

**STATE OF NEW HAMPSHIRE
FISH AND GAME DEPARTMENT**

**AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 1997**

**STATE OF NEW HAMPSHIRE
FISH AND GAME DEPARTMENT**

TABLE OF CONTENTS

	<u>PAGE</u>
INTRODUCTORY SECTION	
Organization And Responsibilities	1
Funding.....	2
Prior Audit.....	6
Audit Objectives And Scope.....	6
CONSTRUCTIVE SERVICE COMMENTS SECTION	
Auditor's Report On Internal Control Structure	7
<i>Reportable Conditions</i>	
1. Weak Management Control Environment.....	9
2. Sandy Point Discovery Center.....	12
3. Equipment Inventory System Not Functional	13
4. Real Property Valuation Errors	15
5. Lack Of Inventory Controls Over The Partners In Flight Paintings.....	16
6. Inadequate Manual Federal Grant Ledger System	17
7. Fish And Game Gift Certificates Are Not Adequately Accounted For	19
8. Errors In Consumable Inventory Accounting	20
Auditor's Report On State And Federal Compliance.....	23
<i>State Compliance</i>	
9. Charges To Dedicated Funds Without Supporting Documentation	24
10. Nongame Fund General Fund Match Was Overstated.....	25
11. Noncompliance With Certain Fish & Game Statutes.....	26
<i>Federal Compliance</i>	
12. Undocumented Time Charges To Federal Programs.....	29
13. Late Filing Of Federal Financial Reports.....	30
FINANCIAL SECTION	
Independent Auditor's Report.....	32
Balance Sheets - Fish And Game Fund and Agency Fund.....	34
Combined Statement Of Revenues, Expenditures And Change In Fund	
Balance - All Governmental Funds.....	35
Combined Statement Of Revenues, Expenditures And Change In Fund Balance	
Budget And Actual - Budgetary Basis	
Fish And Game Fund and General Fund	36

TABLE OF CONTENTS (Continued)

PAGE

FINANCIAL SECTION (Continued)

Statement Of Changes In Assets And Liabilities	
Lifetime License Agency Fund	38
Notes To The Financial Statements.....	39
Supplementary Information	
Schedule Of Budgetary Components - Fish And Game Fund.....	51
Schedule Of Budgetary Components - General Fund.....	52
Schedule Of Expenditures Of Federal Awards - Cash Basis.....	53
APPENDIX - Current Status Of Prior Audit Findings.....	55

**STATE OF NEW HAMPSHIRE
FISH AND GAME DEPARTMENT**

INTRODUCTION

ORGANIZATION AND RESPONSIBILITIES

The Fish and Game Department (the Department) was created pursuant to RSA 206 in 1935 to manage the wildlife and fish resources of the State. The Department is overseen by an eleven member commission, with one commissioner from each county plus one representing the seacoast area, appointed by the Governor and Council.

An executive director, responsible for the protection, propagation, and preservation of the fish and wildlife resources of the State, is appointed by Governor and Council from a list of three to five candidates submitted by the commission. The current executive director was appointed in October 1996 for a term of four years.

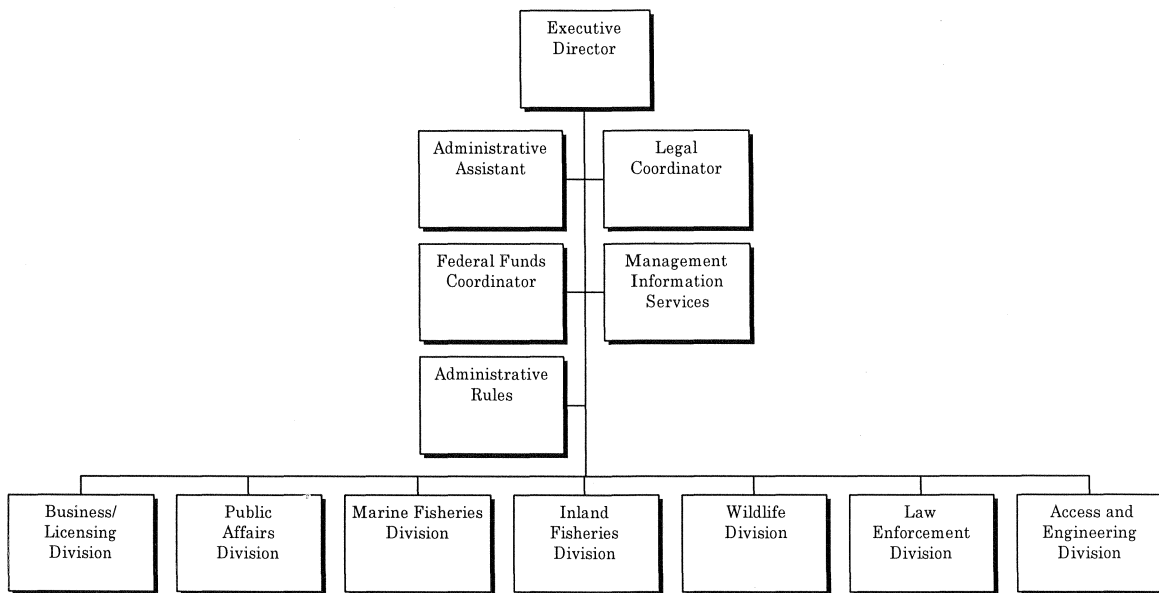
In addition to the Director's Office, the Department has seven divisions as described below. The organizational structure of the Department is illustrated on the next page.

- *Access and Engineering Division* maintains the physical plant of the Department including the headquarters, the six hatcheries, three educational centers and four regional offices. It is responsible for land acquisition and the building of public access sites.
- *Business/Licensing Division* is responsible for the accounting and financial duties of the Department. It issues fishing and hunting licenses and related permits, and collects license and federal revenues.
- *Director's Office* is responsible for the overall management of the Department, the coordination of the seven divisions, and the maintenance of the Department's computer system that accumulates and processes information on license agents and individual fishing and hunting licenses.
- *Inland Fisheries Division* operates the Department's six fish hatcheries, manages the freshwater fish populations, and works to protect and restore the aquatic habitats of the State.
- *Law Enforcement Division* enforces all fish and game and off-highway recreational vehicle laws and regulations and performs search and rescue operations.
- *Marine Fisheries Division* manages saltwater fish species, including fish, lobsters, clams, and oysters for both commercial and individual interests.

ORGANIZATION AND RESPONSIBILITIES (Continued)

- *Public Affairs Division* handles the Department’s public relations duties including marketing, publications, media relations, fund raising, and offering educational programs to the public.
- *Wildlife Division* is responsible for the protection, restoration, and active management of wildlife habitat on public lands in the State. In addition, it provides technical assistance to private landowners regarding preventing or reducing wildlife damage to property.

DEPARTMENT ORGANIZATIONAL STRUCTURE



The Department’s headquarters is located at 2 Hazen Drive in Concord. It has four regional offices located in Keene, Lancaster, New Hampton, and Durham. In addition, the six fish hatcheries are located in Berlin, Twin Mountain, Warren, New Hampton, Powder Mill, and Milford. The Department employed 167 permanent and 5 temporary employees at June 30, 1997.

FUNDING

The Fish and Game Department is funded primarily by appropriations from the Fish and Game Fund and General Fund. The estimated revenue/spending authority and actual financial activity of the Fish and Game Fund and General Fund for the year ended June

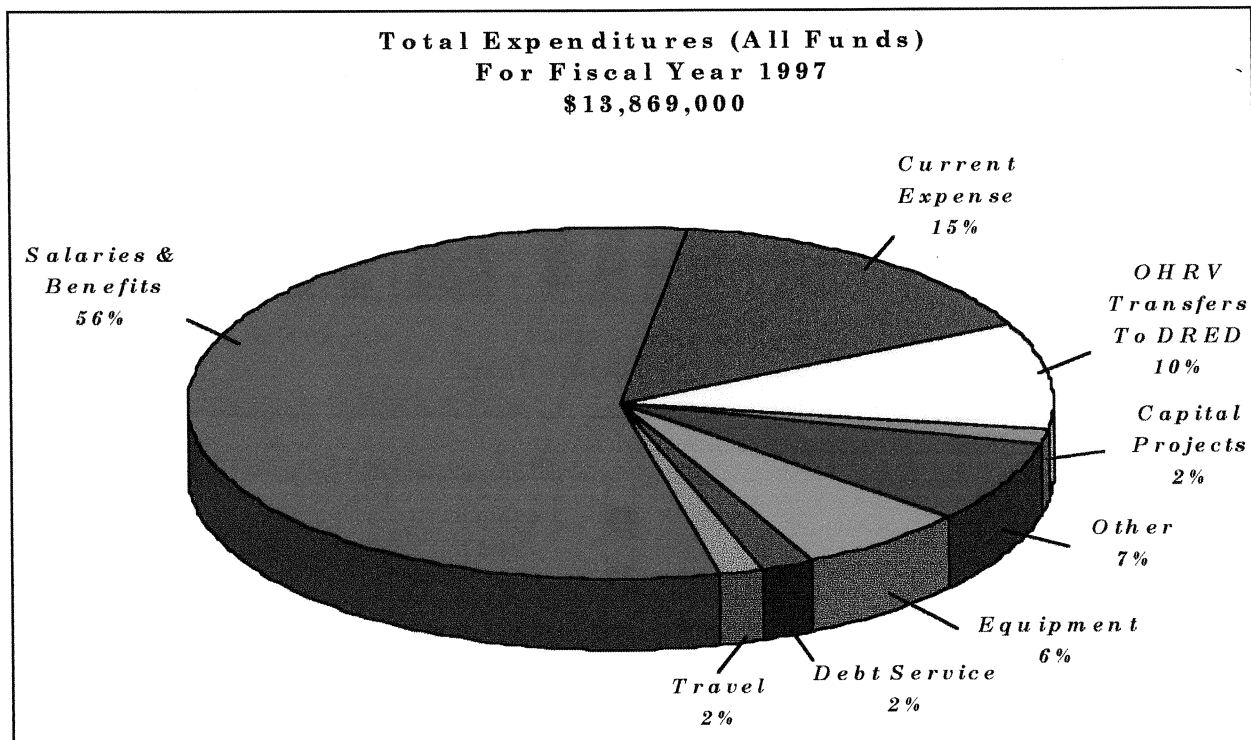
FUNDING (Continued)

30, 1997 are summarized in the following tables. The Department also incurred \$215,539 in Capital Fund expenditures for the fiscal year. The Fish and Game Fund is self-supporting; the primary sources of revenue are licenses and fees (64%) and grants from the federal government (26%). The graphs on the following pages depict license sales by type for calendar years 1995-1997.

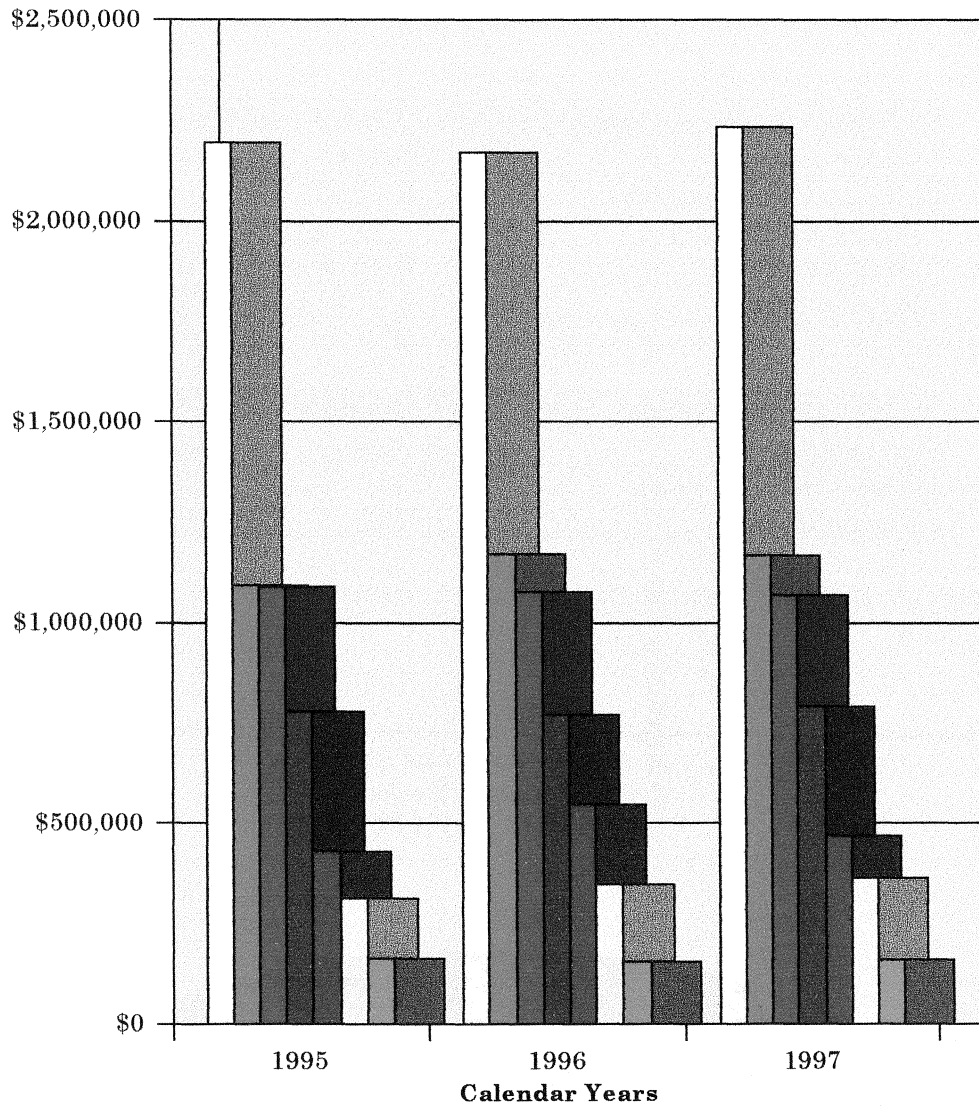
Fish & Game Fund (in thousands)	Year Ended June 30, 1997	
	Budget	Actual
Unrestricted Revenues	\$ 7,112	\$ 7,397
Restricted Revenues	<u>6,439</u>	<u>5,864</u>
Total Revenues	\$ 13,551	\$ 13,261
Expenditures	\$ 17,571	\$ 13,404

General Fund (in thousands)	Year Ended June 30, 1997	
	Budget	Actual
Restricted Revenues	\$117	\$137
Expenditures	\$249	\$249

Expenditures of the Department for the year ended June 30, 1997 are presented graphically below.



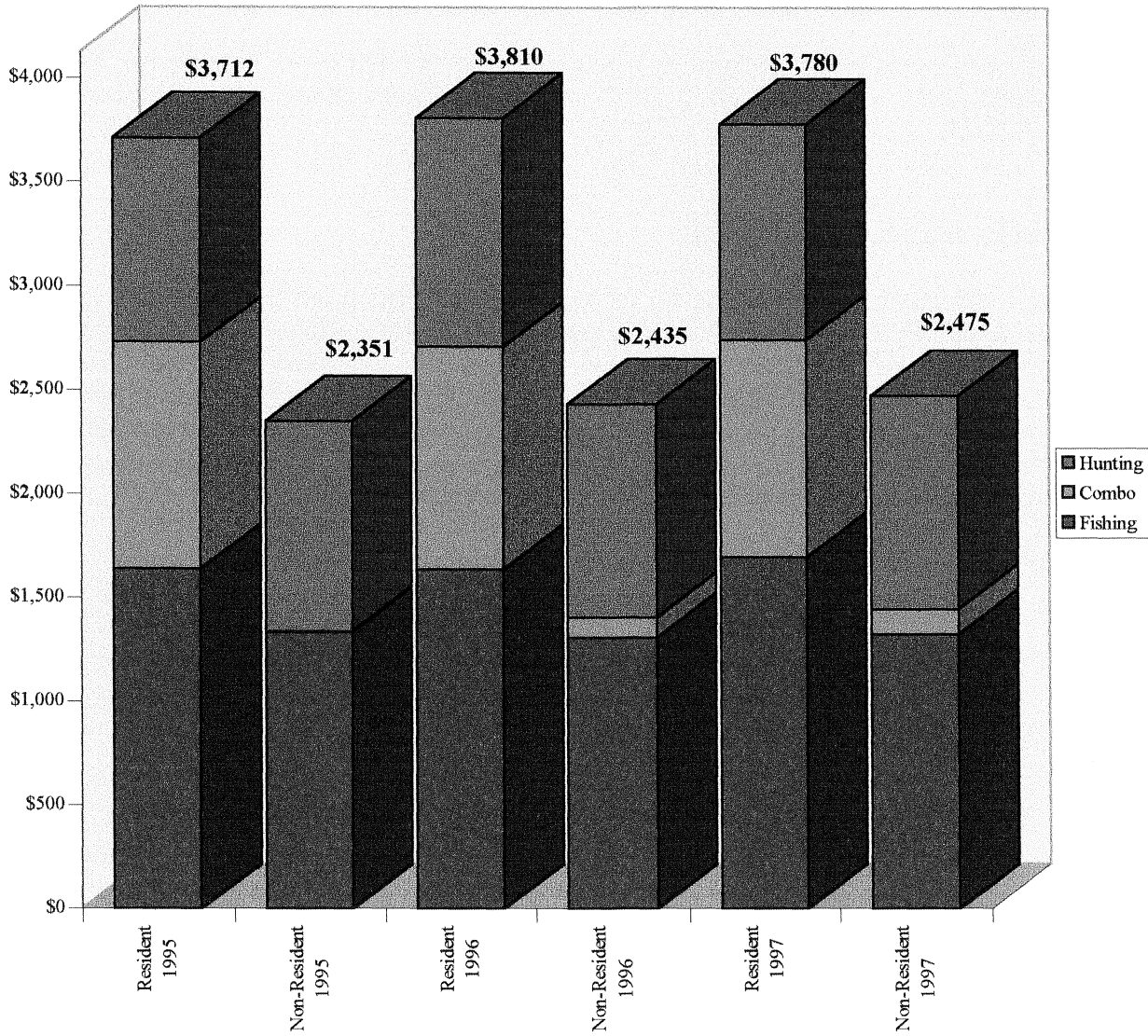
**Fish And Game Department
License Sales By Type
Calendar Years 1995-1997**



License Type	1995	1996	1997
Fishing All Species	\$2,194	\$2,172	\$2,231
Combo - Hunt / Fish	1,093	1,172	1,168
Hunting	1,088	1,076	1,070
Fishing Other Types	778	772	791
Archery	431	547	469
Muzzle Loader	313	349	366
Hunting - Other Types	165	157	160
TOTALS	\$6,062	\$6,245	\$6,255

Note: Values are shown in thousands

**Fish And Game Department
Resident And Non-Resident License Sales
Calendar Years 1995-1997**



	1995		1996		1997	
	Resident	Non-Resident	Resident	Non-Resident	Resident	Non-Resident
Fishing	\$1,638	\$1,334	\$1,636	\$1,308	\$1,696	\$1,326
Combo	1,090	3	1,073	99	1,047	121
Hunting	984	1,014	1,101	1,028	1,037	1,028
TOTAL	\$3,712	\$2,351	\$3,810	\$2,435	\$3,780	\$2,475

Note: All values are shown in thousands

PRIOR AUDIT

The most recent prior financial and compliance audit of the Fish and Game Department was for the fiscal year ended June 30, 1991. The appendix on page 55 of this report contains a summary of the current status of the observations contained in that prior audit report.

Copies of the prior audit report can be obtained from the Office of Legislative Budget Assistant, Audit Division, 107 North Main Street, State House Room 102, Concord, New Hampshire 03301.

AUDIT OBJECTIVES AND SCOPE

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

- Internal control structure,
- Revenues and appropriations,
- Expenditures and encumbrances,
- Property and equipment,
- State and federal compliance,
- Cash, and
- Accounts receivable and payable.

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

AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE

TO THE FISCAL COMMITTEE OF THE GENERAL COURT:

We have audited the accompanying financial statements of the New Hampshire Fish and Game Department as of and for the year ended June 30, 1997, and have issued our report thereon dated March 6, 1998.

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

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

In planning and performing our audit of the financial statements of the New Hampshire Fish and Game Department for the year ended June 30, 1997, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

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

REPORTABLE CONDITIONS

Observation No. 1 - Weak Management Control Environment

OBSERVATION:

Management is responsible for establishing and maintaining effective internal controls. In doing so, management determines the control environment and sets the "tone at the top." The control environment includes such factors as management's philosophy, operating style, organization structure, and assignment of authority and responsibility. It defines the overall attitude, awareness, and actions of management concerning the importance of control and its emphasis in the entity. When there is a constant change or lack of consistent policy direction from management, controls tend to lose effectiveness.

During our current audit we noted weaknesses in the control environment of the Fish and Game Department. The divisions within the Department appear to operate as separate entities, resulting in little cohesion between the divisions. There has been little emphasis on the development of and adherence to centralized policies. Since our last audit of Fish and Game in 1991 the Department has had three directors. This turnover at the top may have contributed to weaknesses in the control environment.

The control environment weaknesses are evidenced by the lack of resolution to 1991 audit observations, including but not limited to, the inability of Fish and Game to develop a comprehensive Departmental automation plan. As discussed in more detail below, additional weaknesses result from the segregation of key administrative functions among the divisions and the state of the financial data that is available to management.

Lack of Departmental Automation Plan

In our fiscal year 1991 audit of the Fish and Game Department we noted there was no comprehensive long range computer automation plan. The Department still does not have a long range computer automation plan. The lack of a Departmental automation plan has allowed divisions to continue operating autonomously each controlling its own data. During the fiscal year 1997 audit, we noted the following specific problems with the Department's systems or lack thereof that may have been avoided by the development and implementation of a long range plan. It should be noted that each of the issues cited below was raised and reported as an observation in our 1991 audit report.

- Real property inventory continues to be maintained on a manual system by the engineering division as noted in Observation No. 4 on page 15 of this report. The Department is responsible for 29,257 acres of land and 33 buildings located in 111 towns across the State. Each parcel of land and building is accounted for separately. The Department relies on the Department of Administrative Services' Real Property Summary Report as its master listing of Department real property.

REPORTABLE CONDITIONS (Continued)

Observation No. 1 - Weak Management Control Environment (Continued)

OBSERVATION (Continued):

- There is no system in place to audit the fine revenue received by the Courts and the citations written by the conservation officers.
- The federal grant ledger system was still manual during fiscal year 1997. The Department separately accounts for 90 federal projects in this manual ledger system as noted on Observation No. 6 on page 17 of this report.
- Consumable inventory was maintained on three systems; one manual system kept by the business office, one manual system maintained by the fish hatcheries, and one computerized system maintained by the law enforcement division. Errors were noted in all three systems because of software problems or clerical mistakes as noted in Observation No. 8 on page 20 of this report.

Segregation of Administrative Functions

Key segments of general administration are segregated among divisions. Examples include the following.

- Divisions are able to order goods and enter into separate agreements with outside organizations without centralized approval. As an example, the marine fisheries division allows the state-owned Sandy Point Discovery Center to be effectively run by a nonprofit organization with no written agreement or approval from the Department (see Observation No. 2 on page 12).
- The Management Information System (MIS) function is primarily responsible for the computerized tracking of hunting and fishing licenses and agents, yet is not associated with the business office. In addition, divisions have been allowed to purchase software for data systems with no coordination through the MIS function.
- There is a lack of communication between the federal funds coordinator, the marine fisheries division administering its federal programs, and the business office.

Fragmented Financial Information

One of the keys to management's ability to assess and evaluate itself is access to information. In an agency the size and complexity of the Fish and Game Department it is imperative that management have access to accurate financial information in a timely manner.

REPORTABLE CONDITIONS (Continued)

Observation No. 1 - Weak Management Control Environment (Continued)

OBSERVATION (Continued):

The Department's primary accounting system is the State's accounting system (NHIFS). There is no process by which the Department evaluates the establishment of account codes. There has been no overall examination by management to determine the most efficient and effective way to account for Fish and Game activity. As a result, the Department operates out of 90 accounts within the Fish and Game Fund on NHIFS, many of which are for appropriations of less than \$20,000 and 39 (43%) have expenditure activity of less than \$10,000.

The large number of accounts gives a fragmented picture of the Department's financial condition in relation to established budgets and current spending patterns. Many of the small organization codes are set up for individual federal projects which could be consolidated into fewer organization codes as the Department already accounts for the projects in a separate federal ledger system.

RECOMMENDATION:

We recommend that the management of the Department reassess how the Department is being managed. As part of that assessment, it should review its organizational structure, operating style, monitoring procedures and overall philosophy regarding controls. Management should reemphasize its commitment to the importance of internal control within the Department and effectively communicate this to its employees through well developed written policies and procedures.

As a component of this assessment, the Department should prepare a formal written long range computer automation plan for the Department. The plan should encompass the needs of not only the individual divisions but the Department as a whole. To achieve the most benefit, computer systems should be integrated so they meet the needs of more than one division or bureau. Fish and Game should seek the assistance of the Department of Administrative Services' Division of Information Technology Management (DITM) in the development and implementation of the computer plan.

The Department should consider centralizing many of its administrative functions into one administrative division to provide a mechanism for adequate communication and approvals at the Department level.

The Department should review how its accounts have been established and organized within the State's accounting system. Guidelines should be established for structuring its accounts to provide management with useful and timely information.

REPORTABLE CONDITIONS (Continued)

Observation No. 1 - Weak Management Control Environment (Continued)

AUDITEE RESPONSE:

We concur.

Management recognizes that strong centralized authority is needed to assure a strict adherence to Administrative Rules and Policies and the current Executive Director is taking action to accomplish this. Management with the assistance of the Division of Information Technology Management has hired an outside consultant to write an Automation Plan.

Observation No. 2 - Sandy Point Discovery Center

OBSERVATION:

The Sandy Point Discovery Center (the Center) is a state-owned facility located on seven acres in Stratham. The administration of the facility is the responsibility of Fish and Game's marine fisheries division. The Great Bay Stewards of Sandy Point Incorporated (the Stewards) is a nonprofit organization that operates from and is involved in the management of the Center. There is no written agreement between the Stewards and the Fish and Game Department relative to Center operations, nor is there oversight provided by the Department's business division.

The Stewards are dedicated to preserving the Great Bay National Estuarine Research Reserve by sponsoring educational and research programs. The Stewards use the Center as its place of business as well as for conducting meetings. Funds are raised by the Stewards through membership fees, donations (some collected at the Center), proceeds from the Center's store, Sandy Point nature program admission fees, and grants from private/non-profit organizations. The funds are then used for educational programs, salaries, equipment, and supplies for the Center.

While the relationship between the Stewards and the Center is a positive example of private interests and government working toward a common goal, there is risk involved when there is no agreement between the parties involved. The lack of a formalized written agreement has led to inadequate controls over the Sandy Point operations. For example, the Stewards have applied for grants and committed Department resources and assets without Department approval. The Stewards operate a store at the Center without the approval of the Executive Director.

REPORTABLE CONDITIONS (Continued)

Observation No. 2 - Sandy Point Discovery Center (Continued)

RECOMMENDATION:

The Department should determine whether it is appropriate for the Stewards to operate within the Center. If the Department determines it is appropriate, then a formalized agreement between the Department and the Stewards should be prepared in accordance with State administrative procedures and approved by Governor and Council. This agreement should detail the rights and responsibilities of both the Stewards and the Fish and Game Department at the Center.

AUDITEE RESPONSE:

We concur.

While the Business Office was not aware of the intricate involvement of the Great Bay Stewards, all other Administrative Rules have been given total over-sight including Federal Grant Review and Accounts, Personnel, Purchasing, Inventory, Fiscal Committee and Governor and Council approval and contracts.

The Department, with the assistance of the Attorney General's Office has approved a final Memorandum of Agreement, outlining the relationship with the Great Bay Stewards, which will be submitted to Governor and Council for approval.

Observation No. 3 - Equipment Inventory System Not Functional

OBSERVATION:

An annual physical inventory of equipment and subsequent reconciliation to the inventory records is a crucial internal control policy which helps insure that equipment assets are being properly safeguarded against loss or theft. The State's Fixed Asset Policies and Procedures Manual prepared by the Department of Administrative Services requires all agencies to take a complete physical inventory of their equipment annually and reconcile the inventory with their records. The Department's reported equipment balance at June 30, 1997 was \$6.8 million.

The Department did not perform an annual physical inventory at the end of fiscal year 1997 as required by the State's Fixed Asset Policies and Procedures Manual. Management indicated that the inventory was not performed because the Department's automated inventory system was not functioning.

REPORTABLE CONDITIONS (Continued)

Observation No. 3 - Equipment Inventory System Not Functional (Continued)

OBSERVATION (Continued):

In 1995 the Department began working on an automated equipment inventory system. This system was to be implemented in three phases. Phase 1 was the conversion of the current inventory control numbers to a bar code system. Phase 2 was setting up the reports and utilities that the database was to perform and phase 3 was getting the system out into the field and functioning. The first two phases were completed in November 1996. Currently, phase 3 is not functional. It is our opinion that regardless of the functionality of the bar code system, a physical inventory is critical for adequate control of over \$6.8 million in assets that are physically located in many areas across the State.

RECOMMENDATION:

The Department should correct the problems with the automated equipment inventory system so that it is operational. It should also perform an annual physical inventory as required by the State's Fixed Asset Policy and Procedures Manual to ensure that equipment assets are properly safeguarded.

AUDITEE RESPONSE:

We concur.

The Department conducted a manual inventory every year since the 1991 Audit. In Fiscal Year 1995 it developed a Bar Code System which was successfully utilized in the Fiscal Year 1996 Inventory. When the 1997 Inventory began, it was noted that the Bar Code Labels were not weather resistant and would have to be replaced. The software did not have the ability to cross reference the old ICN labels and would have to be reprogrammed. The options were to temporarily scrap the Bar Code System and attempt to complete a manual inventory with a short handed staff or to reprogram and purchase our own label system after July of 1997. All systems have now been corrected and the Fiscal Year 1998 Inventory is nearing completion. There never was a third phase to the system.

The Department maintains strict control on all equipment purchased, delivered and surplused.

REPORTABLE CONDITIONS (Continued)

Observation No. 4 - Real Property Valuation Errors

OBSERVATION:

The Fixed Asset Policies and Procedures Manual prepared by the Department of Administrative Services gives agencies guidance on the proper accounting and reporting of fixed assets, including a methodology for arriving at estimates for buildings in situations where the original documentation no longer exists. While the Department's real property records and documentation have improved since the 1991 LBA audit, we still noted deficiencies. The real property records continue to be maintained by the engineering division with little coordination with the business office. As a result, the engineering division is not fully aware of the accounting and reporting needs of the business office.

On June 30, 1997 the Department reported \$29,027,194 in land and land improvements and \$8,397,431 in buildings and building improvements for a total valuation of \$37,424,625. The properties are physically located in many areas across the State. We tested a sample of 16 Departmental properties, which represented \$19,173,907 or 51 percent of the Department's real property balance and noted that five of the 16 properties tested were not adequately supported by documentation resulting in a net overstatement of property values of \$1,417,000.

RECOMMENDATION:

The Department should continue to improve its accounting for real property. The engineering division and business division should work cooperatively to implement a system of accounting and reporting of real property that will meet the needs of both divisions. The Department should use the Fixed Assets Policies and Procedures Manual for technical guidance in the accounting and reporting of real property. For property where the records no longer exist, appropriate estimates of the property's fair market value at time of acquisition should be made and documented.

AUDITEE RESPONSE:

We concur.

The Department has used appropriate estimates on values acquired prior to the last audit as recommended.

REPORTABLE CONDITIONS (Continued)

Observation No. 5 - Lack Of Inventory Controls Over The Partners In Flight Paintings

OBSERVATION:

In fiscal year 1993 the Department attempted to raise funds by contracting with various artists for paintings of migratory birds to be exhibited and sold for the benefit of the Nongame Fund. A private firm offered to sponsor the exhibit by purchasing all 23 paintings for \$20,000 and left a \$5,000 deposit. These paintings were displayed throughout the State. The Department incurred a net cost of \$13,002 to purchase the 23 paintings from various artists.

During fiscal year 1993 the sponsoring firm filed for bankruptcy. As a result, the Department was left with the paintings and over the last four years has been selling them one at a time. The Department carries insurance on the paintings and according to the March 26, 1997 insurance listing, there were 16 paintings still in the Department's possession. The paintings are insured at a value of \$15,830. We noted the following problems with the Department's control over these paintings.

- These paintings are not listed on any departmental inventory records and are not reported as either consumable or equipment inventory. The paintings are in the custody of a Nongame Fund biologist who is responsible for selling the paintings and remitting the revenue to the Department's business office for deposit into the Nongame Fund. Accountability over these paintings is almost non-existent.
- Of the 16 paintings on the insurance listing, 14 were observed in various locations throughout the Department and two had been sold by the Nongame biologist. We also found two paintings that were not on the insurance list.

Even though we were able to physically identify 16 paintings, there is such a lack of internal control over the paintings that these paintings could have been misplaced or stolen without detection.

RECOMMENDATION:

The paintings should be formally inventoried and included either as salable inventory on the annual Consumable Inventory Report (A-35) or on the Equipment Inventory (P-16) listing. Accountability, including custody of the paintings, should be with the business office and all sales should be coordinated through the business office. An annual physical inventory of these paintings should be conducted and insurance coverage should be appropriately adjusted.

REPORTABLE CONDITIONS (Continued)

Observation No. 5 - Lack Of Inventory Controls Over The Partners In Flight Paintings (Continued)

AUDITEE RESPONSE:

We concur.

A private firm contributed the match to a private grant to publicize the plight of Neotropical Birds in New Hampshire. The vehicle used was an art contest in which a value would be attached to the selected paintings. The paintings would become the property of the private firm. The private firm only contributed a portion of the match and attempted to claim the paintings. The Department refused to surrender them and the firm filed Bankruptcy. The Department has attempted to obtain best value since then. The Business Office has worked with the Wildlife Division in monitoring a list and protecting the paintings while attempting to maximize the proceeds to the Nongame Fund.

Observation No. 6 - Inadequate Manual Federal Grant Ledger System

OBSERVATION:

The Department has five federal programs which are accounted for on a project basis. There are 90 projects within the five federal programs. The Department separately accounts for the activity of the 90 federal projects in a manual grant ledger.

Payroll is posted to the grant ledgers from bi-weekly time sheets. The hours from the time sheets are used to allocate payroll costs to each project using a calculated pay rate. The pay rate is determined based on the employee's hourly rate of pay plus a 31% benefit adjustment factor. Indirect costs are posted to the ledger monthly. All other costs are direct charges to the projects. The Department also uses these ledgers to track the state match. Federal reimbursements are requested every two weeks. However, due to the number of projects, the requests are rotated among the various projects and therefore not every project is reimbursed every two weeks.

We noted the following problems with this ledger system:

- To account for this volume and complexity of federal project activity on a manual ledger system is inefficient and ineffective. This same problem was noted in our 1991 audit of the Department.
- In its current format, the ledger is not reconcilable to the State accounting system (NHIFS), hence it is not possible to determine whether the federal reimbursement requests are posted to the correct accounts within NHIFS.

REPORTABLE CONDITIONS (Continued)

**Observation No. 6 - Inadequate Manual Federal Grant Ledger System
(Continued)**

OBSERVATION (Continued):

- The Department does not maintain a control listing to track the timing of federal reimbursements by project. As a result, expenditures are not being reimbursed consistently or timely. We noted that 41% of the disbursements tested were not reimbursed timely; reimbursements averaged 54 business days after the date of disbursement.
- Time worked by approximately 100 employees is manually posted to the ledger by project every two weeks. This is an extremely time consuming and cumbersome task. We noted instances where overtime paid to employees was not posted to the ledgers when it should have been.

RECOMMENDATION:

The Department should automate its federal grant ledgers. A computerized ledger system would greatly reduce the risk of clerical errors and help ensure the accuracy of the balances in the ledger accounts. This would aid in the computation and timing of federal reimbursement requests as well as in the generation of financial reports required by the federal grantor agencies. The Department's goal should be to eventually create a system that can be reconciled to the State accounting system.

AUDITEE RESPONSE:

We concur.

The conversion of the Federal Funds Ledger System from manual to automated was completed effective July 1, 1997. Management, after several attempts to develop a fully automated system to reconcile with NHIFS is moving to hire an outside consultant to accomplish this. There is not the ability to solve this problem within State Government.

REPORTABLE CONDITIONS (Continued)

Observation No. 7 - Fish And Game Gift Certificates Are Not Adequately Accounted For

OBSERVATION:

The Department's business office sells gift certificates which are redeemable at any regional agent location. The gift certificates are pre-numbered duplicate forms. When a certificate is sold, the original is given to the customer while the duplicate is retained by the business office. Certificates have a two year expiration date from the date sold and can be made out for any monetary amount. According to Fish and Game personnel, the majority of the certificates are sold for \$30.50, the value of a resident combination hunting/fishing license. Using the resident combination license as the average value of a certificate, we estimate that the Department sold \$29,700 in gift certificates during fiscal year 1997. When we reviewed the controls over the accounting for gift certificates we noted the following:

- There is a lack of segregation of duties and a lack of physical security over the certificates. The Department does not track the numerical sequence of the certificates on hand nor does it perform a physical inventory of the certificates. The certificates are kept in two locations, some in storage and some in the safe in the business office. There is limited security over the certificates in the business office as various people have access to the safe during the day. Certificates can be issued out of sequence and can be signed by any of the cashiers and data processing clerks that work in the licensing section of the business office.
- Gift certificates are not tracked on the Department's licensing database. The certificates are partially accounted for in the business office by logging the certificate number on a daily report, however, the monetary value of the certificates is not recorded on this report. Additionally, when gift certificates are sold, they are recorded in various sales categories on the cash registers, hence there is no separate accounting for the monetary value of the certificates. There is no reconciliation of gift certificates sold to those redeemed.

RECOMMENDATION:

The Department should strengthen controls over the sale of gift certificates, maintain a more accurate accounting of the gift certificates, and perform a periodic reconciliation of gift certificates redeemed and outstanding.

AUDITEE RESPONSE:

We concur.

The Department will develop a tracking system to account for gift certificates.

REPORTABLE CONDITIONS (Continued)

Observation No. 8 - Errors In Consumable Inventory Accounting

OBSERVATION:

The Department maintains three separate consumable inventories: fish and fish food, law enforcement supplies such as ammunition and clothes, and business office salable products. As of June 30, 1997, the Department reported a consumable inventory balance of \$666,489. Various reporting and recording errors were made by the Department in the calculation of the balance as detailed below.

Fish and Fish Food

- The Department's hatchery biologist generates on a manual spreadsheet the annual hatchery production costs. This information is not reconciled to the New Hampshire Integrated Financial System (NHIFS) by the business office. The biologist did not maintain any supporting documentation for the spreadsheet so we were unable to verify the accuracy of the information.
- The Department did not use the information from the June Monthly Hatchery or the June Monthly Fish Food Reports to calculate the ending inventory balances.
- We also noted a lack of segregation of duties over the taking of physical inventories at the hatcheries. The same employee who performs the monthly physical inventory is also responsible for investigating variances and making the subsequent adjustments to the inventory records.

Law Enforcement Supplies

- The law enforcement division maintains control over its consumable inventory. One person is responsible for the record keeping, custody, and annual physical inventory, resulting in a lack of segregation of duties.
- The law enforcement division maintains its inventory on the Department's consumable inventory database, however, there was a problem with the database resulting in the inability to record purchases and issues. Due to this problem, the Department was unable to determine the total cost of purchases or issuances for the fiscal year and was unable to report this on the annual Consumable Inventory Report (A-35).

Business Office Products

- When the business office prepared the Departmental A-35, it erroneously added the law enforcement ending inventory balance into its own balance, thereby overstating the ending balances.

REPORTABLE CONDITIONS (Continued)

Observation No. 8 - Errors In Consumable Inventory Accounting (Continued)

OBSERVATION (Continued):

Business Office Products (Continued)

- Purchases and issues were not posted to the business office consumable inventory manual ledger in a timely manner during the audit period. During physical inventory testing we noted that 8 of 20 items tested (40%), did not agree to the ledger. While all the balances were corrected after the year-end physical inventory count, these are examples of untimely postings. It should be noted that our physical counts did agree with the Department's physical counts.

RECOMMENDATION:

All consumable inventories should be accounted for in a centralized inventory system. Maintenance of a centralized inventory system should be the responsibility of a Departmental administrative function.

AUDITEE RESPONSE:

We concur.

The hatcheries submit a monthly fish food report to the Chief of the Fisheries Division. They submit an annual report as of June each year to the Business Office for inclusion in the Department's A-35. The figures reported to the Business Office are official and this is what was reported.

Management has directed the Business Office to assume total control on all Department Consumable Inventories.

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

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

This report is intended for the information of the management of the New Hampshire Fish and Game Department and the Fiscal Committee of the General Court. However, this report is a matter of public record upon acceptance by the Fiscal Committee and its distribution is not limited.

Office of Legislative Budget Assistant
OFFICE OF LEGISLATIVE BUDGET ASSISTANT

March 6, 1998

AUDITOR'S REPORT ON STATE AND FEDERAL COMPLIANCE

TO THE FISCAL COMMITTEE OF THE GENERAL COURT:

We have audited the accompanying financial statements of the New Hampshire Fish and Game Department as of and for the year ended June 30, 1997, and have issued our report thereon dated March 6, 1998.

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

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

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards*. However, we have noted on pages 24 through 30 instances of noncompliance with state statutes and federal regulations, while not material to the financial statements, we believe to be worthy of report mention.

This report is intended for the information of the management of the New Hampshire Fish and Game Department and the Fiscal Committee of the General Court. However, this report is a matter of public record upon acceptance by the Fiscal Committee and its distribution is not limited.

Office of Legislative Budget Assistant
OFFICE OF LEGISLATIVE BUDGET ASSISTANT

March 6, 1998

STATE COMPLIANCE

Observation No. 9 - Charges To Dedicated Funds Without Supporting Documentation

OBSERVATION:

The Department has 17 separate dedicated funds. These funds, by statute, are restricted to support specific activities. Examples include moose management, turkey propagation, search and rescue, atlantic salmon, and bear management. We noted that the Department charged a 6.25% internal indirect cost rate to dedicated funds. While in theory charging an internal indirect cost rate to dedicated funds is appropriate, the Department was unable to provide documentation to support how this rate was calculated. The Department transferred \$60,590 from the dedicated funds into the Fish and Game Fund for these unsupported indirect costs.

RECOMMENDATION:

We recommend the Department establish procedures to ensure that indirect costs charged to dedicated funds are supported by adequate documentation.

AUDITEE RESPONSE:

We concur.

Although the Department received approval in the FY 1996/1997 Budget from the Legislature and the Governor for charging the Dedicated Funds a 6.25% interdepartmental expense, the Department will calculate details and accurately account for future transactions in budget requests.

STATE COMPLIANCE (Continued)

Observation No. 10 - Nongame Fund General Fund Match Was Overstated

OBSERVATION:

RSA 212-B:6 established the Nongame Fund to account for federal grants, state appropriations, and donations obtained for nongame species management. RSA 212-B also allows for the General Fund to match donations received during the year, up to \$50,000. The Nongame Fund received \$53,459 in revenue during fiscal year 1997. Total donations received in fiscal year 1997 equaled \$39,371, of which \$27,446 was collected by a fund raising consultant. The remaining \$14,088 was generated through the sale of publications and nongame posters. The fiscal year 1997 General Fund match, requested on September 23, 1997, was for \$50,000, \$10,629 more than total donations.

During fiscal year 1997, the Department charged fund raising consultant costs of \$13,720 and publication purchases of \$15,393 to the Nongame Fund.

This raises several important issues regarding the Nongame Fund.

1. It does not appear appropriate for the Department to charge the Nongame Fund for fund raising since the statute specifically states: "...The moneys in this account shall be used exclusively for the development and implementation of a comprehensive nongame species management program...". There is a separate Publications, Specialty Items and Fund Raising Revolving Fund established pursuant to RSA 206:22-a, where these costs should more appropriately be charged.
2. The statute requires that the General Fund match be based upon donations and not the sale of publications and nongame posters. Again, pursuant to RSA 206:22-a, the Department maintains a separate Publications, Specialty Items and Fund Raising Revolving Fund.
3. The Department appears to be inflating the donations by the costs incurred in raising the donations. If the match was based on net proceeds from donations (i.e. receipts minus fundraising costs), which we believe to be correct, total donations would have equaled \$25,651, resulting in an overstatement of General Fund match of \$24,349 for fiscal year 1997.

RECOMMENDATION:

The Department should request the General Fund match based upon actual donations that are net of fund raising costs.

The Department should seek an opinion from the Attorney General on the appropriate use of the Nongame Fund, or alternatively it should review the nature and use of the numerous designated statutory funds maintained by the Department and recommend consolidation of funds through legislative action.

STATE COMPLIANCE (Continued)

**Observation No. 10 - Nongame Fund General Fund Match Was Overstated
(Continued)**

AUDITEE RESPONSE:

We partially concur.

We do not concur that the intent of RSA 212-B-6 called for Net donations only to be used for General Fund Match. Management is seeking an opinion as recommended from the Attorney General of the appropriate use of the Nongame Fund.

Observation No. 11 - Noncompliance With Certain Fish & Game Statutes

OBSERVATION:

During our testing for compliance with selected statutes applicable to the Fish and Game Department we noted the following instances of noncompliance.

1. RSA 206:9-a requires the Department to file a biennial report with the General Court no later than January 1 of each odd numbered year, recommending changes to the fee structure for licenses and permits issued by the Department. The latest report was due January 1, 1997. As of March 1, 1998, the report had not been submitted.
2. RSA 208:1-a established the responsibilities of the Department for hunting and management of moose in the State. Included in the moose management program are public education, research to determine moose population, distributions and needs of the herds, and other management methods to maintain a healthy moose population. Paragraph IV requires the director of the Department to submit a report every two years to the legislature and governor on the status of moose and the performance of the moose management program. The Department should have filed a report in 1997 and failed to do so.
3. RSA 206:35-e established a separate account "...which shall be credited an apportionment of moneys received from the federal government which are known as the Wallop-Breaux funds and any state matching appropriation made for this purpose. This account shall be used for land acquisition and the construction or maintenance of boat launching sites...." The Department currently uses three organization codes within the State accounting system (NHIFS) to account for the majority of land acquisition and boat access activity. The Wallop-Breaux funds are part of the federal fish restoration grant which is allocated among various organization codes of the Department. There is no single account within the Department to account for these funds.
4. In our 1991 audit of the Department we noted that the Wildlife Protection Fund, which was established by RSA 206:41, had been inactive for years. The situation remains unchanged.

STATE COMPLIANCE (Continued)

**Observation No. 11 - Noncompliance With Certain Fish & Game Statutes
(Continued)**

OBSERVATION (Continued):

5. RSA 213 established the Atlantic States Marine Fisheries Commission which encompasses the 14 states on the Atlantic seaboard, including New Hampshire. RSA 213:6 requires that biennially the Commission send to the legislature on or before December 10 of the year prior to each session of the legislature, a report of its transactions for the 24 months preceding December 1 of that year. The Commission actually prepares an annual report with audited financial statements which are based on its fiscal year ending June 30. With the exception of an agency title change, this statute has not been changed since it was enacted in 1941.
6. RSA 211:18 requires that the fees and fines from the taking of lobsters and crabs and related Department enforcement expenses be accounted for separately by the Department. Currently the Department incorporates this income in License and Fine unrestricted revenue in NHIFS. Expenses are part of the marine fisheries division and are not separately identified.
7. RSA 211:70 requires that revenues and expenses related to the marine fisheries division be credited or charged to the Fish and Game Fund. The statute also states that the revenue and expenses be accounted for in such a manner as to show the actual relationship between marine revenue and expenditures and that this information be identified as part of the annual Fish and Game financial statement. The Department does not account for the marine fisheries division in such a manner nor is it an identifiable part of the annual financial statement of the Department.
8. RSA 214:23-c states that a hunting safety instructor "...shall be covered by liability insurance protecting him from liability for damages during the time when instruction is being furnished. The cost of such insurance shall be... a charge against the fish and game fund." Currently the hunter safety instructors are all volunteers and the Department does not provide liability insurance for them. RSA 206:27-i states that a Department volunteer "...shall be considered a state employee for the purpose of defense and indemnification from civil suits under RSA 99-D..." It appears that these two statutes are in conflict with each other.

STATE COMPLIANCE (Continued)

**Observation No. 11 - Noncompliance With Certain Fish & Game Statutes
(Continued)**

RECOMMENDATION:

We recommend the following with regards to compliance with applicable state statutes:

1. & 2. The Department should establish procedures to ensure that reports such as the biennial report and the moose management report are filed timely and contain the required information.
3. & 4. The Department should consider whether RSA 206:35-e (Wallop-Breaux) and RSA 206:41 (Wildlife Protection Fund) are still applicable given the method the Department currently uses to account for this information. If not, the Department should seek legislative action to amend or repeal the statutes.
5. The Department should consider seeking legislative action to amend RSA 213:6 to bring it in line with the current practice of issuing annual reports based on the Atlantic States Marine Fisheries Commission's fiscal year.
6. & 7. RSAs 211:18 and 211:70 both require the Department to separately account for information on revenue and expenditures relating to the marine fisheries division. The Department should develop procedures to comply with the statutes or seek statutory amendment through legislative action.
8. The Department should seek an Attorney General's opinion to determine whether the hunter safety instructors fall under the protection of RSA 206:27-I, if not, it should provide liability insurance for hunter safety instructors in accordance with RSA 214:23-c.

AUDITEE RESPONSE:

We concur.

The Executive Director is appointing a Department Review Team to research and make recommendations back to him and the Fish and Game Commission for possible legislation.

FEDERAL COMPLIANCE

Observation No. 12 - Undocumented Time Charges To Federal Programs

OBSERVATION:

The Fish and Game Department receives federal funds from two federal agencies; the National Oceanic and Atmospheric Administration and the U.S. Fish & Wildlife Service. Of the \$3.2 million of federal funds received and expended in fiscal year 1997, \$3.0 million (94%) was from the U.S. Fish & Wildlife Service. During fiscal year 1997 the Department administered over 90 federal projects. As discussed in more detail in Observation No. 6 on page 17, the Department accounts for all federal projects in an inefficient manual ledger system.

In our prior audit of the Department for fiscal year 1991, we noted that employees were required to track their compensatory time earned and the federal project to which the time pertained. When compensatory time was taken, it was the responsibility of the employee to note on their time sheet the appropriate federal project to charge. The Department did not have a system in place to verify whether the employee charged the correct project when using compensatory time. The Department has not corrected this problem. It remains the employee's responsibility to maintain records of the federal project charged when compensatory time is used. The U.S. Office of Management and Budget Circular A-87 "*Cost Principles for State, Local and Indian Tribal Governments*" requires that all federal charges be supported by adequate documentation. These costs are not adequately documented, and therefore should be questioned. However, due to the way compensatory time is accounted for, total questioned costs were undeterminable.

RECOMMENDATION:

We strongly recommend that the Department change its procedures regarding the accounting for compensatory time by charging the federal grants for compensatory time when it is earned rather than when it is taken by the employee. This is the current procedure for annual, sick, and holiday time. Compensatory time should be accounted for in the same manner as other leave types.

AUDITEE RESPONSE:

We concur.

The Executive Director will obtain a decision from the U.S. Fish and Wildlife as to the procedure they will accept in handling the immediate reimbursement of compensatory overtime. However, this may not have any effect on the maximization of Grants as most Grants are fully utilized with related expense reimbursement.

FEDERAL COMPLIANCE (Continued)

Observation No. 13 - Late Filing Of Federal Financial Reports

OBSERVATION:

Both the National Oceanic and Atmospheric Administration (NOAA) and the U. S. Fish & Wildlife Service require either quarterly and/or annual financial status reports (SF-269) to be filed, generally within 30 days of the end of the quarter or the fiscal year. When we tested certain reports for timeliness of filing we noted the following:

Grant Name	Period	Due Date	Date Filed	# Days Late
NOAA - Coastal Zone Management	QE 9/30/96	10/30/96	12/16/96	47
NOAA - Coastal Zone Management	QE 12/31/96	1/30/97	8/11/97	193
NOAA - Coastal Zone Management	QE 3/31/97	4/30/97	8/6/97	98
NOAA - Coastal Zone Management	QE 6/30/97	7/30/97	8/6/97	7
NOAA - Coastal Zone Management	FY 1997	9/30/97	1/6/98	98
Wildlife Restoration	FY 1996	9/30/96	10/8/96	8

RECOMMENDATION:

We recommend that the Department revise its procedures to ensure that required reports are filed with the appropriate federal agencies in a timely manner.

AUDITEE RESPONSE:

We concur.

The Business Administrator was working with the National Oceanic and Atmospheric Administration Management in handling the tardiness of this Grant and although it should have been current, extensions were granted. All Grants are now current.

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INDEPENDENT AUDITOR'S REPORT

TO THE FISCAL COMMITTEE OF THE GENERAL COURT:

We have audited the accompanying financial statements of the New Hampshire Fish and Game Department as of and for the year ended June 30, 1997. These financial statements are the responsibility of the management of the New Hampshire Fish and Game Department. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the New Hampshire Fish and Game Fund and the Lifetime License Agency Fund as of June 30, 1997 and the results of operations of the New Hampshire Fish and Game Department for the year then ended, in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the financial statements referred to in the first paragraph. The accompanying Schedules of Budgetary Components and Expenditures of Federal Awards (Cash Basis) are presented on pages 51 through 53 for the purpose of additional analysis and are not required parts of the financial statements of the New Hampshire Fish and Game Department. Such information has been subjected to the auditing procedures applied in our audit of the financial statements referred to in the first paragraph and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 6, 1998 on our consideration of the New Hampshire Fish and Game Department internal control structure and a report dated March 6, 1998 on its compliance with laws and regulations.

Office of Legislative Budget Assistant
OFFICE OF LEGISLATIVE BUDGET ASSISTANT

March 6, 1998

**STATE OF NEW HAMPSHIRE
FISH AND GAME DEPARTMENT**

**FISH AND GAME FUND AND AGENCY FUND
BALANCE SHEETS
JUNE 30, 1997**

	FISH AND GAME FUND	LIFETIME LICENSE AGENCY FUND
ASSETS		
Cash and Cash Equivalents (NOTE 2)	\$ 6,311,492	\$ 221,471
Accounts Receivable	619,215	0
Federal Grants Receivable	260,687	0
Inventories	<u>666,489</u>	<u>0</u>
TOTAL ASSETS	\$ <u>7,857,883</u>	\$ <u>221,471</u>
 LIABILITIES AND FUND BALANCES		
LIABILITIES:		
Accounts Payable	\$ 418,240	\$ 0
Accrued Payroll	405,371	0
Custodial Funds Payable (NOTE 6)	<u>0</u>	<u>221,471</u>
TOTAL LIABILITIES	\$ <u>823,611</u>	\$ <u>221,471</u>
 FUND BALANCES:		
Reserved for Encumbrances	\$ 482,572	0
Reserved for Inventories	666,489	0
Reserved for Unexpended Appropriations	2,628,825	0
Unreserved, Undesignated	<u>3,256,386</u>	<u>0</u>
TOTAL FUND BALANCES	\$ <u>7,034,272</u>	\$ <u>0</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>7,857,883</u>	\$ <u>221,471</u>

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

**STATE OF NEW HAMPSHIRE
FISH AND GAME DEPARTMENT**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCE
ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 1997**

	<u>Fish and Game Fund</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total (Memo Only)</u>
<u>REVENUES</u>				
License Sales	\$ 6,476,299	\$ 0	\$ 0	\$ 6,476,299
Grants from Federal Government	3,102,686	36,870	0	3,139,556
OHRV Clearing Account	44,381	0	0	44,381
Fees, Fines and Penalties	1,116,638	0	0	1,116,638
Grants from Other State Agencies	471,841	100,000	0	571,841
Interest, Premiums, and Discounts	278,411	0	0	278,411
Sale of Commodities	275,658	0	0	275,658
Grants from Private and Local Sources	129,894	0	0	129,894
Miscellaneous	<u>32,719</u>	<u>0</u>	<u>0</u>	<u>32,719</u>
TOTAL REVENUES	\$ <u>11,928,527</u>	\$ <u>136,870</u>	\$ <u>0</u>	\$ <u>12,065,397</u>
<u>EXPENDITURES</u>				
Law Enforcement	\$ 2,954,117	\$ 0	\$ 0	\$ 2,954,117
Inland Fisheries	2,001,756	0	160,918	2,162,674
Administration	1,675,132	0	7,312	1,682,444
Access and Engineering	1,550,886	36,907	0	1,587,793
Game Wildlife	1,490,018	3,652	0	1,493,670
Information and Education	959,813	0	0	959,813
Regional Offices	740,053	0	0	740,053
Marine Fisheries	324,253	0	0	324,253
Great Bay Estuarine Research Reserve	187,724	0	0	187,724
Non-Game Wildlife	119,665	0	0	119,665
Debt Service	82,020	207,988	0	290,008
Miscellaneous	<u>52,094</u>	<u>0</u>	<u>0</u>	<u>52,094</u>
TOTAL EXPENDITURES	\$ <u>12,137,531</u>	\$ <u>248,547</u>	\$ <u>168,230</u>	\$ <u>12,554,308</u>
Excess (Deficiency) of Revenues				
Over Expenditures	\$ <u>(209,004)</u>	\$ <u>(111,677)</u>	\$ <u>(168,230)</u>	\$ <u>(488,911)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Operating Transfers In	790,856	0	0	790,856
Operating Transfers Out	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL OTHER FINANCING SOURCES (USES)	\$ <u>790,856</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>790,856</u>
Excess (Deficiency) of Revenues and Other Sources				
Over Expenditures and Other Uses	581,852	\$ <u>(111,677)</u>	\$ <u>(168,230)</u>	\$ <u>301,945</u>
Fund Balance - July 1, 1996 (NOTE 1)	\$ <u>6,452,420</u>			
Fund Balance - June 30, 1997 (NOTE 1)	\$ <u>7,034,272</u>			

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

STATE OF NEW HAMPSHIRE
FISH AND GAME DEPARTMENT

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
FISH AND GAME FUND AND GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 1997

	<u>FISH AND GAME FUND</u>		
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>FAVORABLE/ (UNFAVORABLE) VARIANCE</u>
<u>REVENUES</u>			
License Sales	\$ 6,428,000	\$ 6,476,299	\$ 48,299
Grants from Federal Government	4,061,224	3,098,567	(962,657)
OHRV Clearing Account	1,029,097	1,381,414	352,317
Fees, Fines and Penalties	1,006,459	1,116,638	110,179
Grants from Other State Agencies	459,243	471,841	12,598
Interest, Premiums, and Discounts	120,500	278,411	157,911
Sale of Commodities	302,000	275,658	(26,342)
Grants from Private and Local Sources	88,000	129,894	41,894
Miscellaneous	<u>56,147</u>	<u>32,719</u>	<u>(23,428)</u>
TOTAL REVENUES	\$ <u>13,550,670</u>	\$ <u>13,261,441</u>	\$ <u>(289,229)</u>
<u>EXPENDITURES</u>			
Law Enforcement	\$ 4,674,665	\$ 4,277,458	\$ 397,207
Inland Fisheries	2,215,480	1,994,635	220,845
Administration	1,860,847	1,670,069	190,778
Access and Engineering	2,918,973	1,544,045	1,374,928
Game Wildlife	2,565,155	1,483,924	1,081,231
Information and Education	1,242,062	956,363	285,699
Regional Offices	768,987	736,802	32,185
Marine Fisheries	444,180	322,179	122,001
Great Bay Estuarine Research Reserve	329,066	186,724	142,342
Non-Game Wildlife	303,694	118,829	184,865
Debt Service	98,480	82,020	16,460
Miscellaneous	<u>149,459</u>	<u>31,016</u>	<u>118,443</u>
TOTAL EXPENDITURES	\$ <u>17,571,048</u>	\$ <u>13,404,064</u>	\$ <u>4,166,984</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ <u>(4,020,378)</u>	\$ <u>(142,623)</u>	\$ <u>3,877,755</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In	790,856	790,856	0
Operating Transfers Out	<u>(19,964)</u>	<u>(19,964)</u>	<u>0</u>
TOTAL OTHER FINANCING SOURCES (USES)	\$ <u>770,892</u>	\$ <u>770,892</u>	\$ <u>0</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	\$ (3,249,486)	\$ 628,269	\$ 3,877,755
Fund Balance - July 1, 1996	\$ <u>6,889,089</u>	\$ <u>6,889,089</u>	\$ <u>0</u>
Fund Balance - June 30, 1997	\$ <u>3,639,603</u>	\$ <u>7,517,358</u>	\$ <u>3,877,755</u>

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

GENERAL FUND			TOTAL (MEMO ONLY)		
BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE) VARIANCE	BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE) VARIANCE
\$ 0	\$ 0	\$ 0	\$ 6,428,000	\$ 6,476,299	\$ 48,299
16,992	36,870	19,878	4,078,216	3,135,437	(942,779)
0	0	0	1,029,097	1,381,414	352,317
0	0	0	1,006,459	1,116,638	110,179
100,000	100,000	0	559,243	571,841	12,598
0	0	0	120,500	278,411	157,911
0	0	0	302,000	275,658	(26,342)
0	0	0	88,000	129,894	41,894
0	0	0	56,147	32,719	(23,428)
<u>\$ 116,992</u>	<u>\$ 136,870</u>	<u>\$ 19,878</u>	<u>\$ 13,667,662</u>	<u>\$ 13,398,311</u>	<u>\$ (269,351)</u>
\$ 0	\$ 0	\$ 0	\$ 4,674,665	\$ 4,277,458	\$ 397,207
0	0	0	2,215,480	1,994,635	220,845
0	0	0	1,860,847	1,670,069	190,778
37,308	36,907	401	2,956,281	1,580,952	1,375,329
3,652	3,652	0	2,568,807	1,487,576	1,081,231
0	0	0	1,242,062	956,363	285,699
0	0	0	768,987	736,802	32,185
0	0	0	444,180	322,179	122,001
0	0	0	329,066	186,724	142,342
0	0	0	303,694	118,829	184,865
207,988	207,988	0	306,468	290,008	16,460
0	0	0	149,459	31,016	118,443
<u>\$ 248,948</u>	<u>\$ 248,547</u>	<u>\$ 401</u>	<u>\$ 17,819,996</u>	<u>\$ 13,652,611</u>	<u>\$ 4,167,385</u>
<u>\$(131,956)</u>	<u>\$(111,677)</u>	<u>\$ 20,279</u>	<u>\$(4,152,334)</u>	<u>\$(254,300)</u>	<u>\$ 3,898,034</u>
0	0	0	790,856	790,856	0
0	0	0	(19,964)	(19,964)	0
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 770,892</u>	<u>\$ 770,892</u>	<u>\$ 0</u>
<u>\$(131,956)</u>	<u>\$(111,677)</u>	<u>\$ 20,279</u>	<u>\$(3,381,442)</u>	<u>\$ 516,592</u>	<u>\$ 3,898,034</u>

**STATE OF NEW HAMPSHIRE
FISH AND GAME DEPARTMENT**

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
LIFETIME LICENSE AGENCY FUND
FOR THE YEAR ENDED JUNE 30, 1997**

	<u>BALANCE JULY 1, 1996</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE JUNE 30, 1997</u>
<u>ASSETS</u>				
Cash and Cash Equivalents.	\$ <u>183,502</u>	\$ <u>78,009</u>	\$ <u>40,040</u>	\$ <u>221,471</u>
<u>LIABILITIES</u>				
Custodial Funds Payable	\$ <u>183,502</u>	\$ <u>78,009</u>	\$ <u>40,040</u>	\$ <u>221,471</u>

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

**STATE OF NEW HAMPSHIRE
FISH AND GAME DEPARTMENT**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. FINANCIAL REPORTING ENTITY

The Fish and Game Department established under RSA 206 is an organization of the primary government of the State of New Hampshire. The financial activity of the Fish and Game Department is accounted for in the Fish and Game, General, Capital Projects, and Agency Funds of the State of New Hampshire's Comprehensive Annual Financial Report (CAFR). Assets, liabilities, and fund balances are reported by fund for the State as a whole in the CAFR. The Fish and Game Department, as an organization of the primary government, accounts for only a small portion of the General and Capital Projects Funds and those assets, liabilities, and fund balances as reported in the CAFR that are attributable to the Fish and Game Department cannot be determined. Accordingly, the accompanying financial statements are not intended to show the financial position of the General and Capital Projects Funds and the changes in these fund balances are not reported on the Combined Statement of Revenues, Expenditures, and Change in Fund Balance.

The Fish and Game Department accounts for all of the financial activity in the Fish and Game Fund and Lifetime License Agency Fund, therefore the accompanying financial statements present the financial position of these funds.

Pursuant to RSA 206, the Fish and Game Department, under the direction of an eleven member Fish and Game Commission, is charged with the adequate and effective control, management, restoration, conservation, and regulation of the fish and wildlife resources of the State.

B. BASIS OF PRESENTATION - FUND ACCOUNTING

Financial Statements

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF PRESENTATION - FUND ACCOUNTING (Continued)

Fund Accounting

The Fish and Game Fund uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

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

GOVERNMENTAL FUND TYPES

Fish and Game Fund

The Fish and Game Fund is a Special Revenue Fund, which under State law receives all moneys collected by the Department from licenses, permits, fines, and forfeitures. These funds are appropriated and used exclusively to carry out the functions of the Fish and Game Department.

General Fund

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

Capital Projects Fund

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF PRESENTATION - FUND ACCOUNTING (Continued)

FIDUCIARY FUND TYPES

Agency Funds

Transactions related to assets held by the State in an agency capacity are accounted for in the Fiduciary Fund Type, Agency Fund. Agency Funds account for assets received by the State as an agent. RSA 214:9-c allows for the sale of lifetime resident combination hunting and fishing licenses. All monies received from the sale of such licenses are deposited with the State Treasurer who holds the money in a separate account. Yearly the State Treasurer is required to transfer an amount out of the account to the Fish and Game Fund. The amount equals the number of prepaid licenses sold in prior years, reduced by a 3.5% mortality rate, times the present cost of an annual license. The account balance and activity are included in the Agency Funds of the State.

ACCOUNT GROUPS

General Fixed Assets

General Fixed Assets acquired by the Fish and Game Department for the performance of its operations are reflected in the General Fixed Assets Account Group at the time of acquisition. As of June 30, 1997, the Department had recorded in the General Fixed Assets Account Group the cost of general fixed assets based on available historical cost records. Donated fixed assets are recorded at fair market value at the time donated.

General Long-Term Debt

Amounts related to the Fish and Game Department's cumulative liability for compensated absences and proportionate share of outstanding long-term general obligation bonds are reflected in the General Long-Term Debt Account Group.

C. BASIS OF ACCOUNTING

The State of New Hampshire accounts for its financial transactions related to the Fish and Game, General, and Capital Projects Funds on the modified accrual basis of accounting, under which revenues and assets are recognized in the accounting period in which they became measurable and available to finance operations during the year. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures and liabilities are recognized in the period in which obligations are incurred. Expenditures made by the Department through governmental funds are limited by statute to appropriations made by the Legislature. Agency Fund assets and liabilities are also accounted for on a modified accrual basis.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. BUDGETARY DATA

General Budget Policies

The statutes of the State of New Hampshire require the Governor to submit a biennial operating budget to the Legislature. This budget consists of three parts: part I is the Governor's program for meeting all expenditure needs as well as estimating revenues to be received; part II is a detailed breakdown of the budget at the Department level for appropriations to meet the expenditure needs of the government; part III consists of draft appropriation bills for the appropriations made in the proposed budget. The operations of the Department are budgeted in the Fish and Game and General Funds.

The New Hampshire biennial budget is composed of the initial operating budget and supplemented by additional appropriations. These additional appropriations and estimated revenues from various sources are authorized by Governor and Council action, annual session laws, and existing statutes which require appropriations under certain circumstances. As shown on the Schedules of Budgetary Components on pages 51 and 52, the final budgeted amount includes the initial operating budget plus supplemental appropriation warrants, balances brought forward, and transfers.

A Combined Statement of Revenues, Expenditures and Change in Fund Balance-Budget and Actual-Budgetary Basis-Fish and Game Fund and General Fund is presented on pages 36 and 37 as part of the Department's financial statements.

RSA 9:3-a requires the Governor to submit a capital budget to the Legislature in each odd-numbered year. The enacted capital budget authorizes appropriations that are usually intended to be expended over several years.

Variances - Favorable/Unfavorable

The variance column on the Combined Statement of Revenues, Expenditures and Change in Fund Balance-Budget and Actual-Budgetary Basis-Fish and Game Fund and General Fund highlights the differences between budgeted and actual amounts. For revenue, a favorable variance results from actual revenue for the reporting period exceeding the amounts budgeted for the fiscal year. Unfavorable revenue variances represent actual revenue collected being less than amounts budgeted. For expenditures, a favorable variance results from actual expenditures being less than the amount budgeted for the fiscal year. The favorable expenditure variances represent a combination of ending available balances and unliquidated encumbrances. Unfavorable expenditure variances represent actual expenditures for the reporting period exceeding the amounts budgeted for the fiscal year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. BUDGETARY DATA (Continued)

Encumbrances

Contracts and purchasing commitments are recorded as encumbrances when the contract or purchase order is executed. Upon receipt of goods or services the encumbrance is liquidated and the expenditure and liability are recorded. The unliquidated encumbrance balances at June 30, 1997 in the Fish and Game and Capital Projects Funds were \$578,379 and \$29,659, respectively.

E. FIXED ASSETS - GENERAL

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

F. INTERFUND AND INTRAFUND TRANSACTIONS

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

Reimbursements - Various departments charge fees on a user basis for such services as centralized data processing, accounting and auditing, purchasing, personnel, and maintenance. In addition, the Department of Administrative Services charges rent to those departments that are housed in State-owned buildings. These fees and rent are not considered material and are recorded as revenue by the servicing department and as expenditures by the user department.

G. RECEIVABLES

Receivables in the governmental fund types consist primarily of accrued non-business licenses and federal grants receivable. Non-business licenses are primarily license agents sales revenue that was collected in June and is remitted to the Department by the fourteenth of the subsequent month. These revenues are susceptible to accrual in accordance with measurable and available criteria under the modified accrual basis of accounting. Federal grant receivables are amounts due from the federal government to reimburse the State for expenditures incurred pursuant to federally funded programs.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. RECEIVABLES (Continued)

No allowance for uncollectible amounts has been established for receivables in the governmental funds. Non-business licenses are substantially based on subsequent collections and the collection of amounts due from the federal government are reasonably assured under federal programs.

H. INVENTORIES

Inventories for materials and supplies are determined by physical counts. Consumable inventories of the Fish and Game Fund are stated at average cost and are recorded under the consumption method. Reported inventory balances are equally offset by a fund balance reserve that indicates it does not constitute "available spendable resources" even though it is part of net current assets.

I. CAPITAL PROJECTS

The Fish and Game Department records the resources obtained and used for the acquisition, construction, or improvement of certain capital facilities in the Fish and Game Fund and the Capital Projects Fund. Encumbrances are recorded when contracts are executed. Expenditures are recorded, and encumbrances are liquidated, as incurred.

Resources obtained to finance capital projects include federal grants, short-term bond anticipation notes, and general obligation bonds. Short-term bond anticipation notes, and general obligation bonds are recorded as a fund liability. General obligation bonds are recorded as a liability in the General Long-Term Debt Account Group, and as other financing sources in the funds that receive the proceeds.

J. INTERPRETATION OF TOTAL (MEMO ONLY) COLUMN

Total (Memo Only) columns have been included on the Combined Statement of Revenues, Expenditures and Change in Fund Balance-Budget and Actual-Budgetary Basis-Fish and Game Fund and General Fund. The total columns include interfund activity and are presented only to facilitate financial analysis. Data in these columns do not present financial activity in conformity with generally accepted accounting principles. Intra-agency eliminations have not been made in the aggregation of this data.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 2 - CASH, CASH EQUIVALENTS, AND DEPOSITS

The State Treasurer pools cash of the Fish and Game Department with other agencies and funds of the State. The Fish and Game Fund and Agency Fund equity share of the total pooled cash as it relates to the Fish and Game Department are included on the accompanying balance sheet under the caption Cash and Cash Equivalents.

Deposits

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

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

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

The State Treasury Department has adopted a policy of formally evaluating the condition of its depositories on a quarterly basis. The State Treasurer is not required to collateralize bank deposits. However, during fiscal year 1997, Treasury collateralized deposits at two of its major depositories. Collateral is principally in the form of U.S. Treasury direct obligations.

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

- Category 1 Fully insured or collateralized with securities held by the State or its agent in the State's name.
- Category 2 Collateralized with securities held by the pledging financial institution's trust Department or agent in the State's name.
- Category 3 Uncollateralized.

At June 30, 1997 the carrying amount of the pooled deposits related to the Fish and Game Department totaled \$189,438. The bank balances and deposit classification by category of credit risk are not available for demand deposits which make up the total pooled deposits of the Fish and Game Fund.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 2 - CASH, CASH EQUIVALENTS, AND DEPOSITS (Continued)

Investments

The invested funds of the Department are classified as Cash and Cash Equivalents on the balance sheet because their original maturity dates are less than three months. For purposes of the notes to the financial statements these funds are categorized as investments in accordance with GASB Statement No. 3.

The State Treasurer, in accordance with RSA 6:8 which sets the policy for investing state funds, has invested Fish and Game Fund and Lifetime License Agency Fund monies in open-ended mutual funds, which are uncategorized in terms of custody risk.

The following schedule shows the carrying and fair values of these investments.

	<u>Fair Value</u>	<u>Carrying Value</u>
Fish and Game Fund	\$ 6,122,054	\$ 6,122,054
Lifetime License	<u>251,040</u>	<u>221,471</u>
Total Investments	\$ <u>6,373,094</u>	\$ <u>6,343,525</u>

The following is a summary of the Department's deposits and investments for the Fish and Game Fund and Lifetime License Agency Fund as of June 30, 1997.

	<u>Fish And Game Fund</u>	<u>Lifetime License Fund</u>
Cash on Hand	\$ 0	\$ 0
Carrying Value of Deposits	189,438	0
Cash in Investments	<u>6,122,054</u>	<u>221,471</u>
Total Cash and Cash Equivalents	\$ <u>6,311,492</u>	\$ <u>221,471</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 3 - GENERAL FIXED ASSETS ACCOUNT GROUP

The following is a schedule of changes in real property and equipment, as reported by the Fish and Game Department in the General Fixed Assets Account Group for the year ended June 30, 1997. Equipment purchases are funded through budgeted appropriations.

	Beginning Balance <u>7/1/96</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>6/30/97</u>
Land & Land Improvements	\$ 28,174,383	\$ 852,811	\$ 0	\$ 29,027,194
Buildings & Building Improvements	<u>8,302,480</u>	<u>94,951</u>	<u>0</u>	<u>8,397,431</u>
Total Real Property	\$ 36,476,863	\$ 947,762	\$ 0	\$ 37,424,625
Equipment	\$ <u>6,141,203</u>	\$ <u>879,426</u>	\$ <u>186,795</u>	\$ <u>6,833,834</u>
Total General Fixed Assets	\$ <u>42,618,066</u>	\$ <u>1,827,188</u>	\$ <u>186,795</u>	\$ <u>44,258,459</u>

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

NOTE 4 - RECONCILIATION OF BUDGETARY TO GAAP FUND EQUITY

The following schedule reconciles fund equity of the Fish and Game Fund at June 30, 1997, for differences between the budgetary method and under generally accepted accounting principles (GAAP). The fund equity of the General Fund was not presented in the accompanying financial statements as discussed in NOTE 1.

	<u>ADJUSTMENTS</u>			
Fund Equity <u>Budgetary</u>	<u>Receivables</u>	Accounts <u>Payable</u>	Accrued <u>Payroll</u>	Fund Equity <u>GAAP</u>
\$ 7,517,358	\$ 128,424	\$ (206,141)	\$ (405,371)	\$ 7,034,270

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 5 - GENERAL LONG TERM DEBT ACCOUNT GROUP

Compensated Absences

Permanent full and part-time employees of the Fish and Game Department are entitled to annual and sick leave with full pay on the basis of the employee's scheduled work week and years of service. Annual and sick leave are computed at the end of each completed month of service. Certain permanent full-time employees are entitled to receive bonus leave. At the end of each fiscal year, additional annual leave (bonus days) is computed based on the amount of sick time taken during the year. Accrued compensatory time must be taken within one year from the date the time is earned. The State of New Hampshire calculates the liability for compensated absences at fiscal year end, June 30. The compensated absences balance at June 30, 1997 was \$1,202,772, a decrease of \$5,800 from the balance at June 30, 1996.

Bonds Payable

The Fish and Game Department is responsible for paying principal and interest on general obligation bonds. The proceeds of the bonds were used for building additions and renovations. All of the bonds issued are backed by the full faith and credit of the State. As of July 1, 1996, total outstanding bond principal equaled \$943,864. During the fiscal year ended June 30, 1997, payments on bond principal totaled \$49,436. During fiscal year 1997, \$4,125 of debt was refunded and \$184,237 of new debt was issued, leaving an outstanding principal balance of \$1,074,540 at June 30, 1997. Bonds authorized and unissued amounted to \$485,564 at June 30, 1997.

The bond amortization schedule (in thousands) for the next five years and thereafter is presented below:

<u>Year ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1998	\$ 53	\$ 34	\$ 87
1999	51	31	82
2000	60	35	95
2001	58	36	94
2002	56	37	93
THEREAFTER	\$ <u>797</u>	\$ <u>410</u>	\$ <u>1,207</u>
TOTAL	\$ <u>1,075</u>	\$ <u>583</u>	\$ <u>1,658</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 6 - LIFETIME LICENSE AGENCY FUND

The balance in the Lifetime License Agency Fund consists of amounts received from the sale of lifetime hunting and fishing combination licenses. Per RSA 214:9-c the monies are to be held by the State Treasurer in a separate fund. An amount based on the number of lifetime licenses sold in prior years is transferred annually to the Fish and Game Fund.

NOTE 7 - EMPLOYEE BENEFIT PLANS

New Hampshire Retirement System

The Fish and Game Department as an organization of State government participates in the New Hampshire Retirement System (the Plan). The Plan is a defined benefit plan and covers substantially all full-time employees of the Fish and Game Department.

The Plan qualifies as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. RSA 100-A established the Plan and the contribution requirements. The Plan, which is a cost-sharing, multiple-employer Public Employees Retirement System (PERS), is divided into two membership groups. Group I consists of employees and teachers. Group II consists of firefighters and police officers (including conservation officers). Group I - Members contributing through age 60 qualify for a normal service retirement allowance based on years of creditable service. The yearly pension amount is 1/60 (1.67%) of average final compensation (AFC), multiplied by years of creditable service. AFC is defined as the average of the three highest salary years. At age 65 the yearly pension amount is recalculated at 1/66 (1.5%) of AFC multiplied by years of creditable service. Members in service with 10 or more years of creditable service who are between age 50 and 60 are entitled to a retirement allowance with appropriate graduated reduction based on years of creditable service.

In addition, any Group I member who has completed at least 20 years of creditable service that, when combined with his or her age equals at least 70, is entitled to retire and have benefits commence immediately at a reduced service retirement allowance.

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

Members of both groups are entitled to disability allowances and also death benefit allowances subject to various requirements and rates based on AFC or earnable compensation. All covered Fish and Game Department employees are members of either Group I or Group II.

The Plan is financed by contributions from the members, the State and local employers, and investment earnings. During the fiscal year ended June 30, 1997, Group I and II members were required to contribute 5% and 9.3%, respectively, of gross earnings.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 7 - EMPLOYEE BENEFIT PLANS (Continued)

New Hampshire Retirement System (Continued)

The State funds 100% of the employer cost for all of the Department employees enrolled in the Plan. The annual contribution required to cover any normal cost beyond the employee contribution is determined every two years by the Plan's actuary.

The Department's payments for normal contribution for the fiscal year ended June 30, 1997 amounted to 3.14% of the covered payroll for its Group I employees and 1.33% for its Group II employees. In addition to the normal contribution, the Department pays a .25% administrative expense load as a percentage of covered payroll to cover administrative costs of the Retirement System. The Plan does not make separate measurements of assets and pension benefit obligation for individual employers. The New Hampshire Retirement System Comprehensive Annual Financial Report contains detailed information regarding the Plan as a whole, including information on payroll, contributions, actuarial assumptions and funding method, pension benefit obligation, and ten year historical trend data. The New Hampshire Retirement System operates on a fiscal year ending June 30.

Deferred Compensation Plan

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

Participants rights' under the Plan are equal to those of general creditors of the State in an amount equal to the fair market value of the deferred account for each participant.

Postemployment Health Care Benefits

The Department, as an organization of State government, provides postemployment health care benefits, in accordance with RSA 21-I:30, to all retired employees and their spouses on a non-contributory basis, as authorized by State statute. During the fiscal year ended June 30, 1997, the Department paid \$325,658 for the full cost of health insurance on a pay-as-you-go basis for 195 retirees, spouses, and dependents.

**STATE OF NEW HAMPSHIRE
FISH AND GAME DEPARTMENT**

**SCHEDULE OF BUDGETARY COMPONENTS
FISH AND GAME FUND
FOR THE YEAR ENDED JUNE 30, 1997**

	<u>OPERATING</u> <u>BUDGET</u>	<u>SUPPLEMENTAL</u> <u>WARRANTS</u>	<u>BALANCES</u> <u>FORWARD</u>	<u>NET</u> <u>TRANSFERS</u> <u>IN/(OUT)</u>	<u>BUDGET</u>
REVENUES					
License Sales	\$ 6,428,000	\$ 0	\$ 0	\$ 0	\$ 6,428,000
Grants from Federal Government	2,697,918	420,448	942,858	0	4,061,224
OHRV Clearing Account	1,029,097	0	0	0	1,029,097
Fees, Fines and Penalties	926,808	32,280	47,371	0	1,006,459
Grants from Other State Agencies	340,106	44,637	74,500	0	459,243
Interest, Premiums, and Discounts	120,500	0	0	0	120,500
Sale of Commodities	302,000	0	0	0	302,000
Grants from Private and Local Sources	88,000	0	0	0	88,000
Miscellaneous	<u>41,947</u>	<u>14,200</u>	<u>0</u>	<u>0</u>	<u>56,147</u>
TOTAL REVENUES	\$ <u>11,974,376</u>	\$ <u>511,565</u>	\$ <u>1,064,729</u>	\$ <u>0</u>	\$ <u>13,550,670</u>
EXPENDITURES					
Law Enforcement	\$ 4,087,700	\$ 87,167	\$ 531,798	\$ (32,000)	\$ 4,674,665
Inland Fisheries	1,711,193	149,532	332,755	22,000	2,215,480
Administration	1,767,163	34,394	70,979	(11,689)	1,860,847
Access and Engineering	1,540,831	27,176	1,347,966	3,000	2,918,973
Game Wildlife	1,404,368	88,568	1,063,219	9,000	2,565,155
Information and Education	905,045	59,760	276,257	1,000	1,242,062
Regional Offices	761,162	0	5,825	2,000	768,987
Marine Fisheries	275,257	124,350	38,884	5,689	444,180
Great Bay Estuarine Research Reserve	157,150	64,923	105,993	1,000	329,066
Non-Game Wildlife	113,000	78,805	111,889	0	303,694
Debt Service	98,480	0	0	0	98,480
Miscellaneous	<u>149,200</u>	<u>0</u>	<u>259</u>	<u>0</u>	<u>149,459</u>
TOTAL EXPENDITURES	\$ <u>12,970,549</u>	\$ <u>714,675</u>	\$ <u>3,885,824</u>	\$ <u>0</u>	\$ <u>17,571,048</u>

**STATE OF NEW HAMPSHIRE
FISH AND GAME DEPARTMENT**

**SCHEDULE OF BUDGETARY COMPONENTS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 1997**

	<u>OPERATING BUDGET</u>	<u>SUPPLEMENTAL WARRANTS</u>	<u>BALANCES FORWARD</u>	<u>NET TRANSFERS IN/(OUT)</u>	<u>BUDGET</u>
REVENUES					
Grants from Federal Government	\$ 0	\$ 0	\$ 16,992	\$ 0	\$ 16,992
Grants from Other State Agencies	<u>100,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>100,000</u>
TOTAL REVENUES	\$ <u>100,000</u>	\$ <u>0</u>	\$ <u>16,992</u>	\$ <u>0</u>	\$ <u>116,992</u>
EXPENDITURES					
Access and Engineering	\$ 0	\$ 0	\$ 37,308	\$ 0	\$ 37,308
Game Wildlife	0	3,652	0	0	3,652
Debt Service	<u>210,988</u>	<u>(3,000)</u>	<u>0</u>	<u>0</u>	<u>207,988</u>
TOTAL EXPENDITURES	\$ <u>210,988</u>	\$ <u>652</u>	\$ <u>37,308</u>	\$ <u>0</u>	\$ <u>248,948</u>

**STATE OF NEW HAMPSHIRE
FISH AND GAME DEPARTMENT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(CASH BASIS)
FOR THE YEAR ENDED JUNE 30, 1997**

<u>Federal Catalog Number</u>	<u>Federal Agency/Federal Program</u>	<u>Expenditures</u>
Department of Commerce/National Oceanic and Atmospheric Administration		
11.420	Coastal Zone Management Estuarine Research Reserves	\$ 179,816
Department of the Interior/Fish and Wildlife Service		
15.605	Sport Fish Restoration	1,856,072
15.611	Wildlife Restoration	1,095,382
15.612	Endangered Species Conservation	37,429
15.617	Wildlife Conservation and Appreciation	<u>3,284</u>
	TOTAL	\$ <u>3,171,983</u>

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APPENDIX

CURRENT STATUS OF PRIOR AUDIT FINDINGS

The following is a summary of the status of the observations as of March 6, 1998 contained in the audit report of the Fish and Game Department for the year ended June 30, 1991. A copy of the prior report can be obtained from the Office of Legislative Budget Assistant, Audit Division, 107 North Main Street, State House Room 102, Concord, NH 03301.

<u>INTERNAL CONTROL</u>	<u>STATUS</u>
<i>MATERIAL WEAKNESS</i>	
1. General Fixed Assets (see current Observation No. 4)	● ● ○
<i>OTHER REPORTABLE CONDITIONS</i>	
2. Plan For Automation (see current Observation No. 1)	○ ○ ○
3. Compensatory Time	● ● ●
4. Accounting For Federal Funds (see current Observation No. 6)	● ○ ○
5. Consumable Inventories	● ● ●
6. Cash Management	● ● ●
7. Requests For Federal Funds (see current Observation No. 6)	● ○ ○
8. Payroll Processing	● ○ ○
9. Fish And Game Fines	● ○ ○
10. Financial Reporting Of Lifetime License Account	● ● ●
11. General Fund Match For Nongame Donations (see current Observation No. 10)	○ ○ ○
 <u>FEDERAL AND STATE COMPLIANCE</u>	
<i>FEDERAL COMPLIANCE</i>	
12. Indirect Cost Plan	● ● ●
13. Cost Principles/Questioned Costs (see current Observation No. 12)	● ○ ○
14. Overbilling On The Estuarine Reserve Grant	● ● ●
15. Civil Rights Legislation And The Drug-Free Workplace Act	● ● ●
16. License Certification Requirements	● ● ●
17. Valuation And Recording Of In-Kind Match	● ● ●
 <i>STATE COMPLIANCE</i>	
18. Lifetime License Account	● ● ●
19. Reports Required By Statute (see current Observation No. 11)	● ● ○

STATUS KEY				# observations by status type
Fully resolved	●	●	●	10
Substantially resolved	●	●	○	2
Partially resolved	●	○	○	5
Unresolved	○	○	○	2

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