

State of New Hampshire



COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2008



Prepared By:
DEPARTMENT OF ADMINISTRATIVE SERVICES

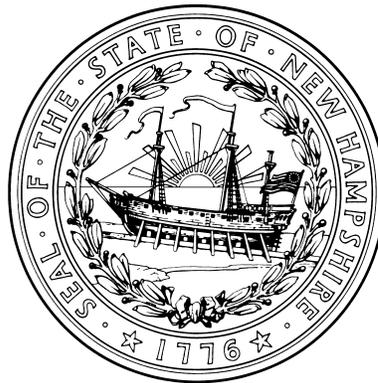
Front Cover Photos taken by and provided courtesy of Steve Moltenbrey - Chester, NH.

- The bald eagle was taken on the Androscoggin River in Errol, NH
- The wildflowers were taken in Crawford Notch, NH
- The waterfall is Crystal Cascade in Pinkham Notch, NH
- The pond is Cherry Pond in Jefferson, NH

STATE OF NEW HAMPSHIRE

**COMPREHENSIVE
ANNUAL
FINANCIAL REPORT**

For the Fiscal Year Ended
June 30, 2008



Prepared by the Department of Administrative Services

Linda M. Hodgdon, 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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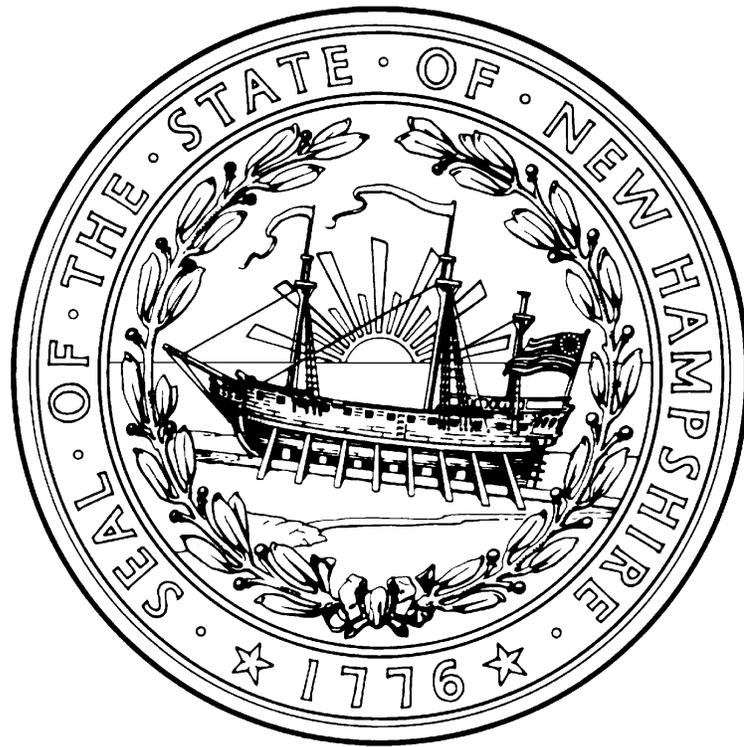
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STATE OF NEW HAMPSHIRE

OFFICE OF THE GOVERNOR

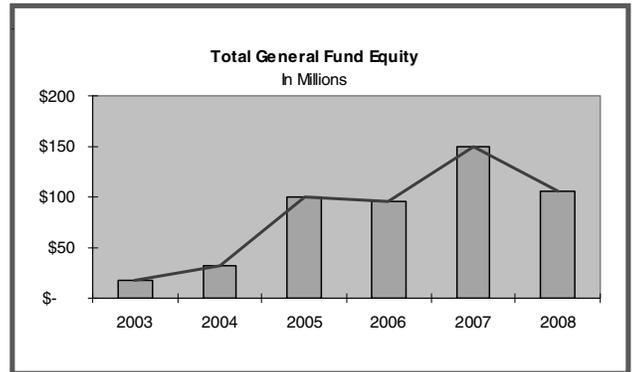


To: The Citizens of the State of New Hampshire
and the Honorable Members of the Legislature

I am pleased to accept the Fiscal Year 2008 State of New Hampshire Comprehensive Annual Financial Report.

This year, we continued to make progress in ensuring that the State of New Hampshire is a place of opportunity for all our citizens. We took the actions necessary to ensure a balanced budget while protecting vital services; we improved the financial management of state government; we made significant progress toward ensuring the long-term viability and affordability of our state's Retirement System; and we created an honest, fiscally responsible 10-year highway transportation plan that will allow New Hampshire to move forward with critical infrastructure projects.

Despite a revenue shortfall of nearly \$50M in fiscal year 2008, we made the decisions necessary to reduce spending and balanced our budget, ending the year with a small surplus.



We have expanded centralized purchasing for state government to stretch taxpayer dollars further and began implementation this year of a new statewide enterprise resource planning system. This project will modernize the State of New Hampshire's business processes and increase the efficiency of our state's financial management system.



Working together, we made important reforms to the state Retirement System, helping to ensure its long-term viability and providing cost savings to local taxpayers. Our work helped to restore the system to solid financial footing and avoid employer rate increases of fifty percent or more.

We created an honest, financially responsible 10-year Highway Plan that makes important investments in reducing congestion and improving public safety. With this plan, we will be able to move forward with important projects across the state, including expanding Interstate 93 and the Spaulding Turnpike and repairing 80 critical red-listed bridges.

I am very proud of all we have accomplished this past year. I want to thank everyone involved in this effort from the legislature, to state employees, to the people of our great state. The involvement of people from across New Hampshire is essential in meeting the challenges we face.

Sincerely,

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

John H. Lynch
Governor



State of New Hampshire
Selected State Officials
For the Fiscal Year Ended June 30, 2008

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

Linda M. Hodgdon

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

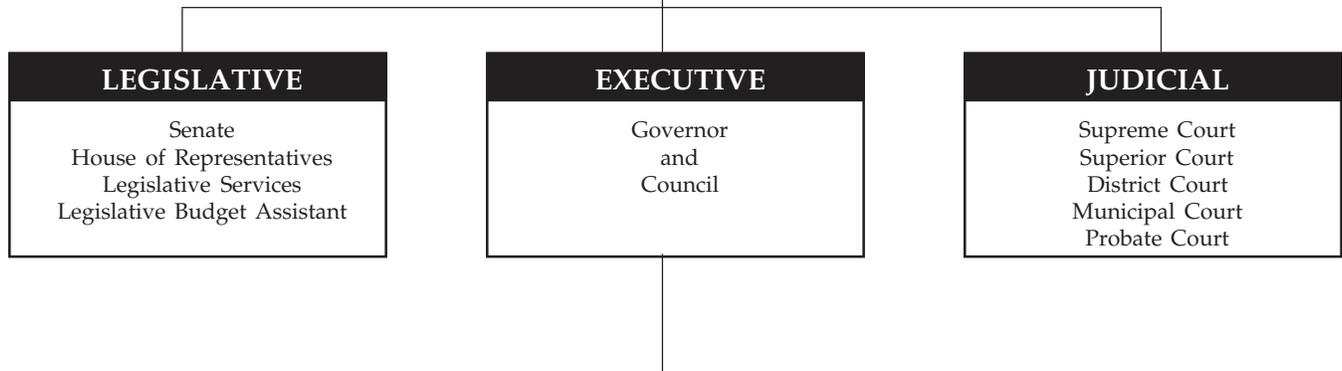
24 Senators

Speaker of the House of Representatives

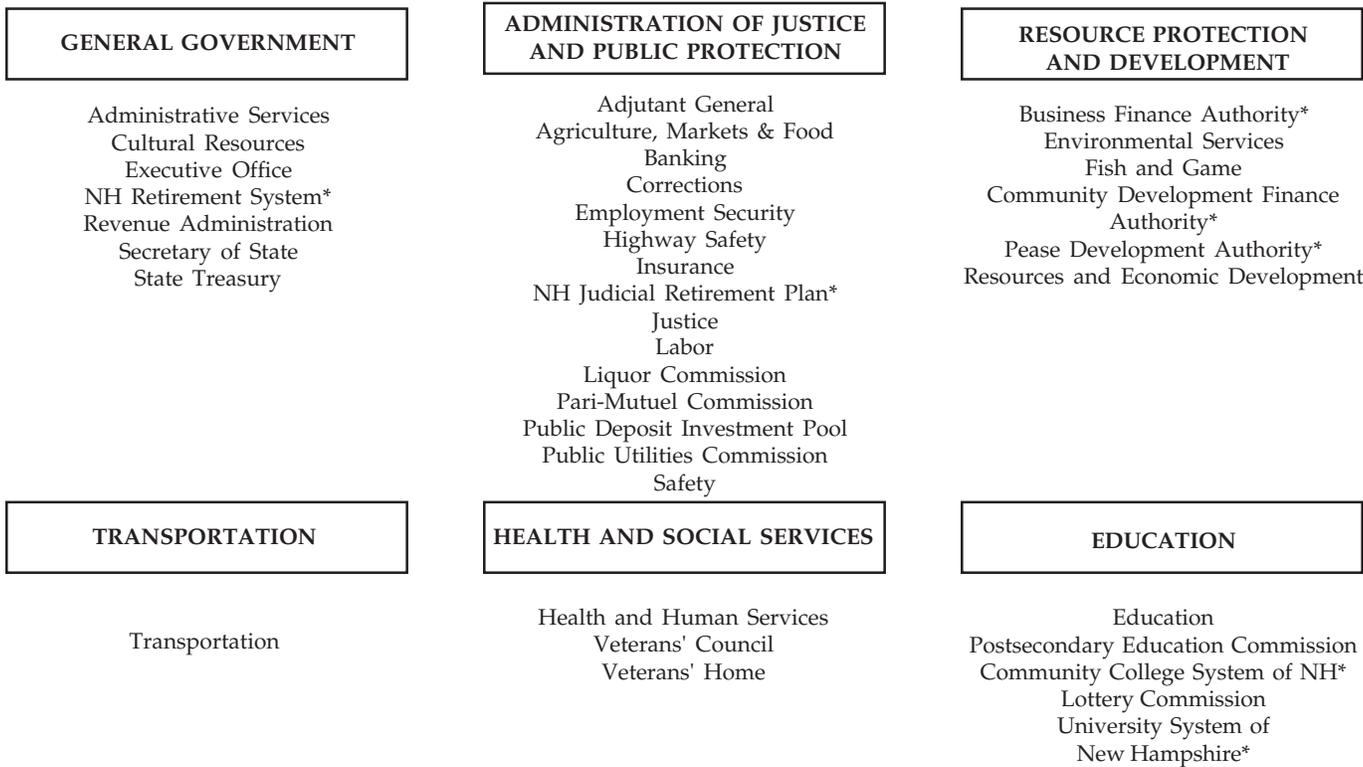
Terie Norelli

400 Representatives

STATE OF NEW HAMPSHIRE ORGANIZATION CHART



STATE AGENCIES AND COMPONENT UNITS (*)





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

LINDA M. HODGDON
Commissioner
(603) 271-3201

December 19, 2008

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, 2008. This report has been prepared by the state Department of Administrative Services and responsibility for both the accuracy of the data presented and completeness and fairness of the presentation, including all disclosures, rests with the state. The basic financial statements, considered by management to present fairly and consistently the state's financial position and results of operations, have been prepared in accordance with generally accepted accounting principles (GAAP) applicable to state and local governments, as promulgated by the Governmental Accounting Standards Board (GASB).

The CAFR is presented in three major sections:

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

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

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

New Hampshire's Economic Outlook

All indications are that New Hampshire's economy, like that of regions, is in a recession with difficult challenges ahead. To help overcome these challenges, New Hampshire 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. In addition, New Hampshire has continued to receive high quality of life rankings in CQ Press' (formally known as Morgan Quitno) Most Livable State Awards, ranking first in standard of living, and the most livable state.

<i>New Hampshire's Economic Scoreboard for 2008</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 (CQ Press, 2008)	1st	1st
Standard of Living (by Poverty Rate 2005-2007)	1st	1st
Child and Family Well-Being (Annie E. Casey Foundation, 2007)	2nd	1st
Safest State (Lowest crime rate, 2006)	2nd	1st
Most Livable State (CQ Press, 2008)	1st	1st
College Educated Population	10th	4th

Source: Dennis Delay, NH Center for Public Policy Studies

Regional economic growth will continue to contract due to the broadening and deepening impact of the global credit crisis. The downturn that started in the real estate market and spread to the financial sector is now extending to retail trade and beyond to other sectors of the economy. Shrinking business and consumer confidence is leading to declining sales, investment and employment. As employment declines, further erosion of business and consumer confidence is expected to occur leading to further reductions in spending and more layoffs. Forecasting out to 2012, economists expect the region will lose about 250,000 jobs or 3.6% of employment. Unemployment is expected to rise to its highest rate since 1992, reaching as much as 8% but will remain below national averages. Real per capita income is expected to decline sharply in Q4 2008, at a 4.4% annualized rate and then be flat through 2009, not reaching 3% growth until 2011. Housing prices have been experiencing sharp declines across the region, but these declines are not as deep as those being seen in the more overheated markets around the country, nor the depressed Midwest markets. The peak-to-trough decline in median housing prices is expected to be 22% versus a forecasted national decline of 30%. A slow, weak economic recovery is expected across the region.

New Hampshire's Gross State Product is currently in a period of no or slow growth with signs that 2007-2008 may even experience a slight drop. Peak to trough employment declines in New Hampshire are forecasted to be 0.4%, with unemployment expected to approach 6%. Manufacturing jobs in New Hampshire have declined at a 1.8% annual rate from 2002-2007, however, this rate is expected to slow to a 0.2% average annual loss due to recent expansion in defense and precision instrument manufacturing. Leading employment growth sectors in New Hampshire are expected to be health services, business & professional services, information and high technology. Single family residential home sales have fallen 42% from the peak, but median housing prices have held up much better, declining only 11% from \$269,900 in 2005 to an estimated \$240,000 in 2008.

As New Hampshire enters this recessionary period, the state is in a stronger position than the rest of the region and the nation as a whole. Economists highlight the fact that New Hampshire's unemployment rate has remained below the New England and national averages, and though housing prices in the state have fallen, they are not anticipated to drop as sharply as other parts of the country. Consistent with past recessions, New Hampshire is forecasted to come out of this recession before the U.S. as a whole and outperform the region in recovery due to the state's diverse economy, educated workforce, low poverty, low unemployment and relatively affordable housing.

Economists remain concerned, however, as forecasting the extent and duration of the recession is difficult because it is being driven by the global and U.S. macro economies. Until financial systems stabilize and policymakers implement anticipated stimulus, risks to current outlooks remain firmly to the downside as the economy's slide will be much longer and deeper.

Information Provided by New England Economic Partnership, Ross Gittell, James R. Carter Professor, Whittemore School of Business and Economics, University of New Hampshire.

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.

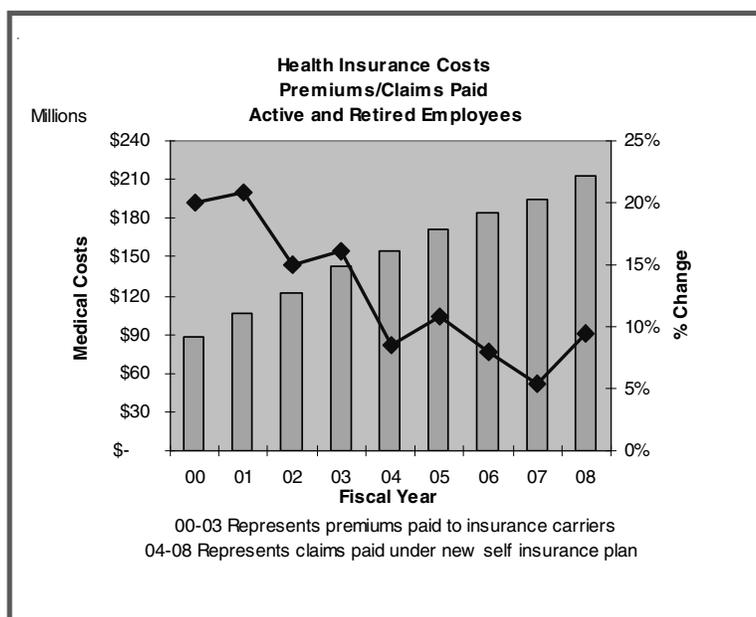
The 2005 capital budget and in subsequent laws the legislature has appropriated nearly \$22 million for the ERP project of which \$11.3 million has been spent to date. In April 2006, a vendor was selected and Ciber, Inc. and Lawson Software were awarded contracts and on July 26, 2006 the ERP project 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.

Due to resource constraints and the complex nature of this project, the original implementation approach could not be achieved and has been through two contract revisions. The current version of the contract modified the implementation phases of the system. The first phase (Phase I) targets a three step approach. The first step is the delivery of a new chart of accounts within the state's existing legacy financial system by July 1, 2008 to provide a foundation that could be used for the new ERP system. The new chart of accounts was successfully deployed on July 1, 2008. The second step targeted the delivery of the "new" budget development component of the ERP system so it could be used for fiscal years 2010-2011 budget planning. The new budget development system was deployed on August 1, 2008 and is currently operational. The third step was the development of the remaining core financial system modules, which are scheduled to be deployed at the end of fiscal year 2009. This effort is currently in progress. After the financial system modules are implemented, subsequent activity will be planned accordingly for human resources, payroll, benefits administration, asset management and additional advanced functionality during fiscal year 2010.

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.

Although self-funding is still a relatively new undertaking for the state, considerable cost savings have been achieved. The average annual percent change in health costs has decreased from 18% for fiscal 2000-2003 to 8% for fiscal 2004-2008. In addition, during fiscal 2008, \$23.8 million of accumulated fund surplus was credited to the agencies as a rate holiday. Also, the dental plan became self-funded in December 2007, and ended fiscal 2008 with a small surplus. At June 30, 2008, the fund ended the year with a surplus of \$24.8 million and cash on hand of \$44.6 million.

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.

FINANCIAL INFORMATION

Surplus Statement General and Education Funds (In Millions)

	FY 2006	FY 2007			FY 2008		
	Total	General	Education	Total	General	Education	Total
Undesignated Fund Balance, July 1	\$ 82.2	\$ 26.0	\$ 8.4	\$ 34.4	\$ 61.7	\$ -	\$ 61.7
Additions:							
Unrestricted Revenue	2,182.3	1,421.6	869.6	2,291.2	1,483.9	882.8	2,366.7
Transfers of Appropriation from General Fund	-						
Total Additions	2,182.3	1,421.6	869.6	2,291.2	1,483.9	882.8	2,366.7
Deductions:							
Appropriations Net of Estimated Revenues	(2,222.1)	(1,432.6)	(843.1)	(2,275.7)	(1,575.8)	(897.1)	(2,472.9)
Less Lapses	29.4	41.6	4.5	46.1	61.6	(0.3)	61.3
Total Net Appropriations	(2,192.7)	(1,391.0)	(838.6)	(2,229.6)	(1,514.2)	(897.4)	(2,411.6)
GAAP and Other Adjustments	14.3	(15.5)	1.2	(14.3)	7.9	(0.7)	7.2
Current Year Balance	3.9	15.1	32.2	47.3	(22.4)	(15.3)	(37.7)
Fund Balance Transfers (To)/From:							
Rainy Day Fund	(51.7)	(20.0)		(20.0)			
Health Care Fund							
Highway Fund					(6.8)		(6.8)
Education Trust Fund		40.6	(40.6)		(15.3)	15.3	
Undesignated Fund Balance, June 30,	\$ 34.4	\$ 61.7	\$ -	\$ 61.7	\$ 17.2	\$ (0.0)	\$ 17.2
Reserved for Rainy Day Account	69.0	89.0		89.0	89.0		89.0
Total Equity	\$ 103.4	\$ 150.7	\$ -	\$ 150.7	\$ 106.2	\$ (0.0)	\$ 106.2

The combined General and Education Fund balance, including the Revenue Stabilization Account (Rainy Day Fund) at June 30, 2008 was \$106.2 million. The Rainy Day Balance remained at \$89.0 million at June 30, 2008. The combined General and Education Fund activity for fiscal year 2008 resulted in an aggregate operating deficit of \$37.7 million (including a \$15.3 million deficit in the Education Fund). With a \$61.7 million surplus carry forward from 2007, and a \$6.8 million budgeted transfer from the General Fund to the Highway Fund, the fiscal year 2008 operating deficit of \$37.7 million brought the combined General and Education Funds surplus down to \$17.2 million.

In response to the revenue shortfalls explained on the next page, the Governor issued three executive orders during fiscal year 2008 to reduce spending:

- Executive Order 2008-1, issued on February 22, 2008, reduced expenditures by approximately \$3.4 million by freezing vacant positions, equipment, and out of state travel.
- Executive Order 2008-2, issued on February 22, 2008, targeted savings of approximately \$46.4 million, which included \$44.4 million of appropriation reductions plus a \$2.0 million payment from the University System in lieu of reduction in appropriation. This order targeted cuts across all State agencies, with approximately \$22.5 million coming from the Department of Health and Human Services. The actual fiscal year 2008 savings realized by this order totaled approximately \$40.9 million.
- Executive Order 2008-5, issued on April 29, 2008, froze state purchases except those considered an emergency.

General and Education Fund total net appropriations for fiscal year 2008, including budget reductions and lapses, were \$2,411.6 million, \$182.0 million (8%) above the prior year primarily due to increases in education grants, health and social services and aid to cities & towns. Lapses for fiscal 2008 for the General and Education Funds were \$61.3 million as compared to \$46.1 million for fiscal year 2007. Salaries and benefit lapses accounted for slightly over half of this increase as a result of the hiring freezes and employee health benefit savings. Fiscal 2008 lapses attributable to the Executive Orders and other targeted savings initiatives totaled approximately \$35.3 million for fiscal 2008.

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

Revenue Category	FY 2006	FY 2007			FY 2008			FY 2008 Combined Plan
		General	Education	Total	General	Education	Total	
Business Profits Tax.....	\$ 320.6	\$ 287.4	\$ 57.8	\$ 345.2	\$ 317.4	\$ 68.0	\$ 385.4	\$ 365.6
Business Enterprise Tax.....	225.6	79.3	174.2	253.5	77.7	155.0	232.7	272.4
Subtotal.....	546.2	366.7	232.0	598.7	395.1	223.0	618.1	638.0
Meals & Rooms Tax.....	200.9	202.6	7.2	209.8	206.7	7.6	214.3	220.0
Tobacco Tax.....	150.8	65.3	78.3	143.6	57.1	109.3	166.4	183.4
Liquor Sales and Distribution.....	120.6	124.7		124.7	133.1		133.1	137.0
Interest & Dividends Tax.....	80.5	108.1		108.1	118.7		118.7	117.0
Insurance Tax.....	90.5	97.9		97.9	95.9		95.9	99.5
Communications Tax.....	70.5	73.0		73.0	80.9		80.9	79.9
Real Estate Transfer Tax.....	158.7	91.7	45.7	137.4	77.7	38.6	116.3	140.0
Estate and Legacy Tax.....	3.2	0.6		0.6	0.2		0.2	-
Transfers from Lottery Commission.....	80.4		79.0	79.0		75.5	75.5	85.8
Transfers from Pari-Mutuel Commission...	1.6		1.5	1.5		1.5	1.5	1.5
Tobacco Settlement.....	39.0		40.8	40.8	8.4	40.0	48.4	47.7
Utility Property Tax.....	20.9		21.8	21.8		24.2	24.2	22.9
Property Tax Retained Locally.....	363.4		363.3	363.3		363.1	363.1	363.0
Other.....	157.0	191.8		191.8	196.9		196.9	174.0
Subtotal.....	2,084.2	1,322.4	869.6	2,192.0	1,370.7	882.8	2,253.5	2,309.7
Net Medicaid Enhancement	-							
Revenues.....	73.6	83.3		83.3	93.1		93.1	91.0
Recoveries.....	24.5	15.9		15.9	20.1		20.1	14.1
Subtotal.....	2,182.3	1,421.6	869.6	2,291.2	1,483.9	882.8	2,366.7	2,414.8
Other Medicaid Enhancement	-							
Revenues to Fund Net Appropriations.....	-	-	-	-	-	-	-	-
Total.....	\$ 2,182.3	\$ 1,421.6	\$ 869.6	\$ 2,291.2	\$ 1,483.9	\$ 882.8	\$ 2,366.7	\$ 2,414.8

With the ongoing housing market downturn and credit crisis weakening the overall economy, revenue collections came in much weaker than estimates. General and Education Fund unrestricted revenue for fiscal year 2008 totaled \$2,366.7 million, which was \$48.1 million (2%) below plan and \$75.5 million (3%) above the prior year. The shortfall from plan was driven primarily from Business Taxes, the Tobacco Tax, and the Real Estate Transfer Tax.

- Real Estate Transfer Tax collections totaled \$116.3 million, which were \$23.7 million (17%) below plan and \$21.1 million (15%) below the prior year.
- Business Taxes totaled \$618.1 million, which were \$19.9 million (3%) below plan and \$19.4 million (3%) above the prior year.
- The Tobacco Tax collected \$166.4 million, which was \$17.0 million (9%) below plan and \$22.8 million (16%) above the prior year due to the tax increase implemented at the beginning of the year.

Reflecting the impact that higher energy costs and economic weakness had on discretionary spending, the Meals and Rooms Tax (M&R), Liquor Sales and Lottery Transfers were all below plan for the year.

M&R totaled \$214.3 million or \$5.7 million short of plan but were \$4.5 million above prior year. Liquor sales totaled \$133.1 million or \$3.9 million below plan but were \$8.4 million above prior year. Lottery transfers were \$75.5 million or \$10.3 million short of plan and \$3.5 million below the prior year.

The Other category saw receipts of \$196.9 million, which were \$22.9 million above plan, reflecting a \$2.0 million contribution from the University System per Executive Order 2008-2, a \$10.0 million repayment from Pease Development Authority and better than anticipated revenues from both escheats and post retirement health reimbursements.

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, 2008, the average daily balance of all pooled investment funds was estimated at \$427.4 million, with an average yield of 3.6%. Total investment income was \$18.1 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, 2008.

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.

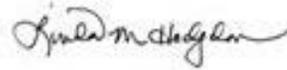
Annual Report to the Citizens

Again in fiscal year 2008, 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

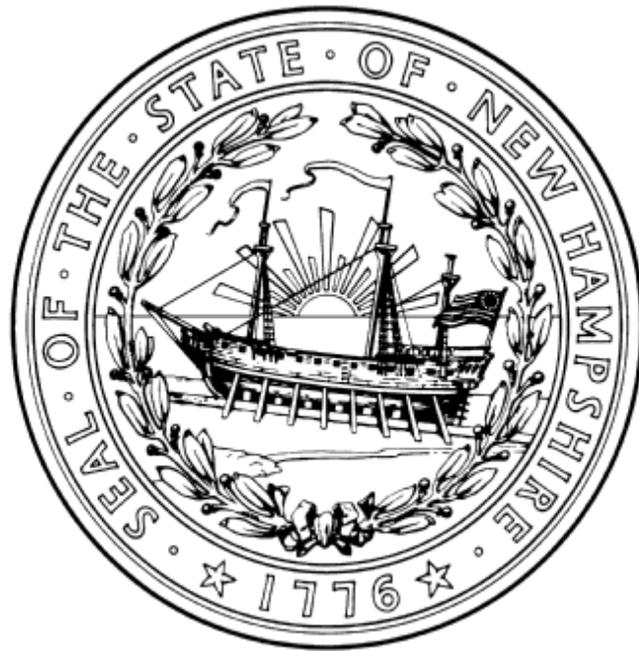
In submitting this report, I acknowledge the cooperation and assistance of all the state agencies and the dedication of the employees of the Department of Administrative Services.

Respectfully submitted,



Linda M. Hodgdon, Commissioner

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, 2008, which collectively comprise the State of New Hampshire's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of New Hampshire's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Investment Trust Fund and Judicial Retirement Plan, which represent 5.6% and 55.8% of the assets and revenues, respectively, of the aggregate remaining fund information, or the University System of New Hampshire, the Business Finance Authority, the Pease Development Authority, and the Community Development Finance Authority, which represent 97.8% and 88.6% of the assets and revenues, respectively, of the aggregate discretely presented component units. 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.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of New Hampshire, as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.



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

As described in note 10, the State of New Hampshire, in 2008, implemented Governmental Accounting Standards Board (GASB) Statement Nos. 45 and 50, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions and Pension Disclosures*, respectively.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2008, 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, the budget to actual - budgetary basis - schedules on pages 72 through 77, and the schedules of funding progress and schedule of employer contributions on page 78 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, 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 18, 2008

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, 2008. 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, 2008 by \$2.9 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, \$285.6 million was reported as unrestricted net assets, \$631.4 million was restricted net assets, and \$2.0 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 decreased by \$101.1 million, or 3.4%, in fiscal year 2008. Net assets of governmental activities decreased by \$94.1 million (4.0%), and net assets of the business-type activities showed a decrease of \$7.0 million (1.1%).

Non-Current Liabilities: The state's total non-current liabilities increased by \$107.1 million (10.9%) during the current fiscal year. Long-term bonded debt increased \$5.9 million or 0.7% as new issuances exceeded payments of outstanding debt. In addition, a \$101.7 million long-term liability was recorded for other postemployment health benefits in accordance with governmental accounting standards.

Fund Highlights:

Governmental Funds - Fund Balances: As of the close of fiscal year 2008, the state's governmental funds reported a combined ending fund balance of \$382.2 million, a decrease of \$37.7 million from the prior year. This change is inclusive of a \$0.6 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 \$17.2 million, and the Rainy Day balance remained at \$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,
- Community Development Finance Authority,
- Pease Development Authority, and
- Community College System of New Hampshire.

Except for the Community College System of New Hampshire, complete financial statements of the individual component units can be obtained from their respective administrative offices. Addresses and other additional information about the state's component units are presented in the notes to the 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 84 and 85.

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

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

Major Component Unit

The state has only one major discretely presented component unit - the University System of New Hampshire and 4 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. In addition, schedules on the funded status and employer contributions are presented for the state's Other Postemployment Benefit Plan and the Judicial Retirement Plan.

Other Supplementary Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The state's combined net assets (government and business-type activities) totaled \$2.9 billion at the end of 2008, compared to \$3.0 billion at the end of the previous year.

Investment in Capital Assets: The largest portion of the state's net assets (68%) 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 \$144.3 million from prior year. This increase was the result of a net increase in capital assets of \$151.2 million during the year combined with an increase in capital related debt of \$6.9 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 decreased \$31.5 million from prior year due largely to a decrease in unemployment compensation benefit reserves during the year.

Unrestricted Net Assets: The state's unrestricted net assets, totaling \$285.6 million, decreased \$213.9 million from the previous year, due largely to increases in retiree health costs and the recognition of other postemployment benefit liabilities in accordance with governmental accounting standards. These assets may be used to meet the state's ongoing obligations to citizens and creditors. Internally imposed designations of resources are not presented as restricted net assets. At the end of both the current and prior fiscal years, the state was able to report positive balances in all three categories of net assets, both for the primary government as a whole, as well as for its separate governmental and business-type activities.

State of New Hampshire's Net Assets as of June 30, 2008 and 2007

(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Current assets	\$ 1,064,429	\$ 1,108,989	\$ 377,211	\$ 395,743	\$ 1,441,640	\$1,504,732
Capital assets	2,368,452	2,221,866	573,495	568,897	2,941,947	2,790,763
Other assets	285,104	292,252	6,871	6,996	291,975	299,248
Total assets	3,717,985	\$3,623,107	957,577	971,636	4,675,562	\$4,594,743
Noncurrent liabilities	837,626	716,303	251,113	265,355	1,088,739	981,658
Current liabilities	592,924	525,264	86,518	79,328	679,442	604,592
Total liabilities	1,430,550	1,241,567	337,631	344,683	1,768,181	1,586,250
Net assets:						
Invested in capital assets, net of related debt	1,674,011	1,547,866	316,330	298,150	1,990,341	1,846,016
Restricted	366,662	355,883	264,782	307,056	631,444	662,939
Unrestricted	246,762	477,791	38,834	21,747	285,596	499,538
Total net assets	\$ 2,287,435	2,381,540	\$ 619,946	\$ 626,953	\$ 2,907,381	\$3,008,493

Changes in Net Assets

The state's net assets decreased by \$101.1 million, or 3.4%, during the current fiscal year. Total revenues increased by \$76.5 million (1.5%) as compared to increases in expenses of \$417.2 million (8.3%).

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

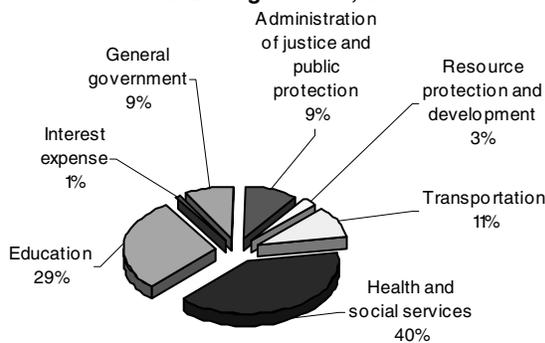
The state's expenses cover a range of services. The largest expenses were for Health and Social Services and Education, which accounted for 34.6% and 24.8% of total expenses, respectively. As compared to the prior year, Health and Social Services saw an increase of 9.5% due to additional federal Medicaid funding. Education expenses increased by 2.5% due to growth in Education Grants.

In addition, both higher energy costs and expenses related to retiree health and postemployment benefits contributed to General Government, Justice and Public Protection and Transportation growing by 17.4%, 23.0% and 7.7%, respectively.

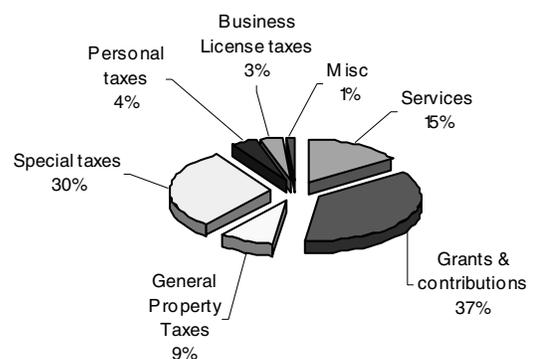
State of New Hampshire's Changes in Net Assets
For Fiscal Years Ending June 30, 2008 and 2007
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Revenues						
Program revenues:						
Charges for services	\$ 666,819	\$ 650,410	\$ 927,588	\$ 891,424	\$ 1,594,407	\$ 1,541,834
Operating grants & contributions	1,424,014	1,367,207			1,424,014	1,367,207
Capital grants & contributions	194,637	184,409	8,816	10,422	203,453	194,831
General revenues:						
General Property Taxes	387,952	384,708			387,952	384,708
Special taxes	1,329,137	1,383,540			1,329,137	1,383,540
Personal taxes	166,288	143,610			166,288	143,610
Business License taxes	151,321	151,472			151,321	151,472
Interest	18,169	35,631			18,169	35,631
Miscellaneous	48,314	43,695			48,314	43,695
Total revenues	4,386,651	4,344,682	936,404	901,846	5,323,055	5,246,528
Expenses						
General government	420,367	358,060			420,367	358,060
Administration of justice and public protection	420,120	341,501			420,120	341,501
Resource protection and development	138,215	139,096			138,215	139,096
Transportation	443,258	411,475			443,258	411,475
Health and social services	1,877,924	1,714,445			1,877,924	1,714,445
Education	1,343,253	1,310,261			1,343,253	1,310,261
Interest Expense	26,115	28,180			26,115	28,180
Turnpike System			80,411	72,136	80,411	72,136
Liquor Commission			367,847	349,084	367,847	349,084
Lottery Commission			186,906	186,907	186,906	186,907
Unemployment Compensation			119,645	95,673	119,645	95,673
Total expenses	4,669,252	4,303,018	754,809	703,800	5,424,061	5,006,818
Increase (decrease) in net assets before transfers	(282,601)	41,664	181,595	198,046	(101,006)	239,710
Transfers & Other Items	188,496	186,542	(188,602)	(186,542)	(106)	
Increase(decrease) in net assets	(94,105)	228,206	(7,007)	11,504	(101,112)	239,710
Net assets, beginning of year	2,381,540	2,153,334	626,953	615,449	3,008,493	2,768,783
Net assets, end of year	\$ 2,287,435	\$ 2,381,540	\$ 619,946	\$ 626,953	\$ 2,907,381	\$ 3,008,493

Expenses - Governmental Activities
Fiscal Year Ending June 30, 2008



Revenues - Governmental Activities
Fiscal Year Ending June 30, 2008



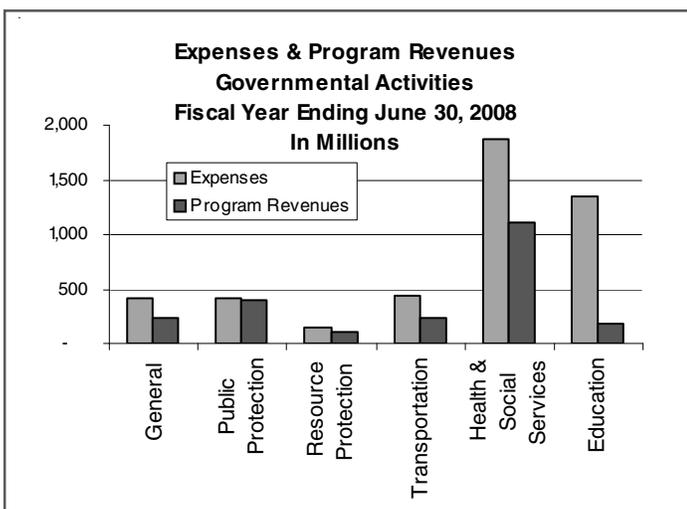
State of New Hampshire
Analysis of Changes in Revenues and Expenses
For Fiscal Year Ending June 30, 2008 Compared to 2007
(\$ In Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	\$Change	% Change	\$Change	% Change	\$Change	% Change
Revenues						
Program revenues:						
Charges for services	16.4	2.5%	36.2	4.1%	52.6	3.4%
Operating grants & contributions	56.8	4.2%			56.8	4.2%
Capital grants & contributions	10.2	5.5%	(1.6)	-15.4%	8.6	4.4%
General revenues:						
General Property Taxes	3.2	0.8%			3.2	0.8%
Special taxes	(54.4)	-3.9%			(54.4)	-3.9%
Personal taxes	22.7	15.8%			22.7	15.8%
Business License taxes	(0.2)	-0.1%			(0.2)	-0.1%
Interest	(17.5)	-49.0%			(17.5)	-49.0%
Miscellaneous	4.6	10.6%			4.6	10.6%
Total revenues	42.0	1.0%	34.6	3.8%	76.5	1.5%
Expenses						
General government	62.3	17.4%			62.3	17.4%
Administration of justice and public protection	78.6	23.0%			78.6	23.0%
Resource protection and development	(0.9)	-0.6%			(0.9)	-0.6%
Transportation	31.8	7.7%			31.8	7.7%
Health and social services	163.5	9.5%			163.5	9.5%
Education	33.0	2.5%			33.0	2.5%
Interest Expense	(2.1)	-7.3%			(2.1)	-7.3%
Turnpike System			8.3	11.5%	8.3	11.5%
Liquor Commission			18.8	5.4%	18.8	5.4%
Lottery Commission			(0.0)	0.0%	(0.0)	0.0%
Unemployment Compensation			24.0	25.1%	24.0	25.1%
Total expenses	366.2	8.5%	51.0	7.2%	417.2	8.3%

Governmental Activities

Governmental activities decreased the state's net assets by \$282.6 million, before transfers and other items. Revenues increased by \$42.0 million or 1.0% from prior year to total \$4.4 billion. The growth was not sufficient to offset expenses which grew \$366.2 million or 8.5%.

A comparison of the cost of services by function for the state's governmental activities with the related program revenues is shown in the chart below. Note that the largest expenses for the state, Health and Social Services and Education, also represent those activities that have the largest gap between expense and program revenues. Since these expenses are least recovered from program revenues, the differences are made up from general revenues, which primarily represent state's taxes, such as the statewide property taxes, business profits tax, business enterprise tax, real estate transfer, tobacco, meals and rooms, interest and dividends, etc. Health and Social Services increased by 9.5% from the previous year, while Education expenses grew approximately 2.5%.



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 \$181.6 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 income of \$111.6 million, a 5.5% increase from prior year, all of which was transferred to the General Fund to fund the general operations of the state. A decline in lottery ticket sales during the year contributed to a \$77.0 million or 4.4% decrease in net income from the Lottery Commission which was transferred to the Education Fund.

Turnpike System net assets increased by \$35.5 million or 10.2% as a result of growth in toll revenues primarily due to toll rate increases implemented during the year. The operations of Unemployment Compensation, resulted in a decrease in net assets of \$42.6 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 \$347.2 million. The general fund ended the year with an unreserved, undesignated surplus of \$17.2 million which represents a \$44.5 million decrease from the prior year. This decrease can be attributed to the effects of the weakening economy and tax revenues falling short of estimates.

Education Fund

The education fund, before year end transfers, had a deficit of \$15.3 million. The general fund made a transfer of surplus to bring the education fund balance to zero at June 30. The deficit can be attributed to revenue shortfalls along with increases in adequate education grant payments.

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 72.

General Fund:

The increase from the original budget of \$4,086 million to the final budget of \$4,206 million is \$120 million and represents additional appropriations issued after July 1, 2007 and are composed of the following (*in millions*):

• Dept. of Environmental Services	\$ 44	
State Revolving Loan Fund		
• DHHS Provider Payments	23	
• Dept. of Safety		
Disaster Relief Assistance	15	
• Office of Energy & Planning	12	
Fuel Assistance		
• Dept. of Justice	5	
Criminal Justice Grants		
• Various	<u>21</u>	
Total		\$ 120

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 \$342 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, 2008, amounted to \$5.4 billion, with accumulated depreciation amounts of \$2.5 billion, leaving a net book value of \$2.9 billion, an increase of \$151.2 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 \$1.6 billion, which increased \$112.0 million from the previous year as current year additions of \$173.0 million exceeded depreciation of \$61.0 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 \$995.0 million. Of this amount, \$738.0 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 January 10, 2008, the state issued \$75 million of general obligation capital improvement bonds. The interest rate on these serial bonds range from 3.375% to 5.0%, and the maturity dates range from 2009 through 2027.

On March 12, 2008, the state issued \$30 million of general obligation capital improvement bonds. The interest rates on these serial bonds range from 4.0% to 4.75%, and the maturity dates range from 2009 through 2028.

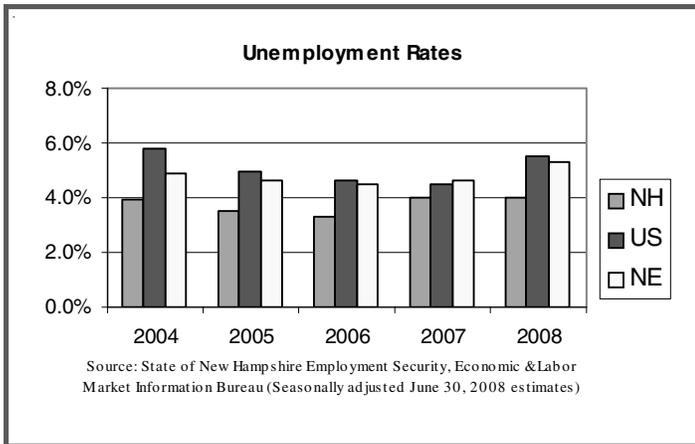
On March 12, 2008 the state issued \$56.3 million of general obligation refunding bonds. The interest rate on these serial bonds is 5.0%, and the maturity dates range from 2016 through 2025. These bonds were used to refund \$60.0 million of outstanding variable auction rate bonds.

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 AA. Moody's Investors Service has assigned a rating for the state of Aa2.

ECONOMIC CONDITIONS AND OUTLOOK

Along with the nation and the region, the state's economy is in a recession with difficult challenges ahead through much, if not all of 2009. 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. The state is forecasted to lead the region during the recovery 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 5.3% and 5.5%, respectively.



General and Education Fund revenues for the first five months of fiscal year 2009 were 672.8 million, which were \$95.4 million (12%) below plan and \$50.5 million (7%) below the prior year. As experienced in fiscal year 2008, Business Taxes and the Real Estate Transfer Tax continue to drive the underperformance in revenues.

In preparing for the expected revenue shortfall in fiscal year 2009, the Governor issued executive orders in fiscal year 2008 to reduce fiscal year 2009 spending:

- Executive Order 2008-1, initially issued on February 22, 2008 and expanded to include all of fiscal year 2009 on June 17, 2008, is expected to reduce expenditures by \$8 million.
- Executive Order 2008-9, issued on June 17, 2008, reduced fiscal year 2009 appropriations by \$30.1 million.
- Executive Order 2008-8, issued on June 17, 2008, froze state purchases except those considered an emergency.

In addition to the budget reductions made by the above-described executive orders, the Governor and the Legislature cut judicial and legislative budgets for a total of \$2.1 million, decreased the discounts received by liquor distributors to raise an additional \$7.5 million, and closed a loophole on games of chance revenue to raise \$1.5 million. These executive orders, legislative reductions and increases are expected to result in an additional \$49.2 million toward the shortfall in the operating budget.

In addition, a provision was made in law to bond up to \$40 million of the school building aid program, to the extent there is a general fund unreserved, undesignated deficit at the end of fiscal year 2009. The school building aid program reimburses school districts for a portion of principal payments made on school construction debt. This program has historically been funded from current revenues rather than long term bonding.

On October 15, 2008, the Commissioner of Administrative Services reported that state General and Education Fund revenues for fiscal year 2009 could fall short of budgeted revenues by approximately \$250 million. Business profits and enterprise taxes and real estate transfer tax make up 75% of that projected shortfall. On October 2, 2008 the Governor requested an 8% expense reduction plan from all agencies in addition to the reductions made through Executive Orders 2008-1 and 2008-9. These additional reductions resulted in executive orders 2008-10 and 2008-11 which will further reduce expenditures by approximately \$58 million. The Governor continues to work on a plan to address the remaining revenue shortfall of approximately \$100 million. Given the current nature of the national and regional economies and of the financial markets, these estimates are likely to change and could worsen.

Going forward, the state will be monitoring revenue collections closely. The state will continue to manage spending with budget reductions and program savings initiatives where needed.

REQUESTS FOR INFORMATION

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

Basic Financial Statements

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STATE OF NEW HAMPSHIRE
STATEMENT OF NET ASSETS
JUNE 30, 2008
(Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Current Assets:				
Cash and Cash Equivalents.....	\$ 456,462	\$ 272,330	\$ 728,792	\$ 244,591
Cash and Cash Equivalents-Restricted.....		40,597	40,597	948
Receivables (Net of Allowances for Uncollectibles).....	593,664	25,136	618,800	39,317
Other Receivables-Restricted.....				3,769
Internal Balances.....	(11,071)	11,071		
Due from Primary Government.....				9,610
Due from Component Units.....	12,637		12,637	
Inventories.....	12,737	27,935	40,672	
Other Current Assets.....		142	142	5,762
Total Current Assets.....	1,064,429	377,211	1,441,640	303,997
Noncurrent Assets:				
Receivables (Net of Allowances for Uncollectibles).....	245,676		245,676	31,983
Due from Component Units.....	11,834		11,834	
Investments.....	27,594		27,594	368,811
Bond Issue Costs.....		3,108	3,108	
Other Assets.....		3,763	3,763	4,040
Capital Assets:				
Land & Land Improvements.....	576,443	113,895	690,338	14,440
Buildings & Building Improvements.....	685,424	25,161	710,585	1,217,103
Equipment & Computer Software.....	248,838	42,127	290,965	127,309
Construction in Progress.....	262,355	26,082	288,437	146,896
Infrastructure.....	2,865,262	611,156	3,476,418	
Less: Allowance for Depreciation.....	(2,269,870)	(244,926)	(2,514,796)	(560,340)
Net Capital Assets.....	2,368,452	573,495	2,941,947	945,408
Total Noncurrent Assets.....	2,653,556	580,366	3,233,922	1,350,242
Total Assets.....	3,717,985	957,577	4,675,562	1,654,239
LIABILITIES				
Current Liabilities:				
Accounts Payable.....	277,536	46,391	323,927	46,317
Accrued Payroll.....	48,544	2,436	50,980	3,672
Due to Primary Government.....				12,637
Due to Component Units.....	9,610		9,610	
Deferred Revenue.....	56,229	9,823	66,052	42,162
Unclaimed Property & Prizes.....	16,197	1,083	17,280	
General Obligation Bonds Payable.....	78,953	1,474	80,427	
Claims & Compensated Absences Payable.....	45,779	1,540	47,319	11,038
Other Postemployment Benefits Payable.....	55,153		55,153	5,117
Other Liabilities.....	4,923	6,694	11,617	6,832
Other Liabilities-Restricted.....		3,807	3,807	654
Revenue Bonds Payable-Restricted.....		13,270	13,270	
Revenue Bonds Payable.....				9,005
Total Current Liabilities.....	592,924	86,518	679,442	137,434
Noncurrent Liabilities:				
General Obligation Bonds Payable, Net.....	656,223	1,347	657,570	
Revenue Bonds Payable, Net.....		243,695	243,695	449,334
Claims & Compensated Absences Payable.....	76,031	5,707	81,738	29,991
Other Postemployment Benefits Payable.....	101,657		101,657	46,305
Due to Primary Government.....				11,834
Other Noncurrent Liabilities.....	3,715	364	4,079	57,699
Total Noncurrent Liabilities.....	837,626	251,113	1,088,739	595,163
Total Liabilities.....	\$ 1,430,550	\$ 337,631	\$ 1,768,181	\$ 732,597

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

STATE OF NEW HAMPSHIRE
STATEMENT OF NET ASSETS
JUNE 30, 2008
(Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
NET ASSETS				
Invested in Capital Assets, net of related debt.....	\$ 1,674,011	\$ 316,330	\$ 1,990,341	\$ 495,116
Restricted for Debt Repayments.....		40,597	40,597	
Restricted for Unemployment Benefits.....		220,422	220,422	
Restricted for Permanent Funds-Non-Expendable.....	14,773		14,773	
Restricted for Prize Awards - MUSL & Tri-State.....		3,763	3,763	
Restricted for Environmental Loans.....	262,843		262,843	
Restricted for Revenue Stabilization.....	89,046		89,046	
Restricted Component Unit Net Assets.....				288,370
Unrestricted Net Assets.....	246,762	38,834	285,596	138,156
Total Net Assets.....	\$ 2,287,435	\$ 619,946	\$ 2,907,381	\$ 921,642

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 STATE OF NEW HAMPSHIRE
 STATEMENT OF ACTIVITIES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008
 (Expressed in Thousands)

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental Activities:				
General Government.....	\$ 420,367	\$ 192,436	\$ 45,599	
Administration of Justice & Public Protection.....	420,120	315,613	92,699	\$ (102)
Resource Protection and Development.....	138,215	62,406	44,438	9
Transportation.....	443,258	19,093	30,274	189,803
Health and Social Services.....	1,877,924	76,392	1,040,932	
Education.....	1,343,253	879	170,072	4,927
Interest Expense.....	26,115			
Total Governmental Activities.....	4,669,252	666,819	1,424,014	194,637
Business-type Activities:				
Turnpike System.....	80,411	107,075		8,816
Liquor Commission.....	367,847	479,448		
Lottery Commission.....	186,906	264,014		
Unemployment Compensation.....	119,645	77,051		
Total Business-type Activities.....	754,809	927,588		8,816
Total Primary Government.....	\$ 5,424,061	\$ 1,594,407	\$ 1,424,014	\$ 203,453
COMPONENT UNITS				
University System of New Hampshire.....	\$ 658,874	\$ 423,843	\$ 117,139	\$ 25,780
Non-Major Component Units.....	117,454	63,921	27,050	
Total Component Units.....	\$ 776,328	\$ 487,764	\$ 144,189	\$ 25,780

General Revenues:				
General Property Taxes.....				
Special Taxes.....				
Personal Taxes.....				
Business License Taxes.....				
Interest & Investment Income.....				
Miscellaneous.....				
Payments from State of New Hampshire.....				
Loss on Transfer of Net Assets to Component Unit.....				
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
\$ (182,332)		\$ (182,332)	
(11,910)		(11,910)	
(31,362)		(31,362)	
(204,088)		(204,088)	
(760,600)		(760,600)	
(1,167,375)		(1,167,375)	
(26,115)		(26,115)	
(2,383,782)		(2,383,782)	
	\$ 35,480	35,480	
	111,601	111,601	
	77,108	77,108	
	(42,594)	(42,594)	
	181,595	181,595	
\$ (2,383,782)	\$ 181,595	\$ (2,202,187)	
			\$ (92,112)
			(26,483)
			\$ (118,595)
387,952		387,952	
1,329,137		1,329,137	
166,288		166,288	
151,321		151,321	
18,169		18,169	16,047
48,314		48,314	
			152,624
(106)		(106)	
188,602	(188,602)		
2,289,677	(188,602)	2,101,075	168,671
(94,105)	(7,007)	(101,112)	50,076
2,381,540	626,953	3,008,493	871,566
\$ 2,287,435	\$ 619,946	\$ 2,907,381	\$ 921,642



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, 2008
(Expressed in Thousands)

	General	Highway	Education	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 367,153	\$ 29,554	\$	\$ 15,155	\$ 411,862
Investments	18,550			9,044	27,594
Receivables (Net of Allowances for Uncollectibles)....	504,488	32,209	35,404	1,622	573,723
Due from Other Funds	56,859	513	15,350		72,722
Due from Component Units.....	24,471				24,471
Inventories.....	5,573	6,250		914	12,737
Loans and Notes Receivables	264,279				264,279
Total Assets	<u>\$ 1,241,373</u>	<u>\$ 68,526</u>	<u>\$ 50,754</u>	<u>\$ 26,735</u>	<u>\$ 1,387,388</u>
LIABILITIES					
Accounts Payable.....	\$ 241,660	\$ 23,233	\$ 2,194	\$ 10,308	\$ 277,395
Accrued Payroll.....	42,361	5,327		856	48,544
Due to Other Funds	26,934		33,064	23,795	83,793
Due to Component Unit.....	9,610				9,610
Deferred Revenue	557,246	452	11,800		569,498
Unclaimed Property and Prizes.....	16,197				16,197
Other Liabilities.....	117				117
Total Liabilities.....	<u>894,125</u>	<u>29,012</u>	<u>47,058</u>	<u>34,959</u>	<u>1,005,154</u>
FUND BALANCES					
Reserved for Encumbrances.....	174,907	42,129		81,849	298,885
Reserved for Inventories.....	5,573	6,250		914	12,737
Reserved for Unexpended Appropriations.....	60,538	18,643	3,696	136,182	219,059
Reserved for Revenue Stabilization.....	89,046				89,046
Reserved for Permanent Trust				14,773	14,773
Unreserved, Undesignated (Deficit) (Note 14).....	17,184	(27,508)			(10,324)
Unreserved, Fish & Game Fund.....				3,997	3,997
Unreserved (Deficit), Capital Project Fund.....				(245,939)	(245,939)
Total Fund Balances.....	<u>347,248</u>	<u>39,514</u>	<u>3,696</u>	<u>(8,224)</u>	<u>382,234</u>
Total Liabilities and Fund Balances.....	<u>\$ 1,241,373</u>	<u>\$ 68,526</u>	<u>\$ 50,754</u>	<u>\$ 26,735</u>	<u>\$ 1,387,388</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, 2008
(Expressed in Thousands)

Total fund balances for governmental funds		\$	382,234
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			
			2,368,452
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	183,204		
Medicaid Hospital Reimbursements	39,235		
Highway Fund Federal and Municipal Billings	139		
Indigent Representation Advances	3,376		
SRF Loans	262,844		
Component Unit Loans	24,471		
			513,269
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.			
			24,805
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	(100,818)		
Other Postemployment Benefits	(156,810)		
Capital Lease Obligations	(5,146)		
Bond Payables	(735,176)		
Interest Payable	(3,375)		
			(1,001,325)
Net Assets of Governmental Activities		\$	<u>2,287,435</u>

STATE OF NEW HAMPSHIRE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Expressed in Thousands)

	General	Highway	Education	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
General Property Taxes.....	\$ 232		\$ 387,320		\$ 387,552
Special Taxes.....	1,083,278		269,198		1,352,476
Personal Taxes.....	57,028		109,260		166,288
Business License Taxes.....	20,956	\$ 151,321			172,277
Non-Business License Taxes.....	96,741	81,139		\$ 9,223	187,103
Fees.....	131,270	21,247		1,158	153,675
Fines, Penalties and Interest.....	34,455	739		189	35,383
Grants from Federal Government.....	1,285,279	162,835		49,492	1,497,606
Grants from Private and Local Sources.....	138,128	9,287		267	147,682
Rents and Leases.....	949	102			1,051
Interest, Premiums and Discounts.....	22,569	848		1,023	24,440
Sale of Commodities.....	10,059	216		190	10,465
Sale of Service.....	58,690	3,806		3	62,499
Assessments.....	53,068	1			53,069
Grants from Other Agencies.....	1,772	776		4,717	7,265
Miscellaneous.....	113,706	12,515	40,000	1,909	168,130
Total Revenues.....	3,108,180	444,832	805,778	68,171	4,426,961
EXPENDITURES					
General Government.....	343,190		3,157		346,347
Administration of Justice and Public Protection.....	352,482	1,193			353,675
Resource Protection and Development.....	138,135			23,350	161,485
Transportation.....	11,324	294,054			305,378
Health and Social Services.....	1,836,789			1,229	1,838,018
Education.....	411,473		893,261		1,304,734
Debt Service.....	88,957	7,568		245	96,770
Capital Outlay.....	34,186	162,882		157,269	354,337
Total Expenditures.....	3,216,536	465,697	896,418	182,093	4,760,744
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	(108,356)	(20,865)	(90,640)	(113,922)	(333,783)
OTHER FINANCING SOURCES (USES)					
Transfers In.....	10,814	7,347	15,322	2,503	35,986
Transfers in from Enterprise Funds.....	111,592		77,010		188,602
Transfers Out.....	(22,806)	(7,212)		(5,968)	(35,986)
Capital Lease Acquisition.....	198				198
Payments to Refunding Bond Escrow Agent.....				(60,000)	(60,000)
G.O. Bond Premiums.....				6,548	6,548
G.O. Bond Issuance.....				161,320	161,320
Total Other Financing Sources (Uses).....	99,798	135	92,332	104,403	296,668
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses.....	(8,558)	(20,730)	1,692	(9,519)	(37,115)
Fund Balances - July 1.....	355,912	61,005	2,004	1,033	419,954
Change in Reserve for Inventory.....	(106)	(761)		262	(605)
Fund Balances - June 30.....	\$ 347,248	\$ 39,514	\$ 3,696	\$ (8,224)	\$ 382,234

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, 2008
(Expressed in Thousands)**

Net change in fund balance - total governmental funds \$ (37,720)

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 (46,376)

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	30,031	
Buildings & Building Improvements	23,592	
Equipment & Computer Software	29,805	
Construction in Progress	28,261	
Infrastructure	120,742	
Accumulated Depreciation, net of Disposals	<u>(85,845)</u>	146,586

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. (11,474)

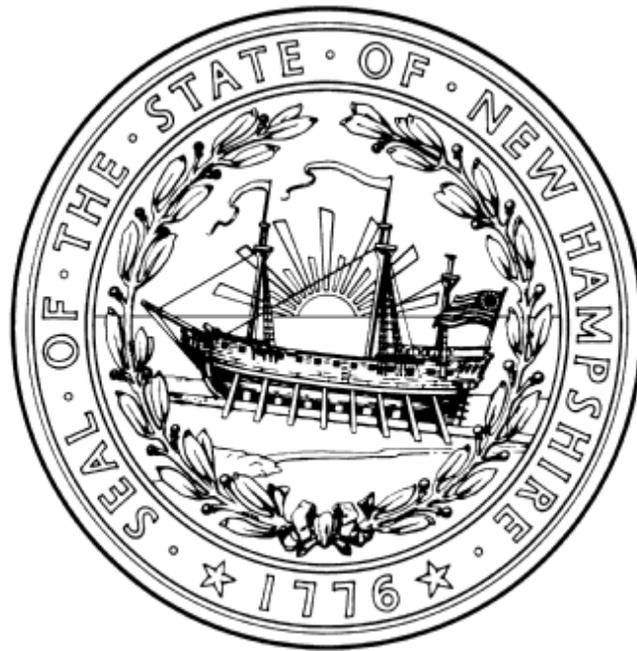
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.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

Bond Proceeds & Premiums Received	(167,868)	
Repayment of Bond Principal & Interest	147,412	
Accretion of Bonds Payable	(4,620)	
Accrued Interest & Amortization	<u>1,076</u>	(24,000)

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	(1,651)	
Other Postemployment Benefits	(156,810)	
Change in Capital Lease Obligation	679	
SRF loan program	<u>36,661</u>	(121,121)

Change in net assets of governmental activities \$ (94,105)



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, 2008
(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.....	\$ 54,057	\$ 740	\$ 249	\$ 217,284	\$ 272,330	\$ 44,600
Cash and Cash Equivalents-Restricted.....	40,597				40,597	
Receivables (Net of Allow ances for Uncollectibles)....	4,095	8,507	2,910	9,624	25,136	1,338
Due from Other Funds.....		11,612			11,612	
Inventories.....	1,263	25,840	832		27,935	
Other Current Assets.....			142		142	
Total Current Assets.....	100,012	46,699	4,133	226,908	377,752	45,938
Noncurrent Assets:						
Bond Issue Costs.....	3,108				3,108	
Capital Assets:						
Land & Land Improvements.....	110,663	3,232			113,895	
Buildings & Building Improvements.....	4,828	20,333			25,161	
Equipment & Computer Softw are.....	35,656	5,971	500		42,127	
Construction in Progress.....	26,082				26,082	
Infrastructure.....	611,156				611,156	
Less: Allow ance for Depreciation & Amortization.....	(228,021)	(16,648)	(257)		(244,926)	
Net Capital Assets.....	560,364	12,888	243		573,495	
Other Assets.....			3,763		3,763	
Total Noncurrent Assets.....	563,472	12,888	4,006		580,366	
Total Assets.....	663,484	59,587	8,139	226,908	958,118	45,938
LIABILITIES						
Current Liabilities:						
Accounts Payable.....	5,069	39,749	1,573		46,391	141
Accrued Payroll.....	791	1,477	168		2,436	
Due to Other Funds.....	513		28		541	
Deferred Revenue.....	6,833	1,873	1,117		9,823	
Unclaimed Prizes.....			1,083		1,083	
General Obligation Bonds Payable.....	1,474				1,474	
Revenue Bonds Payable-Restricted.....	13,270				13,270	
Accrued Interest Payable-Restricted.....	3,807				3,807	
Claims & Compensated Absences Payable.....	428	998	114		1,540	20,992
Other Liabilities.....	85	123		6,486	6,694	
Total Current Liabilities.....	32,270	44,220	4,083	6,486	87,059	21,133
Noncurrent Liabilities:						
General Obligation Bonds Payable.....	1,347				1,347	
Revenue Bonds Payable.....	243,695				243,695	
Claims & Compensated Absences Payable.....	2,798	2,602	307		5,707	
Other Noncurrent Liabilities.....		364			364	
Total Noncurrent Liabilities.....	247,840	2,966	307		251,113	
Total Liabilities.....	280,110	47,186	4,390	6,486	338,172	21,133
NET ASSETS						
Invested in Capital Assets, net of related debt.....	303,686	12,401	243		316,330	
Restricted for Debt Repayments.....	40,597				40,597	
Restricted for Prize Aw ards - MUSL & Tri-State.....			3,763		3,763	
Restricted for Unemployment Benefits.....				220,422	220,422	
Unrestricted Net Assets (Deficit).....	39,091		(257)		38,834	24,805
Total Net Assets.....	\$ 383,374	\$ 12,401	\$ 3,749	\$ 220,422	\$ 619,946	\$ 24,805

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, 2008
 (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.....		\$ 460,540	\$ 263,193	\$ 65,553	\$ 789,286	\$ 220,679
Toll Revenue Pledged for Repaying Revenue Bonds.....	\$ 104,204				104,204	
Total Operating Revenue.....	104,204	460,540	263,193	65,553	893,490	220,679
OPERATING EXPENSES						
Cost of Sales and Services.....		333,048	23,135		356,183	
Lottery Prize Awards.....			154,687		154,687	
Unemployment Insurance Benefits.....				119,645	119,645	
Insurance Claims.....						225,210
Administration.....	48,964	34,050	9,028		92,042	9,414
Depreciation.....	17,575	749	56		18,380	
Total Operating Expenses.....	66,539	367,847	186,906	119,645	740,937	234,624
Operating Income (Loss).....	37,665	92,693	76,287	(54,092)	152,553	(13,945)
NONOPERATING REVENUES (EXPENSES)						
Licenses.....		3,598			3,598	
Beer Taxes.....		12,508			12,508	
Investment Income.....	2,546		821	11,498	14,865	2,471
Miscellaneous.....	325	2,802			3,127	
Interest on Bonds.....	(13,602)				(13,602)	
Amortization of Bond Issuance Costs.....	(270)				(270)	
Total Nonoperating Revenues (Expenses)....	(11,001)	18,908	821	11,498	20,226	2,471
Income Before Grant Contributions.....	26,664	111,601	77,108	(42,594)	172,779	(11,474)
Grant Contributions.....	8,816				8,816	
Income Before Operating Transfers.....	35,480	111,601	77,108	(42,594)	181,595	(11,474)
Transfers Out to Governmental Funds.....		(111,592)	(77,010)		(188,602)	
Change in Net Assets.....	35,480	9	98	(42,594)	(7,007)	(11,474)
Net Assets - July 1	347,894	12,392	3,651	263,016	626,953	36,279
Net Assets - June 30.....	\$ 383,374	\$ 12,401	\$ 3,749	\$ 220,422	\$ 619,946	\$ 24,805

STATE OF NEW HAMPSHIRE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Expressed in Thousands)

	Business-Type Activities - Enterprise Funds					Governmental
	Turnpike System	Liquor Commission	Lottery Commission	Unemployment Compensation	Total	Activities Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from federal and local agencies.....				\$ 2,378	\$ 2,378	
Receipts from customers.....	\$ 103,901	\$ 461,284	\$ 138,068	54,354	757,607	\$ 22,619
Receipts from interfund charges.....						197,888
Payments to employees.....	(12,159)	(19,893)	(2,289)		(34,341)	
Payments to suppliers.....	(32,667)	(344,053)	(6,523)		(383,243)	(9,372)
Payments to prize winners.....			(51,921)		(51,921)	
Payments for Insurance Claims.....				(110,038)	(110,038)	(223,808)
Payments for Interfund Services.....	(3,211)	(3,551)	(911)		(7,673)	
Net Cash Provided by (Used In) Operating Activities...	55,864	93,787	76,424	(53,306)	172,769	(12,673)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers to Other Funds.....		(113,376)	(78,490)		(191,866)	
Proceeds from Collection of Licenses and Beer Tax.....		16,105			16,105	
Net Cash Used for Noncapital and Related Financing Activities.....		(97,271)	(78,490)		(175,761)	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition, Disposal and Construction of Capital Assets.....	(20,918)	(791)	(67)		(21,776)	
Grant Contributions.....	8,816				8,816	
Interest Paid on Revenue & General Obligation Bonds.....	(13,459)				(13,459)	
Principal Paid on Bonds.....	(13,964)				(13,964)	
Contributions from Other Funds.....		791			791	
Net Cash (Used) for Capital and Related Financing Activities.....	(39,525)		(67)		(39,592)	
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest and Other Income.....	2,999	2,811	821	11,498	18,129	2,471
Net Cash Provided by Investing Activities.....	2,999	2,811	821	11,498	18,129	2,471
Net Increase (Decrease) in Cash & Cash Equivalents.....	19,338	(673)	(1,312)	(41,808)	(24,455)	(10,202)
Cash and Cash Equivalents - July 1.....	75,316	1,413	1,561	259,092	337,382	54,802
Cash and Cash Equivalents - June 30.....	\$ 94,654	\$ 740	\$ 249	\$ 217,284	\$ 312,927	\$ 44,600
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities:						
Operating Income (Loss).....	\$ 37,665	\$ 92,693	\$ 76,287	\$ (54,092)	\$ 152,553	\$ (13,945)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Depreciation.....	17,575	749	56		18,380	
Change in Operating Assets and Liabilities:						
Change in Receivables.....	(1,176)	713	(47)	129	(381)	(156)
Change in Inventories.....	465	(3,552)	104		(2,983)	
Change in Other Current Assets.....			(37)		(37)	
Change in Restricted Deposits-MUSL.....			(99)		(99)	
Change in Accounts Payable and other Accruals.....	463	3,153	34	657	4,307	25
Change in Claims Payable.....			14		14	1,403
Change in Deferred Revenue.....	872	31	112		1,015	
Net Cash Provided by (Used In) Operating Activities.....	\$ 55,864	\$ 93,787	\$ 76,424	\$ (53,306)	\$ 172,769	\$ (12,673)

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, 2008
(Expressed in Thousands)

ASSETS	University System of New Hampshire	Non-Major Component Unit	Total
Current Assets:			
Cash and Cash Equivalents.....	\$ 218,848	\$ 25,743	\$ 244,591
Cash and Cash Equivalents-Restricted.....		948	948
Accounts Receivable.....	22,985	6,267	29,252
Other Receivables-Restricted.....		3,769	3,769
Due From Primary Government - Current Portion.....		9,610	9,610
Notes Receivable - Current Portion.....	4,837	5,228	10,065
Prepaid Expenses & Other.....	5,154	608	5,762
Total Current Assets.....	<u>251,824</u>	<u>52,173</u>	<u>303,997</u>
Noncurrent Assets:			
Investments.....	351,304	17,507	368,811
Notes & Other Receivables.....	19,571	12,412	31,983
Other Assets.....	2,760	1,280	4,040
Capital Assets:			
Land & Land Improvements.....	11,767	2,673	14,440
Building & Building Improvements.....	1,092,337	124,766	1,217,103
Equipment.....	121,451	5,858	127,309
Construction in Progress.....	137,437	9,459	146,896
Less: Accumulated Depreciation.....	<u>(508,313)</u>	<u>(52,027)</u>	<u>(560,340)</u>
Net Capital Assets.....	854,679	90,729	945,408
Total Noncurrent Assets.....	<u>373,635</u>	<u>31,199</u>	<u>404,834</u>
Total Assets.....	<u>1,480,138</u>	<u>174,101</u>	<u>1,654,239</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable.....	43,062	3,255	46,317
Accrued Salaries and Wages.....		3,672	3,672
Accrued Employee Benefits - Current.....	6,544	4,494	11,038
Other Postemployment Medical Benefits - Current.....	5,117		5,117
Other Payables & Accrued Expenses.....		6,832	6,832
Other Liabilities-Restricted.....		654	654
Deposits and Deferred Revenues.....	35,581	6,581	42,162
Due to Primary Government - Current Portion.....	377	12,260	12,637
Long Term Debt-Current Portion.....	8,206	799	9,005
Total Current Liabilities.....	<u>98,887</u>	<u>38,547</u>	<u>137,434</u>
Noncurrent Liabilities:			
Revenue Bonds Payable.....	449,334		449,334
Accrued Employee Benefits - Current.....	29,991		29,991
Other Postemployment Medical Benefits - Current.....	46,305		46,305
Due to Primary Government.....	278	11,556	11,834
Other Long Term Debt.....	19,469	38,230	57,699
Total Noncurrent Liabilities.....	<u>545,377</u>	<u>49,786</u>	<u>595,163</u>
Total Liabilities.....	<u>644,264</u>	<u>88,333</u>	<u>732,597</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt.....	432,454	62,662	495,116
Restricted for Endowments.....	278,943		278,943
Restricted for Specific Purposes.....		5,657	5,657
Restricted for Long Term Receivable.....		3,770	3,770
Total Restricted Net Assets.....	<u>711,397</u>	<u>72,089</u>	<u>783,486</u>
Unrestricted Net Assets.....	124,477	13,679	138,156
Total Net Assets.....	<u>\$ 835,874</u>	<u>\$ 85,768</u>	<u>\$ 921,642</u>

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

STATE OF NEW HAMPSHIRE
 COMBINING STATEMENT OF ACTIVITIES
 COMPONENT UNITS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008
 (Expressed in Thousands)

	University System of		
	New Hampshire	Total Non-Major	Total
Expenses	\$ 658,874	\$ 117,454	\$ 776,328
Program Revenues:			
Charges for Services:			
Tuition & Fees.....	317,554	35,082	352,636
Scholarship Allowances.....	(84,210)		(84,210)
Sales, Services, & Other Revenue.....	190,499	28,839	219,338
Operating Grants & Contributions.....	117,139	27,050	144,189
Capital Grants & Contributions.....	25,780		25,780
Total Program Revenues.....	566,762	90,971	657,733
Net Revenues (Expenses).....	(92,112)	(26,483)	(118,595)
Interest & Investment Income.....	12,876	3,171	16,047
Payments (to) from State of New Hampshire.....	116,235	36,389	152,624
Change in Net Assets.....	36,999	13,077	50,076
Net Assets - Beginning	798,875	72,691	871,566
Net Assets - Ending	\$ 835,874	\$ 85,768	\$ 921,642

Fiduciary Funds Financial Statements

Pension Trust Funds:

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

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

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

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

Agency Funds: Assets received by the state as an agent for other governmental units, other organizations, or individuals are accounted for as agency funds. The Unified Court System Litigation accounts which are held pending judicial judgements and Child Support Funds are two of the larger agency funds of the state.

STATE OF NEW HAMPSHIRE
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2008
(Expressed in Thousands)

	Pension Trust Funds	Private-purpose Trust Funds	Investment Trust Funds	Agency Funds
ASSETS				
Cash and Cash Equivalents	\$ 2,904	\$ 5,703		\$ 16,769
Cash Collateral on Security Lending.....	510,542			
Total Cash.....	513,446	5,703		16,769
Receivables:				
Due from Employers.....	21,617			
Due from State.....	7,229			
Due from Plan Members.....	15,739			
Due from Group I State Employee OPEB Plan.....	16,917			
Due from Brokers for Securities Sold.....	35,586			
Interest and Dividends.....	13,267			
Other	4,488		491	
Total Receivables.....	114,843		491	
Investments.....	5,592,771	23,258	322,835	2,857
Other Assets.....	2,125			
Total Assets.....	6,223,185	28,961	323,326	19,626
LIABILITIES				
Securities Lending Collateral.....	510,542			
Management Fees and Other Payables.....	6,523		119	
Due to Group I Political Subdivision OPEB Plan.....	16,917			
Due to Brokers for Securities Purchased.....	40,299			
Custodial Funds Payable.....				19,626
Other Liabilities.....		79		
Total Liabilities.....	574,281	79	119	19,626
Net Assets Held in Trust for Benefits & Other Purposes.....	\$ 5,648,904	\$ 28,882	\$ 323,207	
RECONCILIATION OF NET ASSETS HELD IN TRUST:				
Employees' Pension Benefits.....	\$ 5,477,061			
Employees' Postemployment Healthcare Benefits.....	171,843			
Net Assets for Pool Participants in External Investment Pool.....			\$ 323,207	
Other Purposes.....		\$ 28,882		
Net Assets Held in Trust for Benefits & Other Purposes.....	\$ 5,648,904	\$ 28,882	\$ 323,207	

STATE OF NEW HAMPSHIRE
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Expressed in Thousands)

	Pension Trust Funds	Private-purpose Trust Funds	Investment Trust Funds
ADDITIONS			
Contributions:			
Employer	\$ 200,945		
State Contributions on Behalf of Local Employers	50,202		
Total Employer Contributions	251,147		
Plan Members	158,552		
From Participants		\$ 12,865	\$ 523,960
Total Contributions	409,699	12,865	523,960
Investment Income:			
From Investing Activities:			
Net Appreciation (Depreciation) in Fair Value of Investments	(390,142)	10,255	
Interest Income	64,785	524	
Dividends	39,097		
Alternative Investment Income	1,742		
Commercial Real Estate Operating Income	23,016		
Net Increase in Joint Value from Investment Income			16,233
Total Income (Loss) from Investing Activities	(261,502)	10,779	16,233
Less: Investment Activity Expenses:			
Investment Management Fees	20,169		
Custodial Fees	555		
Investment Advisor Fees	1,213		
Total Investment Activity Expenses	21,937		
Total Net Income (Loss) from Investing Activities	(283,439)	10,779	16,233
From Securities Lending Activities:			
Security Lending Income	21,557		
Less: Security Lending Borrower Rebates	27,014		
Less: Security Lending Management Fees	-		
Net Income from Securities Lending Activities	(5,457)		
Total Net Investment Income (Loss)	(288,896)	10,779	16,233
Interest Income	439		
Other	1,774		
Total Additions	123,016	23,644	540,193
DEDUCTIONS			
Benefits/Distributions to Participants	448,315	2,437	16,233
Refunds of Contributions	32,297		
Administrative Expense	6,984		
Professional Fees	1,424		
Interest Expense	439		
Other	1,968	24,003	529,111
Total Deductions	491,427	26,440	545,344
Change in Net Assets	(368,411)	(2,796)	(5,151)
NET ASSETS HELD IN TRUST FOR BENEFITS & OTHER PURPOSES			
Beginning of the Year	6,017,315	31,678	328,358
End of the Year	\$ 5,648,904	\$ 28,882	\$ 323,207

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NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2008

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, 2008, 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 2 Pillsbury Street, Suite 201, Concord NH 03301.

Community Development Finance Authority - The Community Development Finance Authority (CDFA) is a body corporate and politic organized as a nonprofit corporation under Revised Statutes Annotated (RSA) 292. The governing board of eleven members is made up of the Commissioner of the Department of Resources and Economic Development or designee and ten public members appointed by the Governor and Executive Council as follows: four representatives of community development corporations or other nonprofit organizations engaged in community development activities, one representative of organized labor, two representatives of small business and the financial community, one representative of employment training programs, and two representatives of private financial institutions. An investment tax credit equal to 75 percent of the contribution made to the CDFA during the contributor's tax year is allowed against certain taxes imposed by the state. In accordance with RSA 162-L:10, the total credits allowed shall not exceed \$5.0 million in any state fiscal year. CDFA's financials can be obtained by contacting CDFA at, CDFA 14 Dixon Avenue, Suite 102, Concord NH 03301.

Pease Development Authority - The Pease Development Authority (PDA) is a body corporate and politic with a governing body of seven members. Four members are appointed by the Governor and state legislative leadership, and three members are appointed by the city of Portsmouth and the town of Newington. The state currently guarantees outstanding loans and principal on bonds of the PDA and has issued bonds on behalf of the PDA as of June 30, 2008, 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.

The Community College System of New Hampshire (CCSNH) Formally the Department of Regional Community-Technical Colleges, was established under Chapter 361, Laws of 2007 (effective date July 17, 2007) as a body politic and corporate, whose main purpose is to provide a well-coordinated system of public community college education. The CCSNH currently includes colleges in Berlin, Claremont, Concord, Laconia, Manchester, Nashua and Stratham/Portsmouth. It is governed by a single board of trustees with its 19 voting members appointed by Governor and Executive Council. The CCSNH funds its operations through tuition, room and board, fees, grants, legacies and gifts, and state appropriations. Each college within the CCSNH and the chancellor's office are considered separate budgetary units. The CCSNH prepares a biennial operating budget for presentation to the Governor and the General Court. The CCSNH continues to use the financial and administrative services of the State Treasurer and State Department of Administrative Services, but the expenses related to these services have not been allocated to the CCSNH but rather remain as an expense to the Primary Government. The use of State services has a sunset provision of July 1, 2009.

With the establishment of the CCSNH, certain net assets of the primary government attributable to the CCSNH, were transferred. Included in the transfer were only those capital assets and related bonds payable which were deemed self-funded by the CCSNH.

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

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

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

The Plan is administered by a seven member Board of Trustees that is appointed by the state. The Board is fiduciarily responsible for the trust fund's assets and oversees the investment of the Plan's assets, approving the actuarial valuation of the Plan

including assumptions, interpreting statutory provisions and generally supervises the operations of the Plan.

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

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

Related Organizations:

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

Those organizations are:

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

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

Measurement Focus and Basis of Accounting

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

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

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

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

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

Financial Statement Presentation

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

The state reports the following major governmental funds:

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

Highway Fund: The Highway Fund is used to account for

the revenues and expenditures used in the construction and maintenance of the state's public highways and the supervision of traffic thereon.

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

The state reports the following major enterprise funds:

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

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

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

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

Additionally, the state reports the following 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 Retirement System and The New Hampshire Judicial Retirement plan are component units of the State.

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

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

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

Reporting Periods

The accompanying financial statements of the state are presented as of June 30, 2008, and for the year then ended, except for the New Hampshire Judicial Retirement Plan which is as of December 31, 2007.

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. Both the Lottery and Liquor use the lower of cost or market to value their inventories. Lottery uses the first-in, first-out method and Liquor uses the average cost method. All other inventories in the governmental and proprietary funds are stated at average cost.

Governmental fund inventories are recorded under the purchase method. Reported inventory balances in the governmental funds are offset by a 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. The balance at June 30, 2008 remained at 89.0 million.

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, 2008, the state's carrying value for deposits was \$564.7 million. The table below details the state's bank balances at June 30, 2008 exposed to custodial credit risk (expressed in thousands):

Type	Governmental & Business Type			Fiduciary		
	Insured	Collateral & held in State's name	Uncollateralized	Insured	Collateral & held in State's name	Uncollateralized
Demand Deposits	\$ 300	\$ 74,776	\$ -	\$ -	\$ 4,236	\$ 6,482
Money Market	-	159,119	179,319	-	-	6,802
Savings Accounts	100	-	950	-	8,793	576
CDs	1,300	95,333	68,700	-	-	77
Total	\$ 1,700	\$ 329,228	\$ 248,969	\$ -	\$ 13,029	\$ 13,937

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, 2008, the state had the following types of investments:

(Fair values in thousands)		
Investment Type	Governmental & Business Type	Fiduciary
Stocks	\$ 18,285	
Corporate Bonds	1,368	
US Treasury	521	
US Government Agencies	8,115	
Equity Open Ended Mutual Funds	2,104	\$ 23,996
Fixed Income Open Ended Mutual Funds	3,502	689
Unemployment Compensation External Pool (special issue bonds guaranteed by US government)	217,284	
NH Public Deposit Investment Pool (internal investment held by Treasury)	1,481	
NH Public Deposit Investment Pool (Internal investment held by NHH patient agency fund)		171
External Portion of NH Public Deposit Investment Pool		322,835
Totals	\$ 252,660	\$ 347,691

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	\$ 728,792	\$ 27,594	\$ 40,597	\$ -	\$ 796,983
Per Statement of Fiduciary Net Assets	Private Purpose	5,703	23,258			28,961
	Investment Trust		322,835			322,835
	Agency Funds	16,769	2,857			19,626
	Total per Financial Statements	\$ 751,264	\$ 376,544	\$ 40,597	\$ -	\$ 1,168,405
				Per Footnote		
				Cash On Hand		\$ 3,356
				Carrying Amount of Deposits		564,698
				Investments		600,351
				Total Per Footnote		\$ 1,168,405

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, 2008, the state's 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	\$ -	\$ 19,391	\$ -
Total	\$ -	\$ 19,391	\$ -

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, 2008 are noted below (expressed in thousands):

Name / Issuer	Governmental			
	General Fund			% of Total
	Aband. Property	Permanent Funds	Total	
Metlife Inc (1)	\$ 7,426	\$ 37	\$ 7,463	40.8%
A T & T Inc	1,335	-	1,335	7.3%
Prudential Finl Inc	537	-	537	2.9%
Exxon Mobil Corp	494	110	604	3.3%
Vodafone Grp Plc	427	-	427	2.3%
Chevron Corp	341	99	440	2.4%
Toronto Dominion Bk Ont	319	-	319	1.7%
Manulife Finl Corp	306	-	306	1.7%
Canadian Natl Ry Co	297	-	297	1.6%
Verizon Communications	264	-	264	1.4%

(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, 2008 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	\$ 1,363	\$ 5	2.1	-	-	-
US Treasury	521	-	3.5	-	-	-
US Government Agencies	8,115	-	0.6	-	-	-
Fixed Income Open Ended Mutual Funds	-	3,502	4.9	-	\$ 689	5.3
Unemployment Compensation Fund Pool (special issue bonds guaranteed by US govt)	-	217,284	3.09	-	-	-

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, 2008 are listed below (expressed in thousands):

Issuer	Governmental & Business Type	
	Fair Value	% of Total
Dow Chem Co	\$ 253	18.5%
Goldman Sachs Group Inc	152	11.1%
Boeing Cap Corp	105	7.7%
SBC Communications Inc	103	7.6%
FPL Group Cap Inc	103	7.6%
Target Corp	102	7.5%
Aflac Inc	102	7.5%
Lehman Bros Hldgs Inc	102	7.5%
National City Bank Cleve	88	6.4%
Suntrust Banks Inc	78	5.7%

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:

	<u>2008</u>
Cash & Repurchase agreements.....	\$ 6,030
Money Market Funds.....	<u>146,492</u>
Total Cash & Cash Equivalents.....	<u>\$ 152,522</u>

Included in the cash and repurchase agreements balances at June 30, 2008 were \$3,061 in repurchase agreements, \$9,470 in cash and a net cash overdraft of \$6,501. 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):

	2008	
	Balance	Weighted Average Maturity
Obligations of the U.S. Government.....	\$ 31,335	3 years
Corporate Bonds & Notes.....	7,341	4 Years
Money Market and other Mutual Funds.....	14,129	Not Applicable
Current portion of Debt proceeds held by others.....	6,724	Not Applicable
Commercial Paper (at estimated fair value).....	6,644	Not Applicable
Other Accounts.....	153	Not Applicable
Total:.....	<u>\$ 66,326</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, 2008 total debt proceeds held by others included \$32,195 of construction proceeds held by the bond trustee.

Debt proceeds held by others for construction purposes consisted of the following investments at June 30, 2008 (expressed in thousands):

	2008	
	Balance	Weighted Average Maturity
Guaranteed investment contracts.....	\$ 10,782	123 days
Money market funds.....	28,137	Not Applicable
Total Debt proceeds held by others.....	38,919	
Less: current portion	(6,724)	
Long-term portion.....	<u>32,195</u>	
Operating amounts invested alongside endowment pool.....	6,830	
Total:.....	<u>\$ 39,025</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, 2008 was \$6,830. 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):

	2008
Money Market Funds.....	\$ 13,461
Mutual Funds-Bonds.....	32,016
Mutual Funds-Stocks.....	54,813
Mutual Funds-Real Estate.....	2,867
U.S. Government Obligations.....	18,862
Corporate Bonds and Notes.....	421
Common/Preferred Stocks.....	98,250
Alternative Investments.....	78,901
Investments Held by Others.....	19,518
Operating amounts invested alongside endowment pool.....	(6,830)
Total endowment and similar investments.....	<u>\$ 312,279</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, 2008 (expressed in thousands):

	Governmental	Business- Type	Total	Major Component Unit
Short Term Receivables				
Taxes:				
Meals and Rooms.....	\$ 23,884		\$ 23,884	
Business Taxes.....	211,585		211,585	
Tobacco.....	16,994		16,994	
Estate and Legacy.....	90		90	
Real Estate Transfer.....	11,500		11,500	
Interest & Dividends.....	33,681		33,681	
Communications.....	7,199		7,199	
Utility Property Tax.....	11,800		11,800	
Gasoline Road Toll.....	11,315		11,315	
Beer.....		\$ 1,200	1,200	
Subtotal.....	328,048	1,200	329,248	
Other Receivables:				
Turnpike System.....		4,095	4,095	
Liquor Commission.....		7,307	7,307	
Lottery Commission.....		2,910	2,910	
Unemployment Trust Fund.....		16,373	16,373	
Internal Service Fund.....	1,338		1,338	
Board and Care.....	1,878		1,878	
Federal Grants.....	192,991		192,991	\$ 14,110
Local Grants.....	44,116		44,116	
Miscellaneous.....	76,722		76,722	12,231
Short Term Portion Of State Revolving Loan Fund.....	18,603		18,603	
Short Term Portion Of Note/Pledge Receivable.....				4,837
Subtotal.....	335,648	30,685	366,333	31,178
Total Current Receivables (Gross).....	663,696	31,885	695,581	31,178
Long Term Receivables				
State Revolving Loan Fund.....	244,240		244,240	
Miscellaneous.....	1,436		1,436	
Note/Pledge Receivable.....				19,571
Total Long Term Receivables (Gross).....	245,676		245,676	19,571
Allowance for Doubtful Accounts				
Total Receivables (Net).....	\$ 839,340	\$ 25,136	\$ 864,476	\$ 47,393

State Revolving Loan Fund:

Primary Government: As of June 30, 2008, total water pollution control loans outstanding of \$262.8 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 \$47.4 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, 2008, the various components of deferred revenue (\$569.5 million) reported in the governmental funds were as follows:

	Unavailable	Unearned
Taxes & Fees receivable.....	\$ 209,282	
Loans receivable.....	287,313	
Federal/Local receivables.....	16,674	
Receipts in advance of eligibility requirements.....		\$ 56,229
Total.....	\$ 513,269	\$ 56,229

4. CAPITAL ASSETS

Capital Asset activity for the year ended June 30, 2008, was as follows (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets not being depreciated:				
Land & Land Improvements.....	\$ 449,798	\$ 28,996	\$ -	\$ 478,794
Construction in Progress *.....	234,094	165,221	(136,960)	262,355
Work in Progress Computer Software.....	23,982	13,923	(3,709)	34,196
Total Capital Assets not being depreciated.....	707,874	208,140	(140,669)	775,345
Other Capital Assets:				
Equipment & Computer Software.....	195,051	28,499	(8,908)	214,642
Buildings & Building Improvements *.....	661,832	36,068	(12,476)	685,424
Land Improvements.....	96,614	1,035		97,649
Infrastructure.....	2,744,520	120,742		2,865,262
Total Other Assets.....	3,698,017	186,344	(21,384)	3,862,977
Less accumulated depreciation for:				
Equipment & Computer Software.....	(154,676)	(29,358)	8,908	(175,126)
Buildings & Building Improvements *.....	(288,189)	(19,266)	3,638	(303,817)
Land Improvements.....	(80,603)	(3,032)		(83,635)
Infrastructure.....	(1,660,557)	(46,735)		(1,707,292)
Total Accumulated Depreciation.....	(2,184,025)	(98,391)	12,546	(2,269,870)
Other Capital Assets, Net.....	1,513,992	87,953	(8,838)	1,593,107
Governmental Activities Capital Assets, Net.....	\$ 2,221,866	\$ 296,093	\$ (149,507)	\$ 2,368,452

* During fiscal year 2008, \$12.5 million of Buildings & Building Improvements with related accumulated depreciation of \$3.6 million and \$0.1 million of Construction in Progress were transferred to the Community College System of New Hampshire.

Business-Type Activities:**Turnpike:**

Capital Assets not being depreciated:				
Land & Land Improvements.....	\$ 110,412	\$ 588	\$ (337)	\$ 110,663
Construction in Progress.....	58,984	21,542	(54,444)	26,082
Capital Assets not being depreciated.....	169,396	22,130	(54,781)	136,745
Other Capital Assets:				
Equipment.....	33,468	2,717	(529)	35,656
Buildings & Building Improvements.....	4,828			4,828
Infrastructure.....	558,936	52,220		611,156
Total Capital Assets.....	766,628	77,067	(55,310)	788,385
Less accumulated depreciation for:				
Equipment.....	(18,162)	(3,277)	530	(20,909)
Buildings & Building Improvements.....	(2,747)	(73)		(2,820)
Infrastructure.....	(190,067)	(14,225)		(204,292)
Total Accumulated Depreciation.....	(210,976)	(17,575)	530	(228,021)
Turnpike Capital Assets, Net.....	\$ 555,652	\$ 59,492	\$ (54,780)	\$ 560,364

Liquor:

Capital Assets not being depreciated:				
Land & Land Improvements.....	\$ 2,355			\$ 2,355
Other Capital Assets:				
Equipment.....	8,969	\$ 199	\$ (3,197)	5,971
Buildings & Building Improvements.....	19,918	437	(22)	20,333
Land Improvements.....	877			877
Total Capital Assets.....	32,119	636	(3,219)	29,536
Less accumulated depreciation for:				
Equipment.....	(8,538)	(225)	3,188	(5,575)
Buildings & Building Improvements.....	(9,885)	(511)	22	(10,374)
Land Improvements.....	(686)	(13)		(699)
Total Accumulated Depreciation.....	(19,109)	(749)	3,210	(16,648)
Liquor Capital Assets, Net.....	\$ 13,010	\$ (113)	\$ (9)	\$ 12,888

Lottery Commission:

Equipment.....	\$ 443	\$ 64	\$ (7)	\$ 500
Less Accumulated Depreciation for Equipment.....	(208)	(56)	7	(257)
Lottery's Capital Assets, Net.....	\$ 235	\$ 8	\$ -	\$ 243

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

Governmental Activities:	
General Government	\$ 5,695
Administration of Justice and Public Protection	14,654
Resource Protection and Development	6,527
Transportation	62,675
Health and Social Services	5,736
Education	3,104
Total Governmental Activities Depreciation Expense	\$ 98,391

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

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

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

	Beginning			Ending
	Balance	Additions	Deletions	Balance
Land and Land Improvements.....	\$ 10,709	\$ 1,058		\$ 11,767
Building and Building Improvements.....	961,740	131,187	\$ (590)	1,092,337
Equipment.....	121,887	7,146	(7,582)	121,451
Construction in Progress.....	163,527	(26,090)		137,437
Subtotal.....	\$ 1,257,863	\$ 113,301	\$ (8,172)	\$ 1,362,992
Less: Accumulated Depreciation.....	(476,058)	(39,683)	7,428	(508,313)
Total.....	\$ 781,805	\$ 73,618	\$ (744)	\$ 854,679

5. LONG TERM-DEBT

PRIMARY GOVERNMENT

Bonds Authorized and Unissued: Bonds authorized and unissued amounted to \$439.0 million at June 30, 2008. The proceeds of the bonds will be applied to the following funds when issued (expressed in thousands):

Capital Projects Fund.....	\$ 247,923
Turnpike System.....	191,050
Total.....	\$ 438,973

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):

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.

Date of Advance Refunding	Amount Outstanding at June 30, 2008
Governmental Fund Types (General Obligation Bonds):	
December, 2006.....	\$ 108,965
Subtotal.....	\$ 108,965

Bond Issues:

On January 10, 2008, the state issued \$75 million of general obligation capital improvement bonds. The interest rates on these serial bonds range from 3.375% to 5.0%, and the maturity dates range from 2009 through 2027.

On March 12, 2008, the state issued \$30 million of general obligation capital improvement bonds. The interest rates on these serial bonds range from 4.0% to 4.75%, and the maturity dates range from 2009 through 2028.

On March 12, 2008 the state issued \$56.3 million of general obligation refunding bonds. The maturity dates on these serial bonds range from 2016 through 2025. These bonds were used to refund \$60.0 million of outstanding variable auction rate bonds. By early 2008, the auction rate security market began to experience unprecedented instability accompanied by a rapid rise in rates. This refunding transaction replaced the variable debt with highly stable fixed rate bonds at an interest rate of 5.0%.

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 *.....	\$ 710,875	\$ 4,620	\$ 161,320	\$ 141,639	\$ 735,176	\$ 78,953	\$ 656,223
Compensated Absences.....	68,144		60,474	56,729	71,889	19,595	52,294
Other Postemployment Benefits.....			207,142	50,332	156,810	55,153	101,657
Claims Payable.....	50,612		229,269	229,960	49,921	26,184	23,737
Capital Lease.....	5,825		198	877	5,146	1,431	3,715
Total Governmental.....	\$ 835,456	\$ 4,620	\$ 658,403	\$ 479,537	\$ 1,018,942	\$ 181,316	\$ 837,626
Business-Type Activities							
Turnpike System							
General Obligation Bonds.....	\$ 4,377			\$ 1,556	\$ 2,821	\$ 1,474	\$ 1,347
Revenue Bonds.....	269,084			12,119	256,965	13,270	243,695
Claims & Compensated Absences Payable.....	3,381		\$ 728	883	3,226	428	2,798
Total.....	\$ 276,842		\$ 728	\$ 14,558	\$ 263,012	\$ 15,172	\$ 247,840
Liquor Commission							
Capital Lease.....	\$ 618			\$ 131	\$ 487	\$ 123	\$ 364
Claims & Compensated Absences Payable.....	3,327		2,012	1,739	3,600	998	2,602
Total.....	\$ 3,945		\$ 2,012	\$ 1,870	\$ 4,087	\$ 1,121	\$ 2,966
Lottery Commission							
Claims & Compensated Absences Payable.....	\$ 407		\$ 321	\$ 307	\$ 421	\$ 114	\$ 307
Total.....	\$ 407		\$ 321	\$ 307	\$ 421	\$ 114	\$ 307
Total Business-Type.....	\$ 281,194		\$ 3,061	\$ 16,735	\$ 267,520	\$ 16,407	\$ 251,113

* During fiscal 2008, \$13.2 million of General Obligation Bonds payable were transferred to the Community College System of New Hampshire

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, 2008, 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, 2008, the cumulative interest accretion since issuance for all six capital appreciation bonds is approximately \$144.3 million. The interest is not paid until the bonds mature, at which time the expenditure will be recorded.

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

Payable June 30,	SOURCE OF PRINCIPAL PAYMENTS						DEBT SERVICE		
	Governmental Activities				Business-Type Activities		TOTAL ALL FUNDS		
	General Fund	Highway Fund	Self Liquidating	Total	Turnpike System		Principal	Interest	Total
					General Obligation	Revenue			
2009.....	\$ 64,216	\$ 8,017	\$ 6,720	\$ 78,953	\$ 1,474	\$ 13,270	\$ 93,697	\$ 41,180	\$ 134,877
2010.....	62,405	7,812	6,430	76,647	624	13,500	90,771	37,687	128,458
2011.....	58,955	7,665	6,067	72,687	584	14,710	87,981	34,400	122,381
2012.....	49,486	5,874	6,085	61,445		14,550	75,995	31,230	107,225
2013.....	42,141	5,583	5,976	53,700		16,950	70,650	28,199	98,849
2014-2018.....	172,576	24,565	13,354	210,495		87,450	297,945	100,485	398,430
2019-2023.....	108,117	15,953	7,970	132,040		59,255	191,295	42,995	234,290
2024-2028.....	34,306	9,718	3,084	47,108		33,120	80,228	9,755	89,983
2029-2033.....						7,230	7,230	343	7,573
Subtotal.....	\$ 592,202	\$ 85,187	\$ 55,686	\$ 733,075	\$ 2,682	\$ 260,035	\$ 995,792	\$ 326,274	\$ 1,322,066
Unamortized (Discount) / Premium.....	10,030	(951)	(821)	8,258	139	6,876	15,273		15,273
Unamortized Loss on Refunding.....	(6,157)			(6,157)		(9,946)	(16,103)		(16,103)
Total.....	\$ 596,075	\$ 84,236	\$ 54,865	\$ 735,176	\$ 2,821	\$ 256,965	\$ 994,962	\$ 326,274	\$ 1,321,236

Changes in Long-Term Liabilities: The University System of New Hampshire's long term liabilities include: Revenue Bonds Payable of \$437.3 million; capital lease obligations of \$20.2 million; due to primary government of \$.7 million; accrued employee benefits and compensated absences of \$36.6 million; other postemployment benefits of \$51.4 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.....	\$ 523,409	\$ 68,893	\$ 26,681	\$ 565,621	\$ 20,244	\$ 545,377

Payable June 30,	UNIVERSITY SYSTEM OF N.H.		
	Principal	Interest	Total
2009.....	\$ 8,575	\$ 17,823	\$ 26,398
2010.....	12,344	19,433	31,777
2011.....	12,449	18,672	31,121
2012.....	13,138	18,335	31,473
2013.....	13,628	17,538	31,166
2014-2018.....	73,911	79,083	152,994
2019-2023.....	130,013	52,979	182,992
2024-2028.....	72,447	34,205	106,652
2029-2033.....	76,525	19,913	96,438
2034-2038.....	49,035	4,699	53,734
Subtotal.....	462,065	282,680	744,745
Unamortized Discount.....	(3,870)		(3,870)
Total.....	\$ 458,195	\$ 282,680	\$ 740,875

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

6. RISK MANAGEMENT AND INSURANCE

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

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

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

The following table presents the changes in claim liabilities during the fiscal year ending June 30, 2008 (In Thousands):

	Beginning Balance	Increases	Decreases	Ending Balance	Current	Long-Term
Governmental Activities						
Workers Compensation Claims Payable.....	\$ 31,023	\$ 2,656	\$ 4,750	\$ 28,929	\$ 5,192	\$ 23,737
Health Claims Payable*.....	19,589	226,613	225,210	20,992	20,992	-
Total.....	\$ 50,612	\$ 229,269	\$ 229,960	\$ 49,921	\$ 26,184	\$ 23,737
Business-Type Activities						
Turnpike System						
Workers Compensation Claims Payable.....	\$ 2,594	\$ -	\$ 276	\$ 2,318	\$ 181	\$ 2,137
Total.....	\$ 2,594	\$ -	\$ 276	\$ 2,318	\$ 181	\$ 2,137
Liquor Commission						
Workers Compensation Claims Payable.....	\$ 1,588	\$ 460	\$ 397	\$ 1,651	\$ 467	\$ 1,184
Total.....	\$ 1,588	\$ 460	\$ 397	\$ 1,651	\$ 467	\$ 1,184
Lottery Commission						
Workers Compensation Claims Payable.....	\$ 12	\$ 3	\$ 2	\$ 13	\$ 3	\$ 10
Total.....	\$ 12	\$ 3	\$ 2	\$ 13	\$ 3	\$ 10
Total Business-Type.....	\$ 4,194	\$ 463	\$ 675	\$ 3,982	\$ 651	\$ 3,331

* 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, 2008 (expressed in thousands):

RECEIVABLES / DUE FROM	AMOUNT	PAYABLES / DUE TO	AMOUNT
General Fund.....	\$ 23,795	Non Major Fund.....	\$ 23,795
General Fund.....	33,064	Education Fund.....	33,064
Highway Fund.....	513	Turnpike Fund.....	513
Education Fund.....	15,322	General Fund.....	15,322
Education Fund.....	28	Lottery Commission.....	28
Liquor Commission.....	11,612	General Fund.....	11,612
Total.....	<u>\$ 84,334</u>	Total.....	<u>\$ 84,334</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 \$11.1 million to business-type activities represents the "internal balances" amount on the statement of net assets. The \$73.2 million between governmental funds has been eliminated on the government-wide financial statements .

Due from Component Units: As of June 30, 2008, the cumulative balance of outstanding loans plus accrued interest to the Pease Development Authority (PDA) amounted to \$23.8 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, 2008, the outstanding balance of these bonds was \$0.7 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	Highway Fund	Education Fund	Non-Major Funds	Total Governmental Fund
Governmental Funds					
General Fund.....		\$ 7,347	\$ 15,322	\$ 137	\$ 22,806
Highway Fund.....	\$ 4,846			2,366	7,212
Non-Major Funds.....	5,968				5,968
Total Governmental Funds.....	* 10,814	7,347	15,322	* 2,503	* 35,986
Proprietary - Enterprise Funds					
Liquor Commission.....	111,592				111,592
Lottery Commission.....			77,010		77,010
Total Proprietary - Enterprise Funds.....	\$ 111,592		\$ 77,010		\$ 188,602

*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:

- \$6.7 million transfer from general fund to highway fund in accordance with the laws of 2007 Chapter 262:26.
- Transfer of Lottery Commission profits of \$77.0 million to fund education
- Transfer of Liquor Commission profits of \$111.6 million to general fund for government operations
- \$15.3 million transfer from general fund to eliminate education fund deficit

Pursuant to RSA 260:61, \$0.7 million transfer from highway fund to fish and game fund for the Bureau Off Highway Recreational Vehicle (BOHRV) Grant.

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

9. UNDESIGNATED FUND BALANCE (DEFICIT) and CONTRACTUAL COMMITMENTS

Capital Projects Fund: The June 30, 2008, unreserved, undesignated deficit of the Capital Projects Fund was \$245.9 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, 2008, bonds authorized and unissued for the Capital Projects Fund amounted to \$247.9 million.

Contractual Commitments: The state has estimated its share of contractual obligations for construction contracts to be \$86.9 million at June 30, 2008. This represents total obligations of \$253.6 million less \$166.7 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, RSA 100-A:52-a and RSA 100-A:52-b, the New Hampshire Retirement System also provides a postretirement medical premium subsidy for Group I employees and teachers and Group II police officers and firefighters.

A special account 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 consolidated 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.

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

Funding Policy: The Plan is financed by contributions from the members, the state and local employers, and investment earnings. In fiscal year 2008, 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, 2008, 2007, and 2006 were \$106.8 million, \$78.1 million, and \$72.7 million, respectively. The state's contributions for the fiscal year ended June 30, 2008 increased substantially over the amounts contributed for the fiscal year ended June 30, 2007 due to an increase in employer contribution rates.

As of June 30, 2008, the date of the most recent actuarial valuation, the net assets available to pay pension benefits, at fair value, were reported by the New Hampshire Retirement System to be \$5,302 million. The total pension liability at June 30, 2008 using the entry age normal actuarial cost method was \$7,821 million, resulting in a funded ratio of 67.8% and projected pension liability in excess of assets of \$2,519 million.

In addition to providing pension benefits, RSA 21-I:30 specifies that the state provide certain health care insurance benefits for retired employees. These benefits include group hospitalization, hospital medical care, and surgical care. Substantially all of the state's employees who were hired on or before June 30, 2003 and have 10 years of service, may become eligible for these benefits if they reach normal retirement age while working for the state and receive their pensions on a periodic basis rather than a lump sum. During fiscal year 2004, legislation was passed that requires state Group I employees hired on or after July 1, 2003 to have 20 years of state service in order to qualify for health insurance benefits. These and similar benefits for active employees and retirees are authorized by RSA 21-I:30 and provided through the Employee and Retiree Benefit Risk Management Fund, which is the state's self-insurance fund implemented in October 2003 for active state employees and retirees. The state recognizes the cost of providing benefits by paying actuarially determined insurance contributions into the fund. An additional major source of funding for retiree benefits is from the New Hampshire Retirement System's medical premium subsidy program for Group I and Group II employees, which totaled approximately \$15.5 million for the fiscal year ended June 30, 2008.

The Governmental Accounting Standards Board (GASB) issued Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement 45, was implemented by the state during fiscal year 2008, and requires that the long-term cost of retirement health care and obligations for other postemployment benefits (OPEB) be determined on an actuarial basis and reported similar to pension plans. GASB Statement 45 does not mandate the pre-funding of postemployment benefit liabilities. However, any pre-funding of these benefits will help minimize or eliminate the postemployment benefit obligation that will be required to be reported on the financial statements.

The State Legislature currently plans to only partially fund (on a pay-as-you-go basis) the annual required contribution (ARC), an actuarially determined rate in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB plan for fiscal year 2008 (dollar amounts in thousands):

Annual Required Contribution/OPEB Cost	\$ 207,142
Contributions made (pay-as-you-go)	(50,332)
Increase in Net OPEB Obligation	<u>156,810</u>
Net OPEB Obligation - Beginning of Year	-
Net OPEB Obligation - End of Year	<u>\$ 156,810</u>

The State's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2008 was as follows (dollar amounts in thousands):

Fiscal Year Ended	Annual Required Contribution (ARC)	Actual Contributions (pay-as-you-go)	Percentage Contributed	Net OPEB Obligation
06/30/08	\$ 207,142	\$ 50,332	24.30%	\$ 156,810

As of December 31, 2006, the date of the most recent actuarial valuation, the actuarial accrued liability (AAL) for benefits was \$2,559.5 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,559.5 million. The covered payroll (annual payroll of active employees covered by the plan) was \$558.4 million during fiscal year 2008, and the ratio of the UAAL to the covered payroll was 458 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, is designed to present multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the December 31, 2006 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return per annum. The projected annual healthcare cost trend is 10 percent initially, reduced by decrements to an ultimate rate of 5 percent after four years. The UAAL is being amortized as a level dollar amount over an open basis. The remaining amortization period at December 31, 2006, was thirty years.

JUDICIAL RETIREMENT PLAN

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

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. For the bienniums beginning July 1, 2007 and July 1, 2005, the state was required to contribute 19.68% and 17.18%, respectively, of the members' salary.

As of January 1, 2006, the date of the most recent actuarial valuation, the net assets available to pay retirement benefits, at fair value, were reported by the Plan to be \$45.0 million. The total retirement benefit liability using the entry age normal actuarial cost method was \$47.2 million, resulting in a funded ratio of 95% and projected liability in excess of assets of \$2.2 million. Actuarial assumptions used in the valuation include the 1994 Group Annuity Mortality Table, an investment return of 8.0% and salary growth of 2.5%.

COMPONENT UNITS

Eligible employees of the New Hampshire Retirement System, Pease Development Authority, and Community College System of New Hampshire 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 \$97.7 million of contingent liabilities and the statutory limits as of June 30, 2008 (expressed in thousands):

	RSA	Guarantee Limit	Remaining Capacity	June 30, 2008		
				PRINCIPAL	INTEREST	TOTAL
Water Pollution Bonds.....	485-A:7	\$ 175,000	\$ 156,356	\$ 16,085	\$ 2,559	\$ 18,644
Business Finance Authority (BFA) - General Obligation.....	162-A:17	25,000	**	20,000	8,688	28,688
Business Finance Authority (BFA) - Additional State Guarantee.....	162-I:9-b	50,000	**	35,508	307	35,815
Business Finance Authority (BFA) - Unified Contingent Credit Limit.....	162-A:22	95,000	* 39,492	55,508	8,995	64,503
School Construction Bonds.....	195-C:2	95,000	80,835	8,975	5,190	14,165
Solid Waste Bonds.....	149-M:31	30,000	29,652	295	53	348
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	\$ 361,635	\$ 80,863	\$ 16,797	\$ 97,660

*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, 2008 (expressed in thousands):

	(1)	(2)	(3)	(4)	Non-
	RSA 12-G:31	RSA 12-G:33	RSA 12-G:34	RSA 12-G:35	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, 2008, \$11.1 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 \$10.6 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, 2008 relative to the Lonza (Celltech) loans is \$16.0 million (representing principal \$13.3 million and interest \$2.7 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 2008 for governmental activities and business-type activities were approximately \$14.3 million and \$3.3 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, 2008 (expressed in thousands):

Payable June 30,	Governmental Activities	Business-Type Activities
2009.....	\$ 8,591	\$ 2,539
2010.....	6,635	2,399
2011.....	3,574	2,176
2012.....	2,290	1,840
2013.....	1,683	1,470
2014-2018.....	1,014	2,519
Total.....	\$ 23,787	\$ 12,942

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, 2008, are as follows (in thousands):

Payable June 30,	Governmental Activities	Business-Type Activities
2009.....	\$ 1,648	\$ 142
2010.....	899	141
2011.....	681	141
2012.....	529	109
2013.....	466	
2014-2018.....	1,424	
2019-2023.....	570	
Total.....	6,217	533
Amount Representing Interest.....	(1,071)	(46)
Present Value of Minimum Lease Payments.....	\$ 5,146	\$ 487

The assets acquired through capital leases and included in capital assets at June 30, 2008 include the following (in thousands):

	Governmental Activities	Business-Type Activities
Equipment.....	\$ 5,445	\$ 563
Buildings & Building Improvements..	9,862	1,129
Total.....	15,307	1,692
Less: Accumulated Depreciation....	(12,025)	(921)
Net.....	\$ 3,282	\$ 771

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.

The Nashua case was remanded to the superior court for further proceedings. In August, 2008 the state settled the Nashua case for payment of \$125,000.

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 parties settled the Nashua Case in August 2008 for \$125,000.

During the 2008 legislative session, the Legislature, initially through the Joint Legislative Oversight Committee on Costing an Adequate Education and later through legislative hearings, proceeded to analyze, review, hear testimony, and debate a new education funding formula. The result of these efforts was the enactment of SB 539.

On July 25, 2008, the New Hampshire Supreme Court issued an order in the Londonderry case requiring the parties to file a response as to whether the case should be dismissed without prejudice or remanded based on the Legislature's actions. Londonderry filed a response requesting that the court retain jurisdiction. The state filed a response requesting that the court dismiss the case because any challenge to the costing and funding challenged in the Londonderry case, namely 2005 NH Laws Chapter 257 ("HB 616"), is moot as a result of the Legislature's enactment of 2008 Laws Chapter 173 ("SB 539").

On October 15, 2008, the Supreme Court issued a decision in the Londonderry case dismissing the case without prejudice as moot. On October 28, 2008, the appellees filed a renewed motion for attorney's fees. The state responded to the motion, agreeing that appellees have conferred a substantial benefit and that they are entitled to "reasonable" attorney's fees. The Court gave the parties until January 19, 2009, to come to an agreement with regard to attorney's fees. The state cannot predict the outcome of the fees issue at this time.

By letter dated June 3, 2008, the New Hampshire Department of Health and Human Services ("DHHS") received a confidential draft report from the Office of Inspector General ("OIG") regarding an audit of DHHS' bioterrorism and emergency preparedness funds for the period of July 1, 2003 through June 30, 2007. The draft report found that \$9.2 million in compensation costs was not allowable on grounds that the amount claimed was not supported by employee certifications and \$114,135 constituted inappropriate charges due to clerical errors. The draft report recommended that a total of \$9.3 million be refunded to the Federal Government. DHHS responded to the confidential draft report on July 23, 2008 stating its disagreement with the draft findings and recommendation. DHHS also indicated that the \$114,135 had already been refunded. OIG issued a final audit report on September 24, 2008. DHHS responded to the final audit report stating its disagreement with the findings and recommendation. DHHS is currently working with the Centers for Disease Control and Prevention (CDC) to address issues raised in the report. At this time, it is not possible to predict whether or to what extent CDC will take action with regard to disallowance of any federal financial participation.

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

This case was initially filed as a Petition for a Declaratory Order seeking 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 settling 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. New Hampshire has joined with a group of states to negotiate the terms of an arbitration and to coordinate the presentation of the states' cases at arbitration. No date has been set for the initiation of the arbitration procedure, which is expected to last six months or more. The state is unable to predict the outcome at this time.

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. On September 17, 2008, the trial court granted the defendants' motion to dismiss as it related to the state's claim based on nuisance. The Court denied the defendants' motion to dismiss the other counts of the state's petition. On September 30, 2008, the trial court granted the state's motion to dismiss the defendants' counterclaims. 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 Plaintiff 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 Plaintiff Counties for these services since at least 2002.

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

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

On August 17, 2007 the Supreme Court issued an order in which it vacated the majority of the lower courts decision, affirmed it in part, and remanded it back to the lower court for additional factual findings. 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 Plaintiff Counties refuse to pay.

The Supreme Court also ruled that the cap provisions should be understood as limiting the Counties overall liability at \$58 million. The Supreme Court held that since there was insufficient evidence in the record as to how much the Plaintiff Counties have reimbursed the state during the relevant period, the matter would need to be sent back to the trial court for further proceedings. The matter was remanded to the Merrimack County Superior Court. Discovery is ongoing and the parties have agreed to go forward on motions for summary judgment, which are due January 15, 2009 and a hearing is scheduled for June 2009.

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) from the Plaintiff Counties. 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.

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

The Plaintiff 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 Plaintiff Counties claim that the budget law, Chapter 262 of the laws of 2007, violates Article 28-a of the New Hampshire Constitution in that it constitutes an "unfunded mandate."

Chapter 262 sets out a 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 Plaintiff Counties and the state, shifting certain costs onto the counties, but taking other responsibilities away from the Counties.

The Plaintiff 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 Plaintiff Counties currently pay approximately \$70 million per year towards long-term care under Medicaid.

The parties filed cross-motions for summary judgment on November 7, 2007, and a hearing was held on February 13, 2008. The Department prevailed on summary judgment and the Plaintiff Counties appealed to the New Hampshire Supreme Court. The Department's brief was filed on September 15, 2008 and oral argument was held on November 12, 2008. No decision has been issued to date.

It is difficult to assess the likely fiscal impact to the state from this litigation. If the Plaintiff Counties were to prevail on appeal, 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. Depending on the court's ruling, a change in the law may also be necessary.

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

Two cases in the New Hampshire Supreme Court involved rates paid by the Division of Children, Youth and Families ("DCYF"). The first *Appeals of: Chase Home for the Children, Child and Family Services; Hannah House, NFI North, Odyssey Home, Orion Home, and Pine Haven Boys Center*, involves the fiscal year 2004-2005 rates paid to residential child care facilities. The Hearings Panel, established pursuant to RSA 170-G:4-a, ruled that DCYF should have set the rates in accord with certain administrative rules. The hearing officer ordered DCYF to pay the higher rates but determined that he had no authority to order DCYF to pay them retroactively. The facilities appealed the ruling regarding denial of the retroactive payments.

The second case is *Petition of the Division of Children, Youth and Families*, in which DCYF is challenging a decision by the Hearing Panel ruling that DCYF is required to pay 5% rate increase using the administrative rules rate as the base rate, retroactive to July 1, 2005. DCYF appealed so that the issues on appeal include whether the 5% rate increase should be calculated from the administrative rules rate as the base rate and whether the state may be required to pay retroactively. Both sides filed briefs and oral arguments occurred in April, 2007.

In the first case, *Appeals of: Chase Home, et al.*, the Supreme Court held on June 8, 2007, that the hearing officer had the authority to establish residential rates and determine when the rates become effective, but did not have the authority to order DHHS to make retroactive payments at the recalculated rate levels. The Supreme Court declined to decide what further remedies are available to the facilities, such as whether the petitioners could obtain relief in a civil action in Superior Court. No payment by the state was ordered.

In the second case, *Petition of the Division of Children, Youth and Families*, the Supreme Court held, on June 15, 2007, that the hearing officer's decision to establish the rate at the 2005 calculated rate plus 5%, and to set the effective date of the rate at July 1, 2005, was proper, but that the hearing officer's order requiring DCYF to render payment was beyond the scope of its authority and vacated that part of the decision. The Supreme Court declined to decide what further remedies are available to the facilities, such as whether the petitioners could obtain relief in a civil action in Superior Court, and no payment by the state was ordered.

These cases are now concluded and no payment was ordered. However, on November 7, 2007, the seven residential childcare providers initiated a new suit at Merrimack County Superior Court against DCYF, *Chase Home et al v. DCYF*. The claims include for 1) breach of contract, 2) breach of implied covenant of good faith and fair dealing, 3) unconstitutional taking, and 4) deprivation of rights under 42 U.S.C. §1983. The petitioners seek retroactive payment of more than \$3 million as well as costs and attorneys' fees. The state has filed a motion for summary judgment on the grounds that DCYF does not have a contractual relationship with the providers, and that it has not engaged in any unconstitutional taking of property. The summary judgment motion is presently pending before the court. Mediation is scheduled for December 30, 2008. Trial is scheduled for the week of January 12, 2009. At this time, it is not possible to predict the outcome of these matters or the amount, if any, the DHHS will be required to pay.

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. CMS has not responded to DHHS. At this time, it is not possible 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.

Review of NH's Medicaid Payments for Skilled Professional Medical Personnel

By letter dated July 22, 2008, the New Hampshire Department of Health and Human Services ("DHHS") received a confidential draft report from the Office of Inspector General ("OIG") regarding an audit of DHHS' Medicaid payments for skilled professional medical personnel at the enhanced rate for the period from October 1, 2004 through September 30, 2006. The draft report found that \$1 million was unallowable on grounds that the state should have claimed these costs at the standard 50-percent rate rather than at the enhanced 75-percent rate. The draft report recommended that this amount be refunded to the Federal Government and that the state develop an approved methodology to allocate costs for personnel whose time and effort are split between different functions. DHHS responded to the confidential draft report on September 24, 2008 stating its disagreement with the draft findings and recommendation. At this time it is not possible to predict whether or to what extent the final audit report will contain these findings or recommendations.

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 judgments 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, 2008 were as follows (expressed in millions):

	Capital Account	Operating Account	Total Highway Fund
Unreserved Surplus/(Deficit)	\$ (38.1)	\$ 10.6	\$ (27.5)

The unaudited deficit in the capital account at June 30, 2008 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, 2008 was \$10.6 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, 2008, 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, 2008.

In November 1995, the Lottery became a member of MUSL, which is currently comprised of 31 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, 2008, the Lottery recognized \$22.0 million of net income from MUSL. In addition, MUSL has established a contingency reserve to protect MUSL and its members against unforeseen liabilities. The Lottery's share of deposits held as MUSL prize reserves was \$2.3 million at June 30, 2008.

16. SUBSEQUENT EVENT

On November 4, 2008, the state issued \$149.6 million of general obligation capital improvement bonds. The interest rates on these serial bonds range from 4.0% to 5.0%, and the maturity dates range from 2010 through 2025.

Required Supplementary Information (Unaudited)

STATE OF NEW HAMPSHIRE
 BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE (Unaudited)
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008
 (expressed in thousands)

	General Fund			
	Budgeted Amount		ACTUAL (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	ORIGINAL	FINAL		
REVENUES				
General Property Taxes.....	\$ 320	\$ 320	\$ 232	\$ (88)
Special Taxes.....	1,097,623	1,098,320	1,083,815	(14,505)
Personal Taxes.....	62,762	62,762	57,028	(5,734)
Business License Taxes.....	21,685	21,697	20,980	(717)
Non-Business License Taxes.....	104,385	104,403	96,902	(7,501)
Fees.....	181,981	183,638	134,242	(49,396)
Fines, Penalties and Interest.....	40,651	40,712	34,951	(5,761)
Grants from Federal Government.....	1,504,524	1,567,806	1,247,924	(319,882)
Grants from Private and Local Sources.....	144,284	154,469	132,761	(21,708)
Rents and Leases.....	11,612	11,613	11,122	(491)
Interest Premiums and Discounts.....	20,418	20,449	22,597	2,148
Sale of Commodities.....	8,534	8,654	10,747	2,093
Sale of Services.....	97,549	97,738	104,875	7,137
Assessments.....	68,852	69,092	61,372	(7,720)
Grants from Other Agencies.....	215,172	218,292	179,827	(38,465)
Miscellaneous.....	68,492	113,197	144,119	30,922
Total Revenue.....	3,648,844	3,773,162	3,343,494	(429,668)
EXPENDITURES				
GENERAL GOVERNMENT				
Legislative Branch.....	19,419	19,583	14,327	5,256
Executive.....	26,018	38,630	31,881	6,749
Information Technology.....	58,963	58,979	50,408	8,571
Administrative Services.....	104,494	109,678	87,692	21,986
Sec of State.....	35,346	35,178	10,332	24,846
Cultural Affairs.....	8,603	8,603	7,032	1,571
Revenue Administration.....	18,534	17,630	16,980	650
State Treasury.....	103,511	104,807	94,637	10,170
NH Retirement System.....	62,945	63,019	55,052	7,967
Boards and Commissions.....	2,995	3,097	2,663	434
Total.....	440,828	459,204	371,004	88,200
JUSTICE AND PUBLIC PROTECTION				
Judicial Branch.....	70,009	71,424	68,475	2,949
Adjutant General.....	21,658	21,619	15,005	6,614
Agriculture.....	7,662	8,022	5,798	2,224
Justice Department.....	27,232	34,155	24,239	9,916

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

STATE OF NEW HAMPSHIRE
 BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE (Unaudited) - continued
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008
 (expressed in thousands)

	General Fund			
	Budgeted Amount		ACTUAL (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	ORIGINAL	FINAL		
JUSTICE AND PUBLIC PROTECTION-CONTINUED				
Bank Commission.....	6,488	6,488	4,038	2,450
Pari-Mutuel Commission.....	2,395	2,273	1,869	404
Highway Safety.....	3,363	3,370	2,083	1,287
Insurance.....	9,223	9,333	7,017	2,316
Labor.....	39,513	40,191	26,799	13,392
Public Utilities Commission.....	11,116	11,214	8,956	2,258
Safety.....	223,272	244,820	152,060	92,760
Corrections Department.....	107,007	108,690	104,176	4,514
Employment Security.....	64,239	64,600	30,283	34,317
Judicial Council.....	24,640	24,773	24,744	29
Human Rights Commission.....	750	755	600	155
Boards and Commissions.....	531	536	479	57
Total.....	619,098	652,263	476,621	175,642
RESOURCE PROTECTION AND DEVELOPMENT				
Resource and Economic Development.....	44,180	44,914	39,082	5,832
Pease Development Authority.....	8,845	8,851	538	8,313
Environmental Services.....	253,801	301,396	156,998	144,398
Development Finance Authority.....	185	182	182	-
Boards and Commissions.....	454	454	413	41
Total.....	307,465	355,797	197,213	158,584
TRANSPORTATION				
Transportation.....	6,959	17,735	11,319	6,416
Total.....	6,959	17,735	11,319	6,416
HEALTH AND SOCIAL SERVICES				
Health and Human Services Commissioner.....	683,278	689,422	664,825	24,597
Office of Health Management.....	107,908	116,709	98,333	18,376
Children and Youth.....	212,465	210,781	137,333	73,448
Transitional Assistance.....	93,067	92,836	82,058	10,778
Behavioral Health.....	114,924	113,946	109,011	4,935
Developmental Services.....	214,698	214,583	205,364	9,219
Developmental Disabilities Council.....	618	624	482	142
NH Hospital.....	69,862	67,893	62,367	5,526
Home for Elderly.....	12,712	12,480	11,923	557
NH Veterans Home.....	25,451	25,035	22,312	2,723
Veterans Council.....	401	414	405	9
Youth Development Services.....	27,776	27,728	24,310	3,418

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

STATE OF NEW HAMPSHIRE
 BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE (Unaudited) - continued
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008
 (expressed in thousands)

	General Fund			Variance with Final Budget- Positive (Negative)
	Budgeted Amount		ACTUAL (Budgetary Basis)	
	ORIGINAL	FINAL		
Elderly and Adult Services.....	435,818	434,722	397,423	37,299
Admin and Support.....	856	870	711	159
Boards and Commissions.....	3,698	3,982	2,876	1,106
Total.....	2,003,532	2,012,025	1,819,733	192,292
EDUCATION				
Post Secondary Education Commission.....	5,139	5,097	4,723	374
Department of Education.....	348,873	350,475	272,175	78,300
NH Comm. Tech. College System.....	119,719	118,265	87,789	30,476
Planetarium.....	1,390	1,374	1,117	257
Police Standards and Training Council.....	7,293	7,602	3,154	4,448
University of New Hampshire.....	95,744	96,000	96,000	-
Total.....	578,158	578,813	464,958	113,855
Debt Service.....	92,906	92,906	89,843	3,063
Capital Outlays.....	36,853	36,853	36,853	0
Total.....	4,085,799	4,205,596	3,467,544	738,052
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	(436,955)	(432,434)	(124,050)	308,384
Other Financing Sources (Uses)				
Transfers In.....	-	163,341	163,341	-
Transfers Out.....	-	(7,485)	(7,485)	-
Miscellaneous.....	-	(171)	(171)	-
Total Other Financing Sources Uses.....	-	155,685	155,685	-
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses.....	(436,955)	(276,749)	31,635	308,384
Fund Balance - July 1.....	443,439	443,439	443,439	-
Fund Balance - June 30.....	\$ 6,484	\$ 166,690	\$ 475,074	\$ 308,384

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

STATE OF NEW HAMPSHIRE
 BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE (Unaudited)
 HIGHWAY FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008
 (expressed in thousands)

	Highway Fund			
	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget-Positive (Negative)
	Original	Final		
REVENUES				
Business License Taxes.....	\$ 152,640	\$ 152,640	\$ 151,321	\$ (1,319)
Non-Business License Taxes.....	83,050	83,050	81,140	(1,910)
Fees.....	20,648	20,693	21,300	607
Fines, Penalties and Interest.....	892	892	752	(140)
Grants from Federal Government.....	308,750	308,750	151,029	(157,721)
Grants from Private and Local Sources.....	8,951	9,131	9,921	790
Rents and Leases.....	148	148	124	(24)
Interest Premiums and Discounts.....	2,500	2,500	848	(1,652)
Sale of Commodities.....	1,222	1,222	216	(1,006)
Sale of Services.....	18,453	21,682	19,277	(2,405)
Assessments.....	-	-	2	2
Grants from Other Agencies.....	2,988	2,988	1,908	(1,080)
Miscellaneous.....	(35,102)	(35,082)	14,624	49,706
Total Revenues.....	565,140	568,614	452,462	(116,152)
EXPENDITURES				
Justice and Public Protection.....	9,259	1,797	1,624	173
Transportation.....	391,966	398,530	287,279	111,251
Debt Service.....	7,567	7,567	7,568	(1)
Capital Outlays.....	162,882	162,882	162,882	
Total Expenditures.....	571,674	570,776	459,353	111,423
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	(6,534)	(2,162)	(6,891)	(4,729)
OTHER FINANCING SOURCES (USES)				
Transfers In.....	-	7,347	7,347	-
Transfers Out.....	-	(7,212)	(7,212)	-
Miscellaneous.....	-	(761)	(761)	-
Total Other Financing Sources (Uses).....		(626)	(626)	
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses.....	(6,534)	(2,788)	(7,517)	(4,729)
Fund Balance - July 1.....	76,371	76,371	76,371	-
Fund Balance - June 30.....	\$ 69,837	\$ 73,583	\$ 68,854	\$ (4,729)

STATE OF NEW HAMPSHIRE
 BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE (Unaudited)
 EDUCATION FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008
 (expressed in thousands)

	Education Fund			
	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget-Positive (Negative)
	Original	Final		
REVENUES				
General Property Taxes.....	\$ 385,900	\$ 385,900	\$ 387,320	\$ 1,420
Special Taxes.....	387,900	387,900	346,208	(41,692)
Personal Taxes.....	120,600	120,600	109,261	(11,339)
Miscellaneous.....	40,000	40,000	40,000	
Total Revenues.....	934,400	934,400	882,789	(51,611)
EXPENDITURES				
General Government.....	-	-		
Education.....	899,144	899,144	895,718	3,426
Total Expenditures	899,144	899,144	895,718	3,426
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	35,256	35,256	(12,929)	(48,185)
OTHER FINANCING SOURCES (USES)				
Transfers Out.....	-	(40,581)	(40,581)	-
Total Other Financing Sources (Uses).....		(40,581)	(40,581)	
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses.....	35,256	(5,325)	(53,510)	(48,185)
Fund Balance - July 1.....	44,185	44,185	44,185	-
Fund Balance - June 30.....	\$ 79,441	\$ 38,860	\$ (9,325)	\$ (48,185)

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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, 2008 (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)	\$ 31,635	\$ (7,517)	\$ (53,510)
Adjustments and Reclassifications:			
To record change in Accounts Payable and Accrued Payroll	11,580	25,578	(700)
To Record change in Encumbrances	40,010	(31,922)	
To Record change in Accounts Receivable	(29,527)	(7,630)	(77,010)
To Record Other Financing Sources(Uses)	(62,362)		132,912
Excess (Deficiency) of revenues and other financing sources over (under) expenditures and other financing uses*(GAAP Basis)	\$ (8,664)	\$ (21,491)	\$ 1,692

*Includes Change in Inventory reserves for General and Highway of \$(106), \$(761) respectively.

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

The following schedules present the State of New Hampshire's actuarially determined funding progress and required contributions for the State's Other Postemployment Benefits (using the projected unit credit actuarial cost method):

Schedule of Funding Progress by Valuation Date

(Expressed in thousands)

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/06	\$ -	\$ 2,559,477	\$ 2,559,477	0%	\$ 558,400	458.36%

INFORMATION ABOUT THE NEW HAMPSHIRE JUDICIAL RETIREMENT PLAN

The following schedules present the New Hampshire Retirement Plan's actuarially determined funding progress and required contributions for pension benefits (using the entry age normal actuarial cost method):

Schedule of Funding Progress by Valuation Date

(Expressed in thousands)

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
01/01/06	\$ 44,980	\$ 47,153	\$ 2,173	95%	\$ 6,833	31.80%
01/01/05	\$ 42,800	\$ 43,670	\$ 870	98%	\$ 6,363	13.67%

Schedule of Employer Contributions

(Expressed in thousands)

Fiscal Year Ended December 31,	Annual Required Contribution (ARC)	Actual Contributions	Percentage Contributed
2007	\$ 1,244	\$ 1,244	100.00%
2006	\$ 1,174	\$ 1,174	100.00%
2005	\$ 1,093	\$ 1,093	100.00%

Combining Financial Statements

Highway Fund

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

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

STATE OF NEW HAMPSHIRE
 COMBINING SCHEDULE OF BALANCE SHEET ACCOUNTS
 HIGHWAY FUND
 JUNE 30, 2008
 (Expressed in Thousands)

	Highway Capital	Highway Operating	Total Highway Fund
ASSETS			
Cash and Cash Equivalents	\$ 13,620	\$ 15,934	\$ 29,554
Receivables (Net of Allowances for Uncollectibles) ..	18,956	13,253	32,209
Due from Other Funds	513		513
Inventories		6,250	6,250
Total Assets	<u>\$ 33,089</u>	<u>\$ 35,437</u>	<u>\$ 68,526</u>
LIABILITIES			
Accounts Payable	\$ 19,767	\$ 3,466	\$ 23,233
Accrued Payroll		5,327	5,327
Deferred Revenue	313	139	452
Total Liabilities	<u>20,080</u>	<u>8,932</u>	<u>29,012</u>
FUND BALANCES			
Reserved for Encumbrances	33,755	8,374	42,129
Reserved for Inventories		6,250	6,250
Reserved for Unexpended Appropriations	17,317	1,326	18,643
Unreserved, Undesignated Surplus/(Deficit)	<u>(38,063)</u>	<u>10,555</u>	<u>(27,508)</u>
Total Fund Balances	<u>13,009</u>	<u>26,505</u>	<u>39,514</u>
Total Liabilities and Fund Balances	<u>\$ 33,089</u>	<u>\$ 35,437</u>	<u>\$ 68,526</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, 2008
 (Expressed in Thousands)

	Highway Capital	Highway Operating	Total Highway Fund
REVENUES			
Business License Taxes (Betterment).....	\$ 14,652	\$ 136,669	\$ 151,321
Non-Business License Taxes.....		81,139	81,139
Fees.....		21,247	21,247
Fines, Penalties and Interest.....		739	739
Grants from Federal Government.....	148,764	14,071	162,835
Grants from Private and Local Sources.....	8,276	1,011	9,287
Rents and Leases.....		102	102
Interest, Premiums and Discounts.....		848	848
Sale of Commodities.....		216	216
Sale of Service.....		3,806	3,806
Assessments.....		1	1
Grants from Other Agencies.....		776	776
Miscellaneous.....		12,515	12,515
Total Revenues.....	171,692	273,140	444,832
EXPENDITURES			
Administration of Justice and Public Protection.....		1,193	1,193
Transportation.....	31,062	262,992	294,054
Debt Service.....		7,568	7,568
Capital Outlay.....	157,073	5,809	162,882
Total Expenditures.....	188,135	277,562	465,697
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	(16,443)	(4,422)	(20,865)
OTHER FINANCING SOURCES (USES)			
Transfers In (Out).....	15,861	(8,514)	7,347
Transfers Out.....	-	(7,212)	(7,212)
Capital Lease Acquisitions.....		-	
Total Other Financing Sources (Uses).....	15,861	(15,726)	135
Excess of Revenues and Other Sources Over Expenditures and Other Uses.....	(582)	(20,148)	(20,730)
Fund Balances - July 1	13,591	47,414	61,005
Change in Reserve for Inventory.....		(761)	(761)
Fund Balances - June 30.....	\$ 13,009	\$ 26,505	\$ 39,514

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, 2008
 (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	\$ 9,426		\$ 94	\$ 1,259	\$ 4,376	\$ 5,729	\$ 15,155	
Investments			5,520	1,180	2,344	9,044	9,044	
Receivables (Net).....	1,347	\$ 275					1,622	
Inventories.....	914						914	
Total Assets.....	\$ 11,687	\$ 275	\$ 5,614	\$ 2,439	\$ 6,720	\$ 14,773	\$ 26,735	
LIABILITIES								
Accounts Payable.....	\$ 482	\$ 9,826					\$ 10,308	
Accrued Payroll.....	844	12					856	
Due to other funds.....		23,795					23,795	
Total Liabilities.....	1,326	33,633					34,959	
FUND BALANCES								
Reserved for Encumbrances.....	1,179	80,670					81,849	
Reserved for Inventories.....	914						914	
Reserved for Unexpended Appropriations..	4,271	131,911					136,182	
Reserved for Permanent Trust			\$ 5,614	\$ 2,439	\$ 6,720	\$ 14,773	14,773	
Unreserved, Undesignated (Deficit).....	3,997	(245,939)					(241,942)	
Total Fund Balances (Deficit).....	10,361	(33,358)	5,614	2,439	6,720	14,773	(8,224)	
Total Liabilities and Fund Balances	\$ 11,687	\$ 275	\$ 5,614	\$ 2,439	\$ 6,720	\$ 14,773	\$ 26,735	

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, 2008
 (Expressed in Thousands)

	Fish & Game	Capital	Permanent Funds			Total Permanent	Total Non-Major
			NH Hospital	Conservation Endowment	Other Permanent		
REVENUES							
Non-Business License Taxes.....	\$ 9,223						\$ 9,223
Fees.....	1,158						1,158
Fines, Penalties and Interest.....	189						189
Grants from Federal Government.....	7,144	\$ 42,348					49,492
Grants from Private and Local Sources.....	267						267
Interest, Premiums and Discounts.....	459		\$ 216	\$ 87	\$ 261	\$ 564	1,023
Sale of Commodities.....	190						190
Sale of Service.....	3						3
Grants from Other Agencies.....	4,330	387					4,717
Miscellaneous.....	477	1,560	(175)	(102)	149	(128)	1,909
Total Revenues.....	23,440	44,295	41	(15)	410	436	68,171
EXPENDITURES							
Current:							
Resource Protection and Development.....	23,077			95	178	273	23,350
Health and Social Services.....			448		781	1,229	1,229
Debt Service.....	245						245
Capital Outlay.....	1,227	156,042					157,269
Total Expenditures.....	24,549	156,042	448	95	959	1,502	182,093
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	(1,109)	(111,747)	(407)	(110)	(549)	(1,066)	(113,922)
OTHER FINANCING SOURCES (USES)							
Transfers In	1,703	800					2,503
Transfers Out.....		(5,968)					(5,968)
Payments to Refunding Bond Escrow Agent.....		(60,000)					(60,000)
G.O. Bond Premium.....		6,548					6,548
G.O. Bond Issuance.....		161,320					161,320
Total Other Financing Sources (Uses).....	1,703	102,700					104,403
Excess (Deficiency) of Revenues & Other Sources Over (Under) Expenditures & Other Uses.....	594	(9,047)	(407)	(110)	(549)	(1,066)	(9,519)
Fund Balances - July 1	9,505	(24,311)	6,021	2,549	7,269	15,839	1,033
Change in Reserve for Inventory.....	262						262
Fund Balances (Deficit) - June 30.....	\$ 10,361	\$ (33,358)	\$ 5,614	\$ 2,439	\$ 6,720	\$ 14,773	\$ (8,224)

STATE OF NEW HAMPSHIRE
 BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
 FISH & GAME FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008
 (expressed in thousands)

	Fish and Game Fund			
	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget-Positive (Negative)
	Original	Final		
REVENUES				
Special Taxes.....	\$ 118	\$ 118	\$	(118)
Non-Business License Taxes.....	8,829	8,829	\$ 9,223	394
Fees.....	2,478	2,478	1,784	(694)
Fines, Penalties and Interest.....	145	145	189	44
Grants from Federal Government.....	9,267	9,282	6,884	(2,398)
Grants from Private and Local Sources.....	303	303	267	(36)
Interest Premiums and Discounts.....	200	200	459	259
Sale of Commodities.....	423	423	420	(3)
Sale of Services.....	592	851	3	(848)
Grants from Other Agencies.....	5,265	5,265	5,052	(213)
Miscellaneous.....	957	1,018	422	(596)
Total Revenues.....	28,577	28,912	24,703	(4,209)
EXPENDITURES				
Resource Protection and Development.....	35,770	36,155	24,832	11,323
Debt Service.....	244	245	245	
Capital Outlays.....	1,227	1,227	1,227	
Total Expenditures.....	37,241	37,627	26,304	11,323
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	(8,664)	(8,715)	(1,601)	7,114
OTHER FINANCING SOURCES (USES)				
Transfers In.....				
Transfers Out.....		1,566	1,566	
Miscellaneous.....		262	262	
Total Other Financing Sources (Uses).....		1,828	1,828	
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses.....	(8,664)	(6,887)	227	7,114
Fund Balance - July 1.....	10,388	10,388	10,388	
Fund Balance - June 30.....	\$ 1,724	\$ 3,501	\$ 10,615	\$ 7,114

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, 2008 (expressed in thousands).

	Fish & Game Fund
Excess(Deficiency) of revenues and other financing sources over expenditures and other financing uses (Budgetary Basis)	\$ 227
Adjustments and Reclassifications:	(224)
To record change in Accounts Payable and Accrued Payroll	
To Record change in Encumbrances	360
To Record change in Accounts Receivable	356
To Record Other Financing Sources	137
Excess (Deficiency) of revenues and other financing sources over expenditures and other financing uses(GAAP Basis)	\$ 856

*Includes Change in Inventory reserves of \$262.

Internal Service Fund

STATE OF NEW HAMPSHIRE
 COMBINING SCHEDULE OF BALANCE SHEET ACCOUNTS
 EMPLOYEE BENEFIT RISK MANAGEMENT FUND
 JUNE 30, 2008
 (Expressed in Thousands)

	Health			Dental	Total
	Active	Retirees	Total		
ASSETS					
Current Assets:					
Cash and Cash Equivalents.....	\$ 27,899	\$ 15,756	\$ 43,655	\$ 945	\$ 44,600
Accounts Receivable.....	786	515	1,301	37	1,338
Total Assets.....	\$ 28,685	\$ 16,271	\$ 44,956	\$ 982	\$ 45,938
LIABILITIES					
Current Liabilities:					
Accounts Payable.....	\$ 56	\$ 24	\$ 80	\$ 61	\$ 141
Claims Payable.....	3,590	2,008	5,598	214	5,812
Incurred but not Reported (IBNR).....	10,093	4,517	14,610	570	15,180
Total Liabilities.....	13,739	6,549	20,288	845	21,133
NET ASSETS					
Total Net Assets (Deficit).....	\$ 14,946	\$ 9,722	\$ 24,668	\$ 137	\$ 24,805

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, 2008
 (Expressed in Thousands)

	Health			Dental	Total
	Active	Retirees	Total		
OPERATING REVENUES					
Charges for Sales and Services					
Contributions For Health Benefits					
State Contributions:					
Active Employees.....	\$ 145,107		\$ 145,107	\$ 11,661	\$ 156,768
Retired Judges & Constitutional Officers.....		\$ 435	435		435
Retired Employees.....		40,685	40,685		40,685
Non-State Contributions:					
Other Employers.....	1,054		1,054	51	1,105
COBRA Participants.....	615		615	64	679
Legislator Participants.....	559	126	685	50	735
Retirement Subsidies & Deductions.....		15,545	15,545		15,545
Recoveries.....	2,743	1,984	4,727		4,727
Total Contributions for Health Benefits.....	150,078	58,775	208,853	11,826	220,679
State Contributions For Dental Benefits					0
Total Charges for Sales and Services.....	150,078	58,775	208,853	11,826	220,679
OPERATING EXPENSES					
Health Care Expenses					
Medical Payments.....	120,712	34,818	155,530	6,911	162,441
Pharmaceuticals.....	30,110	27,218	57,328		57,328
Dental Insurance Premiums.....				4,838	4,838
Ancillary Benefits.....	603		603		603
Total Health Care Expenses.....	151,425	62,036	213,461	11,749	225,210
Administrative Expenses.....	4,918	3,677	8,595	428	9,023
Enrollment.....	227	164	391		391
Total Operating Expenses.....	156,570	65,877	222,447	12,177	234,624
Operating Income (Loss).....	(6,492)	(7,102)	(13,594)	(351)	(13,945)
Investment Income.....	1,321	662	1,983	488	2,471
Change in Net Assets.....	(5,171)	(6,440)	(11,611)	137	(11,474)
Net Assets - July 1	20,117	16,162	36,279	0	36,279
Net Assets - June 30.....	\$ 14,946	\$ 9,722	\$ 24,668	\$ 137	\$ 24,805

Component Units

STATE OF NEW HAMPSHIRE
 COMBINING STATEMENT OF NET ASSETS
 NON-MAJOR COMPONENT UNITS
 JUNE 30, 2008
 (Expressed in Thousands)

	Business Finance Authority	Community Development Finance Authority	Pease Development Authority	Community College System of New Hampshire	Total
ASSETS					
Current Assets:					
Cash and Cash Equivalents.....	\$ 3,814	\$ 8,119	\$ 8,389	\$ 5,421	\$ 25,743
Cash and Cash Equivalents-Restricted.....			948		948
Accounts Receivable.....	301	13	4,585	1,368	6,267
Other Receivables-Restricted.....			3,769		3,769
Due From Primary Government - Current Portion				9,610	9,610
Notes Receivable - Current Portion.....	3,506	1,722			5,228
Prepaid Expenses & Other.....	22	96	480	10	608
Total Current Assets.....	7,643	9,950	18,171	16,409	52,173
Noncurrent Assets:					
Investments.....	12,961			4,546	17,507
Notes & Other Receivables.....	10,819	1,593			12,412
Other Assets.....	236		1,044		1,280
Capital Assets:					
Land & Land Improvements.....			2,673		2,673
Building & Building Improvements.....	7,951		101,763	15,052	124,766
Equipment.....	107	89	5,662		5,858
Construction in Progress.....			4,136	5,323	9,459
Less: Accumulated Depreciation.....	(3,283)	(86)	(44,537)	(4,121)	(52,027)
Net Capital Assets.....	4,775	3	69,697	16,254	90,729
Total Noncurrent Assets.....	24,016	1,593	1,044	4,546	31,199
Total Assets.....	36,434	11,546	88,912	37,209	174,101
Current Liabilities:					
Accounts Payable.....	34	95	1,739	1,387	3,255
Accrued Salaries and Wages.....				3,672	3,672
Accrued Employee Benefits - Current.....	18			4,476	4,494
Other Payables & Accrued Expenses.....		5,603	1,229		6,832
Other Liabilities.....	485		65	104	654
Deposits and Deferred Revenues.....	2,873	558	438	2,712	6,581
Due to Primary Government-Current Portion.....			12,260		12,260
Long Term Debt-Current Portion.....				799	799
Total Current Liabilities.....	3,410	6,256	15,731	13,150	38,547
Noncurrent Liabilities:					
Due to Primary Government.....			11,556		11,556
Other Long Term Debt.....	25,139		1,475	11,616	38,230
Total Noncurrent Liabilities.....	25,139		13,031	11,616	49,786
Total Liabilities.....	28,549	6,256	28,762	24,766	88,333
NET ASSETS					
Invested in Capital Assets, Net of Related Debt....	3,739	32	55,052	3,839	62,662
Restricted for Specific Purpose.....			883	4,774	5,657
Restricted for Long Term Receivable.....			3,770		3,770
Unrestricted.....	4,146	5,258	445	3,830	13,679
Total Net Assets.....	\$ 7,885	\$ 5,290	\$ 60,150	\$ 12,443	\$ 85,768

See accompanying Independent Auditors' Report

STATE OF NEW HAMPSHIRE
 COMBINING STATEMENT OF ACTIVITIES
 NON-MAJOR COMPONENT UNITS
 JUNE 30, 2008
 (Expressed in Thousands)

	Business Finance Authority	Community Development Finance Authority	Pease Development Authority	Community College System of New Hampshire	Total
Expenses	\$ 2,494	\$ 11,684	\$ 15,561	\$ 87,715	\$ 117,454
Program Revenues:					
Charges for Services:					
Tuition & Fees.....				35,082	35,082
Scholarship Allowances.....					
Sales, Services, & Other Revenue.....	3,060	1,158	14,591	10,030	28,839
Operating Grants & Contributions.....		10,319	5,716	11,015	27,050
Capital Grants & Contributions.....					
Total Program Revenues.....	3,060	11,477	20,307	56,127	90,971
Net Revenues.....	566	(207)	4,746	(31,588)	(26,483)
Interest & Investment Income.....	190	251	311	2,419	3,171
Payments (to) from State of New Hampshire.....	(165)			36,554	36,389
Change in Net Assets.....	591	44	5,057	7,385	13,077
Net Assets - Beginning	7,294	5,246	55,093	5,058	72,691
Net Assets - Ending	\$ 7,885	\$ 5,290	\$ 60,150	\$ 12,443	\$ 85,768

Fiduciary Funds

Pension Trust Funds

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

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

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

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

STATE OF NEW HAMPSHIRE
COMBINING STATEMENT OF PLAN NET ASSETS
PENSION TRUST FUNDS
JUNE 30, 2008
(Expressed in Thousands)

	Other Postemployment Medical Plans (OPEB)						Total
	Pension Plan	Group II Police Officer & Firefighter	Group 1 Teachers	Group 1 Political Subdivisions	Group 1 State Employees	Judicial Retirement Plan	
ASSETS							
Cash & Cash Equivalents.....	\$ 2,750	\$ 60	\$ 11	\$ 17		\$ 66	\$ 2,904
Cash Collateral on Security Lending.....	494,741	10,781	2,043	2,977			510,542
Total Cash.....	497,491	10,841	2,054	2,994	0	66	513,446
Receivables:							
Due from Employers.....	21,523					94	21,617
Due from State.....	7,229						7,229
Due from Plan Members.....	15,697					42	15,739
Due from Group 1 State Employee							
OPEB Plan.....				16,917			16,917
Due from Brokers for Securities Sold....	34,486	751	142	207			35,586
Interest and Dividends.....	12,856	280	53	78			13,267
Other	4,349	95	18	26			4,488
Total Receivables.....	96,140	1,126	213	17,228	0	136	114,843
Investments							
Cash & Cash Equivalents.....	106,849	2,328	442	643			110,262
Equity Investments							
Domestic.....	2,153,032	46,916	8,890	12,954		22,809	2,244,601
International.....	897,245	19,552	3,705	5,399		8,396	934,297
Fixed Income Investments							
Domestic.....	1,480,212	32,255	6,112	8,906		10,867	1,538,352
Global.....	190,275	4,146	786	1,145			196,352
Commercial Real Estate.....	399,709	8,710	1,650	2,405		9,628	422,102
Alternative Investments.....	142,262	3,100	587	856		0	146,805
Total Investments.....	5,369,584	117,007	22,172	32,308	0	51,700	5,592,771
Other Assets.....	2,060	45	8	12			2,125
Total Assets.....	5,965,275	129,019	24,447	52,542	0	51,902	6,223,185
LIABILITIES							
Securities Lending Collateral.....	494,741	10,781	2,043	2,977			510,542
Management Fees and Other Payables....	6,277	137	26	38		45	6,523
Due to Group I Political Subdivision.....							
OPEB Plan.....					\$ 16,917		16,917
Due to Brokers for Securities Purchased..	39,053	850	161	235			40,299
Total Liabilities.....	540,071	11,768	2,230	3,250	16,917	45	574,281
Net Assets Held in Trust for							
Benefits & Other Purposes.....	\$ 5,425,204	\$ 117,251	\$ 22,217	\$ 49,292	\$ (16,917)	\$ 51,857	\$ 5,648,904

STATE OF NEW HAMPSHIRE
 COMBINING STATEMENT OF CHANGES
 IN PLAN NET ASSETS
 PENSION TRUST FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008
 (Expressed in Thousands)

	Other Postemployment Medical Plans (OPEB)						Judicial Retirement Plan	Total
	Pension Plan	Group II Police Officer & Firefighter	Group 1 Teachers	Group 1 Political Subdivisions	Group 1 State Employees			
ADDITIONS								
Contributions:								
Employer	\$ 150,545	\$ 12,368	\$ 15,338	\$ 11,420	\$ 10,030	\$ 1,244	\$ 200,945	
State Contributions on Behalf of								
Local Employers	37,652	5,001	7,549				50,202	
Total Employer Contributions	188,197	17,369	22,887	11,420	10,030	1,244	251,147	
Plan Member	157,985					567	158,552	
Total Contributions	346,182	17,369	22,887	11,420	10,030	1,811	409,699	
Investment Income:								
From Investing Activities:								
Net Appreciation (Depreciation) in Fair Value of Investments	(381,521)	(7,917)	(1,544)	(2,191)		3,031	(390,142)	
Interest	61,879	1,284	250	355		1,017	64,785	
Dividends	37,938	787	154	218			39,097	
Alternative Investment Income	1,690	35	7	10			1,742	
Commercial Real Estate Operating Income	22,334	464	90	128			23,016	
Total Income from Investing Activities	(257,680)	(5,347)	(1,043)	(1,480)	-	4,048	(261,502)	
Less: Investment Activity Expenses:								
Investment Management Fees	19,540	405	79	112		33	20,169	
Custodial Fees	462	10	2	3		78	555	
Investment Advisor Fees	1,119	23	5	6		60	1,213	
Total Investment Activity Expenses	21,121	438	86	121	-	171	21,937	
Total Net Income from Investing Activities	(278,801)	(5,785)	(1,129)	(1,601)	-	3,877	(283,439)	
From Securities Lending Activities:								
Security Lending Income	20,919	434	84	120			21,557	
Less: Security Lending Borrower Rebates	26,213	544	106	151			27,014	
Net Income from Securities Lending Activities	(5,294)	(110)	(22)	(31)	-		(5,457)	
Total Net Investment Income	(284,095)	(5,895)	(1,151)	(1,632)	-	3,877	(288,896)	
Interest Income	-	-	-	439			439	
Other	1,721	36	7	10			1,774	
Total Additions	63,808	11,510	21,743	10,237	10,030	5,688	123,016	
DEDUCTIONS								
Benefits/Distributions to Participants	391,929	15,229	21,018	5,732	11,266	3,141	448,315	
Refunds of Contributions	32,297						32,297	
Administrative Expense	6,691	139	27	38		89	6,984	
Professional Fees	1,382	29	5	8			1,424	
Interest Expense					439		439	
Other	1,910	40	7	11			1,968	
Total Deductions	434,209	15,437	21,057	5,789	11,705	3,230	491,427	
Change in Net Assets	(370,401)	(3,927)	686	4,448	(1,675)	2,458	(368,411)	
NET ASSETS HELD IN TRUST FOR BENEFITS								
Beginning of the Year	5,795,605	121,178	21,531	44,844	(15,242)	49,399	6,017,315	
End of the Year	\$ 5,425,204	\$ 117,251	\$ 22,217	\$ 49,292	\$ (16,917)	\$ 51,857	\$ 5,648,904	

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, 2008
 (Expressed in Thousands)

	Private-Purpose Trust Funds					Total Private-Purpose
	Special Fund For Second Injuries	EAP	College Savings	Other		
ASSETS						
Cash and Cash Equivalents.....	\$ 3,245	\$ 123	\$ 1,249	\$ 1,086	\$	5,703
Other Receivables.....						
Investments.....			22,673	585		23,258
Total Assets.....	3,245	123	23,922	1,671		28,961
LIABILITIES						
Other Liabilities.....				79		79
Total Liabilities.....				79		79
Net Assets Held in Trust for Benefits						
& Other Purposes.....	\$ 3,245	\$ 123	\$ 23,922	\$ 1,592	\$	28,882

STATE OF NEW HAMPSHIRE
 STATEMENT OF CHANGES IN NET ASSETS -
 PRIVATE-PURPOSE TRUST FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008
 (Expressed in Thousands)

	Private Purpose Trust Funds				
	Special Fund For Second Injuries	EAP	College Savings	Other	Total Private Purpose
ADDITIONS					
Contributions:					
From Participants.....	\$ 8,621	\$ 1,583		\$ 2,661	\$ 12,865
Total Contributions.....	8,621	1,583		2,661	12,865
Interest Income.....	262	8	\$ 207	47	524
Other.....			9,907	348	10,255
Total Additions.....	8,883	1,591	10,114	3,056	23,644
DEDUCTIONS					
Benefits/Distributions to Participants.....		1,728		709	2,437
Other.....	11,247		10,411	2,345	24,003
Total Deductions.....	11,247	1,728	10,411	3,054	26,440
Net Increase/(Decrease).....	(2,364)	(137)	(297)	2	(2,796)
NET ASSETS HELD IN TRUST FOR BENEFITS & OTHER PURPOSES					
Beginning of the Year.....	5,609	260	24,219	1,590	31,678
End of the Year.....	\$ 3,245	\$ 123	\$ 23,922	\$ 1,592	\$ 28,882

Agency Funds

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

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

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

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

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

STATE OF NEW HAMPSHIRE
COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2008
(Expressed in Thousands)

	Agency Funds					Total
	Unified Court System	Child Support Funds	Lifetime License Fund	Board of Tax and Land Appeals	Other Agency Funds	
ASSETS						
Cash and Cash Equivalents.....	\$ 5,722	\$ 2,346	\$ 11	\$ 7,236	\$ 1,454	\$ 16,769
Investments.....			1,428		1,429	2,857
Total Assets.....	<u>\$ 5,722</u>	<u>\$ 2,346</u>	<u>\$ 1,439</u>	<u>\$ 7,236</u>	<u>\$ 2,883</u>	<u>\$ 19,626</u>
LIABILITIES						
Custodial Funds Payable.....	\$ 5,722	\$ 2,346	\$ 1,439	\$ 7,236	\$ 2,883	\$ 19,626
Total Liabilities.....	<u>\$ 5,722</u>	<u>\$ 2,346</u>	<u>\$ 1,439</u>	<u>\$ 7,236</u>	<u>\$ 2,883</u>	<u>\$ 19,626</u>

STATE OF NEW HAMPSHIRE
 COMBINING STATEMENT OF CHANGES
 IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008
 (Expressed in Thousands)

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
<u>Unified Court System</u>				
<u>ASSETS</u>				
Cash and Cash Equivalents.....	\$ 7,163	\$ 15,165	\$ 16,606	\$ 5,722
<u>LIABILITIES</u>				
Custodial Funds Payable.....	\$ 7,163	\$ 15,165	\$ 16,606	\$ 5,722
<u>Child Support Funds</u>				
<u>ASSETS</u>				
Cash and Cash Equivalents.....	\$ 2,056	\$ 97,451	\$ 97,161	\$ 2,346
<u>LIABILITIES</u>				
Custodial Funds Payable.....	\$ 2,056	\$ 97,451	\$ 97,161	\$ 2,346
<u>Lifetime License Fund</u>				
<u>ASSETS</u>				
Cash and Cash Equivalents.....	\$ 19	\$ 154	\$ 162	\$ 11
Investments.....	1,599	38	209	1,428
Total Assets.....	1,618	192	371	1,439
<u>LIABILITIES</u>				
Custodial Funds Payable.....	\$ 1,618	\$ 192	\$ 371	\$ 1,439
<u>Board of Tax and Land Appeals</u>				
<u>ASSETS</u>				
Cash and Cash Equivalents.....	\$ 2,785	\$ 8,509	\$ 4,058	\$ 7,236
<u>LIABILITIES</u>				
Custodial Funds Payable.....	\$ 2,785	\$ 8,509	\$ 4,058	\$ 7,236
<u>Other Agency Funds</u>				
<u>ASSETS</u>				
Cash and Cash Equivalents.....	\$ 2,456	\$ 9,419	\$ 10,421	\$ 1,454
Investments.....	1,555	178	304	1,429
Total Assets.....	\$ 4,011	\$ 9,597	\$ 10,725	\$ 2,883
<u>LIABILITIES</u>				
Custodial Funds Payable.....	\$ 4,011	\$ 9,597	\$ 10,725	\$ 2,883
<u>Totals - Agency Funds</u>				
<u>ASSETS</u>				
Cash and Cash Equivalents.....	\$ 14,479	\$ 130,698	\$ 128,408	\$ 16,769
Investments.....	3,154	216	513	2,857
Total Assets.....	\$ 17,633	\$ 130,914	\$ 128,921	\$ 19,626
<u>LIABILITIES</u>				
Custodial Funds Payable.....	17,633	130,914	128,921	19,626
Total Liabilities.....	\$ 17,633	\$ 130,914	\$ 128,921	\$ 19,626

Statistical Section

(Unaudited)



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

	Fiscal Year						
	<u>2008</u>	<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	\$ 1,674,011	\$ 1,547,866	\$ 1,430,849	\$ 1,314,663	\$ 1,255,739	\$ 1,179,736	\$ 1,260,145
Restricted	366,662	355,883	311,460	262,938	245,194	235,209	250,391
Unrestricted	246,762	477,791	411,025	417,238	306,117	293,567	330,009
Total governmental activities net assets	<u>\$ 2,287,435</u>	<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	\$ 316,330	\$ 298,150	\$ 276,083	\$ 238,080	\$ 212,708	\$ 183,086	\$ 176,118
Restricted	264,782	307,056	325,307	318,143	299,755	305,061	366,772
Unrestricted	38,834	21,747	14,059	29,171	37,568	53,151	53,584
Total business-type activities net assets	<u>\$ 619,946</u>	<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	\$ 1,990,341	\$ 1,846,016	\$ 1,706,932	\$ 1,552,743	\$ 1,468,447	\$ 1,362,822	\$ 1,436,263
Restricted	631,444	662,939	636,767	581,081	544,949	540,270	617,163
Unrestricted	285,596	499,538	425,084	446,409	343,685	346,718	383,593
Total primary government net assets	<u>\$ 2,907,381</u>	<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 SEVEN FISCAL YEARS
(Accrual Basis of Accounting, Expressed in Thousands)

	Fiscal Year						
	2008	2007	2006	2005	2004	2003	2002
Governmental Activities:							
Expenses							
General government	\$ 420,367	\$ 358,060	\$ 353,814	\$ 331,651	\$ 263,634	\$ 250,160	\$ 185,269
Administration of justice and public protection	420,120	341,501	345,779	288,737	278,392	283,944	231,309
Resource protection and development	138,215	139,096	131,812	130,113	124,357	128,320	115,670
Transportation	443,258	411,475	416,518	383,435	380,358	488,947	419,048
Health and social services	1,877,924	1,744,445	1,681,182	1,785,525	1,778,791	1,516,228	1,358,774
Education	1,343,253	1,310,261	1,289,684	1,235,183	1,318,503	1,301,202	1,292,751
Interest expense	26,115	28,180	27,991	29,467	27,062	28,525	30,609
Total expenses	4,669,252	4,303,018	4,246,780	4,184,111	4,171,097	3,997,326	3,633,430
Program revenues							
Charges for services:							
General government	192,436	156,973	175,108	141,883	110,136	98,653	66,629
Administration of justice and public protection	315,613	297,505	279,700	282,820	272,943	260,782	247,972
Resource protection and development	62,406	64,304	63,333	62,381	51,423	60,752	56,114
Transportation	19,093	14,564	20,622	17,466	10,018	5,211	7,058
Health and social services	76,392	74,297	84,445	199,245	154,242	96,823	81,071
Education	879	42,767	41,749	38,690	39,821	36,085	32,413
Operating grants and contributions	1,424,014	1,367,207	1,340,495	1,359,477	1,369,236	1,194,229	1,003,587
Capital grants and contributions	194,637	184,409	195,142	159,238	159,015	153,630	200,429
Total program revenues	2,285,470	2,202,026	2,200,594	2,261,200	2,166,834	1,906,165	1,695,273
Total Governmental Activities Net Program Expense	(2,383,782)	(2,100,992)	(2,046,186)	(1,922,911)	(2,004,263)	(2,091,161)	(1,938,157)
General Revenues and Other Changes in Net Assets							
Taxes							
General property taxes	387,952	384,708	384,873	393,426	494,364	504,191	502,604
Special taxes	1,329,137	1,383,540	1,282,467	1,240,922	1,142,406	1,070,627	1,059,080
Personal taxes	166,288	143,610	150,756	101,360	100,015	94,029	84,222
Business license taxes	151,321	151,472	149,502	154,335	151,744	145,422	141,851
Interest and investment income	18,169	35,631	11,895	6,557	5,832	7,851	1,289
Miscellaneous	48,314	43,695	39,759	46,156	42,620	48,827	51,030
Loss on transfer of assets to other entities	(106)					(64,001)	(7,725)
Transfers	188,602	186,542	185,429	167,944	165,820	152,182	148,727
Total General Revenues and Other Changes in Net Assets	2,289,677	2,329,198	2,204,681	2,110,700	2,102,801	1,959,128	1,981,078
Total Governmental Activities Change in Net Assets	\$ (94,105)	\$ 228,206	\$ 158,495	\$ 187,789	\$ 98,538	\$ (132,033)	\$ 42,921
Business-type Activities:							
Expenses							
Turnpike System	\$ 80,411	\$ 72,136	\$ 75,580	\$ 58,582	\$ 56,816	\$ 58,080	\$ 55,677
Liquor Commission	367,847	349,084	330,701	313,838	295,798	277,135	259,986
Lottery Commission	186,906	186,907	183,871	160,282	165,532	157,036	149,791
Unemployment Compensation	119,645	95,673	81,582	82,549	116,802	143,429	120,623
Total expenses	754,809	703,800	671,734	615,251	634,948	635,680	586,077
Revenues							
Charges for services:							
Turnpike System	107,075	89,408	83,395	67,866	65,691	66,830	66,515
Liquor Commission	479,448	454,917	433,530	411,764	387,215	362,421	341,935
Lottery Commission	264,014	267,322	265,807	230,543	239,630	223,605	215,916
Unemployment Compensation	77,051	79,777	87,729	102,012	109,627	79,830	102,604
Capital grants and contributions	8,816	10,422	16,757	6,373	7,338	-	-
Total revenues	936,404	901,846	887,218	818,558	809,501	732,686	726,970
Total Business-type Activities Net Program Revenue	181,595	198,046	215,484	203,307	174,553	97,006	140,893
Other Changes in Net Assets							
Transfers	(188,602)	(186,542)	(185,429)	(167,944)	(165,820)	(152,182)	(148,727)
Total Other Changes in Net Assets	(188,602)	(186,542)	(185,429)	(167,944)	(165,820)	(152,182)	(148,727)
Total Business-type Activities Change in Net Assets	\$ (7,007)	\$ 11,504	\$ 30,055	\$ 35,363	\$ 8,733	\$ (55,176)	\$ (7,834)
Total Primary Government Change in Net Assets	\$ (101,112)	\$ 239,710	\$ 188,550	\$ 223,152	\$ 107,271	\$ (187,209)	\$ 35,087

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 SEVEN FISCAL YEARS
(Modified Accrual Basis of Accounting, Expressed in Thousands)

	Fiscal Year						
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
General fund							
Reserved	\$ 330,064	\$ 294,199	\$ 313,252	\$ 223,162	\$ 220,077	\$ 188,642	\$ 257,638
Unreserved	17,184	61,713	26,056	82,202	15,287	-	(37,869)
Total general fund	<u>\$ 347,248</u>	<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	\$ 304,436	\$ 222,264	\$ 296,346	\$ 246,043	\$ 325,307	\$ 251,573	\$ 323,912
Unreserved, reported in:							
Special revenue funds	(23,511)	(15,385)	12,161	10,030	(6,689)	(9,982)	(1,513)
Capital project fund	(245,939)	(142,837)	(219,095)	(130,913)	(207,182)	(144,898)	(152,128)
Total all other governmental funds	<u>\$ 34,986</u>	<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 SEVEN FISCAL YEARS
(Modified Accrual Basis of Accounting, Expressed in Thousands)

	Fiscal Year						
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Revenues							
General property taxes	\$ 387,552	\$ 385,308	\$ 384,273	\$ 392,276	\$ 493,614	\$ 504,891	\$ 501,704
Special taxes	1,352,476	1,301,889	1,237,742	1,216,864	1,137,423	1,054,577	1,018,713
Personal taxes	166,288	143,610	150,756	101,360	100,015	94,029	84,222
Business License Taxes	172,277	171,316	168,544	173,039	170,322	162,973	159,480
Non-Business License Taxes	187,103	181,171	167,476	173,800	169,592	163,764	155,279
Fees	153,675	143,541	139,319	132,264	121,636	116,266	111,044
Fines, Penalties and Interest	35,383	27,421	32,223	24,188	24,365	22,663	20,598
Grants from Federal Government	1,497,606	1,409,251	1,414,103	1,415,070	1,380,605	1,236,223	1,104,470
Grants from Private and Local Sources	147,682	130,297	124,633	103,856	139,976	117,978	101,248
Rents and Leases	1,051	1,396	1,360	1,296	1,457	1,333	1,612
Interest, Premiums and Discounts	24,440	46,286	19,091	11,970	5,101	11,700	7,583
Sale of Commodities	10,465	8,425	8,178	8,701	8,882	11,783	11,354
Sale of Service	62,499	93,054	94,700	166,472	153,423	94,314	88,892
Assessments	53,069	51,017	54,081	82,209	16,422	14,322	17,365
Grants from Other Agencies	7,265	10,887	22,869	20,583	5,659	4,644	3,241
Miscellaneous	168,130	124,702	150,260	155,059	164,421	159,922	119,753
Total Revenues	<u>4,426,961</u>	<u>4,229,571</u>	<u>4,169,608</u>	<u>4,179,007</u>	<u>4,092,913</u>	<u>3,771,382</u>	<u>3,506,558</u>
Expenditures							
General Government	346,347	314,597	308,187	311,755	217,050	211,475	116,665
Administration of Justice and Public Protection	353,675	330,616	326,360	278,905	259,579	254,551	235,113
Resource Protection and Development	161,485	170,249	159,099	159,575	163,155	162,006	136,224
Transportation	305,378	290,093	284,686	258,243	237,711	236,479	221,572
Health and Social Services	1,838,018	1,713,604	1,663,667	1,786,260	1,755,287	1,505,655	1,352,660
Education	1,304,734	1,273,184	1,260,372	1,208,781	1,281,614	1,263,036	1,286,651
Debt Service							
Principal	64,829	62,570	60,560	55,298	57,717	59,685	50,691
Interest	31,941	32,627	32,608	35,433	29,023	29,906	32,068
Capital Outlay	354,337	314,549	337,945	288,150	281,348	316,403	289,050
Total expenditures	<u>4,760,744</u>	<u>4,502,089</u>	<u>4,433,484</u>	<u>4,382,400</u>	<u>4,282,484</u>	<u>4,039,196</u>	<u>3,720,694</u>
Revenues Over (Under) Expenditures	<u>(333,783)</u>	<u>(272,518)</u>	<u>(263,876)</u>	<u>(203,393)</u>	<u>(189,571)</u>	<u>(267,814)</u>	<u>(214,136)</u>
Other Financing Sources (Uses)							
Transfers In	35,986	43,373	7,183	41,311	59,716	68,796	86,434
Transfers In from Enterprise Funds	188,602	186,542	185,429	167,944	165,820	152,182	148,727
Transfers Out	(35,986)	(43,373)	(7,183)	(41,311)	(59,716)	(68,796)	(86,434)
Transfers to Component Unit	-	-	-	-	-	-	-
G.O. Bond Premiums	6,548	7,386	1,462	181	3,417	6,912	3,340
G.O. Bond Issuance	161,320	196,885	75,000	117,800	80,000	101,477	105,130
Payments to Refunding Bond Escrow Agent	(60,000)	(127,787)				(97,830)	
Repayment of BANS							(50,000)
Capital Lease Acquisition	198	810	537		134	1,159	2,600
Total Other Financing Sources (Uses)	<u>296,668</u>	<u>263,836</u>	<u>262,428</u>	<u>285,925</u>	<u>249,371</u>	<u>163,900</u>	<u>209,797</u>
Change in Reserve for Inventory	(605)	(84)	(356)	1,192	1,665	(791)	1,934
Net Change in Fund Balances	<u>\$ (37,720)</u>	<u>\$ (8,766)</u>	<u>\$ (1,804)</u>	<u>\$ 83,724</u>	<u>\$ 61,465</u>	<u>\$ (104,705)</u>	<u>\$ (2,405)</u>
Debt Service as a Percentage of							
Non-Capital Expenditure:	2.2%	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									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Beer Tax.....	\$ 12,720	\$ 12,728	\$ 12,805	\$ 12,413	\$ 12,445	\$ 12,281	\$ 12,157	\$ 11,656	\$ 12,090	\$ 11,783
Board and Care Revenue.....	19,937	18,354	13,261	15,583	12,384	11,197	10,692	13,333	11,953	11,196
Business Profits Tax.....	317,439	287,423	264,027	196,647	131,585	137,757	128,574	179,615	146,443	164,833
Business Enterprise Tax.....	77,710	79,291	75,190	114,110	118,538	96,574	121,016	122,165	94,354	93,021
Estate and Legacy Tax.....	214	617	3,224	11,659	26,971	59,074	56,958	59,348	56,368	54,744
Insurance Tax.....	95,876	97,909	90,462	88,706	86,246	82,161	76,094	66,441	59,336	62,914
Securities Revenue.....	34,700	32,964	30,064	27,904	26,344	25,778	26,060	28,023	25,513	22,465
Interest and Dividends Tax.....	118,693	108,086	80,543	67,896	55,630	55,129	70,334	76,651	65,522	63,134
Liquor.....	133,052	124,742	120,644	112,555	106,676	98,996	96,237	89,344	86,015	77,444
Meals and Rooms Tax.....	206,726	202,595	193,788	186,486	178,480	168,722	164,045	157,202	149,777	137,258
Dog Racing.....	525	703	559	1,112	1,515	1,572	1,487	1,262	1,058	1,026
Horse Racing.....	2,440	2,398	2,313	2,401	2,474	2,459	2,701	2,592	2,429	2,427
Real Estate Transfer Tax.....	77,690	91,704	106,161	107,821	95,162	78,859	66,393	59,488	56,779	52,925
Telephone/Communications Tax.....	80,932	72,986	70,496	70,039	65,781	62,522	64,663	49,045	47,794	46,219
Tobacco Tax.....	57,060	65,337	69,892	73,159	71,471	67,066	60,294	61,007	68,381	73,784
Tobacco Settlement.....	8,404			2,441	1,816	5,862	5,725		442	
Utilities Tax.....	6,285	5,757	6,385	6,265	5,121	7,078	5,565	9,656	9,974	10,402
Courts Fines and Fees.....	31,300	30,452	29,500	25,517	24,673	22,114	23,234	23,218	22,845	21,917
Flexible Grant.....					25,000	25,000				
Other:										
Corporate Returns.....	682	678	744	733	748	750	711	681	676	659
Interstate Vehicle Registrations.....	1,362	167	2,411	2,334	2,253	2,310	2,377	2,602	2,860	2,858
Motor Boat Registrations.....	-									1,779
Corporate Filing Fees.....	3,346	3,414	3,716	3,231	2,947	3,346	3,341	3,427	3,436	3,229
Interest on Surplus Funds.....	5,352	7,776	4,868	1,712	174	75	1,250	3,754	3,201	5,978
Reimbursement of Indirect Costs.....	6,858	6,822	6,265	6,724	6,671	5,675	5,511	4,255	4,094	4,903
Miscellaneous.....	71,412	69,612	44,092	44,878	44,258	40,409	32,403	32,917	27,877	26,192
Subtotal.....	1,370,715	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
Net Medicaid Enhancement										
Revenues (MER).....	93,111	83,257	73,617	147,209	149,831	116,979	98,208	85,217	74,230	70,411
Recoveries.....	20,108	15,875	24,462	22,989	20,374					
Subtotal.....	1,483,934	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
Other MER Transferred to/(from)										
Uncompensated Care Pool.....				39,062	35,143	16,594	16,263	12,966	12,915	15,839
Total Unrestricted Revenue.....	\$ 1,483,934	\$ 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

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									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Balance, July 1 (Budgetary Method).....	\$ 92,966	\$ 80,329	\$ 123,174	\$ 73,757	\$ 20,047	\$ 23,309	\$ 136,349	\$ 62,450	\$ 119,484	\$ 131,367
Additions:										
Unrestricted Revenue.....	1,483,934	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
(1) Unrestricted Revenue - UCP.....				39,062	35,143	16,594	16,263	12,966	12,915	15,839
Total Unrestricted Revenue.....	1,483,934	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
Transfer from Other Funds.....	47,409	1,938	27,013	8,709	9,161	517	3,358	1,787	778	2,334
Bonds Authorized and Unissued.....				42,800			5,130			(7,337)
Additional Lottery Transfer.....										8,579
Other Credits.....	437	116	137	1,126	821	35	247	48	214	7,541
Total Additions.....	1,531,780	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
Deductions:										
Appropriations Net of Estimated Revenues:										
General Government.....	338,358	297,294	281,005	303,522	248,390	233,118	228,190	227,278	226,440	203,368
Administration of Justice and Public Protection.....	222,982	200,236	195,145	172,289	168,515	163,516	161,406	154,450	149,503	136,298
Resource Protection and Development.....	45,674	43,078	42,056	41,454	41,673	41,161	41,511	38,764	37,753	38,483
Transportation.....	1,173	2,704	6,021	2,885	2,759	3,286	3,399	2,920	3,034	2,882
Health and Social Services.....	695,610	633,792	614,948	608,735	589,392	516,550	498,534	242,393	242,442	218,549
Education.....	236,560	223,498	210,520	256,466	247,543	265,552	242,657	175,520	166,644	156,335
Liquor Commission.....	35,465	31,949	30,585	27,562	28,879	24,943	25,035	22,860	23,417	22,550
(2) Special Fund.....								238,823	231,867	205,086
Subtotal.....	1,575,822	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
Uncompensated Care Pool.....				39,062	35,143	16,594	16,263	12,966	12,915	15,839
Health Care Transition Fund (HCTF).....										
Total Appropriations Net of Estimated Revenues.....	1,575,822	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
Less: Lapses.....	(61,628)	(41,582)	(34,045)	(57,969)	(57,491)	(20,650)	(26,179)	(33,010)	(22,913)	(42,794)
Lapses - HCTF.....								(95)	(342)	(485)
Total Lapses.....	(61,628)	(41,582)	(34,045)	(57,969)	(57,491)	(20,650)	(26,179)	(33,105)	(23,255)	(43,279)
Net Appropriations.....	1,514,194	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
Transfers to Other Funds.....	6,887			757					65	872
Other Debits.....	171	95	1,547	41	37			105	1,037	2,704
Transfer to (from) Fund Equity										
Designation or Reserve Accounts.....		20,000	51,702	-	(37,857)	(33,917)	83,252	827	32,526	102,653
Total Deductions.....	152,125	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
Balance, June 30 (Budgetary Method).....	103,494	92,966	80,329	123,174	73,757	20,047	23,309	136,349	62,450	119,484
GAAP Adjustments:										
Receivables.....	41,090	33,647	39,098	34,313	32,722	29,676	26,254	4,121	2,845	4,827
Accounts Payable and Accrued Liabilities.....	(106,756)	(100,451)	(88,809)	(93,773)	(94,872)	(88,271)	(67,704)	(44,552)	(48,721)	(62,191)
Transfer from General to Liquor Fund.....	(5,322)	(5,030)	(4,562)	(4,012)	(4,191)	(4,324)	(3,148)	(2,738)	(2,686)	(3,628)
Transfer from General to Special Fund.....								(9,833)	(9,889)	(27,488)
Additional Transfers (to) from Reserve Accounts.....						37,857		(83,347)		(31,004)
Total GAAP Adjustments.....	(70,988)	(71,834)	(54,273)	(63,472)	(66,341)	(25,062)	(44,598)	(136,349)	(58,451)	(119,484)
Year-End Transfer to/from the.....										
Education Trust Fund.....	(15,322)	40,581		22,500	7,871	5,015	(16,580)			
Balance (Deficit), June 30 (GAAP).....	\$ 17,184	\$ 61,713	\$ 26,056	\$ 82,202	\$ 5,287	\$	\$ (37,869)	\$	\$ 3,999	\$

(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 2008
(Expressed in Thousands)

	Fiscal Year Ended June 30									Description
	2008	2007	2006	2005	2004	2003	2002	2001	2000	
Balance July 1.....	\$	\$ 8,357	\$	\$	\$	\$	\$	\$66,348	\$124,783	
Additions										
Unrestricted Revenue										
Statewide Property Tax.....	363,066	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.....	58	-	-	20,934	29,844	32,666	28,987	24,194	24,150	\$2.515/1,000, not retained locally
Utility Property Tax.....	24,196	21,847	20,881	20,102	20,160	18,834	18,170	15,621	31,167	\$6.60/1,000
BPT Increase.....	67,961	57,755	56,578	50,748	41,000	37,100	32,645	15,800	22,400	15% increase from 7% to 8.5%
BET Increase.....	154,990	174,208	150,380	130,600	116,900	121,400	101,215	36,700	54,100	.50% increase from .25% to .75%
Meals & Rooms.....	7,632	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.....	38,616	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.....	109,260	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.....	40,000	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.....	77,010	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.....	882,789	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.....	882,789	869,638	852,764	831,720	910,561	926,090	870,612	711,056	768,797	
Deductions										
Appropriations										
Adequate Education Grant..	529,075	472,783	473,534	441,610	451,640	443,873	426,523	406,817	406,817	State Education Grant Disbursed by State
Adequate Education Grant..	363,066	363,335	363,392	350,368	443,350	452,997	454,135	417,964	417,975	State Education Grant Retained Locally
Total Grants.....	892,141	836,118	836,926	791,978	894,990	896,870	880,658	824,781	824,792	
DOE-Hardship Grants.....	5,000	5,000	5,000	1,000		5,000	5,000	769	1,162	
DRA-Property Tax Relief.....	700	(1,200)	(2,100)	(2,800)	7,700					GAAP Adj. for Low & Moderate Income Relief
DRA-Tax Relief Admin.....									200	
DOE-Kindergarten Aid.....		2,004				2,625	1,972		950	
DOE-Admin. & Computers...									169	
Total Appropriations.....	897,841	841,922	839,826	790,178	902,690	904,495	887,630	825,550	827,273	
Less Lapses.....	270	(4,508)	4,581	19,042			(438)	(25)	(41)	
Net Appropriations.....	898,111	837,414	844,407	809,220	902,690	904,495	887,192	825,525	827,232	
Current Year Balance.....	(15,322)	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)								Eliminate Current Year Surplus
FY 2008.....	15,322									Eliminate Current Year Deficit
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

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Balance (Deficit) July 1 (Budgetary Method).....	\$ (3,940)	\$ 17,738	\$ 18,792	\$ 3,063	\$ (4,271)	\$ 6,227	\$ (18,274)	\$ (7,346)	\$ 1,454	\$ 7,439
Additions:										
Unrestricted Revenue:										
Gasoline Tax.....	137,036	129,514	127,924	131,975	129,863	124,221	121,665	119,507	116,050	119,863
Motor Vehicle Fees.....	100,908	93,327	85,747	93,190	89,934	87,725	83,715	72,066	69,882	66,320
Other.....	11,035	15,817	14,183	7,418	6,270	4,737	6,343	8,872	8,344	10,544
Total Unrestricted Revenue.....	248,979	238,658	227,854	232,583	226,067	216,683	211,723	200,445	194,276	196,727
Bonds Authorized and Unissued.....							19,436		1,202	
Other Credits *.....										
Total Additions.....	248,979	238,658	227,854	232,583	226,067	216,683	231,159	200,445	195,478	196,727
Deductions:										
Appropriations Net of Estimated Revenues.....	283,195	281,647	275,775	253,894	235,021	238,453	229,962	222,593	214,021	211,816
Less: Appropriation Adjustment ***.....		(8,000)	(33,100)	(26,600)						
Less: Lapses **.....	(20,902)	(14,957)	(14,233)	(12,307)	(16,677)	(13,133)	(23,149)	(14,064)	(24,607)	(16,656)
Net Appropriations.....	262,293	258,690	228,442	214,987	218,344	225,320	206,813	208,529	189,414	195,160
Bonds Authorized and Unissued.....									13,309	5,736
Other Debits.....	(3,563)	1,646	466	1,867	389	1,861	(155)	2,844	1,555	1,816
Total Deductions.....	258,730	260,336	228,908	216,854	218,733	227,181	206,658	211,373	204,278	202,712
Balance, June 30 (Budgetary Method).....	(13,691)	(3,940)	17,738	18,792	3,063	(4,271)	6,227	(18,274)	(7,346)	1,454
GAAP Adjustment:										
Receivables.....	1,270	1,948	4,006	1,413	119	1,511	360	271	1,596	269
Accounts Payable and Accrued Liabilities.....	(15,087)	(15,889)	(20,493)	(13,231)	(12,644)	(9,851)	(10,696)	(8,414)	(9,956)	(9,131)
Bonds Authorized and Unissued.....										(13,309)
Total GAAP Adjustments.....	(13,817)	(13,941)	(16,487)	(11,818)	(12,525)	(8,340)	(10,336)	(8,143)	(8,360)	(22,171)
Reclassification of Designated Balance.....										
Balance (Deficit), June 30 (GAAP).....	\$ (27,508)	\$ (17,881)	\$ 1,251	\$ 6,974	\$ (9,462)	\$ (12,611)	\$ (4,109)	\$ (26,417)	\$ (15,706)	\$ (20,717)

* 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									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Balance, July 1 (Budgetary Method).....	\$ 3,533	\$ 3,639	\$ 4,336	\$ 3,763	\$ 3,616	\$ 3,324	\$ 3,599	\$ 4,277	\$ 5,464	\$ 5,006
Additions:										
Unrestricted Revenue.....	10,741	10,248	9,558	9,530	9,164	8,924	8,374	8,230	7,928	8,158
Other Credits.....	1,828	854	850	1,153	507	939	806	811	878	742
Total Additions.....	12,569	11,102	10,408	10,683	9,671	9,863	9,180	9,041	8,806	8,900
Deductions:										
Appropriations Net of Estimated Revenues.....	12,604	12,869	12,281	11,236	10,651	10,593	10,545	10,238	10,419	8,809
Less: Lapses.....	(1,908)	(1,743)	(1,359)	(1,126)	(1,127)	(1,024)	(1,131)	(667)	(426)	(479)
Net Appropriations.....	10,696	11,126	10,922	10,110	9,524	9,569	9,414	9,571	9,993	8,330
Other Debits.....		82	183			2	41	148		112
Total Deductions.....	10,696	11,208	11,105	10,110	9,524	9,571	9,455	9,719	9,993	8,442
Current Year Balance.....	1,873	(106)	(697)	573	147	292	(275)	(678)	(1,187)	458
Balance, June 30 (Budgetary Method).	5,406	3,533	3,639	4,336	3,763	3,616	3,324	3,599	4,277	5,464
GAAP Adjustment:										
Receivables.....	394	354	343	421	289	229	299	152	160	438
Accounts Payable and Accrued Liabilities.....	(1,803)	(1,391)	(1,429)	(1,701)	(1,279)	(1,216)	(1,027)	(1,036)	(1,178)	(1,238)
Total GAAP Adjustments.....	(1,409)	(1,037)	(1,086)	(1,280)	(990)	(987)	(728)	(884)	(1,018)	(800)
Balance, June 30 (GAAP).....	\$ 3,997	\$ 2,496	\$ 2,553	\$ 3,056	\$ 2,773	\$ 2,629	\$ 2,596	\$ 2,715	\$ 3,259	\$ 4,664

STATE OF NEW HAMPSHIRE
SCHEDULE OF BUSINESS TAX FILERS AND LIABILITY BY TAX PAID LEVEL
BUSINESS PROFITS TAX - BPT (1)**BUSINESS ENTERPRISE TAX - BET (2)**

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

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

Taxes Paid Level	FISCAL YEAR 2006				FISCAL YEAR 2006			
	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
\$5,000 and higher	4,176	30%	\$227,772,952	95%	4,739	12%	\$132,537,782	77%
\$1,000 - \$4,999	4,418	32%	11,273,616	5%	13,419	34%	28,879,717	17%
Under \$1,000	5,450	39%	1,721,564	1%	22,234	57%	9,708,523	6%
	<u>14,044</u>	<u>101%</u>	<u>\$240,768,132</u>	<u>100%</u>	<u>40,392</u>	<u>103%</u>	<u>\$171,126,022</u>	<u>100%</u>

Source: New Hampshire Department of Revenue for returns filed in fiscal year 2008.

Notes:

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

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

<u>FISCAL YEAR 2008</u>				<u>FISCAL YEAR 2007</u>			
<u>City/Town</u>	<u>Rank</u>	<u>Equalized Value</u>	<u>Warrant Amount</u>	<u>City/Town</u>	<u>Rank</u>	<u>Equalized Value</u>	<u>Warrant Amount</u>
Manchester	1	\$10,269,201	\$23,003	Manchester	1	\$9,316,890	\$23,432
Nashua	2	9,221,057	20,655	Nashua	2	8,362,475	21,032
Salem	3	4,665,501	10,451	Salem	3	4,145,370	10,426
Portsmouth	4	3,721,855	8,337	Portsmouth	4	3,403,768	8,560
Concord	5	3,548,823	7,949	Concord	5	3,278,261	8,245
Bedford	6	3,339,184	7,480	Bedford	6	3,019,624	7,594
Derry	7	3,230,275	7,236	Merrimack	7	2,918,653	7,340
Merrimack	8	3,205,670	7,181	Londonderry	8	2,813,405	7,076
Hampton	9	3,064,552	6,865	Derry	9	2,813,359	7,076
Londonderry	10	3,055,707	6,845	Hampton	10	2,749,152	6,914

<u>FISCAL YEAR 2006</u>			
<u>City/Town</u>	<u>Rank</u>	<u>Equalized Value</u>	<u>Warrant Amount</u>
Manchester	1	\$ 8,023,599	\$22,787
Nashua	2	7,915,678	22,481
Salem	3	3,740,564	10,623
Portsmouth	4	3,124,993	8,875
Concord	5	2,886,158	8,197
Bedford	6	2,823,518	8,019
Merrimack	7	2,693,810	7,650
Londonderry	8	2,651,045	7,529
Derry	9	2,466,833	7,006
Hampton	10	2,422,951	6,881

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

Notes: The rate per \$1,000 of equalized value for fiscal years 2008, 2007 and 2006 were \$2.24, \$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>FISCAL YEAR</u>									
	<u>2008</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>
Hampton - North	26.6	25.3	23.9	23.1	22.7	21.6	20.0	18.4	17.6	15.7
Hampton - South	23.4	22.8	21.2	20.6	20.1	18.7	17.6	14.8	14.4	13.3
Portsmouth Traffic Circle	21.2	20.3	19.3	18.2	17.3	16.8	16.3	14.9	14.1	13.0
Salem	18.6	17.4	16.4	15.9	15.1	14.0	13.5	12.3	12.0	11.3
Hooksett - North	15.5	14.7	13.9	13.8	13.0	12.3	11.5	10.8	10.3	9.3
Nashua	13.1	12.7	12.9	12.4	12.9	12.8	12.8	12.6	11.5	10.8
Nashua	13.0	11.9	11.0	11.2	10.3	9.8	11.4	11.7	9.6	9.2
Hooksett - South	12.2	11.6	11.1	10.9	10.4	9.7	8.9	8.3	7.9	7.3
West Lebanon	10.0	9.7	9.5	9.2	8.8	8.6	8.9	8.8	8.8	8.3
Keene	9.6	8.6	7.3	4.6	4.3	4.9	4.6	4.0	3.9	3.8
Total	<u>163.2</u>	<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>

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			
2008	\$ 735,176		\$ 5,146	\$ 2,821	\$ 256,965	\$ 487	1,000,595	1.7%	753
2007	710,875		5,825	4,377	269,084	618	990,779	1.8%	753
2006	701,730		6,085	7,067	284,175	852	999,909	1.9%	762
2005	690,191		6,438	10,795	294,774	1,072	1,003,270	2.0%	770
2004	634,130	50,000	7,462	14,362	305,857	1,120	1,012,931	2.1%	783
2003	611,078	50,000	8,162	18,383	313,644	1,327	1,002,594	2.3%	781
2002	660,204		7,981	22,185	321,161	1,583	1,013,114	2.3%	796
2001	602,185	50,000	7,286	26,221	331,480		1,017,172	2.4%	809
2000	561,696		11,669	30,414	338,092		941,871	2.3%	760
1999	611,321			34,586	344,576		990,483	2.7%	811

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

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

Fiscal Year	(Expressed in Thousands)				
	(1) Population	(2) Assessed Value	(3) General Long-Term Debt	Ratio Of General Long-Term Debt To Assessed Value	General Long-Term Debt Per Capita
2008	1,328	\$ 182,305,216	\$ 737,997	0.40	\$ 556
2007	1,316	173,624,015	715,251	0.41	544
2006	1,312	173,176,615	708,797	0.41	540
2005	1,303	165,222,644	700,986	0.42	538
2004	1,294	147,483,615	648,492	0.44	501
2003	1,283	131,148,359	629,461	0.48	491
2002	1,272	114,813,249	682,389	0.59	536
2001	1,257	99,073,654	628,406	0.63	500
2000	1,240	86,703,541	592,110	0.68	478
1999	1,222	76,154,469	645,907	0.85	529

Source: (1) U.S. Dept. of Commerce, Bureau of Census, reflects the most current available data for all years represented (2008 estimated).
(2) New Hampshire Department of Revenue Administration (2008 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
2008 (1)	106,814	37,122	69,692	25,710	2.71	1,713	8,300	35,723	1.95
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

* Amounts as defined in Turnpike System Revenue Bond Resolutions.

(1) 2006, 2007 and 2008 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

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Population (in thousands)	1,328	1,316	1,312	1,303	1,294	1,283	1,272	1,257	1,240	1,222
% Change	0.9%	0.3%	0.7%	0.7%	0.9%	0.9%	1.2%	1.4%	1.5%	1.3%
Total Personal Income (in millions)	57,693	54,622	52,149	48,941	47,190	44,327	43,393	42,624	41,429	37,125
% Change	5.6%	4.7%	6.6%	3.7%	6.5%	2.2%	1.8%	2.9%	11.6%	5.6%
Per Capita Personal Income	43,268	41,512	39,753	37,557	36,460	34,554	34,109	33,900	33,399	30,380
% Change	4.2%	4.4%	5.8%	3.0%	5.5%	1.3%	0.6%	1.5%	9.9%	4.2%
Unemployment Rate	4.0%	4.0%	3.3%	3.5%	3.9%	4.1%	4.5%	2.9%	2.8%	2.6%

Source: U.S. Department of Commerce, Bureau of the Census.
Data is annualized based on activity through July 2008

**STATE OF NEW HAMPSHIRE
SCHEDULE OF BUILDING PERMITS FOR HOUSING UNITS
FOR CALENDAR YEAR 2008****Building Permits Issued
By Number of Units**

<u>Fiscal Year</u>	<u>Single Family</u>	<u>Multi- Family</u>	<u>Total</u>
2008	2,612	913	3,525
2007	3,772	789	4,561
2006	4,826	851	5,677
2005	6,432	1,154	7,586
2004	7,002	1,651	8,653
2003	6,583	2,058	8,641
2002	6,754	1,954	8,708
2001	5,910	714	6,624
2000	6,097	583	6,680
1999	5,696	630	6,326

Source: U.S. Department of Commerce, Bureau of the Census.
Data is annualized based on activity through September 2008

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

2008						
Employer	Employees	Rank	Percentage of			
			Total State Employment			
1. State of New Hampshire.....	21,983	1	3.04%			
2. Wal-Mart Stores Inc.....	8,631	2	1.19%			
3. Dartmouth-Hitchcock Medical Center.....	7,804	3	1.08%			
4. University System of New Hampshire.....	6,784	4	0.94%			
5. Demoulas & Market Basket.....	6,000	5	0.83%			
6. Fidelity Investments.....	5,700	6	0.79%			
7. Liberty Mutual-Northern N.E. Division.....	5,133	7	0.71%			
8. Hannaford Brothers.....	4,629	8	0.64%			
8. Shaw's Supermarkets Inc.....	4,500	9	0.62%			
10. Dartmouth College.....	4,246	10	0.59%			
Total.....	75,410		10.42%			

2007						
Employer	Employees	Rank	Percentage of			
			Total State Employment			
1. State of New Hampshire.....	21,655	1	2.99%			
2. Wal-Mart Stores Inc.....	8,012	2	1.11%			
3. University System of New Hampshire.....	6,668	3	0.92%			
4. Demoulas & Market Basket.....	6,600	4	0.91%			
5. Dartmouth-Hitchcock Medical Center.....	6,211	5	0.86%			
6. Fidelity Investments.....	5,430	6	0.75%			
7. Shaw's Supermarkets Inc.....	4,700	7	0.65%			
8. Hannaford Brothers.....	4,663	8	0.64%			
9. Dartmouth College.....	4,246	9	0.59%			
10. BAE Systems.....	4,100	10	0.57%			
Total.....	72,285		9.98%			

2006						
Employer	Employees	Rank	Percentage of			
			Total State Employment			
1. State of New Hampshire.....	21,121	1	2.93%			
2. Wal-Mart Stores Inc.....	8,659	2	1.20%			
3. University System of New Hampshire.....	6,901	4	0.96%			
4. Demoulas & Market Basket.....	6,600	5	0.92%			
5. Dartmouth-Hitchcock Medical Center.....	7,100	3	0.98%			
6. Fidelity Investments.....	4,859	7	0.67%			
7. Shaw's Supermarkets Inc.....	4,600	8	0.64%			
8. Hannaford Brothers.....	5,374	6	0.75%			
9. Dartmouth College.....	4,246	9	0.59%			
10. BAE Systems.....	4,100	10	0.57%			
Total.....	73,560		10.20%			

Source: New Hampshire Business Review/ Book of Lists 2008

USNH Fact Book 2008

State of NH Payroll Department

STATE OF NEW HAMPSHIRE
SCHEDULE OF OPERATING INDICATORS BY FUNCTION

	2008	2007	2006
General Government			
Secretary of State			
Corporate Division Filings:			
LLC Certificate of Formation.....	17,323	17,461	21,048
Trade Name Registrations.....	17,530	17,307	22,231
Corp. - Certificate of Authority.....	4,614	4,721	6,157
Other Corporate Filings.....	6,295	7,491	9,445
Administration of Justice & Public Protection			
Department of Safety			
Troop Station Personnel:			
Headquarters - Merrimack.....	199	196	190
Troop A - Rockingham/Strafford.....	49	56	56
Troop B - Hillsborough.....	54	51	55
Troop C - Cheshire/Sullivan.....	38	39	38
Troop D - Merrimack.....	41	43	44
Troop E - Belknap/Carroll.....	33	35	33
Troop F - Coos/Grafton.....	42	48	47
Troop G - Merrimack.....	79	-	-
Department of Corrections			
Number of Prison Inmates:			
NHSP/Men - Concord.....	1,550	1,495	1,339
NHSP/Women - Goffstown.....	177	171	102
Lakes Region Facility - Laconia.....	343	303	283
Northern Correctional Facility - Berlin.....	550	580	557
SPU/RTU & Transitional Housing.....	156	159	-
Resource Protection & Development			
Department of Resources and Economic Development			
Number of visitors at top 10 state parks:			
Cannon Mountain ¹	130,000	169,924	81,533
Flume.....	139,146	133,161	132,947
Hampton Beach ¹	57,992	46,756	88,283
Wallis Sands Beach.....	92,182	66,212	46,528
Pawtuckaway.....	84,907	92,019	44,673
Wellington.....	54,744	49,218	34,417
Mt. Sunapee Beach.....	21,952	33,249	32,150
Silver Lake.....	28,780	36,076	28,475
Odiome Point.....	21,566	24,372	23,299
Ellacoya.....	39,308	46,074	21,972

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

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

	2008	2007	2006
Department of Environmental Services			
Dollars disbursed by program:			
SRF - Clean water.....	\$23,238,600	\$25,231,659	\$10,597,219
SRF - Drinking water.....	13,339,877	16,094,390	11,268,138
SRF - Brownsfield.....	1,062,586	-	56,352
Landfills.....	1,944,036	2,030,802	2,067,751
Water filtration.....	1,387,255	1,632,596	1,484,583
Interconnection Grants.....	107,409	109,386	-
Water supply land.....	772,093	373,750	577,301
Waste water.....	10,820,000	12,195,029	11,826,356
Aquatic weed.....	330,798	268,781	258,191
Household hazardous waste.....	95,971	149,744	140,974
Used oil.....	30,506	33,611	18,975
Transportation			
Department of Safety			
Number of motor vehicle registrations by county:			
Belknap.....	75,395	76,315	74,947
Carroll.....	66,461	68,816	66,563
Cheshire.....	82,535	85,133	84,397
Coos.....	40,313	41,614	41,287
Grafton.....	95,726	98,002	95,424
Hillsborough.....	394,380	403,722	398,493
Merrimack.....	165,887	169,271	167,730
Rockingham.....	337,654	342,793	339,579
Strafford.....	115,783	120,495	116,865
Sullivan.....	51,100	52,157	50,526
Other (Indeterminable).....	466	989	-
Health & Social Services			
Department of Health & Human Services			
Number of caseloads by program:			
Medical assistance.....	67,966	66,505	65,279
TANF.....	4,586	5,472	6,031
Nursing services for elderly.....	4,498	4,544	4,781
Child & family services.....	19,831	18,945	18,594
Food stamps.....	31,830	29,203	27,665
Education			
Community College System of New Hampshire			
Enrollment	9,528	9,011	8,577
University System of New Hampshire			
Enrollment	26,117	25,499	24,932

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

STATE OF NEW HAMPSHIRE
SCHEDULE OF STATE EMPLOYEES BY FUNCTION

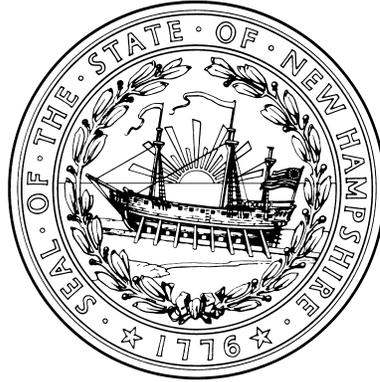
Full-Time Employees	FISCAL YEAR		
	2008	2007	2006
General Government			
Office of Information Technology.....	391	391	390
Department of Administrative Services.....	303	294	252
Department of Revenue Administration.....	186	190	183
All other.....	456	453	450
Administration of Justice and Public Protection			
Department of Safety.....	1,096	1,092	1,057
Department of Corrections.....	975	967	973
Judicial Branch.....	915	673	682
Department of Employment Security.....	314	319	327
All other.....	917	881	879
Resource Protection and Development			
Department of Environmental Services.....	474	469	475
Department of Resource and Economic Development.....	206	205	212
All other.....	195	186	189
Transportation			
Department of Transportation.....	1,643	1,658	1,683
Health and Social Services			
Department of Health and Human Services:			
New Hampshire Hospital.....	756	749	772
Office of Commissioner.....	635	625	585
Division of Children and Youth.....	371	350	358
Division of Transitional Assistance.....	335	318	317
New Hampshire Veteran's Home.....	328	316	279
Division of Juvenile Justice Services.....	315	321	348
Office of Health Management.....	271	267	262
All other.....	433	438	435
Education			
New Hampshire Regional Community Technical College.....	748	719	709
Department of Education.....	269	277	274
All other.....	92	92	90
State Total	12,624	12,250	12,181
Part-Time and Temporary Employees			
General Government.....	729	730	725
Administration of Justice and Public Protection.....	3,506	3,617	3,374
Resource Protection and Development.....	1,369	1,237	1,301
Transportation.....	449	461	444
Health and Social Services.....	633	614	535
Education.....	2,673	2,746	2,561
State Total	9,359	9,405	8,940

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

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

Function	Fiscal Year						
	2008	2007	2006	2005	2004	2003	2002
Land & Land Improvements							
General Government.....	5,886	5,885	5,764	5,764	5,782	5,782	5,782
Administration of Justice &.....	28,772	28,771	28,672	28,672	28,306	28,030	27,930
Public Protection.....							
Resource Protection & Development...	228,569	223,510	219,679	204,882	197,542	172,995	164,410
Transportation.....	305,299	281,263	233,585	220,610	186,692	166,595	260,751
Health & Social Services.....	4,034	4,033	4,154	4,138	4,138	3,906	3,906
Education.....	3,883	2,949	2,924	2,642	2,640	2,640	2,640
Building & Building Improvements							
General Government.....	147,036	146,348	135,795	135,795	102,174	97,426	92,880
Administration of Justice &.....	216,691	215,140	204,555	202,720	171,573	170,208	162,127
Public Protection.....							
Resource Protection & Development...	69,479	63,286	62,389	62,389	61,206	60,563	58,662
Transportation.....	56,143	48,274	45,816	27,988	24,304	24,304	21,493
Health & Social Services.....	112,434	111,160	82,395	81,995	70,870	70,549	69,077
Education.....	83,641	77,624	76,016	66,235	62,933	61,190	60,719
Equipment and Computer Software							
General Government.....	19,149	12,994	9,003	8,672	2,923	2,905	3,164
Administration of Justice &.....	76,594	69,585	62,524	50,501	51,570	44,054	38,020
Public Protection.....							
Resource Protection & Development...	18,891	18,061	17,550	16,336	15,364	15,143	14,731
Transportation.....	67,209	56,587	46,539	44,955	43,622	33,031	33,086
Health & Social Services.....	58,636	53,466	43,238	42,900	42,233	33,949	25,293
Education.....	8,359	8,340	8,030	7,785	7,383	7,177	6,314
Infrastructure							
Transportation.....	2,865,262	2,744,520	2,652,916	2,532,386	2,531,841	2,503,567	2,464,137

STATE OF NEW HAMPSHIRE
ACKNOWLEDGEMENTS



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