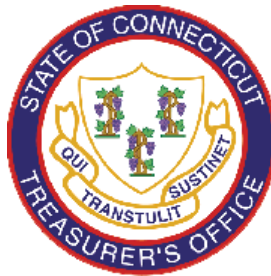


STATE OF CONNECTICUT OFFICE OF THE TREASURER

2009

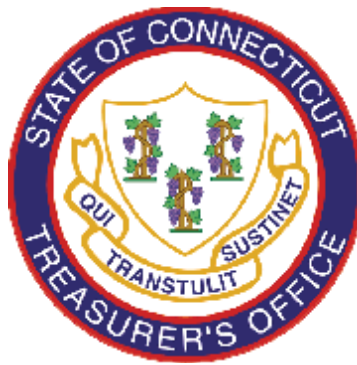


SHORT-TERM INVESTMENT FUND COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended June 30, 2009

STATE OF CONNECTICUT

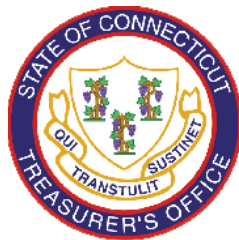
Office of the State Treasurer



The State Motto "Qui Transtulit Sustinet," (He Who Transplanted Still Sustains), has been associated with the various versions of the state seal from the creation of the Saybrook Colony Seal.

STATE OF CONNECTICUT OFFICE OF THE TREASURER

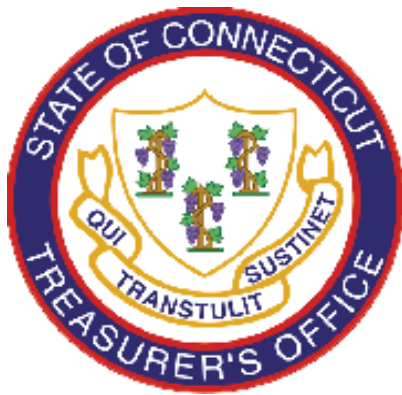
2009



SHORT-TERM INVESTMENT FUNDS COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended June 30, 2009

Prepared by: State of Connecticut
Office of the Treasurer
55 Elm Street
Hartford, CT 06106-1773



SHORT-TERM INVESTMENT FUND
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2009

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Introductory Section





State of Connecticut
Office of the Treasurer

DENISE L. NAPPIER
TREASURER

HOWARD G. RIFKIN
DEPUTY TREASURER

December 31, 2009

Comprehensive Annual Financial Report (CAFR)
for the State of Connecticut's Short-Term Investment Fund (STIF) for the fiscal year ended June 30, 2009

Responsibility for both the accuracy of the data and the completeness and fairness of this report rests with management. All disclosures necessary and required to enable fellow beneficiaries and the financial community to gain an understanding of STIF's financial activities have been included. We believe the enclosed financial statements and data are presented fairly in all material respects and are reported in a manner designed to present the financial position and results of STIF's operations accurately.

STIF was created by legislation enacted in 1972, and is a state and local government investment pool managed by the Treasurer of the State of Connecticut. Investors in the Fund include the State, state agencies and authorities, municipalities, and other political subdivisions of the State. The primary objective of the Fund is to provide the greatest possible return while, first, protecting principal and, second, providing liquidity for investors. The Fund's Investment Policy ensures strong asset diversification by security type and issuer, comprising high-quality, very liquid securities with a relatively short average maturity. In addition, the Fund maintains a Designated Surplus Reserve to protect against security defaults or the erosion of security values due to any significant unforeseen market changes.

STIF's return for fiscal year 2009 of 1.49% outperformed its benchmark by 19 basis points -- resulting in \$8.7 million in additional interest income for Connecticut governments and their taxpayers, while contributing \$4.6 million to reserves. STIF's reserves are an important pillar of our investment pool, and STIF is one of the few government investment pools to contain a reserve. Moreover, by virtue of the overall soundness of STIF, Standard & Poor's (S&P) has affirmed and maintained STIF's AAAM rating, which represents the highest rating issued by S&P for money market funds and investment pools.

At the end of Fiscal Year 2009, STIF had \$4.5 billion in assets under management with municipalities opening 16 new STIF accounts. The total number of municipal accounts now stands at 608.

During fiscal year 2009, economic problems widened and deepened and the U.S. economy fell into deep recession. The fiscal year began with the Federal Reserve's target federal funds interest rate holding steady at 2.00 percent. By calendar year-end, the range had been slashed to 0 - .25 percent, where it still stands. In addition, the U.S. Congress, Federal Reserve, FDIC, SEC, and U.S. Treasury and governments and central banks in other countries took a wide range of actions to calm markets, improve liquidity, increase lending and borrowing, and stabilize financial institutions.

Management is responsible for maintaining a system of adequate internal accounting controls designed to provide reasonable assurance that transactions are executed in accordance with management's general or specific authorization, and are recorded as necessary to maintain accountability for assets and to permit preparation of financial statements in accordance with generally accepted accounting principles. We believe the internal controls in effect during the fiscal year ended June 30, 2009, adequately safeguard STIF's assets and provide reasonable assurance regarding the proper recording of financial transactions. In addition, S&P monitors our portfolio on a weekly basis to ensure that we maintain the safety and liquidity investors expect.

LETTER FROM THE TREASURER

In addition, the Investment Advisory Council and the Treasurer's Cash Management Advisory Board review STIF's portfolio and performance periodically throughout the year, and the Fund's Rates of Return were examined by UHY, Certified Public Accountants, as presented in this report.

As of June 30, 2009, STIF administered 1,022 accounts including 47 for the State Treasury, 367 for state agencies and authorities, and 608 for municipalities and local entities. This level of participation reflects, we believe, the continued confidence in the Fund as a solid investment vehicle for Connecticut communities.

As we have previously reported, and discussed in detail in the report, during July 2008 one security (Cheyne Finance) was restructured into Gryphon Funding Notes. Our reserves allowed the Fund to absorb the valuation adjustment without affecting the \$1.00 per share net asset value or any loss of principal to any investor. The reserve transfer was effective June 30, 2008.

The State of Connecticut's independent Auditors of Public Accounts conducted an annual audit of this Comprehensive Annual Financial Report in accordance with generally accepted auditing standards. The auditors' report on the basic financial statements is included in the Financial Section of this report.

The Government Accounting Standards Board requires that STIF provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal overview is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found in the Financial Section immediately following the report of the independent auditors.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Fund a Certificate of Achievement for Excellence in Financial Reporting for its Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2008. The Certificate is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

STIF Express, a secure on-line investor system, allows investors to view account balances, transaction histories and income distributions, and gives investors the ability to initiate deposits and withdrawals via the Internet. In addition, a section of the Treasury website is dedicated to STIF investors, and features helpful information such as the current daily rate, historical data, and links to annual and quarterly reports. In addition, there are forms for enrolling in special services such as Grant Express, Debt Service Express, and Clean Water Fund Express. The STIF site and copies of this Report may be accessed through the Treasury's website, www.state.ct.us/ott.

We appreciate your participation in STIF, and hope that the information we have provided will prove both interesting and useful. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Treasurer, 55 Elm Street, Hartford, Connecticut 06106-1773 or by telephone to (860) 702-3000.

Sincerely,



Denise L. Nappier
Treasurer
State of Connecticut



State of Connecticut
Office of the Treasurer

DENISE L. NAPIER
TREASURER

HOWARD G. RIFKIN
DEPUTY TREASURER

Connecticut State Treasury
Hartford, Connecticut
December 31, 2009

The Office of the Treasurer assumes the daily responsibility of managing the assets of the Short-Term Investment Fund (STIF) pool. State Street Bank and Trust Company serves as custodian for the pool. All investments must be made in instruments authorized by Connecticut General Statutes (CGS) 3-27c - 3-27f. The most recent guidelines under which the pool operates were adopted and approved by the State Treasurer on August 21, 1996 and revised June 16, 2008 and April 17, 2009. It is our belief that the contents of this Annual Report make evident the State of Connecticut Treasurer's Office support of the safe custody and conscientious stewardship of the Short-Term Investment Fund.

While STIF's financial statements and the related financial data contained in this Annual Report have been prepared in conformity with generally accepted accounting principles as a "2a7-like" pool, and such financial statements are audited annually by the State Auditors of Public Accounts, the ultimate accuracy and validity of this information is the responsibility of the management of the State Treasurer's Office. To carry out this responsibility, the Treasury maintains financial policies, procedures, accounting systems and internal controls which management believes provide reasonable, but not absolute, assurance that accurate financial records are maintained and investments and other assets are safeguarded.

In management's opinion, STIF's internal control structure is adequate to ensure that the financial information in this report presents fairly STIF's operation and financial condition.

Sincerely,

A handwritten signature in black ink, appearing to read "H. Rifkin", with a long horizontal line extending to the right.

Howard G. Rifkin
Deputy Treasurer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Connecticut State Treasurer's Short-Term Investment Fund

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

Mission Statement

To serve as the premier State Treasurer’s Office in the nation through effective management of public resources, high standards of professionalism and integrity, and expansion of opportunity for the citizens and businesses of Connecticut.

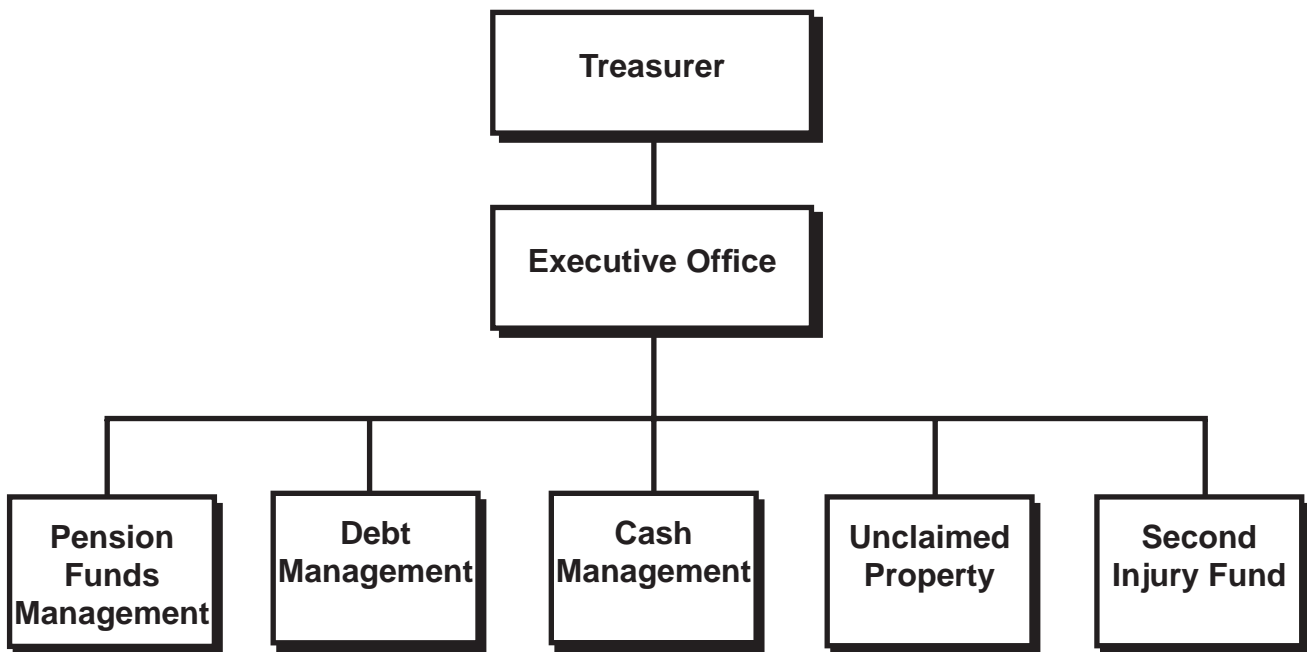
Statutory Responsibility

The Office of the Treasurer was established following the adoption of the fundamental orders of Connecticut in 1638. The Treasurer shall receive all funds belonging to the State and disburse the same only as may be directed by law, as described in Article Fourth, Section 22 of the Connecticut Constitution and in Title 3 of the Connecticut General Statutes.

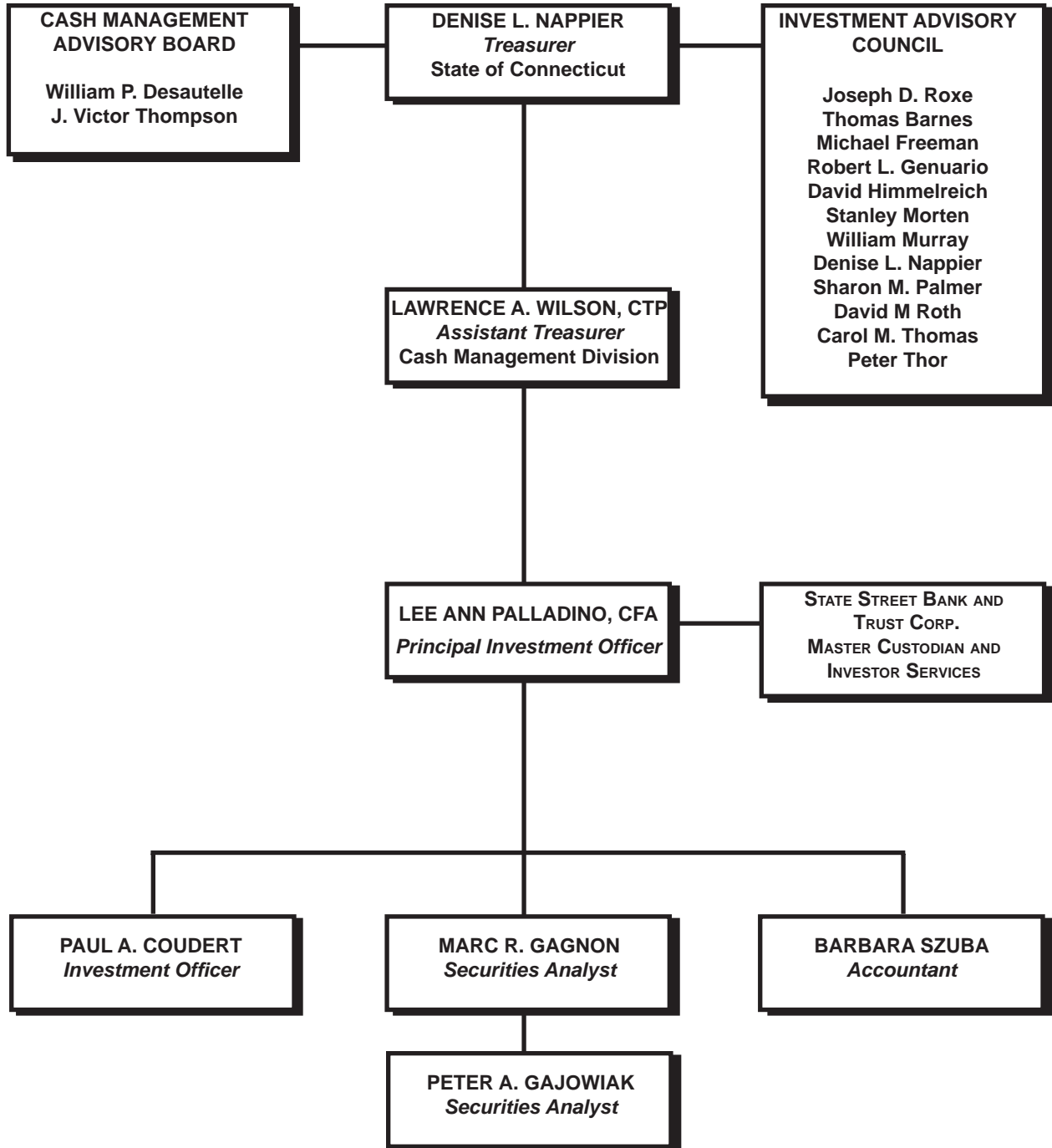
The Treasurer, as Chief Fiscal Officer for the State, oversees the prudent preservation and management of State funds, including the administration of a \$20.4 billion portfolio of pension assets and over \$4.6 billion in total State, local short-term, and other investments, \$0.3 billion in the extended investment portfolio, and over \$1.0 billion of assets in the Connecticut Higher Education Trust. The Treasurer maintains an accurate account of all funds through sophisticated security measures and procedures.

Public Service

The Office of the Treasurer includes an Executive Office as well as five divisions, each with specific responsibilities: Pension Funds Management, Debt Management, Cash Management, Unclaimed Property, and the Second Injury Fund.



SHORT-TERM INVESTMENT FUND ADMINISTRATION



As of October 15, 2009.

LIST OF PRINCIPAL OFFICIALS

SHORT-TERM INVESTMENT FUND

55 Elm Street
6th Floor
Hartford, CT. 06106-2773
Telephone: (860) 702-3118
Facsimile: (860) 702-3048
World Wide Web:
www.state.ct.us/ott

Treasurer, State of Connecticut
DENISE L. NAPPIER (860) 702-3001

Deputy Treasurer, State of Connecticut
HOWARD G. RIFKIN (860) 702-3292

Assistant Treasurer, Cash Management
LAWRENCE A. WILSON, CTP (860) 702-3126

STIF INVESTMENT MANAGEMENT

Principal Investment Officer
LEE ANN PALLADINO, CFA (860) 702-3255

Investment Officer
PAUL A. COUDERT (860) 702-3254

Securities Analyst
MARC R. GAGNON (860) 702-3158

Securities Analyst
PETER A. GAJOWIAK (860) 702-3124

STIF INVESTOR SERVICES

Accountant
BARBARA SZUBA (860) 702-3118

CUSTODIAN AND INVESTOR SERVICES
STATE STREET BANK AND TRUST CORPORATION
1-800-754-8430



Financial

Section



STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

STATE CAPITOL
210 CAPITOL AVENUE
HARTFORD, CONNECTICUT 06106-1559

KEVIN P. JOHNSTON

ROBERT G. JAEKLE

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statement of net assets of the Short-Term Investment Fund, as of June 30, 2009, and the related statements of changes in net assets for the fiscal years ended June 30, 2009, and 2008. These financial statements are the responsibility of the management of the State Treasury. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements.

Our procedures included confirmation of securities owned as of June 30, 2009, by correspondence with the custodian. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Short-Term Investment Fund as of June 30, 2009, and the results of its operations and changes in net assets for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the financial statements of the Short-Term Investment Fund taken as a whole. The List of Investments at June 30, 2009, contained in the Investment Section, is presented for purposes of additional analysis and is not a required part of the financial statements of the Short-Term Investment Fund. Such information has been subjected to the auditing procedures applied in the audit of the financial statements of the Short-Term Investment Fund and, in our opinion, is fairly presented in all material respects in relation to the financial statements of the Short-Term Investment Fund taken as a whole. We did not audit the Schedules of Rates of Return contained in the Statistical Section which were examined by other auditors whose report thereon has been included in the Statistical Section. The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the Management's Discussion and Analysis and express no opinion on it. The Introductory Section, Investment Section and Statistical Section have not been audited except as specifically noted in this auditors' opinion.

Handwritten signature of Kevin P. Johnston in cursive.

Kevin P. Johnston
Auditor of Public Accounts

Handwritten signature of Robert G. Jaekle in cursive.

Robert G. Jaekle
Auditor of Public Accounts

December 31, 2009
State Capitol
Hartford, Connecticut

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section presents Management's Discussion and Analysis (MD&A) of the Comprehensive Annual Financial Report (CAFR) of the State of Connecticut's Office of the Treasurer Short-Term Investment Fund (STIF) financial position and performance for the fiscal year ended June 30, 2009. It is presented as a narrative overview and analysis. Management of the State of Connecticut's Office of the Treasurer encourages readers to review it in conjunction with the transmittal letter included in the Introductory Section at the front of this report and the financial statements in the Financial Section that follow.

The Short-Term Investment Fund serves as an investment vehicle for the operating cash of the State Treasury, State agencies and authorities, municipalities, and other political subdivisions of the State. STIF is an AAAm rated investment pool of high-quality, short-term money market instruments and is managed for the sole benefit of the participants. All income is distributed monthly after deducting operating costs of approximately 3 basis points and an allocation to the Fund's Designated Surplus Reserve of 10 basis points (generally until the reserve reaches one percent of fund assets).

The STIF financial statements reported by the Treasurer's Office for which the Treasurer has fiduciary responsibility for the investment thereof begin on page 15 and provide detailed information about the Fund.

FINANCIAL HIGHLIGHTS Condensed Financial Information

Short Term Investment Fund Net Assets and Changes in Net Assets

Net Assets - The net assets held in trust for participants under management in the Short-Term Investment Fund at the close of the fiscal year were \$4.5 billion, a decrease of \$0.506 billion from the previous year. The principal reasons for the decrease was an overall decrease of \$0.662 billion in State Treasury investments partly offset by an increase of \$0.168 in State Agencies and Authorities investments in the Fund.

The net assets under management in the Short-Term Investment Fund at the close of the 2008 fiscal year were \$5.0 billion, an increase of \$0.050 billion from the prior year. The principal reasons for the increase was an overall increase of \$0.227 billion in State Treasury and State Agencies and Authorities investments partly offset by decreases of \$0.155 billion in investments in the Fund from its municipal and local customers. In addition, net assets reflected a December 5, 2008 transaction recognizing a \$24 million reduction in the value of our Cheyne (Gryphon) securities.

Operating Income - General financial market conditions produced an annual total return of 1.49%, net of operating expenses and allocations to Fund reserves, compared to an annual total return of 4.13%, net of operating expenses and allocations to Fund reserves in the previous fiscal year. The annual total return exceeded that achieved by its benchmark, which equaled 1.30%, by 19 basis points, resulting in \$8.7 million in additional interest income for Connecticut governments and their taxpayers. During fiscal year 2009, the Federal Funds target rate was reduced from 2.00 percent to 0.00 – 0.25 percent. STIF decreased its weighted average maturity during this time frame from 19 days at the end of Fiscal Year 2008 to 9 days at the end of Fiscal Year 2009.

General financial market conditions produced an annual total return of 4.13% in fiscal year 2008, net of operating expenses and allocations to Fund reserves, compared to an annual total return of 5.54%, net of operating expenses and allocations to Fund reserves in the previous fiscal year. The annual total return exceeded that achieved by its benchmark, which equaled 4.07%, by 6 basis points, resulting in \$3 million in additional interest income for Connecticut governments and their taxpayers. During fiscal year 2008, the Federal Funds target rate was reduced by 325 basis points from 5.25 percent to 2.00 percent. STIF decreased its weighted average maturity during this time frame from 50 days at the end of Fiscal Year 2007 to 19 days at the end of Fiscal Year 2008.

Designated Surplus Reserve - In order to support the creditworthiness of the Fund and provide some additional protection against potential credit losses, a designated surplus reserve (reserve) is maintained. The amount transferred to the reserve is equal to the annualized rate of 0.1 percent of the end-of-day investment balances. No transfer is made if the reserve account is equal to or greater than 1.0 percent of the daily invest-

MANAGEMENT'S DISCUSSION AND ANALYSIS

ment balance. The fund operated in a reserve transfer position due to the high level of assets. During the fiscal year, \$4.6 million was transferred into the reserve bringing the total reserve to \$33.7 million. During FY 2009, transfers into the reserve account were made when the reserve account exceeded 1.0 percent pending the transfer (effective June 30, 2008) from the account to cover the Cheyne (Gryphon) valuation adjustment.

For fiscal year 2008 \$24 million was transferred from the reserve due to the December 5, 2008 transaction that recognized a \$24 million reduction in the value of Cheyne (Gryphon) securities, bringing the total reserve to \$29.1 million. The reserve as of June 30, 2008 totaled \$53.1 million prior to reflecting that transaction.

Table 1 - Net Assets

Assets	2009	Increase (Decrease)	2008	Increase (Decrease)	2007
Investments in Securities, at amortized cost	\$4,546,733,336	\$(501,562,084)	\$5,048,295,420	\$32,342,982	\$5,015,952,438
Receivables and Other	3,941,223	(11,257,210)	15,198,433	4,683,437	10,514,996
Total Assets	4,550,674,559	(512,819,294)	5,063,493,853	37,026,419	5,026,467,434
Liabilities	(2,149,568)	6,822,629	(8,972,197)	13,399,480	(22,371,677)
Net Assets	\$4,548,524,991	\$(505,996,665)	\$5,054,521,656	\$50,425,899	\$5,004,095,757

Table 2 - Changes in Net Assets

Assets	2009	Increase (Decrease)	2008	Increase (Decrease)	2007
Net Interest Income	\$74,939,173	\$(133,233,331)	\$208,172,504	\$(78,999,837)	\$287,172,341
Net Realized Gains	606,703	563,207	43,496	(194,231)	237,727
Net Decrease in Fair Value of Investments	-	24,000,000	(24,000,000)	(24,000,000)	-
Net Increase Resulting from Operations	75,545,876	(108,670,124)	184,216,000	(103,194,068)	287,410,068
Purchase of Units by Participants	15,586,406,101	1,130,764,398	14,455,641,703	745,295,241	13,710,346,462
Total Additions	15,661,951,977	1,022,094,274	14,639,857,703	642,101,173	13,997,756,530
Deductions					
Distribution of Income to Participants	69,698,998	(135,485,806)	205,184,804	(77,159,946)	282,344,750
Redemption of Units by Participants	16,096,987,314	1,713,898,098	14,383,089,216	242,826,417	14,140,262,799
Operating Expenses	1,262,329	104,544	1,157,785	(61,991)	1,219,776
Total Deductions	16,167,948,641	1,578,516,836	14,589,431,805	165,604,480	14,423,827,325
Change in Net Assets	(505,996,664)	(556,422,562)	50,425,898	476,496,693	(426,070,795)
Total net assets – beginning	5,054,521,655	50,425,898	5,004,095,757	(426,070,795)	5,430,166,552
Total net assets - ending	\$4,548,524,991	\$(505,996,664)	\$5,054,521,656	\$50,425,898	\$5,004,095,757

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the Office of the Treasurer's Short-Term Investment Fund basic financial statements, which are comprised of: 1) Statement of Net Assets, 2) Statement of Changes in Net Assets and 3) Notes to the Financial Statements.

The Statement of Net Assets and the Statement of Changes in Net Assets are two financial statements that report information about the Short-Term Investment Fund. These statements include all assets and liabilities using the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets (page 15) presents all of the Short-Term Investment Fund's assets and liabilities, with the difference between the two reported as "net assets".

The Statement of Changes in Net Assets (page 16) presents information showing how the Short-Term Investment Fund's net assets changed during the most recent year. All changes in net assets are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows.

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the Short-Term Investment Fund's financial statements. The notes can be found on pages 17-22 of this report.

ECONOMIC CONDITIONS AND OUTLOOK

As Fiscal Year 2009 began, fallout from the sub-prime lending problems continued to have broad and deep impacts on the financial markets. By the end of the fiscal year, the Federal Open Market Committee (FOMC) had cut the Fed Funds target rate from 2.00 percent set on April 30, 2008 to 0.00% – 0.25% on December 16, 2008 to combat what had become a widespread credit market disruption.

During Fiscal Year 2009, economic problems widened and deepened as household spending was constrained by ongoing job losses, lower housing wealth, and tight credit. Businesses cut back on fixed investment and implemented layoffs while bringing inventory stocks into better alignment with sales. Equity markets fell precipitously, with the S&P down approximately 47 percent from 1,280 on July 1, 2008 to March 5, 2009 then recovering to 682 on June 30, 2009, a 28 percent decrease for the full fiscal year. The percent of the U.S. labor force that is unemployed, not seasonally adjusted, was up 4.0 percentage points, to 9.7 percent in June 2009 for the fiscal year. The percent of the Connecticut labor force that is unemployed rose 2.4 percentage points to 8.1 percent in June 2009 for the fiscal year. Throughout this period the Fed's FOMC has continued to employ all available tools to promote economic recovery and to preserve price stability. While the FOMC expects that inflation will remain subdued for some time, at its June 2009 meeting the Committee maintained the target range for the federal funds rate at 0 to ¼ percent for an extended period in 2009. To provide support to mortgage lending and housing markets and to improve overall conditions in private credit markets, the Federal Reserve will purchase a total of up to \$1.25 trillion of agency mortgage-backed securities and up to \$200 billion of agency debt by the end of 2009 and buy up to \$300 billion of Treasury securities by the autumn of 2009.

CONTACTING THE OFFICE OF THE TREASURER

This financial report is designed to provide a general overview of the Office of the Treasurer's finances and to show the Office's accountability for the money it receives. Questions about this report or requests for additional information should be addressed to:

Connecticut State Treasury
55 Elm Street
Hartford, CT 06106-1773
Telephone (860) 702-3000
www.state.ct.us/ott

CONNECTICUT STATE TREASURER'S SHORT-TERM INVESTMENT FUND

**STATEMENT OF NET ASSETS
JUNE 30, 2009**

	<u>June 30, 2009</u>
ASSETS	
Investment in Securities, at Amortized Cost (Note 7)	\$ 4,546,733,336
Accrued Interest and Other Receivables	3,870,393
Prepaid Assets	<u>70,830</u>
Total Assets	<u>4,550,674,559</u>
LIABILITIES	
Distribution Payable	1,846,640
Interest Payable	<u>302,928</u>
Total Liabilities	<u>2,149,568</u>
NET ASSETS HELD IN TRUST FOR PARTICIPANTS	<u><u>\$ 4,548,524,991</u></u>

See accompanying Notes to the Financial Statements.

CONNECTICUT STATE TREASURER'S SHORT-TERM INVESTMENT FUND

**STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2008**

	<u>2009</u>	<u>2008</u>
ADDITIONS		
Operations		
Interest Income	\$ 74,939,173	\$ 208,172,504
Net Investment Income	74,939,173	208,172,504
Net Realized Gains	606,703	43,496
Net Decrease in Fair Value of Investments	-	(24,000,000)
Net Increase Resulting from Operations	<u>75,545,876</u>	<u>184,216,000</u>
Share Transactions at Net Asset Value of \$1.00 per Share		
Purchase of Units	15,586,406,101	14,455,641,703
TOTAL ADDITIONS	<u>15,661,951,977</u>	<u>14,639,857,703</u>
DEDUCTIONS		
Distribution to Participants (Notes 2 & 6)		
Distributions to Participants*	(69,698,998)	(205,184,804)
Total Distributions Paid and Payable	(69,698,998)	(205,184,804)
Share Transactions at Net Asset Value of \$1.00 per Share		
Redemption of Units	(16,096,987,314)	(14,383,089,216)
Operations		
Operating Expenses	(1,262,329)	(1,157,785)
TOTAL DEDUCTIONS	<u>(16,167,948,641)</u>	<u>(14,589,431,805)</u>
CHANGE IN NET ASSETS	(505,996,664)	50,425,898
Net Assets Held in Trust for Participants		
Beginning of Year	5,054,521,655	5,004,095,757
End of Year	<u>\$ 4,548,524,991</u>	<u>\$ 5,054,521,655</u>

See accompanying Notes to the Financial Statements.

* Net of designated reserve transfer contributions and expenses.

NOTES TO FINANCIAL STATEMENTS

NOTE 1: INTRODUCTION AND BASIS OF PRESENTATION

The Short-Term Investment Fund ("STIF" or the "Fund") is a money market investment pool managed by the Treasurer of the State of Connecticut. Section 3-27 of the Connecticut General Statutes (CGS) created STIF. Pursuant to CGS 3-27a - 3-27f, the State, municipal entities, and political subdivisions of the State are eligible to invest in the Fund. Securities in which the State Treasurer is authorized to invest monies of STIF include United States government and agency obligations, certificates of deposit, commercial paper, corporate bonds, saving accounts, bankers' acceptances, repurchase agreements, and asset-backed securities. STIF is authorized to issue an unlimited number of units.

For State of Connecticut financial reporting purposes, STIF is considered to be a mixed investment pool – a pool having external and internal portions. The internal portion (i.e., the portion that belongs to investors that are part of the State's financial reporting entity) is not displayed in the State's basic financial statements. Instead, each fund type's investment in STIF is reported as "cash equivalents" in the statement of net assets. The external portion (i.e., the portion that belongs to investors which are not part of the State's financial reporting entity) is recorded in an investment trust fund in the basic financial statements.

The Fund is considered a "2a7-like" pool and, as such, reports its investments at amortized cost (which approximates fair value). A 2a7-like pool is not necessarily registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940 that allows money market mutual funds to use amortized cost to report net assets.

Related Party Transactions.

STIF had no related party transactions during the fiscal year with the State of Connecticut and its component units including leasing arrangements, the performance of administrative services and the execution of securities transactions.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***Financial Reporting Entity.***

The Fund is a Fiduciary Investment Trust Fund. A fiduciary fund is used to account for governmental activities that are similar to those found in the private sector where the determination of net income is necessary or useful to sound financial administration. The generally accepted accounting principles ("GAAP") used for fiduciary funds are generally those applicable to similar businesses in the private sector. The Fund uses the accrual basis of accounting.

Security Valuation of Financial Instruments.

The assets of the Fund are carried at amortized cost (which approximates fair value) except for Cheyne (Gryphon) which is reflected at amortized cost adjusted for reserve transfer (see Note 7 and the List of Investments). All premiums and discounts on securities are amortized or accreted on a straight line basis.

Security Transactions.

Purchases and sales of investments are recorded on a trade date basis. Gains and losses on investments are realized at the time of the sales and are calculated on the basis of an identified block or blocks of securities having an identified amortized cost. Bond cost is determined by identified lot.

Interest Income.

Interest income, which includes amortization of premiums and accretion of discounts, is accrued as earned.

Expenses.

Operating and interest expenses of STIF are accrued as incurred.

NOTES TO FINANCIAL STATEMENTS (Continued)

Fiscal Year.

The fiscal year of STIF ends on June 30.

Distributions to Investors.

Distributions to investors are earned on units outstanding from date of purchase to date of redemption. Income is calculated daily based upon the actual earnings of the Fund net of administrative expenses and, if applicable, an allocation to the Designated Surplus Reserve. Distributions are paid monthly within two business days of the end of the month, and are based upon actual number of days in a year. Shares are sold and redeemed at a constant \$1.00 net asset value per share, which is consistent with the per share net asset value of the Fund, excluding the Designated Surplus Reserve.

Designated Surplus Reserve.

While STIF is managed prudently to protect against losses from credit and market changes, the Fund is not insured or guaranteed by any government. Therefore, the maintenance of capital cannot be fully assured. In order to provide some protection to the shareholders of STIF from potential credit and market risks, the Treasurer has designated that a portion of each day's net earnings be transferred to the Designated Surplus Reserve (Reserve). Such amounts are restricted in nature and are not available for current distribution to shareholders. The amount transferred daily to the Designated Surplus Reserve is equal to 0.1 percent of end of day investment balance divided by the actual number of days in the year until the reserve account is equal to or greater than 1.0 percent of the daily investment balance. During FY 2009, transfers into the reserve account were made when the reserve account exceeded 1.0 percent pending the transfer (effective June 30, 2008) from the account to cover the Cheyne (Gryphon) valuation adjustment. If net losses significant to the aggregate portfolio are realized, the Treasurer is authorized to transfer funds from the Reserve to Participants with Units Outstanding.

As of June 30, 2009, the balance in the Designated Surplus Reserve was \$33,728,334 which reflects \$4.6 million in contributions during the year.

Estimates.

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities in the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3: DEPOSIT AND INVESTMENT DISCLOSURES

A formal investment policy (as adopted August 21, 1996, revised June 16, 2008 and April 17, 2009) specifies policies and guidelines that provide for the systematic management of STIF and prudent and productive investment of funds. STIF's investment practice is to invest all cash balances; as such, there was no uninvested cash at June 30, 2009. All securities of STIF are registered under the State Street Bank nominee name, Pond, Tide & Co., for the State of Connecticut nominee name, Conn. STIF & Co., and held by a designated agent of the State.

Custodial Credit Risk – Deposits

The custodial credit risk for deposits is the risk that in the event of a bank failure, the STIF's deposits may not be recovered. The STIF follows policy parameters that limit deposits in any one entity to a maximum of ten percent of total assets at the time of purchase. Further, the certificates of deposits must be issued from commercial banks whose short-term debt is rated at least A-1 by Standard and Poor's and F-1 by Fitch and whose long-term debt is rated at least A- and its issuer rating is at least "C".

Certificates of Deposit in banks are insured up to \$250,000 (through December 31, 2013), any amount above this limit is considered uninsured. Additionally, state banking regulation requires all Connecticut public depositories to segregate collateral against public deposits in an amount equal to ten percent of the outstanding deposit. As of fiscal year-end, certificates of deposit in the Short-Term Investment Fund totaled \$880 million.

CONNECTICUT STATE TREASURER'S SHORT-TERM INVESTMENT FUND

NOTES TO FINANCIAL STATEMENTS (Continued)

Of that amount, \$797 million was exposed to custodial credit risk representing the portion that was uninsured and uncollateralized. Each of the CD's had daily put options that would allow STIF to redeem the investments on a same-day basis.

Under the Federal Deposit Insurance Corporation (FDIC) rule for its Transaction Account Guarantee Program, the FDIC provides unlimited deposit insurance coverage for non-interest bearing transaction accounts, including Negotiable Order of Withdrawal (NOW) accounts that pay no more than 0.50 percent interest. As of fiscal year-end, the Short-Term Investment Fund had \$2.9 billion invested in FDIC-insured NOW accounts.

Interest Rate Risk – Investments

Interest rate risk is the risk that changes in the general level of interest rates will adversely affect the fair value of an investment. The STIF's policy for managing interest rate is to limit investments to a very short weighted average maturity, not to exceed 90-days, and to comply with Standard and Poor's requirement that the weighted average maturity not exceed 60 days. The weighted-average maturity is calculated daily, and reported to Standard and Poor's weekly to ensure compliance. As of June 30, 2009 the weighted average maturity of the STIF was 9 days. The breakdown of the STIF's maturity profile is outlined below.

Investments	Amortized Cost	Investment Maturity in Years	
		Less than One	One - Five
Deposit Instruments:			
Fixed	\$880,000,000	\$880,000,000	\$ -
Floating Rate Notes			
Corporate Notes	21,588,570	21,588,570	-
Structured Investment Vehicles	94,445,140	94,445,140	-
Federal Agency Securities			
Fixed	50,000,000	50,000,000	-
Floaters	386,896,284	50,843,632	336,052,652
US Government Guaranteed	2,950,000,000	2,950,000,000	-
Government Money Market Funds	163,803,342	163,803,342	-
Total	<u>\$4,546,733,336</u>	<u>\$4,210,680,684</u>	<u>\$336,052,652</u>

Additionally, STIF is allowed by policy to invest in floating-rate debt securities. Further investment in floating-rate securities with maturities greater than two years is limited to no more than 20 percent of the overall portfolio. For purposes of the weighted average maturity calculation and classification in the chart above, variable-rate securities are calculated using their interest rate reset dates. Because these securities re-set frequently to prevailing market rates, interest rate risk is substantially reduced. As of fiscal year-end, the STIF portfolio held \$503 million in variable rate securities.

Credit Risk of Debt Securities

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The STIF manages its credit risk by investment only in debt securities that fall within the highest short-term or long-term rating categories by nationally recognized rating organizations.

Investments	Amortized Cost	AAA/A-1+	AA/A-1+	A/A-1	N/R
Deposit Instruments:					
Fixed	\$880,000,000	\$-	\$830,000,000	\$50,000,000	\$-
Floating Rate Notes					
Corporate Notes	21,588,570	-	4,999,806	16,588,764	-
Structured Investment Vehicles	94,445,140	-	-	49,999,837	44,445,303
Federal Agency Securities					
Fixed	50,000,000	50,000,000	-	-	-
Floaters	386,896,284	386,896,284	-	-	-
US Government Guaranteed/Insured	2,950,000,000	2,950,000,000	-	-	-
Government Money Market Funds	163,803,342	163,803,342	-	-	-
Total	<u>\$4,546,733,336</u>	<u>\$3,550,699,626</u>	<u>\$834,999,806</u>	<u>\$116,588,601</u>	<u>\$44,445,303</u>

Concentration of Credit Risk

The Short-Term Investment Fund limits the amount it may invest in any one issuer to an amount not to exceed 10 percent at the time of purchase other than overnight or two-business-day repurchase agreements and U.S.

CONNECTICUT STATE TREASURER'S SHORT-TERM INVESTMENT FUND

NOTES TO FINANCIAL STATEMENTS (Continued)

government and agency securities. As of June 30, 2009, the table below lists issuers with concentrations of greater than 5 percent. The three instances in which concentrations on June 30, 2009 exceeded 10 percent resulted from a decline in the overall portfolio size. At the time of purchase, the securities were at or below 10 percent. The investments were in U.S. Government (FDIC) insured securities.

Issuer	Fair Value	Percent of Total Portfolio
BB & T Bank	\$500,000,000	11.0
Fifth Third Bank	500,000,000	11.0
US Bank	500,000,000	11.0
Sovereign Bank	450,000,000	9.9
JP Morgan Chase Bank	415,000,000	9.1
TD Bank	415,000,000	9.1
Citibank	400,026,075	8.8
Webster Bank	400,000,000	8.8

NOTE 4: CUSTODIAN

State Street Bank was appointed as custodian for STIF effective February 1, 1996. STIF pays a percentage of the fixed annual rate of \$110,000 for the Short-Term Investment Unit. This percentage is calculated annually by determining the STIF fund size relative to that of the total Short-Term Investment Unit.

NOTE 5: ADMINISTRATION

STIF is managed and administered by employees of the State of Connecticut Treasury. Salaries and fringe benefit costs as well as operating expenses are charged directly to the Fund.

NOTE 6: DISTRIBUTIONS TO INVESTORS

The components of the distributions to investors are as follows for the income earned during the twelve months ended:

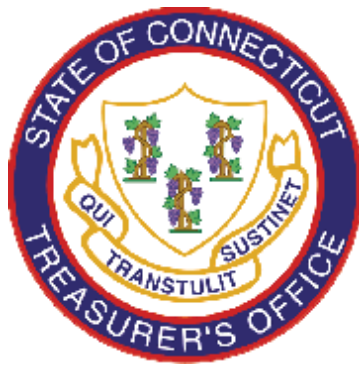
Distributions:	2009	2008
July	\$9,552,900	\$23,237,650
August	10,885,593	26,051,672
September	10,020,904	24,381,386
October	8,382,261	23,109,275
November	6,870,533	19,591,395
December	5,624,806	15,941,753
January	4,289,444	16,365,735
February	3,477,010	14,164,444
March	3,477,312	12,867,724
April	2,679,262	10,148,379
May	2,592,339	10,362,416
June (Payable at June 30)	1,846,634	8,962,975
Total Distribution Paid & Payable	<u>\$69,698,998</u>	<u>\$205,184,804</u>

NOTE 7: INVESTMENTS IN SECURITIES

The following is a summary of investments in securities, at amortized cost and fair value as of June 30, 2009:

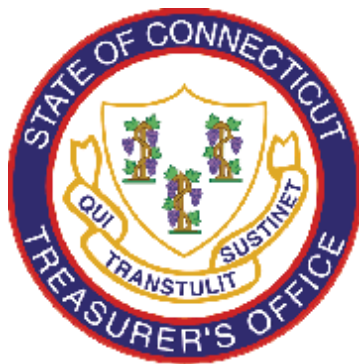
Investment

Section



Statistical

Section



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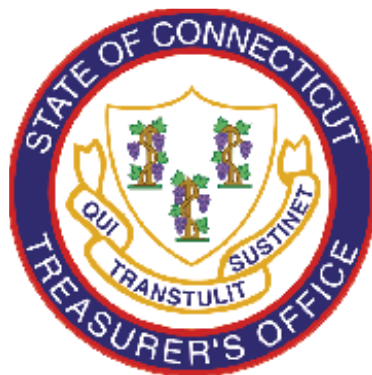
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