

# SOUTH DAKOTA PUBLIC FUNDS INVESTMENT TRUST (FIT)



## **Sponsored by the:**

South Dakota Municipal League  
South Dakota Counties  
Associated School Boards of South Dakota

## **Semi-Annual Report**

June 30, 2011  
(unaudited)

## **For Investment Information Call:**

Toll Free (800) 658-3633  
Or visit: [www.sdpfit.org](http://www.sdpfit.org)



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**South Dakota Public Funds Investment Trust  
Service Providers**

**Investment Adviser:**

RBC Global Asset Management (U.S.) Inc.  
100 South Fifth Street, Suite 2300  
Minneapolis, MN 55402-1240  
800-553-2143 / 612-376-7017  
612-376-7007 (fax)

**Sub Administrator:**

Miles Capital, Inc.  
1415 28<sup>th</sup> Street, Suite 200  
West Des Moines, IA 50266-1461  
800-343-7084  
866-260-0246 (fax)

**Legal Counsel:**

Friberg, Zimmer, Duncan, & Nelson, LLP  
115 North Third  
Beresford, SD 57004  
605-763-2107

**Trust Distributor:**

South Dakota Municipal League  
208 Island Drive  
Ft. Pierre, SD 57532  
605-224-8654 / 800-658-3633  
605-224-8655 (fax)

**Trust Custodian:**

Wells Fargo Bank, N.A.  
101 North Phillips Avenue  
Sioux Falls, SD 57104  
800-321-4141

**Independent Auditors:**

Eide Bailly, LLP  
5601 Green Valley Drive, Suite 700  
Minneapolis, MN 55437-1145  
952-944-6166

**South Dakota Public Funds Investment Trust  
Government Cash Reserve Fund  
Schedule of Investments  
June 30, 2011**

| <u>Name of Issuer</u>   | <u>Principal<br/>Amount</u> | <u>Amortized<br/>Cost</u> |
|---|-----------------------------|---------------------------|
| <b>U.S. Treasury Notes - 3.8%</b>   |                             |                           |
| 1.75% due 11/15/11  | 1,000,000                   | \$ 1,005,367              |
| 1.38% due 02/15/12  | 1,000,000                   | 1,006,693                 |
| (amortized cost \$2,012,060)  |                             | <u>2,012,060</u>          |
| <b>U.S. Government Agency Obligations - 41.5%</b>                               |                             |                           |
| Federal Home Loan Bank  |                             |                           |
| 0.09% ** due 07/11/11   | 2,750,000                   | 2,749,950                 |
| 0.09% ** due 07/20/11   | 1,700,000                   | 1,699,971                 |
| 5.00% due 09/09/11  | 1,150,000                   | 1,160,366                 |
| 0.15% * due 10/21/11  | 2,000,000                   | 2,000,000                 |
| 4.88% due 11/18/11  | 1,750,000                   | 1,780,166                 |
| 1.33% due 06/08/12  | 2,000,000                   | 2,020,561                 |
| Federal Home Loan Mortgage Corporation  |                             |                           |
| 0.20% *** due 08/05/11  | 1,820,000                   | 1,820,142                 |
| 5.50% due 09/15/11  | 649,000                     | 656,029                   |
| 0.15% ** due 09/19/11   | 1,000,000                   | 999,979                   |
| 0.15% ** due 02/16/12   | 1,350,000                   | 1,350,180                 |
| 0.17% ** due 05/11/12   | 2,750,000                   | 2,751,109                 |
| Federal National Mortgage Association   |                             |                           |
| 0.10% ** due 08/11/11   | 1,600,000                   | 1,599,944                 |
| 5.38% due 11/15/11  | 1,500,000                   | 1,528,803                 |
| Total U.S. Government Agency Obligations<br>(amortized cost \$22,117,200)       |                             | <u>22,117,200</u>         |
| <b>Repurchase Agreements - 54.6%</b>  |                             |                           |
| BNP Paribas Bank  |                             |                           |
| 0.05% due 07/01/11  | 10,000,000                  | 10,000,000                |
| Deutsche Bank Securities  |                             |                           |
| 0.06% due 07/01/11  | 9,070,000                   | 9,070,000                 |
| Merrill Lynch, Pierce, Fenner and Smith, Inc.                                   |                             |                           |
| 0.05% due 07/01/11  | 10,000,000                  | 10,000,000                |
| Total Repurchase Agreements<br>(amortized cost \$29,070,000)                    |                             | <u>29,070,000</u>         |
| <b>Total Investments in Securities - 99.9%</b><br>(amortized cost \$53,199,260) |                             | 53,199,260                |
| <b>Excess of other assets over total liabilities - 0.1%</b>                     |                             | <u>68,848</u>             |
| <b>Net assets - 100.0%</b>  |                             | <u>\$ 53,268,108</u>      |

- \* Interest rate fluctuates daily with Fed Funds.
- \*\* Interest rate fluctuates monthly with Libor.
- \*\*\* Interest rate fluctuates quarterly with Libor.

See accompanying notes to financial statements.

**South Dakota Public Funds Investment Trust**  
**Government Cash Reserve Fund**  
**Statement of Assets and Liabilities**  
**June 30, 2011**

**Assets**

|   |                   |
|---|-------------------|
| Investment in securities, at amortized cost |                   |
| U.S. Treasury Notes                         | \$ 2,012,060      |
| U.S. Government Agency Obligations          | 22,117,200        |
| Repurchase Agreements                       | 29,070,000        |
| Cash and cash equivalents                   | 15,179            |
| Interest receivable                         | 59,992            |
| Total assets                                | <u>53,274,431</u> |

**Liabilities**

|                                  |              |
|----------------------------------|--------------|
| Dividends payable                | 1,363        |
| Investment advisory fees payable | 1,051        |
| Administration fees payable      | 1,226        |
| Distribution fees payable        | 1,030        |
| Custodian fees payable           | 350          |
| Other accrued expenses           | 1,303        |
| Total liabilities                | <u>6,323</u> |

**Net Assets Held in Pool for Participants** \$ 53,268,108

**Shares of beneficial interest outstanding** 53,268,108

**Net asset value - offering and redemption price per share** \$1.00

See accompanying notes to financial statements.

**South Dakota Public Funds Investment Trust  
Government Cash Reserve Fund  
Statements of Operations**

|  | Six Months<br>ended June 30,<br>2011 | Six Months<br>ended June 30,<br>2010 |
|--|--------------------------------------|--------------------------------------|
| <b>Investment Income</b>                         |                                      |                                      |
| Interest   | \$ 47,407                            | \$ 45,967                            |
| <b>Expenses</b>                                  |                                      |                                      |
| Investment advisory fees                         | 34,376                               | 22,607                               |
| Administration fees                              | 39,665                               | 26,085                               |
| Distribution fees                                | 33,880                               | 22,591                               |
| Custodian fees                                   | 10,577                               | 6,956                                |
| Sponsor fees                                     | 13,222                               | 8,695                                |
| Other expenses                                   | 15,545                               | 13,409                               |
| Total expenses                                   | <u>147,265</u>                       | <u>100,343</u>                       |
| <b>Less: Expenses voluntarily reduced/waived</b> |                                      |                                      |
| Investment advisory fees                         | (27,523)                             | (15,112)                             |
| Administration fees                              | (31,668)                             | (17,344)                             |
| Distribution fees                                | (27,104)                             | (15,101)                             |
| Custodian fees                                   | (8,294)                              | (4,464)                              |
| Sponsor fees                                     | (13,222)                             | (8,695)                              |
| Total expenses voluntarily reduced/waived        | <u>(107,811)</u>                     | <u>(60,716)</u>                      |
| Net expenses                                     | <u>39,454</u>                        | <u>39,627</u>                        |
| <b>Net Investment Income</b>                     | <u>\$ 7,953</u>                      | <u>\$ 6,340</u>                      |

See accompanying notes to financial statements.

**South Dakota Public Funds Investment Trust  
Government Cash Reserve Fund  
Statements of Changes in Net Assets**

|   | Six Months<br>ended June 30,<br>2011 | Six Months<br>ended June 30,<br>2010 |
|---|--------------------------------------|--------------------------------------|
| <b>Additions</b>  |                                      |                                      |
| From investment activities:   |                                      |                                      |
| Net investment income   | \$ 7,953                             | \$ 6,340                             |
| From unit transactions:   |                                      |                                      |
| (at constant net asset value of \$1 per unit)                           |                                      |                                      |
| Units sold  | 42,742,520                           | 40,195,704                           |
| Units issued in reinvestment of dividends<br>from net investment income | 7,889                                | 7,274                                |
| Total additions   | <u>42,758,362</u>                    | <u>40,209,318</u>                    |
| <b>Deductions</b>   |                                      |                                      |
| Dividends to unitholders from:  |                                      |                                      |
| Net investment income   | (7,953)                              | (6,340)                              |
| From unit transactions:   |                                      |                                      |
| Units redeemed  | (41,386,052)                         | (39,430,054)                         |
| Total deductions  | <u>(41,394,005)</u>                  | <u>(39,436,394)</u>                  |
| Net increase in net assets  | 1,364,357                            | 772,924                              |
| Net assets held in pool for participants at beginning of period         | 51,903,751                           | 35,237,708                           |
| Net assets held in pool for participants at end of period               | <u>\$ 53,268,108</u>                 | <u>\$ 36,010,632</u>                 |

See accompanying notes to financial statements.

**South Dakota Public Funds Investment Trust  
Government Cash Reserve Fund  
Notes to Financial Statements (unaudited)  
Six Months ended June 30, 2011**

(1) Organization

South Dakota Public Funds Investment Trust (the "Trust") is a common law trust established under South Dakota Codified Law pursuant to Chapter 1-24, South Dakota Codified Laws, as amended, which authorizes South Dakota public agencies to jointly invest monies pursuant to a joint investment agreement. The Trust was established by the adoption of a Joint Powers Agreement and Declaration of Trust as of November 1, 1991, and operations of the trust commenced on December 20, 1991. As amended, the Trust is authorized to operate two investment programs: 1) the Government Cash Reserve Fund (GCR), and 2) the Fixed Rate Account. The objective of the GCR is to maintain a high degree of liquidity and safety of principal through investment in short-term securities as permitted for South Dakota public agencies under South Dakota law. The objective of the Fixed Rate Account is to provide investment in legally permissible individual securities which offer fixed rates of return and fixed maturities. This report covers only the GCR. Wells Fargo Bank, N.A. serves as the custodian, RBC Global Asset Management (U.S.) Inc. serves as the investment adviser, South Dakota Municipal League serves as the distributor, and Miles Capital, Inc. serves as the sub-administrator.

(2) Significant Accounting Policies

The significant accounting policies followed by the Trust are as follows:

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. 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 increase (decrease) in net assets resulting from operations during the reporting period. Actual results could differ from those estimates.

Investments in Securities

GCR values all securities at amortized cost, which approximates market value, in order to maintain a constant net asset value of \$1.00 per share. Security transactions are accounted for on the date securities are purchased or sold. Realized gains or losses, if any, are determined on the basis of identified cost.

GCR is authorized by investment policy and statute to invest public funds in obligations of the U.S. government, its agencies and instrumentalities; and repurchase agreements, provided that the underlying collateral consists of obligations of the U.S. government, its agencies and instrumentalities and that GCR's custodian takes delivery of the collateral either directly or through an authorized custodian.

In connection with transactions in repurchase agreements, it is GCR's policy that the value of the underlying collateral securities exceeds the principal amount of the repurchase transaction, including accrued interest at all times. If the seller defaults and the value of the collateral declines, realization of the collateral by GCR may be delayed or limited. At June 30, 2011, the securities purchased under overnight agreements to resell were collateralized by government agency securities with a value of \$29,651,983.

Income Tax Status

The Company evaluates its tax positions relative to ASC 740-10 Accounting for Uncertainty in Income Taxes on an annual basis. Management has determined that there are no uncertain tax positions at

**South Dakota Public Funds Investment Trust**  
**Government Cash Reserve Fund**  
**Notes to Financial Statements (unaudited) (continued)**  
**Six Months ended June 30, 2011**

June 30, 2011 and 2010. The Company is no longer subject to examinations by Federal tax authorities for years before 2007.

The Trust is not subject to federal, state, or local income taxes.

Distributions to Participants

Dividends declared and accrued daily from net investment income and net realized gains, if any, are paid in cash or reinvested in the Trust.

Investment Income

Investment income represents interest income, including amortization of premium and discount, which is recognized daily.

(3) Fees and Expenses

Pursuant to an investment advisory agreement with the Trust, the adviser and administrator, RBC Global Asset Management (U.S.) Inc. (RBC), provides certain investment advisory and administration services to the Trust. RBC receives 0.13 percent of average daily net assets from the GCR on an annual basis for its services. RBC has entered into a sub-administration agreement with Miles Capital, Inc. (Miles Capital) to assist on monitoring and maintaining the operations of the Trust. Miles Capital receives 0.15 percent of average daily net assets from the GCR on an annual basis for its services. RBC has entered into a distribution agreement with the South Dakota Municipal League (SDML) to assist in marketing and distribution efforts of the Trust. SDML receives 0.13 percent of average daily net asset value up to \$50 million, 0.10 percent from \$50 million to \$75 million, and 0.08 percent above \$75 million from the GCR on an annual basis for its services. Sponsoring associations collectively receive an annual fee of 0.05 percent of the average daily net assets of the GCR, and the Trust incurs custodial fees for maintenance of certain assets. In addition, the Trust is responsible for other operating expenses incurred directly by the Trust up to a maximum of \$30,000 annually for the GCR.

Effective May 20, 2009, the sponsoring associations agreed to voluntarily and temporarily waive their annual fee of 0.05 percent of the average daily net assets of GCR. Effective January 20, 2010, RBC, Miles, SDML, and Wells Fargo agreed to waive fees in order for the GCR to pay a net yield of 0.03 percent to participants. The total fee may vary each day based on the gross yield earned on the GCR. These waivers are voluntary and may end at any time.

(4) Fair Value Measurement

Effective July 1, 2008, GCR adopted Statement of Financial Accounting Standard No. 157, Fair Value Measurements included in ASC Topic 820 ("ASC 820"). ASC 820 defines fair value as 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. ASC 820 also establishes a framework for measuring fair value in U.S. generally accepted accounting principles, and expand disclosure about fair value measurements. As a basis for considering market participant assumptions in fair value measurements, ASC 820 establishes a fair value hierarchy, which prioritizes the inputs used in measuring fair values. The hierarchy gives the highest priority to Level 1 measurements and the lowest priority to Level 3 measurements. These inputs are summarized into three broad levels as described below:

**South Dakota Public Funds Investment Trust**  
**Government Cash Reserve Fund**  
**Notes to Financial Statements (unaudited) (continued)**  
**Six Months ended June 30, 2011**

- Level 1 – quoted prices in active markets for identical securities;
- Level 2 – other significant observable inputs (including quoted prices for similar securities, interest rates, and evaluated quotations obtained from pricing services); or
- Level 3 – significant unobservable inputs (including the Funds' own assumptions in determining the fair value of investments.)

The following tables summarize the valuation of GCR's investments by the above fair value hierarchy as of June 30, 2011 and 2010:

|                       | 2011           |                |                |
|-----------------------|----------------|----------------|----------------|
|                       | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
| Government securities | \$24,129,260   | --             | --             |
| Repurchase agreements | --             | \$29,070,000   | --             |

  

|                       | 2010           |                |                |
|-----------------------|----------------|----------------|----------------|
|                       | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
| Government securities | \$22,684,334   | --             | --             |
| Repurchase agreements | --             | \$13,270,000   | --             |

Securities in GCR are valued at amortized cost, which approximates fair value. Securities held by a money market fund are generally high quality and liquid; however, repurchase agreements are reflected as Level 2 because the inputs used to determine fair value are not quoted prices in an active market.

(5) Investment Securities Transactions

Purchases of portfolio securities for the Government Cash Reserve aggregated \$3,429,812,984 and \$1,961,920,462 for the six month periods ended June 30, 2011 and June 30, 2010, respectively. Proceeds from maturities and sales of securities for the Trust aggregated \$3,428,224,355 and \$1,960,830,527 for the six month periods ended June 30, 2011 and June 30, 2010, respectively.

(6) Subsequent Events

The Company has evaluated subsequent events through August 8, 2011, the date which the financial statements were available to be issued.

**South Dakota Public Funds Investment Trust**  
**Government Cash Reserve**  
**Notes to Financial Statements (unaudited) (continued)**

**Financial Highlights**

Per share data for a share of beneficial interest outstanding throughout each year and selected ratio information for each year as follows:

|   | Six Months<br>Ended<br>June 30,<br>2011 | Year ended December 31, |                 |                 |                 |
|---|---|-------------------------|-----------------|-----------------|-----------------|
|   |   | 2010                    | 2009            | 2008            | 2007            |
| Net asset value:  |   |                         |                 |                 |                 |
| Beginning of period   | \$1.0000                                | \$1.0000                | \$1.0000        | \$1.0000        | \$1.0000        |
| Operations:   |   |                         |                 |                 |                 |
| Net investment income                                       | \$0.0001                                | \$0.0003                | \$0.0008        | \$0.0210        | \$0.0462        |
| Distributions to participants<br>from net investment income | (\$0.0001)                              | (\$0.0003)              | (\$0.0008)      | (\$0.0210)      | (\$0.0462)      |
| End of period   | <u>\$1.0000</u>                         | <u>\$1.0000</u>         | <u>\$1.0000</u> | <u>\$1.0000</u> | <u>\$1.0000</u> |
| Total investment return <sup>(a)</sup>                      | 0.015%                                  | 0.033%                  | 0.164%          | 2.125%          | 4.727%          |
| Net assets, end of year (000's)                             | \$53,268                                | \$51,904                | \$35,238        | \$56,941        | \$60,088        |
| Ratios to average net assets:                               |   |                         |                 |                 |                 |
| Operating expenses after waivers                            | 0.15% <sup>(b)</sup>                    | 0.22%                   | 0.42%           | 0.51%           | 0.52%           |
| Net investment income after waivers                         | 0.03% <sup>(b)</sup>                    | 0.03%                   | 0.18%           | 2.10%           | 4.62%           |
| Operating expenses before waivers                           | 0.56% <sup>(b)</sup>                    | 0.57%                   | 0.52%           | 0.51%           | 0.52%           |
| Net investment income before waivers                        | (0.38%) <sup>(b)</sup>                  | (0.31%)                 | 0.08%           | 2.10%           | 4.62%           |

(a) Total investment return is based on the change in net asset value of a share during the year and assumes reinvestment of distributions at net asset value.

(b) Annualized