



**STATE OF ALASKA
DEPARTMENT OF REVENUE
TREASURY DIVISION**

**INVESTED ASSETS UNDER THE INVESTMENT AUTHORITY OF THE COMMISSIONER
OF REVENUE**

JUNE 30, 2010

(With Independent Auditors' Report Thereon)

**STATE OF ALASKA
DEPARTMENT OF REVENUE
TREASURY DIVISION**

**INVESTED ASSETS UNDER THE
INVESTMENT AUTHORITY OF THE
COMMISSIONER OF REVENUE**

Combined Schedules

June 30, 2010

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Independent Auditors' Report

State of Alaska, Department of Revenue
Division of Treasury:

We have audited the accompanying combined schedules of invested assets under the investment authority of the Commissioner of Revenue as of June 30, 2010 and of investment income and changes in invested assets for the year then ended (Schedules). These Schedules are the responsibility of the Division of Treasury's management. Our responsibility is to express an opinion on these Schedules 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 Schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Schedules were prepared to present the invested assets under the Authority of the Commissioner of Revenue and changes therein and is not intended to be a complete presentation of the assets and liabilities of the Department of Revenue.

In our opinion, the Schedules referred to above present fairly, in all material respects, the invested assets under the investment authority of the Commissioner of Revenue as of June 30, 2010, and the results of its investment income and changes in invested assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

October 29, 2010

STATE OF ALASKA
DEPARTMENT OF REVENUE - TREASURY DIVISION
INVESTED ASSETS UNDER THE INVESTMENT AUTHORITY OF THE COMMISSIONER OF REVENUE

COMBINED SCHEDULE OF INVESTED ASSETS
June 30, 2010 (with memorandum totals for June 30, 2009)
(Expressed in thousands)

| | GENERAL FUND and GeFONSI | CONSTITUTIONAL BUDGET RESERVE FUND | | PUBLIC SCHOOL TRUST FUND | | ALASKA CHILDREN'S TRUST | | INVESTMENT LOSS TRUST FUND | GENERAL OBLIGATION BOND FUND | INTERNATIONAL AIRPORTS FUND | INTERNATIONAL AIRPORTS CONSTRUCTION FUND | POWER COST EQUALIZATION ENDOWMENT FUND | RETIREE HEALTH INSURANCE FUND | | MINE RECLAMATION FUND | ALASKA SPORT FISH CONSTRUCTION FUNDS | | TOTAL INVESTED ASSETS (MEMORANDUM ONLY) | |
|---|--------------------------------|---------------------------------------|------------------|-----------------------------|---------------|----------------------------|------------|----------------------------------|------------------------------------|-----------------------------------|---|---|----------------------------------|-------------------|-----------------------------|---|-------------------------------|--|-------------------|
| | | MAIN | SUBACCOUNT | PRINCIPAL | INCOME | PRINCIPAL | INCOME | | | | | | MAJOR MEDICAL | LONG TERM CARE | | BOND PROCEEDS | GENERAL FUND APPROPRIATION | June 30, 2010 | June 30, 2009 |
| | | | | | | | | | | | | | | | | | | | |
| INVESTMENTS (at Fair Value) (Notes 6 and 7) | | | | | | | | | | | | | | | | | | | |
| Cash and Cash Equivalents | | | | | | | | | | | | | | | | | | | |
| Short-term Fixed Income Pool (Note 3) | 3,398,391 | 414,452 | - | 2,384 | 9,629 | 10 | 555 | 2,975 | 126,614 | 14,901 | 83,847 | 16 | 17,613 | 2,677 | 727 | 11,541 | 65,449 | 4,151,781 | 3,282,429 |
| Non-interest Bearing Deposits (Note 5) | 231,728 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 231,728 | 28,911 |
| Total Cash and Cash Equivalents | 3,630,119 | 414,452 | - | 2,384 | 9,629 | 10 | 555 | 2,975 | 126,614 | 14,901 | 83,847 | 16 | 17,613 | 2,677 | 727 | 11,541 | 65,449 | 4,383,509 | 3,311,340 |
| Marketable Debt Securities | | | | | | | | | | | | | | | | | | | |
| Pooled Investments (Note 3) | | | | | | | | | | | | | | | | | | | |
| Intermediate-term Fixed Income Pool | 4,061,305 | 3,096,264 | - | - | - | - | - | - | - | 96,743 | - | - | - | - | - | - | - | 7,254,312 | 6,793,455 |
| Broad Market Fixed Income Pool | - | 887,839 | 1,371,071 | 189,264 | - | 1,998 | - | - | - | - | - | 119,904 | - | 48,886 | - | - | - | 2,618,962 | 669,830 |
| Conservative Broad Market Fixed Income Pool | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 1,472,188 |
| US Treasury Fixed Income Pool | - | - | 150,097 | 18,384 | - | 100 | - | - | - | - | - | 11,112 | - | 5,068 | - | - | - | 184,761 | - |
| Emerging Income Plus Debt Pool | - | - | 87,327 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 87,327 | 78,063 |
| Non-pooled Investments | | | | | | | | | | | | | | | | | | | |
| Tobacco Revenue Fixed Income | 50,446 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 50,446 | 70,729 |
| Individually held debt securities and other instruments | 63,000 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 63,000 | - |
| Total Marketable Debt Securities | 4,174,751 | 3,984,103 | 1,608,495 | 207,648 | - | 2,098 | - | - | - | 96,743 | - | 131,016 | - | 53,954 | - | - | - | 10,258,808 | 9,084,265 |
| Equity Securities | | | | | | | | | | | | | | | | | | | |
| Domestic Equity (Note 4) | - | - | 1,816,591 | 153,986 | - | 5,391 | - | - | - | - | - | 127,800 | - | 90,603 | 145 | - | - | 2,194,516 | 2,156,621 |
| International Equity Pool (Note 3) | - | - | 839,869 | - | - | 1,413 | - | - | - | - | - | 61,882 | - | 41,937 | - | - | - | 945,101 | 879,525 |
| Total Equity Securities | - | - | 2,656,460 | 153,986 | - | 6,804 | - | - | - | - | - | 189,682 | - | 132,540 | 145 | - | - | 3,139,617 | 3,036,146 |
| Total Investments | 7,804,870 | 4,398,555 | 4,264,955 | 364,018 | 9,629 | 8,912 | 555 | 2,975 | 126,614 | 111,644 | 83,847 | 320,714 | 17,613 | 189,171 | 872 | 11,541 | 65,449 | 17,781,934 | 15,431,751 |
| Receivables (Payables) | | | | | | | | | | | | | | | | | | | |
| Income Receivable | 4,093 | 362 | - | 781 | 8 | 31 | - | 3 | 113 | 18 | 81 | - | 16 | 2 | 1 | 10 | 57 | 5,576 | 11,582 |
| Transferred from (to) Other Funds | - | - | - | (1,384) | 1,384 | (39) | 39 | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Receivables (Payables) | 4,093 | 362 | - | (603) | 1,392 | (8) | 39 | 3 | 113 | 18 | 81 | - | 16 | 2 | 1 | 10 | 57 | 5,576 | 11,582 |
| Net Invested Assets | \$ 7,808,963 | 4,398,917 | 4,264,955 | 363,415 | 11,021 | 8,904 | 594 | 2,978 | 126,727 | 111,662 | 83,928 | 320,714 | 17,629 | 189,173 | 873 | 11,551 | 65,506 | 17,787,510 | 15,443,333 |

STATE OF ALASKA
DEPARTMENT OF REVENUE - TREASURY DIVISION
INVESTED ASSETS UNDER THE INVESTMENT AUTHORITY OF THE COMMISSIONER OF REVENUE

COMBINED SCHEDULE OF INVESTMENT INCOME (LOSS) AND CHANGES IN INVESTED ASSETS
For the year ended June 30, 2010 (with memorandum totals for the year ended June 30, 2009)
(Expressed in thousands)

| | GENERAL FUND and GeFONSI | CONSTITUTIONAL BUDGET RESERVE FUND | | PUBLIC SCHOOL TRUST FUND | | ALASKA CHILDREN'S TRUST | | INVESTMENT LOSS TRUST FUND | GENERAL OBLIGATION BOND FUND | INTERNATIONAL AIRPORTS FUND | INTERNATIONAL AIRPORTS CONSTRUCTION FUND | POWER COST EQUALIZATION ENDOWMENT FUND | RETIREE HEALTH INSURANCE FUND | | MINE RECLAMATION FUND | ALASKA SPORT FISH CONSTRUCTION FUNDS | | TOTAL INCOME (LOSS) (MEMORANDUM ONLY) | |
|---|--------------------------------|---------------------------------------|------------------|-----------------------------|-----------------|----------------------------|--------------|----------------------------------|------------------------------------|-----------------------------------|---|---|----------------------------------|-------------------|-----------------------------|---|-------------------------------|--|-------------------------|
| | | MAIN | SUBACCOUNT | PRINCIPAL | INCOME | PRINCIPAL | INCOME | | | | | | MAJOR MEDICAL | LONG TERM CARE | | BOND PROCEEDS | GENERAL FUND APPROPRIATION | YEAR ENDED 6/30/2010 | YEAR ENDED 6/30/2009 |
| | | | | | | | | | | | | | | | | | | | |
| Investment Income | | | | | | | | | | | | | | | | | | | |
| Short-term Fixed Income Pool | 30,842 | 4,087 | - | 46 | 86 | 1 | 5 | 39 | 1,838 | 181 | 1,299 | - | 237 | 27 | 8 | 457 | 832 | 39,985 | 38,494 |
| Intermediate-term Fixed Income Pool | 186,497 | 141,371 | - | - | - | - | - | - | - | 5,139 | - | - | - | - | - | - | - | 333,007 | 389,651 |
| Broad Market Fixed Income Pool | - | 77,509 | 60,521 | 8,387 | - | 89 | - | - | - | - | - | 4,993 | - | 2,133 | - | - | - | 153,632 | 39,882 |
| Conservative Broad Market Fixed Income Pool | - | - | 62,792 | 9,482 | - | 101 | - | - | - | - | - | 5,783 | - | 2,208 | - | - | - | 80,366 | 58,085 |
| US Treasury Fixed Income Pool | - | - | 6,878 | 835 | - | 5 | - | - | - | - | - | 502 | - | 232 | - | - | - | 8,452 | - |
| Emerging Income Plus Debt Pool | - | - | 9,265 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 9,265 | (1,937) |
| Domestic Equity | - | - | 280,321 | 22,680 | - | 752 | - | - | - | - | - | 23,268 | - | 12,326 | 28 | - | - | 339,375 | (566,477) |
| International Equity Pool | - | - | 48,311 | - | - | 129 | - | - | - | - | - | 3,841 | - | 2,278 | - | - | - | 54,559 | (275,667) |
| Tobacco Revenue Fixed Income | 199 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 199 | 1,891 |
| Individually held debt securities and other instruments | 2,527 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 2,527 | 3,046 |
| Total Investment Income | 220,065 | 222,967 | 468,088 | 41,430 | 86 | 1,077 | 5 | 39 | 1,838 | 5,320 | 1,299 | 38,387 | 237 | 19,204 | 36 | 457 | 832 | 1,021,367 | (313,032) |
| Transfer from (to) Other Funds | - | - | - | (17,605) | 17,605 | (292) | 292 | - | - | - | - | - | - | - | - | - | - | - | - |
| Net Investment Income | 220,065 | 222,967 | 468,088 | 23,825 | 17,691 | 785 | 297 | 39 | 1,838 | 5,320 | 1,299 | 38,387 | 237 | 19,204 | 36 | 457 | 832 | 1,021,367 | (313,032) |
| Total Invested Assets, Beginning of Period | 6,941,754 | 3,317,457 | 3,796,867 | 328,177 | 6,359 | 8,190 | 595 | 3,333 | 185,937 | 127,247 | 124,401 | 303,354 | 20,130 | 155,581 | 837 | 53,275 | 69,839 | 15,443,333 | 14,810,112 |
| Net Contributions (Withdrawals) | 647,144 | 858,493 | - | 11,413 | (13,029) | (71) | (298) | (394) | (61,048) | (20,905) | (41,772) | (21,027) | (2,738) | 14,388 | - | (42,181) | (5,165) | 1,322,810 | 946,253 |
| Total Invested Assets, End of Period | \$ 7,808,963 | 4,398,917 | 4,264,955 | 363,415 | 11,021 | 8,904 | 594 | 2,978 | 126,727 | 111,662 | 83,928 | 320,714 | 17,629 | 189,173 | 873 | 11,551 | 65,506 | 17,787,510 | 15,443,333 |

INVESTED ASSETS UNDER THE INVESTMENT AUTHORITY OF THE COMMISSIONER OF REVENUE

Notes to Combined Schedules

June 30, 2010

(1) THE ACCOUNTING ENTITY

The accompanying Combined Schedules present the financial position and changes therein, as of and for the year ended June 30, 2010, for the invested assets of funds under the investment authority of the Commissioner of Revenue (Commissioner). The Commissioner is responsible for all deposits and investments of the State of Alaska (State) except where the Legislature has delegated that responsibility to other individuals or boards. As the fiduciary, the Commissioner has the statutory authority to invest the assets under the prudent investor rule. Alaska Statutes 37.10.070 and 37.10.071 provide that investments shall be made with the judgment and care under circumstances then prevailing that an institutional investor of ordinary professional prudence, discretion and intelligence exercises in managing large investment portfolios.

These Schedules represent only the investment activity of the funds described below, and not the complete financial activity of the funds or the State as a whole. A complete description of the investment policy for each fund's invested assets is included in the Department of Revenue, Treasury Division, Policies and Procedures Manual. The complete financial activity of the funds is shown in the Comprehensive Annual Financial Report available from the Division of Finance in the Department of Administration.

The Department of Revenue, Treasury Division (Treasury) has created a pooled environment by which it manages the investments the Commissioner has fiduciary responsibility for. Actual investing is performed by investment officers in Treasury or by contracted external investment managers. Specifically, the Emerging Income Plus Debt Pool, Tobacco Revenue Fixed Income, Domestic Equity and the International Equity Pool are managed externally. Treasury manages the Short-term Fixed Income Pool, Non-interest Bearing Deposits, Intermediate-term Fixed Income Pool, Broad Market Fixed Income Pool, Conservative Broad Market Fixed Income Pool, and the U.S. Treasury Fixed Income Pool in addition to acting as oversight manager for all externally managed investments.

General Fund and GeFONSI

The General Fund is the State's operating fund. Most of the assets of the General Fund are commingled with other funds for investment purposes in a pool named the General Fund and Other Non-segregated Investments (GeFONSI). GeFONSI consists of investments in the Short-term Fixed Income Pool and the Intermediate-term Fixed Income Pool. GeFONSI investment income is distributed to pool participants if prescribed by statute or if appropriated by the state legislature. The Tobacco Revenue Fixed Income assets represent the investment of proceeds received from the sale of anticipated Tobacco Settlement Revenues and investment earnings therein. The proceeds and earnings are available for projects prescribed by statute.

Constitutional Budget Reserve Fund

The Constitutional Budget Reserve Fund (CBRF) was established November 6, 1990 when voters approved adding Section 17 to Article IX of the Constitution of the State. All money received by the State after July 1, 1990, through resolution of disputes about the amount of certain mineral-related income, must be deposited in the CBRF. Such deposits may originate from mineral lease

INVESTED ASSETS UNDER THE INVESTMENT AUTHORITY OF THE COMMISSIONER OF REVENUE

Notes to Combined Schedules

June 30, 2010

(1) THE ACCOUNTING ENTITY (Cont.)

bonuses, rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments or bonuses, or taxes imposed on mineral income, production or property. The Legislature may, under certain conditions, appropriate funds from the CBRF to fund the operations of state government. The twenty-first Legislature created a subaccount within the CBRF effective July 1, 2000. The subaccount is currently comprised of appropriations by the Legislature. The subaccount is managed in accordance with Alaska Statute 37.10.430(c). Investment earnings of the subaccount are retained therein.

Public School Trust Fund

The Public School Trust Fund was established by the Alaska State Legislature in Alaska Statute 37.14.110 – 37.14.170. The source of funding for the investment portfolio originally consisted of income from the sale or lease of land granted by an Act of Congress on March 15, 1915, but is now composed primarily of one-half of one percent of State receipts from the management of all State lands as prescribed by AS 37.14.150. The principal of the fund, and all capital gains/losses thereon, are perpetually retained in the fund (AS 37.14.110) and the remaining net income of the fund must be used for the State public school program (AS 37.14.140).

Alaska Children's Trust

The Alaska Children's Trust was established by the Alaska State Legislature in Alaska Statute 37.14.200 – 37.14.270. The purpose of the trust is to provide grants to community-based programs and projects that aid in the prevention of child abuse and neglect. The principal of the trust and any capital gains or losses realized on the principal are retained perpetually in the trust for investment. However, up to \$150,000 per year may be appropriated from the principal of the trust for the administrative expenses of the Alaska Children's Trust Board. The remaining income of the trust may be used for grants for the prevention of child abuse and neglect, certain fund raising activities, and the costs of establishing and maintaining the trust.

Investment Loss Trust Fund

The Investment Loss Trust Fund, codified under Alaska Statute 37.14.300, was established into law on June 14, 1991. The purpose of the fund is to provide financial security to participants in the State supplemental annuity plan established under Alaska Statute 39.30.150 – 39.30.180 and other annuity holders who may be harmed by the possible default on guaranteed investment and annuity contracts of Executive Life Insurance Company of California (Executive Life). The fund originally consisted of moneys appropriated to it by the Alaska Legislature. The fund consists of final settlements, part of which is available to repay State moneys which originally capitalized the fund, and the remaining held in escrow for legal fees and for annuitants with balances backed by investments of the successor company to Executive Life.

**INVESTED ASSETS UNDER THE INVESTMENT AUTHORITY OF THE COMMISSIONER OF
REVENUE**

Notes to Combined Schedules

June 30, 2010

(1) THE ACCOUNTING ENTITY (Cont.)

General Obligation Bond Fund

The General Obligation Bond Fund holds proceeds from the sale of bonds issued pursuant to Article IX, Section 8 of the Alaska Constitution and Alaska Statute 37.15, the State Bonding Act. In 2002, two general obligation bond propositions were passed by a majority of the qualified voters in the State, the Transportation Bond Act (Chapter 114, SLA 2002) and the Education Bond Act (Chapter 2 SLA 2002). These bonds were issued to finance educational and museum facilities and transportation projects. In 2008 one general obligation bond proposition was passed by the majority.

At June 30, 2010, the invested asset balances in the various bond sub-funds were as follows (in thousands):

| | |
|---|-------------------|
| Series 2003A, Educational and Museum Facility Design, Construction and Major Maintenance | \$ 9,605 |
| Series 2003A, Transportation Projects | 945 |
| Series 2003B, Accelerated Alaska Transportation Projects | 1,206 |
| Series 2008, Transportation Projects | <u>114,971</u> |
| Total General Obligation Bond Fund | <u>\$ 126,727</u> |

International Airports Funds

The International Airports Funds include a revenue fund and a construction fund. The revenue fund, codified under Alaska Statute 37.15.430, was established to facilitate the construction and maintenance of the Anchorage and Fairbanks International Airports. The revenue fund receives all revenues, fees, charges and rentals derived by the State from the ownership, lease, use and operation of the two airports.

**INVESTED ASSETS UNDER THE INVESTMENT AUTHORITY OF THE COMMISSIONER OF
REVENUE**

Notes to Combined Schedules

June 30, 2010

(1) THE ACCOUNTING ENTITY (Cont.)

The construction fund holds proceeds from the sale of bonds issued to build airport facilities (Alaska Statute 37.15.420). Bonds issued to finance improvements at the airports have a first lien on the gross revenue from airport operations which are deposited into the revenue fund. At June 30, 2010, the invested asset balances in the various construction sub-funds were as follows (in thousands):

| | | |
|--|----|---------------|
| Series 1999A, Alternative Minimum Tax | \$ | 798 |
| Series 1999B, Non-Alternative Minimum Tax | | 315 |
| Series 1999C, Alternative Minimum Tax | | 185 |
| Series 2002A, Alternative Minimum Tax | | 1,294 |
| Series 2002B, Non-Alternative Minimum Tax | | 2,477 |
| Series 2002 Reserve | | 14,980 |
| Series 2003A, Alternative Minimum Tax | | 3,249 |
| Series 2003B, Non-Alternative Minimum Tax | | 6,679 |
| Series 2003 Reserve | | 2,405 |
| Series 2006 Alternative Minimum Tax | | 10,198 |
| Series 2006 Non-Alternative Minimum Tax | | 34,367 |
| Series 2006 Variable Rate | | 6,981 |
| Total International Airports Construction Fund | \$ | <u>83,928</u> |

Power Cost Equalization Endowment Fund

The Alaska Legislature created the Power Cost Equalization (PCE) Endowment Fund through Chapter 60, SLA 2000 Sec. 6 and 7, codified under AS 42.45.070 (c); the governor signed funding legislation effective May 24, 2000. The PCE Endowment Fund is established as a separate fund of the Alaska Energy Authority, a component unit of the State of Alaska. The purpose of the PCE Endowment Fund is to provide for a long-term, stable financing source for power cost equalization which provides affordable levels of electric utility costs in otherwise high-cost service areas of the state.

Retiree Health Insurance Fund

The Department of Administration established the Retiree Health Insurance Fund for the state's self-funded health insurance program for some retired employees (Alaska Statute 39.30.090, AS 39.30.091 and AS 39.30.095). Three insurance plans comprise the Retiree Health Insurance Fund: major medical, long-term care, and dental/visual/audio (assets for the latter plan are held in the GeFONSI). The fund consists of insurance premiums paid by the employer (the State and participating political subdivisions of the State) and retirees for future health-related expenses.

**INVESTED ASSETS UNDER THE INVESTMENT AUTHORITY OF THE COMMISSIONER OF
REVENUE**

Notes to Combined Schedules

June 30, 2010

(1) THE ACCOUNTING ENTITY (Cont.)

Mine Reclamation Trust Fund

The Alaska Legislature in Chapter 137 SLA 2004 established a new Article 9 in AS 37.14. The Article established a Mine Reclamation Trust Fund. The mine reclamation trust fund is established as a separate trust fund of the state. The principal and earnings of the fund shall be held by the state for the purpose of protecting the public interest in reclaiming mine sites in the state. The mine reclamation trust fund income account consists of payments and deposits made by miners to satisfy the miners' reclamation bonding or financial assurance obligation under AS 27.19.040 or AS 27.21.160 and earnings on the income account.

Alaska Sport Fish Construction Funds

The Alaska Sport Fish Construction Funds hold proceeds from the sale of bonds issued pursuant to Article IX, Section 8 of the Alaska Constitution and Alaska Statute 37.15, the State Bonding Act; as well as funds from General Fund appropriation 63(d) of Chapter 29 SLA 2008. The General Fund appropriation and the bonds were issued to finance the construction and renovation of sport fishing facilities under AS 16.05.092.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The combined schedules are prepared using the accrual basis of accounting for investment income. Assets are reported at fair value. Investment purchases and sales are recorded on a trade-date basis. Net contributions (withdrawals) are recorded on a cash basis. Net contributions (withdrawals) represent legislative appropriations, mineral-related royalties/leases/taxes, gifts and donations, bond proceeds, various payments for certain State services, and/or contributions from employers and employees net of benefits paid to participants as well as administrative and investment management expenses.

Valuation

Fixed income securities are valued each business day using prices obtained from a pricing service when such prices are available; otherwise, such securities are valued at the most current sale price or based on a valuation provided by investment managers.

Non-interest Bearing Deposits are reported at cost, which approximates fair value.

Domestic and international equity securities are valued each business day using prices obtained from a pricing service or prices quoted by one or more independent brokers.

Securities expressed in terms of foreign currencies are translated into U.S. dollars at the prevailing exchange rates. Forward currency contracts are valued at the mid-point of representative quoted bid and ask prices.

**INVESTED ASSETS UNDER THE INVESTMENT AUTHORITY OF THE COMMISSIONER OF
REVENUE**

Notes to Combined Schedules

June 30, 2010

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Dividends paid to the Public School Trust Fund and the Alaska Children's Trust by the Domestic and International Equity investment are paid to the principal assets of those funds. Dividends are then transferred to the income assets of those funds to purchase shares in the Short-term Fixed Income Pool. All realized and unrealized gains and losses of the Public School and Alaska Children's Trusts remain with the principal assets.

Combined Schedule Presentation

Total columns in the combined schedules are captioned "memorandum only" to indicate they are presented only to facilitate financial analysis. Interfund eliminations have not been made in the aggregation of this data. The financial information for the year ended June 30, 2009, is presented for comparative purposes.

(3) POOLED INVESTMENTS

Short-term Fixed Income Pool

Some funds participate in the State's internally managed Short-term Fixed Income Pool. Treasury staff determine the allocation between permissible securities. Each participant owns shares in the pool, the number of which fluctuates daily with contributions and withdrawals. Participant shares also change at the beginning of each month when income is paid. Participants include the Intermediate-term and Broad Market Fixed Income Pools and a number of other funds, some of which are not under the fiduciary responsibility of the Commissioner.

Intermediate-term Fixed Income Pool

Some funds participate in the State's internally managed Intermediate-term Fixed Income Pool. Treasury staff determine the allocation between permissible securities. The pool has an intermediate time horizon, a more limited need for liquidity than the money invested in the Short-term Fixed Income Pool, a limited need for inflation protection, and can be invested at a moderate risk level. The net asset value per share on any given valuation date is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Ownership in the pool is based on the number of shares held by each participant. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. Not all participants in the pool are funds under the fiduciary responsibility of the Commissioner.

Broad Market Fixed Income Pool

Some funds participate in the State's internally managed Broad Market Fixed Income Pool.

**INVESTED ASSETS UNDER THE INVESTMENT AUTHORITY OF THE COMMISSIONER OF
REVENUE**

Notes to Combined Schedules

June 30, 2010

(3) POOLED INVESTMENTS (Cont.)

Treasury staff determine the allocation between permissible securities. When compared to the Short or Intermediate-term Fixed Income Pools, this pool has a longer time horizon, a more limited need for liquidity, a moderate need for long-term inflation protection, and can be invested at a high risk level. The net asset value per share on any given valuation date is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Ownership in the pool is based on the number of shares held by each participant. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. Not all participants in the pool are funds under the fiduciary responsibility of the Commissioner.

US Treasury Fixed Income Pool

Some funds participate in the State's internally managed US Treasury Fixed Income Pool. Treasury staff determine the allocation between permissible securities. The pool has an intermediate time horizon, a more limited need for liquidity than the money invested in the Short-term Fixed Income Pool, a limited need for inflation protection, and can be invested at a moderate risk level. The net asset value per share on any given valuation date is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Ownership in the pool is based on the number of shares held by each participant. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. Not all participants in the pool are funds under the fiduciary responsibility of the Commissioner.

Conservative Broad Market Fixed Income Pool

Some funds participated in the State's internally managed Conservative Broad Market Fixed Income Pool which was dissolved during FY2010. Prior to dissolution this pool was made up of shares of the US Treasury and Broad Market Fixed Income Pools. The net asset value per share on any given valuation date was determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Ownership in the pool was based on the number of shares held by each participant. Contributions to and withdrawals from the pool were based on the beginning of the day net asset value per share on the day of the transaction.

Emerging Income Plus Debt Pool

This pool is made up of shares of the Lazard Emerging Income Plus Fund, a commingled investment fund which includes other, non-State institutional investors. The net asset value per share on any given valuation date is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. The only participant in this pool is the Constitutional Budget Reserve's Subaccount.

**INVESTED ASSETS UNDER THE INVESTMENT AUTHORITY OF THE COMMISSIONER OF
REVENUE**

Notes to Combined Schedules

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(3) POOLED INVESTMENTS (Cont.)

International Equity Pool

Some funds participate in the State's externally managed International Equity Pool. The external manager independently determines the allocation between permissible securities. The pool has a time horizon that is longer than any of the fixed income investment pools, limited liquidity, long-term inflation protection and a high risk tolerance. The net asset value per share on any given valuation date is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Ownership in the pool is based on the number of shares held by each participant. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. Not all participants in the pool are funds under the fiduciary responsibility of the Commissioner.

(4) DOMESTIC AND INTERNATIONAL EQUITY WORLD COMMON TRUST FUNDS

Some funds participate in the State's externally managed Domestic and International Equity accounts. The participants in these accounts hold shares in the State Street Global Advisors (SSgA) Russell 3000 and SSgA Morgan Stanley Capital International (Europe, Australasia and Far East (MSCI EAFE), Common Trust Funds (Trusts) which are passively managed, commingled index funds. Other, non-State institutional investors participate in the Trusts. The investment objective of the Trusts is to replicate, as closely as possible, the return of the stock indices the Trusts are targeting, and thus are comprised of securities included in those indices. The net asset value per share on any given valuation date is determined by dividing the total fair value of the net assets of the Trusts by the number of shares outstanding on the valuation date. Ownership in the Trusts is based on the number of shares held by each participant. Contributions to and withdrawals from the Trusts are based on the beginning of the day net asset value per share on the day of the transaction.

(5) NON-INVESTMENT BEARING DEPOSITS

At June 30, 2010, non-interest bearing deposits totaling \$231.7 million was comprised of various State agency cash held pending redemption of State warrants and compensating balances.

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(6) DEPOSIT AND INVESTMENT RISK

At June 30, 2010, the funds' had the following investments:

| Investment Type | Fair Value (in thousands) | | | | | | Total |
|--|------------------------------------|--|--------------------------------------|---------------------------------------|---------------------------------------|---------------------|----------------------|
| | Short-term Fixed Income Pool | Intermediate- term Fixed Income Pool | Broad Market Fixed Income Pool | U.S. Treasury Fixed Income Pool | Tobacco Revenue Fixed Income | Other | |
| Commercial Paper | \$ 266,996 | \$ - | \$ - | \$ - | \$ - | \$ - | 266,996 |
| Corporate Bonds | 2,501,043 | 933,067 | 548,992 | 17,405 | - | - | 4,000,507 |
| Deposits | (10,062) | - | - | - | - | 231,728 | 221,666 |
| Money Market | - | - | - | - | 50,446 | - | 50,446 |
| Mortgage-backed | 42,129 | 388,425 | 994,759 | - | - | - | 1,425,313 |
| Municipal Bonds | - | - | 922 | - | - | - | 922 |
| Mutual Fund | - | - | - | - | - | 49,680 | 49,680 |
| Other Asset-backed | 1,173,691 | 10,565 | 56,843 | - | - | - | 1,241,099 |
| Short-term Investment Fund | - | - | - | - | - | 7,969 | 7,969 |
| U.S. Treasury Bills | 649,751 | - | - | - | - | - | 649,751 |
| U.S. Treasury Bonds | - | - | 143,672 | 18,062 | - | - | 161,734 |
| U.S. Treasury Notes | - | 2,035,907 | 600,586 | 137,332 | - | - | 2,773,825 |
| U.S. Treasury When-Issued | 99,963 | 2,643,870 | - | - | - | - | 2,743,833 |
| U.S. Government Agency | 354,920 | 691,103 | 100,676 | 10,157 | - | - | 1,156,856 |
| U.S. Government Agency Discount Notes | - | 149,670 | - | - | - | - | 149,670 |
| Yankees: | | | | | | | |
| Government | - | 58,811 | 28,336 | 1,025 | - | - | 88,172 |
| Corporate | 70,033 | 240,269 | 95,689 | - | - | - | 405,991 |
| ACPE General Fund Loan | - | - | - | - | - | 63,000 | 63,000 |
| Emerging Debt | - | - | - | - | - | 87,327 | 87,327 |
| Domestic Equity | - | - | - | - | - | 2,337,154 | 2,337,154 |
| International Equity | - | - | - | - | - | 974,133 | 974,133 |
| Total Invested Assets | <u>5,148,464</u> | <u>7,151,687</u> | <u>2,570,475</u> | <u>183,981</u> | <u>50,446</u> | <u>3,750,991</u> | <u>18,856,044</u> |
| Pool related net assets (liabilities) | <u>(5,783)</u> | <u>(164,770)</u> | <u>(227,636)</u> | <u>(14,297)</u> | <u>-</u> | <u>1,439</u> | <u>(411,047)</u> |
| Net Invested Assets before earnings distribution to participants | 5,142,681 | 6,986,917 | 2,342,839 | 169,684 | 50,446 | 3,752,430 | 18,444,997 |
| Earnings payable to participants | (4,521) | - | - | - | - | - | (4,521) |
| Other pool ownership | (629,846) | 278,512 | 336,257 | 15,077 | - | - | - |
| Ownership under other fiduciary responsibility | <u>(356,533)</u> | <u>(11,117)</u> | <u>(60,134)</u> | <u>-</u> | <u>-</u> | <u>(230,758)</u> | <u>(658,542)</u> |
| Total Commissioner's fiduciary responsibility | <u>\$ 4,151,781</u> | <u>\$ 7,254,312</u> | <u>\$ 2,618,962</u> | <u>\$ 184,761</u> | <u>\$ 50,446</u> | <u>\$ 3,521,672</u> | <u>\$ 17,781,934</u> |

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

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(6) DEPOSIT AND INVESTMENT RISK

Short-term Fixed Income Pool

As a means of limiting its exposure to fair value losses arising from increasing interest rates, Treasury's investment policy limits individual fixed rate securities to fourteen months to maturity or fourteen months expected average life upon purchase. Floating rate securities are limited to three years to maturity or three years expected average life upon purchase. Treasury utilizes the actual maturity date for commercial paper and twelve-month prepay speeds for other securities. At June 30, 2010, the expected average life of individual fixed rate securities ranged from one day to twenty-nine years and the expected average life of floating rate securities ranged from one day to nine and three-quarters years.

Intermediate, Broad Market, and U.S. Treasury Fixed Income Pools

Duration is a measure of interest rate risk. It measures a security's sensitivity to a 100-basis point change in interest rates. The duration of a pool is the average fair value weighted duration of each security in the pool taking into account all related cash flows.

Treasury uses industry-standard analytical software developed by The Yield Book Inc. to calculate effective duration. The software takes into account various possible future interest rates, historical and estimated prepayment rates, call options and other variable cash flows for purposes of the effective duration calculation.

Through its investment policy, Treasury manages its exposure to fair value losses arising from increasing interest rates by limiting the effective duration of its other fixed income pool portfolios to the following:

Intermediate-term Fixed Income Pool - \pm 20% of the Merrill Lynch 1-5 year Government Bond Index. The effective duration for the Merrill Lynch 1-5 year Government Bond Index at June 30, 2010, was 2.49 years.

Broad Market Fixed Income Pool - \pm 20% of the Barclays Capital U.S. Aggregate Bond Index. The effective duration for the Barclays Capital U.S. Aggregate Bond Index at June 30, 2010, was 4.30 years.

U.S. Treasury Fixed Income Pool - \pm 20% of the Barclays Capital U.S. Aggregate Treasury Index. The effective duration for the Barclays Capital U.S. Aggregate Treasury Index at June 30, 2010, was 5.27 years.

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June 30, 2010

(6) DEPOSIT AND INVESTMENT RISK (Cont.)

At June 30, 2010, the effective duration by investment type was as follows:

| | Effective Duration (in years) | | |
|--------------------------------------|--|---|--|
| | Intermediate-term Fixed Income Pool | Broad Market Fixed Income Pool | US Treasury Fixed Income Pool |
| Corporate Bonds | 2.24 | 6.18 | 2.01 |
| Municiple Bonds | - | 12.56 | - |
| Mortgage-Backed | 1.71 | 2.70 | - |
| Other Asset-Backed | 0.65 | 3.10 | - |
| U.S. Treasury Bonds | - | 9.94 | 8.34 |
| U.S. Treasury Notes | 2.91 | 4.37 | 3.60 |
| U.S. Treasury When-Issued | 2.73 | - | - |
| US. Government Agency | 1.69 | 4.74 | 4.70 |
| US. Government Agency Discount Notes | 0.67 | - | - |
| Yankees: | | | |
| Corporate | 2.65 | 5.32 | - |
| Government | 1.87 | 4.95 | 4.29 |
| Portfolio Effective Duration | 2.47 | 4.29 | 3.97 |

Other Fixed Income

The Tobacco Revenue Fixed Income securities are invested accordingly to the terms of the related bond indentures. The respective bond indentures do not establish policy with regard to interest rate risk.

Credit Risk

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations.

Treasury's investment policy has the following limitations with regard to credit risk:

Short-term Fixed Income Pool investments are limited to instruments with a long-term credit rating of at least A3 or equivalent and instruments with a short-term credit rating of at least P-1 or equivalent. Asset-backed and non-agency mortgage securities must be rated A3 or equivalent. The A3 rating is defined as the median rating of the following three rating agencies: Standard & Poor's Corporation, Moody's and Fitch. Asset-backed and non-agency mortgage securities may be purchased if only rated by one of these agencies if they are rated AAA.

Intermediate-term and Broad Market Fixed Income Pool investments are limited to securities with a long-term credit rating of at least Baa3 or equivalent and securities with a short-term credit rating of at least P-1 or equivalent. Asset-backed and non-agency mortgage securities must be rated investment grade. The investment grade rating is defined as the median rating of the following three

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(6) DEPOSIT AND INVESTMENT RISK (Cont.)

rating agencies: Standard & Poor's Corporation, Moody's and Fitch. Asset-backed and non-agency mortgage securities may be purchased if only rated by one of these agencies if they are rated AAA.

In the U.S. Treasury Fixed Income Pool commercial paper must be rated at least P-1 by Moody's and A-1 by Standard and Poor's Corporation. In addition, corporate, asset-backed and non-agency mortgage securities must be rated investment grade. The investment grade rating is defined as the median rating of the following three rating agencies: Standard & Poor's Corporation, Moody's and Fitch. In addition, asset-backed and non-agency mortgage securities may be purchased if only rated by one of these agencies if they are rated AAA. Corporate bonds may be purchased if rated by two of these agencies.

The Commissioner does not have policies with regard to credit risk in the SSgA Russell 3000 and SSgA MSCI EAFE Index Common Trust Funds (Trusts).

The bond indentures governing the investment of tobacco revenue related bond proceeds limit the investment in commercial paper to only those securities rated A-1 or equivalent. At June 30, 2010, the Tobacco Revenue Fixed Income Securities consisted of commercial paper rated A-1.

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(6) DEPOSIT AND INVESTMENT RISK (Cont.)

At June 30, 2010, the State's internally managed Pools consisted of investments with credit quality ratings issued by nationally recognized statistical rating organizations as follows (using Standard and Poor's Corporation rating scale):

| <u>Investment Type</u> | <u>Rating</u> | <u>Short-term Fixed Income Pool</u> | <u>Intermediate Term Fixed Income Pool</u> | <u>Broad Market Fixed Income Pool</u> | <u>U.S. Treasury Pool</u> |
|--|---------------|---|--|---|-----------------------------------|
| Commercial Paper | A-1 | 1.17 % | - % | - % | - % |
| Commercial Paper | Not Rated | 4.03 | - | - | - |
| Corporate Bonds | AAA | 41.70 | 6.53 | 1.89 | 9.42 |
| Corporate Bonds | AA | 1.88 | 1.78 | 3.11 | - |
| Corporate Bonds | A | 3.74 | 2.90 | 8.87 | - |
| Corporate Bonds | BBB | - | 1.12 | 6.47 | - |
| Corporate Bonds | Not Rated | 1.35 | 0.51 | 0.15 | - |
| Mortgage-backed | AAA | 0.79 | 4.51 | 26.52 | - |
| Mortgage-backed | AA | - | 0.05 | 1.02 | - |
| Mortgage-backed | A | - | - | 0.04 | - |
| Mortgage-backed | BBB | - | 0.20 | 0.16 | - |
| Mortgage-backed | Not Rated | 0.03 | 0.58 | 9.41 | - |
| Municipal Bonds | AA | - | - | 0.03 | - |
| Other Asset-backed | AAA | 21.16 | 0.05 | 1.74 | - |
| Other Asset-backed | AA | - | 0.03 | 0.05 | - |
| Other Asset-backed | A | - | 0.06 | 0.08 | - |
| Other Asset-backed | BBB | - | - | 0.05 | - |
| Other Asset-backed | Not Rated | 1.68 | - | 0.19 | - |
| U.S. Government Agency | AAA | 1.07 | 9.47 | 3.61 | 5.50 |
| U.S. Government Agency | Not Rated | 5.84 | 0.04 | 0.14 | - |
| U.S. Government Agency Discount Notes | Not Rated | - | 2.06 | - | - |
| U. S. Treasury Bills | AAA | 12.65 | - | - | - |
| U. S. Treasury Bonds | AAA | - | - | 5.36 | 9.78 |
| U. S. Treasury Notes | AAA | - | 28.02 | 22.43 | 74.33 |
| U.S. Treasury When-Issued | AAA | 1.95 | 36.40 | - | - |
| Yankees: | | | | | |
| Government | AAA | - | 0.07 | 0.47 | - |
| Government | AA | - | 0.74 | 0.34 | 0.55 |
| Government | BBB | - | - | 0.24 | - |
| Corporate | AAA | 0.58 | 1.81 | 0.65 | - |
| Corporate | AA | 0.20 | 0.91 | 0.51 | - |
| Corporate | A | - | 0.46 | 1.31 | - |
| Corporate | BBB | - | 0.08 | 1.11 | - |
| Corporate | Not Rated | 0.58 | 0.05 | - | - |
| No Credit Exposure | | (0.40) | 1.57 | 4.05 | 0.42 |
| | | <u>100.00 %</u> | <u>100.00 %</u> | <u>100.00 %</u> | <u>100.00 %</u> |

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(6) DEPOSIT AND INVESTMENT RISK (Cont.)

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that deposits may not be returned in the event of a bank failure. Treasury's policy with regard to custodial credit risk is to collateralize state deposits to the extent possible. The bond indentures governing the investment of tobacco revenue related bond proceeds, do not establish policy with regard to custodial credit risk. At June 30, 2010, the State had the following uncollateralized and uninsured deposits:

| | Amount (in thousands) |
|------------------------------|--|
| International Equity Pool \$ | 234 |

Concentration of Credit Risk

Treasury's policy with regard to concentration of credit risk is to prohibit the purchase of more than five percent of a pool's holdings in corporate bonds backed by any one company or affiliated group.

At June 30, 2010, the funds invested in the Short-term Fixed Income Pool, Intermediate-term Fixed Income Pool, and Broad market Fixed Income Pool had more than five percent of their investments in International Bank for Reconstruction and Development and Federal National Mortgage Association as follows:

| | Fair Value (in thousands) | Percent of Total Pool Investments |
|--|--|--|
| Short-term Fixed Income Pool | | |
| International Bank for Reconstruction & Development \$ | 329,956 | 6% |
| Intermediate-term Fixed Income Pool | | |
| Federal National Mortgage Association \$ | 718,280 | 10% |
| Broad Market Fixed Income Pool | | |
| Federal National Mortgage Association \$ | 792,540 | 30% |

International Bank for Reconstruction & Development and Federal National Mortgage Association securities are not classified as corporate bonds, are backed by the full faith and credit of the U.S. Government and therefore may be held in higher concentration.

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(6) DEPOSIT AND INVESTMENT RISK (Cont.)

Foreign Currency Risk

The Commissioner of Revenue formally adopts asset allocation policies for each fund at the beginning of each fiscal year some of which places policy limitations on the amount of international securities each fund is allowed to hold. The following policies were in place during fiscal year 2010 and invested assets included the following holdings at June 30, 2010, for the funds invested in the International Equity Pool:

| | <u>Policy</u> | <u>Actual</u> |
|--|---------------|---------------|
| Alaska Children's Trust Fund | 15% ± 5% | 15.86% |
| Constitutional Budget Reserve Fund, Subaccount | 20% ± 5% | 19.69% |
| Power Cost Equalization Endowment Fund | 20% ± 5% | 19.29% |
| Retiree Health Insurance Fund, Long Term Care | 23% ± 4% | 22.17% |

At June 30, 2010, the funds invested in the International Equity Pool had exposure to foreign currency risk as follows:

| <u>Currency</u> | <u>Fair Value</u> |
|--------------------------------------|------------------------------|
| Deposits | |
| Euro Currency | \$ 2,340 |
| Hong Kong Dollar | 2 |
| Japanese Yen | 182,369 |
| Under other fiduciary responsibility | 48,286 |
| | <u>232,997</u> |
| Investments - International Equity | |
| Australian Dollar | 1,523,357 |
| Canadian Dollar | 4,160,860 |
| Danish Krone | 1,893,675 |
| Euro Currency | 36,459,675 |
| Hong Kong Dollar | 4,924,056 |
| Japanese Yen | 37,776,078 |
| Norwegian Krone | 1,310,866 |
| Pound Sterling | 47,011,412 |
| Singapore Dollar | 1,763,623 |
| Swiss Franc | 15,888,494 |
| Under other fiduciary responsibility | 39,920,654 |
| | <u>192,632,750</u> |
| Total | \$ <u><u>192,865,747</u></u> |

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(7) FOREIGN EXCHANGE, FOREIGN EXCHANGE CONTRACTS, OFF-BALANCE SHEET RISK, AND DERIVATIVE EXPOSURE

The Commissioner is exposed to credit risk on investment derivative instruments that are in asset positions. The Commissioner has no policy of requiring collateral or other security to support derivative instruments subject to credit risk. Additionally, the Commissioner has no policy regarding entering into netting arrangements when it enters into derivative instrument transactions with a counterparty, nor does the Commissioner have a policy for contingencies. The International Equity Pool investment includes the following income from forward contracts at June 30, 2010:

| | | |
|---|----|-----------|
| Net realized gain on foreign currency | \$ | 3,158,168 |
| Net realized gain on foreign exchange contracts | | 49,008 |

The International Equity Pool includes foreign currency forward contracts to buy and sell specified amounts of foreign currencies at specified rates on specified future dates for the purpose of hedging existing security positions. The counterparties to the foreign currency forward contracts consist of a diversified group of financial institutions. Credit risk exposure exists to the extent of non-performance by these counterparties; however, the risk of default is considered to be remote. The market risk is limited to the difference between contractual rates and forward rates at the balance sheet date. At June 30, 2010 the International Equity Pool had no outstanding contracts.

(8) COMMITMENTS AND CONTINGENCIES

In the 1990 general election, the voters of Alaska adopted an amendment to the Alaska State Constitution creating the Constitutional Budget Reserve Fund (CBRF). All money received by the State after July 1, 1990 as a consequence of the resolution of disputes about the amount of mineral lease bonuses, royalties or taxes must be deposited in the CBRF. The Legislature may appropriate funding from the CBRF to pay for the operations of State government only under certain conditions. If, at any time, the amount of funding from other sources available to the Alaska Legislature for appropriation is less than the amount appropriated for government operations for the previous fiscal year, the Legislature may appropriate from the CBRF with a simple majority vote. When the amount of funding from other sources exceeds the amount appropriated for the previous fiscal year, the Legislature may appropriate from the CBRF for any public purpose with a three fourths vote of the members of each house. The State constitutional provision governing the operation of the CBRF requires the State General Fund repay the moneys that have been appropriated from the CBRF if there is a surplus in the State General Fund at the end of any fiscal year. The State General Fund does not pay interest on the money due to the CBRF, unless appropriated. As of June 30, 2010, the General Fund had repaid all outstanding borrowings back to the CBRF.