



**The State of New Hampshire
Annual Report
of the
State Treasury**

**As of and for the
FISCAL YEAR ENDED JUNE 30, 2013**

**Catherine A. Provencher
State Treasurer**

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Catherine A. Provencher
STATE TREASURER

**THE STATE OF NEW HAMPSHIRE
STATE TREASURY**

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September 30, 2013

To Her 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, 2013 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 look forward to the challenges ahead as we continually strive to improve the wide range of financial management services we provide to the citizens 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

Margaret W. Hassan

EXECUTIVE COUNCIL

Raymond S. Burton, District 1
Colin Van Ostern, District 2
Christopher T. Sununu, District 3
Christopher C. Pappas, District 4
Debra B. Pignatelli, District 5

SECRETARY OF STATE

William M. Gardner

ATTORNEY GENERAL

Joseph A. Foster

COMMISSIONER OF ADMINISTRATIVE SERVICES

Linda M. Hodgdon

STATE TREASURER

Catherine A. Provencher

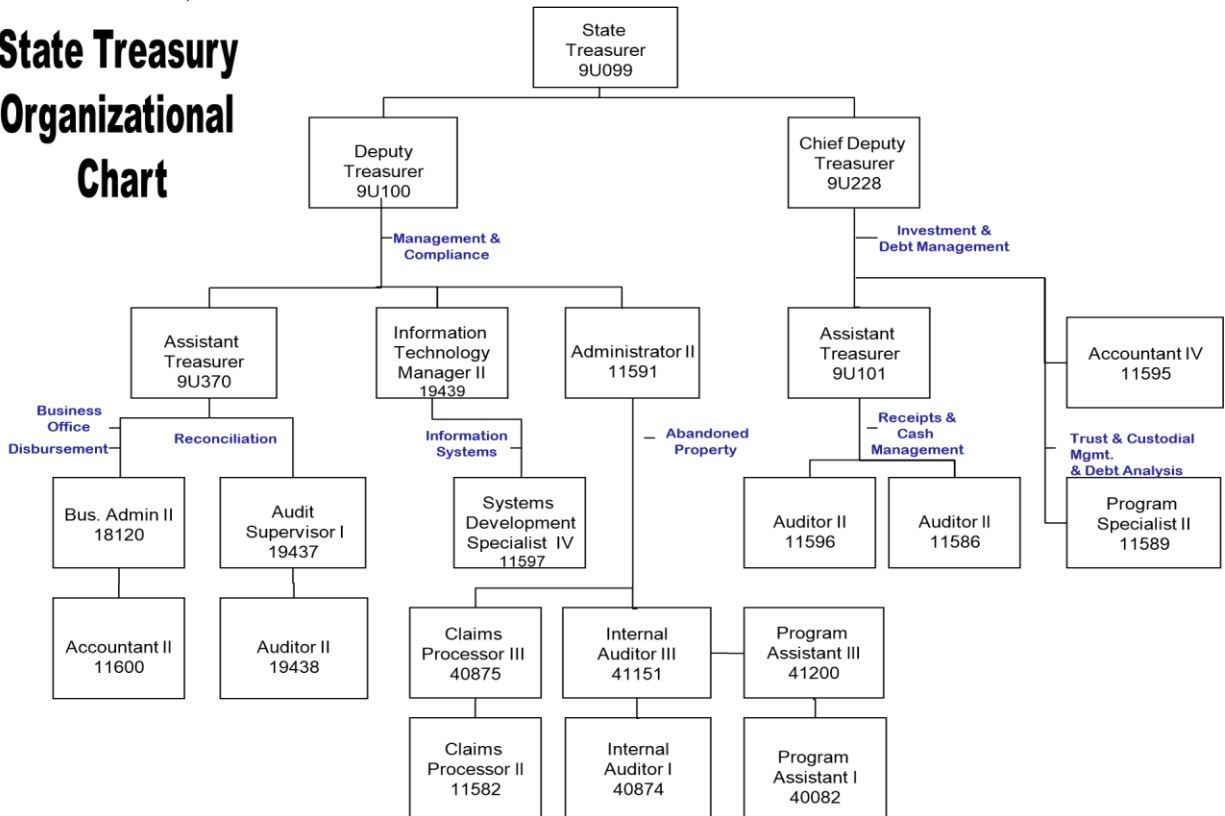
OVERVIEW OF THE TREASURY

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 2012/2013 biennium is 22 positions, 5 unclassified and 17 classified, and, as of the close of fiscal year 2013, all positions, except one, were filled. The organizational chart below illustrates the authorized positions for each functional area as of June 30, 2013.

**State Treasury
Organizational
Chart**



As of June 30, 2013

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 2013, the Treasury managed over \$5.5 billion in receipts and approximately \$5.3 billion in disbursements. A list of receipts and disbursements for the past three fiscal years follows:

COMPARATIVE STATEMENT OF RECEIPTS AND DISBURSEMENTS

(Unaudited)

	As of and for the Year Ended June 30		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
BEGINNING BALANCE	\$ 745,594,037	\$ 655,975,613	\$ 604,671,539
TOTAL RECEIPTS	5,508,233,414	5,255,496,091	5,602,341,952
TOTAL DISBURSEMENTS	<u>(5,288,757,422)</u>	<u>(5,165,877,667)</u>	<u>(5,551,037,878)</u>
ENDING BALANCE	<u>\$ 965,070,029</u>	<u>\$ 745,594,037</u>	<u>\$ 655,975,613</u>

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, 2013, the fair market value of the forty-seven (47) trust and agency funds was approximately \$33 million, with a maximum individual fund value of over \$6 million and investment objectives ranging from short-term liquidity to maximum capital gain. Six accounts were liquidated during the fiscal year, two of which had also been opened during the fiscal year. These funds originated from a variety of sources and serve a wide array of beneficiaries. A list of these trust and agency funds, along with activity and balances for fiscal year 2013, is included in this report as Exhibit 1.

DEBT MANAGEMENT

General Obligation Bonds:

General obligation debt is paid from the State's taxes and other revenues. As of June 30, 2013 total outstanding general obligation debt was \$963 million. Approximately 71% of this debt will be repaid from the general fund while the remaining balance is paid from a variety of dedicated user fees and fines.

On September 26, 2012 the Treasury issued a \$1,445,000 general obligation capital improvement bond through a private placement sale to the NH Municipal Bond Bank (NHMBB) to use as an investment in its Debt Service Reserve Fund. The bond pays an average coupon of 3.25% with a maturity date of 2032, resulting in a true interest cost of 2.67%. This issue pays interest only until maturity, thereby serving as a steady reserve investment for the NHMBB.

On November 28, 2012 the Treasury issued \$90,000,000 General Obligation Capital Improvement Bonds, 2012 Series B (the "Bonds") through a competitive sale. The Bonds have maturities ranging from 2013 to 2032 with an average coupon of 3.59%. The Bonds were sold through a competitive sale and resulted in an overall true interest cost of 1.99%. These Bonds were issued for the sole purpose of financing state authorized capital projects. The projects funded with the proceeds are associated with a variety of state agencies and have been authorized over several capital budgets. The majority of the projects funded are those in the 2012/2013 capital budget, such as: completion of the Hampton Seashell, repairs/improvements of the State Library, implementation of the new Revenue Department tax application, repair/maintenance of Court System facilities, construction of Milford Kindergarten, various building projects of the NH Community College System, and a variety of construction projects related to Transportation and Fish and Game facilities.

Turnpike System Bonds:

In addition to coordinating the issuance of general obligation debt, the Treasury issues capital improvement revenue and refunding 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, 2013 was \$423 million (not including total outstanding Federal Highway Grant Anticipation Bonds outstanding of \$178 million).

Treasury issued \$110,180,000 Turnpike System Revenue Bonds, 2012 Series C on August 30, 2012. The 2012 revenue bonds have maturities in 2013 through 2042 with a true interest cost of 3.58%.

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, 2013 the remaining unused guarantee authorizations under the various statutory limitations were:

<u>Purpose</u>	<u>Guarantee Limit</u>	<u>Remaining Capacity</u>
Water Pollution and Waste Control Bonds	\$ 50.0 million ^{(1) (2)}	\$ 48.4 million
School Building Authority Bonds	\$ 95.0 million ^{(1) (2)}	\$ 48.4 million
Superfund Site Bonds	\$ 20.0 million	\$ 20.0 million
Landfill and Waste Site Bonds	\$ 10.0 million ^{(1) (2)}	\$ 10.0 million
Business Finance Authority Bonds	\$ 95.0 million ⁽¹⁾	\$ 25.0 million
Pease Development Authority Bonds	\$105.0 million	\$ 48.9 million
Housing Finance Authority Child Care Loans	\$ 0.3 million ⁽¹⁾	\$ 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. In accordance with RSA 195-C:2 and as recommended by the School Building Authority and approved by the Governor and Executive Council, the State guaranteed \$51.6 million (principal and interest) of General Obligation Qualified School Construction Bonds issued by five school districts as of June 30, 2010. These bonds are federally taxable bonds created through the American Recovery and Reinvestment Act of 2009 and issued by school districts for facility construction and/or renovation or for the purchase of land upon which a facility will be built.

The State also has 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.

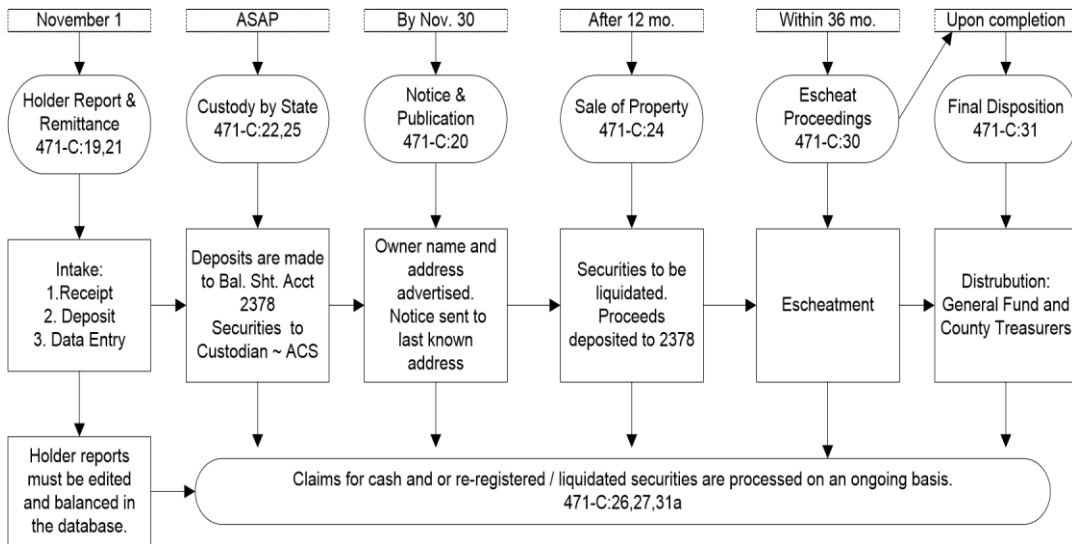
ABANDONED PROPERTY

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.

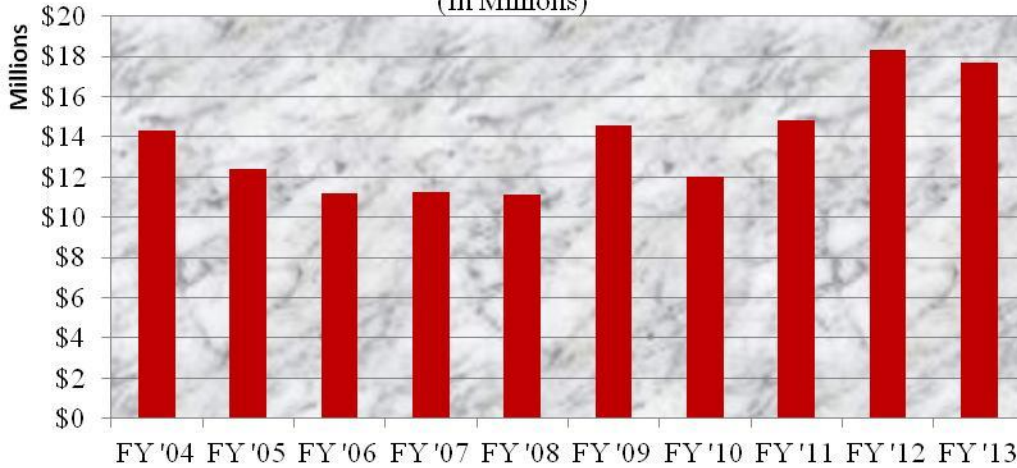
Diligent efforts are made to ensure that the property owners are notified that their property has been reported and remitted to the Division. An annual advertisement listing all names reported and their last known address is published in a newspaper with state-wide circulation. Additionally, a mailing in the form of a postcard notification is sent to the last known address of the reported owner. Further, the Division participates in MissingMoney.com, a multi-state database of unclaimed property owner information, and also maintains a page on the State Treasury website, affording ready access to any citizen inquiring about a lost or abandoned account.

In summary, the Division’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 provides an overview of the annual workflow.



Cash Reported and Remitted

(In Millions)

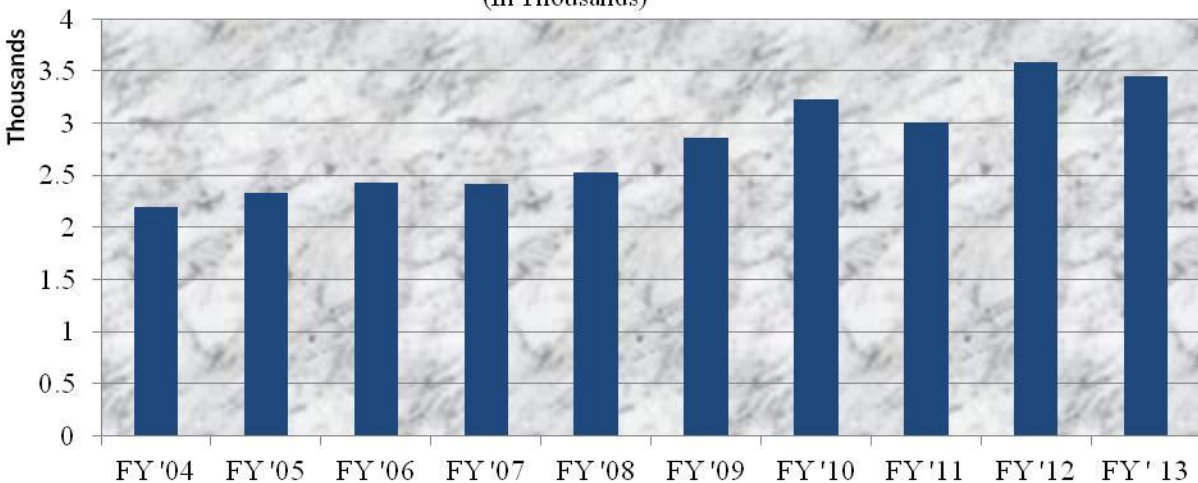


Holder Reporting and Remittances:

In fiscal year 2013, nearly 3,500 holders of property reported and remitted cash in excess of \$17.6 million and delivered roughly 594,761 shares of stock and/or mutual funds to the state's custodial account. Over the past ten (10) fiscal years, the Division has taken in \$137.7 million from holders of abandoned property, averaging approximately \$13.7 million annually.

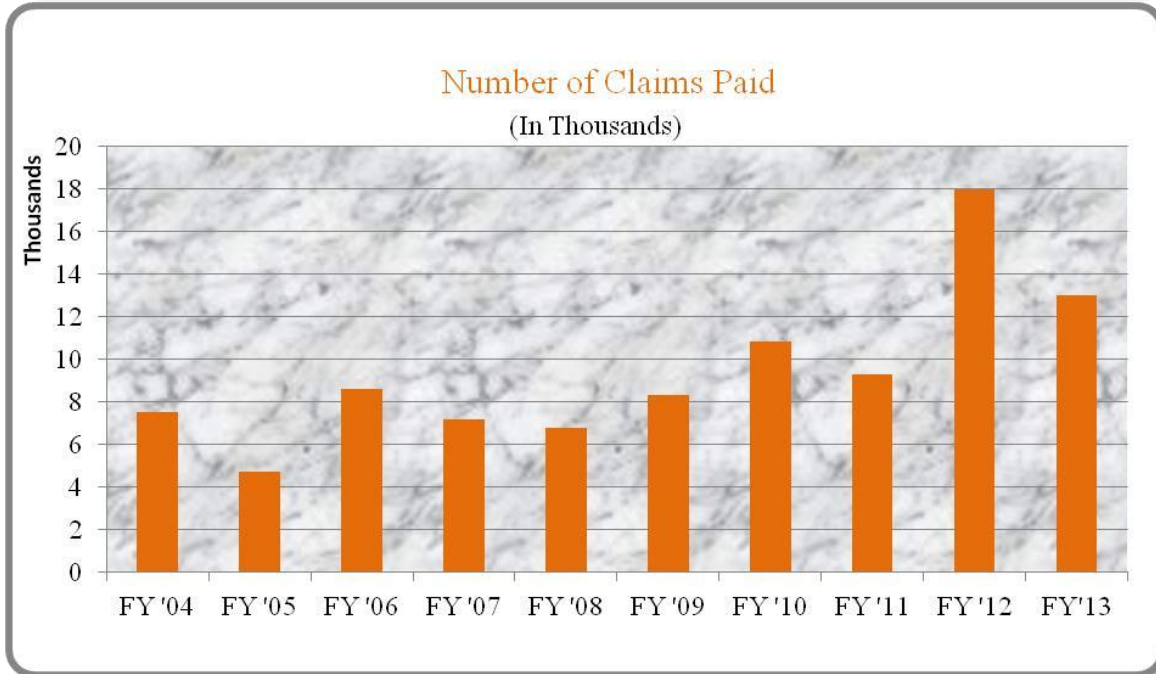
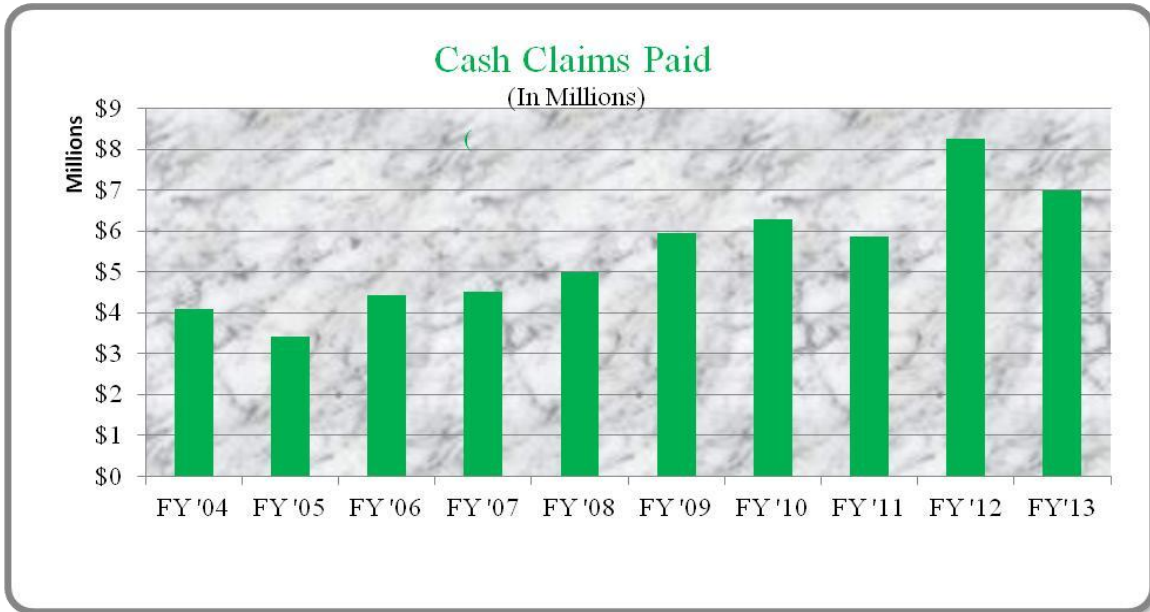
Holder Reporting

(In Thousands)



Owner Claims Processed:

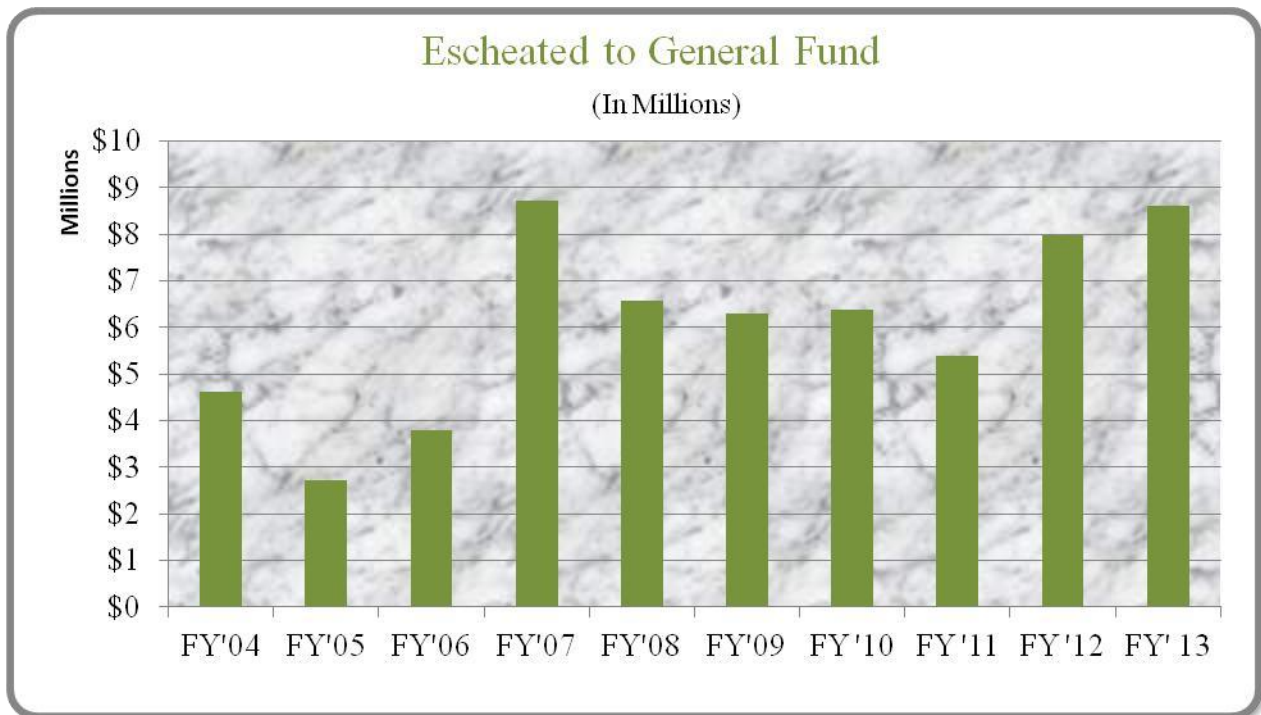
During fiscal year 2013, the Division returned nearly \$7 million dollars to citizens representing 13,015 claims paid. The average claim paid was \$538 and the largest individual claim was \$586,491. In the past ten (10) fiscal years, \$54.8 million has been returned to owners with an average of nearly \$5.5 million returned each year. A notable increase in the numbers relative to claims paid in fiscal year 2012 was largely the result of additional processing of reciprocal claims paid to other states within that fiscal year.



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

The Division delivered \$8.5 million to the General Fund during fiscal year 2013. Over the past ten (10) fiscal years, just over \$61 million has been escheated to the General Fund. On average a transfer of funds of nearly \$6.1 million has taken place each year. A noteworthy increase in funds transferred in fiscal year 2007 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, through 2013 discussed below.)



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

Treasury practices, with respect to liquidation of unclaimed securities, were modified in fiscal year 2007 in an effort to recover and deliver proceeds to owners' accounts and the General Fund on a more timely 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 funds being delivered to the General Fund in conjunction with, and in addition to, the annual escheatment dollars. Liquidation proceeds delivered to the General Fund during fiscal years 2007, 2008, 2009, 2010, 2011 and 2012 were \$16.1 million, \$2.9 million, \$6.3 million, \$1.2 million, \$3.1 million and \$3.0 million respectively. In fiscal year 2013 \$6.4 million was similarly delivered.

COLLEGE SAVINGS PLAN

As the fiscal year closed, Treasury and the College Tuition Savings Plan Advisory Commission (“Advisory Commission”) had completed 15 years of administering the UNIQUE College Investing Plan and 11 years of administering 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 2018. The combined net assets for the two plans totaled nearly \$12.1 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 over 680,000 participants throughout the country. The average participant account balance as of the end of the fiscal year approximated \$22,479 in the UNIQUE Plan and \$18,977 in the FA 529 Plan, demonstrating that this is a college savings vehicle primarily for middle and lower income families.

Both plans are very flexible and withdrawals can be used for a wide range of qualified higher education expenses such as computers, 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. Participants in these Plans have a total of 59 investment portfolio options from which to choose, comprised of age-based, static investment, and individual fund portfolios representing both actively managed and index funds, as well as a series of eight multi-firm or “open architecture” portfolios that were added during the 2012 fiscal year. The portfolios are largely funds of funds and range from aggressive 100% equity funds to highly conservative money market funds. Changes to investment portfolios are continually reviewed in order to identify investment enhancements for plan participants.

The New Hampshire Excellence in Higher Education Fund (the “Trust Fund”) was established pursuant to RSA 6:38 and is funded by an administrative fee generated from the two plans. The purpose of the Trust Fund is to provide scholarships to financially needy New Hampshire students attending New Hampshire postsecondary education institutions, under the guidance of the Advisory Commission, and secondarily, to pay for costs incurred by the Advisory Commission in the administration of the Plans. Two scholarship programs, implemented in mid2006, are:

1. UNIQUE Annual Allocation Program (Annual Program) that provides annual scholarships to New Hampshire-resident students attending the University System of New Hampshire (“USNH”), the Community College System of New Hampshire (“CCSNH”), and eleven other eligible and participating New Hampshire postsecondary education institutions. The passage of HB2 into law at the conclusion of the 2011 legislative session (budget legislation for the 2012-13 biennium) resulted in the liquidation of approximately \$13.5 million from the Trust Fund. Those funds, plus an additional \$19.3 million distributed throughout the

biennium, were appropriated to USNH and CCSNH, however under the provisions of HB2, students in the two systems were not eligible to receive Annual Award scholarships.

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. Under the provisions of HB2 (2011), the Endowment Program was restricted to a one-time yearly allocation of \$500,000 among New Hampshire’s private colleges and universities during the 2012-13 biennium.

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

The Trust Fund, administered by Treasury, has provided scholarship funding totaling more than \$60 million through the end of fiscal year 2013 as follows (in thousands of dollars):

	2013 Fiscal <u>Year</u>	From <u>Inception</u>
Annual Program	\$421	\$13,435
Endowment Program	\$500	\$47,146

As of the end of fiscal year 2013, the Trust Fund had a market value of \$3.17 million.

SEABROOK NUCLEAR DECOMMISSIONING

As of June 30, 2013, the Seabrook Decommissioning Trust fund had assets with a market value of \$502.8 million, an after-tax gain of 19.1% for the fiscal year due to improving investment market returns during the 2013 fiscal year. The trust represents the cumulative contributions made by the owners of the Seabrook Nuclear Power Station for the cost of future decommissioning and investment earnings on those contributions, net of appropriate taxes and qualified 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 68% equities and 32% fixed income and alternative

investments (direct lending). In addition, over \$29.7 million was held in separate escrow accounts on behalf of the owners at June 30, 2013.

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 Bank of New York Mellon on behalf of the owners of the Seabrook Nuclear Power Plant for the sole purpose of funding decommissioning costs when the plant ceases operations. Although the Treasurer serves on the Nuclear Decommissioning Financing Committee, pursuant to RSA 162-F, approves the Trust's Investment Guidelines, pursuant to the Master Trust Agreement, and fulfills certain other administrative roles, the State Treasury provides no direct financial management or custodial services to the Trust.

TREASURY ACCOMPLISHMENTS AND INITIATIVES

Treasury achieved several 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.

Abandoned Property, Holder Compliance and Future Initiatives:

Treasury was at the forefront of the national initiative to review the reporting history of the nation's life insurance providers. This effort was focused on determining if the insurance companies were in full compliance with abandoned property reporting requirements with regard to benefits emanating from life insurance policies. In 2011 the New Hampshire Treasury was one of the first states to join with Verus Financial, LLC, to commence this review process. As this process evolved, most other states also joined in this endeavor. By the close of fiscal year 2013, the state of New Hampshire has received more than \$6.7 million (\$4.6 million of which was received in fiscal year 2013) in life insurance benefit proceeds. Through increased reunification efforts, Treasury is hopeful that the majority of this property will be returned to the New Hampshire citizens that were the intended beneficiaries of these policy benefits.

As we transition to fiscal year 2014, the Division is focused on further operational improvements to move the Abandoned Property Program forward. By the end of fiscal year 2014, the Division will commence the conversion to a new, state of the art, automated abandoned property operations database platform. The Division will also redraft and reinstate formal Administrative Rules in the upcoming year. Most importantly, the Division is steadfast in its dedication and commitment to implement outreach educational seminars with both abandoned property holders and owners. The overarching goal of all of these undertakings is reuniting New Hampshire citizens with their unclaimed or abandoned property.

Capital Project Data Integration:

As part of an effort to provide transparency and better internal controls, Treasury staff worked toward incorporating capital projects data into the statewide financial system. The data set contains 455 capital projects which were active from July 1, 2009 to June 30, 2013. Each capital project is also accompanied by several essential data elements, listed below. Altogether, this data set, along with its elements, is fed into reporting software which produces valuable calculations such as “bondable expense” and “authorized unissued”.

Capital Project Data Elements

- | | | |
|----------------------|-------------------|--------------|
| • Chapter Law | • Class | • IFS data |
| • Appropriation | • Agency | • Expense |
| • Authorization | • Accounting Unit | • Bond Issue |
| • Unique ID | • Funding Source | |
| • Expense Allocation | | |

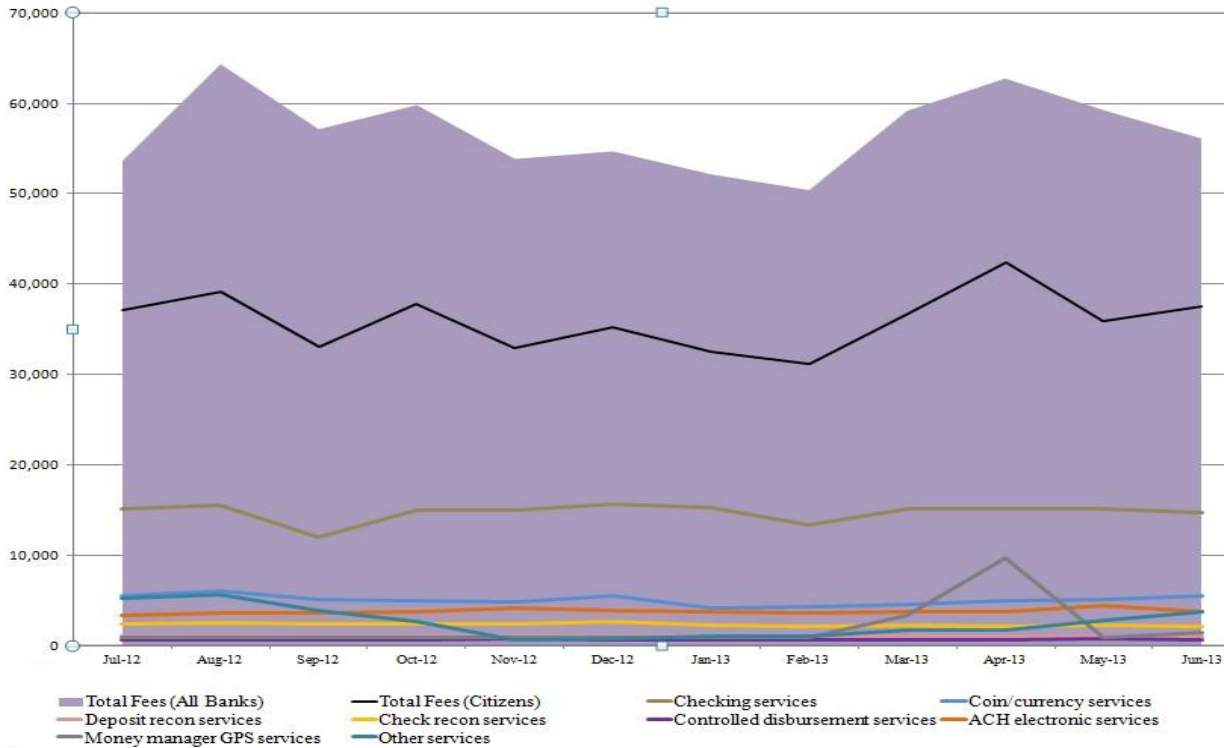
The aforesaid has been successfully loaded into the statewide financial system’s development area for testing. Initial reports have produced promising results.

Banking Processes & Products:

During FY13, interest earned at depository institutions had reached incomparable lows. To further allow for the optimization of balances maintained with Treasury’s banking vendors, Treasury had transitioned from compensating balance arrangement to a hard charge arrangement. This transition affords Treasury the latitude to deploy balances to the most advantageous account or investment product. As a result of rigorous monthly analysis of statements and trends, Treasury was able to optimize the balances it maintained as deposits with its bank vendors, or as investments with financial institution vendors.

Treasury continues to work with its banking vendors to both enhance the operational efficiency of certain banking applications utilized and to design or improve specific business continuity processes that will facilitate banking operations in the event of an interruption in normal service delivery.

Bank Service Fees - FY2013



Lean Initiative:

“Lean refers to a collection of principles and methods that focus on the identification and elimination of non-value added activity (waste) involved in producing a product or delivering a service to customers”.*

Almost all of Treasury’s employees (including Abandoned Property) have been involved in the Lean process improvement effort. Furthermore, Treasury has enlisted one of its employees as the Lean Coordinator for the Department. All employees are encouraged to submit new Lean ideas. Collectively, Treasury has a Lean culture and continues to be fully engaged in the Lean process improvement initiative.

During FY13, a Lean process improvement project was chartered to identify potential inefficiencies between Treasury’s Abandoned Property Unit and the Business Office. Although this project concluded that there were no inefficiencies between the two functional areas, valuable outputs had been produced: value stream map and catalogue of UPMS permissions. The aforesaid outputs are valuable for tightening internal controls, integrating additional descriptions into existing procedures, and increasing transparency.

* James Womack, Daniel Jones, and Daniel Roos coined the term “Lean” in their 1990 book *The Machine that Changed the World* to describe the manufacturing paradigm.

Legislative Activity:

Treasury continued to work with legislators seeking to make needed changes to statutes. During the 2013 legislative session, Treasury worked with many of the legislative committees and study committees providing research and testimony, as well responding to numerous fiscal note requests on a variety of issues. Significant efforts during this session were focused on a variety of budget related issues.

Physical Office Security Enhancements:

Treasury management continues to monitor the physical security of the Treasury office spaces during all hours. All off-hours entry to Treasury requires access through doors which utilize electronic key cards. Such access has 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. Additional physical security enhancements have been identified and will be implemented as resources permit.

Treasury Policy Development & Compliance:

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, and will be signed off by, each staff member annually. A comprehensive Fraud Risk Assessment is ongoing and will continue into fiscal year 2014 in order to improve the safeguards over State cash and investments. The assessment reviews Treasury's role in the overall internal control process of the State, reviewing confidential data flowing into and out of Treasury to other agencies or to banking partners, as well as analyze detailed processes and procedures internal to Treasury. Additional fraud risk assessments and the implementation of recommendations for data security improvements will continue as budgeted resources permit.

Treasury Participation in Statewide Initiatives:

Treasury assisted Administrative Services in the implementation of a new statewide human resources and payroll system, which took place in February 2013. This implementation is Phase II of the state's ERP system, NH First. Phase I of NH First, which included a statewide financial and budget system, was implemented in July of 2009. As a central service agency, Treasury plays an important role in the state employee payroll disbursement process, including management of employee payroll direct deposit and responsibility for payment file transmissions to the bank.

Treasury also worked with Administrative Services and Health and Human Services to assist with the integration of New Hampshire's Provider Payment (Medicaid) system into the state's financial system, NH First. The first payments to Medicaid providers from the NH First financial system were issued in April 2013. Treasury assisted with all disbursement-related functions associated with Medicaid payment processing, including payment file transmissions, training personnel in the

use of Treasury on-line banking systems and collaboration with the bank for all ACH and check payments.

Contractual Advancements:

In fiscal year 2013, the Treasury renegotiated contracts with the Abandoned Property Division's three vendors that perform examinations of unclaimed property holders to determine their compliance with the reporting requirements of RSA Chapter 471-C. In each instance, when the contracts were renegotiated for the new term, the Treasury was able to secure a reduction in the contingent fee paid to the vendor for these services. This will result in an anticipated savings of at least \$200,000 over the course of these contracts.

Additionally, when the Treasury renegotiated a new contract with the Abandoned Property Division's securities custodian, the Treasury was able to reduce the highest volume monthly transaction based fee by \$1.50 per transaction, while avoiding an increase in any other transactional based fee. As there are well over 1,000 transactions per month in the category for which the fee was reduced, a substantial cost savings was realized in fiscal year 2013 that will continue in the ensuing years of the contract.

TRUST AND ESCROW ACCOUNTS HELD BY THE STATE TREASURER (EXHIBIT 1)
Fiscal Year 2013

Fund Name	July 1, 2012 Beginning Market Value	Dividends & Interest Earned	Additions/ Deductions/ Realized Gains/Losses	Unrealized Gains/ Losses	June 30, 2013 Ending Market Value
Health & Human Services					
- Laconia State School	154,129	229	0	0	154,358
- New Hampshire Hospital	5,783,007	148,722	538	241,228	6,173,496
- Youth Development Center	36,595	54	(1,350)	0	35,299
- Matthew Elliott Memorial Trust Fund	4,667	7	0	0	4,674
New Hampshire Veterans' Home					
- Benefit Fund	640,435	11,623	(40,522)	39,861	651,397
- Members' Administrative Account	234,603	548	187,118	0	422,269
- Guy Thompson Account	15,313	22	(323)	0	15,012
Department of Education					
- John Nesmith	329,135	6,233	2,117	24,009	361,493
- Special Teachers Competence	204,926	3,837	(20,029)	14,506	203,240
- Hattie Livesey	18,123	338	119	1,402	19,983
- Harriet Huntress	35,887	689	218	2,599	39,393
University of New Hampshire					
- Sam Whidden Trust	163,771	860	1,898	25,174	191,703
- Ben Thompson Trust	1,608,377	47,256	(17)	120,506	1,776,122
Department of Fish & Game					
- Lifetime License Fund	1,542,005	21,487	(104,163)	0	1,459,330
Dept of Resources and Economic Development					
- Caroline A. Fox Fund	178,386	299	(3,711)	0	174,974
- Tip-Top House Fund	24,141	36	0	0	24,177
Department of Labor					
- Special Fund for Active Cases	11,936	0	10,398	0	22,334
- Special Fund For Second Injuries	2,628,166	5,403	(162,397)	0	2,471,173
- Crown Paper Workers Compensation	15,257	6	0	0	15,263
Department of Safety					
- Financial Responsibility	110,117	179	10,619	0	120,915
- Road Toll Bonds	862,251	767	(398,210)	0	464,809
- NH Disaster Relief Fund 2011	125,200	179	(4,438)	0	120,941
- VOIP Escrow	3,359,713	3,222	(3,132,945)	0	229,990
Department of Environmental Services					
- Connecticut-Coos	1,127,363	1,853	600,000	0	1,729,217
- Piscataquog	31,879	45	(8,000)	0	23,924
- Winnepesaukee	69,528	95	(25,000)	0	44,624
- Mascoma	42,694	63	0	0	42,757
- Squam Lake	59,048	97	30,000	0	89,145
- Newfound	80,281	119	0	0	80,400
- Sugar River	15,568	22	(3,000)	0	12,590

TRUST AND ESCROW ACCOUNTS HELD BY THE STATE TREASURER (EXHIBIT 1 Cont.)
Fiscal Year 2013

Fund Name	July 1, 2012 Beginning Market Value	Dividends & Interest Earned	Additions/ Deductions/ Realized Gains/losses	Unrealized Gains/ Losses	June 30, 2013 Ending Market Value
<u>Racing & Gaming</u>					
-Pari-Mutuel Commission Licensee Escrow	300,096	445	0	0	300,541
-State of NH Racing - Torguson Group NH LLC	25,440	38	0	0	25,478
-State of NH Racing - Casablanca	25,028	37	0	0	25,065
<u>NH Higher Education</u>					
-NH Higher Ed Atlantic Green Energy	2,003	2	(2,005)	0	0
-NH Higher Ed First Choice	23,102	16	(23,118)	0	(0)
-NH Higher Ed-Erasmus	0	0	0	0	0
-NH Higher Ed-National Seminars Group	25,043	37	(43)	0	25,037
<u>Public Utilities Commission</u>					
-Electric Assistance Program	683,559	500	1,767,349	0	2,451,409
<u>Liquor Commission</u>					
- NHSLC Warehouse Services RFP Escrow	200,004	202	(100,190)	0	100,015
<u>State Treasury</u>					
- Japanese Charitable Fund	88,887	2,106	754	4,261	96,009
- College Savings Plan Trust	3,042,722	65,553	60,882	(2,876)	3,166,281
<u>Office of Energy and Planning</u>					
- Land Conservation Monitoring Endowment	2,905,191	57,403	(17,308)	219,368	3,164,653
<u>Other</u>					
- Community Conservation Endowment	2,243,695	47,335	188,751	181,988	2,661,769
- Conn Lakes Headwaters Tract Monitoring Endow	1,345,924	24,368	(8,635)	136,610	1,498,268
- Conn Lakes Headwaters Natural Areas Stewards	1,282,886	23,592	5,211	131,323	1,443,012
- Conn Lakes Headwaters Tract Road Maintenance	1,341,418	24,164	(21,303)	134,788	1,479,067
Total Trust & Escrow Accounts	33,047,502	500,090	(1,210,735)	1,274,747	33,611,604
<u>State Treasury</u>					
- Unclaimed and Abandoned Property (1)	16,429,391	537,402	1,583,747	0	18,550,540

(1) This includes only the securities held by ACS Unclaimed Property Clearinghouse. Amounts are not reported as trust and agency funds. Bureau of Financial Reporting makes adjustment at end of year to include the market value as an asset and liability of the General Fund.