

**STATE OF NEW HAMPSHIRE
BANKING DEPARTMENT
(EXCLUDING THE PUBLIC DEPOSIT INVESTMENT POOL)**

**AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 1995
AND THE SIX MONTHS ENDED
DECEMBER 31, 1995**

**STATE OF NEW HAMPSHIRE
BANKING DEPARTMENT**

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STATE OF NEW HAMPSHIRE BANKING DEPARTMENT

INTRODUCTION

ORGANIZATION AND RESPONSIBILITIES

The New Hampshire Banking Department (the Department), established pursuant to RSA 383, is headed by an unclassified commissioner and deputy commissioner who are appointed by the Governor, with the advice and consent of the Council, to six year terms. The Department also employs 25 full-time classified employees and is internally organized into two divisions: the Banking Division and the Consumer Credit Administration Division. The Banking Department leases office space at 169 Manchester Street in Concord.

Banking Division

The Banking Division is responsible for general supervision and examination of all banks (except national banks), trust companies, credit unions, and other similar institutions. An examination into the condition and management of each institution subject to the Division's supervision is required to be performed, with certain exceptions, at least every 18 months. Joint examinations may be performed by the Department and the Federal Deposit Insurance Corporation. During fiscal year 1995 the Banking Division performed 39 examinations.

Consumer Credit Administration Division

The Consumer Credit Administration Division is responsible for the licensing, examination and regulation of non-depository lenders and brokers, including first mortgage bankers and brokers, second mortgage home loan companies, small loan companies, sales finance companies, and retail sellers of motor vehicles.

REPORTING ENTITY

For the purpose of this audit report, the reporting entity is defined as the New Hampshire Banking Department, excluding the Public Deposit Investment Pool (PDIP). Pursuant to RSA 383:22, the bank commissioner, with the assistance of an advisory committee, established the PDIP for the purpose of investing funds of the State and other governmental units, agencies, and authorities. The PDIP operates under contract with a private investment advisor approved by the bank commissioner and advisory committee and receives an independent audit annually.

INTRODUCTION (Continued)

FUNDING

The Banking Department operates on appropriations from the State's General Fund. The operating costs are recovered in full by license and examination fees and assessments. The assessments are levied on depository institutions in accordance with RSA 383:11. Chapter 330:4, Laws 1994, effective January 1, 1995, amended RSA 383:11 to allow the Department to also assess non-depository lenders and brokers.

Actual amounts collected and expended by the Banking Department for the year ended June 30, 1995 and the six months ended December 31, 1995 are summarized with budgeted amounts in the following table. Actual revenues and expenditures for the six months ended December 31, 1995 are presented with budgeted amounts for the entire fiscal year, therefore, significant variances are expected. See NOTE 1 on page 31 of this report for further explanation of budget to actual variances.

GENERAL FUND	FISCAL YEAR 1995 BUDGET	FISCAL YEAR 1995 ACTUAL	FISCAL YEAR 1996 AS OF 12/31/95 BUDGET	6 MOS. ENDED 12/31/95 ACTUAL
Revenues	\$2,047,907	\$1,388,399	\$1,876,586	\$306,054
Expenditures	\$2,078,938	\$1,419,430	\$1,876,586	\$767,453

Actual Banking Department General Fund restricted revenues by type for fiscal year 1995 and the six months ended December 31, 1995 are displayed in the graphs on the following page. Of the \$1,051,791 in exams/assessments revenue collected during fiscal year 1995, approximately \$628,000 (60%) represents fees collected for examinations performed by the Banking Division. Assessments are billed after the end of the fiscal year. Therefore, revenue for the six months ended December 31, 1995 does not approximate expenditures for the same period. All of the \$137,940 in exams/assessments revenue for the six months ended December 31, 1995 was generated from examinations performed.

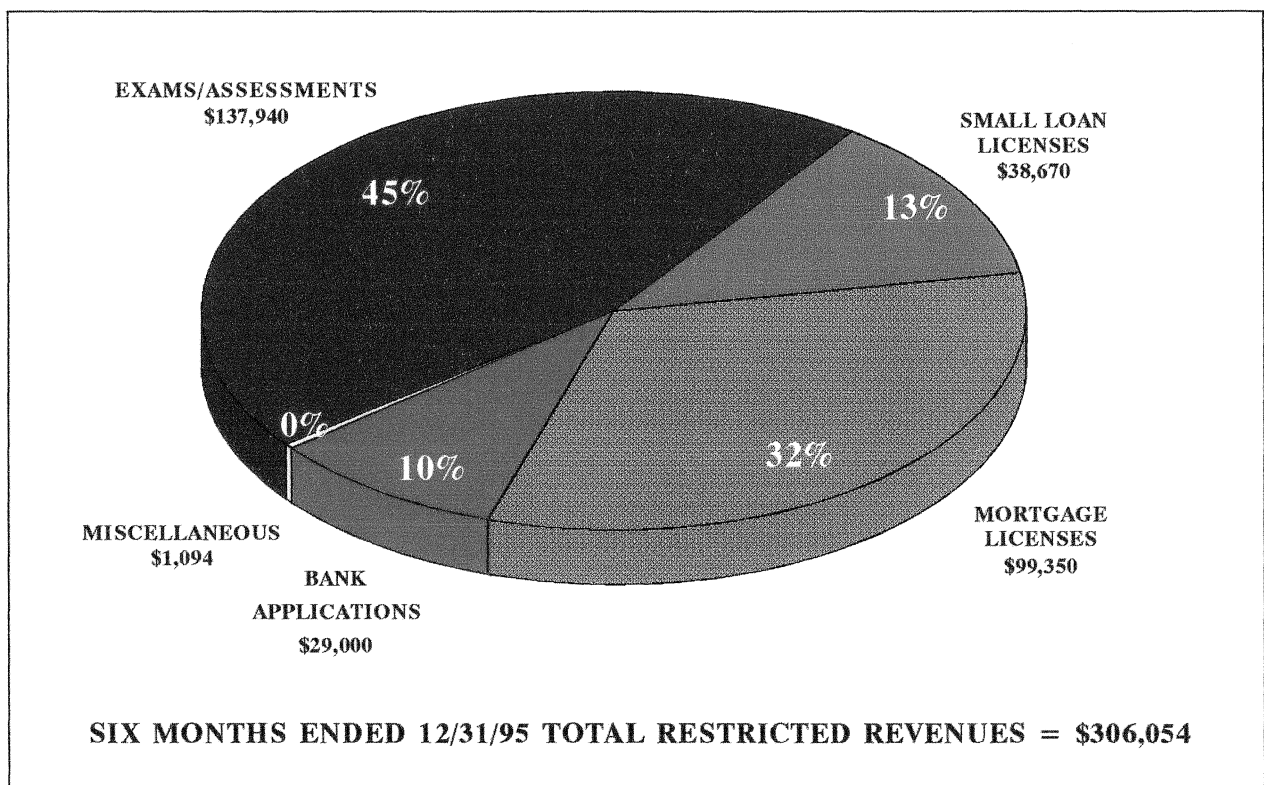
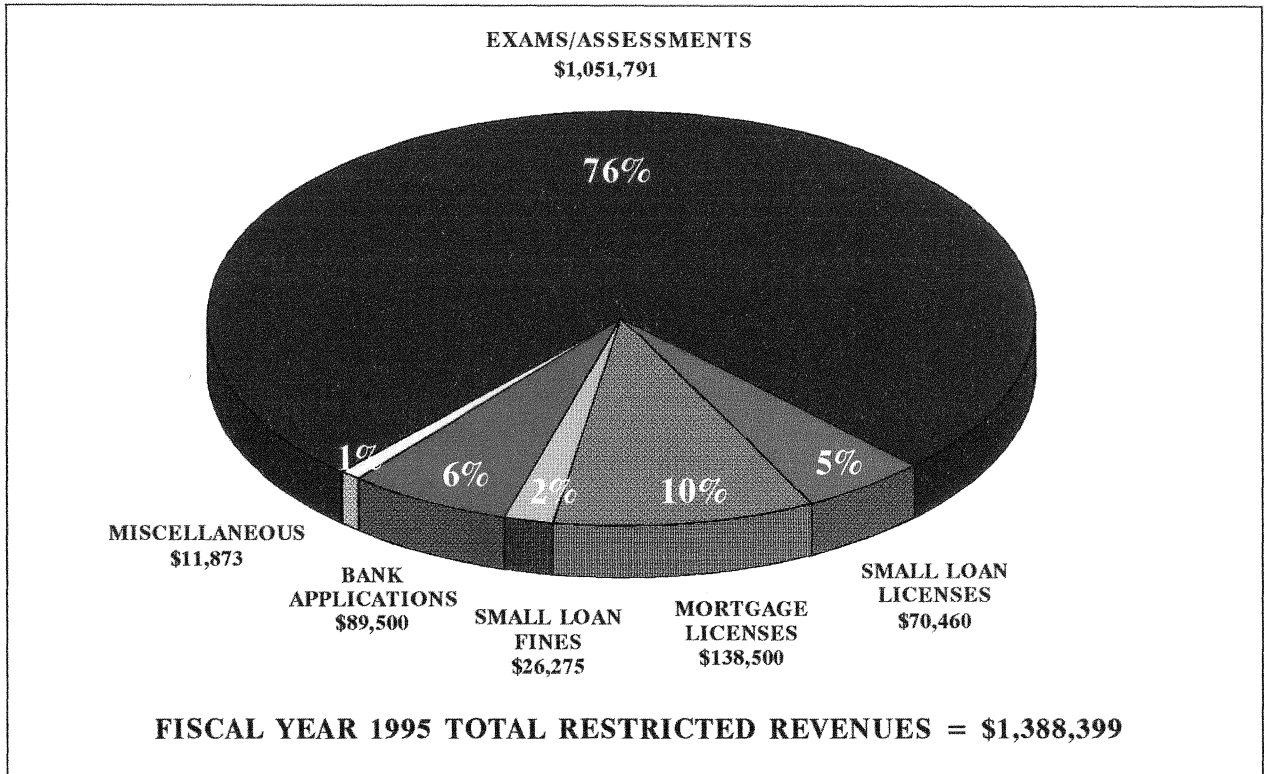
PRIOR AUDITS

The most recent prior audit of the Banking Department was for the fiscal year ended June 30, 1987. The appendix to this report on page 39 contains a summary of the current status of the observations contained in that prior audit report.

Copies of the prior audit report can be obtained from the Office of Legislative Budget Assistant, Audit Division, Room 102, State House, Concord, New Hampshire 03301.

INTRODUCTION (Continued)

**STATE OF NEW HAMPSHIRE
BANKING DEPARTMENT
RESTRICTED REVENUES**



**STATE OF NEW HAMPSHIRE
BANKING DEPARTMENT**

AUDIT OBJECTIVES AND SCOPE

The primary objective of our audit is to express an opinion on the fairness of the presentation of the financial statements. As part of obtaining reasonable assurance about whether the financial statements are free from material misstatement, we considered the effectiveness of the internal control structure in place at the Banking Department and tested the Department's compliance with certain provisions of applicable State laws and regulations. Major accounts or areas subject to our examination included, but were not limited to, the following:

- Internal control structure
- Appropriations and revenues
- Expenditures
- Equipment
- Trust funds
- State compliance.

Our reports on internal control structure, State compliance, and management issues, the related observations and recommendations, our independent auditor's report, and the financial statements are contained in the report that follows.

AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE

TO THE FISCAL COMMITTEE OF THE GENERAL COURT:

We have audited the accompanying financial statements of the New Hampshire Banking Department as of and for the year ended June 30, 1995 and the six months ended December 31, 1995 and have issued our qualified report thereon dated May 24, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the New Hampshire Banking Department is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of the New Hampshire Banking Department, for the year ended June 30, 1995 and the six months ended December 31, 1995, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Those matters that we consider to be reportable conditions are described on the following pages.

REPORTABLE CONDITIONS

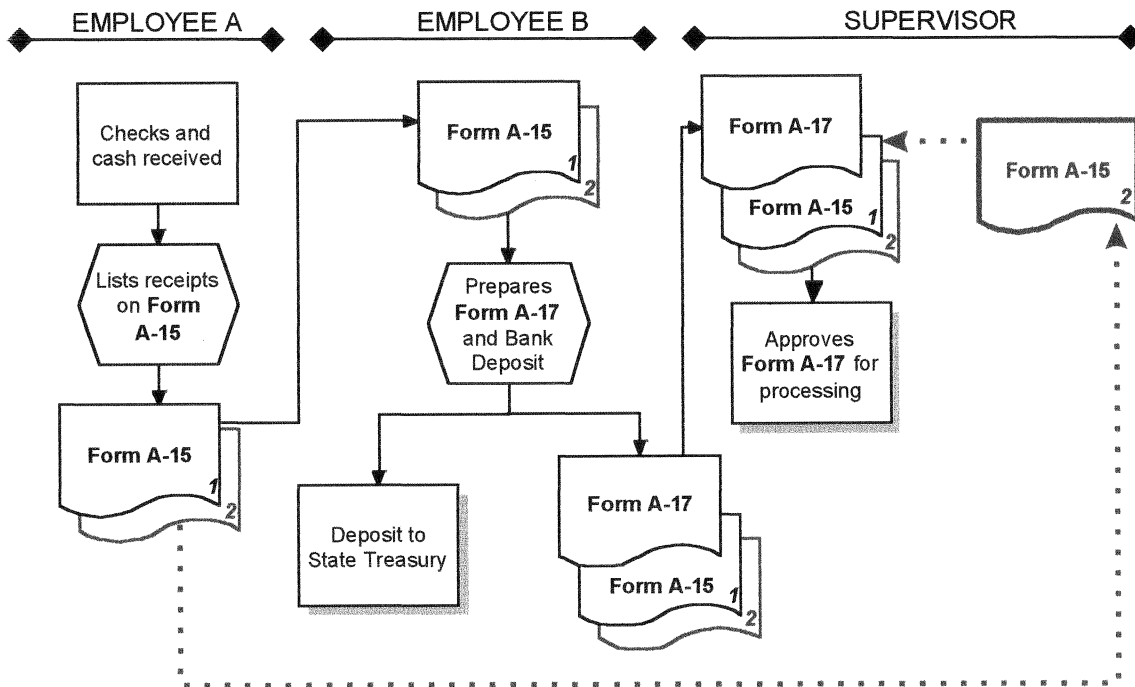
OBSERVATION NO. 1: HANDLING AND REPORTING OF RECEIPTS

NH Administrative Rules Adm 402 (expired) directs agencies to prepare prenumbered cash receipt forms (Form A-14) and a listing of checks (Form A-15) as amounts are received. The controls provided by using these forms are strengthened when 1) the sequence of the prenumbered cash receipts is accounted for by someone other than the preparer; 2) all checks are restrictively endorsed when the mail is opened and recorded; and 3) responsibilities are adequately segregated so no one individual is in a position to both commit an error or irregularity and also be responsible for detecting that error or irregularity.

The Department collects license and examination fees, assessment charges, and fines. The majority of this revenue is collected in the form of checks.

OBSERVATIONS:

- The Form A-15, Record of Daily Receipts, serves as the supporting documentation reviewed by the supervisor when approving the Form A-17. The Form A-17 is used to record revenue in the Integrated Financial System (NHIFS). The control provided by the two-part Form A-15 is not utilized by the Department, as the control copy of the form is not sent directly to the supervisor, but is sent along with all other documentation to the individual who prepares the deposit, as is reflected in the flowchart below.



NOTE:

..... Recommended Procedures

OBSERVATION NO. 1: HANDLING AND REPORTING OF RECEIPTS (Continued)

OBSERVATIONS (Continued):

- Checks are not restrictively endorsed when received by the individual opening the mail.
- Prenumbered Cash Receipts, Form A-14, are prepared when cash is received over-the-counter. However, the numeric sequence of the forms is not accounted for. Controlling the numeric sequence of the issue of cash receipt documents helps ensure that amounts received are properly recorded as revenue.

RECOMMENDATIONS:

- The two-part Form A-15 should be separated after preparation with one copy forwarded to the preparer of the deposit and the Form A-17 and the second copy forwarded to the supervisor for review and comparison with amounts reported, as is indicated on the flowchart on the preceding page.
- In order to strengthen the internal control structure, checks should be restrictively endorsed immediately upon receipt.
- The Banking Department should assign an individual independent of the preparation of the prenumbered cash receipt forms to periodically account for the numeric sequence of those forms.

AUDITEE RESPONSE:

On May 24, 1996, the department instituted the following controls over checks received:

- The 2-part Form A-15 is separated after preparation. One copy is forwarded to the preparer of Form A-17; the other is forwarded to the Office of the Deputy Commissioner. Persons authorized to approve Form A-17 will use the second copy to compare the amounts reported for deposit.
- The checks are restrictively endorsed immediately upon receipt by the employee who opens the mail. The same employee then prepares a Form A-15 to record the daily receipts.

A cash receipt log was developed by the department as of June 1, 1996: Information from prenumbered cash receipt forms (A-14) will be recorded on the log and reviewed monthly by an independent employee.

OBSERVATION NO. 2: SEGREGATION OF DUTIES

The fundamental purpose of properly segregating accounting and administrative duties is to protect the integrity of the accounting and administrative systems by ensuring that no one employee is in a position to commit, either intentionally or unintentionally, errors or irregularities and also be responsible for the detection of those errors or irregularities. In general, there are three principal groups of incompatible duties that must be segregated for proper internal controls: 1) transaction authorization; 2) custody of assets; and 3) recording of transactions.

OBSERVATIONS:

We found the following areas where the Banking Department could strengthen its internal control structure by properly segregating duties:

● *Revenues*

There is a significant lack of segregation of duties in the revenue cycle because the Senior Account Technician is responsible for the incompatible functions of: 1) computing fines and miscellaneous fees; 2) preparing examination, fine and miscellaneous invoices; 3) posting invoices to the manual accounts receivable ledger; and 4) reconciling those records. A similar comment was noted in our prior audit of the Department for the year ended June 30, 1987.

● *Expenditures*

The duties of payment voucher preparation and disbursement of signed checks should be segregated. The Senior Account Technician is responsible for the preparation of payment vouchers and, in some cases, receives checks from the State Treasury to be forwarded to a vendor.

● *Equipment*

The duties of purchasing, record keeping, and physical custody of the equipment inventory should be segregated. The Senior Account Technician is responsible for: 1) initiating the purchase of equipment; 2) inspecting the equipment when received; 3) maintaining the detail equipment listing; and 4) performing the annual physical inventory count.

RECOMMENDATION:

- While it is recognized that the Banking Department has limited resources in its business office, it should strive to segregate duties of transaction authorization, custody of assets, and recording of transactions.

OBSERVATION NO. 2: SEGREGATION OF DUTIES (Continued)

AUDITEE RESPONSE:

Notwithstanding the limited staff resources in the department, procedures will be put into effect to strengthen all cited weaknesses.

- Revenues - An employee who does not compute fines and fees, prepare invoices or reconcile records will post invoices to the manual accounts receivable ledger.
- Expenditures - An employee who does not prepare payment vouchers will take responsibility for checks received from the State Treasury and forward them to the vendors.
- Equipment - An employee who does not initiate the purchase of equipment will inspect equipment when received.

OBSERVATION NO. 3: TIMELINESS OF ASSESSMENT BILLING

Per RSA 383:11, "The bank commissioner shall, each fiscal year, charge and collect from the institutions, the condition and management of which he is required to examine under the provisions of RSA 383:9, ... the total amount appropriated..." for the Department.

Operating costs of the Department not offset by the collection of examination and license fees and fines are billed as an assessment upon State depository and non-depository institutions after the end of each fiscal year. The Department is aware of the total required by statute to be assessed by the end of July when total revenues and expenditures for the year are known. For the year ended June 30, 1995, the total assessed depository institutions was \$354,021. Each depository institution is charged a portion of the total assessment based on its pro-rata share of net assets as reported to the Department as of June 30.

OBSERVATION:

- All depository institutions are required to file quarterly reports with the Banking Department. Information from the June 30 quarterly reports is used by the Department to calculate and prepare the assessment billings. As of August 24, 1995, the Department had received June 30, 1995 quarterly reports from all depository institutions required to file. Therefore, it appears that each institution's pro-rata share of the total fiscal year 1995 assessment could have been calculated and invoiced during September 1995. These invoices were not mailed until November 7, 1995, over four months after the end of the fiscal year and two months after the information was available.

OBSERVATION NO. 3: TIMELINESS OF ASSESSMENT BILLING (Continued)

RECOMMENDATION:

- The Banking Department should calculate and invoice the depository institution assessments as soon as the required information is received. This will ensure the timely collection of year end accounts receivable.

AUDITEE RESPONSE:

- Effective immediately, the following procedures are in effect to insure the timely invoicing of the assessment to depository institutions:

Within 30 days from the date the department receives final call report amendments, the depository institution assessment will be calculated and invoices sent.

OBSERVATION NO. 4: THOROUGH FILE REVIEW

Per RSA 384:50 (repealed by Laws of 1995 Chapter 304:6, effective September 29, 1995), a \$10,000 fee must accompany an application for a certificate for an out-of-state bank or bank holding company to affiliate with or become an in-state bank. Received with every such application are volumes of documentation which must be reviewed prior to approval of the application for a certificate.

OBSERVATION:

- Two of the six certificate applications filed during the 18 month period covered by our audit were selected for revenue testing. The Department did not perform a thorough review of the documentation filed with one of the certificate applications tested. While reviewing one of the applications and accompanying documentation, we noted a check made payable to the New Hampshire Banking Department, dated August 14, 1995 in the amount of \$1,500. The \$1,500 check was filed with the certificate application and was discovered by the LBA auditors on April 11, 1996, nearly eight months after it was drawn. The check had been neither endorsed, deposited, nor recorded as revenue. The bank filing the documentation erroneously sent two checks to the Department. The first check for \$10,000 was properly deposited and processed. The second check for \$1,500 was never located in the documentation filed by the bank. In all likelihood, had a thorough file review with supervisory approval been performed, the Department would have located the check and properly disposed of it by returning it to the maker.

OBSERVATION NO. 4: THOROUGH FILE REVIEW (Continued)

RECOMMENDATIONS:

- The Banking Department should perform thorough file reviews on all documentation submitted by the institutions it is responsible for regulating. Such a file review should include supervisory approval.
- The Banking Department should return the \$1,500 check to the maker.

AUDITEE RESPONSE:

- The department receives hundreds of checks throughout the year and procedures are in place to process and deposit them. In this instance, the check was intended for a de novo bank application in connection with an interstate affiliation and was neither required nor anticipated by the department. The sealed envelope was inadvertently ignored during the review phase and filed with the corporate records. The bank did not indicate during the process that it had mistakenly sent the check nor did they forward instructions that the check be returned or voided. The envelope was opened in the presence of the auditor and its contents (check) returned to the bank.

OBSERVATION NO. 5: ACCOUNTS RECEIVABLE - UNDERSTATEMENT OF BANK EXAMINATION FEES

The Banking Department reports accounts receivable at June 30 for outstanding examination fees and for general assessments to be paid by banks pursuant to RSA 383:11. Because the total assessment charged to banks is calculated as the difference between revenues recognized and expenditures incurred during the fiscal year, the accounts receivable and associated revenue recognized for outstanding examination fees directly affects the amount assessed on the banks. The Department reported accounts receivable of \$569,894 at June 30, 1995.

OBSERVATION:

- The Banking Department does not have adequate procedures in place to ensure that all outstanding invoices for examination fees are properly reported as accounts receivable at year end. In generating its list of June 30, 1995 accounts receivable, the Department erroneously excluded a \$17,615 outstanding examination fee invoice. The effect of this oversight was an understatement of examination fee revenue for fiscal year 1995 and an overstatement in the 1995 assessment in the same amount, as the total assessment charged to banks at the end of the fiscal year is calculated as the difference between total revenue recognized and expenditures incurred for the fiscal year.

OBSERVATION NO. 5: ACCOUNTS RECEIVABLE - UNDERSTATEMENT OF BANK EXAMINATION FEES (Continued)

RECOMMENDATION:

- The Banking Department should develop and implement procedures to ensure that all outstanding invoices are reported as accounts receivable at year end, as the calculation of the general assessment is dependent on the proper reporting of the accounts receivable and the resultant revenue.

AUDITEE RESPONSE:

- The observation that one examination fee receivable was omitted from the typed list of accounts receivable reported to the department's business supervisor is accurate. The subsidiary record maintained by the department did reflect the correct total of bank and credit union examination billings outstanding as of June 30, 1995; however, that total was not compared to the amount reflected on the typed list.

Payment of \$17,615 was received from the bank on July 11, 1995 and is included in FY 1996 revenue, and will reduce this year's assessment accordingly. Procedures have been instituted to insure that typed lists representing year-end accounts receivable balances will reconcile to the department's subsidiary records when generating totals for submission on Form A-34.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended for the information of the management of the New Hampshire Banking Department and the Fiscal Committee of the General Court. This restriction is not intended to limit the distribution of this report, which upon its acceptance by the Fiscal Committee, is a matter of public record.

Office of Legislative Budget Assistant
OFFICE OF LEGISLATIVE BUDGET ASSISTANT

May 24, 1996

AUDITOR'S REPORT ON STATE COMPLIANCE

TO THE FISCAL COMMITTEE OF THE GENERAL COURT:

We have audited the accompanying financial statements of the New Hampshire Banking Department as of and for the year ended June 30, 1995 and the six months ended December 31, 1995 and have issued our qualified report thereon dated May 24, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with State laws, regulations, and contracts applicable to the New Hampshire Banking Department is the responsibility of the Department's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the New Hampshire Banking Department's compliance with certain provisions of laws, regulations, and contracts. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards*. However, we have noted on pages sixteen through eighteen instances of noncompliance with state statutes, while not material to the financial statements, we believe to be worthy of report mention.

This report is intended for the information of the management of the New Hampshire Banking Department and the Fiscal Committee of the General Court. This restriction is not intended to limit the distribution of this report, which upon its acceptance by the Fiscal Committee, is a matter of public record.

Office of Legislative Budget Assistant
OFFICE OF LEGISLATIVE BUDGET ASSISTANT

May 24, 1996

STATE COMPLIANCE

OBSERVATION NO. 6: EXPIRED/UNADOPTED ADMINISTRATIVE RULES

OBSERVATION:

- The Banking Department is required by several statutes to adopt administrative rules pursuant to RSA 541-A. Many of the Department's rules expired during the period August 21, 1991 through December 6, 1995. Other rules have yet to be adopted. Following is a summary of expired and unadopted rules.

RSA	SUBJECT	RULE	STATUS
361-A:2 VI	Licensing of sales finance companies and retail sellers	BAN 1000	Expired
383:9 II	Duties of Commissioner	BAN 1103-1105	Expired
383:14 II	Protection/indemnity of institutions against dishonest and criminal acts	BAN 1104	Expired
386:1-b	Savings banks, associations, and trust companies	BAN 1401-1430	Expired
386-A:4 II	Petition for incorporation of savings bank	BAN 1440	Expired
386-B:12	Reorganization of mutual savings banks into mutual holding companies (effective 8/7/85)	--	Not adopted
389-A:5 II	Conversion between banks and loan associations (effective 4/23/85)	--	Not adopted
390:11-a	Trust and bank company reserves and deposits of securities by trust companies and banks	BAN 1801, 1803	Expired
393:13-a	Building and loan associations	BAN 2100	Expired
394-B:3-a	Credit unions	BAN 510.07 and 1104	Expired
398-A:13	Second mortgage companies	BAN 2600	Expired
399-A:26	Regulation of small loan companies	BAN 2700	Expired

We further noted that rules adopted for the Public Deposit Investment Pool under RSA 383:23 are incomplete. NH Administrative Rule BAN 900 only addresses requests for proposals, as outlined in RSA 383:23 (III). The rules required to be adopted under RSA 383:23 (I) and (II) have not been adopted.

RECOMMENDATION:

- The Banking Department should work with the Joint Legislative Committee on Administrative Rules to adopt the required rules.

OBSERVATION NO. 6: EXPIRED/UNADOPTED ADMINISTRATIVE RULES (Continued)

AUDITEE RESPONSE:

- In February 1996 the department developed and established a schedule for adoption of expired and mandatory rules. Rules listed in the auditors' observations are currently scheduled for adoption or readoption. Several rules have been adopted and several others will be adopted within the next several weeks. All listed rules are scheduled for adoption or will be in the process of adoption prior to the end of calendar year 1996.

OBSERVATION NO. 7: FAILURE OF BOARD MEMBERS TO FILE STATEMENTS OF FINANCIAL INTERESTS

OBSERVATION:

- RSA 21-G:5-a states that "Every member of every executive branch board, commission, advisory committee, board of directors, and authority, whether regulatory or administrative, shall file by July 1 of each year a verified written statement of financial interests...." The Public Deposit Investment Pool Advisory Committee (PDIPAC) and the Board of Trust Company Incorporated (BOTCI) associated with the Banking Department appear to meet the filing criteria set forth in RSA 21-G:5-a. The statements of financial interests required to be filed by July 1, 1994 and July 1, 1995 for the members of the PDIPAC and BOTCI were reviewed. The table below provides the number of members of each committee and board that did not file statements.

COMMITTEE/BOARD	NUMBER OF MEMBERS	DID NOT FILE	
		AT 7/1/94	AT 7/1/95
Board of Trust Company Incorporated	3	0	2
Public Deposit Investment Pool Advisory Committee	9	7	7

RECOMMENDATION:

- The Banking Department should establish procedures to ensure that all advisory committee and board members file statements of financial interests as required by statute. Advisory committee and board members should be notified of the filing required by RSA 21-G:5-a.

AUDITEE RESPONSE:

- A letter and a statement of financial interest will be sent annually to the members reminding them of their obligation to file under RSA 21-G:5-a.

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AUDITOR'S REPORT ON MANAGEMENT ISSUE

TO THE FISCAL COMMITTEE OF THE GENERAL COURT:

We have audited the accompanying financial statements of the New Hampshire Banking Department as of and for the year ended June 30, 1995 and the six months ended December 31, 1995 and have issued our qualified report thereon dated May 24, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit of the financial statements of the New Hampshire Banking Department for the year ended June 30, 1995 and the six months ended December 31, 1995, we noted an issue related to the operation of the Department that merits management consideration but does not meet the definition of a reportable condition as defined by the American Institute of Certified Public Accountants, and was not an issue of noncompliance with laws, rules, or regulations.

The issue that we believe is worthy of management consideration, but does not meet the criteria of a reportable condition or noncompliance, is included on page twenty.

This report is intended for the information of the management of the New Hampshire Banking Department and the Fiscal Committee of the General Court. This restriction is not intended to limit the distribution of this report, which upon its acceptance by the Fiscal Committee, is a matter of public record.

Office of Legislative Budget Assistant
OFFICE OF LEGISLATIVE BUDGET ASSISTANT

May 24, 1996

MANAGEMENT ISSUE

OBSERVATION NO. 8: DISPOSITION OF EXPENDABLE TRUST FUND ACCOUNT

OBSERVATION:

- Pursuant to RSA 395:4, in 1957, the bank commissioner took possession of a trust company due to its insolvency. As a result of the insolvency proceedings, the bank commissioner was directed to be in charge of the trust company and the NH attorney general was named the liquidating agent. The Banking Department reported to the Department of Administrative Services that, as of June 30, 1995, the balance in the trust company account was \$66,691. When asked about the trust fund, the Banking Department stated that this money has been in its custody for almost 40 years and there are no known claims or liens attached to it. It appears that these funds may meet the criteria of abandoned property in accordance with RSA 471-C.

RECOMMENDATION:

- The Department should work with the attorney general, as liquidating agent, and the Abandoned Property section of the State Treasury to determine if the trust company account meets the criteria of abandoned property in accordance with RSA 471-C. If it is determined that this account is considered abandoned property, appropriate steps should be taken to transfer the fund to the State Treasury Abandoned Property section.

AUDITEE RESPONSE:

- The department, on June 18, 1996, contacted legal counsel at the Attorney General's Office to initiate action which may result in the disposition of the Valley Trust Company. In addition, the Abandoned Property section of the State Treasury Department has been contacted. The disposition will proceed based on information and procedural advice received from these contacts.

INDEPENDENT AUDITOR'S REPORT

TO THE FISCAL COMMITTEE OF THE GENERAL COURT:

We have audited the accompanying financial statements of the New Hampshire Banking Department as of and for the year ended June 30, 1995 and the six months ended December 31, 1995. These financial statements are the responsibility of the management of the Banking Department. Our responsibility is to express an opinion on the financial statements based on our audit.

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

As more fully discussed in NOTE 1, the financial statements referred to in the first paragraph are not intended to present the financial position of the New Hampshire Banking Department in the General Fund.

In our opinion, except for the matter discussed in the third paragraph, the financial statements referred to above present fairly, in all material respects, certain financial activity of the New Hampshire Banking Department as of and for the year ended June 30, 1995 and the six months ended December 31, 1995 in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the financial statements referred to in the first paragraph. The accompanying Schedules of Budgetary Components - General Fund are presented on pages thirty-seven and thirty-eight for the purpose of additional analysis and are not a required part of the financial statements of the New Hampshire Banking Department. Such information has been subjected to the auditing procedures applied in our audit of the financial statements referred to in the first paragraph and, in our opinion, are fairly presented in all material respects in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 24, 1996 on our consideration of the New Hampshire Banking Department's internal control structure and a report dated May 24, 1996 on its compliance with laws and regulations.

Office of Legislative Budget Assistant
OFFICE OF LEGISLATIVE BUDGET ASSISTANT

May 24, 1996

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**STATE OF NEW HAMPSHIRE
BANKING DEPARTMENT**

**STATEMENTS OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND**

	FOR THE YEAR ENDED JUNE 30, 1995		
	BUDGET	ACTUAL	FAVORABLE/ (UNFAVORABLE) VARIANCE
<u>RESTRICTED REVENUES</u>			
BANK SUPERVISION	\$1,715,173	\$1,064,799	\$ (650,374)
CONSUMER CREDIT ADMINISTRATION	<u>332,734</u>	<u>323,600</u>	<u>(9,134)</u>
TOTAL RESTRICTED REVENUES	<u>\$2,047,907</u>	<u>\$1,388,399</u>	<u>\$ (659,508)</u>
<u>EXPENDITURES</u>			
SALARIES AND BENEFITS	\$1,785,855	\$1,218,506	\$ 567,349
TRAVEL	79,550	52,164	27,386
CURRENT EXPENSE	57,819	41,117	16,702
RENTS AND LEASES	46,489	46,489	-0-
EQUIPMENT	36,370	36,086	284
INDIRECT COST	32,774	4,935	27,839
TRAINING	24,000	19,203	4,797
MISCELLANEOUS	<u>16,081</u>	<u>930</u>	<u>15,151</u>
TOTAL EXPENDITURES	<u>\$2,078,938</u>	<u>\$1,419,430</u>	<u>\$ 659,508</u>

The accompanying notes are an integral

FOR THE SIX MONTHS ENDED DECEMBER 31, 1995

<u>BUDGET</u>	<u>ACTUAL</u>	<u>FAVORABLE/ (UNFAVORABLE) VARIANCE</u>
\$1,485,754	\$149,115	\$ (1,336,639)
<u>390,832</u>	<u>156,939</u>	<u>(233,893)</u>
<u>\$1,876,586</u>	<u>\$306,054</u>	<u>\$ (1,570,532)</u>
\$1,579,074	\$642,455	\$ 936,619
88,500	41,336	47,164
61,962	27,740	34,222
51,486	27,549	23,937
25,790	9,570	16,220
32,774	11,024	21,750
21,500	7,253	14,247
<u>15,500</u>	<u>526</u>	<u>14,974</u>
<u>\$1,876,586</u>	<u>\$767,453</u>	<u>\$ 1,109,133</u>

part of these financial statements.

**STATE OF NEW HAMPSHIRE
BANKING DEPARTMENT**

**BALANCE SHEETS
EXPENDABLE TRUST FUND**

	<u>AS OF JUNE 30, 1995</u>	<u>AS OF DECEMBER 31, 1995</u>
<u>ASSETS</u>		
CASH AND CASH EQUIVALENTS	\$ <u>66,691</u>	\$ <u>67,787</u>
TOTAL ASSETS	\$<u>66,691</u>	\$<u>67,787</u>
 <u>LIABILITIES AND FUND BALANCES</u>		
FUND BALANCE	\$ <u>66,691</u>	\$ <u>67,787</u>
TOTAL LIABILITIES AND FUND BALANCES	\$<u>66,691</u>	\$<u>67,787</u>

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

**STATE OF NEW HAMPSHIRE
BANKING DEPARTMENT**

**STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
EXPENDABLE TRUST FUND**

	<u>FOR THE YEAR ENDED JUNE 30, 1995</u>	<u>FOR THE SIX MONTHS ENDED DECEMBER 31, 1995</u>
<u>REVENUES</u>		
INTEREST AND DIVIDENDS	\$ <u>1,905</u>	\$ <u>1,096</u>
TOTAL REVENUES	1,905	1,096
TOTAL EXPENDITURES	<u>-0-</u>	<u>-0-</u>
REVENUES OVER/ (UNDER) EXPENDITURES	1,905	1,096
BEGINNING FUND BALANCE	<u>64,786</u>	<u>66,691</u>
ENDING FUND BALANCE	<u>\$66,691</u>	<u>\$67,787</u>

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

**STATE OF NEW HAMPSHIRE
BANKING DEPARTMENT**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. FINANCIAL REPORTING ENTITY

The Banking Department, established under RSA 383, is an organization of the primary government of the State of New Hampshire. The accompanying financial statements report certain financial activity of the New Hampshire Banking Department, excluding the Public Deposit Investment Pool (PDIP). The financial activity of the Banking Department is accounted for in the General and Trust and Agency Funds of the State of New Hampshire's Comprehensive Annual Financial Report (CAFR). Assets, liabilities and fund balances are reported by fund for the State as a whole in the CAFR. The Banking Department, as an organization of the primary government, accounts for only a small portion of the General Fund and those assets, liabilities and fund balances as reported in the CAFR that are attributable to the Banking Department cannot be determined. Accordingly, the accompanying financial statements are not intended to show the financial position of the Banking Department in the General Fund and the changes in the fund balances are not reported on the accompanying financial statements.

External Investment Pool excluded from reporting entity

The New Hampshire Public Deposit Investment Pool (PDIP) was authorized in 1991 by RSA 383:22 for the purpose of investing funds of the State of New Hampshire, and funds under the custody of governmental units, pooled risk management programs established pursuant to RSA 5-B, agencies, authorities, commissions, boards, political subdivisions, and all other public units within or instrumentalities of the state. This statute directed the bank commissioner, with the assistance of an advisory committee, to establish the investment pool.

In accordance with RSA 383:22, the PDIP is operated under contract with a private investment advisor approved by the bank commissioner and advisory committee. An independent audit of the PDIP is conducted annually.

B. BASIS OF PRESENTATION - FUND ACCOUNTING

Financial Statements

The financial statements of the Banking Department have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting

The State of New Hampshire and the Banking Department use funds and account groups to report on financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

GOVERNMENTAL FUND TYPES

General Fund

The General Fund accounts for all financial transactions not specifically accounted for in any other fund. By law, and with certain exceptions, all revenues of governmental funds are paid daily into the State Treasury. All such revenues, other than certain designated revenues, are credited to the General Fund. Expenditures that are not allocated by law to other funds are charged to the General Fund.

FIDUCIARY FUND TYPES

Trust Funds

Transactions related to assets administered by the Banking Department in a trustee capacity are accounted for in the fiduciary fund type. Assets received by the Banking Department as a trustee are accounted for as a trust fund.

Expendable Trust Funds

Expendable trust funds are used to account for fiduciary relationships in which both the principal and earnings thereon may be expended for the purposes of the trust. The Banking Department maintains an Expendable Trust Fund that has been in its possession since 1957, as a result of bank insolvency proceedings conducted pursuant to RSA 395:4. This fund comprises the Expendable Trust Fund of the Banking Department.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ACCOUNT GROUPS

General Fixed Assets

General fixed assets acquired by the Banking Department for the performance of its operations are reflected in the General Fixed Assets Account Group at the time of acquisition. As of June 30, 1995 and December 31, 1995, the Banking Department has recorded in the General Fixed Assets Account Group the cost of general fixed assets based on available historical cost records. Donated fixed assets are recorded at their fair market value at the time donated.

General Long-Term Debt

Activities related to the Banking Department's cumulative liability for compensated absences are reflected in the General Long-Term Debt Account Group.

C. BASIS OF ACCOUNTING

The State of New Hampshire accounts for its financial transactions related to the General Fund and Expendable Trust Funds on the modified accrual basis of accounting, under which revenues are recognized when measurable and available to finance operations during the year. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recognized in the period in which obligations are incurred as a result of the receipt of goods or services.

D. BUDGETARY DATA

General Budget Policies

The statutes of the State of New Hampshire require the Governor to submit a biennial budget to the Legislature. This budget consists of three parts: part I is the Governor's program for meeting all expenditure needs as well as estimating revenues to be received; part II is a detailed breakdown of the budget at the department level for appropriations to meet the expenditure needs of the government; part III consists of draft appropriation bills for the appropriations made in the proposed budget. The operation of the Banking Department is included in the General Fund budget. Expendable Trust Funds are not budgeted.

The New Hampshire biennial budget is composed of the initial operating budget and supplemented by additional appropriations. These additional appropriations and estimated revenues from various sources are authorized by Governor and Council action, annual session laws, and existing statutes

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. BUDGETARY DATA (Continued)

General Budget Policies (Continued)

which require appropriations under certain circumstances. As shown on the Schedules of Budgetary Components - General Fund on pages 37 and 38, the final budgeted amount includes the initial operating budget plus supplemental appropriation warrants, balances brought forward, and transfers.

The Statements of Revenues and Expenditures - Budget and Actual - General Fund for the year ended June 30, 1995 and for the six months ended December 31, 1995 are presented as part of the Banking Department's financial statements.

The variance is the difference between budgeted and actual amounts. For revenue, a favorable variance results from actual revenue for the reporting period exceeding the amounts budgeted for the fiscal year. Unfavorable revenue variances represent actual revenue collected being less than amounts budgeted. For expenditures, a favorable variance results from actual expenditures of the reporting period being less than the amount budgeted for the fiscal year. The favorable expenditure variances represents a combination of ending available balances, lapses, and unliquidated encumbrances. Unfavorable expenditure variances represent actual expenditures for the reporting period exceeding the amounts budgeted for the fiscal year.

When financial statements are presented at an interim date, a date other than a June 30 fiscal year end, the variance reflects the difference between the twelve month budgeted amount and a partial year's actual revenue and expenditures. Thus, on the six month financial statement dated December 31, 1995, unfavorable variances in revenues are expected, because six months of actual receipts are compared to the amount of revenue expected to be collected in the twelve month budget period. Also, depository and non-depository institution assessments are billed at fiscal year end, thus adding to the large unfavorable revenue variances for the six months ended December 31, 1995. Favorable expenditure variances are expected, as six months of actual expenditures are compared to the amounts expected to be expended in the twelve month budget period.

Encumbrances

Contracts and purchasing commitments are recorded as encumbrances when the contract or purchase order is executed. Upon receipt of goods or services, the encumbrance is liquidated and the expenditure and liability are recorded. The unliquidated encumbrances at June 30, 1995 and December 31, 1995 in the General Fund were \$5,643 and \$31,622, respectively.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. FIXED ASSETS - GENERAL

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition costs are reflected as expenditures in governmental funds, and the related assets are reported in the General Fixed Assets Account Group. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Interest costs incurred during construction are not capitalized. Assets in the General Fixed Assets Account Group are not depreciated.

F. COMPENSATED ABSENCES

Permanent full and part-time classified employees of the Banking Department are entitled to annual and sick leave with full pay based on the employee's scheduled work week and years of service. Annual and sick leave is computed at the end of each completed month of service. Certain permanent full-time employees are entitled to receive bonus leave. At the end of each fiscal year, additional annual leave (bonus days) is computed based on the amount of sick time taken during the year. According to the *1995 - 1997 Collective Bargaining Agreement* between the State and its employees, accrued compensatory time is to be taken within one year from the date the time is earned. The Banking Department reported a liability for compensated absences at June 30, 1995 of \$152,997. The State of New Hampshire does not calculate the liability for compensated absences at interim periods and therefore no provision for a liability for the Banking Department has been calculated at December 31, 1995.

G. INTERFUND AND INTRAFUND TRANSACTIONS

The State accounts for interfund and intrafund transactions as described below:

Reimbursements - Various departments charge fees on a user basis for such services as centralized data processing, accounting and auditing, purchasing, personnel and maintenance. These fees are not considered material and are recorded as revenue by the servicing department and as expenditures by the user department.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 2 -- EXPENDABLE TRUST FUND

The Banking Department maintains an Expendable Trust Fund as a result of insolvency proceedings regarding the Valley Trust Company of Penacook, New Hampshire. The insolvency proceedings, conducted through the courts pursuant to RSA 395:4, named the bank commissioner, in 1957, in charge of the Valley Trust Company and the attorney general liquidating agent. The activity in the fund is limited to the periodic crediting of interest earnings.

NOTE 3 -- CASH AND CASH EQUIVALENTS

The Banking Department is the custodian of a money market account and two savings accounts holding the Expendable Trust Fund administered by the Bank Commissioner.

Deposits are classified as to credit risk by the three categories described below:

Category 1 Fully insured or collateralized with securities held by the State or its agent in the State's name.

Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent in the State's name.

Category 3 Uncollateralized.

The Department's deposit accounts, listed by credit risk category, are shown in the following schedule. The total bank balance represents the total amounts on deposit as reported by the bank. The carrying amount represents the balances per the Banking Department records. The difference between the bank balance and carrying amount is interest earned but not yet credited by the banks as of June 30, 1995 and December 31, 1995.

Deposits:

	<u>Categories</u>			<u>Bank</u>	<u>Carrying</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Balance</u>	<u>Amount</u>
<u>June 30, 1995</u>					
Demand Deposits	\$ 3,674	\$ -0-	\$ -0-	\$ 3,674	\$ 3,674
Money Market Account	<u>-0-</u>	<u>-0-</u>	<u>62,849</u>	<u>62,849</u>	<u>63,017</u>
Total Deposits	<u>\$ 3,674</u>	<u>\$ -0-</u>	<u>\$62,849</u>	<u>\$66,523</u>	<u>\$66,691</u>
<u>December 31, 1995</u>					
Demand Deposits	\$ 3,723	\$ -0-	\$ -0-	\$ 3,723	\$ 3,731
Money Market Account	<u>-0-</u>	<u>-0-</u>	<u>63,880</u>	<u>63,880</u>	<u>64,056</u>
Total Deposits	<u>\$ 3,723</u>	<u>\$ -0-</u>	<u>\$63,880</u>	<u>\$67,603</u>	<u>\$67,787</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 4 -- GENERAL FIXED ASSETS ACCOUNT GROUP - EQUIPMENT

The following is a schedule of changes in the Banking Department's equipment balance, as reported in the General Fixed Assets Account Group for the year ended June 30, 1995 and the six months ended December 31, 1995. Equipment purchases are funded through budgeted appropriations.

<u>Equipment</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Year ended June 30, 1995	\$184,154	\$33,696	\$19,855	\$197,995
Six months ended December 31, 1995	\$197,995	\$ 6,320	\$ -0-	\$204,315

Changes in the equipment balances have been reported to the Department of Administrative Services, Bureau of Purchase and Property for inclusion in the State's Comprehensive Annual Financial Report.

NOTE 5 -- LEASE COMMITMENTS

The Banking Department has a lease commitment for space requirements at 169 Manchester Street in Concord, New Hampshire which is accounted for as an operating lease. The lease expired September 30, 1995 and was renewed October 1, 1995 for a three-year term at an annual rent of \$45,900. Rent expenditures for the year ended June 30, 1995 and the six months ended December 31, 1995 were \$43,605 and \$26,201, respectively.

NOTE 6 -- EMPLOYEE BENEFIT PLANS

New Hampshire Retirement System

The Banking Department, as an organization of State government, participates in the New Hampshire Retirement System (the Plan). The Plan is a defined benefit plan and covers (substantially) all full-time employees of the Banking Department. The Plan qualifies as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. New Hampshire Revised Statutes Annotated (RSA), Chapter 100-A established the Plan and the contribution requirements. The Plan, which is a cost-sharing, multiple-employer Public Employees Retirement System (PERS), is divided into two membership groups. Group I consists of employees and teachers. Group II consists of fire fighters and police officers. All employees of the Banking Department who are members of the Plan are members of Group I.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 6 -- EMPLOYEE BENEFIT PLANS (Continued)

New Hampshire Retirement System (Continued)

Group I - Members contributing through age 60 qualify for a normal service retirement allowance based on years of creditable service. The yearly pension amount is $1/60$ (1.67%) of average final compensation (AFC), multiplied by years of creditable service. AFC is defined as the average of the three highest salary years. At age 65, the yearly pension amount is recalculated at $1/66$ (1.5%) of AFC multiplied by years of creditable service. Members with 10 or more years of creditable service who are between age 50 and 60 are entitled to a retirement allowance with appropriate graduated reduction based on years of creditable service. In addition, any Group I member who has completed at least 20 years of creditable service that, when combined with his or her age equals at least 70, is entitled to retire and have benefits commence immediately at a reduced service retirement allowance.

Group II - After attaining the age of 45, members with 20 years of creditable service qualify to receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years. Members in service at age 60 qualify to receive a prorated retirement allowance.

Members of both groups are entitled to disability allowances and also death benefit allowances subject to various requirements and rates based on AFC or earnable compensation.

The Plan is financed by contributions from the members, the State and local employers, and investment earnings. During the year ended June 30, 1995 and the six months ended December 31, 1995, Group I and II members were required to contribute 5% and 9.3%, respectively, of gross earnings. The State funds 100% of the employer cost for all of the Banking Department's employees enrolled in the Plan. The annual contribution required to cover any normal cost beyond the employee contribution is determined every two years by the Plan's actuary.

The Banking Department's payments for normal contribution costs were 2.65% of covered payroll for the year ended June 30, 1995 and 3.14% of covered payroll for the six months ended December 31, 1995. The Plan does not make separate measurements of assets and pension benefit obligation for individual employers.

The New Hampshire Retirement System Comprehensive Annual Financial Report contains detailed information regarding the Plan as a whole, including information on payroll, contributions, actuarial assumptions and funding method, pension benefit obligation, and ten year historical trend data. The New Hampshire Retirement System operates on a fiscal year ending June 30.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 6 -- EMPLOYEE BENEFIT PLANS (Continued)

Deferred Compensation Plan

The Banking Department as an organization of State government offers its employees a deferred compensation plan (the Plan) created in accordance with Internal Revenue Code Section 457. The Plan, available to all State employees, permits them to defer a portion of their salaries until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the Plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights, are (until paid or made available to the employees or other beneficiaries) solely the property and rights of the State (without being restricted to the provisions of benefits under the Plan), subject only to the claims of the State's general creditors. Participants' rights under the Plan are equal to those of general creditors of the State in an amount equal to the fair market value of the deferred account for each participant.

Postemployment Health Care Benefits

In addition to the benefits described above, the Banking Department as an organization of State government provides postemployment health care benefits, in accordance with RSA 21-I:30, to all retired employees and their spouses on a non-contributory basis, as authorized by State statute.

During the year ended June 30, 1995 and the six months ended December 31, 1995, the State paid for the full cost of health insurance premiums for its retired employees and spouses on a pay-as-you-go basis. The cost of the health insurance for the Banking Department's employees and spouses is paid from an appropriation to the New Hampshire Retirement System. The Banking Department is self-sustaining and reimburses the New Hampshire Retirement System for its share of postemployment health care benefits.

**STATE OF NEW HAMPSHIRE
BANKING DEPARTMENT**

**SCHEDULE OF BUDGETARY COMPONENTS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 1995**

	<u>OPERATING BUDGET</u>	<u>SUPPLEMENTAL WARRANTS</u>	<u>BALANCES FORWARD</u>	<u>NET TRANSFERS</u>	<u>BUDGET</u>
<u>RESTRICTED REVENUES</u>					
BANK SUPERVISION	\$1,706,634	\$ -0-	\$ 8,539	\$ -0-	\$1,715,173
CONSUMER CREDIT ADMINISTRATION	<u>221,512</u>	<u>141,893</u>	<u>(30,671)</u>	<u>-0-</u>	<u>332,734</u>
TOTAL RESTRICTED REVENUES	<u>\$1,928,146</u>	<u>\$141,893</u>	<u>\$(22,132)</u>	<u>\$ -0-</u>	<u>\$2,047,907</u>
<u>EXPENDITURES</u>					
SALARIES AND BENEFITS	\$1,631,962	\$141,893	\$ -0-	\$12,000	\$1,785,855
TRAVEL	88,500	-0-	-0-	(8,950)	79,550
CURRENT EXPENSE	56,319	-0-	6,000	(4,500)	57,819
RENTS AND LEASES	45,000	-0-	39	1,450	46,489
EQUIPMENT	36,010	-0-	360	-0-	36,370
INDIRECT COST	32,774	-0-	-0-	-0-	32,774
TRAINING	21,500	-0-	2,500	-0-	24,000
MISCELLANEOUS	<u>16,081</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>16,081</u>
TOTAL EXPENDITURES	<u>\$1,928,146</u>	<u>\$141,893</u>	<u>\$ 8,899</u>	<u>\$ -0-</u>	<u>\$2,078,938</u>

**STATE OF NEW HAMPSHIRE
BANKING DEPARTMENT**

**SCHEDULE OF BUDGETARY COMPONENTS
GENERAL FUND
FOR THE SIX MONTHS ENDED DECEMBER 31, 1995**

	<u>OPERATING BUDGET</u>	<u>SUPPLEMENTAL WARRANTS</u>	<u>BALANCES FORWARD</u>	<u>NET TRANSFERS</u>	<u>BUDGET</u>
<u>RESTRICTED REVENUES</u>					
BANK SUPERVISION	\$1,480,111	\$ -0-	\$ 5,643	\$ -0-	\$1,485,754
CONSUMER CREDIT ADMINISTRATION	<u>390,832</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>390,832</u>
TOTAL RESTRICTED REVENUES	<u>\$1,870,943</u>	<u>\$ -0-</u>	<u>\$ 5,643</u>	<u>\$ -0-</u>	<u>\$1,876,586</u>
<u>EXPENDITURES</u>					
SALARIES AND BENEFITS	\$1,579,074	\$ -0-	\$ -0-	\$ -0-	\$1,579,074
TRAVEL	88,500	-0-	-0-	-0-	88,500
CURRENT EXPENSE	56,319	-0-	5,643	-0-	61,962
RENTS AND LEASES	51,486	-0-	-0-	-0-	51,486
EQUIPMENT	25,790	-0-	-0-	-0-	25,790
INDIRECT COST	32,774	-0-	-0-	-0-	32,774
TRAINING	21,500	-0-	-0-	-0-	21,500
MISCELLANEOUS	<u>15,500</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>15,500</u>
TOTAL EXPENDITURES	<u>\$1,870,943</u>	<u>\$ -0-</u>	<u>\$ 5,643</u>	<u>\$ -0-</u>	<u>\$1,876,586</u>

APPENDIX - STATUS OF PRIOR AUDIT REPORT OBSERVATIONS

The following is a summary of the May 24, 1996 status of the reportable conditions contained in the audit report of the Banking Department for the year ended June 30, 1987. A copy of the prior report can be obtained from the Office of Legislative Budget Assistant, Audit Division, Room 102, State House, Concord, NH 03301.

<u>INTERNAL CONTROL STRUCTURE</u>	<u>STATUS</u>
<u>REPORTABLE CONDITIONS</u>	
1. Segregation of Duties (see current year Observation No. 2)	● ○ ○
2. Initial Recording of Cash	● ● ○
3. Accounts Receivable	● ● ●
4. Payment of Heating Costs	● ● ●
 <u>STATE COMPLIANCE</u>	
5. Conflicting and Unclear Statutes	● ● ●

STATUS KEY

Fully resolved	● ● ●
Substantially resolved	● ● ○
Partially resolved	● ○ ○
Unresolved	○ ○ ○

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