



The State of New Hampshire

Annual Report of the Treasury

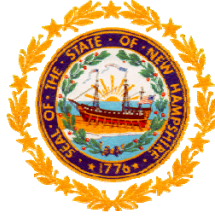
**As of and for the
FISCAL YEAR ENDED JUNE 30, 2009**

**Catherine A. Provencher
State Treasurer
Concord, New Hampshire
2009**

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Catherine A. Provencher
STATE TREASURER



**THE STATE OF NEW HAMPSHIRE
STATE TREASURY**

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September 30, 2009

To His Excellency the Governor and the Honorable Council:

Pursuant to, RSA 6:17, RSA 6:43, RSA 11:5-b and RSA 20:7, I am pleased to submit the Annual Report of the State Treasury, as of and for the fiscal year ended June 30, 2009 for your approval.

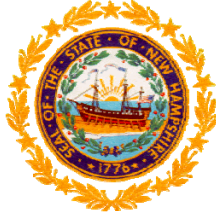
The New Hampshire Treasury is charged with executing a variety of financial management tasks. Among those responsibilities, the Treasury performs internal bank and investment management functions for the State's funds; issues the State's general obligation and revenue bonds and other debt and, pursuant to RSA 471-C, is responsible for acquiring and returning to owners all financial property that qualifies as abandoned property under the law. The Treasurer is also a member of various boards and commissions and acts as trustee and custodian of various State funds.

Please note that all the information contained in this report is unaudited and subject to change pending the audit of the State's Comprehensive Annual Financial Report.

The staff of the Treasury and I personally look forward to the challenges of the next fiscal year as we continually strive to improve the wide range of financial management services we provide to the residents of New Hampshire and to all branches of State government.

Respectfully submitted,

Catherine A. Provencher
State Treasurer



**STATE OF NEW HAMPSHIRE
SELECTED STATE OFFICIALS**

GOVERNOR

John H. Lynch

EXECUTIVE COUNCIL

Raymond S. Burton, District 1
John D. Shea, District 2
Beverly A. Hollingworth, District 3
Raymond J. Wieczorek, District 4
Debora B. Pignatelli, District 5

ATTORNEY GENERAL

Kelly A. Ayotte

COMMISSIONER OF ADMINISTRATIVE SERVICES

Linda M. Hodgdon

STATE TREASURER

Catherine A. Provencher

SECRETARY OF STATE

William M. Gardner

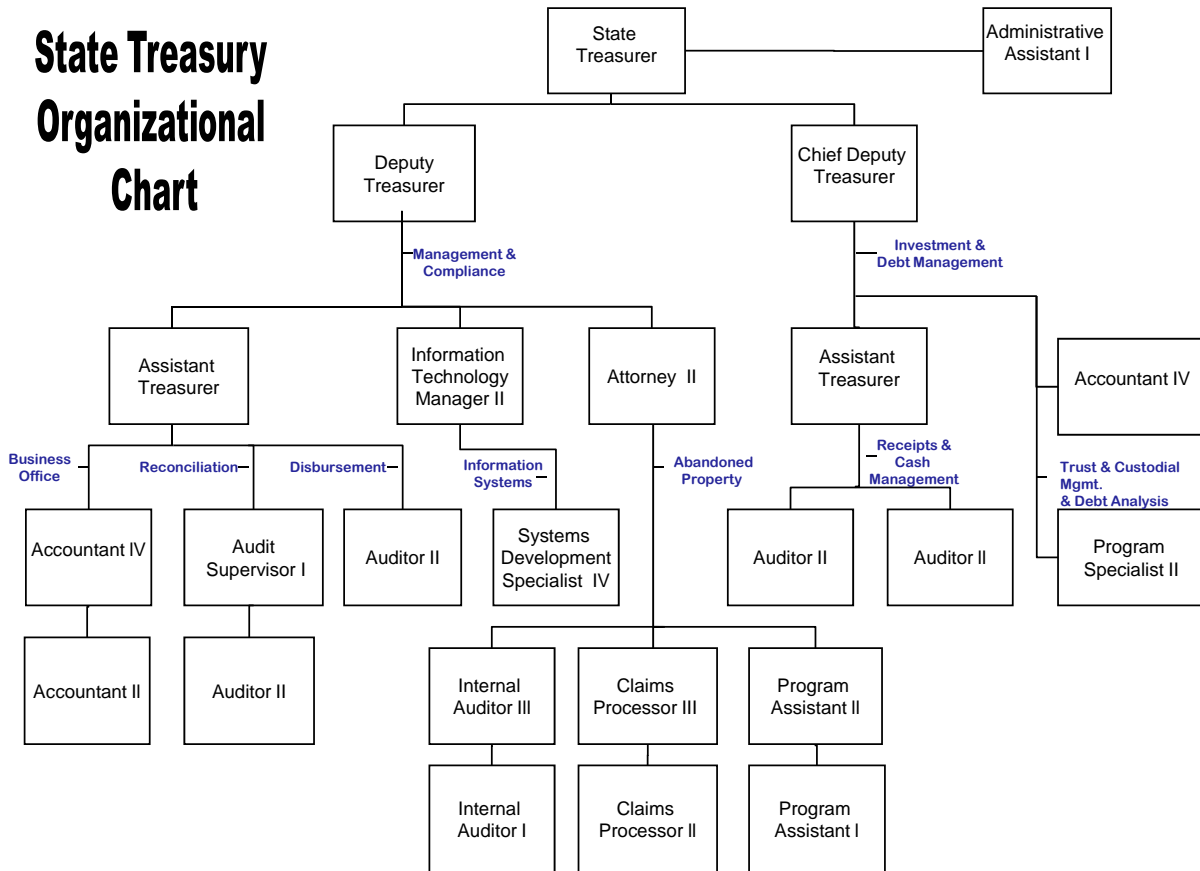
OVERVIEW OF TREASURY

Part 2; Article 67 of the New Hampshire Constitution establishes the position of the Treasurer of the State of New Hampshire. In accordance with the Constitution, the Treasurer is elected by a joint session of the Senate and the House of Representatives (the General Court). This election takes place on the first Wednesday of December following the biennial election when the newly elected General Court meets for organizational purposes.

The State Treasury is responsible for a variety of financial management activities including cash and investment management, debt management, and the unclaimed and abandoned property program. The Treasurer is a member of many boards and commissions including but not limited to the New Hampshire Retirement System, the New Hampshire Municipal Bond Bank, the New Hampshire Business Finance Authority, the Nuclear Decommissioning Finance Committee and the College Tuition Savings Plan Advisory Commission. The Treasurer is also the trustee of, or has administrative responsibilities for many trust, custodial, escrow and other funds.

The authorized staffing of the Treasury for the 2010/2011 biennium is 24 positions, however two of these positions are vacant and a third position is unfunded due to budget constraints. The organizational chart below illustrates the authorized positions for each functional area.

**State Treasury
Organizational
Chart**



CASH MANAGEMENT

The Treasury is responsible for a broad array of cash management activities related to its role as the state's "bank". It is the Treasury's responsibility to have the right amount of cash, when and where needed to finance the operating and capital budgets. This responsibility is accomplished in several ways including cash flow forecasting, collecting and concentrating funds, making disbursements, and investing available daily cash balances.

In fiscal year 2009, the Treasury managed over \$5.1 billion in receipts and approximately \$5.3 billion in disbursements. A list of receipts and disbursements by major fund category follows:

COMPARATIVE STATEMENT OF RECEIPTS AND DISBURSEMENTS

	For the Year Ended June 30		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
BEGINNING BALANCE	\$545,664,610	\$582,741,939	\$479,803,900
RECEIPTS:			
GENERAL	\$3,235,974,863	\$3,176,301,145	\$3,057,464,621
LIQUOR	547,076,282	518,295,045	481,273,158
SWEEPSTAKES	128,871,417	138,968,747	167,600,258
HIGHWAY	447,555,422	445,617,025	454,364,862
TURNPIKE	106,937,029	105,755,100	89,173,896
FISH AND GAME	23,604,596	23,994,280	21,501,503
EMPLOYEE BENEFIT	25,693,715	24,701,607	21,933,853
CAPITAL	164,206,578	150,975,533	126,431,902
EDUCATION	414,125,736	439,817,400	424,763,879
TOTAL	\$5,094,045,637	\$5,024,425,882	\$4,844,507,932
<i>PERCENTAGE CHANGE</i>	<i>1.4%</i>	<i>3.7%</i>	<i>5.9%</i>
DISBURSEMENTS:			
GENERAL	\$3,309,393,908	\$3,063,938,889	\$2,906,637,324
LIQUOR	540,685,231	512,234,581	475,587,752
SWEEPSTAKES	54,917,369	59,552,604	85,092,172
HIGHWAY	405,238,808	392,048,118	375,240,416
TURNPIKE	88,468,887	69,415,573	68,581,694
FISH AND GAME	14,974,508	15,924,526	13,545,078
EMPLOYEE BENEFIT	262,610,916	240,230,049	221,812,781
CAPITAL	119,037,468	134,780,992	115,788,897
EDUCATION	486,524,857	573,377,877	479,283,779
TOTAL	\$ 5,281,851,953	\$ 5,061,503,210	\$ 4,741,569,894
<i>PERCENTAGE CHANGE</i>	<i>4.4%</i>	<i>6.7%</i>	<i>5.0%</i>
ENDING BALANCE	\$357,858,295	\$545,664,610	\$582,741,939
<i>PERCENTAGE CHANGE</i>	<i>-34.4%</i>	<i>-6.4%</i>	<i>21.5%</i>

At June 30, 2009, the State's total cash and investment balance was \$358 million. On a year over year basis, the State's total cash and investment balances decreased by \$188 million, or just over 34 percent. A list of cash and investment balances by major fund category follows:

STATEMENT OF CASH BALANCES BY FUND

<u>FUND</u>	<u>As of June 30</u>		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
GENERAL	\$305,716,274	\$425,903,576	\$383,570,432
LIQUOR	21,967	22,000	22,000
SWEEPSTAKES	593,814	(201,280)	1,226,446
HIGHWAY	(14,801,226)	28,483,320	51,390,356
TURNPIKE	100,517,323	94,300,335	74,848,672
FISH AND GAME	9,975,531	9,414,888	9,210,717
EMPLOYEE BENEFIT	35,744,396	44,599,884	55,721,196
CAPITAL	(44,116,278)	(23,794,579)	(15,254,844)
EDUCATION	(35,793,505)	(33,063,535)	22,006,963
TOTAL	\$357,858,295	\$545,664,610	\$582,741,939
NET ANNUAL CHANGE	(\$187,806,316)	(\$37,077,328)	\$102,938,039
<i>PERCENTAGE CHANGE</i>			
<i>FROM PRIOR YEAR</i>	-34.4%	-6.4%	21.5%

The Treasury earned approximately \$4.5 million in investment income on available cash balances for all operating funds. Interest earnings in fiscal year 2009 decreased by nearly \$14 million compared to the prior year. This year over year decrease of nearly 77 percent was driven by a combination of a steep decline in short-term interest rates and a significant reduction in cash balances over the course of the fiscal year. Not only did cash balances decline by over 34 percent, but the average monthly rate of return on pooled cash for the fiscal year declined nearly 76 percent from a high of 2.1 percent to a low of .49 percent at fiscal year end. The benchmark used for short term investments and liquid funds is the U.S. Treasury 90 day bill. The average monthly yield on 90 day t-bills over the fiscal year began the year at a high of 1.7 percent and ended at a low of .18 percent, a reduction of approximately 89 percent.

TRUST AND AGENCY ACCOUNTS

Pursuant to RSA 11:1, the State Treasurer acts as the custodian of "...all trust funds left to and accepted by the state..." As of June 30, 2009, the market value of those trust and agency funds was approximately \$45 million. These funds are comprised of forty-two (42) separate trust funds, ranging in market value from just under \$5 thousand to over \$15.5 million with investment objectives ranging from short-term liquidity to maximum capital gain.

These funds originated from a variety of sources and serve a wide variety of beneficiaries. A list of these trust and agency funds, along with activity and balances for fiscal year 2009, is included in this report as Exhibit 1.

DEBT MANAGEMENT

General obligation debt is paid from the State's taxes and other revenues. As of June 30, 2009, total outstanding general obligation debt was \$768.2 million. Please note, this figure includes \$1.2 million of general obligation debt of the Turnpike system which is presented under the Turnpike section on page 11. The following table shows the outstanding general obligation debt (excluding that of the Turnpike system) organized on the basis of the major categories from which it is paid. The vast majority of this debt is repaid from the general fund while the remaining balance is paid from a variety of dedicated user fees and fines.

In November 2008, the State issued \$149.6 million in traditional fixed rate, tax-exempt general obligation capital improvement bonds to provide permanent financing for a variety of capital projects previously authorized by the legislature, including those related to new highway fund authorizations. The sale of these bonds resulted in an all-in true interest cost (including fees) of approximately 4.67%. As has historically been the Treasury's practice, the final maturity of the bonds is approximately 20 years from date of issuance with approximately 60% of the principal being repaid in the first 10 years of the life of the bonds and 40% in the second half of the life of the bonds.

Despite being sold in a very challenging market, this new money issue was sold primarily to retail investors and was oversold within the first several hours it was available. Both the speed at which the bonds were placed as well as the number of willing buyers indicates the demand that continues to exist for New Hampshire issued bonds even in a very tough economic environment.

In March 2009, Treasury issued \$29.8 million in traditional fixed rate refunding bonds. Again, the bonds sold within hours and resulted in an all-in true interest cost of 2.56%. Both the speed and resulting yields relative to market conditions and comparable sales indicate a strong demand for general obligation debt issued by the State. The refunding resulted in \$1.65 million in savings on a cash basis and represents a 5.5% savings over the life of the issue as measured by a net present value basis.

SCHEDULE OF FUTURE DEBT SERVICE PAYMENTS

(In Thousands)

Fiscal Year (s)	General Fund		Highway Fund		Self-Supporting		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 59,947	\$ 34,357	\$ 7,559	\$ 5,583	\$ 7,341	\$ 2,841	\$ 74,847	\$ 42,781
2011	57,594	31,730	7,405	5,359	7,139	2,637	72,137	39,726
2012	50,731	26,929	6,899	3,967	7,095	2,212	64,726	33,108
2013	46,606	21,591	6,623	3,688	6,939	1,910	60,169	27,189
2014	43,516	18,949	6,470	3,273	3,818	1,712	53,804	23,934
2015-19	184,167	72,704	30,782	12,044	16,742	5,631	231,691	90,379
2020-24	124,425	23,829	21,824	5,730	10,371	1,904	156,620	31,463
2025-29	37,297	3,398	12,560	1,420	3,103	271	52,960	5,089
	\$ 604,282	\$ 233,487	\$ 100,122	\$ 41,064	\$ 62,548	\$ 19,117	\$ 766,953	\$ 293,668

Notes:

General Fund - Includes debt service paid from Unrestricted General Fund Revenues.

Highway Fund - Includes debt service paid from Unrestricted Highway Fund Revenues and separate funds within the Highway Fund.

Self-Supporting - Includes debt service paid from a variety of funding sources including Unrestricted Fish & Game Fund revenues, special user fees and fines.

This schedule is unaudited and prepared on the cash basis of accounting.

Turnpike System Bonds

In addition to coordinating the issuance of general obligation debt, the Treasury issues revenue bonds for the turnpike system. These bonds are repaid solely from the revenues (tolls) collected throughout the turnpike system. Total outstanding debt (principal only) of the Turnpike system as of June 30, 2009 was \$248 million, as reflected in the following table. \$246.8 million consists of revenue bonds with final maturities in fiscal year 2029. The remaining \$1.2 million consists of general obligation debt with final maturities in 2011.

SCHEDULE OF FUTURE TURNPIKE DEBT SERVICE PAYMENTS

(In Thousands)

Fiscal Year (s)	Revenue Bonds		Gen'l Obligation Bonds		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 13,500	\$ 12,093	\$ 624	\$ 45	\$ 14,124	\$ 12,137
2011	14,710	11,426	584	15	15,294	11,440
2012	14,550	10,692	0	0	14,550	10,692
2013	16,950	9,960	0	0	16,950	9,960
2014	13,895	9,105	0	0	13,895	9,105
2015-19	87,215	32,462	0	0	87,215	32,462
2020-24	60,060	13,947	0	0	60,060	13,947
2025-29	25,885	3,946	0	0	25,885	3,946
	\$ 246,765	\$ 103,630	\$ 1,208	\$ 59	\$ 247,973	\$ 103,689

Note: This schedule is unaudited and prepared on the cash basis of accounting.

STATE GUARANTEED DEBT

The State is contingently liable for certain municipal government debt issues for water pollution control bonds, school building, and landfill bonds up to statutory limits. The State also provides certain guarantees for the debt issued by the Pease Development Authority and the Business Finance Authority. There are statutory limitations on these contingent debt guarantees:

1. The limit may be either on the total amount guaranteed or on the total amount guaranteed that remains outstanding at any time; the latter is a revolving limit, allowing additional guarantees to be awarded as guaranteed debt is retired.
2. The statutory dollar limit may represent either the total amount of principal and interest or only the total amount of principal that may be guaranteed; in the latter case interest on that principal amount may also be guaranteed but is not otherwise specifically limited.

Issuance of new debt with a State guarantee requires the approval of the Governor and Executive Council.

As of June 30, 2009, the remaining unused guarantee authorizations under the various statutory limitations were:

<u>Purpose</u>	<u>Guarantee Maximum</u>	<u>Remaining Capacity</u>
Water Pollution Control Bonds	\$ 50.0 million ⁽¹⁾ ⁽²⁾	\$ 37.0 million
School Bonds	\$ 30.0 million ⁽¹⁾ ⁽²⁾	\$ 18.5 million
Superfund Site Bonds	\$ 20.0 million + int.	\$ 20.0 million + int.
Landfill and Waste Site Bonds	\$ 10.0 million ⁽¹⁾ ⁽²⁾	\$ 9.7 million
Business Finance Authority	\$ 95.0 million + int. ⁽¹⁾	\$ 39.6 million
Pease Development Authority	\$ 85.0 million + int.	\$ 65.3 million
Division of Water Resources	\$ 5.0 million + int.	\$ 5.0 million + int.
Housing Finance Authority		
Child Care	\$ 0.3 million principal	\$ 0.3 million

(1) Revolving limit

(2) Limit applies to total principal and interest.

Chapter 144, Laws of 2009, increased the State guarantee for School Bonds to \$95 million, effective July 1, 2009.

The State also has an exposure for debt issued by municipalities through the Municipal Bond Bank. If any municipality that has issued through the Bond Bank fails to make scheduled debt payments and escrowed funds are not sufficient to cover missed payments, then the Bond Bank may ask the legislature for non-appropriated funds to cover any shortfall. While this exposure exists, the level of its risk is not easily quantifiable to evaluate the potential on the State's credit rating. Chapter 324, Laws of 2008, amended RSA 35-A:24 to include an intercept program where in the case of a default by a governmental unit, the treasurer shall pay the bond bank the defaulted amount from general or education trust fund appropriations that are due to the governmental unit that defaulted.

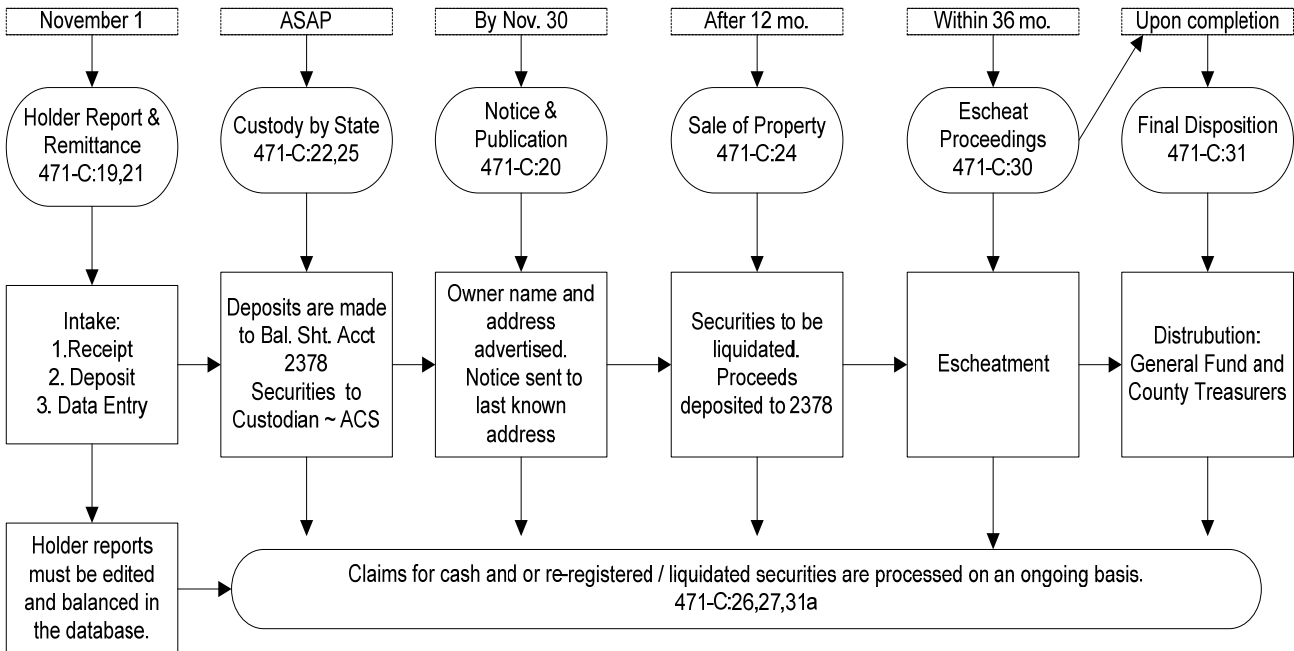
ABANDONED PROPERTY

Overview

Pursuant to the provisions of NH RSA Chapter 471-C, Treasury’s Abandoned Property Division is charged with the task of receiving and returning intangible properties to the rightful owner or heir. Typically, such properties are in the form of cash from dormant accounts but may also include securities such as stock or mutual funds in share form. These properties are reported and remitted by the “holders” of such property. By and large, holders are entities such as banks, credit unions, corporations, utilities, insurance companies, retailers, as well as government agencies and municipalities.

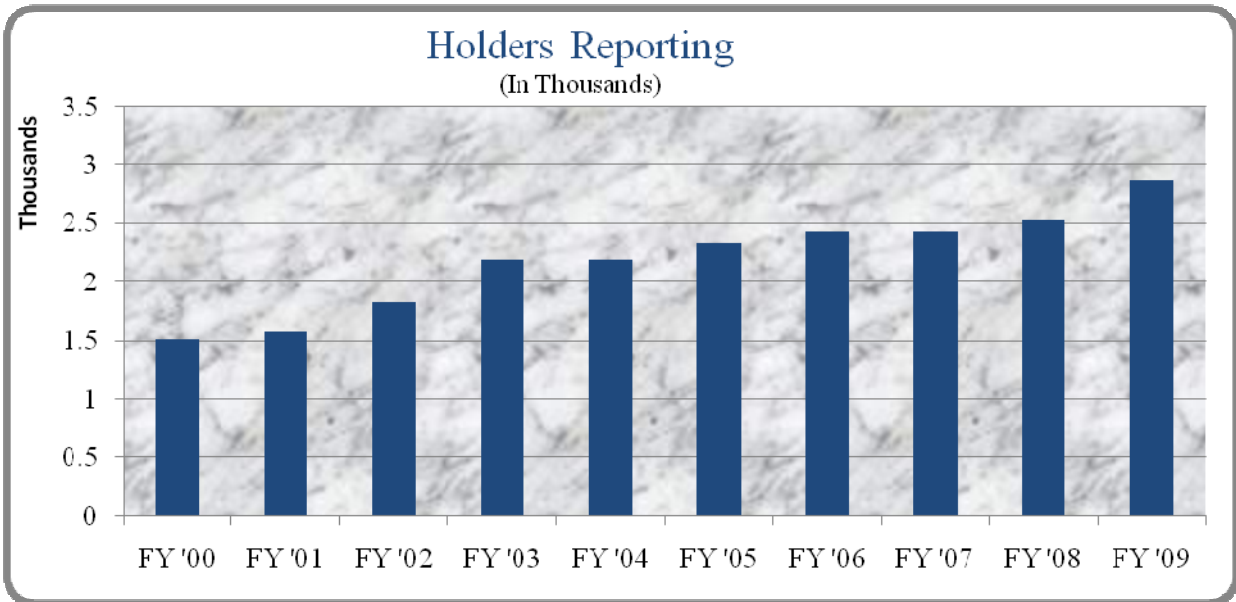
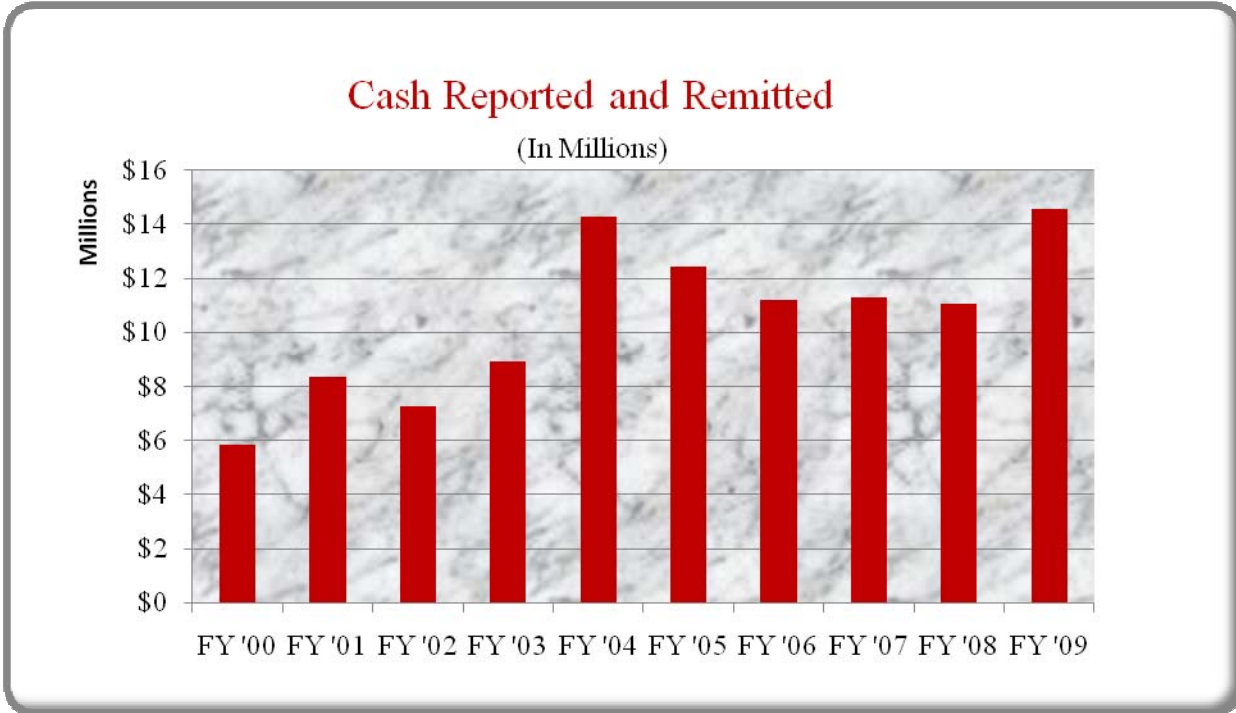
Diligent efforts are made to assure that the property owners are made aware their property has been reported and remitted to Abandoned Property. An annual newspaper advertisement listing all names reported and their last known address is published in all counties of the state. Additionally, a mailing in the form of a post card notification is sent to the last known address of the reported owner. Further, Abandoned Property participates in MissingMoney.com, a multi-state database of unclaimed property owner information, and also maintains an internet web page affording ready access to any citizen inquiring about a lost or abandoned account.

In summary, Abandoned Property’s statutory obligation and annual production cycle requires receipt and deposit of unclaimed funds and shares; maintenance of a database of the properties; sending notice to, and advertisement of, the name and last known address of the reported owner; processing claims; and escheating unclaimed funds to the state’s general fund. The general timeline below offers a sense of the annual workflow.



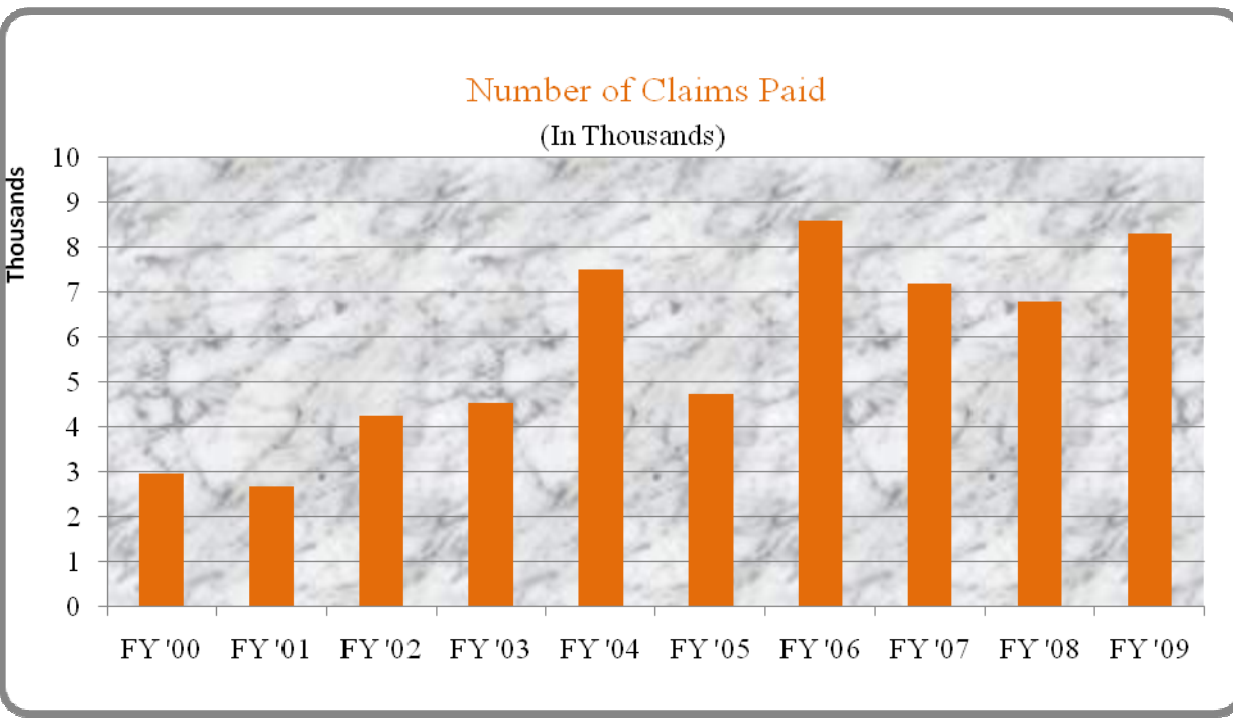
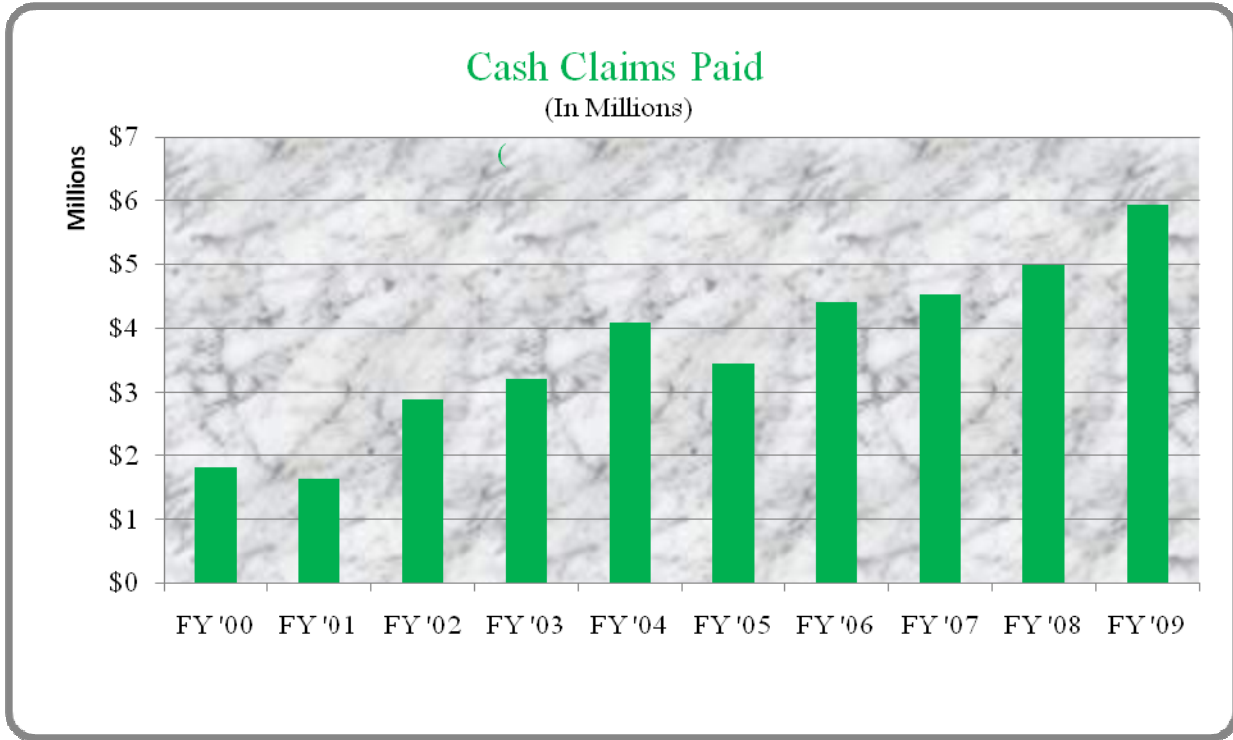
Holder Reporting and Remittances

In fiscal year 2009, over 2,800 holders of property reported and remitted cash in excess of \$14.5 million together with more than 372,000 shares of stock and/or mutual funds. Over the past ten (10) fiscal years, Abandoned Property has taken in just over \$105 million from holders averaging approximately \$10.5 million annually.



Owner Claims Processed.

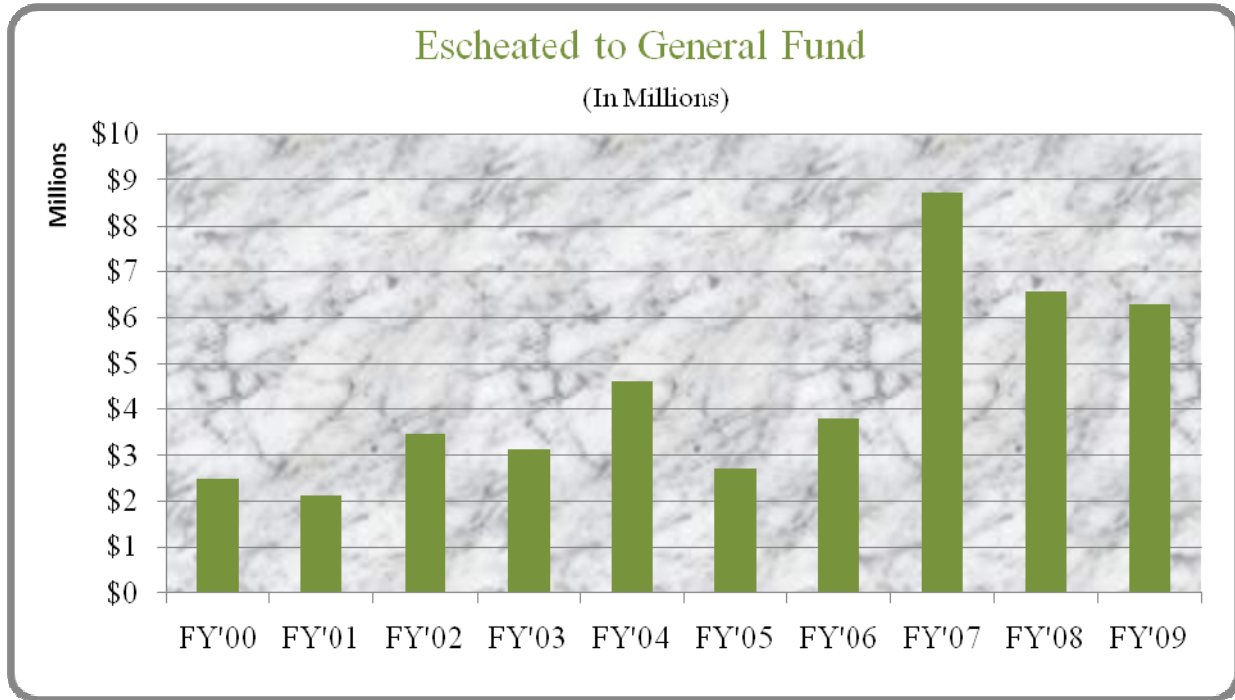
During fiscal year 2009, Abandoned Property returned almost \$6 million dollars to citizens presenting more than 8300 claims. The average claim paid was \$715 and the largest individual claim was \$178,687. In the past ten (10) fiscal years, nearly \$37 million has been returned to owners with an average of \$3.7 million returned each year.



Escheatment (NH RSA Chapter 471-C: 30, 31)

Abandoned Property delivered almost \$6.3 million to the General Fund during fiscal year 2009. Over the past ten (10) fiscal years, almost \$44 million has been escheated to the General Fund. On average a transfer of funds of \$4.4 million has taken place each year. A noteworthy increase in funds transferred in FY'07 was the result of a significant, one time, recovery of demutualization proceeds from life insurance companies.

The following graph excludes the impact of the liquidation of securities for fiscal years 2007, 2008 and 2009 discussed below.



Securities Liquidation (NH RSA Chapter 471-C; 30, 31)

Treasury practices, with respect to liquidation of unclaimed securities, have been modified in an effort to recover and deliver proceeds to owners' accounts and the General Fund on a timelier basis. Essentially, proceeds from liquidated securities are transferred in the same fiscal year they are sold, as opposed to being held for an additional period as was the past practice. The result of this change is an increase in recent year escheatment dollars with significant additional monies being delivered to the General Fund in conjunction with, and in addition to, the annual escheatment dollars. Total liquidation proceeds delivered to the General Fund during fiscal years 2007 and 2008 and 2009 were \$16.1 million and \$2.9 million and 6.3 million respectively.

COLLEGE SAVINGS PLAN

As the fiscal year closed, Treasury and the College Tuition Savings Plan Advisory Commission (“Advisory Commission”) had completed eleven years of sponsoring the UNIQUE College Investing Plan and seven years of sponsoring the Fidelity Advisor 529 Plan, pursuant to RSA 195-H. Both plans are managed by Fidelity Investments, under contract to the State through calendar year-end 2013. The combined net assets for the two plans approximated \$7.2 billion at the end of the fiscal year. The New Hampshire Plans ranked third of all state plans in the market value of net assets. Plan assets were held by 572,000 participants throughout the country.

Both plans are very flexible and withdrawals can be used for a wide range of qualified higher education expenses such as books, required supplies, equipment, room and board, and tuition at accredited postsecondary schools, anywhere in the United States and at several international institutions. There are no income limits on participation and participation is open to anyone, regardless of state of residence. The UNIQUE College Investing Plan is sold directly to retail investors, while the Fidelity Advisor 529 Plan is sold through financial intermediaries, such as financial planners, on a fee (commission) basis.

The New Hampshire Excellence in Higher Education Fund (the “Trust Fund”) was established pursuant to RSA 6:38 and is funded by a small administrative fee generated from the two plans. The purpose of the Trust Fund is to pay for administrative costs incurred by the Advisory Commission and, much more importantly, provides scholarships to financially needy New Hampshire students attending New Hampshire postsecondary education institutions, under the guidance of the Advisory Commission. Two new scholarship programs, implemented in mid-2006, are:

1. UNIQUE Annual Allocation Program (Annual Program) that provides annual scholarships to New Hampshire students attending the University System of New Hampshire, the Community College System of New Hampshire and eleven other eligible and participating New Hampshire postsecondary education institutions.
2. UNIQUE Endowment Allocation Program (Endowment Program) that provides monthly funding to restricted endowment funds established and managed by the University System of New Hampshire, the Community college System of New Hampshire and eight other eligible and participating New Hampshire postsecondary education institutions. With these institutions providing scholarships from the earnings of their growing endowment fund, it is intended that future UNIQUE scholarships will be available to New Hampshire students in perpetuity.

Criteria for both scholarship programs were developed by the Advisory Commission, are established in administrative rules and are reviewed at least annually.

The Trust Fund, administered by Treasury, has provided scholarship funding through the end of fiscal 2009 as follows (in thousands of dollars):

	2009 Fiscal Year	From Inception
Annual Program	\$3,271	\$ 4,830
Endowment Program	\$8,173	\$30,255

As of the end of fiscal year 2009, the Trust Fund had a market value of nearly \$15.4 million.

SEABROOK NUCLEAR DECOMMISSIONING

As of June 30, 2009, the Seabrook Decommissioning Trust fund had assets with a market value of \$311.5 million, which is a reduction of 16 percent, after taxes, for the fiscal year due to negative investment market returns. The trust represents the cumulative contributions made by the owners of the Seabrook Nuclear Power Project for the cost of future decommissioning and investment earnings on those contributions, net of appropriate taxes and certain administrative expenses. The trust is invested on the basis of elections made by each individual owner, subject to an investment policy approved by the State Treasurer, and influenced by the tax status of each individual owner. The trust fund is invested in a mix of equities (stocks), fixed income securities (bonds) and cash. The allocation of the fund at the end of the fiscal year was approximately 55 percent stocks and 45 percent bonds and cash. In addition, \$12.5 million was being held in separate escrow accounts at June 30, 2009 on behalf of the owners.

The Seabrook Decommissioning Trust is not in the custody of the State Treasurer, nor does the Treasurer serve as the trustee. It is held in trust by Mellon Bank for the owners of the Seabrook Nuclear Power Plant for the sole purpose of covering decommissioning costs when the plant shuts down. Although the Treasurer serves on the Nuclear Decommissioning Financing Committee, pursuant to RSA 162-F, and fulfills certain other administrative roles, Treasury provides no direct financial management or custodial services to the Trust.

TREASURY ACCOMPLISHMENTS AND INITIATIVES

Treasury had a number of accomplishments over the past year, and continues with a number of initiatives which started during the fiscal year and are ongoing. As a service provider to other State agencies, these important changes could not have taken place without the full and enthusiastic cooperation of the Treasury staff, a variety of State agencies, the Legislature and private sector financial services firms.

NH FIRST

Significant Treasury resources have been involved in the final design, testing, training, data conversion and transition for the successful launch of the State's new financial system, NH FIRST, on July 6, 2009. Treasury staff had lead or other critical roles in such areas as cash receipts, cash disbursements, check printing and ACH payments, capital projects and related bonding, and

compliance with the Federal Cash Management Improvement Act. Several internal, Treasury-specific applications and business processes were modified to support and interact with the NH FIRST system. Additional efforts will continue throughout fiscal 2010 to improve the current processing, to implement previously identified system enhancements, and to improve internal Treasury-specific processes dependent on NH FIRST.

Legislative Activity

Treasury continued to work with legislators seeking to make needed changes to statutes. During the 2009 legislative session, Treasury worked with the Chair of House Ways and Means and the Department of Administrative Services on House Bill 600, which amended statutes relating to “dedicated funds.” This bill addressed three issues regarding dedicated funds, State-held trust, custody and other funds:

1. To provide standard financial definitions for use in the statutes to avoid future legislator confusion.
2. To clarify and streamline reporting of dedicated funds for intended use by legislative policy committees.
3. To update titles of certain dedicated funds, add new dedicated funds and delete certain dedicated funds due to previous statutory changes.

Treasury also worked with legislators to streamline the depository requirements of State agencies, in Senate Bill 39, by changing the maximum deposit limit requirement, including those State facilities which are not located near a depository bank.

Debt Management System

Treasury continued implementation of its new debt management system which was developed in-house. The number of reports built and released into production increased and Treasury has plans to add a dozen additional reports in the new fiscal year, as well as refining and improving the user interface.

Financial Security

Treasury has certain bank services in place to prevent fraud and provide sound financial controls. One of these services, known as “Positive Pay”, is the creation and sending of check issue files to our banking partners for all of the state’s checks that are issued. These check issue files provide the banks with such information as check numbers, dates and dollar amounts so that when a check is presented for payment, it is validated against the file that was sent. The most recent feature added to the positive pay service is called “payee name verification” which has been implemented on the payroll account.

Additionally, Treasury has placed debit blocks on our accounts to prevent unauthorized Automated Clearing House (ACH) transactions from processing against them. Accordingly, our banks will only process transactions that meet specific criteria established by Treasury.

Although there is no statutory requirement for Treasury to collateralize any bank deposits, Treasury has such agreements in place for our major banking partners. These collateral agreements were reviewed and updated during the fiscal year.

Office Security Enhancements

With the assistance of Administrative Services, Treasury continued to enhance the security of the Treasury office spaces during off-hours. All off-hours accesses to Treasury are now required to utilize doors which require electronic key cards. Such access has now been restricted from over 100 State employees to only Treasury staff, limited housekeeping personnel, security and emergency services. All such accesses are reported to Treasury and continue to be reviewed on a weekly basis.

Credit Card Best Practice Collaboration

Many state entities accept payment cards, including credit, debit, and stored-value cards, as a form of payment for goods and services provided to the public. The volume of transactions and the variety of processing methods used across state agencies, including transactions processed via the internet, has been steadily growing. With the ever increasing awareness of security concerns and sensitivity of personal data, coupled with an equally ever increasing commitment to insuring best practices are used statewide, a joint task force was formed by the Treasury to address the card or merchant activity of the state. With the goals of mitigating risks and enhancing controls in an area of significant exposure, this collaborative effort amongst key central service agencies will ultimately result in comprehensive policies and procedures for all state agencies.

Treasury continues to be part of a statewide collaborative effort to manage its merchant activity and responsibilities. A 'department head' level acknowledgment letter and signature form will go into place during the fiscal year, further enhancing the State's collective awareness on the rules and responsibilities around credit card acceptance.

Disbursements Security and Efficiency Efforts

Treasury has issued a state-wide policy which will not only streamline the vendor check disbursement process but, more importantly, will minimize the exposure of sensitive Treasury banking information. The policy states that vendor checks should not be returned to state agencies except in extraordinary circumstances. The policy also eliminates the photocopying of state issued checks for any reason and insists on proper disposal (shredding) of any existing copies. These changes will help to ensure good internal controls and improve the efficiency of the check disbursement process.

Treasury has also made changes to the post processing of state payroll checks by requiring agencies to take on the responsibility of sorting and mailing their payroll, where it is more efficient, rather than having Treasury personnel perform this function.

Banking Processes and Products

Treasury continued to review and analyze improved internal controls and safeguards over state funds and improvements to Treasury processes provided by emerging products by our banking partners. Two examples of such products which may potentially become available to all State agencies include lockbox services and remote deposits. Pilot programs for these initiatives were implemented in 2009 and are currently being evaluated for use by other agencies.

Treasury Policy Development

To enhance professionalism, strengthen personal ethics and to develop teamwork, Treasury implemented a formal Code of Conduct policy and a Fraud Policy and Procedure which are applicable to each staff member. A comprehensive Fraud Risk Assessment was also initiated and will continue well into fiscal year 2010 in order to improve the safeguards over State cash and investments. The assessment will review Treasury's role in the overall State's internal control process, reviewing confidential data flowing into and out of Treasury to other agencies or to our banking partners, as well as analyze detailed processes and procedures internal to Treasury. Recommendations for data security improvements will begin implementation as they are identified or as budgeted resources permit.

TRUST AND ESCROW ACCOUNTS HELD BY THE STATE TREASURER

Fiscal Year 2009

<u>Fund Name</u>	Beginning			<u>Market Value Change (Net)</u>	Ending
	<u>Market Value</u>	<u>Annual Earnings</u>	<u>Net Annual Transactions</u>		<u>Market Value</u>
Health & Human Services					
- Laconia State School	\$150,220	\$2,825	\$0	(\$0)	\$153,045
- New Hampshire Hospital	5,614,420	195,382	(198,251)	(675,982)	4,935,569
- Youth Development Center	62,849	1,164	(2,675)	0	61,338
- Matthew Elliott Memorial Trust Fund	4,549	86	0	(0)	4,634
- Catastrophic Illness Fund	241,128	5,290	0	(62,133)	184,286
New Hampshire Veterans' Home					
- Benefit Fund	516,231	14,541	0	(98,329)	432,442
- Members' Administrative Account	228,652	4,300	0	0	232,952
- Guy Thompson Account	15,619	291	(505)	0	15,405
Dept of Agriculture, Markets & Foods					
- Agriculture, Markets & Foods	17,145	322	0	0	17,467
Department of Education					
- John Nesmith	298,148	8,294	(18,717)	(54,032)	233,693
- Special Teachers Competence	192,589	5,410	(2,850)	(35,091)	160,058
- Hattie Livesey	15,271	400	0	(3,072)	12,600
- Harriet Huntress	30,129	827	0	(5,833)	25,123
University of New Hampshire					
- Sam Whidden Trust	151,942	515	(745)	(43,217)	108,494
- Ben Thompson Trust	1,514,013	43,309	(44,306)	(251,238)	1,261,778
Department of Fish & Game					
- Lifetime License Fund	1,439,089	35,414	(11,618)	(368,130)	1,094,755
Dept of Resources & Economic Dev.					
- Caroline A. Fox Fund	141,199	2,329	(820)	0	142,708
- Tip-Top House Fund	23,529	442	0	(0)	23,972
Office of Energy and Planning					
- Land Conservation Monitoring Endow.	2,439,186	57,849	(37,362)	(185,541)	2,274,132
Department of Labor					
- Special Fund for Active Cases	82,823	0	(8,256)	0	74,567
- Special Fund For Second Injuries	3,260,473	50,595	(2,644,697)	0	666,372
Department of Safety					
- Financial Responsibility	132,278	1,936	(22,519)	0	111,694
- Road Toll Bonds	333,633	11,779	481,732	0	827,143

TRUST AND ESCROW ACCOUNTS HELD BY THE STATE TREASURER

Fiscal Year 2009

<u>Fund Name</u>	Beginning			Market Value Change (Net)	Ending
	Market Value	Annual Earnings	Net Annual Transactions		Market Value
Department of Environmental Services					
- Piscataquog	91,273	1,691	(25,000)	0	67,964
- Mascoma	119,678	2,251	0	0	121,928
- Winnepesaukee	136,125	2,560	0	(0)	138,685
- Connecticut-Coos	1,739,159	32,714	343,352	0	2,115,225
- Squam Lake	57,550	1,082	0	(0)	58,633
- Newfound	78,245	1,472	0	0	79,716
- Sugar River	29,540	513	(2,445)	0	27,608
Pari-Mutuel Commission					
-Pari-Mutuel Licensee Escrow	416,196	8,576	125,000	0	549,772
Post Secondary Education					
-PEC Care Med	32,211	606	0	(0)	32,817
-PEC First Choice	31,418	591	0	0	32,008
Public Utilities Commission					
-Electric Assistance Program	122,764	871	(118,616)	(0)	5,019
Treasury Department					
- Unclaimed and Abandoned Property					
(1)	16,297,886	369,442	(9,363,219)	9,909	7,314,018
- Japanese Charitable Fund	71,417	2,560	0	(10,876)	63,100
- Rural Rehabilitation Corp	23,921,612	239,141	(1,541,769)	(7,114,263)	15,504,721
- College Savings Plan Trust	255,199	4,799	0	0	259,998
- Foreign Escheated Estates					
Other					
- Community Conservation Endowment	1,200,123	25,379	368,821	0	1,594,323
- Connecticut Lakes Headwaters					
- Tract Monitoring Endowment	1,328,780	24,978	(25,500)	(0)	1,328,258
- Natural Areas Stewardship	1,165,373	22,148	(700)	(0)	1,186,821
- Tract Road Maintenance	1,347,317	25,338	(4,655)	(0)	1,368,000
Total Trust & Escrow Accounts	\$65,346,978	\$1,210,009	(\$12,756,320)	(\$8,897,827)	\$44,902,840

"Net Change in Market Value" includes realized and unrealized gains and losses.

(1) This includes only the securities held by ACS Unclaimed Property Clearinghouse.

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