



Local Government Investment Pool



Annual Report

JUNE 30, 2019

AUDITED



Report of Independent Auditors



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Independent Auditor's Report

Treasurer of the State of Indiana
Indianapolis, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of TrustINDiana (an investment trust fund of the State of Indiana), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise TrustINDiana's basic financial statements, which includes the statement of fiduciary net position - TrustINDiana and TrustINDiana Term as of June 30, 2019 and the statement of operations - TrustINDiana and TrustINDiana Term and changes in fiduciary net position - TrustINDiana and TrustINDiana Term for the year ended June 30, 2019.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of TrustINDiana as of June 30, 2019, and the results of its operations and changes in its fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1, the financial statements of TrustINDiana do not purport to, and do not, present fairly the financial position of the State of Indiana as of June 30, 2019, the changes in its financial position or, where applicable, its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 3, the issuer names of TrustINDiana's commercial paper holdings were revised after initial issuance of the financial statements on September 18, 2019. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2019, on our consideration of TrustINDiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of TrustINDiana's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering TrustINDiana's internal control over financial reporting and compliance.

BKD, LLP

Indianapolis, Indiana

September 18, 2019, except for the issuer names of the
commercial paper in Note 3 as to which the date is October 24, 2019

Statement of Fiduciary Net Position - TrustINDiana

June 30, 2019

| | <u>TrustINDiana</u> | <u>External Participants</u> |
|---|-------------------------------|----------------------------------|
| Assets | | |
| Cash, cash equivalents and investments | \$1,533,268,557 | \$1,167,558,559 |
| Interest income receivable | <u>359,854</u> | <u>274,023</u> |
| Total Assets | <u><u>\$1,533,628,411</u></u> | <u><u>\$1,167,832,582</u></u> |
| Liabilities | | |
| Management fee payable | \$122,038 | \$92,930 |
| Other payables | <u>91,255</u> | <u>69,489</u> |
| Total Liabilities | <u>213,293</u> | <u>162,419</u> |
| Net Position - Held in Trust for Pool Participants | <u>1,533,415,118</u> | <u>1,167,670,163</u> |
| Total Liabilities and Net Position | <u><u>\$1,533,628,411</u></u> | <u><u>\$1,167,832,582</u></u> |

Statement of Fiduciary Net Position - TrustINDiana Term

June 30, 2019

| | <u>TrustINDiana</u> | <u>External Participants</u> |
|---|---------------------------|----------------------------------|
| Assets | | |
| Cash, cash equivalents and investments | \$3,387,926 | \$3,387,926 |
| Interest income receivable | <u>4,683</u> | <u>4,683</u> |
| Total Assets | <u><u>\$3,392,609</u></u> | <u><u>\$3,392,609</u></u> |
| Liabilities | | |
| Management fee payable | <u>\$43</u> | <u>\$43</u> |
| Total Liabilities | <u>43</u> | <u>43</u> |
| Net Position - Held in Trust for Pool Participants | <u>3,392,566</u> | <u>3,392,566</u> |
| Total Liabilities and Net Position | <u><u>\$3,392,609</u></u> | <u><u>\$3,392,609</u></u> |

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

Statement of Operations - TrustINDiana

For the year ended June 30, 2019

| | <u>TrustINDiana</u> | <u>External Participants</u> |
|--|---------------------|----------------------------------|
| Revenues: | | |
| Interest income | \$33,255,529 | \$24,191,028 |
| Net realized gain on investments | 356 | 259 |
| Net unrealized loss on investments | <u>(126,067)</u> | <u>(91,705)</u> |
| Total Revenues | <u>33,129,818</u> | <u>24,099,582</u> |
| Expenses: | | |
| Management fee | 1,407,339 | 1,023,739 |
| Other expenses | <u>331,099</u> | <u>240,851</u> |
| Total Expenses | <u>1,738,438</u> | <u>1,264,590</u> |
| Net investment income | <u>31,391,380</u> | <u>22,834,992</u> |
| Increase in net position from operations | <u>\$31,391,380</u> | <u>\$22,834,992</u> |

Statement of Operations - TrustINDiana Term

For the year ended June 30, 2019

| | <u>TrustINDiana</u> | <u>External Participants</u> |
|--|---------------------|----------------------------------|
| Revenues: | | |
| Interest income | <u>\$4,910</u> | <u>\$4,683</u> |
| Total Revenues | <u>4,910</u> | <u>4,683</u> |
| Expenses: | | |
| Management fee | <u>43</u> | <u>43</u> |
| Total Expenses | <u>43</u> | <u>43</u> |
| Net investment income | <u>4,867</u> | <u>4,640</u> |
| Increase in net position from operations | <u>\$4,867</u> | <u>\$4,640</u> |

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

Statement of Changes in Fiduciary Net Position - TrustINDiana

| | For the year ended June 30, 2019 | |
|--|-------------------------------------|--------------------------|
| | TrustINDiana | External Participants |
| Increase in net position | | |
| Operations: | | |
| Net investment income | \$31,517,091 | \$22,926,438 |
| Net realized gain on investments | 356 | 259 |
| Net unrealized depreciation on investments | (126,067) | (91,705) |
| Increase in net position from operations | <u>31,391,380</u> | <u>22,834,992</u> |
| Distributions to participants | <u>(31,517,447)</u> | <u>(22,926,697)</u> |
| Participants' transactions | | |
| Contributions | 1,991,927,312 | 1,957,002,085 |
| Reinvestment of distributions | 31,517,086 | 22,870,930 |
| Withdrawals | <u>(1,921,848,878)</u> | <u>(1,875,985,048)</u> |
| Increase in net position from participants' transactions | <u>101,595,520</u> | <u>103,887,967</u> |
| Total increase in net position | 101,469,453 | 103,796,262 |
| Net position | | |
| Beginning of year | <u>1,431,945,665</u> | <u>1,063,873,901</u> |
| End of year | <u>\$1,533,415,118</u> | <u>\$1,167,670,163</u> |

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

Statement of Changes in Fiduciary Net Position - TrustINDiana Term

| | For the year ended June 30, 2019 | |
|--|-------------------------------------|--------------------------|
| | TrustINDiana | External Participants |
| Increase in net position | | |
| Operations: | | |
| Net investment income | \$4,867 | \$4,640 |
| Increase in net position from operations | 4,867 | 4,640 |
| Distributions to participants | (227) | - |
| Participants' transactions | | |
| Contributions | 3,587,926 | 3,387,926 |
| Reinvestment of distributions | 227 | - |
| Withdrawals | (200,227) | - |
| Increase in net position from participants' transactions | 3,387,926 | 3,387,926 |
| Total increase in net position | 3,392,566 | 3,392,566 |
| Net position | | |
| Beginning of year | - | - |
| End of year | \$3,392,566 | \$3,392,566 |

Notes to Financial Statements

For the year ended June 30, 2019

Note 1: Description of TrustINDiana

TrustINDiana (the "Pool") is a local government investment pool created pursuant to IC §5-13-9-11(b) within the office and custody of the Treasurer of the State of Indiana. The purpose of the Pool is to allow local units of government (e.g., counties, municipalities, school corporations, townships and other units of local government) as well as the State of Indiana to invest in a common pool of investment assets. In 2019 TrustINDiana began offering a specially designed sub-account feature for active TrustINDiana participants: TrustINDiana Term Series. The Term Series product is designed to complement the daily liquidity of TrustINDiana by offering a longer dated fixed income investment. For purposes of these financial statements, external participants are defined as all investors other than the State of Indiana. The difference between the amounts presented in total and external participants represents the investment by the State of Indiana.

The accompanying financial statements present only the activities of TrustINDiana, an investment trust fund of the State of Indiana, and are not intended to present fairly the financial position of the State of Indiana, the changes in its financial position or, where applicable, its cash flows in conformity with accounting principles generally accepted in the United States of America.

Note 2: Significant Accounting Policies Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and changes in net position during the period. Actual results could differ from those estimates.

Measurement Focus and Basis of Accounting and Presentation

The Pool prepares its financial statements in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Pool is reported as a special-purpose government and the accompanying financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

Cash and Cash Equivalents

Cash is held in various financial institutions in depository accounts. The Pool considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2019, cash equivalents consisted of money market mutual funds and commercial paper, which are reported at fair value. The Pool's money market mutual funds do not have significant limitations or restrictions on withdrawals.

Investments and Investment Income

Securities are valued at the most recent market bid price as obtained from one or more market makers for such securities. The underlying investments of the Pool are marked-to-market on a daily basis.

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

Operating Revenues and Expenses

As a special-purpose government, the Pool distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally arise from providing services in connection with the principal ongoing operations. The Pool's principal operating revenue is investment income and its principal expenses are administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating or capital transactions.

Notes to Financial Statements continued

For the year ended June 30, 2019

Earnings

Net investment income in the Pool is declared and allocated to participants daily. Such amounts are automatically reinvested the same business day. Net realized capital gains, if any, are allocated in a reasonable timeframe after the gain is realized. Investment income in the Term Series is distributed to participants at the maturity of their term. Such amounts are automatically reinvested the same business day and transferred to their TrustINDiana Pool account.

Securities Lending

The Pool has entered into a securities lending agreement, as authorized by state statute and the policies of the Pool, with Bank of New York Mellon ("BNY Mellon"), its custodian. BNY Mellon may loan the Pool's securities to brokers, dealers and financial institutions determined by them to be creditworthy and approved by the Indiana Treasurer of State. The Pool continues to receive the interest on the loaned securities during the term of the loan. The loans can be terminated on demand by either the Pool or the borrower. The loans of securities are collateralized in the form of cash in an amount at least equal to 102% of the current fair value of the loaned securities. The cash collateral is reinvested by BNY Mellon and the net income earned on the reinvestment, less the borrower's rebate and a fee to BNY Mellon, is recorded as additional income to the Pool. There was no securities lending activity during fiscal year ended 2019.

Note 3: Deposits and Investments

As of June 30, 2019, the Pool had the following cash deposits and investments:

| | TrustINDiana | TrustINDiana Term |
|---------------------------|------------------------|--------------------|
| | <u>2019</u> | <u>2019</u> |
| Cash | \$904,862,414 | - |
| Certificates of Deposit | | \$3,387,926 |
| Money market mutual funds | 136,729,130 | - |
| Commercial paper | 491,677,013 | - |
| | <u>\$1,533,268,557</u> | <u>\$3,387,926</u> |

Deposits and investments included in the statement of net position at June 30, 2019 are as follows:

| | <u>2019</u> | <u>2019</u> |
|----------------|------------------------|--------------------|
| Carrying Value | | |
| Deposits | \$904,862,414 | \$3,387,926 |
| Investments | 628,406,143 | - |
| | <u>\$1,533,268,557</u> | <u>\$3,387,926</u> |

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Pool's deposits may not be returned to it. The Pool's deposit policy for custodial credit risk requires compliance with the provisions of state law. Additionally, the Pool is required to be comprised of no less than 50% of deposits in banks from an approved list maintained by the State of Indiana.

Any cash deposits in excess of the \$250,000 Federal Deposit Insurance Corporation (FDIC) limits are fully insured by the Indiana Public Deposit Insurance Fund (Fund) along with any additional pledged collateral from the institutions securing deposits of public funds. The Fund is created under Indiana Code 5-13-12-1(a) and is maintained by the assessments payable by depositories and the receipt of all interest and other earnings of the Fund.

Investments

Indiana statutes generally authorize the Pool to invest in United States obligations and issues of federal agencies, municipal securities of Indiana issuers that have not defaulted during the previous 20 years, commercial paper, secured repurchase agreements

Notes to Financial Statements continued

For the year ended June 30, 2019

fully collateralized by U.S. Government or U.S. Government agency securities, certificates of deposit, and open end money market mutual funds pursuant to Indiana Code §5-13. The Term Series consists of deposits in financial institutions designated by the state as a depository of public funds.

Portfolio of Deposits and Investments - TrustIndiana

| Principal Amount | | Fair Value |
|--|--|--------------------|
| Money Market Mutual Funds - 9% | | |
| \$136,729,130 | Goldman Sachs Financial Square Government Fund | \$136,729,130 |
| Total Money Market Funds (cost of \$136,729,130) | | 136,729,130 |
| Commercial Paper* - 32% | | |
| 25,000,000 | HSBC Bank PLC, 2.63%, maturity date 07/01/19 | 25,000,000 |
| 25,000,000 | Kells Funding LLC, 2.65%, maturity date 07/11/19 | 24,978,875 |
| 25,000,000 | Antalis SA, 2.69%, maturity date 07/15/19 | 24,971,668 |
| 25,000,000 | Antalis SA, 2.73%, maturity date 08/02/19 | 24,942,153 |
| 15,000,000 | Ridgefield Funding Co. LLC, 2.69%, maturity date 08/02/19 | 14,962,812 |
| 25,000,000 | Crown Point Capital Co., 2.63%, maturity date 08/05/19 | 25,000,000 |
| 13,950,000 | La Fayette Asset Securitization LLC, 2.68%, maturity date 08/07/19 | 13,910,940 |
| 25,000,000 | Atlantic Asset Securitization LLC, 2.7%, maturity date 08/19/19 | 24,914,778 |
| 10,000,000 | La Fayette Asset Securitization LLC, 2.51%, maturity date 08/20/19 | 10,000,000 |
| 25,000,000 | Sumitomo Mitsui Banking, 2.71%, maturity date 09/04/19 | 24,879,110 |
| 30,000,000 | Sumitomo Mitsui Banking, 2.68%, maturity date 09/09/19 | 29,847,309 |
| 20,000,000 | Ridgefield Funding Co. LLC, 2.7%, maturity date 09/10/19 | 19,904,212 |
| 15,000,000 | Collateralized Commercial Paper Co., 2.54%, maturity date 09/11/19 | 15,000,000 |
| 15,000,000 | DNB Bank ASA, 2.67%, maturity date 09/11/19 | 14,926,250 |
| 25,000,000 | Ridgefield Funding Co. LLC, 2.74%, maturity date 09/12/19 | 24,873,333 |
| 20,845,000 | Concord Minuteman Cap Co., 2.77%, maturity date 09/27/19 | 20,723,282 |
| 25,650,000 | BPCE SA, 2.69%, maturity date 10/01/19 | 25,497,026 |
| 25,300,000 | LMA Americas LLC, 2.7%, maturity date 10/03/19 | 25,126,169 |
| 30,000,000 | Anglesea Funding LLC, 2.66%, maturity date 10/30/19 | 29,997,000 |
| 22,850,000 | La Fayette Asset Securitization LLC, 2.72%, maturity date 11/04/19 | 22,641,208 |
| 25,000,000 | Atlantic Asset Securitization LLC, 2.72%, maturity date 11/07/19 | 24,792,833 |
| 25,000,000 | JP Morgan Securities, 2.71%, maturity date 11/15/19 | 24,788,055 |
| Total Commercial Paper (cost of \$491,653,266) | | 491,677,013 |
| * The issuer names of the commercial paper holdings were revised to reflect TrustIndiana's holdings. | | |
| Bank Deposits - 59% | | |
| 131,886,847 | Bank of America Deposit, 2.38%, due on demand | 131,886,847 |
| 98,030,098 | BMO Harris Bank Deposit, 2.40%, due on demand | 98,030,098 |
| 151,201,437 | Fifth Third Bank Deposit, 2.42%, due on demand | 151,201,437 |
| 5,009,321 | Financial Center First Credit Union Deposit, 2.43%, due on demand | 5,009,321 |
| 20,596,227 | Horizon Bank Deposit, 2.30%, due on demand | 20,596,227 |
| 20,151,065 | Huntington Bank Deposit, 2.35%, due on demand | 20,151,065 |
| 128,108,212 | KeyBank Deposit, 2.45%, due on demand | 128,108,212 |
| 838,352 | KeyBank Liquid Deposit, 2.25%, due on demand | 838,352 |
| 30,892,538 | Lake City Bank Deposit, 2.47%, due on demand | 30,892,538 |
| 158,250,747 | PNC Bank Deposit, 2.50%, due on demand | 158,250,747 |
| 159,893,570 | US Bank Deposit, 2.40%, due on demand | 159,893,570 |
| 4,000 | Bank of New York/Mellon, 0.00%, due on demand | 4,000 |
| Total Bank Deposits (cost of \$904,862,414) | | 904,862,414 |

Notes to Financial Statements continued

For the year ended June 30, 2019

| | |
|---|------------------------|
| Total Deposits and Investments - 100.00% (cost of \$1,533,244,810) | \$1,533,268,557 |
| Accrued interest receivable | 359,854 |
| Liabilities | (213,293) |
| Position - Unrestricted | <u>\$1,533,415,118</u> |

Portfolio of Deposits and Investments - TrustINDiana Term

| <u>Principal Amount</u> | | <u>Fair Value</u> |
|---|--|--------------------|
| Certificates of Deposit - 100% | | |
| 500,000 | Horizon Bank Certificate of Deposit, 2.53%, maturity date 09/20/2019 | 500,000 |
| 750,000 | Horizon Bank Certificate of Deposit, 2.70%, maturity date 11/20/2019 | 750,000 |
| 500,000 | Horizon Bank Certificate of Deposit, 2.54%, maturity date 12/10/2019 | 500,000 |
| 937,926 | Horizon Bank Certificate of Deposit, 2.54%, maturity date 12/20/2019 | 937,926 |
| 700,000 | Horizon Bank Certificate of Deposit, 2.48%, maturity date 06/19/2020 | 700,000 |
| Total Certificates of Deposit (cost of \$3,387,926) | | <u>3,387,926</u> |
| Total Deposits and Investments - 100.00% (cost of \$3,387,926) | | 3,387,926 |
| Accrued interest receivable | | 4,683 |
| Liabilities | | (43) |
| Position - Unrestricted | | <u>\$3,392,566</u> |

Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will be adversely affected by a change in interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Pool is generally limited to investing in commercial paper with a stated maturity of not more than 270 days and other securities with a stated maturity of not more than two years after the date of purchase or entry into a repurchase agreement, as defined by the Pool's investment policy and Indiana Code §5-13 (excepting Indiana municipal securities that must have maturities of no more than 10 years). However, the Pool is permitted to invest in securities with a stated maturity of more than two years but not more than five years, provided such investments in this group comprise no more than 25% of the total portfolio available for investment. The money market mutual funds are presented as an investment with a maturity of less than one year because they are redeemable in full immediately.

At June 30, 2019, the Pool had the following investments and maturities:

| | <u>Carrying Value</u> | <u>Maturity in Years Less Than 1</u> |
|---------------------------|-----------------------|--|
| Money market mutual funds | \$136,729,130 | \$136,729,130 |
| Commercial paper | 491,677,013 | 491,677,013 |
| | <u>\$628,406,143</u> | <u>\$628,406,143</u> |

Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Pool's investment policy for credit risk requires compliance with the provisions of Indiana statutes. Indiana Code Section 5-13-9-2.5 requires that the Pool's investments in money market mutual funds be rated AAAM by Standard and Poor's or Aaa by Moody's Investor's Service. Indiana Code also requires the Pool limit its investments in commercial paper to those rated in the highest category by one of the nationally recognized rating services.

Notes to Financial Statements continued

For the year ended June 30, 2019

At June 30, 2019, the Pool's investments were rated by Moody's Investors Service and Standard & Poor's as follows:

| | | Moody's Investors Service | | |
|---------------------------|----------------------|---------------------------|-------------|----------------------|
| | | Long-Term Ratings | | Short-Term Rating |
| | Carrying Value | Aaa | Aa | P-1 |
| Money market mutual funds | \$136,729,130 | \$136,729,130 | \$ - | \$ - |
| Commercial paper | 491,677,013 | - | - | 491,677,013 |
| | <u>\$628,406,143</u> | <u>\$136,729,130</u> | <u>\$ -</u> | <u>\$491,677,013</u> |

| | | Standard & Poor's | | |
|---------------------------|----------------------|----------------------|-------------|----------------------|
| | | Long-Term Ratings | | Short-Term Rating |
| | Carrying Value | AAAm | AA | A-1 |
| Money market mutual funds | \$136,729,130 | \$136,729,130 | \$ - | \$ - |
| Commercial paper | 491,677,013 | - | - | 491,677,013 |
| | <u>\$628,406,143</u> | <u>\$136,729,130</u> | <u>\$ -</u> | <u>\$491,677,013</u> |

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Pool will not be able to recover the value of its investments or collateral securities that are in the possession of the counterparty. At June 30, 2019, the Pool's investments were not exposed to custodial credit risk. The Pool's investments in U.S. Government Agency and Treasury securities and commercial paper are held by the pledging financial institution's trust department or agent in the Pool's name. The Pool's investments in money market mutual funds is not subject to custodial credit risk as their existence is not evidenced by securities that exist in physical or book entry form.

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 Pool limits its investments in any one issuer of commercial paper to a maximum of 5% of assets per commercial paper issuer and 10% of assets per ultimate commercial paper issuer. At June 30, 2019, there were no commercial paper investments in any one issuer, not exempt from disclosure that represents 5% or more of the total investments. As shown in note 3, the Pools Money Market Fund is invested in one fund. This fund represents more than 5% of total investments.

Foreign Currency Risk

Foreign currency risk relates to adverse effects on the fair value of an investment from changes in exchange rates. The Pool's investment policy prohibits investments in foreign investments.

Note 4: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1 — Quoted prices in active markets for identical assets or liabilities
- Level 2 — Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3 — Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Notes to Financial Statements continued

For the year ended June 30, 2019

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2019:

TrustINDiana

| Description | Valuation Inputs | | | |
|---------------------------------------|------------------------|---------------|---------------|---------|
| | Total | Level 1 | Level 2 | Level 3 |
| Investments Carried at Fair Value | \$628,406,143 | \$136,729,130 | \$491,677,013 | \$ - |
| Bank Deposits | 904,862,414 | | | |
| Total Deposits and Investments | \$1,533,268,557 | | | |

TrustINDiana Term

| Description | Valuation Inputs | | | |
|---------------------------------------|--------------------|---------|---------|---------|
| | Total | Level 1 | Level 2 | Level 3 |
| Certificates of Deposit | \$3,387,926 | | | |
| Total Deposits and Investments | \$3,387,926 | | | |

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Pool did not invest in any Level 3 securities during the year ended June 30, 2019.

Note 5: Management

The Indiana Treasurer of State has been designated by statute as the administrator of the Pool and the Deputy Treasurer of State shall have general oversight over the daily operation of the Pool. The Indiana Treasurer of State shall oversee the functions of such investment advisor, all in accordance with the policies of the Pool and Indiana Law.

Pursuant to the TrustINDiana Administrator and Investment Advisor Services Agreement, Public Trust Advisors (PTA) will charge up to 10 basis points fee (0.10%) from the Investment Property Value (the "Daily Fee"). This Daily Fee will be accrued on a daily basis and be paid monthly in arrears and prorated for any portion of the month in which the agreement is in effect.

The Daily Fee shall be calculated as follows: The Investment Property Value is multiplied by a percentage up to 0.10% (10 basis points) and is divided by 365 or 366 days in the event of a leap year to equal the Daily Fee accrual. The Investment Property Value shall be based on the current day's shares outstanding. For weekend days and holidays, the shares outstanding for the previous business day will be utilized for the calculation of fees.

Fees may be waived or abated at any time, or from time to time, at the sole discretion of PTA. This Fee may be reviewed periodically, based upon the Portfolio's yield performance, and both parties agree to potentially re- negotiate the Fee for the agreement in good faith.

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

Notes to Financial Statements continued

For the year ended June 30, 2019

Note 6: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Deposits and Investments

Approximately 50% of the Pool's net deposits and investments were attributable to three Participants' accounts at June 30, 2019.

Contingencies and Commitments

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

Note 7: Subsequent Events

Subsequent events have been evaluated through September 18, 2019, which is the date the financial statements were available to be issued.

Note 8: Selected Data per Dollar of Fiduciary Net Position

Selected data per dollar of net position and ratios for the periods presented are as follows:

Data per dollar of net position¹:

| | TrustINDiana For the year ended | | | | |
|-------------------------------------|------------------------------------|---------------|---------------|---------------|--------------------|
| | June 30, 2019 | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 |
| Net investment income | \$0.022 | \$0.014 | \$0.007 | \$0.003 | \$0.000 |
| Distributions to participants | \$(0.022) | \$(0.014) | \$(0.007) | \$(0.003) | \$(0.000) |
| Total Return ² : | 2.27% | 1.37% | 0.64% | 0.28% | 0.05% |
| Ratios/Supplemental data: | | | | | |
| Net position, end of period (000's) | \$1,533,415 | \$1,431,946 | \$1,122,057 | \$559,097 | \$519,469 |
| Ratios to average net position: | | | | | |
| Net investment income | 2.24% | 1.38% | 0.66% | 0.28% | 0.05% |
| Expenses | 0.12% | 0.12% | 0.14% | 0.15% | 0.08% ³ |

¹ Calculated based upon average net position during the period.

² Total returns for periods less than one year are not annualized.

³ Expense waiver amounted to 0.02% annualized.

Data per dollar of net position¹:

| | TrustINdiana Term For the year ended |
|-------------------------------------|---|
| | <u>June 30, 2019</u> |
| Net investment income | <u>\$0.000</u> |
| Distributions to participants | <u>-</u> |
| Total Return ² : | N/A |
| Ratios/Supplemental data: | |
| Net position, end of period (000's) | \$3,393 |
| Ratios to average net position: | |
| Net investment income | 0.35% |
| Expenses | 0.00% |

¹ Calculated based upon average net position during the period.

² Total returns are variable by participant depending on when they entered in to a Term deposit.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

Treasurer of the State of Indiana
Indianapolis, Indiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of TrustINDiana, which comprise the statement of fiduciary net position as of June 30, 2019, and the related statements of operations and changes in fiduciary net position for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 18, 2019, except for the issuer names of the commercial paper in Note 3 as to which the date is October 24, 2019. Our report contained an emphasis of matter paragraph that states the basic financial statements do not purport to, and do not, present fairly the financial position of the State of Indiana as of June 30, 2019, the changes in its financial position or, where applicable, its cash flow for the year then ended, in accordance with accounting principles generally accepted in the United States of America and an emphasis of matter disclosing the issuer names of TrustINDiana's commercial paper holdings were corrected after initial issuance of the financial statements on September 18, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered TrustINDiana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of TrustINDiana's internal control. Accordingly, we do not express an opinion on the effectiveness of TrustINDiana's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of TrustINDiana's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2019-001, that we considered to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether TrustINDiana's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering TrustINDiana's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Indianapolis, Indiana
October 24, 2019

TrustIndiana
Schedule of Findings and Questioned Responses
Year Ended June 30, 2019

Findings Required to be Reported by *Government Auditing Standards*

| Reference Number | Finding |
|--|--|
| 2019-001 | <div data-bbox="418 789 1377 1493"> <p>Criteria or Specific Requirement: Management is responsible for establishing and maintaining effective internal controls over financial reporting.</p> <p>Condition: TrustIndiana' internal control environment over financial reporting did not identify that the issuer names of the commercial paper holdings included within Note 3 were inaccurate in a timely fashion. This inaccuracy was identified by management after issuance of the annual report and required subsequent revision of the annual report. (Significant Deficiency)</p> <p>Context: The review of the annual report did not identify that the issuer names of the commercial paper holdings included within Note 3 were inaccurate in a timely fashion. This inaccuracy was identified by management after issuance of the annual report and required subsequent revision of the annual report.</p> <p>Effect: Potential misstatements in the financial statements could occur and not be detected and/or corrected in a timely manner.</p> <p>Cause: The internal control processes and controls to prepare and review the financial statements were not effective in identifying the matter in a timely fashion.</p> <p>Recommendation: To prevent similar errors from occurring in the future, we recommend additional emphasis be placed on the review of the annual report before issuance.</p> </div> |
| Views of Responsible Officials and Planned Corrective Action: | <p>Management agrees that the issuer names of the commercial paper holdings included within Note 3 were inaccurate upon initial release of the annual report. TrustIndiana works with a third-party to prepare the financial statements and a formula error contributed to the discrepancy. Management has worked with the third-party to update the formula and will continue to place an emphasis on the review of the annual report to ensure their accuracy.</p> |

Office of the Indiana Treasurer of State

Kelly Mitchell

Indiana Treasurer of State

Michael Frick

Deputy Treasurer

Cindy Barger

Director
TrustINDiana

Management

Administrator

Indiana Treasurer of State and
Public Trust Advisors, LLC

Investment Advisor

Public Trust Advisors, LLC

Custodian

Bank of New York/Mellon

Professional Services

Independent Auditors

BKD, LLP



TrustINDiana

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