

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

**As of and for the**  
**FISCAL YEAR ENDED JUNE 30, 2016**

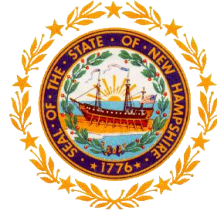
**William F. Dwyer**  
**State Treasurer**

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Cover Photos: *Clockwise from top-left:* [Lupine, Lancaster, NH](#). Courtesy Tabatha Young. [Black Bears, Farmington, NH](#). Courtesy Anonymous. [Lake Winnepesaukee, Gilford, NH](#). Courtesy Debra Fraser. [Greeley Pond - Lincoln, NH](#). Courtesy Melissa VanSickle.

**William F. Dwyer**  
STATE TREASURER



**THE STATE OF NEW HAMPSHIRE  
STATE TREASURY**

25 CAPITOL STREET, ROOM 121  
CONCORD, NH 03301  
(603) 271-2621  
FAX (603) 271-3922  
EMAIL: [bdwyer@treasury.state.nh.us](mailto:bdwyer@treasury.state.nh.us)  
TDD Access: Relay NH 1-800-735-2964

September 28, 2016

Pursuant to, RSA 6:17, RSA 6:43, RSA 11:5-b and RSA 20:7, I am pleased to present the Annual Report of the State Treasury, as of and for the fiscal year ended June 30, 2016.

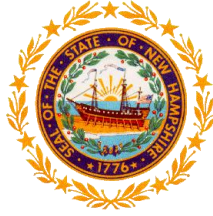
The New Hampshire Treasury is charged with performing a variety of financial management tasks. Among those responsibilities, the Treasury oversees internal cash and investment management functions for the State's funds, issues the State's general obligation and revenue bonds and other debt and, pursuant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

Please note that all of the information contained in this report is unaudited and subject to change pending completion of the State's 2016 Comprehensive Annual Financial Report.

The staff of the Treasury and I look forward to the opportunities ahead as we continually strive to enhance and securely deliver the wide range of financial management services we provide to the citizens of New Hampshire and to all branches of State government.

Respectfully submitted,

William F. Dwyer  
State Treasurer



**STATE OF NEW HAMPSHIRE  
SELECTED STATE OFFICIALS**

**GOVERNOR**

Margaret W. Hassan

**EXECUTIVE COUNCIL**

Joseph D. Kenney, District 1  
Colin Van Ostern, District 2  
Christopher T. Sununu, District 3  
Christopher C. Pappas, District 4  
David K. Wheeler, District 5

**SECRETARY OF STATE**

William M. Gardner

**ATTORNEY GENERAL**

Joseph A. Foster

**COMMISSIONER OF ADMINISTRATIVE SERVICES**

Vicki V. Quiram

**STATE TREASURER**

William F. Dwyer

## **OVERVIEW OF THE TREASURY**

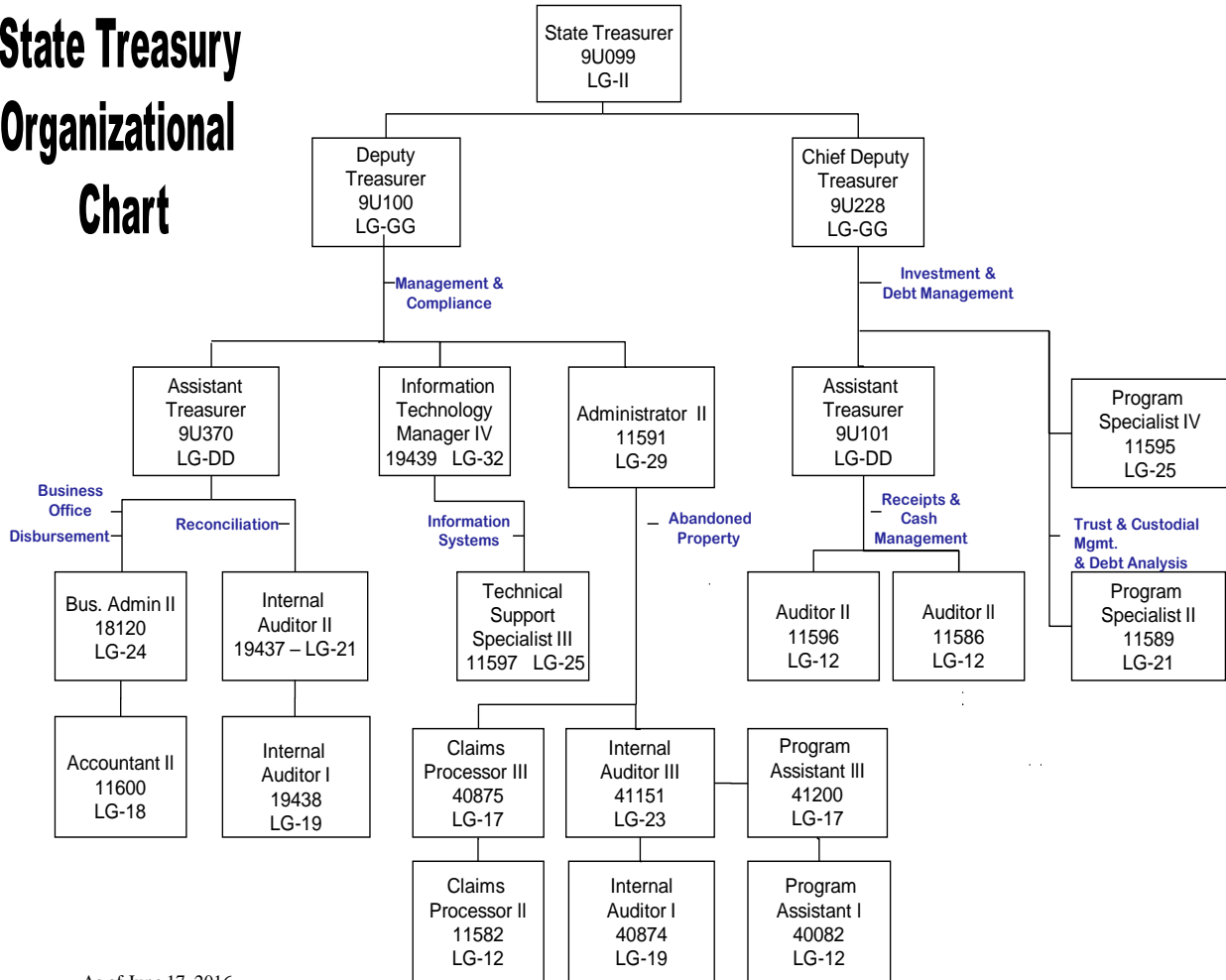
Part 2, Article 67 of the New Hampshire Constitution establishes the position of the Treasurer of the State of New Hampshire. In accordance with the Constitution, the State Treasurer is elected by a joint session of the Senate and the House of Representatives (the General Court). This election takes place on the first Wednesday of December following the biennial election when the newly elected General Court meets for organizational purposes. During a joint session of the newly-elected members of the legislature on Organization Day, Wednesday, December 3, 2014, William F. Dwyer was elected State Treasurer effective January 7, 2015 through January 3, 2017.

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 State Treasury will optimize the use of state financial assets and financial obligations while protecting both through the deployment of secure technology, cost-effective and efficient banking practices, a commitment to the prudent management of public funds, and a dedicated and highly-qualified staff.

The State Treasurer is an *ex-officio* member of numerous 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 Financing Committee (Chairman), the New Hampshire Public Deposit Investment Pool, and the New Hampshire College Tuition Savings Plan Advisory Commission (Trustee of the Plans). The State Treasurer is also the trustee of, or bears administrative responsibility for, many trust, custodial, escrow, and other funds.

The authorized staffing of the State Treasury for the 2016-2017 biennium is 22 positions, 5 unclassified and 17 classified, and, as of the close of fiscal year 2016, all positions except one were filled. The organizational chart below illustrates the authorized positions for each functional area as of June 30, 2016.

# State Treasury Organizational Chart



As of June 17, 2016

## CASH MANAGEMENT

The Treasury is responsible for a wide array of cash management activities pursuant to its role as the state's "bank". It is the Treasury's responsibility to maintain the appropriate amount of cash when and where needed in order to finance the State's operating and capital budgets. This responsibility is met in several ways, including cash flow forecasting, collecting and concentrating funds, administering disbursements, and investing available daily cash balances.

In fiscal year 2016, the Treasury managed over \$6.1 billion in receipts and disbursements. A summary of receipts and disbursements for the previous three fiscal years follows:

## **COMPARATIVE STATEMENT OF RECEIPTS AND DISBURSEMENTS**

(Unaudited)

	As of and for the Year Ended June 30		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>BEGINNING BALANCE</b>	980,587,282	960,997,986	965,070,029
<b>TOTAL RECEIPTS</b>	6,203,199,653	5,766,380,565	5,327,456,481
<b>TOTAL DISBURSEMENTS</b>	(6,121,522,116)	(5,746,791,269)	(5,331,528,524)
<b>ENDING BALANCE</b>	1,062,264,819	980,587,282	960,997,986

### **TRUST AND AGENCY ACCOUNTS**

Pursuant to RSA 11:1, the State Treasurer serves as the custodian of “All trust funds left to and accepted by the state...”. As of June 30, 2016, the fair market value of the forty-seven (47) trust and agency funds was approximately \$311 million, with a maximum individual fund value of \$276 million and investment objectives ranging from short-term liquidity to maximum capital gain. During fiscal year 2016, two funds were liquidated and two accounts were opened. These funds originated from a variety of sources and serve a wide range of beneficiaries and purposes. A list of these trust and agency funds, along with activity and balances for fiscal year 2016, is included at the end of 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, 2016, total outstanding general obligation debt was \$827.6 million (unaudited). No general obligation bonds were issued in fiscal year 2016. Approximately 73% of this debt will be repaid from unrestricted general fund revenue while the remainder will be paid from a variety of dedicated user fees, fines, and other revenues.

#### **Turnpike System Revenue and Federal Highway Grant Anticipation Revenue Bonds**

In addition to administering the issuance of general obligation debt, Treasury is responsible for issuing capital improvement revenue and refunding bonds for the Turnpike System, as well as bonds backed in large part by Federal Highway funds for the Department of Transportation called

Federal Highway Grant Anticipation Bonds (“GARVEE”). Turnpike System Revenue bonds are repaid solely from revenues (tolls) collected throughout the Turnpike System. No Turnpike System bonds were issued in fiscal year 2016. Total outstanding debt of the Turnpike System as of June 30, 2016 was \$409 million (unaudited).

Similarly, no GARVEE bonds were issued in fiscal year 2016. At June 30, 2016 the total amount of GARVEE Bonds outstanding was \$144 million (unaudited).

### **Transportation Infrastructure Finance and Innovation Act (TIFIA) Financing**

In collaboration with the State’s Department of Transportation and pursuant to RSA 6:13-d, Treasury entered into a \$200 million Transportation Infrastructure Finance an Innovation Act (TIFIA) loan from the U.S. Department of Transportation to provide additional funding for the widening of Interstate 93 from Salem to Manchester. Borrowing under this federal program enabled the State to secure a significantly more favorable interest rate than conventional financing would have produced. Specifically, the financing agreement carries a rate of 1.09% for the term of the loan, with principal payments deferred until June 1, 2025 and a final maturity of June 1, 2034. Additionally, the loan is structured similar to a line of credit whereby drawdowns will be taken as construction funds are spent, thus minimizing interest expense on the entire \$200 million for the term of the loan. Drawdowns on the loan began in June 2016 and are currently expected to continue through October 2020 upon project completion.

### **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 apply to either the total amount of the original guarantee or to the total amount guaranteed that remains outstanding at any time; the latter is a revolving limit, facilitating additional guarantees to be awarded as guaranteed debt is retired.
2. The statutory dollar limit may constitute a guarantee of either the total amount of principal and interest owed, or the total amount of principal only; in the latter case interest on the principal amount outstanding may also be guaranteed notwithstanding the principal guarantee limit.

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

As of June 30, 2016 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 <sup>(1) (2)</sup>	\$ 49.4 million
School Building Authority Bonds	\$ 95.0 million <sup>(1) (2)</sup>	\$ 61.9 million
Superfund Site Bonds	\$ 20.0 million	\$ 20.0 million
Landfill and Waste Site Bonds	\$ 10.0 million <sup>(1) (2)</sup>	\$ 10.0 million
Business Finance Authority Bonds	\$115.0 million <sup>(1)</sup>	\$ 59.2 million
Pease Development Authority Bonds	\$105.0 million	\$ 48.9 million
Housing Finance Authority Child Care Loans	\$ 0.3 million <sup>(1)</sup>	\$ 0.3 million

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(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.

Chapter 47, Laws of 2015, amended the enabling legislation of the Business Finance Authority (RSA 162) to increase the Authority's Unified Contingent Credit Limit from \$95 million to \$115 million. The legislation, which became effective May 21, 2015, established redevelopment districts in unincorporated places, provided for the assessment of parcels located within redevelopment districts, and authorized a state guarantee for such redevelopment bonds.

The State also bears a contingent obligation 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, the Bond Bank may request non-appropriated funds from the legislature in order to cover any shortfall. Although this exposure exists, the level of its risk is not easily quantifiable in considering the potential impact of such a default on the State's credit rating. Chapter 324, Laws of 2008, amended RSA 35-A:24 to include an intercept, or "offset", program such that in the event of 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 which defaulted.

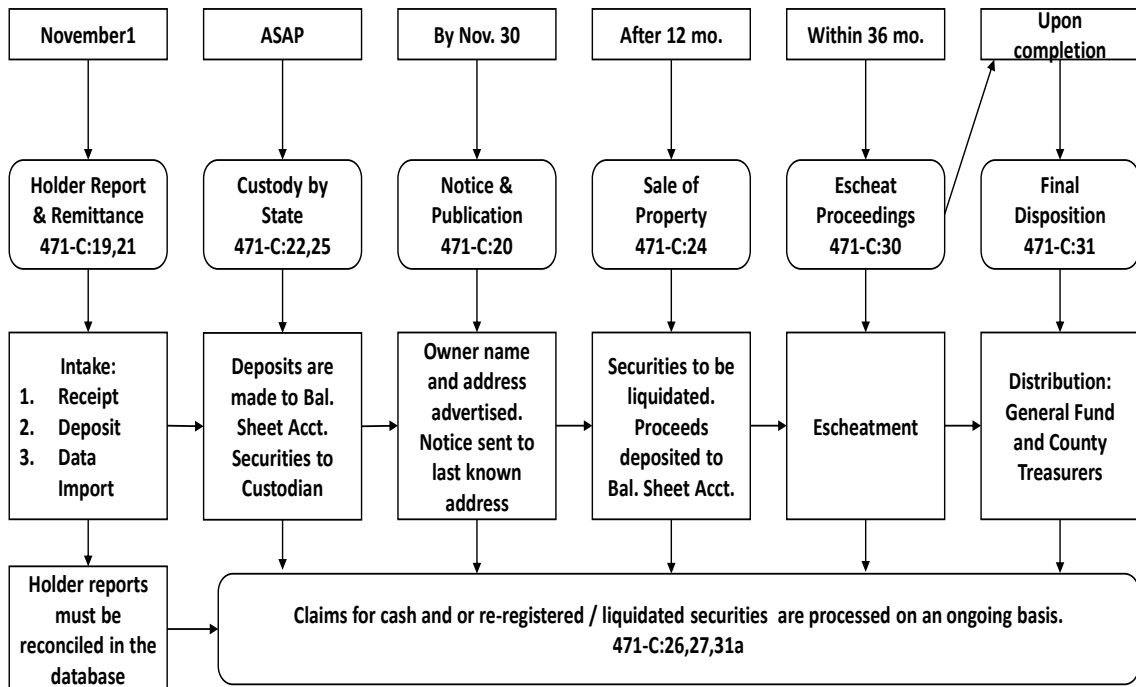
## **ABANDONED PROPERTY**

### **Overview**

Pursuant to the provisions of NH RSA Chapter 471-C, Treasury's Abandoned Property Division is charged with the task of recovering 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 institutional "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. Each October an annual advertisement listing all owner names reported to the Division in the past year, and their last known addresses, is published in two consecutive weeks in a newspaper with state-wide circulation, generally the NH Union Leader. Additionally, a mailing in the form of a postcard notification is sent to the last known address of the reported owner during August and September. 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.



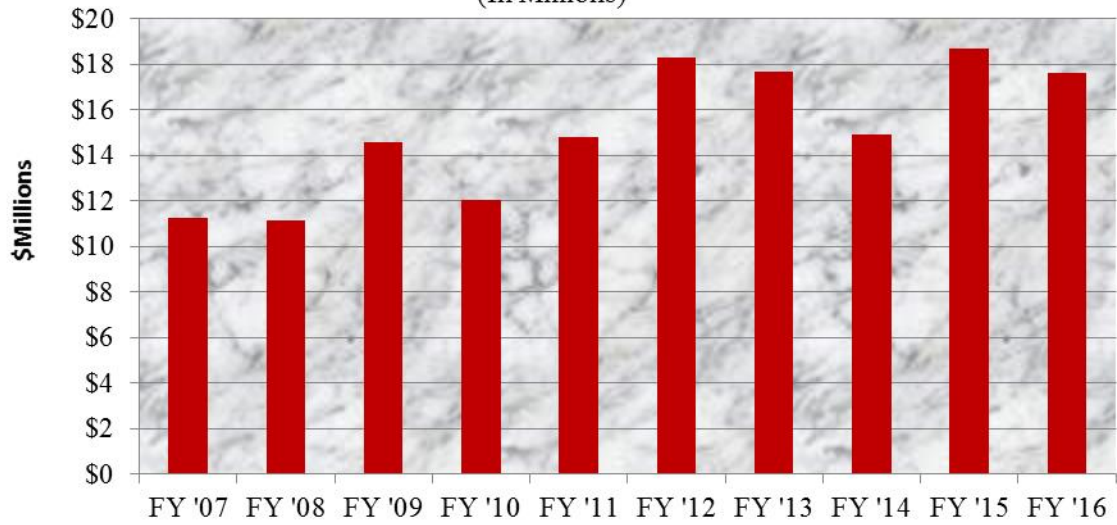
## Holder Reporting and Remittances

In fiscal year 2016, nearly 3,400 holders of property reported and remitted cash in excess of \$17.6 million and delivered over three million 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 \$151,051,634 from holders of abandoned property, averaging approximately \$15.1 million annually.

The tables below depict since fiscal year 2007 the amount of cash reported and remitted by holders as well as the number of holders reporting and remitting unclaimed property to the Division.

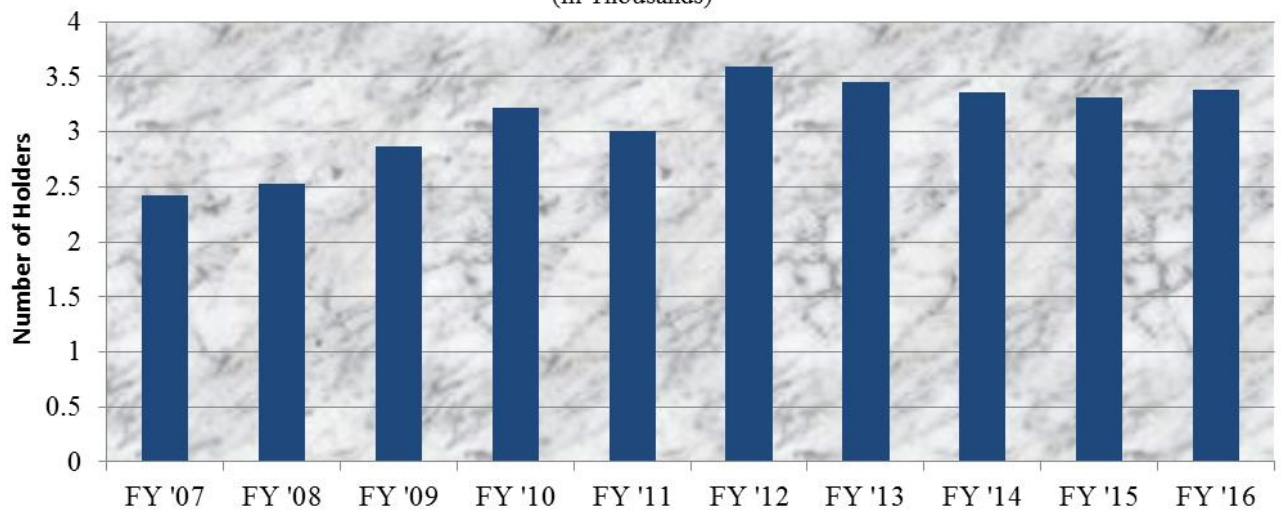
## Cash Reported and Remitted

(In Millions)



## Holder Reporting

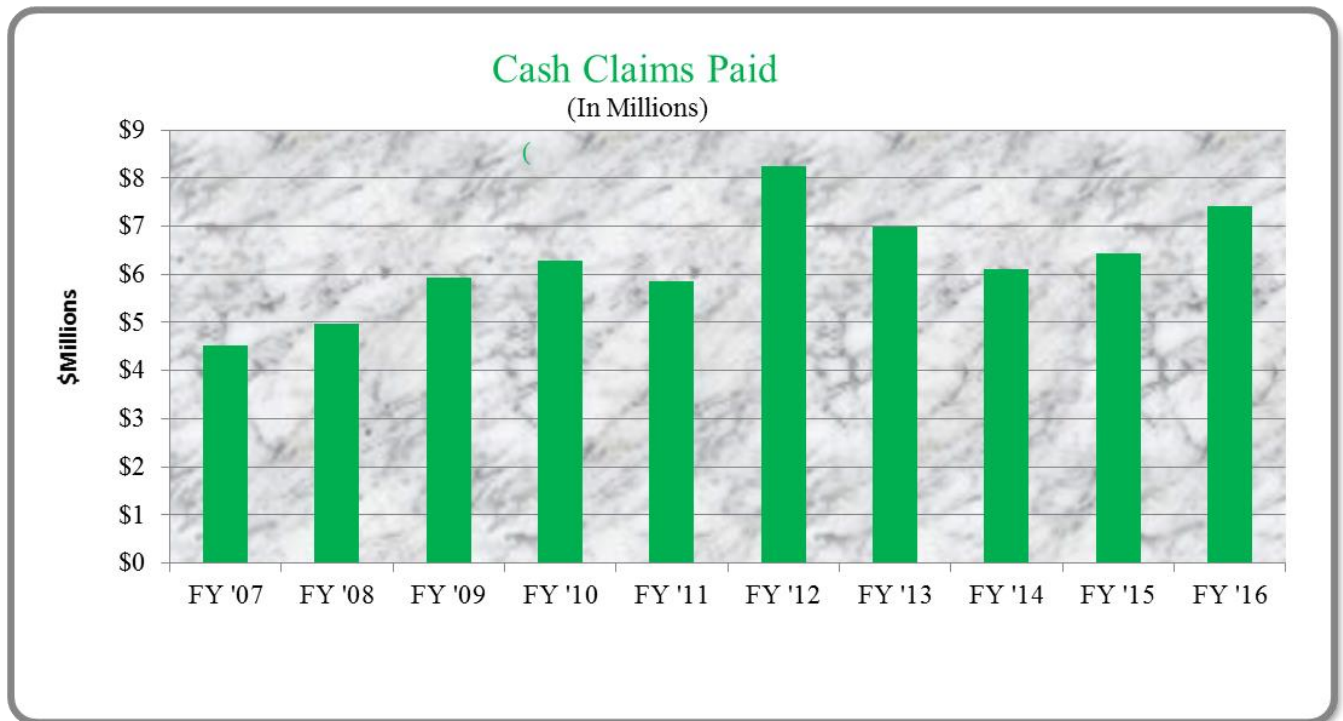
(In Thousands)

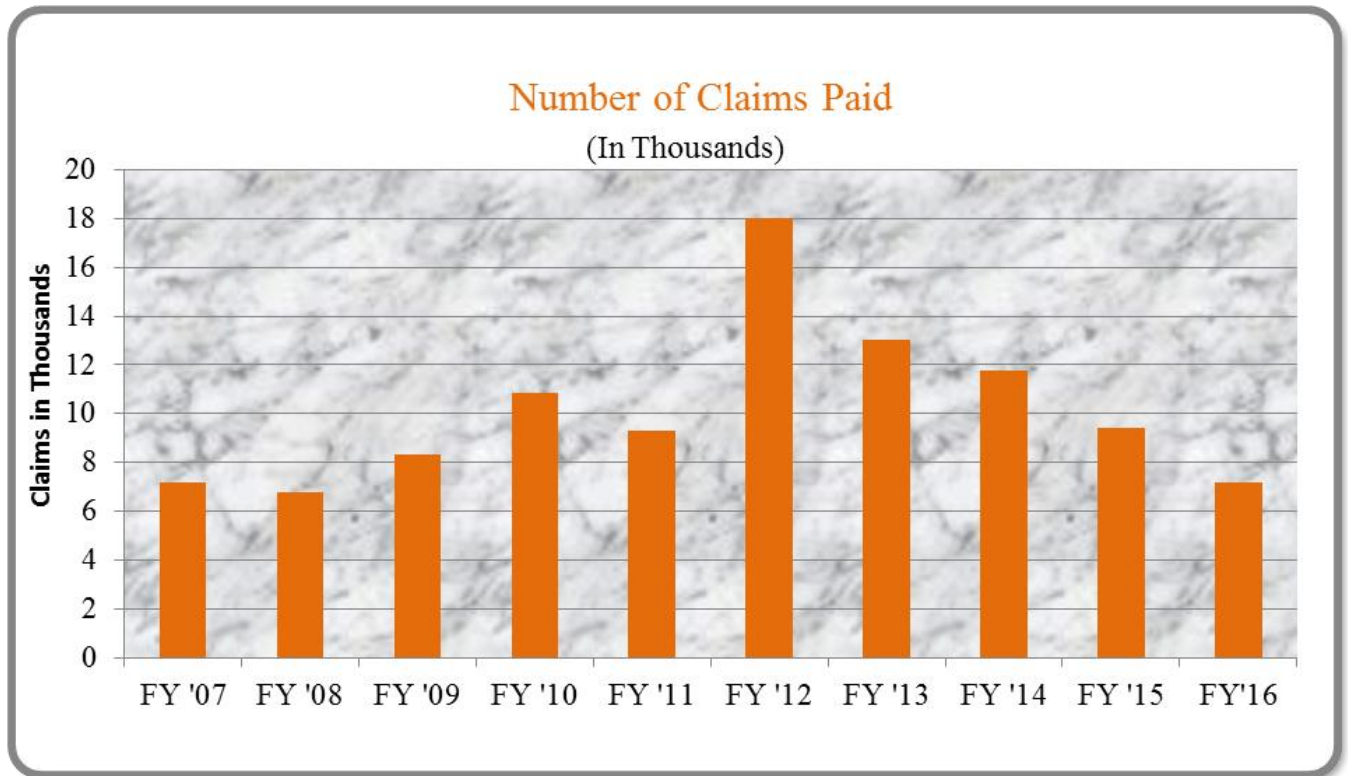


## Owner Claims Processed

During fiscal year 2016, the Division returned over \$7.4 million dollars to citizens, representing 7,194 claims paid. The number of total claims paid was reduced in fiscal year 2016 by more than 2,000 claims. This reduction did not affect the total dollars returned to New Hampshire citizens, which actually increased from fiscal year 2015. Instead, the decline in the number of claims paid is the result of the Division's January 2015 conversion to a state-of-the-art operating system which enables the payment of all properties recovered by one individual via a single claim, rather than separate claims for each asset. This enhancement to the claims process is only one example of how the new automated system has made business operations more efficient and improved the Division's customer response time. Fiscal year 2016 was the first full fiscal year utilizing this operating system. The efficiencies achieved by the operating system resulted in more individual claimants paid and \$1 million more returned to property owners, even as the Division's report processing staff reviewed and approved 2,000 fewer claims.

The reduction in the number of claims paid continues to generate an increase in the size of the average claim paid. In fiscal year 2015 the average claim size was \$683. The average claim size increased to \$1,029 in fiscal year 2016. The largest individual claim in fiscal year 2016 was \$1,004,104, the largest in the Division's history. Over the past ten (10) fiscal years, \$62,747,473 has been returned to owners, an average of nearly \$6.3 million returned each year. The notable increase in the number of claims paid in fiscal year 2012 was largely due to additional processing of reciprocal claims paid to other states.

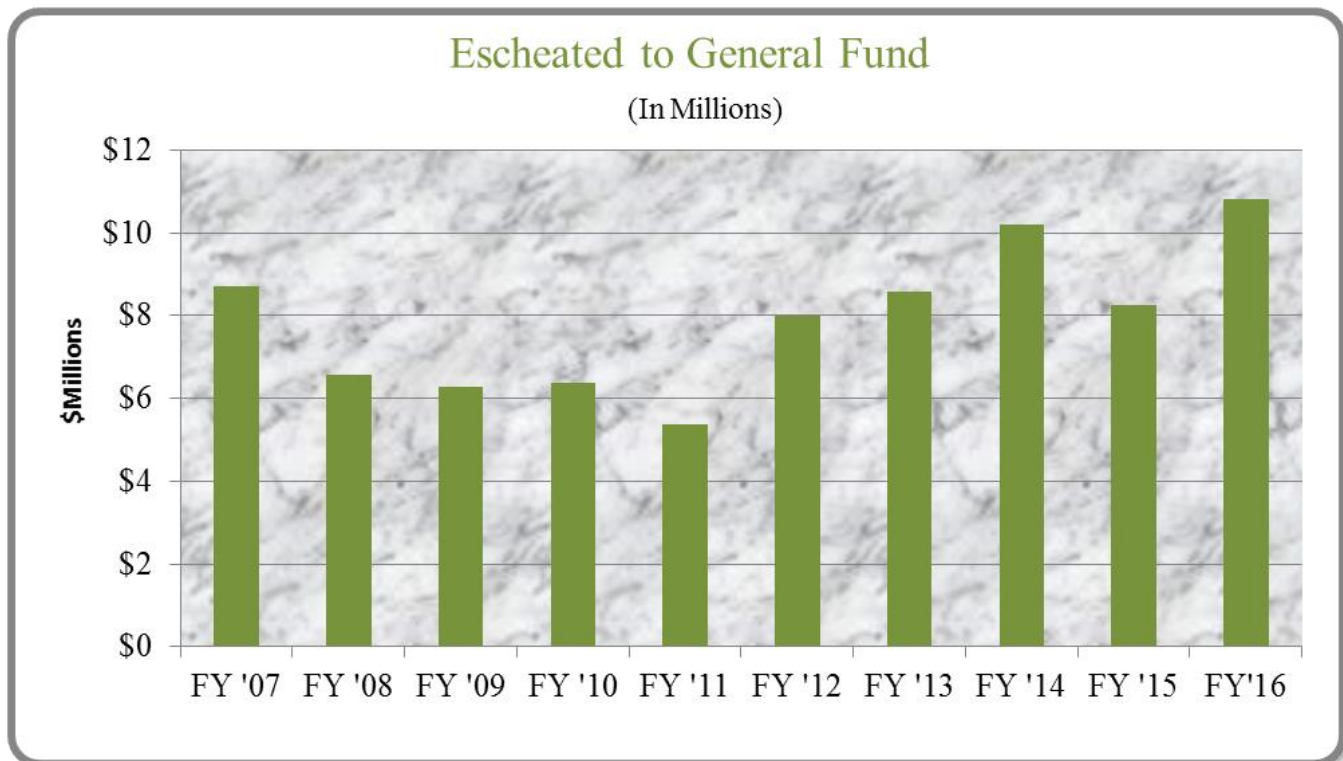




**Non-Securities Escheatment (NH RSA Chapter 471-C:30-31)**

On a gross basis, the Division delivered nearly \$10.8 million to the General Fund during fiscal year 2016. RSA 471-C:30-31 provides for certain deductions from this gross amount for escheatment to New Hampshire counties and the payment of administrative expenses of the Division. Over the past ten (10) fiscal years, approximately \$79 million has been escheated to the General Fund, an average transfer of funds of nearly \$7.9 million each year.

(The following graph excludes the impact of the liquidation of securities for fiscal years 2007 through 2016, discussed below.)



#### **Securities Liquidation (NH RSA Chapter 471-C:30-31)**

State Treasury practices, with respect to the 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 timelier basis. Essentially, proceeds from liquidated securities are transferred to the General Fund in the same fiscal year they are sold, as opposed to being held for an additional period, as was past practice. The result of this change is an increase in recent year escheatment dollars, with significant proceeds 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, 2012, 2013, 2014, and 2015 were \$16.1 million, \$2.9 million, \$6.3 million, \$1.2 million, \$3.1 million, \$3.0 million, \$6.4 million, \$9.1 million, and \$3.6 million respectively. In fiscal year 2016, \$ 5.4 million was similarly delivered.

#### **COLLEGE SAVINGS PLANS**

As the fiscal year closed, Treasury and the New Hampshire College Tuition Savings Plan Advisory Commission ("Advisory Commission") had completed 18 years of administering the UNIQUE College Investing Plan and 14 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 assets under management for the two plans totaled over \$14.8 billion at the end of fiscal year 2016. The combined New Hampshire Plans ranked fourth among all state plans in the market value of assets. Plan assets were held by nearly 815,000

participants throughout the US and its territories. The average participant account balance as of the end of the fiscal year was \$23,515 in the UNIQUE Plan and \$22,337 in the FA 529 Plan, highlighting that this is a college savings vehicle primarily used by middle and lower income families.

Both plans are very flexible and withdrawals can be used for a wide array 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, which 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. Participants in these Plans have a total of 63 investment portfolio options from which to choose, comprised of age-based target, static allocation investment, and individual fund portfolios representing both actively managed and index funds, as well as a series of nine multi-firm or “open architecture” portfolios that were introduced 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 ensure enhanced investment performance for Plan participants.

The New Hampshire Excellence in Higher Education Fund (the “Trust Fund”) was established pursuant to RSA 6:38 and is funded through a monthly investment management assessment generated by the two plans. The purpose of the Trust Fund is to provide scholarships to financially disadvantaged New Hampshire students attending New Hampshire postsecondary education institutions, under the direction 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 mid-2006, are:

1. UNIQUE Annual Allocation Program (“Annual Program”), which provides yearly 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. During the 2013 legislative session, HB2 restored the UNIQUE Annual Awards program to its historical method of operation (Administrative Rule Csp 600) after the majority of revenues that fund the scholarships had been re-directed to fund appropriations to USNH and CCSNH for the 2012-13 biennium. In July 2015, an Annual Program allocation of approximately \$1 million was distributed to participating institutions, both public and private, based on individual scholarship amounts of \$700 each for full time-students (\$350 for part-time). Additional scholarship reimbursements of nearly \$1.6 million were distributed to participating institutions at the end of fiscal 2016, resulting in a total distribution of nearly \$2.7 million in UNIQUE Annual Awards for the year.
2. UNIQUE Endowment Allocation Program (“Endowment Program”), which provides monthly funding to restricted endowment funds established and managed by USNH, CCSNH, and eight other eligible, non-profit New Hampshire postsecondary education institutions. With these institutions providing scholarships from the earnings of these



growing endowment funds, it is intended that future UNIQUE scholarships will be available to New Hampshire students in perpetuity. Under the provisions of HB2 in 2013, the Endowment Program was also restored to its original method of operation (Administrative Rule Csp 700), with 80% of the monthly revenue share from Fidelity being allocated to participating institutions. As a result, over \$10.1 million in payments were distributed to participating institutions throughout fiscal year 2016.

Eligibility criteria for both scholarship programs were developed by the Advisory Commission and are established in administrative rules for the Endowment Program, while the eligibility criteria for Annual Program scholarships are revised and approved at least annually.

Since their inception, the scholarship programs have distributed scholarship funding of nearly \$98 million through the end of fiscal year 2016 as follows (in thousands of dollars):

	2015 Fiscal Year	From Inception
Annual Program	\$2,695	\$21,777
Endowment Program	\$10,181	\$75,971

As of the end of fiscal year 2016, the Trust Fund had a market value of nearly \$2.5 million.

### **SEABROOK NUCLEAR DECOMMISSIONING**

As of June 30, 2016, the Seabrook Decommissioning Trust Fund held market-value assets of \$613.6 million, finishing the year flat with no after-tax gain. This outcome was primarily due to volatility experienced in the capital markets during the fiscal year, as global economies faced financial challenges in the first half of the fiscal year and uncertainty presided over the economic effects of the U.K. referendum vote to leave the European Union in late June of 2016 (“Brexit”). The decommissioning trust represents the cumulative contributions made by the owners of the Seabrook Nuclear Power Station for the cost of future decommissioning, combined with the investment earnings on the trust balance, net of applicable 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. Trust fund proceeds may be invested in a mix of equities (stocks), fixed income securities (bonds), direct lending portfolios, and cash equivalents. The allocation of fund holdings at the end of the fiscal year was 65% equities, 29% fixed income, and 6% alternative investments (direct lending). In addition, over \$31.9 million was held in separate escrow accounts on behalf of the owners at June 30, 2016. Escrow holdings primarily consist of cash and cash equivalents, with the State Treasurer and Deputy State Treasurer having signatory authority, but not custody of the funds.

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) and is presently Committee Chair, 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 milestones over the past year and continues with a number of initiatives which commenced during prior fiscal years and are ongoing. As a service provider to other State agencies, these important changes could not have taken place without the full and dedicated collaboration of Treasury staff, a variety of State agencies, the Legislature, and private sector financial services firms.

### **Abandoned Property, Holder Compliance, and Future Initiatives**

Treasury remains at the forefront of the national initiative to review the reporting history of the nation's life insurance providers. This effort is focused on determining whether the insurance companies are in full compliance with abandoned property reporting requirements with regard to benefits generated by life insurance policies. In 2011 New Hampshire was one of the first states to join with Verus Financial, LLC, to undertake this review process. As this initiative evolved, most other states also joined. These efforts were reenergized during fiscal year 2016, as many national news stories provided positive coverage regarding the states' unclaimed property program efforts in this ongoing compliance project.

Through the close of fiscal year 2016, the state of New Hampshire has received a total of more than \$16.5 million in life insurance benefit proceeds, with \$1.4 million received in fiscal year 2016. Through increased reunification efforts, Treasury strives to ensure that this property will be returned to the New Hampshire citizens who were the intended recipients of these policy benefits.

In fiscal year 2016, Treasury commenced contract negotiations with three new firms to conduct unclaimed property compliance reviews on its behalf. These firms presented innovative action plans to compel compliance by various sectors of the holder community. Treasury hopes to finalize these contract negotiations and seek Executive Council approval in early fiscal year 2017. The addition of these three firms would increase to nine the total number of firms the Treasury contracts with to procure these important services that ultimately allow the Treasury to return millions of dollars in unclaimed property to the citizens and businesses of New Hampshire.

The Division remains resolute in its commitment to conducting educational outreach seminars with both abandoned property holders and rightful property owners. In fiscal year 2014 the Division resumed these holder and owner outreach efforts for the first time in recent memory and continues to expand this program. In fiscal year 2016 these efforts produced both the Division's

record single claim total of \$1,004,104 and a record outreach events combined claims total of \$67,000. The outreach record occurred at the Made in New Hampshire Expo in Manchester in the spring of 2016. The overarching goal of these efforts is to reunite New Hampshire citizens with their unclaimed or abandoned property.

### **Analysis of Banking Balances, Products, and Processes:**

Treasury analyzes its relationships with banking vendors and the impact they have on statewide cash operations. This analysis is conducted in several ways and accounts for the deployment of balances held, institutional banking products utilized, and processes followed.

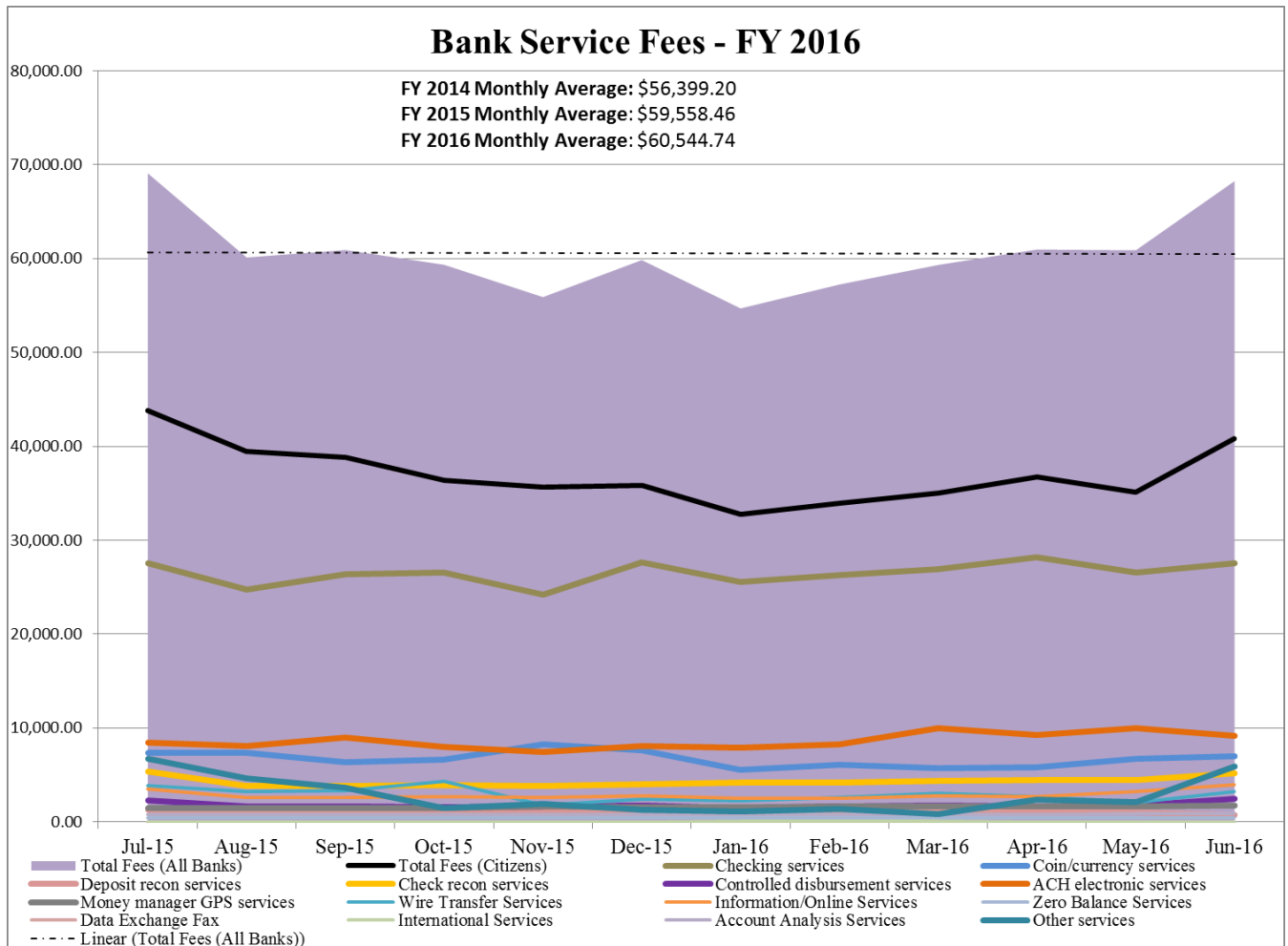
On a daily basis, Treasury performs an analysis of General Fund balances held. The result of this analysis is the administration of balances held in a manner which meets “Cash and Investment Guidelines for Operating Funds”. While ensuring safety and liquidity, balances are strategically maintained to optimize the rate of return. These efforts resulted in net General Fund interest income earned in fiscal year 2016 of \$723,310. This amount is net of the cost of institutional financial services provided by banking vendors. Achieving this outcome results not only from optimizing returns, but also carefully analyzing services and the associated fees incurred for the banking services utilized by Treasury.

On a monthly basis, Treasury rigorously analyzes bank service statements to identify overall price and volume changes. This effort has successfully identified opportunities to improve efficiency or the presence of any inconsistencies in pricing. Opportunities to improve efficiency are often discussed during regularly scheduled meetings between Treasury and its banking vendors. Inconsistencies in pricing or volume are brought to the attention of each bank’s client relationship manager as they are identified.

The analysis of bank products utilized by individual agencies or State enterprises is conducted on a rolling basis as a result of either Treasury’s outreach to agencies or in response to an agency’s request. This analysis consistently integrates the specific bank, accounts, products, and processes being utilized by the agency or entity in conjunction with the overall banking relationship the Treasury maintains.

Treasury collaborates with its banking vendors to not only enhance operational efficiencies generated by the use of banking products, but also to ensure specific business continuity processes that will enable secure and efficient banking operations in the event of an interruption in normal service delivery.

In conclusion, the consistent and thorough analysis of balances, products, and processes was not only an accomplishment in fiscal year 2016, but also an ongoing initiative which spans fiscal years. These continued efforts will therefore be reported each fiscal year, as banking products and processes continue to evolve along with the needs of the State and its agencies.



## LEAN Initiative

Collectively, Treasury demonstrates a LEAN culture and continues to be engaged in the LEAN process improvement initiative while striving to maintain strong internal controls. Treasury has participated on a statewide level and has continued to utilize LEAN process improvement techniques as part of its ongoing outreach to agencies with regard to deposit procedures. Through Treasury’s membership in the “State LEAN Network Executive Committee”, its support of LEAN process improvement efforts statewide continued throughout fiscal year 2016.

## Legislative Activity

Treasury continued to work with legislators seeking to introduce new legislation or amend existing statutes. During the 2016 legislative session, Treasury worked with many of the legislative committees and study committees by providing research and testimony, and also submitted fiscal notes in response to numerous legislative service requests on a variety of policy issues.

## Treasury Policy Development & Compliance

To enhance professionalism, strengthen personal ethics, and promote teamwork, Treasury adheres to 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 and ongoing Fraud Risk Assessment is routinely administered, which includes monitoring Treasury's role in the overall internal control environment and processes of the State and reviewing confidential data flowing into and out of Treasury to other agencies or to banking partners, as well as analyzing detailed processes and procedures internal to Treasury. The comprehensive Fraud Risk Assessment was enhanced in fiscal year 2016 and will continue in fiscal year 2017 in order to strengthen safeguards over State cash and investments, as well as all other aspects of Treasury Operations.

## Treasury Dashboard

In May 2014, the Treasury launched the periodic distribution of Dashboard Reports to members of the Legislature and continues to post these reports to the State Treasury website (<http://www.nh.gov/treasury/forms-publications/index.htm#dashboard>). During legislative sessions, typically from December through June, the State Treasury Dashboard will be updated on a Friday bi-weekly basis. During the remainder of the year, the Dashboard will be updated on the second Friday of each month.

A summary of the metrics presented in the Dashboard:

- **Liquidity Update** is the amount of combined operating cash available to the State Treasury, not including investments such as CD's or Government Agency-type holdings
- **Abandoned Property Claims Update** is an indication of how "caught up" the Division is in terms of processing claims received. At a maximum, the Division is statutorily allowed up to 90 days from the date the claim is filed to provide written notice to a claimant regarding the status of the claim. During certain high volume times during the year, generally August through November, the Division might fall behind by 60-90 days in processing claims.
- **Bonds Outstanding** is a snapshot of how much and what major types of bonds were outstanding as of the end of the previous fiscal year. That date is used because it allows the reader to verify the information against the State's most recent Comprehensive Annual Financial Report.
- **State GO Credit Rating** summarizes the current credit rating and outlook that each of the three major rating agencies has assigned to State of NH General Obligation ("GO") bonds. In order to provide a more complete context, the report also includes summary-level data highlighting where the State ranks in relation to other states that issue GO bonds.

- **Key Debt Metrics** is a table that tracks the progress over the past five fiscal years of important debt affordability measures monitored by the rating agencies: annual debt service-to-revenue and outstanding debt per capita.
- **New Money GO Bond Issue Results** is a record of what it cost the State on an “all-in” basis to issue GO bonds for the ten most recent issues. The graph provides a visualization of the condition of the municipal finance and interest rate markets that prevailed at the time of each issue. For example, the most costly recent GO bond issue occurred in November 2008 during the start of the capital market upheaval that triggered the Great Recession. The table also presents a simple (unweighted) average of the State’s “cost of funds” for the ten previous GO issues.

### Remediation of Observations from 2014 LBA Financial Audit

On June 16, 2014 Governor Hassan issued Executive Order 2014-03, which in effect requires State agencies to report on their progress in responding to audits of the Legislative Budget Assistant on a semi-annual basis. In an LBA financial audit dated March 11, 2014, thirteen observations were identified and reported to the Legislative Fiscal Committee. On August 12, 2014 (within 60 days of the Executive Order, as required) Treasury filed its initial remediation plan and has since filed updated status reports regarding its remediation efforts on March 21, 2015, September 21, 2015, March 21, 2016, and September 21, 2016. These reports, including the original LBA audit report, can be accessed on the Transparent NH website at <http://www.nh.gov/transparentnh/audit/index.htm>, listed under “Department of Treasury”, or on the Treasury website at <http://www.nh.gov/treasury/forms-publications/index.htm#audit>. A summary of Treasury’s progress in resolving audit observations follows:

Observations	1	2	3	4	5	6	7	8	9	10	11	12	13
03-21-15	P	P	R	R	P	R	U	U	R	U	R	R	U
09-21-15	P	P	R	R	S	R	P	U	R	P	R	R	P
03-21-16	S	S	R	R	S	R	P	U	R	S	R	R	S
09-21-16	R	R	R	R	S	R	P	U	R	S	R	R	R

R – Resolved      S – Substantially Resolved      P – Partially Resolved      U – Unresolved

Treasury remains committed to fully resolving all audit findings and includes in its updated status reports an estimated target date for the final remediation of all findings not yet fully resolved.

### Treasury Website Conversion

On Tuesday April 26, 2016, Treasury, in collaboration with the Department of Information Technology Web Support Division, released its upgraded public website: <http://www.nh.gov/treasury/>. The enhanced website delivers many improvements over the prior website, including new content and significantly better navigation as well as full compatibility for viewing on mobile devices. The website is also fully compliant with DoIT State website

standards, with Treasury IT staff now equipped to maintain and update the site as needed. We express our thanks to Commissioner Denis Goulet and his staff for their expert assistance, insight, and support.

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TRUST AND ESCROW ACCOUNTS HELD BY THE STATE TREASURER (EXHIBIT 1)					
FISCAL YEAR 2016					
	July 1, 2015	Dividends	Net	Net	June 30, 2016
	Beginning	&	Transactions	Change	Ending
Fund Name	Market	Interest	During	in Market	Market
	Value	Earned	Year	Value	Value
<b><u>Department of Education</u></b>					
- Harriet Huntress	47,692	874	1,168	176	49,909
- Hattie Livesey	24,381	461	629	17	25,488
- John Nesmith	439,152	7,915	(474)	(85)	446,508
- Special Teachers Competence	199,745	3,881	(6,051)	2,287	199,862
<b><u>Department of Environmental Services</u></b>					
- Connecticut-Coos	2,132,629	6,307	0	0	2,138,936
- Mascoma	42,841	127	0	0	42,968
- Newfound	80,558	238	0	0	80,796
- Piscataquog	17,966	53	0	(0)	18,020
- Squam Lake	89,320	264	0	0	89,584
- Sugar River	12,615	37	0	(0)	12,652
- Winnepesaukee	19,680	58	0	0	19,738
- State of New Hampshire Drinking Water and Groundw.	0		276,457,245	0	276,457,245
<b><u>Department of Fish &amp; Game</u></b>					
- Lifetime License Fund	1,358,892	4,485	245,265	0	1,608,642
<b><u>Health &amp; Human Services</u></b>					
- Laconia State School	154,661	457	0	0	155,118
- Matthew Elliott Memorial Trust Fund	4,683	14	0	0	4,697
- New Hampshire Hospital	7,034,689	143,885	263,742	(318,279)	7,124,036
- NH DHHS DCYF As Guardian for 01	1,534	5	0	(0)	1,538
- NH DHHS DCYF As Guardian for 02	32,024	95	0	(0)	32,119
- NHSLRP/JUA Escrow Account	1,600,005	4,732	0	0	1,604,737
- Youth Development Center	34,667	103	0	(0)	34,769
<b><u>Department of Labor</u></b>					
- Crown Paper Workers Compensation	15,266	2	0	(0)	15,267
- Special Fund for Active Cases	33,204	0	(7,749)	0	25,456
- Special Fund For Second Injuries	3,782,294	25,200	(1,957,336)	0	1,850,158
<b><u>Dept of Resources and Economic Development</u></b>					
- Caroline A. Fox Fund	190,129	434	(23,079)	0	167,484
- Tip-Top House Fund	24,225	72	0	0	24,296
<b><u>Department of Safety</u></b>					
- Financial Responsibility	172,614	537	(12,580)	0	160,571
- Road Toll Bonds	184,165	311	(99,334)	0	85,142
- VOIP Escrow	4,671	0	(4,671)	0	0
<b><u>New Hampshire Veterans' Home</u></b>					
- Benefit Fund	677,622	13,180	(58,435)	(220)	632,146
- Guy Thompson Account	15,022	44	(31)	(0)	15,036
- Members' Administrative Account	511,437	1,446	25,533	0	538,416



**TRUST AND ESCROW ACCOUNTS HELD BY THE STATE TREASURER (EXHIBIT 1 CONT.)**  
**FISCAL YEAR 2016**

Fund Name	July 1, 2015 Beginning Market Value	Dividends & Interest Earned	Net Transactions During Year	Net Change in Market Value	June 30, 2016 Ending Market Value
<b><u>NH Higher Education</u></b>					
-NH Higher Ed- Concord Hospital Surgical Technology Pro	0	4	10,000	0	10,004
-NH Higher Ed- John Mason Institute	12,001	35	0	(0)	12,036
-NH Higher Ed- National Seminars Group	25,027	46	(25,073)	0	0
-NH Higher Ed- Stonemakers Corporation	100,100	296	(100)	(0)	100,296
<b><u>Office of Energy and Planning</u></b>					
- Land Conservation Monitoring Endowment	3,587,519	61,116	15,896	(255,188)	3,409,343
<b><u>Public Utilities Commission</u></b>					
-Electric Assistance Program	1,016,399	124	(98,465)	(0)	918,058
<b><u>Racing &amp; Gaming</u></b>					
-Pari-Mutuel Commission Licensee Escrow	325,205	961	(493)	0	325,672
-State of NH Racing - Casablanca	25,016	74	(38)	(0)	25,052
<b><u>Treasury Department</u></b>					
- College Savings Plan Trust	2,881,561	64,724	(567,119)	87,692	2,466,858
- Foreign Escheated Estates	0	0	0	0	0
- Japanese Charitable Fund	110,301	2,348	1,388	(1,449)	112,588
<b><u>University of New Hampshire</u></b>					
- Benjamin Thompson Trust	2,075,421	37,320	(73,446)	(53,866)	1,985,428
<b><u>Other</u></b>					
- Community Conservation Endowment	3,245,831	50,922	139,892	(252,347)	3,184,298
- Conn Lakes Headwaters Natural Areas Stewardship	1,753,414	27,213	62,120	(125,322)	1,717,425
- Conn Lakes Headwaters Tract Monitoring Endowment	1,752,935	27,075	38,010	(124,171)	1,693,849
- Conn Lakes Headwaters Tract Road Maintenance	1,762,642	27,242	39,292	(124,850)	1,704,326
<b>Total Trust &amp; Escrow Accounts</b>	<b>\$37,611,754</b>	<b>\$514,715</b>	<b>\$274,365,704</b>	<b>(\$1,165,606)</b>	<b>311,326,568</b>
- Unclaimed and Abandoned Property <sup>(1)</sup>	21,342,535	439,894	(3,514,999)	0	18,267,431
<b>(1) This includes only the securities held by ACS Unclaimed Property Clearinghouse. Columns may not add due to rounding.</b>					