
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Fund Balance / Net Assets Deficit**Primary Government**

At June 30, 2009, the following internal service fund reported a net assets deficit: Mail Service Center, \$245 thousand.

Rate Covenant Violation**Primary Government**

General Statute 147-69.2, restricts the pension trust funds' holdings in limited partnership interests of limited liability partnerships or limited liability companies to 5% of the market value of all invested assets of the pension trust funds. Since September 2008, the State Treasurer has exceeded the limit by as much as 1.3%. While complying with existing contracts that require additional investments, the State Treasurer has not entered into any new agreements and is taking steps to prudently redeem holdings in these assets. At fiscal year-end, the State Treasurer exceeded the limit by less than 0.5%.
