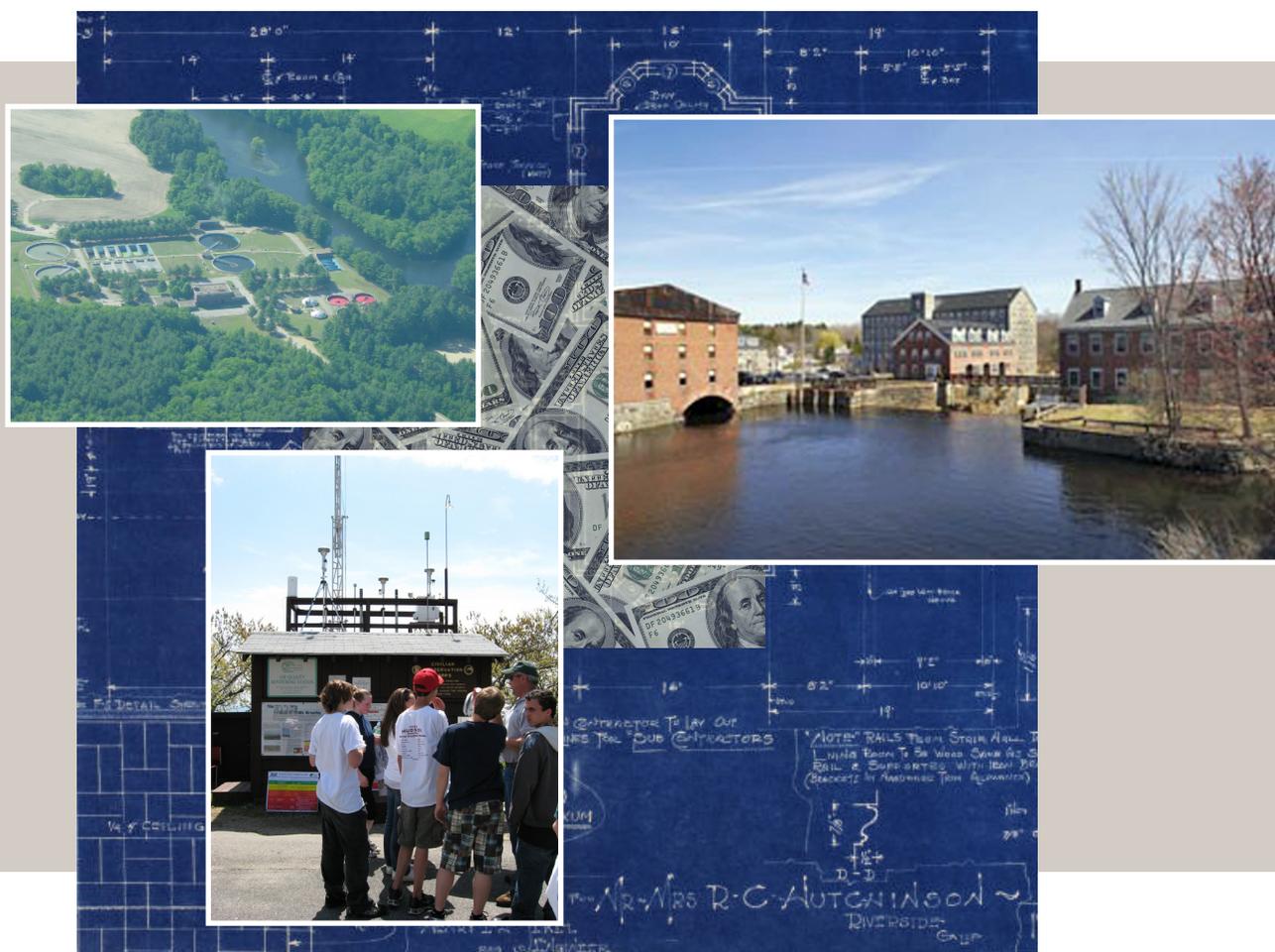


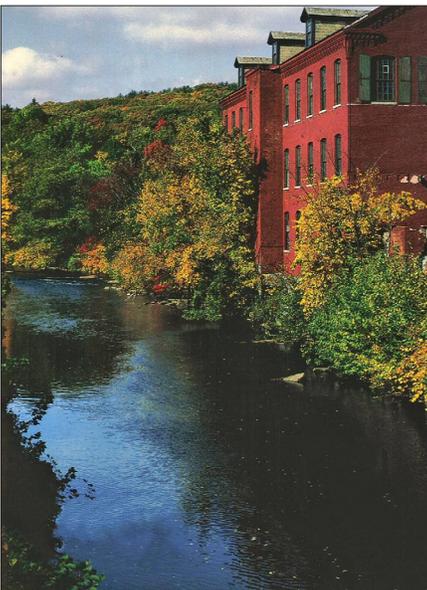
State of New Hampshire's Comprehensive Annual Financial Report for Fiscal Year 2012

Celebrating NHDES's Silver Anniversary and the economic contributions of a healthy environment to New Hampshire's quality of life.



Celebrating the Department of Environmental Services' 25th ANNIVERSARY

and the economic contributions of a healthy environment
to New Hampshire's quality of life.



The Nashua River then (top) and now.

On January 2, 1987, a notable event occurred in the state of New Hampshire's efforts to protect its environment. Culminating years of legislative deliberations, a new environmental agency was created: the New Hampshire Department of Environmental Services. So this year, 2012, marks the 25th Anniversary of the creation of DES and its service to the people of our state. DES has played a vital role in protecting and restoring our precious natural resources and public health, which are so critical to ensuring the wonderful quality of life that we all enjoy here in the Granite State.

While efforts to address pollution problems seen in New Hampshire and across the country predated the creation of DES, by 1987 there was broad recognition in New Hampshire that our state's ecological health and economic well-being were integrally connected and mutually dependent. As a practical business matter, the four separate agencies responsible for environmental permitting and regulation were merged to create DES. An important overarching goal of this action was to create a single agency that would operate in a more coordinated and consistent manner for the benefit of all of the new department's many stakeholders.

Early in its history, DES responded to environmental challenges unthinkable to many of us today. Many of New Hampshire's wastewater plants were rudimentary in nature, sometimes resulting in raw sewage spilling into our rivers. Municipalities across the state disposed of their trash in "open burning dumps" with little regard to the toxic smoke. DES was responding to hazardous waste sites like the Gilson Road site in Nashua, a seven-acre sand and gravel pit where over 900,000 gallons of fluids containing a variety of toxic compounds were disposed of, contaminating the soils and groundwater. And we can't forget the infamous Hunt Tire pile in Danville. It was estimated that the site contained more than 5 million used tires, of which more than a million burned in a 1989 fire at this unpermitted facility.

Thankfully, over the last 25 years, our state has made tremendous strides in cleaning up our environment. Through responsible legislative and regulatory changes, we no longer witness things such as the Merrimack River changing colors based on which dye was used in the textile mills along

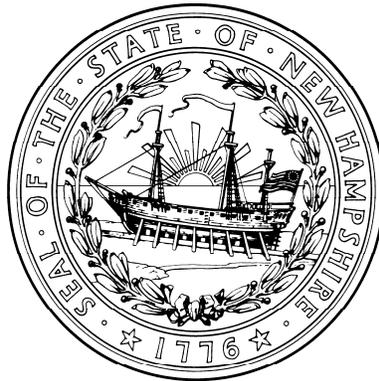
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STATE OF NEW HAMPSHIRE

**COMPREHENSIVE
ANNUAL
FINANCIAL REPORT**

For the Fiscal Year Ended
June 30, 2012



Prepared by the Department of Administrative Services

Linda M. Hodgdon, Commissioner

Division of Accounting Services

Edgar R. Carter, Comptroller

and the Bureau of Financial Reporting

Stephen C. Smith, Administrator

Diana L. Smestad

Kelly J. Brown

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

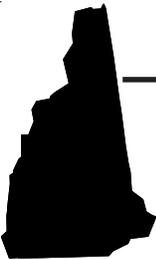


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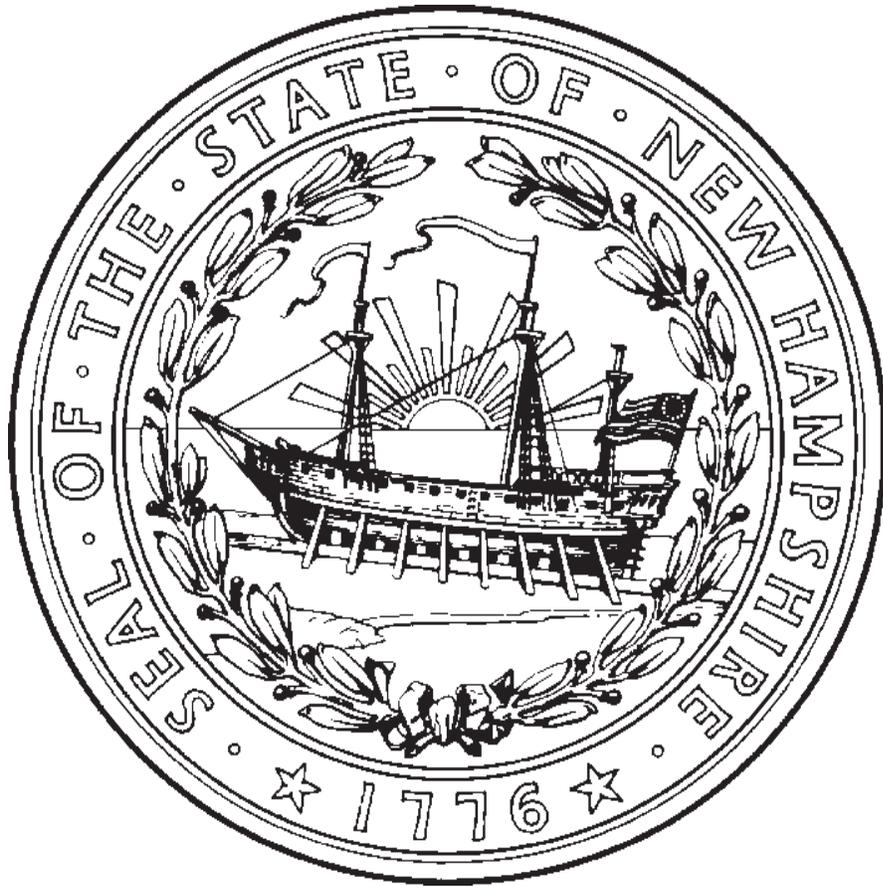
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STATE OF NEW HAMPSHIRE
OFFICE OF THE GOVERNOR



December 31, 2012

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

I am pleased to accept the Comprehensive Annual Financial Report for the State of New Hampshire for the fiscal year ended June 30, 2012.

In fiscal year 2012, New Hampshire continued to slowly emerge from the national recession. Although this recovery has been slower than anticipated, New Hampshire is stronger because of the many challenges we have faced. Our unemployment rate continues to remain low and New Hampshire is ranked as one of the best states to live in and raise a family, as well as one of the healthiest states in the Nation.

During fiscal year 2012, through our aggressive scrutiny of spending and strong financial management, we ended the year with a surplus of \$13.8 million. This was a tremendous achievement that could only have been accomplished with the leadership, cooperation and hard work of all of our department heads and state employees.



New Hampshire has a strategy in place that is working. Over the years, we have made wise investments in our economy through increased job training and education. We have worked to keep government spending and taxes low, and worked to make New Hampshire state government operations more efficient, effective and transparent.

We have worked together to solve problems and create opportunities in our great state and we must continue this cooperation going forward. By doing so, we will keep New Hampshire a national leader.

Sincerely,

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

John H. Lynch
Governor



State of New Hampshire
Selected State Officials
For the Fiscal Year Ended June 30, 2012

Executive Branch

Governor John H. Lynch

Executive Council

Raymond S. Burton, District 1

Daniel St. Hilaire, District 2

Christopher T. Sununu, District 3

Raymond J. Wieczorek, District 4

David K. Wheeler, District 5

Attorney General

Michael A. Delaney

Commissioner of Administrative Services

Linda M. Hodgdon

Treasurer

Catherine A. Provencher

Secretary of State

William M. Gardner

Comptroller

Edgar R. Carter

Judicial Branch

Chief Justice of the Supreme Court

Linda Stewart Dalianis

Legislative Branch

President of the Senate

Peter Bragdon

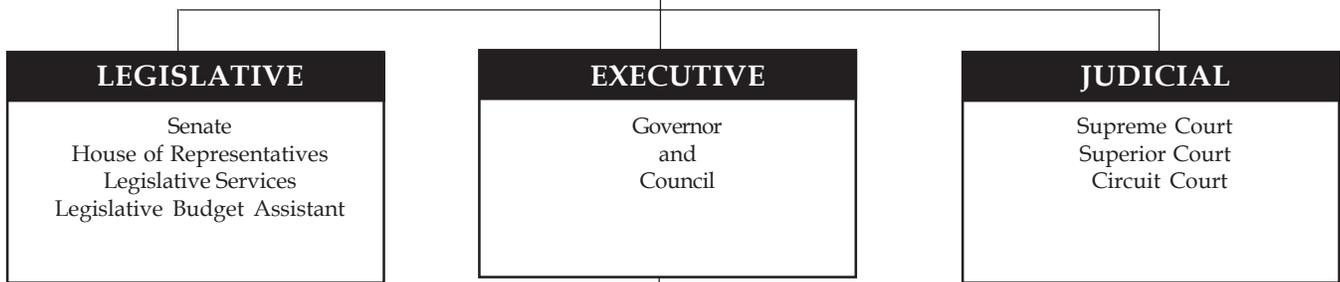
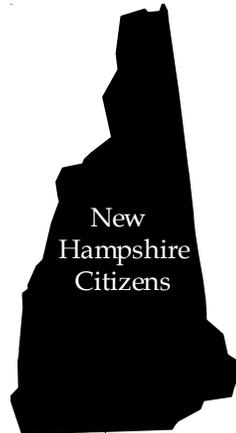
24 Senators

Speaker of the House of Representatives

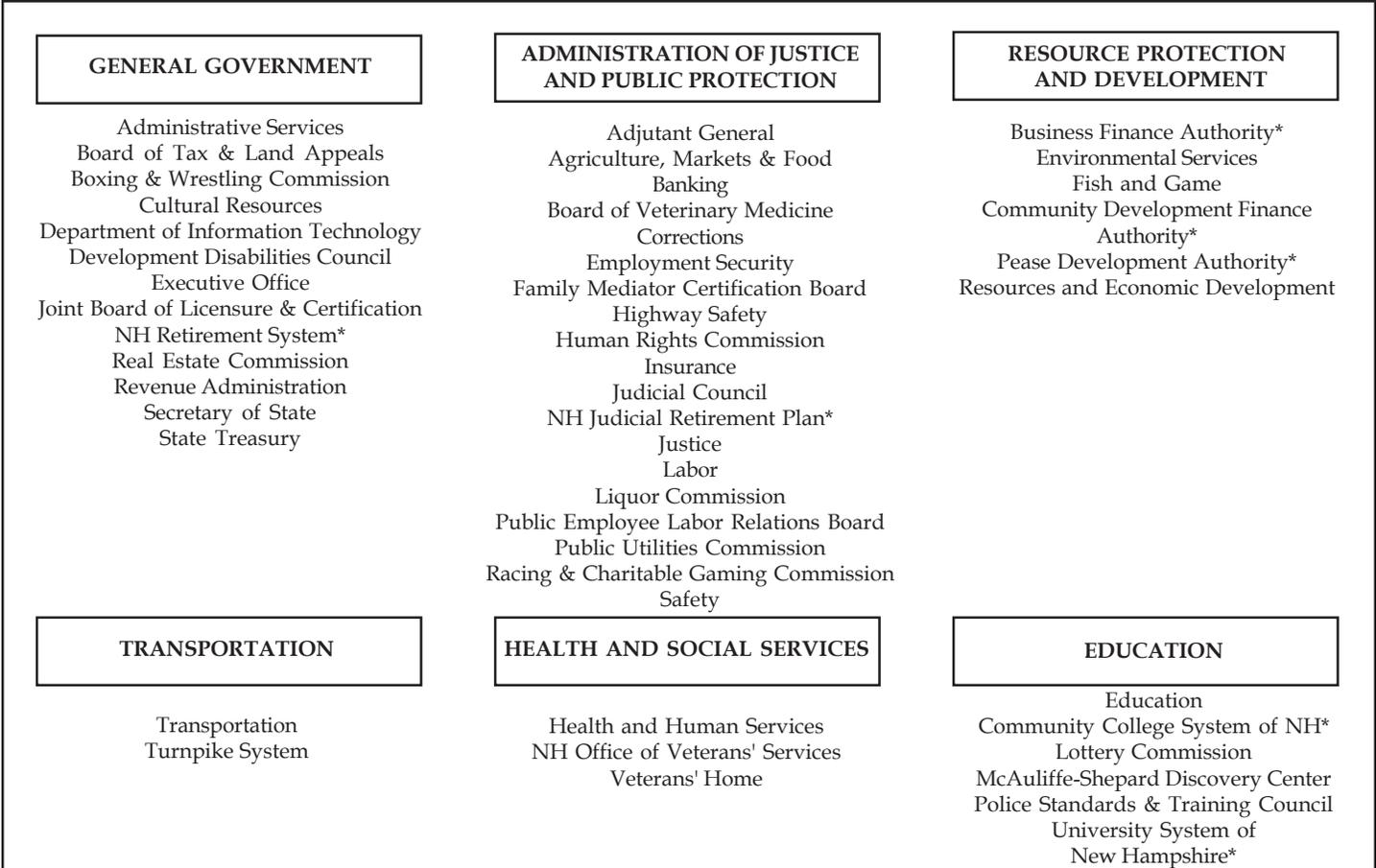
William O'Brien

400 Representatives

STATE OF NEW HAMPSHIRE ORGANIZATION CHART



STATE AGENCIES AND COMPONENT UNITS (*)





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

LINDA M. HODGDON
Commissioner
(603) 271-3201

December 31, 2012

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,II (a), it is a pleasure to submit the Comprehensive Annual Financial Report (CAFR), covering the fiscal year ended June 30, 2012. This report has been prepared by the state Department of Administrative Services (DAS) 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).

GASB Statement No. 34 requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is intended to complement the 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

The following discussion reflects statements and information about New Hampshire's Economic Outlook based on the most recent New England Economic Partnership (NEEP) forecast, issued on December 06, 2012 by Dennis Delay, Economist for the New Hampshire Center for Public Policy Studies, and N.H. Forecast Manager for NEEP.

The 2012 Kids Count report from the Annie E. Casey Foundation ranked New Hampshire as the most child friendly state in the country for the ninth time in ten years. The annual state ranking report looks at education, health, family and community support indicators in deriving its assessment of child wellbeing.

In another report, the Manchester-Nashua area ranked second best among cities to raise a family. The report from Kiplinger's Personal Finance developed its analysis based on comparing the cost of living, income growth, crime rate, health care, public schools, community services, and cultural resources among 360 metropolitan areas across the U.S. The

<i>New Hampshire's Economic Scoreboard for 2012</i>		
<i>Categories</i>	<i>NH's National Rank</i>	<i>NH's Rank in New England</i>
Favorable Tax Climate (state and local burden on income, 2009)	1st	1st
Standard of Living (by inverse of poverty rate 2011)	1st	1st
Child and Family Well-Being (Annie E. Casey Foundation, 2011)	1st	1st
Most Livable State (CQ Press, 2011)	1st	1st
Safest State (Lowest crime rank, 2010)	5th	1st
Healthiest State (America's Health Rankings, 2011)	2nd	2nd
Education - Adults with High School Degree or Better (2011)	4th	1st
Education - Adults with College Degree or better (2011)	8th	4th
Per Capita Income (2011)	9th	3rd

study also relied on interviews with local realtors, educators and public officials.

New Hampshire was listed as the second healthiest state in the country, according to "A Call to Action for Individuals and Their Communities", by the Trust for America's Health. The report released in December 2011 looked at various health indicators, including obesity, smoking rates, children in poverty, violent crime and immunization of children. In the 2010 report New Hampshire ranked third, and in the 2011 report Vermont ranked first as the healthiest state in the country. The study looked at dozens of well being, quality, and public health indicators.

A survey on state small business climates ranked New Hampshire eighth best among the states, and New Hampshire was the only New England state in the top ten states. The two month survey of 6,000 small business owners around the country was done by Thumbtack.com and sponsored by the Kaufmann Foundation. Thumbtack noted a surprising result, "small businesses care almost twice as much about licensing regulations as they do about tax rates when rating the business-friendliness of their state or local government." New Hampshire scored an "A" on licensing, and an "A" rating overall.

New Hampshire's Economic Scoreboard for 2012 looks at cost and quality of life factors, comparing New Hampshire to the other 50 states. New Hampshire has the lowest tax burden in the country, a high standard of living, a well-educated labor force, and a high quality of life. New Hampshire is also one of the safest states in

the country, according to the most recent FBI statistics on state crime per capita. These New Hampshire advantages will benefit the state as the economy continues to recover.

The following graph displays the Actual and Forecasted growth rate in Gross State Product in relation to those of the region and nation (as published by NEEP). This data indicates that the state has experienced slower growth over the past two five-year periods, however, Gross State Product for New Hampshire is currently forecasted to keep pace with growth rates regionally and nationally over the next five years.

NEEP Forecast Summary Comparisons
Average Annual Rates of Growth December 2012 Forecast

	Actual 2001-2006	Actual 2006-2011	Forecast 2011-2016
Gross State Product (Real Dollars)			
GSP - New Hampshire	2.3	0.8	3.6
GSP - New England	1.6	0.5	3.1
GDP - United States	2.7	0.5	3.1

Data recently released by the New Hampshire Economic and Labor Market Information Bureau: New Hampshire's unemployment rate continues to remain below the United States and New England averages. The preliminary seasonally adjusted unemployment rate for New Hampshire in November 2012 was 5.6 percent. Nationally, the seasonally adjusted unemployment rate for November 2012 was 7.7 percent, and the comparable New England unemployment rate was 7.3 percent.

Source: Dennis Delay, Economist for New Hampshire Center for Public Policy Studies, and N.H. Forecast Manager for NEEP. NH Economic & Labor Market Information Bureau.

MAJOR INITIATIVES

Technology Initiatives

State-wide Technology

NHFIRST, the State's Enterprise Resource Planning (ERP) system project, has been ongoing since 2005 to replace antiquated budgeting and financial systems, insufficient for the needs of a modern government. The project is expected to (1) reduce costs and delays in associated paperwork, cycle-time for state procurement, payment and revenue collection, and (2) replace a system that had been customized to the point it could no longer be serviced or maintained, was limited and archaic, and presented significant sustainability risk.

The first phase of this implementation went into operations in July of 2008, replacing the budgeting system and implementing a new chart of accounts to improve clarity of expenditures. In July of 2009, an ERP system was implemented to replace the twenty-five year old mainframe general ledger system. Another significant phase of the project launched in FY 2012 to replace the human resources and payroll system in service since 1992. The State appropriated approximately \$3.6 million for this phase during the current biennium. The full HR and payroll conversion is on schedule for implementation in January 2013. The project has already implemented on-line employee time reporting and leave administration. The completion of this project will automate many HR and payroll processes and enable paperless processing throughout the State. Asset management and strategic sourcing solutions modules are expected to be implemented later in 2013 which will also enable the opportunity for automated project labor cost allocations.

Revenue Administration

In Fiscal Year 2010, the Department of Revenue Administration (DRA) was awarded a capital appropriation of \$7 million to modernize and automate its internal processing systems. Efforts that are being developed and implemented will allow DRA to work smarter and think and react differently, with greater customer service. The analytics capability is now being built into the "legacy" computer systems to provide for better informed tax policy decisions. DRA continues to implement and refine the various elements of its multiyear business plan for modernizing its operations. The DRA successfully launched the electronic deposit function of its new scanning equipment and put into full production the document processing component of the new remittance processing system.

Health and Human Services

Medicaid Management Information System (MMIS) is being implemented to streamline transactional processing and provide critical management data.

Other

The above list outlines only a few of the major technology improvement initiatives currently underway throughout state government; however, there are many additional technology projects being implemented which are intended to improve services provided, generate efficiencies, and enhance the communication of information.

Efficiency Initiatives

Consolidation of Human Resources: Pursuant to Chapter 224:84, Laws of 2011, the state is in the process of consolidating human resource and payroll functions. The replacement of the human resources and payroll system being implemented in January 2013 (noted above) has facilitated the consolidation initiative. This initiative is on-going and anticipated to be significantly implemented by the end of fiscal year 2013.

Consolidation of Certain Business Processing Functions: Pursuant to Chapter 224:85, Laws of 2011, the state is identifying and implementing the consolidation of various business processes which includes Accounts Payable, Accounts Receivable and Collections, and other finance and accounting functions as deemed appropriate. In addition to the consolidation of human resources and payroll, during fiscal year 2012 the state has planned and began the implementation of the consolidation of the Accounts Payable business process. The consolidation of the Accounts Payable process will continue in various phases throughout the next year and the planning for the consolidation of additional business processes is currently underway.

The initiatives of the Department of Health and Human Services are numerous and expansive. The Care Management project involves private outsourcing for administering the Medicaid program and its enrollees to provide for managed care services for all Medicaid populations throughout New Hampshire consistent with the provisions of 42 U.S.C. 1396u-2 and is anticipated to generate savings of \$15 million of general funds per year once this initiative is fully implemented. The Children's Health Insurance Program (CHIP) has been subject to the planning of a multi-division core team to transition this program into a Medicaid expansion. This was officially implemented July 1, 2012. From Transitional Housing to closure of the "G" unit of NH Hospital, substantial efforts are underway to affect change for efficiency. The department is also undergoing restructuring of Front End Operations involving service consolidation initiatives to improve service delivery, gain operating efficiencies and promote citizens' well being. Application and eligibility processes will take on state of the industry practices. In addition, district offices and contract consolidation is taking place, and the department is creating a Health Information Exchange state capability, under an award from ARRA for \$5.5 million.

Fleet Management: The statewide Fleet Management program continues to provide cost savings and efficiencies for the state. The number of state-owned vehicles has continued to be reduced during fiscal year 2012 as underutilized vehicles were redistributed throughout the state or designated as pooled vehicles to be shared by more than one State employee. This program has reduced the number of replacement vehicles that the State has needed to acquire and reduced fuel and maintenance costs.

MAJOR INITIATIVES - CONTINUED

Efficiency Initiatives - Continued

Consolidation of various Agencies and Boards: During fiscal year 2012, the postsecondary education commission powers, duties, and programs were transferred to the newly established division of higher education and higher education commission within the department of education. Various Boards including accountants, manufactured housing installers, real estate appraisers, and manufactured housing, were consolidated into the Joint Board during fiscal year 2012.

Capital Projects

During fiscal year 2012, many capital projects were started, in process and/or completed. Some of the State's larger capital projects completed during fiscal year 2012 included:

- Nashua Liquor Store
- Veteran's Home Life Safety Infrastructure Upgrades
- Regional Career & Technical Education Centers in Wolfeboro and Manchester

Additionally, some of the larger projects in process as of June 30, 2012 to be completed after year-end included:

- Department of Corrections Residential Treatment Unit
- Regional Career & Technical Education Center - (Littleton)
- Hampton Beach Seashell & Bathhouses
- Department of Revenue Administration Tax System
- Various Federal Aviation Administration Projects
- Various Division of Motor Vehicle Projects including the continuation of the Vision Project (Replacement of Legacy System)
- UNH Parsons Hall Renovations

Workforce Development Challenges

The State needs to continue to address the development of the State's workforce. As 60% of the State's current workforce is older than 46 years old with approximately 50% of those between the ages of 46-60, it is critical that each State Department continues to develop experienced and capable employees that are prepared to assume these roles as they become available in the future.

Transparency & the TransparentNH Web Site

New Hampshire residents now have a website devoted to the distribution of state budget information, revenue and expense data. "TransparentNH" was created in 2010 to promote transparency in the state budget process by providing the public with on-line access to budget, expenditure and revenue information and reports which are not confidential and which are vital to good government. RSA 9-F:1 provides the framework for online access to Budget Information and Reports and requires the publication of budget and actual expenditure information, expenditures in a detailed check register format (by entity), annual salaries and additional information provided directly on the website and/or through links to information posted on the websites of various state agencies (annual reports, monthly revenue reports, etc.). The site continues to be developed and maintained by the New Hampshire Department of Administrative Services and the Department of Information Technology, in consultation with the legislative oversight committee as established in RSA 9-F:2.

American Recovery and Reinvestment Act of 2009

On January 27, 2009, the Governor issued Executive Order 2009-1 creating the Office of Economic Stimulus ("OES"). The OES was responsible for coordinating with State agencies to ensure all terms and conditions of the American Recovery and Reinvestment Act of 2009 ("ARRA") were met, and for providing state wide aggregation of benefits realized. While some programs continue into 2014, new awards cease for the majority of our programs by September 30, 2012. Total ARRA spending from inception through FY 2012 amounts to approximately \$1,151 million. FY 2012 spending was approximately \$108 million versus FY 2011 spending of approximately \$348 million (reduction of \$240 million or 69%).

FY 2012 program spending included:

- \$27 million Unemployment Insurance
- \$14 million State Energy Programs
- \$12 million Special Education Grants to States
- \$9 million Title I Grants to Local Educational Agencies
- \$8 million Weatherization Assistance
- \$8 million Highway Planning & Construction
- \$6 million Energy Efficiencies and Conservation Block Grants
- \$5 million Grants to State for Construction of State Homes Facility used for the Veterans Home
- \$19 million Other ARAA

Although the majority of ARRA projects have been completed, certain projects continue beyond FY 2012. The continuing projects include:

- Broadband Technology Opportunities Program
- Department of Justice Grants
- Energy Grants
- Environmental Protection Grants
- Health Promotion Technology Grant

FINANCIAL INFORMATION

Surplus Statement General and Education Funds (In Millions)

	FY 2010	FY 2011			FY 2012		
	Total	General	Education	Total	General	Education	Total
Undesignated Fund Balance, July 1	\$ -	\$ 65.7	\$ -	\$ 65.7	\$ 17.7	\$ -	\$ 17.7
Additions:							
Unrestricted Revenue	2,224.7	1,383.7	809.5	2,193.2	1,376.6	813.2	2,189.8
Executive Order & Special Session Revenue	28.1	1.5		1.5			-
Total Additions	2,252.8	1,385.2	809.5	2,194.7	1,376.6	813.2	2,189.8
Deductions:							
Appropriations Net of Estimated Revenues	(2,237.2)	(1,423.0)	(938.3)	(2,361.3)	(1,320.1)	(956.4)	(2,276.5)
Less Lapses	44.4	97.1	4.8	101.9	39.5	0.7	40.2
Total Net Appropriations	(2,192.8)	(1,325.9)	(933.5)	(2,259.4)	(1,280.6)	(955.7)	(2,236.3)
GAAP and Other Adjustments	(7.3)	14.6		14.6	40.1	2.5	42.6
ARRA Stabilization	-			-			-
Current Year Balance	52.7	73.9	(124.0)	(50.1)	136.1	(140.0)	(3.9)
Fund Balance Transfers (To)/From:							
Rainy Day Fund							
Liquor Commission	6.5	2.1		2.1			
Highway Fund	6.5						
Education Trust Fund		(124.0)	124.0		(140.0)	140.0	
Undesignated Fund Balance, June 30,	\$ 65.7	\$ 17.7	\$ -	\$ 17.7	\$ 13.8	\$ -	\$ 13.8
Reserved for Rainy Day Account	9.3	9.3		9.3	9.3		9.3
Total Equity	\$ 75.0	\$ 27.0	\$ -	\$ 27.0	\$ 23.1	\$ -	\$ 23.1

The fiscal year 2012-13 biennial budget, as adopted, assumed a near zero beginning unassigned general fund equity balance. The actual beginning fiscal year 2012 unassigned fund balance was \$27.0 million (\$17.7 million other and \$9.3 million Revenue Stabilization).

Appropriations net of estimated revenues exceeded plan by \$22.0 million. The plan, \$2,254.5 million, included \$7.3 million in net reductions under House Bills 1 and 2, that was not achieved. In addition, final lapses of \$40.2 million were \$3.0 million lower than the plan of \$43.2 million, resulting in total net appropriations \$25.0 million higher than estimated. Closing adjustments, made in accordance with generally accepted accounting principles (GAAP) to bring budgetary accounting basis to the modified accrual reporting basis, totaled \$42.6 million and were \$34.6 million more favorable than plan. These are reflective of lower adjustments for year-end liabilities in fiscal year 2012, primarily related to the reversal of a higher than normal payroll accrual in fiscal year 2011 that reduced payroll accruals at June 30, 2012 by \$12 million. The fluctuation between years results from 27 pay periods occurring in fiscal year 2012.

Non-recurring year-end accruals totaling \$14 million related to payables for a Medicaid plan amendment and State retirement contributions were made on a GAAP basis in fiscal year 2011 but paid and reversed in fiscal year 2012. The General Fund portion of year-end Medicaid liabilities was approximately \$10 million lower than in fiscal year 2011. June 30, 2012 unassigned fund equity (surplus), exclusive of the \$9.3 million Revenue Stabilization Account, totaled \$13.8 million, for total Unassigned General Fund equity of \$23.1 million compared to an estimated \$13.6 million deficit. This represents a net favorable variance at June 30, 2012 of \$36.7 million when compared to the budget as adopted.

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

Revenue Category	FY 2010	FY 2011			FY 2012			FY 2012 Combined Plan
		General	Education	Total	General	Education	Total	
Business Profits Tax.....	\$ 316.2	\$ 248.5	\$ 49.3	\$ 297.8	\$ 256.5	\$ 55.3	\$ 311.8	\$ 312.5
Business Enterprise Tax.....	193.9	63.0	129.4	192.4	68.5	135.8	204.3	190.5
Subtotal.....	510.1	311.5	178.7	490.2	325.0	191.1	516.1	503.0
Meals & Rentals Tax.....	232.5	228.9	6.6	235.5	231.8	7.6	239.4	229.2
Tobacco Tax.....	243.5	129.8	96.8	226.6	136.1	78.8	214.9	223.5
Liquor Sales and Distribution.....	120.7	125.7		125.7	127.6		127.6	131.4
Interest & Dividends Tax.....	84.9	76.6		76.6	83.5		83.5	85.4
Insurance Tax.....	86.8	84.9		84.9	85.0		85.0	86.1
Communications Tax.....	81.0	76.5		76.5	79.3		79.3	80.2
Real Estate Transfer Tax.....	84.8	54.0	28.0	82.0	52.8	29.2	82.0	79.6
Transfers from Lottery Commission.....	66.2	-	62.2	62.2		66.8	66.8	70.0
Transfers from Racing & Charitable Gaming Commission....	1.4		1.3	1.3		3.5	3.5	3.8
Tobacco Settlement.....	44.2	1.7	40.0	41.7	2.5	40.0	42.5	42.4
Utility Property Tax.....	29.9		32.3	32.3		33.1	33.1	28.2
Property Tax Retained Locally.....	363.2		363.6	363.6		363.1	363.1	363.1
Other.....	157.5	174.4		174.4	171.9		171.9	162.7
Subtotal.....	2,106.7	1,264.0	809.5	2,073.5	1,295.5	813.2	2,108.7	2,088.6
Net Medicaid Enhancement	-							
Revenues.....	98.1	93.4		93.4	74.8		74.8	97.0
Recoveries.....	19.9	27.8		27.8	6.3		6.3	3.6
Subtotal.....	2,224.7	1,385.2	809.5	2,194.7	1,376.6	813.2	2,189.8	2,189.2
Executive Orders and Special Session Revenues	28.1							
Total.....	\$ 2,252.8	\$ 1,385.2	\$ 809.5	\$ 2,194.7	\$ 1,376.6	\$ 813.2	\$ 2,189.8	\$ 2,189.2

The General and Education Trust Fund revenues for fiscal year 2012 met budgeted estimates of \$2.2 billion. While total revenues were substantially the same as the estimates, several revenue sources varied from their individual plans. Favorable variances versus plan were realized in the following areas: business taxes (\$13.1 million or 2.6% above plan), meals and rooms tax (\$10.2 million or 4.5% above plan), the utility property tax (\$4.9 million or 17.4% above plan) and 'Other' revenues (\$9.2 million or 5.7%). These favorable variances were offset by unfavorable variances which include: Medicaid Enhancement Tax (\$22 million or 23% below plan), tobacco tax (\$8.6 million or 3.9% below plan), transfers from the Liquor Commission (\$3.8 million or 2.9% below plan) and the Lottery (\$3.2 million or 4.6% below plan).

Highway Fund

The Highway Fund ended the year with an Undesignated Fund Balance of \$35 million versus the Original Budget of \$7.5 million. Highway Fund revenues of \$284 million were favorable for the year by approximately \$5 million as compared to the fiscal year 2012 Plan of \$279 million. Additional information regarding the Highway Fund Undesignated Fund Balance can be found on page 121.

Fish & Game Fund

The Fish and Game Fund ended the year with an Undesignated Fund Balance of \$2.2 million versus the Original Budget of \$3.2 million. Fish and Game Fund revenues of \$10.1 million were unfavorable for the year by approximately \$.6 million as compared to the fiscal year 2012 Plan of \$10.7 million. Additional information regarding the Fish and Game Fund Undesignated Fund Balance can be found on page 122.

Unrestricted Net Assets

At the Government-Wide Level, the State's Governmental Activities unrestricted net assets are less than the unrestricted liabilities which results in a deficit of Unrestricted Net Assets. Since fiscal year 2009 (on a restated basis), the State's position has changed from an unrestricted net asset balance to an unrestricted deficit balance. The deficit balance as of June 30, 2012 was \$742 million. This decrease in unrestricted net assets to the current deficit position appears to be primarily the result of the following: 1) \$679 million of Other Post Employment Benefit (OPEB) Liabilities outstanding as of June 30, 2012 (see Note 10) 2) Long-Term debt issued by the State for component unit capital purposes, \$257 million outstanding as of June 30, 2012 (\$201 million USNH and \$56 million CCSNH), that did not result in a Governmental Activities' capital asset (assets are recorded on the balance sheets of USNH and CCSNH), and 3) school building aid which was bonded between 2009-2011 of approximately \$130 million that did not result in a State capital asset.

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, unless restricted by law, within their departments with prior approval from the Legislative Fiscal Committee, the Governor and the Executive Council as required.

Internal Controls

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

- **Department of Administrative Services (DAS)** - The commissioner of Administrative Services, the assistant commissioner/budget officer and the comptroller are responsible for enforcing financial policy guidelines, assisting with the development of 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.

Through FY 2012, financial transactions for the various state agencies were recorded in the New Hampshire accounting ERP System, NH FIRST. The state's centralized accounting system and other accounting procedures are designed to provide various controls to provide reasonable, though not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use and the proper recording of financial transactions. In connection with the adoption of the State's new ERP system, substantial training was provided by DAS, which served to strengthen users' procedures and instruct them in the system of internal controls employed in its use.

Cash and Investments

Cash and investments held by the State Treasury are generally pooled to provide adequate liquidity and to maximize earnings, whenever possible. Cash in excess of that needed for daily operations is primarily invested in money market accounts, repurchase agreements, certificates of deposit and United States Treasury and agency obligations, with the goal of enhancing safety, in accordance with state statutes and Treasury investment policy. Amounts held in banks are fully collateralized or are covered by FDIC insurance.

Pursuant to RSA 6:7-a, investment income is reported net of banking service fees. Beginning in January 2010, compensating balance arrangements were implemented with the state's largest banking partners to pay for the cost of services. The State monitors daily the operating balances to which the banks apply an earnings credit rate that is generally in excess of the rate that would otherwise be earned outside of such an arrangement. This arrangement continues to be more advantageous to the State in the current interest rate environment.

Insurance

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.

The State normally self-insures against all damages, losses and expenses except to the extent that the provisions of law direct the purchase of commercial insurance. The State may elect to purchase insurance where allowed and economical, and does so for fleet automobile liability, ski area liability for Cannon Mountain, and a fidelity and faithful performance bond, among others. Settled claims under these insurance programs have not exceeded commercial insurance coverage in any of the last three years.

In 2003, the Commissioner of Administrative Services was authorized by law to establish the Employee and Retiree Benefit Risk Management Fund in order to provide a self-funded alternative to traditional insurance programs for employees and retirees and to aid in controlling the rising costs of health benefits. The new fund, established in October 2003, was created to manage the State's self-funded employee and retiree health benefit program and to pool resources to pay for the costs associated with providing health benefits to state employees and retirees. Agencies are charged actuarially determined "working rates" for participating employees and retirees. These rates are intended to cover the costs of anticipated claims, administrative fees and reserve requirements established by law. Health care providers submit claims for payment to a contracted third party administrator who pays providers directly and seeks reimbursement from the State through the fund. The success of reducing cost trends has been achieved by numerous and effective initiatives.

Audits

Pursuant to RSA 21-I:8,II, (a), 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, 2012.

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 report on compliance with requirements of 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.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of New Hampshire for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2011. This is the fourth consecutive year that the state received this award.

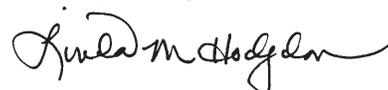
In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to substantially meet the Certificate of Achievement Program's requirements.

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,



Linda M. Hodgdon, Commissioner

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of New Hampshire

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



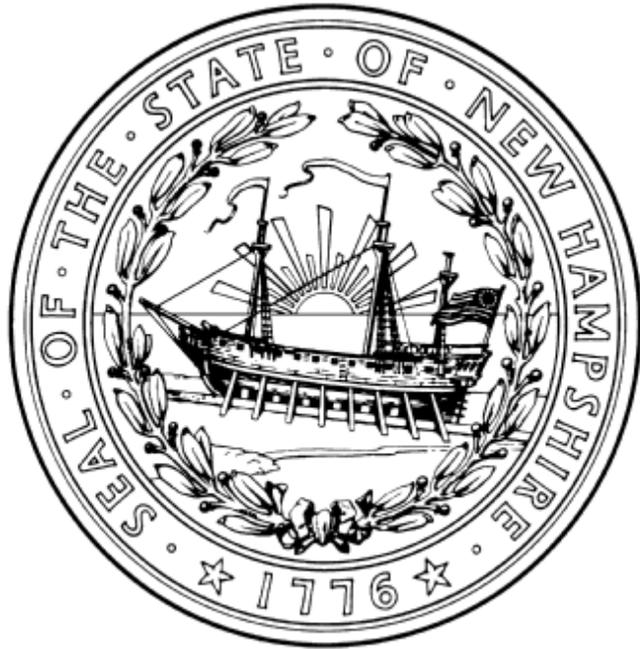
Christopher P. Morrill

President

Jeffrey R. Emer

Executive Director

Financial Section





KPMG LLP
Two Financial Center
60 South Street
Boston, MA 02111

INDEPENDENT AUDITORS' REPORT

To the Fiscal Committee of the General Court
State of 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, 2012, which collectively comprise the State of New Hampshire's basic financial statements as listed in the 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 the Turnpike System and the Lottery Commission, which represent 54.8% and 29.6% of the assets and revenues of the business-type activities, respectively, and 100% of the assets and revenues of the Turnpike System and Lottery Commission major funds, respectively. We also did not audit the University System of New Hampshire, Business Finance Authority of the State of New Hampshire, Community Development Finance Authority, Pease Development Authority and the Community College System of New Hampshire, which represent 100% of the assets and revenues of the aggregate discretely presented component units, respectively. Further, we did not audit the New Hampshire Judicial Retirement System and the New Hampshire Public Deposit Investment Pool, which represent 3.9% and 23.7% of the assets and revenues of the aggregate remaining fund information, respectively. 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 included for these entities, are 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. The financial statements of the New Hampshire Public Deposit Investment Pool and the Business Finance Authority of the State of New Hampshire were not audited in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2012, 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.

In accordance with Government Auditing Standards, we have also issued our report dated December 31, 2012, 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.

As described in note 17 of the financial statements, the net assets of the Governmental Activities, Business-type Activities, General Fund and the State Revolving Fund, as of July 1, 2011, have been restated to reflect the creation of a new enterprise fund to account for the activities of the Clean Water and Drinking Water State Revolving Funds, which were previously reported in the General Fund.

U.S. generally accepted accounting principles require that the management's discussion and analysis, budgetary comparison information, and the schedules of funding progress, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The combining financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described previously, and the reports of other auditors, the combining financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory and statistical sections are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

KPMG LLP

December 31, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

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, 2012. 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, 2012 by \$2.5 billion. This amount is presented as "Total Net Assets" on the Statement of Net Assets for the Total Primary Government (condensed information can be seen later in the MD&A section of this report). Of this amount, \$716.0 million is reported as a deficit in unrestricted net assets, representing a deficiency of unrestricted, non-capital assets, to liabilities other than capital debt.

Changes in Net Assets: The State's total net assets increased by \$171.5 million, or 7.4% in fiscal year 2012. Net assets of governmental activities decreased by \$5.7 million (0.5%), and net assets of the business-type activities showed an increase of \$177.3 million (17.3%). Expenses for the period were \$549.6 million lower than Fiscal 2011, some of which had a related reduction in revenues for federal reimbursable share. Accordingly, the reduction in revenues of \$99.9 million includes reduced federal recoveries as well as a net reduction in tax revenues and fees for services.

Non-Current Liabilities: The State's total non-current liabilities increased by \$217.1 million or 10.7% during the current fiscal year. Long-term bonded debt increased \$112.1 million or 8.5% as new issuances exceeded payments of outstanding debt. Also, an additional \$120.9 million long-term liability was recorded for other postemployment health benefits in accordance with governmental accounting standards.

Fund Highlights:

Governmental funds - Fund Balances: As of the close of fiscal year 2012, the State's governmental funds reported a combined balance of all funds of \$488.9 million, an increase of \$162.3 million from the prior year. This year, the General Fund ended the year with an Unassigned Fund Balance of \$23.1 million (including Revenue Stabilization balance of \$9.3 million).

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is 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 basic financial statements.

This report also contains required 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 economic resources measurement focus and 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 24 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 26, 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 (includes Racing & Charitable Gaming Commission),
- Turnpike System
- State Revolving Loan Fund (SRF), 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,
- Community Development Finance Authority,
- Pease Development Authority, and
- Community College System of New Hampshire.

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 basic financial statements.

Fund Financial Statements

A fund is a grouping of related accounts 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 three 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 the Non-Major Funds reported in the aggregate. Fiduciary funds are reported by fiduciary type (pension, private-purpose, investment trust, and agency).

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 current financial resources measurement focus and 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 Governmental Fund Financial Statements can be found on pages 30 and 32.

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 Financial Statements and the Government-Wide Financial Statements, which can be found on pages 31 and 33.

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 89 and 90.

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 five enterprise funds and one 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, SRF Fund 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 economic resources measurement focus and 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 36-39.

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 economic resources measurement focus and accrual basis of accounting.

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

- **Pension Trust Fund** which accounts for the activity of the State's New Hampshire Retirement System and the Judicial Retirement Plan - which are 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 four 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 44 and 45.

Notes to the Basic 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 47.

Required Supplementary Information

In addition to this Management's Discussion and Analysis 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. In addition, schedules of funding progress are presented for the state's Other Postemployment Benefit Plan and the Judicial Retirement Plan.

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 \$2.5 billion at the end of 2012, compared to \$2.3 billion at the end of the previous year.

Investment in Capital Assets: The largest portion of the State's net assets (97%) 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 \$243.8 million from prior year. This increase was the result of a net increase in capital assets of \$202.1 million during the year combined with a decrease in capital related debt of \$41.7 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: Another portion of the State's net assets (\$791.3 million or 32%) represents resources that are subject to external restrictions on how they may be used. State-imposed designations of resources, unless resulting from enabling legislation, are not presented as restricted net assets. Restricted net assets increased \$77.0 million from prior year due largely to increases in environmental loans receivable and assets restricted for unemployment benefits.

Unrestricted Net Assets: The deficit in the State's unrestricted net assets is \$716.0 million, an increase of \$149.4 million from the previous year. A significant component of the deficit is attributable to net other postemployment benefit obligation, which at June 30, 2012 was \$679.0 million. In addition, due to the separation of Community College System of New Hampshire (CCSNH) into a Component Unit of the state, final transfers of capital assets were made to CCSNH, excluding certain issues of the capital-related debt which the state retained. The effect of the capital-related debt retained by the State is a reduction to Unrestricted Net Assets of approximately \$50 million.

Comparative Net Assets as of June 30, 2012 and 2011

(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011 (1)	2012	2011 (1)	2012	2011 (1)
Current assets	\$ 1,030,906	\$ 886,467	\$ 567,204	\$ 466,448	\$ 1,598,110	\$ 1,352,915
Capital assets	2,624,079	2,517,388	806,517	711,121	3,430,596	3,228,509
Other assets	101,200	155,256	303,595	325,957	404,795	481,213
Total assets	3,756,185	\$ 3,559,111	1,677,316	1,503,526	5,433,501	\$ 5,062,637
Noncurrent liabilities	1,904,580	1,667,682	333,204	353,044	2,237,784	2,020,726
Current liabilities	577,765	611,812	140,043	123,679	717,808	735,491
Total liabilities	2,482,345	2,279,494	473,247	476,723	2,955,592	2,756,217
Net assets:						
Invested in capital assets, net of related debt	1,992,798	1,885,451	409,841	273,365	2,402,639	2,158,816
Restricted	23,722	25,403	767,581	688,864	791,303	714,267
Unrestricted	(742,680)	(631,237)	26,647	64,574	(716,033)	(566,663)
Total net assets	\$ 1,273,840	\$ 1,279,617	\$ 1,204,069	\$ 1,026,803	\$ 2,477,909	\$ 2,306,420

(1) Note - Certain prior year amounts have been reclassified or restated (see footnote 17) to conform with current year presentation

Changes in Net Assets

The State's total net assets increased by \$171.5 million, or 7.4%, during the current fiscal year. The unrestricted net assets had a deficit balance of \$716.0 million at June 30, 2012 as compared to a deficit balance of \$566.7 million, the prior year. Total revenues decreased \$99.9 million (1.6%) as compared to a decrease in reported expenses of \$549.6 million (8.8%). The reason for the decline in total unrestricted net assets is largely related to an increase in other postemployment benefit liability of \$120.1 million.

More than half of the State's revenue (68%) 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.

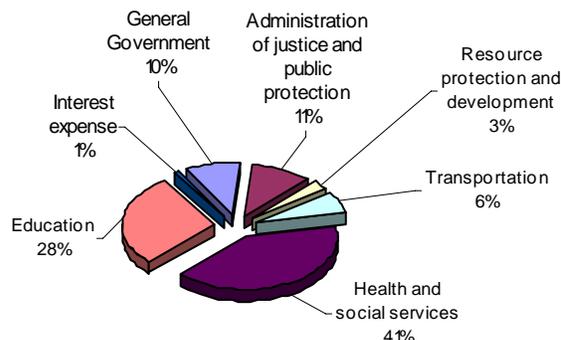
The State's expenses cover a range of services. The largest expenses were for Health and Social Services and Education, which accounted for 34.1% and 23.4% of total expenses, respectively. Expenses for Health and Social Services was the largest decrease, \$218.8 million or 10%.

Comparative Changes in Net Assets
For Fiscal Years Ending June 30, 2012 and 2011
(In Thousands)

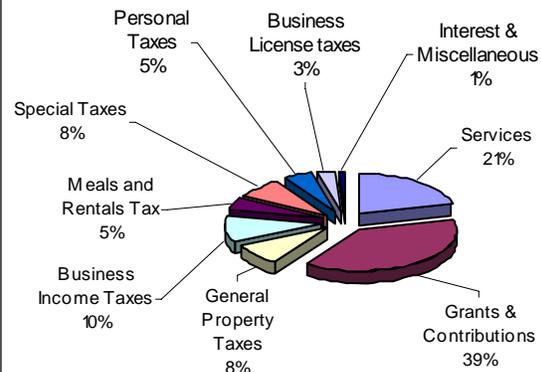
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2012</u>	<u>2011 (1)</u>	<u>2012</u>	<u>2011 (1)</u>	<u>2012</u>	<u>2011 (1)</u>
Revenues						
Program revenues:						
Charges for services	\$ 962,723	\$ 883,309	\$ 1,278,842	\$ 1,260,797	\$ 2,241,565	\$ 2,144,106
Operating grants & contributions	1,622,317	1,824,734	21,869	61,470	1,644,186	1,886,204
Capital grants & contributions	193,546	146,267	201	24,162	193,747	170,429
General revenues:						
General Property Taxes	397,716	396,272			397,716	396,272
Business Income Taxes	486,535	402,004			486,535	402,004
Meals and Rentals Tax	239,067	234,852			239,067	234,852
Special taxes	370,050	429,628			370,050	429,628
Personal taxes	214,928	226,649			214,928	226,649
Business License taxes	143,888	160,847			143,888	160,847
Interest	10,968	8,552			10,968	8,552
Miscellaneous	46,985	29,926			46,985	29,926
Total revenues	<u>4,688,723</u>	<u>4,743,040</u>	<u>1,300,912</u>	<u>1,346,429</u>	<u>5,989,635</u>	<u>6,089,469</u>
Expenses						
General government	467,022	525,152			467,022	525,152
Administration of justice and public protection	520,958	506,824			520,958	506,824
Resource protection and development	142,153	132,690			142,153	132,690
Transportation	310,736	456,652			310,736	456,652
Health and social services	1,959,017	2,177,806			1,959,017	2,177,806
Education	1,342,002	1,484,909			1,342,002	1,484,909
Interest Expense	41,349	47,334			41,349	47,334
Turnpike System			86,166	91,331	86,166	91,331
Liquor Commission			433,631	415,816	433,631	415,816
Lottery Commission			190,566	167,961	190,566	167,961
SRF Fund			33,031	5,412	33,031	5,412
Unemployment Compensation			220,391	284,773	220,391	284,773
Total expenses	<u>4,783,237</u>	<u>5,331,367</u>	<u>963,785</u>	<u>965,293</u>	<u>5,747,022</u>	<u>6,296,660</u>
Increase (decrease) in net assets before transfers	(94,514)	(588,327)	337,127	381,136	242,613	(207,191)
Transfers & Other Items	88,737	191,506	(159,861)	(191,506)	(71,124)	
Increase (Decrease) in net assets	<u>(5,777)</u>	<u>(396,821)</u>	<u>177,266</u>	<u>189,630</u>	<u>171,489</u>	<u>(207,191)</u>
Net assets, beginning of year (Restated, Note 17)	1,279,617	1,676,438	1,026,803	837,173	2,306,420	2,513,611
Net assets, end of year	<u>\$ 1,273,840</u>	<u>\$ 1,279,617</u>	<u>\$ 1,204,069</u>	<u>\$ 1,026,803</u>	<u>\$ 2,477,909</u>	<u>\$ 2,306,420</u>

(1) Note - Certain prior year amounts have been reclassified or restated (see footnote 17) to conform with current year presentation

Governmental Activities - Expenses
Fiscal Year Ending June 30, 2012



Revenues - Governmental Activities
Fiscal Year Ending June 30, 2012

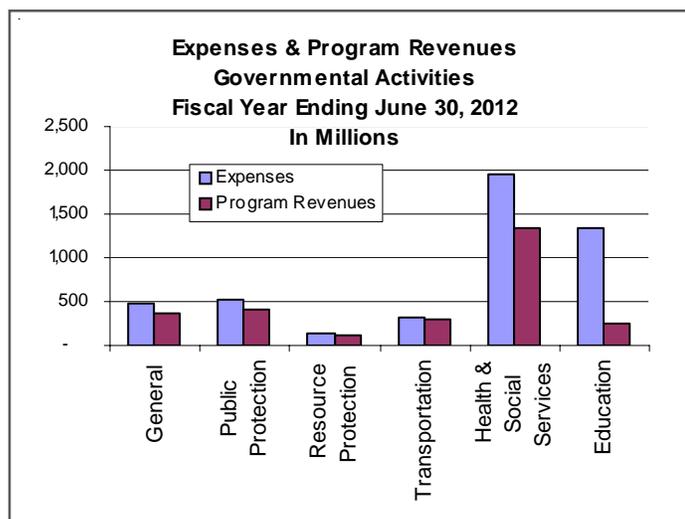


	Governmental Activities		Business-type Activities		Total Primary Government	
	\$Change	% Change	\$Change	% Change	\$Change	% Change
Revenues						
Program revenues:						
Charges for services	79.4	9.0%	18.0	1.4%	97.4	4.5%
Operating grants & contributions	(202.4)	-11.1%	18.6	565.5%	(183.8)	-10.1%
Capital grants & contributions	47.3	32.3%	(82.1)	100.0%	(34.8)	-15.2%
General revenues:						
General Property Taxes	1.4	0.4%			1.4	0.4%
Business Income taxes	84.5	21.0%			84.5	21.0%
Meals and Rental Taxes	4.2	1.8%			4.2	1.8%
Special taxes	(59.6)	-13.9%			(59.6)	-13.9%
Personal taxes	(11.7)	-5.2%			(11.7)	-5.2%
Business License taxes	(17.0)	-10.5%			(17.0)	-10.5%
Interest	2.4	28.3%			2.4	28.3%
Miscellaneous	17.1	57.0%			17.1	57.0%
Total revenues	(54.4)	-1.1%	(45.5)	-3.4%	(99.9)	-1.6%
Expenses						
General government	(58.1)	-11.1%			(58.1)	-11.1%
Administration of justice and public protection	97.6	23.0%			97.6	23.0%
Resource protection and development	9.5	7.1%			9.5	7.1%
Transportation	(229.3)	-42.5%			(229.3)	-42.5%
Health and social services	(218.8)	-10.0%			(218.8)	-10.0%
Education	(142.9)	-9.6%			(142.9)	-9.6%
Interest Expense	(6.0)	-12.6%			(6.0)	-12.6%
Turnpike System			(5.2)	-5.7%	(5.2)	-5.7%
Liquor Commission			17.8	4.3%	17.8	4.3%
Lottery Commission			22.6	13.5%	22.6	13.5%
SRF Fund			27.6	510.3%	27.6	510.3%
Unemployment Compensation			(64.4)	-22.6%	(64.4)	-22.6%
Total expenses	(548.0)	-10.3%	(1.6)	-0.2%	(549.6)	-8.7%

Governmental Activities

Governmental activities decreased the State's net assets by \$94.5 million, before transfers and other items. Revenues decreased by \$54.4 million or 1.1% from prior year to total \$4.7 billion. Operating grants and contributions, which include federal programs, decreased \$202.4 million or 11.1%, while taxes and other revenues increased \$38.4 million or 2.2%. Expenses also declined however, by \$548.0 million or 10.3%.

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. 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 significant program costs are not fully recovered from program revenues, these programs are supplemented from general revenues, which primarily consist of taxes, such as the statewide property taxes, business profits tax, business enterprise tax, real estate transfer, tobacco, meals and rentals, and interest and dividends tax.



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 \$337.1 million prior to transfers. Business-Type activities include the operations from the Liquor Commission, Lottery Commission, SRF Fund, Unemployment Compensation Fund, and Turnpike Fund.

Operations of the Liquor Commission generated net income before transfers of \$141.6 million, approximately equal to prior year, most of which was transferred to the General Fund to fund the general operations of the State. The Lottery Commission had an increase in net income compared to last year, at \$70.4 million.

Turnpike System net assets increased by \$84.1 million. The operations of the Unemployment Compensation fund yielded an increase in net assets of \$84.9 million, an improvement to prior year of \$28.5 million, due to a reduction in unemployment insurance benefits expense.

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, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Total Governmental Fund Balances increased \$162.3 million. A deficiency of revenues over expenditures of \$300.0 million was funded by more than \$462.3 million of transfers from Enterprise Funds and Other Financing Sources, resulting in a net increase in Governmental Fund Balance.

General Fund

The general fund is the primary operating fund of the State. The total fund equity at June 30, 2012 is \$217.1 million. The general fund unassigned fund balance, comprising Revenue Stabilization (Rainy Day fund) amount of \$9.3 million and other fund balance of \$13.8 million ended the year at \$23.1 million, a decrease of \$3.8 million from the prior year.

Revenues in the general fund were \$3,312.6 million, \$218.1 million (6%) less than the prior year, the decrease largely relates to grant revenue. Expenditures were reduced accordingly by \$329.4 million (9%) to \$3,279.4 million. Savings were realized in Health and Social Services and Resource Protection and Development. Debt service was increased by \$47.1 million as a result of the increase in General Obligation bonds.

Education Fund

The education fund, before year end transfers, had a deficit of \$210.7 million. The general fund made a transfer from unassigned fund balance of \$140.1 million to bring the education unassigned fund balance to zero at June 30 as required by law.

Highway Fund

The highway fund ended the year with an assigned fund balance of \$37.7 million. Included in this amount is \$29.1 million available for Highway Operating funds and \$8.6 million of total Highway Construction.

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 77.

General Fund:

The net increase from the original budget of \$4,071 million to the final budget of \$4,176 million is \$105 million and represents additional appropriations issued and budget reductions recorded (HB2), after July 1, 2011 and are composed of the following (*in millions*):

*Dept. of Safety	\$41
*DHHS	\$15
*Dept. of Labor	\$13
*Dept. of Resources and Economic Development	\$9
*Office of Energy and Planning	\$7
*NH Retirement System	\$7
*Various Other	\$13
Total	\$105

The largest variances from the final budget to actual amounts were for grant revenues, safety spending, education grant expenditures and environmental lending. Federal Grants had an unfavorable variance of \$492 million, much of which relates directly to lower spending on federal programs in Safety, Education and Environmental Services, the totals of which declined a combined \$472 million. The lower expenditures in federal programs is due in part to the decline of ARRA programming, and timing of program expenditures.

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, 2012, amounted to \$6.2 billion, with accumulated depreciation amounts of \$2.8 billion, leaving a net book value of \$3.4 billion, an increase of \$202.1 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 \$1.9 billion, representing a \$183.1 million increase from the prior year as current year additions of \$329.5 million exceeded total deletions and depreciation of \$146.4 million.

Additional information on the state's capital assets can be found in Footnote 4 of the Notes to the Basic 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 \$1,546.3 million. Of this amount, \$1,007.5 million are general obligation bonds, which are backed by the full faith and credit of the State and \$195.0 million are Federal Highway Grant Anticipation Bonds (GARVEE). 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 July 21, 2011, the State issued a \$1.3 million general obligation capital improvement bond. The bond was sold through a private placement with the New Hampshire Municipal Bond Bank (NHMBB) to be used as an investment in its debt service reserve fund. The bond pays a 3% coupon and matures on August 15, 2021.

On October 27, 2011, the State issued \$100.0 million of general obligation capital improvement bonds. The bonds were sold through a competitive sale and resulted in an overall true interest cost of 2.88%. The coupons on these serial bonds range from 3.0% to 5.0%, and the maturity dates range from 2013 through 2031.

On December 15, 2011, the State issued a \$2.2 million general obligation capital improvement bond. Similar to the small issue in July, the bond was sold via private placement to the NHMBB to be used as an investment in its debt service reserve fund. The bond pays a 4% coupon and matures on January 15, 2031.

On January 5, 2012, the State issued \$42.1 million of Turnpike System revenue refunding bonds. The coupons on these new bonds are 4% and 5% with the entire amortization schedule closing with an overall true interest cost of 3.0%. These bonds refinanced \$45.9 million of outstanding Turnpike System debt. At closing, the \$47.5 million in net proceeds from the issuance was 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 \$5.4 million over the next 9 years and a 8.14% net present value savings of \$3.7 million.

On May 30, 2012, the State issued \$98.3 million in Federal Highway Grant Anticipation Bonds with maturity dates ranging from 2013 to 2020 with coupons ranging from 2% to 5%. The bonds were sold through a negotiated sale and resulted in an overall true interest cost of 1.27%. The sale resulted in a \$16.7 million premium, and the total proceeds of \$115.0 million will be used for authorized capital projects related to the widening of Interstate 93.

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 Basic Financial Statements.

Fitch Ratings has assigned the State's bond rating of AA+, Moody's Investors Service of Aa1, and Standards & Poor's of AA.

ECONOMIC CONDITIONS AND OUTLOOK

Along with the nation and the region, the State's economy is emerging from recession with some challenges ahead. Due to a favorable tax climate for individuals coupled with a high quality of life and standard of living, New Hampshire is considered a very attractive state to live in. As a result, New Hampshire has fared better in this recession than many other states in the region and the nation. The State's November 2012 unemployment rate of 5.6% (seasonally adjusted) continues to be below the national average of 7.7%.

In fiscal year 2013, through November the state had received approximately \$661.0 million in General and Education Fund revenues as compared to the year-to-date November Plan of \$703.8 million. Traditional Taxes and revenues which include Business Taxes, Meals and Rentals, Interest and Dividends, Tobacco, etc. are slightly above Plan by \$5.6 million or 1%; however, collections of the Medicaid Enhancement Tax (MET) is below Plan by approximately \$48 million. Additional MET receipts are expected to be received in December 2012; however, it appears that hospitals are reporting lower net patient service revenue on which the tax is applied than originally anticipated in the Plan for fiscal year 2013.

Versus the prior year, the year-to-date November revenues in fiscal year 2013 are reported as \$29.7 million higher (4.7%). The increase in non-MET taxes and revenues is approximately \$20 million or 3.5% and the MET receipts (those recorded as unrestricted revenues) were approximately \$10 million higher than the prior year. On an annual basis, the fiscal year 2013 General and Education Funds revenue Plan of \$2,229.9 million is approximately \$40 million higher (1.8%) than the actual revenue realized in fiscal year 2012 (\$2,189.8 million).

Going forward, the State will continue to monitor revenue collections closely. The state will continue to manage spending and institute budget reductions and program savings initiatives where needed.

A more comprehensive discussion of the region's economy is found in the Commissioner's Transmittal Letter.

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.

Basic Financial Statements

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 STATE OF NEW HAMPSHIRE
 STATEMENT OF NET ASSETS
 JUNE 30, 2012
 (Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Current Assets:				
Cash and Cash Equivalents.....	\$ 294,090	\$ 76,739	\$ 370,829	\$ 209,911
Cash and Cash Equivalents-Restricted.....	139,798	376,721	516,519	14,644
Receivables (Net of Allowances for Uncollectibles)....	544,363	18,506	562,869	45,810
Other Receivables-Restricted.....	279	79,190	79,469	
Internal Balances Receivable (Payable).....	9,075	(9,075)		
Internal Notes Receivable (Payable).....	24,262	(24,262)		
Due from Primary Government.....				4,550
Inventories.....	19,039	43,719	62,758	
Other Current Assets.....		5,666	5,666	27,533
Total Current Assets.....	1,030,906	567,204	1,598,110	302,448
Noncurrent Assets:				
Receivables (Net of Allowances for Uncollectibles)....	8,370		8,370	45,296
Other Receivables-Restricted.....	4,481	325,132	329,613	
Internal Notes Receivable (Payable).....	28,199	(28,199)		
Investments.....				505,621
Investments-Restricted.....	60,150		60,150	
Bond Issue Costs.....		2,528	2,528	
Other Assets.....		4,134	4,134	811
Deferred Outflow of Resources.....				50,758
Capital Assets:				
Land & Land Improvements.....	629,208	115,597	744,805	22,464
Buildings & Building Improvements.....	734,283	30,522	764,805	1,653,398
Equipment & Computer Software.....	313,258	44,286	357,544	114,985
Construction in Progress.....	261,325	159,803	421,128	98,079
Infrastructure.....	3,199,307	764,384	3,963,691	
Less: Allowance for Depreciation.....	(2,513,302)	(308,075)	(2,821,377)	(758,048)
Net Capital Assets.....	2,624,079	806,517	3,430,596	1,130,878
Total Noncurrent Assets.....	2,725,279	1,110,112	3,835,391	1,733,364
Total Assets.....	3,756,185	1,677,316	5,433,501	2,035,812
LIABILITIES				
Current Liabilities:				
Accounts Payable.....	281,905	69,555	351,460	65,975
Accrued Payroll.....	37,210	2,141	39,351	6,354
Due to Component Units.....	4,550		4,550	
Unearned Revenue.....	60,031	14,931	74,962	42,830
Unclaimed Property & Prizes.....	20,778	4,557	25,335	
General Obligation Bonds Payable.....	90,665		90,665	
Claims & Compensated Absences Payable.....	44,158	1,795	45,953	6,290
Other Liabilities.....	38,468	27,604	66,072	7,327
Revenue Bonds Payable.....		19,460	19,460	53,286
Total Current Liabilities.....	\$ 577,765	\$ 140,043	\$ 717,808	\$ 182,062

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

STATE OF NEW HAMPSHIRE
STATEMENT OF NET ASSETS
JUNE 30, 2012
(Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
LIABILITIES - CONTINUED				
Noncurrent Liabilities:				
General Obligation Bonds Payable, Net	\$ 916,865		\$ 916,865	
Federal Highway Grant Anticipation Bond Payable	194,995		194,995	
Revenue Bonds Payable, Net		\$ 324,331	324,331	\$ 446,932
Claims & Compensated Absences Payable	73,346	5,693	79,039	32,174
Postemployment Benefits Payable.....	679,219		679,219	52,421
Other Noncurrent Liabilities.....	40,155	3,180	43,335	71,153
Total Noncurrent Liabilities.....	1,904,580	333,204	2,237,784	602,680
Total Liabilities.....	2,482,345	473,247	2,955,592	784,742
NET ASSETS				
Invested in Capital Assets, net of related debt.....	1,992,798	409,841	2,402,639	675,970
Restricted for Debt Repayments.....		44,999	44,999	
Restricted for Uninsured Risks.....		3,009	3,009	
Restricted for Unemployment Benefits.....		188,830	188,830	
Restricted for Permanent Funds-Expendable.....	8,658		8,658	
Restricted for Permanent Funds-Non-Expendable.....	10,305		10,305	
Restricted for Prize Awards - MUSL & Tri-State.....		4,134	4,134	
Restricted for Environmental Loans.....	4,759	526,609	531,368	
Restricted Component Unit Net Assets.....				309,023
Unrestricted Net Assets (Deficit).....	(742,680)	26,647	(716,033)	266,077
Total Net Assets.....	\$ 1,273,840	\$ 1,204,069	\$ 2,477,909	\$ 1,251,070

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STATE OF NEW HAMPSHIRE
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental Activities:				
General Government.....	\$ 467,022	\$ 296,152	\$ 75,419	
Administration of Justice & Public Protection.....	520,958	306,509	93,340	
Resource Protection and Development.....	142,153	65,453	44,338	
Transportation.....	310,736	89,074	22,232	193,546
Health and Social Services.....	1,959,017	178,484	1,160,836	
Education.....	1,342,002	27,051	226,152	
Interest Expense.....	41,349			
Total Governmental Activities.....	4,783,237	962,723	1,622,317	193,546
Business-type Activities:				
Turnpike System.....	86,166	123,489		201
Liquor Commission.....	433,631	575,233		
Lottery Commission.....	190,566	260,990		
SRF Fund.....	33,031	13,874	21,869	
Unemployment Compensation.....	220,391	305,256		
Total Business-type Activities.....	963,785	1,278,842	21,869	201
Total Primary Government.....	\$ 5,747,022	\$ 2,241,565	\$ 1,644,186	\$ 193,747
COMPONENT UNITS				
University System of New Hampshire.....	\$ 785,032	\$ 529,616	\$ 204,645	\$ 6,854
Non-Major Component Units.....	144,628	100,618	25,355	
Total Component Units.....	\$ 929,660	\$ 630,234	\$ 230,000	\$ 6,854

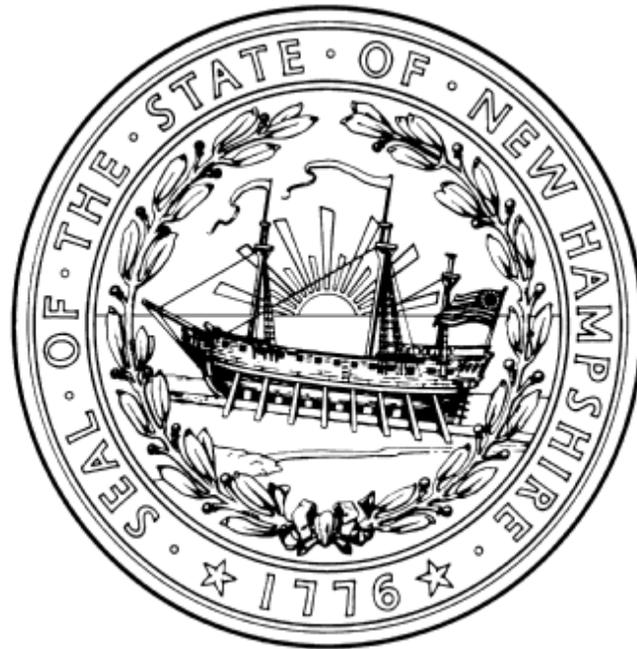
General Revenues:

General Property Taxes.....
Business Income Taxes.....
Meals and Rental Taxes.....
Special Taxes.....
Personal Taxes.....
Business License Taxes.....
Interest & Investment Income.....
Miscellaneous.....
Payments from State of New Hampshire.....
Transfer of Capital Assets.....
Contribution of Capital Assets.....
Transfers - Internal Activities.....
Total General Revenues and Transfers.....
Changes in Net Assets.....
Net Assets - July 1 (Restated, Note 17).....
Net Assets - June 30.....

Net (Expenses) Revenues and Changes in Net Assets

Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
\$ (95,451)		\$ (95,451)	
(121,109)		(121,109)	
(32,362)		(32,362)	
(5,884)		(5,884)	
(619,697)		(619,697)	
(1,088,799)		(1,088,799)	
(41,349)		(41,349)	
(2,004,651)		(2,004,651)	
	\$ 37,524	37,524	
	141,602	141,602	
	70,424	70,424	
	2,712	2,712	
	84,865	84,865	
	337,127	337,127	
\$ (2,004,651)	\$ 337,127	\$ (1,667,524)	
			\$ (43,917)
			(18,655)
			\$ (62,572)
397,716		397,716	
486,535		486,535	
239,067		239,067	
370,050		370,050	
214,928		214,928	
143,888		143,888	
10,968		10,968	7,654
46,985		46,985	
			113,105
(46,585)	46,585		
(71,124)		(71,124)	71,124
206,446	(206,446)		
1,998,874	(159,861)	1,839,013	191,883
(5,777)	177,266	171,489	129,311
1,279,617	1,026,803	2,306,420	1,121,759
\$ 1,273,840	\$ 1,204,069	\$ 2,477,909	\$ 1,251,070

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



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 and American Recovery and Reinvestment Act funds 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, lottery funds, and tobacco settlement funds.*

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STATE OF NEW HAMPSHIRE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012
(Expressed in Thousands)

	General	Highway	Education	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 171,506	\$ 209,708		\$ 20,570	\$ 401,784
Investments	16,200	29,363		14,587	60,150
Receivables (Net of Allow ances for Uncollectibles)	419,115	49,528	\$ 65,472	8,274	542,389
Inter-Fund Note Receivable.....		52,461			52,461
Due from Other Funds	21,779	4,166			25,945
Inventories.....	5,892	12,462		685	19,039
Loans and Notes Receivables	13,130				13,130
Total Assets	\$ 647,622	\$ 357,688	\$ 65,472	\$ 44,116	\$ 1,114,898
LIABILITIES					
Accounts Payable.....	\$ 229,974	\$ 37,656	\$ 2,381	\$ 11,032	\$ 281,043
Accrued Payroll.....	29,359	7,106		745	37,210
Due to Other Funds	1,079		15,791		16,870
Due to Component Unit.....				4,550	4,550
Deferred Revenue	146,752	68,572	47,300		262,624
Unclaimed Property.....	20,778				20,778
Other Liabilities.....	2,959				2,959
Total Liabilities.....	430,901	113,334	65,472	16,327	626,034
FUND BALANCES					
Nonspendable:					
Inventories.....	5,892	12,462		685	19,039
Permanent Fund Principal.....				10,305	10,305
Restricted.....	24,933	180,233		12,869	218,035
Committed.....	137,764	13,933		1,464	153,161
Assigned.....	24,984	37,726		2,466	65,176
Unassigned:					
Revenue Stabilization.....	9,312				9,312
Other.....	13,836				13,836
Total Fund Balances (Deficit).....	216,721	244,354		27,789	488,864
Total Liabilities and Fund Balances.....	\$ 647,622	\$ 357,688	\$ 65,472	\$ 44,116	\$ 1,114,898

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, 2012
(Expressed in Thousands)

Total fund balances for governmental funds		\$	488,864
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			2,624,079
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	\$	127,288	
Banking Assessments		1,100	
Highway Fund Federal and Municipal Billings		14,101	
Highway Fund Note Receivable from Turnpike System		52,462	
Indigent Representation Advances		2,883	
Other Loans		4,759	
			<u>202,593</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 are included in governmental activities in the Statement of Net Assets.			15,833
Certain liabilities are not payable by current available resources and therefore are not reported in the funds:			
Compensated Absences, Workers Compensation		(100,121)	
Other Postemployment Benefits		(679,219)	
Pollution Remediation Obligation		(29,886)	
Capital Lease Obligations		(2,856)	
Bond Payables		(1,202,525)	
Litigation Payable		(26,494)	
Advance Construction Commitments to Municipalities		(2,800)	
Interest Payable		(13,628)	
			<u>(2,057,529)</u>
Net Assets of Governmental Activities		\$	<u><u>1,273,840</u></u>

STATE OF NEW HAMPSHIRE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)

	General	Highway	Education	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
General Property Taxes.....	\$ 129		\$ 396,187		\$ 396,316
Special Taxes.....	896,145		227,880		1,124,025
Personal Taxes.....	136,085		78,843		214,928
Business License Taxes.....	19,870	\$ 143,894			163,764
Non-Business License Taxes.....	82,829	82,775		\$ 8,499	174,103
Fees.....	153,330	23,240		1,000	177,570
Fines, Penalties and Interest.....	16,692	8,295		131	25,118
Grants from Federal Government.....	1,416,059	175,836	19,614	37,949	1,649,458
Grants from Private and Local Sources.....	162,587	8,259		197	171,043
Rents and Leases.....	2,654	130			2,784
Interest, Premiums and Discounts.....	11,908			371	12,279
Sale of Commodities.....	11,833	188		525	12,546
Sale of Service.....	56,781	21,227		2	78,010
Assessments.....	73,816				73,816
Grants from Other Agencies.....	45,769	9,159		3,501	58,429
Miscellaneous.....	226,089	19,891	40,000	7,257	293,237
Total Revenues.....	3,312,576	492,894	762,524	59,432	4,627,426
EXPENDITURES					
Current:					
General Government.....	334,636				334,636
Administration of Justice and Public Protection.....	370,153	74,056			444,209
Resource Protection and Development.....	111,961	1,275		25,968	139,204
Transportation.....	8,446	426,945			435,391
Health and Social Services.....	1,930,901			235	1,931,136
Education.....	388,547		973,236		1,361,783
Debt Service.....	116,531	15,468		437	132,436
Capital Outlay.....	18,274	16,257		109,842	144,373
Total Expenditures.....	3,279,449	534,001	973,236	136,482	4,923,168
Excess (Deficiency) of Revenues					
Over (Under) Expenditures.....	33,127	(41,107)	(210,712)	(77,050)	(295,742)
OTHER FINANCING SOURCES (USES)					
Transfers In.....	1,952		140,448	1,543	143,943
Transfers in from Enterprise Funds.....	140,480		70,263		210,743
Transfers Out.....	(144,745)	(2,376)		(1,119)	(148,240)
Capital Lease Acquisition.....	250				250
Installments on Sale of Assets.....		23,316			23,316
Bond Premiums.....		16,745		9,500	26,245
Bond Issuance.....		98,250		103,520	201,770
Total Other Financing Sources.....	(2,063)	135,935	210,711	113,444	458,027
Net Change in Fund Balances.....	31,064	94,828	(1)	36,394	162,285
Fund Balances - July 1 (Restated, Note 17).....	186,415	148,676	1	(8,501)	326,591
Change in Inventory.....	(758)	850		(104)	(12)
Fund Balances (Deficit) - June 30.....	\$ 216,721	\$ 244,354	\$ -	\$ 27,789	\$ 488,864

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

**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, 2012
(Expressed in Thousands)**

Net change in fund balances - total governmental funds, including change in inventory \$ 162,273

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 (26,422)

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	\$ 10,333	
Buildings & Building Improvements	(79,814)	
Equipment & Computer Software	14,531	
Construction in Progress	21,948	
Infrastructure	166,760	
Accumulated Depreciation, net of Disposals	<u>(27,067)</u>	106,691

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. (2,508)

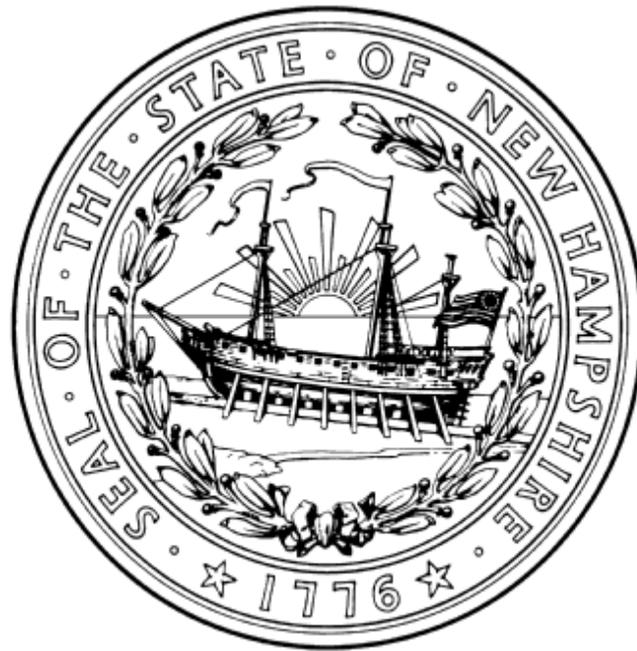
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.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

Bond Proceeds & Premiums Received	(227,863)	
Repayment of Bond Principal & Interest	88,814	
Accretion of Bonds Payable	(1,568)	
Accrued Interest & Amortization	<u>3,842</u>	(136,775)

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	(847)	
Other Postemployment Benefits	(120,915)	
Pollution Remediation Obligation	1,186	
Legal Contingency	12,906	
Change in Capital Lease Obligation	449	
Advance Construction Commitments to Municipalities	(2,800)	
Other loan program	<u>985</u>	(109,036)

Change in net assets of governmental activities \$ (5,777)



Proprietary Fund Financial Statements

Enterprise Funds:

Turnpike System: *The State constructs, maintains, and operates transportation toll facilities. The Turnpike System presently consists of 90.6 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 617 total lane miles. The Turnpike System primarily serves the major cities located in the central and eastern sections of southern New Hampshire.*

Liquor Commission: *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 sell liquor through retail outlets as well as directly 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. Any excess funds of the Commission are transferred to the General Fund on a daily basis.*

Lottery Commission: *The state sells lottery games online and through some 1,282 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.*

State Revolving Fund: *These funds consist of New Hampshire Clean Water and Drinking Water Revolving Funds. Programs operated within these funds provide loans to public water systems and local governments for constructing wastewater treatment facilities and safe drinking water systems. In addition, the programs provide supervision and technical assistance to these grantees. Funding is from U.S. Environmental Protection Administration grants and a general fund match. The funds are repaid with interest, then re-loaned.*

New Hampshire Unemployment Compensation Trust Fund: *This fund receives contributions from employers and provides benefits to eligible unemployed workers, consistent with legislation and regulations which govern federal credit programs.*

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.

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STATE OF NEW HAMPSHIRE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012
(Expressed in Thousands)

ASSETS

Current Assets:

	Business-Type Activities - Enterprise Funds						Governmental
	Turnpike System	Liquor Commission	Lottery Commission	State Revolving Fund	Unemployment Compensation	Total	Activities Internal Service Fund
Cash and Cash Equivalents.....	\$ 57,488	\$ 13,719	\$ 5,532			\$ 76,739	\$ 32,104
Cash and Cash Equivalents-Restricted.....	48,008			\$ 180,310	\$ 148,403	376,721	
Receivables (Net of Allowances for Uncollectibles)...	5,453	11,009	2,044			18,506	1,974
Other Receivables-Restricted.....				16,094	63,096	79,190	
Due from Other Funds.....	137		1,032			1,169	
Inventories.....	1,476	41,465	778			43,719	
Other Current Assets.....			48	5,618		5,666	
Total Current Assets.....	112,562	66,193	9,434	202,022	211,499	601,710	34,078

Noncurrent Assets:

Other Receivables-Restricted.....				325,132		325,132	
Bond Issue Costs.....	2,528					2,528	
Capital Assets:							
Land & Land Improvements.....	112,519	3,078				115,597	
Buildings & Building Improvements.....	6,145	24,377				30,522	
Equipment & Computer Software.....	39,057	4,747	482			44,286	
Construction in Progress.....	159,803					159,803	
Infrastructure.....	764,384					764,384	
Less: Allowance for Depreciation & Amortization.....	(290,830)	(16,776)	(469)			(308,075)	
Net Capital Assets.....	791,078	15,426	13			806,517	
Other Assets - Restricted.....			4,134			4,134	
Total Noncurrent Assets.....	793,606	15,426	4,147	325,132		1,138,311	
Total Assets.....	906,168	81,619	13,581	527,154	211,499	1,740,021	34,078

LIABILITIES

Current Liabilities:

Accounts Payable.....	13,997	52,026	2,989	543		69,555	862
Accrued Payroll.....	598	1,323	220			2,141	
Due to Other Funds.....	3,224	7,020				10,244	
Deferred Revenue.....	11,786	2,082	1,063			14,931	
Unclaimed Prizes.....			4,557			4,557	
Revenue Bonds Payable-Current.....	19,460					19,460	
Note Payable to Highway Fund.....	24,262					24,262	
Accrued Interest Payable.....	4,834					4,834	
Claims & Compensated Absences Payable.....	656	972	167			1,795	17,383
Other Liabilities.....	87	12		2	22,669	22,770	
Total Current Liabilities.....	78,904	63,435	8,996	545	22,669	174,549	18,245

Noncurrent Liabilities:

Revenue Bonds Payable.....	324,331					324,331	
Note Payable to Highway Fund.....	28,199					28,199	
Claims & Compensated Absences Payable.....	2,458	2,770	465			5,693	
Other Noncurrent Liabilities.....	2,768	412				3,180	
Total Noncurrent Liabilities.....	357,756	3,182	465			361,403	
Total Liabilities.....	436,660	66,617	9,461	545	22,669	535,952	18,245

NET ASSETS

Invested in Capital Assets, net of related debt.....	394,826	15,002	13			409,841	
Restricted for Debt Repayments.....	44,999					44,999	
Restricted for Uninsured Risks.....	3,009					3,009	
Restricted for Prize Awards - M USL & Tri-State.....			4,134			4,134	
Restricted for Environmental Loans.....				526,609		526,609	
Restricted for Unemployment Benefits.....					188,830	188,830	
Unrestricted Net Assets (Deficit).....	26,674		(27)			26,647	15,833
Total Net Assets.....	\$ 469,508	\$ 15,002	\$ 4,120	\$ 526,609	\$ 188,830	\$ 1,204,069	\$ 15,833

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

STATE OF NEW HAMPSHIRE
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)

	Business-Type Activities - Enterprise Funds						Governmental Activities Internal Service Fund
	Turnpike System	Liquor Commission	Lottery Commission	State		Total	
				Revolving Fund	Unemployment Compensation		
OPERATING REVENUES							
Charges for Sales and Services.....		\$ 553,459	\$ 260,054	\$ 13,789	\$ 302,729	\$ 1,130,031	\$ 249,949
Toll Revenue Pledged for							
Repaying Revenue Bonds.....	\$ 119,939					119,939	
Total Operating Revenue.....	119,939	553,459	260,054	13,789	302,729	1,249,970	249,949
OPERATING EXPENSES							
Cost of Sales and Services.....		390,581				390,581	
Lottery Prize Awards.....			180,790			180,790	
Unemployment Insurance Benefits.....					220,391	220,391	
Principal Forgiveness.....				22,079		22,079	
Insurance Claims.....							241,467
Administration.....	49,973	42,113	9,747	7,798		109,631	10,990
Depreciation.....	23,016	937	29			23,982	
Total Operating Expenses.....	72,989	433,631	190,566	29,877	220,391	947,454	252,457
Operating Income (Loss).....	46,950	119,828	69,488	(16,088)	82,338	302,516	(2,508)
NONOPERATING REVENUES (EXPENSES)							
Licenses.....		4,160				4,160	
Beer Taxes.....		12,885				12,885	
Investment Income.....	130		18	85	2,527	2,760	
Miscellaneous.....	3,420	4,729	918	(3,154)		5,913	
Federal Grant Revenue.....				21,869		21,869	
Interest on Bonds.....	(12,821)					(12,821)	
Amortization of Bond Issuance Costs.....	(356)					(356)	
Total Nonoperating Revenues (Expenses).....	(9,627)	21,774	936	18,800	2,527	34,410	
Income (Loss) Before Capital Grant Contributions.....	37,323	141,602	70,424	2,712	84,865	336,926	(2,508)
Capital Contributions and Grants.....	46,786					46,786	
Income (Loss) Before Transfers.....	84,109	141,602	70,424	2,712	84,865	383,712	(2,508)
Transfers (To) From Governmental Funds.....		(140,475)	(70,268)	4,297		(206,446)	
Change in Net Assets.....	84,109	1,127	156	7,009	84,865	177,266	(2,508)
Net Assets - July 1 (Restated, Note 17).....	385,399	13,875	3,964	519,600	103,965	1,026,803	18,341
Net Assets - June 30.....	\$ 469,508	\$ 15,002	\$ 4,120	\$ 526,609	\$ 188,830	\$ 1,204,069	\$ 15,833

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

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STATE OF NEW HAMPSHIRE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)

	Business-Type Activities - Enterprise Funds						Governmental
	State					Total	Activities
	Turnpike System	Liquor Commission	Lottery Commission	Revolving Fund	Unemployment Compensation		Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from federal and local agencies.....				\$ 8,130	\$ 60,684	\$ 68,814	
Receipts from customers.....	\$ 12,162	\$ 551,477	\$ 135,012		234,096	1,042,211	\$ 43,631
Receipts from interfund charges.....							207,298
Payments to employees.....	(16,216)	(24,033)	(4,492)			(44,741)	
Payments to suppliers.....	(31,125)	(398,410)	(10,219)	(7,280)		(447,034)	(10,298)
Payments to prize winners.....			(48,731)			(48,731)	
Payments for Insurance Claims.....					(211,985)	(211,985)	(242,729)
Payments for Interfund Services.....		(3,979)	(43)	(487)		(4,509)	
Net Cash Provided by (Used for) Operating Activities.....	74,285	125,055	71,527	363	82,795	354,025	(2,098)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfers to Other Funds.....		(133,854)	(70,176)			(204,030)	
Receipts from Federal Agencies.....				21,869		21,869	
Contributions from Other Funds.....				4,297		4,297	
Proceeds from Collection of Licenses and Beer Tax.....		17,045				17,045	
Net Cash Used for Noncapital and Related Financing Activities.....		(116,809)	(70,176)	26,166		(160,819)	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Acquisition, Disposal, Sale and Construction of Capital Assets.....	(60,779)	(2,455)				(63,234)	
Interest Paid on Bonds.....	(13,178)					(13,178)	
Principal Paid on Bonds.....	(17,020)					(17,020)	
Principal Paid on Notes.....	(23,317)					(23,317)	
Net Payment to Agent on Refunding Bonds.....	(121)					(121)	
Payments for Underwriter Discount/Premium.....	(237)					(237)	
Receipts from Federal Agencies.....	3,131					3,131	
Contributions from Other Funds.....		2,455				2,455	
Net Cash Provided by (Used for) Capital and Related Financing Activities.....	(112,611)					(112,611)	
CASH FLOWS FROM INVESTING ACTIVITIES							
Receipts from borrowers.....				59,205		59,205	
Payments to borrowers.....				(45,787)		(45,787)	
Interest and Other Income.....	419	4,729	936	85	2,527	8,696	
Net Cash Provided by Investing Activities.....	419	4,729	936	13,503	2,527	22,114	
Net Increase (Decrease) in Cash & Cash Equivalents.....	(37,907)	12,975	2,287	40,032	85,322	102,709	(2,098)
Cash and Cash Equivalents - July 1.....	143,403	744	3,245	140,278	63,081	350,751	34,202
Cash and Cash Equivalents - June 30.....	\$ 105,496	\$ 13,719	\$ 5,532	\$ 180,310	\$ 148,403	\$ 453,460	\$ 32,104

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

STATE OF NEW HAMPSHIRE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)

	Business-Type Activities - Enterprise Funds					Governmental	
	Turnpike System	Liquor Commission	Lottery Commission	SRF Fund	Unemployment Compensation	Total	Internal Service Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:							
Operating Income (Loss).....	\$ 46,950	\$ 119,828	\$ 69,488	\$ (16,088)	\$ 82,338	\$ 302,516	\$ (2,508)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used for) Operating Activities:							
Depreciation.....	23,016	937	29			23,982	
Principal Forgiveness.....				22,079		22,079	
Interest Income on Loans.....				(5,158)		(5,158)	
Change in Operating Assets and Liabilities:							
Change in Receivables/Loans.....	(1,011)	(2,017)	849	(495)	(222)	(2,896)	980
Change in Inventories.....	304	(7,415)	184			(6,927)	
Change in Other Current Assets.....	109		84			193	
Change in Restricted Deposits-MUSL.....			(155)			(155)	
Change in Accounts Payable and Other Accruals.....	945	13,687	279	25	679	15,615	692
Change in Claims Payable.....			772			772	(1,262)
Change in Deferred Revenue.....	3,972	35	(3)			4,004	
Net Cash Provided by (Used In) Operating Activities.....	\$ 74,285	\$ 125,055	\$ 71,527	\$ 363	\$ 82,795	\$ 354,025	\$ (2,098)

Turnpike Non-Cash Capital and Related Financing Activities:

Capital Contributions	\$ 46,786
I-95 Bridge Paint Maintenance	\$ 1,274

SRF Non-Cash Investing Activities:

Principal Forgiveness	\$ 22,079
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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 unit 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 Unified Court System Litigation accounts which are held pending judicial judgements and Child Support Funds are two of the larger agency funds of the State.

STATE OF NEW HAMPSHIRE
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2012
(Expressed in Thousands)

	Pension Trust Funds	Private-purpose Trust Funds	Investment Trust Funds	Agency Funds
ASSETS				
Cash and Cash Equivalents.....	\$ 7,009	\$ 4,456		\$ 11,758
Receivables:				
Due from Employers.....	37,968			
Due from Group I Teacher OPEB Plan.....	8,985			
Due from Plan Members.....	24,428			
Due from Group I State Employee OPEB Plan.....	906			
Due from Brokers for Securities Sold.....	153,903			
Interest and Dividends.....	18,036			
Other	2,168		\$ 7	
Total Receivables.....	246,394		7	
Investments.....	5,738,144	3,626	211,315	3,713
Other Assets.....	756			
Total Assets.....	5,992,303	8,082	211,322	15,471
LIABILITIES				
Management Fees and Other Payables.....	8,067		31	
Due to Group II Police & Fire OPEB Plan.....	2,572			
Due to Group I Political Subdivision OPEB Plan.....	7,319			
Due to Brokers for Securities Purchased.....	163,699			
Custodial Funds Payable.....				15,471
Other Liabilities.....			900	
Total Liabilities.....	181,657		931	15,471
Net Assets Held in Trust for Benefits & Other Purposes.....	\$ 5,810,646	\$ 8,082	\$ 210,391	\$ -

RECONCILIATION OF NET ASSETS HELD IN TRUST:

Employees' Pension Benefits.....	\$ 5,786,630			
Employees' Postemployment Healthcare Benefits.....	24,016			
Net Assets for Pool Participants in				
External Investment Pool.....			\$ 210,391	
Other Purposes.....		\$ 8,082		
Net Assets Held in Trust for Benefits & Other Purposes.....	\$ 5,810,646	\$ 8,082	\$ 210,391	

STATE OF NEW HAMPSHIRE
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)

	Pension Trust Funds	Private-purpose Trust Funds	Investment Trust Funds
ADDITIONS			
Contributions:			
Employer	\$ 302,377		
State Contributions on Behalf of Local Employers	3,500		
Total Employer Contributions	305,877		
Plan Members	200,179		
From Participants		\$ 28,406	\$ 265,516
From Gifts, Bequests, and Endowments		194	
Total Contributions	506,056	28,600	265,516
Investment Income:			
From Investing Activities:			
Net Depreciation in Fair Value of Investments	(98,832)	(703)	
Interest Income	66,598	121	
Dividends	73,185		
Alternative Investment Income	110		
Commercial Real Estate Operating Income	12,472		
Net Increase in Joint Value from Investment Income			167
Total Income (Loss) from Investing Activities	53,533	(582)	167
Less: Investment Activity Expenses:			
Investment Management Fees	18,731		
Custodial Fees	1,438		
Investment Advisor Fees	772		
Total Investment Activity Expenses	20,941		
Total Net Income (Loss) from Investing Activities	32,592	(582)	167
Interest Income	945		
Other	(13,166)		
Total Additions	526,427	28,018	265,683
DEDUCTIONS			
Benefits/Distributions to Participants	610,418	16,189	167
Refunds of Contributions	26,535		
Administrative Expense	6,412		
Professional Fees	1,153		
Interest Expense	945		
Other	50	24,176	291,044
Total Deductions	645,513	40,365	291,211
Change in Net Assets	(119,086)	(12,347)	(25,528)
NET ASSETS HELD IN TRUST FOR BENEFITS & OTHER PURPOSES			
Net Assets - July 1	5,929,732	20,429	235,919
Net Assets - June 30	\$ 5,810,646	\$ 8,082	\$ 210,391

Component Units Financial Statements

STATE OF NEW HAMPSHIRE
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)

	University System of New Hampshire	Non-Major Component Units	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents.....	\$ 175,316	\$ 34,595	\$ 209,911
Cash and Cash Equivalents - Restricted.....		14,644	14,644
Operating Investments.....	18,256		18,256
Accounts Receivable.....	27,003	6,125	33,128
Due From Primary Government.....		4,550	4,550
Notes Receivable - Current Portion.....	4,405	8,277	12,682
Prepaid Expenses & Other.....	8,244	1,033	9,277
Total Current Assets.....	<u>233,224</u>	<u>69,224</u>	<u>302,448</u>
Noncurrent Assets:			
Investments.....	496,218	9,403	505,621
Notes & Other Receivables.....	20,795	24,501	45,296
Other Assets.....		811	811
Deferred Outflows of Resources.....	50,758		50,758
Capital Assets:			
Land & Land Improvements.....	12,312	10,152	22,464
Building & Building Improvements.....	1,384,386	269,012	1,653,398
Equipment.....	91,469	23,516	114,985
Construction in Progress.....	90,752	7,327	98,079
Less: Accumulated Depreciation.....	<u>(622,319)</u>	<u>(135,729)</u>	<u>(758,048)</u>
Net Capital Assets.....	<u>956,600</u>	<u>174,278</u>	<u>1,130,878</u>
Total Noncurrent Assets.....	<u>1,524,371</u>	<u>208,993</u>	<u>1,733,364</u>
Total Assets.....	<u>1,757,595</u>	<u>278,217</u>	<u>2,035,812</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable.....	63,162	2,813	65,975
Accrued Salaries and Wages.....		6,354	6,354
Accrued Employee Benefits - Current.....	6,247	43	6,290
Other Payables & Accrued Expenses.....		6,307	6,307
Other Liabilities-Restricted.....		1,020	1,020
Deposits and Deferred Revenues.....	38,411	4,419	42,830
Long Term Debt - Current Portion.....	50,568	2,718	53,286
Total Current Liabilities.....	<u>158,388</u>	<u>23,674</u>	<u>182,062</u>
Noncurrent Liabilities:			
Revenue Bonds Payable.....	446,932		446,932
Accrued Employee Benefits	32,174		32,174
Postemployment Medical Benefits	52,421		52,421
Other Long Term Debt.....	18,755	52,398	71,153
Total Noncurrent Liabilities.....	<u>550,282</u>	<u>52,398</u>	<u>602,680</u>
Total Liabilities.....	<u>708,670</u>	<u>76,072</u>	<u>784,742</u>
NET ASSETS			
Net invested in Capital Assets.....	521,736	154,234	675,970
Restricted:			
Nonexpendable.....	200,370		200,370
Expendable.....	93,487	15,166	108,653
Unrestricted	233,332	32,745	266,077
Total Net Assets.....	<u>\$ 1,048,925</u>	<u>\$ 202,145</u>	<u>\$ 1,251,070</u>

STATE OF NEW HAMPSHIRE
 COMBINING STATEMENT OF ACTIVITIES
 COMPONENT UNITS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012
 (Expressed in Thousands)

	University System of New Hampshire	Non-Major Component Units	Total
Expenses	\$ 785,032	\$ 144,628	\$ 929,660
Program Revenues:			
Charges for Services:			
Tuition & Fees.....	427,679	71,114	498,793
Student Financial Aid.....	(122,024)		(122,024)
Sales, Services, & Other Revenue.....	223,961	29,504	253,465
Operating Grants & Contributions.....	204,645	25,355	230,000
Capital Grants & Contributions.....	6,854		6,854
Total Program Revenues.....	741,115	125,973	867,088
Net Expenses.....	(43,917)	(18,655)	(62,572)
Interest & Investment Income.....	7,430	224	7,654
Contribution of Capital Assets.....		71,124	71,124
Payments from State of New Hampshire.....	77,290	35,815	113,105
Change in Net Assets.....	40,803	88,508	129,311
Net Assets - July 1 (Restated, Note 17)	1,008,122	113,637	1,121,759
Net Assets - June 30	<u>\$ 1,048,925</u>	<u>\$ 202,145</u>	<u>\$ 1,251,070</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

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 all component units for which the state is financially accountable. There are no 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.

Component units are 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 (USNH) 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 USNH 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 State Treasurer. The state currently guarantees outstanding loans and principal on bonds of the BFA as of June 30, 2012, which creates the potential for the BFA to impose a financial burden on the State. BFA's financials can be obtained by contacting the BFA at 2 Pillsbury Street, Suite 201, 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 the CDFA at 14 Dixon Avenue, Suite 102, 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, 2012, 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 55 International Drive, Portsmouth, NH 03801.

The Community College System of New Hampshire (CCSNH)

The CCSNH was established under Chapter 361, Laws of 2007 (effective date July 17, 2007), as a body politic and corporate, whose main purpose is to provide a well-coordinated system of public community college education. The CCSNH includes colleges in Berlin, Claremont, Concord, Laconia, Manchester, Nashua and Stratham/Portsmouth. It is governed by a single board of trustees with 19 voting members appointed by the Governor and Executive Council. The CCSNH funds its operations through tuition, room and board, fees, grants, legacies and gifts, and state appropriations. The CCSNH prepares a biennial operating budget for presentation to the Governor and the General Court.

With the establishment of the CCSNH, certain net assets of the primary government attributable to the CCSNH, were transferred. Included in the transfer were only those capital assets and related bonds payable which were deemed self-funded by the CCSNH. Subsequently, and during fiscal 2012, all remaining capital assets attributable to CCSNH were transferred per Chapter 199 Laws of 2012. CCSNH's financials can be obtained by contacting CCSNH at 26 College Drive, Concord, NH 03301.

Fiduciary Component Units:

The state's fiduciary component units consist of the Pension Trust Funds, which represent 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 14 member board of Trustees on which the State does not represent a voting majority. The Board has all the powers of a corporation and is fiduciarily responsible for the system's assets and directs the investment of those assets through an independent investment committee, 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 some 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 and 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 Plan's assets and oversees the investment of those 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 along with other fiduciary funds of the State, and have been omitted from the State's 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 invested in capital assets, net of related debt includes capital assets net of accumulated depreciation, and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those 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. 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. Derived tax revenues are recognized as revenues in the period the underlying transaction occurs. 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 the state generally considers revenues to be available if they are collected within 60 days after year end. An exception to this policy is federal grant revenue, which generally is considered to be available if collection is expected within 12 months after year end. Taxes, grants, licenses and fees associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to debt service and other long-term obligations including compensated absences, other post-employment benefits, pollution remediation obligations 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 expenses used in the construction, maintenance and operations of transportation toll facilities.

The *State Revolving Fund* makes loans to public water systems and local governments for wastewater treatment facilities and safe drinking water systems, funded by programs under the U.S. Environmental Protection Administration. Grants are partially matched with state General Funds.

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

Additionally, the state reports the following non-major funds:

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 Funds - report resources that are required to be held in trusts 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, 2012, and for the year then ended, except for the New Hampshire Judicial Retirement Plan which is as of December 31, 2011.

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.

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 where the underlying exchange has occurred in the period ending June 30 or prior, and for federal grants, which reimburse the State for expenditures incurred pursuant to federally funded programs. Tax and grant revenues are susceptible to accrual in accordance with measurable and available criteria under the modified accrual basis of accounting.

Other Receivables - Restricted are loans receivable made to public water systems and local governments under the State's revolving loan fund, for wastewater treatment facilities and safe drinking water systems. Loans are funded by federal grants from programs by the U.S. Environmental Protection Administration, with federal grants and partially matching state funds. Repayments, which are restricted for re-lending, can be made over terms from five to twenty years, with deeply discounted interest rates and, based on specific federal criteria, may allow for forgiveness of portions of the loans. Discounts on loans are recognized at such time as the creditor has fulfilled all requirements of entitlement. Loan amounts classified currently represent those loan amounts expected to be satisfied within the forthcoming fiscal year.

G. INVENTORIES

Inventories for materials and supplies are determined by physical count. Both the Lottery and Liquor Commissions use the lower of cost or market to value their inventories. Lottery uses the first-in, first-out method and Liquor uses the average cost method. 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 nonspendable fund balance designation that indicates they do not constitute available spendable resources.

H. 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 and in the proprietary fund 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

I. 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 yet 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 taxes receivable but not available, long-term loans receivable and federal funds received in advance of eligible expenditures.

J. 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, Medicare 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 paid out after year-end.

K. FUND BALANCES

Fund balances for all governmental funds are classified as nonspendable, restricted, or unrestricted (committed, assigned, or unassigned). Restricted represents those portions of fund balance where constraints placed on the resources are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislature, such as an appropriation or legislation. Assigned fund balance is constrained by the Legislature's, or other executive authority's intent to be used for specific purposes.

The State maintains a stabilization account: Revenue Stabilization Account (the "Rainy Day Fund") in the general fund reported as unassigned fund balance. See Note 14 for additional information about fund balances and the stabilization account.

L. 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 assets.

In the governmental fund financial statements, bond discounts, premiums, and issuance costs are recognized 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.

M. 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.

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the State's general policy to use restricted resources first. In the governmental funds, when expenditures are incurred

for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the State's general policy to spend committed resources first followed by assigned and unassigned resources, respectively.

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 equipment, real property or infrastructure including the Highway Fund's capital outlays for the 10-year state capital highway construction program.

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 resources in governmental fund financial statements normally result from transfers from/to other funds and include financing provided by bond proceeds. 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.

N. 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 Lottery 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 government-wide Statement of Net Assets, except for the amounts due between governmental and business-type activities.

O. ENCUMBRANCES AND CAPITAL PROJECTS

Contracts and purchasing commitments are recorded as encumbrances when the contract or purchase order is executed. Upon receipt of goods or services, the encumbrance is liquidated and the expenditure and liability are recorded.

The 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.

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, as appropriate in the funds that receive the proceeds.

P. 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 funds, with the exception of the Capital Projects Fund, and certain proprietary funds. 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 comparison statements. 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 Legislative Budget Assistant, monitors compliance with the budget and the effectiveness of budgeted programs.

Unexpended balances of appropriations at year end will lapse to assigned or unassigned 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 restricted, committed or assigned 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.

Q. 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.

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 statement of financial position under the captions "Cash and Cash Equivalents" and "Investments". Cash and investments of the New Hampshire Retirement System and the New Hampshire Judicial Retirement Plan are excluded from this footnote and can be obtained from their respective audited financial statements.

DEPOSITS:

The following statutory requirements and State Treasury 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.

Section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act provides temporary unlimited deposit insurance coverage for noninterest-bearing transaction accounts at all FDIC-insured depository institutions. The provisions are effective from December 31, 2010 to December 31, 2012. Therefore, a large portion of State deposits are insured at June 30, 2012.

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, 2012, the State's carrying value for deposits was \$745.8 million. The table below details the state's bank balances at June 30, 2012 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	\$340,408	\$ 231,633	\$ 71	\$ 20	\$ 9,167	\$ 27
Money Market		35,643	155,705			4,604
Savings Accounts					3,979	5
CDs	500	3,009	12,008			
Total	\$340,908	\$ 270,285	\$ 167,784	\$ 20	\$ 13,146	\$ 4,636

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, 2012, the State had the following types of investments:

(Fair values in thousands)		
Investment Type	Governmental & Business Type	Fiduciary
Stocks	\$ 16,817	
Corporate Bonds	813	
US Treasury	378	
US Government Agencies	34,751	
Municipal Bonds	86	
Equity Open Ended Mutual Funds	8,207	\$ 3,467
Fixed Income Open Ended Mutual Funds	4,097	3,790
Unemployment Compensation External Pool (special issue bonds guaranteed by US government)	148,403	
NH Public Deposit Investment Pool (Internal investment held by NHH patient agency fund)		82
External Portion of NH Public Deposit Investment Pool		211,315
Totals	\$ 213,552	\$ 218,654

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 Cash Equivalents	Investments	Cash and Cash Equivalents	Investments	
Per Statement of Net Assets	Primary Government	\$ 370,829		\$ 516,519	\$ 60,150	\$ 947,498
Per Statement of Fiduciary Net Assets	Private Purpose	4,456	\$ 3,626			8,082
	Investment Trust		211,315			211,315
	Agency Funds	11,758	3,713			15,471
	Total per Financial Statements	\$ 387,043	\$ 218,654	\$ 516,519	\$ 60,150	\$ 1,182,366
Per Footnote						
						\$ 4,399
						745,761
						432,206
						\$ 1,182,366

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: 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, 2012, the State did not have any repurchase agreements outstanding.

Stocks:

The State's policy relative to operating funds and mitigation of concentration of credit risk does not permit investing in stocks. 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. There is no concentration, custodial or credit risk to the State for amounts held in the State's abandoned property program.

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, 2012 are noted below (expressed in thousands):

Name / Issuer	Governmental Activities			Total	% of Total
	Aband. Property	Permanent Funds			
Metlife Inc Com	\$ 2,926			\$ 2,926	35.4%
Prudential Finl Inc	995			995	12.0%
A T & T Inc	871	\$ 72		943	11.4%
Manulife Finl Corp	697			697	8.4%
Vodafone Grp Plc Sp Adr	679			679	8.2%
Thermo Fisher Scientific Inc	668			668	8.1%
Comcast Corp	384			384	4.6%
Verizon Communications Inc	352			352	4.3%
Teradata Corp	319			319	3.9%
Exxon Mobil Corp	179		125	304	3.7%

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 was 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 investment detail and audited financial statements can be obtained by visiting www.nhpdip.com or contacting the Client Services Team at 1-800-395-5505.

Credit Risk: The risk that the issuer or other counterparty will not fulfill its obligations. The NHPDIP is rated AAAM by Standard & Poor's Rating Services. The AAAM principal stability rating is the highest assigned to principal stability government investment pools.

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, fixed income 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 for operating purposes 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.

Debt Securities (continued):

The State's exposed risks at June 30, 2012 are noted below (expressed in thousands):

Type	Governmental & Business Type			Fiduciary		
	Credit Risk		Interest Rate Risk	Credit Risk		Interest Rate Risk
	Investment Grade	Unrated	WAM in years	Investment Grade	Unrated	WAM in years
Corporate Bonds	\$ 813	-	2.9	-	-	-
US Treasury	378	-	3.3	-	-	-
US Government Agencies	34,751	-	0.5	-	-	-
Fixed Income Open Ended Mutual Funds	-	\$ 4,097	5.8	-	\$ 3,790	4.8
Municipal Bonds	86	-	6.7	-	-	-
Unemployment Compensation Fund Pool (special issue bonds guaranteed by US govt)	-	148,546	1.00	-	-	-

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 corporate issuers at June 30, 2012 are listed below (expressed in thousands):

Issuer	Governmental & Business Type	
	Fair Value	% of Total
BB&T Corp	\$ 113	13.9%
Conocophillips	109	13.5%
National Rural Utils Coop FI	107	13.1%
IBM Intl Group	101	12.5%
Bank of America Corp	101	12.4%
Morgan Stanley	101	12.4%
E I Du Pont De Nemours	55	6.8%
Illinois Tool Works	54	6.6%
Bank New York Inc	51	6.3%
Walmart Stores	16	1.9%

MAJOR COMPONENT UNIT (University System of New Hampshire - USNH)

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:

	<u>2012</u>
Cash & Repurchase agreements.....	\$ 11,588
Money Market Funds.....	62,325
Other Mutual Funds.....	101,403
Total Cash & Cash Equivalents.....	<u>\$ 175,316</u>

Included in the cash and repurchase agreements balances at June 30, 2012 were \$8,389 in repurchase agreements, \$7,771 in cash and a net cash overdraft of \$4,572. Repurchase agreements were limited to overnight investments only.

Investments (expressed in thousands):

Investments include debt proceeds held by others for construction purposes, long-term operating investments, and endowment and similar investments of the campuses and affiliated entities. Investments are monitored by management and the respective governing boards of USNH and its affiliated entities. The carrying amount of these financial instruments approximates fair value.

Operating Investments

Unlike the long-term operating 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 and other mutual funds, and the current portion of debt proceeds held by bond trustee. Operating investments generally 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 short-term operating investments at June 30, 2012 are summarized below (expressed in thousands):

	<u>Balance</u>	<u>Weighted Average Maturity</u>
Obligations of the U.S. Government.....	\$ 2,980	8 years
Cash and Cash Equivalents.....	14,125	Not Applicable
Money Market and other Mutual Funds.....	1,088	Not Applicable
Debt proceeds held by bond trustee.....	30	Not Applicable
Other Accounts.....	33	Not Applicable
Total:.....	<u>\$ 18,256</u>	

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

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

Debt Proceeds Held By Others for Construction Purposes:

At June 30, 2012 total debt proceeds held by others included \$586 of construction proceeds held by the bond trustee.

Debt proceeds held by USNH's bond trustee for future construction purposes consisted of the following investments at June 30, 2012 (expressed in thousands):

	Balance
Cash.....	\$ 586
Total Debt proceeds held by bond trustee.....	586
Less: current portion	(30)
Long-term portion.....	<u>\$ 556</u>

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, 2012 was \$6,526. 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 with the objective to achieve a long-term rate of return sufficient to fund a portion of annual operating activities and to preserve purchasing power of the investments in perpetuity. The balances consisted of the following as of June 30, 2012 (expressed in thousands):

Money Market Funds.....	\$ 11,116
Mutual Funds-Bonds.....	126,866
Mutual Funds-Stocks.....	110,898
US Government obligations.....	3,716
Corporate Bonds and Notes.....	219
Common/Preferred Stocks.....	10,731
Alternative Investments.....	213,924
Investments Held by Others.....	18,191
Operating amounts invested alongside endowment pool.....	(6,525)
Total endowment and similar investments.....	<u>\$ 489,136</u>

Alternative investments as shown above include private equity, hedge, natural resource and certain real estate funds. The estimated fair value of investments is based on quoted market prices except for certain alternative investments, for which quoted market prices are not readily available. The estimated fair value of certain alternative investments is based on valuations provided by external investment managers and reviewed by management. Because these alternative investments may not be readily marketable, their estimated fair values may differ from the values that would have been assigned had a ready market for such investments existed, and such differences could be material.

Mutual funds, common stocks, and alternative investments are uninsured and uncollateralized against custodial credit risk. The USNH investment policy and guidelines, and the University of New Hampshire Foundation, Inc. investment policy, mitigate the risk associated with uninsured and uncollateralized investments collectively through diversification, target asset allocations, and ongoing investment advisor and investment committee review.

3. RECEIVABLES

The following is a breakdown of receivables at June 30, 2012 (expressed in thousands):

	Governmental	Business- Type	Total	Major Component Unit
Short Term Receivables				
Taxes:				
Meals and Rooms.....	\$ 29,561		\$ 29,561	
Business Taxes.....	164,032		164,032	
Tobacco.....	12,351		12,351	
Real Estate Transfer.....	8,888		8,888	
Interest & Dividends.....	22,668		22,668	
Communications.....	9,530		9,530	
Medicaid Enhancement Tax.....	11,881		11,881	
Utility Property Tax.....	15,400		15,400	
Gasoline Road Toll.....	10,503		10,503	
Subtotal.....	284,814	0	284,814	
Other Receivables:				
Turnpike System.....		5,453	5,453	
Liquor Commission.....		11,009	11,009	
Lottery Commission.....		2,044	2,044	
Unemployment Trust Fund.....		83,623	83,623	
Internal Service Fund.....	1,974		1,974	
Board and Care.....	1,926		1,926	
Federal Grants.....	229,504		229,504	\$ 22,197
Local Grants.....	36,970		36,970	
Miscellaneous.....	61,279		61,279	9,102
Short Term Portion Of State Revolving Loan Funds..		16,094	16,094	
Short Term Portion Of Note/Pledge Receivable.....				4,405
Subtotal.....	331,653	118,223	449,876	35,704
Total Current Receivables (Gross).....	616,467	118,223	734,690	35,704
Long Term Receivables				
State Revolving Loan Funds.....		325,132	325,132	
Miscellaneous.....	12,851		12,851	
Note/Pledge Receivable.....				20,795
Total Long Term Receivables (Gross).....	12,851	325,132	337,983	20,795
Allowance for Doubtful Accounts				
	(71,825)	(20,527)	(92,352)	(4,296)
Total Receivables (Net).....	\$ 557,493	\$ 422,828	\$ 980,321	\$ 52,203

State Revolving Loan Fund:

Primary Government: Business-type activities includes loans made under a program with the U.S. Environmental Protection Agency to improve cleanliness and potability of the State's water supplies. The State Revolving Loan Fund (SRF) lends funds to municipalities and qualified private water organizations for the purpose of constructing wastewater and drinking water treatment facilities. The loans, based on specific federal criteria, may allow for forgiveness of portions of the principal, which is recognized at such time as the creditor has fulfilled all requirements of entitlement. Amounts recorded as Principal Forgiveness during FY2012, totaled \$22.1 million. Loans are repaid over terms ranging from five to twenty years, with fixed rates for interest and administration paid to the State. Repayments are credited to special accounts and then used to lend out more funds to communities and qualified private water organizations. In addition to interest, portions of loan repayment and federal grants are allowed to be allocated to administrative costs.

Major Component Unit: The component unit balance includes University System of New Hampshire Perkins Loans, pledges and other college and university loans of \$25.2 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, 2012, the various components of deferred revenue (\$262.6 million) reported in the governmental funds were as follows:

	Unavailable	Unearned	Total
Taxes & Fees receivable..	\$ 131,620		\$ 131,620
Loans receivable.....	60,372		60,372
Federal/Local receivables.	10,601		10,601
Receipts in advance of eligibility requirements....		\$ 60,031	60,031
Total.....	\$ 202,593	\$ 60,031	\$ 262,624

4. CAPITAL ASSETS

Capital Asset activity for the year ended June 30, 2012, was as follows (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets not being depreciated:				
Land & Land Improvements.....	\$ 516,100	\$ 14,782	\$ (6,179)	\$ 524,703
Construction in Progress	239,377	239,375	(217,427)	261,325
Work in Progress Computer Softw are.....	22,030	4,544	(1,159)	25,415
Total Capital Assets not being depreciated.....	<u>777,507</u>	<u>258,701</u>	<u>(224,765)</u>	<u>811,443</u>
Other Capital Assets:				
Equipment & Computer Softw are.....	276,697	28,954	(17,808)	287,843
Buildings & Building Improvements	814,097	25,076	(104,890)	734,283
Land Improvements.....	102,775	4,891	(3,161)	104,505
Infrastructure.....	3,032,547	256,409	(89,649)	3,199,307
Total Other Capital Assets	<u>4,226,116</u>	<u>315,330</u>	<u>(215,508)</u>	<u>4,325,938</u>
Less accumulated depreciation for:				
Equipment & Computer Softw are.....	(220,535)	(29,848)	15,825	(234,558)
Buildings & Building Improvements	(360,274)	(21,033)	44,929	(336,378)
Land Improvements.....	(88,763)	(2,132)	2,310	(88,585)
Infrastructure.....	(1,816,663)	(51,341)	14,223	(1,853,781)
Total Accumulated Depreciation.....	<u>(2,486,235)</u>	<u>(104,354)</u>	<u>77,287</u>	<u>(2,513,302)</u>
Other Capital Assets, Net.....	1,739,881	210,976	(138,221)	1,812,636
Governmental Activities Capital Assets, Net.....	<u>\$ 2,517,388</u>	<u>\$ 469,677</u>	<u>\$ (362,986)</u>	<u>\$ 2,624,079</u>
Business-Type Activities:				
Turnpike:				
Capital Assets not being depreciated:				
Land & Land Improvements.....	\$ 108,783	\$ 3,736		\$ 112,519
Construction in Progress.....	120,785	75,453	(36,435)	159,803
Capital Assets not being depreciated	<u>229,568</u>	<u>79,189</u>	<u>(36,435)</u>	<u>272,322</u>
Other Capital Assets:				
Equipment.....	37,372	2,456	(771)	39,057
Buildings & Building Improvements.....	6,994	383	(1,232)	6,145
Infrastructure.....	713,456	73,131	(22,203)	764,384
Total Capital Assets	<u>987,390</u>	<u>155,159</u>	<u>(60,641)</u>	<u>1,081,908</u>
Less accumulated depreciation for:				
Equipment.....	(28,761)	(4,349)	771	(32,339)
Buildings & Building Improvements.....	(3,178)	(245)	1,232	(2,191)
Infrastructure.....	(258,785)	(20,232)	22,717	(256,300)
Total Accumulated Depreciation.....	<u>(290,724)</u>	<u>(24,826)</u>	<u>24,720</u>	<u>(290,830)</u>
Turnpike Capital Assets, Net.....	<u>\$ 696,666</u>	<u>\$ 130,333</u>	<u>\$ (35,921)</u>	<u>\$ 791,078</u>
Liquor:				
Capital Assets not being depreciated:				
Land & Land Improvements.....	\$ 2,080			\$ 2,080
Other Capital Assets:				
Equipment.....	5,034	239	\$ (526)	4,747
Buildings & Building Improvements.....	23,508	1,995	(1,126)	24,377
Land Improvements.....	998			998
Total Capital Assets	<u>31,620</u>	<u>2,234</u>	<u>(1,652)</u>	<u>32,202</u>
Less accumulated depreciation for:				
Equipment.....	(4,489)	(275)	526	(4,238)
Buildings & Building Improvements.....	(12,006)	(642)	843	(11,805)
Land Improvements.....	(712)	(21)		(733)
Total Accumulated Depreciation.....	<u>(17,207)</u>	<u>(938)</u>	<u>1,369</u>	<u>(16,776)</u>
Liquor Capital Assets, Net.....	<u>\$ 14,413</u>	<u>\$ 1,296</u>	<u>\$ (283)</u>	<u>\$ 15,426</u>
Lottery Commission:				
Equipment.....	\$ 518		\$ (36)	\$ 482
Less Accumulated Depreciation for Equipment.....	(476)	\$ (29)	36	(469)
Lottery's Capital Assets, Net.....	<u>\$ 42</u>	<u>\$ (29)</u>	<u>\$ -</u>	<u>\$ 13</u>

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

Governmental Activities:	
General Government	\$ 11,965
Administration of Justice and Public Protection	14,868
Resource Protection and Development	4,695
Transportation	67,430
Health and Social Services	4,394
Education	1,002
Total Governmental Activities Depreciation Expense	\$ 104,354

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):

	Beginning			Ending
	Balance	Additions	Deletions	Balance
Land and Land Improvements.....	\$ 12,397	\$ (85)		\$ 12,312
Building and Building Improvements.....	1,377,185	12,761	\$ (5,560)	1,384,386
Equipment.....	94,633	(141)	(3,023)	91,469
Construction in Progress.....	37,735	53,017		90,752
Subtotal.....	\$1,521,950	\$ 65,552	\$ (8,583)	\$1,578,919
Less: Accumulated Depreciation.....	(591,030)	(39,105)	7,816	(622,319)
Total.....	\$ 930,920	\$ 26,447	\$ (767)	\$ 956,600

5. LONG TERM-DEBT

PRIMARY GOVERNMENT

Bonds Authorized and Unissued: Bonds authorized and unissued amounted to \$750.8 million at June 30, 2012. The proceeds of the bonds will be applied to the following funds when issued (expressed in millions):

Capital Projects Fund.....	\$ 234.8
Federal Highway/Garvees.....	295.0
Turnpike System.....	221.0
Total.....	\$ 750.8

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 \$766 million of bonds to support this project. The State has issued \$545 million of revenue bonds for these projects.

Bond Issues:

On July 21, 2011 the State issued a \$1.3 million general obligation capital improvement bond. The bond was sold through a private placement with the New Hampshire Municipal Bond Bank (NHMBB) to be used as an investment in its debt service reserve fund. The bond pays a 3% coupon and matures on August 15, 2021.

On October 27, 2011, the State issued \$100.0 million of general obligation capital improvement bonds. The bonds were sold through a competitive sale and resulted in an overall true interest cost of 2.88%. The coupons on these serial bonds range from 3.0% to 5.0%, and the maturity dates range from 2013 through 2031.

On December 15, 2011, the State issued a \$2.2 million general obligation capital improvement bond. Similar to the small issue in July, the bond was sold via private placement to the NHMBB to be used as an investment in its debt service reserve fund. The bond pays a 4% coupon and matures on January 15, 2031.

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, 2012
Governmental Fund Types (General Obligation Bonds):	
December, 2006.....	\$ 14,360
April 8, 2010.....	143,505
Subtotal.....	\$ 157,865

Bond Issues Continued:

On January 5, 2012, the State issued \$42.1 million of Turnpike System revenue refunding bonds. The coupons on these new bonds are 4% and 5% with the entire amortization schedule closing with an overall true interest cost of 3.0%. These bonds refinanced \$45.9 million of outstanding Turnpike System debt. At closing, the \$47.5 million in net proceeds from the issuance was 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 \$5.4 million over the next 9 years and a 8.14% net present value savings of \$3.7 million.

On May 16, 2012, the State issued \$98.3 million in Federal Highway Grant Anticipation Bonds with maturity dates ranging from 2013 to 2020 with coupons ranging from 2% to 5%. The bonds were sold through a negotiated sale and resulted in an overall true interest cost of 1.27%. The sale resulted in a \$16.7 million premium, and the total proceeds of \$115.0 million will be used for authorized capital projects related to the widening of Interstate 93.

Changes in Long-Term Liabilities: The following is a summary of the changes in the long-term liabilities as reported by the primary government during the fiscal year (expressed in thousands):

Governmental Activities	Beginning Balance	Accretion	Increases	Decreases	Ending Balance	Current	Long-Term
General Obligation Bonds Payable.....	\$ 987,408	\$ 1,568	\$ 112,868	\$ 94,314	\$ 1,007,530	\$ 90,665	\$ 916,865
Federal Highway Grant Anticipation Bonds.....	80,000		114,995		194,995		194,995
Compensated Absences.....	76,969		57,853	55,607	79,215	21,368	57,847
Claims Payable.....	40,951		244,686	247,348	38,289	22,790	15,499
Other Postemployment Benefits.....	558,304		190,522	69,607	679,219		679,219
Pollution Remediation Obligation.....	31,072		502	1,688	29,886	760	29,126
Capital Lease.....	3,305			449	2,856	659	2,197
Legal Contingency (See Footnote 13).....	39,400			10,000	29,400	20,568	8,832
Total Governmental.....	\$ 1,817,409	\$ 1,568	\$ 721,426	\$ 479,013	\$ 2,061,390	\$ 156,810	\$ 1,904,580
Business-Type Activities							
Turnpike System							
Revenue Bonds.....	361,440		\$ 46,311	63,960	\$ 343,791	\$ 19,460	\$ 324,331
Note Payable.....	75,778			23,317	52,461	24,262	28,199
Pollution Remediation Obligation.....	2,879		337	361	2,855	87	2,768
Claims & Compensated Absences Payable.....	3,067		47		3,114	656	2,458
Total.....	\$ 443,164		\$ 46,695	\$ 87,638	\$ 402,221	\$ 44,465	\$ 357,756
Liquor Commission							
Capital Lease.....	\$ 538			\$ 114	\$ 424	\$ 12	\$ 412
Claims & Compensated Absences Payable.....	3,751		2,000	2,009	3,742	972	2,770
Total.....	\$ 4,289		\$ 2,000	\$ 2,123	\$ 4,166	\$ 984	\$ 3,182
Lottery Commission							
Claims & Compensated Absences Payable.....	\$ 492		\$ 486	\$ 346	\$ 632	\$ 167	\$ 465
Total.....	\$ 492		\$ 486	\$ 346	\$ 632	\$ 167	\$ 465
Total Business-Type.....	\$ 447,945		\$ 49,181	\$ 90,107	\$ 407,019	\$ 45,616	\$ 361,403

The General Fund and Highway Fund are primarily responsible for financing long-term liabilities other than debt.

Bond Anticipation Notes: As of June 30, 2012, the State had no bond anticipation notes outstanding.

Capital Appreciation Bonds: Six of the State's general obligation capital improvement bonds issued since November 1991 represent capital appreciation bonds (College Savings Bond Program) with interest being accrued and compounded semiannually. The initial two issues in this group have matured leaving only four capital appreciation bonds outstanding. At June 30, 2012, the cumulative interest accretion since issuance for all six capital appreciation bonds is approximately \$154.7 million. The interest is not paid until the bonds mature, at which time the expenditure will be recorded.

Pollution Remediation Obligations: Under the federal Superfund law, the State is responsible for sharing remediation costs at sites where the Environmental Protection Agency expends superfund trust monies for cleanup. Currently there are six sites in various stages of cleanup, from initial assessment to cleanup activities. In addition, the State has other sites for which it is responsible for cleanup and monitoring, including underground fuel storage facilities. Per GASB Statement 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, pollution liabilities of \$29.9 million and \$2.9 million were reported for governmental activities and business-type activities, respectively, at June 30, 2012. These liabilities were measured using the actual contract cost, where no changes in cost are expected, or a method that is materially close to the expected cash flow technique. Liability estimates are subject to change due to price increases or reductions, technology, or changes in applicable laws or regulations governing the remediation efforts. The State does not anticipate recovering reimbursements from the parties who caused the pollution.

Debt Maturity: All bonds issued by the State, except for Turnpike revenue bonds as well as Federal Highway Grant Anticipation 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 including expected federal interest subsidies described earlier 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	Federal Highway (GARVEE)	Self Liquidating	Total	Turnpike System		Principal	Interest	Less: Federal Interest Subsidy	Net Total
						Revenue	Note Payable				
2013.....	\$ 66,547	\$ 8,190		\$ 15,928	\$ 90,665	\$ 19,460	\$ 24,262	\$ 134,387	\$ 67,615	\$ 6,803	\$ 195,199
2014.....	62,836	7,907	\$ 11,065	12,827	94,635	16,380	4,814	115,829	63,476	6,803	172,502
2015.....	63,888	7,957	11,290	12,605	95,740	21,565	5,009	122,314	58,753	6,803	174,264
2016.....	59,588	7,791	11,800	12,458	91,637	18,170	5,213	115,020	53,744	6,803	161,961
2017.....	56,951	7,729	12,390	12,345	89,415	26,405	5,425	121,245	48,713	6,803	163,155
2018-2022.....	235,235	31,651	70,305	51,243	388,434	76,745	7,738	472,917	167,932	32,372	608,477
2023-2027.....	119,883	19,818	61,400	32,398	233,499	60,415		293,914	77,809	20,872	350,851
2028-2032.....	38,861	3,987		16,102	58,950	42,460		101,410	28,626	8,987	121,049
2033-2037.....						34,075		34,075	12,627	4,420	42,282
2038-2042.....						24,245		24,245	2,223	778	25,690
Subtotal.....	\$ 703,789	\$ 95,030	\$ 178,250	\$ 165,906	\$ 1,142,975	\$ 339,920	\$ 52,461	\$ 1,535,356	\$ 581,518	\$ 10,144	\$ 2,015,430
Unamortized (Discount) / Premium	56,200	(157)	16,745	(274)	72,514	10,954		83,468			83,468
Unamortized Loss on Refunding	(12,964)				(12,964)	(7,083)		(20,047)			(20,047)
Total.....	\$ 747,025	\$ 94,873	\$ 194,995	\$ 165,632	\$ 1,202,525	\$ 343,791	\$ 52,461	\$ 1,598,777	\$ 581,518	\$ 10,144	\$ 2,078,851

Revenue Bond Resolutions: Management believes the Turnpike System has complied with all of its material financial bond covenants as set forth in the resolutions.

MAJOR COMPONENT UNIT

Changes in Long-Term Liabilities: The University System of New Hampshire's long term liabilities include: Revenue Bonds Payable of \$437.3 million; capital lease obligations of \$15.1 million; accrued employee benefits and compensated absences of \$38.4 million; other postemployment benefits of \$52.4 million; and other liabilities of \$18.8 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	Increases	Decreases	Ending	Current	Long-Term
	Balance			Balance		
University System of NH.....	\$ 605,938	\$ 71,862	\$ 65,478	\$ 612,322	\$ 62,040	\$ 550,282

Payable June 30,	UNIVERSITY SYSTEM OF N.H.		
	Principal	Interest	Total
2013.....	\$ 50,568	\$ 18,552	\$ 69,120
2014.....	10,320	18,928	29,248
2015.....	32,077	18,315	50,392
2016.....	11,028	16,802	27,830
2017.....	36,256	16,517	52,773
2018-2022.....	141,775	59,455	201,230
2023-2027.....	79,387	29,428	108,815
2028-2032.....	46,125	15,717	61,842
2033-2037.....	38,385	4,583	42,968
Subtotal.....	445,921	198,297	644,218
Unamortized Discounts/Premium, net.....	6,570		6,570
Total.....	\$ 452,491	\$ 198,297	\$ 650,788

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 and capital leases (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.

Principle of self-insurance

As a general operating rule, the State self-insures against all damages, losses and expenses except to the extent that the provisions of law direct the purchase of commercial insurance. In instances in which a risk assessment has indicated that commercial insurance is economical and beneficial for the State or the general public, the State may elect to purchase insurance. There are approximately 20 such commercial insurance programs in effect. These include fleet automobile liability, ski area liability for Cannon Mountain, and a fidelity and faithful performance bond. Settled claims under these insurance programs have not exceeded commercial insurance coverage in any of the last three years.

Employee and Retiree Health Benefits

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. Currently, the State retains all of the risk associated with these benefits, and utilizes an actuarially-established IBNR (incurred but not reported) claims reserve. In addition, state law prescribes the retention of a reserve comprising 5% of annual claims and administrative costs, for unexpected costs. For FY 2012, this reserve equaled \$15 million for the Fund. Rates are established annually, by actuaries, based on an analysis of past claims, state and other medical trend, and future estimated loss experience. The process used in estimating claim liabilities may not result in an exact payout amount due to variables such as medical inflation, or changes in law, enrollment or plan design.

Workers Compensation

Since February 2003, the State has been self-insured for its workers compensation exposures, retaining all of the risk associated with workers compensation claims. The state utilizes an actuarial study that provides an annual estimate of the outstanding liabilities for the prior years' claims. The study also contains assumptions about loss development patterns, trends and other claim projections based upon the state's historical loss experience. According to the FY 12 actuarial study, the Selected Ultimate Loss and Allocated Loss Adjustment Expense (ALAE), which comprises past claims, claim trends and future estimated loss experience, is \$6.4 million as of June 30, 2012.

The following table presents the changes in claim liabilities during the fiscal years ending June 30, 2011 and 2012 (In Thousands):

Governmental Activities	6/30/2010			6/30/2011			6/30/2012		
	Balance	Increases	Decreases	Balance	Increases	Decreases	Balance	Current	Long-Term
Workers Compensation Claims Payable....	\$ 24,300	\$ 4,845	\$ 6,839	\$ 22,306	\$ 4,481	\$ 5,881	\$ 20,906	\$ 5,407	\$ 15,499
Health Claims Payable*.....	18,106	252,610	252,071	18,645	240,205	241,467	17,383	17,383	
Total.....	\$ 42,406	\$ 257,455	\$ 258,910	\$ 40,951	\$ 244,686	\$ 247,348	\$ 38,289	\$ 22,790	\$ 15,499
Business-Type Activities									
Turnpike System									
Workers Compensation Claims Payable....	\$ 1,900	\$ 541	\$ 451	\$ 1,990	\$ 383	\$ 384	\$ 1,989	\$ 353	\$ 1,636
Total.....	\$ 1,900	\$ 541	\$ 451	\$ 1,990	\$ 383	\$ 384	\$ 1,989	\$ 353	\$ 1,636
Liquor Commission									
Workers Compensation Claims Payable....	\$ 1,661	\$ 303	\$ 296	\$ 1,668	\$ 695	\$ 504	\$ 1,859	\$ 464	\$ 1,395
Total.....	\$ 1,661	\$ 303	\$ 296	\$ 1,668	\$ 695	\$ 504	\$ 1,859	\$ 464	\$ 1,395
Lottery Commission									
Workers Compensation Claims Payable....	\$ 14	\$ -	\$ 1	\$ 13	\$ 4	\$ 1	\$ 16	\$ 1	\$ 15
Total.....	\$ 14	\$ -	\$ 1	\$ 13	\$ 4	\$ 1	\$ 16	\$ 1	\$ 15
Total Business-Type.....	\$ 3,575	\$ 844	\$ 748	\$ 3,671	\$ 1,082	\$ 889	\$ 3,864	\$ 818	\$ 3,046
* 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 resulting from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made, and consist of the following as of June 30, 2012 (expressed in thousands):

RECEIVABLES / DUE FROM	AMOUNT	PAYABLES / DUE TO	AMOUNT
Highway Fund.....	\$ 942	General Fund.....	\$ 942
Highway Fund.....	3,224	Turnpike System.....	3,224
General Fund.....	6,658	Liquor Commission.....	6,658
General Fund.....	15,121	Education Fund.....	15,121
Turnpike System.....	137	General Fund.....	137
Lottery Commission.....	670	Education Fund.....	670
Lottery Commission.....	362	Liquor Commission.....	362
Total.....	\$ 27,114	Total.....	\$ 27,114

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 receivable of \$9.1 million from business-type activities represents the "internal balances" amount on the statement of net assets. The \$16.1 million between governmental funds, and the \$0.4 million between enterprise funds has been eliminated on the government-wide financial statements.

Internal Note Receivable: At June 30, 2012, internal note receivable (payable) balances consist of \$52.5 million payable to the Highway Fund from the Turnpike System. The balance has been offset by a corresponding amount of deferred revenue in the Highway Fund financial statements. The note relates to the conveyance of a portion of Interstate 95 in Portsmouth from the Highway Fund to the Turnpike Fund.

8. INTERFUND TRANSFERS

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

Transferred From	General Fund	Education Fund	Non-Major Funds	Total Governmental Fund	SRF Fund	Total
Governmental Funds						
General Fund.....		\$ 140,448		\$ 140,448	\$4,297	\$144,745
Highway Fund.....	\$ 833		\$ 1,543	2,376		2,376
Non-Major Funds.....	1,119			1,119		
Total Governmental Funds.....	* 1,952	* 140,448	* 1,543	* 143,943	4,297	147,121
Proprietary - Enterprise Funds						
Liquor Commission.....	140,475			140,475		140,475
Lottery Commission.....	5	70,263		70,268		70,268
Total Proprietary - Enterprise Funds..	\$ 140,480	\$ 70,263		\$ 210,743		\$210,743
* 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:

- Transfer of Lottery Commission profits of \$70.3 million to fund education
- Transfer of Liquor Commission profits of \$140.5 million to general fund for government operations
- \$140.4 million transfer from the general fund to eliminate education fund deficit

Pursuant to RSA 260:61, \$0.7 million transfer from Highway Fund to Fish and Game Fund for the Bureau of Off Highway Recreational Vehicle (BOHRV) Grant.

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.

Highway constructs capital assets on behalf of the Turnpike System and transfers those assets upon completion. During fiscal 2012, \$46.6 million of assets were transferred and reported by Turnpike System as contributed capital, and as a transfer of capital assets on the government-wide statement of activities.

9. CONTRACTUAL COMMITMENTS

Contractual Commitments: The State has estimated its share of contractual obligations for construction contracts to be \$116.5 million at June 30, 2012. This represents total obligations of \$303.4 million less \$186.9 million in estimated federal aid.

Encumbrances: Other encumbrances for the State totaled \$319.8 million as of June 30, 2012.

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 its members and beneficiaries.

Group I members at age 60 (age 65 for members beginning service on or after July 1, 2011) 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 (1.667%) of average final compensation multiplied by years of creditable service (1/66 of AFC times creditable service for members beginning service on or after July 1, 2011). AFC is defined as the average of the three highest salary years for members vested prior to January 1, 2012 and five years for members not vested on January 1, 2012. At age 65, the yearly pension amount is recalculated at 1/66 (1.515%) 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 a minimum of 20 years of creditable service (age 50 with a minimum of 25 years of creditable service or age 60 for members beginning service on or after July 1, 2011) can receive a retirement allowance at a rate of 2.5% of AFC for each year of service not to exceed 40 years (2% of AFC times creditable service up to 42.5 years for members beginning service on or after July 1, 2011). A member who began service on or after July 1, 2011 shall not receive a service retirement allowance until attaining age 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service. However, the allowance will be reduced by ¼ of one percent for each month prior to age 52.5 that the member receives the allowance.

Group II members hired prior to July 1, 2011 who have non-vested status as of January 1, 2012 are subject to graduated transition provisions for years of service required for regular service retirement, the minimum age for service retirement, and the multiplier used to calculate the retirement annuity, which shall be applicable on January 1, 2012.

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, RSA 100-A:52-a and RSA 100-A:52-b, 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 was established by RSA 100-A:16, II(h) for additional benefits. Prior to fiscal year 2007 the account was 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.

In 2007, legislation was passed that permits the transfer of assets into the special account for earnings in excess of 10 1/2 percent as long as the actuary determines the funded ratio of the consolidated retirement system to be at least 85 percent. If the funded ratio of the system is less than 85 percent, no assets will be transferred to the special account.

In FY 2011, two pieces of legislation passed that impacted the special account. The first required an \$89 million transfer from the special account to the state annuity accumulation fund effective May 11, 2011. The other, required the balance remaining in the special account, less funds set aside to comply with, the temporary supplemental allowances required by RSA 100-A:41-d,III, to be transferred to the respective components of the state annuity accumulation fund, effective June 30, 2011. This resulted in an additional transfer from the special account to the State annuity accumulation fund totaling \$167.3 million.

In FY 2012 legislation was passed that repealed the special account.

The New Hampshire Retirement System issues publicly available financial reports that can be obtained by writing to them at 54 Regional Drive, Concord, NH 03301-8507 or from their web site at <http://www.nhrs.org>.

Funding Policy: The Plan is financed by contributions from the members, the State and local employers, and investment earnings. By statute, Group 1 members contributed 7.0% of gross earnings. Group II firefighter members contributed 11.80% of gross earnings and group II police officers contributed 11.55% 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 entry age normal 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 in FY 2012 the state contributed \$3.5 million toward 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 required and actual contributions to the plan for the years ending June 30, 2012, 2011, and 2010 were \$73.7 million, \$117.9 million, and \$126.0 million, respectively. Included in these contributions for FY 2012, FY 2011 and FY 2010 is an amount for other postemployment benefits of \$11.3 million, \$12.0 million, and \$12.1 million, respectively. The State's contributions for the fiscal year ended June 30, 2012 decreased over the amounts contributed for the fiscal year ended June 30, 2011, primarily due to the reduction in the percentage the State contributed toward employer costs of political subdivisions.

As of June 30, 2012, the date of the most recent actuarial valuation, the net assets available to pay pension benefits, at actuarial value, were reported by the New Hampshire Retirement System to be \$5,817.9 million. The total pension liability at June 30, 2012 using the entry age normal actuarial cost method was \$10,361.6 million, resulting in a funded ratio of 56.1% and projected pension liability in excess of assets of \$4,543.7 million.

OTHER POSTEMPLOYMENT BENEFITS

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 and have 10 years of service, 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 and retirees are authorized by RSA 21-I:30 and provided through the Employee and Retiree Benefit Risk Management Fund, a single-employer defined benefit plan, 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. 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 \$14.0 million for the fiscal year ended June 30, 2012.

GASB Statement 45 requires that the long-term cost of retirement health care and obligations for other postemployment benefits (OPEB) be determined on an actuarial basis and reported similar to pension plans. GASB Statement 45 does not mandate the pre-funding of postemployment benefit liabilities. However, any pre-funding of these benefits will help minimize or eliminate the postemployment benefit obligation that will be required to be reported in the financial statements.

The State Legislature currently plans to only partially fund (on a pay-as-you-go basis) the annual required contribution (ARC), an actuarially determined rate in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB plan for fiscal year 2012 (dollar amounts in thousands):

Annual Required Contribution	\$ 165,398
Interest on net OPEB obligation	25,124
Adjustment to annual required contribution	(18,610)
Annual OPEB cost	171,912
Contributions made (pay-as-you-go)	(50,997)
Increase in Net OPEB Obligation	120,915
Net OPEB Obligation - Beginning of Year	558,304
Net OPEB Obligation - End of Year	\$ 679,219

The State's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2012, 2011 and 2010 were as follows (dollar amounts in thousands):

Fiscal Year Ended	Annual OPEB Cost	Actual Contributions		Net OPEB Obligation
		(pay-as-you-go)	Percentage Contributed	
06/30/12	\$ 171,912	\$ 50,997	29.66%	\$ 679,219
06/30/11	162,120	54,418	33.57%	558,304
06/30/10	208,151	52,790	25.36%	450,602

As of December 31, 2010, the date of the most recent actuarial valuation, the actuarial accrued liability (AAL) for benefits was \$2,257.8 million, with no actuarial value of assets, resulting in an unfunded actuarial liability (UAAL) of \$2,257.8 million. The covered payroll (annual payroll of active employees covered by the plan) was \$597.8 million during fiscal year 2011, and the ratio of the UAAL to the covered payroll was 378 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, is designed to present multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2010 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return, a 4.5 percent inflation rate and projected salary increases of 4.5 percent per annum. The projected annual healthcare cost trend is 9 percent initially, reduced by decrements to an ultimate rate of 5 percent after six years. The UAAL is being amortized as a level dollar amount over an open basis. The remaining amortization period at December 31, 2010, was thirty years.

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. Information and financial reports of the New Hampshire Judicial Retirement Plan can be obtained by writing to them at 54 Regional Drive, Concord, NH 03301.

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 one employee. All employer and member contributions are deposited into separate trust funds that are managed and controlled by the Board of Trustees of the Plan. Any member of the Plan who has at least 15 years of creditable service and who is at least 60 years old is entitled to retirement benefits equal to 70% of the member's final year's salary.

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 year's salary. The State was required to and contributed 27.42% of the members' salary through June 30, 2011. Effective July 1, 2011, the State was required to and contributed 41% of the members' salary.

As of January 1, 2010, the date of the most recent actuarial valuation, the net assets available to pay retirement benefits, at actuarial value, were reported by the Plan to be \$44.0 million. The total retirement benefit liability using the entry age normal actuarial cost method was \$59.8 million, resulting in a funded ratio of 74% and projected liability in excess of assets of \$15.8 million. Annual covered payroll was \$7.7 million resulting in an unfunded actuarial liability of 204% of covered payroll. Actuarial assumptions used in the valuation include the 1994 Group Annuity Mortality Table, an investment return of 8.0% and salary growth of 0.0% for the next two years, and 3.0% thereafter, and amortization using level dollar over a decreasing number of years starting with 20 years. The open period was 16 years as of January 1, 2010. The actuarial value of plan assets is calculated by spreading recognition of gains and losses over five years, plus an additional write-up (or write-down) as necessary so that the final adjusted value is within 20% of market value.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, is designed to present multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

The annual required contribution (ARC) and the amounts contributed to the plan are as follows (dollar amounts in thousands):

Fiscal Year Ended	Annual Required		Actual Contributions	Percentage Contributed
	Contribution (ARC)			
December 31, 2011	\$ 2,357	\$	2,357	100.00%
2010	1,905		1,905	100.00%
2009	1,244		1,244	100.00%

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 \$123.2 million of contingent liabilities and the statutory limits as of June 30, 2012 (expressed in thousands):

	RSA	Guarantee Limit	Remaining Capacity	June 30, 2012			
				PRINCIPAL	INTEREST	TOTAL	
Water Pollution Bonds.....	485-A:7	\$ 50,000	\$ 47,968	\$ 1,760	\$ 272	\$ 2,032	
Business Finance Authority (BFA) - General Obligation.....	162-A:17	25,000	**	20,000	5,635	25,635	
Business Finance Authority (BFA) - Additional State Guarantee.....	162-I:9-b	50,000	**	42,976	287	43,263	
Business Finance Authority (BFA) - Unified Contingent Credit Limit....	162-A:22	95,000	*	32,000	63,000	5,922	68,898
School Construction Bonds.....	195-C:2	95,000		42,755	36,059	16,186	52,245
Solid Waste Bonds.....	149-M:31	10,000		9,942	55	3	58
Super Fund Site Cleanup Bonds.....	33-3-f	20,000	*	20,000			
Housing Finance Authority Child Care Loans.....	204-C:79	300		300			
TOTALS.....		\$ 270,300	\$ 152,965	\$ 100,874	\$ 22,383	\$ 123,233	

*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, 2012 (expressed in thousands):

	(1)	(2)	(3)	(4)
	RSA 12-G:31	RSA 12-G:33	RSA 12-G:34	RSA 12-G:35
Legal Limit	\$ 70,000	\$ 35,000	\$ 5,000	\$ 10,000
Debt Guaranteed Now Assumed by State				
Business Express Airlines.....	10,000			
Atlantic Coast Airlines.....	1,000			
Amount Bonded By State and Loaned to PDA				
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			
Amount Borrowed By PDA and Guaranteed By State				
Bond Anticipation Notes.....	5,000			
Line of Credit.....	2,500			
Remaining Capacity	\$ 13,910	\$ 35,000	\$ -	\$ 10,000

(1) RSA 12-G:31 - \$70 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.

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 audits may become the liability of the State. The State estimates that any ultimate disallowance not otherwise disclosed, pertaining to these grants, will be immaterial to its overall financial condition.

Requests for Medicaid Enhancement Tax Refund: Since enactment of the operating budget for fiscal years 2012 and 2013, between the middle of June 2011 and the end of November 2011, the Department of Revenue Administration ("DRA") received requests for refund or credit of the Medicaid Enhancement Tax ("MET") for prior fiscal periods ending June 30, 2008 through June 30, 2011 from 20 hospitals, of which for some, the statute of limitations had expired, and such were denied and not appealed. For the \$68.9 million within statute, based on review, DRA issued decisions on substantially all of the requests resulting in additional assessments of \$9.1 million and refunds of \$6.2 million, and appeals of these decisions by all taxpayers. In addition, in July of 2012, some hospitals filed requests for credit or refund of fiscal year 2012 payments, totaling \$12.5 million. DRA has denied these requests, and issued further assessments for fiscal year 2012 of \$13.9 million, resulting in appeals by these taxpayers. All of these appeals are currently in the hearing and negotiations process. The Hearing Officer's decision may be further appealed to the Superior Court. It is not possible to predict further actions or the outcomes, although the State is confident in the positions it has taken on these matters, and does not expect a material unfavorable decision.

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 2012 for governmental activities and business-type activities were approximately \$7.9 million and \$4.0 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, 2012 (expressed in thousands):

Payable June 30,	Governmental Activities	Business-Type Activities
2013.....	\$ 8,863	\$ 2,547
2014.....	5,200	1,889
2015.....	2,895	1,852
2016.....	2,034	1,784
2017.....	1,822	1,350
2018-2022.....	4,976	1,909
2023-2027.....	3,370	-
2028-2032.....	1,046	-
Total.....	\$ 30,206	\$ 11,331

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, 2012, are as follows (in thousands):

Payable June 30,	Governmental Activities	Business-Type Activities
2013.....	\$ 781	\$ 114
2014.....	602	114
2015.....	538	114
2016.....	425	115
2017.....	218	125
2018-2022.....	779	478
Total.....	3,343	1,060
Amount Representing Interest.....	(487)	(636)
Present Value of Minimum Lease Payments.....	\$ 2,856	\$ 424

The assets acquired through capital leases and included in capital assets at June 30, 2012 include the following (in thousands):

	Governmental Activities	Business-Type Activities
Equipment.....	\$ 6,482	\$ 563
Buildings & Building Improvements..	10,227	1,563
Total.....	16,709	2,126
Less: Accumulated Depreciation....	(14,870)	(1,199)
Net.....	\$ 1,839	\$ 927

13. LITIGATION***Department of Health and Human Services (DHHS)******Review of New Hampshire's Medicaid Disproportionate Share Hospital Payments***

By letter dated July 9, 2007, the DHHS received a final report from the Office of Inspector General ("OIG") of the U.S. Department of Health and Human Services regarding an audit of DHHS's disproportionate share hospital ("DSH") payments made during federal fiscal year 2004. The report found that a portion of the federal share for federal fiscal year 2004 was unallowable on grounds that the State's cost to charge ratio was inflated, and recommended that this amount be refunded to the Centers for Medicare and Medicaid Services ("CMS"), who administer the payments. Following DHHS' response to CMS regarding the OIG report, in October 2009 CMS issued a Notice of Disallowance indicating that it concurred with the OIG report findings, and that it was disallowing \$35 million in federal funds for federal fiscal year 2004.

After hearings and appeals to the Department Appeals Board (DAB), DAB denied a request for reconsideration and affirmed its decision to uphold the determination by CMS of disallowance. As a result, CMS has issued a claim for repayment in the total amount of \$35.4 million (including interest). CMS has agreed with the state on an arrangement to pay in eight quarterly installments beginning in January 2012, with final installment payable in the quarter beginning October 2013. The expense was recognized and a liability was recorded in the government-wide statement of net assets for the full amount of repayment due as of June 30, 2011, while the governmental funds will accrue expenditures at the time installments become due and payable. Payments are being made, as required, and during the fiscal year, the State made total payments of \$8.8 million on this obligation. The matter is closed, contingent on the remaining payments being made.

Chase Home et al v. DCYF

On November 7, 2007, seven residential childcare providers initiated a lawsuit in Merrimack County Superior Court against the Division for Children, Youth, and Families (DCYF) on a variety of claims, including DCYF's statutory obligation to pay for residential childcare services provided under certain provisions of State law. DCYF filed a motion for summary judgment, which the court denied, on the grounds that DCYF does not have a contractual relationship with the providers, and that it did not engage in any unconstitutional taking of property. In May 2010, the court ruled in favor of the Petitioners and found that the State had breached its contracts, that there was sufficient money appropriated in the years in question to pay the Petitioners, and awarded damages of \$3.5 million for the claims of FY2004-FY2006 (denying Petitioners' request for attorney fees.) A Motion to Reconsider was denied, another appeal was filed, and a Supreme Court decision upheld the trial court's determination that there were valid contracts, holding the state liable for the court's judgment, plus allowable interest of approximately \$.3 million. On February 3, 2012, the judgment was submitted to the legislature in accordance with RSA 491:8, calling for legislation, which did not pass in the 2012 session. It is not known at this time if legislation to appropriate funds will pass during the 2013 session. A liability of \$2.9 million, representing the net amount of state cost for this judgment after federal share, has been recorded in the government wide statement of net assets as of June 30, 2012. The amount has been recognized in the governmental fund statements, as it became 'due and payable' in FY2012.

There are similar claims for some of the same providers pending in DHHS administrative appeals unit for FY2007-FY2010. DHHS estimates that the potential liability for the outstanding years is not material to the government wide financial statements. Any amounts determined ultimately payable will be accrued in the governmental funds as they are due.

Dartmouth Hitchcock et. al v. Toumpas

In August 2011, ten of the State's thirteen non-critical access hospitals and one "John Doe" individual Medicaid recipient filed a federal court lawsuit against the Commissioner of the Department of Health and Human Services ("DHHS") regarding a number of legislative and departmental actions since 2005 that have reduced the reimbursement rates for Medicaid in-patient and outpatient services, and eliminated disproportionate share payments to non-critical access hospitals in the FY 2012/2013 budget. The claims are brought under the supremacy clause of the United States Constitution related to the Medicaid statute, 42 U.S.C 1396a(a)(30)(A) and 42 U.S.C. 1396a(a)(13)(a), alleging that the changes from these actions are contrary to the intent of the Medicaid statute since the resulting payments are insufficient to ensure access to services for Medicaid clients, and further alleging that the changes cannot be implemented because the State did not give notice or do a state plan amendment regarding each change. A motion for preliminary injunction requesting that the federal court enjoin each of the changes and require the State to revert to prior payments levels was filed at the same time. Pleadings, briefs and hearings were heard, and on December 8, 2011 the court heard oral argument on the legal standing issues raised in the motion to dismiss. A further evidentiary hearing on the motion for preliminary injunction was held on January 10-12, 2012, and on March 2, 2012, the Court issued a preliminary injunction ordering the State to provide notice of the current rates and its intention to continue those rates. The Court's order also requires the State to allow for submission of comments, which have now been received. The notice required by the preliminary injunction order has been published, and a notice of intent to continue to use the rates at the current level has been published. The further briefing ordered by the court regarding the ability to bring the access claims under the Supremacy clause, in light to the 2012 United States Supreme Court decision in *Douglas v. Indep. Living Ctr. of So. Calif.*, have been filed and supplements submitted regarding access reports and monitoring activity related to access between the State and CMS. On September 27, 2012 the Court issued an order denying, without prejudice, the motion to dismiss. All other issues are still pending with the Court. A hearing was scheduled for December 20, 2012 at which time the Court ordered further briefing, with deadlines into February 2013. While this suit does not request damages, the potential prospective impact on the state general fund if the state is required to change the rates and reimbursement paid for inpatient and outpatient hospital services could be in excess of \$100 million. It is not possible to predict the outcome of this case at this time.

Elsworth et al. v. Governor et al

On April 7, 2011, the United States Department of Justice ("USDOJ") issued a letter finding that the State failed to comply with aspects of the Americans with Disabilities Act, 42 U.S.C. secs. 12131-12134 (Part A), by not providing services for individuals with mental illness that allow them to live in the most integrated community-based settings appropriate for their needs. The USDOJ's findings were based on an investigation it performed of New Hampshire's mental health services system over a four month period.

The State issued a formal response to the USDOJ findings, describing the basis for the State's disagreement, and asking the USDOJ to withdraw its findings. In companion matters, on February 9, 2012, a class action lawsuit, an action the State will defend, was filed in the U.S. District Court alleging New Hampshire has failed to provide adequate community-based mental health services, and the USDOJ has filed a motion to join the lawsuit. The case is now in the discovery phase and Trial is scheduled for June 2014. It is not possible to predict the outcome of this matter at this time.

Department of Revenue Administration

Catholic Medical Center (CMC) et al v. Department of Revenue Administration ("DRA")

CMC, Exeter Hospital and St. Joseph's Hospital filed three separate lawsuits, which have now been consolidated, challenging the constitutionality, both facially and as applied, of RSA 84-A, the Medicaid Enhancement Tax ("MET"). The hospitals claim the MET tax is unconstitutional under both state and federal law because: (1) it taxes hospitals for net patient services revenue (NPSR) but does not tax other medical entities for the same revenue; and (2) there is an alleged different rate of taxation assessed between the hospitals and rehabilitation hospitals. Each hospital seeks full reimbursement of the tax it paid in 2011 totaling \$31.5 million. Northeast Rehabilitation Hospital filed a similar lawsuit seeking \$1.5 million reimbursement for the tax it paid in 2011. Answers have been filed in all lawsuits, and the parties to the consolidated lawsuit are working on drafting an agreed stipulation of facts, having agreed on a briefing schedule. The parties in the Northeast Rehabilitation Hospital have agreed to draft an agreed stipulation of facts and litigate the case through cross-motions for summary judgment. The Court has set a deadline of December 31, 2012 for the parties in the CMC Litigation to reach an agreement on a statement of facts. The parties in the Northeast Rehabilitation Litigation have agreed to seek an extension of time of the deadline to reach an agreed statement in that case to sometime after December 31, 2012. It is not possible to predict the outcome of these cases at this time.

Woodland Management Associates, LLC and The Lyme Timber Co. v. State of New Hampshire

The Petitioners allege that the Department of Revenue Administration ("DRA") improperly assessed and collected an additional \$4.6 million in business profits taxes, interest, and penalties against Woodland and Lyme for the tax year ending December 31, 2003 and has improperly denied a request filed by Woodland for refund of this amount. The total amount in controversy including interest is \$5.3 million. In May 2010, the trial court granted summary judgment on Count II in favor of the DRA, thereby denying Petitioners' request for a remand to the Commissioner. Trial is scheduled for August 2013; it is not possible to predict the outcome of this matter at this time.

Leighton et al v. State of New Hampshire

Plaintiffs have challenged the constitutionality of the State's 10% tax on gambling winnings with a class action, but the State has objected to it being certified as a class action, and the court has not yet ruled on that issue. The parties filed a joint interlocutory transfer without ruling in the Supreme Court, which was denied on February 23, 2011. The case returned to superior court where the parties agreed that the case could be decided on cross-motions for summary judgment. After the State settled Plaintiff Leighton's claims for \$0.3 million, a new lottery winner joined the case as a plaintiff, and motions for summary judgment have been cross claimed. In October 2011, the trial court denied the Plaintiffs' motion for summary judgment, but granted, in part, the State's cross-motion for summary judgment with respect to the plaintiffs' facial challenge to the statute. The court denied the State's motion, in part, finding that there was a question of fact as to whether the plaintiff was a "professional gambler," which the plaintiff conceded that he is not under the legal test articulated by the court in its summary judgment order. Plaintiffs attempted to find a professional gambler to intervene in the case, but were unsuccessful, and in June 2012, the declaratory judgment statute, RSA 491:22, was amended. Plaintiffs' claim that the amendment provides them with standing to challenge the Gambling Winnings Tax as an occupation tax even if they are not professional gamblers, to which claim the State disagrees. The Plaintiffs' filed a motion for summary judgment on October 22, 2012. The State filed an objection and cross-motion for summary judgment on October 22, 2012. The trial has been scheduled for the week of February 19, 2013. It is not possible to predict the likely outcome of the case at this time.

Retirement System*American Federation of Teachers - New Hampshire, et al v. State, Retirement System and Lisa Shapiro, Individually*

A group of twelve plaintiffs filed suit on August 7, 2009 challenging the changes to the retirement system made pursuant to Chapter 300, Laws of 2008 that affect (1) earnable compensation; (2) COLA payments; and (3) medical subsidies. The plaintiffs have also sought class certification for all other New Hampshire retirees eligible for state retirement benefits. The State answered the complaint on November 4, 2009, and on May 18, 2010 the plaintiffs filed a motion to amend their petition. This motion was granted on July 20, 2010 and the State filed an amended answer. The parties filed cross motions for summary judgment on December 5, 2010, and in January 2011 the court issued an order indicating that it would defer ruling on the parties' summary judgment motions until the class certification process was completed. The plaintiffs have withdrawn their request for class certification, and the trial court has approved an interlocutory appeal without ruling to the Supreme Court. The Supreme Court denied the interlocutory appeal. The cross motions for summary judgment are still pending with the trial court. It is not possible to predict the outcome of this case at this time.

Professional Firefighters et al v. State of New Hampshire ("Fire Fighters I")

Professional Firefighters, Police Association, National Education Association and State Employees Association filed a Motion on June 29, 2011, of Temporary Restraining Order in Merrimack County Superior Court seeking status quo on member contribution rates and recertification of fiscal year 2012 and 2013 employer contribution rates until such time as the Court can rule on the Petition for Declaratory and Injunctive Relief filed by the same Petitioners the same day.

The State filed a motion to dismiss the petition, and on January 6, 2012 the Court ruled that the increase in employee contributions is unconstitutional as to those employees who are "vested" as that term is defined in the retirement statute (10 years in the retirement system). The Court dismissed the lawsuit, however, on the grounds that the plaintiffs did not allege they are "vested employees" however, the dismissal was without prejudice to the plaintiffs to file an amended petition by March 1, 2012. The Court also dismissed the request to enjoin the recertification of employer contribution rates, stating that employees do not have standing to challenge the employer contribution rate. The Petitioners filed a second amended petition on February 24, 2012 and the State has filed a renewed motion to dismiss. The trial court denied the State's motion to dismiss, and granted the parties joint motion for interlocutory appeal. The Supreme Court declined to accept the interlocutory appeal. A status conference has been scheduled with the trial court for January 17, 2013. It is not possible to predict the outcome of this case at this time.

Professional Fire Fighters of New Hampshire, et al v. State of New Hampshire ("Fire Fighters II")

In a matter similar to the case *Fire Fighters I*, above, the Petitioners have filed a lawsuit challenging Section 161 (definition of Earnable Compensation), Section 163 (definition of Average Final Compensation), Section 164 (Maximum Retirement Benefit), Section 166 (Age Multiplier to calculate benefit), and Section 186 (repeal of disability exception from the gainful occupation reduction provision) of HB2. Petitioners seek an order finding HB2 is unconstitutional under the Contracts and Takings Clauses of both the New Hampshire Constitution and the United States Constitution. Petitioners seek injunctive relief, payment of damages and attorneys' fees. A preliminary injunction hearing was scheduled for May 21, 2012. A hearing on the request for a preliminary injunction was held on August 27, 2012. The trial court ordered the parties to file a motion for interlocutory appeal, which has been filed. No decision has been issued. It is not possible to predict the outcome of this matter at this time.

Other Matters*State of New Hampshire v. Philip Morris USA, RJ Reynolds, Inc. and Lorillard Tobacco Company*

This case was originally filed by the state as a Petition for a Declaratory Order in Superior Court. The defendants are signatories to the Tobacco Master Settlement Agreement ("MSA") under which the defendants are required to make annual payments to all of the participating states, including the State of New Hampshire. The annual payments received since 2006 have been approximately \$5 million below the required payment amount. The defendants have been withholding portions of their payment or making payment into a disputed payments account claiming that in 2003, the State failed to diligently enforce the non-participating tobacco manufacturers' obligation to make an escrow payment of an amount meant to mitigate a market advantage to non-participation. The Supreme Court affirmed the ruling of the trial court on June 22, 2007 that all issues would proceed to arbitration. The tobacco companies are seeking recovery of up to an entire annual payment of approximately \$50 million made to the State of New Hampshire under the MSA. The tobacco companies have identified thirty-five states they claim failed to "diligent enforce" their obligations under the MSA, including New Hampshire. The arbitration began with a presentation of facts and issues common to all the individual state cases, and individual state hearings began May 21, 2012.

A tentative settlement has been reached between 19 states and the tobacco companies, including New Hampshire. New Hampshire's agreement is contingent on approval by the Legislature. The settlement would resolve the diligent enforcement dispute with the settling states through 2015. Under the terms of the settlement, the tobacco companies would accept a 54% reduction in their claim for an adjustment. The settlement is subject to approval by the arbitration panel, and may be challenged by some non-settling states. The State is unable to predict the outcome at this time.

Estate of Michele Walker et al V. Administrative Office of the Courts et al

Plaintiffs have brought this wrongful death lawsuit in federal court alleging the decedent was subjected to severe and/or pervasive sexual harassment, creating a hostile work environment. As a result, the Plaintiffs allege the decedent went on medical leave, Defendants (Administrative Office of the Courts et al) denied her reasonable accommodations to return to work, retaliated against her and continued to harass her while she was on leave. The Plaintiffs allege that the events described in the lawsuit, lead to the eventual suicide of the decedent in May 2010. The Plaintiffs seek damages arising out of claims of discrimination, sexual harassment, hostile work environment, retaliation and violation of the Americans with Disabilities Act. The State has filed an Answer and discovery is ongoing. On January 17, 2012, the State filed a motion to dismiss five of the eight counts based on the litigation bar contained in the workers' compensation law, which the Court denied. The State's motion for summary judgment is pending before the Court. Trial has been rescheduled to April 2013; it is not possible to predict an outcome.

The Sunapee Difference, LLC v. State of NH

The plaintiff has alleged that the State breached its promises to amend the leasehold description and/or to amend the lease and operating agreement to permit expansion of the Mt. Sunapee ski area, upon transfer of the lease to a third party. The plaintiff claimed over \$14 million in damages. On or about December 30, 2008, the State filed a Motion for Summary Judgment on all of the plaintiff's claims. On April 17, 2009, the Court issued an order granting the State's Motion for Summary Judgment in full, and entered judgment in favor of the State. The plaintiff filed an appeal with the State Supreme Court which by interim order on June 25, 2010 remanded the case back to the trial court for a ruling on whether the plaintiff has standing to bring the lawsuit. A hearing was held on the issue of whether the parties intended to release Sunapee Difference's claims when the lease was assigned to a third party. The trial court issued an order ruling that Sunapee Difference has standing to seek reformation of the lease, which ruling the State has appealed to the Supreme Court. Briefs were filed May 8, 2012, and an oral argument was held on September 13, 2012. It is not possible to predict the outcome at this time.

City of Concord, Belknap County and Mascenic Regional School District v. State and State Retirement System (201083548)

This lawsuit challenges the constitutionality of the legislation that reduced the State's share of funding for local employers' cost for municipal, school, and county employees in fiscal years 2010 and 2011. The total reduction of the State's share over the biennium is estimated to be \$27 million. Petitioners allege that this reduction in the State's share results in an unconstitutional unfunded mandate imposed on them. The parties filed cross motions for summary judgment.

The trial court granted summary judgment in favor of the State. The Petitioners appealed the decision to the New Hampshire Supreme Court.

On August 31, 2012, the New Hampshire Supreme Court affirmed the order by the superior court, granting summary judgment in favor of the State and denying the Petitioners' motion for summary judgment. A motion to reconsider was filed by the Plaintiffs. The Supreme Court modified its order in response to the motion to reconsider, but did not change the outcome. This matter is now closed.

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 opinions of the Attorney General, State Comptroller and the Commissioner of Administrative Services, the likelihood of such litigation resulting, either individually or in the aggregate, in final judgments against the State, which would materially affect its financial position, is remote. Accordingly, no detailed disclosures of these other lawsuits are provided herein and no provision for such ultimate liability, if any, has been made in the financial statements.

14. GOVERNMENTAL FUND BALANCES AND STABILIZATION ACCOUNT

Governmental Fund Balances - Restricted, Committed and Assigned

A summary of the nature and purpose of these constraints and related amounts by fund at June 30, 2012, follows:

Governmental Fund Balances
(expressed in thousands)

	Restricted Purposes	Committed Purposes	Assigned Purposes
General Fund:			
General Government	\$ 2,118	\$ 27,101	\$ 4,583
Administration of Justice & Public Protection	5,246	66,489	1,574
Resource Protection & Development	12,809	28,267	1,351
Transportation	46	1,097	
Health & Human Services	44	10,643	17,476
Education	4,670	4,167	
Total	\$ 24,933	\$ 137,764	\$ 24,984
Highway Fund:			
Administration of Justice & Public Protection	\$ 1,918	\$ 1,154	\$ 666
Resource Protection & Development			164
Transportation	178,315	12,779	36,896
Total	\$ 180,233	\$ 13,933	\$ 37,726
Non-major Governmental Funds:			
Resource Protection & Development	\$ 3,258	\$ 1,464	\$ 2,466
Other Purposes	9,611		
Total	\$ 12,869	\$ 1,464	\$ 2,466

Stabilization Account

The State maintains a Revenue Stabilization account (the Rainy Day Fund) established by RSA 9:13-e, for the purpose of deficit reduction and reported as unassigned fund balance in the General Fund. At the close of each fiscal biennium, any General Fund unassigned 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 for the most recently completed fiscal year. 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 unassigned fund balance deficit at the close of a fiscal biennium, a transfer from the 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 unassigned fund balance deficit or the unrestricted revenue shortfall.

The balance at June 30, 2012 remained at \$9.3 million, the same as at June 30, 2011.

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 retailers. 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, 2012, the Lottery recognized \$8.4 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 \$1.7 million at June 30, 2012. The Tri-State issues a publicly available annual financial report, which may be obtained by writing to the Tri-State Lotto Commission, 1311 US Route 302 Suite 100, Barre, Vermont 05671.

In November 1995, the Lottery became a member of MUSL, which is currently comprised of 33 member state lotteries and administers the Multi-State Lottery Powerball, Hot Lotto, and Mega Millions 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, 2012, the Lottery recognized \$22.1 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 \$2.5 million at June 30, 2012. MUSL issues a publicly available annual financial report, which may be obtained by writing to the Multi-State Lottery Association, 4400 NW Urbandale Drive, Urbandale, Iowa 50322.

16. TRANSACTIONS AMONG RELATED FUNDS AND ACTIVITIES

Contribution of Capital Assets

During fiscal year 2012, capital assets were contributed to the Community College System of New Hampshire (CCSNH) at a value of \$123.0 million less accumulated depreciation of \$51.9 million. In the government-wide financial statements, the \$71.1 million net book value is reported as a contribution out of capital assets. The components of the \$71.1 is as follows (*expressed in thousands*):

	Accumulated		
	Cost	Depreciation	Net
Land & Land Improvements	4.5	(1.4)	3.1
Buildings & Building Improvements	106.9	(44.5)	62.4
Equipment	7.7	(6.0)	1.7
Construction in Progress	3.9	-	3.9
Total	123.0	(51.9)	71.1

17. ACCOUNTING CHANGES

University System of New Hampshire (USNH)

USNH adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, retroactive to July 1, 2010. This statement requires certain items that were previously reported as assets and liabilities to be reported as outflows of resources or inflows of resources in the year incurred or received. In conjunction with adopting this statement, USNH began treating all bond issuance costs as an expense in the year incurred. Conforming changes were made to all years presented including reclassification of certain balances and restatement of beginning net position.

Community College System of New Hampshire (CCSNH)

The net assets of CCSNH at June 30, 2011 have been increased by \$2.5 million as a result of various prior period adjustments. The effect below is on the Non-Major Component Unit Financial Statements.

(Expressed in Thousands)	USNH	Non-Major Component Units	TOTAL
Net Position, as previously reported	\$ 1,010,087	\$ 111,135	\$ 1,121,222
Net prior period adjustments		2,502	2,502
Accelerated amortization of bond issuance costs	(1,965)		(1,965)
Net Position, as restated	\$ 1,008,122	\$ 113,637	\$ 1,121,759

17. ACCOUNTING CHANGES - CONTINUED

Change of Reporting Entity

For presentation of the FY 2012 financial statements, the State reassessed the fund-type designation of the State Revolving Loan Funds (SRF), established to use funds received from the U.S. Environmental Protection Agency ("EPA") for the purpose of providing loans to local districts and public enterprises to improve water cleanliness and potability. The Fund charges interest and fees which cover administrative costs. This change in fund type assignment to these activities has been treated in the accompanying financial statements as a change in reporting entity. As such, the beginning net asset balances of Governmental Activities, Business-type Activities, General Fund and SRF financial statements has been restated as follows:

(Expressed in Thousands)	General Fund	State Revolving Fund	Governmental Activities	Business-Type Activities
Fund Balance/Net Assets, as previously reported	\$ 314,915	\$ -	\$ 1,799,217	\$ 507,203
Removal of SRF Activities	(128,500)	519,600	(519,600)	519,600
Fund Balance/Net Assets, as restated	<u>\$ 186,415</u>	<u>\$ 519,600</u>	<u>\$ 1,279,617</u>	<u>\$ 1,026,803</u>

18. SUBSEQUENT EVENTS

Debt Issuance

On August 30, 2012, the State issued \$110.2 million of Turnpike System Revenue Bonds. The interest rates on these revenue bonds range from 3% to 5%, and the maturity dates range from 2013 through 2036.

On September 26, 2012, the State issued a \$1.4 million general obligation capital improvement bond. The bond was sold via private placement to the New Hampshire Municipal Bond Bank. The proceeds will be used to finance various capital projects of the State.

On February 23, 2012, the State sold its \$65.4 million Turnpike System Revenue Refunding Bonds, (Delayed Delivery). The Refunding Bonds were issued on November 5, 2012 to refund a portion of the outstanding Turnpike System Revenue Bonds (2003 Refunding Series), in order to provide debt service savings to the New Hampshire Turnpike System.

On November 14, 2012, the State issued \$90.0 million of General Obligation Capital Improvement Bonds. The interest rates on these bonds range from 2% to 5%, and the maturity dates range from 2013 through 2032.

Legal Settlement in Favor of the State

In 2008, the State filed claims for damages in excess of \$771 million, injunctive relief and civil penalties against major oil companies as a result of statewide contamination of drinking water with gasoline additive Methyl *tertiary*-butyl ether ("MtBE"). After several years of claims and counterclaims, the State settled their damage claims with most of the oil companies. Under the settlements, affirmed by court order, the State will receive \$77 million in funds, net of legal costs, which are expected to be restricted by the order to be used in the investigation and remediation of contamination of ground water. Claims with remaining defendants will go to trial.

**Required Supplementary Information
(Unaudited)**

STATE OF NEW HAMPSHIRE
 BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE (Unaudited)
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012
 (expressed in thousands)

	General Fund			
	Budgeted Amount		ACTUAL (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	ORIGINAL	FINAL		
REVENUES				
General Property Taxes.....	\$ 230	\$ 230	\$ 129	\$ (101)
Special Taxes.....	911,014	911,014	894,737	(16,277)
Personal Taxes.....	125,590	125,590	136,085	10,495
Business License Taxes.....	33,898	33,837	19,870	(13,967)
Non-Business License Taxes.....	90,598	89,871	82,829	(7,042)
Fees.....	175,559	183,997	153,937	(30,060)
Fines, Penalties and Interest.....	10,591	10,884	16,692	5,808
Grants from Federal Government.....	1,708,468	1,803,930	1,311,164	(492,766)
Grants from Private and Local Sources.....	155,300	154,120	136,670	(17,450)
Rents and Leases.....	12,774	13,284	10,357	(2,927)
Interest Premiums and Discounts.....	20,981	21,491	18,019	(3,472)
Sale of Commodities.....	12,014	17,266	12,115	(5,151)
Sale of Services.....	49,095	49,368	49,544	176
Assessments.....	86,653	88,007	87,862	(145)
Grants from Other Agencies.....	139,232	139,375	110,550	(28,825)
Miscellaneous.....	486,741	512,117	448,199	(63,918)
Total Revenue.....	4,018,738	4,154,381	3,488,759	(665,622)
EXPENDITURES				
GENERAL GOVERNMENT				
Legislative Branch.....	19,600	18,827	14,995	3,832
Executive.....	78,245	84,849	60,525	24,324
Information Technology.....	68,270	64,986	54,754	10,232
Executive Council.....	237	232	226	6
Off. Of Economic Stimulus.....	500	502	375	127
Administrative Services.....	123,784	126,641	120,117	6,524
Sec of State.....	27,080	27,928	8,403	19,525
Cultural Affairs.....	7,715	7,171	5,906	1,265
Revenue Administration.....	16,259	14,615	12,887	1,728
State Treasury.....	77,783	81,989	78,124	3,865
NH Retirement System.....	11,395	18,306	16,635	1,671
Boards and Commissions.....	2,760	2,714	2,366	348
Total.....	433,628	448,760	375,313	73,447
JUSTICE AND PUBLIC PROTECTION				
Judicial Branch.....	87,291	80,533	72,700	7,833
Adjutant General.....	32,346	31,862	19,898	11,964
Agriculture.....	5,450	5,151	4,072	1,079
Justice Department.....	37,062	40,017	25,097	14,920

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 (Unaudited) - continued
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012
 (expressed in thousands)

	General Fund			Variance with Final Budget- Positive (Negative)
	Budgeted Amount		ACTUAL (Budgetary Basis)	
	ORIGINAL	FINAL		
Bank Commission.....	6,212	6,105	5,149	956
Highway Safety.....	6,000	6,000	2,568	3,432
Insurance.....	10,313	11,066	8,725	2,341
Labor.....	9,820	22,232	20,350	1,882
Public Utilities Commission.....	29,194	31,411	17,116	14,295
Safety.....	129,896	179,919	79,858	100,061
Corrections Department.....	114,113	103,817	99,903	3,914
Employment Security.....	43,955	50,700	36,016	14,684
Judicial Council.....	24,822	25,364	23,696	1,668
Human Rights Commission.....	581	561	550	11
Boards and Commissions.....	498	480	449	31
Total.....	537,553	595,218	416,147	179,071
RESOURCE PROTECTION AND DEVELOPMENT				
Resource and Economic Development.....	73,403	88,977	52,327	36,650
Pease Development Authority.....	2,451	2,423	694	1,729
Environmental Services.....	305,131	305,689	122,010	183,679
Development Finance Authority.....	171	171	171	-
Boards and Commissions.....	59	59	59	-
Total.....	381,215	397,319	175,261	222,058
TRANSPORTATION				
Transportation.....	34,341	34,341	8,832	25,509
Total.....	34,341	34,341	8,832	25,509
HEALTH AND SOCIAL SERVICES				
Health and Human Services Commissioner.....	677,753	719,170	654,969	64,201
Office of Health Management.....	105,846	108,503	74,385	34,118
Children and Youth.....	121,729	113,860	106,751	7,109
Transitional Assistance.....	98,949	105,595	91,659	13,936
Behavioral Health.....	118,318	116,048	111,715	4,333
Developmental Services.....	278,717	272,113	260,511	11,602
Developmental Disabilities Council.....	610	592	401	191
N H Hospital.....	69,957	64,789	58,623	6,166
Home for Elderly.....	14,532	13,866	13,060	806
N H Veterans Home.....	30,697	29,853	27,449	2,404
Veterans Council.....	441	471	459	12
Youth Development Services.....	29,608	27,885	25,169	2,716
Elderly and Adult Services.....	425,172	415,426	389,735	25,691
Board of Medicine.....	961	925	883	42
Boards and Commissions.....	3,390	3,128	2,925	203
Total.....	1,976,680	1,992,224	1,818,694	173,530

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 (Unaudited) - continued
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012
 (expressed in thousands)

	General Fund			Variance with Final Budget- Positive (Negative)
	Budgeted Amount		ACTUAL (Budgetary Basis)	
	ORIGINAL	FINAL		
EDUCATION				
Department of Education.....	495,595	496,129	307,959	188,170
NH Comm. Tech. College System.....	34,360	34,390	30,814	3,576
Planetarium.....	1,796	1,585	1,454	131
Police Standards and Training Council.....	3,708	3,608	2,877	731
University of New Hampshire.....	51,650	51,650	50,995	655
Total.....	587,109	587,362	394,099	193,263
Debt Service.....	101,951	101,951	101,951	-
Capital Outlays.....	18,274	18,274	18,274	-
Total	4,070,751	4,176,370	3,308,571	867,799
Deficiency of Revenues				
Under Expenditures.....	(52,013)	(21,989)	180,188	202,177
Other Financing Sources (Uses)				
Transfers In.....	-	1,952	1,952	-
Transfers Out	-	(124,073)	(124,073)	-
Miscellaneous.....	-	-	(818)	(818)
Total Other Financing Sources Uses.....	-	(122,121)	(122,939)	(818)
Deficiency of Revenues and Other				
Sources Under Expenditures and Other Uses.....	(52,013)	(144,110)	57,248	201,358
Fund Balance - July 1.....	522,912	522,912	522,912	-
Fund Balance - June 30.....	470,899	378,802	580,160	201,358

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 (Unaudited)
 HIGHWAY FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012
 (expressed in thousands)

	Highway Fund			
	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget-Positive (Negative)
	Original	Final		
REVENUES				
Business License Taxes.....	\$ 158,485	\$ 158,469	\$ 143,894	\$ (14,575)
Non-Business License Taxes.....	79,781	79,781	82,775	2,994
Fees.....	24,513	24,502	23,240	(1,262)
Fines, Penalties and Interest.....	871	946	463	(483)
Grants from Federal Government.....	467,811	468,161	171,522	(296,639)
Grants from Private and Local Sources.....	13,662	15,875	8,638	(7,237)
Rents and Leases.....	167	176	130	(46)
Sale of Commodities.....	1,156	1,156	188	(968)
Sale of Services.....	31,867	31,714	36,350	4,636
Grants from Other Agencies.....	2,917	3,366	10,257	6,891
Miscellaneous.....	76,050	94,504	57,779	(36,725)
Total Revenues.....	857,280	878,650	535,236	(343,414)
EXPENDITURES				
Justice and Public Protection.....	83,133	81,080	74,434	6,646
Resource Protection and Development.....	1,250	1,408	1,242	166
Transportation.....	832,653	949,965	476,727	473,238
Debt Service.....	15,468	15,468	15,468	-
Capital Outlays.....	16,257	16,257	16,257	-
Total Expenditures.....	947,511	1,062,770	584,128	478,642
Deficiency of Revenues				
Under Expenditures.....	(90,231)	(184,120)	(48,892)	135,228
OTHER FINANCING SOURCES (USES)				
Transfers Out.....	-	(2,376)	(2,376)	-
Miscellaneous.....	-	249,390	249,390	-
Total Other Financing Sources (Uses).....		247,014	247,014	
Deficiency of Revenues and Other Sources Under Expenditures and Other Uses.....				
	(90,231)	62,894	198,122	135,228
Fund Balance - July 1.....	331,665	331,665	331,665	-
Fund Balance - June 30.....	\$ 241,434	\$ 394,559	\$ 529,787	\$ 135,228

STATE OF NEW HAMPSHIRE
 BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE (Unaudited)
 EDUCATION FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012
 (expressed in thousands)

	Education Fund			
	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget-Positive (Negative)
	Original	Final		
REVENUES				
General Property Taxes.....	\$ 391,300	\$ 391,300	\$ 396,187	\$ 4,887
Special Taxes.....	290,082	290,082	298,143	8,061
Personal Taxes.....	97,870	97,870	78,843	(19,027)
Fines, Penalties and Interest.....	-	-	2	2
Grants from Federal Government.....	-	-	18,231	18,231
Miscellaneous.....	40,000	40,000	40,000	-
Total Revenues.....	819,252	819,252	831,406	12,154
EXPENDITURES				
Education.....	955,702	956,934	974,555	(17,621)
Total Expenditures.....	955,702	956,934	974,555	(17,621)
Deficiency of Revenues Under Expenditures.....	(136,450)	(137,682)	(143,149)	(5,467)
OTHER FINANCING SOURCES (USES)				
Transfers In.....	-	(31,490)	124,023	-
Total Other Financing Sources (Uses).....		(31,490)	124,023	155,513
Excess (Deficiency) of Revenues and Other Sources Over (Under)				
Expenditures and Other Uses.....	(136,450)	(169,172)	(19,126)	150,046
Fund Balance - July 1.....	(120,217)	(120,217)	(120,217)	-
Fund Balance - June 30.....	\$ (256,667)	\$ (289,389)	\$ (139,343)	\$ 150,046

Note to the Required Supplementary Information - Budgetary Reporting (Unaudited)

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

The Budget To Actual (Non-GAAP Budgetary Basis) Schedules depict budgeted to actual expenditures at the Department level, which is the legal level of budgetary control for all governmental funds.

The comparison schedule presented for the General Fund, the Highway Fund, and the Education Fund, presents the original and final appropriated budgets for fiscal year 2012, as well as the actual resource inflows, outflows and fund balances stated on the budgetary basis.

The "original budget" and related estimated revenues represent the spending authority enacted into law by the appropriation bill as of June 16, 2011 (HB1), and include balances and encumbrances carried forward from the prior year.

Generally accepted accounting principles (GAAP) require the final legal budget be reflected in the "final budget" column. Therefore updated revenue estimates available for appropriations as of June 30, 2012 rather than the amounts shown in the original budget, are reported. The final appropriations budget represents the original budget (HB1), plus HB2 and supplemental appropriations, carry-forwards, approved transfers, and any executive order reductions.

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 To Actual (Non-GAAP Budgetary Basis) schedules are presented on a "budgetary basis" under such standardized accounting methods and policies structured to provide a meaningful comparison to budget.

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

- Expenditures (Budgetary) are recorded when cash is paid, rather than when the obligation is incurred (GAAP). Revenues (Budgetary) are based on cash received plus estimated revenues related to the budgetary expenditures. Additional revenue accruals are made on a (GAAP) basis only.
- 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, 2012 (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)	\$ 57,248	\$ 198,122	\$ (19,126)
Adjustments and Reclassifications:			
To record change in Accounts Payable and Accrued Payroll	(194,349)	53,419	1,319
To Record change in Accounts Receivable	95,973	(42,342)	(68,880)
To Record Other Financing Sources (Uses)	71,798	(113,521)	86,686
Excess/(Deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses* (GAAP Basis)	\$ 30,670	\$ 95,678	\$ (1)

*Includes Change in Inventory for General and Highway of \$(758), \$850 respectively.

Required Supplementary Information (Unaudited)
INFORMATION ABOUT THE STATE'S OTHER POSTEMPLOYMENT BENEFITS

The following schedule presents the State of New Hampshire's actuarially determined funding progress for the State's Other Postemployment Benefits (using the projected unit credit actuarial cost method):

Schedule of Funding Progress by Valuation Date
(Expressed in thousands)

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/10	\$ -	\$ 2,257,820	\$ 2,257,820	0%	\$ 597,821	377.67%
06/30/08	\$ -	\$ 2,470,485	\$ 2,470,485	0%	\$ 602,644	409.94%
12/31/06	\$ -	\$ 2,559,477	\$ 2,559,477	0%	\$ 558,400	458.36%

INFORMATION ABOUT THE NEW HAMPSHIRE JUDICIAL RETIREMENT PLAN

The following schedule presents the New Hampshire Judicial Retirement Plan's actuarially determined funding progress for pension benefits (using the entry age normal actuarial cost method):

Schedule of Funding Progress by Valuation Date
(Expressed in thousands)

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
01/01/10	\$ 44,014	\$ 59,826	\$ 15,812	74%	\$ 7,760	203.76%
01/01/08	\$ 50,601	\$ 54,931	\$ 4,330	92%	\$ 7,195	60.18%
01/01/06	\$ 44,980	\$ 47,153	\$ 2,173	95%	\$ 6,833	31.80%

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 fund balance is affected at the time of appropriation. 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.

***Capital account** activities is comprised of two main construction accounts: (1) Federal Highway Construction Trust which includes federal construction aid and federal highway grant anticipation bond proceeds (2) state funded capital which includes 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, 2012
(Expressed in Thousands)**

	Highway Construction				
	Federal Highway Construction Trust	State Funded Construction	Total Highway Construction	Highway Operating	Total Highway Fund
ASSETS					
Cash and Cash Equivalents		\$ 24,377	\$ 24,377	\$ 49,909	\$ 74,286
Cash and Cash Equivalents - Restricted.....	\$ 135,422		135,422		135,422
Receivables (Net of Allowances for Uncollectibles)..	24,733	4,088	28,821	20,707	49,528
Inter-Fund Note Receivable.....				52,461	52,461
Due from Other Funds.....	2,867	15,133	18,000	(13,834)	4,166
Inventories.....				12,462	12,462
Investments.....	29,363		29,363		29,363
Total Assets	\$ 192,385	\$ 43,598	\$ 235,983	\$ 121,705	\$ 357,688
LIABILITIES					
Accounts Payable.....	\$ 19,096	\$ 10,207	\$ 29,303	\$ 8,353	\$ 37,656
Accrued Payroll.....				7,106	7,106
Deferred Revenue	11,756	2,115	13,871	54,701	68,572
Total Liabilities.....	30,852	12,322	43,174	70,160	113,334
FUND BALANCES					
Nonspendable:					
Inventories.....				12,462	12,462
Restricted.....	160,613	13,210	173,823	6,410	180,233
Committed.....		10,343	10,343	3,590	13,933
Assigned.....	920	7,723	8,643	29,083	37,726
Total Fund Balances	161,533	31,276	192,809	51,545	244,354
Total Liabilities and Fund Balances.....	\$ 192,385	\$ 43,598	\$ 235,983	\$ 121,705	\$ 357,688

STATE OF NEW HAMPSHIRE
 COMBINING SCHEDULE OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCE ACCOUNTS
 HIGHWAY FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012
 (Expressed in Thousands)

	Highway Construction				
	Federal Highway Construction Trust	State Funded Construction	Total Highway Construction	Highway Operating	Total Highway Fund
REVENUES					
Business License Taxes (Betterment).....		\$ 20,791	\$ 20,791	\$ 123,103	\$ 143,894
Non-Business License Taxes.....				82,775	82,775
Fees.....				23,240	23,240
Fines, Penalties and Interest.....				8,295	8,295
Grants from Federal Government.....	\$ 154,864	3,535	158,399	17,437	175,836
Grants from Private and Local Sources.....	6,388	261	6,649	1,610	8,259
Rents and Leases.....				130	130
Sale of Commodities.....				188	188
Sale of Service.....				21,227	21,227
Grants from Other Agencies.....	12	956	968	8,191	9,159
Miscellaneous.....	1,691		1,691	18,200	19,891
Total Revenues.....	162,955	25,543	188,498	304,396	492,894
EXPENDITURES					
Current:					
Administration of Justice and Public Protection.....				74,056	74,056
Resource Protection and Development.....				1,275	1,275
Municipal Aid.....	13,179	9,696	22,875	34,857	57,732
Transportation.....	168,845	30,821	199,666	169,547	369,213
Debt Service.....	3,633		3,633	11,835	15,468
Capital Outlay Equipment - Safety.....				1,027	1,027
Capital Outlay Equipment - Transportation.....	112		112	7,275	7,387
Capital Outlay Land and Buildings - Transportation.....	6,297	696	6,993	850	7,843
Total Expenditures.....	192,066	41,213	233,279	300,722	534,001
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	(29,111)	(15,670)	(44,781)	3,674	(41,107)
OTHER FINANCING SOURCES (USES)					
Transfers among accounts.....		28,770	28,770	(28,770)	
Transfers Out.....	(3,318)		(3,318)	942	(2,376)
Installments on Sale of Assets.....				23,316	23,316
Proceeds From Bond Issuance.....	98,250		98,250	-	98,250
Proceeds From Bond Premium.....	16,745		16,745	-	16,745
Total Other Financing Sources (Uses).....	111,677	28,770	140,447	(4,512)	135,935
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses.....	82,566	13,100	95,666	(838)	94,828
Fund Balances - July 1	78,967	18,176	97,143	51,533	148,676
Change in Inventory.....				850	850
Fund Balances - June 30.....	\$ 161,533	\$ 31,276	\$ 192,809	\$ 51,545	\$ 244,354

See accompanying Independent Auditors' Report

Non - Major Governmental Fund 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, the Guy Thompson Memorial, Matthew Elliott Trust, Pari-Mutuel Comm. Licensee Escrow, State of NH Racing Torguson Group NH LLC, DOL Crown Paper Workers Comp Fund, Connecticut Lake fund, State vs. Bardsley, VOIP Escrow, and NHSLC Warehouse Services RFP.*

STATE OF NEW HAMPSHIRE
 COMBINING BALANCE SHEET
 NON - MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012
 (Expressed in Thousands)

	Permanent Funds							Total Non-Major
	Fish & Game	Capital	NH Hospital	Land Conservation Endowment	Other Permanent	Total Permanent		
ASSETS								
Cash and Cash Equivalents	\$ 6,470	9,724	\$ 188	\$ 104	\$ 4,084	\$ 4,376	\$ 20,570	
Investments			5,595	2,801	6,191	14,587	14,587	
Receivables (Net).....	3,556	\$ 4,718					8,274	
Inventories.....	685						685	
Total Assets.....	\$ 10,711	\$ 14,442	\$ 5,783	\$ 2,905	\$ 10,275	\$ 18,963	\$ 44,116	
LIABILITIES								
Accounts Payable.....	\$ 2,130	\$ 8,902					\$ 11,032	
Accrued Payroll.....	708	37					745	
Due to Component Unit.....		4,550					4,550	
Total Liabilities.....	2,838	13,489					16,327	
FUND BALANCES								
Nonspendable:								
Inventories.....	685						685	
Permanent Fund Principal.....				2,166	8,139	10,305	10,305	
Restricted.....	3,258	953	\$ 5,783	739	2,136	8,658	12,869	
Committed.....	1,464						1,464	
Assigned.....	2,466						2,466	
Total Fund Balances.....	7,873	953	5,783	2,905	10,275	18,963	27,789	
Total Liabilities and Fund Balances	\$ 10,711	\$ 14,442	\$ 5,783	\$ 2,905	\$ 10,275	\$ 18,963	\$ 44,116	

**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, 2012
 (Expressed in Thousands)**

	Permanent Funds							Total Non-Major
	Fish & Game	Capital	NH Hospital	Land Conservation Endowment	Other Permanent	Total Permanent		
REVENUES								
Non-Business License Taxes.....	\$ 8,499							\$ 8,499
Fees.....	1,000							1,000
Fines, Penalties and Interest.....	131							131
Grants from Federal Government.....	9,056	\$ 28,893						37,949
Grants from Private and Local Sources.....	197							197
Interest, Premiums and Discounts.....	33		\$ 161	\$ 60	\$ 117	\$ 338		371
Sale of Commodities.....	525							525
Sale of Service.....	2							2
Grants from Other Agencies.....	3,501							3,501
Miscellaneous.....	762	2,511	47	(16)	3,953	3,984		7,257
Total Revenues.....	23,706	31,404	208	44	4,070	4,322		59,432
EXPENDITURES								
Current:								
Resource Protection and Development.....	25,188			119	661	780		25,968
Health and Social Services.....			235			235		235
Education.....								
Debt Service.....	437							437
Capital Outlay.....	1,067	108,775						109,842
Total Expenditures.....	26,692	108,775	235	119	661	1,015		136,482
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	(2,986)	(77,371)	(27)	(75)	3,409	3,307		(77,050)
OTHER FINANCING SOURCES (USES)								
Transfers In	1,543							1,543
Transfers Out.....		(1,119)						(1,119)
G.O. Bond Premium.....		9,500						9,500
G.O. Bond Issuance.....		103,520						103,520
Total Other Financing Sources.....	1,543	111,901						113,444
Excess (Deficiency) of Revenues & Other Sources Over (Under) Expenditures & Other Uses.....	(1,443)	34,530	(27)	(75)	3,409	3,307		36,394
Fund Balances (Deficit) - July 1	9,420	(33,577)	5,810	2,980	6,866	15,656		(8,501)
Change in Inventory.....	(104)							(104)
Fund Balances - June 30.....	\$ 7,873	\$ 953	\$ 5,783	\$ 2,905	\$ 10,275	\$ 18,963		\$ 27,789

STATE OF NEW HAMPSHIRE
 BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
 FISH & GAME FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012
 (expressed in thousands)

	Fish and Game Fund			
	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget-Positive (Negative)
	Original	Final		
REVENUES				
Non-Business License Taxes.....	\$ 11,471	\$ 11,650	\$ 8,499	\$ (3,151)
Fees.....	3,207	3,519	1,465	(2,054)
Fines, Penalties and Interest.....	153	153	131	(22)
Grants from Federal Government.....	10,031	10,025	8,958	(1,067)
Grants from Private and Local Sources.....	889	1,014	227	(787)
Interest Premiums and Discounts.....	276	275	33	(242)
Sale of Commodities.....	588	600	777	177
Sale of Services.....	1,236	1,236	2	(1,234)
Grants from Other Agencies.....	6,393	6,358	3,501	(2,857)
Miscellaneous.....	1,064	1,256	1,131	(125)
Total Revenues.....	35,308	36,086	24,724	(11,362)
EXPENDITURES				
Resource Protection and Development.....	31,180	31,539	26,573	4,966
Debt Service.....	437	437	437	-
Capital Outlays.....	1,067	1,067	1,067	-
Total Expenditures.....	32,684	33,043	28,077	4,966
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	2,624	3,043	(3,353)	(6,396)
OTHER FINANCING SOURCES (USES)				
Transfers In.....				
Transfers Out.....	-	1,544	1,544	-
Miscellaneous.....	-	(104)	(104)	-
Total Other Financing Sources (Uses).....		1,440	1,440	
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses.....	2,624	4,483	(1,913)	(6,396)
Fund Balance - July 1.....	10,275	10,275	10,275	-
Fund Balance - June 30.....	\$ 12,899	\$ 14,758	\$ 8,362	\$ (6,396)

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:

- 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.
- 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, 2012 (expressed in thousands).

	Fish & Game Fund
Deficiency of revenues and other financing sources under expenditures and other financing uses (Budgetary Basis)	\$ (1,913)
Adjustments and Reclassifications: To record change in Accounts Payable and Accrued Payroll	1,385
To Record change in Accounts Receivable	(1,019)
Deficiency of revenues and other financing sources under expenditures and other financing uses* (GAAP Basis)	\$ (1,547)

*Includes Change in Inventory of \$(104).

See accompanying Independent Auditors' Report

SRF Funds

STATE OF NEW HAMPSHIRE
STATEMENT OF NET ASSETS
SRF FUND
June 30, 2012
(Expressed in Thousands)

	Clean Water	Drinking Water	Total SRF Fund
ASSETS - (Restricted)			
Current Assets:			
Cash and Cash Equivalents	\$ 153,077	\$ 27,233	\$ 180,310
Loans Receivable:			
Cap Grant - Wastewater.....	5,679		5,679
Cap Grant - Landfills.....	977		977
Cap Grant - Regular.....		3,150	3,150
Repayment Loans.....	5,012	1,276	6,288
Total Loans Receivable.....	11,668	4,426	16,094
Other Current Assets.....	4,020	1,598	5,618
Total Current Assets.....	168,765	33,257	202,022
Noncurrent Assets:			
Loans Receivable:			
Cap Grant - Wastewater.....	118,321		118,321
Cap Grant - Landfills.....	17,409		17,409
Cap Grant - Regular.....		69,343	69,343
Repayment Loans.....	93,041	27,018	120,059
Total Loans Receivable.....	228,771	96,361	325,132
Total Noncurrent Assets.....	228,771	96,361	325,132
Total Assets.....	397,536	129,618	527,154
LIABILITIES			
Current Liabilities:			
Accounts Payable.....	207	336	543
Advanced Collection.....	1	1	2
Total Current Liabilities.....	208	337	545
Total Liabilities.....	208	337	545
NET ASSETS			
Restricted Net Assets.....	397,328	129,281	526,609
Total Net Assets	\$ 397,328	\$ 129,281	\$ 526,609

STATE OF NEW HAMPSHIRE
STATEMENT OF REVENUES EXPENSES AND CHANGES
SRF FUND
For The Fiscal Year Ended June 30, 2012
(Expressed in Thousands)

	<u>Clean Water</u>	<u>Drinking Water</u>	<u>Total SRF Fund</u>
<u>OPERATING REVENUES</u>			
Loan Interest.....	\$ 3,720	\$ 1,298	\$ 5,018
Capitalized Loan Interest.....	72	5	77
Management Fees.....	4,657	1,980	6,637
Grant Revenue.....		2,057	2,057
Total Operating Revenue.....	<u>8,449</u>	<u>5,340</u>	<u>13,789</u>
<u>OPERATING EXPENSES</u>			
Principal Forgiveness.....	12,841	9,238	22,079
Small System Set-Aside Costs.....		202	202
Small Program Management Costs.....		624	624
Local Assistance Set-Aside Costs.....		1,246	1,246
Administration.....	3,622	2,104	5,726
Total Operating Expenses.....	<u>16,463</u>	<u>13,414</u>	<u>29,877</u>
Operating Income (Loss).....	<u>(8,014)</u>	<u>(8,074)</u>	<u>(16,088)</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>			
Investment Income.....	76	9	85
Federal Grant Revenue.....	13,755	8,114	21,869
Miscellaneous.....	(3,996)	842	(3,154)
Total Nonoperating Revenues (Expenses).....	<u>9,835</u>	<u>8,965</u>	<u>18,800</u>
Income (Loss) Before Transfers.....	1,821	891	2,712
Transfers from Governmental Funds.....	<u>2,365</u>	<u>1,932</u>	<u>4,297</u>
Change in Net Assets.....	4,186	2,823	7,009
Net Assets - July 1 (Restated).....	<u>393,142</u>	<u>126,458</u>	<u>519,600</u>
Net Assets - June 30.....	<u>\$ 397,328</u>	<u>\$ 129,281</u>	<u>\$ 526,609</u>

Internal Service Fund

STATE OF NEW HAMPSHIRE
 COMBINING SCHEDULE OF BALANCE SHEET ACCOUNTS
 EMPLOYEE BENEFIT RISK MANAGEMENT FUND
 JUNE 30, 2012
 (Expressed in Thousands)

ASSETS	Health			Dental	Total
	Active	Retirees	Total		
Current Assets:					
Cash and Cash Equivalents.....	\$ 20,703	\$ 10,436	\$ 31,139	\$ 965	\$ 32,104
Accounts Receivable.....	474	1,447	1,921	53	1,974
Total Assets.....	\$ 21,177	\$ 11,883	\$ 33,060	\$ 1,018	\$ 34,078
LIABILITIES					
Current Liabilities:					
Accounts Payable.....	\$ 466	\$ 360	\$ 826	\$ 36	\$ 862
Claims Payable.....	2,764	663	3,427	107	3,534
Incurred but not Reported (IBNR).....	8,891	4,658	13,549	\$ 300	13,849
Total Liabilities.....	12,121	5,681	17,802	443	18,245
NET ASSETS					
Unrestricted Net Assets	\$ 9,056	\$ 6,202	\$ 15,258	\$ 575	\$ 15,833

**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, 2012
(Expressed in Thousands)**

	Health			Dental	Total
	Active	Retirees	Total		
OPERATING REVENUES					
Charges for Sales and Services					
Contributions For Health Benefits					
State Contributions:					
Active Employees.....	\$ 146,923		\$ 146,923	\$ 10,317	\$ 157,240
Retired Judges & Constitutional Officers.....		\$ 595	595		595
Retired Employees.....		49,463	49,463		49,463
Non-State Contributions:					
Employee and Retiree Premiums.....	10,868	4,795	15,663	88	15,751
Other Employers.....	1,407		1,407		1,407
COBRA Participants.....	868		868	164	1,032
Legislator Participants.....	586	221	807	81	888
Retirement Subsidies & Deductions.....		14,316	14,316		14,316
Recoveries.....	2,348	3,190	5,538		5,538
Federal Part D Subsidies.....		3,719	3,719		3,719
Total Contributions for Health Benefits.....	163,000	76,299	239,299	10,650	249,949
Total Charges for Sales and Services.....	163,000	76,299	239,299	10,650	249,949
OPERATING EXPENSES					
Health Care Expenses:					
Medical Payments.....	132,146	40,458	172,604	10,250	182,854
Pharmaceuticals.....	29,367	28,541	57,908		57,908
Ancillary Benefits.....	705		705		705
Total Health Care Expenses.....	162,218	68,999	231,217	10,250	241,467
Administrative Expenses.....	5,952	4,488	10,440	443	10,883
Enrollment.....	75	32	107		107
Total Operating Expenses.....	168,245	73,519	241,764	10,693	252,457
Change in Net Assets.....	(5,245)	2,780	(2,465)	(43)	(2,508)
Net Assets - July 1	14,301	3,422	17,723	618	18,341
Net Assets - June 30.....	\$ 9,056	\$ 6,202	\$ 15,258	\$ 575	\$ 15,833

Component Units

STATE OF NEW HAMPSHIRE
 COMBINING STATEMENT OF NET ASSETS
 NON-MAJOR COMPONENT UNITS
 JUNE 30, 2012
 (Expressed in Thousands)

	Business Finance Authority	Community Development Finance Authority	Pease Development Authority	Community College System of New Hampshire	Total
ASSETS					
Current Assets:					
Cash and Cash Equivalents.....	\$ 3,955	\$ 8,120	\$ 3,621	\$ 18,899	\$ 34,595
Cash and Cash Equivalents-Restricted.....	12,823	921	900		14,644
Accounts Receivable.....	905	2,317	1,340	1,563	6,125
Due From Primary Government.....				4,550	4,550
Notes Receivable - Current Portion.....	6,498	1,779			8,277
Prepaid Expenses & Other.....	22	332	679		1,033
Total Current Assets.....	24,203	13,469	6,540	25,012	69,224
Noncurrent Assets:					
Investments.....	6			9,397	9,403
Notes & Other Receivables.....	18,288	5,365		848	24,501
Other Assets.....	153		658		811
Capital Assets:					
Land & Land Improvements.....			5,129	5,023	10,152
Building & Building Improvements.....			120,810	148,202	269,012
Equipment.....	34	156	12,070	11,256	23,516
Construction in Progress.....			2,670	4,657	7,327
Less: Accumulated Depreciation.....	(30)	(103)	(68,123)	(67,473)	(135,729)
Net Capital Assets.....	4	53	72,556	101,665	174,278
Total Noncurrent Assets.....	18,451	5,418	73,214	111,910	208,993
Total Assets.....	42,654	18,887	79,754	136,922	278,217
Current Liabilities:					
Accounts Payable.....		164	1,265	1,384	2,813
Accrued Salaries and Wages.....				6,354	6,354
Accrued Employee Benefits - Current.....	43				43
Other Payables & Accrued Expenses.....	25	5,750	532		6,307
Other Liabilities.....	1,020				1,020
Deposits and Deferred Revenues.....	2,425	572	561	861	4,419
Long Term Debt-Current Portion.....			1,170	1,548	2,718
Total Current Liabilities.....	3,513	6,486	3,528	10,147	23,674
Noncurrent Liabilities:					
Other Long Term Debt.....	28,586		2,280	21,532	52,398
Total Noncurrent Liabilities.....	28,586		2,280	21,532	52,398
Total Liabilities.....	32,099	6,486	5,808	31,679	76,072
NET ASSETS					
Invested in Capital Assets, Net of Related Debt....			69,105	85,129	154,234
Restricted for Specific Purpose.....	102	1,630	1,705	11,729	15,166
Unrestricted.....	10,453	10,771	3,136	8,385	32,745
Total Net Assets.....	\$ 10,555	\$ 12,401	\$ 73,946	\$ 105,243	\$ 202,145

See accompanying Independent Auditors' Report

STATE OF NEW HAMPSHIRE
 COMBINING STATEMENT OF ACTIVITIES
 NON-MAJOR COMPONENT UNITS
 JUNE 30, 2012
 (Expressed in Thousands)

	Business Finance Authority	Community Development Finance Authority	Pease Development Authority	Community College System of New Hampshire	Total
Expenses	\$ 5,484	\$ 18,059	\$ 16,315	\$ 104,770	\$ 144,628
Program Revenues:					
Charges for Services:					
Tuition & Fees.....				71,114	71,114
Sales, Services, & Other Revenue.....	6,379	2,087	15,118	5,920	29,504
Operating Grants & Contributions.....		19,805	1,476	4,074	25,355
Total Program Revenues.....	6,379	21,892	16,594	81,108	125,973
Net Revenues (Expenses).....	895	3,833	279	(23,662)	(18,655)
Interest & Investment Income.....	40	184			224
Contribution of Capital Assets.....				71,124	71,124
Payments (to) from State of New Hampshire.....	(94)			35,909	35,815
Change in Net Assets.....	841	4,017	279	83,371	88,508
Net Assets - July 1 (Restated, Note 17)	9,714	8,384	73,667	21,872	113,637
Net Assets - June 30	\$ 10,555	\$ 12,401	\$ 73,946	\$ 105,243	\$ 202,145

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 four separate cost-sharing multiple-employer postemployment medical subsidy healthcare plans.

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.*

Other Postemployment Medical Plans (OPEB): *Pursuant to RSA 100-A:52, RSA 100-A:52-a and RSA 100-A:52-b New Hampshire Retirement System administers four defined benefit postemployment medical subsidy healthcare plans designated in statute by membership type. The four plans are Group II Police Officer and Firefighters, Group I Teachers, Group I Political Subdivision Employees and Group I State Employees, collectively referred to as the OPEB Plans.*

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.

STATE OF NEW HAMPSHIRE
COMBINING STATEMENT OF PLAN NET ASSETS
PENSION TRUST FUNDS
JUNE 30, 2012
(Expressed in Thousands)

	Other Postemployment Medical Plans (OPEB)					Judicial Retirement Plan	Total
	Pension Plan	Group II Police Officer & Firefighter	Group 1 Teachers	Group 1 Political Subdivisions	Group 1 State Employees		
ASSETS							
Cash & Cash Equivalents.....	\$ 6,848	\$ 10		\$ 18		\$ 133	\$ 7,009
Total Cash.....	6,848	10		18		133	7,009
Receivables:							
Due from Employers.....	37,850					118	37,968
Due from Plan Members.....	24,404					24	24,428
Due from Group 1 State Employee							
OPEB Plan.....		236		670			906
Due from Group 1 Teacher OPEB Plan .		2,336		6,649			8,985
Due from Brokers for Securities Sold....	153,256	165		482			153,903
Interest and Dividends.....	17,761	19		56		200	18,036
Other	2,159	2		7			2,168
Total Receivables.....	235,430	2,758		7,864		342	246,394
Investments							
Cash & Cash Equivalents.....	161,273	174		508			161,955
Equity Investments							
Domestic.....	2,472,755	2,666		7,776		14,359	2,497,556
International.....	916,555	988		2,882		4,850	925,275
Fixed Income Investments							
Domestic.....	1,179,839	1,272		3,710		8,737	1,193,558
International.....	293,240	316		922			294,478
Commercial Real Estate.....	512,589	553		1,612			514,754
Alternative Investments.....	142,061	153		447		7,907	150,568
Total Investments.....	5,678,312	6,122		17,857		35,853	5,738,144
Other Assets.....	753	1		2			756
Total Assets.....	5,921,343	8,891		25,741		36,328	5,992,303
LIABILITIES							
Management Fees and Other Payables.....	8,007	10		25		25	8,067
Due to Group 1 Political Subdivision.....							
OPEB Plan.....			\$ 6,649		\$ 670		7,319
Due to Group II Police & Fire OPEB Plan....			2,336		236		2,572
Due to Brokers for Securities Purchased..	163,009	177		513			163,699
Total Liabilities.....	171,016	187	8,985	538	906	25	181,657
Net Assets Held in Trust for							
Benefits & Other Purposes.....	\$ 5,750,327	\$ 8,704	\$ (8,985)	\$ 25,203	\$ (906)	\$ 36,303	\$ 5,810,646

STATE OF NEW HAMPSHIRE
 COMBINING STATEMENT OF CHANGES
 IN PLAN NET ASSETS
 PENSION TRUST FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012
 (Expressed in Thousands)

	Other Postemployment Medical Plans (OPEB)						Total
	Pension Plan	Group II Police Officer & Firefighter	Group 1 Teachers	Group 1 Political Subdivisions	Group 1 State Employees	Judicial Retirement Plan	
ADDITIONS							
Contributions:							
Employer	\$ 251,057	\$ 14,683	\$ 24,021	\$ 1,928	\$ 8,332	\$ 2,356	\$ 302,377
State Contributions on Behalf of							
Local Employers.....	3,500						3,500
Total Employer Contributions.....	254,557	14,683	24,021	1,928	8,332	2,356	305,877
Plan Members.....	199,593					586	200,179
Total Contributions.....	454,150	14,683	24,021	1,928	8,332	2,942	506,056
Investment Income:							
From Investing Activities:							
Net Appreciation (Depreciation)							
in Fair Value of Investments.....	(98,520)	24		464	327	(1,127)	(98,832)
Interest.....	66,149	(16)		(311)	(220)	996	66,598
Dividends.....	73,795	(18)		(347)	(245)		73,185
Alternative Investment Income (loss).....	111			(1)			110
Commercial Real Estate Operating Income.....	12,576	(3)		(59)	(42)		12,472
Total Income (loss) from Investing Activities.....	54,111	(13)	-	(254)	(180)	(131)	53,533
Less: Investment Activity Expenses:							
Investment Management Fees.....	18,888	(4)		(90)	(63)		18,731
Custodial Fees.....	745			(4)	(2)	30	769
Investment Administrative Expense.....	674			(3)	(2)		669
Investment Advisor Fees.....	718			(3)	(3)	60	772
Total Investment Activity Expenses.....	21,025	(4)	-	(100)	(70)	90	20,941
Total Net Income (loss) from Investing Activities.....	33,086	(9)	-	(154)	(110)	(221)	32,592
Total Net Investment Income (loss).....	33,086	(9)	-	(154)	(110)	(221)	32,592
Interest Income.....		190		755			945
Other.....	(13,275)	3		62	44		(13,166)
Total Additions.....	473,961	14,867	24,021	2,591	8,266	2,721	526,427
DEDUCTIONS							
Benefits/Distributions to Participants.....	547,051	16,231	25,856	6,804	9,708	4,768	610,418
Refunds of Contributions.....	26,535						26,535
Administrative Expense.....	6,261	(2)		(29)	(21)	203	6,412
Professional Fees.....	1,162			(5)	(4)		1,153
Interest Expense.....			921		24		945
Other.....	50						50
Total Deductions.....	581,059	16,229	26,777	6,770	9,707	4,971	645,513
Change in Net Assets.....	(107,098)	(1,362)	(2,756)	(4,179)	(1,441)	(2,250)	(119,086)
NET ASSETS HELD IN TRUST FOR BENEFITS							
Net Assets - July 1.....	5,857,425	10,066	(6,229)	29,382	535	38,553	5,929,732
Net Assets - June 30.....	\$ 5,750,327	\$ 8,704	\$ (8,985)	\$ 25,203	\$ (906)	\$ 36,303	\$ 5,810,646

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, YDC Other Funds, the Special Fund for Active Cases, First Choice Training, Erasmus Institute, National Seminars Group, Green Energy Training Center, Tip-Top House Fund, NH Disaster Relief Fund 2011, and VTEC NH, Inc.*

STATE OF NEW HAMPSHIRE
 COMBINING STATEMENT OF NET ASSETS -
 PRIVATE - PURPOSE TRUST FUNDS
 JUNE 30, 2012
 (Expressed in Thousands)

	Private-Purpose Trust Funds				
	Special Fund For Second Injuries	EAP	College Savings	Other	Total Private-Purpose
ASSETS					
Cash and Cash Equivalents.....	\$ 2,628	\$ 684	\$ 118	\$ 1,026	\$ 4,456
Investments.....			2,924	702	3,626
Total Assets.....	2,628	684	3,042	1,728	8,082
LIABILITIES					
Total Liabilities.....					
Net Assets Held in Trust for Benefits & Other Purposes.....	\$ 2,628	\$ 684	\$ 3,042	\$ 1,728	\$ 8,082

STATE OF NEW HAMPSHIRE
 COMBINING STATEMENT OF CHANGES IN NET ASSETS -
 PRIVATE-PURPOSE TRUST FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012
 (Expressed in Thousands)

	Private Purpose Trust Funds				
	Special Fund For Second Injuries	EAP	College Savings	Other	Total Private Purpose
ADDITIONS					
Contributions:					
From Participants.....	\$ 13,188	\$ 1,809	\$ 10,912	\$ 2,497	\$ 28,406
From Gifts, Bequests, and Endowments.....				194	194
Total Contributions.....	13,188	1,809	10,912	2,691	28,600
Interest Income.....	5		100	16	121
Other.....			(720)	17	(703)
Total Additions.....	13,193	1,809	10,292	2,724	28,018
DEDUCTIONS					
Benefits/Distributions to Participants.....	12,670	1,163		2,356	16,189
Other.....			23,763	413	24,176
Total Deductions.....	12,670	1,163	23,763	2,769	40,365
Net Increase/(Decrease).....	523	646	(13,471)	(45)	(12,347)
NET ASSETS HELD IN TRUST FOR BENEFITS & OTHER PURPOSES					
Net Assets - July 1.....	2,105	38	16,513	1,773	20,429
Net Assets - June 30.....	\$ 2,628	\$ 684	\$ 3,042	\$ 1,728	\$ 8,082

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.*

Lifetime License Fund: *The monies received by Fish and Game from the sale of lifetime licenses are deposited with the State Treasurer who shall keep the same in a separate fund. The State Treasurer shall invest the monies in the fund and shall annually transfer to fish and game an amount equal to 9 percent of the principal balance in the fund each year and any interest that accrues to the fund in excess of 5 percent. In addition, the State Treasurer shall pay the amount of one annual license fee to fish and game from the proceeds of each lifetime license sold during the current year, the balance going into the prepaid license fund.*

Board of Tax and Land Appeals: *The Board of Tax and Land Appeals has an escrow account that is used for deposits of damages filed with the board on behalf of condemnees due to eminent domain takings. The condemnor shall be entitled to possession or right of entry upon deposit with the board of the amount of just compensation as estimated by the condemnor. The Board shall pay over the sum deposited upon demand to the condemnee.*

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, Agriculture Markets & Food, NHH Patient Banking, Safety Road Toll, NH Veterans Home Member Account, Corrections Funds, and the Community Conservation Endowment Funds.*

STATE OF NEW HAMPSHIRE
COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2012
(Expressed in Thousands)

	Agency Funds					Total
	Unified Court System	Child Support Funds	Lifetime License Fund	Board of Tax and Land Appeals	Other Agency Funds	
ASSETS						
Cash and Cash Equivalents	\$ 6,898	\$ 1,722	\$ 94	\$ 1,021	\$ 2,023	\$ 11,758
Investments			1,448		2,265	3,713
Total Assets	<u>\$ 6,898</u>	<u>\$ 1,722</u>	<u>\$ 1,542</u>	<u>\$ 1,021</u>	<u>\$ 4,288</u>	<u>\$ 15,471</u>
LIABILITIES						
Custodial Funds Payable	\$ 6,898	\$ 1,722	\$ 1,542	\$ 1,021	\$ 4,288	\$ 15,471
Total Liabilities	<u>\$ 6,898</u>	<u>\$ 1,722</u>	<u>\$ 1,542</u>	<u>\$ 1,021</u>	<u>\$ 4,288</u>	<u>\$ 15,471</u>

STATE OF NEW HAMPSHIRE
 COMBINING STATEMENT OF CHANGES
 IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012
 (Expressed in Thousands)

	Balance		Balance	
	July 1, 2011	Additions	Deletions	June 30, 2012
Unified Court System				
ASSETS				
Cash and Cash Equivalents.....	\$ 6,888	\$ 12,901	\$ 12,891	\$ 6,898
LIABILITIES				
Custodial Funds Payable.....	\$ 6,888	\$ 12,901	\$ 12,891	\$ 6,898
Child Support Funds				
ASSETS				
Cash and Cash Equivalents.....	\$ 1,872	\$ 94,229	\$ 94,379	\$ 1,722
LIABILITIES				
Custodial Funds Payable.....	\$ 1,872	\$ 94,229	\$ 94,379	\$ 1,722
Lifetime License Fund				
ASSETS				
Cash and Cash Equivalents.....	\$ 14	\$ 102	\$ 22	\$ 94
Investments.....	1,432	16		1,448
Total Assets.....	\$ 1,446	\$ 118	\$ 22	\$ 1,542
LIABILITIES				
Custodial Funds Payable.....	\$ 1,446	\$ 118	\$ 22	\$ 1,542
Board of Tax and Land Appeals				
ASSETS				
Cash and Cash Equivalents.....	\$ 899	\$ 1,444	\$ 1,322	\$ 1,021
LIABILITIES				
Custodial Funds Payable.....	\$ 899	\$ 1,444	\$ 1,322	\$ 1,021
Other Agency Funds				
ASSETS				
Cash and Cash Equivalents.....	\$ 3,811	\$ 163	\$ 1,951	\$ 2,023
Investments.....	127	2,183	45	2,265
Total Assets.....	\$ 3,938	\$ 2,346	\$ 1,996	\$ 4,288
LIABILITIES				
Custodial Funds Payable.....	\$ 3,938	\$ 2,346	\$ 1,996	\$ 4,288
Totals - Agency Funds				
ASSETS				
Cash and Cash Equivalents.....	\$ 13,484	\$ 108,839	\$ 110,565	\$ 11,758
Investments.....	1,559	2,199	45	3,713
Total Assets.....	\$ 15,043	\$ 111,038	\$ 110,610	\$ 15,471
LIABILITIES				
Custodial Funds Payable.....	15,043	111,038	110,610	15,471
Total Liabilities.....	\$ 15,043	\$ 111,038	\$ 110,610	\$ 15,471

Statistical Section

(Unaudited)

The Statistical Section provides additional historical perspective, context, and detail to assist financial statement users in understanding the State of New Hampshire's overall financial health.

Financial Trends

These tables contain trend information to help users in understanding how the State's financial position has changed over time.

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Revenue Capacity

These tables contain information to help users in understanding and assessing the factors affecting the State's ability to generate its revenues

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Schedule of Statewide Property Tax For Top Ten Cities/Towns.....	125
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Debt Capacity

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Demographic and Economic Information

These tables offer demographic and economic indicators to help users understand the environment within which the State's financial activities take place.

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Operating Information

These tables contain information about the State's operations and resources to help users understand how the State's financial information relates to the services the State provides and the activities it performs

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Schedule of Capital Asset Balances by Function.....	136

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

	Fiscal Year				
	<u>2012</u>	<u>2011 (1)</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Governmental activities					
Invested in capital assets, net of related debt	\$ 1,992,798	\$ 1,885,451	\$ 1,685,975	\$ 1,695,688	\$ 1,674,011
Restricted	23,722	25,403	463,498	291,513	366,662
Unrestricted	(742,680)	(631,237)	(25,524)	3,102	213,570
Total governmental activities net assets	<u>\$ 1,273,840</u>	<u>\$ 1,279,617</u>	<u>\$ 2,123,949</u>	<u>\$ 1,990,303</u>	<u>\$ 2,254,243</u>
Business-type activities					
Invested in capital assets, net of related debt	\$ 409,841	\$ 273,365	\$ 227,358	\$ 341,422	\$ 316,330
Restricted	767,581	688,864	102,937	150,387	264,782
Unrestricted	26,647	64,574	59,367	41,360	35,234
Total business-type activities net assets	<u>\$ 1,204,069</u>	<u>\$ 1,026,803</u>	<u>\$ 389,662</u>	<u>\$ 533,169</u>	<u>\$ 616,346</u>
Primary government					
Invested in capital assets, net of related debt	\$ 2,402,639	\$ 2,158,816	\$ 1,913,333	\$ 2,037,110	\$ 1,990,341
Restricted	791,303	714,267	566,435	441,900	631,444
Unrestricted	(716,033)	(566,663)	33,843	44,462	248,804
Total primary government net assets	<u>\$ 2,477,909</u>	<u>\$ 2,306,420</u>	<u>\$ 2,513,611</u>	<u>\$ 2,523,472</u>	<u>\$ 2,870,589</u>

1) Note - Certain prior year amounts have been reclassified or restated (see footnote 17) to conform with current year presentation

	Fiscal Year				
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Governmental activities					
Invested in capital assets, net of related debt	\$ 1,547,866	\$ 1,430,849	\$ 1,314,663	\$ 1,255,739	\$ 1,179,736
Restricted	355,883	311,460	262,938	245,194	235,209
Unrestricted	477,791	411,025	417,238	306,117	293,567
Total governmental activities net assets	<u>\$ 2,381,540</u>	<u>\$ 2,153,334</u>	<u>\$ 1,994,839</u>	<u>\$ 1,807,050</u>	<u>\$ 1,708,512</u>
Business-type activities					
Invested in capital assets, net of related debt	\$ 298,150	\$ 276,083	\$ 238,080	\$ 212,708	\$ 183,086
Restricted	307,056	325,307	318,143	299,755	305,061
Unrestricted	21,747	14,059	29,171	37,568	53,151
Total business-type activities net assets	<u>\$ 626,953</u>	<u>\$ 615,449</u>	<u>\$ 585,394</u>	<u>\$ 550,031</u>	<u>\$ 541,298</u>
Primary government					
Invested in capital assets, net of related debt	\$ 1,846,016	\$ 1,706,932	\$ 1,552,743	\$ 1,468,447	\$ 1,362,822
Restricted	662,939	636,767	581,081	544,949	540,270
Unrestricted	499,538	425,084	446,409	343,685	346,718
Total primary government net assets	<u>\$ 3,008,493</u>	<u>\$ 2,768,783</u>	<u>\$ 2,580,233</u>	<u>\$ 2,357,081</u>	<u>\$ 2,249,810</u>

STATE OF NEW HAMPSHIRE
SCHEDULE OF CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS

(Accrual Basis of Accounting, Expressed in Thousands)

	Fiscal Year					
	2012	2011 (1)	2010	2009	2008	2007
Governmental Activities:						
Expenses						
General government	\$ 467,022	\$ 525,152	\$ 568,119	\$ 495,720	\$ 420,367	\$ 358,060
Administration of justice and public protection	520,958	506,824	474,095	438,273	420,120	341,501
Resource protection and development	142,153	132,690	178,406	139,574	138,215	139,096
Transportation	310,736	456,652	587,542	518,415	443,258	411,475
Health and social services	1,959,017	2,177,806	2,162,636	1,980,286	1,877,924	1,714,445
Education	1,342,002	1,484,909	1,469,926	1,346,221	1,343,253	1,310,261
Interest expense	41,349	47,334	32,074	31,546	26,115	28,180
Total expenses	4,783,237	5,331,367	5,472,798	4,950,035	4,669,252	4,303,018
Program revenues						
Charges for services:						
General government	296,152	299,148	317,542	208,219	192,436	156,973
Administration of justice and public protection	306,509	341,099	411,353	315,081	315,613	297,505
Resource protection and development	65,453	70,017	76,960	64,216	62,406	64,304
Transportation	89,074	60,009	69,046	33,249	19,093	14,564
Health and social services	178,484	109,034	123,906	98,491	76,392	74,297
Education	27,051	4,002	8,550	(1,330)	879	42,767
Operating grants and contributions	1,622,317	1,824,734	1,948,200	1,599,262	1,424,014	1,367,207
Capital grants and contributions	193,546	146,267	223,103	208,309	194,637	184,409
Total program revenues	2,778,586	2,854,310	3,178,660	2,525,497	2,285,470	2,202,026
Total Governmental Activities Net Program Expense	(2,004,651)	(2,477,057)	(2,294,138)	(2,424,538)	(2,383,782)	(2,100,992)
General Revenues and Other Changes in Net Assets						
Taxes						
General property taxes	397,716	396,272	393,296	395,151	387,952	384,708
Business Income Taxes	486,535	402,004	565,825	482,597		
Meals and Rental Tax	239,067	234,852	231,663	211,414		
Special taxes	370,050	429,628	464,519	473,215	1,329,137	1,383,540
Personal taxes	214,928	226,649	243,499	188,038	166,288	143,610
Business license taxes	143,888	160,847	146,684	145,973	151,321	151,472
Interest and investment income	10,968	8,552	7,037	15,291	18,169	35,631
Miscellaneous	46,985	29,926	49,648	56,174	48,314	43,695
Transfers/Contributions of assets to other entities	(117,709)	(13,788)	116,565	-	(106)	
Transfers	206,446	205,294	209,048	192,745	188,602	186,542
Total General Revenues and Other Changes in Net Assets	1,998,874	2,080,236	2,427,784	2,160,598	2,289,677	2,329,198
Total Governmental Activities Change in Net Assets	\$ (5,777)	\$ (396,821)	\$ 133,646	\$ (263,940)	\$ (94,105)	\$ 228,206
Business-type Activities:						
Expenses						
Turnpike System	\$ 86,166	\$ 91,331	\$ 82,237	\$ 80,433	\$ 80,411	\$ 72,136
Liquor Commission	433,631	415,816	397,490	385,794	367,847	349,084
Lottery Commission	190,566	167,961	168,853	172,630	186,906	186,907
SRF Fund	33,031	5,412				
Unemployment Compensation	220,391	284,773	458,098	280,385	119,645	95,673
Total expenses	963,785	965,293	1,106,678	919,242	754,809	703,800
Revenues						
Charges for services:						
Turnpike System	123,489	118,852	120,511	107,593	107,075	89,408
Liquor Commission	575,233	558,605	530,936	507,479	479,448	454,917
Lottery Commission	260,990	232,597	237,591	243,890	264,014	267,322
SRF Fund	13,874	9,586				
Unemployment Compensation	305,256	341,157	399,746	165,896	77,051	79,777
Operating grants and contributions	21,869	61,470	-	-	-	-
Capital grants and contributions	201	24,162	-	3,952	8,816	10,422
Total revenues	1,300,912	1,346,429	1,288,784	1,028,810	936,404	901,846
Total Business-type Activities Net Program Revenue	337,127	381,136	182,106	109,568	181,595	198,046
Other Changes in Net Assets						
Transfer/Contribution of Capital Assets	46,585	13,788	(116,565)			
Transfers	(206,446)	(205,294)	(209,048)	(192,745)	(188,602)	(186,542)
Total Other Changes in Net Assets	(159,861)	(191,506)	(325,613)	(192,745)	(188,602)	(186,542)
Total Business-type Activities Change in Net Assets	\$ 177,266	\$ 189,630	\$ (143,507)	\$ (83,177)	\$ (7,007)	\$ 11,504
Total Primary Government Change in Net Assets	\$ 171,489	\$ (207,191)	\$ (9,861)	\$ (347,117)	\$ (101,112)	\$ 239,710

1) Note - Certain prior year amounts have been reclassified or restated (see footnote 17) to conform with current year presentation
See accompanying Independent Auditors' Report

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

Fiscal Year			
<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 353,814	\$ 331,651	\$ 263,634	\$ 250,160
345,779	288,737	278,392	283,944
131,812	130,113	124,357	128,320
416,518	383,435	380,358	488,947
1,681,182	1,785,525	1,778,791	1,516,228
1,289,684	1,235,183	1,318,503	1,301,202
27,991	29,467	27,062	28,525
<u>4,246,780</u>	<u>4,184,111</u>	<u>4,171,097</u>	<u>3,997,326</u>
175,108	141,883	110,136	98,653
279,700	282,820	272,943	260,782
63,333	62,381	51,423	60,752
20,622	17,466	10,018	5,211
84,445	199,245	154,242	96,823
41,749	38,690	39,821	36,085
1,340,495	1,359,477	1,369,236	1,194,229
195,142	159,238	159,015	153,630
<u>2,200,594</u>	<u>2,261,200</u>	<u>2,166,834</u>	<u>1,906,165</u>
<u>(2,046,186)</u>	<u>(1,922,911)</u>	<u>(2,004,263)</u>	<u>(2,091,161)</u>
384,873	393,426	494,364	504,191
1,282,467	1,240,922	1,142,406	1,070,627
150,756	101,360	100,015	94,029
149,502	154,335	151,744	145,422
11,895	6,557	5,832	7,851
39,759	46,156	42,620	48,827
185,429	167,944	165,820	152,182
<u>2,204,681</u>	<u>2,110,700</u>	<u>2,102,801</u>	<u>1,959,128</u>
<u>\$ 158,495</u>	<u>\$ 187,789</u>	<u>\$ 98,538</u>	<u>\$ (132,033)</u>
\$ 75,580	\$ 58,582	\$ 56,816	\$ 58,080
330,701	313,838	295,798	277,135
183,871	160,282	165,532	157,036
81,582	82,549	116,802	143,429
<u>671,734</u>	<u>615,251</u>	<u>634,948</u>	<u>635,680</u>
83,395	67,866	65,691	66,830
433,530	411,764	387,215	362,421
265,807	230,543	239,630	223,605
87,729	102,012	109,627	79,830
-	-	-	-
16,757	6,373	7,338	-
<u>887,218</u>	<u>818,558</u>	<u>809,501</u>	<u>732,686</u>
<u>215,484</u>	<u>203,307</u>	<u>174,553</u>	<u>97,006</u>
(185,429)	(167,944)	(165,820)	(152,182)
<u>(185,429)</u>	<u>(167,944)</u>	<u>(165,820)</u>	<u>(152,182)</u>
<u>\$ 30,055</u>	<u>\$ 35,363</u>	<u>\$ 8,733</u>	<u>\$ (55,176)</u>
<u>\$ 188,550</u>	<u>\$ 223,152</u>	<u>\$ 107,271</u>	<u>\$ (187,209)</u>

See accompanying Independent Auditors' Report

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

	Fiscal Year	
	2012	2011
General fund		
Nonspendable:		
Inventories	\$ 5,892	\$ 6,649
Restricted	24,933	161,043
Committed	137,764	92,883
Assigned	24,984	27,356
Unassigned:		
Revenue Stabilization	9,312	9,312
Other	13,836	17,672
Total General Fund	<u>\$ 216,721</u>	<u>\$ 314,915</u>
All Other Governmental Funds		
Nonspendable:		
Inventories	\$ 13,147	\$ 12,401
Permanent Fund Principal	10,305	6,665
Restricted	193,102	115,448
Committed	15,397	1,469
Assigned	40,192	37,770
Unassigned		(33,577)
Total All Other Governmental Funds	<u>272,143</u>	<u>140,176</u>
Total Fund Balances - Governmental Funds	<u>\$ 488,864</u>	<u>\$ 455,091</u>

	Fiscal Year				
	2010	2009	2008	2007	2006
General fund					
Reserved	\$ 305,243	\$ 291,901	\$ 330,064	\$ 294,199	\$ 313,252
Unreserved	65,681	-	17,184	61,713	26,056
Total general fund	<u>\$ 370,924</u>	<u>\$ 291,901</u>	<u>\$ 347,248</u>	<u>\$ 355,912</u>	<u>\$ 339,308</u>
All other governmental funds					
Reserved	\$ 132,435	\$ 165,743	\$ 304,436	\$ 222,264	\$ 296,346
Unreserved, reported in:					
Special revenue funds	12,477	(50,281)	(23,511)	(15,385)	12,161
Capital project fund	(63,519)	(132,927)	(245,939)	(142,837)	(219,095)
Total all other governmental funds	<u>\$ 81,393</u>	<u>\$ (17,465)</u>	<u>\$ 34,986</u>	<u>\$ 64,042</u>	<u>\$ 89,412</u>

Note: Beginning fiscal year 2011, the fund balance categories were reclassified as a result of implementing GASB Statement 54. Fund balance has not been restated for prior years.

See accompanying Independent Auditors' Report

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

Fiscal Year		
<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 223,162	\$ 220,077	\$ 188,642
82,202	15,287	-
<u>\$ 305,364</u>	<u>\$ 235,364</u>	<u>\$ 188,642</u>
\$ 246,043	\$ 325,307	\$ 251,573
10,030	(6,689)	(9,982)
(130,913)	(207,182)	(144,898)
<u>\$ 125,160</u>	<u>\$ 111,436</u>	<u>\$ 96,693</u>

Note: Beginning fiscal year 2011, the fund balance categories were reclassified as a result of implementing GASB Statement 54. Fund balance has not been restated for prior years.

See accompanying Independent Auditors' Report

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

	Fiscal Year					
	2012	2011	2010	2009	2008	2007
Revenues						
General property taxes	\$ 396,316	\$ 396,272	\$ 393,296	\$ 392,951	\$ 387,552	\$ 385,308
Special taxes	1,124,025	1,169,883	1,208,180	1,168,412	1,352,476	1,301,889
Personal taxes	214,928	226,649	243,499	188,038	166,288	143,610
Business License Taxes	163,764	181,730	165,508	166,930	172,277	171,316
Non-Business License Taxes	174,103	199,550	216,878	183,974	187,103	181,171
Fees	177,570	190,902	194,331	155,528	153,675	143,541
Fines, Penalties and Interest	25,118	11,111	11,953	28,498	35,383	27,421
Grants from Federal Government	1,649,458	1,929,010	2,073,667	1,680,891	1,497,606	1,409,251
Grants from Private and Local Sources	171,043	122,179	112,077	160,365	147,682	130,297
Rents and Leases	2,784	3,030	10,350	1,574	1,051	1,396
Interest, Premiums and Discounts	12,279	14,917	12,289	19,774	24,440	46,286
Sale of Commodities	12,546	12,506	11,829	10,921	10,465	8,425
Sale of Service	78,010	90,458	93,667	76,489	62,499	93,054
Assessments	73,816	66,528	81,009	64,901	53,069	51,017
Grants from Other Agencies	58,429	54,972	118,206	18,130	7,265	10,887
Miscellaneous	293,237	201,903	219,431	157,950	168,130	124,702
Total Revenues	4,627,426	4,871,600	5,166,170	4,475,326	4,426,961	4,229,571
Expenditures						
General Government	334,636	393,429	420,360	380,799	346,347	314,597
Administration of Justice and Public Protection	444,209	377,865	416,073	374,532	353,675	330,616
Resource Protection and Development	139,204	236,392	239,175	153,204	161,485	170,249
Transportation	435,391	524,108	536,552	452,209	305,378	290,093
Health and Social Services	1,931,136	2,114,451	2,133,629	1,945,122	1,838,018	1,713,604
Education	1,361,783	1,375,706	1,362,028	1,274,261	1,304,734	1,273,184
Debt Service						
Principal	80,104	33,612	69,321	65,832	64,829	62,570
Interest	52,332	43,167	42,428	41,803	31,941	32,627
Capital Outlay	144,373	191,293	197,342	242,758	354,337	314,549
Total expenditures	4,923,168	5,290,023	5,416,283	4,930,520	4,760,744	4,502,089
Revenues Over (Under) Expenditures	(295,742)	(418,423)	(250,113)	(455,194)	(333,783)	(272,518)
Other Financing Sources (Uses)						
Transfers In	143,943	128,259	43,244	58,458	35,986	43,373
Transfers In from Enterprise Funds	210,743	205,294	209,048	192,745	188,602	186,542
Transfers Out	(148,240)	(128,259)	(43,244)	(58,458)	(35,986)	(43,373)
Refunding Bond Issuance	-	45,036				
G.O. Bond Premiums	26,245	22,846	23,509	2,219	6,548	7,386
G.O. Bond Issuance	201,770	230,000	282,599	179,380	161,320	196,885
Payments to Refunding Bond Escrow Agent	-	(49,967)	(168,608)	(30,255)	(60,000)	(127,787)
Installments on Sale of Assets	23,316	15,349	30,000			
Repayment (Issuance) of BANS	-	(50,000)	50,000			
Capital Lease Acquisition	250	626	157	296	198	810
Total Other Financing Sources (Uses)	458,027	419,184	426,705	344,385	296,668	263,836
Change in Inventory	(12)	2,013	274,436	3,011	(605)	(84)
Net Change in Fund Balances	\$ 162,273	\$ 2,774	\$ 451,028	\$ (107,798)	\$ (37,720)	\$ (8,766)
Debt Service as a Percentage of Non-Capital Expenditure:	2.9%	1.5%	2.2%	2.4%	2.2%	2.3%

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

Fiscal Year			
2006	2005	2004	2003
\$ 384,273	\$ 392,276	\$ 493,614	\$ 504,891
1,237,742	1,216,864	1,137,423	1,054,577
150,756	101,360	100,015	94,029
168,544	173,039	170,322	162,973
167,476	173,800	169,592	163,764
139,319	132,264	121,636	116,266
32,223	24,188	24,365	22,663
1,414,103	1,415,070	1,380,605	1,236,223
124,633	103,856	139,976	117,978
1,360	1,296	1,457	1,333
19,091	11,970	5,101	11,700
8,178	8,701	8,882	11,783
94,700	166,472	153,423	94,314
54,081	82,209	16,422	14,322
22,869	20,583	5,659	4,644
150,260	155,059	164,421	159,922
<u>4,169,608</u>	<u>4,179,007</u>	<u>4,092,913</u>	<u>3,771,382</u>
308,187	311,755	217,050	211,475
326,360	278,905	259,579	254,551
159,099	159,575	163,155	162,006
284,686	258,243	237,711	236,479
1,663,667	1,786,260	1,755,287	1,505,655
1,260,372	1,208,781	1,281,614	1,263,036
60,560	55,298	57,717	59,685
32,608	35,433	29,023	29,906
337,945	288,150	281,348	316,403
<u>4,433,484</u>	<u>4,382,400</u>	<u>4,282,484</u>	<u>4,039,196</u>
<u>(263,876)</u>	<u>(203,393)</u>	<u>(189,571)</u>	<u>(267,814)</u>
7,183	41,311	59,716	68,796
185,429	167,944	165,820	152,182
(7,183)	(41,311)	(59,716)	(68,796)
1,462	181	3,417	6,912
75,000	117,800	80,000	101,477
			(97,830)
537		134	1,159
<u>262,428</u>	<u>285,925</u>	<u>249,371</u>	<u>163,900</u>
(356)	1,192	1,665	(791)
<u>\$ (1,804)</u>	<u>\$ 83,724</u>	<u>\$ 61,465</u>	<u>\$ (104,705)</u>
2.3%	2.3%	2.2%	2.5%

See accompanying Independent Auditors' Report

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									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Beer Tax.....	\$ 12,885	\$ 12,900	\$ 13,065	\$ 12,695	\$ 12,720	\$ 12,728	\$ 12,805	\$ 12,413	\$ 12,445	\$ 12,281
Board and Care Revenue.....	24,487	22,519	22,072	21,338	19,937	18,354	13,261	15,583	12,384	11,197
Business Profits Tax	256,552	248,537	258,633	251,925	317,439	287,423	264,027	196,647	131,585	137,757
Business Enterprise Tax.....	68,459	63,003	71,744	61,889	77,710	79,291	75,190	114,110	118,538	96,574
Estate and Legacy Tax.....	7	92	48	(4)	214	617	3,224	11,659	26,971	59,074
Insurance Tax.....	84,990	84,902	86,804	94,144	95,876	97,909	90,462	88,706	86,246	82,161
Securities Revenue.....	37,591	37,025	34,231	34,680	34,700	32,964	30,064	27,904	26,344	25,778
Interest and Dividends Tax.....	83,536	76,597	84,866	97,126	118,693	108,086	80,543	67,896	55,630	55,129
Liquor.....	127,590	125,718	120,718	146,000	133,052	124,742	120,644	112,555	106,676	98,996
Meals and Rentals Tax.....	231,776	228,898	228,291	203,603	206,726	202,595	193,788	186,486	178,480	168,722
Dog Racing.....		329	334	385	525	703	559	1,112	1,515	1,572
Horse Racing.....		1,005	1,184	1,633	2,440	2,398	2,313	2,401	2,474	2,459
Gambling Winning Tax.....		3,188	2,933							
Games of Chance.....		1,136	1,181							
Real Estate Transfer Tax.....	52,792	53,987	55,994	53,539	77,690	91,704	106,161	107,821	95,162	78,859
Telephone/Communications Tax.....	79,320	76,500	80,965	80,243	80,932	72,986	70,496	70,039	65,781	62,522
Tobacco Tax.....	136,094	129,849	130,521	59,257	57,060	65,337	69,892	73,159	71,471	67,066
Tobacco Settlement.....	2,510	1,692	4,221	12,821	8,404			2,441	1,816	5,862
Utilities Tax.....	5,929	5,955	5,976	6,535	6,285	5,757	6,385	6,265	5,121	7,078
Courts Fines and Fees.....	13,853	13,737	13,022	29,295	31,300	30,452	29,500	25,517	24,673	22,114
Flexible Grant.....									25,000	25,000
Other:										
Corporate Returns.....	575	754	712	647	682	678	744	733	748	750
Interstate Vehicle Registrations...		2,157	1,132	1,231	1,362	167	2,411	2,334	2,253	2,310
Corporate Filing Fees.....	3,056	3,251	3,016	3,271	3,346	3,414	3,716	3,231	2,947	3,346
Interest on Surplus Funds.....	(41)	10	(545)	404	5,352	7,776	4,868	1,712	174	75
Reimbursement of Indirect Costs.	9,836	10,800	8,340	7,214	6,858	6,822	6,265	6,724	6,671	5,675
Miscellaneous.....	63,682	59,444	78,862	74,031	71,412	69,612	44,092	44,878	44,258	40,409
Subtotal.....	1,295,479	1,263,985	1,308,320	1,253,902	1,370,715	1,322,515	1,231,410	1,182,326	1,105,363	1,072,766
Net Medicaid Enhancement										
Revenues (MER).....	74,832	93,440	98,136	99,626	93,111	83,257	73,617	147,209	149,831	116,979
Recoveries.....	6,309	27,758	19,854	21,827	20,108	15,875	24,462	22,989	20,374	
Subtotal.....	1,376,620	1,385,183	1,426,310	1,375,355	1,483,934	1,421,647	1,329,489	1,352,524	1,275,568	1,189,745
Other MER Transferred to/(from)										
Uncompensated Care Pool.....								39,062	35,143	16,594
Total Unrestricted Revenue.....	\$ 1,376,620	\$ 1,385,183	\$ 1,426,310	\$ 1,375,355	\$ 1,483,934	\$ 1,421,647	\$ 1,329,489	\$ 1,391,586	\$ 1,310,711	\$ 1,206,339

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

	Fiscal Year Ended June 30									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Balance, July 1 (Budgetary Method)...	\$ 210,884	\$ 112,355	\$ 24,094	\$ 103,494	\$ 92,966	\$ 80,329	\$ 123,174	\$ 73,757	\$ 20,047	\$ 23,309
Additions:										
Unrestricted Revenue.....	1,376,620	1,385,183	1,426,310	1,375,355	1,483,934	1,421,647	1,329,489	1,352,524	1,275,568	1,189,745
(1)Unrestricted Revenue - UCP.....								39,062	35,143	16,594
Total Unrestricted Revenue.....	1,376,620	1,385,183	1,426,310	1,375,355	1,483,934	1,421,647	1,329,489	1,391,586	1,310,711	1,206,339
Transfer from Other Funds.....	1,952	38,333	9,576	865	47,409	1,938	27,013	8,709	9,161	517
Bonds Authorized and Unissued.....								42,800		
Other Credits.....	145	975	6,800	529	437	116	137	1,126	821	35
Total Additions.....	1,378,717	1,424,491	1,442,686	1,376,749	1,531,780	1,423,701	1,356,639	1,444,221	1,320,693	1,206,891
Deductions:										
Appropriations Net										
of Estimated Revenues:										
General Government.....	261,384	282,297	319,116	342,736	338,358	297,294	281,005	303,522	248,390	233,118
Administration of Justice										
and Public Protection.....	211,009	221,054	217,743	209,521	222,982	200,236	195,145	172,289	168,515	163,516
Resource Protection										
and Development.....	29,693	33,118	38,183	42,348	45,674	43,078	42,056	41,454	41,673	41,161
Transportation.....	917	1,071	573	1,155	1,173	2,704	6,021	2,885	2,759	3,286
Health and Social Services.....	660,712	691,787	663,458	678,334	695,610	633,792	614,948	608,735	589,392	516,550
Education.....	156,406	193,707	201,346	197,570	236,560	223,498	210,520	256,466	247,543	265,552
Liquor Commission.....	-	-	-	37,570	35,465	31,949	30,585	27,562	28,879	24,943
Subtotal.....	1,320,121	1,423,034	1,440,419	1,509,234	1,575,822	1,432,551	1,380,280	1,412,913	1,327,151	1,248,126
Uncompensated Care Pool.....								39,062	35,143	16,594
Total Appropriations Net	1,320,121	1,423,034	1,440,419	1,509,234	1,575,822	1,432,551	1,380,280	1,451,975	1,362,294	1,264,720
Less: Lapses.....	(39,463)	(97,154)	(60,700)	(71,246)	(61,628)	(41,582)	(34,045)	(57,969)	(57,491)	(20,650)
Net Appropriations.....	1,280,658	1,325,880	1,379,719	1,437,988	1,514,194	1,390,969	1,346,235	1,394,006	1,304,803	1,244,070
Transfers to Other Funds.....	124,281	50	52,988	18,067	6,887			757		
Other Debits.....	758	32	1,452	94	171	95	1,547	41	37	
Designation or Reserve Accounts			(79,734)			20,000	51,702	-	(37,857)	(33,917)
Total Deductions.....	1,405,697	1,325,962	1,354,425	1,456,149	1,521,252	1,411,064	1,399,484	1,394,804	1,266,983	1,210,153
Balance, June 30 (Budgetary Method)	183,904	210,884	112,355	24,094	103,494	92,966	80,329	123,174	73,757	20,047
GAAP Adjustments:										
Receivables.....	17,701	71,238	38,435	55,183	41,090	33,647	39,098	34,313	32,722	29,676
Accounts Payable and										
Accrued Liabilities.....	(47,685)	(140,427)	(116,599)	(100,100)	(106,756)	(100,451)	(88,809)	(93,773)	(94,872)	(88,271)
Transfer from General										
to Liquor Fund.....				(5,973)	(5,322)	(5,030)	(4,562)	(4,012)	(4,191)	(4,324)
Additional Transfers (to)										
from Reserve Accounts.....				79,734						37,857
Total GAAP Adjustments.....	(29,984)	(69,189)	(78,164)	28,844	(70,988)	(71,834)	(54,273)	(63,472)	(66,341)	(25,062)
Year-End Transfer to/from the.....										
Education Trust Fund.....	(140,084)	(124,023)	31,490	(52,938)	(15,322)	40,581		22,500	7,871	5,015
Balance (Deficit), June 30 (GAAP).....	\$ 13,836	\$ 17,672	\$ 65,681	\$	\$ 17,184	\$ 61,713	\$ 26,056	\$ 82,202	\$ 15,287	\$

(1) UCP = Uncompensated Care Pool

STATE OF NEW HAMPSHIRE
SCHEDULE OF UNDESIGNATED/ASSIGNED FUND BALANCE
EDUCATION FUND
FOR THE LAST TEN FISCAL YEARS
(Expressed in Thousands)

	Fiscal Year Ended June 30									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Balance July 1.....	\$	\$	\$	\$	\$	\$ 8,357	\$	\$	\$	\$
Additions										
Unrestricted Revenue										
Statewide Property Tax (2).....	363,121	363,647	363,166	363,653	363,066	363,335	363,392	350,368	443,350	452,997
Statewide Property Tax.....				-	58	-	-	20,934	29,844	32,666
Utility Property Tax.....	33,067	32,319	29,929	28,972	24,196	21,847	20,881	20,102	20,160	18,834
BPT Increase.....	55,309	49,264	57,590	53,894	67,961	57,755	56,578	50,748	41,000	37,100
BET Increase.....	135,815	129,401	122,157	123,389	154,990	174,208	150,380	130,600	116,900	121,400
Meals & Rentals.....	7,559	6,643	4,235	6,107	7,632	7,218	7,138	7,153	6,875	6,701
Real Estate Tax Increase.....	29,196	27,975	28,832	27,736	38,616	45,663	52,545	51,960	47,515	39,426
Tobacco Tax Increase.....	78,843	96,805	113,004	128,796	109,260	78,283	80,902	28,214	28,582	26,977
Tobacco Settlement.....	40,000	40,000	40,000	40,000	40,000	40,781	38,961	40,000	40,000	40,000
Transfers from Lottery.....	66,768	62,206	66,222	68,149	75,553	80,548	81,987	70,263	73,745	66,569
Transfers from Racing &.....										
Charitable Gaming.....	3,495	1,254	1,362	1,470	1,457					
Total Revenue.....	813,173	809,514	826,497	842,166	882,789	869,638	852,764	770,342	847,971	842,670
General Fund										
Budgeted Appropriations.....								61,378	62,590	83,420
Total Additions.....	813,173	809,514	826,497	842,166	882,789	869,638	852,764	831,720	910,561	926,090
Deductions										
Appropriations										
Adequate Education Grant (1)....	578,204	482,725	336,852	526,707	527,295	472,383	473,534	441,610	451,640	443,873
Adequate Education Grant (2)....	363,121	363,647	363,166	363,653	363,066	363,335	363,392	350,368	443,350	452,997
Total Grants.....	941,325	846,372	700,018	890,360	890,361	835,718	836,926	791,978	894,990	896,870
DRA-Property Tax Relief.....	1,246	3,300	5,210	5,390	5,700	3,800	2,900	(1,800)	7,700	5,000
DOE-Charter Schools.....	5,185	6,407	4,830	2,378	1,780	400				
DOE-Kindergarten Aid.....	1,952	3,678	3,678			2,004				2,625
DOE-Fiscal Disparity Grants.....	4,266	51,187	39,760							
DOE-Education Transition Aid.....	-	43,491	43,657							
Total Appropriations.....	953,974	954,435	797,153	898,128	897,841	841,922	839,826	790,178	902,690	904,495
Less Lapses.....	(717)	(20,898)	(2,146)	(3,024)	270	(4,508)	4,581	19,042		
Net Appropriations.....	953,257	933,537	795,007	895,104	898,111	837,414	844,407	809,220	902,690	904,495
Current Year Balance.....	(140,084)	(124,023)	31,490	(52,938)	(15,322)	32,224	8,357	22,500	7,871	21,595
End of Year										
Transfers From(To)										
General Fund.....										
FY 2000.....										
FY 2001.....										
FY 2002.....										
FY 2003.....										(16,580)
FY 2003.....										(5,015)
FY 2004.....									(7,871)	
FY 2005.....								(22,500)		
FY 2007.....						(40,581)				
FY 2008.....					15,322					
FY 2009.....				52,938						
FY 2010.....			(31,490)							
FY 2011.....		124,023								
FY 2012.....	140,084									
Balance June 30.....	\$	\$	\$	\$	\$	\$	\$ 8,357	\$	\$	\$

(1) State Education Grant Disbursed by State

(2) State Education Grant Retained Locally by Cities & Towns

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

	Fiscal Year Ended June 30									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Balance (Deficit) July 1 (Budgetary Method).....	\$205,152	\$ 271,881	\$(35,361)	\$(13,691)	\$ (3,940)	\$ 17,738	\$ 18,792	\$ 3,063	\$ (4,271)	\$ 6,227
Additions:										
Unrestricted Revenue:										
Gasoline Tax.....	123,168	124,967	123,741	132,125	137,036	129,514	127,924	131,975	129,863	124,221
Motor Vehicle Fees.....	112,234	132,132	150,158	99,312	100,908	93,327	85,747	93,190	89,934	87,725
Other.....	48,431	43,116	65,597	17,031	11,035	15,817	14,183	7,418	6,270	4,737
Total Unrestricted Revenue.....	283,833	300,215	339,496	248,468	248,979	238,658	227,854	232,583	226,067	216,683
Bonds Authorized and Unissued (1).....	250,000		240,000							
Other Credits										
Total Additions.....	533,833	300,215	579,496	248,468	248,979	238,658	227,854	232,583	226,067	216,683
Deductions:										
Appropriations Net of										
Estimated Revenues.....	404,476	394,544	299,552	300,721	283,195	281,647	275,775	253,894	235,021	238,453
Less: Appropriation Adjustment ***.....		3,265	(19,770)			(8,000)	(33,100)	(26,600)		
Less: Lapses	(15,674)	(32,859)	(15,249)	(28,675)	(20,902)	(14,957)	(14,233)	(12,307)	(16,677)	(13,133)
Net Appropriations.....	388,802	364,950	264,533	272,046	262,293	258,690	228,442	214,987	218,344	225,320
Other Debits.....	2,985	1,994	7,721	(1,908)	(3,563)	1,646	466	1,867	389	1,861
Total Deductions.....	391,787	366,944	272,254	270,138	258,730	260,336	228,908	216,854	218,733	227,181
Balance, June 30 (Budgetary Method).....	347,198	205,152	271,881	(35,361)	(13,691)	(3,940)	17,738	18,792	3,063	(4,271)
GAAP Adjustment:										
Receivables.....	1,340	2,588	3,911	3,645	1,270	1,948	4,006	1,413	119	1,511
Bonds Authorized and Unissued.....	(295,005)	(160,000)	(240,000)							
Accounts Payable and										
Accrued Liabilities.....	(18,741)	(27,407)	(26,896)	(23,146)	(15,087)	(15,889)	(20,493)	(13,231)	(12,644)	(9,851)
Total GAAP Adjustments.....	(312,406)	(184,819)	(262,985)	(19,501)	(13,817)	(13,941)	(16,487)	(11,818)	(12,525)	(8,340)
Balance (Deficit), June 30 (GAAP).....	\$ 34,792	\$ 20,333	\$ 8,896	\$(54,862)	\$(27,508)	\$(17,881)	\$ 1,251	\$ 6,974	\$ (9,462)	\$(12,611)

STATE OF NEW HAMPSHIRE
SCHEDULE OF UNDESIGNATED/ASSIGNED FUND BALANCE
FISH AND GAME FUND
FOR THE LAST TEN FISCAL YEARS
(Expressed in Thousands)

	Fiscal Year Ended June 30									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Balance, July 1 (Budgetary Method)....	\$ 4,238	\$ 5,031	\$ 5,845	\$ 5,406	\$ 3,533	\$ 3,639	\$ 4,336	\$ 3,763	\$ 3,616	\$ 3,324
Additions:										
Unrestricted Revenue.....	10,111	10,087	9,944	10,269	10,741	10,248	9,558	9,530	9,164	8,924
Other Credits.....	1,543	1,512	1,819	1,655	1,828	854	850	1,153	507	939
Total Additions.....	11,654	11,599	11,763	11,924	12,569	11,102	10,408	10,683	9,671	9,863
Deductions:										
Appropriations Net of Estimated Revenues.....	13,377	13,677	12,915	13,541	12,604	12,869	12,281	11,236	10,651	10,593
Less: Lapses.....	(792)	(1,389)	(838)	(2,252)	(1,908)	(1,743)	(1,359)	(1,126)	(1,127)	(1,024)
Net Appropriations.....	12,585	12,288	12,077	11,289	10,696	11,126	10,922	10,110	9,524	9,569
Other Debits.....	104	104	500	196		82	183			2
Total Deductions.....	12,689	12,392	12,577	11,485	10,696	11,208	11,105	10,110	9,524	9,571
Current Year Balance.....	(1,035)	(793)	(814)	439	1,873	(106)	(697)	573	147	292
Balance, June 30 (Budgetary Method).	3,203	4,238	5,031	5,845	5,406	3,533	3,639	4,336	3,763	3,616
GAAP Adjustment:										
Receivables.....	290	389	371	344	394	354	343	421	289	229
Accounts Payable and Accrued Liabilities.....	(1,260)	(1,808)	(1,821)	(1,608)	(1,803)	(1,391)	(1,429)	(1,701)	(1,279)	(1,216)
Total GAAP Adjustments.....	(970)	(1,419)	(1,450)	(1,264)	(1,409)	(1,037)	(1,086)	(1,280)	(990)	(987)
Balance, June 30 (GAAP).....	\$ 2,233	\$ 2,819	\$ 3,581	\$ 4,581	\$ 3,997	\$ 2,496	\$ 2,553	\$ 3,056	\$ 2,773	\$ 2,629

See accompanying Independent Auditors' Report

STATE OF NEW HAMPSHIRE
SCHEDULE OF BUSINESS TAX FILERS AND LIABILITY BY TAX PAID LEVEL

BUSINESS PROFITS TAX - BPT (1)**BUSINESS ENTERPRISE TAX - BET (2)**

Taxes Paid Level	FISCAL YEAR 2012				FISCAL YEAR 2012			
	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
\$5,000 and higher	3,387	29%	\$274,094,492	96%	4,192	14%	\$137,013,178	82%
\$1,000 - \$4,999	3,481	30%	8,654,992	3%	10,293	34%	22,629,897	14%
Under \$1,000	4,667	41%	1,468,084	1%	15,570	52%	6,793,835	4%
	<u>11,535</u>	<u>100%</u>	<u>\$284,217,568</u>	<u>100%</u>	<u>30,055</u>	<u>100%</u>	<u>\$166,436,910</u>	<u>100%</u>

BUSINESS PROFITS TAX - BPT (1)**BUSINESS ENTERPRISE TAX - BET (2)**

Taxes Paid Level	FISCAL YEAR 2011				FISCAL YEAR 2011			
	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
\$5,000 and higher	3,098	27%	\$255,854,874	96%	4,259	13%	\$132,712,619	81%
\$1,000 - \$4,999	3,588	32%	8,927,856	3%	10,928	34%	24,075,510	15%
Under \$1,000	4,689	41%	1,443,410	1%	16,511	52%	7,255,736	4%
	<u>11,375</u>	<u>100%</u>	<u>\$266,226,141</u>	<u>100%</u>	<u>31,698</u>	<u>100%</u>	<u>\$164,043,866</u>	<u>100%</u>

BUSINESS PROFITS TAX - BPT (1)**BUSINESS ENTERPRISE TAX - BET (2)**

Taxes Paid Level	FISCAL YEAR 2010				FISCAL YEAR 2010			
	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
\$5,000 and higher	3,432	28%	\$222,632,541	95%	4,803	13%	\$147,567,184	81%
\$1,000 - \$4,999	3,904	31%	9,691,312	4%	12,428	34%	27,137,353	15%
Under \$1,000	5,133	41%	1,583,730	1%	19,105	53%	8,470,491	5%
	<u>12,469</u>	<u>100%</u>	<u>\$233,907,583</u>	<u>100%</u>	<u>36,336</u>	<u>100%</u>	<u>\$183,175,028</u>	<u>100%</u>

BUSINESS PROFITS TAX - BPT (1)**BUSINESS ENTERPRISE TAX - BET (2)**

Taxes Paid Level	FISCAL YEAR 2009				FISCAL YEAR 2009			
	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
\$5,000 and higher	4,051	28%	\$263,820,090	95%	5,198	12%	\$146,943,764	78%
\$1,000 - \$4,999	4,564	31%	11,405,749	4%	14,259	34%	30,659,274	16%
Under \$1,000	5,879	41%	1,888,686	1%	22,194	53%	9,858,184	5%
	<u>14,494</u>	<u>100%</u>	<u>\$277,114,525</u>	<u>100%</u>	<u>41,651</u>	<u>100%</u>	<u>\$187,461,221</u>	<u>100%</u>

Source: New Hampshire Department of Revenue for returns filed in fiscal year 2012.

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 BUSINESS TAX FILERS AND LIABILITY BY TAX PAID LEVEL - CONTINUED

BUSINESS PROFITS TAX - BPT (1)**BUSINESS ENTERPRISE TAX - BET (2)**

Taxes Paid Level	FISCAL YEAR 2008				FISCAL YEAR 2008			
	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
\$5,000 and higher	4,245	29%	\$345,675,439	96%	5,096	12%	\$139,909,338	78%
\$1,000 - \$4,999	4,549	31%	11,367,721	3%	14,146	34%	30,627,097	17%
Under \$1,000	5,986	41%	1,891,098	1%	22,554	54%	9,962,503	6%
	<u>14,780</u>	<u>100%</u>	<u>\$358,934,257</u>	<u>100%</u>	<u>41,796</u>	<u>100%</u>	<u>\$180,498,938</u>	<u>100%</u>

BUSINESS PROFITS TAX - BPT (1)**BUSINESS ENTERPRISE TAX - BET (2)**

Taxes Paid Level	FISCAL YEAR 2007				FISCAL YEAR 2007			
	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
\$5,000 and higher	4,063	29%	\$285,614,405	96%	4,832	12%	\$140,626,678	79%
\$1,000 - \$4,999	4,226	31%	10,633,566	4%	13,270	34%	28,834,377	16%
Under \$1,000	5,566	40%	1,769,780	1%	21,142	54%	9,272,383	5%
	<u>13,855</u>	<u>100%</u>	<u>\$298,017,751</u>	<u>100%</u>	<u>39,244</u>	<u>100%</u>	<u>\$178,733,438</u>	<u>100%</u>

BUSINESS PROFITS TAX - BPT (1)**BUSINESS ENTERPRISE TAX - BET (2)**

Taxes Paid Level	FISCAL YEAR 2006				FISCAL YEAR 2006			
	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
\$5,000 and higher	4,176	30%	\$227,772,952	95%	4,739	12%	\$132,537,782	77%
\$1,000 - \$4,999	4,418	31%	11,273,616	5%	13,419	33%	28,879,717	17%
Under \$1,000	5,450	39%	1,721,564	1%	22,234	55%	9,708,523	6%
	<u>14,044</u>	<u>100%</u>	<u>\$240,768,132</u>	<u>100%</u>	<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 2012.

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
PAST SEVEN YEARS
IN THOUSANDS

FISCAL YEAR 2012

<u>City/Town</u>	<u>Rank</u>	<u>Equalized Value</u>	<u>Warrant Amount</u>
Manchester	1	\$ 8,468,243	\$19,689
Nashua	2	8,445,914	19,637
Portsmouth	3	4,019,021	9,344
Salem	4	3,856,296	8,966
Concord	5	3,595,843	8,360
Bedford	6	3,320,248	7,720
Moultonborough	7	2,981,086	6,931
Merrimack	8	2,960,156	6,882
Hampton	9	2,853,982	6,636
Dover	10	2,748,387	6,390

FISCAL YEAR 2011

<u>City/Town</u>	<u>Rank</u>	<u>Equalized Value</u>	<u>Warrant Amount</u>
Manchester	1	\$ 9,494,627	\$20,793
Nashua	2	8,918,557	19,532
Salem	3	4,613,130	10,103
Portsmouth	4	4,127,075	9,038
Concord	5	3,867,377	8,470
Bedford	6	3,470,959	7,601
Merrimack	7	3,065,810	6,714
Londonderry	8	3,051,443	6,683
Hampton	9	3,017,992	6,609
Dover	10	2,994,728	6,558

FISCAL YEAR 2010

<u>City/Town</u>	<u>Rank</u>	<u>Equalized Value</u>	<u>Warrant Amount</u>
Manchester	1	\$ 9,972,707	\$21,292
Nashua	2	9,274,502	19,801
Salem	3	4,571,586	9,760
Portsmouth	4	3,956,463	8,447
Concord	5	3,939,198	8,410
Bedford	6	3,565,764	7,613
Merrimack	7	3,200,777	6,834
Hampton	8	3,134,405	6,692
Moultonborough	9	3,054,026	6,520
Londonderry	10	3,052,210	6,516

FISCAL YEAR 2009

<u>City/Town</u>	<u>Rank</u>	<u>Equalized Value</u>	<u>Warrant Amount</u>
Manchester	1	\$ 10,183,639	\$21,793
Nashua	2	9,633,372	20,615
Salem	3	4,635,936	9,921
Portsmouth	4	4,051,242	8,670
Concord	5	3,801,508	8,135
Bedford	6	3,497,190	7,484
Merrimack	7	3,270,597	6,999
Hampton	8	3,146,653	6,734
Derry	9	3,125,324	6,688
Londonderry	10	3,096,080	6,626

FISCAL YEAR 2008

<u>City/Town</u>	<u>Rank</u>	<u>Equalized Value</u>	<u>Warrant Amount</u>
Manchester	1	\$10,269,201	\$23,003
Nashua	2	9,221,057	20,655
Salem	3	4,665,501	10,451
Portsmouth	4	3,721,855	8,337
Concord	5	3,548,823	7,949
Bedford	6	3,339,184	7,480
Derry	7	3,230,275	7,236
Merrimack	8	3,205,670	7,181
Hampton	9	3,064,552	6,865
Londonderry	10	3,055,707	6,845

Source: New Hampshire Department of Revenue, warrants for Tax Year 2011, 2010, 2009, 2008, 2007, 2006 and 2005

Notes: The rate per \$1,000 of equalized value for fiscal years 2012, 2011, 2010, 2009, 2008, 2007 and 2006 were \$2.325, \$2.19, \$2.135, \$2.14, \$2.24, \$2.515 and \$2.84, respectively

See accompanying Independent Auditors' Report

STATE OF NEW HAMPSHIRE
SCHEDULE OF STATEWIDE PROPERTY TAX FOR TOP TEN CITIES/TOWNS
PAST SEVEN YEARS
IN THOUSANDS

<u>FISCAL YEAR 2007</u>				<u>FISCAL YEAR 2006</u>			
<u>City/Town</u>	<u>Rank</u>	<u>Equalized Value</u>	<u>Warrant Amount</u>	<u>City/Town</u>	<u>Rank</u>	<u>Equalized Value</u>	<u>Warrant Amount</u>
Manchester	1	\$ 9,316,890	\$23,432	Manchester	1	\$ 8,023,599	\$22,787
Nashua	2	8,362,475	21,032	Nashua	2	7,915,678	22,481
Salem	3	4,145,370	10,426	Salem	3	3,740,564	10,623
Portsmouth	4	3,403,768	8,560	Portsmouth	4	3,124,993	8,875
Concord	5	3,278,261	8,245	Concord	5	2,886,158	8,197
Bedford	6	3,019,624	7,594	Bedford	6	2,823,518	8,019
Merrimack	7	2,918,653	7,340	Merrimack	7	2,693,810	7,650
Londonderry	8	2,813,405	7,076	Londonderry	8	2,651,045	7,529
Derry	9	2,813,359	7,076	Derry	9	2,466,833	7,006
Hampton	10	2,749,152	6,914	Hampton	10	2,422,951	6,881

Source: New Hampshire Department of Revenue, warrants for Tax Year 2011, 2010, 2009, 2008, 2007, 2006 and 2005

Notes: The rate per \$1,000 of equalized value for fiscal years 2012, 2011, 2010, 2009, 2008, 2007 and 2006 were \$2.325, \$2.19, \$2.135, \$2.14, \$2.24, \$2.515 and \$2.84, respectively

See accompanying Independent Auditors' Report

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

Location	FISCAL YEAR									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Hampton - North	\$ 31.3	\$ 31.2	\$ 29.8	\$ 27.4	\$ 26.6	\$ 25.3	\$ 23.9	\$ 23.1	\$ 22.7	\$ 21.6
Hampton - South	27.1	27.3	26.4	23.9	23.4	22.8	21.2	20.6	20.1	18.7
Portsmouth Traffic Circle	23.9	23.4	22.8	22.1	21.2	20.3	19.3	18.2	17.3	16.8
Salem	22.0	22.2	21.6	19.4	18.6	17.4	16.4	15.9	15.1	14.0
Hooksett - North	18.9	18.7	17.8	16.4	15.5	14.7	13.9	13.8	13.0	12.3
Nashua	18.3	19.4	17.8	15.9	13.1	12.7	12.9	12.4	12.9	12.8
Nashua	16.8	14.2	14.1	13.2	13.0	11.9	11.0	11.2	10.3	9.8
Hooksett - South	14.8	14.9	14.2	12.9	12.2	11.6	11.1	10.9	10.4	9.7
West Lebanon	11.5	11.3	11.2	10.9	10.0	9.7	9.5	9.2	8.8	8.6
Keene	10.1	9.7	9.7	9.9	9.6	8.6	7.3	4.6	4.3	4.9
Total	<u>\$194.7</u>	<u>\$192.3</u>	<u>\$185.4</u>	<u>\$172.0</u>	<u>\$163.2</u>	<u>\$155.0</u>	<u>\$146.5</u>	<u>\$139.9</u>	<u>\$134.9</u>	<u>\$129.2</u>

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	Federal Highway Grant Anticipation Bonds	Bond Anticipation Notes	Capital Leases	General Obligation Bonds	Revenue Bonds	Capital Leases			
2012	\$ 1,007,530	\$ 194,995		\$ 2,856		\$ 343,791	\$ 424	1,549,596	2.5%	1,165
2011	987,408	80,000		3,305		361,440	538	1,432,691	2.4%	1,087
2010	859,400		50,000	3,377	584	378,240	237	1,291,838	2.2%	982
2009	810,233			4,038	1,301	244,032	364	1,059,968	1.9%	805
2008	735,176			5,146	2,821	256,965	487	1,000,595	1.7%	760
2007	710,875			5,825	4,376	269,084	618	990,778	1.8%	755
2006	701,730			6,085	7,067	284,175	852	999,909	1.9%	764
2005	690,191			6,438	10,795	294,774	1,072	1,003,270	2.0%	773
2004	634,130		50,000	7,462	14,362	305,857	1,120	1,012,931	2.1%	785
2003	611,078		50,000	8,162	18,383	313,644	1,327	1,002,594	2.2%	783

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

Fiscal Year	(Expressed in Thousands)				
	(1) Population	(2) Assessed Value	(3) General Long-Term Debt	Ratio Of General Long- Term Debt To Assessed Value	General Long- Term Debt Per Capita
2012	1,330	151,261,580	\$ 1,007,530	0.67	\$ 758
2011	1,318	154,348,551	987,408	0.64	749
2010	1,316	156,897,212	859,984	0.55	653
2009	1,316	160,571,630	811,534	0.51	617
2008	1,316	170,079,711	737,997	0.43	561
2007	1,313	173,624,015	715,251	0.41	545
2006	1,308	173,176,615	708,797	0.41	542
2005	1,298	165,222,644	700,986	0.42	540
2004	1,290	147,483,615	648,492	0.44	503
2003	1,280	131,148,359	629,461	0.48	492

Source: (1) U.S. Dept. of Commerce, Bureau of Census, reflects the most current available data for all years represented (2012 estimated).
(2) New Hampshire Department of Revenue Administration (2012 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)

Fiscal Year	Gross Revenues	Turnpike System Revenue Bonds							All Obligations Coverage Ratio
		Direct Operating Expenses	Net Revenue Available For Debt Service	Revenue Bond Debt Service Requirements	Revenue Bond Coverage Ratio	G.O. Bond Debt Service Requirements	Renewal & Replacement	Total	
2012	\$ 118,856 (a)	\$40,653 (1)	\$ 78,203	\$ 33,328	2.35	\$ -	\$ 9,200	42,528	1.84 (3)
2011	119,314	42,339 (1)	76,975	33,745	2.28	599	9,800	44,144	1.74 (3)
2010	119,407	40,171 (1)	79,236	29,656	2.67	669	9,600	39,925	1.98
2009	107,660	40,361 (1)	67,299	25,873 (2)	2.60	1,597	10,040	37,510	1.79
2008	106,814	37,122 (1)	69,692	25,710	2.71	1,713	8,300	35,723	1.95
2007	89,054	36,158 (1)	52,896	28,078	1.88	2,985	6,047	37,110	1.43
2006	83,054	41,784 (1)	41,270	25,831	1.60	4,219	5,871	35,921	1.15
2005	68,318	30,041	38,277	27,003	1.42	4,246	5,700	36,949	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

(1) Fiscal years 2006 through 2012 calculations of Direct Operating Expenses subtract out the entire amount of current year depreciation expense (Turnpikes, Federal, & Highway match portions). However, prior year calculations still reflect the historical practice of subtracting only the Turnpikes portion of depreciation expense.

(2) The fiscal year 2009 debt service requirement consists of total payments to the Debt Service Account as required by the bond resolution. Debt service requirement calculations in the previous fiscal years consisted of the actual principal and interest paid over the fiscal year.

(3) Unaudited toll covenant calculations indicate adequate toll revenues for fiscal 2012. The revenue bond coverage ratio was satisfied at 2.35 for the 1.2 times test. The all obligations coverage ratio was satisfied at 1.84 for the 1.0 times test, as calculated by the Department. Chapter 144, Laws of 2009 authorized the acquisition and transfer of a bridge and 1.6 mile section of I-95 to the Turnpike System for \$120 million. The Turnpike System continues to make payments, and in fiscal year 2012, made a note payment of \$26 million to the State Highway Fund. Because the Turnpike System cash balance at June 30, 2012 was \$57.5 million, this balance beginning in fiscal 2013 was deemed more than sufficient to satisfy the Note Payable to the State Highway Fund and current year FY 2012 revenues for this payment were not needed. Accordingly, the Note Payable to the State Highway Fund was not included in the all obligations ratio for fiscal year 2012.

(a) Gross Revenues less Federal revenue of \$1.3 Million.

See accompanying Independent Auditors' Report

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Population (in thousands)	1,330	1,318	1,316	1,316	1,316	1,313	1,308	1,298	1,290	1,280
% Change	0.9%	0.9%	-0.7%	0.2%	0.8%	0.8%	0.8%	0.6%	0.9%	0.9%
Total Personal Income (in millions)	61,991	60,480	57,898	55,827	58,162	56,418	53,765	50,028	48,661	45,828
% Change	2.5%	4.9%	2.9%	-2.1%	7.2%	7.5%	7.5%	2.8%	6.2%	2.5%
Per Capita Personal Income	46,635	45,881	43,968	42,418	44,199	42,984	41,092	38,528	37,718	35,808
% Change	1.6%	3.7%	3.5%	-2.3%	6.4%	6.6%	6.6%	2.1%	5.3%	1.6%
Unemployment Rate	5.1%	4.9%	5.9%	6.8%	4.0%	3.3%	3.3%	3.5%	3.9%	4.1%

Source: U.S. Department of Commerce, Bureau of the Census.
 Data is annualized based on activity through July 2012

STATE OF NEW HAMPSHIRE
SCHEDULE OF BUILDING PERMITS FOR HOUSING UNITS
FOR CALENDAR YEAR 2012

<u>Calendar Year</u>	Building Permits Issued By Number of Units		
	<u>Single Family</u>	<u>Multi- Family</u>	<u>Total</u>
2012	1,949	583	2,532
2011	1,606	740	2,346
2010	1,890	780	2,670
2009	1,662	625	2,287
2008	2,333	901	3,234
2007	3,772	789	4,561
2006	4,826	851	5,677
2005	6,432	1,154	7,586
2004	7,002	1,651	8,653
2003	6,583	2,058	8,641

Source: U.S. Department of Commerce, Bureau of the Census.
 Current year data is annualized based on activity through September 2012

See accompanying Independent Auditors' Report

**STATE OF NEW HAMPSHIRE
SCHEDULE OF PRINCIPAL (LARGEST) EMPLOYERS
LAST SEVEN YEARS**

<u>Employer</u>	2012		
	Employees	Rank	Percentage of
			Total State Employment
1. State of New Hampshire.....	17,867	1	2.54%
2. Wal-Mart Stores Inc.....	8,166	2	1.16%
3. Dartmouth-Hitchcock Medical Center....	6,654	3	0.95%
4. University System of New Hampshire.....	6,159	4	0.88%
5. Demoulas & Market Basket.....	6,000	5	0.85%
6. Hannaford Brothers.....	4,817	6	0.68%
7. Fidelity Investments.....	4,600	7	0.65%
8. BAE Systems.....	4,500	8	0.64%
9. Dartmouth College.....	4,250	9	0.60%
10. Liberty Mutual-Northern N.E. Division....	4,200	10	0.60%
Total.....	67,213		9.56%

<u>Employer</u>	2011		
	Employees	Rank	Percentage of
			Total State Employment
1. State of New Hampshire.....	17,820	1	2.52%
2. Wal-Mart Stores Inc.....	8,421	2	1.19%
3. Dartmouth-Hitchcock Medical Center....	7,073	3	1.00%
4. University System of New Hampshire.....	6,081	4	0.86%
5. Demoulas & Market Basket.....	6,000	5	0.85%
6. BAE Systems.....	4,500	6	0.64%
7. Fidelity Investments.....	4,400	7	0.62%
8. Dartmouth College.....	4,250	8	0.60%
9. Liberty Mutual-Northern N.E. Division....	4,200	9	0.59%
10. Hannaford Brothers.....	3,894	10	0.55%
Total.....	66,639		9.42%

<u>Employer</u>	2010		
	Employees	Rank	Percentage of
			Total State Employment
1. State of New Hampshire.....	18,487	1	3.14%
2. Wal-Mart Stores Inc.....	8,974	2	1.28%
3. Dartmouth-Hitchcock Medical Center....	8,025	3	1.14%
4. University System of New Hampshire.....	6,459	4	0.92%
5. Demoulas & Market Basket.....	6,000	5	0.85%
6. Hannaford Brothers.....	4,776	6	0.68%
7. Fidelity Investments.....	4,600	7	0.65%
8. BAE Systems.....	4,500	8	0.64%
9. Shaw's Supermarkets Inc.....	4,399	9	0.63%
10. Dartmouth College.....	4,399	10	0.63%
Total.....	70,619		10.56%

<u>Employer</u>	2009		
	Employees	Rank	Percentage of
			Total State Employment
1. State of New Hampshire.....	18,735	1	3.29%
2. Wal-Mart Stores Inc.....	9,017	2	1.30%
3. Dartmouth-Hitchcock Medical Center....	8,025	3	1.16%
4. University System of New Hampshire.....	6,457	4	0.93%
5. Demoulas & Market Basket.....	6,000	5	0.86%
6. Fidelity Investments.....	5,500	6	0.79%
7. BAE Systems.....	4,700	7	0.68%
8. Shaw's Supermarkets Inc.....	4,516	8	0.65%
9. Hannaford Brothers.....	4,474	9	0.64%
10. Dartmouth College.....	4,407	10	0.63%
Total.....	71,831		10.93%

<u>Employer</u>	2008		
	Employees	Rank	Percentage of
			Total State Employment
1. State of New Hampshire.....	18,556	1	3.04%
2. Wal-Mart Stores Inc.....	8,631	2	1.19%
3. Dartmouth-Hitchcock Medical Center....	7,804	3	1.08%
4. University System of New Hampshire.....	6,784	4	0.94%
5. Demoulas & Market Basket.....	6,000	5	0.83%
6. Fidelity Investments.....	5,700	6	0.79%
7. Liberty Mutual-Northern N.E. Division....	5,133	7	0.71%
8. Hannaford Brothers.....	4,629	8	0.64%
9. Shaw's Supermarkets Inc.....	4,500	9	0.62%
10. Dartmouth College.....	4,246	10	0.59%
Total.....	71,983		10.43%

Source: New Hampshire Business Review/ Book of Lists 2012
USNH Fact Book 2012
Schedule of State Employees by Function (pages 134-135)

See accompanying Independent Auditors' Report

**STATE OF NEW HAMPSHIRE
SCHEDULE OF PRINCIPAL (LARGEST) EMPLOYERS
LAST SEVEN YEARS**

<u>Employer</u>	<u>2007</u>			<u>Employer</u>	<u>2006</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total State Employment</u>		<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total State Employment</u>
1. State of New Hampshire.....	21,590	1	2.99%	1. State of New Hampshire.....	21,056	1	2.93%
2. Wal-Mart Stores Inc.....	8,012	2	1.1%	2. Wal-Mart Stores Inc.....	8,659	2	1.20%
3. University System of New Hampshire.....	6,668	3	0.92%	3. Dartmouth Hitchcock Medical Center...	7,100	3	0.98%
4. Market Basket.....	6,600	4	0.91%	4. University System of New Hampshire.....	6,901	4	0.96%
5. Dartmouth Hitchcock Medical Center....	6,211	5	0.86%	5. Market Basket.....	6,600	5	0.92%
6. Fidelity Investments.....	5,430	6	0.75%	6. Hannaford Supermarkets.....	5,374	6	0.75%
7. Shaw's Supermarkets.....	4,700	7	0.65%	7. Fidelity Investments.....	4,859	7	0.67%
8. Hannaford Supermarkets.....	4,663	8	0.64%	8. Shaw's Supermarkets.....	4,600	8	0.64%
9. Dartmouth College.....	4,246	9	0.59%	9. Dartmouth College.....	4,246	9	0.59%
10. BAE Systems.....	4,100	10	0.57%	10. BAE Systems.....	4,100	10	0.57%
Total.....	72,220		9.99%	Total.....	73,495		10.21%

Source: New Hampshire Business Review/ Book of Lists 2012
USNH Fact Book 2012
Schedule of State Employees by Function (pages 134-135)

See accompanying Independent Auditors' Report

STATE OF NEW HAMPSHIRE
SCHEDULE OF OPERATING INDICATORS BY FUNCTION
LAST SEVEN FISCAL YEARS

	2012	2011	2010	2009	2008	2007	2006
General Government							
Secretary of State							
<i>Domestic Registrations:</i>							
Limited Liability Company.....	7,022	6,543	6,052	6,833	7,203	8,011	8,062
Trade Name.....	6,929	6,987	7,323	7,728	8,497	8,540	9,267
Corporation.....	1,019	1,000	1,093	1,028	1,222	1,311	1,546
Other.....	325	250	267	273	321	289	325
<i>Foreign Registrations:</i>							
Corporation.....	1,297	1,293	1,458	1,350	1,592	1,719	1,650
Limited Liability Company.....	969	860	879	793	957	963	841
Other.....	54	43	57	46	62	60	86
Administration of Justice & Public Protection							
Department of Safety							
Troop Station Personnel:							
Headquarters - Merrimack.....	228	228	220	195	199	196	190
Troop A - Rockingham/Strafford.....	40	39	43	47	49	56	56
Troop B - Hillsborough.....	43	48	52	51	54	51	55
Troop C - Cheshire/Sullivan.....	29	30	33	38	38	39	38
Troop D - Merrimack.....	39	36	41	41	41	43	44
Troop E - Belknap/Carroll.....	28	33	34	34	33	35	33
Troop F - Coos/Grafton.....	45	48	47	46	42	48	47
Troop G - Merrimack.....	58	62	67	73	79	-	-
Department of Corrections							
Number of Prison Inmates:							
NHSP/Men - Concord.....	1,439	1,361	1,467	1,407	1,398	1,348	1,301
NHSP/Women - Goffstown.....	140	108	120	147	142	114	100
Lakes Region Facility - Laconia.....	-	-	-	298	316	284	264
Northern Correctional Facility - Berlin.....	625	600	745	587	573	544	536
SPU/RTU & Transitional Housing.....	376	375	365	344	344	325	321
Resource Protection & Development							
Department of Resources and Economic Development							
Number of visitors at top 10 state parks:							
Cannon Mountain ¹	207,120	215,117	187,950	192,748	130,000	169,924	81,533
Flume.....	136,630	94,647	94,188	147,395	139,146	133,161	132,947
Hampton Beach ¹	107,813	95,073	52,908	98,681	57,992	46,756	88,283
Wallis Sands Beach.....	106,822	74,398	64,200	62,484	92,182	66,212	46,528
Pawtucketaway.....	69,808	82,566	82,247	88,403	84,907	92,019	44,673
Wellington.....	46,426	40,143	29,974	42,179	54,744	49,218	34,417
Mt. Sunapee Beach.....	68,486	43,766	34,555	28,718	21,952	33,249	32,150
Silver Lake.....	11,699	11,063	16,746	21,188	28,780	36,076	28,475
Odiorne Point.....	22,173	17,626	18,173	18,109	21,566	24,372	23,299
Elacoya.....	36,008	31,742	31,582	25,401	39,308	46,074	21,972

Source: The State Departments of Secretary of State, Safety, Corrections, and Resource & Economic Development.

(1) - In addition to per person charges these parks also have charges per vehicle and season passes. Beginning in FY 2007, attendance methodologies were revised to more accurately reflect visitation.

See accompanying Independent Auditors' Report

**STATE OF NEW HAMPSHIRE
SCHEDULE OF OPERATING INDICATORS BY FUNCTION
LAST SEVEN FISCAL YEARS**

	2012	2011	2010	2009	2008	2007	2006
Department of Environmental Services							
Dollars disbursed by program:							
SRF - Clean water.....	\$ 30,684,368	\$58,275,067	\$42,797,121	\$ 18,130,550	\$23,238,600	\$ 25,231,659	\$ 10,597,219
SRF - Drinking water.....	10,912,295	23,863,570	24,873,672	7,517,227	13,339,877	16,094,390	11,268,138
SRF - Brownfields.....	-	9,632	671,906	165,625	1,062,586	-	56,352
Landfills.....	927,658	894,703	981,070	1,287,790	1,944,036	2,030,802	2,067,751
Drinking Water Grants*.....	1,184,996	1,149,844	1,101,760	1,281,908	1,494,664	1,741,982	1,484,589
Water supply land.....	-	-	113,167	571,655	772,093	373,750	577,301
Waste water.....	5,199,986	5,902,524	6,463,894	9,003,767	10,820,000	12,195,029	11,826,356
Aquatic weed.....	355,444	245,440	205,616	285,554	330,798	268,781	258,191
Household hazardous waste.....	144,638	193,979	162,623	153,155	95,971	149,744	140,974
Aquatic Resources Mitigation Grants.....	942,458	702,036	-	-	-	-	-
Transportation							
Department of Safety							
Number of motor vehicle registrations by county: (Monthly Average)							
Belknap.....	73,783	73,375	74,260	74,975	75,395	76,315	74,947
Carroll.....	65,174	65,188	66,233	66,861	66,461	68,816	66,563
Cheshire.....	80,688	80,754	81,759	82,460	82,535	85,133	84,397
Coos.....	37,848	38,130	38,809	39,541	40,313	41,614	41,287
Grafton.....	93,698	93,572	94,470	95,305	95,726	98,002	95,424
Hillsborough.....	396,361	393,992	394,162	395,186	394,380	403,722	398,493
Merrimack.....	162,502	161,291	163,368	164,749	165,887	169,271	167,730
Rockingham.....	336,713	333,198	334,903	336,828	337,654	342,793	339,579
Strafford.....	115,230	115,322	116,165	116,674	115,783	120,495	116,865
Sullivan.....	48,906	48,969	49,810	50,375	51,100	52,157	50,526
Other (Indeterminable).....	-	-	-	219	466	989	-
Health & Social Services							
Department of Health & Human Services							
Number of caseloads by program:							
Medical assistance - average monthly caseload.....	77,952	77,378	75,751	70,176	67,966	66,505	65,279
TANF Caseloads.....	4,422	5,117	5,335	5,034	4,586	5,472	6,031
Nursing services for elderly.....	4,400	4,268	4,357	4,334	4,498	4,544	4,781
Child & family services - calls to central intake....	31,826	26,864	25,928	19,568	19,831	18,945	18,594
Food stamps - June monthly average.....	56,962	54,735	51,401	40,682	31,830	29,203	27,665
Education							
Community College System of New Hampshire							
Enrollment	11,141	11,129	11,782	10,659	9,528	9,011	8,577
University System of New Hampshire							
Enrollment	26,906	26,732	26,843	26,485	26,117	25,499	24,932

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

*Formerly interconnection and water filtration grants

See accompanying Independent Auditors' Report

SCHEDULE OF STATE EMPLOYEES BY FUNCTION
LAST SEVEN FISCAL YEARS

(Includes all active employees eligible for payment at June 30th and does not include vacant positions)

Full-Time Employees	FISCAL YEAR				
	2012	2011	2010	2009	2008
General Government					
Department of Information Technology.....	326	337	353	388	391
Department of Administrative Services.....	281	304	312	312	303
Department of Revenue Administration.....	118	165	177	194	186
Legislative Services.....	130	136	142	144	146
All other.....	213	234	240	253	250
Administration of Justice and Public Protection					
Department of Safety.....	1,011	1,026	1,065	1,085	1,096
Department of Corrections.....	792	810	856	944	975
Judicial Branch.....	526	595	634	670	676
Department of Employment Security.....	283	374	357	312	314
Liquor Commission.....	286	286	301	302	305
Adjutant General.....	123	113	121	120	119
All other.....	440	471	480	484	493
Resource Protection and Development					
Department of Environmental Services.....	413	429	469	470	474
Department of Resource and Economic Development.....	205	187	192	193	206
Fish and Game.....	182	185	186	184	183
All other.....	6	6	13	13	12
Transportation					
Department of Transportation.....	1,560	1,632	1,677	1,623	1,643
Health and Social Services					
Department of Health and Human Services:					
New Hampshire Hospital.....	534	627	704	737	756
Office of Commissioner.....	565	564	565	617	635
Division of Children and Youth.....	347	347	336	372	371
Division of Transitional Assistance.....	332	334	318	337	335
New Hampshire Veteran's Home.....	325	319	323	326	328
Division of Juvenile Justice Services.....	258	260	290	313	315
Office of Health Management.....	241	226	232	265	271
All other.....	399	407	410	422	433
Education					
Department of Education.....	250	256	263	267	269
*CCSNH.....					
All other.....	71	85	87	92	92
State Total.....	10,217	10,715	11,103	11,439	11,577

Part-Time and Temporary Employees

General Government.....	720	708	726	718	719
Administration of Justice and Public Protection.....	4,206	3,915	3,971	4,005	3,745
Resource Protection and Development.....	1,790	1,477	1,697	1,465	1,369
Transportation.....	331	422	463	458	449
Health and Social Services.....	533	511	453	582	633
Education.....	70	72	74	68	64
*CCSNH.....					
State Total.....	7,650	7,105	7,384	7,296	6,979

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

See accompanying Independent Auditors' Report

*The C.C.S.N.H. became a component unit of the State of NH in FY 08.

STATE OF NEW HAMPSHIRE
 SCHEDULE OF STATE EMPLOYEES BY FUNCTION
 LAST SEVEN FISCAL YEARS

(Includes all active employees eligible for payment at June 30th and does not include vacant positions)

FISCAL YEAR	
2007	2006
391	390
294	252
190	183
141	134
256	262
1,092	1,057
967	973
673	682
319	327
297	303
117	120
467	456
469	475
205	212
180	183
6	6
1,658	1,683
749	772
625	585
350	358
318	317
316	279
321	348
267	262
438	435
277	274
719	709
92	90
<u>12,194</u>	<u>12,127</u>

721	717
3,617	3,374
1,237	1,301
461	444
614	535
62	68
<u>2,684</u>	<u>2,490</u>
<u>9,396</u>	<u>8,929</u>

Source: The Department of Administrative Services, Division of Accounting Services.
 *The C.C.S.N.H. became a component unit of the State of NH in FY 08.

See accompanying Independent Auditors' Report

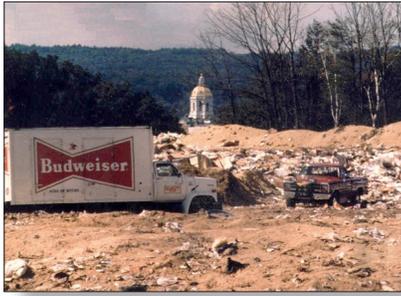
STATE OF NEW HAMPSHIRE
SCHEDULE OF CAPITAL ASSET BALANCES BY FUNCTION
GOVERNMENTAL ACTIVITIES
LAST TEN FISCAL YEARS
(Amounts in Thousands)

<u>Function</u>	<u>Fiscal Year</u>					
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Land & Land Improvements						
General Government.....	\$ 7,146	\$ 7,146	\$ 7,146	\$ 5,885	\$ 5,886	\$ 5,885
Administration of Justice &.....	33,699	32,428	27,751	28,951	28,772	28,771
Public Protection.....						
Resource Protection & Development.....	257,174	246,188	238,131	236,391	228,569	223,510
Transportation.....	327,013	324,422	319,476	310,714	305,299	281,263
Health & Social Services.....	4,033	4,033	4,033	4,033	4,034	4,033
Education.....	143	4,658	4,194	4,185	3,883	2,949
Building & Building Improvements						
General Government.....	200,014	183,461	180,055	152,335	147,036	146,348
Administration of Justice &.....	248,211	243,616	219,953	221,332	216,691	215,140
Public Protection.....						
Resource Protection & Development.....	71,097	70,864	65,954	64,347	69,479	63,286
Transportation.....	71,987	68,833	69,589	65,360	56,143	48,274
Health & Social Services.....	126,442	125,948	119,742	119,157	112,434	111,160
Education.....	16,532	121,375	110,142	91,087	83,641	77,624
Equipment and Computer Software						
General Government.....	32,814	29,636	29,419	29,204	19,149	12,994
Administration of Justice &.....	95,659	91,114	97,380	79,569	76,594	69,585
Public Protection.....						
Resource Protection & Development.....	19,421	20,006	19,543	18,822	18,891	18,061
Transportation.....	105,003	91,472	77,851	76,653	67,209	56,587
Health & Social Services.....	57,017	55,441	55,286	55,066	58,636	53,466
Education.....	3,344	11,058	10,018	9,682	8,359	8,340
Infrastructure						
Transportation.....	3,199,307	3,032,547	3,036,174	3,048,728	2,865,262	2,744,520

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

	Fiscal Year			
	2006	2005	2004	2003
\$ 5,764	\$ 5,764	\$ 5,782	\$ 5,782	
28,672	28,672	28,306	28,030	
219,679	204,882	197,542	172,995	
233,585	220,610	186,692	166,595	
4,154	4,138	4,138	3,906	
2,924	2,642	2,640	2,640	
135,795	135,795	102,174	97,426	
204,555	202,720	171,573	170,208	
62,389	62,389	61,206	60,563	
45,816	27,988	24,304	24,304	
82,395	81,995	70,870	70,549	
76,016	66,235	62,933	61,190	
9,003	8,672	2,923	2,905	
62,524	50,501	51,570	44,054	
17,550	16,336	15,364	15,143	
46,539	44,955	43,622	33,031	
43,238	42,900	42,233	33,949	
8,030	7,785	7,383	7,177	
2,652,916	2,532,386	2,531,841	2,503,567	

The Concord municipal landfill, then (left) and now.



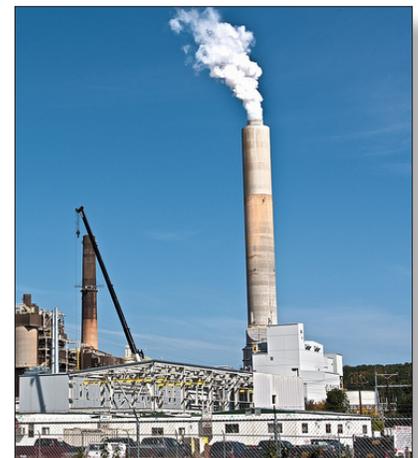
the river. The fact that our environment is cleaner and healthier than the one our parents would remember is our lasting legacy to the current generation and those that will follow. This legacy, however, requires vigilance and maintenance, even as science and technology continue to provide ever-better ways to monitor, protect and restore our air, water bodies and groundwater.

Today, we strive to prevent contamination before it occurs, rather than simply responding to known contaminated sites. And, with public safety as a high priority, we train diligently to hone our emergency response capabilities. These preparedness efforts have proven invaluable as DES has assisted communities across New Hampshire in recovering from floods, tornadoes, hurricanes and other disasters in recent years.

Importantly, many of the original goals set out by the enacting legislation are still at the heart of DES's work today. We strive to provide excellence in customer service to all, whether a multi-national business looking to relocate to the state or a grandmother from Coos County who needs a copy of her approved septic system plan. We also work to provide real-time information to the public on the things that impact their daily lives, like the quality of the air we breathe, the water we drink, the water testing results at a favorite public beach, or the status of a permit application.

While we are busy at DES working to address the environmental challenges of today and tomorrow, throughout 2012 we will be taking time to recognize and celebrate the wide-ranging successes of the past 25 years of environmental and public health protection and the dedicated, professional staff and our many partners in our communities, businesses and non-profits who have helped bring these successes about. We welcome and invite your participation as we celebrate our past successes and look ahead to the challenge of ensuring that New Hampshire will be an even better place to live, work and play 25 years from now.

Tom Burack
Commissioner



PSNH Merrimack Station in Bow then (top) emitted visible air pollutants; and now, the plume is predominately steam, thanks to scrubber technology.

We invite you to visit <http://des.nh.gov> to learn more about the New Hampshire Department of Environmental Services.

NHDES: Protecting New Hampshire's Environment for 25 Years—



... and for Generations to Come!

