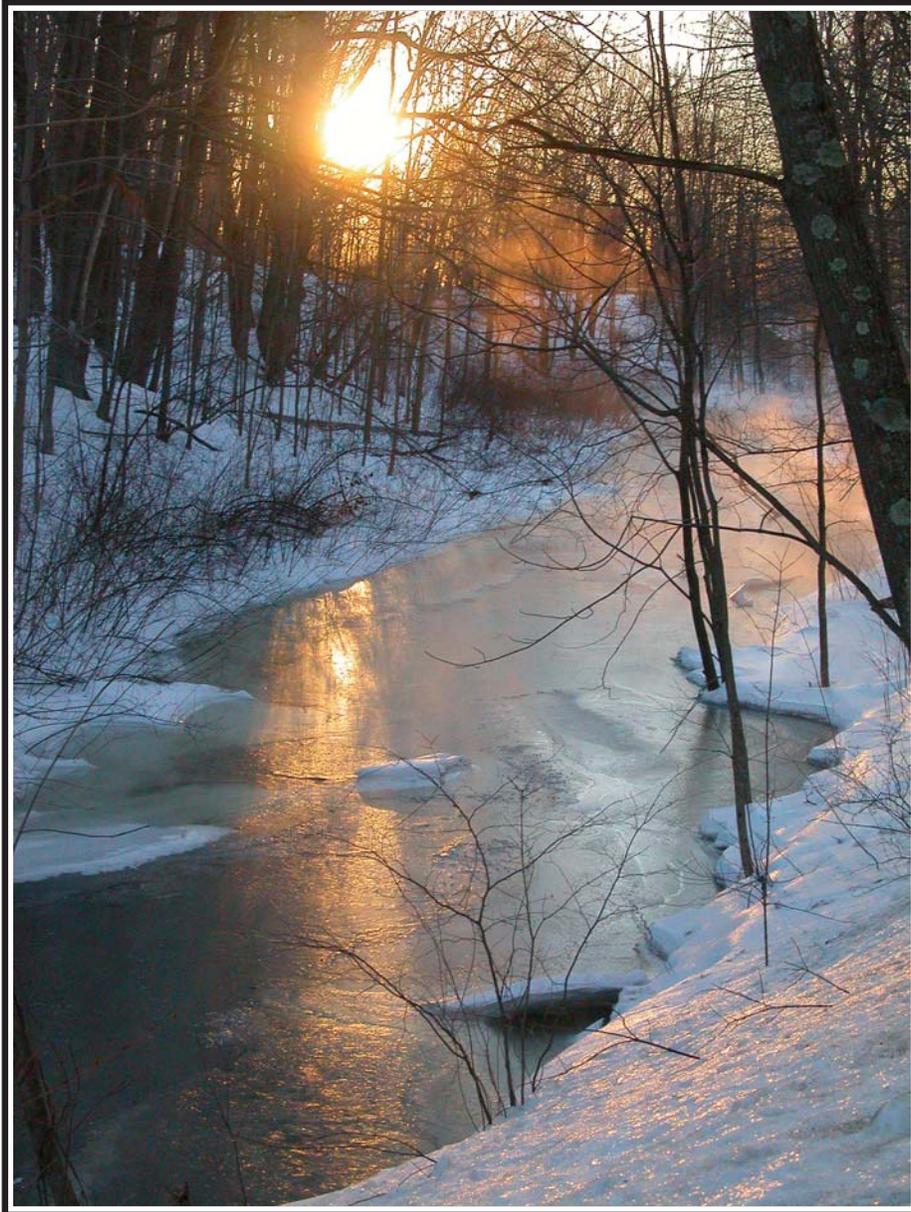


# State of New Hampshire

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR  
ENDED JUNE 30, 2006**



**PREPARED BY:  
DEPARTMENT OF ADMINISTRATIVE SERVICES**

**Front Cover Photo** taken by and provided courtesy of Frank Harris. The photo was taken in Franklin, NH at Chance Pond.

Frank N. Harris  
(603) 682-6887

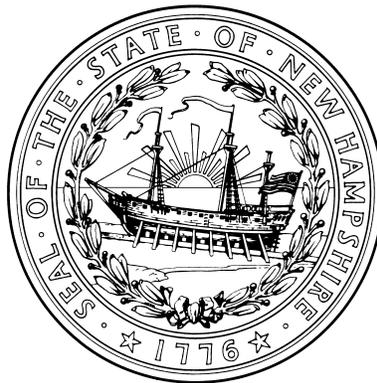
STATE OF NEW HAMPSHIRE

---

**COMPREHENSIVE  
ANNUAL  
FINANCIAL REPORT**

---

For the Fiscal Year Ended  
June 30, 2006



**Prepared by the Department of Administrative Services**

Donald S. Hill, Commissioner  
Sheri L. Rockburn, Comptroller  
Stephen C. Smith, Director  
Diana L. Smestad  
Kelly J. Brown

**Division of Accounting Services**

This document and related information can be accessed at <http://admin.state.nh.us/accounting>



# TABLE OF CONTENTS

## INTRODUCTORY SECTION

Governor's Letter.....	1
Selected State Officials.....	2
Organization Chart.....	3
Letter of Transmittal.....	4

## FINANCIAL SECTION

<b>Independent Auditors' Report.....</b>	<b>12</b>
Management's Discussion and Analysis.....	14

### **Basic Financial Statements**

Government-wide Financial Statements	
Statement of Net Assets.....	22
Statement of Activities.....	24
Governmental Fund Financial Statements	
Balance Sheet.....	28
Reconciliation of the Balance Sheet-Governmental Funds to the Statement Of Net Assets.....	29
Statement of Revenues, Expenditures, and Changes in Fund Balances.....	30
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds to the Statement of Activities.....	31
Proprietary-Enterprise Fund Financial Statements	
Statement of Net Assets.....	34
Statement of Revenues, Expenses, and Changes in Proprietary-Enterprise Funds.....	35
Statement of Cash Flows.....	36
Component Units	
Combining Statements of net Assets Component Units.....	38
Combining Statements of Activities Component Units.....	39
Fiduciary Fund Financial Statements	
Statement of Fiduciary Net Assets.....	41
Statement of Changes in Fiduciary Net Assets.....	42
Index for Notes to the Basic Financial Statements.....	43
Notes to the Basic Financial Statements.....	44

### **Required Supplementary Information**

Budget to Actual Schedules	
Budget to Actual - General Fund.....	71
Budget to Actual - Highway Fund.....	74
Budget to Actual - Education Fund.....	75
Note to the Required Supplementary Information-Budgetary Reporting.....	76

## TABLE OF CONTENTS - (CONTINUED)

---

### Other Supplementary Information

Highway Fund	
Combining Schedule of Balance Sheet Accounts.....	79
Combining Schedule of Revenues, Expenditures and Changes In Fund Balance Accounts.....	80
Combining Governmental Financial Statements	
Combining Balance Sheet Non-Major Funds.....	82
Combining Statement of Revenues, Expenses and Changes In Fund Balances Non-Major Funds.....	83
Budget to Actual - Fish & Game Fund.....	84
Internal Service Fund	
Combining Schedule of Balance Sheet Accounts Employee Benefit Risk Management Fund.....	86
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance Accounts Employee Benefit Risk Management Fund.....	87
Component Unit	
Combining Statement of Net Assets Non-Major Component Units.....	89
Combining Statement of Activities Non-Major Component Units.....	90
Fiduciary Funds	
Pension Trust Funds	
Combining Statement of Plan Net Assets.....	92
Combining Statement of Changes in Plan Net Assets.....	93
Private Purpose Trust Funds	
Combining Statement of Net Assets.....	95
Combining Statement of Changes in Net Assets.....	96
Agency Funds	
Combining Statement of Assets & Liabilities.....	98
Combining Statement of Changes in Assets & Liabilities.....	99

### STATISTICAL SECTION

Schedule of Net Assets by Component.....	101
Schedule of Changes in Net Assets.....	102
Schedule of Fund Balances, Governmental Funds.....	103
Schedule of Changes in Fund Balance, Governmental Funds.....	104
Schedule of Unrestricted Revenue- GAAP Basis- General Fund.....	105
Schedule of Undesignated Fund Balance- General Fund.....	106
Schedule of Undesignated Fund Balance- Education Fund.....	107
Schedule of Undesignated Fund Balance- Highway Fund.....	108
Schedule of Undesignated Fund Balance- Fish and Game Fund.....	109
Schedule of Business Tax Filers and Liability by Tax Paid Level.....	110
Schedule of Statewide Property Tax For Top Ten Cities/Towns.....	111
Schedule of Sales By Top Ten State Liquor Retail Locations.....	111
Schedule of Ratios of Outstanding Debt by Type.....	112
Schedule of Ratios of General Bonded Debt Outstanding.....	112
Schedule of Pledged Revenue Coverage.....	113
Schedule of Demographic and Economic Statistics.....	113
Schedule of Building Permits for Housing Units.....	114
Schedule of Principle Employers.....	114
Schedule of Operating Indicators by Function.....	115
Schedule of State Employees by Function.....	117
Schedule of Capital Asset Balances by Function.....	118

# STATE OF NEW HAMPSHIRE

## OFFICE OF THE GOVERNOR



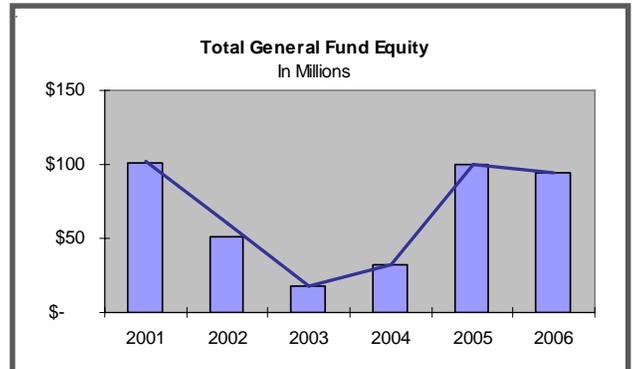
TO: The Citizens of the State of New Hampshire  
and the Honorable Members of the Legislature

I am pleased to accept the *Fiscal Year 2006 State of New Hampshire Comprehensive Annual Financial Report*.

We live in the greatest state in the greatest country in the world, and I am committed to continuing to work with all the people of New Hampshire to keep it that way. We continue to come together in Concord – Democrats and Republicans – to put aside partisanship and focus on getting good results for the people of New Hampshire. Together, we balanced the state's budget, worked to conduct state government's business efficiently and effectively, and to make smart investments in New Hampshire's future and people, including providing urgent assistance to communities and people hit hard by flooding and to seniors struggling to get their medications under the new federal prescription drug law.

During the past year, we made significant progress on issues important to New Hampshire and its citizens:

- We put \$51.7 million in the state's Rainy Day Fund to help ensure our future fiscal stability.
- We provided critical assistance to families hardest-hit by severe flooding so that they could recover from the devastation.
- We acted to make sure seniors could still get their medications after problems with the new federal prescription drug law prevented some from getting their prescriptions filled.



- We ensured college students with life-threatening illnesses would not lose their health insurance just when they needed it most.
- We put in place a strong, new ethics law, creating the first-ever ethics commission for the Executive Branch.
- We committed to preserving the public's safety, passing one of the toughest and most comprehensive laws in the country to protect children from sexual predators, making important licensing information regarding childcare centers more accessible, and toughening existing penalties for producers of methamphetamine.
- We acted to preserve and protect the natural resources and beauty that make New Hampshire such a great place to live and work, implementing legislation significantly reducing mercury, putting a moratorium on the burning of toxic construction and demolition debris in the state and leading by example by working to make state government more energy efficient.

I am very proud of all we have accomplished in the past year. I would like to take this opportunity to thank you for your support, and to thank our great state employees for all their hard work and dedication. Without their efforts, and without the support and involvement of people from across New Hampshire, much of the progress we have made would not have been possible.

Sincerely,

A handwritten signature in black ink, appearing to read "John H. Lynch".

John H. Lynch  
Governor



State of New Hampshire  
Selected State Officials  
For the Fiscal Year Ended June 30, 2006

***Executive Branch***

***Governor*** John H. Lynch

***Executive Council***

Raymond S. Burton, District 1

Peter J. Spaulding, District 2

Ruth L. Griffin, District 3

Raymond J. Wieczorek, District 4

Debora B. Pignatelli, District 5

***Attorney General***

Kelly A. Ayotte

***Commissioner of Administrative Services***

Donald S. Hill

***Treasurer***

Michael A. Ablowich

***Secretary of State***

William M. Gardner

***Judicial Branch***

***Chief Justice of the Supreme Court***

John T. Broderick Jr.

***Legislative Branch***

***President of the Senate***

Theodore L. Gatsas

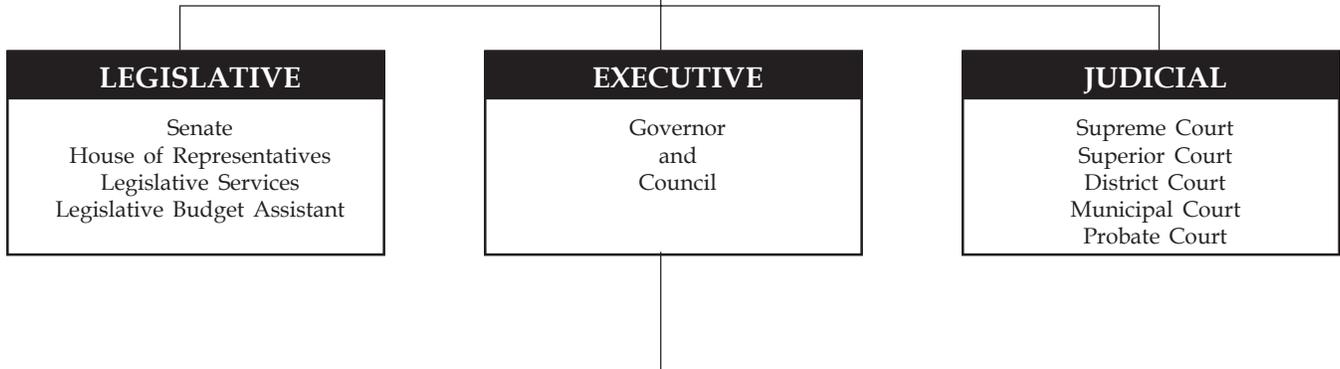
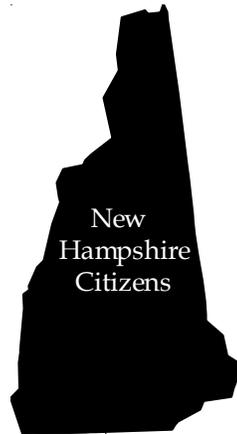
24 Senators

***Speaker of the House of Representatives***

W. Douglas Scamman, Jr.

400 Representatives

# STATE OF NEW HAMPSHIRE ORGANIZATION CHART



STATE AGENCIES AND COMPONENT UNITS (\*)

GENERAL GOVERNMENT

Administrative Services  
 Cultural Resources  
 Executive Office  
 NH Retirement System\*  
 Revenue Administration  
 Secretary of State  
 State Treasury

ADMINISTRATION OF JUSTICE  
AND PUBLIC PROTECTION

Adjutant General  
 Agriculture, Markets & Food  
 Banking  
 Corrections  
 Employment Security  
 Highway Safety  
 Insurance  
 Justice  
 Labor  
 Liquor Commission  
 Pari-Mutuel Commission  
 Public Deposit Investment Pool  
 Public Utilities Commission  
 Safety

RESOURCE PROTECTION  
AND DEVELOPMENT

Business Finance Authority\*  
 Environmental Services  
 Fish and Game  
 Community Development Finance  
 Authority\*  
 Pease Development Authority\*  
 Resources and Economic Development

TRANSPORTATION

Transportation

HEALTH AND SOCIAL SERVICES

Health and Human Services  
 Veterans' Council  
 Veterans' Home

EDUCATION

Education  
 Postsecondary Education Commission  
 NH Community Technical College  
 System  
 Lottery Commission  
 University System of  
 New Hampshire\*



**State of New Hampshire**  
DEPARTMENT OF ADMINISTRATIVE SERVICES  
OFFICE OF THE COMMISSIONER  
25 Capitol Street - Room 120  
Concord, New Hampshire 03301

**DONALD S. HILL**  
Commissioner  
(603) 271-3201

March 23, 2007

To: The Citizens of New Hampshire,  
His Excellency the Governor  
and the Honorable Council

In accordance with the Revised Statutes Annotated (RSA) 21-I:8,I,(h), it is a pleasure to submit the Comprehensive Annual Financial Report (CAFR), covering the fiscal year ended June 30, 2006. This report has been prepared by the state Department of Administrative Services and responsibility for both the accuracy of the data presented and completeness and fairness of the presentation, including all disclosures, rests with the state. The basic financial statements, considered by management to present fairly and consistently the state's financial position and results of operations, have been prepared in accordance with generally accepted accounting principles (GAAP) applicable to state and local governments, as promulgated by the Governmental Accounting Standards Board (GASB).

The CAFR is presented in three major sections:

- The Introductory Section includes this transmittal letter, the state's organization chart, and summary financial information.
- The Financial Section includes the independent auditors' report, management's discussion and analysis (MD&A), government-wide financial statements, fund financial statements for governmental funds, proprietary funds, fiduciary funds together with notes to the basic financial statements, required supplementary information and combining financial statements.
- The Statistical Section contains selected financial, demographic, and economic data.

GASB Statement No. 34 requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of MD&A. This letter of transmittal is intended to complement MD&A and should be read in conjunction with it. The MD&A can be found immediately following the independent auditors' report.

The financial reporting entity includes all funds of the state as legally defined, as well as all of its component units. Component units are legally separate entities for which the state is financially accountable. Note 1 to the Basic Financial Statements provides a more complete description of the state's reporting entity. The state provides a full range of services including: the construction and maintenance of highways and infrastructure, education, health and social services, public safety, conservation of natural resources, economic development, and recreation facilities and development.

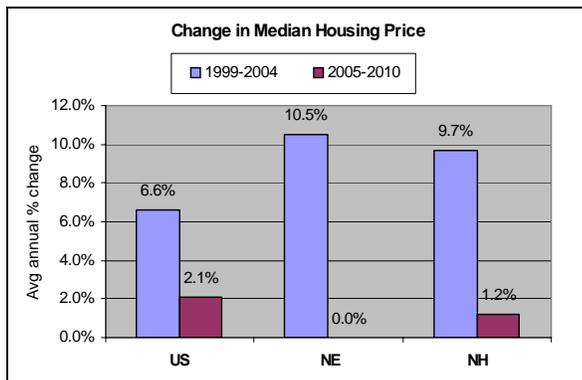
# New Hampshire's Economic Outlook

New Hampshire's economy is expected to continue to grow, but at a somewhat slower rate of growth than that experienced during the first half of this decade. The state continues to experience one of the strongest growth rates in population and employment in New England. Per capita income levels are rising and poverty rates remain one of the lowest in the nation. The state has retained its advantages over other states in the region with low unemployment, low tax burdens, highly educated and skilled workforce, and a small and accessible government.

<i>New Hampshire's Economic Scoreboard for 2006</i>		
<i>Categories</i>	<i>NH's National Rank</i>	<i>NH's Rank in New England</i>
Favorable Tax Climate	1st	1st
Healthiest State (Morgan Quitno, 2006)	2nd	2nd
Standard of Living (by Poverty Rate)	1st	1st
Child and Family Well-Being (Annie E. Casey, 2005)	1st	1st
Safest State (Lowest crime rate, 2004)	3rd	1st
Most Livable State (Morgan Quitno, 2006)	1st	1st
College Educated Population	4th	2nd

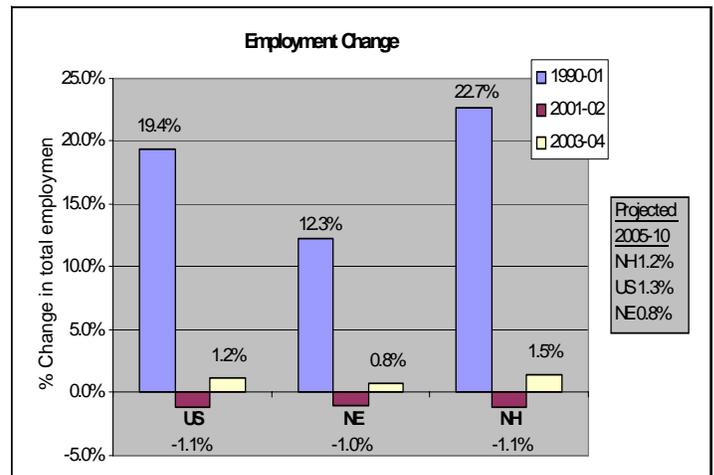
Source: Dennis Delay, Workforce Opportunity Council, Inc.

One of the strongest sectors of the New Hampshire economy since the mid 1990's is now showing undeniable signs of slowing and perhaps even contraction. Residential housing, which has put billions of dollars into consumer pocketbooks through sales of new and existing homes, refinancing and home equity loans, has begun to correct. New Hampshire's housing sector is expected to have a "soft landing" with a modest decline in housing prices followed by slight growth in prices through 2010. New Hampshire's median home price is forecasted to increase at an annual rate of about half the US average.



New Hampshire has continued to receive high quality of life rankings in Morgan Quitno's Most Livable State Awards, ranking first in standard of living, family well being, and the most livable state.

Personal income levels continued to rise with a 6.6% increase for the year ending June 2006. New Hampshire's employment growth is expected to be slightly below the national average over the next few years. However, through 2010, New Hampshire is forecasted to be the only New England State with employment growth greater than 1%. In addition, New Hampshire is forecasted to be above regional growth averages in all major employment "super-sectors" except manufacturing. Granite State manufacturing jobs declined at a 5.0% annual rate during the period 2000-2005. Going forward, this rate of decline is forecasted to slow to a 1.2% average loss per year. As of June 2006, New Hampshire's seasonally adjusted total nonfarm employment grew by 0.3% from June of last year, and the state's unemployment rate was 3.3%, which continues to track lower than New England (4.5%) and the national average (4.6%).



Economists caution, however, that economic forecasts could have a relatively high downside potential as influenced by uncertainty in the housing market. A weaker and longer to recover housing market would have negative influence on the regional economy, including New Hampshire. Some recession risks will remain elevated as long as the housing correction continues to unfold.

## MAJOR INITIATIVES

### Enterprise Resource Planning (ERP)

Enterprise Resource Planning (ERP) is an information technology industry term for integrated, multi-module application software packages designed to serve and support several business functions across an organization. An ERP system is a strategic tool that helps the organization improve operations and management by integrating business processes and helping to optimize the allocation of available resources. These systems are typically commercial software packages that facilitate collection and integration of information related to various areas of an organization such as finance, accounting, human resources, inventory, procurement, and customer service.

The 2005 capital budget included \$19.0 million of appropriations for the ERP project of which \$5.5 million has been spent to date. In April 2006, a vendor was selected and Ciber, Inc. and Lawson Software were awarded contracts and on July 26, 2006 the ERP project was officially kicked off under the project name of NH FIRST (New Hampshire Fundamental Improvements to Revitalize Systems/ Services and Technology).

NH FIRST will be replacing the state's separate and antiquated budgeting, accounting and human resources systems with a new, fully integrated system, which will offer far more functionality than exists today and will support statewide business office functions. NH FIRST will use the latest information technology to allow information sharing with other agencies, vendors, and citizens like never before and will transform the way New Hampshire state government does business.

NH FIRST will be implemented using a multi-phase approach over a 2 1/2 year span with the first phase due to go live during fiscal year 2008.

### E-ZPass

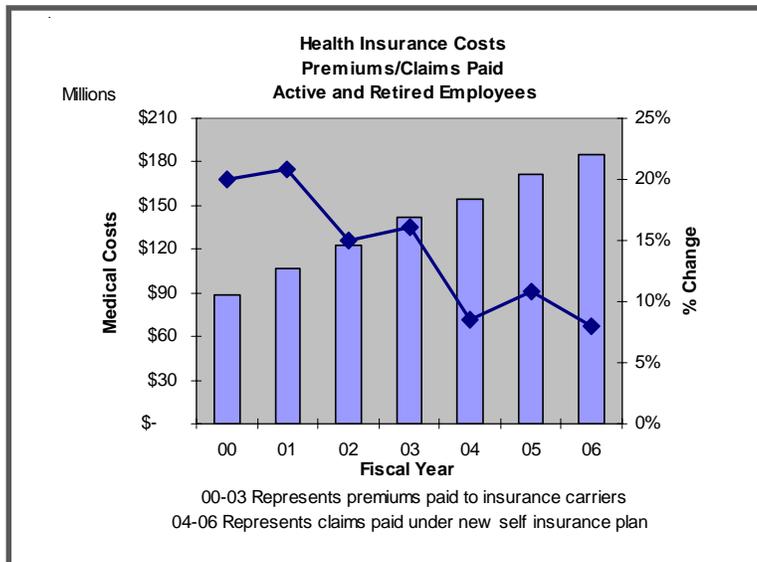
The first year of E-ZPass electronic tolling on the New Hampshire Turnpike System saw consistent growth in the number of users and positive results in improving traffic flow. The total number of E-ZPass accounts in FY 2006 was approximately 168,000, with the total number of transponders sold totaling approximately 295,000. As of June 30, 2006, the E-ZPass market share was at 40%. The conversion of the entire toll collection system to E-ZPass was completed in August 2005 at the Bedford Toll, Hooksett Main and Hooksett Ramp, FE Everett Turnpike, Hampton, and Spaulding Turnpike. In September 2005, commercial charge card accounts from approximately 3,000 customers were phased out.

Tokens ceased to be accepted for payment of tolls on December 31, 2005. A 30% discount is now applied to all New Hampshire based E-ZPass private accounts, and a 10% discount is applied to all New Hampshire based business accounts. This combined change in the discount program has contributed to revenues increasing by approximately 21% over FY 2005.

E-ZPass is accepted anywhere you see: 

### Employee Benefit Risk Management Fund

Chapter 251, Laws of 2001, authorized the Commissioner of Administrative Services to provide a self-funded alternative to traditional insurance programs for employee benefits to aid in controlling the rise in insurance costs. As a result, a new fund, titled the Employee Benefit Risk Management Fund, was established beginning in October 2003. The fund was created to manage the state's self-insurance program and to pool all resources to pay for the cost associated with providing employee benefits for active state employees and retirees.



Agencies are charged an actuarially determined premium paid into this new fund on a bi-weekly basis an efficiently controlled through the state's payroll system. These premiums are intended to cover the costs of claims presented, stop-loss coverage, administrative fees and reserve requirements. Claims payments by the third party administrator to the providers are reimbursed by the state out of this new fund daily.

The state continues to analyze the activity in this fund, and has contracted with a consulting firm to assist and provide actuarial, claims audit and general consulting services in order to evaluate the ongoing performance of this fund and to determine the best way to control health benefit costs through this arrangement.

At June 30, 2006, the fund ended the year with a surplus of \$21.4 million and cash on hand of \$38.0 million.

## FINANCIAL INFORMATION

### Surplus Statement General and Education Funds (In Millions)

	FY 2004	FY 2005		FY 2006			
	Total	General	Education	Total	General	Education	Total
<b>Undesignated Fund Balance, July 1 (GAAP)</b>	\$0.0	\$15.3	\$0.0	\$15.3	\$82.2	\$0.0	\$82.2
<b>Additions:</b>							
Unrestricted Revenue	2,158.7	1,391.6	770.3	2,161.9	1,329.5	852.8	2,182.3
Transfers of Appropriation from General Fund	62.6		61.4	61.4		-	-
Total Additions	2,221.3	1,391.6	831.7	2,223.3	1,329.5	852.8	2,182.3
<b>Deductions:</b>							
Appropriations Net of Estimated Revenues	(2,257.3)	(1,409.2)	(793.0)	(2,202.2)	(1,380.2)	(841.9)	(2,222.1)
Less Lapses	34.5	58.0	(19.0)	39.0	34.0	(4.6)	29.4
Total Net Appropriations	(2,222.8)	(1,351.2)	(812.0)	(2,163.2)	(1,346.2)	(846.5)	(2,192.7)
<b>GAAP and Other Adjustments</b>	(6.2)	4.0	2.8	6.8	12.2	2.1	14.3
<b>Other One-Time Revenue Adjustments</b>							
DHHS Enhancement Revenue	19.2			-			-
Other Revenue Adjustments	3.8			-			-
<b>Current Year Balance</b>	15.3	44.4	22.5	66.9	(4.5)	8.4	3.9
<b>Fund Balance Transfers (To)/From:</b>							
Rainy Day Fund					(51.7)		(51.7)
Health Care Fund							
Education Trust Fund		22.5	(22.5)				
<b>Undesignated Fund Balance, June 30 (GAAP)</b>	\$15.3	\$82.2	\$0.0	\$82.2	\$26.0	\$8.4	\$34.4
<b>Reserved for Rainy Day Account</b>	17.3	17.3		17.3	69.0		69.0
<b>Total Equity</b>	\$32.6	\$99.5	\$0.0	\$99.5	\$95.0	\$8.4	\$103.4

In order to balance the fiscal 2006-07 biennial budget, the legislature anticipated a surplus of \$30.5 million for fiscal 2005. However, the actual combined General and Education Fund surplus at June 30, 2005 was \$82.2 million, \$51.7 million higher than expected. The favorable surplus in fiscal 2005 was primarily the result of continued growth in the real estate market, increases in revenue from business taxes, one time business audit settlements, and greater than expected lapses. In accordance with Chapter 177:53, Laws of 2005, the biennial transfer of surplus from the General Fund to the Rainy Day Accounts was suspended. Furthermore, Chapter 35:1, Laws of 2006 directed that any undesignated General Fund surplus for the fiscal year ending June 30, 2005 in excess of \$30.5 million shall be transferred to the Rainy Day Account. As a result, \$51.7 million was transferred from the General Fund, bringing the balance in the Rainy Day Account to \$69.0 million at June 30, 2006.

After the Rainy Day transfer, the combined General and Education Fund surplus at June 30, 2006 was \$34.4 million. The surplus was primarily revenue driven as a result of greater than expected collections. Strong performance from Business Taxes and the Interest and Dividends Tax more than offset the unfavorable results seen in the Real Estate Transfer tax. Total General and Education Fund unrestricted revenue for fiscal 2006 was \$2,182.3 million or \$55.7 million (3%) greater than plan.

Net appropriations, including anticipated budget reductions and savings from budget initiatives, for the General and Education Fund were \$2,222.1 million, which was a minimal increase of less than 1% over the prior year. Additional appropriations of approximately \$10.7 million were granted for flood relief as a result of the Fall 2005 and Spring 2006 floods that swept across New Hampshire. A supplemental appropriation was also granted for \$2.3 million for anticipated energy costs as fuel demands and prices rose in fiscal 2006.

Lapses for fiscal 2006 for the General Fund were \$34.0 million as compared to \$58.0 for fiscal 2005. Although lapses from salary and benefits were similar year to year, fiscal 2005 had significant non re-occurring lapses from certain program areas under the Department of Health and Human Services, the Liquor Commission and Retirees Health Insurance.

**Summary of General and Education Funds Unrestricted Revenue**  
**GAAP Basis (In Millions)**

Revenue Category	FY 2004	FY 2005			FY 2006			FY 2006
		General	Education	Total	General	Education	Total	Combined Plan
Business Profits Tax.....	\$ 172.6	\$ 196.6	\$ 50.7	\$ 247.3	\$ 264.0	\$ 56.6	\$ 320.6	\$ 280.2
Business Enterprise Tax.....	235.4	114.1	130.6	244.7	75.2	150.4	225.6	211.4
<b>Subtotal.....</b>	<b>408.0</b>	<b>310.7</b>	<b>181.3</b>	<b>492.0</b>	<b>339.2</b>	<b>207.0</b>	<b>546.2</b>	<b>491.6</b>
Meals & Rooms Tax.....	185.4	186.5	7.1	193.6	193.8	7.1	200.9	206.3
Tobacco Tax.....	100.1	73.3	28.2	101.5	69.9	80.9	150.8	144.5
Liquor Sales and Distribution.....	106.7	112.6		112.6	120.6		120.6	122.5
Interest & Dividends Tax.....	55.6	67.9		67.9	80.5		80.5	70.3
Insurance Tax.....	86.2	88.7		88.7	90.5		90.5	92.6
Communications Tax.....	65.8	70.0		70.0	70.5		70.5	71.3
Real Estate Transfer Tax.....	142.7	107.8	52.0	159.8	106.2	52.5	158.7	171.6
Estate and Legacy Tax.....	27.0	11.7		11.7	3.2		3.2	6.8
Transfers from Lottery Commission.....	73.7	-	70.3	70.3		82.0	82.0	75.0
Tobacco Settlement.....	41.8	2.4	40.0	42.4	-	39.0	39.0	43.0
Utility Property Tax.....	20.2	-	20.1	20.1		20.9	20.9	22.8
Property Tax Not Retained Locally.....	29.8		20.9	20.9			-	-
Property Tax Retained Locally.....	443.4		350.4	350.4		363.4	363.4	363.0
Other.....	167.0	150.7		150.7	157.0		157.0	154.7
<b>Subtotal.....</b>	<b>1,953.4</b>	<b>1,182.3</b>	<b>770.3</b>	<b>1,952.6</b>	<b>1,231.4</b>	<b>852.8</b>	<b>2,084.2</b>	<b>2,036.0</b>
Net Medicaid Enhancement								
Revenues.....	149.8	147.2		147.2	73.6		73.6	73.0
Recoveries.....	20.4	23.0		23.0	24.5		24.5	17.6
<b>Subtotal.....</b>	<b>2,123.6</b>	<b>1,352.5</b>	<b>770.3</b>	<b>2,122.8</b>	<b>1,329.5</b>	<b>852.8</b>	<b>2,182.3</b>	<b>2,126.6</b>
Other Medicaid Enhancement								
Revenues to Fund Net Appropriations..	35.1	39.1		39.1	-		-	-
<b>Total.....</b>	<b>\$ 2,158.7</b>	<b>\$ 1,391.6</b>	<b>\$ 770.3</b>	<b>\$ 2,161.9</b>	<b>\$ 1,329.5</b>	<b>\$ 852.8</b>	<b>\$ 2,182.3</b>	<b>\$ 2,126.6</b>

With continued growth in the economy, revenue collections came in higher than original estimates. Fiscal 2006 unrestricted revenue for the General and Education funds totaled \$2,182.3 million, which exceeded the plan by \$55.7 million. This strong fiscal year performance over plan was seen primarily from Business Taxes.

- Business Taxes (BPT & BET) totaled \$546.2 million, \$54.6 million ahead of plan and \$54.2 million above the prior year. The growth in FY 06 was a combination of one-time revenue collections related to the repatriation of foreign earnings as a result of the American Jobs Creation Act of 2004 and increases in final returns filed in March and April.
- The Tobacco Tax collected \$150.8 million, \$6.3 million above plan and \$49.3 million above prior year. The growth over the prior year reflects the tax increase to 80 cents per pack (previously 52 cents) effective July 1, 2005.
- Interest & Dividends Tax (I & D) collections were \$80.5 million, \$10.2 million above plan and \$12.6 million above prior year as a result of stronger economic growth.
- The Real Estate Transfer Tax (RET) performed below expectations with receipts totaling \$158.7 million, \$12.9 million (7.5%) below plan and \$1.1 million (.7%) below prior year. During the first six months the growth was on track with plan showing a 5% increase over the prior year. The decline in growth occurred in the last six months of the year falling to 17% below plan in June.

	RET Growth Analysis												Accrual Basis
	(In Millions)												
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	
FY06	\$ 16.6	\$ 16.7	\$ 17.6	\$ 14.8	\$ 14.1	\$ 14.0	\$ 11.9	\$ 10.6	\$ 7.9	\$ 9.4	\$ 12.0	\$ 13.1	
Plan	16.6	16.2	17.1	14.9	14.9	13.9	15.5	11.9	9.0	11.3	14.6	15.7	
Month over plan	-	0.5	0.5	(0.1)	(0.8)	0.1	(3.6)	(1.3)	(1.1)	(1.9)	(2.6)	(2.6)	
% Month over Plan	0%	3%	3%	-1%	-5%	1%	-23%	-11%	-12%	-17%	-18%	-17%	
YTD Excess(Shortfall)	0	0.5	1.0	0.9	0.1	0.2	(3.4)	(4.7)	(5.8)	(7.7)	(10.3)	(12.9)	
% YTD over Plan	0%	2%	2%	1%	0%	0%	-3%	-4%	-4%	-5%	-7%	-8%	
% YTD over Prior Year	5%	2%	4%	4%	4%	5%	3%	4%	4%	3%	0%	-1%	

- Although the Meals and Rooms Tax (M&R) performed below expectations with receipts totaling \$200.9 million, \$5.4 million (2.6%) below plan, M&R exceeded the prior year by \$7.3 million (3.8%).
- Transfers from Lottery totaled \$82.0 million, \$7.0 million above plan and \$11.7 million above prior year. The growth was primarily the result of 2 large Powerball rollover jackpots (\$365.0 million on 2-18-06 and \$340.0 million on 10-19-05) and sales from the new \$20 instant scratch ticket.

When comparing fiscal 2006 results to 2005, total unrestricted revenue for the General and Education funds were slightly ahead by .9% or \$20.4 million. Offsetting the growth over the prior year from Business Taxes, M&R, Tobacco Tax, I&D and Lottery were decreases in the:

- Medicaid Enhancement Revenues due to the implementation of MQIP (Medicaid Quality Incentive Program with the Counties) which eliminated Proshare, the change in budgeting of the NH Hospital Disproportionate Share (DSH) from unrestricted to restricted revenue, and federal changes in the Medicaid Enhancement Revenue assessments from gross to net patient services
- Estate and Legacy from the phase out of the tax,
- Statewide Property tax as a result of rate changes, and
- Tobacco settlement from companies who are challenging the Master Settlement Agreement (MSA).

## Budgetary Process

The state budget is prepared on a biennial basis. Prior to the start of each biennium, all departments of the state are required by law to transmit to the commissioner of the Department of Administrative Services requests for capital and operating expenses and estimates for revenue for the ensuing biennium. Following public hearings and consultation with various department heads, the Governor prepares a recommended budget. The budget is forwarded to the Legislature by February 15th of the odd year for consideration. The Legislature performs its review of the proposed budget and can make further adjustments. The budget passed by the Legislature is forwarded to the Governor to be enacted into law or to be vetoed.

The legal level of budgetary control is at the department level. All departments are authorized to transfer appropriations within their departments with prior approval from the Legislative Fiscal Committee and the Executive Council.

## Internal Controls

Major fiscal responsibilities within the state are segregated among the following officials:

- *Department of Administrative Services* - The commissioner of Administrative Services, the assistant commissioner/budget officer and the comptroller are responsible for enforcing financial policy guidelines, developing the executive budget, collecting financial data from individual agencies, developing and reviewing appropriation control procedures, and compiling agency financial information.
- *Legislative Budget Assistant (LBA)* - The LBA, appointed by the Fiscal Committee, is responsible for ensuring that an annual audit is conducted of the state's basic financial statements prepared by the Department of Administrative Services. The LBA also provides staff assistance to the finance committees of the state Legislature. The LBA Audit Division performs various financial, compliance, and performance audits of state agencies.
- *State Treasurer* - The state treasurer, elected by the Legislature, is responsible for executing policy for the management of the state treasury and depositing and investing state funds as well as the issuing of general obligation and revenue bonds.
- *State Agencies* - Agency commissioners and directors are responsible for administering their agencies, in accordance with legislative and executive directives, to effectively service the citizens of the state.

Financial transactions for the various state agencies are recorded in the New Hampshire Integrated Financial System (NHIFS). The state's centralized accounting system and other accounting procedures were designed to provide various controls to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use and the proper recording of financial transactions. The Department of Administrative Services prepared the Internal Controls Tool Kit to further educate agency personnel in the importance of maintaining an effective internal control structure.

## Cash and Investments

Cash deposits into the state treasury are coordinated jointly by the state treasurer and the state agencies. Cash is managed in pooled investment funds in order to maximize interest earnings. Investments are made in accordance with state statutes and treasury's investment policy. Cash is primarily invested in money market accounts, repurchase agreements, certificates of deposit and United States Treasury and agency obligations. For the fiscal year ended June 30, 2006, the average daily balance of all pooled investment funds was estimated at \$359.0 million, with an average yield of 4.0%. Total investment income was \$15.0 million for the year.

## Insurance

Historically, the state has assumed the risk for fire, property, and general liability purposes, except where the provisions of law allow for the purchase of commercial insurance or where commercial insurance has been proven beneficial to the general public. Commercial insurance is purchased by the state to cover such things as fleet automobile, watercraft and aircraft liability, ski area operations to protect the state from liabilities resulting from the state run facility, and a faithful performance position schedule bond to protect against dishonest acts of employees. Effective May 1, 2000, commercial insurance was purchased to cover state owned buildings in the event of a catastrophic loss.

Prior to July 1985, the state relied on the doctrine of sovereign immunity. Subsequently, legislation became effective creating the statute "Claims Against the State" in which sovereign immunity was waived to certain limits and would allow certain types of actions and claims to be brought against the state. The limits set by the statute are the basis for risk management programs.

## OTHER INFORMATION

### Audits

Pursuant to RSA 21-I:8,I(h), the Legislative Budget Assistant may designate a certified public accountant not employed in state service to conduct an annual audit, in accordance with Generally Accepted Auditing Standards, of the state's basic financial statements. KPMG LLP, the designated certified public accountant, has performed an independent audit of the state's basic financial statements for the fiscal year ended June 30, 2006.

In order to comply with the Single Audit Act of 1984, the Legislative Budget Assistant also contracts for a single audit of the state as a whole, which will include a legal compliance report on all federal funds received by the state. This report (including a Schedule of Expenditures of Federal Awards received by the state and comments on internal accounting controls and compliance with laws, rules and regulations) will be published separately.

### Annual Report to the Citizens

Again in fiscal year 2006, the Department of Administrative Services published the *Annual Report to the Citizens*. That report presents a condensed version of the financial information contained in the CAFR, as well as an overview of state operations and other nonfinancial data. A copy of the report may be obtained from the Department of Administrative Services, 25 Capitol St. Rm 310, Concord NH 03301, or from the department's web site at <http://admin.state.nh.us/accounting>.

### Acknowledgements

In submitting this report, I acknowledge the cooperation and assistance of all the state agencies and the dedication of the employees of the Department of Administrative Services.

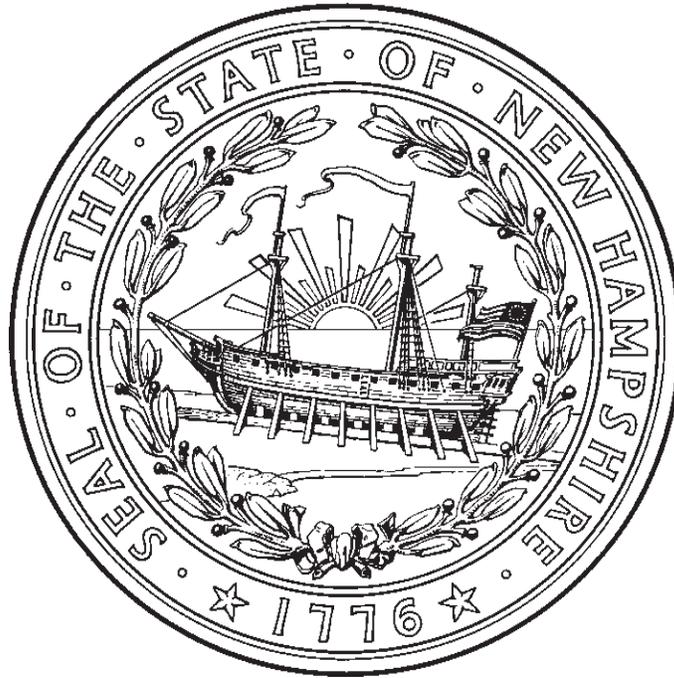
Respectfully submitted,



Donald S. Hill, Commissioner

[Return To Table of Contents](#)

# Financial Section





**KPMG LLP**  
99 High Street  
Boston, MA 02110-2371

Telephone 617 988 1000  
Fax 617 507 8321  
Internet [www.us.kpmg.com](http://www.us.kpmg.com)

## INDEPENDENT AUDITORS' REPORT

To the Fiscal Committee of the General Court  
State of New Hampshire  
Concord, New Hampshire

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of New Hampshire as of and for the year ended June 30, 2006, which collectively comprise the State of New Hampshire's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the State of New Hampshire's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of any of the discretely presented component units which include the University System of New Hampshire, the Business Finance Authority, the Community Development Finance Authority and the Pease Development Authority. Additionally, we did not audit the financial statements of the Investment Trust Fund and the Judicial Retirement Plan which represent 4.6% and 28.2%, respectively, of the assets and revenues of the remaining aggregate fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts and disclosures included for those entities, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State of New Hampshire's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of New Hampshire as of June 30, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.



To the Fiscal Committee of the General Court  
State of New Hampshire

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2007, on our consideration of the State of New Hampshire's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and Required Supplementary Information, listed in the accompanying table of contents, are not required parts of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of New Hampshire's basic financial statements. The introductory, other supplementary information and statistical sections as listed in the accompanying table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, based on our audit and the report of other auditors, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections of this report have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

March 23, 2007

# MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of the financial activities of the State of New Hampshire (the state) for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with additional information included in our letter of transmittal, which can be found at the front of this report and with the state's financial statements, which follow this section.

## FINANCIAL HIGHLIGHTS -PRIMARY GOVERNMENT

### **Government-Wide Highlights:**

**Net Assets:** The total assets of the state exceeded total liabilities at fiscal year ending June 30, 2006 by \$2.8 billion. This amount is presented as "net assets" on the Statement of Net Assets for the Total Primary Government (condensed information can be seen in the MD&A section of this report). Of this amount, \$425.1 million was reported as unrestricted net assets, \$636.8 million was restricted net assets, and \$1.7 billion was invested in capital assets. Unrestricted net assets represent the amount available to be used to meet the state's ongoing obligations to citizens and creditors.

**Changes in Net Assets:** The state's total net assets increased by \$188.6 million, or 7.3%, in fiscal year 2006. Net assets of governmental activities increased by \$158.5 million (7.9%), and net assets of the business-type activities showed an increase of \$30.1 million (5.1%).

**Long-Term Obligations:** The state's total long-term obligations decreased by \$0.6 million (0.1%) during the current fiscal year which represents the net difference between new issuances and payments of outstanding debt.

### **Fund Highlights:**

**Governmental Funds - Fund Balances:** As of the close of fiscal year 2006, the state's governmental funds reported a combined ending fund balance of \$428.7 million, a decrease of \$1.8 million in comparison with the prior year. This change is inclusive of a \$0.4 million inventory reserve increase. Included in the combined governmental fund balance is the activity of the state's General Fund. The General Fund ended the year with an unreserved, undesignated surplus of \$26.1 million, and the Rainy Day balance was increased by \$51.7 million per Chapter 35:1, Laws of 2006, bringing the balance up to \$69.0 million.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the state's basic financial statements. The state's basic financial statements include three components:

1. Government-Wide financial statements,
2. Fund financial statements, and
3. Notes to the financial statements.

This report also contains supplementary information in addition to the basic financial statements.

### **Government-Wide Financial Statements**

The Government-Wide Financial Statements provide a broad view of the state's finances. These statements (Statement of Net Assets and the Statement of Activities) provide both short-term and long-term information about the state's overall financial position. They are prepared using the accrual basis of accounting, which recognizes all revenues and expenses connected with the fiscal year even if cash has not been received or paid.

The **Statement of Net Assets**, beginning on page 22 presents all of the state's non-fiduciary assets and liabilities. The difference between assets and liabilities is reported as "net assets" instead of fund equity as shown on the Fund Statements. Over time, increases or decreases in the net assets may serve as a useful indicator of whether the financial position of the state is improving or deteriorating.

The **Statement of Activities**, beginning on page 24, presents information showing how the state's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (such as uncollected taxes and licenses and earned but unused vacation leave). This statement also presents a comparison between direct expenses and program revenues for each function of the state.

Both of the Government-Wide Financial Statements have separate sections for three different types of state activities. These three types of activities are:

**Governmental Activities:** The activities in this section represent most of the state's basic services and are generally supported by taxes, grants and intergovernmental revenues. The governmental activities of the state include general government, administration of justice and public protection, resource protection and development, transportation, health and social services, and education.

**Business-Type Activities:** These activities are normally intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. These business-type activities of the state include the operations of the:

- Liquor Commission,
- Lottery Commission,
- Turnpike System, and
- New Hampshire Unemployment Compensation Trust Fund.

**Discretely Presented Component Units:** Component Units are entities that are legally separate from the state, but for which the state is financially accountable. The state's discretely presented component units are presented in the aggregate in these Government-Wide Statements and include the:

- University System of New Hampshire (USNH),
- Business Finance Authority,
- Pease Development Authority, and
- Community Development Finance Authority.

Complete financial statements of the individual component units can be obtained from their respective administrative offices. Addresses and other additional information about the state's component units are presented in the notes to the financial statements.

### **Fund Financial Statements**

A fund is a grouping of related funds that is used to maintain control over resources that have been segregated for specific activities or objectives. The state, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements, focus on the individual parts of the state government, and report the state's operations in more detail than the government-wide statements. The state's funds are divided into 3 categories - governmental, proprietary and fiduciary. For governmental and proprietary funds, only those funds that are considered Major Funds are reported in individual columns in the Fund Financial Statements with combining schedules in the other supplementary information section to support the Non-Major Funds column. Fiduciary funds are reported by fiduciary type (pension, private-purpose, investment trust, and agency) with combining schedules in the Supplementary Section.

**Governmental Funds:** Most of the basic services provided by the state are financed through governmental funds. Unlike the Government-Wide Financial Statements, the Governmental Fund Financial Statements report using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted into cash. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the state's programs. The basic Governmental Fund Financial Statements can be found on pages 28-31.

Because the focus of governmental funds is narrower than that of the Government-Wide Financial Statements, it is useful to compare the information presented here with similar information presented in the Government-Wide Financial Statements. Reconciliations are provided between the Governmental Fund Statements and the Government-Wide Statements, which can be found on pages 29 and 31.

The state's major governmental funds include the General Fund, Highway Fund, and Education Fund.

Individual fund data for each of the state's non-major governmental funds (Fish and Game Fund, Capital Fund and Permanent Funds) are provided in the combining statements found on pages 81 and 82.

**Proprietary Funds:** The state's proprietary funds charge a user fee for the goods and services they provide to both the general public and other agencies within the state. These activities are reported in 4 enterprise funds and 1 internal service fund. The enterprise funds, which are all considered major funds, report activities that provide goods and services to the general public and include the operations of the Liquor Commission, Lottery Commission, Turnpike System and the New Hampshire Unemployment Trust Fund. The Internal Service Fund reports health related fringe benefit services for the state's programs and activities.

Like the Government-Wide Financial Statements, Proprietary Fund Financial Statements use the accrual basis of accounting.

Therefore there is no reconciliation needed between the Government-Wide Financial Statements for business-type activities and the Proprietary Fund Financial Statements. The Internal Service Fund is reported within governmental activities on the Government-Wide Financial Statements. The basic proprietary funds financial statements can be found on pages 34-36.

**Fiduciary Funds and Similar Component Units:** These funds are used to account for resources held for the benefit of parties outside the state government. Fiduciary funds are not reflected in the Government-Wide Financial Statements because the resources of these funds are not available to support the state's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds in that they use the accrual basis of accounting.

The state's fiduciary funds on pages 41-42 include the:

- **Pension Trust Funds** which accounts for the activity of the state's New Hampshire Retirement System and Judicial Retirement Plan - component units of the state,
- **Investment Trust Fund** which accounts for the activity of the external investment pool known as PDIP,
- **Private-Purpose Trust Funds** which account for the activity of trust arrangements under which principal and income benefit individuals, private organizations, or other governments, and
- **Agency Funds** which account for the resources held in a pure custodial capacity.

Individual fund detail can be found in the combining financial statements in the Other Supplementary Information Section.

### **Major Component Unit**

The state has only one major discretely presented component unit - the University System of New Hampshire and 3 non-major discretely presented component units. This separation is determined by the relative size of the individual entities' assets, liabilities, revenues and expenses in relation to the combined total of all component units. The combining financial statements for the component units can be found on pages 38 and 39.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the financial statements begin on page 44.

### **Required Supplementary Information**

The basic financial statements and accompanying notes are followed by a section of required supplementary information. This section includes a budgetary comparison schedule for each of the state's major governmental funds, and includes a reconciliation between the statutory fund balance for budgetary purposes and the fund balance as presented in the governmental fund financial statements.

### **Other Supplementary Information**

Other supplementary information includes combining financial statements and schedules for governmental, internal service and fiduciary funds and non-major component units.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Assets**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The state's combined net assets (government and business-type activities) totaled \$2.8 billion at the end of 2006, compared to \$2.6 billion at the end of the previous year.

**Investment in Capital Assets:** The largest portion of the state's net assets (62%) reflects its investment in capital assets such as land, buildings, equipment, and infrastructure (roads and bridges), less any related outstanding debt used to acquire those assets. The state's investment in capital assets increased \$154.2 million from prior year. This increase was the result of a net increase in capital assets of \$149.9 million during the year combined with a reduction in capital related debt of \$4.3 million. Although the state's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves generally cannot be used to liquidate these liabilities.

**Restricted Net Assets:** An additional portion of the state's net assets (23%) represents resources that are subject to external restrictions on how they may be used. Restricted net assets increased \$55.7 million from prior year due largely to an increase in revenue stabilization (Rainy Day) reserves during the year.

**Unrestricted Net Assets:** The state's unrestricted net assets, totaling \$425.1 million, decreased \$21.3 million from the previous year, as a result of strong performance from business taxes and interest and dividends tax offset by transfers of prior year surplus to Rainy Day reserves. These assets may be used to meet the state's ongoing obligations to citizens and creditors. Internally imposed designations of resources are not presented as restricted net assets. At the end of both the current and prior fiscal years, the state was able to report positive balances in all three categories of net assets, both for the primary government as a whole, as well as for its separate governmental and business-type activities.

**State of New Hampshire's Net Assets as of June 30, 2006 and 2005**

(In Thousands)

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
Current assets	\$ 972,661	\$872,227	\$ 401,463	\$ 370,407	\$ 1,374,124	\$1,242,634
Capital assets	2,090,654	1,956,545	564,806	549,022	2,655,460	2,505,567
Other assets	291,394	294,376	17,158	30,976	308,552	325,352
<b>Total assets</b>	<b>3,354,709</b>	<b>3,123,148</b>	<b>983,427</b>	<b>950,405</b>	<b>4,338,136</b>	<b>4,073,553</b>
Long-term liabilities	710,845	697,966	282,088	295,577	992,933	993,543
Other liabilities	490,530	430,343	85,890	69,434	576,420	499,777
<b>Total liabilities</b>	<b>1,201,375</b>	<b>1,128,309</b>	<b>367,978</b>	<b>365,011</b>	<b>1,569,353</b>	<b>1,493,320</b>
<b>Net assets:</b>						
Invested in capital assets, net of related debt (1)	1,430,849	1,314,663	276,083	238,080	1,706,932	1,552,743
Restricted	311,460	262,938	325,307	318,143	636,767	581,081
Unrestricted (1)	411,025	417,238	14,059	29,171	425,084	446,409
<b>Total net assets</b>	<b>\$ 2,153,334</b>	<b>\$1,994,839</b>	<b>\$ 615,449</b>	<b>\$ 585,394</b>	<b>\$ 2,768,783</b>	<b>\$2,580,233</b>

(1) Note - Certain prior year amounts have been reclassified to conform to current year presentation.

**Changes in Net Assets**

The state's net assets increased by \$188.6 million, or 7.3%, during the current fiscal year. Total revenues increased by \$84.6 million (1.7%) as compared to increases in expenses of \$119.2 million (2.5%).

More than half of the state's revenue (60.5%) is from program revenue, consisting of charges for goods and services, and federal and local grants. Revenues not specifically targeted for a specific program are known as general revenues, which are primarily from taxes. The largest revenue increases were from capital grants to support transportation programs and a combination of growth in several taxes including business, tobacco and interest and dividends.

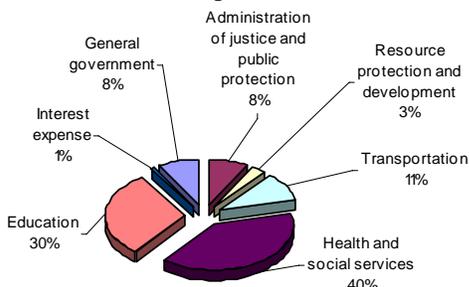
The state's expenses cover a range of services. The largest expenses were for Health and Social Services and Education, which accounted for 34% and 26% of total expenses, respectively. As compared to the prior year, Health and Social Services saw a decrease of 6.0% due to reduced federal Medicaid funding. Education expenses saw growth of 4.0% due to increased Education Grants.

In addition, Justice and Public Protection grew by 19.7% due to Emergency Management and Homeland Security Programs along with flood relief as a result of the Fall and Spring Floods across the state. Transportation expenses grew 8.6% from the prior year due to higher fuel costs and highway maintenance costs.

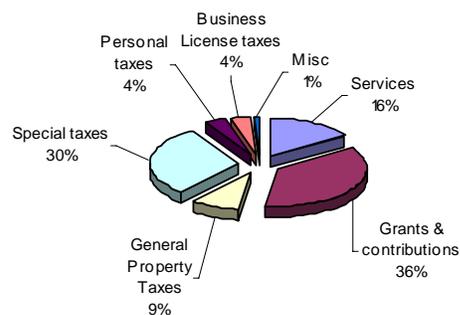
**State of New Hampshire's Changes in Net Assets  
For Fiscal Years Ending June 30, 2006 and 2005**  
(In Thousands)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 664,957	\$ 742,485	\$ 870,461	\$ 812,185	\$ 1,535,418	\$ 1,554,670
Operating grants & contributions	1,340,495	1,359,477			1,340,495	1,359,477
Capital grants & contributions	195,142	159,238	16,757	6,373	211,899	165,611
General revenues:						
General Property Taxes	384,873	393,426			384,873	393,426
Special taxes	1,282,467	1,240,922			1,282,467	1,240,922
Personal taxes	150,756	101,360			150,756	101,360
Business License taxes	149,502	154,335			149,502	154,335
Interest	11,895	6,557			11,895	6,557
Miscellaneous	39,759	46,156			39,759	46,156
<b>Total revenues</b>	<b>4,219,846</b>	<b>4,203,956</b>	<b>887,218</b>	<b>818,558</b>	<b>5,107,064</b>	<b>5,022,514</b>
<b>Expenses</b>						
General government	353,814	331,651			353,814	331,651
Administration of justice and public protection	345,779	288,737			345,779	288,737
Resource protection and development	131,812	130,113			131,812	130,113
Transportation	416,518	383,435			416,518	383,435
Health and social services	1,681,182	1,785,525			1,681,182	1,785,525
Education	1,289,684	1,235,183			1,289,684	1,235,183
Interest Expense	27,991	29,467			27,991	29,467
Turnpike System			75,580	58,582	75,580	58,582
Liquor Commission			330,701	313,838	330,701	313,838
Lottery Commission			183,871	160,282	183,871	160,282
Unemployment Compensation			81,582	82,549	81,582	82,549
<b>Total expenses</b>	<b>4,246,780</b>	<b>4,184,111</b>	<b>671,734</b>	<b>615,251</b>	<b>4,918,514</b>	<b>4,799,362</b>
Increase (decrease) in net assets before transfers	(26,934)	19,845	215,484	203,307	188,550	223,152
Transfers	185,429	167,944	(185,429)	(167,944)		
<b>Increase in net assets</b>	<b>158,495</b>	<b>187,789</b>	<b>30,055</b>	<b>35,363</b>	<b>188,550</b>	<b>223,152</b>
Net assets, beginning of year	1,994,839	1,807,050	585,394	550,031	2,580,233	2,357,081
<b>Net assets, end of year</b>	<b>\$ 2,153,334</b>	<b>\$ 1,994,839</b>	<b>\$ 615,449</b>	<b>\$ 585,394</b>	<b>\$ 2,768,783</b>	<b>\$ 2,580,233</b>

**Expenses - Governmental Activities  
Fiscal Year Ending June 30, 2006**



**Revenues - Governmental Activities  
Fiscal Year Ending June 30, 2006**

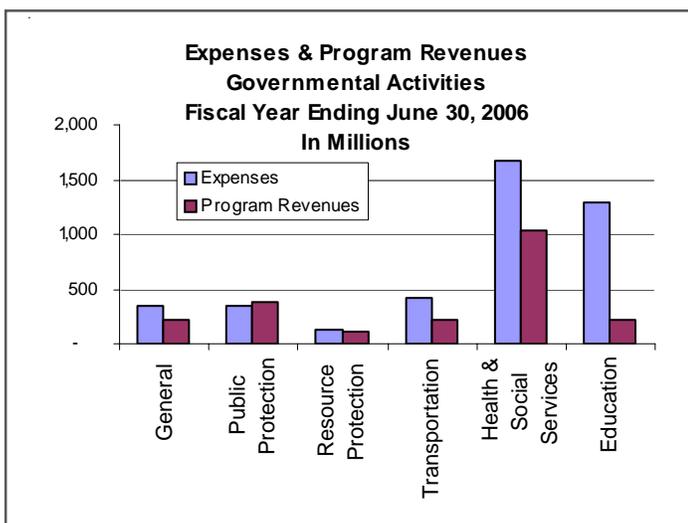


State of New Hampshire Analysis of Changes in Revenues and Expenses For Fiscal Year Ending June 30, 2006 Compared to 2005 (\$ In Millions)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	\$Change	% Change	\$Change	% Change	\$Change	% Change
<b>Revenues</b>						
Program revenues:						
Charges for services	(77.5)	-10.4%	58.3	7.2%	(19.3)	-1.2%
Operating grants & contributions	(19.0)	-1.4%			(19.0)	-1.4%
Capital grants & contributions	35.9	22.5%	10.4	162.9%	46.3	27.9%
General revenues:						
General Property Taxes	(8.6)	-2.2%			(8.6)	-2.2%
Special taxes	41.5	3.3%			41.5	3.3%
Personal taxes	49.4	48.7%			49.4	48.7%
Business License taxes	(4.8)	-3.1%			(4.8)	-3.1%
Interest	5.3	81.4%			5.3	81.4%
Miscellaneous	(6.4)	-13.9%			(6.4)	-13.9%
<b>Total revenues</b>	<b>15.9</b>	<b>0.4%</b>	<b>68.7</b>	<b>8.4%</b>	<b>84.6</b>	<b>1.7%</b>
<b>Expenses</b>						
General government	22.2	6.7%			22.2	6.7%
Administration of justice and public protection	57.0	19.8%			57.0	19.8%
Resource protection and development	1.7	1.3%			1.7	1.3%
Transportation	33.1	8.6%			33.1	8.6%
Health and social services	(104.3)	-5.8%			(104.3)	-5.8%
Education	54.5	4.4%			54.5	4.4%
Interest Expense	(1.5)	-5.0%			(1.5)	-5.0%
Turnpike System			17.0	29.0%	17.0	29.0%
Liquor Commission			16.9	5.4%	16.9	5.4%
Lottery Commission			23.6	14.7%	23.6	14.7%
Unemployment Compensation			(1.0)	-1.2%	(1.0)	-1.2%
<b>Total expenses</b>	<b>62.7</b>	<b>1.5%</b>	<b>56.5</b>	<b>9.2%</b>	<b>119.2</b>	<b>2.5%</b>

**Governmental Activities**

Governmental activities decreased the state’s net assets by \$26.9 million, before transfer activity. Revenues increased by \$15.9 million or 0.4% from prior year to total \$4.2 billion. The growth was not sufficient to offset expenses which grew \$62.7 million or 1.5%.

A comparison of the cost of services by function for the state’s governmental activities with the related program revenues is shown in the chart below. Note that the largest expenses for the state, Health and Social Services and Education, also represent those activities that have the largest gap between expense and program revenues. Since these expenses are least recovered from program revenues, the differences are made up from general revenues, which primarily represent state’s taxes, such as the statewide property taxes, business profits tax, business enterprise tax, real estate transfer, tobacco, meals and rooms, interest and dividends, etc. Health and Social Services declined by 6.0% from the previous year, while Education expenses grew approximately 4.0% due to higher education grant funding.



**Business-Type Activities**

Charges for goods and services for the state’s combined business type activities were more than adequate to cover the operating expenses and resulted in net assets increasing by \$215.5 million prior to transfers. Business-Type activities include the operations from the Liquor Commission, Lottery Commission, Unemployment Compensation Fund and Turnpike Fund.

Sales growth from the operations of the Liquor Commission resulted in net proceeds of \$103.4 million, a 5.9% increase from prior year, that were transferred to the General Fund to fund the general operations of the state. Significant Powerball drawings during the year contributed to a 16.7% increase in net proceeds of \$82.0 million from the Lottery Commission which were transferred to the Education Fund.

Turnpike System net assets increased by \$24.6 million or 56.7% as a result of growth in toll revenues primarily due to the implementation of the E-ZPass electronic toll collection system during the year. The operations of Unemployment Compensation, resulted in an increase in net assets of \$6.1 million this fiscal year.

**FINANCIAL ANALYSIS OF THE STATE’S FUNDS**

As noted earlier, the state uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

The focus of the state’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the state’s financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

**General Fund**

The general fund is the chief operating fund of the state. The total fund equity was \$339.3 million. The general fund ended the year with a unreserved, undesignated surplus of \$26.1 million. The surplus was largely revenue driven due to growth in business and interest and dividends taxes. The surplus was also net of \$51.7 million which was transferred to the Rainy Day Account, bringing the balance in the account to \$69.0 million.

**Education Fund**

The education fund had an unreserved undesignated surplus of \$8.4 million. Expenditures grew this fiscal year by approximately 4.0% or \$30.9 million as a result of larger education grants. The expense growth was more than offset by growth in revenues during the year by \$70.7 million or 10.0%. Higher tobacco tax due to rate increases and strength in business taxes were the main revenue increases.

**Proprietary Funds**

The state’s proprietary fund statements provide the same type of information found in the Government-Wide Financial Statements, but in more detail. Like the Government-Wide Financial Statements, Proprietary Fund Financial Statements use the accrual basis of accounting. Therefore there is no reconciliation needed between the Government-Wide Financial Statements for business-type activities and the Proprietary Fund Financial Statements.

## BUDGETARY HIGHLIGHTS

During the fiscal year, the original budget was amended by various supplemental appropriations and appropriation revisions. Budget to Actual Schedules for the major governmental funds are in the Required Supplementary Information section beginning on page 70.

### General Fund:

The increase from the original budget of \$3,603 million to the final budget of \$3,744 million is \$141 million and represents appropriations approved during FY06.

*(in millions)*

Additional appropriations issued after July 1, 2005   \$   141

The additional appropriations issued after July 1, 2005 are composed of:

• HHS Medicaid Enhancement	\$   26
• HHS Provider Payments	12
• Safety- Emergency Flood Assistance	30
• Office of Energy & Planning	26
Fuel Assistance	
• Workforce Opportunity Council	19
• Education Grants	3
• Various	<u>25</u>
Total	\$ 141

The largest negative variances from the final budget to actual amounts were for grant revenues. Grants from Federal, Private and Local Sources had a combined unfavorable variance of \$354 million. The unfavorable variances in grant revenues are due to timing differences that extend beyond the state's fiscal year and therefore revenue is not drawn down until expenditures are incurred.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

The state's investment in capital assets for its governmental and business-type activities as of June 30, 2006, amounted to \$5.0 billion, with accumulated depreciation amounts of \$2.3 billion, leaving a net book value of \$2.7 billion, an increase of \$149.9 million from prior year. The investment in capital assets includes equipment, real property, infrastructure, computer software, and construction in progress. Infrastructure assets are items that are normally immovable, of value only to the state and include only roads and bridges. The net book value of the state's infrastructure for its roads and bridges approximates \$1.4 billion, which increased \$71.4 million from the previous year as current year additions of \$120.6 million exceeded depreciation of \$49.2 million.

Additional information on the state's capital assets can be found in Footnote 4 of the Notes to the Financial Statements.

### Debt Administration

The state may issue general obligation bonds, revenue bonds, and notes in anticipation of such bonds authorized by the Legislature and Governor and Council. The state may also directly guarantee certain authority or political subdivision obligations. At the end of the current fiscal year, the state had total bonded debt outstanding of \$993.0 million. Of this amount, \$708.8 million are general obligation bonds, which are backed by the full faith and credit of the state. The remainder of the state's bonded debt is Turnpike revenue bonds, which are secured by the specified revenue sources within the Turnpike System.

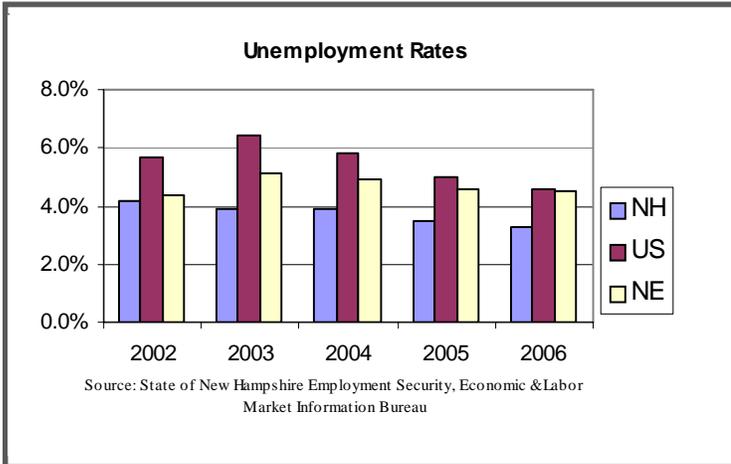
On December 20, 2005, the state issued \$75.0 million of general obligation capital improvement bonds. The interest rates on these serial bonds range from 4.0% to 5.0%, and the maturity dates range from 2007 through 2025.

The state does not have any debt limitations, except for contingent debt guarantees, which are detailed in the notes to the financial statements. Additional information on the state's long-term debt obligations can be found in Footnote 5 of the Notes to the Financial Statements.

Fitch Ratings and Standards & Poor's have assigned the state's bonds a rating of AAA. Moody's Investors Service has assigned a rating for the state of Aaa.

**ECONOMIC CONDITIONS AND OUTLOOK**

New Hampshire’s economy continues to grow, but at a much slower rate of growth since the last recession. Employment in the state has also expanded and the unemployment rate of 3.3% remains below the New England and national averages of 4.5% and 4.6%, respectively. In addition, the rate of growth in the gross state product (GSP) is expected to be the second highest in New England.



New Hampshire’s revenues continue to grow because of its diversified revenue structure, adding stability from year to year. Although total unrestricted revenue grew by less than 1% over the prior year, the strong fiscal year growth in business taxes (11.0%), interest and dividends taxes (18.6%) and tobacco taxes (48.6%) was sufficient to offset the 60.5% decline in Medicaid Enhancement Revenues.

With the slight growth in revenue seen in fiscal year 2006, the state continued to be conscious of its spending habits. Budget reductions and program savings initiatives resulted in net appropriations growing by less than 1% as well.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the state’s finances for all of New Hampshire citizens, taxpayers, customers, investors and creditors. This financial report seeks to demonstrate the state’s accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: State of New Hampshire, Department of Administrative Services, Division of Accounting Services, 25 Capitol Street, State House Annex Room 310, Concord, NH 03301.

[Return To Table of Contents](#)

## **Basic Financial Statements**

22 • NEW HAMPSHIRE  
**STATE OF NEW HAMPSHIRE**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2006**  
(Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and Cash Equivalents.....	\$ 410,448	\$ 301,192	\$ 711,640	\$ 190,600
Cash and Cash Equivalents-Restricted.....		32,605	32,605	1,347
Receivables (Net of Allowances for Uncollectibles).....	564,509	26,099	590,608	50,534
Other Receivables-Restricted.....				5,377
Internal Balances.....	(18,245)	18,245		
Due from Component Units.....	2,521		2,521	
Inventories.....	13,426	23,319	36,745	
Other Current Assets.....	2	3	5	5,208
Total Current Assets.....	972,661	401,463	1,374,124	253,066
<b>Noncurrent Assets:</b>				
Receivables (Net of Allowances for Uncollectibles).....	212,468		212,468	31,082
Due from Component Units.....	33,985		33,985	
Investments.....	44,941		44,941	396,843
Investments-Restricted.....		9,992	9,992	
Bond Issue Costs.....		3,368	3,368	
Other Assets.....		3,798	3,798	4,653
<b>Capital Assets:</b>				
Land & Land Improvements.....	494,778	110,189	604,967	10,895
Buildings & Building Improvements.....	606,966	24,357	631,323	923,708
Equipment & Computer Software.....	186,883	40,776	227,659	122,730
Construction in Progress.....	262,552	71,414	333,966	192,150
Infrastructure.....	2,652,916	536,114	3,189,030	
Less: Allowance for Depreciation .....	(2,113,441)	(218,044)	(2,331,485)	(483,959)
Net Capital Assets.....	2,090,654	564,806	2,655,460	765,524
Total Noncurrent Assets.....	2,382,048	581,964	2,964,012	1,198,102
Total Assets.....	3,354,709	983,427	4,338,136	1,451,168
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Accounts Payable.....	279,988	47,313	327,301	53,479
Accrued Payroll.....	43,340	2,054	45,394	116
Due to Primary Government.....				2,521
Deferred Revenue.....	22,829	8,747	31,576	37,585
Unclaimed Property & Prizes.....	22,801	1,314	24,115	
General Obligation Bonds Payable.....	72,181	2,644	74,825	
Claims & Compensated Absences Payable.....	43,600	1,908	45,508	10,389
Other Liabilities.....	5,791	5,910	11,701	15,970
Other Liabilities-Restricted.....		4,165	4,165	432
Revenue Bonds Payable-Restricted.....		11,835	11,835	
Revenue Bonds Payable.....				4,665
Total Current Liabilities.....	490,530	85,890	576,420	125,157
<b>Noncurrent Liabilities:</b>				
General Obligation Bonds Payable, Net .....	629,549	4,423	633,972	
Revenue Bonds Payable, Net .....		272,340	272,340	389,249
Claims & Compensated Absences Payable.....	76,653	4,708	81,361	71,444
Due to Primary Government.....				33,985
Other Noncurrent Liabilities.....	4,643	617	5,260	72,417
Total Noncurrent Liabilities.....	710,845	282,088	992,933	567,095
Total Liabilities.....	\$ 1,201,375	\$ 367,978	\$ 1,569,353	\$ 692,252

The notes to the financial statements are an integral part of this statement.

**STATE OF NEW HAMPSHIRE**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2006**  
(Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>NET ASSETS</b>				
Invested in Capital Assets, net of related debt.....	\$ 1,430,849	\$ 276,083	\$ 1,706,932	\$ 438,646
Restricted for Debt Repayments.....		42,597	42,597	
Restricted for Unemployment Benefits.....		278,912	278,912	
Restricted for Permanent Funds-Non-Expendable.....	14,153		14,153	
Restricted for Prize Awards - MUSL & Tri-State.....		3,798	3,798	
Restricted for Environmental Loans.....	228,261		228,261	
Restricted for Revenue Stabilization.....	69,046		69,046	
Restricted Component Unit Net Assets.....				253,068
Unrestricted Net Assets.....	411,025	14,059	425,084	67,202
Total Net Assets.....	<u>\$ 2,153,334</u>	<u>\$ 615,449</u>	<u>\$ 2,768,783</u>	<u>\$ 758,916</u>

24 • NEW HAMPSHIRE  
**STATE OF NEW HAMPSHIRE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**  
(Expressed in Thousands)

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>PRIMARY GOVERNMENT</b>				
<b>Governmental Activities:</b>				
General Government.....	\$ 353,814	\$ 175,108	\$ 43,271	
Administration of Justice & Public Protection.....	345,779	279,700	102,000	\$ 37
Resource Protection and Development.....	131,812	63,333	45,832	
Transportation.....	416,518	20,622	16,271	189,285
Health and Social Services.....	1,681,182	84,445	957,567	
Education.....	1,289,684	41,749	175,554	5,820
Interest Expense.....	27,991			
Total Governmental Activities.....	4,246,780	664,957	1,340,495	195,142
<b>Business-type Activities:</b>				
Turnpike System.....	75,580	83,395		16,757
Liquor Commission.....	330,701	433,530		
Lottery Commission.....	183,871	265,807		
Unemployment Compensation.....	81,582	87,729		
Total Business-type Activities.....	671,734	870,461		16,757
Total Primary Government.....	\$ 4,918,514	\$ 1,535,418	\$ 1,340,495	\$ 211,899
<b>COMPONENT UNITS</b>				
University System of New Hampshire.....	\$ 588,183	\$ 360,141	\$ 160,011	\$ 12,116
Non-Major Component Units.....	17,950	18,113	8,194	
Total Component Units.....	\$ 606,133	\$ 378,254	\$ 168,205	\$ 12,116

General Property Taxes.....
Special Taxes.....
Personal Taxes.....
Business License Taxes.....
Interest & Investment Income.....
Miscellaneous.....
Payments from State of New Hampshire.....
Transfers - Internal Activities.....
Total General Revenues and Transfers.....
Changes in Net Assets.....
<b>Net Assets - Beginning .....</b>
<b>Net Assets - Ending.....</b>

---

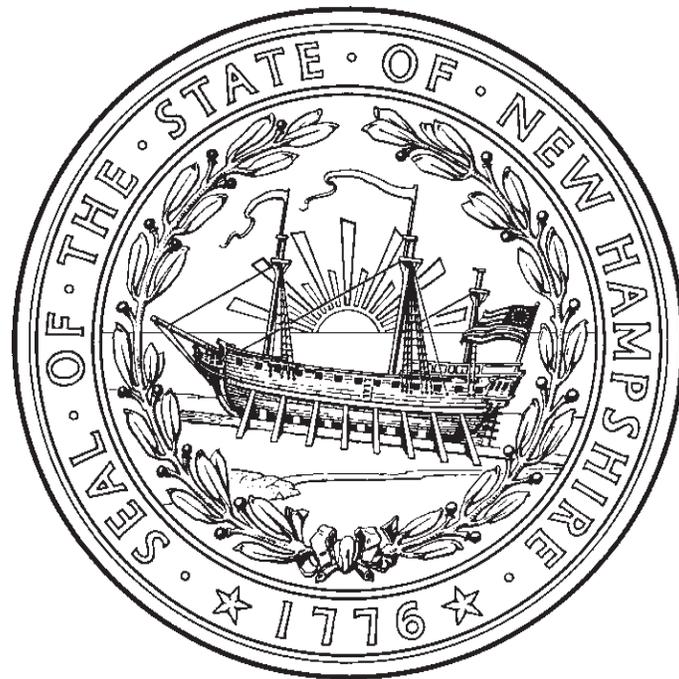
**Net (Expenses) Revenues and Changes in Net Assets**


---

**Primary Government**


---

Governmental Activities	Business-Type Activities	Total	Component Units
\$ (135,435)		\$ (135,435)	
35,958		35,958	
(22,647)		(22,647)	
(190,340)		(190,340)	
(639,170)		(639,170)	
(1,066,561)		(1,066,561)	
(27,991)		(27,991)	
(2,046,186)		(2,046,186)	
	\$ 24,572	24,572	
	102,829	102,829	
	81,936	81,936	
	6,147	6,147	
	215,484	215,484	
\$ (2,046,186)	\$ 215,484	\$ (1,830,702)	
			\$ (55,915)
			8,357
			\$ (47,558)
384,873		384,873	
1,282,467		1,282,467	
150,756		150,756	
149,502		149,502	
11,895		11,895	15,910
39,759		39,759	
			109,356
185,429	(185,429)		
2,204,681	(185,429)	2,019,252	125,266
158,495	30,055	188,550	77,708
1,994,839	585,394	2,580,233	681,208
\$ 2,153,334	\$ 615,449	\$ 2,768,783	\$ 758,916



---

# Fund Financial Statements

## Governmental Funds

**General Fund:** *The General Fund is the state's primary operating fund and accounts for all financial transactions not accounted for in any other fund.*

**Highway Fund:** *Under the state Constitution, all revenues in excess of the necessary cost of collection and administration accruing to the state from motor vehicle registration fees, operators' licenses, gasoline road toll, or any other special charges or taxes with respect to the operation of motor vehicles or the sale or consumption of motor vehicle fuels are appropriated and used exclusively for the construction, reconstruction, and maintenance of public highways within this state, including the supervision of traffic thereon and for the payment of the interest and principal of bonds issued for highway purposes. All such revenues, together with federal grants-in-aid received by the state for highway purposes, are credited to the Highway Fund. While the principal and interest on state highway bonds are charged to the Highway Fund, the assets of this fund are not pledged to such bonds.*

**Education Trust Fund:** *The Education Trust Fund was established to distribute adequate education grants to school districts. Funding for the grants comes from a variety of sources, including the statewide property and utility taxes, incremental portions of existing business and tobacco taxes, sweepstakes funds, and tobacco settlement funds.*

28 • NEW HAMPSHIRE  
**STATE OF NEW HAMPSHIRE**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2006**  
(Expressed in Thousands)

	General	Highway	Education	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and Cash Equivalents .....	\$ 289,320	\$ 74,171	\$	\$ 8,953	\$ 372,444
Investments .....	30,788			14,153	44,941
Receivables (Net of Allowances for Uncollectibles)....	453,242	56,086	31,522	4,889	545,739
Due from Other Funds .....	27,840		864		28,704
Due from Components.....	36,506				36,506
Inventories.....	5,745	6,948		733	13,426
Loans and Notes Receivables .....	228,262				228,262
Total Assets .....	<u>\$ 1,071,703</u>	<u>\$ 137,205</u>	<u>\$ 32,386</u>	<u>\$ 28,728</u>	<u>\$ 1,270,022</u>
<b>LIABILITIES</b>					
Accounts Payable.....	\$ 230,060	\$ 27,568	\$ 2,799	\$ 19,550	\$ 279,977
Accrued Payroll.....	37,974	4,619		747	43,340
Due to Other Funds .....	19,109		2,977	24,863	46,949
Deferred Revenue .....	422,311	11,959	12,000	1,825	448,095
Unclaimed Property and Prizes.....	22,801				22,801
Other Liabilities.....	140				140
Total Liabilities.....	<u>732,395</u>	<u>44,146</u>	<u>17,776</u>	<u>46,985</u>	<u>841,302</u>
<b>FUND BALANCES</b>					
Reserved for Encumbrances.....	161,642	51,516		68,014	281,172
Reserved for Inventories.....	5,745	6,948		733	13,426
Reserved for Unexpended Appropriations.....	76,819	33,344	6,253	115,385	231,801
Reserved for Revenue Stabilization.....	69,046				69,046
Reserved for Permanent Trust .....				14,153	14,153
Unreserved, Undesignated (Note 14).....	26,056	1,251	8,357		35,664
Unreserved, Fish & Game Fund.....				2,553	2,553
Unreserved (Deficit), Capital Project Fund.....				(219,095)	(219,095)
Total Fund Balances (Deficit).....	<u>339,308</u>	<u>93,059</u>	<u>14,610</u>	<u>(18,257)</u>	<u>428,720</u>
Total Liabilities and Fund Balances.....	<u>\$ 1,071,703</u>	<u>\$ 137,205</u>	<u>\$ 32,386</u>	<u>\$ 28,728</u>	<u>\$ 1,270,022</u>

The notes to the financial statements are an integral part of this statement

**STATE OF NEW HAMPSHIRE**  
**RECONCILIATION OF THE BALANCE SHEET-**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2006**  
**(Expressed in Thousands)**

Total fund balances for governmental funds		\$	428,720
Amounts reported for governmental activities in the Statement of Net Assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds			2,090,654
Certain tax revenues and loans are earned but not available and therefore are deferred in the funds:			
Business Taxes, I&D, Meals & Rooms, and Utility Property	132,470		
Medicaid Hospital Reimbursements	12,100		
Highway Fund Federal and Municipal Billings	12,335		
Indigent Representation Advances	2,574		
SRF Loans	228,261		
Federal Medicaid Subsidies	1,020		
Component Unit Loans	36,506		
			<u>425,266</u>
Internal service funds are used by management to charge the costs of certain activities, such as risk management and health related fringe benefits, to individual funds. The assets and liabilities of the internal service fund is included in governmental activities in the Statement of Net Assets.			21,406
Certain long term liabilities are not payable by current available resources and therefore are not reported in the funds:			
Compensated Absences and Workers Compensation	(100,691)		
Capital Lease Obligations	(6,085)		
Bond Payables	(701,730)		
Interest Payable	(4,206)		
			<u>(812,712)</u>
Net Assets of Governmental Activities		\$	<u><u>2,153,334</u></u>

**STATE OF NEW HAMPSHIRE**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**  
**(Expressed in Thousands)**

	General	Highway	Education	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
General Property Taxes.....			\$ 384,273		\$ 384,273
Special Taxes.....	\$ 971,101		266,641		1,237,742
Personal Taxes.....	69,854		80,902		150,756
Business License Taxes.....	19,042	\$ 149,502			168,544
Non-Business License Taxes.....	93,926	65,353		\$ 8,197	167,476
Fees.....	119,863	17,835		1,621	139,319
Fines, Penalties and Interest.....	31,168	900		155	32,223
Grants from Federal Government.....	1,206,639	175,292		32,172	1,414,103
Grants from Private and Local Sources.....	113,654	10,600		379	124,633
Rents and Leases.....	1,360				1,360
Interest.....	14,974	3,230		887	19,091
Sale of Commodities.....	7,646	202		330	8,178
Sale of Service.....	85,906	8,791		3	94,700
Assessments.....	54,081				54,081
Grants from Other Agencies.....	16,670	2,519		3,680	22,869
Miscellaneous.....	99,591	10,905	38,961	803	150,260
Total Revenues.....	2,905,475	445,129	770,777	48,227	4,169,608
<b>EXPENDITURES</b>					
General Government.....	304,441		3,746		308,187
Administration of Justice and Public Protection.....	325,313	1,047			326,360
Resource Protection and Development.....	137,621			21,478	159,099
Transportation.....	7,794	276,892			284,686
Health and Social Services.....	1,663,067			600	1,663,667
Education.....	423,592		836,780		1,260,372
Debt Service.....	86,659	6,270		239	93,168
Capital Outlay.....	28,310	192,632		117,003	337,945
Total Expenditures.....	2,976,797	476,841	840,526	139,320	4,433,484
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	(71,322)	(31,712)	(69,749)	(91,093)	(263,876)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In .....	4,513		1,820	850	7,183
Transfers in from Enterprise Funds.....	103,442		81,987		185,429
Transfers Out.....	(1,820)	(1,700)		(3,663)	(7,183)
Capital Lease Acquisition.....	537				537
G.O. Bond Premiums.....				1,462	1,462
G.O. Bond Issuance.....				75,000	75,000
Total Other Financing Sources (Uses).....	106,672	(1,700)	83,807	73,649	262,428
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses.....	35,350	(33,412)	14,058	(17,444)	(1,448)
Fund Balances (Deficit) - July 1 .....	305,364	125,238	552	(630)	430,524
Change in Reserve for Inventory.....	(1,406)	1,233		(183)	(356)
Fund Balances (Deficit)- June 30.....	\$ 339,308	\$ 93,059	\$ 14,610	\$ (18,257)	\$ 428,720

**STATE OF NEW HAMPSHIRE  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Expressed in Thousands)**

Net change in fund balance - total governmental funds \$ (1,804)

Revenue recognized on the Statement of Activities that do not provide current financial resources on the fund statements resulted in a net decrease from prior year 3,269

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Land & Land Improvements	28,070	
Buildings & Building Improvements	29,844	
Equipment & Computer Software	15,735	
Construction in Progress	11,590	
Infrastructure	120,530	
Accumulated Depreciation, net of Disposals	<u>(71,660)</u>	134,109

Internal service funds are used by management to charge the costs of certain activities, such as risk management and health related fringe benefits, to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities. 18,574

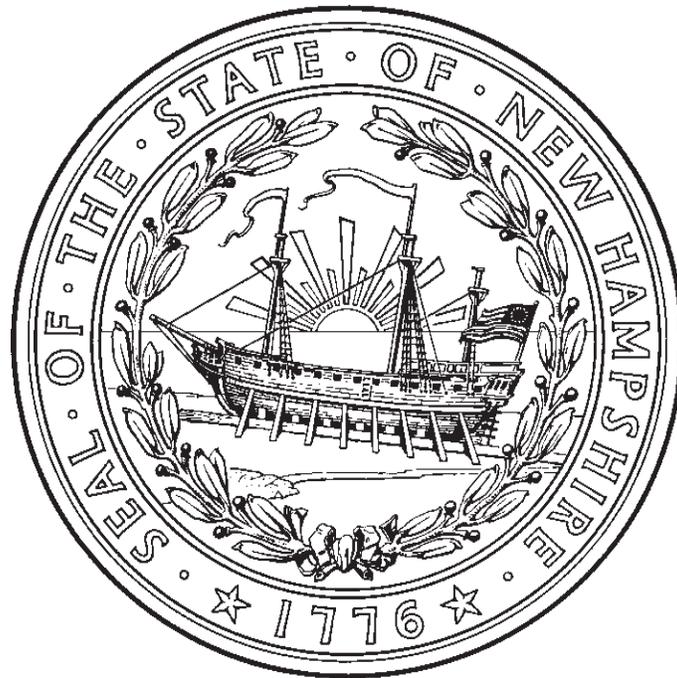
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount by which proceeds exceeded repayments.

Bond Proceeds & Premiums Received	(76,462)	
Repayment of Bond Principal & Interest	71,150	
Accretion of Bonds Payable	(6,048)	
Accrued Interest & Amortization	<u>75</u>	(11,285)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. Elimination of the following expenses resulted in a net increase from prior year:

Changes in Compensated Absences & Workers Compensation	(10,040)	
Change in Capital Lease Obligation	353	
SRF loan program	<u>25,319</u>	15,632

Change in net assets of governmental activities \$ 158,495



## Proprietary-Enterprise Fund Financial Statements

**Turnpike System:** *The state constructs, maintains, and operates transportation toll facilities. The Turnpike System, presently consists of 93 miles of limited access highway, 36 miles of which are part of the U.S. Interstate Highway System. The Turnpike System comprises a total of approximately 631 total lane miles. The Turnpike System primarily serves the major cities located in the central and eastern sections of southern New Hampshire. The Legislature has established a 10-year state highway construction and reconstruction plan and authorized major expansion and improvement projects as part of a Capital Improvement Program.*

**Liquor Commission:** *Receipts from operations of the Liquor Commission are transferred to the General Fund on a daily basis. The General Fund advances cash to the Liquor Commission for the purchase of liquor inventory. By statute, all liquor and beer sold in the state must be sold through a sales and distribution system operated by the state Liquor Commission, comprising three members appointed by the Governor with the consent of the Executive Council. The Commission makes all liquor purchases directly from the manufacturers and importers and operates state liquor stores in cities and towns that accept the provisions of the local option law. The Commission is authorized to lease and equip stores, warehouses, and other merchandising facilities for liquor sales, to supervise the construction of state-owned liquor stores at various locations in the state, and to sell liquor through retail outlets as well as direct sales to restaurants, hotels, and other organizations. The Commission also charges permit and license fees for the sale of beverages through private distributors and retailers and an additional fee of 30 cents per gallon on beverages sold by such retailers.*

**Lottery Commission:** *The state sells lottery games through some 1,350 agents, including state liquor stores, licensed racetracks, and private retail outlets. Through the sale of lottery tickets, revenue is generated for prize payments and commission expenses, with the net income used for aid to education. This net income is transferred to the Education Fund and then transferred to the local school districts.*

**New Hampshire Unemployment Trust Fund:** *Receives contributions from employers and provides benefits to eligible unemployed workers.*

**Internal Service Fund:** *The employee benefit risk management fund reports the health related fringe benefit services for the state. The fund was created to account for the state's self-insurance program and to pool all resources to pay for the cost associated with providing these benefits to active employees and retirees.*

STATE OF NEW HAMPSHIRE  
STATEMENT OF NET ASSETS  
PROPRIETARY-ENTERPRISE FUNDS  
JUNE 30, 2006  
(Expressed in Thousands)

	Business-Type Activities - Enterprise Funds					Governmental
	Turnpike System	Liquor Commission	Lottery Commission	Unemployment Compensation	Total	Activities Internal Service Fund
<b>ASSETS</b>						
<b>Current Assets:</b>						
Cash and Cash Equivalents.....	\$ 27,920	\$ 1,670	\$ 1,321	\$ 270,281	\$ 301,192	\$ 38,004
Cash and Cash Equivalents-Restricted.....	32,605				32,605	
Receivables (Net of Allowances for Uncollectibles).....	2,334	7,653	1,872	14,240	26,099	2,975
Due from Other Funds.....		19,109			19,109	
Inventories.....	1,933	20,121	1,265		23,319	
Other Current Assets.....			3		3	
Total Current Assets.....	64,792	48,553	4,461	284,521	402,327	40,979
<b>Noncurrent Assets:</b>						
Investments-Restricted.....	9,992				9,992	
Bond Issue Costs.....	3,368				3,368	
<b>Capital Assets:</b>						
Land & Land Improvements.....	106,957	3,232			110,189	
Buildings & Building Improvements.....	4,828	19,529			24,357	
Equipment & Computer Software.....	31,268	9,007	501		40,776	
Construction in Progress.....	71,414				71,414	
Infrastructure.....	536,114				536,114	
Less: Allowance for Depreciation & Amortization.....	(199,371)	(18,363)	(310)		(218,044)	
Net Capital Assets.....	551,210	13,405	191		564,806	
Other Assets.....			3,798		3,798	
Total Noncurrent Assets.....	564,570	13,405	3,989		581,964	
Total Assets.....	629,362	61,958	8,450	284,521	984,291	40,979
<b>LIABILITIES</b>						
<b>Current Liabilities:</b>						
Accounts Payable.....	4,630	41,945	738		47,313	11
Accrued Payroll.....	676	1,229	149		2,054	
Due to Other Funds.....			864		864	
Deferred Revenue.....	5,568	2,060	1,119		8,747	
Unclaimed Prizes.....			1,314		1,314	
General Obligation Bonds Payable.....	2,644				2,644	
Revenue Bonds Payable-Restricted.....	11,835				11,835	
Accrued Interest Payable-Restricted.....	4,165				4,165	
Claims & Compensated Absences Payable.....	648	1,145	115		1,908	19,562
Other Liabilities.....	66	235		5,609	5,910	
Total Current Liabilities.....	30,232	46,614	4,299	5,609	86,754	19,573
<b>Noncurrent Liabilities:</b>						
General Obligation Bonds Payable.....	4,423				4,423	
Revenue Bonds Payable.....	272,340				272,340	
Claims & Compensated Absences Payable.....	2,167	2,174	367		4,708	
Other Noncurrent Liabilities.....		617			617	
Total Noncurrent Liabilities.....	278,930	2,791	367		282,088	
Total Liabilities.....	309,162	49,405	4,666	5,609	368,842	19,573
<b>NET ASSETS</b>						
Invested in Capital Assets, net of related debt.....	263,339	12,553	191		276,083	
Restricted for Debt Repayments.....	42,597				42,597	
Restricted for Prize Awards - MUSL & Tri-State.....			3,798		3,798	
Restricted for Unemployment Benefits.....				278,912	278,912	
Unrestricted Net Assets (Deficit).....	14,264		(205)		14,059	21,406
Total Net Assets.....	\$ 320,200	\$ 12,553	\$ 3,784	\$ 278,912	\$ 615,449	\$ 21,406

The notes to the financial statements are an integral part of this statement

STATE OF NEW HAMPSHIRE  
 STATEMENT OF REVENUES, EXPENSES AND  
 CHANGES IN PROPRIETARY-ENTERPRISE FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
 (Expressed in Thousands)

	Business-Type Activities - Enterprise Funds				Total	Governmental
	Turnpike System	Liquor Commission	Lottery Commission	Unemployment Compensation		Activities Internal Service Fund
<b>OPERATING REVENUES</b>						
Charges for Sales and Services.....		\$ 415,532	\$ 264,784	\$ 75,416	\$ 755,732	\$ 224,137
Toll Revenue Pledged for						
Repaying Revenue Bonds.....	\$ 80,757				80,757	
Total Operating Revenue.....	80,757	415,532	264,784	75,416	836,489	224,137
<b>OPERATING EXPENSES</b>						
Cost of Sales and Services.....		299,718	23,658		323,376	
Lottery Prize Awards.....			152,392		152,392	
Unemployment Insurance Benefits.....				81,582	81,582	
Insurance Claims.....						197,443
Administration.....	46,350	29,804	7,776		83,930	8,120
Depreciation.....	13,289	1,179	45		14,513	
Total Operating Expenses.....	59,639	330,701	183,871	81,582	655,793	205,563
Operating Income .....	21,118	84,831	80,913	(6,166)	180,696	18,574
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Licenses.....		3,224			3,224	
Beer Taxes.....		12,624			12,624	
Investment Income.....	2,432		1,023	12,313	15,768	
Miscellaneous.....	206	2,150			2,356	
Interest on Bonds.....	(15,584)				(15,584)	
Amortization of Bond Issuance Costs.....	(357)				(357)	
Total Nonoperating Revenues (Expenses).....	(13,303)	17,998	1,023	12,313	18,031	
Income Before Grant Contributions.....	7,815	102,829	81,936	6,147	198,727	18,574
Grant Contributions.....	16,757				16,757	
Income Before Operating Transfers.....	24,572	102,829	81,936	6,147	215,484	18,574
Transfers Out to Governmental Funds.....		(103,442)	(81,987)		(185,429)	
Change in Net Assets.....	24,572	(613)	(51)	6,147	30,055	18,574
Net Assets - July 1 .....	295,628	13,166	3,835	272,765	585,394	2,832
Net Assets - June 30.....	\$ 320,200	\$ 12,553	\$ 3,784	\$ 278,912	\$ 615,449	\$ 21,406

STATE OF NEW HAMPSHIRE  
STATEMENT OF CASH FLOWS  
PROPRIETARY-ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Expressed in Thousands)

	Business-Type Activities - Enterprise Funds					Governmental
	Turnpike System	Liquor Commission	Lottery Commission	Unemployment Compensation	Total	Activities Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from federal and local agencies.....				\$ 1,623	\$ 1,623	
Receipts from customers.....	\$ 85,687	\$ 414,738	\$ 139,913	70,576	710,914	\$ 16,781
Receipts from interfund charges.....						204,549
Payments to employees.....	(10,486)	(16,949)	(1,980)		(29,415)	
Payments to suppliers.....	(29,570)	(294,043)	(6,614)		(330,227)	(8,120)
Payments to prize winners.....			(50,262)		(50,262)	
Payments for Insurance Claims.....				(76,464)	(76,464)	(192,467)
Payments for Interfund Services.....	(3,675)	(3,916)	(1,029)		(8,620)	
Net Cash Provided by Operating Activities.....	41,956	99,830	80,028	(4,265)	217,549	20,743
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Transfers to Other Funds.....		(116,887)	(80,974)		(197,861)	
Proceeds from Collection of Licenses and Beer Tax....		15,848			15,848	
Net Cash Used for Noncapital and Related Financing Activities.....		(101,039)	(80,974)		(182,013)	
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Acquisition, Disposal and Construction of Capital Assets.....	(31,115)	(636)	(72)		(31,823)	
Grant Contributions.....	16,757				16,757	
Interest Paid on Revenue & General Obligation Bonds	(15,467)				(15,467)	
Principal Paid on Bonds.....	(14,327)				(14,327)	
Other.....	(327)				(327)	
Contributions from Other Funds.....		636			636	
Net Cash (Used) for Capital and Related Financing Activities.....	(44,479)		(72)		(44,551)	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Sale of Investments.....						
Purchase of Investments.....	(5,000)				(5,000)	
Proceeds from Maturities of Investments.....	18,796				18,796	
Interest and Other Income.....	2,287	2,171	986	12,313	17,757	
Net Cash Provided by Investing Activities.....	16,083	2,171	986	12,313	31,553	
Net Increase (Decrease) in Cash & Cash Equivalents....	13,560	962	(32)	8,048	22,538	20,743
Cash and Cash Equivalents - July 1.....	46,965	708	1,353	262,233	311,259	17,261
Cash and Cash Equivalents -June 30.....	\$ 60,525	\$ 1,670	\$ 1,321	\$ 270,281	\$ 333,797	\$ 38,004
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>						
Operating Income .....	\$ 21,118	\$ 84,831	\$ 80,913	\$ (6,166)	\$ 180,696	\$ 18,574
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Depreciation.....	13,289	1,179	45		14,513	
Change in Operating Assets and Liabilities:						
(Increase) Decrease in Receivables.....	962	(1,049)	(323)	1,571	1,161	(2,613)
(Increase) Decrease in Inventories.....	(999)	4,092	(643)		2,450	
(Increase) Decrease in Other Current Assets.....			48		48	
(Increase) Decrease in Restricted Deposits-MUSL.....			51		51	
Increase in Accounts Payable and Other Accruals	3,061	9,933	110	330	13,434	11
Increase (Decrease) in Claims Payable		589	(234)		355	4,771
Increase (Decrease) in Deferred Revenue.....	4,525	255	61		4,841	
Net Cash Provided by Operating Activities.....	\$ 41,956	\$ 99,830	\$ 80,028	\$ (4,265)	\$ 217,549	\$ 20,743

The notes to the financial statements are an integral part of this statement

## **Component Units Financial Statements**

**STATE OF NEW HAMPSHIRE**  
**COMBINING STATEMENT OF NET ASSETS**  
**COMPONENT UNITS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**  
**(Expressed in Thousands)**

<b>ASSETS</b>	<b>University System of New Hampshire</b>	<b>Non-Major Component Unit</b>	<b>Total</b>
<b>Current Assets:</b>			
Cash and Cash Equivalents.....	\$ 174,513	\$ 16,087	\$ 190,600
Cash and Cash Equivalents-Restricted.....		1,347	1,347
Accounts Receivable.....	21,699	3,711	25,410
Other Receivables-Restricted.....		5,377	5,377
Notes Receivable - Current Portion.....	4,261	20,863	25,124
Prepaid Expenses & Other.....	4,780	428	5,208
Total Current Assets.....	<u>205,253</u>	<u>47,813</u>	<u>253,066</u>
<b>Noncurrent Assets:</b>			
Investments.....	384,312	12,531	396,843
Notes & Other Receivables.....	19,680	11,402	31,082
Other Assets.....	3,880	773	4,653
<b>Capital Assets:</b>			
Land & Land Improvements.....	10,518	377	10,895
Building & Building Improvements.....	827,397	96,311	923,708
Equipment.....	117,291	5,439	122,730
Construction in Progress.....	184,048	8,102	192,150
Less: Accumulated Depreciation.....	(445,579)	(38,380)	(483,959)
Net Capital Assets.....	<u>693,675</u>	<u>71,849</u>	<u>765,524</u>
Total Noncurrent Assets.....	<u>1,101,547</u>	<u>96,555</u>	<u>1,198,102</u>
Total Assets.....	<u>1,306,800</u>	<u>144,368</u>	<u>1,451,168</u>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts Payable.....	51,262	2,217	53,479
Accrued Salaries and Wages.....		116	116
Accrued Employee Benefits - Current.....	10,373	16	10,389
Other Payables & Accrued Expenses.....		15,970	15,970
Other Liabilities-Restricted.....		432	432
Deposits and Deferred Revenues.....	32,863	4,722	37,585
Due to Primary Government - Current Portion.....	576	1,945	2,521
Long Term Debt-Current Portion.....	4,466	199	4,665
Total Current Liabilities.....	<u>99,540</u>	<u>25,617</u>	<u>125,157</u>
<b>Noncurrent Liabilities:</b>			
Revenue Bonds Payable.....	389,249		389,249
Accrued Employee Benefits.....	71,444		71,444
Due to Primary Government.....	1,630	32,355	33,985
Other Long Term Debt.....	41,482	30,935	72,417
Total Noncurrent Liabilities.....	<u>503,805</u>	<u>63,290</u>	<u>567,095</u>
Total Liabilities.....	<u>603,345</u>	<u>88,907</u>	<u>692,252</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt.....	386,119	52,527	438,646
Restricted for Endowments.....	246,073		246,073
Restricted for Specific Purposes.....		1,618	1,618
Restricted for Long Term Receivable.....		5,377	5,377
Total Restricted Net Assets.....	<u>632,192</u>	<u>59,522</u>	<u>691,714</u>
Unrestricted Net Assets.....	71,263	(4,061)	67,202
Total Net Assets.....	<u>\$ 703,455</u>	<u>\$ 55,461</u>	<u>\$ 758,916</u>

The notes to the financial statements are an integral part of this statement

STATE OF NEW HAMPSHIRE  
 COMBINING STATEMENT OF ACTIVITIES  
 COMPONENT UNITS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
 (Expressed in Thousands)

	University System of New Hampshire		Total
	New Hampshire	Non-Major	Total
<b>Expenses</b> .....	\$ 588,183	\$ 17,950	\$ 606,133
<b>Program Revenues:</b>			
Charges for Services:			
Tuition & Fees.....	265,428		265,428
Scholarship Allowances.....	(64,905)		(64,905)
Sales, Services, & Other Revenue.....	159,618	18,113	177,731
Operating Grants & Contributions.....	160,011	8,194	168,205
Capital Grants & Contributions.....	12,116		12,116
Total Program Revenues.....	532,268	26,307	558,575
Net Revenues (Expenses).....	(55,915)	8,357	(47,558)
Interest & Investment Income.....	17,177	(1,267)	15,910
Payments (to) from State of New Hampshire....	109,390	(34)	109,356
Change in Net Assets.....	70,652	7,056	77,708
<b>Net Assets - Beginning</b> .....	632,803	48,405	681,208
<b>Net Assets - Ending</b> .....	\$ 703,455	\$ 55,461	\$ 758,916

## Fiduciary Funds Financial Statements

### ***Pension Trust Funds:***

***New Hampshire Retirement System-*** *The New Hampshire Retirement System (NHRS) is the administrator of a cost-sharing multiple-employer contributory pension plan and trust established on July 1, 1967, and is intended to meet the requirements of a qualified tax-exempt organization within the meaning of section 401(a) and section 501(a) of the United States Internal Revenue Code. Participating employers include the employees of the state government of New Hampshire, certain cities and towns, all counties, and various school districts. The NHRS is a component unit of the state.*

***New Hampshire Judicial Retirement Plan*** – *The New Hampshire Judicial Retirement Plan (the Plan) was established on January 1, 2005 and is a contributory pension plan and trust intended to meet the requirements of a qualified pension trust within the meaning of section 401(a) and to qualify as a governmental plan within the meaning of section 414(d) of the United States Internal Revenue Code. The Plan is a component of the state.*

***Private-Purpose Trust Funds:*** *Private-Purpose Trust Funds report resources of all other trust arrangements in which principal and income benefit individuals, private organizations, or other governments.*

***Investment Trust Fund:*** *The investment trust fund represents the external portion of the New Hampshire Public Deposit Investment Pool (NHPDIP). The NHPDIP has been established, in accordance with RSA 383:22-24, for the purpose of investing funds of the state of New Hampshire, funds under the custody of all governmental units, pooled risk management programs established pursuant to RSA 5-B, agencies, authorities, commissions, boards, political subdivisions, and all other public units within, or instrumentalities of the state of New Hampshire. In accordance with GAAP, the external portion of the NHPDIP is reported as an investment trust fund in the Fiduciary Funds using the economic resources measurement focus and accrual basis of accounting. The internal portion of the pool is reported in the general fund. NHPDIP financial statements can be obtained by contacting NHPDIP at 5 Country View Drive, Raymond, NH 03077.*

***Agency Funds:*** *Assets received by the state as an agent for other governmental units, other organizations, or individuals are accounted for as agency funds. The Nuclear Decommissioning Fund related to the Seabrook Nuclear Power Plant and Unified Court System Litigation accounts which are held pending judicial judgements are two of the larger agency funds of the state.*

**STATE OF NEW HAMPSHIRE**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**JUNE 30, 2006**  
(Expressed in Thousands)

	Pension Trust Funds	Private-purpose Trust Funds	Investment Trust Fund	Agency Funds
<b>ASSETS</b>				
Cash and Cash Equivalents.....	\$ 2,360	\$ 2,960	\$ 1	\$ 16,927
Cash Collateral on Security Lending.....	829,734			
Total Cash.....	832,094	2,960	1	16,927
Receivables:				
Due from Employers.....	15,341			
Due from State.....	4,620			
Due from Plan Members.....	15,272			
Due from Brokers for Securities Sold.....	161,104			
Interest and Dividends.....	14,371			
Other .....	343		701	
Total Receivables.....	211,051	-	701	
Investments.....	5,179,207	19,952	277,607	350,505
Other Assets.....	4,738			
Total Assets.....	6,227,090	22,912	278,309	367,432
<b>LIABILITIES</b>				
Securities Lending Collateral.....	829,734			
Management Fees and Other Payables.....	8,154		115	
Due to Brokers for Securities Purchased.....	232,349			
Custodial Funds Payable.....				367,425
Other Liabilities.....		85		7
Total Liabilities.....	1,070,237	85	115	367,432
Net Assets Held in Trust for Benefits & Other Purposes.....	\$ 5,156,853	\$ 22,827	\$ 278,194	

**RECONCILIATION OF NET ASSETS HELD IN TRUST:**

Employees' Pension Benefits.....	\$ 4,710,993			
Employees' Postemployment Healthcare Benefits.....	445,860			
Net Assets for Pool Participants in External Investment Pool.....			\$ 278,194	
Other Purposes.....		\$ 22,827		
Net Assets Held in Trust for Benefits & Other Purposes.....	\$ 5,156,853	\$ 22,827	\$ 278,194	

**STATE OF NEW HAMPSHIRE**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**  
(Expressed in Thousands)

	Pension Trust Funds	Private-purpose Trust Funds	Investment Trust Fund
<b>ADDITIONS</b>			
<b>Contributions:</b>			
Employer .....	\$ 181,379		
State Contributions on Behalf of Local Employers.....	33,585		
Total Employer Contributions.....	214,964		
Plan Members.....	148,369		
From Participants.....		\$ 9,706	\$ 386,718
Total Contributions.....	363,333	9,706	386,718
<b>Investment Income:</b>			
From Investing Activities:			
Net (Depreciation) in Fair Value of Investments.....	354,591	9,762	
Interest Income.....	59,377	414	
Dividends.....	54,420		
Alternative Investment Income.....	(1,748)		
Commercial Real Estate Operating Income.....	20,618		
Net Increase in Joint Value from Investment Income.....			10,314
Total Income from Investing Activities.....	487,258	10,176	10,314
<b>Less: Investment Activity Expenses:</b>			
Investment Management Fees.....	25,359		
Custodial Fees.....	487		
Investment Advisor Fees.....	647		
Total Investment Activity Expenses.....	26,493		
Total Net Income from Investing Activities.....	460,765	10,176	10,314
<b>From Securities Lending Activities:</b>			
Security Lending Income.....	29,107		
Less: Security Lending Borrower Rebates.....	26,174		
Less: Security Lending Management Fees.....	587		
Net Income from Securities Lending Activities.....	2,346		
Total Net Investment Income .....	463,111	10,176	10,314
Asset Transfer from Pension Plan.....	61,449		
Other.....	820		
<b>Total Additions.....</b>	<b>888,713</b>	<b>19,882</b>	<b>397,032</b>
<b>DEDUCTIONS</b>			
Benefits/Distributions to Participants.....	360,926	21,049	10,314
Refunds of Contributions.....	29,382		
Administrative Expense.....	5,640		
Post Retirement Medical Plan Contributions to Pension			
Plan on Behalf of Employers.....	61,449		
Consulting Fees.....	1,063		
Other.....	1,990		351,955
<b>Total Deductions.....</b>	<b>460,450</b>	<b>21,049</b>	<b>362,269</b>
<b>Change in Net Assets.....</b>	<b>428,263</b>	<b>(1,167)</b>	<b>34,763</b>
<b>NET ASSETS HELD IN TRUST FOR BENEFITS &amp; OTHER PURPOSES</b>			
Beginning of the Year.....	4,728,590	23,994	243,431
<b>End of the Year.....</b>	<b>\$ 5,156,853</b>	<b>\$ 22,827</b>	<b>\$ 278,194</b>

# Notes to the Basic Financial Statements

## INDEX TO NOTES

1. Summary of Significant Accounting Policies	
A. Reporting Entity.....	44
B. Government-Wide and Fund Financial Statements.....	45
C. Measurement Focus and Basis of Accounting.....	45
D. Cash Equivalents.....	46
E. Investments.....	46
F. Receivables.....	46
G. Inventories.....	47
H. Restricted Assets.....	47
I. Capital Assets.....	47
J. Deferred Revenue.....	47
K. Compensated Absences.....	47
L. Encumbrances.....	47
M. Fund Balances.....	47
N. Capital Outlays.....	48
O. Bond Discounts, Premiums, and Issuance Costs.....	48
P. Revenues and Expenditures/Expenses.....	48
Q. Interfund Activity and Balances.....	48
R. Capital Projects.....	48
S. Budget Control and Reporting.....	48
T. Use of Estimates.....	49
U. Implementation of Reporting Standards.....	49
2. Cash, Cash Equivalents, and Investments.....	49
3. Receivables.....	56
4. Capital Assets.....	57
5. Long-Term Debt.....	58
6. Risk Management and Insurance.....	60
7. Interfund Receivables and Payables.....	61
8. Interfund Transfers.....	61
9. Undesignated Fund Balance (Deficit) and Contractual Commitments.....	62
10. Employee Benefit Plans.....	62
11. Contingent and Limited Liabilities.....	64
12. Lease Commitments.....	65
13. Litigation.....	65
14. Highway.....	69
15. Joint Ventures-Lottery Commission.....	69
16. Subsequent Events.....	69

## NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2006

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the State of New Hampshire (the state) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and as prescribed by the Governmental Accounting Standards Board (GASB), which is the primary standard-setting body for establishing governmental accounting and financial reporting principles.

#### A. REPORTING ENTITY

For financial reporting purposes, the state's reporting entity includes all funds, organizations, agencies, boards, commissions, authorities and the state has considered all potential component units for which the state is financially accountable and other organizations for which the nature and significance of their relationship with the state are such that exclusion would cause the state's financial statements to be misleading or incomplete. The criteria to be considered in determining financial accountability include whether the state, as the primary government, has appointed a voting majority of an organization's governing body and (1) has the ability to impose its will on that organization or (2) there is potential for the organization to provide specific financial benefits to or impose specific financial burdens on the state. Financial accountability also exists if an organization is determined to be fiscally dependent on the primary government, although the primary government does not appoint a voting majority of the organization's governing board.

Once financial accountability has been determined for a potential component unit, that component unit is either blended into the primary government or discretely presented from the primary government. Potential component units that do not meet the financial accountability criteria, but where a voting majority of the governing board is appointed by the state, are deemed to be related organizations. The nature and relationship of the state's component units and related organizations are disclosed in the following section.

#### Discrete Component Units:

Discrete component units are entities, which are legally separate from the state, but for which the state is financially accountable for financial reporting purposes, or whose relationship with the state is such that exclusion would cause the state's financial statements to be misleading or incomplete. Complete audited financial statements of the individual component units can be obtained from the respective entities.

The component unit columns of the government-wide financial statements include the financial data of the following entities:

#### Major Component Unit

**University System of New Hampshire** - The University System of New Hampshire (University System) is a body corporate and politic with a governing board of twenty-five members. A voting majority is held by the state through the eleven members appointed by the Governor and

Executive Council and three state officials serving as required by law. These state officials are the Governor, the Commissioner of the Department of Education, and the Commissioner of the Department of Agriculture. The remaining board members represent the university and colleges of the system, the alumni, and the student body. The University System funds its operations through tuition and fees, government grants and contracts, auxiliary operations, and state appropriations. USNH financials can be obtained by contacting, USNH at 18 Garrison Avenue, Durham NH 03824.

#### Non-major Component Units

**Business Finance Authority of the State of New Hampshire** - The Business Finance Authority (BFA) is a body corporate and politic with a governing board of fourteen members. The board consists of nine members appointed by the Governor with the consent of the Executive Council. The remaining members include two state Representatives, two Senators, and the Treasurer. The state currently guarantees outstanding loans and principal on bonds of the BFA as of June 30, 2006, which creates the potential for the BFA to impose a financial burden on the state. BFA's financials can be obtained by contacting, BFA at 14 Dixon Avenue, Suite 101, Concord NH 03301.

**Community Development Finance Authority** - The Community Development Finance Authority (CDFA) is a body corporate and politic organized as a nonprofit corporation under Revised Statutes Annotated (RSA) 292. The governing board of eleven members is made up of the Commissioner of the Department of Resources and Economic Development or designee and ten public members appointed by the Governor and Executive Council as follows: four representatives of community development corporations or other nonprofit organizations engaged in community development activities, one representative of organized labor, two representatives of small business and the financial community, one representative of employment training programs, and two representatives of private financial institutions. An investment tax credit equal to 75 percent of the contribution made to the CDFA during the contributor's tax year is allowed against certain taxes imposed by the state. In accordance with RSA 162-L:10, the total credits allowed shall not exceed \$5.0 million in any state fiscal year. CDFA's financials can be obtained by contacting CDFA at, CDFA 14 Dixon Avenue, Suite 101, Concord NH 03301.

**Pease Development Authority** - The Pease Development Authority (PDA) is a body corporate and politic with a governing body of seven members. Four members are appointed by the Governor and state legislative leadership, and three members are appointed by the city of Portsmouth and the town of Newington. The state currently guarantees outstanding loans and principal on bonds of the PDA and has issued bonds on behalf of the PDA as of June 30, 2006, which creates the potential for the PDA to impose a financial burden on the state. In addition, the state has made several loans to the PDA. PDA's financials can be obtained by contacting PDA at, 360 Corporate Drive, Portsmouth NH 03801.

Pursuant to Chapter 290 Laws of 2001, the New Hampshire State Port Authority, a former department of the primary state government, was transferred to the PDA effective July 1, 2001.

### Fiduciary Component Units:

The state's fiduciary component units consists of the Pension Trust Fund, which represents the assets and liabilities of the following:

**New Hampshire Retirement System** - The New Hampshire Retirement System (System) is a contributory pension plan and trust qualified as a tax exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. It is a defined benefit plan providing disability, death, and retirement protection to its members, which include full-time employees of the state and substantially all school teachers, firefighters, and police officers within the state. Full-time employees of political subdivisions may participate if their governing body elects to participate.

The System is administered by a 13 member board of Trustees on which the state does not represent a voting majority. The Board is fiduciarily responsible for the trust fund's assets and directs the investment of the pension assets, reviews actuarial assumptions and valuations from which the employer contribution rates are certified by the board, and generally supervises the operations of the System.

The System is deemed to be fiscally dependent on the state because the employee member contribution rates are set through state statute, and the state has budget approval authority over the administrative costs of the System.

**New Hampshire Judicial Retirement Plan** - The New Hampshire Judicial Retirement Plan (the Plan) is a contributory pension plan and trust qualified as a tax exempt organization under Sections 401(a) and 414(d) of the Internal Revenue Code. It is a defined benefit plan providing disability, death, and retirement protection for full-time supreme court, superior court, district court or probate court judges employed within the state.

The Plan is administered by a seven member Board of Trustees that is appointed by the state. The Board is fiduciarily responsible for the trust fund's assets and oversees the investment of the Plan's assets, approving the actuarial valuation of the Plan including assumptions, interpreting statutory provisions and generally supervises the operations of the Plan.

The Plan is deemed to be fiscally dependent on the state because of the state's contributions toward the Plan's unfunded accrued liabilities and employee member contribution rates are set through state statute.

These component units are presented in the fiduciary funds, along with other fiduciary funds of the state, and they have been omitted from the states government-wide financial statements.

### Related Organizations:

The state is responsible for appointing voting members to the governing boards of the following legally separate organizations, but the state's financial accountability for these organizations does not extend beyond making the appointments. Therefore, the financial data of these entities are excluded from the state's financial statements.

Those organizations are:

- Maine - New Hampshire Interstate Bridge Authority
- New Hampshire Health and Education Facilities Authority

- New Hampshire Housing Finance Authority
- New Hampshire Municipal Bond Bank

## B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

### Government-Wide Financial Statements

The Statement of Net Assets and Statement of Activities report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Primary government activities are distinguished between governmental and business-type activities. Governmental activities are normally supported through taxes and intergovernmental revenues. Business-type activities rely, to a significant extent, on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

The *Statement of Net Assets* presents the reporting entity's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net assets.

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not meeting the definition of program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenue rather than program revenue. Certain indirect costs are included in program expenses reported for individual functions.

### Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

## C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

### Measurement Focus and Basis of Accounting

The *government-wide financial statements* are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

*Governmental fund financial statements* are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, except for federal grants, the state generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to debt service, compensated absences and claims and judgments are recorded only when payment is due.

*Proprietary Fund, Fiduciary Funds and Similar Component Units, and Discrete Component Unit* financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide statements described above.

In reporting proprietary activities, including component units, the state only applies applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, for its business-type activities and enterprise funds, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

#### **Financial Statement Presentation**

A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to report financial position and the results of operations, to demonstrate legal compliance, and to aid financial management by segregating transactions related to certain government functions or activities.

The state reports the following major governmental funds:

*General Fund:* The General Fund is the state's primary operating fund and accounts for all financial transactions not accounted for in any other fund.

*Highway Fund:* The Highway Fund is used to account for the revenues and expenditures used in the construction and maintenance of the state's public highways and the supervision of traffic thereon.

*Education Fund:* In fiscal year 2000, the Education Trust Fund was created in accordance with Chapter 17:41, Laws of 1999. The fund is non-lapsing and is used to distribute adequate education grants to school districts.

The state reports the following major enterprise funds:

The *Liquor Commission* accounts for the operations of state-owned liquor stores and the sales of all beer and liquor sold in the state.

The *Lottery Commission* accounts for the operations of the state's lottery games.

The *Turnpike System* accounts for the revenues and expenditures used in the construction, maintenance and operations of transportation toll facilities.

The *New Hampshire Unemployment Trust Fund* receives contributions from employers and provides benefits to eligible unemployed workers.

Additionally, the state reports the following fund types:

#### **Governmental Fund Types**

*Capital Projects Fund* - used to account for 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.

*Permanent Funds* - report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the state or its citizenry.

#### **Proprietary Fund Types**

*Internal Service Fund* - provides services primarily to other agencies or funds of the state, rather than to the general public. These services include health related fringe benefits. In the government-wide financial statements, internal service funds are included with governmental activities.

#### **Fiduciary Fund Types**

*Pension (and Other Employee Benefits) Trust Fund* - report resources that are required to be held in trust for the members and beneficiaries of the state's contributory defined benefit plans, and post employment benefit plan. The New Hampshire Retirement System and the New Hampshire Judicial Retirement plan are component units of the State.

*Investment Trust Fund* - accounts for the transactions, assets, liabilities and fund equity of the external investment pool.

*Private Purpose Trust Funds* - report resources of all other trust arrangements in which principal and income benefit individuals, private organizations, or other governments.

*Agency Funds* - report assets and liabilities for deposits and investments entrusted to the State as an agent for others.

#### **Reporting Periods**

The accompanying financial statements of the state are presented as of June 30, 2006, and for the year then ended, except for the following entities: New Hampshire Judicial Retirement Plan (December 31, 2005), Community Development Finance Authority (eighteen months ended June 30, 2006).

#### **D. CASH EQUIVALENTS**

For the purposes of the Statement of Cash Flows, cash equivalents represent short-term investments with original maturities less than three months from the date acquired by the state.

#### **E. INVESTMENTS**

Investments are reported at fair value except for investments of the investment trust fund, which are reported at net amortized cost because it qualifies as a 2a7-like pool.

#### **F. RECEIVABLES**

Receivables in the government-wide financial statements represent amounts due to the state at June 30, recorded as revenue, which will be collected sometime in the future and consist primarily of accrued taxes and federal grants receivable. In the governmental fund financial statements, taxes receivable are primarily taxpayer-assessed revenues representing amounts owed by the taxpayers, which are received by the state within 60 days after year-end, except for federal grants, which reimburse the state for expenditures incurred pursuant to federally funded programs. Tax revenues are susceptible to accrual in accordance with measurable and available criteria under the modified accrual basis of accounting.

## G. INVENTORIES

Inventories for materials and supplies are determined by physical count. The Lottery's game tickets are stated at the lower of cost (first-in, first-out method) or market. All other inventories in the governmental and proprietary funds are stated at average cost.

Governmental fund inventories are recorded under the purchase method. Reported inventory balances in the governmental funds are offset by a fund balance reserve that indicates they do not constitute "available expendable resources".

## H. RESTRICTED ASSETS

The proceeds of Turnpike System revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets.

## I. CAPITAL ASSETS

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such assets, whether purchased or constructed, are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

Equipment is capitalized when the cost of individual items exceed \$10,000, and all other capital assets are capitalized when the cost of individual items or projects exceed \$100,000. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets of the primary government and the component units are depreciated using the straight-line method over the following useful lives:

Equipment	5 years
Buildings	40 years
Building improvements	20 years
Infrastructure	50 years
Computer software	5 years

## J. DEFERRED REVENUE

In the government-wide financial statements and the proprietary fund financial statements, deferred revenue is recognized when cash, receivables or other assets are recorded prior to their being earned. In the governmental fund financial statements deferred revenue represents monies received or revenues accrued which have not been earned or do not meet the "available" criterion for revenue recognition under the modified accrual basis of accounting. The deferred revenue in the governmental fund types has primarily resulted as an offset to long-term loans receivable and federal funds received in advance of eligible expenditures.

## K. COMPENSATED ABSENCES

All full-time state employees in classified service earn annual and sick leave. At the end of each fiscal year, additional leave (bonus days) may be awarded based on the amount of sick leave taken during the year. Accrued compensatory time, earned for overtime worked, must be taken within one year.

The state's compensated absences liability represents the total liability for the cumulative balance of employees' annual, bonus, compensatory, and sick leave based on years of service rendered along with the state's share of social security and retirement contributions. The current portion of the leave liability is calculated based on the characteristics of the type of leave and on a LIFO (last in first out) basis, which assumes employees use their most recent earned leave first. The accrued liability for annual leave does not exceed the maximum cumulative balance allowed which ranges from 32 to 50 days based on years of service. The accrual for sick leave is made to the extent it's probable that the benefits will result in termination payments rather than be taken as absences due to illness. The liability for compensated absences is recorded on the accrual basis in the government-wide and proprietary fund financial statements.

In the governmental fund financial statements, liabilities for compensated absences are accrued when they are "due and payable" and recorded in the fund only for employee resignations and retirements that occur before year-end and were paid out after year-end.

## L. 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. Unliquidated encumbrances are reported in the Reserved for Encumbrances account as a component of fund equity for the governmental fund types.

## M. FUND BALANCES

Fund balances for all governmental funds are either reserved or unreserved. Reserved fund balances reflect either 1) assets, which, by their nature, are not available for appropriations (Reserve for Inventories); 2) funds legally segregated for a specific future use (Reserve for Encumbrances); 3) segregated by legal restrictions (Reserve for Permanent Funds). Certain reserve accounts are further described below:

**Reserved for Unexpended Appropriations:** This account represents amounts of unexpended appropriations legally carried forward and available for encumbrances and expenditures in the succeeding year.

**Reserved for Revenue Stabilization:** RSA 9:13-e established the Revenue Stabilization account for the purpose of deficit reduction. As amended by Chapter 158:41, Laws of 2001, at the close of each fiscal biennium, any General Fund undesignated fund balance, remaining after Education Trust Fund transfer, is distributed to the Revenue Stabilization account. The maximum balance that may accumulate in the account is limited to 10% of the General Fund unrestricted revenue. The account may not be used for any other purpose without specific approval by two-thirds of each house of the Legislature and the Governor.

In the event of a General Fund undesignated fund balance deficit at the close of a fiscal biennium, a transfer from the Reserved for Revenue Stabilization account may be made only if the General Fund's unrestricted revenues are less than budgeted. The amount of the transfer is limited to the smaller of the General Fund undesignated fund balance deficit or the unrestricted revenue shortfall. Further, Chapter 319:33, Laws of 2003 authorized a transfer from this account to the General Fund in the event of a General Fund deficit at the close of fiscal year 2003.

Per Chapter 177:53, Laws of 2005, the biennial transfer of surplus, if any, was suspended. Notwithstanding the provisions of 2005, 177:53, Chapter 35:1, Laws of 2006 directed that any undesignated general fund surplus for the fiscal year ending June 30, 2005, in excess of \$30.5 million shall be transferred to the revenue stabilization reserve account. Therefore, during fiscal year 2006, \$51.7 million was transferred to the revenue stabilization reserve account bringing the balance up to \$69.0 million at June 30, 2006.

## N. CAPITAL OUTLAYS

Capital outlays represent equipment purchases for all funds. In addition to equipment purchases, the Highway Fund's capital outlays represent expenditures for the 10-year state capital highway construction program.

## O. BOND DISCOUNTS, PREMIUMS AND ISSUANCE COSTS

In the government-wide and proprietary fund financial statements, bond discounts/premiums and issuance costs are deferred and amortized over the term of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issue costs are reported as deferred charges.

In the fund financial statements, governmental fund types recognize bond discounts, premiums, and issuance costs in the period the bond proceeds are received. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as expenditures.

## P. REVENUES AND EXPENDITURES/EXPENSES

In the government-wide Statement of Activities, revenues and expenses are segregated by activity (governmental or business-type), then further by function (e.g. general government, education, etc.). Additionally, revenues are classified between program and general revenues. Program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues, rather than as program revenue. General revenues include all taxes. Certain indirect costs are included in the program expenses reported for individual functions.

In the governmental fund financial statements, revenues are reported by source. For budgetary control purposes, revenues are further classified as either "general purpose" or "restricted". General purpose revenues are available to fund any activity accounted for in the fund. Restricted revenues are, either by state law or by outside restriction (e.g. federal grants), available only for specified purposes. Unused restricted revenues at year end are recorded as reservations of fund balance. When both general purpose and restricted funds are available for use, it is the state's policy to use restricted resources first.

In the governmental fund financial statements, expenditures are reported by character: "Current", "Debt Service" or "Capital Outlay." Current expenditures are subclassified by function and are for items such as salaries, grants, supplies and services. Debt service includes both interest and principal outlays related to bonds. Capital outlay includes expenditures for real property or infrastructure (e.g. highways).

Revenues and expenses of proprietary funds are classified as

operating or nonoperating and are subclassified by object (e.g. administration and depreciation). Operating revenues and expenses generally result from providing services and producing and delivering goods. All other revenues and expenses are reported as nonoperating.

**Other Financing Sources (Uses)** - these additions to and reductions from governmental resources in fund financial statements normally result from transfers from/to other funds and include financing provided by bond proceeds. Legally required transfers are reported when incurred as "Transfers In" by the receiving fund and as "Transfers Out" by the disbursing fund.

**Reimbursements** - Various departments charge fees on a user basis for such services as centralized data processing, accounting and auditing, purchasing, personnel, and maintenance and telecommunications. These transactions, when material, have been eliminated in the government-wide and governmental fund financial statements.

## Q. INTERFUND ACTIVITY AND BALANCES

**Interfund Activity** - As a general rule, the effect of interfund activity has been eliminated from the government-wide statements. Exceptions to this rule are: 1) activities between funds reported as governmental activities and funds reported as business-type activities (e.g. transfers of profits from the Liquor Commission to General Fund and the Sweepstakes Commission to the Education Fund) and 2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct costs and program revenues for the functions concerned.

In the fund financial statements, transfers represent flows of assets (such as goods or cash) without equivalent flows of assets in return or a requirement for repayment. In addition, transfers are recorded when a fund receiving revenue provides it to the fund which expends the resources.

**Interfund Balances** - Interfund receivables and payables have been eliminated from the Statement of Net Assets, except for the residual amounts due between governmental and business-type activities.

## R. CAPITAL PROJECTS

The state records the resources obtained and used for the acquisition, construction, or improvement of certain capital facilities in the Highway Fund and the Capital Projects Fund. Encumbrances are recorded when contracts are executed. Expenditures are recorded when incurred and encumbrances are liquidated at that time.

Resources obtained to finance capital projects include federal grants and general obligation bonds. General obligation bonds are recorded as liabilities and as other financing sources in the funds that receive the proceeds.

## S. BUDGET CONTROL AND REPORTING

The Statutes of the State of New Hampshire require the Governor to submit a biennial budget to the Legislature for adoption. This budget, which includes a separate budget for each year of the biennium, consists of three parts: Part I is the Governor's program for meeting all expenditure needs and estimating revenues. There is no constitutional or statutory requirement that the Governor propose, or the Legislature adopt, a budget that does not resort to borrowing. 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 operating budget is prepared principally on a modified cash basis and adopted for the governmental and proprietary funds, with the exception of the Capital Projects Fund. The Capital Projects Fund budget represents individual projects that extend over several fiscal years. Since the Capital Projects Fund comprises appropriations for multi-year projects, it is not included in the budget and actual comparisons statement. Fiduciary funds are not budgeted.

In addition to the enacted biennial operating budget, the Governor may submit to the Legislature supplemental budget requests necessary to meet expenditures during the current biennium. Appropriation transfers can be made within a department without the approval of the Legislature; therefore, the legal level of budgetary control is at the departmental level.

Both the Executive and Legislative Branches of government maintain additional fiscal control procedures. The Executive Branch, represented by the Commissioner of the Department of Administrative Services, is directed to continually monitor the State's financial operations, needs, and resources, and to maintain an integrated financial accounting system. The Legislative Branch, represented by the Fiscal Committee, the Joint Legislative Capital Budget Overview Committee, and the Office of the Legislative Budget Assistant, monitors compliance with the budget and the effectiveness of budgeted programs.

Unexpended balances of appropriations at year end will lapse to undesignated fund balance and be available for future appropriations unless they have been encumbered or legally defined as non-lapsing, which means the balances are reported as reservation of fund balance. The balance of unexpended encumbrances are brought forward into the next fiscal year. Capital Projects Fund unencumbered appropriations lapse in two years unless extended or designated as non-lapsing by law.

Budget to Actual Comparisons and additional budgetary information are included as Required Supplementary Information.

## T. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

## U. IMPLEMENTATION OF REPORTING STANDARDS

In fiscal year 2006 the state implemented GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*; GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section*. GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*; and GASB Statement No. 47, *Accounting for Termination Benefits*. There was no impact from the implementation of these standards on the state's financial position during the year. The statistical section included herein, was expanded to include five distinct categories: financial trends, revenue capacity, debt capacity, demographic/economic and operating indicators.

To be implemented - GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement changes how other postemployment benefits (OPEB) costs are reported by employer governments, so that employer OPEB costs are charged during the periods when employees render services. Presently, OPEB costs for retiree healthcare benefits are reported on a 'pay-as-you-go' basis. Actuarial valuations necessary for implementation are being conducted. This statement is effective for state fiscal year ending June 30, 2008.

## 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

### PRIMARY GOVERNMENT

The state pools cash and investments except for separate cash and investment accounts maintained in accordance with legal restrictions. Each fund's equity share of the total pooled cash and investments and restricted assets is included on the combined balance sheet under the captions "Cash and Cash Equivalents" and "Investments".

### DEPOSITS:

The following statutory requirements and 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. Operating funds are invested per investment policies that further define appropriate investment choices and constraints as they apply to those investment types.

**Custodial Credit Risk:** The custodial risk for deposits is the risk that in the event of a bank failure, the state's deposits may not be recovered.

Custodial credit risk is managed in a variety of ways. Although state law does not require deposits to be collateralized, the Treasurer does utilize such arrangements where prudent and/or cost effective. All banks, where the state has deposits and/or active accounts, are monitored as to their financial health through the services of Veribanc, Inc., a bank rating firm. In addition, ongoing reviews with officials of depository institutions are used to allow for frequent monitoring of custodial credit risk.

All depositories used by the state must be approved at least annually by the Governor and Executive Council. All commercial paper must be from issuers having an A1/P1 rating or better and an AA- or better long-term debt rating from one or more of the nationally recognized rating agencies. Certificates of deposits must be with state or federally chartered banking institutions with a branch in New Hampshire. The institution must have the highest rating as measured by Veribanc, Inc.

Whereas all payments made to the state are to be in U.S. dollars, foreign currency risk is essentially nonexistent on state deposits.

As of June 30, 2006, the state's carrying value for deposits was \$437.7 million. The table below details the state's bank balances at June 30, 2006 exposed to custodial credit risk (expressed in thousands):

Type	Governmental & Business Type			Fiduciary		
	Insured	Collateral & held in State's name	Uncollateralized	Insured	Collateral & held in State's name	Uncollateralized
Demand Deposits	\$ 300	\$ 4,141	\$ 522	\$ 294	\$ 7,722	\$ 482
Money Market		111,592	259,491	64	222	18,780
Savings Accounts	100		136	8	4,555	-
CDs		15,113		-	103	-
<b>Total</b>	<b>\$ 400</b>	<b>\$ 130,846</b>	<b>\$ 260,149</b>	<b>\$ 366</b>	<b>\$ 12,602</b>	<b>\$ 19,262</b>

#### INVESTMENTS:

The Treasury Department has adopted policies to ensure reasonable rates of return on investments while minimizing risk factors. Approved investments are defined in statute (RSA 6:8, 387:6, 387:6-a, and 387:14). Additionally, investment guidelines exist for operating funds as well as trust and custodial funds. All investments will be denominated in U.S. dollars. As of June 30, 2006, the state had the following types of investments:

(Fair values in thousands)		
Investment Type	Governmental & Business Type	Fiduciary
Term Repurchase agreements	\$ 58,000	
Stocks	30,852	
Corporate Bonds	1,550	\$ 41,108
US Treasury	5,776	38,718
US Government Agencies	786	4,288
US Government Investment Pools	8,664	245
Municipal Bonds		22,842
Equity Open Ended Mutual Funds	2,144	228,579
Fixed Income Open Ended Mutual Funds	11,237	22,395
Unemployment Compensation External Pool (special issue bonds guaranteed by US government)	270,281	
NH Public Deposit Investment Pool (Investment held by NHH patient agency fund)		152
External Portion of NH Public Deposit Investment Pool		277,607
<b>Totals</b>	<b>\$ 389,290</b>	<b>\$ 635,934</b>

The table below reconciles the cash and investments in the financial statements to the footnote (expressed in thousands):

Reconciliation Between Financial Statements and Footnote						
		Unrestricted		Restricted		Total
		Cash and Equivalents	Investments	Cash and Equivalents	Investments	
<b>Per Statement of Net Assets</b>	Primary Government	\$ 711,640	\$ 44,941	\$ 32,605	\$ 9,992	\$ 799,178
<b>Per Statement of Fiduciary Net Assets</b>	Private Purpose	2,960	19,952			22,912
	Investment Trust	1	277,607			277,608
	Agency Funds	16,927	350,505			367,432
	<b>Total per Financial Statements</b>	<b>\$ 731,528</b>	<b>\$ 693,005</b>	<b>\$ 32,605</b>	<b>\$ 9,992</b>	<b>\$ 1,467,130</b>
				<b>Per Footnote</b>		
				Cash On Hand	\$ 4,158	
				Carrying Amount of Deposits	437,748	
				Investments	1,025,224	
				<b>Total Per Footnote</b>	<b>\$ 1,467,130</b>	

**Repurchase Agreements:**

Repurchase agreements must be executed through a New Hampshire or Massachusetts bank with assets in excess of \$500 million and has either the strongest rating as measured by Veribanc, Inc. or has a long term debt rating of AA- or better as rated by Standard and Poor's and Fitch or Aa3 or better as rated by Moody's. Repurchase agreements may also be executed through any of the primary government security dealers as designated by the Federal Reserve.

**Custodial Credit Risk:** The state's repurchase agreements are all with banking institutions and therefore subject to custodial credit risk. The custodial credit risk is the risk that in the event of a bank failure, the state's deposits may not be recovered.

**Interest Rate Risk:** The Term Repurchase Agreements are also subject to interest rate risk. Interest rate risk is the risk that changes in interest rates will adversely affect the value of the state's investments. The state measures its interest rate risk using the weighted average maturity method (WAM). The state's WAM is dollar weighted in terms of years.

As of June 30, 2006, the states bank balances were exposed to custodial credit risk and interest rate risk as follows (expressed in thousands):

Type	Governmental & Business Type	
	Custodial Credit Risk	Interest Rate Risk
	Collateralized & held in State's name	WAM
Overnight Repurchase Agreements	\$ 63,180	n/a
Term Repurchase Agreements	58,000	0.28
Total	\$ 121,180	

**Stocks:**

The state does not have a formal policy relative to operating funds and mitigation of concentration of credit risk. Although not issuer specific, individual investment guidelines for trust and custodial funds include overall asset allocation limits that are consistent with sound investment principles and practices.

**Concentration Risk:** The risk of loss attributed to the magnitude of the state's investment in a single issuer. The top 10 issuers as of June 30, 2006 are noted below (expressed in thousands):

Name / Issuer	Governmental & Business Type			
	General Fund			
	Aband. Property	Permanent Funds	Total	% of Total
Metlife Inc (1)	\$ 18,804	\$ 36	\$ 18,840	61.1%
A T & T Inc	1,023		1,023	3.3%
TD Banknorth Inc	639		639	2.1%
Toronto Dominion Bk Ont	529		529	1.7%
Vodafone Grp	457		457	1.5%
Capital One Finl Corp	421		421	1.4%
Canadian Natl Ry Co	270		270	0.9%
Verizon Communications	268		268	0.9%
Exxon Mobil Corp	238	77	315	1.0%
Chevron Corp	150	81	231	0.7%

(1) The state holds Metlife Inc. securities as a result of shares forwarded to the state related to abandoned property.

**Custodial Risk:** The custodial risk for investments is the risk that, in the event of the failure of the counterparty to a transaction a government will not be able to recover the value of investments that are in the possession of an outside party. All the state's stocks are uninsured, registered in the state's name and held by the custodian. Custodial credit quality with respect to investments is mitigated primarily through selection criteria aimed at investing only with high quality institutions where default is extremely unlikely.

**New Hampshire Public Deposit Investment Pool (NHPDIP):**

The NHPDIP has been established, in accordance with RSA 383:22-24, for the purpose of investing funds of the state of New Hampshire, funds under the custody of all governmental units, pooled risk management programs established pursuant to RSA 5-B, agencies, authorities, commissions, boards, political subdivisions, and all other public units within, or instrumentalities of the state of New Hampshire. In accordance with GAAP, the external portion of the NHPDIP is reported as an investment trust fund in the Fiduciary Funds using the economic resources measurement focus and accrual basis of accounting. NHPDIP's audited financial statements can be obtained by contacting NHPDIP at 497 Belknap Mountain Rd, Gilford NH 03249.

**Credit Risk:** The risk that the issuer or other counterparty will not fulfill its obligations. Neither the equity mutual fund or PDIP are rated.

**Debt Securities:** The state invests in several types of debt securities including corporate and municipal bonds, securities issued by the US Treasury and Government Agencies, mutual funds and investment pools.

**Credit Risk:** The risk that the issuer will not fulfill its obligations. The state invests in grade securities which are defined as those with a grade B or higher. Obligations of the US Government or obligations backed by the US Government are not considered to have credit risk.

**Interest Rate Risk:** The risk that changes in interest rates will adversely affect the fair value of the state's investments. Interest rate risk is primarily measured and monitored by defining or limiting the maturity of any investment or weighted average maturity of a group of investments. Fixed income mutual funds which consist of shares of funds which hold diversified portfolios of fixed income securities are limited to those with average maturity not to exceed 5 years. Trust and custodial funds manage and monitor interest rate risk primarily through a weighted average maturity approach (WAM). The state's WAM is dollar-weighted in terms of years. The specific target or limits of such maturity and percentage allocations are tailored to meet the investment objective(s) and defined in the investment guidelines associated with those funds.

**Custodial Credit Risk:** The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investments that are in the possession of an outside party. Open ended mutual funds and external pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. The state's selection criteria is aimed at investing only with high quality institutions where default is extremely unlikely.

The state's exposed risks at June 30, 2006 are noted below (expressed in thousands):

Type	Governmental & Business Type			Fiduciary		
	Credit Risk		Interest Rate Risk	Credit Risk		Interest Rate Risk
	Grade	Unrated	WAM	Grade	Unrated	WAM
Corporate Bonds	\$ 1,550		3.28	\$ 40,654	\$ 454	7.14
US Treasury	5,737		2.78	38,718		6.72
US Government Agencies	9,429		4.32	4,288		3.20
US Government Investment Pools					245	0.60
Municipal Bonds				22,842		12.00
Fixed Income Open Ended Mutual Funds		\$ 11,232	5.35		22,395	6.24
Unemployment Compensation Fund Pool (special issue bonds guaranteed by US govt)		270,281	1.75			

**Debt Securities (continued):****Concentration Risk:**

The risk of loss attributed to the magnitude of the state's investment in a single issuer. This risk is applicable to the state's investments in corporate bonds. The state does not have a formal policy relative to operating funds and mitigation of concentration of credit risk. Although not issuer specific, individual investment guidelines for trust and custodial funds include overall asset allocation limits that are consistent with sound investment principles and practices.

The state's top ten issuers at June 30, 2006 are listed below (expressed in thousands):

Issuer	Governmental & Business Type	
	Fair Value	% of Total
Aflac Inc	\$ 102	6.59%
Boeing Cap Corp	102	6.55%
Donaldson Lufkin & Jenrette	101	6.54%
Dow Chem Co	251	16.22%
FPL Group Cap Inc	104	6.72%
Goldman Sachs Group Inc	105	6.76%
Lehman Bros Hldgs Inc	105	6.80%
National City Bank Cleve	102	6.58%
SBC Communications Inc	101	6.52%
Target Corp	99	6.42%
	<b>Fiduciary</b>	
Chevrontexaco Cap Co	\$ 976	2.37%
Credit Suisse 2005-C6 Cl Am	946	2.30%
Credit Suisse Fb 04-C4Cl A-6	1,117	2.72%
Credit Suisse First 00-C1 A-2	1,054	2.56%
General Electric Cap Corp Nt	1,052	2.56%
Gillette Co	973	2.37%
Goldman Sachs Group Inc	1,272	3.09%
Morgan Stanley Cap 05Top19 A4A	931	2.26%
New York NY City Transitional	1,056	2.57%
Structured Asset 2003-20 1A1	991	2.41%

**MAJOR COMPONENT UNIT (University System of New Hampshire)****Cash and Cash Equivalents (expressed in thousands):**

Highly liquid investments with a maturity of 90 days or less when purchased are recorded as cash and cash equivalents. Cash and cash equivalents at June 30 consisted of the following:

	2006
Cash & Repurchase agreements.....	\$ 14,223
Money Market Funds.....	75,081
Commercial Paper.....	8,904
Total Cash & Cash Equivalents.....	<u>\$ 98,208</u>

Included in the cash and repurchase agreements balances at June 30, 2006 were \$10,788 in repurchase agreements, \$9,053 in cash and a net cash overdraft of \$5,618. Commercial paper held as cash equivalents is uninsured and uncollateralized against custodial credit risk. Commercial paper had a weighted average maturity of 22 days at June 30, 2006. Repurchase agreements were limited to overnight investments only.

**Investments (expressed in thousands):**

Investments include operating investments, debt proceeds held by others for construction purposes, and endowment and similar investments. Investments are maintained with established financial institutions whose credit is reviewed by management and the respective governing boards of USNH and its affiliated entities. The carrying amount of these financial instruments approximates fair value.

## MAJOR COMPONENT UNIT (University System of New Hampshire) - Continued

Operating Investments

Unlike the long-term operations investments discussed below, operating investments included in current assets, are amounts invested to meet regular operations of USNH and include obligations of the U.S. Government, commercial paper, and money market funds. Operating investments have an original maturity of more than 90 days, are highly liquid and are invested for purposes of satisfying current liabilities and generating investment income to support operating expenses. The components of operating investments at June 30 are summarized below (expressed in thousands):

	2006	
	Balance	Weighted Average Maturity
Obligations of the U.S. Government.....	\$ 55,834	1 year
Corporate Bonds & Notes.....	5,258	5 Years
Money Market Funds.....	5,929	Not Applicable
Current portion of Debt proceeds held by others.....	8,842	Not Applicable
Other Accounts.....	442	Not Applicable
Total:.....	\$ 76,305	

Operating investments in commercial paper and mutual funds are uninsured and uncollateralized against custodial credit risk.

Debt Proceeds Held By Others for Construction Purposes:

At June 30, 2006 total debt proceeds held by others included \$120,176 of bond construction proceeds held by the bond trustee and \$842 held in escrow for the acquisition of certain equipment financed with a capital lease.

Debt proceeds held by others for construction purposes consisted of the following investments at June 30, 2006 (expressed in thousands):

	2006	
	Balance	Weighted Average Maturity
Guaranteed investment contracts.....	\$ 119,875	2 years
Money market funds.....	1,143	Not Applicable
Total Debt proceeds held by others.....	121,018	
Less: current portion included in Note 2.....	(8,842)	
Long-term portion.....	\$ 112,176	

---

**MAJOR COMPONENT UNIT (University System of New Hampshire) - Continued**

Long-term operating investments represent unrestricted amounts invested alongside the campuses endowment pool which are not expected to be liquidated in the next year, but which are available for operations if needed. The balance of long-term operating investments at June 30, 2006 was \$27,550. These amounts consisted of ownership shares of the campuses endowment pool and, therefore, the components, credit risk, and all other investment characteristics are identical to those described below.

Endowment and Similar Investments:

Endowment and similar investments are amounts invested primarily for long-term appreciation and consisted of the following as of June 30 (expressed in thousands):

Money Market Funds.....	\$ 13,392
Mutual Funds-Bonds.....	29,636
Mutual Funds-Stocks.....	59,469
Mutual Funds-Real Estate.....	7,552
U.S. Government Obligations.....	335
Corporate Bonds and Notes.....	424
Common/Preferred Stocks.....	91,407
Alternative Investments.....	49,295
Investments Held by Others.....	20,626
Operating amounts invested alongside endowment pool.....	(27,550)
Total endowment and similar investments.....	<u>\$ 244,586</u>

The estimated fair value of investments is based on quoted market prices except for certain investments, primarily private equity partnerships, hedge funds and similar alternative investments, for which quoted market prices are not available.

The estimated fair value of these investments is based on valuations provided by external investment managers within the past fiscal year, adjusted for cash receipts, cash disbursements and securities distributions through June 30. Because the alternative investments are not readily marketable, their estimated value may differ from the value that would have been used had a ready market for such investments existed.

Mutual funds, common stocks, and alternative investments are uninsured and uncollateralized against custodial credit risk. The endowment investment policies of the governing boards of USNH and its affiliated entities mitigate the risk associated with uninsured and uncollateralized investments collectively through diversification, target allocations and ongoing investment review.

**3. RECEIVABLES**

The following is a breakdown of receivables at June 30, 2006 (expressed in thousands):

	Governmental	Business- Type	Total	Major Component Unit
<b>Short Term Receivables</b>				
Taxes:				
Meals and Rooms.....	\$ 21,428		\$ 21,428	
Business Taxes.....	173,999		173,999	
Tobacco.....	12,396		12,396	
Estate and Legacy.....	45		45	
Real Estate Transfer.....	16,431		16,431	
Interest & Dividends.....	20,878		20,878	
Communications.....	6,800		6,800	
Hospital Tax.....	12,100		12,100	
Utility Property Tax.....	12,000		12,000	
Gasoline Road Toll.....	11,091		11,091	
Beer.....		\$ 1,375	1,375	
Subtotal.....	287,168	1,375	288,543	
Other Receivables:				
Turnpike System.....		2,334	2,334	
Liquor Commission.....		6,278	6,278	
Lottery Commission.....		1,872	1,872	
Unemployment Trust Fund.....		19,925	19,925	
Internal Service Fund.....	2,975		2,975	
Board and Care.....	1,851		1,851	
Federal Grants.....	222,720		222,720	\$ 14,160
Local Grants.....	48,296		48,296	
Miscellaneous.....	52,677		52,677	10,933
Short Term Portion Of State Revolving Loan Fund.....	17,619		17,619	
Short Term Portion Of Note/Pledge Receivable.....				4,261
Subtotal.....	346,138	30,409	376,547	29,354
Total Current Receivables (Gross).....	633,306	31,784	665,090	29,354
<b>Long Term Receivables</b>				
State Revolving Loan Fund.....	210,643		210,643	
Miscellaneous.....	1,825		1,825	
Note/Pledge Receivable.....				19,680
Total Long Term Receivables (Gross).....	212,468		212,468	19,680
<b>Allowance for Doubtful Accounts</b>	(68,797)	(5,685)	(74,482)	(3,394)
Total Receivables (Net).....	\$ 776,977	\$ 26,099	\$ 803,076	\$ 45,640

**State Revolving Loan Fund:**

**Primary Government:** As of June 30, 2006, total water pollution control loans outstanding of \$228.3 million were recorded in the state's general fund. This amount was offset by a corresponding amount of deferred revenue. The state Water Pollution Control Revolving Loan Fund ("State Revolving Fund"), established by RSA 486:14, provides loans and other assistance to local communities for financing waste water treatment facilities. The State Revolving Fund was authorized through the Federal Clean Water Act of 1988 and was initially funded through a federal capitalization grant program to states which requires state matching funds equal to 20% of the capitalization grant funding. Principal and interest payments on the loans will occur over a period not to exceed 20 years and will be credited directly to the State Revolving Fund, enabling the fund balance to be available in perpetuity.

**Major Component Unit:** The component unit balance is University System of New Hampshire Perkins Loans and other college and university loans of \$45.6 million.

**Deferred Revenue:**

**Primary Government:** Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. As of June 30, 2006, the various components of deferred revenue (\$448.1 million) reported in the governmental funds were as follows:

	Unavailable	Unearned
Taxes & Fees receivable.....	\$ 147,143	
Loans receivable.....	264,768	\$ 1,825
Federal/Local receivables.....	13,355	6,974
Receipts in advance of eligibility requirements.....		14,030
Total.....	\$ 425,266	\$ 22,829

<b>4. CAPITAL ASSETS</b>
--------------------------

Capital Asset activity for the year ended June 30, 2006, was as follows (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital Assets not being depreciated:				
Land & Land Improvements.....	\$ 370,690	\$ 27,810	\$ (214)	\$ 398,286
Construction in Progress.....	250,962	140,663	(129,073)	262,552
Work in Progress Computer Software.....	4,758	5,023	(8,366)	1,415
Total Capital Assets not being depreciated.....	626,410	173,496	(137,653)	662,253
Other Capital Assets:				
Equipment & Computer Software.....	166,390	28,238	(9,160)	185,468
Buildings & Building Improvements.....	577,122	29,844		606,966
Land Improvements.....	96,018	479	(5)	96,492
Infrastructure.....	2,532,386	120,530		2,652,916
Total Other Assets .....	3,371,916	179,091	(9,165)	3,541,842
Less accumulated depreciation for:				
Equipment & Computer Software.....	(129,215)	(23,439)	9,122	(143,532)
Buildings & Building Improvements.....	(254,231)	(16,591)		(270,822)
Land Improvements.....	(76,301)	(2,288)	5	(78,584)
Infrastructure.....	(1,582,034)	(38,469)		(1,620,503)
Total Accumulated Depreciation.....	(2,041,781)	(80,787)	9,127	(2,113,441)
Other Capital Assets, Net.....	1,330,135	98,304	(38)	1,428,401
Governmental Activities Capital Assets, Net.....	\$ 1,956,545	\$ 271,800	\$ (137,691)	\$ 2,090,654
<b>Business-Type Activities:</b>				
<b>Turnpike:</b>				
Capital Assets not being depreciated:				
Land & Land Improvements.....	\$ 104,588	\$ 2,482	\$ (113)	\$ 106,957
Construction in Progress.....	47,169	24,338	(93)	71,414
Work In Progress Computer Software.....				-
Capital Assets not being depreciated .....	151,757	26,820	(206)	178,371
Other Capital Assets:				
Equipment.....	28,738	4,201	(1,671)	31,268
Buildings & Building Improvements.....	4,828			4,828
Infrastructure.....	536,021	93		536,114
Total Capital Assets .....	721,344	31,114	(1,877)	750,581
Less accumulated depreciation for:				
Equipment.....	(15,885)	(2,439)	605	(17,719)
Buildings & Building Improvements.....	(2,602)	(73)		(2,675)
Infrastructure.....	(168,200)	(10,777)		(178,977)
Total Accumulated Depreciation.....	(186,687)	(13,289)	605	(199,371)
Turnpike Capital Assets, Net.....	\$ 534,657	\$ 17,825	\$ (1,272)	\$ 551,210
<b>Liquor:</b>				
Capital Assets not being depreciated:				
Land & Land Improvements.....	\$ 2,355			\$ 2,355
Other Capital Assets:				
Equipment.....	9,211	\$ 114	\$ (318)	9,007
Buildings & Building Improvements.....	19,323	253	(47)	19,529
Land Improvements.....	877			877
Total Capital Assets .....	31,766	367	(365)	31,768
Less accumulated depreciation for:				
Equipment.....	(8,068)	(574)	297	(8,345)
Buildings & Building Improvements.....	(8,806)	(588)	47	(9,347)
Land Improvements.....	(654)	(17)		(671)
Total Accumulated Depreciation.....	(17,528)	(1,179)	344	(18,363)
Liquor Capital Assets, Net.....	\$ 14,238	\$ (812)	\$ (21)	\$ 13,405
<b>Lottery Commission:</b>				
Equipment.....	\$ 512	\$ 109	\$ (120)	\$ 501
Less Accumulated Depreciation for Equipment.....	(385)	(45)	120	(310)
Lotterys Capital Assets, Net.....	\$ 127	\$ 64	\$ -	\$ 191

Current period depreciation expense was charged to functions of the primary government as follows (expressed in thousands):

<b>Governmental Activities:</b>	
General Government	\$ 5,404
Administraton of Justice and Public Protection	14,185
Resource Protection and Development	5,195
Transportation	44,881
Health and Social Services	8,262
Education	2,860
Total Governmental Activities Depreciation Expense	<u>\$ 80,787</u>

The state possesses certain capital assets that have not been capitalized and depreciated, these assets include works of art and historical treasures such as statues, monuments, paintings and miscellaneous capitol-related artifacts and furnishings. These collections meet all of the following criteria.

- A. Held for public exhibition, education, or research in furtherance of public service, rather than financial gain.
- B. Protected, kept unencumbered, cared for, and preserved.
- C. Subject to an organizational policy that required the proceeds from the sales of collection items to be used to acquire other items for the collection.

**Major Component Unit:** The following is a rollforward of Capital Assets for the University of New Hampshire, (Expressed in Thousands):

	<b>Beginning</b>		<b>Deletions</b>	<b>Ending</b>
	<b>Balance</b>	<b>Additions</b>		<b>Balance</b>
Land and Land Improvements.....	\$ 10,117	401		\$ 10,518
Building and Building Improvements.....	795,785	\$ 32,398	\$ (786)	827,397
Equipment.....	125,777	7,689	(16,175)	117,291
Construction in Progress.....	80,887	103,161		184,048
Subtotal.....	<u>\$1,012,566</u>	<u>\$ 143,649</u>	<u>\$ (16,961)</u>	<u>\$1,139,254</u>
Less: Accumulated Depreciation.....	(424,573)	(37,920)	16,914	(445,579)
Total.....	<u>\$ 587,993</u>	<u>\$ 105,729</u>	<u>\$ (47)</u>	<u>\$ 693,675</u>

**5. LONG TERM-DEBT**

**PRIMARY GOVERNMENT**

**Bonds Authorized and Unissued:** Bonds authorized and unissued amounted to \$691.3 million at June 30, 2006. The proceeds of the bonds will be applied to the following funds when issued (expressed in thousands):

Capital Projects Fund .....	\$ 219,660
Turnpike System .....	471,650
Total .....	<u>\$ 691,310</u>

**Turnpike System:** The Legislature has established a 10-year highway construction and reconstruction plan for the Turnpike System to be funded from Turnpike revenues. This legislation also authorized the Treasurer with the approval of the Governor and Executive Council to issue up to \$1.01 billion of bonds to support this project. The state has issued \$395 million of revenue bonds for this project.

**Bond Issues:**

On December 20, 2005, the state issued \$75 million of general obligation capital improvement bonds. The interest rates on these serial bonds range from 4.0% to 5.0%, and the maturity dates range from 2007 through 2025.

**Advance Refunding:** The following is a summary of general obligation bonds and revenue bonds defeased by the primary government. The proceeds from each advance refunding issue were placed in an irrevocable trust to provide for all future debt service payments on the old bonds.

Accordingly, the trust account assets and the liability for the defeased bonds are not included in the state's financial statements (expressed in thousands):

Date of Advance Refunding	Amount Outstanding at June 30, 2006
<b>Governmental Fund Types (General Obligation Bonds):</b>	
December 11, 1998.....	\$ 895
August 1, 2002.....	5,160
Subtotal.....	<u>6,055</u>
<b>Turnpike System (Revenue Bonds):</b>	
January 1991.....	27,000
Total .....	<u>\$ 33,055</u>

**Changes in Long-Term Liabilities:** The following is a summary of the changes in the long-term liabilities for bonds, compensated absences, and uninsured claims as reported by the primary government during the fiscal year (expressed in thousands):

	Beginning Balance	Accretion	Increases	Decreases	Ending Balance	Current	Long-Term
<b>Governmental Activities</b>							
General Obligation Bonds Payable.....	\$ 690,191	\$ 6,048	\$ 75,000	\$ 69,509	\$ 701,730	\$ 72,181	\$ 629,549
Compensated Absences.....	61,270		51,750	44,681	68,339	18,671	49,668
Claims Payable.....	44,172		206,835	199,093	51,914	24,929	26,985
Capital Lease.....	6,438		537	890	6,085	1,442	4,643
Total Governmental.....	\$ 802,071	\$ 6,048	\$ 334,122	\$ 314,173	\$ 828,068	\$ 117,223	\$ 710,845
<b>Business-Type Activities</b>							
<b>Turnpike System</b>							
General Obligation Bonds.....	\$ 10,795			\$ 3,728	\$ 7,067	\$ 2,644	\$ 4,423
Revenue Bonds.....	294,774			10,599	284,175	11,835	272,340
Claims & Compensated Absences Payable.....	3,011		\$ 724	920	2,815	648	2,167
Total.....	\$ 308,580		\$ 724	\$ 15,247	\$ 294,057	\$ 15,127	\$ 278,930
<b>Liquor Commission</b>							
Capital Lease.....	\$ 1,072			\$ 220	\$ 852	\$ 235	\$ 617
Claims & Compensated Absences Payable.....	2,730		2,357	1,768	3,319	1,145	2,174
Total.....	\$ 3,802		\$ 2,357	\$ 1,988	\$ 4,171	\$ 1,380	\$ 2,791
<b>Lottery Commission</b>							
Claims & Compensated Absences Payable.....	\$ 417		\$ 329	\$ 264	\$ 482	\$ 115	\$ 367
Total.....	\$ 417		\$ 329	\$ 264	\$ 482	\$ 115	\$ 367
Total Business-Type.....	\$ 312,799		\$ 3,410	\$ 17,499	\$ 298,710	\$ 16,622	\$ 282,088

**Bond Anticipation Notes:** The state issues bond anticipation notes in advance of issuing general obligation bonds. The proceeds are deposited into the capital fund to fund various capital outlay projects. During the year ending June 30, 2006, the state had no bond anticipation notes outstanding.

**Capital Appreciation Bonds:** Six of the state's general obligation capital improvement bonds issued since November 1990 represent capital appreciation bonds (College Savings Bond Program) with interest being accrued and compounded semiannually. At June 30, 2006, the cumulative interest accretion since issuance for all six capital appreciation bonds is approximately \$134.3 million. The interest is not paid until the bonds mature, at which time the expenditure will be recorded.

**Debt Maturity:** All bonds issued by the state, except for Turnpike revenue bonds, are general obligation bonds, which are backed by the full faith and credit of the state. Interest rates on these issues range from 2.0% to 7.2%. Debt service payments on "self-liquidating" debt are funded by reimbursements from component units for debt issued by the state on their behalf and through user fees and other revenues statutorily earmarked to fund debt service payments on specific projects. The anticipated source of repayment and annual maturities are as follows (expressed in thousands):

Payable June 30,	SOURCE OF PRINCIPAL PAYMENTS						DEBT SERVICE		
	Governmental Activities				Business-Type Activities		TOTAL ALL FUNDS		
	General Fund	Highway Fund	Self Liquidating	Total	Turnpike System		Principal	Interest	Total
					General Obligation	Revenue			
2007.....	\$ 60,696	\$ 5,540	\$ 5,945	\$ 72,181	\$ 2,644	\$ 11835	\$ 86,660	\$ 40,439	\$ 127,099
2008.....	59,401	5,208	5,888	70,497	1,509	12,130	84,136	37,168	121,304
2009.....	59,826	5,226	5,925	70,977	1,474	13,010	85,461	34,141	119,602
2010.....	56,115	5,010	5,591	66,716	624	13,310	80,650	30,945	111,595
2011.....	52,489	4,859	5,181	62,529	584	14,555	77,668	28,023	105,691
2012-2016.....	172,418	12,507	16,224	201,149		84,210	285,359	99,646	385,005
2017-2021.....	105,969	7,885	6,326	120,180		79,670	199,850	46,935	246,785
2022-2026.....	46,958	3,397	2,445	52,800		41,955	94,755	13,597	108,352
2027-2031.....						16,815	16,815	1,699	18,514
Subtotal.....	\$ 613,872	\$ 49,632	\$ 53,525	\$ 717,029	\$ 6,835	\$ 287,490	\$ 1,011,354	\$ 332,593	\$ 1,343,947
Unamortized (Discount) / Premium	(7,987)	(2,040)	(1,183)	(11,210)	232	6,102	(4,876)		(4,876)
Unamortized Loss on Refunding	(4,089)			(4,089)		(9,417)	(13,506)		(13,506)
Total.....	\$ 601,796	\$ 47,592	\$ 52,342	\$ 701,730	\$ 7,067	\$ 284,175	\$ 992,972	\$ 332,593	\$ 1,325,565

**Changes in Long-Term Liabilities:** The University System of New Hampshire's long term liabilities include: Revenue Bonds Payable of \$392.4 million; capital lease obligations of \$22.9 million; due to primary government of \$2.2 million; accrued employee benefits and compensated absences of \$81.8 million; and other liabilities of \$19.9 million.

The following is a summary of the changes in the long-term liabilities as reported by the University of New Hampshire during the fiscal year : (Expressed in Thousands)

	Beginning Balance	Increases	Decreases	Ending Balance	Current	Long-Term
University System of NH.....	\$ 375,771	\$ 236,489	\$ 93,040	\$ 519,220	\$ 15,415	\$ 503,805

Payable June 30,	UNIVERSITY SYSTEM OF N.H.		
	Principal	Interest	Total
2007.....	\$ 5,042	\$ 13,401	\$ 18,443
2008.....	7,467	17,035	24,502
2009.....	8,844	16,888	25,732
2010.....	12,336	17,115	29,451
2011.....	12,438	16,355	28,793
2012-2016.....	69,239	73,554	142,793
2017-2021.....	83,924	57,802	141,726
2022-2026.....	76,930	40,257	117,187
2027-2031.....	70,480	25,761	96,241
2032-2036.....	73,005	10,465	83,470
2037.....	8,550	377	8,927
Subtotal.....	428,255	289,010	717,265
Unamortized Discount...	(10,776)		(10,776)
Total.....	\$ 417,479	\$ 289,010	\$ 706,489

**Debt Maturity:** The table on the left is a summary of the annual principal payments and total debt service relating to the debt of the University of New Hampshire and includes revenue bonds, capital leases and amounts due to primary government (expressed in thousands):

## 6. RISK MANAGEMENT AND INSURANCE

The state is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; and natural disasters. The state primarily retains the risk of loss except where the provisions of law allow for the purchase of commercial insurance or where commercial insurance has been proven beneficial for the general public. There are approximately 30 such commercial insurance programs in effect, which include fleet automobile liability, ski area liability for Cannon Mountain, and a faithful performance position schedule bond. Settled claims under these insurance programs have not exceeded commercial insurance coverage in any of the last three years.

During fiscal year 2004, the state established an Employee Benefit Risk Management Fund, an internal service fund, to account for its uninsured risks of loss related to employee and retiree health benefits. Under this program, the Fund provides coverage for up to a maximum of \$0.5 million for each employee per year. The state has purchased commercial insurance for claims in excess of coverage provided, as well as, aggregate stop loss liability coverage set at 125% of the state's total expected claims per

contract year.

Claim liabilities not covered by commercial insurance are recorded when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. The balance of claims liabilities is determined by an analysis of past, current, and future estimated loss experience. Because actual claims liabilities depend on such factors as inflation, changes in legal doctrines and damage awards, the process used in computing claims liability may not result in an exact amount. Claims liabilities are evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

The following table presents the changes in claim liabilities during the fiscal year ending June 30, 2006 (In Thousands):

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance	Current	Long-Term
Workers Compensation Claims Payable.....	\$ 29,381	\$ 7,812	\$ 4,841	\$ 32,352	\$ 5,367	\$ 26,985
Health Claims Payable*.....	14,791	199,023	194,252	19,562	19,562	-
Total.....	\$ 44,172	\$ 206,835	\$ 199,093	\$ 51,914	\$ 24,929	\$ 26,985
<b>Business-Type Activities</b>						
<b>Turnpike System</b>						
Workers Compensation Claims Payable.....	\$ 2,354	\$ 180	\$ 441	\$ 2,093	\$ 450	\$ 1,643
Total.....	\$ 2,354	\$ 180	\$ 441	\$ 2,093	\$ 450	\$ 1,643
<b>Liquor Commission</b>						
Workers Compensation Claims Payable.....	\$ 1,125	\$ 954	\$ 597	\$ 1,482	\$ 643	\$ 839
Total.....	\$ 1,125	\$ 954	\$ 597	\$ 1,482	\$ 643	\$ 839
<b>Lottery Commission</b>						
Workers Compensation Claims Payable.....	\$ 59	\$ 5	\$ 3	\$ 61	\$ -	\$ 61
Total.....	\$ 59	\$ 5	\$ 3	\$ 61	\$ -	\$ 61
Total Business-Type.....	\$ 3,538	\$ 1,139	\$ 1,041	\$ 3,636	\$ 1,093	\$ 2,543

\* Health Claims Payable is recorded in the Internal Service Fund

**7. INTERFUND RECEIVABLES AND PAYABLES**

Due From or To Other Funds for the primary government on the fund financial statements represent amounts related to year end transfers of surplus or profits between intragovernmental entities or funds and consist of the following as of June 30, 2006 (expressed in thousands):

RECEIVABLES / DUE FROM	AMOUNT	PAYABLES / DUE TO	AMOUNT
General Fund.....	\$ 24,863	Non Major Fund.....	\$ 24,863
General Fund.....	2,977	Education Fund.....	2,977
Education Fund.....	864	Lottery Commission.....	864
Liquor Commission.....	19,109	General Fund.....	19,109
Total.....	<u>\$ 47,813</u>	Total.....	<u>\$ 47,813</u>

The net due from or to other funds for the primary government has been reported as "internal balances" in the government-wide financial statements. The governmental payable of \$18.2 million to business-type activities represents the "internal balances" amount on the statement of net assets. The \$29.6 million between governmental funds has been eliminated on the government-wide financial statements .

**Due from Component Units:** As of June 30, 2006, the cumulative balance of outstanding loans plus accrued interest to the Pease Development Authority (PDA) amounted to \$33.4 million. The balance has been offset by a corresponding amount of deferred revenue in the General Fund Financial Statements.

The state has issued general obligation bonds to finance certain capital projects for the University System of New Hampshire (University System). As of June 30, 2006, the outstanding balance of these bonds was \$2.2 million. The state is reimbursed for the debt service payments from the University System as the payments are due. This receivable is classified as "Due from Component Units" and "Deferred Revenue" in the State's General Fund Financial Statements.

**8. INTERFUND TRANSFERS**

Interfund transfers during the current fiscal year were as follows (expressed in thousands):

**Transferred To**

Transferred From	General Fund	Education Fund	Non-Major Funds	Total Governmental Fund
<b>Governmental Funds</b>				
General Fund.....		\$ 1,820		\$ 1,820
Education Fund.....				-
Highway Fund.....	\$ 850		\$ 850	1,700
Non-Major Funds.....	3,663			3,663
Total Governmental Funds.....	* 4,513	* 1,820	* 850	* 7,183
<b>Proprietary - Enterprise Funds</b>				
Liquor Commission.....	103,442			103,442
Lottery Commission.....		81,987		81,987
Total Proprietary - Enterprise Funds.....	\$ 103,442	\$ 81,987		\$ 185,429

\*These Amounts have been eliminated within governmental activities on the government-wide financial statements.

The following transfers represent sources of funding identified through the state's operating budget:

- \$1.8 million appropriated from general fund to education fund for Kindergarten Programs in accordance with the laws of 2005 Chapter 177:153.
- Transfer of Lottery Commission profits of \$82.0 million to fund education
- Transfer of Liquor Commission profits of \$103.4 million to general fund for government operations

Pursuant to RSA 260:60, \$1.7 million of unrefunded gas tax in the highway fund was transferred on a 50/50 basis to the general and fish & game funds.

## 9. UNDESIGNATED FUND BALANCE (DEFICIT) and CONTRACTUAL COMMITMENTS

**Capital Projects Fund:** The June 30, 2006, unreserved, undesignated deficit of the Capital Projects Fund was \$219.1 million. The Capital Projects Fund accounts for multi-year capital projects which will be primarily financed by bond proceeds. The project costs are appropriated when the project is approved. Bonds are issued as the expenditures are expected to be incurred. As of June 30, 2006, bonds authorized and unissued for the Capital Projects Fund amounted to \$219.7 million.

**Contractual Commitments:** The state has estimated its share of contractual obligations for construction contracts to be \$77.6 million at June 30, 2006. This represents total obligations of \$234.3 million less \$156.7 million in estimated federal aid.

## 10. EMPLOYEE BENEFIT PLANS

### NEW HAMPSHIRE RETIREMENT SYSTEM

**Plan Description:** The New Hampshire Retirement System is the administrator of a cost-sharing multiple-employer Public Employee Retirement System (The Plan) established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401 (a) and 501 (a) of the Internal Revenue Code. The Plan is a contributory defined-benefit plan providing service, disability, death, and vested retirement benefits to members and beneficiaries. The Plan covers substantially all full-time state employees, public school teachers and administrators, permanent firefighters, and police officers within the state of New Hampshire. Full-time employees of political subdivisions, including counties, municipalities, and school districts, are also eligible to participate as a group if the governing body of the political subdivision has elected participation. The Plan is divided into two membership groups. Group I consists of state and local employees and teachers. Group II consists of firefighters and police officers. All assets are in a single trust and are available to pay retirement benefits to all members.

Group I members at age 60 qualify for a normal service retirement allowance based on years of creditable service and average final compensation (AFC). The yearly pension amount is 1/60 (1.67%) of average final compensation 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 creditable service who are between age 50 and 60 or members in service with at least 20 or more years of service, whose combination of age and service is 70 or more, are entitled to a retirement allowance with appropriate graduated reduction based on years of creditable service.

Group II members who are age 60, or members who are at least age 45 with at least 20 years of creditable service can receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years.

Members of both groups may qualify for vested deferred allowances, disability allowances, and death benefit allowances subject to meeting various eligibility requirements. Benefits are based on AFC or earnable compensation, service, or both.

Pursuant to RSA 100-A:52, the New Hampshire Retirement System also provides a postretirement medical premium subsidy for Group I employees and teachers and Group II police officers and firefighters.

A special account has been established by RSA 100-A:16, II(h) for additional benefits. The account is credited with all of the earnings of the account assets in the account plus the earnings of the remaining assets of the plan in excess of the assumed rate of return plus 1/2 of 1 percent.

The New Hampshire Retirement System issues a publicly available financial report that may be obtained by writing to them at 54 Regional Drive, Concord, NH 03301 or from their web site at <http://www.nh.gov/retirement>.

**Funding Policy:** The Plan is financed by contributions from the members, the state and local employers, and investment earnings. In fiscal year 2006, by statute, Group I members contributed 5.0% of gross earnings. Group II members contributed 9.3% of gross earnings. Employer contributions required to cover that amount of cost not met by the members' contributions are determined by a biennial actuarial valuation by the system's actuary using the open group aggregate funding method and are expressed as a percentage of gross payroll. The state's share represents 100% of the employer cost for all state employees, and 35% of the employer cost for teachers, firefighters, and police officers employed by political subdivisions. The state does not participate in funding the employer cost of other political subdivision employees.

The state's contributions to the plan for the years ending June 30, 2006, 2005, and 2004 were \$72.7 million, \$59.7 million, and \$55.4 million, respectively, which equals the required contributions for each year. The state's contributions for the fiscal year ended June 30, 2006 increased substantially over the amounts contributed for the fiscal year ended June 30, 2005 due to an increase in employer contribution rates.

As of June 30, 2006, the net assets available to pay pension benefits, at fair value, were reported by the New Hampshire Retirement System to be \$4,354 million. The total pension liability at June 30, 2006 using the projected unit credit actuarial cost method was \$6,403 million, resulting in a funded ratio of 68.0% and projected pension liability in excess of assets of \$2,049 million.

## HEALTH CARE INSURANCE FOR RETIRED EMPLOYEES

In addition to providing pension benefits, RSA 21-I:30 specifies that the state provide certain health care insurance benefits for retired employees. These benefits include group hospitalization, hospital medical care, and surgical care. Substantially all of the state's employees who were hired on or before June 30, 2003 may become eligible for these benefits if they reach normal retirement age while working for the state and receive their pensions on a periodic basis rather than a lump sum. During fiscal year 2004, legislation was passed that requires state Group I employees hired on or after July 1, 2003 to have 20 years of state service in order to qualify for health insurance benefits. These and similar benefits for active employees are authorized by RSA 21-I:30 and provided through the Employee Benefit Risk Management Fund, which is the state's self-insurance fund implemented in October 2003 for active state employees and retirees. The state recognizes the cost of providing benefits by paying actuarially determined insurance contributions into the fund. The state paid approximately \$45.5 million of insurance contributions for approximately 8,300 state retirees and covered dependents receiving a periodic pension benefit for the fiscal year ended June 30, 2006. An additional major source of funding for retiree benefits is from the New Hampshire Retirement System's medical premium subsidy program for Group I and Group II employees, which totaled approximately \$14.4 million for the fiscal year ended June 30, 2006.

## JUDICIAL RETIREMENT PLAN

**Plan Description:** The New Hampshire Judicial Retirement Plan (the Plan) was established on January 1, 2005 pursuant to RSA 100-C:2 and is intended for all time to meet the requirements of a qualified pension trust within the meaning of section 401(a) and to qualify as a governmental plan within the meaning of section 414(d) of the United States Internal Revenue Code. The Plan is a defined benefit plan providing disability, death, and retirement protection for full-time supreme court, superior court, district court or probate court judges employed within the state. The Plan is administered by an appointed Board of Trustees (Board), separate from the New Hampshire Retirement System, but certain daily administrative functions of the plan have been delegated by the Board to the New Hampshire Retirement System such as retirement request processing, member record maintenance and serving as the Plan's information center. The Plan has no full or part time employees. All employer and member contributions are deposited into separate trust funds that are managed and controlled by the Board of the Plan.

Any member of the Plan who has at least 10 years of creditable service and who is at least 65 years old is entitled to retirement benefits equal to 75% of the member's final year's salary. Any member who has at least 7 years of creditable service and who is at least 70 years old is entitled to retirement benefits equal to 45% of the member's final year's salary. A member who is at least 70 years old shall be granted an additional 10% over the 45% level for each year of creditable service that a member has over 7 years. A member who is at least 60 years old with at least 15 years of service is entitled to 70% of the member's final year's salary, plus an additional 1% for each year of additional service in excess of 15 years.

However, under no circumstances shall any retirement benefit exceed 75% of the member's final year's salary. For purposes of determining the above benefit, the member's final salary is equal to compensation earned in the prior 12-month period in which the employee was a member of the plan.

**Funding Policy:** The Plan is financed by contributions from the members and the state. Pursuant to Chapter 311, Laws of 2003, on January 19, 2005, the state issued \$42.8 million of general obligation bonds in order to fund the Plan's initial unfunded accrued liability. All eligible judges are required to contribute 10% of their salaries to the Plan until they become eligible for a service retirement equal to 75% of their final years salary. The state was required to contribute 17.18% of the member's salary during the year ended December 31, 2005.

As of January 1, 2005, the net assets available to pay retirement benefits, at fair value, were reported by the Plan to be \$42.8 million. The total benefit liability was \$43.7 million, resulting in a funded ratio of 98% and projected liability in excess of assets of \$0.9 million.

## COMPONENT UNITS

Eligible employees of the New Hampshire Retirement System and the Pease Development Authority participate in the PERS and additional disclosure about their participation is available in the NHRS audited financial statements. Employees of the New Hampshire Community Development Finance Authority, the Business Finance Authority, and the University System of New Hampshire are not members of the New Hampshire Retirement System, but participate in their own defined contribution plans.

## 11. CONTINGENT AND LIMITED LIABILITIES

### PRIMARY GOVERNMENT

**Contingent Liabilities:** The state of New Hampshire is contingently liable, within statutory legal limits, for bonds sold by municipalities, school districts, and for first mortgages on industrial and recreational property that contain the guarantee of the state of New Hampshire. The following table shows the composition of the state's \$120.3 million of contingent liabilities and the statutory limits as of June 30, 2006 (expressed in thousands):

	RSA	Guarantee Limit	Remaining Capacity	June 30, 2006			June 30, 2005
				PRINCIPAL	INTEREST	TOTAL	TOTAL
Water Pollution Bonds.....	485-A:7	\$ 175,000	\$ 143,337	\$ 26,144	\$ 5,519	\$ 31,663	\$ 38,954
Business Finance Authority (BFA) - General Obligation.....	162-A:17	25,000	**	20,000	10,078	30,078	30,773
Business Finance Authority (BFA) - Additional State Guarantee.....	162-I:9-b	50,000	**	36,043	291	36,334	29,713
Business Finance Authority (BFA) - Unified Contingent Credit Limit.....	162-A:22	95,000	* 28,588	56,043	10,369	66,412	60,486
School Construction Bonds.....	195-C:2	95,000	73,335	14,842	6,823	21,665	27,796
Solid Waste Bonds.....	149-M:31	30,000	29,486	415	99	514	602
Super Fund Site Cleanup Bonds.....	33:3-f	50,000	* 50,000				
Water Resources Council Bonds.....	481:9	5,000	5,000				
Housing Finance Authority Child Care Loans.....	204-C:79	300	300				
<b>TOTALS.....</b>		<b>\$ 450,300</b>	<b>\$ 330,046</b>	<b>\$ 97,444</b>	<b>\$ 22,810</b>	<b>\$ 120,254</b>	<b>\$ 127,838</b>

\*Plus Interest

\*\*Plus interest (guarantee limit under this section is included in and also limited by RSA 162-A:22)

### Limited Liabilities with the Pease Development Authority (PDA):

The state has statutory authority to guarantee bonds issued by the PDA, within certain limits, and advance money to the PDA, through both interest and non-interest bearing loans. In addition, RSA 12-G:17 authorizes the issuance of up to \$250.0 million in bonds backed solely by the credit of the PDA. The table below highlights the legal limits of state guarantees and loans relative to the PDA as of June 30, 2006 (expressed in thousands):

Legal Limit	(1)	(2)	(3)	(4)	Non-Statutory
	RSA 12-G:31	RSA 12-G:33	RSA 12-G:34	RSA 12-G:35	
	50,000	35,000	5,000	10,000	No Limit
<b>Debt Guaranteed Now Assumed by State</b>					
Business Express Airlines.....	10,000				
Atlantic Coast Airlines.....	1,000				
<b>Amount Bonded By State and Loaned to PDA</b>					
Operating Budget FY92 (V161).....	2,800				
Operating Budget FY93 (V161).....	3,800				
Operating Budget FY93 (V165).....	1,000				
Matching Grants Econ. Dev. (V165).....			5,000		
Lonza (Celltech).....	29,990				
<b>Amount Advanced to PDA</b>					
Operating Budget FY94.....					400
Operating Budget FY95.....					1,900
Operating Budget FY96.....					1,948
Operating Budget FY97.....					1,572
<b>Remaining Capacity</b>	1,410	35,000	-	10,000	N/A

(1) RSA 12-G:31 - \$50 million in bonds may be guaranteed by the state for airport projects or the state can make loans by issuing bonds.

(2) RSA 12-G:33 - \$35 million in bonds may be guaranteed by the state to develop a research district.

(3) RSA 12-G:34 - \$5 million in bonds may be issued and loaned to provide matching grants for FAA and EDA grants.

(4) RSA 12-G:35 - \$10 million in bonds may be issued and loaned to provide matching to private grants for development of research district.

**PDA:** The state loaned PDA the proceeds from bond issues V161 (\$6.6 million) and V165 (\$6.0 million). Currently, the state pays the debt service payments for the bond issues and when funds are available PDA will repay the state. As of June 30, 2006, \$3.7 million has been paid by the PDA to the state against these bonds. Total principal and interest due at maturity owed by PDA, for these two bonds, is \$19.2 million.

Semiannually, PDA makes payments to the state for the Lonza (Celltech) loans and the state pays the debt service payments. The amount outstanding as of June 30, 2006 relative to the Lonza (Celltech) loans is \$22.3 million (representing principal \$17.3 million and interest \$5.0 million).

**Federal Grants:** The state receives federal grants, which are subject to review and audit by the grantor agencies. Access to these resources is generally conditional upon compliance with terms and conditions of grant agreements and applicable regulations, including expenditure of resources for allowable purposes. Any disallowances resulting from the audit may become the liability of the state. The state estimates that the ultimate disallowance pertaining to these grants, if any, will be immaterial to its overall financial condition.

**12. LEASE COMMITMENTS****OPERATING LEASES**

The state has lease commitments for space requirements which are accounted for as operating leases. These leases, subject to continuing appropriation, extend forward a number of years and may contain rent escalation clauses and renewal options. Rent expenditures for fiscal year 2006 for governmental activities and business-type activities were approximately \$9.2 million and \$2.5 million, respectively. The following is a schedule of future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of June 30, 2006 (expressed in thousands):

Payable June 30,	Governmental Activities	Business-Type Activities
2007.....	\$ 9,114	\$ 1,816
2008.....	5,565	1,469
2009.....	4,120	720
2010.....	2,740	478
2011.....	1,268	134
2012-2016.....	2,469	156
Total.....	\$ 25,276	\$ 4,773

**CAPITAL LEASES**

The state has entered into lease agreements as lessee for financing the acquisition of buildings and equipment. These leases qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments. The future minimum lease payments and the net present value of those payments at June 30, 2006, are as follows (in thousands):

Payable June 30,	Governmental Activities	Business-Type Activities
2007.....	\$ 1,442	\$ 269
2008.....	1,294	155
2009.....	768	141
2010.....	607	141
2011.....	542	141
2012-2016.....	1,990	109
2017-2021.....	867	
Total.....	7,510	956
Amount Representing Interest.....	(1,425)	(104)
Present Value of Minimum Lease Payments.....	\$ 6,085	\$ 852

The assets acquired through capital leases and included in capital assets at June 30, 2006 include the following (in thousands):

	Governmental Activities	Business-Type Activities
Equipment.....	\$ 4,596	\$ 563
Buildings & Building Improvements.....	9,416	1,129
Total.....	14,012	1,692
Less: Accumulated Depreciation.....	(9,879)	(684)
Net.....	\$ 4,133	\$ 1,008

**13. LITIGATION***Claremont School District, et. al. v. Governor, et. al.*

For the last several years, the state has been involved in ongoing litigation initiated against the state by five school districts who challenged the constitutionality of the state's statutory system of financing the operation of elementary and secondary public schools primarily through local property taxes. On December 17, 1997, the New Hampshire Supreme Court ruled in favor of the Plaintiffs and found that property taxes in support of education are state taxes and that such taxes must be proportional and reasonable throughout the state, and that the current system failed to meet this standard. The Supreme Court further held that a constitutionally adequate public education is a fundamental right, and that the legislative and executive branches must develop and adopt specific criteria implementing appropriate guidelines for such an education.

During the 1998 session, the legislature passed a law defining the components of what constitutes an adequate education and further established commissions to study the costs of providing a constitutionally adequate education and special education. These commissions issued reports in December 1998. The 1998 legislative session also produced a law requiring a comprehensive study of the school facilities statewide. This study was commenced in 1999, was completed by July 1, 2000 and was reported to the legislature on September 1, 2000.

During the 1999 session, the legislature produced a law that determined the cost of an adequate education for the biennium beginning July 1, 1999, and committed to the expenditure of that amount of money. Also included in this law were two study commissions: one charged with reviewing New Hampshire's tax structure and the other with reviewing the costs of an adequate education and special education, and the delivery of an adequate education.

In August 1999, the Plaintiffs filed motions in the Supreme Court, which retains jurisdiction in this matter, challenging various aspects of the new system. In mid-October, the Supreme Court struck down the statewide property tax included in the state's funding plan. The Court held that the phase-in of the tax in so-called "donor" communities was unconstitutional. The Court held that all of the Plaintiffs' other claims were premature and dismissed them without prejudice. In November, the legislature re-enacted the statewide property tax without the phase-in.

During the 2001 legislative session, several school funding bills and some accountability bills were vigorously debated by the legislature. An accountability bill was passed by the legislature but the Governor vetoed it. A school funding bill was also passed which essentially makes the current system permanent by removing the sunset clauses on the current methodology for calculating the per pupil cost and on the Uniform Education Property Tax.

On August 2001, the Claremont Plaintiffs filed a motion in the Supreme Court challenging the adequacy of the state's compliance with the Court's prior rulings and seeking an Order requiring the legislature to enact a new school funding system by June 3, 2002. The Attorney General's Office filed an objection to the Plaintiffs' motion on October 5, 2001, and asked the Court to close the case. On December 4, 2001 the Supreme Court issued an Order dismissing some of the Plaintiffs' claims without prejudice to be brought in the Superior Court and allowing further briefing by each side and oral argument on the issue of whether it should invoke its continuing jurisdiction to determine if the state had defined an adequate education.

On January 7, 2002, the Supreme Court issued an Order invoking its continuing jurisdiction and requesting briefs on the issues of whether standards of accountability must be established by the state to meet its constitutional requirement of providing an adequate education and whether the existing system satisfies this obligation. On April 11, 2002, the Supreme Court issued a Decision holding that accountability is an essential component of the state's duty to provide an adequate education and finding that the existing statutory system has deficiencies that are inconsistent with the state's duty. The Court found that the state has not provided a sufficient mechanism to require that school districts actually provide an adequate education. The Court held that the state needs to do more work to fulfill its duty and to incorporate meaningful accountability in the education system. No time line was established in the Decision under which the executive and legislative branches must create standards of accountability.

Accountability, as well as education funding, was debated during the 2003 legislative session. The legislature passed two bills, House Bill 608 ("HB 608") and House Bill 139 ("HB 139"). HB 608 used the existing school funding system for fiscal year 2004 but increases the adequacy payment by the Consumer Price Index instead of doing the recalculation of the base cost of adequacy previously required in RSA 198:40. For fiscal year 2005, HB 608 established a new funding system based on each municipality's tax base in proportion to its local education costs. HB 608 provides for targeted aid and enhanced aid to municipalities that have below the state's average tax base per pupil. The amount of aid that a municipality receives is based on what each municipality's proportion is compared to the state's average tax base per pupil.

HB 139 established an accountability system that meets not only the Supreme Court's Decision in Claremont but also the federal requirements of No Child Left Behind. HB 139 provides performance goals that must be met in order to show adequate yearly progress and established a notification process to schools and communities when certain schools are not making adequate yearly progress. HB 139 also created a corrective action process to assist schools that are not meeting adequate yearly progress goals. This corrective action process includes, as its last step, the requirement that the Department of Education develop a corrective action plan for any school district that does not develop an adequate plan for approval by the State Board of Education which will then order the school district to implement that corrective action plan.

At this time, there is no existing or threatened litigation against the state relating to the Claremont case.

***Donald Stevens v. Town of Rye and State; 100 Market Group v. City of Portsmouth and State; Worth Development Corporation v. City of Portsmouth and State; Gail Nadeau v. City of Portsmouth and State of New Hampshire***

These 4 cases, encompassing 33 properties, all challenge the constitutionality of the statewide education property tax. Petitioners are all property taxpayers in Portsmouth or Rye. They allege that the assessing practices throughout the state are not uniform enough to ensure the constitutionally required proportionality necessary for allocating the statewide property tax between individual taxpayers in different communities. Discovery occurred throughout early 2005 and ended with the state filing a motion to dismiss the cases. The Superior Court took the motion to dismiss under advisement and proceeded with a four day trial from August 29, 2005 to September 1, 2005. The state vigorously defended the property tax system and showed the substantial improvements made to the system since the last consti-

tutional challenge in 2000. The court issued two orders in November 2005, finding the property tax system unconstitutional for tax years 2002 through 2004. The state filed a timely appeal with the New Hampshire Supreme Court which was argued on March 15, 2007. The likelihood of success on the appeal is difficult to determine at this time. The potential exposure is approximately \$500,000 with respect to the specific properties at issue in this case and the Superior Court's order was limited to only the named petitioners. However, the statewide property tax raised approximately \$371 million in Fiscal Year 2005. If the order declaring the statewide property tax unconstitutional is upheld by the Supreme Court, the State will need to correct the property tax assessment system.

***City of Nashua v. State; and Londonderry School District v. State***

In 2005, the state enacted House Bill 616, now known as 2005 New Hampshire Laws Chapter 257, as the current education funding bill. Chapter 257 provides funding to schools based on four types of aid and revenue from the statewide enhanced education tax. Chapter 257 does not generally provide aid to municipalities on a per pupil basis. The four types of aid are: local tax capacity aid, targeted per pupil aid, statewide enhanced education tax capacity aid, and transition grants. Chapter 257 also includes the statewide enhanced education tax, which is assessed at a uniform rate across the state necessary to raise \$363 million. For fiscal year 2006, the total state education aid under Chapter 257 is more than \$819 million.

Two lawsuits were filed challenging the constitutionality of Chapter 257. The first is *City of Nashua v. State*, Docket No. 05-E-257, and the second is *Londonderry School District, et al. v. State*, Docket No. 05-E-406. Both of these suits were filed in August 2005 in the Supreme Court and both were dismissed from the Supreme Court. Both suits were refiled in Hillsborough County Superior Court, Southern District.

Nashua's Petition includes four general claims: 1) a challenge to Chapter 257 for not providing for an adequate education by failing to "relate the taxes raised by it to the cost of an adequate education," 2) a claim that Chapter 257's transition grants create disproportional and unequal taxes, 3) a claim challenging Chapter 257's "reliance upon three-year old data to fund the cost of an adequate education today," and 4) a claim questioning whether Chapter 257 requires the use of data from April 2003 for 'Equalized Valuation With Utilities' in order to correctly calculate the education grants under Chapter 257.

Londonderry's petition includes the following four general claims: (1) a claim that Chapter 257 fails to define an adequate education and establish an accountability system, (2) a claim that targeting aid to some municipalities has imposed on many of the remaining municipalities the burden of funding education through a local education tax, (3) a claim which asserts that Chapter 257 violates Part II, Article 5 because it results in property taxes that are not "proportional across the state" due to the transition grants, and (4) an equal protection claim.

The Nashua case was tried in mid-December 2005. The Londonderry case proceeded with a motion for summary judgment filed in January 2006, with the state filing a timely response in February 2006. On March 8, 2006, the Superior Court issued orders in both cases declaring Chapter 257 unconstitutional due to the state's failure to reasonably determine the cost of an adequate education. The Superior Court also found that the state has not defined an adequate education and has not enacted a constitutional accountability system.

The state filed timely appeals of these orders with the New Hampshire Supreme Court and, after an expedited appeal, on September 7, 2006, the Supreme Court found the state's definition of an adequate education unconstitutional. The Supreme Court gave the Legislature until June 30, 2007, to enact a constitutional definition of an adequate education.

The Nashua case is stayed pending the outcome of the 2007 legislative session.

#### *General Electric v. Department of Revenue Administration*

This is an appeal by General Electric ("GE") from a decision by the Department of Revenue Administration. GE claims that the dividends received deduction allowed under RSA 77-A:4, IV should be invalidated because the statute discriminates against foreign commerce in violation of the Commerce Clause of the United States Constitution and results in unfair taxation out of proportion to GE's activities in New Hampshire in violation of the Due Process and Commerce Clauses of the U.S. Constitution.

By way of background, in 2001, GE and the Department executed two settlement agreements substantially resolving GE's business profit tax liability for multiple tax years. The settlement agreements did not resolve the foreign dividend issue, which is the issue in this appeal, concerning tax years 1990-1999.

On August 19, 2005, the Merrimack County Superior Court issued an order granting the Department's Motion to Dismiss and the Department's Motion for Summary Judgment. GE appealed to the New Hampshire Supreme Court, which affirmed in part and reversed in part the lower court's decision. The court reversed the lower court's order dismissing the case because the New Hampshire Supreme Court found that GE did have standing to challenge the statute. Nevertheless, the court affirmed the lower court's grant of summary judgment in favor of the Department and concluded that RSA 77-A:4, IV is not facially unconstitutional, finding that the statute does not facially discriminate against a dividend paying foreign subsidiary that does not conduct business in New Hampshire.

In March of 2007, GE filed a Petition for a Writ of Certiorari with the U.S. Supreme Court seeking review of the New Hampshire Supreme Court's decision. The State plans on filing a responsive brief to GE's Petition. If the decision stands favorable to the Department, GE will be required to pay approximately \$6 million to the Department. If the issue is resolved in GE's favor, the Department would be required to refund approximately \$3 million to GE. The state could face other potential losses if other taxpayers challenge the statute. It is not possible to predict the outcome of this case at this time.

#### *The State of New Hampshire v. Phillip Morris USA, RJ Reynolds, Inc. and Lorillard Tobacco Company.*

This is a Petition for a Declaratory Order. The defendants are signatories to the Tobacco Master Settlement Agreement under which the defendants are required to make annual payments to all of the states, including the State of New Hampshire. The payment received in 2006 was approximately \$5 million below the required payment amount. On June 5, 2006 the Superior Court ordered the case to arbitration under the terms of the Master Settlement Agreement. A Notice of Appeal was filed to the New Hampshire Supreme Court on August 11, 2006. Oral argument is scheduled for March 22, 2007. The State is unable to predict the outcome at this time.

#### *Oracle Corporation v. New Hampshire Department of Revenue Administration*

This is an appeal by Oracle from a decision by the Department of Revenue Administration. Oracle appeals the Department's assessment of over \$7 million in business profits taxes, interest, and penalties, arising out of an audit of Oracle for the tax years 1999 and 2000. There are a number of issues in the case, but the primary issue is whether capital gains Oracle received on the sale of stock in two of its subsidiaries constitute unitary income to Oracle for NH business profits tax purposes, subject to the statutory method of apportionment. The Department filed a partial motion for summary judgment in January 2007, and is awaiting a decision on that motion. Trial is scheduled for the week of April 30, 2007 or the week of May 7, 2007. It is not possible to predict the outcome of this case at this time.

#### *Holliday, et al v. Stephen Curry, Commissioner, NH DOC, et al*

The above referenced matter was filed as a class action in state court against the New Hampshire Department of Corrections ("DOC.") The plaintiffs' class, made up of all inmates of the New Hampshire State Prison, brought an equity petition to enforce various settlement agreements related to a comprehensive "conditions of confinement" suit dating back to 1976. The plaintiffs' class alleged, and the court found, that the DOC materially breached certain elements of the settlement agreements relating to the provision of mental health care to inmates. In brief, the plaintiffs asserted that the DOC lacked a number of mental health programs and the staff to implement those programs. The matter was tried and the court ruled against the DOC ordering it to develop an implementation plan and that the plan be executed. In particular, the court ordered the creation of a residential treatment unit to house and treat a sub-set of the class. Full implementation will require capital improvements, the hiring of correctional and mental health staff and operating expenses to sustain the program.

The DOC has submitted its plan for the court to review. The state also appealed parts, but not all, of the court's order asserting that the court exceeded its authority under the settlement agreements. The parties settled the matters on appeal and the appeal has been withdrawn.

The court has scheduled a status conference for the end of June 2007 to discuss implementation progress. The DOC estimates that full implementation of the court's order will require approximately \$9 million over the next biennium.

#### *Cassandra Hawkins v. Commissioner of the New Hampshire Department of Health and Human Services*

This suit was filed as a class action lawsuit brought under 42 U.S.C. 1983 challenging the provisions of dental services to Medicaid recipients under the age of 21. The named plaintiffs, parents of children who are eligible for Medicaid, alleged that the state had violated their rights under the federal Medicaid Act, 42 U.S.C. 1396a, the federal constitution, and state law by failing to provide their children with access to adequate dental care. The plaintiffs sought declaratory or injunctive relief requiring the state to increase the rate at which it reimbursed dental care providers and to revise its policies and procedures with regard to providing Medicaid dental benefits.

On August 28, 2003, a Consent Decree was filed with the Federal District Court for preliminary review. The Class was certified and the Decree was approved and entered as a Court Order on January 26, 2004. In brief, the terms of the Consent Decree provide that, the state allocate \$1.2 million per year for FY 2004 and 2005, in additional state funds to the EPSDT dental program (i.e. in addition to state funds allocated in state fiscal year 2002.) The state shall invest those funds in, among other things, developing a dental safety-net and in raising the dental rates. The Department also agreed to pay Plaintiffs' attorneys' fees, which was resolved in June 2005.

On January 30, 2007 the Plaintiffs filed a motion seeking to enforce the consent decree claiming that the Department was not in compliance with the terms of the decree. In particular the Plaintiffs allege that insufficient numbers of eligible children are receiving dental services. The motion does not specify any particular form of relief, but requests that the Court order the state do more to ensure that children receive dental services under Medicaid.

The Department filed an objection to the motion to enforce on March 1, 2007. The parties are awaiting a response from the Court regarding if and when a hearing will be held on the matter.

The fiscal impact of the Plaintiff's motion, if any, is not possible to predict at this time.

*New Hampshire Association of Counties, et al. v. Commissioner of Department of Health and Human Services*

Some of the state's ten Counties (the Plaintiff Counties) challenged the Department of Health and Human Services' (DHHS) decision holding them responsible for paying a share of the cost of Medicaid payments for clients receiving Old Age Assistance (OAA) or Aid to the Permanently and Totally Disabled (APTD). Under RSA 167:18-b, the counties are liable for one-half of the state's expenditures for OAA and APTD recipients who are "in nursing homes." DHHS believed that RSA 167:18-b also allowed it to bill the Counties for nursing services that are provided to recipients who are in institutions, such as rehabilitation hospitals, that are not licensed as "nursing homes" but are certified under Medicaid as nursing facilities authorized to provide nursing level care. DHHS has been billing the Counties for these services since at least 2002.

The second issue raised by the Counties in their suit is whether DHHS exceeded the statutory cap on the total amount that the Counties can be billed under RSA 167:18-b in fiscal year 2004. RSA 167:18-b establishes a \$60 million cap on the total liability for the Counties under this section of the statute. The legal dispute in this case involves whether that figure should be interpreted as a gross amount or a net amount. In 2004, the total amount of the bills sent to the Counties for their share of payments under RSA 167:18-b was approximately \$62.1 million. However, DHHS gave the Counties approximately \$2.1 million in statutory credits, thereby bringing the total owed to \$60 million. The Plaintiff Counties refused to pay the total amount, claiming that the statute limits the total amount that can be "billed" to the Counties at \$60 million, and therefore the credits should have been subtracted from the \$60 million, thereby limiting their liability to \$57.9 million.

The parties filed cross-motions for summary judgement and on October 27, 2006, the Merrimack County Superior Court granted summary judgement in favor of the Plaintiff Counties on both issues.

The state has appealed the lower court's decision to the N.H. Supreme Court. Both sides have filed their respective briefs. The state is considering whether to file an additional reply brief. Following any additional briefing, the Court will schedule the matter for oral argument. It is difficult to predict the likely fiscal impact to the State at this time. If the ruling stands, the current estimate is that the Plaintiff Counties have withheld approximately \$5 million in payments billed by the State between 2002 and the present. Those moneys, which remain in those Counties' coffers, constitute an outstanding "account receivable" in DHHS's budget which would be written off if the ruling stands. In addition, the state estimates that, if ordered, it might have to refund, probably by means of a credit on future obligations, approximately \$1 million that has been paid in the past by the non-Plaintiff Counties. It is not possible to ascertain the likely fiscal impact on the state in future years. RSA 167:18-b is set to "sunset" in 2007, and therefore, the Legislature will need to review the issue of the Counties' responsibilities for their share of Medicaid payments.

*Rates paid by the Division of Children, Youth and Families ("DCYF")*

There are two cases currently pending in the New Hampshire Supreme Court involving rates paid by DCYF. The first, *Appeals of: Chase Home for the Children, Child and Family Services; Hannah House, NFI North, Odyssey Home, Orion House, and Pine Haven Boys Center*, docket number 2006-070, involves the fiscal year 2004-2005 rates paid to residential child care facilities. The Hearings Panel, established pursuant to RSA 170-G:4-a, ruled that DCYF should have set the rates in accord with certain administrative rules. The hearings officer ordered DCYF to pay the higher rates but determined that he had no authority to order DCYF to pay them retroactively. The facilities appealed the ruling regarding denial of the retroactive payments. The case has been briefed and argued. No decision has been issued yet. The second case is *Petition of the Division of Children, Youth, and Families*, docket number 2006-510, in which DCYF is challenging a decision by the Hearing Panel ruling that DCYF is required to pay a 5% rate increase using the administrative rules rate as the base rate. In addition, the Hearings Panel ordered DCYF pay the higher rate retroactive to July 1, 2005. DCYF appealed so that the issues on appeal include whether the 5% rate increase should be calculated from the administrative rules rate as the base rate and whether the state may be required to pay retroactively. The case has been briefed and oral argument is scheduled for April 2007. It is not possible to predict at this time the outcome of these cases or the amount, if any, that DCYF will be required to pay.

**OTHER LITIGATION**

The state, its agencies and employees are defendants in numerous other lawsuits. Although the Attorney General is unable to predict the ultimate outcomes of these suits, in the opinion of the Attorney General and the Commissioner of Administrative Services, the likelihood of such litigation resulting, either individually or in the aggregate, in final judgements against the state, which would materially affect its financial position, is remote. Accordingly no provision for such ultimate liability, if any, has been made in the financial statements.

#### 14. HIGHWAY

The highway fund is comprised of two accounts, an operating account and capital account. The capital account is comprised of four main construction accounts (federal construction aid, state aid, municipal bridge and betterment). The operating account represents the total highway fund less the capital account activities. Except for the betterment account, cash raised from current year revenue transactions, such as gasoline road toll, licenses, fees etc, are maintained in the operating account and transferred to the capital accounts on demand as cash is needed to fund current year costs. By law, the betterment account receives a cash transfer each month, representing 88% of 3 cents of the gasoline road toll tax.

The unreserved surplus (deficit) for the capital and operating accounts and the total highway fund, at June 30, 2006 were as follows (expressed in millions):

	Capital Account	Operating Account	Total Highway Fund
Unreserved Surplus/(Deficit)	\$ (41.5)	\$ 42.8	\$ 1.3

The deficit in the capital account at June 30, 2006 exists primarily because funds are appropriated from the current year fund balance for multi-year highway construction projects. Although the state will receive reimbursements from federal and local sources in future years, after the actual cash disbursements have occurred, the total project cost is a charge against the fund balance at the time the project is approved.

The surplus in the operating account at June 30, 2006 was \$42.8 million. Future projects, where no contract has been encumbered, are not yet a charge against surplus. The surplus balance therefore, remains in the operating account ready to be used when anticipated project plans are converted to specific contracts, which will be approved and appropriated in future fiscal years.

#### 15. JOINT VENTURES-LOTTERY COMMISSION

The New Hampshire Lottery Commission is an active participant in two separate joint venture arrangements: the Tri-State Lotto Commission (Tri-State) and the Multi-State Lottery Association (MUSL).

In September 1985, Tri-State was established whereby the New Hampshire Lottery Commission (Lottery) entered into a joint venture with the lotteries of the states of Maine and Vermont to promulgate rules and regulations regarding the conduct of lottery games and the licensing of agents. In addition, each state contributes services towards the management and advisory functions. Each states share of revenues, expenses and interest income is based on their respective share of sales except for direct charges such as advertising, vendor fees and per-diem payments. Prizes awarded under Tri-State games are fully funded by deposit fund contracts and investments held by Tri-State. Accordingly, the Lottery does not record a liability for jackpot awards which are payable in installments from funds provided by Tri-State. For the year ended June 30, 2006, the Lottery recognized \$9.7 million of net income from Tri-State. In addition, Tri-State has established a Designated Prize Reserve, which acts as a contingency to protect Tri-State against unforeseen liabilities. The Lottery's share of deposits held as Tri-State prize reserves was \$1.5 million at June 30, 2006.

In November 1995, the Lottery became a member of MUSL, which is currently comprised of 32 member state lotteries and administers the Multi-State Lottery Powerball and Hot Lotto games. Each state lottery sells tickets, collects revenues and remits prize funds to MUSL net of lower tier prize awards. Each member also pays for a share of MUSL's operating expenses based upon the members proportionate share of game sales. Jackpot prizes that are payable in installments are satisfied through investments purchased by MUSL. Accordingly, the Lottery does not record a liability for jackpot awards which are payable in installments from funds provided by MUSL. For the year ended June 30, 2006, the Lottery recognized \$25.8 million of net income from MUSL. In addition, MUSL has established a contingency reserve to protect MUSL and its members against unforeseen liabilities. The Lottery's share of deposits held as MUSL prize reserves was \$2.3 million at June 30, 2006.

#### 16. SUBSEQUENT EVENTS

On November 23, 2005 the state issued \$39.4 million of turnpike system revenue refunding bonds. The interest rate on these new bonds is 5.0%. The closing date for this bond issue is August 24, 2006. At closing the proceeds of the issuance will be placed in an irrevocable trust to provide for all future debt service payments on the old bonds. This refunding transaction will result in a cash savings of \$4.6 million over the next 9 years and an economic gain of \$3.2 million.

On December 13, 2006 the state issued \$75.0 million of general obligation capital improvement bonds. The interest rates on these serial bonds range from 3.5% to 5.0%, and the maturity dates range from 2008 through 2026.

On December 15, 2006, the state issued \$121.9 million of general obligation refunding bonds. The interest rates on these serial bonds range from 4.0% to 5.0%, and the maturity dates range from 2009 through 2020.

On February 1, 2007 the New Hampshire Department of Health and Human Services (DHHS) received a draft report from the US DHHS Office of Inspector General (OIG) regarding its audit of the state's Medicaid Disproportionate Share Hospital (DSH) payments during Federal Fiscal Year 2004. The draft report noted a material amount of unallowed costs based on the methodology used to calculate the DSH payments. The DHHS has responded to the draft report contending that its DSH payments are consistent with federal law. The state and DHHS have not yet received a final audit report and are currently unable to predict the impact of these findings, if any, on the state's financial statements.

[Return To Table of Contents](#)

## **Required Supplementary Information Budgetary Schedules**

STATE OF NEW HAMPSHIRE  
 BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE  
 GENERAL FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
 (expressed in thousands)

	General Fund			
	Budgeted Amount		ACTUAL (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	ORIGINAL	FINAL		
<b>REVENUES</b>				
General Property Taxes.....	\$ 262	\$ 262	\$ (265)	\$ (527)
Special Taxes.....	930,345	931,451	958,609	27,158
Personal Taxes.....	71,762	71,762	69,854	(1,908)
Business License Taxes.....	21,126	21,126	19,052	(2,074)
Non-Business License Taxes.....	97,781	97,781	94,024	(3,757)
Fees.....	165,022	165,957	121,600	(44,357)
Fines, Penalties and Interest.....	30,623	30,661	31,447	786
Grants from Federal Government.....	1,418,357	1,495,564	1,173,939	(321,625)
Grants from Private and Local Sources.....	136,973	142,090	110,004	(32,086)
Rents and Leases.....	8,544	10,058	9,743	(315)
Interest Premiums and Discounts.....	11,985	11,985	15,292	3,307
Sale of Commodities.....	6,740	6,787	8,449	1,662
Sale of Services.....	90,884	92,280	92,879	599
Assessments.....	52,411	60,262	57,460	(2,802)
Grants from Other Agencies.....	202,991	206,409	159,471	(46,938)
Miscellaneous.....	12,545	16,194	155,691	139,497
Total Revenue.....	3,258,351	3,360,629	3,077,249	(283,380)
<b>EXPENDITURES</b>				
<b>GENERAL GOVERNMENT</b>				
Legislative Branch.....	19,264	19,264	12,432	6,832
Executive.....	53,257	46,147	34,076	12,071
Information Technology.....	55,156	55,202	47,947	7,255
Administrative Services.....	41,736	46,927	42,934	3,993
Sec of State.....	31,286	31,186	6,692	24,494
Cultural Affairs.....	8,622	8,813	6,326	2,487
Revenue Administration.....	16,281	15,513	14,440	1,073
State Treasury.....	88,215	90,169	81,927	8,242
NH Retirement System.....	72,044	72,259	69,406	2,853
Boards and Commissions.....	2,734	2,820	2,525	295
Total.....	388,595	388,300	318,705	69,595
<b>JUSTICE AND PUBLIC PROTECTION</b>				
Judicial Branch.....	67,080	67,080	62,387	4,693
Adjutant General.....	14,856	16,096	13,389	2,707

**STATE OF NEW HAMPSHIRE**  
**BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE (continued)**  
**GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**  
(expressed in thousands)

	General Fund			Variance with Final Budget- Positive (Negative)
	Budgeted Amount		ACTUAL (Budgetary Basis)	
	ORIGINAL	FINAL		
Agriculture.....	4,527	4,891	3,904	987
Justice Department.....	25,133	32,588	19,421	13,167
<b>JUSTICE AND PUBLIC PROTECTION-CONTINUED</b>				
Bank Commission.....	4,217	4,217	3,056	1,161
Pari-Mutuel Commission.....	2,372	2,372	1,809	563
Highway Safety.....	2,541	2,574	1,957	617
Insurance.....	9,004	9,004	6,243	2,761
Labor .....	7,555	26,750	20,749	6,001
Public Utilities Commission.....	9,215	9,252	7,585	1,667
Safety.....	167,542	205,045	152,227	52,818
Corrections Department.....	90,958	94,684	91,947	2,737
Employment Security.....	62,032	62,593	28,286	34,307
Judicial Council.....	18,693	19,087	19,057	30
Human Rights Commission .....	671	671	568	103
Boards and Commissions.....	423	470	431	39
Total.....	486,819	557,374	433,016	124,358
<b>RESOURCE PROTECTION AND DEVELOPMENT</b>				
Resource and Economic Development.....	42,312	46,085	36,304	9,781
Pease Development Authority.....	6,075	6,075	447	5,628
Environmental Services.....	225,755	228,473	133,559	94,914
Development Finance Authority.....	215	215	215	0
Boards and Commissions.....	419	435	410	25
Total.....	274,776	281,283	170,935	110,348
<b>TRANSPORTATION</b>				
Transportation.....	21,000	22,198	6,800	15,398
Total.....	21,000	22,198	6,800	15,398
<b>HEALTH AND SOCIAL SERVICES</b>				
Health and Human Services Commissioner.....	589,609	613,874	613,874	0
Office of Health Management.....	95,926	98,851	73,383	25,468
Children and Youth.....	178,948	180,482	129,491	50,991
Transitional Assistance.....	85,359	88,008	83,850	4,158
Behavioral Health.....	111,214	113,991	103,801	10,190
Developmental Services.....	183,805	184,063	176,176	7,887
N H Hospital.....	61,481	60,552	58,003	2,549
Home for Elderly.....	10,490	10,770	10,577	193
N H Veterans Home.....	20,087	19,876	18,416	1,460
Veterans Council.....	396	373	351	22
Youth Development Services.....	29,314	30,304	24,705	5,599

See accompanying Independent Auditors' Report. The Notes to Required Supplementary Information are an integral part of this schedule.

**STATE OF NEW HAMPSHIRE**  
**BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE (continued)**  
**GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**  
**(expressed in thousands)**

	General Fund			Variance with Final Budget- Positive (Negative)
	Budgeted Amount		ACTUAL (Budgetary Basis)	
	ORIGINAL	FINAL		
Elderly and Adult Services.....	385,184	407,305	382,947	24,358
Admin and Support.....	777	801	648	153
Boards and Commissions.....	3,196	3,606	2,661	945
Total.....	1,755,786	1,812,856	1,678,883	133,973
<b>EDUCATION</b>				
Post Secondary Education Commission.....	5,161	5,322	4,863	459
Department of Education.....	325,422	329,949	256,710	73,239
NH Comm. Tech. College System.....	130,431	131,131	81,729	49,402
Planetarium.....	1,149	1,166	1,008	158
Police Standards and Training Council.....	7,108	7,149	2,731	4,418
University of New Hampshire.....	86,878	87,450	87,450	
Total.....	556,149	562,167	434,491	127,676
Debt Service.....	89,093	89,093	86,659	2,434
Capital Outlays.....	30,455	30,455	28,310	2,145
Total.....	3,602,673	3,743,726	3,157,799	585,927
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	(344,322)	(383,097)	(80,550)	302,547
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers In.....	131,245	131,245	131,245	
Transfers Out.....		(1,820)	(1,820)	
Increase in Bonds Authorized.....	0	0	0	
Proceeds from Bond Refunding.....		0	0	
Miscellaneous.....		(1,470)	(1,470)	
Total Other Financing Sources Uses.....	131,245	127,955	127,955	
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses.....	(213,077)	(255,142)	47,405	302,547
<b>Fund Balance - July 1.....</b>	357,553	357,553	357,553	
<b>Fund Balance - June 30.....</b>	\$ 144,476	\$ 102,411	\$ 404,958	\$ 302,547

See accompanying Independent Auditors' Report. The Notes to Required Supplementary Information are an integral part of this schedule.

**STATE OF NEW HAMPSHIRE**  
**BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE**  
**HIGHWAY FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**  
(expressed in thousands)

	<b>Highway Fund</b>			
	<b>Budgeted Amounts</b>		<b>Actual (Budgetary Basis)</b>	<b>Variance with Final Budget-Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Business License Taxes.....	\$ 153,250	\$ 153,250	\$ 149,502	\$ (3,748)
Non-Business License Taxes.....	67,506	67,506	65,354	(2,152)
Fees.....	22,515	22,685	22,631	(54)
Fines, Penalties and Interest.....	695	695	900	205
Grants from Federal Government.....	254,122	280,101	167,822	(112,279)
Grants from Private and Local Sources.....	10,244	10,336	6,702	(3,634)
Rents and Leases.....				
Interest Premiums and Discounts.....	2,403	2,403	3,230	827
Sale of Commodities.....	1,235	1,235	202	(1,033)
Sale of Services.....	31,310	32,642	25,206	(7,436)
Assessments.....	-			
Grants from Other Agencies.....	1,111	3,228	3,058	(170)
Miscellaneous.....	(24,326)	(24,326)	19,318	43,644
Total Revenues.....	520,065	549,755	463,925	(85,830)
<b>EXPENDITURES</b>				
Justice and Public Protection.....	4,838	4,838	1,133	3,705
Transportation.....	501,206	539,036	299,128	239,908
Debt Service.....	6,165	6,165	6,270	(105)
Capital Outlays.....	174,261	174,261	193,345	(19,084)
Total Expenditures.....	686,470	724,300	499,876	224,424
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	(166,405)	(174,545)	(35,951)	138,594
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In.....				
Transfers Out.....		(1,699)	(1,699)	
Miscellaneous.....		1,233	1,233	
Total Other Financing Sources (Uses).....		(466)	(466)	
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses.....	(166,405)	(175,011)	(36,417)	138,594
Fund Balance - July 1.....	137,032	137,032	137,032	
Fund Balance - June 30.....	\$ (29,373)	\$ (37,979)	\$ 100,615	\$ 138,594

STATE OF NEW HAMPSHIRE  
 BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE  
 EDUCATION FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
 (expressed in thousands)

	Education Fund			
	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget-Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
General Property Taxes.....	\$ 385,800	\$ 385,800	\$ 384,273	\$ (1,527)
Special Taxes.....	330,200	330,200	348,627	18,427
Personal Taxes.....	72,700	72,700	80,902	8,202
Miscellaneous.....	43,000	43,000	38,961	(4,039)
Total Revenues.....	831,700	831,700	852,763	21,063
<b>EXPENDITURES</b>				
General Government.....			4,646	(4,646)
Education.....	842,478	844,298	837,980	6,318
Total Expenditures .....	842,478	844,298	842,626	1,672
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	(10,778)	(12,598)	10,137	22,735
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In.....		(20,680)	(20,680)	
Transfers Out .....				
Miscellaneous.....				
Total Other Financing Sources (Uses).....		(20,680)	(20,680)	
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses.....	(10,778)	(33,278)	(10,543)	22,735
<b>Fund Balance - July 1.....</b>	27,952	27,952	27,952	
<b>Fund Balance - June 30.....</b>	\$ 17,174	\$ (5,326)	\$ 17,409	\$ 22,735

## Note to the Required Supplementary Information - Budgetary Reporting

### FOR THE FISCAL YEAR ENDED JUNE 30, 2006

#### RECONCILIATION OF BUDGETARY TO GAAP

The state's biennial budget is prepared on a basis other than GAAP. The "actual" results columns of the Budget and Actual – Non-GAAP budgetary statements are presented on a "budgetary basis" to provide a meaningful comparison to budget.

The major differences between the budgetary basis and the GAAP basis are:

1. Expenditures (Budgetary) are recorded when cash is paid or committed by contractual obligation (encumbrance), rather than when the obligation is incurred (GAAP). Revenues (Budgetary) are based on cash received plus estimated revenues related to the budgetary expenditures and contractual obligations (encumbrances). Additional revenue accruals are made on a (GAAP) basis only.
2. On a GAAP basis, major inter-agency and intra-agency transactions are eliminated in order to not double count revenues and expenditures.

The following schedule reconciles the General and Major Special Revenue Funds of the primary government for differences between budgetary accounting methods and the GAAP basis accounting principles for the year ended June 30, 2006 (expressed in thousands).

	General Fund	Highway Fund	Education Fund
Excess (Deficiency) of revenues and other financing sources over (under) expenditures and other financing uses (Budgetary Basis)	\$ 47,405	\$ (36,417)	\$ (10,543)
Adjustments and Reclassifications:			
To record Accounts Payable and Accrued Payroll	(41,794)	(6,316)	2,100
To Record Encumbrances	38,400	5,397	
To Record Accounts Receivable	12,623	5,157	
To Record Other Financing Sources (Uses)	(22,690)		22,501
Excess (Deficiency) of revenues and other financing sources over (under) expenditures and other financing uses* (GAAP Basis)	\$ 33,944	\$ (32,179)	\$ 14,058

\*Includes Change in Inventory reserves for General and Highway of \$(1,406), \$1,233 respectively.

[Return To Table of Contents](#)

## **Combining Financial Statements**

## Highway Fund

*The state's highway fund serves a dual role, comprising of both operating activities and long-term capital improvement activities. The accounting and budgeting over the years has followed a conservative approach in that funds are raised in the current year to appropriate for highway construction projects that may subsequently take several years to complete. The timing between revenue generation and future disbursement of funds has contributed to a large cash balance. However, the fund balance is affected at the time of appropriation, and has reported to be in a deficit position, which is not consistent with the large cash balance in the fund. For fiscal year 2005 the state has expanded its reporting by presenting the operating and capital activities separately on combining schedules and adding additional disclosures relating to encumbrances and future commitments.*

*The **capital account** is comprised of four main construction accounts (federal construction aid, state aid, municipal bridge and betterment). The **operating account** represents the total highway fund less the capital account activities. Except for the betterment account, cash raised from current year revenue transactions, such as gasoline road toll, licenses, fees etc, are maintained in the operating account and transferred to the capital accounts on demand as cash is needed to fund current year costs. By law, the betterment account receives a cash transfer each month, representing 88% of 3 cents of the gasoline road toll tax.*

STATE OF NEW HAMPSHIRE  
 COMBINING SCHEDULE OF BALANCE SHEET ACCOUNTS  
 HIGHWAY FUND  
 JUNE 30, 2006  
 (Expressed in Thousands)

	Highway Capital	Highway Operating	Total Highway Fund
<b>ASSETS</b>			
Cash and Cash Equivalents .....	\$ 22,651	\$ 51,520	\$ 74,171
Receivables (Net of Allowances for Uncollectibles) ..	38,634	17,452	56,086
Inventories.....		6,948	6,948
Total Assets .....	<u>\$ 61,285</u>	<u>\$ 75,920</u>	<u>\$ 137,205</u>
<b>LIABILITIES</b>			
Accounts Payable.....	\$ 23,625	\$ 3,943	\$ 27,568
Accrued Payroll.....		4,619	4,619
Deferred Revenue .....	11,836	123	11,959
Total Liabilities.....	<u>35,461</u>	<u>8,685</u>	<u>44,146</u>
<b>FUND BALANCES</b>			
Reserved for Encumbrances.....	47,455	4,061	51,516
Reserved for Inventories.....		6,948	6,948
Reserved for Unexpended Appropriations.....	19,904	13,440	33,344
Unreserved, Undesignated Surplus/(Deficit) .....	(41,535)	42,786	1,251
Total Fund Balances .....	<u>25,824</u>	<u>67,235</u>	<u>93,059</u>
Total Liabilities and Fund Balances.....	<u>\$ 61,285</u>	<u>\$ 75,920</u>	<u>\$ 137,205</u>

**STATE OF NEW HAMPSHIRE**  
**COMBINING SCHEDULE OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCE ACCOUNTS**  
**HIGHWAY FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**  
**(Expressed in Thousands)**

	Highway Capital	Highway Operating	Total Highway Fund
<b>REVENUES</b>			
Business License Taxes (Betterment).....	\$ 21,741	\$ 127,761	\$ 149,502
Non-Business License Taxes.....		65,353	65,353
Fees.....		17,835	17,835
Fines, Penalties and Interest.....		900	900
Grants from Federal Government.....	162,256	13,036	175,292
Grants from Private and Local Sources.....	8,556	2,044	10,600
Interest.....		3,230	3,230
Sale of Commodities.....	1	201	202
Sale of Service.....		8,791	8,791
Grants from Other Agencies.....		2,519	2,519
Miscellaneous.....		10,905	10,905
Total Revenues.....	<u>192,554</u>	<u>252,575</u>	<u>445,129</u>
<b>EXPENDITURES</b>			
Administration of Justice and Public Protection.....		1,047	1,047
Transportation.....	37,412	239,480	276,892
Debt Service.....		6,270	6,270
Capital Outlay.....	175,736	16,896	192,632
Total Expenditures.....	<u>213,148</u>	<u>263,693</u>	<u>476,841</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	(20,594)	(11,118)	(31,712)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In (Out).....	23,343	(23,343)	
Transfers Out.....		(1,700)	(1,700)
Total Other Financing Sources (Uses).....	<u>23,343</u>	<u>(25,043)</u>	<u>(1,700)</u>
Excess of Revenues and Other Sources Over Expenditures and Other Uses.....	2,749	(36,161)	(33,412)
Fund Balances - July 1 .....	23,075	102,163	125,238
Change in Reserve for Inventory.....		1,233	1,233
Fund Balances - June 30.....	<u>\$ 25,824</u>	<u>\$ 67,235</u>	<u>\$ 93,059</u>

## Non - Major Governmental Financial Statements

**Special Revenue Fund: Fish and Game Fund:** *The operations of the state Fish and Game Department, including the operation of fish hatcheries, inland and marine fisheries, and wildlife areas, and functions related to law enforcement, land acquisition, and wildlife management and research, are financed through the Fish and Game Fund. Principal revenues of this fund include fees from fish and game licenses, the marine gas tax, penalties, and recoveries, and federal grants-in-aid related to fish and game management, all of which are appropriated annually by the Legislature for the use of the Fish and Game Department.*

**Capital Projects Fund:** *Used to account for 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.*

### **Permanent Funds:**

**NH Hospital:** *Consist of several trust funds that were made expressly for the benefit of patients at the NH Hospital through various bequeathals.*

**Land Conservation Endowment:** *The Land Conservation Investment Program (LCHIP) is responsible for monitoring the condition and status of 80 state-held conservation easements acquired by the LCHIP.*

**Other:** *The other category consists of several accounts that report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the state or its citizenry. They include: Harriet Huntress, Hattie Livesey, John Nesmith, Special Teachers Comp., Catastrophic Illness, Sam Whidden Trust, Ben Thompson, and the Guy Thompson Memorial.*

STATE OF NEW HAMPSHIRE  
 COMBINING BALANCE SHEET  
 NON - MAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2006  
 (Expressed in Thousands)

	Permanent Funds							Total Non-Major
	Fish & Game	Capital	Land			Total Permanent		
			NH Hospital	Conservation Endowment	Other Permanent			
<b>ASSETS</b>								
Cash and Cash Equivalents .....	\$ 8,953						\$ 8,953	
Investments .....			\$ 5,425	\$ 2,417	\$ 6,311	\$ 14,153	14,153	
Receivables (Net).....	938	\$ 3,951					4,889	
Bonds Authorized & Unissued.....								
Inventories.....	733						733	
Total Assets.....	\$ 10,624	\$ 3,951	\$ 5,425	\$ 2,417	\$ 6,311	\$ 14,153	\$ 28,728	
<b>LIABILITIES</b>								
Accounts Payable.....	\$ 421	\$ 19,129					\$ 19,550	
Accrued Payroll.....	747						747	
Deferred Revenue .....		1,825					1,825	
Due to other funds.....		24,863					24,863	
Total Liabilities.....	1,168	45,817					46,985	
<b>FUND BALANCES</b>								
Reserved for Encumbrances.....	1,516	66,498					68,014	
Reserved for Inventories.....	733						733	
Reserved for Unexpended Appropriations..	4,654	110,731					115,385	
Reserved for Permanent Trust .....			\$ 5,425	\$ 2,417	\$ 6,311	\$ 14,153	14,153	
Unreserved, Undesignated (Deficit).....	2,553	(219,095)					(216,542)	
Total Fund Balances (Deficit).....	9,456	(41,866)	5,425	2,417	6,311	14,153	(18,257)	
Total Liabilities and Fund Balances ....	\$ 10,624	\$ 3,951	\$ 5,425	\$ 2,417	\$ 6,311	\$ 14,153	\$ 28,728	

STATE OF NEW HAMPSHIRE  
 COMBINING STATEMENT OF REVENUES,  
 EXPENDITURES AND CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
 (Expressed in Thousands)

	Fish & Game	Capital	Permanent Funds			Total Permanent	Total Non-Major
			NH Hospital	Conservation Endowment	Other Permanent		
<b>REVENUES</b>							
General Property Taxes.....							
Special Taxes.....							
Personal Taxes.....							
Business License Taxes.....							
Non-Business License Taxes.....	\$ 8,197						\$ 8,197
Fees.....	1,621						1,621
Fines, Penalties and Interest.....	155						155
Grants from Federal Government.....	6,921	\$ 25,251					32,172
Grants from Private and Local Sources.....	356	23					379
Rents and Leases.....							
Interest.....	382		\$ 189	\$ 109	\$ 207	\$ 505	887
Sale of Commodities.....	330						330
Sale of Service.....	3						3
Grants from Other Agencies.....	3,666	14					3,680
Miscellaneous.....	147		224	64	368	656	803
Total Revenues.....	21,778	25,288	413	173	575	1,161	48,227
<b>EXPENDITURES</b>							
Current:							
Resource Protection and Development.....	21,328			150		150	21,478
Health and Social Services.....			462		138	600	600
Debt Service.....	239						239
Capital Outlay.....	1,321	115,682					117,003
Total Expenditures.....	22,888	115,682	462	150	138	750	139,320
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	(1,110)	(90,394)	(49)	23	437	411	(91,093)
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers In .....	850						850
Transfers Out.....		(3,663)					(3,663)
G.O. Bond Premium.....		1,462					1,462
G.O. Bond Issuance.....		75,000					75,000
Total Other Financing Sources (Uses).....	850	72,799					73,649
Excess (Deficiency) of Revenues & Other Sources Over (Under) Expenditures & Other Uses.....	(260)	(17,595)	(49)	23	437	411	(17,444)
Fund Balances (Deficit) - July 1 .....	9,899	(24,271)	5,474	2,394	5,874	13,742	(630)
Change in Reserve for Inventory.....	(183)						(183)
Fund Balances (Deficit) - June 30.....	\$ 9,456	\$ (41,866)	\$ 5,425	\$ 2,417	\$ 6,311	\$ 14,153	\$ (18,257)

See accompanying Independent Auditors' Report

**STATE OF NEW HAMPSHIRE**  
**BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE**  
**FISH & GAME FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**  
(expressed in thousands)

	<b>Fish and Game Fund</b>			
	<b>Budgeted Amounts</b>		<b>Actual (Budgetary Basis)</b>	<b>Variance with Final Budget-Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Special Taxes.....	\$ 74	\$ 74		\$ (74)
Non-Business License Taxes.....	8,834	8,834	\$ 8,240	(594)
Fees.....	2,505	2,615	2,141	(474)
Fines, Penalties and Interest.....	170	170	155	(15)
Grants from Federal Government.....	6,096	8,519	6,945	(1,574)
Grants from Private and Local Sources.....	393	525	355	(170)
Interest Premiums and Discounts.....	88	88	382	294
Sale of Commodities.....	315	315	511	196
Sale of Services.....	576	576	3	(573)
Grants from Other Agencies.....	211	5,352	4,067	(1,285)
Miscellaneous.....	4,214	(660)	388	1,048
<b>Total Revenues.....</b>	<b>23,476</b>	<b>26,408</b>	<b>23,187</b>	<b>(3,221)</b>
<b>EXPENDITURES</b>				
Resource Protection and Development.....	30,720	33,917	22,719	11,198
Debt Service.....	239	239	239	
Capital Outlays.....	970	970	1,321	(351)
<b>Total Expenditures .....</b>	<b>31,929</b>	<b>35,126</b>	<b>24,279</b>	<b>10,847</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	(8,453)	(8,718)	(1,092)	7,626
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In.....				
Transfers Out .....		850	849	(1)
Miscellaneous.....		(183)	(183)	
<b>Total Other Financing Sources (Uses).....</b>		<b>667</b>	<b>666</b>	<b>(1)</b>
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses.....	(8,453)	(8,051)	(426)	7,625
<b>Fund Balance - July 1.....</b>	<b>10,492</b>	<b>10,492</b>	<b>10,492</b>	
<b>Fund Balance - June 30.....</b>	<b>\$ 2,039</b>	<b>\$ 2,441</b>	<b>\$ 10,066</b>	<b>\$ 7,625</b>

### Reconciliation of Budgetary To GAAP

The State's biennial budget is prepared on a basis other than GAAP. The "actual" results column of the Budget and Actual - Non-GAAP budgetary statement are presented on a "budgetary basis" to provide a meaningful comparison to budget.

The major differences between the budgetary basis and the GAAP basis are:

1. Expenditures are recorded when cash is paid or committed (budgetary), rather than when the obligation is incurred (GAAP). In addition, revenue based on these accruals is adjusted on a GAAP basis only.
2. On a GAAP basis, major inter-agency and intra-agency transactions are eliminated in order to not double count revenues and expenditures.

The following schedule reconciles the Fish and Game Fund of the primary government for differences between budgetary accounting methods and the GAAP basis accounting principles for the year ended June 30, 2006 (expressed in thousands).

	Fish & Game Fund
Excess (Deficiency) of revenues and other financing sources over (under) expenditures and other financing uses (Budgetary Basis)	\$ (426)
Adjustments and Reclassifications:	
To record Accounts Payable and Accrued Payroll	1,301
To Record Encumbrances	(90)
To Record Accounts Receivable	(1,228)
To Record Other Financing Sources (Uses)	
Excess (Deficiency) of revenues and other financing sources over (under) expenditures and other financing uses* (GAAP Basis)	\$ (443)

# **Internal Service Fund**

STATE OF NEW HAMPSHIRE  
 COMBINING SCHEDULE OF BALANCE SHEET ACCOUNTS  
 EMPLOYEE BENEFIT RISK MANAGEMENT FUND  
 JUNE 30, 2006  
 (Expressed in Thousands)

	Health			Dental	Total
	Active	Retirees	Total		
<b>ASSETS</b>					
<b>Current Assets:</b>					
Cash and Cash Equivalents.....	\$ 25,691	\$ 12,313	\$ 38,004		\$ 38,004
Accounts Receivable.....	1,089	1,875	2,964	\$ 11	2,975
Total Assets.....	<u>\$ 26,780</u>	<u>\$ 14,188</u>	<u>\$ 40,968</u>	<u>\$ 11</u>	<u>\$ 40,979</u>
<b>LIABILITIES</b>					
<b>Current Liabilities:</b>					
Accounts Payable.....				\$ 11	\$ 11
Claims Payable.....	\$ 1,946	\$ 1,245	\$ 3,191		3,191
Incurred but not Reported (IBNR).....	10,660	5,711	16,371		16,371
Total Liabilities.....	<u>12,606</u>	<u>6,956</u>	<u>19,562</u>	<u>11</u>	<u>19,573</u>
<b>NET ASSETS</b>					
Total Net Assets .....	<u>\$ 14,174</u>	<u>\$ 7,232</u>	<u>\$ 21,406</u>	<u>\$</u>	<u>\$ 21,406</u>

**STATE OF NEW HAMPSHIRE**  
**COMBINING SCHEDULE OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCE ACCOUNTS**  
**EMPLOYEE BENEFIT RISK MANAGEMENT FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**  
**(Expressed in Thousands)**

	Health			Dental	Total
	Active	Retirees	Total		
<b>OPERATING REVENUES</b>					
Charges for Sales and Services					
Contributions For Health Benefits					
State Contributions:					
Active Employees.....	\$ 148,352		\$ 148,352		\$ 148,352
Retired Judges & Constitutional Officers.....		\$ 484	484		484
Retired Employees.....		45,504	45,504		45,504
Non-State Contributions:					
Other Employers.....	1,046	28	1,074		1,074
COBRA Participants.....	614		614		614
Legislator Participants.....	506	158	664		664
Retirement Subsidies & Deductions.....		14,373	14,373		14,373
Medicare Part D Subsidies.....		980	980		980
Recoveries.....	995	879	1,874		1,874
Total Contributions for Health Benefits.....	151,513	62,406	213,919		213,919
State Contributions For Dental Benefits				\$ 10,218	10,218
Total Charges for Sales and Services.....	151,513	62,406	213,919	10,218	224,137
<b>OPERATING EXPENSES</b>					
Health Care Expenses					
Medical Payments.....	109,073	35,772	144,845		144,845
Pharmaceuticals.....	22,029	19,607	41,636		41,636
Dental Insurance Premiums.....				10,220	10,220
Ancillary Benefits.....	742		742		742
Total Health Care Expenses.....	131,844	55,379	187,223	10,220	197,443
Administrative Expenses.....	4,573	3,185	7,758		7,758
Enrollment.....	362		362		362
Total Operating Expenses.....	136,779	58,564	195,343	10,220	205,563
Operating Income (Loss).....	14,734	3,842	18,576	(2)	18,574
Net Assets (Deficit) - July 1 .....	(560)	3,390	2,830	2	2,832
Net Assets - June 30.....	\$ 14,174	\$ 7,232	\$ 21,406	\$	\$ 21,406

## **Component Units**

STATE OF NEW HAMPSHIRE  
 COMBINING STATEMENT OF NET ASSETS  
 NON-MAJOR COMPONENT UNITS  
 JUNE 30, 2006  
 (Expressed in Thousands)

	Business Finance Authority	Community Development Finance Authority	Pease Development Authority	Total
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents.....	\$ 1,333	\$ 6,722	\$ 8,032	\$ 16,087
Cash and Cash Equivalents-Restricted.....			1,347	1,347
Accounts Receivable.....	353	33	3,325	3,711
Other Receivables-Restricted.....			5,377	5,377
Notes Receivable - Current Portion.....	5,357	15,506		20,863
Prepaid Expenses & Other.....	22	22	384	428
Total Current Assets.....	7,065	22,283	18,465	47,813
Noncurrent Assets:				
Investments.....	12,531			12,531
Notes & Other Receivables.....	9,598	1,804		11,402
Other Assets.....	278		495	773
Capital Assets:				
Land & Land Improvements.....		29	348	377
Building & Building Improvements.....	7,951		88,360	96,311
Equipment.....	94	154	5,191	5,439
Construction in Progress.....			8,102	8,102
Less: Accumulated Depreciation.....	(2,860)	(125)	(35,395)	(38,380)
Net Capital Assets.....	5,185	58	66,606	71,849
Total Noncurrent Assets.....	27,592	1,862	67,101	96,555
Total Assets.....	34,657	24,145	85,566	144,368
Current Liabilities:				
Accounts Payable.....	17		2,200	2,217
Accrued Salaries and Wages.....		116		116
Accrued Employee Benefits - Current.....	16			16
Other Payables & Accrued Expenses.....		14,831	1,139	15,970
Other Liabilities.....	307		125	432
Deposits and Deferred Revenues.....	2,838	1,115	769	4,722
Due to Primary Government-Current Portion.....			1,945	1,945
Long Term Debt-Current Portion.....			199	199
Total Current Liabilities.....	3,178	16,062	6,377	25,617
Noncurrent Liabilities:				
Due to Primary Government.....			32,355	32,355
Other Long Term Debt.....	24,326	4,637	1,972	30,935
Total Noncurrent Liabilities.....	24,326	4,637	34,327	63,290
Total Liabilities.....	27,504	20,699	40,704	88,907
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt....	5,187	58	47,282	52,527
Restricted for Specific Purpose.....	397		1,221	1,618
Restricted for Long Term Receivable.....			5,377	5,377
Unrestricted.....	1,569	3,388	(9,018)	(4,061)
Total Net Assets.....	\$ 7,153	\$ 3,446	\$ 44,862	\$ 55,461

See accompanying Independent Auditors' Report

STATE OF NEW HAMPSHIRE  
 COMBINING STATEMENT OF ACTIVITIES  
 NON-MAJOR COMPONENT UNITS  
 JUNE 30, 2006  
 (Expressed in Thousands)

	Business Finance Authority	Community Development Finance Authority	Pease Development Authority	Total
<b>Expenses</b> .....	\$ 2,736	\$ 3,113	\$ 12,101	\$ 17,950
<b>Program Revenues:</b>				
Charges for Services:				
Tuition & Fees.....				
Scholarship Allowances.....				
Sales, Services, & Other Revenue.....	2,711	1,754	13,648	18,113
Operating Grants & Contributions.....		1,279	6,915	8,194
Total Program Revenues.....	2,711	3,033	20,563	26,307
Net Revenues.....	(25)	(80)	8,462	8,357
Interest & Investment Income.....	174	285	(1,726)	(1,267)
Payments (to) from State of New Hampshire....	(34)			(34)
Change in Net Assets.....	115	205	6,736	7,056
<b>Net Assets - Beginning</b> .....	7,038	3,241	38,126	48,405
<b>Net Assets - Ending</b> .....	\$ 7,153	\$ 3,446	\$ 44,862	\$ 55,461

# Fiduciary Funds

## Pension Trust Funds

The New Hampshire Retirement System consists of a cost-sharing multiple-employer contributory pension plan (Pension Plan) and trust established in 1967 by RSA 100:A:2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code and a post-retirement medical plan (Medical Plan).

**Pension Plan:** the pension plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters and permanent police officers within the State of New Hampshire are eligible and required to participate in the System. Full-time employees of political subdivisions, including counties, municipalities and school districts, are also eligible to participate as a group if the governing body of the political subdivision has elected participation.

**Post Retirement Medical Plan:** Pursuant to RSA 100-A:50 and RSA 100-A:52, the New Hampshire Retirement System also provides a postretirement medical plan to certain members. The maximum monthly subsidy effective as of July 1, 2004 for eligible members (and beneficiaries) not eligible for Medicare is \$298.13. For those eligible for Medicare, the maximum monthly subsidy is \$188.02. The monthly maximum subsidy is increased each July 1 by 8%. The System subsidy generally covers the retired member's spouse and any of the retired member's certifiable dependent children with a disability.

**Judicial Retirement Plan:** The New Hampshire Judicial Retirement Plan (the Plan) was established on January 1, 2005 pursuant to RSA 100-C:2 and is intended for all time to meet the requirements of a qualified pension trust within the meaning of section 401(a) and to qualify as a governmental plan within the meaning of section 414(d) of the United States Internal Revenue Code. It is a defined benefit plan providing disability, death, and retirement protection for full-time supreme court, superior court, district court or probate court judges employed within the state.

92 • NEW HAMPSHIRE  
**STATE OF NEW HAMPSHIRE**  
**COMBINING STATEMENT OF PLAN NET ASSETS**  
**PENSION TRUST FUNDS**  
**JUNE 30, 2006**  
(Expressed in Thousands)

	Pension Plan	Post Retirement Medical Plan	Judicial Retirement Plan	Total
<b>ASSETS</b>				
Cash & Cash Equivalents.....	\$ 2,142	\$ 206	\$ 12	\$ 2,360
Cash Collateral on Security Lending.....	756,869	72,865		829,734
Total Cash.....	759,011	73,071	12	832,094
Receivables:				
Due from Employers.....	15,278		63	15,341
Due from State.....	4,620			4,620
Due from Plan Members.....	15,243		29	15,272
Due from Brokers for Securities Sold.....	146,956	14,148		161,104
Interest and Dividends.....	13,109	1,262		14,371
Other .....	313	30		343
Total Receivables.....	195,519	15,440	92	211,051
Investments				
Cash & Cash Equivalents.....	249,828	24,053		273,881
Equity Investments				
Domestic.....	2,206,743	212,447	21,411	2,440,601
International.....	595,101	57,291	5,891	658,283
Fixed Income Investments				
Domestic.....	796,166	76,648	10,864	883,678
Global.....	162,895	15,682		178,577
Commercial Real Estate.....	365,694	35,206	5,370	406,270
Alternative Investments.....	307,314	29,586	1,017	337,917
Total Investments.....	4,683,741	450,913	44,553	5,179,207
Other Assets.....	4,322	416		4,738
Total Assets.....	5,642,593	539,840	44,657	6,227,090
<b>LIABILITIES</b>				
Securities Lending Collateral.....	756,869	72,865		829,734
Management Fees and Other Payables.....	7,383	711	60	8,154
Due to Brokers for Securities Purchased.....	211,945	20,404		232,349
Total Liabilities.....	976,197	93,980	60	1,070,237
Net Assets Held in Trust for Benefits & Other Purposes.....	<u>\$ 4,666,396</u>	<u>\$ 445,860</u>	<u>\$ 44,597</u>	<u>\$ 5,156,853</u>

STATE OF NEW HAMPSHIRE  
 COMBINING STATEMENT OF CHANGES  
 IN PLAN NET ASSETS  
 PENSION TRUST FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
 (Expressed in Thousands)

	Pension Plan	Post Retirement Medical Plan	Judicial Retirement Plan	Total
<b>ADDITIONS</b>				
<b>Contributions:</b>				
Employer .....	\$ 86,981	\$ 50,255	\$ 44,143	\$ 181,379
State Contributions on Behalf of Local Employers.....	22,391	11,194		33,585
Total Employer Contributions.....	109,372	61,449	44,143	214,964
Plan Member.....	147,821		548	148,369
Total Contributions.....	257,193	61,449	44,691	363,333
<b>Investment Income:</b>				
From Investing Activities:				
Net Appreciation in Fair Value of Investments.....	320,268	32,394	1,929	354,591
Interest.....	52,904	5,351	1,122	59,377
Dividends.....	49,421	4,999		54,420
Alternative Investment Income.....	(1,587)	(161)		(1,748)
Commercial Real Estate Operating Income.....	18,724	1,894		20,618
Total Income from Investing Activities.....	439,730	44,477	3,051	487,258
<b>Less: Investment Activity Expenses:</b>				
Investment Management Fees.....	22,983	2,325	51	25,359
Custodial Fees.....	403	41	43	487
Investment Advisor Fees.....	547	55	45	647
Total Investment Activity Expenses.....	23,933	2,421	139	26,493
Total Net Income from Investing Activities.....	415,797	42,056	2,912	460,765
<b>From Securities Lending Activities:</b>				
Security Lending Income.....	26,433	2,674		29,107
Less: Security Lending Borrower Rebates.....	23,770	2,404		26,174
Less: Security Lending Management Fees.....	533	54		587
Net Income from Securities Lending Activities.....	2,130	216		2,346
<b>Total Net Investment Income</b> .....	417,927	42,272	2,912	463,111
Asset Transfer from Pension Plan.....	61,449			61,449
Other.....	745	75		820
<b>Total Additions</b> .....	737,314	103,796	47,603	888,713
<b>DEDUCTIONS</b>				
Benefits/Distributions to Participants.....	316,637	41,639	2,650	360,926
Refunds of Contributions.....	29,382			29,382
Administrative Expense.....	4,799	485	356	5,640
Post Retirement Medical Plan Contributions to Pension Plan on Behalf of Employers.....		61,449		61,449
Professional Fees.....	965	98		1,063
Other.....	1,807	183		1,990
<b>Total Deductions</b> .....	353,590	103,854	3,006	460,450
<b>Change in Net Assets</b> .....	383,724	(58)	44,597	428,263
<b>NET ASSETS HELD IN TRUST FOR BENEFITS</b>				
Beginning of the Year.....	4,282,672	445,918		4,728,590
End of the Year.....	\$ 4,666,396	\$ 445,860	\$ 44,597	\$ 5,156,853

See accompanying Independent Auditors' Report

## Private - Purpose Trust Funds

**Special Fund for Second Injury:** *The intent of the Second injury fund is to equalize the compensation costs that the employer and their insurance company must pay for impaired and non-impaired workers alike, thereby removing a potential barrier to the employment of impaired workers. This fund gives employers the opportunity to limit their compensation costs in the event that an impaired employee sustains a workers compensation injury, which leaves the worker more disabled than the same injury would leave a non-impaired worker. Each carrier and self-insured employer pays into the fund based on a formula per statute. Reimbursements for compensable payments made by insurance carriers and self-insured employers, are made only upon written order by the Labor Commissioner to the State Treasurer. The State Treasurer is the custodian of the fund and all moneys and securities in the fund are held in trust by the treasurer and do not constitute money or property of the state.*

**Electrical Assistance Program Utility Fund:** *The Electrical Assistance Program (EAP) was developed by the Public Utilities Commission (PUC) to respond to the Legislature's call for low-income programs as part of electric restructuring. Accordingly, PUC issued an order approving a program to provide bill assistance to customers, and set up this fund. This program provides income-eligible customers with discounts on their electric bills. Customer bills for low-income assistance are adjusted by the utility company. The state treasurer is the custodian of the fund, and all moneys and securities in the fund are held in trust by the state treasurer and do not constitute money or property of the state. According to the Consumer Affairs Director at PUC, if the Electrical Assistance Program (EAP) were to cease operations, the funds would not remain with Treasury, the custodian of the funds, they would be have to be returned to the rate payers.*

**College Savings:** *This fund is The New Hampshire Excellence in Higher Education Endowment Trust Fund; a non state program which has the purpose of providing scholarships for the benefit of residents of the state of New Hampshire who are pursuing programs of study at eligible educational institutions within the state. Funding will come from a portion of the administrative proceeds of New Hampshire's UNIQUE College Investing Plan. The fund is administered by the New Hampshire College Tuition Savings Plan Advisory Commission, and scholarships will be granted based on need and merit. The State Treasurer is the trustee of the fund.*

**Other:** *The other category consists of several accounts whose trust arrangements provide principal and income to benefit individuals, private organizations or other governments. They include: NH Veterans Home Funds, Prison Funds, Laconia State School, Japanese Charitable Trust, Youth Development Center, Rural Rehab. Corporation, Matthew Elliott Trust, YDC Other Funds, and the Special Fund for Active Cases.*

STATE OF NEW HAMPSHIRE  
 COMBINING STATEMENT OF NET ASSETS -  
 PRIVATE - PURPOSE TRUST FUNDS  
 JUNE 30, 2006  
 (Expressed in Thousands)

	Private-Purpose Trust Funds				
	Special Fund For Second Injuries	EAP	College Savings	Other	Total Private-Purpose
<b>ASSETS</b>					
Cash and Cash Equivalents.....	\$ 2,269	\$ 5		\$ 686	\$ 2,960
Other Receivables.....					
Investments.....			\$ 18,962	990	19,952
Total Assets.....	2,269	5	18,962	1,676	22,912
<b>LIABILITIES</b>					
Other Liabilities.....				85	85
Total Liabilities.....				85	85
Net Assets Held in Trust for Benefits & Other Purposes.....	\$ 2,269	\$ 5	\$ 18,962	\$ 1,591	\$ 22,827

STATE OF NEW HAMPSHIRE  
STATEMENT OF CHANGES IN NET ASSETS -  
PRIVATE-PURPOSE TRUST FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Expressed in Thousands)

	Private Purpose Trust Funds				
	Special Fund For Second Injuries	EAP	College Savings	Other	Total Private Purpose
<b>ADDITIONS</b>					
<b>Contributions:</b>					
From Participants.....	\$ 4,952	\$ 1,861		\$ 2,893	\$ 9,706
Total Contributions.....	4,952	1,861		2,893	9,706
Interest Income.....	241	12	\$ 135	26	414
Other.....			9,722	40	9,762
<b>Total Additions.....</b>	<b>5,193</b>	<b>1,873</b>	<b>9,857</b>	<b>2,959</b>	<b>19,882</b>
<b>DEDUCTIONS</b>					
Benefits/Distributions to Participants.....	9,981	2,518	5,813	2,737	21,049
<b>Total Deductions.....</b>	<b>9,981</b>	<b>2,518</b>	<b>5,813</b>	<b>2,737</b>	<b>21,049</b>
<b>Net Increase/(Decrease).....</b>	<b>(4,788)</b>	<b>(645)</b>	<b>4,044</b>	<b>222</b>	<b>(1,167)</b>
<b>NET ASSETS HELD IN TRUST FOR BENEFITS &amp; OTHER PURPOSES</b>					
Beginning of the Year.....	7,057	650	14,918	1,369	23,994
<b>End of the Year.....</b>	<b>\$ 2,269</b>	<b>\$ 5</b>	<b>\$ 18,962</b>	<b>\$ 1,591</b>	<b>\$ 22,827</b>

## Agency Funds

**Unified Court System:** *These funds are litigation accounts. When a party sues another party funds are held in the Judicial Branch Trust Funds until a judgment is made. These trust funds are classified by the court; Superior, Probate, District and Family Division, and have several account types within each court.*

**Child Support Funds:** *There are currently five non-state program funds reported under the child support funds and all function in a custodial capacity for the benefit of child support recipients. The Payroll account has the most activity and resulted from the transfer of activity from the Department of Probation to the Division of Human Services (Welfare) in 1981. This account includes the checking account for the dollars received and disbursed on behalf of those receiving Child Support. The revolving fund was established to make timely payment of certain child support enforcement services costs. The purpose of the child support enforcement program is to obtain from responsible parents reimbursement of financial assistance provided their dependent children. The Department of Human Services, Division of Child Support Services, has an agreement with ACS State and Local Solutions, Inc., to manage the billing, collection and telecommunication system operated on a statewide basis as part of the automated child support system, which is labeled the Lockbox account. This lockbox functions as DCSS' State Disbursement Unit (SDU). An SDU must be capable of receiving, recording and depositing wage assignments from employers and direct payments from non-custodial parents. Within 48 hours of receiving a payment, an SDU must make an accurate distribution of payments to families throughout New Hampshire, the remaining states and territories, and several foreign countries. The other two funds are used for collections relation to Juvenile Services restitution cases and court repayment of lawyer's fees.*

**Nuclear Decommissioning Fund:** *The fund was established pursuant to RSA 162-F, in the office of the Treasurer of the State of New Hampshire, to ensure that money is available to pay the full cost of decommissioning the Seabrook Nuclear Power Project (Seabrook Station), following the end of its useful life, to ensure the health, safety and well-being of the public and of current and future generations. This statute also established the Nuclear Decommissioning Financing Committee which is responsible, among other things, to periodically determine the projected cost of decommissioning and to determine the schedule of payments required to be paid into the Fund by each owner of Seabrook Station. The owners of Seabrook Station, who retain title to the Fund, have full responsibility for decommissioning and are entitled to any funds remaining following the decommissioning process. The State has no financial responsibility for any nuclear decommissioning costs.*

**Maine-NH Interstate Bridge:** *The bridge over the Piscataqua River was inadequate to accommodate the traffic between the states of Maine and New Hampshire. The solution to this problem was the construction of a new bridge. As a result, the Maine-New Hampshire Interstate Bridge Authority was created, with the consent of the United State Congress, by entering into a compact formed through the joining of the state of Maine and New Hampshire through a common agency, a corporation in the state of New Hampshire. The Authority has the power and authority to construct, maintain, reconstruct and operate an interstate bridge across the Piscataqua River between Kittery, Maine and Portsmouth, New Hampshire, and its approach roads.*

**Other:** *The other category consists of several accounts whose assets and liabilities for deposits and investments have been entrusted to the state as an agent for others. The following make up this category, Glencliff Home, Financial Responsibility, Dissolution of Corporations, Employee US Savings Bonds, NH Tech. Student Activities, Skyhaven Hangar, Corrections Funds, Fish & Game Lifetime Licenses, and the Community Conservation Endowment Funds.*

**STATE OF NEW HAMPSHIRE**  
**COMBINING STATEMENT OF ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**JUNE 30, 2006**  
**(Expressed in Thousands)**

	Agency Funds					Total
	Unified Court System	Child Support Funds	Nuclear Decommissioning Fund	Maine-NH Interstate Bridge	Other Agency Funds	
<b>ASSETS</b>						
Cash and Cash Equivalents.....	\$ 8,557	\$ 1,192			\$ 7,178	\$ 16,927
Investments.....			\$ 345,597	\$ 2,119	2,789	350,505
Total Assets.....	\$ 8,557	\$ 1,192	\$ 345,597	\$ 2,119	\$ 9,967	\$ 367,432
<b>LIABILITIES</b>						
Custodial Funds Payable.....	\$ 8,557	\$ 1,192	\$ 345,597	\$ 2,119	\$ 9,960	\$ 367,425
Other Liabilities.....					7	7
Total Liabilities.....	\$ 8,557	\$ 1,192	\$ 345,597	\$ 2,119	\$ 9,967	\$ 367,432

STATE OF NEW HAMPSHIRE  
 COMBINING STATEMENT OF CHANGES  
 IN ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
 (Expressed in Thousands)

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
<b><u>Unified Court System</u></b>				
<b><u>ASSETS</u></b>				
Cash and Cash Equivalents.....	\$ 5,638	\$ 18,498	\$ 15,579	\$ 8,557
<b><u>LIABILITIES</u></b>				
Custodial Funds Payable.....	\$ 5,638	\$ 18,498	\$ 15,579	\$ 8,557
<b><u>Child Support Funds</u></b>				
<b><u>ASSETS</u></b>				
Cash and Cash Equivalents.....	\$ 1,374	\$ 146,786	\$ 146,968	\$ 1,192
<b><u>LIABILITIES</u></b>				
Custodial Funds Payable.....	\$ 1,374	\$ 146,786	\$ 146,968	\$ 1,192
<b><u>Nuclear Decommissioning Fund</u></b>				
<b><u>ASSETS</u></b>				
Investments.....	\$ 326,986	\$ 20,743	\$ 2,132	\$ 345,597
<b><u>LIABILITIES</u></b>				
Custodial Funds Payable.....	\$ 326,986	\$ 20,743	\$ 2,132	\$ 345,597
<b><u>Maine-New Hampshire Interstate Bridge Authority</u></b>				
<b><u>ASSETS</u></b>				
Investments.....	\$ 2,837	\$ 121	\$ 839	\$ 2,119
<b><u>LIABILITIES</u></b>				
Custodial Funds Payable.....	\$ 2,837	\$ 121	\$ 839	\$ 2,119
<b><u>Other Agency Funds</u></b>				
<b><u>ASSETS</u></b>				
Cash and Cash Equivalents.....	\$ 4,841	\$ 11,670	\$ 9,333	\$ 7,178
Investments.....	2,583	379	173	2,789
Total Assets.....	\$ 7,424	\$ 12,049	\$ 9,506	\$ 9,967
<b><u>LIABILITIES</u></b>				
Other Liabilities.....	\$ 22	\$ 392	\$ 407	\$ 7
Custodial Funds Payable.....	7,402	11,657	9,099	9,960
Total Liabilities.....	\$ 7,424	\$ 12,049	\$ 9,506	\$ 9,967
<b><u>Totals - Agency Funds</u></b>				
<b><u>ASSETS</u></b>				
Cash and Cash Equivalents.....	\$ 11,853	\$ 176,954	\$ 171,880	\$ 16,927
Investments.....	332,406	21,243	3,144	350,505
Total Assets.....	\$ 344,259	\$ 198,197	\$ 175,024	\$ 367,432
<b><u>LIABILITIES</u></b>				
Other Liabilities.....	\$ 22	\$ 392	\$ 407	\$ 7
Custodial Funds Payable.....	344,237	197,805	174,617	367,425
Total Liabilities.....	\$ 344,259	\$ 198,197	\$ 175,024	\$ 367,432

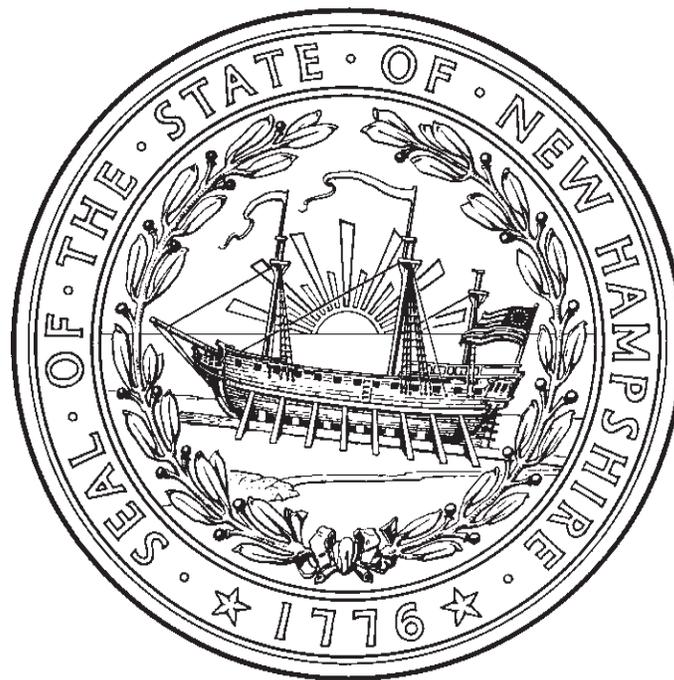
[Return To Table of Contents](#)

---

# Statistical Section

*(Unaudited)*

---



**STATE OF NEW HAMPSHIRE**  
**SCHEDULE OF NET ASSETS BY COMPONENT**  
**LAST FIVE FISCAL YEARS**  
*(Accrual Basis of Accounting, Expressed in Thousands)*

	Fiscal Year				
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Governmental activities					
Invested in capital assets, net of related debt	\$ 1,430,849	\$ 1,314,663	\$ 1,255,739	\$ 1,179,736	\$ 1,260,145
Restricted	311,460	262,938	245,194	235,209	250,391
Unrestricted	411,025	417,238	306,117	293,567	330,009
Total governmental activities net assets	<u>\$ 2,153,334</u>	<u>\$ 1,994,839</u>	<u>\$ 1,807,050</u>	<u>\$ 1,708,512</u>	<u>\$ 1,840,545</u>
Business-type activities					
Invested in capital assets, net of related debt	\$ 276,083	\$ 238,080	\$ 212,708	\$ 183,086	\$ 176,118
Restricted	325,307	318,143	299,755	305,061	366,772
Unrestricted	14,059	29,171	37,568	53,151	53,584
Total business-type activities net assets	<u>\$ 615,449</u>	<u>\$ 585,394</u>	<u>\$ 550,031</u>	<u>\$ 541,298</u>	<u>\$ 596,474</u>
Primary government					
Invested in capital assets, net of related debt	\$ 1,706,932	\$ 1,552,743	\$ 1,468,447	\$ 1,362,822	\$ 1,436,263
Restricted	636,767	581,081	544,949	540,270	617,163
Unrestricted	425,084	446,409	343,685	346,718	383,593
Total primary government net assets	<u>\$ 2,768,783</u>	<u>\$ 2,580,233</u>	<u>\$ 2,357,081</u>	<u>\$ 2,249,810</u>	<u>\$ 2,437,019</u>

Notes: The state did not begin reporting government-wide statements until it implemented GASB Statement 34 in 2002.

**STATE OF NEW HAMPSHIRE**  
**SCHEDULE OF CHANGES IN NET ASSETS**  
**LAST FIVE FISCAL YEARS**  
*(Accrual Basis of Accounting, Expressed in Thousands)*

	2006	2005	2004	2003	2002
<b>Governmental Activities:</b>					
Expenses					
General government	\$ 353,814	\$ 331,651	\$ 263,634	\$ 250,160	\$ 185,269
Administration of justice and public protection	345,779	288,737	278,392	283,944	231,309
Resource protection and development	131,812	130,113	124,357	128,320	115,670
Transportation	416,518	383,435	380,358	488,947	419,048
Health and social services	1,681,182	1,785,525	1,778,791	1,516,228	1,358,774
Education	1,289,684	1,235,183	1,318,503	1,301,202	1,292,751
Interest expense	27,991	29,467	27,062	28,525	30,609
Total expenses	<u>4,246,780</u>	<u>4,184,111</u>	<u>4,171,097</u>	<u>3,997,326</u>	<u>3,633,430</u>
Program revenues					
Charges for services:					
General government	175,108	141,883	110,136	98,653	66,629
Administration of justice and public protection	279,700	282,820	272,943	260,782	247,972
Resource protection and development	63,333	62,381	51,423	60,752	56,114
Transportation	20,622	17,466	10,018	5,211	7,058
Health and social services	84,445	199,245	154,242	96,823	81,071
Education	41,749	38,690	39,821	36,085	32,418
Operating grants and contributions	1,340,495	1,359,477	1,369,236	1,194,229	1,003,587
Capital grants and contributions	195,142	159,238	159,015	153,630	200,429
Total program revenues	<u>2,200,594</u>	<u>2,261,200</u>	<u>2,166,834</u>	<u>1,906,165</u>	<u>1,695,273</u>
Total Governmental Activities Net Program Expense	<u>(2,046,186)</u>	<u>(1,922,911)</u>	<u>(2,004,263)</u>	<u>(2,091,161)</u>	<u>(1,938,157)</u>
General Revenues and Other Changes in Net Assets					
Taxes					
General property taxes	384,873	393,426	494,364	504,191	502,604
Special taxes	1,282,467	1,240,922	1,142,406	1,070,627	1,059,080
Personal taxes	100,756	101,360	100,015	94,029	84,222
Business license taxes	149,502	154,335	151,744	145,422	141,851
Interest and investment income	11,895	6,557	5,832	7,851	1,289
Miscellaneous	39,759	46,166	42,620	48,827	51,030
Loss on transfer of assets to other entities				(64,001)	(7,725)
Transfers	185,429	167,944	165,820	152,182	148,727
Total General Revenues and Other Changes in Net Assets	<u>2,204,681</u>	<u>2,110,700</u>	<u>2,102,801</u>	<u>1,959,128</u>	<u>1,981,078</u>
Total Governmental Activities Change in Net Assets	<u>\$ 158,495</u>	<u>\$ 187,789</u>	<u>\$ 98,538</u>	<u>\$ (132,033)</u>	<u>\$ 42,921</u>
<b>Business-type Activities:</b>					
Expenses					
Turnpike System	\$ 75,580	\$ 58,582	\$ 56,816	\$ 58,080	\$ 55,677
Liquor Commission	330,701	313,838	295,798	277,135	259,986
Lottery Commission	183,871	160,282	165,532	157,036	149,791
Unemployment Compensation	81,582	82,549	116,802	143,429	120,623
Total expenses	<u>671,734</u>	<u>615,251</u>	<u>634,948</u>	<u>635,680</u>	<u>586,077</u>
Revenues					
Charges for services:					
Turnpike System	83,395	67,866	65,691	66,830	66,515
Liquor Commission	433,530	411,764	387,215	362,421	341,935
Lottery Commission	265,807	230,543	239,630	223,605	215,916
Unemployment Compensation	87,729	102,012	109,627	79,830	102,604
Capital grants and contributions	16,757	6,373	7,338	-	-
Total revenues	<u>887,218</u>	<u>818,558</u>	<u>809,501</u>	<u>732,686</u>	<u>726,970</u>
Total Business-type Activities Net Program Revenue	<u>215,484</u>	<u>203,307</u>	<u>174,553</u>	<u>97,006</u>	<u>140,893</u>
Other Changes in Net Assets					
Transfers	(185,429)	(167,944)	(165,820)	(152,182)	(148,727)
Total Other Changes in Net Assets	<u>(185,429)</u>	<u>(167,944)</u>	<u>(165,820)</u>	<u>(152,182)</u>	<u>(148,727)</u>
Total Business-type Activities Change in Net Assets	<u>\$ 30,055</u>	<u>\$ 35,363</u>	<u>\$ 8,733</u>	<u>\$ (55,176)</u>	<u>\$ (7,834)</u>
Total Primary Government Change in Net Assets	<u>\$ 188,550</u>	<u>\$ 223,152</u>	<u>\$ 107,271</u>	<u>\$ (187,209)</u>	<u>\$ 35,087</u>

Notes: The State did not begin reporting government-wide statements until it implemented GASB Statement 34 in 2002.

**STATE OF NEW HAMPSHIRE**  
**SCHEDULE OF FUND BALANCES, GOVERNMENTAL FUNDS**  
**LAST FIVE FISCAL YEARS**  
*(Modified Accrual Basis of Accounting, Expressed in Thousands)*

	Fiscal Year				
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
General fund					
Reserved	\$ 313,252	\$ 223,162	\$ 220,077	\$ 188,642	\$ 257,638
Unreserved	26,056	82,202	15,287	-	(37,869)
Total general fund	<u>\$ 339,308</u>	<u>\$ 305,364</u>	<u>\$ 235,364</u>	<u>\$ 188,642</u>	<u>\$ 219,769</u>
All other governmental funds					
Reserved	\$ 296,346	\$ 246,043	\$ 325,307	\$ 251,573	\$ 323,912
Unreserved, reported in:					
Special revenue funds	12,161	10,030	(6,689)	(9,982)	(1,513)
Capital project fund	(219,095)	(130,913)	(207,182)	(144,898)	(152,128)
Total all other governmental funds	<u>\$ 89,412</u>	<u>\$ 125,160</u>	<u>\$ 111,436</u>	<u>\$ 96,693</u>	<u>\$ 170,271</u>

Notes: Due to changes in the state's fund structure initiated when GASB Statement 34 was implemented, the fund balance information is available only beginning in 2002.

**STATE OF NEW HAMPSHIRE**  
**SCHEDULE OF CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS**  
**LAST FIVE FISCAL YEARS**  
*(Modified Accrual Basis of Accounting, Expressed in Thousands)*

	Fiscal Year				
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
<b>Revenues</b>					
General property taxes	\$ 384,273	\$ 392,276	\$ 493,614	\$ 504,891	\$ 501,704
Special taxes	1,237,742	1,216,864	1,137,423	1,054,577	1,018,713
Personal taxes	150,756	101,360	100,015	94,029	84,222
Business License Taxes	168,544	173,039	170,322	162,973	159,480
Non-Business License Taxes	167,476	173,800	169,592	163,764	155,279
Fees	139,319	132,264	121,636	116,266	111,044
Fines, Penalties and Interest	32,223	24,188	24,365	22,663	20,598
Grants from Federal Government	1,414,103	1,415,070	1,380,605	1,236,223	1,104,470
Grants from Private and Local Sources	124,633	103,856	139,976	117,978	101,248
Rents and Leases	1,360	1,296	1,457	1,333	1,612
Interest, Premiums and Discounts	19,091	11,970	5,101	11,700	7,583
Sale of Commodities	8,178	8,701	8,882	11,783	11,354
Sale of Service	94,700	166,472	153,423	94,314	88,892
Assessments	54,081	82,209	16,422	14,322	17,365
Grants from Other Agencies	22,869	20,583	5,659	4,644	3,241
Miscellaneous	150,260	155,059	164,421	159,922	119,753
<b>Total Revenues</b>	<u>4,169,608</u>	<u>4,179,007</u>	<u>4,092,913</u>	<u>3,771,382</u>	<u>3,506,558</u>
<b>Expenditures</b>					
General Government	308,187	311,755	217,050	211,475	116,665
Administration of Justice and Public Protection	326,360	278,905	259,579	254,551	235,113
Resource Protection and Development	159,099	159,575	163,155	162,006	136,224
Transportation	284,686	258,243	237,711	236,479	221,572
Health and Social Services	1,663,667	1,786,260	1,755,287	1,505,655	1,352,660
Education	1,260,372	1,208,781	1,281,614	1,263,036	1,286,651
Debt Service					
Principal	60,560	55,298	57,717	59,685	50,691
Interest	32,608	35,433	29,023	29,906	32,068
Capital Outlay	337,945	288,150	281,348	316,403	289,050
<b>Total expenditures</b>	<u>4,433,484</u>	<u>4,382,400</u>	<u>4,282,484</u>	<u>4,039,196</u>	<u>3,720,694</u>
<b>Revenues Over (Under) Expenditures</b>	<u>(263,876)</u>	<u>(203,393)</u>	<u>(189,571)</u>	<u>(267,814)</u>	<u>(214,136)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers In	7,183	41,311	59,716	68,796	86,434
Transfers In from Enterprise Funds	185,429	167,944	165,820	152,182	148,727
Transfers Out	(7,183)	(41,311)	(59,716)	(68,796)	(86,434)
G.O. Bond Premiums	1,462	181	3,417	6,912	3,340
G.O. Bond Issuance	75,000	117,800	80,000	101,477	105,130
Payments to Refunding Bond Escrow Agent				(97,830)	
Repayment of BANS					(50,000)
Capital Lease Proceeds	537		134	1,159	2,600
<b>Total Other Financing Sources (Uses)</b>	<u>262,428</u>	<u>285,925</u>	<u>249,371</u>	<u>163,900</u>	<u>209,797</u>
<b>Change in Reserve for Inventory</b>	(356)	1,192	1,665	(791)	1,934
<b>Net Change in Fund Balances</b>	<u>\$ (1,804)</u>	<u>\$ 83,724</u>	<u>\$ 61,465</u>	<u>\$ (104,705)</u>	<u>\$ (2,405)</u>
<b>Debt Service as a Percentage of Non-Capital Expenditure:</b>	2.3%	2.3%	2.2%	2.5%	2.5%

Notes: Due to changes in the state's fund structure initiated when GASB Statement 34 was implemented, the changes in fund balance information is available only beginning in 2002.

STATE OF NEW HAMPSHIRE  
SCHEDULE OF UNRESTRICTED REVENUE - GAAP BASIS  
GENERAL FUND  
FOR THE LAST TEN FISCAL YEARS  
(Expressed in Thousands)

	Fiscal Year Ended June 30									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Beer Tax.....	\$ 12,805	\$ 12,413	\$ 12,445	\$ 12,281	\$ 12,157	\$ 11,656	\$ 12,090	\$ 11,783	\$ 11,442	\$ 11,366
Board and Care Revenue.....	13,261	15,583	12,384	11,197	10,692	13,333	11,953	11,196	12,966	13,992
Business Profits Tax.....	264,027	196,647	131,585	137,757	128,574	179,615	146,443	164,833	167,471	171,990
Business Enterprise Tax.....	75,190	114,110	118,538	96,574	121,016	122,165	94,354	93,021	71,036	38,239
Estate and Legacy Tax.....	3,224	11,659	26,971	59,074	56,958	59,348	56,368	54,744	43,274	40,734
Insurance Tax.....	90,462	88,706	86,246	82,161	76,094	66,441	59,336	62,914	54,656	57,202
Securities Revenue.....	30,064	27,904	26,344	25,778	26,060	28,023	25,513	22,465	20,522	18,042
Interest and Dividends Tax.....	80,543	67,896	55,630	55,129	70,334	76,651	65,522	63,134	61,799	52,683
Liquor.....	120,644	112,555	106,676	98,996	96,237	89,344	86,015	77,444	75,440	71,713
Meals and Rooms Tax.....	193,788	186,486	178,480	168,722	164,045	157,202	149,777	137,258	128,688	118,984
Dog Racing.....	559	1,112	1,515	1,572	1,487	1,262	1,058	1,026	1,011	2,213
Horse Racing.....	2,313	2,401	2,474	2,459	2,701	2,592	2,429	2,427	2,238	2,778
Real Estate Transfer Tax.....	106,161	107,821	95,162	78,859	66,393	59,488	56,779	52,925	44,162	33,330
Telephone/Communications Tax.....	70,496	70,039	65,781	62,522	64,663	49,045	47,794	46,219	40,134	39,253
Tobacco Tax.....	69,892	73,159	71,471	67,066	60,294	61,007	68,381	73,784	76,128	50,436
Tobacco Settlement.....		2,441	1,816	5,862	5,725		442			
Utilities Tax.....	6,385	6,265	5,121	7,078	5,565	9,656	9,974	10,402	17,731	17,562
Courts Fines and Fees.....	29,500	25,517	24,673	22,114	23,234	23,218	22,845	21,917	21,021	20,167
Flexible Grant.....			25,000	25,000						
Other:										
Corporate Returns.....	744	733	748	750	711	681	676	659	655	698
Interstate Vehicle Registrations.....	2,411	2,334	2,253	2,310	2,377	2,602	2,860	2,858	2,795	2,714
Motor Boat Registrations.....								1,779	1,847	1,757
Corporate Filing Fees.....	3,716	3,231	2,947	3,346	3,341	3,427	3,436	3,229	3,227	3,219
Interest on Surplus Funds.....	4,868	1,712	174	75	1,250	3,754	3,201	5,978	2,990	181
Reimbursement of Indirect Costs.....	6,265	6,724	6,671	5,675	5,511	4,255	4,094	4,903	5,100	4,184
Miscellaneous.....	44,092	44,878	44,258	40,409	32,403	32,917	27,877	26,192	29,991	26,266
Subtotal.....	1,231,410	1,182,326	1,105,363	1,072,766	1,037,822	1,057,682	959,217	953,090	896,324	799,703
Net Medicaid Enhancement										
Revenues (MER).....	73,617	147,209	149,831	116,979	98,208	85,217	74,230	70,411	67,502	54,268
Recoveries.....	24,462	22,989	20,374							
Subtotal.....	1,329,489	1,352,524	1,275,568	1,189,745	1,136,030	1,142,899	1,033,447	1,023,501	963,826	853,971
Other MER Transferred to/(from)										
Uncompensated Care Pool.....		39,062	35,143	16,594	16,263	12,966	12,915	15,839	9,204	43,482
Total Unrestricted Revenue.....	\$ 1,329,489	\$ 1,391,586	\$ 1,310,711	\$ 1,206,339	\$ 1,152,293	\$ 1,155,865	\$ 1,046,362	\$ 1,039,340	\$ 973,030	\$ 897,453

**STATE OF NEW HAMPSHIRE  
SCHEDULE OF UNDESIGNATED FUND BALANCE - GENERAL FUND  
FOR THE LAST TEN FISCAL YEARS  
(Expressed in Thousands)**

	Fiscal Year Ended June 30									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Balance, July 1 (Budgetary Method).....	\$ 123,174	\$ 73,757	\$ 20,047	\$ 23,309	\$ 136,349	\$ 62,450	\$ 119,484	\$ 131,367	\$ 42,638	\$ 11,356
Additions:										
Unrestricted Revenue.....	1,329,489	1,352,524	1,275,568	1,189,745	1,136,030	1,142,899	1,033,447	1,023,501	960,530	873,749
(1)Unrestricted Revenue - UCP.....		39,062	35,143	16,594	16,263	12,966	12,915	15,839	12,500	23,704
Total Unrestricted Revenue.....	1,329,489	1,391,586	1,310,711	1,206,339	1,152,293	1,155,865	1,046,362	1,039,340	973,030	897,453
Transfer from Other Funds.....	27,013	8,709	9,161	517	3,358	1,787	778	2,334	1,051	1,062
Bonds Authorized and Unissued.....		42,800			5,130			(7,337)		
Additional Lottery Transfer.....								8,579		
Other Credits.....	137	1,126	821	35	247	48	214	7,541	5,348	51
Total Additions.....	1,356,639	1,444,221	1,320,693	1,206,891	1,161,028	1,157,700	1,047,354	1,050,457	979,429	898,566
Deductions:										
Appropriations Net of Estimated Revenues:										
General Government.....	281,005	303,522	248,390	233,118	228,190	227,278	226,440	203,368	185,447	185,695
Administration of Justice and Public Protection.....	195,145	172,289	168,515	163,516	161,406	154,450	149,503	136,298	128,992	109,324
Resource Protection and Development.....	42,056	41,454	41,673	41,161	41,511	38,764	37,753	38,483	37,238	35,071
Transportation.....	6,021	2,885	2,759	3,286	3,399	2,920	3,034	2,882	2,935	2,845
Health and Social Services.....	614,948	608,735	589,392	516,550	498,534	242,393	242,442	218,549	212,160	205,796
Education.....	210,520	256,466	247,543	265,552	242,657	175,520	166,644	156,335	154,785	124,941
Liquor Commission.....	30,585	27,562	28,879	24,943	25,035	22,860	23,417	22,550	22,119	20,443
(2)Special Fund.....						238,823	231,867	205,086	197,903	195,957
Subtotal.....	1,380,280	1,412,913	1,327,151	1,248,126	1,200,732	1,103,008	1,081,100	983,551	941,579	880,072
Uncompensated Care Pool.....		39,062	35,143	16,594	16,263	12,966	12,915	15,839	12,500	23,704
Health Care Transition Fund (HCTF).....									14,786	6,500
Total Appropriations Net of Estimated Revenues.....	1,380,280	1,451,975	1,362,294	1,264,720	1,216,995	1,115,974	1,094,015	999,390	968,865	910,276
Less: Lapses.....	(34,045)	(57,969)	(57,491)	(20,650)	(26,179)	(33,010)	(22,913)	(42,794)	(24,105)	(25,493)
Lapses - HCTF.....						(95)	(342)	(485)		(6,415)
Total Lapses.....	(34,045)	(57,969)	(57,491)	(20,650)	(26,179)	(33,105)	(23,255)	(43,279)	(24,105)	(31,908)
Net Appropriations.....	1,346,235	1,394,006	1,304,803	1,244,070	1,190,816	1,082,869	1,070,760	956,111	944,760	878,368
Transfers to Other Funds.....		757					65	872	280	398
Other Debits.....	1,547	41	37			105	1,037	2,704	865	1,823
Transfer to (from) Fund Equity										
Designation or Reserve Accounts.....	51,702	-	(37,857)	(33,917)	83,252	827	32,526	102,653	(55,205)	(13,305)
Total Deductions.....	1,399,484	1,394,804	1,266,983	1,210,153	1,274,068	1,083,801	1,104,388	1,062,340	890,700	867,284
Balance, June 30 (Budgetary Method).....	80,329	123,174	73,757	20,047	23,309	136,349	62,450	119,484	131,367	42,638
GAAP Adjustments:										
Receivables.....	39,098	34,313	32,722	29,676	26,254	4,121	2,845	4,827	1,520	2,764
Accounts Payable and Accrued Liabilities.....	(88,809)	(93,773)	(94,872)	(88,271)	(67,704)	(44,552)	(48,721)	(62,191)	(58,082)	(53,199)
Transfer from General to Liquor Fund.....	(4,562)	(4,012)	(4,191)	(4,324)	(3,148)	(2,738)	(2,686)	(3,628)	(3,677)	(3,180)
Transfer from General to Special Fund.....						(9,833)	(9,889)	(27,488)	(26,127)	(29,207)
Additional Transfers (to) from Reserve Accounts.....				37,857		(83,347)		(31,004)	(3,602)	38,960
Total GAAP Adjustments.....	(54,273)	(63,472)	(66,341)	(25,062)	(44,598)	(136,349)	(58,451)	(119,484)	(89,968)	(43,862)
Year-End Transfer to Education to cover..... Advances (Negative Cash Balance).....		22,500	7,871	5,015	(16,580)					
Balance (Deficit), June 30 (GAAP).....	\$ 26,056	\$ 82,202	\$ 15,287	\$	\$ (37,869)	\$	\$ 3,999	\$	\$ 41,399	\$ (1,224)

(1) UCP = Uncompensated Care Pool

(2) In fiscal year 2002, the special fund, which was used to capture federal grants and state match, was combined with the general fund.

STATE OF NEW HAMPSHIRE  
 SCHEDULE OF UNDESIGNATED FUND BALANCE  
 EDUCATION FUND  
 FOR FISCAL YEARS 2000 TO 2006  
 (Expressed in Thousands)

	Fiscal Year Ended June 30, 2006							Description
	2006	2005	2004	2003	2002	2001	2000	
Balance July 1.....	\$	\$	\$	\$	\$	\$ 66,348	\$124,783	
<b>Additions</b>								
Unrestricted Revenue								
Statewide Property Tax.....	363,392	350,368	443,350	452,997	454,135	417,964	417,975	\$2.84/1,000, retained locally
Statewide Property Tax.....	-	20,934	29,844	32,666	28,987	24,194	24,150	\$2.84/1,000, not retained locally
Utility Property Tax.....	20,881	20,102	20,160	18,834	18,170	15,621	31,167	\$6.60/1,000
BPT Increase.....	56,578	50,748	41,000	37,100	32,645	15,800	22,400	1.5% increase from 7% to 8.5%
BET Increase.....	150,380	130,600	116,900	121,400	101,215	36,700	54,100	.50% increase from .25% to .75%
Meals & Rooms.....	7,138	7,153	6,875	6,701	6,604	6,859	6,350	Extension of 8% tax to motor vehicle rentals
Real Estate Tax Increase .....	52,545	51,960	47,515	39,426	33,073	29,735	28,231	\$2.50 increase from \$5.00/1000 to \$7.50
Tobacco Tax Increase.....	80,902	28,214	28,582	26,977	23,968	25,356	26,649	\$0.43/pack increase from \$0.37 to \$.80
Tobacco Settlement.....	38,961	40,000	40,000	40,000	40,000	38,745	37,750	Annual payment
Initial Tobacco								
Settlement Payment.....							16,000	One-time payment
Lottery Proceeds.....	81,987	70,263	73,745	66,569	66,125	59,348	61,517	Net Profit
Other .....						175	2,924	Interest
Total Revenue.....	852,764	770,342	847,971	842,670	804,922	670,497	729,213	
General Fund								
Budgeted Appropriations.....	-	61,378	62,590	83,420	65,690	40,559	39,584	Formerly Revenue Sharing, Foundation Aid & Kindergarten Aid
Total Additions.....	852,764	831,720	910,561	926,090	870,612	711,056	768,797	
<b>Deductions</b>								
Appropriations								
Adequate Education Grant....	478,534	442,610	451,640	443,873	426,523	406,817	406,817	State Education Grant Disbursed by State
Adequate Education Grant....	363,392	350,368	443,350	452,997	454,135	417,964	417,975	State Education Grant Retained Locally
Total Grants.....	841,926	792,978	894,990	896,870	880,658	824,781	824,792	
DRA-Hardship Grants.....				5,000	5,000	769	1,162	
DRA-Property Tax Relief.....	(2,100)	(2,800)	7,700					GAAP Adj. for Low & Moderate Income Relief
DRA-Tax Relief Admin.....							200	
DOE-Kindergarten Aid.....				2,625	1,972		950	
DOE-Admin. & Computers.....							169	
Total Appropriations.....	839,826	790,178	902,690	904,495	887,630	825,550	827,273	
Less Lapses.....	4,581	19,042			(438)	(25)	(41)	
Net Appropriations.....	844,407	809,220	902,690	904,495	887,192	825,525	827,232	
Current Year Balance.....	8,357	22,500	7,871	21,595	(16,580)	(114,469)	(58,435)	
<b>End of Year</b>								
<b>Transfers From(To)</b>								
General Fund.....								
FY 2000.....							\$ 124,783	Beginning Balance from Education Betterment
FY 2001.....						48,121		Chapter 158 : 42 Laws of 2001
FY 2002.....					16,580			Eliminate Negative Cash
FY 2003.....				(16,580)				Reimburse Prior Year Transfer
FY 2003.....				(5,015)				Eliminate Current Year Surplus
FY 2004.....			(7,871)					Eliminate Current Year Surplus
FY 2005.....		(22,500)						Eliminate Current Year Surplus
Balance June 30.....	\$ 8,357	\$	\$	\$	\$	\$	\$ 66,348	\$ 124,783

**STATE OF NEW HAMPSHIRE**  
**SCHEDULE OF UNDESIGNATED FUND BALANCE**  
**HIGHWAY FUND**  
**FOR THE LAST TEN FISCAL YEARS**  
(Expressed in Thousands)

	Fiscal Year Ended June 30									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Balance (Deficit) July 1 (Budgetary Method)....	\$ 18,792	\$ 3,063	\$ (4,271)	\$ 6,227	\$ (18,274)	\$ (7,346)	\$ 1,454	\$ 7,439	\$ 11,001	\$ (2,903)
<b>Additions:</b>										
Unrestricted Revenue:										
Gasoline Tax.....	127,924	131,975	129,863	124,221	121,665	119,507	116,050	119,863	115,517	111,001
Motor Vehicle Fees.....	85,747	93,190	89,934	87,725	83,715	72,066	69,882	66,320	64,452	62,449
Other.....	14,183	7,418	6,270	4,737	6,343	8,872	8,344	10,544	9,263	10,090
Total Unrestricted Revenue.....	227,854	232,583	226,067	216,683	211,723	200,445	194,276	196,727	189,232	183,540
Bonds Authorized and Unissued.....										
Other Credits *.....					19,436		1,202		767	43
Total Additions.....	227,854	232,583	226,067	216,683	231,159	200,445	195,478	196,727	189,999	183,583
<b>Deductions:</b>										
Appropriations Net of										
Estimated Revenues.....	275,775	253,894	235,021	238,453	229,962	222,593	214,021	211,816	200,378	175,814
Less: Appropriation Adjustment ***.....	(33,100)	(26,600)								
Less: Lapses **.....	(14,233)	(12,307)	(16,677)	(13,133)	(23,149)	(14,064)	(24,607)	(16,656)	(8,322)	(7,717)
Net Appropriations.....	228,442	214,987	218,344	225,320	206,813	208,529	189,414	195,160	192,056	168,097
Bonds Authorized and Unissued.....							13,309	5,736		
Other Debits.....	466	1,867	389	1,861	(155)	2,844	1,555	1,816	1,505	1,582
Total Deductions.....	228,908	216,854	218,733	227,181	206,658	211,373	204,278	202,712	193,561	169,679
Balance, June 30 (Budgetary Method).....	17,738	18,792	3,063	(4,271)	6,227	(18,274)	(7,346)	1,454	7,439	11,001
<b>GAAP Adjustment:</b>										
Receivables.....	4,006	1,413	119	1,511	360	271	1,596	269	404	934
Accounts Payable and										
Accrued Liabilities.....	(20,493)	(13,231)	(12,644)	(9,851)	(10,696)	(8,414)	(9,956)	(9,131)	(9,735)	(9,803)
Bonds Authorized										
and Unissued.....								(13,309)	(19,045)	(19,045)
Total GAAP Adjustments.....	(16,487)	(11,818)	(12,525)	(8,340)	(10,336)	(8,143)	(8,360)	(22,171)	(28,376)	(27,914)
Reclassification of Designated Balance.....										
Balance (Deficit), June 30 (GAAP).....	\$ 1,251	\$ 6,974	\$ (9,462)	\$ (12,611)	\$ (4,109)	\$ (26,417)	\$ (15,706)	\$ (20,717)	\$ (20,937)	\$ (16,913)

\* FY 2002 - Other Credits of \$19,436 represents local revenue in excess of estimates accumulated over several years.

\*\* FY 2002 Lapse increases by \$6.3 million for close out of Federal Funds and related state match.

\*\*\* FY2006 & FY2005 Adjustment in accordance with Ch 176:9,II, L'05 where net appropriations for the Consolidated Federal Account is reduced and transferred to Undesignated Surplus.

**STATE OF NEW HAMPSHIRE**  
**SCHEDULE OF UNDESIGNATED FUND BALANCE**  
**FISH AND GAME FUND**  
**FOR THE LAST TEN FISCAL YEARS**

(Expressed in Thousands)

	<b>Fiscal Year Ended June 30</b>									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Balance, July 1 (Budgetary Method).....	\$ 4,336	\$ 3,763	\$ 3,616	\$ 3,324	\$ 3,599	\$ 4,277	\$ 5,464	\$ 5,006	\$ 4,310	\$ 4,068
<b>Additions:</b>										
Unrestricted Revenue.....	9,558	9,530	9,164	8,924	8,374	8,230	7,928	8,158	7,923	7,397
Other Credits.....	850	1,153	507	939	806	811	878	742	847	791
Total Additions.....	10,408	10,683	9,671	9,863	9,180	9,041	8,806	8,900	8,770	8,188
<b>Deductions:</b>										
Appropriations Net of Estimated Revenues.....	12,281	11,236	10,651	10,593	10,545	10,238	10,419	8,809	8,350	8,311
Less: Lapses.....	(1,359)	(1,126)	(1,127)	(1,024)	(1,131)	(667)	(426)	(479)	(276)	(385)
Net Appropriations.....	10,922	10,110	9,524	9,569	9,414	9,571	9,993	8,330	8,074	7,926
Other Debits.....	183			2	41	148		112		20
Total Deductions.....	11,105	10,110	9,524	9,571	9,455	9,719	9,993	8,442	8,074	7,946
Current Year Balance.....	(697)	573	147	292	(275)	(678)	(1,187)	458	696	242
Balance, June 30 (Budgetary Method).....	3,639	4,336	3,763	3,616	3,324	3,599	4,277	5,464	5,006	4,310
<b>GAAP Adjustment:</b>										
Receivables.....	343	421	289	229	299	152	160	438	211	128
Accounts Payable and Accrued Liabilities.....	(1,429)	(1,701)	(1,279)	(1,216)	(1,027)	(1,036)	(1,178)	(1,238)	(1,325)	(1,182)
Total GAAP Adjustments.....	(1,086)	(1,280)	(990)	(987)	(728)	(884)	(1,018)	(800)	(1,114)	(1,054)
Balance, June 30 (GAAP).....	\$ 2,553	\$ 3,056	\$ 2,773	\$ 2,629	\$ 2,596	\$ 2,715	\$ 3,259	\$ 4,664	\$ 3,892	\$ 3,256

**STATE OF NEW HAMPSHIRE**  
**SCHEDULE OF BUSINESS TAX FILERS AND LIABILITY BY TAX PAID LEVEL**  
**FISCAL YEAR 2006**

**BUSINESS PROFITS TAX - BPT (1)**

<b>Taxes Paid Level</b>	<b>Number of Filers</b>	<b>Percentage of Total</b>	<b>Tax Liability</b>	<b>Percentage of Total</b>
\$5,000 and higher	4,176	30%	\$ 227,772,952	95%
\$1,000 - \$4,999	4,418	31%	11,273,616	5%
Under \$1,000	5,450	39%	1,721,564	1%
	<u>14,044</u>	<u>100%</u>	<u>\$ 240,768,132</u>	<u>100%</u>

**BUSINESS ENTERPRISE TAX - BET (2)**

<b>Taxes Paid Level</b>	<b>Number of Filers</b>	<b>Percentage of Total</b>	<b>Tax Liability</b>	<b>Percentage of Total</b>
\$5,000 and higher	4,739	12%	\$ 132,537,782	77%
\$1,000 - \$4,999	13,419	33%	28,879,717	17%
Under \$1,000	22,234	55%	9,708,523	6%
	<u>40,392</u>	<u>100%</u>	<u>\$ 171,126,022</u>	<u>100%</u>

Source: New Hampshire Department of Revenue for returns filed in fiscal year 2006.

Notes:

- (1) 8.5% tax assessed on income from conducting business activity within the state. For multi-state businesses, income is apportioned, using a weighted sales factor of 2 and the payroll and property factors.
- (2) 0.75% tax assessed on the enterprise value tax base, which is the sum of all compensation paid or accrued, interest paid or accrued, and dividends paid by the business enterprise, after special adjustments and apportionment.

**STATE OF NEW HAMPSHIRE  
SCHEDULE OF STATEWIDE PROPERTY TAX FOR TOP TEN CITIES/TOWNS  
FISCAL YEAR 2006  
IN THOUSANDS**

**FISCAL YEAR 2006**

<u>City/Town</u>	<u>Rank</u>	<u>Equalized Value</u>	<u>Warrant Amount</u>	<u>Rate</u>
Manchester	1	\$ 8,023,599	\$ 22,787	\$2.84 / \$1,000 Equalized Value
Nashua	2	7,915,678	22,481	\$2.84 / \$1,000 Equalized Value
Salem	3	3,740,564	10,623	\$2.84 / \$1,000 Equalized Value
Portsmouth	4	3,124,993	8,875	\$2.84 / \$1,000 Equalized Value
Concord	5	2,886,158	8,197	\$2.84 / \$1,000 Equalized Value
Bedford	6	2,823,518	8,019	\$2.84 / \$1,000 Equalized Value
Derry	7	2,693,810	7,650	\$2.84 / \$1,000 Equalized Value
Merrimack	8	2,651,045	7,529	\$2.84 / \$1,000 Equalized Value
Londonderry	9	2,466,833	7,006	\$2.84 / \$1,000 Equalized Value
Hampton	10	2,422,951	6,881	\$2.84 / \$1,000 Equalized Value

Source: New Hampshire Department of Revenue, warrants for Tax Year 2005

**STATE OF NEW HAMPSHIRE  
SCHEDULE OF SALES BY TOP TEN STATE LIQUOR RETAIL LOCATIONS  
LAST TEN FISCAL YEARS  
IN MILLIONS**

**FISCAL YEAR 2006**

<u>Location</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
Hampton - North	23.9	23.1	22.7	21.6	20.0	18.4	17.6	15.7	14.3	12.5
Hampton - South	21.2	20.6	20.1	18.7	17.6	14.8	14.4	13.3	12.2	11.8
Portsmouth Traffic Circle	19.3	18.2	17.3	16.8	16.3	14.9	14.1	13.0	13.1	13.2
Salem	16.4	15.9	15.1	14.0	13.5	12.3	12.0	11.3	10.8	10.5
Hooksett - North	13.9	13.8	13.0	12.3	11.5	10.8	10.3	9.3	8.9	8.4
Nashua	12.9	12.4	12.9	12.8	12.8	12.6	11.5	10.8	9.5	9.4
Hooksett - South	11.1	10.9	10.4	9.7	8.9	8.3	7.9	7.3	7.1	6.7
Nashua	11.0	11.2	10.3	9.8	11.4	11.7	9.6	9.2	8.9	8.6
West Lebanon	9.5	9.2	8.8	8.6	8.9	8.8	8.8	8.3	8.0	7.3
Plaistow	7.5		6.9	6.5	6.0	5.6	5.2	4.8	4.5	4.3
Hinsdale		7.1								
Total	<u>146.7</u>	<u>142.4</u>	<u>137.5</u>	<u>130.8</u>	<u>126.9</u>	<u>118.2</u>	<u>111.4</u>	<u>103.0</u>	<u>97.3</u>	<u>92.7</u>

Source: New Hampshire State Liquor Commission

**STATE OF NEW HAMPSHIRE**  
**SCHEDULE OF RATIOS OF OUTSTANDING DEBT BY TYPE**  
**LAST TEN FISCAL YEARS**

(Expressed in Thousands, except per capita)

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Bond Anticipation Notes	Capital Leases	General Obligation Bonds	Revenue Bonds	Capital Leases			
2006	\$ 701,730		\$ 6,085	\$ 7,067	\$ 284,175	\$ 852	\$ 999,909	1.9%	\$ 756
2005	690,191		6,438	10,795	294,774	1,072	1,003,270	2.0%	766
2004	634,130	50,000	7,462	14,362	305,857	1,120	1,012,931	2.1%	780
2003	611,078	50,000	8,162	18,383	313,644	1,327	1,002,594	2.3%	778
2002	660,204		7,981	22,185	321,161	1,583	1,013,114	2.3%	795
2001	602,185	50,000	7,286	26,221	331,480		1,017,172	2.4%	808
2000	561,696		11,669	30,414	338,092		941,871	2.3%	759
1999	611,321			34,586	344,576		990,483	2.7%	811
1998	578,277			39,248	261,953		879,478	2.5%	729
1997	617,702			43,651	267,795		929,148	2.9%	781

Notes: Details regarding the state's debt can be found in Note 5 of the financial statements. See Schedule of Demographic and Economic Statistics for personal income and population data.

**STATE OF NEW HAMPSHIRE**  
**SCHEDULE OF RATIOS OF GENERAL BONDED DEBT OUTSTANDING**  
**LAST TEN FISCAL YEARS**

(Expressed in Thousands)

Fiscal Year	(1)	(2)	(3)	Ratio Of	
	Population	Assessed Value	General Long-Term Debt	General Long-Term Debt To Assessed Value	General Long-Term Debt Per Capita
2006	1,322	\$ 182,581,336	\$ 708,797	0.39	\$ 536
2005	1,310	165,222,644	700,986	0.42	535
2004	1,299	147,483,615	648,492	0.44	499
2003	1,288	131,148,359	629,461	0.48	489
2002	1,275	114,813,249	682,389	0.59	535
2001	1,259	99,073,654	628,406	0.63	499
2000	1,241	86,703,541	592,110	0.68	477
1999	1,222	76,154,469	645,907	0.85	529
1998	1,206	70,239,891	617,525	0.88	512
1997	1,189	65,331,719	661,353	1.01	556

Source: (1) U.S. Dept. of Commerce, Bureau of Census, reflects the most current available data for all years represented (2006 estimated).  
(2) New Hampshire Department of Revenue Administration (2006 estimated). Equalization evaluation.  
(3) Includes all General Obligation Bonds Payable of the Primary Government.

**STATE OF NEW HAMPSHIRE**  
**SCHEDULE OF PLEDGED REVENUE COVERAGE**  
**LAST TEN FISCAL YEARS**  
(Expressed in Thousands)

**Turnpike System Revenue Bonds**

Fiscal Year	Gross Revenues*	Direct Operating Expenses*	Net Revenue	Revenue Bond	Revenue	G.O. Bond	Renewal & Replacement	Total	All
			Available For Debt Service	Debt Service Requirements	Bond Coverage Ratio	Debt Service Requirements			Obligations Coverage Ratio
2006 (1)	83,054	41,784	41,270	25,831	1.60	4,219	5,871	35,921	1.15
2005	68,318	30,041	38,277	26,997	1.42	4,246	5,700	36,943	1.04
2004	66,463	26,568	39,895	23,865	1.67	4,842	5,600	34,307	1.16
2003	67,086	24,505	42,581	24,749	1.72	5,183	5,700	35,632	1.20
2002	66,218	23,877	42,341	26,452	1.60	5,415	5,365	37,232	1.14
2001	63,981	21,352	42,629	25,352	1.68	5,696	5,431	36,479	1.17
2000	63,034	22,064	40,970	26,452	1.55	5,973	5,308	37,733	1.09
1999	59,257	18,794	40,463	22,286	1.82	6,304	4,119	32,709	1.24
1998	58,033	16,352	41,681	21,678	1.92	6,519	3,990	32,187	1.29
1997	55,714	17,231	38,483	21,597	1.78	6,747	3,000	31,344	1.23

\* Amounts as defined in Turnpike System Revenue Bond Resolutions.

(1) 2006 calculation of Direct Operating Expenses subtracts out the entire amount of current year depreciation expense (Turnpikes, Federal, & Highway match portions). Also, the R&R amount used in the calculation was the 2006 budgeted amount. However, prior year calculations still reflect the historical practice of subtracting only the Turnpikes portion of depreciation expense and using the actual amount of R&R expenditures.

**STATE OF NEW HAMPSHIRE**  
**SCHEDULE OF DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**LAST TEN FISCAL YEARS**

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
<b>Population (in thousands)</b>	1,322	1,310	1,299	1,288	1,275	1,259	1,241	1,222	1,206	1,189
<b>% Change</b>	0.9%	0.8%	0.9%	1.0%	1.3%	1.5%	1.6%	1.3%	1.4%	1.2%
<b>Total Personal Income (in millions)</b>	53,106	50,312	47,570	44,422	43,393	42,624	41,429	37,125	35,149	32,420
<b>% Change</b>	5.6%	5.8%	7.1%	2.4%	1.8%	2.9%	11.6%	5.6%	8.4%	4.4%
<b>Per Capita Personal Income</b>	40,052	38,408	36,616	34,500	34,043	33,868	33,396	30,380	29,147	27,257
<b>% Change</b>	4.3%	4.9%	6.1%	1.3%	0.5%	1.4%	9.9%	4.2%	6.9%	3.1%
<b>Unemployment Rate</b>	3.3%	3.5%	3.9%	4.1%	4.5%	2.9%	2.8%	2.6%	2.7%	3.2%

Source: U.S. Department of Commerce, Bureau of the Census.  
Data is annualized based on activity through July 2006

**STATE OF NEW HAMPSHIRE  
SCHEDULE OF BUILDING PERMITS FOR HOUSING UNITS  
FOR CALENDAR YEAR 2006**

**Building Permits Issued  
By Number of Units**

<u>Fiscal Year</u>	<u>Single Family</u>	<u>Multi- Family</u>	<u>Total</u>
2006	5,062	793	5,855
2005	6,283	1,391	7,674
2004	6,618	2,086	8,704
2003	6,043	1,729	7,772
2002	6,383	1,539	7,922
2001	5,608	543	6,151
2000	6,097	583	6,680
1999	5,696	630	6,326
1998	5,310	461	5,771
1997	4,598	806	5,404

Source: U.S. Department of Commerce, Bureau of the Census.  
Data is annualized based on activity through December 2006

**STATE OF NEW HAMPSHIRE  
SCHEDULE OF PRINCIPLE EMPLOYERS**

**Largest Employers  
2006**

<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total State Employment</u>
1. State of New Hampshire.....	21,121	1	2.93%
2. Wal-Mart Stores Inc.....	8,659	2	1.20%
3. Dartmouth Hitchcock Medical Center....	7,100	3	0.98%
4. University System of New Hampshire....	6,901	4	0.96%
5. Market Basket.....	6,600	5	0.92%
6. Hannaford Supermarkets.....	5,374	6	0.75%
7. Fidelity Investments.....	4,859	7	0.67%
8. Shaw's Supermarkets.....	4,600	8	0.64%
9. Dartmouth College.....	4,246	9	0.59%
10. BAE Systems.....	4,100	10	0.57%
Total.....	73,560		10.20%

Source: New Hampshire Business Review/ Book of Lists 2006  
USNH Fact Book 2006  
State of NH Payroll Department

**STATE OF NEW HAMPSHIRE  
SCHEDULE OF OPERATING INDICATORS BY FUNCTION  
FISCAL YEAR 2006**

	<u>2006</u>
<b><u>Administration of Justice &amp; Public Protection</u></b>	
<b>Department of Safety</b>	
Troop Station Personnel:	
Troop A - Rockingham/Starfford.....	56
Troop B - Hillsborough.....	55
Troop C - Cheshire/Sullivan.....	38
Troop D - Merrimack.....	44
Troop E - Belknap/Carroll.....	33
Troop F - Coos/Grafton.....	47
<b>Department of Corrections</b>	
Number of Prison Inmates:	
NHSP/Men - Concord.....	1,339
NHSP/Women - Goffstown.....	102
Lakes Region Facility - Laconia.....	283
Northern Correctional Facility - Berlin.....	557
<b><u>Resource Protection &amp; Development</u></b>	
<b>Department of Resources and Economic Development</b>	
Number of visitors at top 10 state parks:	
Cannon Mountain.....	81,533
Flume.....	132,947
Hampton Beach.....	88,283
Wallis Sands Beach.....	46,528
Pawtuckaway.....	44,673
Wellington.....	34,417
Mt. Sunapee Beach.....	32,150
Silver Lake.....	28,475
Odiorne Point.....	23,299
Ellacoya.....	21,972
<b>Department of Environmental Services</b>	
Dollars disbursed by program:	
SRF - Clean water.....	\$10,597,219
SRF - Drinking water.....	11,268,138
SRF - Brownsfield.....	56,352
Landfills.....	2,067,751
Water filtration.....	1,484,583
Water supply land.....	577,301
Waste water.....	11,826,356
Aquatic weed.....	258,191
Household hazardous waste.....	140,974
Used oil.....	18,975

Source: The State Departments of Safety, Corrections, Resource & Economic Development, and Environmental Services

**STATE OF NEW HAMPSHIRE**  
**SCHEDULE OF OPERATING INDICATORS BY FUNCTION - CONTINUED**  
**FISCAL YEAR 2006**

	<u>2006</u>
<b><u>Transportation</u></b>	
<b>Department of Safety</b>	
Number of motor vehicle registrations by county:	
Belknap.....	74,947
Carroll.....	66,563
Cheshire.....	84,397
Coos.....	41,287
Grafton.....	95,424
Hillsborough.....	398,493
Merrimack.....	167,730
Rockingham.....	339,579
Strafford.....	116,865
Sullivan.....	50,526
<b><u>Health &amp; Social Services</u></b>	
<b>Department of Health &amp; Human Services</b>	
Number of caseloads by program:	
Medical assistance.....	65,279
TANF.....	6,031
Nursing services for elderly.....	4,781
Child & family services.....	18,594
Food stamps.....	27,665
<b><u>Education</u></b>	
<b>New Hampshire Community Technical College</b>	
Enrollment	8,577
<b>University System of New Hampshire</b>	
Enrollment	24,234

Source: The State Departments of Safety, Health and Human Services, Education, New Hampshire Community Technical College, and the University System of New Hampshire

**STATE OF NEW HAMPSHIRE**  
**SCHEDULE OF STATE EMPLOYEES BY FUNCTION**  
**FISCAL YEAR 2006**

<b>Full-Time Employees</b>	<b>2006</b>
<b>General Government</b>	
Office of Information Technology.....	390
Department of Administrative Services.....	252
Department of Revenue Administration.....	183
All other.....	450
<b>Administration of Justice and Public Protection</b>	
Department of Safety.....	1,057
Department of Corrections.....	973
Judicial Branch.....	682
Department of Employment Security.....	327
All other.....	879
<b>Resource Protection and Development</b>	
Department of Environmental Services.....	475
Department of Resource and Economic Development.....	212
All other.....	189
<b>Transportation</b>	
Department of Transportation.....	1,683
<b>Health and Social Services</b>	
Department of Health and Human Services:	
New Hampshire Hospital.....	772
Office of Commissioner.....	585
Division of Children and Youth.....	358
Division of Juvenile Justice Services.....	348
Division of Transitional Assistance.....	317
Office of Health Management.....	262
All other.....	435
New Hampshire Veterans Home.....	279
<b>Education</b>	
New Hampshire Regional Community Technical College.....	709
Department of Education.....	274
All other.....	90
<b>State Total.....</b>	<b>12,181</b>

**Part-Time and Temporary Employees**

General Government.....	725
Administration of Justice and Public Protection.....	3,374
Resource Protection and Development.....	1,301
Transportation.....	444
Health and Social Services.....	535
Education.....	2,561
<b>State Total.....</b>	<b>8,940</b>

Source: The Department of Administrative Services, Division of Accounting Services.

**STATE OF NEW HAMPSHIRE**  
**SCHEDULE OF CAPITAL ASSET BALANCES BY FUNCTION**  
**GOVERNMENTAL ACTIVITIES**  
**LAST FIVE FISCAL YEARS**  
*(Amounts in Thousands)*

<u>Function</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
<b>Land &amp; Land Improvements</b>					
General Government.....	5,764	5,764	5,782	5,782	5,782
Administration of Justice &..... Public Protection.....	28,672	28,672	28,306	28,030	27,930
Resource Protection & Development.....	219,679	204,882	197,542	172,995	164,410
Transporation.....	233,585	220,610	186,692	166,595	260,751
Health & Social Services.....	4,154	4,138	4,138	3,906	3,906
Education.....	2,924	2,642	2,640	2,640	2,640
<b>Building &amp; Building Improvements</b>					
General Government.....	135,795	135,795	102,174	97,426	92,880
Administration of Justice &..... Public Protection.....	204,555	202,720	171,573	170,208	162,127
Resource Protection & Development.....	62,389	62,389	61,206	60,563	58,662
Transporation.....	45,816	27,988	24,304	24,304	21,493
Health & Social Services.....	82,395	81,995	70,870	70,549	69,077
Education.....	76,016	66,235	62,933	61,190	60,719
<b>Equipment and Computer Software</b>					
General Government.....	9,003	8,672	2,923	2,905	3,164
Administration of Justice &..... Public Protection.....	62,524	50,501	51,570	44,054	38,020
Resource Protection & Development.....	17,550	16,336	15,364	15,143	14,731
Transporation.....	46,539	44,955	43,622	33,031	33,086
Health & Social Services.....	43,238	42,900	42,233	33,949	25,293
Education.....	8,030	7,785	7,383	7,177	6,314
<b>Infrastructure</b>					
Transporation.....	2,652,916	2,532,386	2,531,841	2,503,567	2,464,137

STATE OF NEW HAMPSHIRE  
ACKNOWLEDGEMENTS



REPORT PREPARED BY THE DIVISION OF ACCOUNTING SERVICES

Sheri L. Rockburn, CPA, Comptroller  
Stephen C. Smith, CPA  
Harold O. McArdle  
Diana L. Smestad  
Kelly J. Brown  
Timothy M. Hartshorn

SPECIAL APPRECIATION is given to all accounting and budget personnel within the Department and throughout the State, whose extra efforts in providing accurate and timely financial information contributed to the success of this report.

State of New Hampshire  
Department of Administrative Services  
Division of Accounting Services  
25 Capitol Street  
State House Annex Room 310  
Concord, NH 03301

<http://admin.state.nh.us/accounting/reports.asp>