

**STATE OF NEW HAMPSHIRE  
STATE TREASURY**

**AUDIT REPORT  
FOR THE YEAR ENDED  
JUNE 30, 1995**

**STATE OF NEW HAMPSHIRE  
STATE TREASURY**

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# STATE OF NEW HAMPSHIRE STATE TREASURY

## INTRODUCTION

### ORGANIZATION

The New Hampshire State Treasury operates under the executive direction of the State Treasurer, a constitutional officer elected biennially by a joint ballot of the Senate and House of Representatives. Assisting, and appointed by the Treasurer, are two deputy treasurers and an assistant treasurer, all of whom are unclassified state employees. As of June 30, 1995 the State Treasury was staffed with 14 classified employees, for a total of 18 employees. Within the State Treasury is the Office of Investment and Debt Management which operates under the direction of a deputy treasurer.

### RESPONSIBILITIES

The State Treasury's primary responsibility as provided in New Hampshire Revised Statutes Annotated (RSA)s 6, 6-A, 6-B, 6-C, 11, and 471-C is the management of the State's cash, investments and debt, trust funds, and abandoned property.

#### Cash Management

The Treasurer serves as custodian over the receipt of funds and is responsible for the payment of all operating expenses of the State. RSA 6:7 establishes the policy to which the State Treasurer must adhere when depositing public monies. To reduce the risk associated with deposits, the statute restricts deposits to certain types of banking institutions and limits the amounts that may be on deposit with a particular bank at any one time. Article 56 of Part 2 of the Constitution of the State of New Hampshire requires all payments made from the State Treasury, except debt obligations, to be authorized by warrant under the hand of the Governor, with the advice and consent of the Executive Council.

#### Investment Management

The Office of Investment and Debt Management has the responsibility to maximize the return on state funds while considering cash flows and liquidity requirements. The State Treasury shall invest funds, above those necessary to meet operating expenses, in instruments set forth in RSA 6:8 with the approval of Governor and Council including:

## **INTRODUCTION (Continued)**

### **RESPONSIBILITIES (Continued)**

#### **Investment Management (Continued)**

- Obligations of the U.S. Government
- Obligations which are legal investments for savings banks and trust companies
- All types of savings accounts
- Participation units in the public deposit investment pool established pursuant to RSA 383:22
- Certificates of deposit of state or federally chartered banking institutions within New Hampshire and
- Certificates of deposit of national banks within the Commonwealth of Massachusetts.

#### **Debt Management**

Debt management duties of the Office of Investment and Debt Management include, but are not limited to, developing long-term debt plans, tracking the status of the State's debt, and making debt service payments on all bonds and notes of the State.

In accordance with RSA 6:13 the Treasurer is authorized to borrow on the State's credit, under the direction of the Governor and Council, such sums as may be necessary when it is anticipated that there will not be sufficient general funds in the Treasury to meet current obligations. The total of this temporary borrowing for the General Fund may not exceed \$125,000,000. There were no temporary borrowings during the year ended June 30, 1995.

Bonds may be issued by the Treasurer, when authorized by Governor and Council, for specified projects or purposes. Bonds are not issued after every statutory authorization, instead Treasury waits until market conditions are favorable and then issues bonds that cover several authorizations. In general, except for revenue bonds, such borrowing constitutes general obligation debt of the State. The total balance of general obligation bonds outstanding at June 30, 1995 was \$646,315,769.

### **FUNDING**

The State Treasury is funded by appropriations in the General and Capital Projects Funds. The fiscal year 1995 appropriations combined with supplemental warrants, balances forward, and transfers resulted in spending authority of \$121,795,621 in the General Fund and \$964,725 in the Capital Projects Fund. Actual expenditures for the year totalled \$105,782,842 and \$964,725 in the General Fund and Capital Projects Fund, respectively.

## INTRODUCTION (Continued)

### FUNDING (Continued)

Estimated restricted revenue combined with supplemental warrants and transfers resulted in anticipated fiscal year 1995 restricted revenue of \$514,573 in the General Fund, while actual restricted revenue totalled \$491,699. Fiscal year 1995 estimated and actual unrestricted revenue totalled \$2,843,400 and \$3,235,199, respectively.

Seventy-seven percent of Treasury's total revenue was derived from the interest earned on surplus funds, while 98% of expenditures were applicable to state revenue sharing, rooms and meals tax distribution and debt service payments. Actual expenditures of the State Treasury for fiscal year 1995 are displayed on the following page.

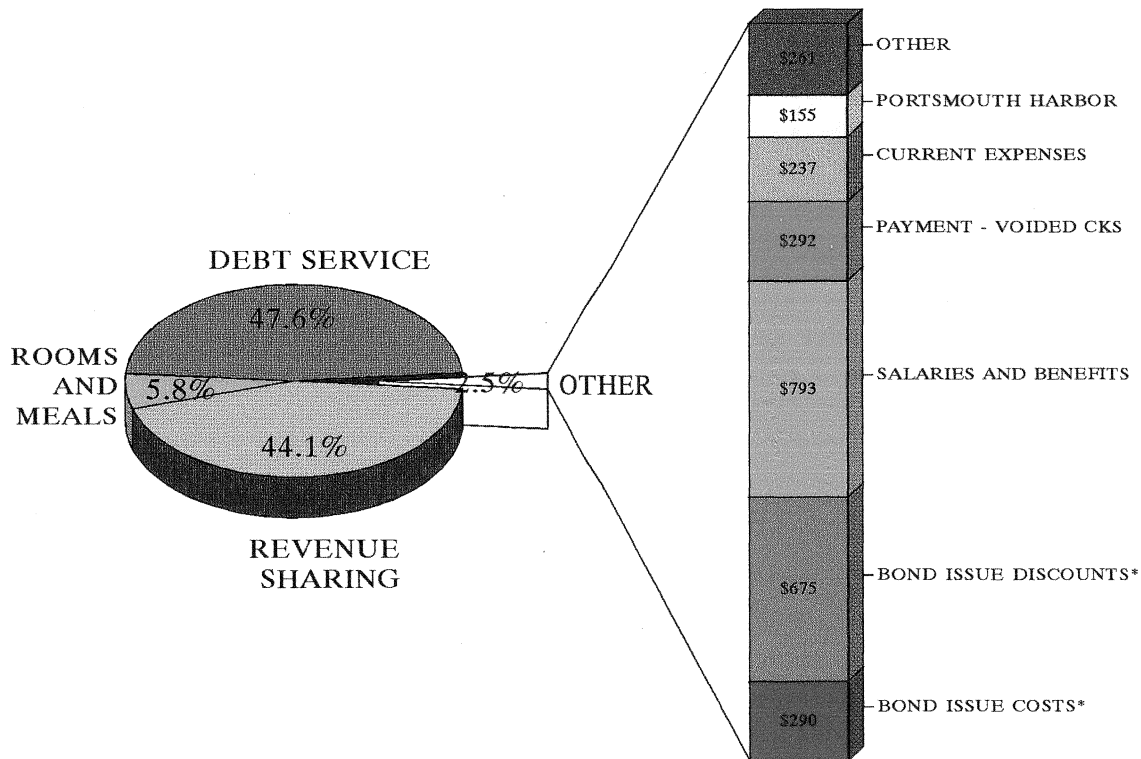
### PRIOR AUDITS

The most recent prior audit of the State Treasury was for the year ended June 30, 1993. The appendix to this report on page forty-five contains a summary of the current status of the observations contained in that prior report. A copy of the report can be obtained from the Office of Legislative Budget Assistant, Audit Division, Room 102, State House, Concord, NH 03301.

INTRODUCTION (Continued)

**STATE TREASURY  
FISCAL YEAR 1995 - COMBINED EXPENDITURES  
GENERAL AND CAPITAL PROJECTS FUNDS**

EXPENDITURES IN THOUSANDS



CATEGORY	GENERAL FUND	CAPITAL FUND*	TOTAL
DEBT SERVICE	\$ 50,804	\$ 0	\$ 50,804
REVENUE SHARING	47,064	0	47,064
ROOMS AND MEALS	6,177	0	6,177
OTHER	1,738	965	2,703
<b>TOTAL</b>	<b>\$105,783</b>	<b>\$965</b>	<b>\$106,748</b>

**STATE OF NEW HAMPSHIRE  
STATE TREASURY**

**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 State Treasury and tested the Treasury's compliance with certain provisions of applicable state and federal laws, regulations, contracts and grants. Major accounts or areas subject to our examination included, but were not limited to, the following:

- Internal Control Structure
- Appropriations and Revenues
- Expenditures and Encumbrances
- Property and Equipment
- Agency Funds
- Cash, Cash Equivalents and Investments
- Long-Term Debt
- Contingent Liabilities
- State and Federal Compliance.

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



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**AUDITOR'S REPORT ON THE INTERNAL CONTROL STRUCTURE**

TO THE FISCAL COMMITTEE OF THE GENERAL COURT:

We have audited the STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL - GENERAL FUND, the STATEMENT OF CAPITAL PROJECTS FUND ACTIVITY and the COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS of the New Hampshire State Treasury for the year ended June 30, 1995, and have issued our qualified report thereon dated February 1, 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 State Treasury 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 State Treasury for the year ended June 30, 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 - BANK RECONCILIATIONS

Treasury is responsible for performing bank reconciliations for the State's operating accounts to ensure that cash transactions are correctly recorded by Treasury and the banks involved. The reconciliation process, when timely, thorough, and independent of the authorization of cash transactions, facilitates the identification and correction of errors and irregularities that might occur in the daily processing of transactions.

In past audits, Treasury has been cited for weaknesses in its bank reconciliation process; however steady improvement has been noted. During our fiscal year 1995 audit testing we noted continued improvement in Treasury's bank reconciliation process.

#### OBSERVATION:

- The following areas were noted where Treasury needs to continue in its efforts to improve its reconciliation process.
  - A. Treasury issues replacement checks when original checks become unusable. The replacement checks are issued from a separate account and, when issued, create numerous offsetting reconciling items on the original and replacement accounts. Various book adjustments and follow-up procedures with the banks are required to eliminate continuing reconciling items between accounts.

Treasury has not performed the adjustments and procedures necessary to clear these reconciling items in a timely manner. When Treasury voids a check and issues a replacement check it also requests the original issuing bank to void the original check. On one of Treasury's June 30, 1995 account reconciliations, Treasury listed over \$5.8 million in voids, some dating back to November, 1993. The reconciliation indicated that the bank actually voided \$3.8 million of checks. However, because Treasury had not reconciled the requested voids to the bank's actual voids, numerous reconciling items remained on the June 30, 1995 account reconciliations.

- B. The June 30, 1995 account reconciliations listed over \$104,000 of unresolved reconciling items that were over one year old. Some of these old items dated back to 1991.

#### RECOMMENDATION:

- Treasury should continue to improve its reconciliation process. Treasury should work with the banks to clear unresolved reconciling items and determine whether any Treasury procedures could be revised to further minimize or eliminate book to bank differences in the reconciliations.

**OBSERVATION NO. 1 - BANK RECONCILIATIONS (Continued)**

**AUDITEE RESPONSE:**

A. Replacement Checks: The Fleet Bank "group account" (Receiving, Vendor, and Payroll accounts) has presented some problems, including the bank's failure to void checks on a timely basis. While ultimately it is the Treasury's responsibility to ensure that reconciling items are resolved on a timely basis, we must rely on information processed/provided by the financial institutions with which we do business. If such information is not provided to us on a timely basis, our timeliness in resolving items will be adversely affected. We have taken the steps necessary to resolve the reconciling items related to "old" replacement checks. With respect to replacement checks issued during FY 1995 we were current (our policy is to process transfers monthly barring unforeseen circumstances) in recording these items. The chart below evidences this fact.

Replacement Ck. Dates	Adjustment Date
7/1 - 8/31/94	9/21/94
9/1 - 9/30/94	10/27/94
10/1 - 11/15/94	12/5/94
11/16/94 - 3/31/95	4/6/95
4/1 - 5/31/95	6/5/95
6/1 - 8/31/95	9/29/95

B. Old Reconciling Items: The items referenced in part B of the above observation were resolved in the first half of FY 1996. It should also be noted that the policy currently followed (which has been in place since well before FY 1995) by all reconciliation personnel is that all reconciling items must have a resolution before a reconciliation is considered complete. A review of reconciling items which first appeared on any statement reconciliation in FY 1995 would show that "current" reconciling items during FY 1995 were, and are now resolved on a timely basis. While these older items should have been resolved on a more timely basis, the fact is that all of these items are now resolved.

**OBSERVATION NO. 2 - PROCESSING UNCLAIMED CHECKS**

**OBSERVATION:**

- New Hampshire Revised Statutes Annotated (RSA) 6:10-a and b authorizes and directs the Treasury to void State checks that remain uncashed and outstanding for two years and to credit the amount of the voided checks to the General Fund. It has been Treasury's general policy to void outstanding checks once per year using December 31 as the date to measure when outstanding checks become subject to voiding. The Treasury credits the General Fund with the amount of the voided checks early in the following calendar year.

Based on the statute and Treasury's general policy, outstanding checks totalling \$194,564, originally issued on or before December 31, 1992, should have been voided and credited to the General Fund during the second half of fiscal year 1995. These checks were credited to a Treasury unrestricted revenue source in November, 1995, with the exception of \$15,821 of Abandoned Property checks which remain outstanding.

By not adhering to its general policy for voiding outstanding checks, the Treasury understated cash by \$194,564 at June 30, 1995 and delayed the recognition of what should have been fiscal year 1995 revenue of \$194,564 until fiscal year 1996.

A similar observation was noted in our fiscal year 1993 report.

**RECOMMENDATION:**

- The Treasury should set a formal policy, including scheduled dates, for its voiding of outstanding checks and its crediting of the voided amounts to the General Fund. Consistent application of such a policy would ensure that revenues from this process are reported in a timely manner and are comparable between accounting periods.

**AUDITEE RESPONSE:**

- It has been Treasury's general policy to void outstanding checks and deposit the funds represented by these checks to the General Fund in the early part of each calendar year, and that continues to be our policy. Completing the voiding and transfer process is tied to the bank reconciliation process and this is the primary reason for the delay in FY 1995. As the statute is silent on the timing of voiding and transfers, except that it may not be done before a check is outstanding for two years, we believe we had the flexibility to place this process lower on the priority list. It remains our policy to complete this process in the first quarter of each calendar year.

OBSERVATION NO. 3 - MONITORING STATE ACCOUNTING REPORTS - OVERSTATEMENT OF  
BALANCE FORWARD

OBSERVATION:

- Chapter 308, Laws of 1995, authorized \$10 million of fiscal year 1995 appropriations for Treasury debt service in Treasury's Special General Fund Distribution Organization (organization code 8023, class 43) to be carried forward and not to lapse until June 30, 1997. No additional amounts from this organization code were authorized to be carried forward by the chapter law.

The Department of Administrative Services (DAS) is responsible for coordinating with the state agencies the fiscal year-end closing process. State agencies prepare and send to DAS a fiscal year closing generator form, which is used to document, by organization and class, the proportions of year-end lapses and balances to be brought forward into the subsequent fiscal year. The original 1995 closing generator submitted by Treasury included the \$10 million carryforward as an encumbrance at year end. DAS did not agree that the \$10 million should be treated as an encumbrance and adjusted the closing generator form. DAS made an error in this adjustment causing amounts to be carried forward in both class 43, the Treasury debt service class, and 44, the other-agency debt service class. This error caused \$334,517 to be inappropriately carried forward into fiscal year 1996. Subsequent to the auditor's questioning of the carryforward amount, Treasury requested DAS to make the appropriate adjustment on November 27, 1995.

RECOMMENDATION:

- Treasury should monitor and correct any errors noted in the state accounting system reports on a timely basis to ensure that the reports accurately reflect the operations of the State Treasury.

AUDITEE RESPONSE:

- The procedure used to carry forward appropriation for debt service was cumbersome and resulted in the incorrect amounts being carried forward in this fiscal year. We originally asked Administrative Services if the carry forward could be done with a manual entry. Because it was decided by Administrative Services that the fiscal closing generator was the most appropriate mechanism for bringing the authorized balance forward amount, we incorrectly believed that no manual adjustments could be made to the appropriation. In the future, we will consult with our business supervisor to ensure that necessary adjustments are prepared in a timely manner.

#### OBSERVATION NO. 4 - CASH RECEIPT PROCEDURES

Administrative Services' *Manual of Procedures*, Adm 401 (expired) states that, in order to achieve an effective system of internal controls, proper segregation of duties between persons opening the mail and handling cash receipts must exist, and prompt deposit procedures must be implemented. Immediately upon receipt of funds for deposit, cash receipts should be recorded in a manner that establishes accountability for the receipts, and checks should be restrictively endorsed. This will help detect and/or prevent cash and checks from being lost, misplaced, stolen, re-routed, or otherwise unaccounted for.

##### OBSERVATION:

- Treasury's procedures related to the receipt of cash are not in accordance with these requirements. The mail at Treasury is opened by the executive secretary and forwarded to the appropriate individuals within the department. If the mail contains funds for deposit, the individual to whom the mail is forwarded prepares a Report of Receipt document (A-17). This documentation is next forwarded to the cashiers. The cashiers acknowledge receipt of the A-17 by recording it in a receipts journal. The cashiers also restrictively endorse the checks and prepare the bank deposit.

By the time these funds reach the cashiers for restrictive endorsement and deposit, they have passed through at least one, and often two individuals' hands without receipting or endorsement.

##### RECOMMENDATION:

- An initial record of remittances, such as the State's form A-15 Record of Daily Receipts, should be prepared immediately upon receipt of all cash and checks, and checks should be restrictively endorsed at that time.

##### AUDITEE RESPONSE:

- Treasury will add the recording of checks received by the person opening the mail to our standard office (operating) procedures. While not required, we have decided that the checks will be restrictively endorsed after the check is recorded on the receipts journal form.

#### OBSERVATION NO. 5 - TIMELINESS OF MANUAL WARRANT PREPARATION

##### OBSERVATION:

- Treasury prepares manual warrants to charge its appropriations for debt service expenditures. These debt service liabilities are incurred on the first and fifteenth of each month. Ten of 16 (62.5%) debt service manual warrants tested were not prepared on the day of the transaction. Untimely preparation of manual warrants ranged from one to seven days



OBSERVATION NO. 5 - TIMELINESS OF MANUAL WARRANT PREPARATION (Continued)

OBSERVATION (Continued):

after the payments were made, with an average of four days late. Failure to record the expenditure on a timely basis could allow expenditures to be reported in the wrong accounting period and could also affect the accuracy of financial information provided by the accounting system during the period the transactions remain unrecorded. The effect of the untimely reporting of these accounting transactions was to overstate cash and understate expenditures in the accounting records by amounts ranging from \$116,000 to \$2,882,000 for the number of days each respective manual warrant went unrecorded.

RECOMMENDATION:

- We recommend that Treasury prepare manual warrants for debt service expenditures on the day that the payment is made.

AUDITEE RESPONSE:

- Treasury will prepare the debt service manual warrants in advance of the day of debt service expenditures to insure that processing (NHIFS entry and approval) is accomplished without unnecessary delays. Although no debt service manual warrants were prepared and processed in the wrong accounting period we will take this extra precaution to eliminate the possibility of a late debt service manual warrant.

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 on the preceding pages is a material weakness.

This report is intended for the information of the management of the New Hampshire State Treasury 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

February 1, 1996

**AUDITOR'S REPORT ON STATE AND FEDERAL COMPLIANCE**

TO THE FISCAL COMMITTEE OF THE GENERAL COURT:

We have audited the STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL - GENERAL FUND, the STATEMENT OF CAPITAL PROJECTS FUND ACTIVITY and the COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS of the New Hampshire State Treasury for the year ended June 30, 1995, and have issued our qualified report thereon dated February 1, 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 and federal laws, regulations, contracts, and grants applicable to the New Hampshire State Treasury is the responsibility of Treasury's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the State Treasury's compliance with certain provisions of laws, regulations, contracts, and grants. 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 laws and regulations, 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 State Treasury and the Fiscal Committee of the General Court. This restriction is not intended to limit the distribution of this report which, upon acceptance by the Fiscal Committee, is a matter of public record.

*Office of Legislative Budget Assistant*  
OFFICE OF LEGISLATIVE BUDGET ASSISTANT

February 1, 1996

## STATE COMPLIANCE

### OBSERVATION NO. 6 - EXPIRED ADMINISTRATIVE RULES

#### OBSERVATION:

- RSAs 6:3-a and 6-B:3 (II) direct the State Treasury to adopt administrative rules, in accordance with RSA 541-A, relative to the nature and duties of the department, including but not limited to, making state disbursements, collecting state deposits, issuing bonds, maintaining custody of trust and agency funds, investing surplus funds, and operating the abandoned property unit.

Some of the State Treasury's rules were adopted in September, 1985, while the remainder were adopted in October, 1987. Per the *New Hampshire Rulemaking Manual* Ls-A 301.10 (a), effective March, 1989, a rule expires six years after its effective date. Therefore, all of Treasury's administrative rules had expired prior to fiscal year 1995.

RSA 541-A was repealed and reenacted, effective August 9, 1994. RSA 541-A:17 (I) extended the time limit of expiration of administrative rules to eight years after the effective date. Additionally, RSA 541-A:16 (I) (a) requires each agency to adopt rules that describe its organization, its methods of operations and the means by which the general public can receive information or make requests. These rules shall not expire, subject to the provisions of RSA 541-A:17 (II). Any rules proposed by Treasury subsequent to the August 9, 1994 date will be subject to the time limits stated in RSAs 541-A:16 and 541-A:17.

#### RECOMMENDATION:

- Treasury should update and adopt administrative rules, through the Joint Legislative Committee on Administrative Rules, as directed under RSAs 6:3-a, 6-B:3 (II), and 541-A:16 (I) (a), in accordance with RSA 541-A.

#### AUDITEE RESPONSE:

- We are aware that the administrative rules of the Department have expired. We agree with the auditors' recommendation that such rules should be readopted, and we are taking steps to comply.

## FEDERAL COMPLIANCE

### OBSERVATION NO. 7 - FEDERAL FUNDS CASH MANAGEMENT

#### OBSERVATION:

- Treasury receives federal funds under the Schools and Roads-Grants to States program. The funds are sent to Treasury in two installments and are subsequently sent by Treasury to school districts in amounts determined by the federal government. The first installment, \$379,288, representing an estimate of 75% of the total, was received by Treasury on October 5, 1994. The second and final installment, \$101,489, was received on December 7, 1994. Treasury received approval from Governor & Council on January 18, 1995 to distribute the funds to the school districts. Treasury disbursed the funds on January 24, 1995, approximately six weeks after the receipt of the final payment from the federal government. The funds were distributed to 52 recipients in amounts ranging from \$55,336 to \$123.

The *Compliance Supplement for Single Audits of State and Local Governments*, issued by the Federal Office of Management and Budget, states that the time elapsed between the receipt and disbursement of federal funds should be minimized. Treasury could have sent the funds to the school districts sooner and minimized the time between the receipt and disbursement of federal funds by making an interim payment after the receipt of the first installment.

This observation was also noted in our fiscal year 1993 audit report on the State Treasury.

#### RECOMMENDATION:

- In order to minimize the time federal funds remain on hand and to allow the school districts more timely access to the funds, Treasury should disburse the funds as each installment payment is received from the federal government.

#### AUDITEE RESPONSE:

- As we had responded in the FY 1993 report, the Treasury did investigate the possibility of making interim payments. Clearly, program documentation allows for and recommends this procedure. We concluded, however, that the administrative costs involved with making interim payments (communication with various County officials relative to the funds allocated to unincorporated places, Treasury effort to calculate payments and the submission of payment schedules to Governor & Council for approval) outweigh the benefits of doing so. We would also reiterate that RSA 219:24 (now superseded by RSA 227-H:22) requires these funds to be paid over to subrecipients "within 60 days after receipt thereof," and that the federal government has never expressed any concern over this language.

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**INDEPENDENT AUDITOR'S REPORT**

TO THE FISCAL COMMITTEE OF THE GENERAL COURT:

We have audited the STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL - GENERAL FUND, the STATEMENT OF CAPITAL PROJECTS FUND ACTIVITY and the COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS of the New Hampshire State Treasury for the year ended June 30, 1995. These financial statements are the responsibility of the management of the State Treasury. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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 above are not intended to present the financial position of the New Hampshire State Treasury.

In our opinion, except for the matters discussed in the previous paragraph, the financial statements referred to above present fairly, in all material respects, certain financial activity of the New Hampshire State Treasury for the year ended June 30, 1995, in conformity with generally accepted accounting principles.

As discussed in NOTE 9 to the financial statements, during fiscal year 1995 Treasury changed its criteria for determining when revenues become available and subject to accrual.

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 and Federal Financial Assistance (Cash Basis) are presented on pages forty-two and forty-three for the purpose of additional analysis and are not required parts of the financial statements of the New Hampshire State Treasury. 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, is fairly stated 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 February 1, 1996 on our consideration of the New Hampshire State Treasury's internal control structure and a report dated February 1, 1996 on its compliance with laws and regulations.

*Office of Legislative Budget Assistant*  
OFFICE OF LEGISLATIVE BUDGET ASSISTANT

February 1, 1996

**STATE OF NEW HAMPSHIRE  
STATE TREASURY**

**STATEMENT OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 1995**

	<u>BUDGET</u>	<u>ACTUAL</u>	FAVORABLE / (UNFAVORABLE) <u>VARIANCE</u>
<b><u>UNRESTRICTED REVENUES</u></b>			
Interest on Surplus Funds	\$ 2,252,000	\$ 2,885,136	\$ 633,136
Abandoned Property (Note 9)	400,000	14,720	( 385,280)
Other	<u>191,400</u>	<u>335,343</u>	<u>143,943</u>
<b>TOTAL UNRESTRICTED REVENUES</b>	<b>\$ 2,843,400</b>	<b>\$ 3,235,199</b>	<b>\$ 391,799</b>
<b><u>RESTRICTED REVENUES</u></b>			
Abandoned Property	\$ 465,205	\$ 440,861	\$ ( 24,344)
Other	<u>49,368</u>	<u>50,838</u>	<u>1,470</u>
<b>TOTAL RESTRICTED REVENUES</b>	<b>\$ 514,573</b>	<b>\$ 491,699</b>	<b>\$ ( 22,874)</b>
<b>TOTAL REVENUES</b>	<b>\$ <u>3,357,973</u></b>	<b>\$ <u>3,726,898</u></b>	<b>\$ <u>368,925</u></b>
<b><u>EXPENDITURES</u></b>			
State Revenue Sharing	\$ 47,063,500	\$ 47,063,500	\$ -0-
Debt Service	59,902,416	44,359,516	15,542,900
Debt Service - UNH	6,949,417	6,444,930	504,487
Rooms and Meals Tax			
Distribution	6,177,478	6,177,478	-0-
Salaries and Benefits	836,768	793,284	43,484
Payment on Voided Checks	291,785	291,785	-0-
Current Expenses	260,279	236,609	23,670
Portsmouth Harbor Dredging	155,426	155,426	-0-
Nuclear Decommissioning			
Financing Revolving			
Account (Note 1)	-0-	122,999	( 122,999)
Return of Escheated Property	70,673	70,582	91
Other	<u>87,879</u>	<u>66,733</u>	<u>21,146</u>
<b>TOTAL EXPENDITURES</b>	<b>\$ <u>121,795,621</u></b>	<b>\$ <u>105,782,842</u></b>	<b>\$ <u>16,012,779</u></b>

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



**STATE OF NEW HAMPSHIRE  
STATE TREASURY**

**STATEMENT OF CAPITAL PROJECTS FUND ACTIVITY  
FOR THE YEAR ENDED JUNE 30, 1995**

BALANCE FORWARD JULY 1, 1994	\$ -0-
 <b><u>APPROPRIATIONS AND REVENUES:</u></b>	
APPROPRIATIONS	964,725
LESS: ANTICIPATED RESTRICTED REVENUE FROM SOURCES OTHER THAN THE GENERAL FUND	<u>-0-</u>
NET APPROPRIATIONS	\$964,725
ACTUAL RESTRICTED REVENUE FROM SOURCES OTHER THAN THE GENERAL FUND	-0-
NET TRANSFERS IN/ (OUT)	<u>-0-</u>
TOTAL AVAILABLE	\$964,725
 <b><u>EXPENDITURES:</u></b>	
COST OF ISSUING BONDS	\$964,725
FUNDS (LAPSED TO) /DRAWN FROM THE GENERAL FUND	<u>-0-</u>
BALANCE TO BE CARRIED FORWARD	\$ -0-
LESS: UNLIQUIDATED ENCUMBRANCES	<u>-0-</u>
AVAILABLE BALANCE AS OF JUNE 30, 1995	\$ <u><u>-0-</u></u>

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

**STATE OF NEW HAMPSHIRE  
STATE TREASURY**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -  
AGENCY FUNDS  
FOR THE YEAR ENDED JUNE 30, 1995**

	<u>BALANCE 7/1/94</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE 6/30/95</u>
<b><u>NUCLEAR DECOMMISSIONING</u></b>				
<b><u>ASSETS</u></b>				
Investments	\$ <u>25,918,045</u>	\$ <u>9,493,696</u>	\$ <u>263,752</u>	\$ <u>35,147,989</u>
<b><u>LIABILITIES</u></b>				
Custodial Funds Payable	\$ <u>25,918,045</u>	\$ <u>9,493,696</u>	\$ <u>263,752</u>	\$ <u>35,147,989</u>
<b><u>PEASE DEVELOPMENT AUTHORITY</u></b>				
<b><u>ASSETS</u></b>				
Investments	\$ <u>21,921,496</u>	\$ <u>594,628</u>	\$ <u>16,652,757</u>	\$ <u>5,863,367</u>
<b><u>LIABILITIES</u></b>				
Custodial Funds Payable	\$ <u>21,921,496</u>	\$ <u>594,628</u>	\$ <u>16,652,757</u>	\$ <u>5,863,367</u>
<b><u>NH HOSPITAL TRUST FUNDS</u></b>				
<b><u>ASSETS</u></b>				
Cash and Cash Equivalents	\$ <u>2,904,086</u>	\$ <u>211,293</u>	\$ <u>175,787</u>	\$ <u>2,939,592</u>
<b><u>LIABILITIES</u></b>				
Custodial Funds Payable	\$ <u>2,904,086</u>	\$ <u>211,293</u>	\$ <u>175,787</u>	\$ <u>2,939,592</u>
<b><u>WATER RESOURCES CUSTODIAL ACCOUNT</u></b>				
<b><u>ASSETS</u></b>				
Cash and Cash Equivalents	\$ <u>1,274,043</u>	\$ <u>645,536</u>	\$ <u>-0-</u>	\$ <u>1,919,579</u>
<b><u>LIABILITIES</u></b>				
Custodial Funds Payable	\$ <u>1,274,043</u>	\$ <u>645,536</u>	\$ <u>-0-</u>	\$ <u>1,919,579</u>
<b><u>SPECIAL FUND 2ND INJURIES</u></b>				
<b><u>ASSETS</u></b>				
Cash and Cash Equivalents	\$ <u>915,888</u>	\$ <u>3,049,925</u>	\$ <u>2,253,579</u>	\$ <u>1,712,234</u>
<b><u>LIABILITIES</u></b>				
Custodial Funds Payable	\$ <u>915,888</u>	\$ <u>3,049,925</u>	\$ <u>2,253,579</u>	\$ <u>1,712,234</u>
<b><u>LAND CONSERVATION ENDOWMENT FUND</u></b>				
<b><u>ASSETS</u></b>				
Investments	\$ <u>1,552,817</u>	\$ <u>74,445</u>	\$ <u>33,261</u>	\$ <u>1,594,001</u>
<b><u>LIABILITIES</u></b>				
Due to General Fund	\$ <u>-0-</u>	\$ <u>67,314</u>	\$ <u>-0-</u>	\$ <u>67,314</u>
Custodial Funds Payable	\$ <u>1,552,817</u>	\$ <u>7,131</u>	\$ <u>33,261</u>	\$ <u>1,526,687</u>
TOTAL LIABILITIES	\$ <u>1,552,817</u>	\$ <u>74,445</u>	\$ <u>33,261</u>	\$ <u>1,594,001</u>
<b><u>BENJAMIN THOMPSON TRUST</u></b>				
<b><u>ASSETS</u></b>				
Investments	\$ <u>606,473</u>	\$ <u>73,081</u>	\$ <u>38,710</u>	\$ <u>640,844</u>
<b><u>LIABILITIES</u></b>				
Custodial Funds Payable	\$ <u>606,473</u>	\$ <u>73,081</u>	\$ <u>38,710</u>	\$ <u>640,844</u>
<b><u>NEW HAMPSHIRE VETERANS' HOME</u></b>				
<b><u>ASSETS</u></b>				
Cash and Cash Equivalents	\$ <u>480,602</u>	\$ <u>167,766</u>	\$ <u>15,892</u>	\$ <u>632,476</u>
<b><u>LIABILITIES</u></b>				
Custodial Funds Payable	\$ <u>480,602</u>	\$ <u>167,766</u>	\$ <u>15,892</u>	\$ <u>632,476</u>

(Continued)

**STATE OF NEW HAMPSHIRE  
STATE TREASURY**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -  
AGENCY FUNDS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 1995**

	<u>BALANCE</u> <u>7/1/94</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>6/30/95</u>
<b><u>FEDERAL WITHHOLDING TAX</u></b>				
<b><u>ASSETS</u></b>				
Cash and Cash Equivalents	\$ <u>128,923</u>	\$ <u>76,089,306</u>	\$ <u>76,088,550</u>	\$ <u>129,679</u>
<b><u>LIABILITIES</u></b>				
Custodial Funds Payable	\$ <u>128,923</u>	\$ <u>76,089,306</u>	\$ <u>76,088,550</u>	\$ <u>129,679</u>
<b><u>MISCELLANEOUS AGENCY FUNDS</u></b>				
<b><u>ASSETS</u></b>				
Cash and Cash Equivalents	\$ 785,343	\$ 8,618,864	\$ 8,597,358	\$ 806,849
Investments	<u>1,433,615</u>	<u>126,178</u>	<u>750,409</u>	<u>809,384</u>
TOTAL ASSETS	\$ <u>2,218,958</u>	\$ <u>8,745,042</u>	\$ <u>9,347,767</u>	\$ <u>1,616,233</u>
<b><u>LIABILITIES</u></b>				
Due to General Fund	\$ -0-	\$ 3,245	\$ -0-	\$ 3,245
Due to Univ. of New Hampshire	-0-	695	-0-	695
Custodial Funds Payable	<u>2,218,958</u>	<u>8,741,102</u>	<u>9,347,767</u>	<u>1,612,293</u>
TOTAL LIABILITIES	\$ <u>2,218,958</u>	\$ <u>8,745,042</u>	\$ <u>9,347,767</u>	\$ <u>1,616,233</u>
<b><u>TOTALS - AGENCY FUNDS</u></b>				
<b><u>ASSETS</u></b>				
Cash and Cash Equivalents	\$ 6,488,885	\$88,782,690	\$ 87,131,166	\$ 8,140,409
Investments	<u>51,432,446</u>	<u>10,362,028</u>	<u>17,738,889</u>	<u>44,055,585</u>
TOTAL ASSETS	\$ <u>57,921,331</u>	\$ <u>99,144,718</u>	\$ <u>104,870,055</u>	\$ <u>52,195,994</u>
<b><u>LIABILITIES</u></b>				
Due to General Fund	\$ -0-	\$ 70,559	\$ -0-	\$ 70,559
Due to Univ. of New Hampshire	-0-	695	-0-	695
Custodial Funds Payable	<u>57,921,331</u>	<u>99,073,464</u>	<u>104,870,055</u>	<u>52,124,740</u>
TOTAL LIABILITIES	\$ <u>57,921,331</u>	\$ <u>99,144,718</u>	\$ <u>104,870,055</u>	\$ <u>52,195,994</u>

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

**STATE OF NEW HAMPSHIRE  
STATE TREASURY**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. FINANCIAL REPORTING ENTITY**

The New Hampshire State Treasury is an organization of the primary government of the State of New Hampshire. The accompanying financial statements report certain financial activity of the State Treasury. The financial activity of the State Treasury is accounted for in the General, Capital Projects, and Agency Funds in 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 State Treasury, as an organization of the primary government, accounts for only a small portion of the General and Capital Projects Funds and those assets, liabilities and fund balances as reported in the CAFR that are attributable to the State Treasury cannot be determined. Accordingly, the accompanying financial statements are not intended to show the financial position of the State Treasury in General and Capital Projects Funds and the changes in these fund balances are not reported on the accompanying financial statements.

**B. BASIS OF PRESENTATION - FUND ACCOUNTING**

*Financial Statements*

The financial statements of the State Treasury 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.

*Fund Accounting*

The State of New Hampshire and the State Treasury use funds and account groups to report on its 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.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

#### **B. BASIS OF PRESENTATION - FUND ACCOUNTING (Continued)**

##### 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. Annual expenditures that are not allocated by law to other funds are charged to the General Fund.

###### *Capital Projects Fund*

The State records in the Capital Projects Fund certain capital improvement appropriations which are or will be primarily funded by the issuance of State bonds or notes, other than bonds and notes for highway or turnpike purposes, or by the application of certain federal matching grants.

##### FIDUCIARY FUND TYPES

###### *Agency Funds*

Financial activity related to assets held by the State Treasury as custodian are reported as agency funds in the fiduciary fund type.

##### ACCOUNT GROUPS

###### *General Fixed Assets*

General fixed assets acquired for use by the State Treasury 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, the Treasury had 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 fair market value at the time donated.

###### *General Long-Term Debt*

Activities related to general government unmatured long-term general obligation bonds payable are reflected in the General Long-Term Debt Account Group.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

#### C. BASIS OF ACCOUNTING

The State of New Hampshire accounts for its financial transactions relating to the General and Capital Projects 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 transactions can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay obligations 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. Agency Fund assets and liabilities are also accounted for on the modified accrual basis.

#### 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 operations of the Treasury are budgeted in the General Fund. Agency 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 which require appropriations under certain circumstances. As shown on the Schedule of Budgetary Components-General Fund on page forty-two, the final budgeted amount includes the initial operating budget plus supplemental appropriation warrants, balances brought forward, and transfers. A STATEMENT OF REVENUES AND EXPENDITURES-BUDGET AND ACTUAL-GENERAL FUND is presented as part of Treasury's financial statements.

RSA 9:3-a requires the Governor to submit a capital budget to the Legislature in each odd numbered year. The enacted capital budget authorizes appropriations that are usually intended to be expended over several years. A STATEMENT OF CAPITAL PROJECTS FUND ACTIVITY is presented as part of Treasury's financial statements.

## **NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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

#### **D. BUDGETARY DATA (Continued)**

##### *Variances - Favorable/Unfavorable*

The variance column on the STATEMENT OF REVENUES AND EXPENDITURES-BUDGET AND ACTUAL - GENERAL FUND highlights differences between budget and actual revenue and expenditures. For revenue, these variances are caused by actual revenue exceeding budget generating a favorable variance or actual being less than budget generating an unfavorable variance.

Revolving account revenues and expenditures are recorded in the same accounting class in the New Hampshire Integrated Financial System. In most instances operating budgets are not prepared for these accounts; rather, expenditures are made against revenues collected and balances brought forward. The unfavorable variance amount in the revolving account expenditure line does not indicate that the State Treasury had over expended its authorized amounts in this account.

##### *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 State Treasury's General Fund unliquidated encumbrance balance at June 30, 1995 was \$518.

#### **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. Assets in the General Fixed Assets Account Group are not depreciated.

#### **F. 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. In addition, the Department of Administrative Services charges rent to those departments that are housed in state-owned buildings. These fees and rent 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 -- CASH, CASH EQUIVALENTS AND INVESTMENTS

The State pools cash and investments, except for separate cash and investment accounts which are maintained in accordance with legal restrictions.

#### *Deposits*

The following statutory requirements and State Treasury policies have been adopted to minimize risk associated with deposits.

New Hampshire Revised Statutes Annotated (RSA) 6:7 establishes the policy to which the State Treasurer must adhere when depositing public monies. The statute restricts deposits to certain types of banking institutions and limits the amounts that may be on deposit with a particular bank at any one time. In addition, all depositories used by the State must be approved, at least annually, by Governor and Council.

RSA 6-B:2 requires the State Treasurer to submit quarterly financial reports detailing depository activity to the Governor and Council, the Commissioner of Administrative Services and the Legislative Fiscal Committee.

The State Treasury has adopted a policy of formally evaluating the condition of its depositories on a quarterly basis. The State Treasurer is not required to collateralize bank deposits. However, during fiscal year 1995, the State Treasury collateralized deposits at two of its major depositories. Collateral is principally in the form of U.S. Treasury direct obligations.

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 following schedule shows the June 30, 1995 balance in the State's depository accounts summarized by deposit type and risk category. The total bank balance represents the total amounts on deposit as reported by the banks. The carrying amount represents the balances per the State's records. The principal difference in demand deposits is outstanding checks which have not cleared the bank as of June 30, 1995.



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### NOTE 2 -- CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

#### *Deposits (Continued)*

	<u>Categories</u>			<u>Total Bank Balance</u>	<u>Carrying Amount</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
<b>Pooled Deposits:</b>					
Demand Deposits					
(Interest Bearing)	\$500,000	\$6,599,982	\$79,011,156	\$86,111,138	\$47,783,143
Money Market Accounts	-0-	-0-	3,831,512	3,831,512	3,831,512
Savings Accounts	17,496	-0-	1,556,952	1,574,448	1,574,448
Certificates of Deposit	-0-	-0-	-0-	-0-	-0-
Subtotal	<u>517,496</u>	<u>6,599,982</u>	<u>84,399,620</u>	<u>91,517,098</u>	<u>53,189,103</u>
<b>Restricted Deposits:</b>					
Demand Deposits	-0-	-0-	695,921	695,921	695,921
<b>Total Deposits</b>	<u>\$517,496</u>	<u>\$6,599,982</u>	<u>\$85,095,541</u>	<u>\$92,213,019</u>	<u>\$53,885,024</u>

#### *Investments*

The following statutory requirements and State Treasury policies have been adopted to ensure reasonable rates of return on investments while minimizing risk factors.

RSA 6:8 sets the policy to which the State Treasury must adhere when investing State funds. With the approval of Governor and Council, the State Treasurer must invest in obligations of the United States Government, in obligations which are legal investments for savings banks and trust companies, in all types of savings accounts, in participation units in the public deposit investment pool established pursuant to RSA 383:22, in certificates of deposit of state or federally chartered banking institutions within New Hampshire, or in certificates of deposit of national banks within the Commonwealth of Massachusetts.

The financial condition of each bank in which investments are made is evaluated by the State Treasury on a quarterly basis. Banks through which repurchase agreements are written maintain their collateral in an investment book entry account with the Federal Reserve. That collateral is not separate from the banks' assets. However, securities used for collateral are segregated from the bank's investment account and are kept free of liens, charges, or claims of third parties. Repurchase agreements represent 13.1% of the Treasury's investment portfolio at June 30, 1995. RSA 6:8 does not include reverse repurchase agreements as allowable investment instruments for the State Treasury.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### NOTE 2 -- CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

#### *Investments (Continued)*

Some United States Government Obligations are classified as Cash and Cash Equivalents because their original maturities are less than three months. For purposes of the notes to the financial statements, United States Government Obligations are categorized as investments in accordance with GASB Statement 3.

In accordance with GASB Statement 3, investments are classified as to risk by the three categories described below:

- Category 1 Insured or registered in the State's name, or securities held by the State or its agent in the State's name.
- Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the State's name.
- Category 3 Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the State's name.

The State's investments at June 30, 1995, summarized by type and risk category, are shown in the following schedule.

	<u>Categories</u>			<u>Carrying Amount</u>	<u>Market Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
<b>Pooled Investments:</b>					
Stocks and Bonds	\$ 12,162,152	\$ -0-	\$ -0-	\$ 12,162,152	\$ 12,901,358
Repurchase Agreements United States	1,460,483	-0-	38,377	1,498,860	1,498,860
Government Obligations	70,643,960	-0-	-0-	70,643,960	71,183,664
Institutional/Mutual Funds (Primarily U.S. Government Obligations)	-0-	-0-	<u>59,243,148</u>	<u>59,243,148</u>	<u>59,243,148</u>
Subtotal	<u>84,266,595</u>	<u>-0-</u>	<u>59,281,525</u>	<u>143,548,120</u>	<u>144,827,030</u>
<b>Restricted Investments:</b>					
Repurchase Agreements United States	45,485,105	-0-	-0-	45,485,105	45,485,105
Government Obligations	118,405,477	-0-	-0-	118,405,477	119,251,245
Institutional/Mutual Funds (Primarily U.S. Government Obligations)	-0-	-0-	<u>1,297,361</u>	<u>1,297,361</u>	<u>1,297,361</u>
Subtotal	<u>163,890,582</u>	<u>-0-</u>	<u>1,297,361</u>	<u>165,187,943</u>	<u>166,033,711</u>
<b>N.H. Public Deposit Investment Pool (\$11,675,440 is restricted)</b>				12,343,289	12,343,289
<b>Open-ended Mutual Funds</b>				<u>37,065,736</u>	<u>37,536,503</u>
Subtotal				<u>49,409,025</u>	<u>49,879,792</u>
<b>Total Investments</b>	<u>\$248,157,177</u>	<u>\$ -0-</u>	<u>\$60,578,886</u>	<u>\$358,145,088</u>	<u>\$360,740,533</u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### NOTE 3 -- GENERAL LONG-TERM DEBT ACCOUNT GROUP

Bonds may be issued by the State Treasurer, when authorized by Governor and Council, for specified projects or purposes. Bonds are not issued after every statutory authorization. Instead Treasury waits until market conditions are favorable then issues bonds that cover several authorizations. In general, except for revenue bonds, such borrowing constitutes general obligation debt of the State. The total balance outstanding for general obligation bonds as of June 30, 1995 was \$646,315,769.

#### *BONDS AUTHORIZED AND UNISSUED*

Bonds authorized and unissued amounted to \$294,672,020 at June 30, 1995. The proceeds of the bonds will be applied to the following funds when issued:

Highway Fund	\$ 19,142,323
Capital Projects Fund	84,429,697
Enterprise Fund - Turnpike System	<u>191,100,000</u>
Total	<u>\$294,672,020</u>

#### *TURNPIKE SYSTEM*

The Legislature has established a 10-year highway construction and reconstruction plan for the turnpike system to be funded from turnpike revenues, such as toll receipts, and other income derived or to be derived by the State from the operation of the turnpike system and all rights to receive the same, including grants, loans and other contributions from any governmental unit, investment earnings, and the proceeds of any borrowing or of any sale or disposition or insurance of any assets of the turnpike system. This legislation also authorized the Governor and Council to sell up to \$550 million of revenue bonds to support this project. The State has issued \$305 million of revenue bonds for this project.

#### *ADVANCE REFUNDING*

The following is a summary of general obligation bonds defeased by the State. The proceeds from each advance refunding issue were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the State's financial statements:

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### NOTE 3 -- GENERAL LONG-TERM DEBT ACCOUNT GROUP (Continued)

#### *ADVANCE REFUNDING (Continued)*

<u>Date of Advance Refunding</u>	<u>Amount Outstanding June 30, 1995</u>
April 15, 1993	\$ 59,460,000
September 1, 1992	49,680,000
July 1, 1989	20,470,000
July 15, 1985	<u>1,900,000</u>
Total	<u>\$131,510,000</u>

On March 15, 1991 and on August 1, 1992, the State defeased certain turnpike revenue bonds. The proceeds of the new bonds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments from the year 1999 forward on the old bonds. These bonds are considered to be defeased, from 1999 forward, and the applicable portion of the liability for those bonds has been removed from the State's financial statements. The defeased bonds outstanding at June 30, 1995 related to the above dated issues amounted to \$75.8 million and \$88.1 million, respectively.

On January 20, 1994, the turnpike system completed a cash defeasance of certain 1991 Refunding Series B and 1991 Refunding Series C bonds. Turnpike system operating cash was used to purchase U.S. Government securities, which were deposited in an irrevocable trust with an escrow agent to provide the future debt service from the year 2014 forward, and the applicable portion of the liability for those bonds has been removed from the State's financial statements. The defeased bonds still outstanding at June 30, 1995 amounted to \$27 million.

Governmental Accounting Standards Board (GASB) Statement No. 23 "Accounting and Reporting for Refundings of Debt Reported by Proprietary Activities" requires the difference between the reacquisition price of debt and the net carrying amount of the old debt be deferred and amortized as a component of interest expense effective for the fiscal year ended June 30, 1995. Prior to the issuance of GASB Statement No. 23, the difference was immediately recognized as an extraordinary gain or loss in determining net income in the period of extinguishment and reported as such on the operating statement of the proprietary fund. Although GASB Statement No. 23 may be retroactively applied, the State has elected to adopt the Statement prospectively beginning with fiscal year 1995. The implementation of GASB Statement No. 23 did not impact the financial statements of the State's proprietary funds for the period ended June 30, 1995 as the Statement was not retroactively applied and there were no advance or current refundings in the current fiscal year.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### NOTE 3 -- GENERAL LONG-TERM DEBT ACCOUNT GROUP (Continued)

#### *Changes in Long-Term Liabilities*

The following is a summary of the changes in the long-term bond liabilities as reported by the State of New Hampshire during fiscal year 1995:

<u>General Long-Term Debt Account Group</u>	<u>Balance 7/1/94</u>	<u>Accretion</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/95</u>
General Obligation Bonds	\$558,876,688	\$9,022,215	\$65,551,460	\$39,101,239	\$594,349,124
Total	<u>\$558,876,688</u>	<u>\$9,022,215</u>	<u>\$65,551,460</u>	<u>\$39,101,239</u>	<u>\$594,349,124</u>
 <u>Enterprise Funds</u>					
General Obligation Bonds	\$ 56,105,406	\$ -0-	\$ -0-	\$ 4,138,761	\$ 51,966,645
Revenue Bonds	<u>281,690,572</u>	<u>-0-</u>	<u>-0-</u>	<u>3,504,665</u>	<u>278,185,907</u>
Total	<u>\$337,795,978</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 7,643,426</u>	<u>\$330,152,552</u>
 <b>TOTAL BONDS OUTSTANDING AT 6/30/95</b>					 <b><u>\$924,501,676</u></b>

On July 7, 1994, the State issued general obligation capital improvement bonds (College Savings Bond Program) in the amount of \$25,551,460 at an average interest rate of 5.7%. These bonds are capital appreciation bonds with interest being accrued and compounded semiannually in the General Long-Term Debt Account Group. The interest is not paid until the bonds mature on July 1 in the years 1998 through 2014, at which time the expenditure will be reflected in the State's financial statements.

On December 14, 1994, the State issued \$40 million of general obligation capital improvement bonds. The average interest rate for these serial bonds is 6.02%. The bonds mature September 1, 1995 through September 1, 2014.

#### *Capital Appreciation Bonds*

Four of the State's general obligation capital improvement bonds issued since November 1990 represent capital appreciation bonds (College Savings Bond Program) with interest being accrued and compounded semiannually in the General Long-Term Debt Account Group. At June 30, 1995, the cumulative interest accretion since issuance for all four capital appreciation bonds is approximately \$31 million. The interest is not paid until the bonds mature at which time the expenditure will be reflected in the State's financial statements.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### NOTE 3 -- GENERAL LONG-TERM DEBT ACCOUNT GROUP (Continued)

#### *Debt Maturity*

All bonds issued by the State, except for the \$305 million in turnpike revenue bond issues discussed earlier in this note, are general obligation bonds which are backed by the full faith and credit of the State. Interest rates on these bond issues range from 2.7% to 8.5%. Debt service payments on "self-liquidating" debt are funded by reimbursements from component units for debt issued by the State on their behalf and through user fees and other revenues statutorily earmarked to fund debt service payments on specific projects. The anticipated source of repayment and annual maturities are as follows (in thousands):

Payable June 30,	SOURCE OF PRINCIPAL PAYMENTS					DEBT SERVICE		
	GOVERNMENTAL FUND				ENTERPRISE	TOTAL ALL FUNDS		
	General Fund	Highway Fund	Self Liquidating	Sub Total	Turnpike System	Principal	Interest	Total
1996	\$ 38,574	\$ 6,382	\$ 3,678	\$ 48,634	\$ 9,580	\$ 58,214	\$ 42,928	\$ 101,142
1997	39,862	4,366	4,622	48,850	9,426	58,276	41,145	99,421
1998	38,676	4,364	4,362	47,402	10,403	57,805	38,453	96,258
1999	42,849	4,681	6,549	54,079	11,081	65,160	35,523	100,683
2000	40,845	2,748	5,729	49,322	9,402	58,724	32,967	91,691
Thereafter	<u>344,307</u>	<u>27,401</u>	<u>71,492</u>	<u>443,200</u>	<u>284,645</u>	<u>727,845</u>	<u>275,126</u>	<u>1,002,971</u>
Subtotal	545,113	49,942	96,432	691,487	334,537	1,026,024	466,142	1,492,166
Unamortized Discount	<u>(82,239)</u>	<u>(10,942)</u>	<u>(3,957)</u>	<u>(97,138)</u>	<u>( 4,384)</u>	<u>( 101,522)</u>	<u>-0-</u>	<u>( 101,522)</u>
<b>TOTAL</b>	<b><u>\$462,874</u></b>	<b><u>\$39,000</u></b>	<b><u>\$92,475</u></b>	<b><u>\$594,349</u></b>	<b><u>\$330,153</u></b>	<b><u>\$ 924,502</u></b>	<b><u>\$466,142</u></b>	<b><u>\$1,390,644</u></b>

Turnpike System principal debt service includes general obligation principal debt service of \$52.0 million, serial revenue bond principal debt service of \$87.9 million and term revenue bond principal debt service of \$194.6 million. Actual principal paid to bond holders by the registrar is different from the above debt service schedule due to a portion of the turnpike system revenue bonds being composed of term bonds versus serial bonds. For term bonds, the State Treasurer is required to pay the bond registrar the annual principal debt service, but the bond registrar is not required to pay principal to the bond holders until the single date of maturity.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### NOTE 4 -- CONTINGENT AND LIMITED LIABILITIES

#### *Bonds and First Mortgages*

The State of New Hampshire is contingently liable for bonds sold by municipalities, school districts and for first mortgages on industrial and recreational property which contain the guarantee of the State of New Hampshire and amount to \$435,269,960. The following table shows the composition of contingent and limited liabilities as of June 30, 1995.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
N.H. Water Supply and Pollution Control Commission, RSA 485-A:7 (Legal Limit \$250,000,000 - principal and interest)	\$133,507,000	\$ 57,826,094	\$191,333,094
Business Finance Authority, RSA 162-A:22 - Economic Development (Legal Limit \$95,000,000 - principal plus interest)	38,770,649	26,373,633	65,144,282
N.H. School Building Authority, RSA 195-C:2 (Legal Limit \$75,000,000 - principal and interest)	47,175,064	20,208,893	67,383,957
Business Finance Authority, Ch. 8, Laws of 1992 - Airport (Legal Limit \$50,000,000 - principal plus interest)	42,220,000	47,702,019	89,922,019
Landfill Closures/Hazardous Waste Sites Cleanup, RSA 149-M:24 (Legal Limit \$30,000,000 - principal and interest)	1,775,000	704,085	2,479,085
Pease Development Authority, RSA 12-G:27 (Legal Limit \$12,410,000 - principal plus interest)	10,977,152	7,983,471	18,960,623
Water Resources Council, RSA 481:19 (Legal Limit \$5,000,000 - principal and interest)	45,000	1,900	46,900
<b>TOTAL</b>	<b><u>\$274,469,865</u></b>	<b><u>\$160,800,095</u></b>	<b><u>\$435,269,960</u></b>

The State of New Hampshire has a limited liability for the New Hampshire Housing Finance Authority and the New Hampshire Municipal Bond Bank. Both entities are required to maintain a bond reserve fund. A request for an appropriation may be submitted to the Legislature for a sum required to maintain the bond reserve fund at the established bond reserve fund requirements. Amounts so requested are subject to appropriation by the Legislature and do not constitute a debt of the State and no such appropriations have ever been requested.

## **NOTES TO THE FINANCIAL STATEMENTS (Continued)**

### **NOTE 4 -- CONTINGENT AND LIMITED LIABILITIES (Continued)**

#### *Bonds and First Mortgages (Continued)*

Effective June 1, 1990, RSA 12-G:14 authorized the Pease Development Authority (PDA) to issue bonds for the development of the Pease Air Force Base. Per RSA 12-G:27, the Governor and Council may award an unconditional State guarantee for the principal, not to exceed \$50 million, plus interest. As of June 30, 1995, the State has issued \$37,590,000 in general obligation bonds on behalf of PDA in lieu of a State guarantee in accordance with RSA 12-G:27 III. The general obligation debt issued on behalf of PDA reduced the legal limit of \$50,000,000 on debt guaranteed by the State to \$12,410,000 at June 30, 1995.

Effective April 13, 1992, RSA 162-I:9-a (Chapter 46, Laws of 1992) authorized the Business Finance Authority to issue bonds to improve the environmental systems of the James River Corporation. The Governor and Council may award an unconditional State guarantee for the principal, not to exceed \$25 million, and interest.

Effective May 18, 1992, RSA 33:3-f (Chapter 275, Laws of 1992) authorized State municipalities to issue Superfund Site Cleanup Bonds in order to pay all response costs associated with the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA). The Governor and Council may award an unconditional State guarantee for the principal, not to exceed \$50 million, and interest.

Effective June 8, 1994, RSA 12-G:27-b (Chapter 339, Laws of 1994) authorized the Pease Development Authority (PDA) to issue bonds for the development of the former Pease Air Force Base subject to the approval by the State's Legislative Fiscal Committee of the comprehensive development plan prepared by the PDA. The Governor and Council may award an unconditional State guarantee for the principal, not to exceed \$60 million.

### **NOTE 5 -- GENERAL FIXED ASSETS ACCOUNT GROUP**

Equipment is recorded at historical cost if known, estimated cost if historical cost is unknown, or fair market value at date of acquisition if the asset is donated.

The following is a schedule of equipment balances and activity reported by the State Treasury to the Department of Administrative Services for the fiscal year ended June 30, 1995. Equipment purchases are funded through budgeted appropriations.



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### NOTE 5 -- GENERAL FIXED ASSETS ACCOUNT GROUP (Continued)

Equipment Balance at July 1, 1994	\$159,805
Additions	11,621
Deletions	<u>( 3,733)</u>
<b>Equipment Balance at June 30, 1995</b>	<b><u>\$167,693</u></b>

### NOTE 6 -- AGENCY FUNDS

The State Treasury acts as custodian for trust and agency funds of other State government units. The Treasury invests these funds as directed by the other government units and these other government units report the results of operation of these funds. The Treasury reports these funds on the accompanying financial statements as agency funds.

### NOTE 7 -- EMPLOYEE BENEFIT PLANS

#### *New Hampshire Retirement System*

The Treasury 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 Treasury. 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) 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 firefighters and police officers.

Group I - Members contributing through age 60 qualify for a normal service retirement allowance based on years of creditable service. The yearly pension amount of 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 in service 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.

## **NOTES TO THE FINANCIAL STATEMENTS (Continued)**

### **NOTE 7 -- EMPLOYEE BENEFIT PLANS (Continued)**

#### *New Hampshire Retirement System (Continued)*

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. All covered Treasury employees are members of Group I.

The Plan is financed by contributions from the members, the State and local employers, and investment earnings. During fiscal year 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 Treasury's employees enrolled in the Plan. The annual contribution required to cover any normal cost beyond the employee contribution is determined every two years based on the Plan's actuary.

The Treasury's payments for normal contribution costs for fiscal year 1995 amounted to 2.65% of the covered payroll for its Group I employees. 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.

#### *Deferred Compensation Plan*

The Treasury as an organization of the 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.

## **NOTES TO THE FINANCIAL STATEMENTS (Continued)**

### **NOTE 7 -- EMPLOYEE BENEFIT PLANS (Continued)**

#### *Deferred Compensation Plan (Continued)*

All amounts of compensation deferred under the Plan, all property 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 Treasury 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 statute.

During the fiscal year ended June 30, 1995, the State paid for the full cost of health insurance premiums for the retired employees and spouses on a pay-as-you-go basis. The cost of the health insurance for the Treasury employees and spouses is a budgeted amount and is paid from an appropriation made to the administrative organization of the New Hampshire Retirement System. Accordingly, the cost of health insurance benefits for the retired Treasury employees and spouses is not included in the Treasury's financial statements.

### **NOTE 8 -- FEDERAL FUNDS**

The Treasury is the recipient of two federal grants entitled, Schools and Roads - Grants to States, and Flood Control Projects. The grantor agencies are the U.S. Departments of Agriculture and Defense, respectively. The funds from these grants are passed through to New Hampshire school districts, cities and towns.

### **NOTE 9 -- ACCOUNTING CHANGE**

During fiscal year 1995, Treasury changed its criteria for determining when revenues from the abandoned property program become available and subject to accrual. Prior to fiscal year 1995, Treasury accrued accounts receivable at year end when the funds from the escheatment of abandoned property were expected to be collected in the following fiscal year. Effective June 30, 1995 the Treasury began using a 90 day criteria for determining the availability of funds for accrual purposes. The 90 day criteria better

## **NOTES TO THE FINANCIAL STATEMENTS (Continued)**

### **NOTE 9 -- ACCOUNTING CHANGE (Continued)**

matches the recognition of revenue to the period when the funds become available to fund expenditures. Had this change in accounting principle been in effect at June 30, 1994, fiscal year 1995 abandoned property, unrestricted revenue would have been \$778,352.

### **NOTE 10 -- SUBSEQUENT EVENTS**

On December 1, 1995, the State issued \$35,000,000 of general obligation capital improvement bonds. The average interest rate for these bonds is 4.97%. Interest on the bonds will be payable commencing April 1, 1996 and semiannually thereafter until maturity or redemption prior to maturity on April 1 and October 1 of each year. The bonds mature October 1, 2013.

On December 20, 1995, the State issued \$25,000,000 of general obligation capital improvement bonds (College Savings Bond Program). The average interest rate for these bonds is 4.94%. Interest on the bonds will accrue from the date of their initial delivery, will be compounded semiannually on January 1 and July 1 of each year commencing July 1, 1996, and will be payable only at maturity as a portion of the maturity amount. The bonds mature July 1, 2015.

On January 22, 1996, Business Express, an airline company for which the State had unconditionally guaranteed \$10 million in bond issues, filed for bankruptcy, leaving the State liable for approximately \$9.6 million of outstanding debt. The outcome of this bankruptcy filing is uncertain at this time.

**STATE OF NEW HAMPSHIRE  
STATE TREASURY**

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

	<u>OPERATING BUDGET</u>	<u>SUPPLEMENTAL APPROPRIATION WARRANTS</u>	<u>BALANCES BROUGHT FORWARD</u>	<u>TRANSFERS IN/(OUT)</u>	<u>TOTAL BUDGET</u>
<b><u>UNRESTRICTED REVENUES</u></b>					
Interest on Surplus Funds	\$ 2,252,000	\$ -0-	\$ -0-	\$ -0-	\$ 2,252,000
Abandoned Property	400,000	-0-	-0-	-0-	400,000
Other	<u>191,400</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>191,400</u>
<b>TOTAL UNRESTRICTED REVENUES</b>	<b><u>\$ 2,843,400</u></b>	<b><u>\$ -0-</u></b>	<b><u>\$ -0-</u></b>	<b><u>\$ -0-</u></b>	<b><u>\$ 2,843,400</u></b>
<b><u>RESTRICTED REVENUES</u></b>					
Abandoned Property	\$ 308,921	\$ 156,284	\$ -0-	\$ -0-	\$ 465,205
Other	<u>40,605</u>	<u>-0-</u>	<u>8,763</u>	<u>-0-</u>	<u>49,368</u>
<b>TOTAL RESTRICTED REVENUES</b>	<b><u>\$ 349,526</u></b>	<b><u>\$ 156,284</u></b>	<b><u>\$ 8,763</u></b>	<b><u>\$ -0-</u></b>	<b><u>\$ 514,573</u></b>
<b>TOTAL REVENUES</b>	<b><u>\$ 3,192,926</u></b>	<b><u>\$ 156,284</u></b>	<b><u>\$ 8,763</u></b>	<b><u>\$ -0-</u></b>	<b><u>\$ 3,357,973</u></b>
<b><u>EXPENDITURES</u></b>					
State Revenue Sharing	\$ 51,444,966	\$(4,381,466)	\$ -0-	\$ -0-	\$ 47,063,500
Debt Service	59,902,416	-0-	-0-	-0-	59,902,416
Debt Service - UNH	6,949,417	-0-	-0-	-0-	6,949,417
Rooms and Meals Tax Distribution	-0-	6,177,478	-0-	-0-	6,177,478
Salaries and Benefits	874,589	15,115	-0-	( 52,936)	836,768
Payment on Voided Checks	-0-	291,785	-0-	-0-	291,785
Current Expenses	160,500	99,000	779	-0-	260,279
Portsmouth Harbor Dredging	-0-	155,426	-0-	-0-	155,426
Nuclear Decommissioning Financing Revolving Account	-0-	-0-	-0-	-0-	-0-
Return of Escheated Property	-0-	70,673	-0-	-0-	70,673
Other	<u>89,555</u>	<u>( 1,676)</u>	<u>-0-</u>	<u>-0-</u>	<u>87,879</u>
<b>TOTAL EXPENDITURES</b>	<b><u>\$119,421,443</u></b>	<b><u>\$ 2,426,335</u></b>	<b><u>\$ 779</u></b>	<b><u>\$ ( 52,936)</u></b>	<b><u>\$121,795,621</u></b>

**STATE OF NEW HAMPSHIRE  
STATE TREASURY**

**SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE  
(CASH BASIS)  
FOR THE YEAR ENDED JUNE 30, 1995**

<u>FEDERAL CATALOG NUMBER</u>	<u>FEDERAL GRANTOR/FEDERAL PROGRAM</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>
	<b>DEPARTMENT OF AGRICULTURE</b>		
10.665	Schools and Roads - Grants to States	\$480,777	\$480,777
	<b>DEPARTMENT OF DEFENSE</b>		
12.106	Flood Control Projects	<u>5,744</u>	<u>5,744</u>
	<b>TOTALS</b>	<b><u>\$486,521</u></b>	<b><u>\$486,521</u></b>

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## APPENDIX

### STATUS OF PRIOR AUDIT REPORT OBSERVATIONS

The following is a listing of observations contained in the audit report of the *Treasury Department For The Fiscal Year Ended June 30, 1993*, dated December 6, 1993. Along with the listing is the February 1, 1996 status of these observations. 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.

	<b>STATUS</b>
<b>REPORTABLE CONDITIONS</b>	
1. Bank Reconciliations (See Current Observation No. 1)	● ● ○
2. Segregation of Duties	● ● ●
3. Cash Management - Interest Allocation to Funds	● ● ●
<b>STATE COMPLIANCE</b>	
4. Processing Unclaimed Checks (See Current Observation No. 2)	○ ○ ○
<b>FEDERAL COMPLIANCE</b>	
5. Monitoring Subrecipients of Federal Funds	● ● ●
6. Federal Funds Cash Management - Timely Disbursements to Local Governments (See Current Observation No. 7)	○ ○ ○

#### STATUS KEY

Fully Resolved	● ● ●
Substantially Resolved	● ● ○
Partially Resolved	● ○ ○
Unresolved	○ ○ ○



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