

State of New Hampshire

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR
ENDED JUNE 30, 2007**



**Prepared By:
DEPARTMENT OF ADMINISTRATIVE SERVICES**

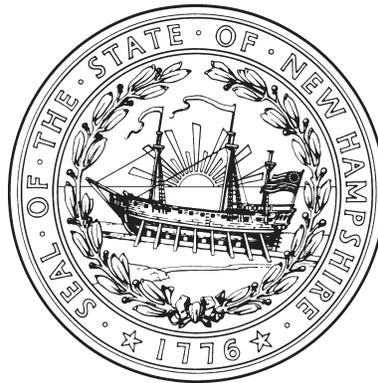
Front Cover Photo taken by and provided courtesy of Frank Harris.
The photo was taken in Webster, NH on the Blackwater River.

Frank N. Harris
(603) 682-6887

STATE OF NEW HAMPSHIRE

**COMPREHENSIVE
ANNUAL
FINANCIAL REPORT**

For the Fiscal Year Ended
June 30, 2007



Prepared by the Department of Administrative Services

Donald S. Hill, Commissioner
Stephen C. Smith, Administrator
Diana L. Smestad
Kelly J. Brown

Division of Accounting Services

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



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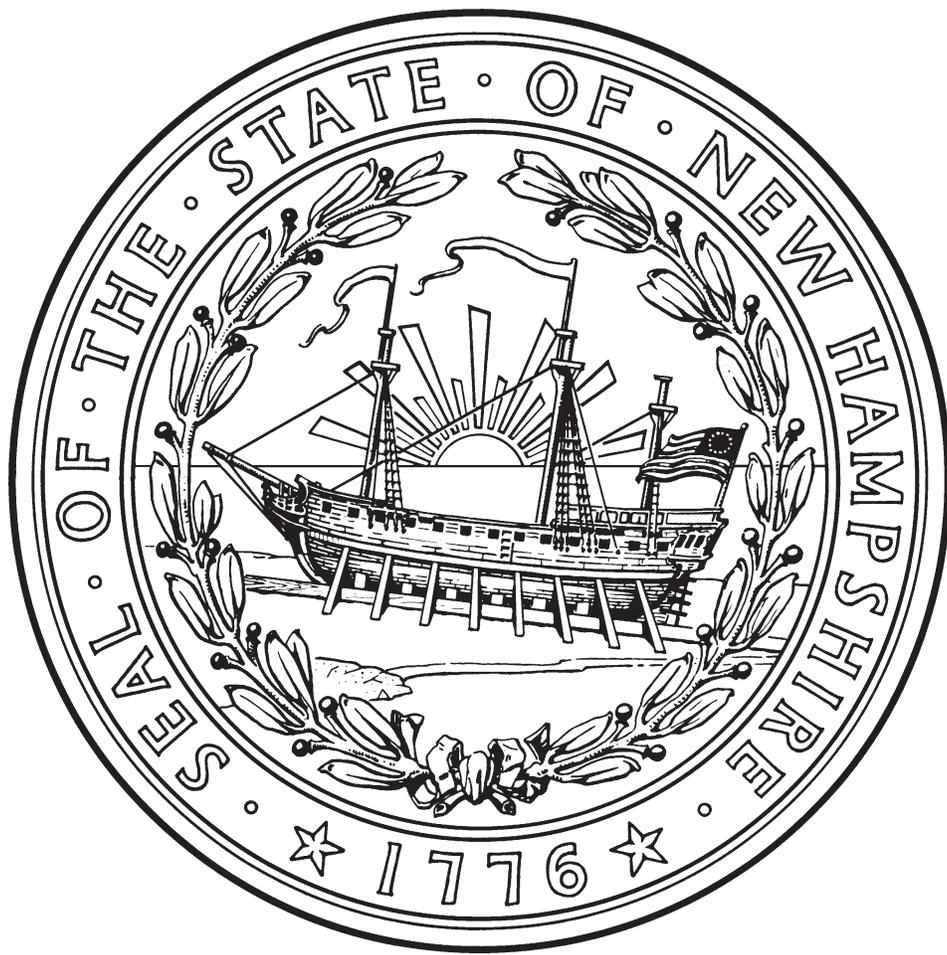
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STATE OF NEW HAMPSHIRE

OFFICE OF THE GOVERNOR

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



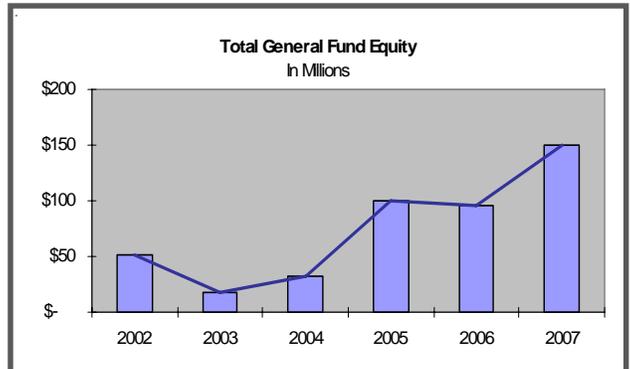
I am pleased to accept the *Fiscal Year 2007 State of New Hampshire Comprehensive Annual Financial Report*.

Working together, we made significant progress this year in ensuring New Hampshire is a place of opportunity for all our citizens. We invested in building a stronger future for our state through education and economic development; we improved the financial management of state government and passed a balanced, fiscally responsible state budget; and we began tackling long-neglected problems.

Our state's Rainy Day Fund now stands at \$89 million, up from \$17.3 million in 2004.

We've taken action to clean up the State's Highway Fund and improve the financial management of the Department of Transportation. We doubled the number of municipal "red-listed" bridges that will be repaired or replaced this biennium, and have begun to develop an honest, responsible and realistic 10-Year Highway Plan. We are making critical investments to repair our aging turnpike system to meet the needs of New Hampshire's modern economy.

We are working to return financial stability to our state's retirement system. Bad decisions several decades ago – and failure to correct those decisions – have hurt the retirement system. Legislation passed last year, however, has already improved the system's financial footing, and the ongoing work of an inclusive Retirement Commission will allow us to continue to move forward to insure a sound retirement system.



The future of our state's economy and the future of our families depend on an educated workforce. That is why we are increasing our efforts to help more young people graduate from high school, and to make higher education affordable and accessible for families. And we continue to work to address education funding. Last year, we passed legislation defining an adequate education – a significant milestone in this ongoing effort.

A strong state depends upon a healthy citizenry. That is why we provided the funding necessary to enroll an additional 10,000 children in New Hampshire's Healthy Kids Health Insurance Program over the next three years. And the budget we passed included funding to eliminate the waitlist for services for people with developmental disabilities.

We are investing in building our economy. The research and development tax credit we created this year will encourage innovative companies to create new jobs and reinvest in New Hampshire. And the new Job Training Fund will help ensure our companies have the skilled workers they need to compete.

I remain committed to bring people together in Concord – both Democrats and Republicans – to put aside partisanship and focus on getting good results for the people of New Hampshire.

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

Sincerely,

John H. Lynch
Governor



State of New Hampshire
Selected State Officials
For the Fiscal Year Ended June 30, 2007

Executive Branch

Governor John H. Lynch

Executive Council

Raymond S. Burton, District 1

John D. Shea, District 2

Beverly A. Hollingworth, District 3

Raymond J. Wieczorek, District 4

Debora B. Pignatelli, District 5

Attorney General

Kelly A. Ayotte

Commissioner of Administrative Services

Donald S. Hill

Treasurer

Catherine A. Provencher

Secretary of State

William M. Gardner

Judicial Branch

Chief Justice of the Supreme Court

John T. Broderick Jr.

Legislative Branch

President of the Senate

Sylvia B. Larsen

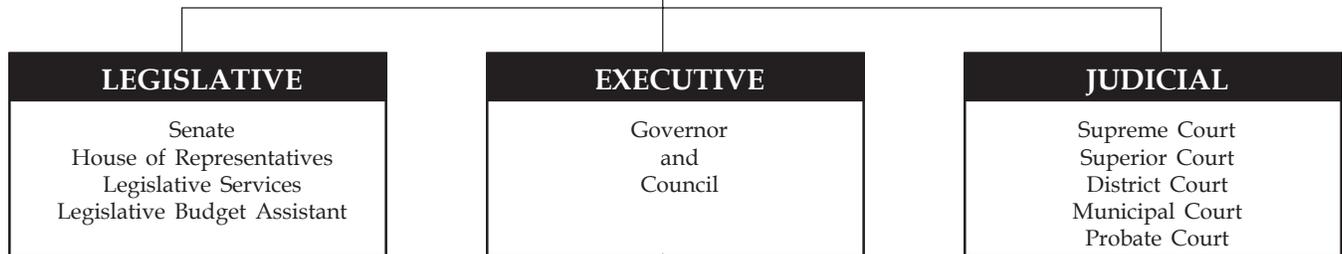
24 Senators

Speaker of the House of Representatives

Terie Norelli

400 Representatives

STATE OF NEW HAMPSHIRE ORGANIZATION CHART



STATE AGENCIES AND COMPONENT UNITS (*)

GENERAL GOVERNMENT

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

ADMINISTRATION OF JUSTICE
AND PUBLIC PROTECTION

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

RESOURCE PROTECTION
AND DEVELOPMENT

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

TRANSPORTATION

Transportation

HEALTH AND SOCIAL SERVICES

Health and Human Services
 Veterans' Council
 Veterans' Home

EDUCATION

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



State of New Hampshire

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

DONALD S. HILL
Commissioner
(603) 271-3201

December 14, 2007

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

In accordance with the Revised Statutes Annotated (RSA) 21-I:8,I,(h), it is a pleasure to submit the Comprehensive Annual Financial Report (CAFR), covering the fiscal year ended June 30, 2007. This report has been prepared by the state Department of Administrative Services and responsibility for both the accuracy of the data presented and completeness and fairness of the presentation, including all disclosures, rests with the state. The basic financial statements, considered by management to present fairly and consistently the state's financial position and results of operations, have been prepared in accordance with generally accepted accounting principles (GAAP) applicable to state and local governments, as promulgated by the Governmental Accounting Standards Board (GASB).

The CAFR is presented in three major sections:

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

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

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

New Hampshire's Economic Outlook

New Hampshire's economy, like that of regions, is slowing but is forecasted to continue to grow through the remainder of this decade. The state continues to retain its advantages over other states in the region with low unemployment, low tax burdens, highly educated and skilled workforce, and a small and accessible government. New Hampshire has the seventh best overall business tax climate in the nation and the best in the Northeast, according to the 2008 State Business Tax Climate Index Ranking from the Tax Foundation.

<i>New Hampshire's Economic Scoreboard for 2007</i>		
<i>Categories</i>	<i>NH's National Rank</i>	<i>NH's Rank in New England</i>
Favorable Tax Climate	1st	1st
Healthiest State (Morgan Quitno, 2007)	5th	4th
Standard of Living (by Poverty Rate)	1st	1st
Child and Family Well-Being (Annie E. Casey, 2007)	2nd	1st
Safest State (Lowest crime rate, 2005)	1st	1st
Most Livable State (Morgan Quitno, 2007)	1st	1st
College Educated Population	10th	4th

Source: Dennis Delay, NH Center for Public Policy Studies

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

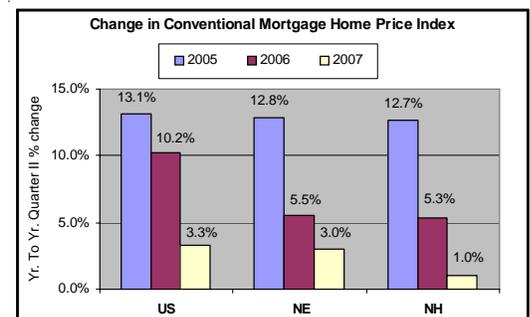
Regional economic growth will remain low and below the national average through the remainder of the decade due to the broadening effects of the housing credit crisis and rising energy prices. Real gross product growth (the output of goods and services) will average just 2.2% a year through 2011, which is below the national average of 2.6% over the same time period. The weakest time for the regional economy is expected to be over Q4 2007 and Q1 2008 with growth rates of 1.6% and 1.7%, respectively. These growth forecasts are indicative of the broadening effects of the national credit crisis and the economic vulnerabilities extending from the housing market to other sectors of the economy. In recent months, economic conditions worsened as home foreclosures increased, volatility roiled the stock market and crude oil advanced toward \$100 per barrel. Since Labor Day, the Federal Reserve Board

has cut interest rates three times, shaving off a total of one percentage point in an effort to keep the US economy from sliding into recession.

With this regional backdrop, New Hampshire is expected to lead the region during the forecast period with annual growth in gross state product (GSP) of 3%. New Hampshire is forecast to lead the region in employment growth as well, growing at 1.7% annually, and will be the only state to grow at a rate above the national average. As of June 2007, New Hampshire's seasonally adjusted total non-farm employment grew by 1.5% from June of last year, and the state's unemployment rate was 4.0%, which continues to track lower than New England (4.6%) and the national average (4.5%). In addition, New Hampshire is expected to be one of only two states in the region to have growth in real per capita income above the national average, with the state forecasted to grow at 2.9% per year.

Housing prices in New Hampshire and across the region are expected to continue to decline through the second half of 2008 with a slow and modest recovery to follow. Delinquencies for non-prime mortgages and associated foreclosures are expected to continue through the end of 2007 and well into 2008. The peak-to-trough decline in the region in median housing prices is expected to be just below 10%, as compared with the national decline of just over 10%.

Economists remain concerned, however, due to the uncertainty as to the extent of financial institution losses yet to come in the U.S. residential mortgage market. The national and regional economies are vulnerable and will remain so through next spring. Perhaps the biggest wild card is oil prices and their ripple effect on everything from gasoline to home heating fuel. The combination of the housing downturn and high or increased energy costs could have a spillover effect on consumer spending, which could stop any economic expansion.



Source: New England Economic Indicators, Federal Reserve Bank of Boston

MAJOR INITIATIVES

Enterprise Resource Planning (ERP)

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

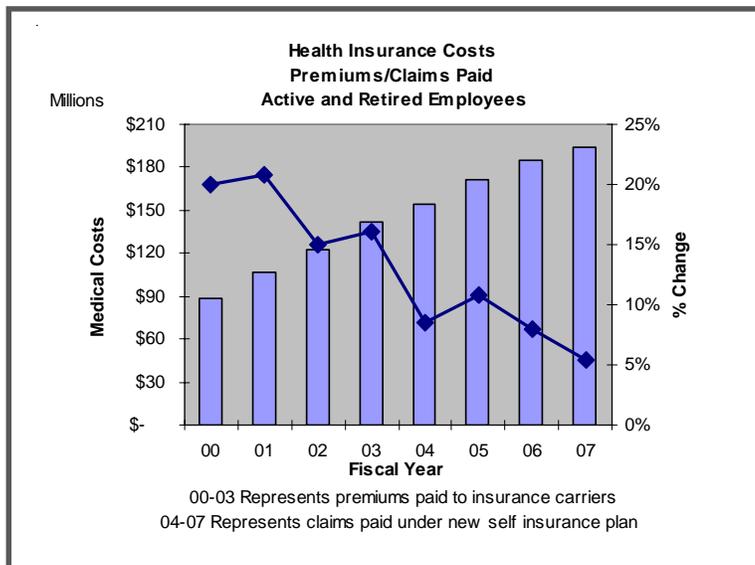
The 2005 capital budget included \$19.0 million of appropriations for the ERP project of which \$5.9 million has been spent to date. In April 2006, a vendor was selected and Ciber, Inc. and Lawson Software were awarded contracts and on July 26, 2006 the ERP project was officially kicked off under the project name of NH FIRST (New Hampshire Fundamental Improvements to Revitalize Systems/Services and Technology).

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

NH FIRST will be implemented using a multi-phase approach over a 2 1/2 year span with the first phase due to go live during fiscal year 2009.

Employee Benefit Risk Management Fund

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



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

Since fiscal 2003, the annual percent change in health costs has decreased from 16% to 5% for fiscal 2007.

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

At June 30, 2007, the fund ended the year with a surplus of \$36.3 million and cash on hand of \$54.8 million.

FINANCIAL INFORMATION

Surplus Statement General and Education Funds (In Millions)

	FY 2005	FY 2006			FY 2007		
	Total	General	Education	Total	General	Education	Total
Undesignated Fund Balance, July 1	15.3	82.2	0.0	82.2	26.0	8.4	34.4
Additions:							
Unrestricted Revenue	2,161.9	1,329.5	852.8	2,182.3	1,421.6	869.6	2,291.2
Transfers of Appropriation from General Fund	61.4	-	-	-	-	-	-
Total Additions	2,223.3	1,329.5	852.8	2,182.3	1,421.6	869.6	2,291.2
Deductions:							
Appropriations Net of Estimated Revenues	(2,202.2)	(1,380.2)	(841.9)	(2,222.1)	(1,432.6)	(843.1)	(2,275.7)
Less Lapses	39.0	34.0	(4.6)	29.4	41.6	4.5	46.1
Total Net Appropriations	(2,163.2)	(1,346.2)	(846.5)	(2,192.7)	(1,391.0)	(838.6)	(2,229.6)
GAAP and Other Adjustments	6.8	12.2	2.1	14.3	(15.5)	1.2	(14.3)
Other One-Time Revenue Adjustments	-	-	-	-	-	-	-
DHHS Enhancement Revenue	-	-	-	-	-	-	-
Other Revenue Adjustments	-	-	-	-	-	-	-
Current Year Balance	66.9	(4.5)	8.4	3.9	15.1	32.2	47.3
Fund Balance Transfers (To)/From:							
Rainy Day Fund		(51.7)		(51.7)	(20.0)		(20.0)
Health Care Fund							
Education Trust Fund					40.6	(40.6)	
Undesignated Fund Balance, June 30,	82.2	26.0	8.4	34.4	61.7	0.0	61.7
Reserved for Rainy Day Account	17.3	69.0		69.0	89.0		89.0
Total Equity	99.5	95.0	8.4	103.4	150.7		150.7

The combined General and Education Fund Balances, including Revenue Stabilization Reserves (Rainy Day Fund) at June 30, 2007 was \$150.7 million. Fund Balances have been on the rise since the last recession period low point of \$17.3 million in FY2003. Prior to year-end transfers, the current year 2007 operating surplus was \$47.3 million for the General and Education Funds combined.

A portion of the cumulative combined surplus of \$81.7 million (current year surplus of \$47.3 million and carry forward surplus of \$34.4 million) was transferred to the Rainy Day Fund at year-end. In accordance with Chapter 263:111, Laws of 2007, the \$40.6 million surplus remaining in the Education Trust Fund at June 30, 2007 was transferred to the General Fund. In addition, pursuant to Chapter 263:110, Laws of 2007, any surplus in excess of \$20.0 million for the close of the fiscal biennium ending June 30, 2007 shall not be deposited into the Rainy Day Fund but shall remain in the General Fund. Therefore, \$20.0 million was transferred from the General Fund to the Rainy Day Fund bringing the balance up to \$89.0 million at June 30, 2007.

After the Rainy Day transfer, the combined General and Education Fund surplus at June 30, 2007 was \$61.7 million. The surplus was primarily revenue driven as a result of greater than expected collections. Strong performance from Business Taxes, Interest and Dividends Tax and Other taxes more than offset the continued unfavorable results seen in the Real Estate Transfer Tax. Total General and Education Fund unrestricted revenue for fiscal 2007 were \$2,291.2 million or \$87.9 million (4%) greater than plan and \$108.9 million (5%) greater than prior year.

Total net appropriations, including anticipated budget reductions and savings from budget initiatives, for the General and Education Fund were \$2,229.6 million, which was a minimal 2% increase over the prior year.

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

Revenue Category	FY 2005	FY 2006			FY 2007			FY 2007 Combined Plan
		General	Education	Total	General	Education	Total	
Business Profits Tax.....	\$ 247.3	\$ 264.0	\$ 56.6	\$ 320.6	\$ 287.4	\$ 57.8	\$ 345.2	\$ 298.6
Business Enterprise Tax.....	244.7	75.2	150.4	225.6	79.3	174.2	253.5	225.3
Subtotal.....	492.0	339.2	207.0	546.2	366.7	232.0	598.7	523.9
Meals & Rooms Tax.....	193.6	193.8	7.1	200.9	202.6	7.2	209.8	217.6
Tobacco Tax.....	101.5	69.9	80.9	150.8	65.3	78.3	143.6	144.5
Liquor Sales and Distribution.....	112.6	120.6		120.6	124.7		124.7	129.0
Interest & Dividends Tax.....	67.9	80.5		80.5	108.1		108.1	73.3
Insurance Tax.....	88.7	90.5		90.5	97.9		97.9	95.3
Communications Tax.....	70.0	70.5		70.5	73.0		73.0	74.1
Real Estate Transfer Tax.....	159.8	106.2	52.5	158.7	91.7	45.7	137.4	181.0
Estate and Legacy Tax.....	11.7	3.2		3.2	0.6		0.6	4.1
Transfers from Lottery Commission.....	70.3		82.0	82.0		80.5	80.5	78.0
Tobacco Settlement.....	42.4		39.0	39.0	-	40.8	40.8	43.0
Utility Property Tax.....	20.1		20.9	20.9		21.8	21.8	24.1
Property Tax Not Retained Locally.....	20.9						-	-
Property Tax Retained Locally.....	350.4		363.4	363.4		363.3	363.3	363.0
Other.....	150.7	157.0		157.0	191.8		191.8	159.6
Subtotal.....	1,952.6	1,231.4	852.8	2,084.2	1,322.4	869.6	2,192.0	2,110.5
Net Medicaid Enhancement								
Revenues.....	147.2	73.6		73.6	83.3		83.3	75.8
Recoveries.....	23.0	24.5		24.5	15.9		15.9	17.0
Subtotal.....	2,122.8	1,329.5	852.8	2,182.3	1,421.6	869.6	2,291.2	2,203.3
Other Medicaid Enhancement								
Revenues to Fund Net Appropriations.....	39.1				-		-	-
Total.....	\$ 2,161.9	\$ 1,329.5	\$ 852.8	\$ 2,182.3	\$ 1,421.6	\$ 869.6	\$ 2,291.2	\$ 2,203.3

With continued economic growth along with improvement in the investment markets, revenue collections came in much stronger than original estimates. Fiscal 2007 unrestricted revenue for the General and Education funds totaled \$2,291.2 million, which exceeded the plan and prior year by \$87.9 million and \$108.9 million, respectively. This strong fiscal year performance over plan and prior year was seen primarily from Business Taxes, Interest & Dividends Tax and Other taxes.

- Business Taxes (BPT & BET) totaled \$598.7 million for the year, which were \$74.8 million ahead of plan and \$52.5 million above the prior year. The growth in FY 07 was a combination of audit revenue collections during the year and increases in final returns and extensions filed in March and April.
- Interest & Dividends Tax (I & D) collections were \$108.1 million and were above plan by \$34.8 million and \$27.6 million above prior year. Stronger economic growth and higher interest and dividend activity resulted in many new taxpayers exceeding exemption thresholds.
- The Other category saw receipts of \$191.8 million, which were \$32.2 million above plan and \$34.8 million above prior year due in large part to an escheatment processed by the Treasury Dept. which included unclaimed shares received by the state in fiscal 2004 related to the demutualization of insurance companies. It should be noted, however, that in accordance with accounting standards, a substantial portion of this escheatment had been previously recognized as revenue and included in prior year surplus.

Offsetting the performance of Business Taxes, I&D and Other were large decreases in the Real Estate Transfer Tax, Meals and Rooms Tax and the Tobacco Tax.

- The Real Estate Transfer Tax (RET) performed below expectations with receipts totaling \$137.4 million, which were below the plan by \$43.6 million and below prior year by \$21.3 million. Due to the significant downturn in the housing market, the weak performance of RET which began during the second half of prior year continued throughout fiscal 2007 ending the year 24.1% and 13.4% below estimates and prior year, respectively.
- Although the Meals and Rooms Tax (M&R) performed below expectations with receipts totaling \$209.8 million, which were \$7.8 million (3.6%) below plan, M&R exceeded the prior year by \$8.9 million (4.4%).
- The Tobacco Tax collected \$143.6 million for the year, \$0.9 million below plan and \$7.2 million (4.8%) below prior year due to a decrease in demand for tobacco products.

Budgetary Process

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

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

Internal Controls

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

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

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

Cash and Investments

Cash deposits into the state treasury are coordinated jointly by the state treasurer and the state agencies. Cash is managed in pooled investment funds in order to maximize interest earnings. Investments are made in accordance with state statutes and treasury's investment policy. Cash is primarily invested in money market accounts, repurchase agreements, certificates of deposit and United States Treasury and agency obligations. For the fiscal year ended June 30, 2007, the average daily balance of all pooled investment funds was estimated at \$395.0 million, with an average yield of 5.1%. Total investment income was \$22.0 million for the year.

Insurance

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

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

OTHER INFORMATION

Audits

Pursuant to RSA 21-I:8,I(h), the Legislative Budget Assistant may designate a certified public accountant not employed in state service to conduct an annual audit, in accordance with Generally Accepted Auditing Standards, of the state's basic financial statements. KPMG LLP, the designated certified public accountant, has performed an independent audit of the state's basic financial statements for the fiscal year ended June 30, 2007.

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

Annual Report to the Citizens

Again in fiscal year 2007, the Department of Administrative Services published the *Annual Report to the Citizens*. That report presents a condensed version of the financial information contained in the CAFR, as well as an overview of state operations and other nonfinancial data. A copy of the report may be obtained from the Department of Administrative Services, 25 Capitol St. Rm 310, Concord NH 03301, or from the department's web site at <http://admin.state.nh.us/accounting>.

Acknowledgements

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

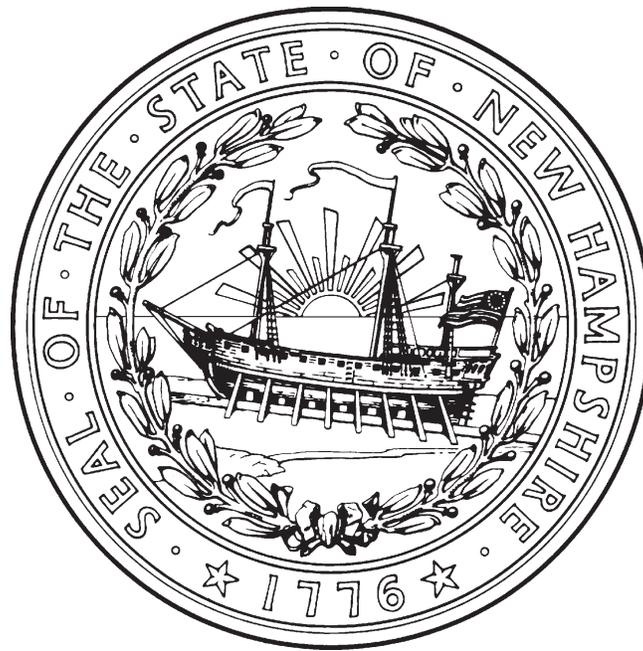
Respectfully submitted,



Donald S. Hill, Commissioner

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Financial Section





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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of New Hampshire as of and for the year ended June 30, 2007, 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 any of the discretely presented component units: the University System of New Hampshire, the Business Finance Authority and the Community Development Finance Authority and we did not audit the financial statements of the Investment Trust Fund and Judicial Retirement Plan which represents 74.4% of the assets of the remaining aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to those amounts included for those entities, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State of New Hampshire's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

As discussed in note 1A, the financial statements of the New Hampshire Retirement System (System), a Fiduciary Fund – Pension Trust Fund and the Pease Development Authority (Authority), a discretely presented component unit, of the State of New Hampshire, have not been presented herein as required by U.S. generally accepted accounting principles.

In our opinion, because of the omission of the System discussed in the previous paragraph, the financial statements referred to above do not present fairly, in conformity with U.S. generally accepted accounting principles, the financial position of the aggregate remaining fund information of the State of New Hampshire as of June 30, 2007, or the changes in financial position thereof for the year then ended.



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

In addition, in our opinion, based on our audit and the reports of other auditors, except for the effects of not including the Authority as part of the aggregate discretely presented component units, as discussed in the second previous paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units of the State of New Hampshire as of June 30, 2007, and the changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

Finally, in our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the State of New Hampshire as of June 30, 2007, 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 14, 2007, on our consideration of the State of New Hampshire's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 14 through 20, and the budget to actual - budgetary basis - schedules on pages 71 through 76 are not required parts of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of New Hampshire's basic financial statements. The introductory section, the other supplementary information and the statistical section as listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, except for the effects on the combining financial statements of the non-major component units of omitting the Authority, as explained in the third paragraph of this report, such information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections of this report have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

December 14, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of the financial activities of the State of New Hampshire (the state) for the fiscal year ended June 30, 2007. 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, 2007 by \$3.0 billion. This amount is presented as "net assets" on the Statement of Net Assets for the Total Primary Government (condensed information can be seen in the MD&A section of this report). Of this amount, \$499.5 million was reported as unrestricted net assets, \$662.9 million was restricted net assets, and \$1.8 billion was invested in capital assets. Unrestricted net assets represent the amount available to be used to meet the state's ongoing obligations to citizens and creditors.

Changes in Net Assets: The state's total net assets increased by \$239.7 million, or 8.7%, in fiscal year 2007. Net assets of governmental activities increased by \$228.2 million (10.6%), and net assets of the business-type activities showed an increase of \$11.5 million (1.9%).

Long-Term Obligations: The state's total long-term obligations decreased by \$11.3 million (1.1%) during the current fiscal year which represents the net difference between new issuances and payments of outstanding debt.

Fund Highlights:

Governmental Funds - Fund Balances: As of the close of fiscal year 2007, the state's governmental funds reported a combined ending fund balance of \$420.0 million, a decrease of \$8.8 million in comparison with the prior year. This change is inclusive of a \$0.1 million inventory reserve increase. Included in the combined governmental fund balance is the activity of the state's General Fund. The General Fund ended the year with an unreserved, undesignated surplus of \$61.7 million, and the Rainy Day balance was increased by \$20.0 million per Chapter 263:110, Laws of 2007, bringing the balance up to \$89.0 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Government-Wide Financial Statements

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

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

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

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

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

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

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

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

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

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

Fund Financial Statements

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

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

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

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

Individual fund data for each of the state's non-major governmental funds (Fish and Game Fund, Capital Fund and Permanent Funds) are provided in the combining statements found on pages 82 and 83.

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

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

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

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

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

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

Major Component Unit

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

Notes to the Financial Statements

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

Required Supplementary Information

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.

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 \$3.0 billion at the end of 2007, compared to \$2.8 billion at the end of the previous year.

Investment in Capital Assets: The largest portion of the state's net assets (61%) 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 \$139.1 million from prior year. This increase was the result of a net increase in capital assets of \$135.4 million during the year combined with a reduction in capital related debt of \$3.7 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: An additional portion of the state's net assets (22%) represents resources that are subject to external restrictions on how they may be used. Restricted net assets increased \$26.2 million from prior year due largely to an increase in revenue stabilization (Rainy Day) reserves during the year.

Unrestricted Net Assets: The state's unrestricted net assets, totaling \$499.5 million, increased \$74.5 million from the previous year, as a result of strong performance from business taxes and interest and dividends tax offset by transfers to Rainy Day reserves. These assets may be used to meet the state's ongoing obligations to citizens and creditors. Internally imposed designations of resources are not presented as restricted net assets. At the end of both the current and prior fiscal years, the state was able to report positive balances in all three categories of net assets, both for the primary government as a whole, as well as for its separate governmental and business-type activities.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Current assets	\$ 1,108,989	\$972,661	\$ 395,743	\$ 401,463	\$ 1,504,732	\$1,374,124
Capital assets	2,221,866	2,090,654	568,897	564,806	2,790,763	2,655,460
Other assets	292,252	291,394	6,996	17,158	299,248	308,552
Total assets	3,623,107	\$3,354,709	971,636	983,427	4,594,743	\$4,338,136
Noncurrent liabilities	716,303	710,845	265,355	282,088	981,658	992,933
Current liabilities	525,264	490,530	79,328	85,890	604,592	576,420
Total liabilities	1,241,567	1,201,375	344,683	367,978	1,586,250	1,569,353
Net assets:						
Invested in capital assets, net of related debt	1,547,866	1,430,849	298,150	276,083	1,846,016	1,706,932
Restricted	355,883	311,460	307,056	325,307	662,939	636,767
Unrestricted	477,791	411,025	21,747	14,059	499,538	425,084
Total net assets	\$ 2,381,540	2,153,334	\$ 626,953	\$ 615,449	\$ 3,008,493	\$2,768,783

Changes in Net Assets

The state's net assets increased by \$239.7 million, or 8.7%, during the current fiscal year. Total revenues increased by \$139.5 million (2.7%) as compared to increases in expenses of \$88.3 million (1.8%).

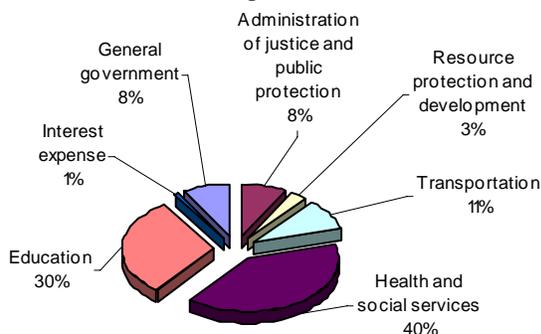
More than half of the state's revenue (59.2%) is from program revenue, consisting of charges for goods and services, and federal and local grants. Revenues not specifically targeted for a specific program are known as general revenues, which are primarily from taxes. The largest revenue increases were from a combination of growth in several taxes including business, interest and dividends and escheatments.

The state's expenses cover a range of services. The largest expenses were for Health and Social Services and Education, which accounted for 34.2% and 26.2% of total expenses, respectively. As compared to the prior year, Health and Social Services saw an increase of 2.0% due to additional federal Medicaid funding. Education expenses saw growth of 1.6% due to increased Education Grants.

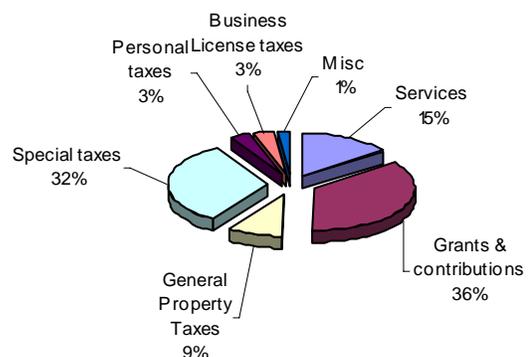
In addition, Resource Protection and Development grew by 5.5% due to increases in water pollution control programs.

State of New Hampshire's Changes in Net Assets For Fiscal Years Ending June 30, 2007 and 2006 (In Thousands)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Revenues						
Program revenues:						
Charges for services	\$ 650,410	\$ 664,957	\$ 891,424	\$ 870,461	\$ 1,541,834	\$ 1,535,418
Operating grants & contributions	1,367,207	1,340,495			1,367,207	1,340,495
Capital grants & contributions	184,409	195,142	10,422	16,757	194,831	211,899
General revenues:						
General Property Taxes	384,708	384,873			384,708	384,873
Special taxes	1,383,540	1,282,467			1,383,540	1,282,467
Personal taxes	143,610	150,756			143,610	150,756
Business License taxes	151,472	149,502			151,472	149,502
Interest	35,631	11,895			35,631	11,895
Miscellaneous	43,695	39,759			43,695	39,759
Total revenues	4,344,682	4,219,846	901,846	887,218	5,246,528	5,107,064
Expenses						
General government	358,060	353,814			358,060	353,814
Administration of justice and public protection	341,501	345,779			341,501	345,779
Resource protection and development	139,096	131,812			139,096	131,812
Transportation	411,475	416,518			411,475	416,518
Health and social services	1,714,445	1,681,182			1,714,445	1,681,182
Education	1,310,261	1,289,684			1,310,261	1,289,684
Interest Expense	28,180	27,991			28,180	27,991
Turnpike System			72,136	75,580	72,136	75,580
Liquor Commission			349,084	330,701	349,084	330,701
Lottery Commission			186,907	183,871	186,907	183,871
Unemployment Compensation			95,673	81,582	95,673	81,582
Total expenses	4,303,018	4,246,780	703,800	671,734	5,006,818	4,918,514
Increase (decrease) in net assets before transfers	41,664	(26,934)	198,046	215,484	239,710	188,550
Transfers & Other Items	186,542	185,429	(186,542)	(185,429)		
Increase(decrease) in net assets	228,206	158,495	11,504	30,055	239,710	188,550
Net assets, beginning of year	2,153,334	1,994,839	615,449	585,394	2,768,783	2,580,233
Net assets, end of year	\$ 2,381,540	\$ 2,153,334	\$ 626,953	\$ 615,449	\$ 3,008,493	\$ 2,768,783

**Expenses - Governmental Activities
Fiscal Year Ending June 30, 2007**



**Revenues - Governmental Activities
Fiscal Year Ending June 30, 2007**

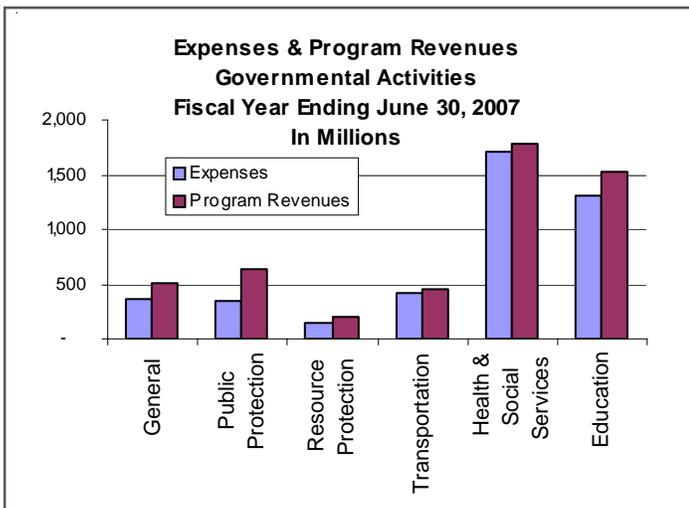


State of New Hampshire Analysis of Changes in Revenues and Expenses For Fiscal Year Ending June 30, 2007 Compared to 2006 (\$ In Millions)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	\$Change	% Change	\$Change	% Change	\$Change	% Change
Revenues						
Program revenues:						
Charges for services	(14.6)	-2.2%	21.0	2.4%	6.4	0.4%
Operating grants & contributions	26.7	2.0%			26.7	2.0%
Capital grants & contributions	(10.7)	-5.5%	(6.4)	-38.4%	(17.1)	-8.1%
General revenues:						
General Property Taxes	(0.2)	0.0%			(0.2)	0.0%
Special taxes	101.1	7.9%			101.1	7.9%
Personal taxes	(7.1)	-4.7%			(7.1)	-4.7%
Business License taxes	2.0	1.3%			2.0	1.3%
Interest	23.7	199.5%			23.7	199.5%
Miscellaneous	3.9	9.9%			3.9	9.9%
Total revenues	124.8	3.0%	14.6	1.6%	139.4	2.7%
Expenses						
General government	4.2	1.2%			4.2	1.2%
Administration of justice and public protection	(4.3)	-1.2%			(4.3)	-1.2%
Resource protection and development	7.3	5.5%			7.3	5.5%
Transportation	(5.0)	-1.2%			(5.0)	-1.2%
Health and social services	33.3	2.0%			33.3	2.0%
Education	20.6	1.6%			20.6	1.6%
Interest Expense	0.2	0.7%			0.2	0.7%
Turnpike System			(3.4)	-4.6%	(3.4)	-4.6%
Liquor Commission			18.4	5.6%	18.4	5.6%
Lottery Commission			3.0	1.7%	3.0	1.7%
Unemployment Compensation			14.1	17.3%	14.1	17.3%
Total expenses	56.3	1.3%	32.1	4.8%	88.4	1.8%

Governmental Activities

Governmental activities increased the state’s net assets by \$41.7 million, before transfer activity. Revenues increased by \$124.8 million or 3.0% from prior year to total \$4.3 billion. The growth was sufficient to offset expenses which grew \$56.2 million or 1.3%.

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. Note that the largest expenses for the state, Health and Social Services and Education, also represent those activities that have the largest gap between expense and program revenues. Since these expenses are least recovered from program revenues, the differences are made up from general revenues, which primarily represent state’s taxes, such as the statewide property taxes, business profits tax, business enterprise tax, real estate transfer, tobacco, meals and rooms, interest and dividends, etc. Health and Social Services increased by 2.0% from the previous year, while Education expenses grew approximately 1.6% due to higher education grant funding.



Business-Type Activities

Charges for goods and services for the state’s combined business type activities were more than adequate to cover the operating expenses and resulted in net assets increasing by \$198.0 million prior to transfers. Business-Type activities include the operations from the Liquor Commission, Lottery Commission, Unemployment Compensation Fund and Turnpike Fund.

Sales growth from the operations of the Liquor Commission resulted in net proceeds of \$106.0 million, a 2.5% increase from prior year, that were transferred to the General Fund to fund the general operations of the state. Increased operating expenses and relatively flat sales during the year contributed to a 1.8% decrease in net proceeds of \$80.5 million from the Lottery Commission which were transferred to the Education Fund.

Turnpike System net assets increased by \$27.7 million or 8.6% as a result of growth in toll revenues primarily due to the implementation of the E-ZPass electronic toll collection system. The operations of Unemployment Compensation, resulted in a decrease in net assets of \$15.9 million as a result of higher unemployment benefit payments this fiscal year.

FINANCIAL ANALYSIS OF THE STATE’S FUNDS

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

Governmental Funds

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

General Fund

The general fund is the chief operating fund of the state. The total fund equity was \$355.9 million. The general fund ended the year with a unreserved, undesignated surplus of \$61.7 million. The surplus was largely revenue driven due to growth in business and interest and dividends taxes and escheatments. The surplus was also net of \$20.0 million which was transferred to the Rainy Day Account, bringing the balance in the account to \$89.0 million.

Education Fund

Strength in business taxes contributed to a \$18.3 million or 2.4% increase in revenues. With expenditures remaining relatively flat as compared to prior year, the Education fund ended the year with an unreserved, undesignated surplus of \$40.6 million. In accordance with Chapter 263:111, Laws of 2007, this surplus was transferred to the general fund at June 30, 2007.

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 71.

General Fund:

The increase from the original budget of \$3,736 million to the final budget of \$3,938 million is \$202 million and represents additional appropriations issued after July 1, 2006 and are composed of the following (*in millions*):

• Dept. of Safety	\$ 49
Disaster Relief Assistance	5
Homeland Security Grants	5
Criminal Justice Grants	30
• HHS Medicaid Enhancement	23
• HHS Provider Payments	10
• HHS Children, Youth and Family Assistance	5
• HHS Emergency Preparedness	13
• Workforce Opportunity Council	13
• Office of Energy & Planning	7
Fuel Assistance	7
• Dept. of Justice	4
• Education Grants	31
• Supplemental Appropriations for	202
Energy Expense Shortfall	
• Various	31
Total	\$ 202

The largest negative variances from the final budget to actual amounts were for grant revenues. Grants from Federal, Private and Local Sources had a combined unfavorable variance of \$422 million. The unfavorable variances in grant revenues are due to timing differences that extend beyond the state's fiscal year and therefore revenue is not drawn down until expenditures are incurred.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The state's investment in capital assets for its governmental and business-type activities as of June 30, 2007, amounted to \$5.2 billion, with accumulated depreciation amounts of \$2.4 billion, leaving a net book value of \$2.8 billion, an increase of \$146.3 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 \$1.5 billion, which increased \$63.3 million from the previous year as current year additions of \$114.4 million exceeded depreciation of \$51.1 million.

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

Debt Administration

The state may issue general obligation bonds, revenue bonds, and notes in anticipation of such bonds authorized by the Legislature and Governor and Council. The state may also directly guarantee certain authority or political subdivision obligations. At the end of the current fiscal year, the state had total bonded debt outstanding of \$984.3 million. Of this amount, \$715.3 million are general obligation bonds, which are backed by the full faith and credit of the state. The remainder of the state's bonded debt is Turnpike revenue bonds, which are secured by the specified revenue sources within the Turnpike System.

On November 23, 2005 the state issued \$39.4 million of turnpike system revenue refunding bonds. The interest rate on these new bonds is 5%. The closing date for this bond issue was August 24, 2006.

On December 13, 2006, the state issued \$75 million of general obligation capital improvement bonds. The interest rates on these serial bonds range from 3.5% to 5.0%, and the maturity dates range from 2008 through 2026.

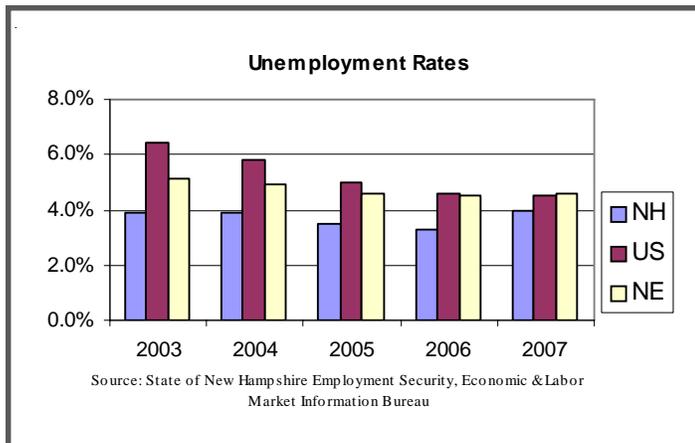
On December 15, 2006 the state issued \$121.9 million of general obligation refunding bonds. The interest rate on these serial bonds range from 4.0% to 5.0%, and the maturity dates range from 2009 through 2020.

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

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

ECONOMIC CONDITIONS AND OUTLOOK

Favorable tax climate for both business and the individual coupled with high quality of life and standard of living has made New Hampshire a competitive state in a slow growing region. Although economic indicators reflect a slowing economy, the state is forecasted to lead the region in several areas including gross state product and employment. The state's unemployment rate of 4.0% continues to be below the New England and national averages of 4.6% and 4.5%, respectively.



New Hampshire's fiscal 2007 unrestricted revenue grew by 5.0% from the previous year as growth in business taxes (8.7%) and interest and dividends tax (34.3%) reflect the economic strength and improved investment environment during the year. However, these increases were offset by real estate transfer taxes and tobacco taxes, which declined 13.4% and 4.8%, respectively. In addition, meals and rooms taxes performed 3.6% below estimates. These decreases reflect the ongoing housing downturn and may be signaling that housing and higher energy costs are beginning to effect consumer discretionary spending.

Going forward, the state will be monitoring revenue collections closely looking for signs that the ongoing housing credit crisis and higher energy prices are beginning to affect other sectors in the overall state economy. The state will continue manage spending with budget reductions and program savings initiatives where needed. Fiscal 2007 net appropriations grew by only 1.7% from the previous year.

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.

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Basic Financial Statements

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STATE OF NEW HAMPSHIRE
STATEMENT OF NET ASSETS
JUNE 30, 2007
(Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Current Assets:				
Cash and Cash Equivalents.....	\$ 512,969	\$ 297,006	\$ 809,975	\$ 206,681
Cash and Cash Equivalents-Restricted.....		40,376	40,376	
Receivables (Net of Allowances for Uncollectibles)....	588,561	24,884	613,445	33,886
Internal Balances.....	(8,421)	8,421		
Due from Component Units.....	2,537		2,537	
Inventories.....	13,343	24,951	38,294	
Other Current Assets.....		105	105	5,344
Total Current Assets.....	1,108,989	395,743	1,504,732	245,911
Noncurrent Assets:				
Receivables (Net of Allowances for Uncollectibles)....	235,417		235,417	31,518
Due from Component Units.....	26,679		26,679	
Investments.....	30,156		30,156	387,856
Bond Issue Costs.....		3,332	3,332	
Other Assets.....		3,664	3,664	2,976
Capital Assets:				
Land & Land Improvements.....	546,412	113,644	660,056	10,738
Buildings & Building Improvements.....	661,832	24,746	686,578	969,691
Equipment & Computer Software.....	219,033	42,880	261,913	122,082
Construction in Progress.....	234,094	58,984	293,078	163,527
Infrastructure.....	2,744,520	558,936	3,303,456	
Less: Allowance for Depreciation	(2,184,025)	(230,293)	(2,414,318)	(479,200)
Net Capital Assets.....	2,221,866	568,897	2,790,763	786,838
Total Noncurrent Assets.....	2,514,118	575,893	3,090,011	1,209,188
Total Assets.....	3,623,107	971,636	4,594,743	1,455,099
LIABILITIES				
Current Liabilities:				
Accounts Payable.....	274,955	41,057	316,012	50,455
Accrued Payroll.....	45,839	2,427	48,266	82
Due to Primary Government.....				447
Deferred Revenue.....	64,151	8,808	72,959	37,966
Unclaimed Property & Prizes.....	17,424	1,346	18,770	
General Obligation Bonds Payable.....	74,997	1,509	76,506	
Claims & Compensated Absences Payable.....	42,472	1,744	44,216	10,880
Other Liabilities.....	5,426	6,028	11,454	5,084
Other Liabilities-Restricted.....		3,954	3,954	335
Revenue Bonds Payable-Restricted.....		12,455	12,455	
Revenue Bonds Payable.....				6,717
Total Current Liabilities.....	525,264	79,328	604,592	111,966
Noncurrent Liabilities:				
General Obligation Bonds Payable, Net	635,878	2,868	638,746	
Revenue Bonds Payable, Net		256,629	256,629	410,954
Claims & Compensated Absences Payable.....	76,284	5,371	81,655	73,969
Due to Primary Government.....				926
Other Noncurrent Liabilities.....	4,141	487	4,628	45,869
Total Noncurrent Liabilities.....	716,303	265,355	981,658	531,718
Total Liabilities.....	\$ 1,241,567	\$ 344,683	\$ 1,586,250	\$ 643,684

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

STATE OF NEW HAMPSHIRE
STATEMENT OF NET ASSETS
JUNE 30, 2007
(Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
NET ASSETS				
Invested in Capital Assets, net of related debt.....	\$ 1,547,866	\$ 298,150	\$ 1,846,016	\$ 415,568
Restricted for Debt Repayments.....		40,376	40,376	
Restricted for Unemployment Benefits.....		263,016	263,016	
Restricted for Permanent Funds-Non-Expendable....	15,839		15,839	
Restricted for Prize Awards - MUSL & Tri-State.....		3,664	3,664	
Restricted for Environmental Loans.....	250,998		250,998	
Restricted for Revenue Stabilization.....	89,046		89,046	
Restricted Component Unit Net Assets.....				283,851
Unrestricted Net Assets.....	477,791	21,747	499,538	111,996
Total Net Assets.....	\$ 2,381,540	\$ 626,953	\$ 3,008,493	\$ 811,415

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STATE OF NEW HAMPSHIRE
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Expressed in Thousands)

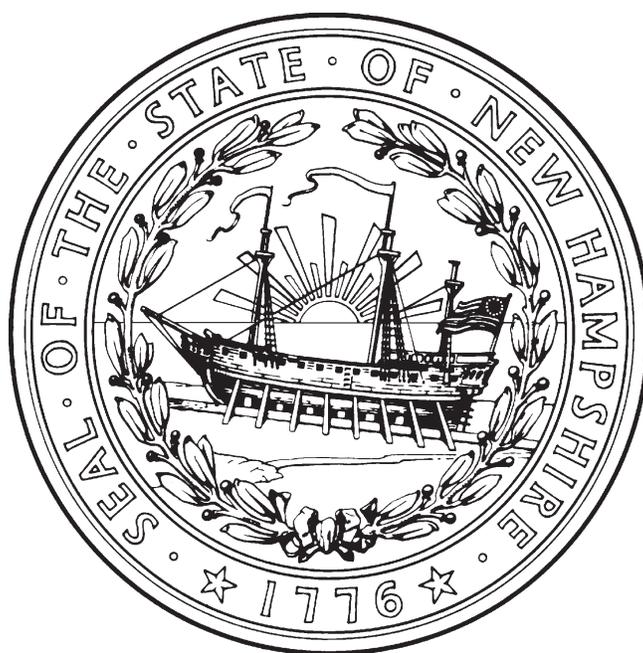
Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental Activities:				
General Government.....	\$ 358,060	\$ 156,973	\$ 39,253	
Administration of Justice & Public Protection.....	341,501	297,505	93,736	\$ 127
Resource Protection and Development.....	139,096	64,304	43,017	73
Transportation.....	411,475	14,564	23,027	179,610
Health and Social Services.....	1,714,445	74,297	995,000	
Education.....	1,310,261	42,767	173,174	4,599
Interest Expense.....	28,180			
Total Governmental Activities.....	4,303,018	650,410	1,367,207	184,409
Business-type Activities:				
Turnpike System.....	72,136	89,408		10,422
Liquor Commission.....	349,084	454,917		
Lottery Commission.....	186,907	267,322		
Unemployment Compensation.....	95,673	79,777		
Total Business-type Activities.....	703,800	891,424		10,422
Total Primary Government.....	\$ 5,006,818	\$ 1,541,834	\$ 1,367,207	\$ 194,831
COMPONENT UNITS				
University System of New Hampshire.....	\$ 614,558	\$ 391,577	\$ 174,862	\$ 15,630
Non-Major Component Units.....	16,624	4,226	12,389	
Total Component Units.....	\$ 631,182	\$ 395,803	\$ 187,251	\$ 15,630

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

Net (Expenses) Revenues and Changes in Net Assets

Primary Government

Governmental Activities	Business-Type Activities	Total	Component Units
\$ (161,834)		\$ (161,834)	
49,867		49,867	
(31,702)		(31,702)	
(194,274)		(194,274)	
(645,148)		(645,148)	
(1,089,721)		(1,089,721)	
(28,180)		(28,180)	
(2,100,992)		(2,100,992)	
	\$ 27,694	27,694	
	105,833	105,833	
	80,415	80,415	
	(15,896)	(15,896)	
	198,046	198,046	
\$ (2,100,992)	\$ 198,046	\$ (1,902,946)	
			\$ (32,489)
			(9)
			\$ (32,498)
384,708		384,708	
1,383,540		1,383,540	
143,610		143,610	
151,472		151,472	
35,631		35,631	28,045
43,695		43,695	
			100,275
186,542	(186,542)		
2,329,198	(186,542)	2,142,656	128,320
228,206	11,504	239,710	95,822
2,153,334	615,449	2,768,783	715,593
\$ 2,381,540	\$ 626,953	\$ 3,008,493	\$ 811,415



Fund Financial Statements

Governmental Funds

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

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

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

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STATE OF NEW HAMPSHIRE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007
(Expressed in Thousands)

	General	Highway	Education	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 369,203	\$ 51,615	\$ 22,007	\$ 15,340	\$ 458,165
Investments	20,439			9,717	30,156
Receivables (Net of Allowances for Uncollectibles)....	499,407	36,799	32,070	1,903	570,179
Due from Other Funds	55,836	534	1,508		57,878
Due from Component Units.....	29,216				29,216
Inventories.....	5,680	7,011		652	13,343
Loans and Notes Receivables	252,585			30	252,615
Total Assets	<u>\$ 1,232,366</u>	<u>\$ 95,959</u>	<u>\$ 55,585</u>	<u>\$ 27,642</u>	<u>\$ 1,411,552</u>
LIABILITIES					
Accounts Payable.....	\$ 236,979	\$ 26,053	\$ 1,600	\$ 10,207	\$ 274,839
Accrued Payroll.....	40,201	4,813		824	45,838
Due to Other Funds	10,463		40,581	15,255	66,299
Deferred Revenue	571,326	4,088	11,400	323	587,137
Unclaimed Property and Prizes.....	17,424				17,424
Other Liabilities.....	61				61
Total Liabilities.....	<u>876,454</u>	<u>34,954</u>	<u>53,581</u>	<u>26,609</u>	<u>991,598</u>
FUND BALANCES					
Reserved for Encumbrances.....	140,665	48,062		58,904	247,631
Reserved for Inventories.....	5,680	7,011		652	13,343
Reserved for Unexpended Appropriations.....	58,808	23,813	2,004	65,979	150,604
Reserved for Revenue Stabilization.....	89,046				89,046
Reserved for Permanent Trust				15,839	15,839
Unreserved, Undesignated (Note 14).....	61,713	(17,881)			43,832
Unreserved, Fish & Game Fund.....				2,496	2,496
Unreserved (Deficit), Capital Project Fund.....				(142,837)	(142,837)
Total Fund Balances.....	<u>355,912</u>	<u>61,005</u>	<u>2,004</u>	<u>1,033</u>	<u>419,954</u>
Total Liabilities and Fund Balances.....	<u>\$ 1,232,366</u>	<u>\$ 95,959</u>	<u>\$ 55,585</u>	<u>\$ 27,642</u>	<u>\$ 1,411,552</u>

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

STATE OF NEW HAMPSHIRE
 RECONCILIATION OF THE BALANCE SHEET-
 GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2007
 (Expressed in Thousands)

Total fund balances for governmental funds	\$	419,954
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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	2,221,866
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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	189,238	
Medicaid Hospital Reimbursements	48,871	
Highway Fund Federal and Municipal Billings	1,681	
Indigent Representation Advances	2,982	
SRF Loans	250,998	
Component Unit Loans	<u>29,216</u>	522,986

Internal service funds are used by management to charge the costs of certain activities, such as risk management and health related fringe benefits, to individual funds. The assets and liabilities of the internal service fund is included in governmental activities in the Statement of Net Assets.

36,279

Certain long term liabilities are not payable by current available resources and therefore are not reported in the funds:

Compensated Absences, Workers Compensation and Health Claims	(99,167)	
Capital Lease Obligations	(5,825)	
Bond Payables	(710,875)	
Interest Payable	<u>(3,678)</u>	(819,545)

Net Assets of Governmental Activities	<u>\$</u>	<u>2,381,540</u>
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**STATE OF NEW HAMPSHIRE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Expressed in Thousands)**

	General	Highway	Education	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
General Property Taxes.....	\$ 126		\$ 385,182		\$ 385,308
Special Taxes.....	1,017,045		284,844		1,301,889
Personal Taxes.....	65,327		78,283		143,610
Business License Taxes.....	19,844	\$ 151,472			171,316
Non-Business License Taxes.....	98,814	73,764		\$ 8,593	181,171
Fees.....	122,229	19,653		1,659	143,541
Fines, Penalties and Interest.....	26,540	670		211	27,421
Grants from Federal Government.....	1,195,117	158,648		55,486	1,409,251
Grants from Private and Local Sources.....	116,193	13,684		420	130,297
Rents and Leases.....	1,339	57			1,396
Interest, Premiums and Discounts.....	41,955	3,022		1,309	46,286
Sale of Commodities.....	7,955	193		277	8,425
Sale of Service.....	89,466	3,585		3	93,054
Assessments.....	51,017				51,017
Grants from Other Agencies.....	4,589	2,020		4,278	10,887
Miscellaneous.....	73,867	8,344	40,781	1,710	124,702
Total Revenues.....	2,931,423	435,112	789,090	73,946	4,229,571
EXPENDITURES					
General Government.....	311,262		3,335		314,597
Administration of Justice and Public Protection.....	329,676	940			330,616
Resource Protection and Development.....	148,440			21,809	170,249
Transportation.....	3,102	286,991			290,093
Health and Social Services.....	1,713,372			232	1,713,604
Education.....	434,856		838,328		1,273,184
Debt Service.....	87,759	7,216		222	95,197
Capital Outlay.....	35,333	170,650		108,566	314,549
Total Expenditures.....	3,063,800	465,797	841,663	130,829	4,502,089
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	(132,377)	(30,685)	(52,573)	(56,883)	(272,518)
OTHER FINANCING SOURCES (USES)					
Transfers In	42,519			854	43,373
Transfers in from Enterprise Funds.....	105,994		80,548		186,542
Transfers Out.....		(1,709)	(40,581)	(1,083)	(43,373)
Capital Lease Acquisition.....	533	277			810
Payments to Refunding Bond Escrow Agent.....				(127,787)	(127,787)
G.O. Bond Premiums.....				7,386	7,386
G.O. Bond Issuance.....				196,885	196,885
Total Other Financing Sources (Uses).....	149,046	(1,432)	39,967	76,255	263,836
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses.....	16,669	(32,117)	(12,606)	19,372	(8,682)
Fund Balances - July 1	339,308	93,059	14,610	(18,257)	428,720
Change in Reserve for Inventory.....	(65)	63		(82)	(84)
Fund Balances - June 30.....	\$ 355,912	\$ 61,005	\$ 2,004	\$ 1,033	\$ 419,954

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, 2007
(Expressed in Thousands)**

Net change in fund balance - total governmental funds \$ (8,766)

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 56,131

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	51,634	
Buildings & Building Improvements	54,866	
Equipment & Computer Software	32,150	
Construction in Progress	(28,458)	
Infrastructure	91,604	
Accumulated Depreciation, net of Disposals	<u>(70,584)</u>	131,212

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. 14,873

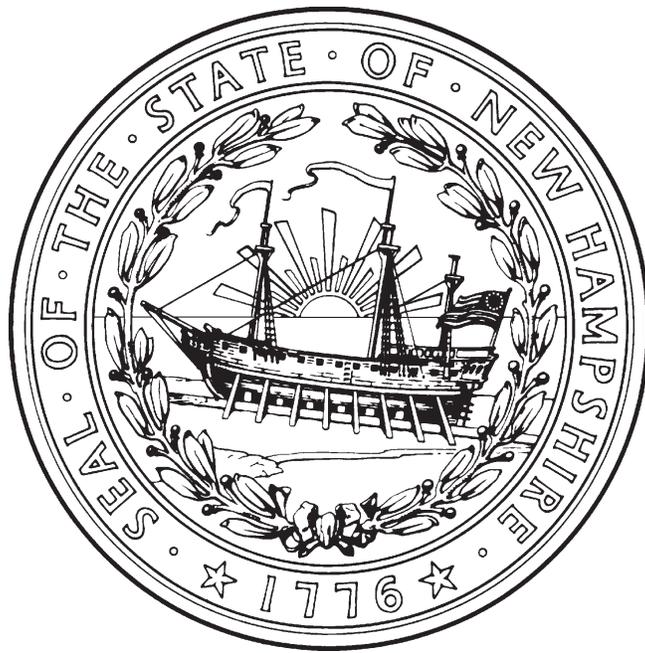
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.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

Bond Proceeds & Premiums Received	(199,049)	
Repayment of Bond Principal & Interest	194,747	
Accretion of Bonds Payable	(5,320)	
Accrued Interest & Amortization	<u>1,003</u>	(8,619)

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 and Health Claims	1,523	
Change in Capital Lease Obligation	260	
SRF loan program	<u>41,592</u>	43,375

Change in net assets of governmental activities \$ 228,206



Proprietary Fund Financial Statements

Enterprise Funds:

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

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

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

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

Internal Service Fund:

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

STATE OF NEW HAMPSHIRE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2007
(Expressed in Thousands)

	Business-Type Activities - Enterprise Funds					Governmental
	Turnpike System	Liquor Commission	Lottery Commission	Unemployment Compensation	Total	Activities Internal Service Fund
ASSETS						
Current Assets:						
Cash and Cash Equivalents.....	\$ 34,940	\$ 1,413	\$ 1,561	\$ 259,092	\$ 297,006	\$ 54,802
Cash and Cash Equivalents-Restricted.....	40,376				40,376	
Receivables (Net of Allowances for Uncollectibles).....	3,048	9,220	2,863	9,753	24,884	1,182
Due from Other Funds.....		10,463			10,463	
Inventories.....	1,727	22,288	936		24,951	
Other Current Assets.....			105		105	
Total Current Assets.....	80,091	43,384	5,465	268,845	397,785	55,984
Noncurrent Assets:						
Investments-Restricted.....						
Bond Issue Costs.....	3,332				3,332	
Capital Assets:						
Land & Land Improvements.....	110,412	3,232			113,644	
Buildings & Building Improvements.....	4,828	19,918			24,746	
Equipment & Computer Software.....	33,468	8,969	443		42,880	
Construction in Progress.....	58,984				58,984	
Infrastructure.....	558,936				558,936	
Less: Allowance for Depreciation & Amortization.....	(210,976)	(19,109)	(208)		(230,293)	
Net Capital Assets.....	555,652	13,010	235		568,897	
Other Assets.....			3,664		3,664	
Total Noncurrent Assets.....	558,984	13,010	3,899		575,893	
Total Assets.....	639,075	56,394	9,364	268,845	973,678	55,984
LIABILITIES						
Current Liabilities:						
Accounts Payable.....	3,128	36,638	1,291		41,057	116
Accrued Payroll.....	694	1,577	156		2,427	
Due to Other Funds.....	534		1,508		2,042	
Deferred Revenue.....	5,961	1,842	1,005		8,808	
Unclaimed Prizes.....			1,346		1,346	
General Obligation Bonds Payable.....	1,509				1,509	
Revenue Bonds Payable-Restricted.....	12,455				12,455	
Accrued Interest Payable-Restricted.....	3,954				3,954	
Claims & Compensated Absences Payable.....	708	932	104		1,744	19,589
Other Liabilities.....	68	131		5,829	6,028	
Total Current Liabilities.....	29,011	41,120	5,410	5,829	81,370	19,705
Noncurrent Liabilities:						
General Obligation Bonds Payable.....	2,868				2,868	
Revenue Bonds Payable.....	256,629				256,629	
Claims & Compensated Absences Payable.....	2,673	2,395	303		5,371	
Other Noncurrent Liabilities.....		487			487	
Total Noncurrent Liabilities.....	262,170	2,882	303		265,355	
Total Liabilities.....	291,181	44,002	5,713	5,829	346,725	19,705
NET ASSETS						
Invested in Capital Assets, net of related debt.....	285,523	12,392	235		298,150	
Restricted for Debt Repayments.....	40,376				40,376	
Restricted for Prize Awards - MUSL & Tri-State.....			3,664		3,664	
Restricted for Unemployment Benefits.....				263,016	263,016	
Unrestricted Net Assets (Deficit).....	21,995		(248)		21,747	36,279
Total Net Assets.....	\$ 347,894	\$ 12,392	\$ 3,651	\$ 263,016	\$ 626,953	\$ 36,279

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, 2007
(Expressed in Thousands)**

	Business-Type Activities - Enterprise Funds				Total	Governmental
	Turnpike System	Liquor Commission	Lottery Commission	Unemployment Compensation		Internal Service Fund
OPERATING REVENUES						
Charges for Sales and Services.....		\$ 436,135	\$ 266,007	\$ 67,364	\$ 769,506	\$ 230,258
Toll Revenue Pledged for						
Repaying Revenue Bonds.....	\$ 85,718				85,718	
Total Operating Revenue.....	85,718	436,135	266,007	67,364	855,224	230,258
OPERATING EXPENSES						
Cost of Sales and Services.....		316,888	23,086		339,974	
Lottery Prize Awards.....			156,041		156,041	
Unemployment Insurance Benefits.....				95,673	95,673	
Insurance Claims.....						206,928
Administration.....	44,710	31,299	7,735		83,744	8,457
Depreciation.....	13,719	897	45		14,661	
Total Operating Expenses.....	58,429	349,084	186,907	95,673	690,093	215,385
Operating Income (Loss).....	27,289	87,051	79,100	(28,309)	165,131	14,873
NONOPERATING REVENUES (EXPENSES)						
Licenses.....		3,697			3,697	
Beer Taxes.....		12,520			12,520	
Investment Income.....	3,283		1,315	12,413	17,011	
Miscellaneous.....	407	2,565			2,972	
Interest on Bonds.....	(13,473)				(13,473)	
Amortization of Bond Issuance Costs.....	(234)				(234)	
Total Nonoperating Revenues (Expenses).....	(10,017)	18,782	1,315	12,413	22,493	
Income Before Grant Contributions.....	17,272	105,833	80,415	(15,896)	187,624	14,873
Grant Contributions.....	10,422				10,422	
Income Before Operating Transfers.....	27,694	105,833	80,415	(15,896)	198,046	14,873
Transfers Out to Governmental Funds.....		(105,994)	(80,548)		(186,542)	
Change in Net Assets.....	27,694	(161)	(133)	(15,896)	11,504	14,873
Net Assets - July 1	320,200	12,553	3,784	278,912	615,449	21,406
Net Assets - June 30.....	\$ 347,894	\$ 12,392	\$ 3,651	\$ 263,016	\$ 626,953	\$ 36,279

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, 2007
(Expressed in Thousands)**

	Business-Type Activities - Enterprise Funds				Total	Governmental
	Turnpike System	Liquor Commission	Lottery Commission	Unemployment Compensation		Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from federal and local agencies.....				\$ 2,606	\$ 2,606	
Receipts from customers.....	\$ 85,397	\$ 434,350	\$ 166,304	64,620	750,671	\$ 21,933
Receipts from interfund charges.....						210,125
Payments to employees.....	(11,085)	(18,140)	(2,162)		(31,387)	
Payments to suppliers.....	(29,469)	(333,533)	(5,573)		(368,575)	(8,359)
Payments to prize winners.....			(78,661)		(78,661)	
Payments for Insurance Claims.....				(90,828)	(90,828)	(206,901)
Payments for Interfund Services.....	(3,685)	(3,866)	(991)		(8,542)	
Net Cash Provided by (Used In) Operating Activities.....	41,158	78,811	78,917	(23,602)	175,284	16,798
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers to Other Funds.....		(97,858)	(79,904)		(177,762)	
Proceeds from Collection of Licenses and Beer Tax.....		16,217			16,217	
Net Cash Used for Noncapital and Related Financing Activities.....		(81,641)	(79,904)		(161,545)	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition, Disposal and Construction of Capital Assets.....	(18,454)	(778)	(69)		(19,301)	
Grant Contributions.....	10,422				10,422	
Interest Paid on Revenue & General Obligation Bonds.....	(13,882)				(13,882)	
Principal Paid on Bonds.....	(17,995)				(17,995)	
Contributions from Other Funds.....	214	778			992	
Net Cash (Used) for Capital and Related Financing Activities.....	(39,695)		(69)		(39,764)	
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from Maturities of Investments.....	9,992				9,992	
Interest and Other Income.....	3,336	2,573	1,296	12,413	19,618	
Net Cash Provided by Investing Activities.....	13,328	2,573	1,296	12,413	29,610	
Net Increase (Decrease) in Cash & Cash Equivalents.....	14,791	(257)	240	(11,189)	3,585	16,798
Cash and Cash Equivalents - July 1.....	60,525	1,670	1,321	270,281	333,797	38,004
Cash and Cash Equivalents - June 30.....	\$ 75,316	\$ 1,413	\$ 1,561	\$ 259,092	\$ 337,382	\$ 54,802
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities:						
Operating Income (Loss).....	\$ 27,289	\$ 87,051	\$ 79,100	\$ (28,309)	\$ 165,131	\$ 14,873
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Depreciation.....	13,719	897	45		14,661	
Change in Operating Assets and Liabilities:						
Change in Receivables.....	(714)	(1,567)	(991)	4,487	1,215	1,793
Change in Inventories.....	205	(2,167)	329		(1,633)	
Change in Other Current Assets.....			(102)		(102)	
Change in Restricted Deposits-MUSL.....			134		134	
Change in Accounts Payable and other Accruals.....	266	(5,185)	591	220	(4,108)	105
Change in Claims Payable.....			(75)		(75)	27
Change in Deferred Revenue.....	393	(218)	(114)		61	
Net Cash Provided by Operating Activities.....	\$ 41,158	\$ 78,811	\$ 78,917	\$ (23,602)	\$ 175,284	\$ 16,798

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

Component Units Financial Statements

STATE OF NEW HAMPSHIRE
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Expressed in Thousands)

	University System of New Hampshire	Non-Major Component Unit	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents.....	\$ 194,346	\$ 12,335	\$ 206,681
Accounts Receivable.....	24,064	282	24,346
Notes Receivable - Current Portion.....	4,274	5,266	9,540
Prepaid Expenses & Other.....	5,300	44	5,344
Total Current Assets.....	227,984	17,927	245,911
Noncurrent Assets:			
Investments.....	375,362	12,494	387,856
Notes & Other Receivables.....	19,822	11,696	31,518
Other Assets.....	2,719	257	2,976
Capital Assets:			
Land & Land Improvements.....	10,709	29	10,738
Building & Building Improvements.....	961,740	7,951	969,691
Equipment.....	121,887	195	122,082
Construction in Progress.....	163,527	-	163,527
Less: Accumulated Depreciation.....	(476,058)	(3,142)	(479,200)
Net Capital Assets.....	781,805	5,033	786,838
Total Noncurrent Assets.....	397,903	24,447	422,350
Total Assets.....	1,407,692	47,407	1,455,099
LIABILITIES			
Current Liabilities:			
Accounts Payable.....	50,392	63	50,455
Accrued Salaries and Wages.....		82	82
Accrued Employee Benefits - Current.....	10,865	15	10,880
Other Payables & Accrued Expenses.....		5,084	5,084
Other Liabilities-Restricted.....		335	335
Deposits and Deferred Revenues.....	35,016	2,950	37,966
Due to Primary Government - Current Portion.....	447	-	447
Long Term Debt-Current Portion.....	6,717	-	6,717
Total Current Liabilities.....	103,437	8,529	111,966
Noncurrent Liabilities:			
Revenue Bonds Payable.....	410,954		410,954
Accrued Employee Benefits.....	73,969		73,969
Due to Primary Government.....	926	-	926
Other Long Term Debt.....	19,531	26,338	45,869
Total Noncurrent Liabilities.....	505,380	26,338	531,718
Total Liabilities.....	608,817	34,867	643,684
NET ASSETS			
Invested in Capital Assets, Net of Related Debt.....	410,534	5,034	415,568
Restricted for Endowments.....	283,454		283,454
Restricted for Specific Purposes.....		397	397
Total Restricted Net Assets.....	693,988	5,431	699,419
Unrestricted Net Assets.....	104,887	7,109	111,996
Total Net Assets.....	\$ 798,875	\$ 12,540	\$ 811,415

STATE OF NEW HAMPSHIRE
 COMBINING STATEMENT OF ACTIVITIES
 COMPONENT UNITS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007
 (Expressed in Thousands)

	University System of New Hampshire	Total Non- Major	Total
Expenses	\$ 614,558	\$ 16,624	\$ 631,182
Program Revenues:			
Charges for Services:			
Tuition & Fees.....	291,967		291,967
Scholarship Allowances.....	(75,153)		(75,153)
Sales, Services, & Other Revenue.....	174,763	4,226	178,989
Operating Grants & Contributions.....	174,862	12,389	187,251
Capital Grants & Contributions.....	15,630		15,630
Total Program Revenues.....	<u>582,069</u>	<u>16,615</u>	<u>598,684</u>
Net Revenues (Expenses).....	<u>(32,489)</u>	<u>(9)</u>	<u>(32,498)</u>
Interest & Investment Income.....	27,575	470	28,045
Payments (to) from State of New Hampshire.....	100,334	(59)	100,275
Change in Net Assets.....	<u>95,420</u>	<u>402</u>	<u>95,822</u>
Net Assets - Beginning			
(Restated Community Development Finance Authority-Note 16)....	703,455	12,138	715,593
Net Assets - Ending	<u>\$ 798,875</u>	<u>\$ 12,540</u>	<u>\$ 811,415</u>

Fiduciary Funds Financial Statements

Pension Trust Fund: New Hampshire Judicial Retirement Plan

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

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

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

Agency Funds: *Assets received by the state as an agent for other governmental units, other organizations, or individuals are accounted for as agency funds. The 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, 2007
 (Expressed in Thousands)

	Judicial		Investment	
	Retirement	Private-purpose	Trust	Agency
	Plan	Trust Funds	Funds	Funds
ASSETS				
Cash and Cash Equivalents.....	\$ 77	\$ 7,106		\$ 11,694
Total Cash.....	77	7,106		11,694
Receivables:				
Due from Employers.....	70			
Due from Plan Members.....	37			
Other			891	
Total Receivables.....	107		891	
Investments.....	49,372	24,756	327,647	3,154
Total Assets.....	49,556	31,862	328,538	14,848
LIABILITIES				
Management Fees and Other Payables.....	157		180	
Custodial Funds Payable.....				14,848
Other Liabilities.....		184		
Total Liabilities.....	157	184	180	14,848
Net Assets Held in Trust for Benefits & Other Purposes.....	\$ 49,399	\$ 31,678	\$ 328,358	

RECONCILIATION OF NET ASSETS HELD IN TRUST:

Employees' Pension Benefits.....	\$ 49,399			
Net Assets for Pool Participants in				
External Investment Pool.....			\$ 328,358	
Other Purposes.....		\$ 31,678		
Net Assets Held in Trust for Benefits & Other Purposes.....	\$ 49,399	\$ 31,678	\$ 328,358	

STATE OF NEW HAMPSHIRE
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Expressed in Thousands)

	Judicial Retirement Plan	Private-purpose Trust Funds	Investment Trust Funds
ADDITIONS			
Contributions:			
Employer	\$ 1,174		
Total Employer Contributions.....	1,174		
Plan Members.....	618		
From Participants.....		\$ 16,329	\$ 400,095
Total Contributions.....	1,792	16,329	400,095
Investment Income:			
From Investing Activities:			
Net (Depreciation) in Fair Value of Investments.....	4,078	13,707	
Interest Income.....	2,157	467	
Net Increase in Joint Value from Investment Income.....			15,630
Total Income from Investing Activities.....	6,235	14,174	15,630
Less: Investment Activity Expenses:			
Investment Management Fees.....	166		
Custodial Fees.....	65		
Investment Advisor Fees.....	45		
Total Investment Activity Expenses.....	276		
Total Net Income from Investing Activities.....	5,959	14,174	15,630
From Securities Lending Activities:			
Total Additions.....	7,751	30,503	415,725
DEDUCTIONS			
Benefits/Distributions to Participants.....	2,827	2,184	15,630
Administrative Expense.....	122		
Other.....		19,468	349,931
Total Deductions.....	2,949	21,652	365,561
Change in Net Assets.....	4,802	8,851	50,164
NET ASSETS HELD IN TRUST FOR BENEFITS & OTHER PURPOSES			
Beginning of the Year.....	44,597	22,827	278,194
End of the Year.....	\$ 49,399	\$ 31,678	\$ 328,358

Notes to the Basic Financial Statements

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NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

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

Discrete Component Units:

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

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

Major Component Unit

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

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

Non-major Component Units

Business Finance Authority of the State of New Hampshire - The Business Finance Authority (BFA) is a body corporate and politic with a governing board of fourteen members. The board consists of nine members appointed by the Governor with the consent of the Executive Council. The remaining members include two state Representatives, two Senators, and the Treasurer. The state currently guarantees outstanding loans and principal on bonds of the BFA as of June 30, 2007, which creates the potential for the BFA to impose a financial burden on the state. BFA's financials can be obtained by contacting, BFA at 14 Dixon Avenue, Suite 101, Concord NH 03301.

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

Pease Development Authority - The Pease Development Authority (PDA) is a body corporate and politic with a governing body of seven members. Four members are appointed by the Governor and state legislative leadership, and three members are appointed by the city of Portsmouth and the town of Newington. The state currently guarantees outstanding loans and principal on bonds of the PDA and has issued bonds on behalf of the PDA as of June 30, 2007, which creates the potential for the PDA to impose a financial burden on the state. In addition, the state has made several loans to the PDA. PDA's financials can be obtained by contacting PDA at, 360 Corporate Drive, Portsmouth NH 03801.

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

This component unit has not been presented in the non-major component units due to the ongoing audit of their fiscal 2007 financial statements. The release date of the Pease Development Authority audited financial statements is unknown as of the date of this report.

Fiduciary Component Units:

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

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

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

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

This component unit has not been presented in the fiduciary funds due to the ongoing audit of their fiscal 2007 financial statements. The release date of the New Hampshire Retirement System audited financial statements is unknown as of the date of this report.

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

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

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

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

Related Organizations:

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

Those organizations are:

- Maine - New Hampshire Interstate Bridge Authority
- New Hampshire Health and Education Facilities Authority
- New Hampshire Housing Finance Authority
- New Hampshire Municipal Bond Bank

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

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

Measurement Focus and Basis of Accounting

The *government-wide financial statements* are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless

of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

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

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

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

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

Financial Statement Presentation

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

The state reports the following major governmental funds:

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

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

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

The state reports the following major enterprise funds:

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

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

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

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

Additionally, the state reports the following 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 Fund - report resources that are required to be held in trust for the members and beneficiaries of the state's contributory defined benefit plans, and post employment benefit plan. The New Hampshire Judicial Retirement plan is a component unit 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, 2007, and for the year then ended, except for the New Hampshire Judicial Retirement Plan which is as of December 31, 2006.

D. CASH EQUIVALENTS

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

E. INVESTMENTS

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

F. RECEIVABLES

Receivables in the government-wide financial statements represent amounts due to the state at June 30, recorded as revenue, which will be collected sometime in the future and consist primarily of accrued taxes and federal grants receivable. In the governmental fund financial statements, taxes receivable are primarily taxpayer-assessed revenues representing amounts owed by the taxpayers, which are received by the state within 60 days after year-end,

except for federal grants, which reimburse the state for expenditures incurred pursuant to federally funded programs. Tax revenues are susceptible to accrual in accordance with measurable and available criteria under the modified accrual basis of accounting.

G. INVENTORIES

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

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

H. RESTRICTED ASSETS

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

I. CAPITAL ASSETS

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

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

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

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

J. DEFERRED REVENUE

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

K. COMPENSATED ABSENCES

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

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

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

L. ENCUMBRANCES

Contracts and purchasing commitments are recorded as encumbrances when the contract or purchase order is executed. Upon receipt of goods or services, the encumbrance is liquidated and the expenditure and liability are recorded. Unliquidated encumbrances are reported in the Reserved for Encumbrances account as a component of fund equity for the governmental fund types.

M. FUND BALANCES

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

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

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

In the event of a General Fund undesignated fund balance deficit at the close of a fiscal biennium, a transfer from the Reserve for Revenue Stabilization account may be made only if the General Fund's unrestricted revenues are less than budgeted. The amount of the transfer is limited to the smaller of the General Fund undesignated fund balance deficit or the unrestricted revenue shortfall.

Notwithstanding the provisions of RSA 9:13-e, Chapter 263:110, Laws of 2007 directed that any surplus in excess of \$20.0 million for the close of the fiscal biennium ending June 30, 2007, shall not be deposited in the revenue stabilization reserve account but shall remain in the general fund. Therefore, at the end of fiscal year 2007, \$20.0 million was transferred to the revenue stabilization account bringing the balance up to \$89.0 million at June 30, 2007.

N. CAPITAL OUTLAYS

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

O. BOND DISCOUNTS, PREMIUMS AND ISSUANCE COSTS

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

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

P. REVENUES AND EXPENDITURES/EXPENSES

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

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

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

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

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

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

Q. INTERFUND ACTIVITY AND BALANCES

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

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

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

R. CAPITAL PROJECTS

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

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

S. BUDGET CONTROL AND REPORTING

The Statutes of the State of New Hampshire require the Governor to submit a biennial budget to the Legislature for adoption. This budget, which includes a separate budget for each year of the biennium, consists of three parts: Part I is the Governor's program for meeting all expenditure needs and estimating revenues. There is no constitutional or statutory requirement that the Governor propose, or the Legislature adopt, a budget that does not resort to borrowing. Part II is a detailed breakdown of the budget at the department level for appropriations to meet the expenditure needs of the government. Part III consists of draft appropriation bills for the appropriations made in the proposed budget.

The operating budget is prepared principally on a modified cash basis and adopted for the governmental and proprietary funds, with the exception of the Capital Projects Fund. The Capital Projects Fund budget represents individual projects that extend over several fiscal years. Since the Capital Projects Fund comprises appropriations for multi-year projects, it is not included in the budget and actual comparisons statement. Fiduciary funds are not budgeted.

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

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

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

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

T. USE OF ESTIMATES

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

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

PRIMARY GOVERNMENT

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

DEPOSITS:

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

RSA 6:7 establishes the policy the state Treasurer must adhere to when depositing public monies. Operating funds are invested per investment policies that further define appropriate investment choices and constraints as they apply to those investment types.

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

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

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

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

As of June 30, 2007, the state's carrying value for deposits was \$605.3 million. The table below details the state's bank balances at June 30, 2007 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	\$ 100	\$ 867	\$ 340	\$ 565	\$ 10,189	\$ 1,206
Money Market	-	156,216	312,258	65	11	8,287
Savings Accounts	100	-	99	8	3,045	-
CDs	-	64,118	-	-	109	-
Total	\$ 200	\$ 221,201	\$ 312,697	\$ 638	\$ 13,354	\$ 9,493

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, 2007, the state had the following types of investments:

(Fair values in thousands)		
Investment Type	Governmental & Business Type	Fiduciary
Stocks	\$ 20,691	-
Corporate Bonds	1,475	-
US Treasury	698	-
US Government Agencies	7,663	-
Equity Open Ended Mutual Funds	2,301	\$ 25,823
Fixed Income Open Ended Mutual Funds	979	822
Unemployment Compensation External Pool (special issue bonds guaranteed by US government)	259,092	-
NH Public Deposit Investment Pool (Investment held by NHH patient agency fund)	-	150
External Portion of NH Public Deposit Investment Pool	-	327,647
Totals	\$ 292,899	\$ 354,442

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	\$ 809,975	\$ 30,156	\$ 40,376	\$ -	\$ 880,507
Per Statement of Fiduciary Net Assets	Private Purpose	7,106	24,756			31,862
	Investment Trust		327,647			327,647
	Agency Funds	11,694	3,154			14,848
	Total per Financial Statements	\$ 828,775	\$ 385,713	\$ 40,376	\$ -	\$ 1,254,864
				Per Footnote		
				Cash On Hand	\$ 2,242	
				Carrying Amount of Deposits	605,281	
				Investments	647,341	
				Total Per Footnote	\$ 1,254,864	

Repurchase Agreements:

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

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

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

As of June 30, 2007, the states bank balances were exposed to custodial credit risk and interest rate risk as follows (expressed in thousands):

Type	Governmental & Business Type		
	Custodial Credit Risk		
	Insured	Collateralized	Uncollateralized
Overnight Repurchase Agreements	\$ 200	\$ 80,258	\$ 1,761
Total	\$ 200	\$ 80,258	\$ 1,761

Stocks:

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

Concentration Risk: The risk of loss attributed to the magnitude of the state's investment in a single issuer. The top 10 issuers as of June 30, 2007 are noted below (expressed in thousands):

Name / Issuer	Governmental			
	General Fund		Total	% of Total
Aband. Property	Permanent Funds			
Metlife Inc (1)	\$ 7,384	\$ 45	\$ 7,429	35.9%
A T & T Inc	1,591		1,591	7.7%
Vodafone Grp	629		629	3.0%
Manulife Finl Corp	393		393	1.9%
Capital One Finl Corp	386		386	1.9%
Toronto Dominion Bk Ont	380		380	1.8%
Exxon Mobil Corp	263	105	368	1.8%
Verizon Communications	316		316	1.5%
Canadian Natl Ry Co	315		315	1.5%
Chevron Corp	185	84	269	1.3%

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

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

New Hampshire Public Deposit Investment Pool (NHPDIP):

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

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

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

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

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

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

The state's exposed risks at June 30, 2007 are noted below (expressed in thousands):

Type	Governmental & Business Type			Fiduciary		
	Credit Risk		Interest Rate Risk	Credit Risk		Interest Rate Risk
	Grade	Unrated	WAM in years	Grade	Unrated	WAM in years
Corporate Bonds	\$ 1,475		2.80			
US Treasury	698		3.14			
US Government Agencies	7,663		0.58			
Fixed Income Open Ended Mutual Funds	\$	979	7.40	\$	822	5.50
Unemployment Compensation Fund Pool (special issue bonds guaranteed by US govt)		259,092	1.94			

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

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

The state's top ten issuers at June 30, 2007 are listed below (expressed in thousands):

Issuer	Governmental & Business Type	
	Fair Value	% of Total
Dow Chem Co	\$ 251	17.0%
Lehman Bros Hldgs Inc	105	7.1%
Goldman Sachs Group Inc	104	7.1%
FPL Group Cap Inc	103	7.0%
National City Bank Cleve	102	6.9%
Boeing Cap Corp	102	6.9%
SBC Communications Inc	102	6.9%
Aflac Inc	102	6.9%
Donaldson Lufkin & Jenrette	101	6.8%
Target Corp	100	6.8%

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

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

	2007
Cash & Repurchase agreements.....	\$ 18,752
Money Market Funds.....	70,248
Commercial Paper.....	28,832
Total Cash & Cash Equivalents.....	<u>\$ 117,832</u>

Included in the cash and repurchase agreements balances at June 30, 2007 were \$12,640 in repurchase agreements, \$9,180 in cash and a net cash overdraft of \$3,068. Commercial paper held as cash equivalents is uninsured and uncollateralized against custodial credit risk. Commercial paper had a weighted average maturity of 17 days at June 30, 2007. Repurchase agreements were limited to overnight investments only.

Investments (expressed in thousands):

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

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

Operating Investments

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

	<u>2007</u>	
	<u>Balance</u>	<u>Weighted Average Maturity</u>
Obligations of the U.S. Government.....	\$ 54,779	1 year
Corporate Bonds & Notes.....	5,952	4 Years
Money Market Funds.....	8,904	Not Applicable
Current portion of Debt proceeds held by others.....	6,811	Not Applicable
Other Accounts.....	68	Not Applicable
Total:.....	<u>\$ 76,514</u>	

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

Debt Proceeds Held By Others for Construction Purposes:

At June 30, 2007 total debt proceeds held by others included \$52,279 of bond construction proceeds held by the bond trustee and \$399 held in escrow for the acquisition of certain equipment financed with a capital lease.

Debt proceeds held by others for construction purposes consisted of the following investments at June 30, 2007 (expressed in thousands):

	<u>2007</u>	
	<u>Balance</u>	<u>Weighted Average Maturity</u>
Guaranteed investment contracts.....	\$ 48,334	1 year
Money market funds.....	6,811	Not Applicable
Total Debt proceeds held by others.....	55,145	
Less: current portion	<u>(6,811)</u>	
Long-term portion.....	<u>48,334</u>	
Operating amounts invested alongside endowment pool.....	31,946	
Total:.....	<u>\$ 80,280</u>	

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

Long-term operating investments represent unrestricted amounts invested alongside the campuses endowment pool which are not expected to be liquidated in the next year, but which are available for operations if needed. The balance of long-term operating investments at June 30, 2007 was \$31,946. These amounts consisted of ownership shares of the campuses endowment pool and, therefore, the components, credit risk, and all other investment characteristics are identical to those described below.

Endowment and Similar Investments:

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

	2007
Money Market Funds.....	\$ 15,050
Mutual Funds-Bonds.....	31,063
Mutual Funds-Stocks.....	60,001
Mutual Funds-Real Estate.....	5,540
Commercial Paper.....	15,587
U.S. Government Obligations.....	814
Corporate Bonds and Notes.....	604
Common/Preferred Stocks.....	110,129
Alternative Investments.....	65,981
Investments Held by Others.....	22,260
Operating amounts invested alongside endowment pool.....	(31,946)
Total endowment and similar investments.....	<u>\$ 295,083</u>

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

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

3. RECEIVABLES

The following is a breakdown of receivables at June 30, 2007 (expressed in thousands):

	Governmental	Business-Type	Total	Major Component Unit
Short Term Receivables				
Taxes:				
Meals and Rooms.....	\$ 23,583		\$ 23,583	
Business Taxes.....	240,553		240,553	
Tobacco.....	16,495		16,495	
Estate and Legacy.....	8		8	
Real Estate Transfer.....	12,800		12,800	
Interest & Dividends.....	33,963		33,963	
Communications.....	6,202		6,202	
Utility Property Tax.....	11,400		11,400	
Gasoline Road Toll.....	11,338		11,338	
Beer.....		\$ 1,321	1,321	
Subtotal.....	356,342	1,321	357,663	
Other Receivables:				
Turnpike System.....		3,048	3,048	
Liquor Commission.....		7,899	7,899	
Lottery Commission.....		2,863	2,863	
Unemployment Trust Fund.....		15,672	15,672	
Internal Service Fund.....	1,182		1,182	
Board and Care.....	1,437		1,437	
Federal Grants.....	192,464		192,464	\$ 16,991
Local Grants.....	47,496		47,496	
Miscellaneous.....	70,302		70,302	10,495
Short Term Portion Of State Revolving Loan Fund.....	17,198		17,198	
Short Term Portion Of Note/Pledge Receivable.....				4,274
Subtotal.....	330,079	29,482	359,561	31,760
Total Current Receivables (Gross).....	686,421	30,803	717,224	31,760
Long Term Receivables				
State Revolving Loan Fund.....	233,800		233,800	
Miscellaneous.....	1,617		1,617	
Note/Pledge Receivable.....				19,822
Total Long Term Receivables (Gross).....	235,417		235,417	19,822
Allowance for Doubtful Accounts				
Total Receivables (Net).....	\$ 823,978	\$ 24,884	\$ 848,862	\$ 48,160

State Revolving Loan Fund:

Primary Government: As of June 30, 2007, total water pollution control loans outstanding of \$251.0 million were recorded in the state's general fund. This amount was offset by a corresponding amount of deferred revenue. The state Water Pollution Control Revolving Loan Fund ("State Revolving Fund"), established by RSA 486:14, provides loans and other assistance to local communities for financing waste water treatment facilities. The State Revolving Fund was authorized through the Federal Clean Water Act of 1988 and was initially funded through a federal capitalization grant program to states which requires state matching funds equal to 20% of the capitalization grant funding. Principal and interest payments on the loans will occur over a period not to exceed 20 years and will be credited directly to the State Revolving Fund, enabling the fund balance to be available in perpetuity.

Major Component Unit: The component unit balance is University System of New Hampshire Perkins Loans, pledges and other college and university loans of \$48.2 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, 2007, the various components of deferred revenue (\$587.1 million) reported in the governmental funds were as follows:

	Unavailable	Unearned
Taxes & Fees receivable.....	\$ 201,861	
Loans receivable.....	280,214	\$ 30
Federal/Local receivables.....	40,911	
Receipts in advance of eligibility requirements.....		64,121
Total.....	\$ 522,986	\$ 64,151

4. CAPITAL ASSETS

Capital Asset activity for the year ended June 30, 2007, was as follows (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets not being depreciated:				
Land & Land Improvements.....	\$ 398,286	\$ 52,205	\$ (693)	\$ 449,798
Construction in Progress.....	262,552	125,564	(154,022)	234,094
Work in Progress Computer Software.....	1,415	22,567		23,982
Total Capital Assets not being depreciated.....	662,253	200,336	(154,715)	707,874
Other Capital Assets:				
Equipment & Computer Software.....	185,468	24,056	(14,473)	195,051
Buildings & Building Improvements.....	606,966	55,809	(943)	661,832
Land Improvements.....	96,492	122		96,614
Infrastructure.....	2,652,916	91,604		2,744,520
Total Other Assets	3,541,842	171,591	(15,416)	3,698,017
Less accumulated depreciation for:				
Equipment & Computer Software.....	(143,532)	(25,821)	14,677	(154,676)
Buildings & Building Improvements.....	(270,822)	(18,360)	993	(288,189)
Land Improvements.....	(78,584)	(2,019)		(80,603)
Infrastructure.....	(1,620,503)	(40,054)		(1,660,557)
Total Accumulated Depreciation.....	(2,113,441)	(86,254)	15,670	(2,184,025)
Other Capital Assets, Net.....	1,428,401	85,337	254	1,513,992
Governmental Activities Capital Assets, Net.....	\$ 2,090,654	\$ 285,673	\$ (154,461)	\$ 2,221,866
Business-Type Activities:				
Turnpike:				
Capital Assets not being depreciated:				
Land & Land Improvements.....	\$ 106,957	\$ 4,181	\$ (726)	\$ 110,412
Construction in Progress.....	71,414	13,502	(25,932)	58,984
Capital Assets not being depreciated	178,371	17,683	(26,658)	169,396
Other Capital Assets:				
Equipment.....	31,268	4,313	(2,113)	33,468
Buildings & Building Improvements.....	4,828			4,828
Infrastructure.....	536,114	22,822		558,936
Total Capital Assets	750,581	44,818	(28,771)	766,628
Less accumulated depreciation for:				
Equipment.....	(17,719)	(2,557)	2,114	(18,162)
Buildings & Building Improvements.....	(2,675)	(72)		(2,747)
Infrastructure.....	(178,977)	(11,090)		(190,067)
Total Accumulated Depreciation.....	(199,371)	(13,719)	2,114	(210,976)
Turnpike Capital Assets, Net.....	\$ 551,210	\$ 31,099	\$ (26,657)	\$ 555,652
Liquor:				
Capital Assets not being depreciated:				
Land & Land Improvements.....	\$ 2,355			\$ 2,355
Other Capital Assets:				
Equipment.....	9,007	\$ 120	\$ (158)	8,969
Buildings & Building Improvements.....	19,529	389		19,918
Land Improvements.....	877			877
Total Capital Assets	31,768	509	(158)	32,119
Less accumulated depreciation for:				
Equipment.....	(8,345)	(344)	151	(8,538)
Buildings & Building Improvements.....	(9,347)	(538)		(9,885)
Land Improvements.....	(671)	(15)		(686)
Total Accumulated Depreciation.....	(18,363)	(897)	151	(19,109)
Liquor Capital Assets, Net.....	\$ 13,405	\$ (388)	\$ (7)	\$ 13,010
Lottery Commission:				
Equipment.....	\$ 501	\$ 89	\$ (147)	\$ 443
Less Accumulated Depreciation for Equipment.....	(310)	(45)	147	(208)
Lotterys Capital Assets, Net.....	\$ 191	\$ 44	\$ -	\$ 235

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

Governmental Activities:	
General Government	\$ 5,617
Administraton of Justice and Public Protection	15,093
Resource Protection and Development	4,654
Transportation	51,145
Health and Social Services	6,903
Education	2,841
Total Governmental Activities Depreciation Expense	\$ 86,254

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 Balance	Additions	Deletions	Ending Balance
Land and Land Improvements.....	\$ 10,518	\$ 191		\$ 10,709
Building and Building Improvements.....	827,397	136,052	\$ (1,709)	961,740
Equipment.....	117,291	10,293	(5,697)	121,887
Construction in Progress.....	184,048	(20,521)		163,527
Subtotal.....	\$ 1,139,254	\$ 126,015	\$ (7,406)	\$ 1,257,863
Less: Accumulated Depreciation.....	(445,579)	(36,593)	6,114	(476,058)
Total.....	\$ 693,675	\$ 89,422	\$ (1,292)	\$ 781,805

5. LONG TERM-DEBT

PRIMARY GOVERNMENT

Bonds Authorized and Unissued: Bonds authorized and unissued amounted to \$614.8 million at June 30, 2007. The proceeds of the bonds will be applied to the following funds when issued (expressed in thousands):

Capital Projects Fund	\$ 143,199
Turnpike System	471,650
Total	\$ 614,849

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 \$586 million of bonds to support this project. The state has issued \$395 million of revenue bonds for this project.

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, 2007
Governmental Fund Types (General Obligation Bonds):	
December, 2006.....	108,965
Subtotal.....	108,965

Bond Issues:

On November 23, 2005 the state issued \$39.4 million of turnpike system revenue refunding bonds. The interest rate on these new bonds is 5%. The closing date for this bond issue was August 24, 2006. These bonds were used to refund \$39.4 million of defeased revenue bonds. This refunding transaction will result in a cash flow savings of \$4.1 million over the next 10 years and a long-term economic gain (or present value savings) of \$3.2 million.

On December 13, 2006, the state issued \$75 million of general obligation capital improvement bonds. The interest rates on these serial bonds range from 3.5% to 5.0%, and the maturity dates range from 2008 through 2026.

On December 15, 2006 the state issued \$121.9 million of general obligation refunding bonds. The interest rate on these serial bonds range from 4.0% to 5.0%, and the maturity dates range from 2009 through 2020. These bonds were used to refund \$122.6 million of defeased general obligation bonds. This refunding transaction will result in cash flow savings of \$4.2 million over the next 14 years and a long-term economic gain (or present value savings) of \$3.7 million.

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

Governmental Activities	Beginning Balance	Accretion	Increases	Decreases	Ending Balance	Current	Long-Term
General Obligation Bonds Payable.....	\$ 701,730	\$ 5,320	\$ 196,885	\$ 193,060	\$ 710,875	\$ 74,997	\$ 635,878
Compensated Absences.....	68,339		48,657	48,852	68,144	17,657	50,487
Claims Payable.....	51,914		209,333	210,635	50,612	24,815	25,797
Capital Lease.....	6,085		810	1,070	5,825	1,684	4,141
Total Governmental.....	\$ 828,068	\$ 5,320	\$ 455,685	\$ 453,617	\$ 835,456	\$ 119,153	\$ 716,303
Business-Type Activities							
Turnpike System							
General Obligation Bonds.....	\$ 7,067			\$ 2,690	\$ 4,377	\$ 1,509	\$ 2,868
Revenue Bonds.....	284,175		\$ 39,425	54,516	269,084	12,455	256,629
Claims & Compensated Absences Payable.....	2,815		\$ 1,440	874	3,381	708	2,673
Total.....	\$ 294,057		\$ 40,865	\$ 58,080	\$ 276,842	\$ 14,672	\$ 262,170
Liquor Commission							
Capital Lease.....	\$ 852			\$ 234	\$ 618	\$ 131	\$ 487
Claims & Compensated Absences Payable.....	3,319		1,663	1,655	3,327	932	2,395
Total.....	\$ 4,171		\$ 1,663	\$ 1,889	\$ 3,945	\$ 1,063	\$ 2,882
Lottery Commission							
Claims & Compensated Absences Payable.....	\$ 482		\$ 275	\$ 350	\$ 407	\$ 104	\$ 303
Total.....	\$ 482		\$ 275	\$ 350	\$ 407	\$ 104	\$ 303
Total Business-Type.....	\$ 298,710		\$ 42,803	\$ 60,319	\$ 281,194	\$ 15,839	\$ 265,355

Bond Anticipation Notes: The state issues bond anticipation notes in advance of issuing general obligation bonds. The proceeds are deposited into the capital fund to fund various capital outlay projects. During the year ending June 30, 2007, the state had no bond anticipation notes outstanding.

Capital Appreciation Bonds: Six of the state's general obligation capital improvement bonds issued since November 1990 represent capital appreciation bonds (College Savings Bond Program) with interest being accrued and compounded semiannually. At June 30, 2007, the cumulative interest accretion since issuance for all six capital appreciation bonds is approximately \$139.6 million. The interest is not paid until the bonds mature, at which time the expenditure will be recorded.

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

Payable June 30,	SOURCE OF PRINCIPAL PAYMENTS						DEBT SERVICE		
	Governmental Activities				Business-Type Activities		TOTAL ALL FUNDS		
	General Fund	Highway Fund	Self Liquidating	Total	Turnpike System		Principal	Interest	Total
					General Obligation	Revenue			
2008.....	\$ 63,197	\$ 5,832	\$ 5,968	\$ 74,997	\$ 1,509	\$ 12,455	\$ 88,961	\$ 39,345	\$ 128,306
2009.....	61,621	5,840	5,991	73,452	1,474	13,270	88,196	36,147	124,343
2010.....	59,759	5,635	5,701	71,095	624	13,500	85,219	32,865	118,084
2011.....	56,343	5,488	5,338	67,169	584	14,710	82,463	29,793	112,256
2012.....	46,941	3,625	5,356	55,922		14,550	70,472	26,807	97,279
2013-2017.....	174,364	14,649	13,418	202,431		89,620	292,051	95,503	387,554
2018-2022.....	111,125	9,555	5,820	126,500		67,395	193,895	42,188	236,083
2023-2027.....	41,722	3,963	1,916	47,601		35,265	82,866	10,952	93,818
2028-2032.....						11,725	11,725	900	12,625
Subtotal.....	\$ 615,072	\$ 54,587	\$ 49,508	\$ 719,167	\$ 4,191	\$ 272,490	\$ 995,848	\$ 314,500	\$ 1,310,348
Unamortized (Discount) / Premium	1,043	(1,439)	(998)	(1,394)	186	7,480	6,272		6,272
Unamortized Loss on Refunding	(6,898)			(6,898)		(10,886)	(17,784)		(17,784)
Total.....	\$ 609,217	\$ 53,148	\$ 48,510	\$ 710,875	\$ 4,377	\$ 269,084	\$ 984,336	\$ 314,500	\$ 1,298,836

Changes in Long-Term Liabilities: The University System of New Hampshire's long term liabilities include: Revenue Bonds Payable of \$396.1 million; capital lease obligations of \$21.6 million; due to primary government of \$1.4 million; accrued employee benefits and compensated absences of \$84.8 million; and other liabilities of \$19.5 million.

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

	Beginning Balance	Increases	Decreases	Ending Balance	Current	Long-Term
University System of NH.....	\$ 519,220	\$ 24,046	\$ 19,857	\$ 523,409	\$ 18,029	\$ 505,380

Payable June 30,	UNIVERSITY SYSTEM OF N.H.		
	Principal	Interest	Total
2008.....	\$ 7,164	\$ 17,036	\$ 24,200
2009.....	8,844	16,888	25,732
2010.....	12,336	17,115	29,451
2011.....	12,438	16,355	28,793
2012.....	13,138	16,018	29,156
2013-2017.....	71,418	70,546	141,964
2018-2022.....	83,650	54,039	137,689
2023-2027.....	74,752	37,214	111,966
2028-2032.....	73,560	22,928	96,488
2033-2037.....	65,610	7,471	73,081
Subtotal.....	422,910	275,610	698,520
Unamortized Discount.....	(3,866)		(3,866)
Total.....	\$ 419,044	\$ 275,610	\$ 694,654

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

8. RISK MANAGEMENT AND INSURANCE

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

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

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

The following table presents the changes in claim liabilities during the fiscal year ending June 30, 2007 (In Thousands):

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance	Current	Long-Term
Workers Compensation Claims Payable.....	\$ 32,352	\$ 2,378	\$ 3,707	\$ 31,023	\$ 5,226	\$ 25,797
Health Claims Payable*.....	19,562	206,955	206,928	19,589	19,589	-
Total.....	\$ 51,914	\$ 209,333	\$ 210,635	\$ 50,612	\$ 24,815	\$ 25,797
Business-Type Activities						
Turnpike System						
Workers Compensation Claims Payable.....	\$ 2,093	\$ 858	\$ 357	\$ 2,594	\$ 504	\$ 2,090
Total.....	\$ 2,093	\$ 858	\$ 357	\$ 2,594	\$ 504	\$ 2,090
Liquor Commission						
Workers Compensation Claims Payable.....	\$ 1,482	\$ 448	\$ 342	\$ 1,588	\$ 482	\$ 1,106
Total.....	\$ 1,482	\$ 448	\$ 342	\$ 1,588	\$ 482	\$ 1,106
Lottery Commission						
Workers Compensation Claims Payable.....	\$ 61	\$ -	\$ 49	\$ 12	\$ 1	\$ 11
Total.....	\$ 61	\$ -	\$ 49	\$ 12	\$ 1	\$ 11
Total Business-Type.....	\$ 3,636	\$ 1,306	\$ 748	\$ 4,194	\$ 987	\$ 3,207

* Health Claims Payable is recorded in the Internal Service Fund

7. INTERFUND RECEIVABLES AND PAYABLES

Due From or To Other Funds for the primary government on the fund financial statements represent amounts related to year end transfers of surplus or profits between intragovernmental entities or funds and consist of the following as of June 30, 2007 (expressed in thousands):

RECEIVABLES / DUE FROM	AMOUNT	PAYABLES / DUE TO	AMOUNT
General Fund.....	\$ 15,255	Non Major Fund.....	\$ 15,255
General Fund.....	40,581	Education Fund.....	40,581
Highway Fund.....	534	Turnpike Fund.....	534
Education Fund.....	1,508	Lottery Commission.....	1,508
Liquor Commission.....	10,463	General Fund.....	10,463
Total.....	<u>\$ 68,341</u>	Total.....	<u>\$ 68,341</u>

The net due from or to other funds for the primary government has been reported as "internal balances" in the government-wide financial statements. The governmental payable of \$8.4 million to business-type activities represents the "internal balances" amount on the statement of net assets. The \$59.9 million between governmental funds has been eliminated on the government-wide financial statements .

Due from Component Units: As of June 30, 2007, the cumulative balance of outstanding loans plus accrued interest to the Pease Development Authority (PDA) amounted to \$27.8 million. The balance has been offset by a corresponding amount of deferred revenue in the General Fund Financial Statements.

The state has issued general obligation bonds to finance certain capital projects for the University System of New Hampshire (University System). As of June 30, 2007, the outstanding balance of these bonds was \$1.4 million. The state is reimbursed for the debt service payments from the University System as the payments are due. This receivable is classified as "Due from Component Units" and "Deferred Revenue" in the State's General Fund Financial Statements.

8. INTERFUND TRANSFERS

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

Transferred From	Transferred To			
	General Fund	Education Fund	Non-Major Funds	Total Governmental Fund
Governmental Funds				
Education Fund.....	\$ 40,581			\$ 40,581
Highway Fund.....	855		\$ 854	1,709
Non-Major Funds.....	1,083			1,083
Total Governmental Funds.....	* 42,519	*	* 854	* 43,373
Proprietary - Enterprise Funds				
Liquor Commission.....	105,994			105,994
Lottery Commission.....		80,548		80,548
Total Proprietary - Enterprise Funds.....	\$ 105,994	\$ 80,548		\$ 186,542

*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:

- \$40.6 million of education fund surplus transferred to general fund in accordance with the laws of 2007 Chapter 263:111.
- Transfer of Lottery Commission profits of \$80.5 million to fund education
- Transfer of Liquor Commission profits of \$106.0 million to general fund for government operations

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

9. UNDESIGNATED FUND BALANCE (DEFICIT) and CONTRACTUAL COMMITMENTS

Capital Projects Fund: The June 30, 2007, unreserved, undesignated deficit of the Capital Projects Fund was \$142.8 million. The Capital Projects Fund accounts for multi-year capital projects which will be primarily financed by bond proceeds. The project costs are appropriated when the project is approved. Bonds are issued as the expenditures are expected to be incurred. As of June 30, 2007, bonds authorized and unissued for the Capital Projects Fund amounted to \$143.2 million.

Contractual Commitments: The state has estimated its share of contractual obligations for construction contracts to be \$78.9 million at June 30, 2007. This represents total obligations of \$280.7 million less \$201.8 million in estimated federal and local aid.

10. EMPLOYEE BENEFIT PLANS

NEW HAMPSHIRE RETIREMENT SYSTEM

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

Group I members at age 60 qualify for a normal service retirement allowance based on years of creditable service and average final compensation (AFC). The yearly pension amount is 1/60 (1.67%) of average final compensation multiplied by years of creditable service. AFC is defined as the average of the three highest salary years. At age 65, the yearly pension amount is recalculated at 1/66 (1.5%) of AFC multiplied by years of creditable service. Members in service with 10 or more years creditable service who are between age 50 and 60 or members in service with at least 20 or more years of service, whose combination of age and service is 70 or more, are entitled to a retirement allowance with appropriate graduated reduction based on years of creditable service.

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

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

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

A special account has been established by RSA 100-A:16, II(h) for additional benefits. 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.

During fiscal year 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 retirement system to be at least 85 percent. If the the funded ratio of the system is less than 85 percent, no assets will be transferred to the special account.

Prior to 2007, the New Hampshire Retirement System issued publicly available financial reports that could be obtained by writing to them at 54 Regional Drive, Concord, NH 03301-8509 or from their web site at <http://www.nhrs.org>. This component unit has not been presented in the fiduciary funds due to the ongoing audit of their fiscal 2007 financial statements. The release date of New Hampshire Retirement System audited financial statements is unknown as of the date of this report.

Funding Policy: The Plan is financed by contributions from the members, the state and local employers, and investment earnings. In fiscal year 2007, by statute, Group I members contributed 5.0% of gross earnings. Group II members contributed 9.3% of gross earnings. Employer contributions required to cover that amount of cost not met by the members' contributions are determined by a biennial actuarial valuation by the system's actuary using the 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 35% of the employer cost for teachers, firefighters, and police officers employed by political subdivisions. The state does not participate in funding the employer cost of other political subdivision employees.

The state's contributions to the plan for the years ending June 30, 2007, 2006, and 2005 were \$78.1 million, \$72.7 million, and \$59.7 million, respectively, which equals the required contributions for each year. The state's contributions for the fiscal year ended June 30, 2006 increased substantially over the amounts contributed for the fiscal year ended June 30, 2005 due to an increase in employer contribution rates.

In addition to providing pension benefits, RSA 21-I:30 specifies that the state provide certain health care insurance benefits for retired employees. These benefits include group hospitalization, hospital medical care, and surgical care. Substantially all of the state's employees who were hired on or before June 30, 2003 may become eligible for these benefits if they reach normal retirement age while working for the state and receive their pensions on a periodic basis rather than a lump sum. During fiscal year 2004, legislation was passed that requires state Group I employees hired on or after July 1, 2003 to have 20 years of state service in order to qualify for health insurance benefits. These and similar benefits for active employees and retirees are authorized by RSA 21-I:30 and provided through the Employee and Retiree Benefit Risk Management Fund, which is the state's self-insurance fund implemented in October 2003 for active state employees and retirees. The state recognizes the cost of providing benefits by paying actuarially determined insurance contributions into the fund. The state paid approximately \$50.1 million of insurance contributions for approximately 8,400 state retirees and covered dependents receiving a periodic pension benefit for the fiscal year ended June 30, 2007. 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 \$15.1 million for the fiscal year ended June 30, 2007.

The Governmental Accounting Standards Board (GASB) issued Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement 45, which will be implemented by the state for the fiscal year beginning July 1, 2007, will require 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. Presently, OPEB costs for retiree healthcare benefits are reported on a 'pay-as-you-go' basis. An actuarial valuation was completed to determine the actuarial accrued liability as of December 31, 2006. The valuation determined the unaudited liability if funded at transition of \$1,550.0 million, or \$2,858.7 million if not funded at transition. 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 on the financial statements. The unaudited annual required contribution (ARC), as determined by the valuation, would be \$142.3 million if funded at transition or \$234.7 million if not funded at transition. During the 2007 session, the Legislature established the *State Retiree Health Plan Commission* which will consider funding options for these postemployment benefit liabilities.

JUDICIAL RETIREMENT PLAN

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

The Plan is administered by an appointed Board of Trustees (Board), separate from the New Hampshire Retirement System, but certain daily administrative functions of the plan have been delegated by the Board to the New Hampshire Retirement System such as retirement request processing, member record maintenance and serving as the Plan's information center. The Plan has no full or part time employees. All employer and member contributions are deposited into separate trust funds that are managed and controlled by the Board of the Plan. Any member of the Plan who has at least 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 years salary. The state was required to contribute 17.18% of the member's salary during each of the years ended December 31, 2006 and 2005.

As of January 1, 2006, the net assets available to pay retirement benefits, at fair value, were reported by the Plan to be \$45.0 million. The total benefit liability was \$47.2 million, resulting in a funded ratio of 95% and projected liability in excess of assets of \$2.2 million.

COMPONENT UNITS

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

11. CONTINGENT AND LIMITED LIABILITIES

PRIMARY GOVERNMENT

Contingent Liabilities: The state of New Hampshire is contingently liable, within statutory legal limits, for bonds sold by municipalities, school districts, and for first mortgages on industrial and recreational property that contain the guarantee of the state of New Hampshire. The following table shows the composition of the state's \$107.1 million of contingent liabilities and the statutory limits as of June 30, 2007 (expressed in thousands):

	RSA	Guarantee Limit	Remaining Capacity	June 30, 2007			June 30, 2006
				PRINCIPAL	INTEREST	TOTAL	TOTAL
Water Pollution Bonds.....	485-A:7	\$ 175,000	\$ 150,017	\$ 21,111	\$ 3,872	\$ 24,983	\$ 31,663
Business Finance Authority (BFA) - General Obligation.....	162-A:17	25,000	**	20,000	9,383	29,383	30,078
Business Finance Authority (BFA) - Additional State Guarantee.....	162-I:9-b	50,000	**	34,241	249	34,490	36,334
Business Finance Authority (BFA) - Unified Contingent Credit Limit.....	162-A:22	95,000	* 40,759	54,241	9,632	63,873	66,412
School Construction Bonds.....	195-C:2	95,000	77,225	11,824	5,951	17,775	21,665
Solid Waste Bonds.....	149-M:31	30,000	29,571	355	74	429	514
Super Fund Site Cleanup Bonds.....	33:3-f	50,000	* 50,000				
Water Resources Council Bonds.....	481:19	5,000	5,000				
Housing Finance Authority Child Care Loans.....	204-C:79	300	300				
TOTALS.....		\$ 450,300	\$ 352,872	\$ 87,531	\$ 19,529	\$ 107,060	\$ 120,254

*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, 2007 (expressed in thousands):

	(1) RSA 12-G:31	(2) RSA 12-G:33	(3) RSA 12-G:34	(4) RSA 12-G:35	Non- Statutory
Legal Limit	\$ 50,000	\$ 35,000	\$ 5,000	\$ 10,000	No Limit
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 Advanced to PDA					
Operating Budget FY94.....					\$ 400
Operating Budget FY95.....					1,900
Operating Budget FY96.....					1,948
Operating Budget FY97.....					1,572
Remaining Capacity	\$ 1,410	\$ 35,000	\$ -	\$ 10,000	N/A

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

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

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

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

PDA: The state loaned PDA the proceeds from bond issues V161 (\$6.6 million) and V165 (\$6.0 million). Currently, the state pays the debt service payments for the bond issues and when funds are available PDA will repay the state. As of June 30, 2007, \$8.7 million has been paid by the PDA to the state against these bonds. Total principal and interest due at maturity owed by PDA, for these two bonds, is \$12.5 million.

Semiannually, PDA makes payments to the state for the Lonza (Celltech) loans and the state pays the debt service payments. The amount outstanding as of June 30, 2007 relative to the Lonza (Celltech) loans is \$19.1 million (representing principal \$15.3 million and interest \$3.8 million).

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

12. LEASE COMMITMENTS**OPERATING LEASES**

The state has lease commitments for space requirements which are accounted for as operating leases. These leases, subject to continuing appropriation, extend forward a number of years and may contain rent escalation clauses and renewal options. Rent expenditures for fiscal year 2007 for governmental activities and business-type activities were approximately \$8.6 million and \$2.6 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, 2007 (expressed in thousands):

Payable June 30,	Governmental Activities	Business-Type Activities
2008.....	\$ 8,917	\$ 2,541
2009.....	6,723	1,781
2010.....	4,743	1,633
2011.....	1,869	1,384
2012.....	1,040	1,041
2013-2017.....	778	2,395
Total.....	<u>\$ 24,070</u>	<u>\$ 10,775</u>

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, 2007, are as follows (in thousands):

Payable June 30,	Governmental Activities	Business-Type Activities
2008.....	\$ 1,684	\$ 155
2009.....	1,034	141
2010.....	825	141
2011.....	607	141
2012.....	529	109
2013-2017.....	1,689	
2018-2022.....	779	
Total.....	7,147	687
Amount Representing Interest.....	(1,322)	(69)
Present Value of Minimum Lease Payments.....	<u>\$ 5,825</u>	<u>\$ 618</u>

The assets acquired through capital leases and included in capital assets at June 30, 2007 include the following (in thousands):

	Governmental Activities	Business-Type Activities
Equipment.....	\$ 5,188	\$ 563
Buildings & Building Improvements..	9,862	1,129
Total.....	15,050	1,692
Less: Accumulated Depreciation....	(11,243)	(853)
Net.....	<u>\$ 3,807</u>	<u>\$ 839</u>

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

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

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

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

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

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

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

During the 2007 Legislative session, the Legislature debated many bills proposing to define an adequate education and held seven public meetings around the state to gather input. HB 927 was the main bill that defined an adequate education by including the specific criteria and programs. HB 927 passed both houses and was signed by Governor John Lynch on June 29, 2007. See 2007 NH Laws Chapter 270.

On July 20, 2007, the New Hampshire Supreme Court issued orders in both the Londonderry and Nashua cases requiring the parties to file a response as to whether the cases should be remanded based on the Legislature's actions. Londonderry filed a response offering to dismiss its case if the state agreed to cost and fund an adequate education and develop a new accountability system by June 30, 2008. The state declined this offer and asked that the matter either be dismissed or stayed until the end of the 2008 Legislative Session. Nashua responded that it wanted its appeal to proceed to argument and was requesting approximately \$5 million in damages plus attorneys' fees. The state argued that Nashua was not entitled to either damages or attorneys' fees and that this matter should be dismissed as moot.

On September 14, 2007, the Supreme Court issued an order in *Londonderry* staying the case until July 1, 2008, but allowing any party to move "for good cause shown to lift the stay." On September 20, 2007, the Supreme Court issued an order in Nashua remanding the case to the Hillsborough County Superior Court for the court to determine (1) if the prior law should have been reinstated and damages awarded to Nashua for the additional monies it would have received under the prior law, and (2) if attorneys' fees should have been awarded. The *Nashua* case is scheduled for a structuring conference on January 14, 2008.

The Legislative Costing Committee, established under HB 927 has been holding regular weekly meetings since August, 2007, and is taking public and expert testimony on a funding formula for an adequate education. The deadline for completion of the Costing Committee's work is February 1, 2008. The State cannot predict the outcome of these matters at this time.

A.P. Tibbetts Trust, Donald Stevens, Linda Stevens, J.P. Nadeau, James P. Nadeau, III, Split Rock Cover Limited Partnership v. Town of Rye

This case challenges the constitutionality of the statewide education property tax as assessed against them in 2006. Petitioners are all property taxpayers in Rye. They allege that the assessing practices throughout the state are not uniform enough to ensure the constitutionally-required proportionality necessary for allocating the statewide property tax between individual taxpayers in different communities. They also allege that the statewide property tax is unconstitutional as the state did not define an adequate education resulting in the formula used to distribute state funds and assess the statewide property tax being unconstitutional. The state is not currently a party to this suit. Petitioners' counsel informed the state that they intend to voluntarily non-suit this case. On September 5, 2007, however, Rye moved to join the state as a necessary party. The state, if joined, will move to dismiss this matter based on the Supreme Court's decision in *Nadeau, et al. v. Portsmouth, et al.* At this time, it is not possible to predict the outcome of this matter or the amount, if any, that the state will be required to pay in damages.

General Electric v. Department of Revenue Administration

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

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

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

In March of 2007, GE filed a Petition for a Writ of Certiorari with the U.S. Supreme Court seeking review of the New Hampshire Supreme Court's decision. The state filed a brief in opposition to GE's Petition. The Council on State Taxation filed an amicus curiae brief in support of GE. The United States Supreme Court has invited the Solicitor General to file a brief expressing the views of the United States, and the Solicitor General filed an amicus brief in support of the State's position. On October 29, 2007, the Court denied GE's Petition. GE has paid the State \$639,836 as it was obligated to do under the Settlement Agreements. As a result, this matter is now concluded.

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

This Petition for a Declaratory Order seeks payment of funds withheld by the defendants under the Tobacco Master Settlement Agreement ("MSA"). The defendants are signatories to the MSA under which the defendants are required to make annual payments to all of the states, including the state of New Hampshire. The payment received in 2006 was approximately \$5 million below the required payment amount. On June 5, 2006 the Superior Court ordered the case to arbitration under the terms of the MSA. The New Hampshire Supreme Court affirmed the ruling of the trial court on June 22, 2007. No date has been set for the initiation of the arbitration procedure, which is expected to last a year or more. The state is unable to predict the outcome at this time.

New Hampshire Internet Service Providers ("NHISPA") and Destek v. Department of Revenue Administration ("DRA")

Plaintiffs claim that Verizon and other carriers' collection of the Communications Services Tax on T-1 and T-3 services/lines is illegal as it is pre-empted by federal law. The DRA believes that collection of the tax is legitimate because the DRA's right to collect the tax is grandfathered under federal law. This has been an ongoing concern for some time as a meeting with the attorneys representing NHISPA was held in early October of 2005, and there were various legislative and rule-making activity in the last session which ultimately did not address the issue. While the original lawsuit filed in federal court has been dismissed, the suit has been re-filed in state court. In a report to the Legislature in 2003 the DRA stated that the estimate loss of revenue if the tax were declared invalid or the grandfathering provision were repealed would be between \$1 million and \$3 million in regards to T1-T3 services and other similar lines. If broadband and ISP Access telephone were also included the amount of lost revenue could be an additional \$3-\$5 million.

The federal Internet Tax Freedom Act has been extended beyond November 2007, but the grandfathering section has likewise been continued. It is not possible to predict the outcome of this matter at this time.

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

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

The DOC submitted its implementation plan which was approved by the court. This office also appealed parts, but not all, of the court's order asserting that the court exceeded its authority under the settlement agreements. The parties settled the matters on appeal and the appeal has been withdrawn.

The court continues to schedule conferences and will continue to track the DOC's implementation.

State of New Hampshire v. Amerada Hess, et al.

The state filed this claim for damages, injunctive relief and civil penalties against major oil companies as a result of statewide contamination of drinking water with the gasoline additive Methyl tertiary-butyl ether ("MTBE"). The defendants attempted to remove the case to federal court. The state was successful in its argument that the case should be heard in the state court and the case will be remanded for adjudication in the Merrimack County Superior Court. The case is still at its early stages and extensive discovery will likely occur before the case is tried. Although the state has not identified a specific dollar amount in its damage claims, successful adjudication or settlement of the state's claims would likely exceed \$2 million. At this time, it is not possible to predict the outcome of this matter or the amount, if any, that the state would recover through court judgment or settlement.

New Hampshire Association of Counties, et al. v. Commissioner of Department of Health and Human Services ("NHAC I")

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

The second issue raised by the Counties in their suit is whether DHHS exceeded the statutory cap on the total amount that the Counties can be billed under RSA 167:18-b in fiscal year 2004. RSA 167:18-b establishes a \$60 million cap on the total liability for the Counties under this section of the statute. In addition the Plaintiff Counties receive a \$2 million credit, reducing their total obligation to \$58 million. The legal dispute in this case involves how to calculate the \$58 million cap, and whether that figure should be interpreted as a gross amount or a net amount. In 2004, the total amount of the bills sent to the Plaintiff Counties for their share of payments under RSA 167:18-b was approximately \$62 million. However, DHHS gave the Plaintiff Counties a number of credits, including drug rebates which reduced their overall liability. The Plaintiff Counties refused to pay the total amount, claiming that the statute limits the total amount that can be "billed" to the Counties at \$58 million.

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

The state appealed the lower court's decision to the N.H. Supreme Court. On August 17, 2007 the Supreme Court issued an order in which it vacate the majority of the lower courts decision, affirmed it in part and remanded it back to the lower court for additional factual findings.

Most significantly, the Supreme Court held that the term "nursing home" in RSA 167-18-b means any institution certified by the federal medicaid program to provide nursing facility services. The result is that the vast majority of bills which were submitted to the Plaintiff Counties were appropriate and legal, and therefore the Plaintiff Counties will not be entitled to any reimbursement from the state of those amounts paid. In addition, the state will be able to demand payment for certain bills which the Counties refuse to pay.

In addition, while the Supreme Court agreed that RSA 167:18-b, IV(a) reduced the Plaintiff Counties' aggregate 2004 reimbursement obligation from \$60 million to \$58 million, the Court held that there remains a legal issue as to whether the term "billings" applies to gross or net billings, and left it to the trial court to make a legal determination on remand.

It is not possible to calculate the likely fiscal impact to the state at this time. The most recent Supreme Court ruling means that the state will most likely not suffer any financial impact going forward (i.e. the state will not be required to expend any money to reimburse the Counties for moneys previously collected). The question that remains unanswered is the extent to which the state will be allowed to recover approximately \$5 million which was withheld by the Plaintiff Counties in prior fiscal years. On November 21, 2007, both parties filed memorandums of law regarding the issues remaining after remand. To date the parties have not received a response from the Court.

New Hampshire Association of Counties, et al. v. Commissioner of Department of Health and Human Services ("NHAC II")

The Counties have filed a second lawsuit in Merrimack County Superior Court challenging the manner in which the state assesses the Counties a portion of the cost for long-term care. In this lawsuit, the Counties claim that the most recent law (HB 2, 2007) enacted violates Article 28-a of the New Hampshire Constitution in that it constitutes an "unfunded mandate."

HB 2 sets out the multi-year approach to this problem. In the first year, it continues the existing relationship with the Counties with regard to the sharing of costs of long-term care. In the subsequent years, the new law changes the relationship between the Counties and the state, shifting certain costs onto the Counties, but taking other responsibilities away from the Counties.

The Counties have filed a petition seeking a declaratory judgment and injunctive relief. They are seeking to be excused from having to contribute to the cost of long-term care for patients on Medicaid. The Counties currently pay approximately \$70 million per year towards long-term care under Medicaid.

A motion for preliminary injunctive relief was denied by the Superior Court on September 20, 2007. Both parties submitted memorandums of law in November 2007. A hearing is scheduled for February 13, 2008.

It is difficult to assess the likely financial impact to the state from this litigation. If the Counties were to prevail, it would result in a decrease in anticipated revenue for long-term care. This would result in the need to decrease the appropriation for long-term care, by reducing services, or increase revenue from some other source.

Roger Serratore v. NH Division for Children, Youth, & Families

This case arises from a neglect proceeding. In the underlying neglect proceeding, Mr. Serratore was administered a paternity test and excluded as the father of the child at issue. Mr. Serratore was denied a second paternity test, and that decision was upheld by the court on appeal. In this case, Mr. Serratore, who is *pro se*, alleges that the Division of Children, Youth & Families ("DCYF"), through an Attorney in the Attorney General's Office, used improper influence to obtain confidential information about the plaintiff's paternity test results while the appeal was pending before the New Hampshire Supreme Court. The State denies any allegation of improper influence. The plaintiff also alleges that DCYF either negligently or intentionally made inaccurate statements in a social study report that was submitted in the underlying neglect proceeding which the plaintiff contends prejudiced his guardianship and parental rights. In addition, the plaintiff appears to challenge the legal decision not to grant him another paternity test. The plaintiff is seeking approximately \$7.5 million from DCYF plus costs and fees.

This case is still at its early stages. A structuring conference was held November 5, 2007. The State plans to contest the case vigorously. At this early stage, it appears the plaintiff's likelihood of success is remote.

Review of New Hampshire's Medicaid Disproportionate Share Hospital Payments

By letter dated July 9, 2007, the New Hampshire Department of Health and Human Services ("DHHS") received a final report from the Office of Inspector General ("OIG") regarding an audit of DHHS's disproportionate share hospital ("DSH") payments during federal fiscal year 2004. The report found that \$35 million federal share for federal fiscal year 2004 was unallowable on grounds that the state's cost to charge ratio was inflated. The report recommended that the federal share be refunded and that the state work with the Centers for Medicare and Medicaid Services ("CMS") to review DHS payments claimed after the audit period and refund any overpayments.

Based on the state's response to a previously transmitted draft report, the OIG reduced the amount it recommended for repayment in the July 9, 2007 final report by approximately \$9 million. The draft report had recommended repayment of \$44 million.

DHHS responded to CMS regarding the report on August 8, 2007. At this time, it is impossible to predict whether or to what extent CMS will take action with regard to disallowance of any federal fiscal year 2004 federal financial participation. A similar situation may exist for federal fiscal years 2005 and 2006, although amounts, if any, have not been determined.

OTHER LITIGATION

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

14. HIGHWAY

The highway fund is comprised of two accounts, an operating account and capital account. The capital account is comprised of four main construction accounts (federal construction aid, state aid, municipal bridge and betterment). The operating account represents the total highway fund less the capital account activities. Except for the betterment account, cash raised from current year revenue transactions, such as gasoline road toll, licenses, fees etc, are maintained in the operating account and transferred to the capital accounts on demand as cash is needed to fund current year costs. By law, the betterment account receives a cash transfer each month, representing 88% of 3 cents of the gasoline road toll tax. The unaudited unreserved surplus (deficit) for the capital and operating accounts and the total highway fund, at June 30, 2007 were as follows (expressed in millions):

	Capital Account	Operating Account	Total Highway Fund
Unreserved Surplus/(Deficit)	\$ (46.7)	\$ 28.8	\$ (17.9)

The unaudited deficit in the capital account at June 30, 2007 exists primarily because funds are appropriated from the current year fund balance for multi-year highway construction projects. Although the state will receive reimbursements from federal and local sources in future years, after the actual cash disbursements have occurred, the total project cost is a charge against the fund balance at the time the project is approved.

The unaudited surplus in the operating account at June 30, 2007 was \$28.8 million. Future projects, where no contract has been encumbered, are not yet a charge against surplus. The surplus balance therefore, remains in the operating account ready to be used when anticipated project plans are converted to specific contracts, which will be approved and appropriated in future fiscal years.

15. JOINT VENTURES-LOTTERY COMMISSION

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

In September 1985, Tri-State was established whereby the New Hampshire Lottery Commission (Lottery) entered into a joint venture with the lotteries of the states of Maine and Vermont to promulgate rules and regulations regarding the conduct of lottery games and the licensing of agents. In addition, each state contributes services towards the management and advisory functions. Each states share of revenues, expenses and interest income is based on their respective share of sales except for direct charges such as advertising, vendor fees and per-diem payments. Prizes awarded under Tri-State games are fully funded by deposit fund contracts and investments held by Tri-State. Accordingly, the Lottery does not record a liability for jackpot awards which are payable in installments from funds provided by Tri-State. For the year ended June 30, 2007, the Lottery recognized \$10.0 million of net income from Tri-State. In addition, Tri-State has established a Designated Prize Reserve, which acts as a contingency to protect Tri-State against unforeseen liabilities. The Lottery's share of deposits held as Tri-State prize reserves was \$1.5 million at June 30, 2007.

In November 1995, the Lottery became a member of MUSL, which is currently comprised of 32 member state lotteries and administers the Multi-State Lottery Powerball and Hot Lotto games. Each state lottery sells tickets, collects revenues and remits prize funds to MUSL net of lower tier prize awards. Each member also pays for a share of MUSL's operating expenses based upon the members proportionate share of game sales. Jackpot prizes that are payable in installments are satisfied through investments purchased by MUSL. Accordingly, the Lottery does not record a liability for jackpot awards which are payable in installments from funds provided by MUSL. For the year ended June 30, 2007, the Lottery recognized \$20.7 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 \$2.2 million at June 30, 2007.

16. RESTATEMENT OF JUNE 30, 2006 COMMUNITY DEVELOPMENT FINANCE AUTHORITY NET ASSETS

The net assets of the Community Development Finance Authority (CDFA) at June 30, 2006 has been increased by \$1.6 million to recognize revenue previously reported as deferred revenues. The restatement represents an error in the prior year resulting in the overstatement of deferred revenues.

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Required Supplementary Information Budgetary Schedules

STATE OF NEW HAMPSHIRE
 BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007
 (expressed in thousands)

	General Fund			
	Budgeted Amount		ACTUAL (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	ORIGINAL	FINAL		
REVENUES				
General Property Taxes.....	\$ 262	\$ 262	\$ 126	\$ (136)
Special Taxes.....	977,238	984,277	1,029,327	45,050
Personal Taxes.....	71,762	71,762	65,327	(6,435)
Business License Taxes.....	21,677	21,679	19,961	(1,718)
Non-Business License Taxes.....	100,813	100,813	98,956	(1,857)
Fees.....	166,888	168,436	124,305	(44,131)
Fines, Penalties and Interest.....	36,000	36,000	26,870	(9,130)
Grants from Federal Government.....	1,450,665	1,582,936	1,180,862	(402,074)
Grants from Private and Local Sources.....	138,272	140,054	120,314	(19,740)
Rents and Leases.....	9,579	10,768	10,546	(222)
Interest Premiums and Discounts.....	12,651	12,652	41,651	28,999
Sale of Commodities.....	7,653	7,749	8,649	900
Sale of Services.....	95,602	99,576	96,802	(2,774)
Assessments.....	54,006	62,158	57,467	(4,691)
Grants from Other Agencies.....	209,386	212,573	178,846	(33,727)
Miscellaneous.....	(16,830)	(8,631)	79,217	87,848
Total Revenue.....	3,335,624	3,503,064	3,139,226	(363,838)
EXPENDITURES				
GENERAL GOVERNMENT				
Legislative Branch.....	19,044	19,044	13,543	5,501
Executive.....	22,763	35,649	28,913	6,736
Information Technology.....	55,327	55,388	50,781	4,607
Administrative Services.....	47,995	54,507	49,910	4,597
Sec of State.....	35,555	35,334	9,575	25,759
Cultural Affairs.....	8,256	8,313	6,964	1,349
Revenue Administration.....	17,055	16,608	15,664	944
State Treasury.....	90,115	91,126	87,272	3,854
NH Retirement System.....	85,547	85,559	74,429	11,130
Boards and Commissions.....	2,787	2,797	2,547	250
Total.....	384,444	404,325	339,598	64,727
JUSTICE AND PUBLIC PROTECTION				
Judicial Branch.....	68,303	68,303	64,618	3,685
Adjutant General.....	15,790	18,708	14,298	4,410
Agriculture.....	4,881	5,041	3,576	1,465
Justice Department.....	27,425	35,223	22,037	13,186

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

STATE OF NEW HAMPSHIRE
BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE (continued)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(expressed in thousands)

	General Fund			Variance with Final Budget- Positive (Negative)
	Budgeted Amount		ACTUAL (Budgetary Basis)	
	ORIGINAL	FINAL		
JUSTICE AND PUBLIC PROTECTION-CONTINUED				
Bank Commission.....	5,313	5,489	3,367	2,122
Pari-Mutuel Commission.....	2,484	2,381	1,866	515
Highway Safety.....	2,503	3,157	1,651	1,506
Insurance.....	9,709	9,709	6,524	3,185
Labor	36,750	36,779	23,789	12,990
Public Utilities Commission.....	9,573	9,636	7,720	1,916
Safety.....	191,708	256,295	138,243	118,052
Corrections Department.....	93,276	97,293	94,141	3,152
Employment Security.....	63,410	63,898	30,038	33,860
Judicial Council.....	20,715	20,793	20,793	-
Human Rights Commission	735	710	627	83
Boards and Commissions.....	440	464	435	29
Total.....	553,015	633,879	433,723	200,156
RESOURCE PROTECTION AND DEVELOPMENT				
Resource and Economic Development.....	44,222	46,431	36,863	9,568
Pease Development Authority.....	6,814	6,814	507	6,307
Environmental Services.....	232,824	233,574	111,825	121,749
Development Finance Authority.....	220	220	220	-
Boards and Commissions.....	430	447	436	11
Total.....	284,510	287,486	149,851	137,635
TRANSPORTATION				
Transportation.....	25,501	27,896	13,739	14,157
Total.....	25,501	27,896	13,739	14,157
HEALTH AND SOCIAL SERVICES				
Health and Human Services Commissioner.....	601,826	631,763	621,481	10,282
Office of Health Management.....	101,584	106,992	81,566	25,426
Children and Youth.....	193,176	195,318	134,454	60,864
Transitional Assistance.....	86,388	92,496	83,847	8,649
Behavioral Health.....	113,798	114,704	107,134	7,570
Developmental Services.....	192,046	195,023	186,833	8,190
Developmental Disabilities Council.....	508	591	540	51
N H Hospital.....	65,171	63,984	61,195	2,789
Home for Elderly.....	11,032	11,434	11,267	167
N H Veterans Home.....	23,778	23,779	21,314	2,465
Veterans Council.....	408	424	413	11
Youth Development Services.....	30,601	31,740	26,718	5,022

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

STATE OF NEW HAMPSHIRE
 BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE (continued)
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007
 (expressed in thousands)

	General Fund			Variance with Final Budget- Positive (Negative)
	Budgeted Amount		ACTUAL (Budgetary Basis)	
	ORIGINAL	FINAL		
Elderly and Adult Services.....	385,328	409,423	378,901	30,522
Admin and Support.....	779	819	734	85
Boards and Commissions.....	3,470	3,617	2,876	741
Total.....	1,809,893	1,882,107	1,719,273	162,834
EDUCATION				
Post Secondary Education Commission.....	5,296	5,442	4,989	453
Department of Education.....	346,756	349,486	269,851	79,635
NH Comm. Tech. College System.....	102,468	123,394	83,642	39,752
Planetarium.....	1,220	1,283	1,086	197
Police Standards and Training Council.....	7,319	7,429	3,214	4,215
University of New Hampshire.....	91,826	92,250	92,250	-
Total.....	554,885	579,284	455,032	124,252
Debt Service.....	90,373	90,373	87,759	2,614
Capital Outlays.....	32,968	32,968	35,333	(2,365)
Total.....	3,735,589	3,938,318	3,234,308	704,010
Excess (Deficiency) of Revenues				
Over (Under) Expenditures.....	(399,965)	(435,254)	(95,082)	340,172
Other Financing Sources (Uses)				
Transfers In.....	108,306	108,306	108,306	-
Transfers Out.....	-	(115)	(115)	-
Increase in Bonds Authorized.....	-	-	-	-
Proceeds from Bond Refunding.....	-	-	-	-
Miscellaneous.....	-	-	-	-
Total Other Financing Sources Uses.....	108,306	108,191	108,191	-
Excess (Deficiency) of Revenues and Other				
Sources Over (Under) Expenditures and Other Uses.....	(291,659)	(327,063)	13,109	340,172
Fund Balance - July 1.....	419,073	419,073	419,073	-
Fund Balance - June 30.....	\$ 127,414	\$ 92,010	\$ 432,182	\$ 340,172

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

STATE OF NEW HAMPSHIRE
BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
HIGHWAY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(expressed in thousands)

	Highway Fund			
	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget-Positive (Negative)
	Original	Final		
REVENUES				
Business License Taxes.....	\$ 155,450	\$ 155,450	\$ 151,472	\$ (3,978)
Non-Business License Taxes.....	74,006	74,006	73,765	(241)
Fees.....	22,769	22,784	21,964	(820)
Fines, Penalties and Interest.....	718	718	671	(47)
Grants from Federal Government.....	256,901	256,902	186,852	(70,050)
Grants from Private and Local Sources.....	11,104	11,178	13,001	1,823
Rents and Leases.....	-	200	66	(134)
Interest Premiums and Discounts.....	2,404	2,404	3,022	618
Sale of Commodities.....	1,235	1,235	193	(1,042)
Sale of Services.....	33,120	35,848	28,741	(7,107)
Assessments.....	-	-	-	-
Grants from Other Agencies.....	2,588	2,747	2,611	(136)
Miscellaneous.....	(29,002)	(29,002)	14,134	43,136
Total Revenues.....	<u>531,293</u>	<u>534,470</u>	<u>496,492</u>	<u>(37,978)</u>
EXPENDITURES				
Justice and Public Protection.....	5,380	5,380	1,222	4,158
Transportation.....	492,359	499,529	359,668	139,861
Debt Service.....	7,091	7,091	7,217	(126)
Capital Outlays.....	165,450	165,450	170,650	(5,200)
Total Expenditures.....	<u>670,280</u>	<u>677,450</u>	<u>538,757</u>	<u>138,693</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	(138,987)	(142,980)	(42,265)	100,715
OTHER FINANCING SOURCES (USES)				
Transfers Out.....	-	(1,709)	(1,709)	-
Miscellaneous.....	-	63	63	-
Total Other Financing Sources (Uses).....	<u>(1,646)</u>	<u>(1,646)</u>	<u>(1,646)</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses.....	(138,987)	(144,626)	(43,911)	100,715
Fund Balance - July 1.....	101,340	101,340	101,340	-
Fund Balance - June 30.....	\$ (37,647)	\$ (43,286)	\$ 57,429	\$ 100,715

STATE OF NEW HAMPSHIRE
 BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
 EDUCATION FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007
 (expressed in thousands)

Education Fund

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget-Positive (Negative)
	Original	Final		
REVENUES				
General Property Taxes.....	\$ 387,100	\$ 387,100	\$ 385,182	\$ (1,918)
Special Taxes.....	348,900	348,900	365,392	16,492
Personal Taxes.....	72,700	72,700	78,283	5,583
Miscellaneous.....	43,000	43,000	40,780	(2,220)
Total Revenues.....	851,700	851,700	869,637	17,937
EXPENDITURES				
General Government.....	-	-	4,534	(4,534)
Education.....	847,371	847,371	838,328	9,043
Total Expenditures	847,371	847,371	842,862	4,509
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	4,329	4,329	26,775	22,446
Fund Balance - July 1.....	17,409	17,409	17,409	-
Fund Balance - June 30.....	\$ 21,738	\$ 21,738	\$ 44,184	\$ 22,446

Note to the Required Supplementary Information - Budgetary Reporting

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

RECONCILIATION OF BUDGETARY TO GAAP

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

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

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

The following schedule reconciles the General and Major Special Revenue Funds of the primary government for differences between budgetary accounting methods and the GAAP basis accounting principles for the year ended June 30, 2007 (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)	\$ 13,109	\$ (43,911)	\$ 26,775
Adjustments and Reclassifications:			
To record change in Accounts Payable and Accrued Payroll	(44,766)	8,240	1,200
To Record change in Encumbrances	(17,857)	41,834	
To Record change in Accounts Receivable	25,328	(38,494)	
To Record Other Financing Sources (Uses)	40,790	277	(40,581)
Excess (Deficiency) of revenues and other financing sources over (under) expenditures and other financing uses* (GAAP Basis)	\$ 16,604	\$ (32,054)	\$ (12,606)

*Includes Change in Inventory reserves for General and Highway of \$(65), \$63 respectively.

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Combining Financial Statements

Highway Fund

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

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

STATE OF NEW HAMPSHIRE
 COMBINING SCHEDULE OF BALANCE SHEET ACCOUNTS
 HIGHWAY FUND
 JUNE 30, 2007
 (Expressed in Thousands)

	Highway Capital	Highway Operating	Total Highway Fund
ASSETS			
Cash and Cash Equivalents	\$ 16,102	\$ 35,513	\$ 51,615
Receivables (Net of Allowances for Uncollectibles)..	24,003	12,796	36,799
Due from Other Funds.....	534		534
Inventories.....		7,011	7,011
Total Assets	<u>\$ 40,639</u>	<u>\$ 55,320</u>	<u>\$ 95,959</u>
LIABILITIES			
Accounts Payable.....	\$ 23,108	\$ 2,945	\$ 26,053
Accrued Payroll.....		4,813	4,813
Deferred Revenue	3,940	148	4,088
Total Liabilities.....	<u>27,048</u>	<u>7,906</u>	<u>34,954</u>
FUND BALANCES			
Reserved for Encumbrances.....	44,387	3,675	48,062
Reserved for Inventories.....		7,011	7,011
Reserved for Unexpended Appropriations.....	15,860	7,953	23,813
Unreserved, Undesignated Surplus/(Deficit)	(46,656)	28,775	(17,881)
Total Fund Balances	<u>13,591</u>	<u>47,414</u>	<u>61,005</u>
Total Liabilities and Fund Balances.....	<u>\$ 40,639</u>	<u>\$ 55,320</u>	<u>\$ 95,959</u>

STATE OF NEW HAMPSHIRE
COMBINING SCHEDULE OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE ACCOUNTS
HIGHWAY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Expressed in Thousands)

	Highway Capital	Highway Operating	Total Highway Fund
REVENUES			
Business License Taxes (Betterment).....	\$ 22,148	\$ 129,324	\$ 151,472
Non-Business License Taxes.....		73,764	73,764
Fees.....		19,653	19,653
Fines, Penalties and Interest.....		670	670
Grants from Federal Government.....	150,069	8,579	158,648
Grants from Private and Local Sources.....	11,503	2,181	13,684
Rents and Leases.....		57	57
Interest, Premiums and Discounts.....		3,022	3,022
Sale of Commodities.....		193	193
Sale of Service.....		3,585	3,585
Grants from Other Agencies.....		2,020	2,020
Miscellaneous.....		8,344	8,344
Total Revenues.....	<u>183,720</u>	<u>251,392</u>	<u>435,112</u>
EXPENDITURES			
Administration of Justice and Public Protection.....		940	940
Transportation.....	41,728	245,263	286,991
Debt Service.....		7,216	7,216
Capital Outlay.....	161,035	9,615	170,650
Total Expenditures.....	<u>202,763</u>	<u>263,034</u>	<u>465,797</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	(19,043)	(11,642)	(30,685)
OTHER FINANCING SOURCES (USES)			
Transfers In (Out).....	6,810	(6,810)	
Transfers Out.....	-	(1,709)	(1,709)
Capital Lease Acquisitions.....		277	277
Total Other Financing Sources (Uses).....	<u>6,810</u>	<u>(8,242)</u>	<u>(1,432)</u>
Excess of Revenues and Other Sources Over Expenditures and Other Uses.....	(12,233)	(19,884)	(32,117)
Fund Balances - July 1	25,824	67,235	93,059
Change in Reserve for Inventory.....		63	63
Fund Balances - June 30.....	<u>\$ 13,591</u>	<u>\$ 47,414</u>	<u>\$ 61,005</u>

Non - Major Governmental Financial Statements

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

Capital Projects Fund: *Used to account for certain capital improvement appropriations which are or will be primarily funded by the issuance of state bonds or notes, other than bonds and notes for highway or turnpike purposes, or by the application of certain federal matching grants.*

Permanent Funds:

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

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

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

STATE OF NEW HAMPSHIRE
 COMBINING BALANCE SHEET
 NON - MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2007
 (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	\$ 9,218		\$ 125	\$ 1,274	\$ 4,723	\$ 6,122	\$ 15,340	
Investments			5,896	1,275	2,546	9,717	9,717	
Receivables (Net).....	1,296	\$ 607					1,903	
Bonds Authorized & Unissued.....								
Inventories.....	652						652	
Loans and Notes Receivables		30					30	
Total Assets.....	\$ 11,166	\$ 637	\$ 6,021	\$ 2,549	\$ 7,269	\$ 15,839	\$ 27,642	
LIABILITIES								
Accounts Payable.....	\$ 558	\$ 9,649					\$ 10,207	
Accrued Payroll.....	810	14					824	
Deferred Revenue	293	30					323	
Due to other funds.....		15,255					15,255	
Total Liabilities.....	1,661	24,948					26,609	
FUND BALANCES								
Reserved for Encumbrances.....	1,020	57,884					58,904	
Reserved for Inventories.....	652						652	
Reserved for Unexpended Appropriations..	5,337	60,642					65,979	
Reserved for Permanent Trust			\$ 6,021	\$ 2,549	\$ 7,269	\$ 15,839	15,839	
Unreserved, Undesignated (Deficit).....	2,496	(142,837)					(140,341)	
Total Fund Balances (Deficit).....	9,505	(24,311)	6,021	2,549	7,269	15,839	1,033	
Total Liabilities and Fund Balances	\$ 11,166	\$ 637	\$ 6,021	\$ 2,549	\$ 7,269	\$ 15,839	\$ 27,642	

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, 2007
 (Expressed in Thousands)

	Fish & Game	Capital	Permanent Funds				Total Permanent	Total Non-Major
			NH Hospital	Conservation Endowment	Other Permanent	Land		
REVENUES								
General Property Taxes.....								
Special Taxes.....								
Personal Taxes.....								
Business License Taxes.....								
Non-Business License Taxes.....	\$ 8,593							\$ 8,593
Fees.....	1,659							1,659
Fines, Penalties and Interest.....	211							211
Grants from Federal Government.....	6,175	\$ 49,311						55,486
Grants from Private and Local Sources.....	396	24						420
Rents and Leases.....								
Interest, Premiums and Discounts.....	497	197	\$ 219	\$ 98	\$ 298	\$ 615		1,309
Sale of Commodities.....	277							277
Sale of Service.....	3							3
Grants from Other Agencies.....	3,957	321						4,278
Miscellaneous.....	159	17	540	122	872	1,534		1,710
Total Revenues.....	21,927	49,870	759	220	1,170	2,149		73,946
EXPENDITURES								
Current:								
Resource Protection and Development.....	21,578			88	143	231		21,809
Health and Social Services.....			163		69	232		232
Debt Service.....	222							222
Capital Outlay.....	850	107,716						108,566
Total Expenditures.....	22,650	107,716	163	88	212	463		130,829
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	(723)	(57,846)	596	132	958	1,686		(56,883)
OTHER FINANCING SOURCES (USES)								
Transfers In	854							854
Transfers in from Enterprise Funds.....		(1,083)						(1,083)
Transfers Out.....		(127,787)						(127,787)
Payments to Refunding Bond Escrow Agent.....		7,386						7,386
G.O. Bond Premium.....		196,885						196,885
G.O. Bond Issuance.....								
Total Other Financing Sources (Uses).....	854	75,401						76,255
Excess (Deficiency) of Revenues & Other Sources Over (Under) Expenditures & Other Uses.....	131	17,555	596	132	958	1,686		19,372
Fund Balances - July 1	9,456	(41,866)	5,425	2,417	6,311	14,153		(18,257)
Change in Reserve for Inventory.....	(82)							(82)
Fund Balances (Deficit) - June 30.....	\$ 9,505	\$ (24,311)	\$ 6,021	\$ 2,549	\$ 7,269	\$ 15,839		\$ 1,033

See accompanying Independent Auditors' Report

**STATE OF NEW HAMPSHIRE
BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
FISH & GAME FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(expressed in thousands)**

Fish and Game Fund

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget-Positive (Negative)
	Original	Final		
REVENUES				
Special Taxes.....	\$ 74	\$ 74		\$ (74)
Non-Business License Taxes.....	8,837	8,837	\$ 8,628	(209)
Fees.....	2,676	2,701	2,012	(689)
Fines, Penalties and Interest.....	170	170	211	41
Grants from Federal Government.....	6,828	7,099	5,752	(1,347)
Grants from Private and Local Sources.....	612	670	396	(274)
Interest Premiums and Discounts.....	108	108	497	389
Sale of Commodities.....	315	345	456	111
Sale of Services.....	595	595	3	(592)
Grants from Other Agencies.....	5,132	5,169	4,356	(813)
Miscellaneous.....	(676)	(601)	198	799
Total Revenues.....	24,671	25,167	22,509	(2,658)
EXPENDITURES				
Resource Protection and Development.....	32,826	33,594	22,429	11,165
Debt Service.....	219	219	222	(3)
Capital Outlays.....	970	970	850	120
Total Expenditures	34,015	34,783	23,501	11,282
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	(9,344)	(9,616)	(992)	8,624
OTHER FINANCING SOURCES (USES)				
Transfers In.....				
Transfers Out		854	854	
Miscellaneous.....		(82)	(82)	
Total Other Financing Sources (Uses).....		772	772	
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses.....	(9,344)	(8,844)	(220)	8,624
Fund Balance - July 1.....	10,150	10,150	10,150	
Fund Balance - June 30.....	\$ 806	\$ 1,306	\$ 9,930	\$ 8,624

Reconciliation of Budgetary To GAAP

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

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

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

The following schedule reconciles the Fish and Game Fund of the primary government for differences between budgetary accounting methods and the GAAP basis accounting principles for the year ended June 30, 2007 (expressed in thousands).

	Fish & Game Fund
Excess (Deficiency) of revenues and other financing sources over (under) expenditures and other financing uses (Budgetary Basis)	\$ (220)
Adjustments and Reclassifications:	
To record change in Accounts Payable and Accrued Payroll	(473)
To Record change in Encumbrances	359
To Record change in Accounts Receivable	383
To Record Other Financing Sources (Uses)	
Excess (Deficiency) of revenues and other financing sources over (under) expenditures and other financing uses* (GAAP Basis)	\$ 49

*Includes Change in Inventory reserves of \$(82.)

Internal Service Fund

STATE OF NEW HAMPSHIRE
COMBINING SCHEDULE OF BALANCE SHEET ACCOUNTS
EMPLOYEE BENEFIT RISK MANAGEMENT FUND
JUNE 30, 2007
(Expressed in Thousands)

	Health			Dental	Total
	Active	Retirees	Total		
ASSETS					
Current Assets:					
Cash and Cash Equivalents.....	\$ 32,390	\$ 22,412	\$ 54,802		\$ 54,802
Accounts Receivable.....	452	712	1,164	\$ 18	1,182
Total Assets.....	<u>\$ 32,842</u>	<u>\$ 23,124</u>	<u>\$ 55,966</u>	<u>\$ 18</u>	<u>\$ 55,984</u>
LIABILITIES					
Current Liabilities:					
Accounts Payable.....	\$ 48	\$ 50	\$ 98	\$ 18	\$ 116
Claims Payable.....	2,399	1,554	3,953		3,953
Incurred but not Reported (IBNR).....	10,278	5,358	15,636		15,636
Total Liabilities.....	<u>12,725</u>	<u>6,962</u>	<u>19,687</u>	<u>18</u>	<u>19,705</u>
NET ASSETS					
Total Net Assets (Deficit).....	<u>\$ 20,117</u>	<u>\$ 16,162</u>	<u>\$ 36,279</u>	<u>\$</u>	<u>\$ 36,279</u>

STATE OF NEW HAMPSHIRE
COMBINING SCHEDULE OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE ACCOUNTS
EMPLOYEE BENEFIT RISK MANAGEMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Expressed in Thousands)

	Health			Dental	Total
	Active	Retirees	Total		
OPERATING REVENUES					
Charges for Sales and Services					
Contributions For Health Benefits					
State Contributions:					
Active Employees.....	\$ 148,570		\$ 148,570		\$ 148,570
Retired Judges & Constitutional Officers.....		\$ 508	508		508
Retired Employees.....		50,093	50,093		50,093
Non-State Contributions:					
Other Employers.....	1,007	39	1,046		1,046
COBRA Participants.....	620		620		620
Legislator Participants.....	510	151	661		661
Retirement Subsidies & Deductions.....		15,062	15,062		15,062
Medicare Part D Subsidies.....		1,473	1,473		1,473
Recoveries.....	666	586	1,252		1,252
Total Contributions for Health Benefits.....	151,373	67,912	219,285		219,285
State Contributions For Dental Benefits				\$ 10,973	10,973
Total Charges for Sales and Services.....	151,373	67,912	219,285	10,973	230,258
OPERATING EXPENSES					
Health Care Expenses					
Medical Payments.....	109,583	30,105	139,688		139,688
Pharmaceuticals.....	30,001	25,384	55,385		55,385
Dental Insurance Premiums.....				10,973	10,973
Ancillary Benefits.....	882		882		882
Total Health Care Expenses.....	140,466	55,489	195,955	10,973	206,928
Administrative Expenses.....	4,676	3,418	8,094		8,094
Enrollment.....	288	75	363		363
Total Operating Expenses.....	145,430	58,982	204,412	10,973	215,385
Operating Income	5,943	8,930	14,873	0	14,873
Net Assets - July 1	14,174	7,232	21,406	0	21,406
Net Assets - June 30.....	\$ 20,117	\$ 16,162	\$ 36,279	\$	\$ 36,279

Component Units

STATE OF NEW HAMPSHIRE
 COMBINING STATEMENT OF NET ASSETS
 NON-MAJOR COMPONENT UNITS
 JUNE 30, 2007
 (Expressed in Thousands)

	Business Finance Authority	Community Development Finance Authority	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents.....	\$ 4,622	\$ 7,713	\$ 12,335
Accounts Receivable.....	265	17	282
Notes Receivable - Current Portion.....	3,152	2,114	5,266
Prepaid Expenses & Other.....	22	22	44
Total Current Assets.....	8,061	9,866	17,927
Noncurrent Assets:			
Investments.....	12,494		12,494
Notes & Other Receivables.....	9,977	1,719	11,696
Other Assets.....	257		257
Capital Assets:			
Land & Land Improvements.....		29	29
Building & Building Improvements.....	7,951		7,951
Equipment.....	107	88	195
Construction in Progress.....			-
Less: Accumulated Depreciation.....	(3,067)	(75)	(3,142)
Net Capital Assets.....	4,991	42	5,033
Total Noncurrent Assets.....	22,728	1,719	24,447
Total Assets.....	35,780	11,627	47,407
Current Liabilities:			
Accounts Payable.....	22	41	63
Accrued Salaries and Wages.....		82	82
Accrued Employee Benefits - Current.....	15		15
Other Payables & Accrued Expenses.....		5,084	5,084
Other Liabilities.....	335		335
Deposits and Deferred Revenues.....	2,950		2,950
Total Current Liabilities.....	3,322	5,207	8,529
Noncurrent Liabilities:			
Other Long Term Debt.....	25,164	1,174	26,338
Total Noncurrent Liabilities.....	25,164	1,174	26,338
Total Liabilities.....	28,486	6,381	34,867
NET ASSETS			
Invested in Capital Assets, Net of Related Debt....	4,992	42	5,034
Restricted for Specific Purpose.....	397		397
Unrestricted.....	1,905	5,204	7,109
Total Net Assets.....	\$ 7,294	\$ 5,246	\$ 12,540

STATE OF NEW HAMPSHIRE
 COMBINING STATEMENT OF ACTIVITIES
 NON-MAJOR COMPONENT UNITS
 JUNE 30, 2007
 (Expressed in Thousands)

	Business Finance Authority	Community Development Finance Authority	Total
Expenses	\$ 2,956	\$ 13,668	\$ 16,624
Program Revenues:			
Charges for Services:			
Tuition & Fees.....			
Scholarship Allowances.....			
Sales, Services, & Other Revenue.....	3,010	1,216	4,226
Operating Grants & Contributions.....		12,389	12,389
Capital Grants & Contributions.....			
Total Program Revenues.....	3,010	13,605	16,615
Net Revenues.....	54	(63)	(9)
Interest & Investment Income.....	146	324	470
Payments (to) from State of New Hampshire.....	(59)		(59)
Change in Net Assets.....	141	261	402
Net Assets - Beginning			
(Restated Community Development Finance Authority-Note 16)....	7,153	4,985	12,138
Net Assets - Ending	\$ 7,294	\$ 5,246	\$ 12,540

Private - Purpose Trust Funds

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

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

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

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

**STATE OF NEW HAMPSHIRE
COMBINING STATEMENT OF NET ASSETS -
PRIVATE - PURPOSE TRUST FUNDS
JUNE 30, 2007
(Expressed in Thousands)**

	Private-Purpose Trust Funds					Total
	Special Fund For Second Injuries	EAP	College Savings	Other	Private-Purpose	
ASSETS						
Cash and Cash Equivalents.....	\$ 5,609	\$ 260	\$ 254	\$ 983		\$ 7,106
Other Receivables.....						
Investments.....			23,965	791		24,756
Total Assets.....	5,609	260	24,219	1,774		31,862
LIABILITIES						
Other Liabilities.....				184		184
Total Liabilities.....				184		184
Net Assets Held in Trust for Benefits & Other Purposes.....	\$ 5,609	\$ 260	\$ 24,219	\$ 1,590		\$ 31,678

STATE OF NEW HAMPSHIRE
 STATEMENT OF CHANGES IN NET ASSETS -
 PRIVATE-PURPOSE TRUST FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007
 (Expressed in Thousands)

	Private Purpose Trust Funds				
	Special Fund For Second Injuries	EAP	College Savings	Other	Total Private Purpose
ADDITIONS					
Contributions:					
From Participants.....	\$ 12,183	\$ 1,723		\$ 2,423	\$ 16,329
Total Contributions.....	12,183	1,723		2,423	16,329
Interest Income.....	223	16	\$ 155	73	467
Other.....			13,224	483	13,707
Total Additions.....	12,406	1,739	13,379	2,979	30,503
DEDUCTIONS					
Benefits/Distributions to Participants.....	0	1,484	0	700	2,184
Other.....	9,066		8,122	2,280	19,468
Total Deductions.....	9,066	1,484	8,122	2,980	21,652
Net Increase/(Decrease).....	3,340	255	5,257	(1)	8,851
NET ASSETS HELD IN TRUST FOR BENEFITS & OTHER PURPOSES					
Beginning of the Year.....	2,269	5	18,962	1,591	22,827
End of the Year.....	\$ 5,609	\$ 260	\$ 24,219	\$ 1,590	\$ 31,678

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.*

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

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

STATE OF NEW HAMPSHIRE
 COMBINING STATEMENT OF ASSETS AND LIABILITIES
 AGENCY FUNDS
 JUNE 30, 2007
 (Expressed in Thousands)

	Agency Funds					Total
	Unified Court System	Child Support Funds	Lifetime License Fund	Maine-NH Interstate Bridge	Other Agency Funds	
ASSETS						
Cash and Cash Equivalents.....	\$ 7,163	\$ 2,056	\$ 19	\$ 329	\$ 2,127	\$ 11,694
Investments.....			1,599	290	1,265	3,154
Total Assets.....	<u>\$ 7,163</u>	<u>\$ 2,056</u>	<u>\$ 1,618</u>	<u>\$ 619</u>	<u>\$ 3,392</u>	<u>\$ 14,848</u>
LIABILITIES						
Custodial Funds Payable.....	\$ 7,163	\$ 2,056	\$ 1,618	\$ 619	\$ 3,392	\$ 14,848
Total Liabilities.....	<u>\$ 7,163</u>	<u>\$ 2,056</u>	<u>\$ 1,618</u>	<u>\$ 619</u>	<u>\$ 3,392</u>	<u>\$ 14,848</u>

STATE OF NEW HAMPSHIRE
 COMBINING STATEMENT OF CHANGES
 IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007
 (Expressed in Thousands)

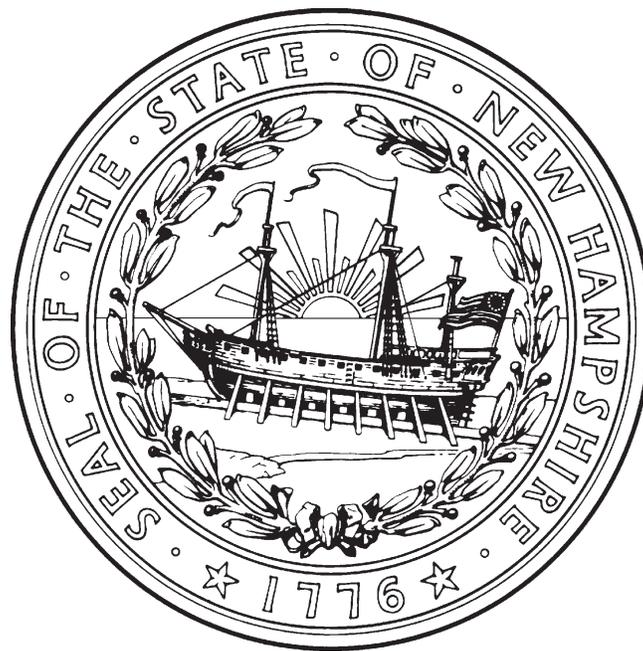
	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Unified Court System				
ASSETS				
Cash and Cash Equivalents.....	\$ 8,557	\$ 15,893	\$ 17,287	\$ 7,163
LIABILITIES				
Custodial Funds Payable.....	\$ 8,557	\$ 15,893	\$ 17,287	\$ 7,163
Child Support Funds				
ASSETS				
Cash and Cash Equivalents.....	\$ 1,192	\$ 95,555	\$ 94,691	\$ 2,056
LIABILITIES				
Custodial Funds Payable.....	\$ 1,192	\$ 95,555	\$ 94,691	\$ 2,056
Lifetime License Fund				
ASSETS				
Cash and Cash Equivalents.....	\$ 27	\$ 81	\$ 89	\$ 19
Investments.....	1,453	215	69	1,599
Total Assets.....	1,480	296	158	1,618
LIABILITIES				
Custodial Funds Payable.....	\$ 1,480	\$ 296	\$ 158	\$ 1,618
Maine-New Hampshire Interstate Bridge Authority				
ASSETS				
Cash and Cash Equivalents.....	\$ 17	\$ 312		329
Investments.....	2,102	2	1,814	290
Total Assets.....	2,119	314	1,814	619
LIABILITIES				
Custodial Funds Payable.....	\$ 2,119	\$ 314	\$ 1,814	\$ 619
Other Agency Funds				
ASSETS				
Cash and Cash Equivalents.....	\$ 2,230	\$ 8,566	\$ 8,669	\$ 2,127
Investments.....	1,309	32	76	1,265
Total Assets.....	\$ 3,539	\$ 8,598	\$ 8,745	\$ 3,392
LIABILITIES				
Other Liabilities.....	\$ 7		\$ 7	\$ 0
Custodial Funds Payable.....	3,532	\$ 8,598	8,738	3,392
Total Liabilities.....	\$ 3,539	\$ 8,598	\$ 8,745	\$ 3,392
Totals - Agency Funds				
ASSETS				
Cash and Cash Equivalents.....	\$ 12,023	\$ 120,407	\$ 120,736	\$ 11,694
Investments.....	4,864	249	1,959	3,154
Total Assets.....	\$ 16,887	\$ 120,656	\$ 122,695	\$ 14,848
LIABILITIES				
Other Liabilities.....	\$ 7	\$ 0	\$ 7	\$ 0
Custodial Funds Payable.....	16,880	120,656	122,688	14,848
Total Liabilities.....	\$ 16,887	\$ 120,656	\$ 122,695	\$ 14,848

See accompanying Independent Auditors' Report

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Statistical Section

(Unaudited)



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

	Fiscal Year					
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Governmental activities						
Invested in capital assets, net of related debt	\$ 1,547,866	\$ 1,430,849	\$ 1,314,663	\$ 1,255,739	\$ 1,179,736	\$ 1,260,145
Restricted	355,883	311,460	262,938	245,194	235,209	250,391
Unrestricted	477,791	411,025	417,238	306,117	293,567	330,009
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>	<u>\$ 1,840,545</u>
Business-type activities						
Invested in capital assets, net of related debt	\$ 298,150	\$ 276,083	\$ 238,080	\$ 212,708	\$ 183,086	\$ 176,118
Restricted	307,056	325,307	318,143	299,755	305,061	366,772
Unrestricted	21,747	14,059	29,171	37,568	53,151	53,584
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>	<u>\$ 596,474</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	\$ 1,436,263
Restricted	662,939	636,767	581,081	544,949	540,270	617,163
Unrestricted	499,538	425,084	446,409	343,685	346,718	383,593
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>	<u>\$ 2,437,019</u>

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

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

	Fiscal Year					
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Governmental Activities:						
Expenses						
General government	\$ 358,060	\$ 353,814	\$ 331,651	\$ 263,634	\$ 250,160	\$ 185,269
Administration of justice and public protection	341,501	345,779	288,737	278,392	283,944	231,309
Resource protection and development	139,096	131,812	130,113	124,357	128,320	115,670
Transportation	411,475	416,518	383,435	380,358	488,947	419,048
Health and social services	1,714,445	1,681,182	1,785,525	1,778,791	1,516,228	1,358,774
Education	1,310,261	1,289,684	1,235,183	1,318,503	1,301,202	1,292,751
Interest expense	28,180	27,991	29,467	27,062	28,525	30,609
Total expenses	<u>4,303,018</u>	<u>4,246,780</u>	<u>4,184,111</u>	<u>4,171,097</u>	<u>3,997,326</u>	<u>3,633,430</u>
Program revenues						
Charges for services:						
General government	156,973	175,108	141,883	110,136	98,653	66,629
Administration of justice and public protection	297,505	279,700	282,820	272,943	260,782	247,972
Resource protection and development	64,304	63,333	62,381	51,423	60,752	56,114
Transportation	14,564	20,622	17,466	10,018	5,211	7,058
Health and social services	74,297	84,445	199,245	154,242	96,823	81,071
Education	42,767	41,749	38,690	39,821	36,085	32,413
Operating grants and contributions	1,367,207	1,340,495	1,359,477	1,369,236	1,194,229	1,003,587
Capital grants and contributions	184,409	195,142	159,238	159,015	153,630	200,429
Total program revenues	<u>2,202,026</u>	<u>2,200,594</u>	<u>2,261,200</u>	<u>2,166,834</u>	<u>1,906,165</u>	<u>1,695,273</u>
Total Governmental Activities Net Program Expense	<u>(2,100,992)</u>	<u>(2,046,186)</u>	<u>(1,922,911)</u>	<u>(2,004,263)</u>	<u>(2,091,161)</u>	<u>(1,938,157)</u>
General Revenues and Other Changes in Net Assets						
Taxes						
General property taxes	384,708	384,873	393,426	494,364	504,191	502,604
Special taxes	1,383,540	1,282,467	1,240,922	1,142,406	1,070,627	1,059,080
Personal taxes	143,610	150,756	101,360	100,015	94,029	84,222
Business license taxes	151,472	149,502	154,335	151,744	145,422	141,851
Interest and investment income	35,631	11,895	6,557	5,832	7,851	1,289
Miscellaneous	43,695	39,759	46,156	42,620	48,827	51,030
Loss on transfer of assets to other entities					(64,001)	(7,725)
Transfers	186,542	185,429	167,944	165,820	152,182	148,727
Total General Revenues and Other Changes in Net Assets	<u>2,329,198</u>	<u>2,204,681</u>	<u>2,110,700</u>	<u>2,102,801</u>	<u>1,959,128</u>	<u>1,981,078</u>
Total Governmental Activities Change in Net Assets	<u>\$ 228,206</u>	<u>\$ 158,495</u>	<u>\$ 187,789</u>	<u>\$ 98,538</u>	<u>\$ (132,033)</u>	<u>\$ 42,921</u>
Business-type Activities:						
Expenses						
Turnpike System	\$ 72,136	\$ 75,580	\$ 58,582	\$ 56,816	\$ 58,080	\$ 55,677
Liquor Commission	349,084	330,701	313,838	295,798	277,135	259,986
Lottery Commission	186,907	183,871	160,282	165,532	157,036	149,791
Unemployment Compensation	95,673	81,582	82,549	116,802	143,429	120,623
Total expenses	<u>703,800</u>	<u>671,734</u>	<u>615,251</u>	<u>634,948</u>	<u>635,680</u>	<u>586,077</u>
Revenues						
Charges for services:						
Turnpike System	89,408	83,395	67,866	65,691	66,830	66,515
Liquor Commission	454,917	433,530	411,764	387,215	362,421	341,935
Lottery Commission	267,322	265,807	230,543	239,630	223,605	215,916
Unemployment Compensation	79,777	87,729	102,012	109,627	79,830	102,604
Capital grants and contributions	10,422	16,757	6,373	7,338	-	-
Total revenues	<u>901,846</u>	<u>887,218</u>	<u>818,558</u>	<u>809,501</u>	<u>732,686</u>	<u>726,970</u>
Total Business-type Activities Net Program Revenue	<u>198,046</u>	<u>215,484</u>	<u>203,307</u>	<u>174,553</u>	<u>97,006</u>	<u>140,893</u>
Other Changes in Net Assets						
Transfers	(186,542)	(185,429)	(167,944)	(165,820)	(152,182)	(148,727)
Total Other Changes in Net Assets	<u>(186,542)</u>	<u>(185,429)</u>	<u>(167,944)</u>	<u>(165,820)</u>	<u>(152,182)</u>	<u>(148,727)</u>
Total Business-type Activities Change in Net Assets	<u>\$ 11,504</u>	<u>\$ 30,055</u>	<u>\$ 35,363</u>	<u>\$ 8,733</u>	<u>\$ (55,176)</u>	<u>\$ (7,834)</u>
Total Primary Government Change in Net Assets	<u>\$ 239,710</u>	<u>\$ 188,550</u>	<u>\$ 223,152</u>	<u>\$ 107,271</u>	<u>\$ (187,209)</u>	<u>\$ 35,087</u>

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

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

	Fiscal Year					
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
General fund						
Reserved	\$ 294,199	\$ 313,252	\$ 223,162	\$ 220,077	\$ 188,642	\$ 257,638
Unreserved	61,713	26,056	82,202	15,287	-	(37,869)
Total general fund	<u>\$ 355,912</u>	<u>\$ 339,308</u>	<u>\$ 305,364</u>	<u>\$ 235,364</u>	<u>\$ 188,642</u>	<u>\$ 219,769</u>
All other governmental funds						
Reserved	\$ 222,264	\$ 296,346	\$ 246,043	\$ 325,307	\$ 251,573	\$ 323,912
Unreserved, reported in:						
Special revenue funds	(15,385)	12,161	10,030	(6,689)	(9,982)	(1,513)
Capital project fund	(142,837)	(219,095)	(130,913)	(207,182)	(144,898)	(152,128)
Total all other governmental funds	<u>\$ 64,042</u>	<u>\$ 89,412</u>	<u>\$ 125,160</u>	<u>\$ 111,436</u>	<u>\$ 96,693</u>	<u>\$ 170,271</u>

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

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

	Fiscal Year					
	2007	2006	2005	2004	2003	2002
Revenues						
General property taxes	\$ 385,308	\$ 384,273	\$ 392,276	\$ 493,614	\$ 504,891	\$ 501,704
Special taxes	1,301,889	1,237,742	1,216,864	1,137,423	1,054,577	1,018,713
Personal taxes	143,610	150,756	101,360	100,015	94,029	84,222
Business License Taxes	171,316	168,544	173,039	170,322	162,973	159,480
Non-Business License Taxes	181,171	167,476	173,800	169,592	163,764	155,279
Fees	143,541	139,319	132,264	121,636	116,266	111,044
Fines, Penalties and Interest	27,421	32,223	24,188	24,365	22,663	20,598
Grants from Federal Government	1,409,251	1,414,103	1,415,070	1,380,605	1,236,223	1,104,470
Grants from Private and Local Sources	130,297	124,633	103,856	139,976	117,978	101,248
Rents and Leases	1,396	1,360	1,296	1,457	1,333	1,612
Interest, Premiums and Discounts	46,286	19,091	11,970	5,101	11,700	7,583
Sale of Commodities	8,425	8,178	8,701	8,882	11,783	11,354
Sale of Service	93,054	94,700	166,472	153,423	94,314	88,892
Assessments	51,017	54,081	82,209	16,422	14,322	17,365
Grants from Other Agencies	10,887	22,869	20,583	5,659	4,644	3,241
Miscellaneous	124,702	150,260	155,059	164,421	159,922	119,753
Total Revenues	4,229,571	4,169,608	4,179,007	4,092,913	3,771,382	3,506,558
Expenditures						
General Government	314,597	308,187	311,755	217,050	211,475	116,665
Administration of Justice and Public Protection	330,616	326,360	278,905	259,579	254,551	235,113
Resource Protection and Development	170,249	159,099	159,575	163,155	162,006	136,224
Transportation	290,093	284,686	258,243	237,711	236,479	221,572
Health and Social Services	1,713,604	1,663,667	1,786,260	1,755,287	1,505,655	1,352,660
Education	1,273,184	1,260,372	1,208,781	1,281,614	1,263,036	1,286,651
Debt Service						
Principal	62,570	60,560	55,298	57,717	59,685	50,691
Interest	32,627	32,608	35,433	29,023	29,906	32,068
Capital Outlay	314,549	337,945	288,150	281,348	316,403	289,050
Total expenditures	4,502,089	4,433,484	4,382,400	4,282,484	4,039,196	3,720,694
Revenues Over (Under) Expenditures	(272,518)	(263,876)	(203,393)	(189,571)	(267,814)	(214,136)
Other Financing Sources (Uses)						
Transfers In	43,373	7,183	41,311	59,716	68,796	86,434
Transfers In from Enterprise Funds	186,542	185,429	167,944	165,820	152,182	148,727
Transfers Out	(43,373)	(7,183)	(41,311)	(59,716)	(68,796)	(86,434)
G.O. Bond Premiums	7,386	1,462	181	3,417	6,912	3,340
G.O. Bond Issuance	196,885	75,000	117,800	80,000	101,477	105,130
Payments to Refunding Bond Escrow Agent	(127,787)				(97,830)	
Repayment of BANS						(50,000)
Capital Lease Proceeds	810	537		134	1,159	2,600
Total Other Financing Sources (Uses)	263,836	262,428	285,925	249,371	163,900	209,797
Change in Reserve for Inventory	(84)	(356)	1,192	1,665	(791)	1,934
Net Change in Fund Balances	\$ (8,766)	\$ (1,804)	\$ 83,724	\$ 61,465	\$ (104,705)	\$ (2,405)
Debt Service as a Percentage of Non-Capital Expenditure:	2.3%	2.3%	2.3%	2.2%	2.5%	2.5%

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

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

Fiscal Year Ended June 30

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Beer Tax.....	\$ 12,728	\$ 12,805	\$ 12,413	\$ 12,445	\$ 12,281	\$ 12,157	\$ 11,656	\$ 12,090	\$ 11,783	\$ 11,442
Board and Care Revenue.....	18,354	13,261	15,583	12,384	11,197	10,692	13,333	11,953	11,196	12,966
Business Profits Tax.....	287,423	264,027	196,647	131,585	137,757	128,574	179,615	146,443	164,833	167,471
Business Enterprise Tax.....	79,291	75,190	114,110	118,538	96,574	121,016	122,165	94,354	93,021	71,036
Estate and Legacy Tax.....	617	3,224	11,659	26,971	59,074	56,958	59,348	56,368	54,744	43,274
Insurance Tax.....	97,909	90,462	88,706	86,246	82,161	76,094	66,441	59,336	62,914	54,656
Securities Revenue.....	32,964	30,064	27,904	26,344	25,778	26,060	28,023	25,513	22,465	20,522
Interest and Dividends Tax.....	108,086	80,543	67,896	55,630	55,129	70,334	76,651	65,522	63,134	61,799
Liquor.....	124,742	120,644	112,555	106,676	98,996	96,237	89,344	86,015	77,444	75,440
Meals and Rooms Tax.....	202,595	193,788	186,486	178,480	168,722	164,045	157,202	149,777	137,258	128,688
Dog Racing.....	703	559	1,112	1,515	1,572	1,487	1,262	1,058	1,026	1,011
Horse Racing.....	2,398	2,313	2,401	2,474	2,459	2,701	2,592	2,429	2,427	2,238
Real Estate Transfer Tax.....	91,704	106,161	107,821	95,162	78,859	66,393	59,488	56,779	52,925	44,162
Telephone/Communications Tax.....	72,986	70,496	70,039	65,781	62,522	64,663	49,045	47,794	46,219	40,134
Tobacco Tax.....	65,337	69,892	73,159	71,471	67,066	60,294	61,007	68,381	73,784	76,128
Tobacco Settlement.....			2,441	1,816	5,862	5,725		442		
Utilities Tax.....	5,757	6,385	6,265	5,121	7,078	5,565	9,656	9,974	10,402	17,731
Courts Fines and Fees.....	30,452	29,500	25,517	24,673	22,114	23,234	23,218	22,845	21,917	21,021
Flexible Grant.....				25,000	25,000					
Other:										
Corporate Returns.....	678	744	733	748	750	711	681	676	659	655
Interstate Vehicle Registrations.....	167	2,411	2,334	2,253	2,310	2,377	2,602	2,860	2,858	2,795
Motor Boat Registrations.....									1,779	1,847
Corporate Filing Fees.....	3,414	3,716	3,231	2,947	3,346	3,341	3,427	3,436	3,229	3,227
Interest on Surplus Funds.....	7,776	4,868	1,712	174	75	1,250	3,754	3,201	5,978	2,990
Reimbursement of Indirect Costs.....	6,822	6,265	6,724	6,671	5,675	5,511	4,255	4,094	4,903	5,100
Miscellaneous.....	69,612	44,092	44,878	44,258	40,409	32,403	32,917	27,877	26,192	29,991
Subtotal.....	1,322,515	1,231,410	1,182,326	1,105,363	1,072,766	1,037,822	1,057,682	959,217	953,090	896,324
Net Medicaid Enhancement										
Revenues (MER).....	83,257	73,617	147,209	149,831	116,979	98,208	85,217	74,230	70,411	67,502
Recoveries.....	15,875	24,462	22,989	20,374						
Subtotal.....	1,421,647	1,329,489	1,352,524	1,275,568	1,189,745	1,136,030	1,142,899	1,033,447	1,023,501	963,826
Other MER Transferred to/(from)										
Uncompensated Care Pool.....			39,062	35,143	16,594	16,263	12,966	12,915	15,839	9,204
Total Unrestricted Revenue.....	\$ 1,421,647	\$ 1,329,489	\$ 1,391,586	\$ 1,310,711	\$ 1,206,339	\$ 1,152,293	\$ 1,155,865	\$ 1,046,362	\$ 1,039,340	\$ 973,030

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

	Fiscal Year Ended June 30									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Balance, July 1 (Budgetary Method).....	\$ 80,329	\$ 123,174	\$ 73,757	\$ 20,047	\$ 23,309	\$ 136,349	\$ 62,450	\$ 119,484	\$ 131,367	\$ 42,638
Additions:										
Unrestricted Revenue.....	1,421,647	1,329,489	1,352,524	1,275,568	1,189,745	1,136,030	1,142,899	1,033,447	1,023,501	960,530
(1)Unrestricted Revenue - UCP.....			39,062	35,143	16,594	16,263	12,966	12,915	15,839	12,500
Total Unrestricted Revenue.....	1,421,647	1,329,489	1,391,586	1,310,711	1,206,339	1,152,293	1,155,865	1,046,362	1,039,340	973,030
Transfer from Other Funds.....	1,938	27,013	8,709	9,161	517	3,358	1,787	778	2,334	1,051
Bonds Authorized and Unissued.....			42,800			5,130			(7,337)	
Additional Lottery Transfer.....									8,579	
Other Credits.....	116	137	1,126	821	35	247	48	214	7,541	5,348
Total Additions.....	1,423,701	1,356,639	1,444,221	1,320,693	1,206,891	1,161,028	1,157,700	1,047,354	1,050,457	979,429
Deductions:										
Appropriations Net of Estimated Revenues:										
General Government.....	297,294	281,005	303,522	248,390	233,118	228,190	227,278	226,440	203,368	185,447
Administration of Justice and Public Protection.....	200,236	195,145	172,289	168,515	163,516	161,406	154,450	149,503	136,298	128,992
Resource Protection and Development.....	43,078	42,056	41,454	41,673	41,161	41,511	38,764	37,753	38,483	37,238
Transportation.....	2,704	6,021	2,885	2,759	3,286	3,399	2,920	3,034	2,882	2,935
Health and Social Services.....	633,792	614,948	608,735	589,392	516,550	498,534	242,393	242,442	218,549	212,160
Education.....	223,498	210,520	256,466	247,543	265,552	242,657	175,520	166,644	156,335	154,785
Liquor Commission.....	31,949	30,585	27,562	28,879	24,943	25,035	22,860	23,417	22,550	22,119
(2)Special Fund.....							238,823	231,867	205,086	197,903
Subtotal.....	1,432,551	1,380,280	1,412,913	1,327,151	1,248,126	1,200,732	1,103,008	1,081,100	983,551	941,579
Uncompensated Care Pool.....			39,062	35,143	16,594	16,263	12,966	12,915	15,839	12,500
Health Care Transition Fund (HCTF)...										14,786
Total Appropriations Net of Estimated Revenues.....	1,432,551	1,380,280	1,451,975	1,362,294	1,264,720	1,216,995	1,115,974	1,094,015	999,390	968,865
Less: Lapses.....	(41,582)	(34,045)	(57,969)	(57,491)	(20,650)	(26,179)	(33,010)	(22,913)	(42,794)	(24,105)
Lapses - HCTF.....							(95)	(342)	(485)	
Total Lapses.....	(41,582)	(34,045)	(57,969)	(57,491)	(20,650)	(26,179)	(33,105)	(23,255)	(43,279)	(24,105)
Net Appropriations.....	1,390,969	1,346,235	1,394,006	1,304,803	1,244,070	1,190,816	1,082,869	1,070,760	956,111	944,760
Transfers to Other Funds.....			757					65	872	280
Other Debits.....	95	1,547	41	37			105	1,037	2,704	865
Transfer to (from) Fund Equity										
Designation or Reserve Accounts.....	20,000	51,702	-	(37,857)	(33,917)	83,252	827	32,526	102,653	(55,205)
Total Deductions.....	1,411,064	1,399,484	1,394,804	1,266,983	1,210,153	1,274,068	1,083,801	1,104,388	1,062,340	890,700
Balance, June 30 (Budgetary Method).....	92,966	80,329	123,174	73,757	20,047	23,309	136,349	62,450	119,484	131,367
GAAP Adjustments:										
Receivables.....	33,647	39,098	34,313	32,722	29,676	26,254	4,121	2,845	4,827	1,520
Accounts Payable and Accrued Liabilities.....	(100,451)	(88,809)	(93,773)	(94,872)	(88,271)	(67,704)	(44,552)	(48,721)	(62,191)	(58,082)
Transfer from General to Liquor Fund.....	(5,030)	(4,562)	(4,012)	(4,191)	(4,324)	(3,148)	(2,738)	(2,686)	(3,628)	(3,677)
Transfer from General to Special Fund.....							(9,833)	(9,889)	(27,488)	(26,127)
Additional Transfers (to) from Reserve Accounts.....					37,857		(83,347)		(31,004)	(3,602)
Total GAAP Adjustments.....	(71,834)	(54,273)	(63,472)	(66,341)	(25,062)	(44,598)	(136,349)	(58,451)	(119,484)	(89,968)
Year-End Transfer to/from the.....										
Education Trust Fund.....	40,581		22,500	7,871	5,015	(16,580)				
Balance (Deficit), June 30 (GAAP).....	\$ 61,713	\$ 26,056	\$ 82,202	\$ 15,287	\$	\$ (37,869)	\$	\$ 3,999	\$	\$ 41,399

(1) UCP = Uncompensated Care Pool

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

STATE OF NEW HAMPSHIRE
SCHEDULE OF UNDESIGNATED FUND BALANCE
EDUCATION FUND
FOR FISCAL YEARS 1999 TO 2007
(Expressed in Thousands)

	Fiscal Year Ended June 30								Description	
	2007	2006	2005	2004	2003	2002	2001	2000		1999
Balance July 1.....	\$ 8,357	\$	\$	\$	\$	\$	\$ 66,348	\$124,783		
Additions										
Unrestricted Revenue										
Statewide Property Tax.....	363,335	363,392	350,368	443,350	452,997	454,135	417,964	417,975		\$2.515/1,000, retained locally
Statewide Property Tax.....	-	-	20,934	29,844	32,666	28,987	24,194	24,150		\$2.515/1,000, not retained locally
Utility Property Tax.....	21,847	20,881	20,102	20,160	18,834	18,170	15,621	31,167		\$6.60/1,000
BPT Increase.....	57,755	56,578	50,748	41,000	37,100	32,645	15,800	22,400		1.5% increase from 7% to 8.5%
BET Increase.....	174,208	150,380	130,600	116,900	121,400	101,215	36,700	54,100		.50% increase from .25% to .75%
Meals & Rooms.....	7,218	7,138	7,153	6,875	6,701	6,604	6,859	6,350		Extension of 8% tax to motor vehicle rentals
Real Estate Tax Increase	45,663	52,545	51,960	47,515	39,426	33,073	29,735	28,231		\$2.50 increase from \$5.00/1000 to \$7.50
Tobacco Tax Increase.....	78,283	80,902	28,214	28,582	26,977	23,968	25,356	26,649		\$0.43/pack increase from \$0.37 to \$0.80
Tobacco Settlement.....	40,781	38,961	40,000	40,000	40,000	40,000	38,745	37,750		Annual payment
Initial Tobacco										
Settlement Payment.....								16,000		One-time payment
Lottery Proceeds.....	80,548	81,987	70,263	73,745	66,569	66,125	59,348	61,517		Net Profit
Other							175	2,924		Interest
Total Revenue.....	869,638	852,764	770,342	847,971	842,670	804,922	670,497	729,213		
General Fund										
Budgeted Appropriations.....		-	61,378	62,590	83,420	65,690	40,559	39,584		Formerly Revenue Sharing, Foundation Aid & Kindergarten Aid
Total Additions.....	869,638	852,764	831,720	910,561	926,090	870,612	711,056	768,797		
Deductions										
Appropriations										
Adequate Education Grant....	479,787	478,534	442,610	451,640	443,873	426,523	406,817	406,817		State Education Grant Disbursed by State
Adequate Education Grant....	363,335	363,392	350,368	443,350	452,997	454,135	417,964	417,975		State Education Grant Retained Locally
Total Grants.....	843,122	841,926	792,978	894,990	896,870	880,658	824,781	824,792		
DRA-Hardship Grants.....					5,000	5,000	769	1,162		
DRA-Property Tax Relief.....	(1,200)	(2,100)	(2,800)	7,700						GAAP Adj. for Low & Moderate Income Relief
DRA-Tax Relief Admin.....								200		
DOE-Kindergarten Aid.....					2,625	1,972		950		
DOE-Admin. & Computers....								169		
Total Appropriations.....	841,922	839,826	790,178	902,690	904,495	887,630	825,550	827,273		
Less Lapses.....	(4,508)	4,581	19,042			(438)	(25)	(41)		
Net Appropriations.....	837,414	844,407	809,220	902,690	904,495	887,192	825,525	827,232		
Current Year Balance.....	32,224	8,357	22,500	7,871	21,595	(16,580)	(114,469)	(58,435)		
End of Year										
Transfers From(To)										
General Fund.....										
FY 2000.....								\$ 124,783		Beginning Balance from Education Betterment
FY 2001.....							48,121			Chapter 158 : 42 Laws of 2001
FY 2002.....						16,580				Eliminate Negative Cash
FY 2003.....					(16,580)					Reimburse Prior Year Transfer
FY 2003.....					(5,015)					Eliminate Current Year Surplus
FY 2004.....				(7,871)						Eliminate Current Year Surplus
FY 2005.....			(22,500)							Eliminate Current Year Surplus
FY 2007.....	(40,581)									Chapter 263 : 111 Laws of 2007
Balance June 30.....	\$	\$ 8,357	\$	\$	\$	\$	\$	\$ 66,348	\$ 124,783	

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

	Fiscal Year Ended June 30									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Balance (Deficit) July 1 (Budgetary Method).....	\$ 17,738	\$ 18,792	\$ 3,063	\$ (4,271)	\$ 6,227	\$ (18,274)	\$ (7,346)	\$ 1,454	\$ 7,439	\$ 11,001
Additions:										
Unrestricted Revenue:										
Gasoline Tax.....	129,514	127,924	131,975	129,863	124,221	121,665	119,507	116,050	119,863	115,517
Motor Vehicle Fees.....	93,327	85,747	93,190	89,934	87,725	83,715	72,066	69,882	66,320	64,452
Other.....	15,817	14,183	7,418	6,270	4,737	6,343	8,872	8,344	10,544	9,263
Total Unrestricted Revenue.....	238,658	227,854	232,583	226,067	216,683	211,723	200,445	194,276	196,727	189,232
Bonds Authorized and Unissued.....										
Other Credits *.....						19,436		1,202		767
Total Additions.....	238,658	227,854	232,583	226,067	216,683	231,159	200,445	195,478	196,727	189,999
Deductions:										
Appropriations Net of										
Estimated Revenues.....	281,647	275,775	253,894	235,021	238,453	229,962	222,593	214,021	211,816	200,378
Less: Appropriation Adjustment ***.....	(8,000)	(33,100)	(26,600)							
Less: Lapses **.....	(14,957)	(14,233)	(12,307)	(16,677)	(13,133)	(23,149)	(14,064)	(24,607)	(16,656)	(8,322)
Net Appropriations.....	258,690	228,442	214,987	218,344	225,320	206,813	208,529	189,414	195,160	192,056
Bonds Authorized and Unissued.....								13,309	5,736	
Other Debits.....	1,646	466	1,867	389	1,861	(155)	2,844	1,555	1,816	1,505
Total Deductions.....	260,336	228,908	216,854	218,733	227,181	206,658	211,373	204,278	202,712	193,561
Balance, June 30 (Budgetary Method).....	(3,940)	17,738	18,792	3,063	(4,271)	6,227	(18,274)	(7,346)	1,454	7,439
GAAP Adjustment:										
Receivables.....	1,948	4,006	1,413	119	1,511	360	271	1,596	269	404
Accounts Payable and										
Accrued Liabilities.....	(15,889)	(20,493)	(13,231)	(12,644)	(9,851)	(10,696)	(8,414)	(9,956)	(9,131)	(9,735)
Bonds Authorized										
and Unissued.....									(13,309)	(19,045)
Total GAAP Adjustments.....	(13,941)	(16,487)	(11,818)	(12,525)	(8,340)	(10,336)	(8,143)	(8,360)	(22,171)	(28,376)
Reclassification of Designated Balance.....										
Balance (Deficit), June 30 (GAAP).....	\$ (17,881)	\$ 1,251	\$ 6,974	\$ (9,462)	\$ (12,611)	\$ (4,109)	\$ (26,417)	\$ (15,706)	\$ (20,717)	\$ (20,937)

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

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

*** FY2007, FY 2006 & FY2005 Adjustment in accordance with Ch 176:9,II, L'05 where net appropriations for the Consolidated Federal Account is reduced and transferred to Undesignated Surplus.

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

	Fiscal Year Ended June 30									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Balance, July 1 (Budgetary Method).....	\$ 3,639	\$ 4,336	\$ 3,763	\$ 3,616	\$ 3,324	\$ 3,599	\$ 4,277	\$ 5,464	\$ 5,006	\$ 4,310
Additions:										
Unrestricted Revenue.....	10,248	9,558	9,530	9,164	8,924	8,374	8,230	7,928	8,158	7,923
Other Credits.....	854	850	1,153	507	939	806	811	878	742	847
Total Additions.....	11,102	10,408	10,683	9,671	9,863	9,180	9,041	8,806	8,900	8,770
Deductions:										
Appropriations Net of Estimated Revenues.....	12,869	12,281	11,236	10,651	10,593	10,545	10,238	10,419	8,809	8,350
Less: Lapses.....	(1,743)	(1,359)	(1,126)	(1,127)	(1,024)	(1,131)	(667)	(426)	(479)	(276)
Net Appropriations.....	11,126	10,922	10,110	9,524	9,569	9,414	9,571	9,993	8,330	8,074
Other Debits.....	82	183			2	41	148		112	
Total Deductions.....	11,208	11,105	10,110	9,524	9,571	9,455	9,719	9,993	8,442	8,074
Current Year Balance.....	(106)	(697)	573	147	292	(275)	(678)	(1,187)	458	696
Balance, June 30 (Budgetary Method).	3,533	3,639	4,336	3,763	3,616	3,324	3,599	4,277	5,464	5,006
GAAP Adjustment:										
Receivables.....	354	343	421	289	229	299	152	160	438	211
Accounts Payable and Accrued Liabilities.....	(1,391)	(1,429)	(1,701)	(1,279)	(1,216)	(1,027)	(1,036)	(1,178)	(1,238)	(1,325)
Total GAAP Adjustments.....	(1,037)	(1,086)	(1,280)	(990)	(987)	(728)	(884)	(1,018)	(800)	(1,114)
Balance, June 30 (GAAP).....	\$ 2,496	\$ 2,553	\$ 3,056	\$ 2,773	\$ 2,629	\$ 2,596	\$ 2,715	\$ 3,259	\$ 4,664	\$ 3,892

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

BUSINESS PROFITS TAX - BPT (1)

Taxes Paid Level	Fiscal Year 2007				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	4,063	29%	\$ 285,614,405	96%	4,176	30%	\$ 227,772,952	95%
\$1,000 - \$4,999	4,226	31%	10,633,566	4%	4,418	31%	11,273,616	5%
Under \$1,000	5,566	40%	1,769,780	1%	5,450	39%	1,721,564	1%
	<u>13,855</u>	<u>100%</u>	<u>\$ 298,017,751</u>	<u>100%</u>	<u>14,044</u>	<u>100%</u>	<u>\$ 240,768,132</u>	<u>100%</u>

BUSINESS ENTERPRISE TAX - BET (2)

Taxes Paid Level	Fiscal Year 2007				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	4,832	12%	\$ 140,626,678	79%	4,739	12%	\$ 132,537,782	77%
\$1,000 - \$4,999	13,270	34%	28,834,377	16%	13,419	33%	28,879,717	17%
Under \$1,000	21,142	54%	9,272,383	5%	22,234	55%	9,708,523	6%
	<u>39,244</u>	<u>100%</u>	<u>\$ 178,733,438</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 2007.

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

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

Source: New Hampshire Department of Revenue, warrants for Tax Year 2006 and 2005

Notes: The rate per \$1,000 of equalized value for fiscal years 2007 and 2006 were \$2.515 and \$2.84, respectively

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

<u>Location</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Hampton - North	25.3	23.9	23.1	22.7	21.6	20.0	18.4	17.6	15.7	14.3
Hampton - South	22.8	21.2	20.6	20.1	18.7	17.6	14.8	14.4	13.3	12.2
Portsmouth Traffic Circle	20.3	19.3	18.2	17.3	16.8	16.3	14.9	14.1	13.0	13.1
Salem	17.4	16.4	15.9	15.1	14.0	13.5	12.3	12.0	11.3	10.8
Hooksett - North	14.7	13.9	13.8	13.0	12.3	11.5	10.8	10.3	9.3	8.9
Nashua	12.7	12.9	12.4	12.9	12.8	12.8	12.6	11.5	10.8	9.5
Nashua	11.9	11.0	11.2	10.3	9.8	11.4	11.7	9.6	9.2	8.9
Hooksett - South	11.6	11.1	10.9	10.4	9.7	8.9	8.3	7.9	7.3	7.1
West Lebanon	9.7	9.5	9.2	8.8	8.6	8.9	8.8	8.8	8.3	8.0
Keene	8.6	7.3	4.6	4.3	4.9	4.6	4.0	3.9	3.8	4.3
Total	<u>155.0</u>	<u>146.5</u>	<u>139.9</u>	<u>134.9</u>	<u>129.2</u>	<u>125.5</u>	<u>116.6</u>	<u>110.1</u>	<u>102.0</u>	<u>97.1</u>

Source: New Hampshire State Liquor Commission

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

(Expressed in Thousands, except per capita)

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Bond Anticipation Notes	Capital Leases	General Obligation Bonds	Revenue Bonds	Capital Leases			
2007	\$ 710,875		\$ 5,825	\$ 4,376	\$269,084	\$ 618	990,778	1.8%	747
2006	701,730		6,085	7,067	284,175	852	999,909	1.9%	756
2005	690,191		6,438	10,795	294,774	1,072	1,003,270	2.0%	766
2004	634,130	50,000	7,462	14,362	305,857	1,120	1,012,931	2.1%	780
2003	611,078	50,000	8,162	18,383	313,644	1,327	1,002,594	2.3%	778
2002	660,204		7,981	22,185	321,161	1,583	1,013,114	2.3%	795
2001	602,185	50,000	7,286	26,221	331,480		1,017,172	2.4%	808
2000	561,696		11,669	30,414	338,092		941,871	2.3%	759
1999	611,321			34,586	344,576		990,483	2.7%	811
1998	578,277			39,248	261,953		879,478	2.5%	729

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)			Ratio Of General Long-Term Debt To Assessed Value	General Long-Term Debt Per Capita
	(1) Population	(2) Assessed Value	(3) General Long-Term Debt		
2007	1,327	\$ 181,835,446	\$ 715,251	0.39	\$ 539
2006	1,315	173,176,615	708,797	0.41	539
2005	1,307	165,222,644	700,986	0.42	536
2004	1,298	147,483,615	648,492	0.44	500
2003	1,286	131,148,359	629,461	0.48	489
2002	1,274	114,813,249	682,389	0.59	536
2001	1,258	99,073,654	628,406	0.63	500
2000	1,241	86,703,541	592,110	0.68	477
1999	1,222	76,154,469	645,907	0.85	529
1998	1,206	70,239,891	617,525	0.88	512

Source: (1) U.S. Dept. of Commerce, Bureau of Census, reflects the most current available data for all years represented (2007 estimated).
(2) New Hampshire Department of Revenue Administration (2007 estimated). Equalization evaluation.
(3) Includes all General Obligation Bonds Payable of the Primary Government.

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

Turnpike System Revenue Bonds									
Fiscal Year	Gross Revenues*	Direct Operating Expenses*	Net Revenue Available For Debt Service	Revenue Bond Debt Service Requirements	Revenue Bond Coverage Ratio	G.O. Bond Debt Service Requirements	Renewal & Replacement	Total	All Obligations Coverage Ratio
2007 (1)	89,054	36,158	52,896	28,078	1.88	2,985	6,047	37,110	1.43
2006 (1)	83,054	41,784	41,270	25,831	1.60	4,219	5,871	35,921	1.15
2005	68,318	30,041	38,277	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
2002	66,218	23,877	42,341	26,452	1.60	5,415	5,365	37,232	1.14
2001	63,981	21,352	42,629	25,352	1.68	5,696	5,431	36,479	1.17
2000	63,034	22,064	40,970	26,452	1.55	5,973	5,308	37,733	1.09
1999	59,257	18,794	40,463	22,286	1.82	6,304	4,119	32,709	1.24
1998	58,033	16,352	41,681	21,678	1.92	6,519	3,990	32,187	1.29

* Amounts as defined in Turnpike System Revenue Bond Resolutions.

(1) 2006 and 2007 calculation of Direct Operating Expenses subtracts out the entire amount of current year depreciation expense (Turnpikes, Federal, & Highway match portions).

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Population (in thousands)	1,327	1,315	1,307	1,298	1,286	1,274	1,258	1,241	1,222	1,206
% Change	0.9%	0.6%	0.7%	0.9%	0.9%	1.3%	1.4%	1.6%	1.3%	1.4%
Total Personal Income (in millions)	53,979	51,690	49,356	47,248	44,327	43,393	42,624	41,429	37,125	35,149
% Change	4.4%	4.7%	4.5%	6.6%	2.2%	1.8%	2.9%	11.6%	5.6%	8.4%
Per Capita Personal Income	40,546	39,311	37,768	36,402	34,471	34,061	33,871	33,393	30,380	29,147
% Change	3.1%	4.1%	3.8%	5.6%	1.2%	0.6%	1.4%	9.9%	4.2%	6.9%
Unemployment Rate	4.0%	3.3%	3.5%	3.9%	4.1%	4.5%	2.9%	2.8%	2.6%	2.7%

Source: U.S. Department of Commerce, Bureau of the Census.
Data is annualized based on activity through July 2007

**STATE OF NEW HAMPSHIRE
SCHEDULE OF BUILDING PERMITS FOR HOUSING UNITS**

**Building Permits Issued
By Number of Units**

<u>Fiscal Year</u>	<u>Single Family</u>	<u>Multi- Family</u>	<u>Total</u>
2007	4,113	543	4,656
2006	5,062	793	5,855
2005	6,283	1,391	7,674
2004	6,618	2,086	8,704
2003	6,043	1,729	7,772
2002	6,383	1,539	7,922
2001	5,608	543	6,151
2000	6,097	583	6,680
1999	5,696	630	6,326
1998	5,310	461	5,771

Source: U.S. Department of Commerce, Bureau of the Census.
Data is annualized based on activity through September 2007

**STATE OF NEW HAMPSHIRE
SCHEDULE OF PRINCIPLE (LARGEST) EMPLOYERS**

<u>Employer</u>	<u>2007</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.....	21,655	1	2.99%	21,121	1	2.93%
2. Wal-Mart Stores Inc.....	8,012	2	1.11%	8,659	2	1.20%
3. University System of New Hampshire.....	6,668	3	0.92%	6,901	4	0.96%
4. Market Basket.....	6,600	4	0.91%	6,600	5	0.92%
5. Dartmouth Hitchcock Medical Center.....	6,211	5	0.86%	7,100	3	0.98%
6. Fidelity Investments.....	5,430	6	0.75%	4,859	7	0.67%
7. Shaw's Supermarkets.....	4,700	7	0.65%	4,600	8	0.64%
8. Hannaford Supermarkets.....	4,663	8	0.64%	5,374	6	0.75%
9. Dartmouth College.....	4,246	9	0.59%	4,246	9	0.59%
10. BAE Systems.....	4,100	10	0.57%	4,100	10	0.57%
Total.....	72,285		9.98%	73,560		10.20%

Source: New Hampshire Business Review/ Book of Lists 2007
USNH Fact Book 2007
State of NH Payroll Department

STATE OF NEW HAMPSHIRE
SCHEDULE OF OPERATING INDICATORS BY FUNCTION

	<u>2007</u>	<u>2006</u>
<u>General Government</u>		
Secretary of State		
Corporate Division Filings:		
LLC Certificate of Formation.....	17,461	21,048
Trade Name Registrations.....	17,307	22,231
Corp. - Certificate of Authority.....	4,721	6,157
Other Corporate Filings.....	7,491	9,445
<u>Administration of Justice & Public Protection</u>		
Department of Safety		
Troop Station Personnel:		
Troop A - Rockingham/Strafford.....	56	56
Troop B - Hillsborough.....	51	55
Troop C - Cheshire/Sullivan.....	39	38
Troop D - Merrimack.....	43	44
Troop E - Belknap/Carroll.....	35	33
Troop F - Coos/Grafton.....	48	47
Department of Corrections		
Number of Prison Inmates:		
NHSP/Men - Concord.....	1,495	1,339
NHSP/Women - Goffstown.....	171	102
Lakes Region Facility - Laconia.....	303	283
Northern Correctional Facility - Berlin.....	580	557
SPU/RTU & Community Corrections.....	159	
<u>Resource Protection & Development</u>		
Department of Resources and Economic Development		
Number of visitors at top 10 state parks:		
Cannon Mountain.....	131,119	81,533
Flume.....	74,525	132,947
Hampton Beach.....	34,738	88,283
Wallis Sands Beach.....	66,212	46,528
Pawtuckaway.....	42,956	44,673
Wellington.....	58,153	34,417
Mt. Sunapee Beach.....	33,249	32,150
Silver Lake.....	36,076	28,475
Odiorne Point.....	24,372	23,299
Ellacoya.....	36,924	21,972

STATE OF NEW HAMPSHIRE
SCHEDULE OF OPERATING INDICATORS BY FUNCTION - CONTINUED

	<u>2007</u>	<u>2006</u>
Department of Environmental Services		
Dollars disbursed by program:		
SRF - Clean water.....	\$ 25,231,659	\$ 10,597,219
SRF - Drinking water.....	16,094,390	11,268,138
SRF - Brownsfield.....	-	56,352
Landfills.....	2,030,802	2,067,751
Water filtration.....	1,632,596	1,484,583
Interconnection Grants.....	109,386	-
Water supply land.....	373,750	577,301
Waste water.....	12,195,029	11,826,356
Aquatic weed.....	268,781	258,191
Household hazardous waste.....	149,744	140,974
Used oil.....	33,611	18,975
Transportation		
Department of Safety		
Number of motor vehicle registrations by county:		
Belknap.....	107,957	74,974
Carroll.....	98,770	66,563
Cheshire.....	130,922	84,397
Coos.....	61,775	41,287
Grafton.....	149,589	95,424
Hillsborough.....	619,625	398,493
Merrimack.....	246,972	167,730
Rockingham.....	513,215	339,579
Strafford.....	190,530	116,865
Sullivan.....	81,880	50,526
Health & Social Services		
Department of Health & Human Services		
Number of caseloads by program:		
Medical assistance.....	66,505	65,279
TANF.....	5,472	6,031
Nursing services for elderly.....	4,544	4,781
Child & family services.....	18,945	18,594
Food stamps.....	29,203	27,665
Education		
New Hampshire Community Technical College		
Enrollment	9,011	8,577
University System of New Hampshire		
Enrollment	24,839	24,234

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

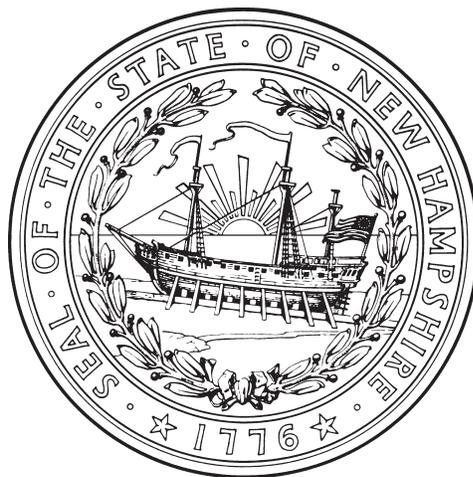
**STATE OF NEW HAMPSHIRE
SCHEDULE OF STATE EMPLOYEES BY FUNCTION**

Full-Time Employees	2007	2006
General Government		
Office of Information Technology.....	391	390
Department of Administrative Services.....	294	252
Department of Revenue Administration.....	190	183
All other.....	453	450
Administration of Justice and Public Protection		
Department of Safety.....	1,092	1,057
Department of Corrections.....	967	973
Judicial Branch.....	673	682
Department of Employment Security.....	319	327
All other.....	881	879
Resource Protection and Development		
Department of Environmental Services.....	469	475
Department of Resource and Economic Development.....	205	212
All other.....	186	189
Transportation		
Department of Transportation.....	1,658	1,683
Health and Social Services		
Department of Health and Human Services:		
New Hampshire Hospital.....	749	772
Office of Commissioner.....	625	585
Division of Children and Youth.....	350	358
Division of Juvenile Justice Services.....	321	348
Division of Transitional Assistance.....	318	317
New Hampshire Veteran's Home.....	316	279
Office of Health Management.....	267	262
All other.....	438	435
Education		
New Hampshire Regional Community Technical College.....	719	709
Department of Education.....	277	274
All other.....	92	90
State Total	<u>12,250</u>	<u>12,181</u>
Part-Time and Temporary Employees		
General Government.....	730	725
Administration of Justice and Public Protection.....	3,617	3,374
Resource Protection and Development.....	1,237	1,301
Transportation.....	461	444
Health and Social Services.....	614	535
Education.....	2,746	2,561
State Total	<u>9,405</u>	<u>8,940</u>

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

Function	Fiscal Year					
	2007	2006	2005	2004	2003	2002
Land & Land Improvements						
General Government.....	5,885	5,764	5,764	5,782	5,782	5,782
Administration of Justice &.....	28,771	28,672	28,672	28,306	28,030	27,930
Public Protection.....						
Resource Protection & Development.....	223,510	219,679	204,882	197,542	172,995	164,410
Transportation.....	281,263	233,585	220,610	186,692	166,595	260,751
Health & Social Services.....	4,033	4,154	4,138	4,138	3,906	3,906
Education.....	2,949	2,924	2,642	2,640	2,640	2,640
Building & Building Improvements						
General Government.....	146,348	135,795	135,795	102,174	97,426	92,880
Administration of Justice &.....	215,140	204,555	202,720	171,573	170,208	162,127
Public Protection.....						
Resource Protection & Development.....	63,286	62,389	62,389	61,206	60,563	58,662
Transportation.....	48,274	45,816	27,988	24,304	24,304	21,493
Health & Social Services.....	111,160	82,395	81,995	70,870	70,549	69,077
Education.....	77,624	76,016	66,235	62,933	61,190	60,719
Equipment and Computer Software						
General Government.....	12,994	9,003	8,672	2,923	2,905	3,164
Administration of Justice &.....	69,585	62,524	50,501	51,570	44,054	38,020
Public Protection.....						
Resource Protection & Development.....	18,061	17,550	16,336	15,364	15,143	14,731
Transportation.....	56,587	46,539	44,955	43,622	33,031	33,086
Health & Social Services.....	53,466	43,238	42,900	42,233	33,949	25,293
Education.....	8,340	8,030	7,785	7,383	7,177	6,314
Infrastructure						
Transportation.....	2,744,520	2,652,916	2,532,386	2,531,841	2,503,567	2,464,137

STATE OF NEW HAMPSHIRE
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