(656,390)
Other financing sources (uses):				
Total other financing sources (uses)	(535,271)	(535,271)	(535,271)	-
Net change in fund balances	$ (971,428)	$ (981,428)	$ (325,038)	$ 656,390
Fund balances July 1, as restated			$ 2,308,959	
Fund balances June 30			**$ 1,983,921**	

ARRA of 2009 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
-	-	-	-	-	-	589	589
-	-	-	-	-	-	11	11
-	-	-	-	-	-	-	-
955,414	955,414	1,547,508	592,094	-	-	1,083,762	1,083,762
-	-	98	98	-	-	8,352	8,352
955,414	955,414	1,547,606	592,192	-	-	1,092,758	1,092,758
75,778	244,504	249,134	(4,630)	-	19,730	11,090	8,640
-	36,917	9,803	27,114	-	6,870	4,218	2,652
-	27,435	16,607	10,828	-	460,647	239,615	221,032
549,200	983,918	781,240	202,678	-	2,165,306	1,224,315	940,991
-	90,761	31,674	59,087	-	-	11,736	(11,736)
52,459	830,288	447,772	382,516	-	1,623	604	1,019
440,838	468,967	332,591	136,376	-	-	-	-
1,118,275	2,682,790	1,868,821	813,969	-	2,654,176	1,491,578	1,162,598
(162,861)	(1,727,376)	(321,215)	(1,406,161)	-	(2,654,176)	(398,820)	(2,255,356)
8,467	8,467	8,467	-	298,755	298,755	298,755	-
$ (154,394)	$ (1,718,909)	$ (312,748)	$ 1,406,161	$ 298,755	$ (2,355,421)	$ (100,065)	$ 2,255,356
		$ 7,157				$ (7,555)	
		$ (305,591)				**$ (107,620)**	

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	STATE HIGHWAY DEPARTMENT	MAJOR MOVES CONSTRUCTION FUND	2009 ARRA FUND	U.S. DEPARTMENT OF HEALTH AND HUMAN	Total
Net change in fund balances (budgetary basis)	$ 347,092	$ 63,402	$ 74,839	$ (325,038)	$ (312,748)	$ (100,065)	**$ (252,518)**
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)	(43,526)	44,889	(51,611)	116,622	33,283	33,980	**133,637**
Expenditures are recorded when the liability is incurred (GAAP) as opposed to when payment is made (budgetary)	481,638	(16,978)	(50,604)	130	(22,873)	(9,546)	**381,767**
Net change in fund balances (GAAP basis)	**$ 785,204**	**$ 91,313**	**$ (27,376)**	**$ (208,286)**	**$ (302,338)**	**$ (75,631)**	**$ 262,886**

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

Roads	**Average International Roughness Index (IRI)**		
	2010	**2009**	**2008**
Interstate Roads (excluding Rest Areas and Weigh Stations)	84%	78%	77%
NHS Roads - Non-Interstate (excluding Rest Areas and Weigh Stations)	88%	81%	76%
Non-NHS Roads	97%	77%	72%

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 in perfect condition to ratings above 170 for a failed pavement. 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) of the corresponding calendar year. The data are evaluated and compared to standard criteria by the end of the calendar year.

Bridges	**Average Sufficiency Rating**		
	2010	**2009**	**2008**
Interstate Bridges	88.8%	90.6%	88.9%
NHS Bridges - Non-Interstate	90.0%	90.6%	89.6%
Non-NHS Bridges	87.4%	88.7%	87.4%

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)

	2010	2009	2008	2007	2006
Roads					
Interstate Roads (including Rest Areas and Weigh Stations):					
Needed	$ 241,935	$ 263,764	$ 120,147	$ 212,485	$ 105,267
Actual	226,401	246,089	256,482	248,803	126,361
NHS and Non-NHS Roads - Non-Interstate (including Rest Areas and Weigh Stations)					
Needed	381,433	391,641	419,001	145,720	234,789
Actual	423,949	571,000	374,770	297,223	413,557
Roads at State Institutions and Properties					
Needed	2,073	1,734	1,225	2,529	1,173
Actual	1,635	4,884	3,146	3,069	4,496
Total					
Needed	625,441	657,139	540,373	360,734	341,229
Actual	651,985	821,973	634,398	549,095	544,414
Bridges					
Interstate Bridges					
Needed	$ 75,181	$ 82,668	$ 34,723	$ 37,157	$ 5,749
Actual	51,416	37,931	43,904	37,070	29,520
NHS Bridges - Non-Interstate					
Needed	25,706	24,438	4,695	10,220	31,943
Actual	24,299	7,794	13,568	14,154	11,459
Non-NHS Bridges					
Needed	79,055	48,214	26,694	31,549	44,859
Actual	60,861	39,707	34,138	35,118	31,145
Bridges at State Institutions and Properties					
Needed	5	-	-	-	-
Actual	354	253	3	-	-
Total					
Needed	179,947	155,320	66,112	78,926	82,551
Actual	136,930	85,685	91,613	86,342	72,124

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 provide need-based higher education awards to Hoosier students for attending eligible postsecondary institutions:

Higher Education

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

Welfare
Federal Food Stamp Program

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

Motor Vehicle Highway
Motor Vehicle Commission
Road & Street, Primary Highway

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
Property Tax Reduction Fund

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

Fund 6000 Programs

The following fund is used to account for funds held in reserve to support tuition support distributions under Indiana Code 20-43:

State Tuition Reserve 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.

Common School Principal Fund - The interest of the Common School Fund is annually appropriated for the support of the common schools.

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, 2010
(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	$ 1,923,763	$ 91,362	$ 746,802	**$ 2,761,927**
Securities lending collateral	30,600	-	27,014	**57,614**
Receivables:				
Taxes (net of allowance for uncollectible accounts)	182,037	1,728	-	**183,765**
Securities lending	38	-	11	**49**
Accounts	29,363	-	-	**29,363**
Grants	209,608	-	-	**209,608**
Interest	62	-	17	**79**
Interfund loans	36,665	-	-	**36,665**
Due from component unit	36,809	-	-	**36,809**
Loans	9,169	-	414,115	**423,284**
Total assets	$ 2,458,114	$ 93,090	$ 1,187,959	**$ 3,739,163**
Liabilities:				
Accounts payable	$ 171,338	$ 900	$ 1,230	**$ 173,468**
Salaries and benefits payable	26,627	-	-	**26,627**
Interfund loans	169,251	-	-	**169,251**
Interfund services used	4,563	-	-	**4,563**
Intergovernmental payable	73,506	-	-	**73,506**
Tax refunds payable	5,822	-	-	**5,822**
Deferred revenue	68,166	8	-	**68,174**
Accrued liability for compensated absences-current	1,794	-	-	**1,794**
Pollution remediation payable	3	-	-	**3**
Securities lending payable	38	-	11	**49**
Securities lending collateral	30,600	-	27,014	**57,614**
Total liabilities	551,708	908	28,255	**580,871**
Fund balance:				
Reserved:				
Encumbrances	373,753	2,353	-	**376,106**
Special purposes	4,264	-	-	**4,264**
Interfund loans	36,665	-	-	**36,665**
Reserved for long-term loans and advances	9,169	-	414,115	**423,284**
Reserved for restricted purposes	169,284	-	-	**169,284**
Unreserved:				
Designated for Appropriations	655,805	-	658	**656,463**
Designated for Allotments	810,125	84,313	135,250	**1,029,688**
Unreserved Undesignated fund balance	(152,659)	5,516	609,681	**462,538**
Unreserved	1,313,271	89,829	745,589	**2,148,689**
Total fund balances	1,906,406	92,182	1,159,704	**3,158,292**
Total liabilities and fund balances	$ 2,458,114	$ 93,090	$ 1,187,959	**$ 3,739,163**

State of Indiana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2010
(amounts expressed in thousands)

	Non-Major Special Revenue Funds	Non-Major Capital Projects Funds	Non-Major Permanent Funds	Total
Revenues:				
Taxes:				
Income	$ 22,228	$ -	$ -	**$ 22,228**
Sales	66,355	-	-	**66,355**
Fuels	769,092	-	-	**769,092**
Gaming	817,757	-	-	**817,757**
Unemployment	807	-	-	**807**
Alcohol and tobacco	162,608	18,169	-	**180,777**
Insurance	3,992	-	-	**3,992**
Financial Institutions	56,726	-	-	**56,726**
Other	54,117	-	-	**54,117**
Total taxes	1,953,682	18,169	-	**1,971,851**
Current service charges	1,065,705	1,748	1,330	**1,068,783**
Investment income	13,477	-	69,152	**82,629**
Sales/rents	16,645	-	-	**16,645**
Grants	2,959,273	9	-	**2,959,282**
Other	184,689	-	7,707	**192,396**
Total revenues	6,193,471	19,926	78,189	**6,291,586**
Expenditures:				
Current:				
General government	831,878	429	13,354	**845,661**
Public safety	641,167	13,850	-	**655,017**
Health	63,578	873	-	**64,451**
Welfare	1,848,654	186	-	**1,848,840**
Conservation, culture and development	491,696	-	-	**491,696**
Education	1,226,323	38	-	**1,226,361**
Transportation	120,760	-	-	**120,760**
Total expenditures	5,224,056	15,376	13,354	**5,252,786**
Excess (deficiency) of revenues over expenditures	969,415	4,550	64,835	**1,038,800**
Other financing sources (uses):				
Transfers in	3,119,053	1,866	-	**3,120,919**
Transfers (out)	(5,011,337)	(13,050)	-	**(5,024,387)**
Proceeds from capital lease	195	-	-	**195**
Total other financing sources (uses)	(1,892,089)	(11,184)	-	**(1,903,273)**
Net change in fund balances	(922,674)	(6,634)	64,835	**(864,473)**
Fund Balance July 1, as restated	2,829,080	98,816	1,094,869	**4,022,765**
Fund Balance June 30	**$ 1,906,406**	**$ 92,182**	**$ 1,159,704**	**$ 3,158,292**

State of Indiana
Combining Balance Sheet
Non-Major Special Revenue Funds
June 30, 2010
(amounts expressed in thousands)

	HIGHER EDUCATION	STATE GAMING FUND	MOTOR VEHICLE HIGHWAY	MOTOR VEHICLE COMMISSION
Assets:				
Cash, cash equivalents and investments-unrestricted	$ 33,132	$ 25,407	$ -	$ 25,190
Securities lending collateral	-	-	-	-
Receivables:				
Taxes (net of allowance for uncollectible accounts)	-	5,887	12,485	-
Securities lending	-	-	-	-
Accounts	-	-	4,629	427
Grants	-	-	-	-
Interest	-	-	-	-
Interfund loans	-	-	36,665	-
Due from component unit	-	-	-	-
Loans	-	-	-	-
Total assets	$ 33,132	$ 31,294	$ 53,779	$ 25,617
Liabilities:				
Accounts payable	$ 3	$ 56	$ 3,756	$ 1,207
Salaries and benefits payable	-	135	7,222	1,432
Interfund loans	-	-	10,094	36,665
Interfund services used	-	33	683	103
Intergovernmental payable	-	279	21,603	-
Tax refunds payable	-	-	1,710	-
Deferred revenue	-	-	7,064	-
Accrued liability for compensated absences-current	-	14	88	111
Pollution remediation payable	-	-	-	-
Securities lending payable	-	-	-	-
Securities lending collateral	-	-	-	-
Total liabilities	3	517	52,220	39,518
Fund balance:				
Reserved:				
Encumbrances	-	325	2,823	494
Special purposes	-	-	-	-
Interfund loans	-	-	36,665	-
Reserved for long-term loans and advances	-	-	-	-
Reserved for restricted purposes	-	-	-	-
Unreserved:				
Designated for Appropriations	33,129	15,226	-	-
Designated for Allotments	-	26	-	-
Unreserved Undesignated fund balance	-	15,200	(37,929)	(14,395)
Unreserved	33,129	30,452	(37,929)	(14,395)
Total fund balances	33,129	30,777	1,559	(13,901)
Total liabilities and fund balances	$ 33,132	$ 31,294	$ 53,779	$ 25,617

WELFARE	BUILD INDIANA FUND	PROPERTY TAX REDUCTION FUND	INDIANA CHECK UP PLAN	FUND 6000 PROGRAMS
$ 43,568	$ 4,961	$ 86	$ 188,541	$ 472,853
-	-	-	-	-
-	-	-	12,398	72,550
-	-	-	-	2
-	-	-	-	7,682
14,071	-	-	-	699
-	-	-	-	12
-	-	-	-	-
-	36,809	-	-	-
-	9	-	-	1,259
$ 57,639	$ 41,779	$ 86	$ 200,939	$ 555,057
$ 16	$ -	$ -	$ 829	$ 6,631
-	-	-	-	926
-	-	-	-	-
-	-	-	-	150
-	-	-	-	2,600
-	-	-	-	4,031
-	-	-	326	43,783
-	-	-	-	29
-	-	-	-	-
-	-	-	-	2
-	-	-	-	-
16	-	-	1,155	58,152
4	8	-	821	11,988
-	-	-	-	-
-	-	-	-	-
-	9	-	-	1,259
14,071	-	-	-	699
-	2,889	-	198,963	57,586
43,548	38,873	-	-	424,875
-	-	86	-	498
43,548	41,762	86	198,963	482,959
57,623	41,779	86	199,784	496,905
$ 57,639	$ 41,779	$ 86	$ 200,939	$ 555,057

continued on next page

State of Indiana
Combining Balance Sheet
Non-Major Special Revenue Funds
June 30, 2010
(amounts expressed in thousands)

	PATIENTS COMPENSATION FUND	ROAD & STREET, PRIMARY HIGHWAY	TOBACCO SETTLEMENT FUND	STATE TUITION RESERVE FUND	US DEPARTMENT OF AGRICULTURE
Assets:					
Cash, cash equivalents and investments-unrestricted	$ 258,430	$ 3,926	$ 110,989	$ -	$ -
Securities lending collateral	-	-	30,600	-	-
Receivables:					
Taxes (net of allowance for uncollectible accounts)	-	11,784	-	-	-
Securities lending	28	-	7	-	-
Accounts	1,663	359	-	-	-
Grants	-	-	-	-	47,650
Interest	24	-	9	-	-
Interfund loans	-	-	-	-	-
Due from component unit	-	-	-	-	-
Loans	-	-	-	-	-
Total assets	$ 260,145	$ 16,069	$ 141,605	$ -	$ 47,650
Liabilities:					
Accounts payable	$ 65,105	$ -	$ 4,227	$ -	$ 595
Salaries and benefits payable	21	-	98	-	280
Interfund loans	-	-	-	-	55,647
Interfunds services used	2	-	16	-	4
Intergovernmental payable	-	6,697	-	-	8,262
Tax refunds payable	-	-	-	-	-
Deferred revenue	-	4,093	-	-	-
Accrued liability for compensated absences-current	3	-	5	-	14
Pollution remediation payable	-	-	-	-	-
Securities lending payable	28	-	7	-	-
Securities lending collateral	-	-	30,600	-	-
Total liabilities	65,159	10,790	34,953	-	64,802
Fund balance:					
Reserved:					
Encumbrances	23	-	5,982	-	1,580
Special purposes	-	-	-	-	-
Interfund loans	-	-	-	-	-
Reserved for long-term loans and advances	-	-	-	-	-
Reserved for restricted purposes	-	-	-	-	39,388
Unreserved:					
Designated for Appropriations	-	-	56,641	-	-
Designated for Allotments	194,963	5,279	7,217	-	-
Unreserved Undesignated fund balance	-	-	36,812	-	(58,120)
Unreserved	194,963	5,279	100,670	-	(58,120)
Total fund balances	194,986	5,279	106,652	-	(17,152)
Total liabilities and fund balances	$ 260,145	$ 16,069	$ 141,605	$ -	$ 47,650

US DEPARTMENT OF LABOR	US DEPARTMENT OF EDUCATION	FEDERAL FOOD STAMP PROGRAM	Other Non-Major Special Revenue Funds	Total
$ -	$ -	$ 13,434	$ 743,246	**$ 1,923,763**
-	-	-	-	**30,600**
-	-	-	66,933	**182,037**
-	-	-	1	**38**
97	-	-	14,506	**29,363**
4,630	78,079	8,566	55,913	**209,608**
-	-	-	17	**62**
-	-	-	-	**36,665**
-	-	-	-	**36,809**
-	-	-	7,901	**9,169**
$ 4,727	$ 78,079	$ 22,000	$ 888,517	**$ 2,458,114**
$ 4,772	$ 12,344	$ 1,886	$ 69,911	**$ 171,338**
2,514	969	-	13,030	**26,627**
9,500	57,345	-	-	**169,251**
815	172	4	2,581	**4,563**
-	31,937	-	2,128	**73,506**
-	-	-	81	**5,822**
-	1,006	5	11,889	**68,166**
209	79	-	1,242	**1,794**
-	-	-	3	**3**
-	-	-	1	**38**
-	-	-	-	**30,600**
17,810	103,852	1,895	100,866	**551,708**
9	5,174	1,846	342,676	**373,753**
-	-	-	4,264	**4,264**
-	-	-	-	**36,665**
-	-	-	7,901	**9,169**
4,630	46,142	8,566	55,788	**169,284**
-	-	-		
-	-	-	291,371	**655,805**
-	-	9,693	85,651	**810,125**
(17,722)	(77,089)	-	-	**(152,659)**
(17,722)	(77,089)	9,693	377,022	**1,313,271**
(13,083)	(25,773)	20,105	787,651	**1,906,406**
$ 4,727	$ 78,079	$ 22,000	$ 888,517	**$ 2,458,114**

State of Indiana
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Special Revenue Funds
For the Year Ended June 30, 2010
(amounts expressed in thousands)

	Higher Education	State Gaming Fund	Motor Vehicle Highway	Motor Vehicle Commission
Revenues:				
Taxes:				
Income	$ -	$ -	$ -	$ -
Sales	-	-	-	-
Fuels	-	-	395,447	-
Gaming	-	792,876	-	-
Unemployment	-	-	-	-
Alcohol and tobacco	-	-	-	-
Insurance	-	-	-	-
Financial Institutions	-	-	-	-
Other	-	-	-	-
Total taxes	-	792,876	395,447	-
Current service charges	14	1,775	231,576	98,480
Investment income	-	-	-	-
Sales/rents	-	-	671	-
Grants	-	-	44	-
Other	95	30	1,042	15
Total revenues	109	794,681	628,780	98,495
Expenditures:				
Current:				
General government	-	133,481	279,037	-
Public safety	-	-	185,964	77,153
Health	-	-	-	-
Welfare	-	-	-	-
Conservation, culture and development	-	-	-	-
Education	114,041	-	192	-
Transportation	-	-	-	-
Total expenditures	114,041	133,481	465,193	77,153
Excess (deficiency) of revenues over (under) expenditures	(113,932)	661,200	163,587	21,342
Other financing sources (uses):				
Transfers in	148,576	667	110,410	702,491
Transfers (out)	(13,106)	(661,803)	(293,724)	(719,302)
Proceeds from capital lease	-	-	-	-
Total other financing sources (uses)	135,470	(661,136)	(183,314)	(16,811)
Net change in fund balances	21,538	64	(19,727)	4,531
Fund Balance July 1, as restated	11,591	30,713	21,286	(18,432)
Fund Balance June 30	**$ 33,129**	**$ 30,777**	**$ 1,559**	**$ (13,901)**

Welfare	Build Indiana Fund	Property Tax Reduction Fund	Indiana Check-Up Plan	Fund 6000 Programs
$ -	$ -	$ -	$ -	$ 22,098
-	-	-	-	18,739
-	-	-	-	39,657
-	-	-	-	534
-	-	-	-	-
-	-	-	126,912	-
-	-	-	-	9
-	-	-	-	56,726
-	-	-	-	44,088
-	-	-	126,912	181,851
-	37,309	-	-	146,707
-	-	-	-	8,522
-	-	-	-	3,259
28,521	-	-	-	17,067
5,545	91,304	86	-	37,812
34,066	128,613	86	126,912	395,218
-	115	-	8	157,387
-	-	-	-	14,114
-	-	-	10,659	1,324
99,157	-	-	118,361	8,414
-	123	-	-	9,191
-	335	-	-	10,645
-	-	-	-	1,725
99,157	573	-	129,028	202,800
(65,091)	128,040	86	(2,116)	192,418
421,684	129,389	-	36	43,022
(277,500)	(251,484)	-	(17)	(218,369)
-	-	-	-	-
144,184	(122,095)	-	19	(175,347)
79,093	5,945	86	(2,097)	17,071
(21,470)	35,834	-	201,881	479,834
$ 57,623	**$ 41,779**	**$ 86**	**$ 199,784**	**$ 496,905**

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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, 2010
(amounts expressed in thousands)

	Patients Compensation Fund	Road & Street, Primary Highway	Tobacco Settlement Fund	State Tuition Reserve Fund
Revenues:				
Taxes:				
Income	$ -	$ -	$ -	$ -
Sales	-	-	-	-
Fuels	-	178,706	-	-
Gaming	-	-	-	-
Unemployment	-	-	-	-
Alcohol and tobacco	-	-	-	-
Insurance	-	-	-	-
Financial Institutions	-	-	-	-
Other	-	-	-	-
Total taxes	-	178,706	-	-
Current service charges	126,037	18,686	135,025	-
Investment income	482	-	98	3,796
Sales/rents	-	-	-	-
Grants	-	-	26	-
Other	-	-	1,460	-
Total revenues	126,519	197,392	136,609	3,796
Expenditures:				
Current:				
General government	-	72,769	14,113	-
Public safety	120,966	-	-	-
Health	-	-	41,471	-
Welfare	-	-	772	-
Conservation, culture and development	-	-	-	-
Education	-	-	-	-
Transportation	-	-	-	-
Total expenditures	120,966	72,769	56,356	-
Excess (deficiency) of revenues over expenditures	5,553	124,623	80,253	3,796
Other financing sources (uses):				
Transfers in	-	10,050	1,516	198
Transfers (out)	(159)	(131,549)	(133,851)	(945,713)
Proceeds from capital lease	-	-	-	-
Total other financing sources (uses)	(159)	(121,499)	(132,335)	(945,515)
Net change in fund balances	5,394	3,124	(52,082)	(941,719)
Fund Balance July 1, as restated	189,592	2,155	158,734	941,719
Fund Balance June 30	**$ 194,986**	**$ 5,279**	**$ 106,652**	**$ -**

US Department of Agriculture	US Department of Labor	US Department of Education	Federal Food Stamp Program	Other Non-Major Special Revenue Funds	Total
$ -	$ -	$ -	$ -	$ 130	**$ 22,228**
-	-	-	-	47,616	**66,355**
-	-	-	-	155,282	**769,092**
-	-	-	-	24,347	**817,757**
-	807	-	-	-	**807**
-	-	-	-	35,696	**162,608**
-	-	-	-	3,983	**3,992**
-	-	-	-	-	**56,726**
-	-	-	-	10,029	**54,117**
-	807	-	-	277,083	**1,953,682**
1	672	1,446	-	267,977	**1,065,705**
-	-	9	-	570	**13,477**
-	-	124	-	12,591	**16,645**
326,918	179,554	745,679	1,314,572	346,892	**2,959,273**
238	745	1,477	-	44,840	**184,689**
327,157	181,778	748,735	1,314,572	949,953	**6,193,471**
546	86	393	-	173,943	**831,878**
3,831	4,935	3,962	-	230,242	**641,167**
90	-	-	-	10,034	**63,578**
-	3,147	115,040	1,350,543	153,220	**1,848,654**
4,238	191,352	14,299	-	272,493	**491,696**
320,443	-	670,045	-	110,622	**1,226,323**
-	-	-	-	119,035	**120,760**
329,148	199,520	803,739	1,350,543	1,069,589	**5,224,056**
(1,991)	(17,742)	(55,004)	(35,971)	(119,636)	**969,415**
7,756	3,143	35,252	69,689	1,435,174	**3,119,053**
(24,221)	(960)	(8,742)	(9,409)	(1,321,428)	**(5,011,337)**
-	73	122	-	-	**195**
(16,465)	2,256	26,632	60,280	113,746	**(1,892,089)**
(18,456)	(15,486)	(28,372)	24,309	(5,890)	**(922,674)**
1,304	2,403	2,599	(4,204)	793,541	**2,829,080**
$ (17,152)	**$ (13,083)**	**$ (25,773)**	**$ 20,105**	**$ 787,651**	**$ 1,906,406**

State of Indiana
Combining Balance Sheet
Non-Major Capital Projects Funds
June 30, 2010
(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	$ 4,862	$ 76,527	$ 9,973	**$ 91,362**
Receivables:				
Taxes (net of allowance for uncollectible accounts)	-	1,728	-	**1,728**
Total assets	$ 4,862	$ 78,255	$ 9,973	**$ 93,090**
Liabilities:				
Accounts payable	$ 136	$ 663	$ 101	**$ 900**
Deferred revenue	-	8	-	**8**
Total liabilities	136	671	101	**908**
Fund balance:				
Reserved:				
Encumbrances	999	1,117	237	**2,353**
Unreserved:				
Designated for Allotments	3,299	73,848	7,166	**84,313**
Unreserved Undesignated fund balance	428	2,619	2,469	**5,516**
Unreserved	3,727	76,467	9,635	**89,829**
Total fund balances	4,726	77,584	9,872	**92,182**
Total liabilities and fund balances	$ 4,862	$ 78,255	$ 9,973	**$ 93,090**

State of Indiana
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Capital Projects Funds
For the Year Ended June 30, 2010
(amounts expressed in thousands)

	State Police Building Commission	Post War Construction	Other Non-Major Capital Projects Funds	Total
Revenues:				
Taxes:				
Alcohol and tobacco	$ -	$ 18,169	$ -	**$ 18,169**
Total taxes	-	18,169	-	**18,169**
Current service charges	1,748	-	-	**1,748**
Grants	9	-	-	**9**
Total revenues	1,757	18,169	-	**19,926**
Expenditures:				
Current:				
General government	-	373	56	**429**
Public safety	2,897	10,477	476	**13,850**
Health	-	89	784	**873**
Welfare	-	186	-	**186**
Education	-	38	-	**38**
Total expenditures	2,897	11,163	1,316	**15,376**
Excess (deficiency) of revenues over (under) expenditures	(1,140)	7,006	(1,316)	**4,550**
Other financing sources (uses):				
Transfers in	10	-	1,856	**1,866**
Transfers (out)	-	(12,340)	(710)	**(13,050)**
Total other financing sources (uses)	10	(12,340)	1,146	**(11,184)**
Net change in fund balances	(1,130)	(5,334)	(170)	**(6,634)**
Fund Balance July 1, as restated	5,856	82,918	10,042	**98,816**
Fund Balance June 30	**$ 4,726**	**$ 77,584**	**$ 9,872**	**$ 92,182**

State of Indiana
Combining Balance Sheet
Non-Major Permanent Funds
June 30, 2010
(amounts expressed in thousands)

	Common School, Principal	Next Generation Trust Fund	Other Non-Major Permanent Funds	Total
Assets:				
Cash, cash equivalents and investments-unrestricted	$ 133,389	$ 608,104	$ 5,309	**$ 746,802**
Securities lending collateral	-	27,014	-	**27,014**
Receivables:				
Securities lending	2	9	-	**11**
Interest	11	5	1	**17**
Loans	413,988	-	127	**414,115**
Total assets	$ 547,390	$ 635,132	$ 5,437	**$ 1,187,959**
Liabilities:				
Accounts payable	$ 1,230	$ -	$ -	**$ 1,230**
Securities lending payable	2	9	-	**11**
Securities lending collateral	-	27,014	-	**27,014**
Total liabilities	1,232	27,023	-	**28,255**
Fund balance:				
Reserved:				
Reserved for long-term loans and advances	413,988	-	127	**414,115**
Unreserved:				
Designated for Appropriations	-	-	658	**658**
Designated for Allotments	132,170	-	3,080	**135,250**
Unreserved Undesignated fund balance	-	608,109	1,572	**609,681**
Unreserved	132,170	608,109	5,310	**745,589**
Total fund balances	546,158	608,109	5,437	**1,159,704**
Total liabilities and fund balances	$ 547,390	$ 635,132	$ 5,437	**$ 1,187,959**

State of Indiana
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Permanent Funds
For the Year Ended June 30, 2010
(amounts expressed in thousands)

	Common School, Principal	Next Generation Trust Fund	Other Non-Major Permanent Funds	Total
Revenues:				
Current service charges	$ 1,330	$ -	$ -	**$ 1,330**
Investment income	521	68,618	13	**69,152**
Other	7,336	-	371	**7,707**
Total revenues	9,187	68,618	384	**78,189**
Expenditures:				
Current:				
General government	13,251	-	103	**13,354**
Total expenditures	13,251	-	103	**13,354**
Excess (deficiency) of revenues over (under) expenditures	(4,064)	68,618	281	**64,835**
Net change in fund balances	(4,064)	68,618	281	**64,835**
Fund Balance July 1, as restated	550,222	539,491	5,156	**1,094,869**
Fund Balance June 30	**$ 546,158**	**$ 608,109**	**$ 5,437**	**$ 1,159,704**

State of Indiana
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2010
(amounts expressed in thousands)

	Higher Education			
	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	-	-	14	14
Investment income	-	-	-	-
Sales/rents	-	-	-	-
Grants	1,383	1,383	-	(1,383)
Other	434	434	95	(339)
Total revenues	1,817	1,817	109	(1,708)
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Health	-	-	-	-
Welfare	-	-	-	-
Conservation, culture and development	-	-	-	-
Education	-	38,590	114,045	(75,455)
Transportation	-	-	-	-
Total expenditures	-	38,590	114,045	(75,455)
Excess of revenues over (under) expenditures	1,817	(36,773)	(113,936)	77,163
Other financing sources (uses):				
Total other financing sources (uses)	135,470	135,470	135,470	-
Net change in fund balances	$ 137,287	$ 98,697	$ 21,534	$ (77,163)
Fund balances July 1, as restated			$ 11,599	
Fund balances June 30			**$ 33,133**	

State Gaming Fund				Motor Vehicle Highway Fund			
Budget		Actual	Variance to Final Budget	Budget		Actual	Variance to Final Budget
Original	Final			Original	Final		
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-	-
-	-	-	-	444,588	444,588	402,406	(42,182)
798,202	798,202	799,610	1,408	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
798,202	798,202	799,610	1,408	444,588	444,588	402,406	(42,182)
1,681	1,681	1,775	94	122,032	122,032	226,947	104,915
-	-	-	-	-	-	-	-
-	-	-	-	7	7	671	664
9	9	-	(9)	17,494	17,494	84	(17,410)
233	233	30	(203)	30,070	30,070	1,042	(29,028)
800,125	800,125	801,415	1,290	614,191	614,191	631,150	16,959
4,101	187,446	133,489	53,957	301,289	558,434	276,693	281,741
-	-	-	-	207,393	211,670	185,344	26,326
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	252	252	194	58
-	-	-	-	500	500	-	500
4,101	187,446	133,489	53,957	509,434	770,856	462,231	308,625
796,024	612,679	667,926	(55,247)	104,757	(156,665)	168,919	(325,584)
(661,136)	(661,136)	(661,136)	-	(183,314)	(183,314)	(183,314)	-
$ 134,888	$ (48,457)	$ 6,790	$ 55,247	$ (78,557)	$ (339,979)	$ (14,395)	$ 325,584
		$ 18,617				$ 39,061	
		$ 25,407				**$ 24,666**	

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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, 2010
(amounts expressed in thousands)

	Motor Vehicle Commission			
	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	82,753	82,753	98,356	15,603
Investment income	-	-	-	-
Sales/rents	-	-	-	-
Grants	350	350	-	(350)
Other	3,274	3,274	15	(3,259)
Total revenues	86,377	86,377	98,371	11,994
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	80,077	82,161	80,336	1,825
Health	-	-	-	-
Welfare	-	-	-	-
Conservation, culture and development	-	-	-	-
Education	-	-	-	-
Transportation	-	-	-	-
Total expenditures	80,077	82,161	80,336	1,825
Excess of revenues over (under) expenditures	6,300	4,216	18,035	(13,819)
Other financing sources (uses):				
Total other financing sources (uses)	(16,811)	(16,811)	(16,811)	-
Net change in fund balances	$ (10,511)	$ (12,595)	$ 1,224	$ 13,819
Fund balances July 1, as restated			$ (13,484)	
Fund balances June 30			**$ (12,260)**	

Welfare				Build Indiana Fund			
Budget		Actual	Variance to Final Budget	Budget		Actual	Variance to Final Budget
Original	Final			Original	Final		
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	123,443	123,443	32,557	(90,886)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
39,509	39,509	33,372	(6,137)	-	-	-	-
3,602	3,602	5,545	1,943	-	-	91,304	91,304
43,111	43,111	38,917	(4,194)	123,443	123,443	123,861	418
-	-	-	-	-	121,974	115	121,859
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	577,379	121,907	455,472	-	-	-	-
-	-	-	-	-	221	122	99
-	-	-	-	-	9,635	336	9,299
-	-	-	-	-	-	-	-
-	577,379	121,907	455,472	-	131,830	573	131,257
43,111	(534,268)	(82,990)	(451,278)	123,443	(8,387)	123,288	(131,675)
144,184	144,184	144,184	-	(122,095)	(122,095)	(122,095)	-
$ 187,295	$ (390,084)	$ 61,194	$ 451,278	$ 1,348	$ (130,482)	$ 1,193	$ 131,675
		$ (17,626)				$ 3,776	
		$ 43,568				**$ 4,969**	

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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, 2010
(amounts expressed in thousands)

	Property Tax Reduction 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	200,000	200,000	-	(200,000)
Investment income	-	-	-	-
Sales/rents	-	-	-	-
Grants	-	-	-	-
Other	2,760	2,760	86	(2,674)
Total revenues	202,760	202,760	86	(202,674)
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Health	-	-	-	-
Welfare	-	-	-	-
Conservation, culture and development	-	-	-	-
Education	-	-	-	-
Transportation	-	-	-	-
Total expenditures	-	-	-	-
Excess of revenues over (under) expenditures	202,760	202,760	86	202,674
Other financing sources (uses):				
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	$ 202,760	$ 202,760	$ 86	$ (202,674)
Fund balances July 1, as restated			$ -	
Fund balances June 30			**$ 86**	

Indiana Check-Up Plan				Fund 6000 Programs			
Budget		Actual	Variance to Final Budget	Budget		Actual	Variance to Final Budget
Original	Final			Original	Final		
$ -	$ -	$ -	$ -	$ 133,786	$ 133,786	$ 36,797	$ (96,989)
-	-	-	-	95,674	95,674	29,043	(66,631)
-	-	-	-	25,119	25,119	18,580	(6,539)
-	-	-	-	45	45	267	222
-	-	-	-	-	-	-	-
138,398	138,398	128,182	(10,216)	9,787	9,787	754	(9,033)
-	-	-	-	4,385	4,385	34	(4,351)
-	-	-	-	16,298	16,298	55,959	39,661
-	-	-	-	160,774	160,774	59,663	(101,111)
138,398	138,398	128,182	(10,216)	445,868	445,868	201,097	(244,771)
-	-	-	-	106,986	106,986	153,981	46,995
-	-	-	-	998	998	8,832	7,834
-	-	-	-	1,647	1,647	3,259	1,612
-	-	-	-	1,139,539	1,139,539	16,326	(1,123,213)
-	-	-	-	315,594	315,594	54,052	(261,542)
138,398	138,398	128,182	(10,216)	2,010,632	2,010,632	437,547	(1,573,085)
-	-	8	(8)	-	247,967	167,787	80,180
-	-	-	-	30	28,812	15,208	13,604
11,000	11,000	10,197	803	-	7,550	1,860	5,690
-	216,085	118,519	97,566	8,782	6,399	7,529	(1,130)
-	-	-	-	-	35,839	19,793	16,046
-	-	-	-	-	11,516	10,148	1,368
-	-	-	-	-	4,876	1,734	3,142
11,000	227,085	128,724	98,361	8,812	342,959	224,059	118,900
127,398	(88,687)	(542)	(88,145)	2,001,820	1,667,673	213,488	1,454,185
19	19	19	-	(175,347)	(175,347)	(175,347)	-
$ 127,417	$ (88,668)	$ (523)	$ 88,145	$ 1,826,473	$ 1,492,326	$ 38,141	$ (1,454,185)
		$ 188,700				$ 432,345	
		$ 188,177				**$ 470,486**	

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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, 2010
(amounts expressed in thousands)

	Patients Compensation 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	130,123	130,123	124,594	(5,529)
Investment income	2,351	2,351	254	(2,097)
Sales/rents	-	-	-	-
Grants	2	2	-	(2)
Other	-	-	-	-
Total revenues	132,476	132,476	124,848	(7,628)
Expenditures:				
Current:				
General government	-	-	22	(22)
Public safety	1,837	298,908	110,022	188,886
Health	-	-	-	-
Welfare	-	-	-	-
Conservation, culture and development	-	-	-	-
Education	-	-	-	-
Transportation	-	-	-	-
Total expenditures	1,837	298,908	110,044	188,864
Excess of revenues over (under) expenditures	130,639	(166,432)	14,804	(181,236)
Other financing sources (uses):				
Total other financing sources (uses)	(159)	(159)	(159)	-
Net change in fund balances	$ 130,480	$ (166,591)	$ 14,645	$ 181,236
Fund balances July 1, as restated			$ 243,780	
Fund balances June 30			**$ 258,425**	

Road and Street, Primary Highway				Tobacco Settlement Fund			
Budget		Actual	Variance to Final Budget	Budget		Actual	Variance to Final Budget
Original	Final			Original	Final		
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-	-
156,172	156,172	174,998	18,826	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
4,867	4,867	-	(4,867)	-	-	-	-
161,039	161,039	174,998	13,959	-	-	-	-
17,006	17,006	18,387	1,381	160,954	160,954	135,025	(25,929)
-	-	-	-	1,441	1,441	178	(1,263)
-	-	-	-	-	-	-	-
-	-	-	-	5	5	26	21
-	-	-	-	1,263	1,263	1,460	197
178,045	178,045	193,385	15,340	163,663	163,663	136,689	(26,974)
-	46,194	72,511	(26,317)	13,744	214,089	14,049	200,040
-	-	-	-	-	-	-	-
-	-	-	-	21,400	37,393	41,228	(3,835)
-	-	-	-	-	10,039	724	9,315
-	-	-	-	-	127	2	125
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	46,194	72,511	(26,317)	35,144	261,648	56,003	205,645
178,045	131,851	120,874	10,977	128,519	(97,985)	80,686	(178,671)
(121,499)	(121,499)	(121,499)	-	(132,335)	(132,335)	(132,335)	-
$ 56,546	$ 10,352	$ (625)	$ (10,977)	$ (3,816)	$ (230,320)	$ (51,649)	$ 178,671
		$ 4,551				$ 161,161	
		$ 3,926				**$ 109,512**	

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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, 2010
(amounts expressed in thousands)

	State Tuition Reserve 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	-	-	-	-
Investment income	-	-	3,796	3,796
Sales/rents	-	-	-	-
Grants	-	-	-	-
Other	-	-	-	-
Total revenues	-	-	3,796	3,796
Expenditures:				
Current:				
General government	-	941,917	-	941,917
Public safety	-	-	-	-
Health	-	-	-	-
Welfare	-	-	-	-
Conservation, culture and development	-	-	-	-
Education	-	-	-	-
Transportation	-	-	-	-
Total expenditures	-	941,917	-	941,917
Excess of revenues over (under) expenditures	-	(941,917)	3,796	(945,713)
Other financing sources (uses):				
Total other financing sources (uses)	(945,515)	(945,515)	(945,515)	-
Net change in fund balances	$ (945,515)	$ (1,887,432)	$ (941,719)	$ 945,713
Fund balances July 1, as restated			$ 941,719	
Fund balances June 30			**$ -**	

U.S. Department of Agriculture				U.S. Department of Labor			
Budget		Actual	Variance to Final Budget	Budget		Actual	Variance to Final Budget
Original	Final			Original	Final		
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	807	807
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	807	807
-	-	1	1	-	-	672	672
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	287,333	287,333	-	-	182,865	182,865
-	-	238	238	-	-	745	745
-	-	287,572	287,572	-	-	185,089	185,089
-	9,847	527	9,320	-	130	86	44
-	6,506	3,661	2,845	-	7,088	4,772	2,316
-	11,417	37	11,380	-	-	-	-
-	-	-	-	-	6,897	3,007	3,890
-	9,447	4,202	5,245	-	377,269	187,763	189,506
-	494,004	320,107	173,897	-	-	-	-
-	-	-	-	-	-	-	-
-	531,221	328,534	202,687	-	391,384	195,628	195,756
-	(531,221)	(40,962)	(490,259)	-	(391,384)	(10,539)	(380,845)
(24,221)	(24,221)	(16,465)	7,756	2,183	2,183	2,183	-
$ (24,221)	$ (555,442)	$ (57,427)	$ 498,015	$ 2,183	$ (389,201)	$ (8,356)	$ 380,845
		1,336				$ (2,058)	
		$ (56,091)				**$ (10,414)**	

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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, 2010
(amounts expressed in thousands)

	U.S. Department of Education			
	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	-	-	1,446	1,446
Investment income	-	-	9	9
Sales/rents	-	-	124	124
Grants	-	-	704,580	704,580
Other	-	-	1,477	1,477
Total revenues	-	-	707,636	707,636
Expenditures:				
Current:				
General government	-	598	392	206
Public safety	-	5,942	3,883	2,059
Health	-	-	-	-
Welfare	-	177,881	113,709	64,172
Conservation, culture and development	-	29,591	15,349	14,242
Education	-	821,202	670,200	151,002
Transportation	-	-	-	-
Total expenditures	-	1,035,214	803,533	231,681
Excess of revenues over (under) expenditures	-	(1,035,214)	(95,897)	(939,317)
Other financing sources (uses):				
Total other financing sources (uses)	26,510	26,510	26,510	-
Net change in fund balances	$ 26,510	$ (1,008,704)	$ (69,387)	$ 939,317
Fund balances July 1, as restated			$ 7,577	
Fund balances June 30			**$ (61,810)**	

Federal Food Stamp Program				Other Non-Major Special Revenue Funds			
Budget		Actual	Variance to Final Budget	Budget		Actual	Variance to Final Budget
Original	Final			Original	Final		
$ -	$ -	$ -	$ -	$ -	$ -	$ 130	$ 130
-	-	-	-	47,916	47,916	47,462	(454)
-	-	-	-	146,695	146,695	152,605	5,910
-	-	-	-	-	-	22,386	22,386
-	-	-	-	-	-	-	-
-	-	-	-	39,156	39,156	36,068	(3,088)
-	-	-	-	-	-	3,983	3,983
-	-	-	-	-	-	-	-
-	-	-	-	102,641	102,641	10,246	(92,395)
-	-	-	-	336,408	336,408	272,880	(63,528)
-	-	-	-	263,925	263,925	272,173	8,248
-	-	-	-	3,304	3,304	597	(2,707)
-	-	-	-	14,672	14,672	5,340	(9,332)
65,523	65,523	56,207	(9,316)	1,595,548	1,595,548	354,436	(1,241,112)
24	24	-	(24)	110,478	110,478	44,840	(65,638)
65,547	65,547	56,207	(9,340)	2,324,335	2,324,335	950,266	(1,374,069)
-	-	-	-	114,304	931,801	169,158	762,643
-	-	-	-	83,193	489,344	224,059	265,285
-	-	-	-	8,748	8,403	9,621	(1,218)
-	171,302	97,016	74,286	-	511,710	161,446	350,264
-	-	-	-	198,259	630,719	274,111	356,608
-	-	-	-	4,490	83,214	109,213	(25,999)
-	-	-	-	150,037	132,409	119,929	12,480
-	171,302	97,016	74,286	559,031	2,787,600	1,067,537	1,720,063
65,547	(105,755)	(40,809)	(64,946)	1,765,304	(463,265)	(117,271)	(345,994)
60,280	60,280	60,280	-	113,746	113,746	113,746	-
$ 125,827	$ (45,475)	$ 19,471	$ 64,946	$ 1,879,050	$ (349,519)	$ (3,525)	$ 345,994
		$ (7,913)				$ 714,074	
		$ 11,558				**$ 710,549**	

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)	$ (984,199)
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)	1,268,272
Expenditures are recorded when the liability is incurred (GAAP) as opposed to when payment is made (budgetary)	(1,205,876)
Funds not subject to legally adopted budget	(871)
Net change in fund balances (GAAP basis)	**$ (922,674)**

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 Proprietary Funds
June 30, 2010
(amounts expressed in thousands)

	Residual Malpractice Insurance Authority	Inns and Concessions	Total
Assets			
Current assets:			
Cash, cash equivalents and investments - unrestricted	$ 67,989	$ 4,806	**$ 72,795**
Receivables:			
Accounts	398	278	**676**
Interest	718	-	**718**
Inventory	-	566	**566**
Prepaid expenses	-	78	**78**
Total current assets	69,105	5,728	**74,833**
Noncurrent assets:			
Capital assets:			
Property, plant, and equipment	-	381	**381**
Less accumulated depreciation	-	(293)	**(293)**
Total capital assets, net of depreciation	-	88	**88**
Total noncurrent assets	-	88	**88**
Total assets	**69,105**	**5,816**	**74,921**
Liabilities			
Current liabilities:			
Accounts payable	-	525	**525**
Claims payable	3,331	-	**3,331**
Salaries and benefits payable	-	515	**515**
Accrued liability for compensated absences	-	200	**200**
Deferred revenue	1,623	3,282	**4,905**
Other liabilities	69	425	**494**
Total current liabilities	5,023	4,947	**9,970**
Noncurrent liabilities:			
Accrued liability for compensated absences	-	296	**296**
Claims payable	42,142	-	**42,142**
Total noncurrent liabilities	42,142	296	**42,438**
Total liabilities	**47,165**	**5,243**	**52,408**
Net assets			
Invested in capital assets net of related debt	-	88	**88**
Unrestricted	21,940	485	**22,425**
Total net assets	**$ 21,940**	**$ 573**	**$ 22,513**

State of Indiana
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Non-Major Proprietary Funds
For the Fiscal Year Ended June 30, 2010
(amounts expressed in thousands)

	Residual Malpractice Insurance Authority	Inns and Concessions	Total
Operating revenues:			
Sales/rents/premiums	$ 4,062	$ 23,033	**$ 27,095**
Other	-	185	**185**
Total operating revenues	4,062	23,218	**27,280**
Cost of sales	-	4,125	**4,125**
Gross margin	4,062	19,093	**23,155**
Operating expenses:			
General and administrative expense	563	16,206	**16,769**
Claims expense	3,115	-	**3,115**
Depreciation and amortization	-	33	**33**
Other	-	25	**25**
Total operating expenses	3,678	16,264	**19,942**
Operating income (loss)	384	2,829	**3,213**
Nonoperating revenues (expenses):			
Interest and other investment income	3,690	23	**3,713**
Total nonoperating revenues (expenses)	3,690	23	**3,713**
Income before contributions and transfers	4,074	2,852	**6,926**
Transfers (out)	-	(2,572)	**(2,572)**
Change in net assets	4,074	280	**4,354**
Total net assets, July 1	**17,866**	**293**	**18,159**
Total net assets, June 30	**$ 21,940**	**$ 573**	**$ 22,513**

State of Indiana
Combining Statement of Cash Flows
Non-Major Proprietary Funds
For the Fiscal Year Ended June 30, 2010

(amounts expressed in thousands)

	Residual Malpractice Insurance Authority	Inns and Concessions	Total
Cash flows from operating activities:			
Cash received from customers	$ 3,296	$ 23,315	**$ 26,611**
Cash paid for general and administrative	(646)	(16,246)	**(16,892)**
Cash paid to suppliers	-	(4,083)	**(4,083)**
Cash paid for claims expense	(3,346)	-	**(3,346)**
Net cash provided (used) by operating activities	(696)	2,986	**2,290**
Cash flows from noncapital financing activities:			
Transfers out	-	(2,573)	**(2,573)**
Net cash provided (used) by noncapital financing activities	-	(2,573)	**(2,573)**
Cash flows from investing activities:			
Proceeds from sales of investments	6,000	10	**6,010**
Purchase of investments	(8,745)	-	**(8,745)**
Interest income (expense) on investments	2,741	23	**2,764**
Net cash provided (used) by investing activities	(4)	33	**29**
Net increase (decrease) in cash and cash equivalents	(700)	446	**(254)**
Cash and cash equivalents, July 1	1,202	3,925	**5,127**
Cash and cash equivalents, June 30	**$ 502**	**$ 4,371**	**$ 4,873**
Reconciliation of cash , cash equivalents and investments:			
Cash and cash equivalents unrestricted at end of year	$ 502	$ 4,371	**$ 4,873**
Investments unrestricted	67,487	435	**67,922**
Cash, cash equivalents and investments per balance sheet	**$ 67,989**	**$ 4,806**	**$ 72,795**
Noncash investing, capital and financing activities:			
Increase in fair value of investments	$ 963	$ -	**$ 963**

State of Indiana
Combining Statement of Cash Flows
Non-Major Proprietary Funds
For the Fiscal Year Ended June 30, 2010
(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)	$ 384	$ 2,830	**$ 3,214**
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation/amortization expense	-	33	**33**
(Increase) decrease in receivables	87	63	**150**
(Increase) decrease in inventory	-	42	**42**
(Increase) decrease in prepaid expenses	-	(29)	**(29)**
(Increase) decrease in claims payable	(231)	-	**(231)**
Increase (decrease) in accounts payable	-	(17)	**(17)**
Increase (decrease) in deferred revenue	(853)	17	**(836)**
Increase (decrease) in salaries payable	-	7	**7**
Increase (decrease) in compensated absences	-	(12)	**(12)**
Increase (decrease) in other payables	(83)	52	**(31)**
Net cash provided (used) by operating activities	**$ (696)**	**$ 2,986**	**$ 2,290**

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.

State Police Employees' LTD 20% Fund - This fund is part of the State Police Employees' Death and Disability Fund. It accounts for revenues and expenses incurred to provide for payment up to two years of long-term disability benefits equal to twenty percent of salary.

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, 2010
(amounts expressed in thousands)

	Institutional Industries	Administrative Services Revolving	State Police Health Insurance Fund	State Police 20% LTD Fund	State Employee Disability Fund	State Employee Health Insurance Fund	State Personnel Department Fund	Total
Assets								
Current assets:								
Cash, cash equivalents and investments - unrestricted	$ 1,282	$ 10,801	$ 8,812	$ 1,480	$ 26,283	$ 44,478	$ 863	**$ 93,999**
Receivables:								
Accounts	4,092	2,189	1,255	14	1,015	12,648	-	**21,213**
Interfund services provided	2,695	8,176	-	-	-	-	-	**10,871**
Inventory	4,281	2,230	-	-	-	-	-	**6,511**
Prepaid expenses	-	-	-	-	-	-	-	**-**
Total current assets	12,350	23,396	10,067	1,494	27,298	57,126	863	**132,594**
Noncurrent assets:								
Capital assets:								
Construction in progress	132	-	-	-	-	-	-	**132**
Property, plant, and equipment	19,726	40,790	-	-	-	-	-	**60,516**
Less accumulated depreciation	(11,326)	(28,021)	-	-	-	-	-	**(39,347)**
Total capital assets, net of depreciation	8,532	12,769	-	-	-	-	-	**21,301**
Other assets	-	-	-	-	-	-	-	**-**
Total noncurrent assets	8,532	12,769	-	-	-	-	-	**21,301**
Total assets	**20,882**	**36,165**	**10,067**	**1,494**	**27,298**	**57,126**	**863**	**153,895**
Liabilities								
Current liabilities:								
Accounts payable	6,106	1,222	-	-	49	547	-	**7,924**
Salaries and benefits payable	374	1,083	-	-	-	-	329	**1,786**
Capital lease payable	155	117	-	-	-	-	-	**272**
Health/disability benefits payable	-	-	4,005	-	4,932	39,641	-	**48,578**
Accrued liability for compensated absences	418	1,627	-	-	-	-	367	**2,412**
Deferred revenue	7	-	-	-	-	-	-	**7**
Other liabilities	37	-	-	-	-	-	-	**37**
Total current liabilities	7,097	4,049	4,005	-	4,981	40,188	696	**61,016**
Noncurrent liabilities:								
Accrued liability for compensated absences	379	1,475	-	-	-	-	333	**2,187**
Capital lease payable	8,185	233	-	-	-	-	-	**8,418**
Total noncurrent liabilites	8,564	1,708	-	-	-	-	333	**10,605**
Total liabilities	**15,661**	**5,757**	**4,005**	**-**	**4,981**	**40,188**	**1,029**	**71,621**
Net assets								
Invested in capital assets net of related debt	192	12,419	-	-	-	-	-	**12,611**
Unrestricted (deficit)	5,029	17,989	6,062	1,494	22,317	16,938	(166)	**69,663**
Total net assets	**$ 5,221**	**$ 30,408**	**$ 6,062**	**$ 1,494**	**$ 22,317**	**$ 16,938**	**$ (166)**	**$ 82,274**

State of Indiana
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
For the Fiscal Year Ended June 30, 2010
(amounts expressed in thousands)

	Institutional Industries	Administrative Services Revolving	State Police Health Insurance Fund	State Police 20% LTD Fund	State Employee Disability Fund	State Employee Health Insurance Fund	State Personnel Department Fund	Total
Operating revenues:								
Sales/rents/premiums	$ 38,267	$ 122,759	$ 29,052	$ 282	$ 24,478	$ 281,368	$ -	**$ 496,206**
Charges for services	-	490	-	-	124	-	5,750	**6,364**
Other	32	353	402	-	-	-	-	**787**
Total operating revenues	38,299	123,602	29,454	282	24,602	281,368	5,750	**503,357**
Cost of sales	23,706	1,101	-	-	-	-	-	**24,807**
Gross margin	14,593	122,501	29,454	282	24,602	281,368	5,750	**478,550**
Operating expenses:								
General and administrative expense	13,553	96,368	1,426	-	1,577	16,600	5,916	**135,440**
Health / disability benefit payments	-	-	28,638	32	21,189	277,707	-	**327,566**
Depreciation and amortization	901	7,772	-	-	-	-	-	**8,673**
Total operating expenses	14,454	104,140	30,064	32	22,766	294,307	5,916	**471,679**
Operating income (loss)	139	18,361	(610)	250	1,836	(12,939)	(166)	**6,871**
Nonoperating revenues (expenses):								
Interest and other investment income	1	-	-	7	-	-	-	**8**
Interest and other investment expense	(567)	(25)	-	-	-	-	-	**(592)**
Gain (Loss) on disposition of assets	-	(486)	-	-	-	-	-	**(486)**
Other	-	-	-	-	-	(28)	-	**(28)**
Total nonoperating revenues (expenses)	(566)	(511)	-	7	-	(28)	-	**(1,098)**
Income before contributions and transfers	(427)	17,850	(610)	257	1,836	(12,967)	(166)	**5,773**
Transfers (out)	(2,000)	(36,739)	-	-	-	-	-	**(38,739)**
Change in net assets	(2,427)	(18,889)	(610)	257	1,836	(12,967)	(166)	**(32,966)**
Total net assets, July 1, as restated	7,648	49,297	6,672	1,237	20,481	29,905	-	**115,240**
Total net assets, June 30	**$ 5,221**	**$ 30,408**	**$ 6,062**	**$ 1,494**	**$ 22,317**	**$ 16,938**	**$ (166)**	**$ 82,274**

State of Indiana
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2010
(amounts expressed in thousands)

	Institutional Industries	Administrative Services Revolving	State Police Health Insurance Fund	State Police 20% LTD Fund	State Employee Disability Fund	State Employee Health Insurance Fund	State Personnel Department Fund	Total
Cash flows from operating activities:								
Cash received from customers	$ 35,103	$ 123,916	$ 29,414	$ 292	$ 24,880	$ 284,315	$ 5,751	**$ 503,671**
Cash paid for general and administrative	(13,550)	(96,345)	(1,426)	-	(1,637)	(16,303)	(4,887)	**(134,148)**
Cash paid for salary/health/disability benefit payments	-	-	(29,218)	(32)	(20,394)	(278,582)	-	**(328,226)**
Cash paid to suppliers	(19,235)	222	-	-	-	-	-	**(19,013)**
Net cash provided (used) by operating activities	2,318	27,793	(1,230)	260	2,849	(10,570)	864	**22,284**
Cash flows from noncapital financing activities:								
Transfers out	(2,000)	(36,739)	-	-	-	-	-	**(38,739)**
Other	4	-	-	-	-	(28)	-	**(24)**
Net cash provided (used) by noncapital financing activities	(1,996)	(36,739)	-	-	-	(28)	-	**(38,763)**
Cash flows from capital and related financing activities:								
Acquisition/construction of capital assets	(134)	(9,206)	-	-	-	-	-	**(9,340)**
Proceeds from sale of assets	-	497	-	-	-	-	-	**497**
Principal payments -- capital leases	(155)	(120)	-	-	-	-	-	**(275)**
Interest paid	(568)	(25)	-	-	-	-	-	**(593)**
Net cash provided (used) by capital and related financing activities	(857)	(8,854)	-	-	-	-	-	**(9,711)**
Cash flows from investing activities:								
Purchase of investments	-	-	-	(400)	-	-	-	**(400)**
Interest income (expense) on investments	1	-	-	6	-	-	-	**7**
Net cash provided (used) by investing activities	1	-	-	(394)	-	-	-	**(393)**
Net increase (decrease) in cash and cash equivalents	(534)	(17,800)	(1,230)	(134)	2,849	(10,598)	864	**(26,583)**
Cash and cash equivalents, July 1	1,816	28,601	10,042	213	23,433	55,076	-	**119,181**
Cash and cash equivalents, June 30	**$ 1,282**	**$ 10,801**	**$ 8,812**	**$ 79**	**$ 26,282**	**$ 44,478**	**$ 864**	**$ 92,598**
Reconciliation of cash , cash equivalents and investments:								
Cash and cash equivalents unrestricted at end of year	$ 1,282	$ 10,801	$ 8,812	$ 80	$ 26,283	$ 44,478	$ 863	**$ 92,599**
Investments unrestricted	-	-	-	1,400	-	-	-	1,400
Cash, cash equivalents and investments per balance sheet	**$ 1,282**	**$ 10,801**	**$ 8,812**	**$ 1,480**	**$ 26,283**	**$ 44,478**	**$ 863**	**$ 93,999**

State of Indiana
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2010
(amounts expressed in thousands)

	Institutional Industries	Administrative Services Revolving	State Police Health Insurance Fund	State Police 20% LTD 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)	$ 139	$ 18,361	$ (610)	$ 250	$ 1,836	$ (12,939)	$ (166)	**$ 6,871**
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:								
Depreciation/amortization expense	901	7,772	-	-	-	-	-	**8,673**
(Increase) decrease in receivables	(1,363)	(1,067)	(40)	10	278	2,947	-	**765**
(Increase) decrease in interfund services provided	(1,838)	1,445	-	-	-	-	-	**(393)**
(Increase) decrease in inventory	184	(282)	-	-	-	-	-	**(98)**
(Increase) decrease in prepaid expenses	-	4,858	-	-	-	-	-	**4,858**
Increase (decrease) in health and disability benefits payable	-	-	(580)	-	796	(875)	-	**(659)**
Increase (decrease) in accounts payable	4,286	(3,254)	-	-	(61)	297	-	**1,268**
Increase (decrease) in deferred revenue	6	(63)	-	-	-	-	-	**(57)**
Increase (decrease) in salaries payable	5	4	-	-	-	-	330	**339**
Increase (decrease) in compensated absences	(2)	19	-	-	-	-	700	**717**
Net cash provided (used) by operating activities	**$ 2,318**	**$ 27,793**	**$ (1,230)**	**$ 260**	**$ 2,849**	**$ (10,570)**	**$ 864**	**$ 22,284**

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.

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, 2010
(amounts expressed in thousands)

	Primary Government		Discrete Component Units		
	State Police Pension Fund	State Employee Retiree Health Benefit Trust Fund	Public Employees' Retirement System	State Teachers' Retirement Fund	Total
Assets:					
Cash and cash equivalents	$ 9,584	$ 125,223	$ 1,361,868	$ 589,589	**$ 2,086,264**
Securities lending collateral	-	-	2,467,848	916,206	**3,384,054**
Receivables:					
Contributions	195	-	140,773	62,518	**203,486**
Interest	726	-	44,926	33,830	**79,482**
Member loans	338	-	934	-	**1,272**
Due from other funds	-	-	24,355	-	**24,355**
Due from component unit	-	-	167	1,371	**1,538**
From investment sales	1,610	-	1,014,481	101,443	**1,117,534**
Other	-	-	579	582	**1,161**
Total receivables	2,869	-	1,226,215	199,744	**1,428,828**
Investments at fair value:					
Equity Securities	75,695	-	4,813,640	2,495,072	**7,384,407**
Debt Securities	67,692	44,986	4,016,896	4,406,995	**8,536,569**
Mutual Funds and Collective Trust Funds	177,434	-	1,193,057	-	**1,370,491**
Other	242	-	2,624,249	708,940	**3,333,431**
Total investments	321,063	44,986	12,647,842	7,611,007	**20,624,898**
Capital assets:					
Property, plant and equipment	-	-	9,490	2,660	**12,150**
less accumulated depreciation	-	-	(1,497)	(516)	**(2,013)**
Total assets	**$ 333,516**	**$ 170,209**	**$ 17,711,766**	**$ 9,318,690**	**$ 27,534,181**
Liabilities and fund balances:					
Liabilities:					
Accounts payable	$ -	$ 11	$ 12,820	$ 5,419	**$ 18,250**
Salaries and benefits payable	-	-	932	141	**1,073**
Due to other funds	-	-	24,356	-	**24,356**
Benefits payable	-	275	-	70,463	**70,738**
Due to component unit	-	-	1,371	167	**1,538**
Deferred revenue	26	-	-	-	**26**
Compensated absences	-	-	330	130	**460**
Securities purchased payable	2,816	-	1,162,714	185,395	**1,350,925**
Securities lending collateral	-	-	2,467,848	916,206	**3,384,054**
Total liabilities	**2,842**	**286**	**3,670,371**	**1,177,921**	**4,851,420**
Net assets:					
Held in trust for:					
Employees' 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**
Total net assets	**$ 330,674**	**$ 169,923**	**$ 14,041,395**	**$ 8,140,769**	**$ 22,682,761**

State of Indiana
Combining Statement of Changes in Fiduciary Net Assets
Pension and Other Employee Benefit Trust Funds
For the Year Ended June 30, 2010

(amounts expressed in thousands)

	Primary Government		Discrete Component Units		
	State Police Pension Fund	State Employee Retiree Health Benefit Trust Fund	Public Employees' Retirement System	State Teachers' Retirement Fund	Total
Additions:					
Member contributions	$ 4,050	$ -	$ 203,568	$ 131,676	**$ 339,294**
Employer contributions	13,352	55,502	485,921	849,855	**1,404,630**
Contributions from the State of Indiana	-	-	195,617	30,000	**225,617**
Net investment income (loss)	48,560	244	1,763,238	1,008,923	**2,820,965**
Less investment expense	(1,275)	-	(79,639)	(43,367)	**(124,281)**
Transfers from other retirement funds	-	-	2,644	5,510	**8,154**
Other	-	-	176	-	**176**
Total additions	64,687	55,746	2,571,525	1,982,597	**4,674,555**
Deductions:					
Pension and disability benefits	29,982	-	662,199	1,017,104	**1,709,285**
Retiree health benefits	-	7,264	-	-	**7,264**
Death benefits	-	-	1,464	-	**1,464**
Refunds of contributions and interest	-	-	42,850	10,447	**53,297**
Administrative	379	136	27,182	7,862	**35,559**
Pension relief distributions	-	-	213,035	-	**213,035**
Capital projects	-	-	-	2,884	**2,884**
Depreciation	-	-	-	330	**330**
Transfers to other retirement funds	-	-	5,837	2,339	**8,176**
Other	-	-	96	-	**96**
Total deductions	30,361	7,400	952,663	1,040,966	**2,031,390**
Net increase (decrease) in net assets	34,326	48,346	1,618,862	941,631	**2,643,165**
Net assets held in trust for pension and other employee benefits, July 1, as restated:					
Pension benefits	296,348	-	12,307,684	7,199,138	**19,803,170**
OPEB benefits	-	121,577	-	-	**121,577**
Future death benefits	-	-	9,408	-	**9,408**
State and local units	-	-	105,441	-	**105,441**
Net assets held in trust for pension and other employee benefits, June 30	**$ 330,674**	**$ 169,923**	**$ 14,041,395**	**$ 8,140,769**	**$ 22,682,761**

State of Indiana
Combining Statement of Net Assets
Private-Purpose Trust Funds
June 30, 2010

(amounts expressed in thousands)

	Abandoned Property Fund	Private-Purpose Trust Fund	Total
Assets:			
Cash, cash equivalents and investments	$ 17,182	$ 15,474	**$ 32,656**
Receivables:			
Taxes	-	4,456	**4,456**
Interest	3	3	**6**
Total assets	**17,185**	**19,933**	**37,118**
Liabilities:			
Accounts payable	1,132	243	**1,375**
Total liabilities	**1,132**	**243**	**1,375**
Net assets:			
Held in trust for trust beneficiaries	16,053	19,690	**35,743**
Total net assets	**$ 16,053**	**$ 19,690**	**$ 35,743**

State of Indiana
Combining Statement of Changes in Net Assets
Private-Purpose Trust Funds
For the Year Ended June 30, 2010
(amounts expressed in thousands)

	Abandoned Property Fund	Private-Purpose Trust Fund	Total
Additions:			
Taxes	$ -	$ 4,456	**$ 4,456**
Investment Income	$ 17	$ (34)	**$ (17)**
Member contributions	-	86,089	**86,089**
Donations/escheats	59,319	962	**60,281**
Total additions	59,336	91,473	**150,809**
Deductions:			
Payments to participants/beneficiaries	61,704	81,550	**143,254**
Total deductions	61,704	81,550	**143,254**
Net increase (decrease) in net assets	(2,368)	9,923	**7,555**
Net assets held in trust, July 1, as restated	18,421	9,767	**28,188**
Net assets held in trust, June 30	**$ 16,053**	**$ 19,690**	**$ 35,743**

State of Indiana
Combining Statement of Net Assets
Agency Funds
June 30, 2010
(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	$ 6,010	$ -	$ 22,080	$ 260,567	$ 47,907	**$ 336,564**
Receivables:						
Taxes	-	-	-	-	14,681	**14,681**
Other	-	-	-	-	32	**32**
Due from local governmental units	-	360,138	-	-	-	**360,138**
Total assets	**$ 6,010**	**$ 360,138**	**$ 22,080**	**$ 260,567**	**$ 62,620**	**$ 711,415**
Liabilities:						
Accounts/escrows payable	$ 6,010	$ -	$ 22,080	$ 260,567	$ 47,939	**$ 336,596**
Due to general fund	-	360,138	-	-	-	**360,138**
Other liabilities	-	-	-	-	14,681	**14,681**
Total liabilities	**$ 6,010**	**$ 360,138**	**$ 22,080**	**$ 260,567**	**$ 62,620**	**$ 711,415**

State of Indiana
Combining Statement of Changes In Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2010

(amounts expressed in thousands)

	Balance, July 1	Additions	Deductions	Balance, June 30
Employee Payroll, Withholding and Benefits				
Assets:				
Cash, cash equivalents, and investments	$ 4,588	$ 3,575,560	$ 3,574,138	**$ 6,010**
Total assets	$ 4,588	$ 3,575,560	$ 3,574,138	**$ 6,010**
Liabilities:				
Accounts / escrows payable	$ 4,588	$ 3,575,560	$ 3,574,138	**$ 6,010**
Total liabilities	$ 4,588	$ 3,575,560	$ 3,574,138	**$ 6,010**
Local Distributions				
Assets:				
Cash, cash equivalents, and investments	$ 270,110	$ 1,482,638	$ 1,752,748	**$ -**
Receivables	194	-	194	**-**
Securities lending collateral	45,500	-	45,500	**-**
Due from local governmental units	-	360,138	-	**360,138**
Total assets	$ 315,804	$ 1,842,776	$ 1,798,442	**$ 360,138**
Liabilities:				
Accounts / escrows payable	$ 270,110	$ 1,482,638	$ 1,752,748	**$ -**
Securities lending collateral	45,500	-	45,500	**-**
Due to general fund	-	360,138	-	**360,138**
Other liabilities	194	-	194	**-**
Total liabilities	$ 315,804	$ 1,842,776	$ 1,798,442	**$ 360,138**
Child Support				
Assets:				
Cash, cash equivalents, and investments	$ 24,459	$ 810,419	$ 812,798	**$ 22,080**
Total assets	$ 24,459	$ 810,419	$ 812,798	**$ 22,080**
Liabilities:				
Accounts / escrows payable	$ 24,459	$ 810,419	$ 812,798	**$ 22,080**
Total liabilities	$ 24,459	$ 810,419	$ 812,798	**$ 22,080**

continued on next page

State of Indiana
Combining Statement of Changes In Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2010

(amounts expressed in thousands)

	Balance, July 1	Additions	Deductions	Balance, June 30
Department of Insurance				
Assets:				
Cash, cash equivalents, and investments	$ 270,856	$ 17,490	$ 27,779	**$ 260,567**
Total assets	$ 270,856	$ 17,490	$ 27,779	**$ 260,567**
Liabilities:				
Accounts / escrows payable	$ 270,856	$ 17,490	$ 27,779	**$ 260,567**
Total liabilities	$ 270,856	$ 17,490	$ 27,779	**$ 260,567**
Other Agency Funds				
Assets:				
Cash, cash equivalents, and investments	$ 25,763	$ 666,131	$ 643,987	**$ 47,907**
Receivables	13,639	14,713	13,639	**14,713**
Total assets	$ 39,402	$ 680,844	$ 657,626	**$ 62,620**
Liabilities:				
Accounts / escrows payable	$ 25,820	$ 666,163	$ 644,044	**$ 47,939**
Other liabilities	13,582	14,681	13,582	**14,681**
Total liabilities	$ 39,402	$ 680,844	$ 657,626	**$ 62,620**
Total Agency Funds				
Assets:				
Cash, cash equivalents, and investments	**$ 595,776**	**$ 6,552,238**	**$ 6,811,450**	**$ 336,564**
Receivables	**13,833**	**14,713**	**13,833**	**14,713**
Securities lending collateral	**45,500**	**-**	**45,500**	**-**
Due from local governmental units	**-**	**360,138**	**-**	**360,138**
Total assets	**$ 655,109**	**$ 6,927,089**	**$ 6,870,783**	**$ 711,415**
Liabilities:				
Accounts / escrows payable	**$ 595,833**	**$ 6,552,270**	**$ 6,811,507**	**$ 336,596**
Securities lending collateral	**45,500**	**-**	**45,500**	**-**
Due to general fund	**-**	**360,138**	**-**	**360,138**
Other liabilities	**13,776**	**14,681**	**13,776**	**14,681**
Total liabilities	**$ 655,109**	**$ 6,927,089**	**$ 6,870,783**	**$ 711,415**

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.

Indiana 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, 2010
(amounts expressed in thousands)

	Indiana Economic Development Corporation	Total
Assets:		
Current assets:		
Cash, cash equivalents and investments	$ 134,421	$ 134,421
Receivables (net)	957	957
Loans	1,165	1,165
Total current assets	136,543	136,543
Noncurrent assets:		
Loans	5,551	5,551
Capital assets:		
Property, plant, and equipment	300	300
Less accumulated depreciation	(126)	(126)
Total capital assets, net of depreciation	174	174
Total noncurrent assets	5,725	5,725
Total assets	**142,268**	**142,268**
Liabilities:		
Current liabilities:		
Accounts payable	4,867	4,867
Salaries, health, disability, and benefits payable	252	252
Accrued liability for compensated absences	285	285
Securities lending payable	6	6
Total current liabilities	5,410	5,410
Long-term liabilities:		
Accrued liability for compensated absences	109	109
Total long-term liabilities	109	109
Total liabilities	**5,519**	**5,519**
Net Assets:		
Invested in capital assets net of related debt	174	174
Restricted-expendable:		
Grants/constitutional restrictions	938	938
Total restricted-expendable	938	938
Unrestricted	135,637	135,637
Total net assets	**$ 136,749**	**$ 136,749**

State of Indiana
Combining Statement of Activities
Non-Major Discretely Presented Component Units - Governmental Funds
For the Fiscal Year Ended June 30, 2010
(amounts expressed in thousands)

	Indiana Economic Development Corporation	Total
Expenses:		
General Government	$ 56,126	$ 56,126
Total Expenses	56,126	56,126
Program Revenues:		
Charges for services	148	148
Operating Grants and Contributions	6,582	6,582
Capital Grants and Contributions	-	-
Total Program Revenues	6,730	6,730
Net Program (Expense) Revenue	(49,396)	(49,396)
General Revenues:		
Payments from State of Indiana	30,607	30,607
Total General Revenues	30,607	30,607
Change in Net Assets	(18,789)	(18,789)
Net Assets, beginning	155,538	155,538
Net Assets, ending	$ 136,749	$ 136,749

State of Indiana
Combining Balance Sheet
Indiana Economic Development Corporation
Discretely Presented Component Units - Governmental Funds
June 30, 2010
(amounts expressed in thousands)

	Administration	21st Century Research & Technology	Training & Economic Development	Industrial Development	Other Economic Programs	Total
Assets:						
Cash, cash equivalents and investments-unrestricted	$ 9,508	$ 21,585	$ 74,947	$ 20,487	$ 7,894	$ 134,421
Receivables:						
Securities lending	-	-	4	6	-	10
Grants	-	-	-	-	938	938
Interest	10	-	1	1	1	13
Loans	576	-	6,140	-	-	6,716
Total assets	**10,094**	**21,585**	**81,092**	**20,494**	**8,833**	**142,098**
Liabilities:						
Accounts payable	380	2,869	702	113	216	4,280
Salaries and benefits payable	201	21	9	-	21	252
Accrued liability for compensated absences-current	10	-	1	-	1	12
Securities lending payable	-	-	4	6	-	10
Total liabilities	**591**	**2,890**	**716**	**119**	**238**	**4,554**
Fund balance:						
Reserved:						
Encumbrances	2,853	2,312	5,794	433	1,513	12,905
Reserved for long-term loans and advances	576	-	6,140	-	-	6,716
Reserved for restricted purposes	-	-	-	-	938	938
Unreserved:						
Designated for Appropriations	5,955	16,383	13,287	-	3,247	38,872
Designated for Allotments	-	-	55,155	19,942	(79)	75,018
Unreserved Undesignated fund balance	119	-	-	-	2,976	3,095
Unreserved	6,074	16,383	68,442	19,942	6,144	116,985
Total fund balance	9,503	18,695	80,376	20,375	8,595	137,544
Total liabilities and fund balance	**$ 10,094**	**$ 21,585**	**$ 81,092**	**$ 20,494**	**$ 8,833**	**$ 142,098**

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, 2010
(amounts expressed in thousands)

Total fund balances-governmental funds		$ 137,544
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	$ 300	
Accumulated depreciation	(126)	
Total capital assets, net of depreciation		174
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	$ (587)	
		(587)
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	$ (382)	
		(382)
Net assets of governmental activities		$ 136,749

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, 2010
(amounts expressed in thousands)

	Administration	21st Century Research & Technology	Training & Economic Development	Industrial Development	Other Economic Programs	**Total**
Revenues:						
Current service charges	$ 29	$ -	$ 4	$ -	$ 115	$ **148**
Investment income	150	-	269	(183)	8	**244**
Sales/rents	30,607	-	-	-	-	**30,607**
Grants	-	-	201	-	4,209	**4,410**
Other	1,152	-	246	34	495	**1,927**
Total revenues	31,938	-	720	(149)	4,827	**37,336**
Expenditures:						
Current:						
General government	10,323	28,220	9,916	2,001	5,330	**55,790**
Total expenditures	10,323	28,220	9,916	2,001	5,330	**55,790**
Excess (deficiency) of revenues over expenditures	21,615	(28,220)	(9,196)	(2,150)	(503)	**(18,454)**
Other financing sources (uses):						
Transfers in	8,387	15,750	14,959	3,250	151	**42,497**
Transfers (out)	(30,110)	(3,000)	(6,727)	-	(2,660)	**(42,497)**
Total other financing sources (uses)	(21,723)	12,750	8,232	3,250	(2,509)	**-**
Net change in fund balances	(108)	(15,470)	(964)	1,100	(3,012)	**(18,454)**
Fund Balance July 1, as restated	9,611	34,165	81,340	19,275	11,607	**155,998**
Fund Balance June 30	**$ 9,503**	**$ 18,695**	**$ 80,376**	**$ 20,375**	**$ 8,595**	**$ 137,544**

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, 2010
(amounts expressed in thousands)

Net change in fund balances-total governmental funds	$	(18,454)
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 ($0) exceeds depreciation ($18) in the current period.		(18)
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		(317)
Change in net assets of governmental activities.	$	(18,789)

State of Indiana
Combining Statement of Net Assets
Non-Major Discretely Presented Component Units - Proprietary Funds
June 30, 2010
(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	$ 4,317	$ 25,638	$ 4,861	$ 3,288	$ 9,091	**$ 47,195**
Receivables (net)	84	1,761	573	2,749	5	**5,172**
Inventory	10	-	179	-	-	**189**
Prepaid expenses	126	252	10	-	-	**388**
Investment in direct financing lease	-	154	-	-	-	**154**
Total current assets	4,537	27,805	5,623	6,037	9,096	**53,098**
Noncurrent assets:						
Cash, cash equivalents and investments - restricted	400	-	8,704	-	-	**9,104**
Bond issuance costs net of amortization	-	-	439	-	-	**439**
Investment in direct financing lease	-	628	-	-	-	**628**
Net pension assets	-	-	100	-	-	**100**
Capital assets:						
Land	79,783	56,364	14,839	-	-	**150,986**
Infrastructure	-	52,515	-	-	-	**52,515**
Construction in progress	-	1,301	-	-	-	**1,301**
Property, plant, and equipment	42,192	19,340	74,589	-	-	**136,121**
Less accumulated depreciation	(14,441)	(54,588)	(46,517)	-	-	**(115,546)**
Total capital assets, net of depreciation	107,534	74,932	42,911	-	-	**225,377**
Total noncurrent assets	107,934	75,560	52,154	-	-	**235,648**
Total assets	**112,471**	**103,365**	**57,777**	**6,037**	**9,096**	**288,746**
Liabilities						
Current liabilities:						
Accounts payable	435	767	469	626	-	**2,297**
Claims payable	-	-	68	22,105	-	**22,173**
Interest payable	-	-	299	-	-	**299**
Current portion of long-term debt	-	-	1,535	-	-	**1,535**
Salaries, health, disability, and benefits payable	91	-	53	-	-	**144**
Deferred revenue	-	-	169	8,849	-	**9,018**
Accrued liability for compensated absences	-	-	230	-	-	**230**
Other current liabilities	-	418	5	1,057	-	**1,480**
Total current liabilities	526	1,185	2,828	32,637	-	**37,176**
Long-term liabilities:						
Accrued liability for compensated absences	-	-	195	-	-	**195**
Deferred revenue	-	4,957	-	-	-	**4,957**
Revenue bonds/notes payable	-	-	12,819	-	-	**12,819**
Total long-term liabilities	-	4,957	13,014	-	-	**17,971**
Total liabilities	**526**	**6,142**	**15,842**	**32,637**	**-**	**55,147**
Net assets						
Invested in capital assets net of related debt	107,534	74,514	28,516	-	-	**210,564**
Restricted-nonexpendable						
Grants/constitutional restrictions	-	-	-	235	-	**235**
Total restricted-nonexpendable	-	-	-	235	-	**235**
Restricted-expendable						
Grants/constitutional restrictions	130	-	-	-	-	**130**
Future debt service	-	-	4,118	-	-	**4,118**
Student aid	306	-	-	-	-	**306**
Auxiliary enterprises	-	-	60	-	-	**60**
Capital projects	639	-	3,525	-	-	**4,164**
Other purposes	-	-	1,102	-	597	**1,699**
Total restricted-expendable	1,075	-	8,805	-	597	**10,477**
Unrestricted (deficit)	3,336	22,709	4,614	(26,835)	8,499	**12,323**
Total net assets	**$ 111,945**	**$ 97,223**	**$ 41,935**	**$ (26,600)**	**$ 9,096**	**$ 233,599**

State of Indiana
Combining Statement of Activities
Non-Major Discretely Presented Component Units - Proprietary Funds
For the Fiscal Year Ended June 30, 2010
(amounts expressed in thousands)

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: 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	$ 4,565	$ 2,393	$ 157	$ -	$ (2,015)	$ -	$ -	$ -	$ -	$ (2,015)
Ports of Indiana	7,281	8,335	-	-	-	1,054	-	-	-	1,054
Indiana State Fair Commission	25,561	16,678	5	113	-	-	(8,765)	-	-	(8,765)
Indiana Comprehensive Health Insurance Association	118,888	98,536	2,249	-	-	-	-	(18,103)	-	(18,103)
Indiana Political Subdivision Risk Management Commission	59	-	-	-	-	-	-	-	(59)	(59)
Total component units	$ 156,354	$ 125,942	$ 2,411	$ 113	(2,015)	1,054	(8,765)	(18,103)	(59)	(27,888)
General revenues:										
Investment earnings					19	421	21	39	67	567
Payments from State of Indiana					814	-	10,022	-	-	10,836
Other					-	1,014	-	-	-	1,014
Total general revenues					833	1,435	10,043	39	67	12,417
Change in net assets					(1,182)	2,489	1,278	(18,064)	8	(15,471)
Net assets - beginning, as restated					113,127	94,734	40,657	(8,536)	9,088	249,070
Net assets - ending					$ 111,945	$ 97,223	$ 41,935	$ (26,600)	$ 9,096	$ 233,599

State of Indiana
Combining Statement of Net Assets
Discretely Presented Component Units - Colleges and Universities
June 30, 2010
(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	$ 119,257	$ 59,789	$ 132,445	$ 30,853	$ 22,781	**$ 365,125**
Receivables (net)	43,551	9,268	55,409	8,021	10,176	**126,425**
Inventory	1,532	98	-	1,876	1,919	**5,425**
Prepaid expenses	2,667	614	22,878	19	232	**26,410**
Due from primary government	2,676	1,505	404	561	-	**5,146**
Funds held in trust by others	13,400	-	57,710	27,181	15	**98,306**
Other current assets	-	-	-	1,428	479	**1,907**
Total current assets	183,083	71,274	268,846	69,939	35,602	**628,744**
Noncurrent assets:						
Cash, cash equivalents and investments - restricted	1,520	42,198	-	177	-	**43,895**
Other receivables	11,365	13,862	10,847	-	783	**36,857**
Investments - unrestricted	315,068	67,878	93,709	96,794	152,626	**726,075**
Bond issuance costs net of amortization	209	-	-	-	-	**209**
Deferred outflow - derivative instrument	-	-	-	-	81	**81**
Other postemployment benefits	7,674	3,776	-	-	1,316	**12,766**
Other noncurrent assets	5,113	4,885	15,152	4,116	253	**29,519**
Capital assets:		-	-			
Land	47,198	27,529	27,485	4,932	15,365	**122,509**
Infrastructure	25,436	33,485	16,172	3,649	-	**78,742**
Construction in progress	97,526	26,460	24,620	49,216	9,281	**207,103**
Property, plant, and equipment	626,184	464,578	567,413	242,577	228,301	**2,129,053**
Less accumulated depreciation	(276,016)	(233,625)	(176,175)	(118,120)	(95,525)	**(899,461)**
Total capital assets, net of depreciation	520,328	318,427	459,515	182,254	157,422	**1,637,946**
Total noncurrent assets	861,277	451,026	579,223	283,341	312,481	**2,487,348**
Total assets	**1,044,360**	**522,300**	**848,069**	**353,280**	**348,083**	**3,116,092**
Liabilities						
Current liabilities:						
Accounts payable	37,696	5,625	32,066	1,811	4,081	**81,279**
Interest payable	-	-	-	2,262	-	**2,262**
Current portion of long-term debt	9,530	8,714	17,302	9,022	4,915	**49,483**
Capital lease payable	-	261	-	-	-	**261**
Salaries, health, disability, and benefits payable	-	4,559	-	5,558	5,438	**15,555**
Deferred revenue	3,154	1,320	25,922	-	2,488	**32,884**
Accrued liability for compensated absences	-	7,416	8,092	-	1,157	**16,665**
Deposits held in custody for others	9,060	2,413	6,432	-	4,345	**22,250**
Other current liabilities	1,342	5,454	-	5,689	1,423	**13,908**
Total current liabilities	60,782	35,762	89,814	24,342	23,847	**234,547**
Long-term liabilities:						
Accrued liability for compensated absences	8,266	800	5,599	2,584	-	**17,249**
Other postemployment benefits	-	-	9,429	-	-	**9,429**
Capital lease payable	-	1,223	-	-	-	**1,223**
Funds held in trust by others	-	3,659	-	-	19,553	**23,212**
Advances from federal government	-	7,821	-	-	1,116	**8,937**
Revenue bonds/notes payable	174,427	95,733	319,163	141,684	60,812	**791,819**
Derivative instrument liability	-	-	-	-	81	**81**
Other noncurrent liabilities	23,091	1,145	120	2,599	843	**27,798**
Total long-term liabilities	205,784	110,381	334,311	146,867	82,405	**879,748**
Total liabilities	**266,566**	**146,143**	**424,125**	**171,209**	**106,252**	**1,114,295**
Net assets						
Invested in capital assets net of related debt	347,329	218,778	174,009	51,311	91,379	**882,806**
Restricted-nonexpendable						
Capital projects	-	-	1,939	-	-	**1,939**
Instruction and research	914	636	1,261	-	-	**2,811**
Student aid	-	2,204	17,450	-	15,224	**34,878**
Other purposes	-	-	-	-	4,834	**4,834**
Total restricted-nonexpendable	914	2,840	20,650	-	20,058	**44,462**
Restricted-expendable						
Instruction and research	67,764	6,174	6,452	10,509	-	**90,899**
Grants/constitutional restrictions	6,379	7,377	-	-	425	**14,181**
Endowments	-	39,603	61	-	-	**39,664**
Future debt service	4,830	1	-	-	-	**4,831**
Public safety programs	7,013	-	-	-	-	**7,013**
Student aid	69,993	-	3,134	32,931	4,456	**110,514**
Auxiliary enterprises	2,678	-	-	870	-	**3,548**
Capital projects	53,802	11,805	39,438	750	7,089	**112,884**
Other purposes	7,895	3,836	1,397	6,064	1,030	**20,222**
Total restricted-expendable	220,354	68,796	50,482	51,124	13,000	**403,756**
Unrestricted (deficit)	209,197	85,743	178,803	79,636	117,394	**670,773**
Total net assets	**$ 777,794**	**$ 376,157**	**$ 423,944**	**$ 182,071**	**$ 241,831**	**$ 2,001,797**

State of Indiana
Combining Statement of Activities
Non-Major Discretely Presented Component Units - Colleges and Universities
For the Year Ended June 30, 2010
(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	$ 410,583	$ 206,602	$ 21,103	$ 2,335	$ (180,543)	$ -	$ -	$ -	$ -	$ (180,543)
Indiana State University	204,034	74,308	20,314	11,442	-	(97,970)	-	-	-	(97,970)
Ivy Tech Community College	583,561	173,295	42,340	6,789	-	-	(361,137)	-	-	(361,137)
University of Southern Indiana	136,133	65,412	24,514	45	-	-	-	(46,162)	-	(46,162)
Vincennes University	120,802	47,405	20,355	-	-	-	-	-	(53,042)	(53,042)
Total component units	$ 1,455,113	$ 567,022	$ 128,626	$ 20,611	(180,543)	(97,970)	(361,137)	(46,162)	(53,042)	(738,854)
General revenues:										
Investment earnings					15,377	9,835	7,158	8,912	5,983	47,265
Payments from State of Indiana					143,361	81,599	190,602	51,964	41,782	509,308
Other					58,267	27,787	231,087	1,415	26,501	345,057
Total general revenues					217,005	119,221	428,847	62,291	74,266	901,630
Change in net assets					36,462	21,251	67,710	16,129	21,224	162,776
Net assets - beginning, as restated					741,332	354,906	356,234	165,942	220,607	1,839,021
Net assets - ending					$ 777,794	$ 376,157	$ 423,944	$ 182,071	$ 241,831	$ 2,001,797