

Treasurer's Annual Report



State of Indiana
Fiscal Year 2006

The 2006 Annual Report

FY 2006

July 1, 2005—June 30, 2006

Treasurer of State
242 Statehouse
Indianapolis, IN 46204

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Dear Hoosiers,

This past fiscal year has been a challenging one for many in state government, Hoosiers can rest assured that we in the Treasurer's office are doing all that we can to ease the current fiscal strains. We continue to outperform our investment benchmarks, and do more with less by returning a large portion of our Treasurer's office budget back to the state general fund. In fiscal year 2006 we earned more than \$ 146 million in investment income, while returning over 15% of my budget appropriation unspent. I am pleased to announce that throughout my term as Treasurer the State has had a total interest return on investments of over \$1.5 billion.



Although my office has no control over the budget I am pleased that Governor Daniels and his administration have succeeded in balancing the State's budget. As a result of this the State's investment portfolio has already seen greater increases in the average daily balances for the first time since the year 2000.

Dan Hoge and his staff at the Indiana Bond Bank have been busy as well. The Bond Bank aided Hoosier communities with both their short- and long-term financing. The Bond Bank has been crucial to local government over the past years as many counties have delayed their property tax collections due to a late reassessment. The Bond Bank's efficiencies have been recognized by communities across the state and continues to play a crucial role providing local governments with accessibility to the bond markets and savings to taxpayers.

I am also proud that Indiana is leading the way in wireless technology. As Chairman of the Indiana Wireless Enhanced 911 Advisory Board I have overseen the completion of major upgrades to Indiana's wireless network. The second phase of upgrades is now underway. This year the monthly surcharge was reduced from 65 cents to 50 cents while still meeting all statutory requirements.

As chair of the Indiana Education Savings Authority, we continue to improve the CollegeChoice 529 Investment Plan. During this past year we have seen tremendous growth in the Plan both in terms of accounts and assets. As of June 30, 2006 the plan has over 61,000 individual accounts, an increase of 5,000 since the same time last year and assets in the plan have increased by almost 100 million during the same short time horizon to approximately \$446 million. I am excited to announce that beginning January 1, 2007, contributions by Hoosiers to the CollegeChoice 529 Plan will now receive a 20% tax credit, up to \$1,000. This will be very beneficial for Hoosiers currently using the plan and enhances the program for the families it serves for years to come. We look forward to this next year with the College Choice Plan as we continue to focus on letting Hoosiers know that we have developed a plan that provides them with greater choice, a new tax credit and lower fees by investing directly through either CollegeChoiceplan.com or by calling 1-866-400-plan.

I look forward to serving the citizens of Indiana as my second term as Indiana State Treasurer comes to a close. My staff and I take our responsibilities to Hoosiers very seriously. I am proud of my staff and the accomplishments we have made during the past eight years and we will continue to serve Indiana's citizens through responsible and accountable government.

Respectfully,

History of the Indiana State Treasurer's Office

The Treasurer of State's office was created by the first state constitution in 1816. David Crosby Lane became the first State Treasurer in November 1816 in Corydon, the state's first Capitol. The State Capitol was later moved to Indianapolis and, in 1888, Julius A. Lemke was the first Treasurer to occupy offices in the current State House. In 1970, the Treasurer's term was extended from two years to four years, with no person eligible to serve more than eight years (two successive terms) in any twelve year period.

When created in 1816, the State Treasurer's office was responsible for collecting all public revenue through the county treasurers. The Treasurer was to keep correct and separate account of all monies received and paid out by the state. In 1933, the Department of Revenue was created and designated as the agency responsible for the collecting of all state taxes.

Since 1933, the primary responsibility of the Treasurer's office has been the investment and safekeeping of all state monies. Today, the Treasurer's Office manages an investment portfolio of over \$3.0 billion comprised of receipts from the state general fund and over 70 trust funds. As part of the investment program, the Treasurer maintains deposits in the form of certificates of deposit and repurchase agreements in nearly 200 banks, savings and loans, and credit unions in Indiana.

The Treasurer also serves on various state boards and commissions including: chairman of the Indiana Bond Bank, chairman of the Indiana Education Savings Authority, chairman of the Wireless Enhanced 911 Advisory Board, trustee of the Indiana State Police Pension Fund, the State Board of Finance, secretary/investment manager of the Indiana Board for Depositories, vice-chairman of the Indiana Housing and Community Development Authority, the Indiana Finance Authority, the Indiana Heritage Trust Committee, and the Underground Storage Tank Financial Assurance Board

Tim Berry took office on February 10, 1999, after serving as Allen County Treasurer from 1990-1999. Treasurer Berry is Indiana's 51st State Treasurer.

Indiana's State Treasurers		
Daniel Crosby Lane	D-R	1816-1822
Samuel Merrill	R-W	1822-1834
Nathan B. Palmer	D	1834-1841
George H. Dunn	W	1841-1844
Royal Mayhew	D	1844-1847
Samuel Hannah	W	1847-1850
James P. Drake	D	1850-1853
Elijah Newland	D	1853-1855
William R. Nofsinger	R	1855-1857
Aquilla Jones	D	1857-1859
Nathaniel F. Cunningham	D	1859-1861
Jonathan S. Harvey	R	1861-1863
Matthew L. Brett	D	1863-1865
John I. Morrison	R	1865-1867
Nathan Kimball	R	1867-1871
James B. Ryan	D	1871-1873
John B. Glover	R	1873-1875
Benjamin C. Shaw	D	1875-1879
William Fleming	D	1879-1881
Roswel S. Hill	R	1881-1883
John J. Cooper	D	1883-1887
Julius A. Lemcke	R	1887-1891
Albert Gall	D	1891-1895
Frederick J. Scholz	R	1895-1899
Leopold Levy	R	1899-1903
Nathaniel U. Hill	R	1903-1907
Oscar C. Hadley	R	1907-1911
William H. Vollmer	D	1911-1915
George A. Bittler	D	1915-1917
Uz McMurtrie	R	1917-1921
Ora J. Davies	R	1921-1925
Bernhardt H. Urbahns	R	1925-1926
Grace Urbahns	R	1926-1931
William Storen	D	1931-1935
Peter F. Hein	D	1935-1939
Joseph M. Robertson	D	1939-1941
James M. Givens	R	1941-1945
Frank T. Mills	R	1945-1949
F. Shirley Wilcox	D	1949-1951
William L. Fortune	R	1951-1953
John Peters	R	1953-1957
Adolph L. Fossler	R	1957-1959
Jack A. Haymaker	D	1959-1961
Robert E. Hughes	R	1961-1965
Jack L. New	D	1965-1967
John K. Snyder	R	1967-1971
Jack L. New	D	1971-1979
Julian L. Ridlen	R	1979-1987
Marjorie H. O'Laughlin	R	1987-1995
Joyce Brinkman	R	1995-1999
Tim Berry	R	1999-

Treasurer of State Staff

Treasurer of State

Tim Berry

Statehouse Staff

Kirke Willing
Chief Deputy Treasurer

Mike Frick
Deputy Treasurer – Portfolio Manager

Duane Jasheway
Chief Accountant

Michele House
Communications Director

Anne Wolf
Administrator, State Police Pension Fund

Indiana Government Center South Staff

Kimberly Logan
Deputy Treasurer

Tina Laker
Document Clerk

Laura Whyde
Cashier

Donna Carroll
Head Cashier

Linda Bischoff
Cashier

Phil Campbell
Document Supervisor

Tina Laker

Indiana Bond Bank Board of Directors

Tim Berry, Chairman
Treasurer of State

H. ByrumClark, Vice-Chairman
Key Corporation

Russell Breeden III
Blue River Bancshares, Inc.

Russ Lloyd
Former Mayor of Evansville

Ryan Kitchell
Indiana Finance Authority

C. Kurt Zorn
Indiana University

Marni McKinney
First Indiana Bank

Indiana Bond Bank Staff

Dan Huge, Executive Director
Ron Mangus, Program Operations Director
Mary Reilly, Executive Assistant

Indiana Bond Bank
10 West Market Street
Suite 2980
Indianapolis, Indiana 46204
Phone: (317) 233-0888
Website: www.in.gov/bond

Indiana Bond Bank
Advance Funding Program, Series A

	Fiscal Year					
	2001	2002	2003	2004	2005	2006
Number of Participants	103	123	170	173	126	110
Dollar Amount Issued	\$ 370,835,000	\$ 470,110,000	\$ 866,435,000	\$ 842,275,000	\$ 537,050,000	\$ 296,440,000

The Indiana Bond Bank

In keeping with Treasurer Berry's commitment to increase utilization of the Indiana Bond Bank, 2006 was another busy and successful year of providing tax savings for Indiana's local governmental jurisdictions. In fiscal year 2006, the Indiana Bond Bank issued \$850,401,423.00 in long and short-term debt on behalf of local government entities.

Created by the General Assembly in 1984, the Indiana Bond Bank (IBB) serves local units of government with their short and long-term financing needs. The primary purpose of the IBB is to assist local entities in the process of issuing debt by operating as a financing conduit. The Bond Bank purchases the bonds and warrants of various communities and, in turn, issues its own obligation in the financial markets. This process allows local communities to take advantage of economies of scale by obtaining lower costs of borrowing, and saving taxpayer dollars. The Treasurer of State serves as chairman of the IBB Board of Directors. The Director of the Indiana Finance Authority and five members appointed by the Governor also serve on the Board as mandated by state statute.



The 2006 Advance Funding Program purchased the tax-anticipation warrants of 122 taxing districts in the state, totaling nearly \$438,991,836.00. The consistently active size of the Advance Funding Program is due in part to competitive interest rates, standardized documentation, cash-flow projection assistance, and arbitrage rebate assistance. In keeping with the successful history of the program, entities received a very competitive all-inclusive rate of 3.44%.

The Hoosier Equipment Lease Purchase (HELP) Program allows local communities to acquire equipment at cash prices and utilize tax-exempt interest rates. In 2006, 23 communities were assisted through the HELP program totaling more than \$10.3 million. Items financed include fire trucks, police cars, computers, 911 equipment, sewer vacuums, highway trucks, and other essential equipment. The lease terms are flexible and typically range from two to five years.

In 2006, the IBB continued to issue School Severance (Pension) Bonds to aid schools in reducing their "un-funded contractual obligations". The IBB issued School Severance Bonds Series 10 and 11. These two series of general obligation bonds aided 39 school corporations with over \$179 million in funding. By pooling these entities together, the School Corporations receive the benefits of shared issuance costs and the IBB's "AAA" insured rating.

In addition to the programs mentioned above, the IBB also assisted the Fort Wayne Public Service Academy with the issuance of \$20,660,000 in capital project bonds. The Academy received significant cost savings by issuing their bonds through the IBB and taking advantage of the IBB's expertise and "AAA" insured rating. The IBB also assisted ten other local governments with their debt issuance through the pool program.

The Indiana Education Savings Authority

In his role as chairman of the Indiana Education Savings Authority Board (IESA), Treasurer Berry has been a leader in enhancing the state's college savings plan, the CollegeChoice 529 Investment Plan. Through his leadership, the plan has amassed 61,597 accounts and \$446,730,923.00 in assets at fiscal year end 2006.

Treasurer Berry's efforts to offer participants investment choices have resulted in a unique plan that allows participants to choose from a variety of fund families under one manager, the first plan in the country to operate under this structure. The plan continues to offer participants two approaches to investing. One is based on the age of the beneficiary and another is designed for participants wanting more control over their asset allocation.

In an effort to make the plan affordable for Hoosier families, Treasurer Berry made it possible for Indiana residents participating directly in the age-based investment option, without the use of a financial advisor, to receive a reduction of fees. To further benefit families, Treasurer Berry was successful in his efforts to get a state tax credit on plan contributions through the Indiana General Assembly. Beginning January 1, 2007, Indiana residents will receive a 20% tax credit up to \$1,000, per year, on contributions into a CollegeChoice 529 Investment Plan account.

To recognize student leaders in the state and to promote the importance of investing for future education expenses, Treasurer Berry launched the *CollegeChoice Future Leaders Award* program in October 2002. The program recognizes Indiana students in grades fourth – eighth for their leadership qualities. Students can be nominated by any adult and winning students receive a \$1,000 CollegeChoice 529 Investment Plan account and an award presentation at his or her school. More than \$25,000 has been awarded to students across the state. The IESA continues to be proud partner of the Fort Wayne Wizards minor league baseball team's reading programs, rewarding children who show an extra enthusiasm for reading or go beyond what is asked of them. Teachers are encouraged to nominate children and winners are selected based on those nominations. Three winning students each received a \$500 CollegeChoice 529 Investment Plan account.

Treasurer Berry's tireless efforts to promote affordable college savings reach beyond Indiana's borders. During his tenure as chairman of the national College Savings Plan Network, Treasurer Berry has been instrumental in developing guidelines recommending states and their plan administrators clearly disclose all fees and costs associated with investing in a 529 plan. He led a group of state treasurers to Washington, D.C. to introduce the guidelines and meet with members of the Security and Exchange Commission, Municipal Securities Rulemaking Board and the U.S. Department of the Treasury. Additionally, Treasurer Berry is played a key role in ensuring that the federal tax exemption on plan account earnings remain permanent. The tax exemption, enacted in the Economic Growth and Tax Relief Reconciliation Act of 2001, was scheduled to sunset in 2011, but now Congress has made the exemption permanent.

The IESA was created by the General Assembly to promote programs that encourage saving for educational expenses. In 1997, the IESA created an IRS Section 529 Qualified Tuition Plan to give families a convenient, tax-advantaged way to invest for their student's post-high school education expenses. For more information on the CollegeChoice 529 Investment Plan, call toll-free (866) 400-PLAN or visit www.collegechoiceplan.com

Indiana Education Savings Authority

Tim Berry, Chairman
Treasurer of State

Stanley Jones, Vice-Chairman
Commissioner for Higher Education

Dr. Suellen Reed, Secretary
Superintendent of Public Instruction

Charles Schalliol
State Budget Agency

Kevin Brinegar
Indiana Chamber of Commerce

John Hammond
Ice Miller Donadio & Ryan

Brenda Horn
Ice Miller Donadio & Ryan

Tony Maidenberg
Independent Colleges of Indiana

Susan Loftus, Executive Director

Website : www.in.gov/iesa

Indiana Wireless Enhanced 911 Advisory Board

The Indiana Wireless Enhanced 911 Advisory Board was established by the Indiana General Assembly in 1998 in response to a Federal Communications Commission (FCC) order mandating the availability of wireless enhanced 911 service.

Treasurer Berry serves as Chairman of the Board, comprised of representatives of the wireless telephone carrier industry and local government public safety entities.

The Board is responsible for the oversight of wireless 911 and the routing of wireless 911 calls to the proper public safety agency location. Ninety of ninety-two counties in Indiana are receiving wireless 911 calls. Martin County will start receiving calls within the next year. Fountain and Warren counties have a combine consolidated dispatch center.

In compliance with the FCC order and Indiana statute, the Board also ensures that local government recover costs associated with the provision of wireless E911 via a monthly subscriber surcharge. Wireless carrier cost recovery was removed from the statute and the monthly user fee was reduced to 50 cents during the past year.

Indiana is a national leader in the deployment of this lifesaving technology. Currently, ten wireless carriers provide wireless E911 service to subscribers in 91 Indiana counties, representing approximately 99% of Hoosier wireless subscribers and covering 99% of Indiana's population. The Indiana Wireless 911 Advisory Board is building the future for Indiana. The telecom environment is an explosion of changes. Cell phones, VoIP service, instant messaging, camera phones...the list goes on and on. The number and type of devices that can originate a 911 call today are staggering. In Indiana the wireless 911 Advisory Board has taken steps to address these issues. The Board has approved the building of the next generation wireless 911 network in cooperation with several telecom providers. The IN911 network will connect all Public Safety Answers Positions (PSAPs) that take wireless 911 calls to a scalable, reliable redundant network that will serve the future needs of Hoosiers. The first phase of this project has been completed with 177 PSAPs being connected to the new network.

Working with local governments to help them fund the necessary upgrades to their emergency communications infrastructure continues to be a focus of the Board. What is the source of this funding? Wireless phone users pay a monthly \$.50 surcharge in order to help fund the upgrades necessary to meet the FCC's regulations.

This fee becomes part of the Indiana Wireless E911 Advisory Board Telephone System Fund which is administered by the Board and dispersed to county 911 authorities and wireless carriers for E911 system enhancements. As of June 30, 2006, local government has received more than \$81.2 million in monthly distributions and reimbursements while wireless carriers have collected more than \$44 million in cost reimbursement.

Wireless Enhanced 911 Advisory Board

Tim Berry

Treasurer of State,
Chairman

Jim Alexander

Jefferson County 911

Harold Williams

Jasper County Sheriff

Lori Forrer

Cass County 911

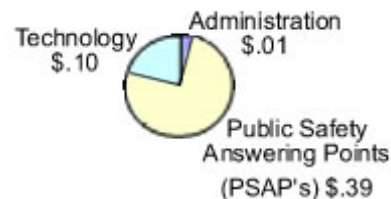
Larry Jones

Verizon

Jerry Branock

Cingular

Allocation of \$.50 Monthly Surcharge



Indiana State Board of Finance

Treasurer Berry serves on the State Board of Finance with the Governor and State Auditor. The State Board of Finance has the power to negotiate loans to cover casual deficits in state revenue. The Board may transfer money between state funds, and may transfer money between appropriations for any board, department, commission, office, or benevolent or penal institution. The board also appropriates tuition support payments, approves new state depositories, plays a large role in the developing the parameters of many economic development, rainy day and common school fund loans for various Indiana political subdivisions. Finally, the Board has advisory supervision of all funds coming into the state treasury and all other funds belonging to the state.

Indiana Underground Storage Tank Financial Assurance Board

The Underground Storage Tank Financial Assurance Board was created by the Indiana General Assembly in 1996. The Board consists of sixteen (16) members including the Treasurer of State, The Commissioner of the Indiana Department of Environmental Management (IDEM), the Commissioner of the Indiana Department of Revenue, the State Fire Marshall and twelve individuals appointed by the Governor who represent the petroleum industry, the environment, local government, and the public. The Board's duties include taking testimony and receiving a monthly report from the commissioner of IDEM regarding the financial condition and operation of the excess liability trust fund. Additionally, the Board consults with IDEM on the administration of the underground storage tank excess liability trust fund. The excess liability trust fund is established to provide a source of money to satisfy liabilities incurred by owners and operators of underground petroleum storage tanks, to provide a source for loan guaranty, and to provide a source of money for IDEM to pay for expenses related to the administration of claims against the trust fund. The Treasurer of State has the statutory responsibility for investing the trust fund.

Indiana Finance Authority

In 2005 the Indiana General Assembly created the Indiana Finance Authority (IFA) in order to incorporate a number of the State's bonding entities into one authority. The four authorities' that now compose the IFA are the Indiana Development Finance Authority, the Recreation Development Commission, the Indiana State Office Building Commission and the Indiana Transportation Finance Authority. With its creation the IFA is dedicated to helping Indiana infrastructure, businesses and communities grow and prosper in an evolving economy through the implementation of creative financing tools.

In partnership with lenders, the Indiana Department of Commerce, other state and federal agencies, local governments and other economic development professionals throughout the state, the IFA creatively pursues partners, opportunities and alternatives to help Indiana businesses thrive and be competitive. The following is a brief overview of the IFA's main programs.

The *Capital Access Program* (CAP) is a small business credit enhancement program that creates a specific cash reserve fund for the lender to use as additional security for loans enrolled in the Program. This program targets high-growth/high tech companies, minority-owned businesses, and licensed child care facilities.

The *Brownfields Redevelopment Program* provides grants to local governmental entities for Phase I and Phase II site investigation, low interest loans for remediation and stakeholder education and technical assistance. A brownfield is typically an abandoned or underutilized piece of property that often has an industrial or commercial history. Redevelopment of these properties is difficult due to the potential for or actual presence of environmental contamination. Through site investigation, assessment and remediation, these properties have been transformed either into thriving businesses, or into community facilities or valuable parks and greenspaces.

Volume Cap Program — "Volume Cap" is the amount of tax-exempt financing available to certain types of private companies or developers in a calendar year. It is a measure of capacity and is based on a state's population. Federal law determines project availability, but the IFA awards companies volume cap based on a competitive process. Although volume cap can be used to assist manufacturing and other businesses wishing to grow in Indiana the overwhelming majority of our state's volume cap is utilized by the Indiana Housing Finance Authority to provide affordable housing statewide.

The *Tax-Exempt Bond Program* allows the state or local governmental entities to issue bonds for the benefit of a private companies. The interest on these bonds is generally exempt from federal income taxes for investors, which typically results lower long-term interest rates to the borrower. The IFA can issue bonds to finance qualified manufacturing facilities and equipment, pollution control facilities and other projects permitted under federal law as well as for certain 501 (c) 3 entities including childcare facilities and cultural institutions.

Indiana Finance Authority

Charles Schalliol
State Budget Director

Tim Berry
Treasurer of State

Steve Schultz

Bud Melton

Mark Ryan

Ryan Kitchell,
Executive Director

Indiana Finance Authority Continued

Loan Guaranty Program — The IFA can guarantee loans for high-growth/high-tech companies, manufacturers, rural development projects, value-added agricultural enterprises and other types of businesses that create or retain a certain number of Hoosier jobs. This program is often utilized in conjunction with other funding sources and enhancement programs as part of an entire economic development package.

The *Small Bond Program* offers manufacturing companies and certain not-for-profit organizations with financing needs of \$2 million or less easier access to the tax-exempt marketplace.

The *Recreational Development Program*, provides for the general health and welfare of Indiana citizens by the acquisition, construction, improvement and operation of public recreational facilities. Two of the more recent projects to be facilitated under this program are the restoration and construction of a new inn at Clifty Falls State Park in Madison and the building of the brand new Prophetstown State Park near Lafayette.

The *State Office Building Commission* now incorporated into the IFA, issues bonds to finance construction for state properties. Some past projects include the Indiana Government Center, the State Parking Garages and correctional facilities throughout the State. Two of the more recent projects include the construction of a new Forensics Laboratory for the Indiana State Police, the State Department of Health and the IUPUI Division of Toxicology and Hoosier Project Safe-T.

Lastly, *Transportation Projects* are now the responsibility of the IFA through the issuance and selling of bonds to provide funds for the necessary construction projects. These responsibilities include the construction, reconstruction, improvement, maintenance, operation and repair of toll roads and toll bridges. The IFA is also responsible for the issuance of the Highway Revenue Bonds to provide funds for the construction of highways, roads, bridges and streets.

The Indiana Housing & Community Development Authority

Through homeownership, rental housing and community development programs, the HCDA administers financial vehicles and incentives to create affordable housing for rent or purchase as well as supportive facilities.

Created in 1978 by the Indiana General Assembly, the Indiana Housing & Community Development Authority (HCDA) is a financially self-sufficient and quasi-autonomous agency established to provide financial vehicles and incentives for the purpose of ownership, development, or rehabilitation of affordable single and multi-family housing as well as supportive shelters. HCDA provides affordable homes for Hoosiers, stimulates the construction industry, and construction employment. Below is a brief description of programs offered and administered by HCDA.

Single-Family Housing Program — Started in 1978, this program assists low and moderate income families in the purchase of their first home.

Multi-Family Program — Created in 1982, this program provides below market rate mortgages to developers and sponsors for construction or rehabilitation of multi-family rental residences.

Mortgage Credit Certificate Program (MCC Program) — Introduced in 1987, the MCC Program allows the HCDA to provide financial assistance to a greater number of first time home buyers.

Low Income Housing Credit Program — Also introduced in 1987, provides a federal tax credit to qualified owners of rental housing.

The primary resources used by HCDA include: private activity bond volume (“volume cap”) for homeownership and rental programs, rental housing tax credits, HOME Investment Partnership Program Funds, Community Development Block Grants, the Indiana Low Income Housing Trust Fund, and the Housing Opportunities for Persons with AIDS funds.

The Indiana Housing & Community Development Authority is made up of the Lieutenant Governor, the State Treasurer, the Director of the Indiana Finance Authority, and four gubernatorial appointees.

Board of Directors

Becky Skillman, Chairman
Lieutenant Governor

Tim Berry, Vice-Chairman
Treasurer of State

Ryan Kitchell
Indiana Finance Authority

Patricia Gamble-Moore
Federal Home Loan Bank of Indianapolis

Tom McGowan, Kite Development Corp.

David Miller, Hoosier Uplands Economic Dev. Corporation

Lola Porter, Integra Bank

Sherry Seiwert, Executive Director

Public Deposit Insurance Fund

The Public Deposit Insurance Fund (PDIF) was created in 1937 to insure the deposits of public monies in Indiana's banks, much the same way the FDIC insures individual depositor's accounts. PDIF funds are managed and invested by Treasurer Berry, in his capacity as the Secretary-Investment Manager for the Indiana Board for Depositories. Treasurer Berry staffs, administers, manages, and directs the affairs and activities of the Board in accordance with the policies set out by the Board.

The purpose of the Board for Depositories is to insure the safekeeping and prompt payment of all public funds deposited in any approved depository through the prudent management of the PDIF. The Board is separate from the state in its corporate and sovereign capacity.

The PDIF is funded by assessments payable by every depository that has public funds. The Board may waive this assessment if, in its discretion, it determines that the assets of the fund are equal to the reserve for losses. At the present time, the Board has waived the assessment. The Board has the authority to invest, reinvest, and exchange investments of the PDIF in excess of the cash balance in certain securities set out in the Indiana Code 5-13-12.

As of June 30, 2006, there are 216 financial institutions which have been designated as approved depositories in Indiana and able to accept public fund deposits. At the end of Fiscal Year 2006, the assets of the PDIF totaled \$308,363,596.03 and an actuarial study found that the current balance is large enough to deem the PDIF actuarial sound.

Local Police and Fire Pension Assistance:

Legislation passed in 2001 requires that the interest earned on the PDIF be distributed to Indiana municipalities to assist with their pre-1977 police and fire pension liabilities. In FY 2006 interest earned to be distributed totaled \$5,268,619.46. Since the legislation took effect, Treasurer Berry has overseen the distribution of more than \$52 million to 129 Hoosier communities.

Indiana Board for Depositories

Mitchell E. Daniels, Chairman
Governor

Tim Berry, Secretary-Investment Manager
Treasurer of State

Connie Nass, Vice-Chairman
State Auditor

Marilyn Rudolph
State Board of Accounts

Judith Ripley
Department of Financial Institutions

Calvin Bellamy
Bank Calumet

Dan Doan
Old National Bancorp

John R. Cunningham
Fidelity Federal Bancorp

Christopher J. Murphy III
First Source Bank

Board for Depositories Staff

R. Merrick White, Network Director
Shannon Thompson, Office Manager

Indiana Board for Depositories
One North Capitol Avenue, Suite 444
Indianapolis, Indiana 46204-2026
(317) 232-5257
www.state.in.us/deposit

State Police Pension Fund

Since 1937, the Treasurer of State has served as Trustee of the Indiana State Police Pension Fund. As trustee, Treasurer Berry appropriates funds to support many of the programs for State Police employees, including the Retirement and Supplemental Pension, Disability Benefit, and the Benefit for Widows and Children. Additionally, the Treasurer has the fiduciary duty to provide prudent investment options and great oversight over the investments held in the fund. In working with the State Police Pension Advisory Board and their investment advisor, Treasurer Berry and the members of the Board are very happy with the investment performance of the fund and the growth in its asset base. Additionally, the Board and Treasurer Berry take great pride in fact that both Indiana based investment firms and minority owned firms participate in the Indiana State Police Pension fund investments.

Grain Indemnity Corporation

The Grain Indemnity Corporation is a public body corporate and politic, and though it is separate from the state, the exercise by the corporation of its powers constitutes an essential governmental function. The Grain Indemnity Corporation oversees the Indiana Grain Indemnity Fund. The Fund was established for the purpose of providing money to pay producers for losses incurred due to the failure of a grain buyer.

Indiana Heritage Trust Committee

The Indiana Heritage Trust Committee recommends to the Governor purchases for the Heritage Trust Program. The Trust Committee works with the Heritage Trust Project Committee and the Department of Natural Resources to develop a Heritage Trust Strategic Plan to provide an overview of the programs.

The Trust Committee has seventeen members: twelve members of the Natural Resources Foundation, two members of the State Senate and the House of Representatives, and the Treasurer of State.

October 31, 2006

The Honorable Mitch Daniels
Governor, State of Indiana
206 State House
Indianapolis, Indiana 46204

Dear Governor Daniels:

In accordance with Indiana Code Section 4-8.1-2-14, I hereby submit the Annual Financial Report of the Office of the Treasurer of State for the State of Indiana.

The following information is a summary of the business transactions for the state General Fund and all other funds managed by this office for the Fiscal Year, July 1, 2005 to June 30, 2006.

Sincerely,

A handwritten signature in black ink that reads "TIM BERRY". The signature is written in a cursive style with a large, sweeping initial "T" and "B".

Tim Berry
Treasurer of State

TREASURER OF STATE
Fiscal Year 2006 Investment Summary
Schedule A - Cash Basis

<u>Fund Name</u>	<u>Average Daily Balance</u>	<u>Interest Collected</u>	<u>Yield</u>
<i>General Fund Designated:</i>			
Warrant Clearing/Savings Accounts	\$ 156,725,138	\$ 7,009,452	4.47%
Certificates of Deposit	\$ 227,589,418	\$ 7,202,128	3.16%
Money Market Mutual Funds	\$ 234,164,658	\$ 9,245,091	3.95%
Government Securities	\$ 1,292,115,128	\$ 49,248,497	3.81%
<i>Total General Fund Designated</i>	\$ 1,910,594,341	\$ 72,705,168	3.81%
<i>Other General Accounts:</i>			
County Option Income Tax	\$ 116,430,081	\$ 4,236,486	3.64%
County Economic Development Income Tax	\$ 20,169,275	\$ 716,027	3.55%
Economic Stabilization Fund	\$ 294,642,364	\$ 9,081,883	3.08%
<i>Total Other General Accounts</i>	\$ 431,241,721	\$ 14,034,396	3.25%
<i>Trust Funds/Dedicated Funds:</i>			
I.U. Permanent Endowment	\$ 785,300	\$ 33,746	4.30%
Purdue Trust Fund	\$ 340,000	\$ 14,611	4.30%
Public Deposit Insurance Fund	\$ 250,819,295	\$ 7,179,369	2.86%
Common School Fund	\$ 81,857,344	\$ 2,731,923	3.34%
Common School Fund - Advances	\$ 432,592,798	\$ 13,310,931	3.08%
Agency for the Blind:			
- Vending Operations	\$ 719,231	\$ 23,024	3.20%
- Restricted Donations	\$ 11,806	\$ 507	4.29%
Recreational Development Comm.	\$ 305,231	\$ 14,053	4.60%
Indiana State Police Pension Trust	\$ 340,891,941	\$ 22,313,036	6.55%
Rural Rehabilitation Planning Fund	\$ 337,308	\$ 13,802	4.09%
Interstate Bridge	\$ 6,450,868	\$ 269,216	4.17%
Federal Revenue Sharing Fund	\$ 2,425,939	\$ 87,596	3.61%
Patient Compensation Fund	\$ 60,382,916	\$ 2,377,187	3.94%
Property Custody Fund	\$ 1,000,000	\$ 36,956	3.70%

<u>Fund Name</u>	<u>Average Daily Balance</u>	<u>Interest Earned</u>	<u>Yield</u>
Law Enforcement Training Board	\$ 41,154	\$ 1,338	3.25%
Indiana Historic Bureau -			
Governor's Portrait	\$ 53,000	\$ 2,263	4.27%
Tri-Centennial Fund	\$ 7,881	\$ 312	3.96%
Retirement Home Guaranty Fund	\$ 2,952,542	\$ 115,986	3.93%
Natural Resources - Reclamation			
Set Aside	\$ 9,015,382	\$ 351,680	3.90%
Hazardous Substance Emergency	\$ 14,126,668	\$ 584,444	4.14%
Natural Resources -			
Lifetime License	\$ 16,192,753	\$ 658,678	4.07%
Natural Resources Donations	\$ 477,692	\$ 16,881	3.53%
Non-Game Bird Fund	\$ 500,000	\$ 20,323	4.06%
Residual Asbestos Injury Fund	\$ 716,923	\$ 28,489	3.97%
Bail Bond Enforcement	\$ 728,846	\$ 30,550	4.19%
Exxon Oil Overcharge Fund	\$ 1,296,885	\$ 57,547	4.44%
Indiana Political Subdivision Risk			
Management	\$ 8,685,946	\$ 341,466	3.93%
Stripper Well Fuel Overcharge	\$ 7,235,902	\$ 310,564	4.29%
Mine Subsidence Fund	\$ 8,127,514	\$ 260,698	3.21%
Industrial Development Grant	\$ 25,737,412	\$ 1,014,830	3.94%
Commerce Energy Exxon PVE	\$ 2,481,883	\$ 107,644	4.34%
Post 1977 Abandoned Mine			
Reclamation	\$ 5,313,433	\$ 209,653	3.95%
Commerce Energy/Stripper Well	\$ 211,846	\$ 9,700	4.58%
Bus/Ag Revolving Fund	\$ 51,231	\$ 2,346	4.58%
Recovery Real Estate	\$ 246,154	\$ 12,666	5.15%
Recovery Plumbers	\$ 388,462	\$ 16,442	4.23%
Recovery Auctioneers	\$ 387,692	\$ 16,337	4.21%
E/M- Asbestos Trust	\$ 529,597	\$ 22,269	4.20%
E/M - Petroleum Trust	\$ 3,895,702	\$ 163,400	4.19%
E/M - Excess Liability	\$ 4,937,225	\$ 198,272	4.02%
Robert Kraft Estate Gift Fund	\$ 1,374,231	\$ 59,405	4.32%
Economic Development	\$ 4,722,774	\$ 187,495	3.97%
Industrial Training Fund	\$ 61,601,196	\$ 2,509,419	4.07%
State Library Publications Fund	\$ 254,615	\$ 13,396	5.26%
Commerce STP Loans	\$ 1,264,388	\$ 56,910	4.50%

<u>Fund Name</u>	<u>Average Daily Balance</u>	<u>Interest Earned</u>	<u>Yield</u>
Indiana Strategic Development	\$ 120,308	\$ 4,523	3.76%
License Plate Escrow	\$ 663,846	\$ 26,708	4.02%
Fish and Wildlife	\$ 913,734	\$ 39,191	4.29%
IPALCO Settlement	\$ 605,041	\$ 25,731	4.25%
Jeopardy Assessment Receipts	\$ 368,846	\$ 15,145	4.11%
Standard Library Card Program	\$ 138,462	\$ 6,657	4.81%
Historical Bureau Publication	\$ 103,462	\$ 4,379	4.23%
Heritage Trust Fund	\$ 6,439,773	\$ 280,224	4.35%
Darrach Genealogy	\$ 584,615	\$ 24,603	4.21%
HCFA Civil Penalties	\$ 4,079,231	\$ 158,076	3.88%
Producer-Premium Fund	\$ 13,518,908	\$ 449,729	3.33%
Retailer Bonding Fund	\$ 366,923	\$ 13,596	3.71%
Electronic/Enhanced Access Fund	\$ 500,000	\$ 18,605	3.72%
W911-CMRS	\$ 2,248,759	\$ 115,431	5.13%
W911-Phase II	\$ 259,135	\$ 31,773	12.26%
State Infrastructure Bank	\$ 4,077,334	\$ 159,038	3.90%
Veteran's Memorial Cemetery Trust	\$ 2,346,154	\$ 95,329	4.06%
Tobacco Master Settlement	\$ 118,128,766	\$ 690,122	0.58%
Arts Commission Trust Fund	\$ 773,692	\$ 34,131	4.41%
Tobacco Use Prevention	\$ 6,313,837	\$ 239,856	3.80%
Continental Steel Escrow	\$ 1,499,448	\$ 57,643	3.84%
Children's Trust	\$ 2,605,712	\$ 110,717	4.25%
Medicaid Indigent Care Trust	\$ 34,706,316	\$ 1,329,708	3.83%
Police/Fire Pension Distribution	\$ 2,684,140	\$ 79,525	2.96%
Title V	\$ 7,093,388	\$ 196,722	2.77%
Career College Student Assurance	\$ 100,000	\$ 2,309	2.31%
<i>Total Trust Funds/Dedicated Funds</i>	\$ 1,573,716,735	\$ 59,996,833	3.81%
GRAND TOTAL	\$ 3,915,552,797	\$ 146,736,398	3.75%
Less: State Police Pension	\$ 3,574,860,866	\$ 124,423,382	3.48%

TREASURER OF STATE
 Fiscal Year 2006 Investment Summary
 Schedule B - Accrual Basis

<u>Fund Name</u>	<u>Average Daily Balance</u>	<u>Interest Earned</u>	<u>Yield</u>
<i>General Fund Designated:</i>			
Warrant Clearing/Savings Accounts	\$ 156,725,138	\$ 7,009,452	4.47%
Certificates of Deposit	\$ 227,589,418	\$ 9,425,835	4.14%
Money Market Mutual Funds	\$ 234,164,658	\$ 9,109,195	3.89%
Government Securities	\$ 1,292,115,128	\$ 56,951,159	4.41%
<i>Total General Fund Designated</i>	\$ 1,910,594,341	\$ 82,495,640	4.32%
<i>Other General Accounts:</i>			
County Option Income Tax	\$ 116,430,081	\$ 4,994,816	4.29%
County Economic Development Income Tax	\$ 20,169,275	\$ 762,282	3.78%
Economic Stabilization Fund	\$ 294,642,364	\$ 11,316,445	3.84%
<i>Total Other General Accounts</i>	\$ 431,241,721	\$ 17,073,543	3.96%
<i>Trust Funds/Dedicated Funds:</i>			
I.U. Permanent Endowment	\$ 785,300	\$ 34,200	4.36%
Purdue Trust Fund	\$ 340,000	\$ 14,807	4.36%
Public Deposit Insurance Fund	\$ 250,819,295	\$ 8,798,032	3.51%
Common School Fund	\$ 81,857,344	\$ 3,091,713	3.78%
Common School Fund - Advances	\$ 432,592,798	\$ 15,098,542	3.49%
Agency for the Blind:			
- Vending Operations	\$ 719,231	\$ 31,678	4.40%
- Restricted Donations	\$ 11,806	\$ 509	4.31%
Recreational Development Comm.	\$ 305,231	\$ 7,296	2.39%
Indiana State Police Pension Trust	\$ 340,891,941	\$ 22,353,895	6.56%
Rural Rehabilitation Planning Fund	\$ 337,308	\$ 14,335	4.25%
Interstate Bridge	\$ 6,450,868	\$ 274,896	4.26%
Federal Revenue Sharing Fund	\$ 2,425,939	\$ 101,851	4.20%
Patient Compensation Fund	\$ 60,382,916	\$ 2,467,916	4.09%
Property Custody Fund	\$ 1,000,000	\$ 40,701	4.07%

<u>Fund Name</u>	<u>Average Daily Balance</u>	<u>Interest Earned</u>	<u>Yield</u>
Law Enforce Training Board	\$ 41,154	\$ 1,958	4.76%
Indiana Historic Bureau - Governor's Portrait	\$ 53,000	\$ 2,294	4.33%
Tri-Centennial Fund	\$ 7,881	\$ 350	4.45%
Retirement Home Guaranty Fund	\$ 2,952,542	\$ 125,814	4.26%
Natural Resources - Reclamation Set Aside	\$ 9,015,382	\$ 383,609	4.26%
Hazardous Substance Emergency	\$ 14,126,668	\$ 588,371	4.16%
Natural Resources - Lifetime License	\$ 16,192,753	\$ 727,330	4.49%
Natural Resources Donations	\$ 477,692	\$ 17,273	3.62%
Non-Game Bird Fund	\$ 500,000	\$ 21,595	4.32%
Residual Asbestos Injury Fund	\$ 716,923	\$ 32,069	4.47%
Bail Bond Enforcement	\$ 728,846	\$ 31,456	4.32%
Exxon Oil Overcharge Fund	\$ 1,296,885	\$ 53,957	4.16%
Indiana Political Subdivision Risk Management	\$ 8,685,946	\$ 372,486	4.29%
Stripper Well Fuel Overcharge	\$ 7,235,902	\$ 303,960	4.20%
Mine Subsidence Fund	\$ 8,127,514	\$ 348,425	4.29%
Industrial Development Grant	\$ 25,737,412	\$ 1,093,073	4.25%
Commerce Energy Exxon PVE	\$ 2,481,883	\$ 109,260	4.40%
Post 1977 Abandoned Mine Reclamation	\$ 5,313,433	\$ 223,567	4.21%
Commerce Energy/Stripper Well	\$ 211,846	\$ 9,700	4.58%
Bus/Ag Revolving Fund	\$ 51,231	\$ 2,346	4.58%
Recovery Real Estate	\$ 246,154	\$ 10,725	4.36%
Recovery Plumbers	\$ 388,462	\$ 17,287	4.45%
Recovery Auctioneers	\$ 387,692	\$ 17,245	4.45%
E/M- Asbestos Trust	\$ 529,597	\$ 24,434	4.61%
E/M - Petroleum Trust	\$ 3,895,702	\$ 174,862	4.49%
E/M - Excess Liability	\$ 4,937,225	\$ 201,819	4.09%
Robert Kraft Estate Gift Fund	\$ 1,374,231	\$ 60,904	4.43%
Economic Development	\$ 4,722,774	\$ 199,664	4.23%
Industrial Training Fund	\$ 61,601,196	\$ 2,613,015	4.24%
State Library Publications Fund	\$ 254,615	\$ 12,155	4.77%
Commerce STP Loans	\$ 1,264,388	\$ 53,987	4.27%

<u>Fund Name</u>	<u>Average Daily Balance</u>	<u>Interest Earned</u>	<u>Yield</u>
Indiana Strategic Development	\$ 120,308	\$ 5,236	4.35%
License Plate Escrow	\$ 663,846	\$ 29,999	4.52%
Fish and Wildlife	\$ 913,734	\$ 41,736	4.57%
IPALCO Settlement	\$ 605,041	\$ 24,891	4.11%
Jeopardy Assessment Receipts	\$ 368,846	\$ 16,915	4.59%
Standard Library Card Program	\$ 138,462	\$ 5,877	4.24%
Historical Bureau Publication	\$ 103,462	\$ 4,462	4.31%
Heritage Trust Fund	\$ 6,439,773	\$ 293,973	4.56%
Darrach Genealogy	\$ 584,615	\$ 25,643	4.39%
HCFA Civil Penalties	\$ 4,079,231	\$ 183,407	4.50%
Producer-Premium Fund	\$ 13,518,908	\$ 567,596	4.20%
Retailer Bonding Fund	\$ 366,923	\$ 15,772	4.30%
Electronic/Enhanced Access Fund	\$ 500,000	\$ 22,054	4.41%
W911-CMRS	\$ 2,248,759	\$ 94,122	4.19%
W911-Phase II	\$ 259,135	\$ 6,921	2.67%
State Infrastructure Bank	\$ 4,077,334	\$ 173,356	4.25%
Veteran's Memorial Cemetery Trust	\$ 2,346,154	\$ 104,248	4.44%
Tobacco Settlement	\$ 118,128,766	\$ 717,639	0.61%
Arts Commission Trust Fund	\$ 773,692	\$ 35,364	4.57%
Tobacco Use Prevention	\$ 6,313,837	\$ 277,358	4.39%
Continental Steel Escrow	\$ 1,499,448	\$ 63,251	4.22%
Children's Trust	\$ 2,605,712	\$ 111,313	4.27%
Medicaid Indigent Care Trust	\$ 34,706,316	\$ 1,351,132	3.89%
Police/Fire Pension Distribution	\$ 2,684,140	\$ 103,949	3.87%
Title V	\$ 7,093,388	\$ 282,763	3.99%
Career College Student Assurance	\$ 100,000	\$ 5,139	5.14%
<i>Total Trust Funds/Dedicated Funds</i>	\$ 1,573,716,735	\$ 64,729,478	4.11%
GRAND TOTAL	\$ 3,915,552,797	\$ 164,298,661	4.20%
Less: State Police Pension	\$ 3,574,680,856	\$ 141,944,767	3.97%

INDIANA BOARD FOR DEPOSITORIES
STATEMENT OF OPERATIONS AND FUND BALANCE
for the twelve months ended June 30, 2005 and 2006

REVENUES	2005	2006
Investment Income	\$ 3,575,191.64	\$ 5,936,691.69
Net Change in Fair Value of Investments	1,792,715.35	2,592,813.36
Securities Lending Income	3,993,924.34	8,330,106.02
Miscellaneous	<u>-</u>	<u>50.00</u>
 Total Revenues	 <u>9,361,831.33</u>	 <u>16,859,661.07</u>
 EXPENSES		
Salaries and Benefits	152,069.10	151,138.00
Professional Services	201,199.84	169,804.15
Securities Lending Expense	3,684,630.14	8,061,578.70
Depreciation	37,278.87	17,783.06
Office Rent/Parking	23,730.17	24,422.00
Maintenance Contracts	28,603.72	30,331.23
Other Operating	<u>23,284.93</u>	<u>25,191.48</u>
 Total Expenses	 <u>4,150,796.77</u>	 <u>8,480,248.62</u>
 Excess of Revenues over Expenses	 5,211,034.56	 8,379,412.45
 Transfers		
Distribution to Police/Firefighters Pension Fund	<u>(3,829,784.52)</u>	<u>(5,211,034.56)</u>
 Change in Net Assets	 <u>1,381,250.04</u>	 <u>3,168,377.89</u>
 FUND BALANCE - BEGINNING	 <u>303,813,968.10</u>	 <u>305,195,218.14</u>
 FUND BALANCE - ENDING	 <u>\$ 305,195,218.14</u>	 <u>\$ 308,363,596.03</u>

Indiana Bond Bank Financial Summary

Changes in Outstanding Debt Year end Summary for July 1, 2005 through June 30, 2006

Program Name	New Debt Issued FYE 6/30/06	Debt Retired FYE 6/30/06	QEs Assisted New Debt FYE 6/30/06
Advance Funding Program**	\$ 435,835,000.00	\$ 741,545,000.00	122
Common School Fund	-	21,075,000.00	-
HELP Program	10,369,221.32	18,580,303.94	23
Not-For-Profit Water	-	1,463,966.32	-
School Building Program Bonds	-	-	-
School Severance Bonds	179,335,000.00	44,790,000.00	39
Special Program Bonds	87,035,000.00	16,870,000.00	9
Other Programs***	120,000,000.00	126,615,000.00	10
Total	\$ 832,574,221.32	\$ 970,939,270.26	203

*Qualified Entities are not administered by the IBB for this program

**Does not include Interim Financing

*** Includes YE Assistance Program and Sp Notes payment -- Entities assisted are listed under Advance Funding

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