

State of New Hampshire

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR
ENDED JUNE 30, 2011



PREPARED BY: DEPARTMENT OF ADMINISTRATIVE SERVICES

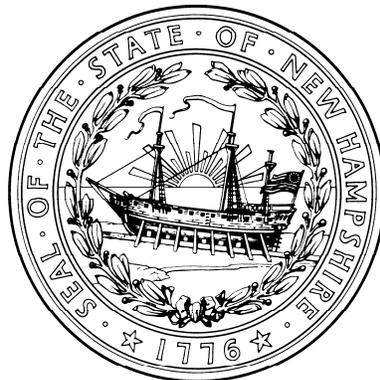
Front Cover Photos taken by Greg Keeler – Cannon Mountain.

- The Flume Gorge Covered Bridge is one of the most photographed in the state. The bridge was built in 1886 and is located near the beginning of the walking path that is traveled by approximately 150,000 visitors each year.
- Cannon Mountain was home to the first aerial tramway in North America originally installed in 1938. The original tramway was replaced in 1980 with a more modern version that carries 70 passengers and gear in winter and 80 passengers in summer.
- The Basin is one of the most popular walking paths and destinations in Franconia Notch State Park. The Basin itself is a spectacular glacial pothole along the Pemigewasset River. On the walking paths around the Basin there are many small waterfalls (pictured) and pools as the Pemi meanders through the 'Notch.
- Cannon Mountain is home to a very active population of black bear - over 20 bears have been counted during the summer seasons. They are often visible foraging on ski trails for grubs, berries and plants.

STATE OF NEW HAMPSHIRE

**COMPREHENSIVE
ANNUAL
FINANCIAL REPORT**

For the Fiscal Year Ended
June 30, 2011



Prepared by the Department of Administrative Services

Linda M. Hodgdon, Commissioner

Division of Accounting Services

Edgar R. Carter, Comptroller

and the Bureau of Financial Reporting

Stephen C. Smith, Administrator

Diana L. Smestad

Kelly J. Brown

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



TABLE OF CONTENTS

INTRODUCTORY SECTION

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

FINANCIAL SECTION

Independent Auditors' Report.....	14
Management's Discussion and Analysis (Unaudited).....	16

Basic Financial Statements

Government-wide Financial Statements	
Statement of Net Assets.....	24
Statement of Activities.....	26
Governmental Fund Financial Statements	
Balance Sheet.....	30
Reconciliation of the Balance Sheet-Governmental Funds to the Statement Of Net Assets.....	31
Statement of Revenues, Expenditures, and Changes in Fund Balances.....	32
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds to the Statement of Activities.....	33
Proprietary Fund Financial Statements	
Statement of Net Assets.....	36
Statement of Revenues, Expenses, and Changes in Net Assets.....	37
Statement of Cash Flows.....	38
Fiduciary Fund Financial Statements	
Statement of Fiduciary Net Assets.....	41
Statement of Changes in Fiduciary Net Assets.....	42
Component Units	
Combining Statements of Net Assets	44
Combining Statements of Activities	45
Index for Notes to the Basic Financial Statements.....	46
Notes to the Basic Financial Statements.....	47

Required Supplementary Information (Unaudited)

Budget to Actual Schedules	
Budget to Actual - General Fund.....	77
Budget to Actual - Highway Fund.....	80
Budget to Actual - Education Fund.....	81
Note to the Required Supplementary Information-Budgetary Reporting.....	82
Information about the State's Other Postemployment Benefits and Judicial Retirement Plan.....	83

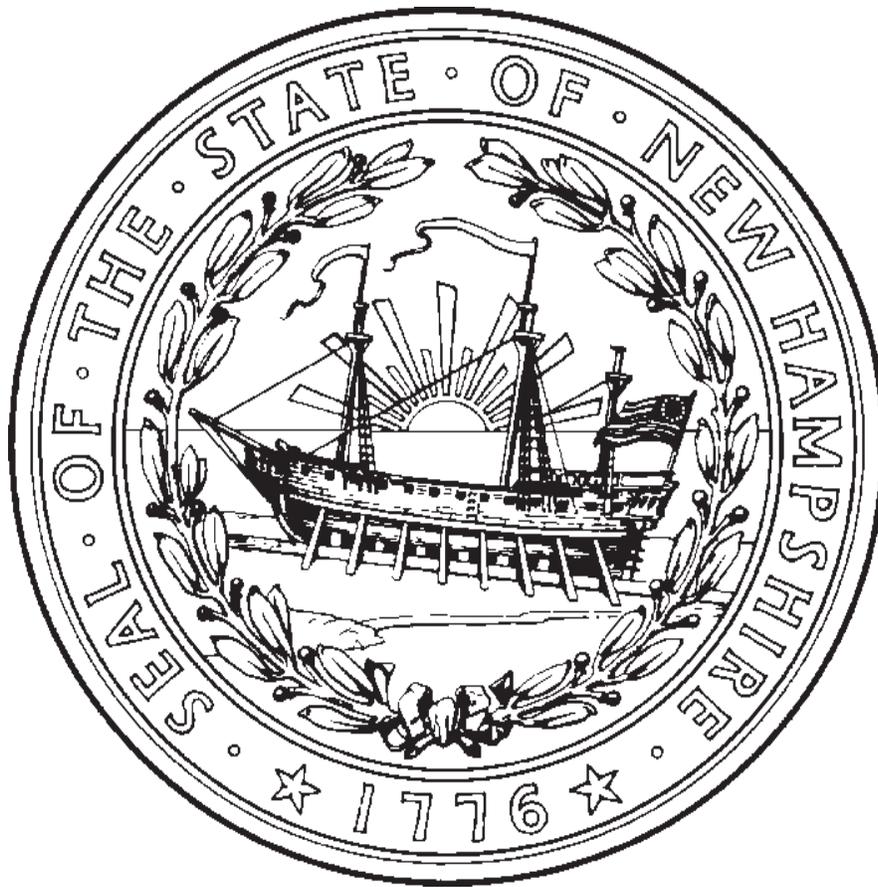
TABLE OF CONTENTS - (Continued)

Other Supplementary Information

Highway Fund	
Combining Schedule of Balance Sheet Accounts.....	86
Combining Schedule of Revenues, Expenditures and Changes In Fund Balance Accounts.....	87
Combining Non-Major Governmental Fund Financial Statements	
Combining Balance Sheet Non-Major Funds.....	89
Combining Statement of Revenues, Expenses and Changes In Fund Balances Non-Major Funds.....	90
Budget to Actual - Fish & Game Fund.....	91
Internal Service Fund	
Combining Schedule of Balance Sheet Accounts Employee Benefit Risk Management Fund.....	93
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance Accounts Employee Benefit Risk Management Fund.....	94
Component Units	
Combining Statement of Net Assets Non-Major Component Units.....	96
Combining Statement of Activities Non-Major Component Units.....	97
Fiduciary Funds	
Pension Trust Funds	
Combining Statement of Plan Net Assets	99
Combining Statement of Changes in Plan Net Assets.....	100
Private Purpose Trust Funds	
Combining Statement of Net Assets.....	102
Combining Statement of Changes in Net Assets.....	103
Agency Funds	
Combining Statement of Assets & Liabilities.....	105
Combining Statement of Changes in Assets & Liabilities.....	106

STATISTICAL SECTION (Unaudited)

Schedule of Net Assets by Component.....	109
Schedule of Changes in Net Assets.....	110
Schedule of Fund Balances, Governmental Funds.....	112
Schedule of Changes in Fund Balance, Governmental Funds.....	114
Schedule of Unrestricted Revenue- GAAP Basis- General Fund.....	116
Schedule of Undesignated/Assigned - Other Fund Balance- General Fund.....	117
Schedule of Undesignated/Assigned - Other Fund Balance- Education Fund.....	118
Schedule of Undesignated/Assigned - Other Fund Balance- Highway Fund.....	119
Schedule of Undesignated/Assigned - Other Fund Balance- Fish and Game Fund.....	120
Schedule of Business Tax Filers and Liability by Tax Paid Level.....	121
Schedule of Statewide Property Tax For Top Ten Cities/Towns.....	123
Schedule of Sales By Top Ten State Liquor Retail Locations.....	124
Schedule of Ratios of Outstanding Debt by Type.....	124
Schedule of Ratios of General Bonded Debt Outstanding.....	125
Schedule of Pledged Revenue Coverage.....	125
Schedule of Demographic and Economic Statistics.....	126
Schedule of Building Permits for Housing Units.....	126
Schedule of Principal Employers.....	127
Schedule of Operating Indicators by Function.....	128
Schedule of State Employees by Function.....	130
Schedule of Capital Asset Balances by Function.....	131



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 Comprehensive Annual Financial Report for the State of New Hampshire for the fiscal year ended June 30, 2011.

In fiscal year 2011, New Hampshire continued to emerge from the national recession as a national leader in economic recovery. However, despite the ongoing recovery and signs of an improving economy, New Hampshire faced a number of challenges.

To address these challenges, we took quick action to reduce spending and make adjustments in the budget. Through our aggressive management of spending, we were able to produce a surplus of \$17.7 million for the fiscal year ending June 30, 2011. This was a tremendous accomplishment that could only have been achieved through the cooperation and hard work of all of our state agency leaders and state employees.



New Hampshire is a leader in economic recovery because we have a strategy in place that is working. Over the years, we have made wise investments in our economy through increased job training and education. This has allowed us to develop and maintain an educated and skilled workforce, which businesses need to grow and thrive. We have worked to keep government spending and taxes low, and worked to make New Hampshire state government operations more efficient.

As a result, we have the fourth lowest unemployment rate in the country – a rate that is more than 40 percent below the national average – and an economy that is leading the region in recovery.

We must continue to work together to improve efficiency, accountability and accessibility in state government. By doing so, we will keep New Hampshire a national leader.

Sincerely,

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

John H. Lynch
Governor



State of New Hampshire
Selected State Officials
For the Fiscal Year Ended June 30, 2011

Executive Branch

Governor John H. Lynch

Executive Council

Raymond S. Burton, District 1

Daniel St. Hilaire, District 2

Christopher T. Sununu, District 3

Raymond J. Wieczorek, District 4

David K. Wheeler, District 5

Attorney General

Michael A. Delaney

Commissioner of Administrative Services

Linda M. Hodgdon

Treasurer

Catherine A. Provencher

Secretary of State

William M. Gardner

Comptroller

Edgar R. Carter

Judicial Branch

Chief Justice of the Supreme Court

Linda Stewart Dalianis

Legislative Branch

President of the Senate

Peter Bragdon

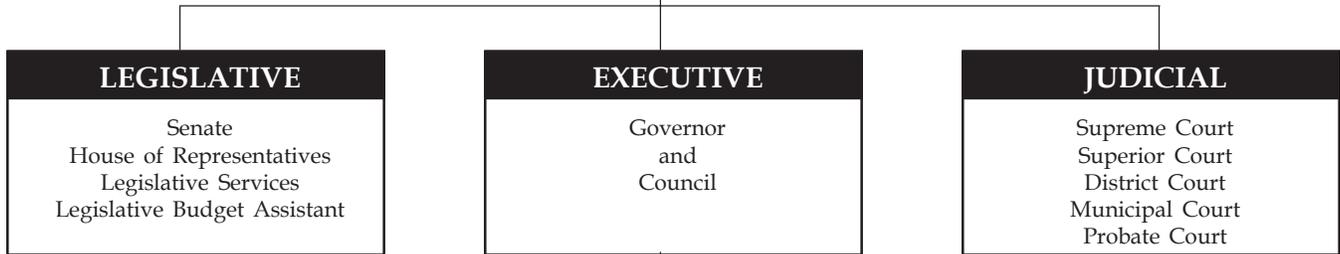
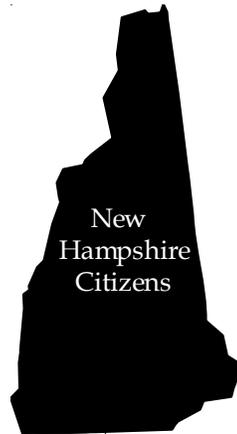
24 Senators

Speaker of the House of Representatives

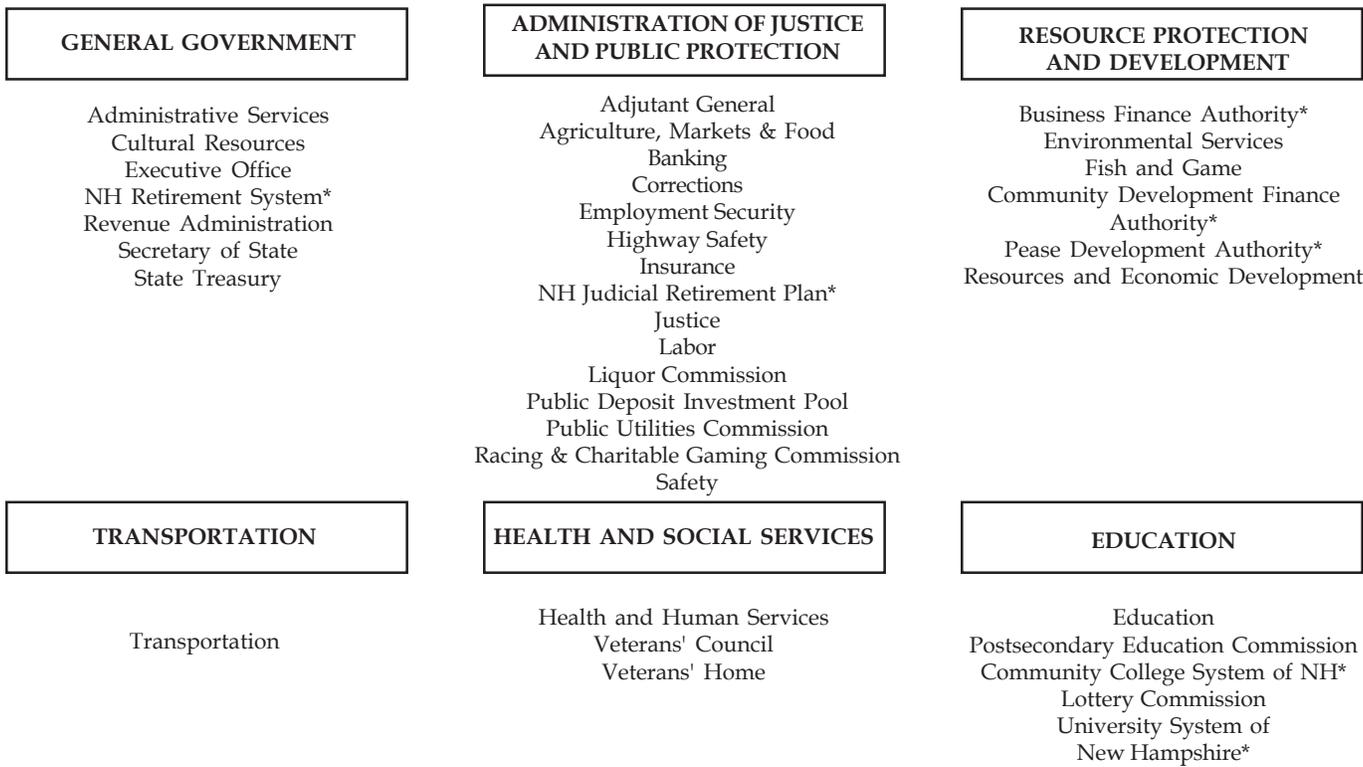
William O'Brien

400 Representatives

STATE OF NEW HAMPSHIRE ORGANIZATION CHART



STATE AGENCIES AND COMPONENT UNITS (*)





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

LINDA M. HODGDON
Commissioner
(603) 271-3201

February 29, 2012

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

In accordance with the Revised Statutes Annotated (RSA) 21-I:8,II (a), it is a pleasure to submit the Comprehensive Annual Financial Report (CAFR), covering the fiscal year ended June 30, 2011. This report has been prepared by the state Department of Administrative Services (DAS) and responsibility for both the accuracy of the data presented and completeness and fairness of the presentation, including all disclosures, rests with the State. The basic financial statements, considered by management to present fairly and consistently the state's financial position and results of operations, have been prepared in accordance with generally accepted accounting principles (GAAP) applicable to state and local governments, as promulgated by the Governmental Accounting Standards Board (GASB).

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

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

New Hampshire's Economic Outlook

The following discussion reflects statements and information from the New Hampshire Economic Outlook issued by the New England Economic Partnership (NEEP), November 18, 2011.

For the fifth year in a row New Hampshire was named the nation's "Most Livable State" by the editors of the publishing and research company CQ Press. The ranking was based on a number of important quality of life measures, including median household income, crime rate, state business tax climate, employment and several educational indicators.

New Hampshire again registered the lowest poverty rate in the country, according to Poverty estimates using income and household relationship data from the 1-year 2009 and 2010 American Community Surveys (ACS). Only New Hampshire had an estimated poverty rate significantly lower than 10 percent in 2010, while five states had single digit poverty rates in 2009 - Alaska, Connecticut, Maryland, New Hampshire, and New Jersey.

New Hampshire's Economic Scoreboard for 2011

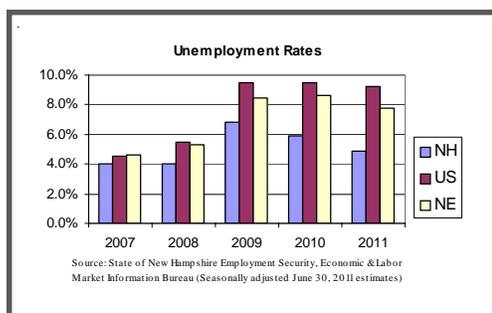
Categories	NH's National Rank	NH's Rank in New England
Favorable Tax Climate (state and local burden on income, 2009)	1st	1st
Standard of Living (by inverse of poverty rate 2010)	1st	1st
Child and Family Well-Being (Annie E. Casey Foundation, 2011)	1st	1st
Most Livable State (CQ Press, 2011)	1st	1st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

The National Bureau of Economic Research stated that the recession began in December 2007 and ended in June 2009. Estimates from the 2009 and 2010 ACS show the continuing effects of the recession, as no state showed an increase in household income while many showed declines. That report showed that New Hampshire not only had median household income above the national average but also that New Hampshire is one of the states with the least amount of income inequality, as measured by the Gini index. (The Gini index is a summary measure of income inequality.) This low level of wage and income inequality, coupled with New Hampshire lowest in the nation poverty rate, demonstrates that wealth is more evenly distributed across New Hampshire than it is in most states in the country. Not only does New Hampshire have higher than average household income, but that prosperity is more evenly distributed across income groups in the Granite State.

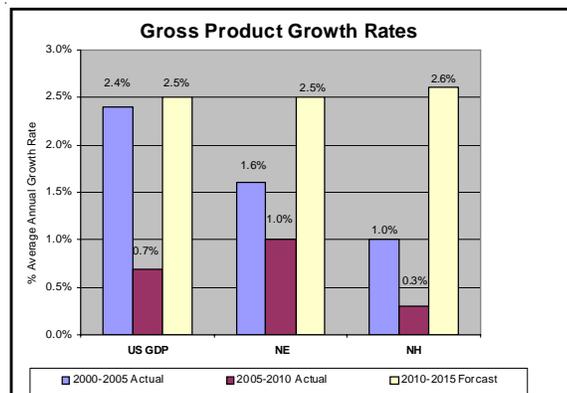
New Hampshire's Economic Scoreboard for 2011 looks at cost and quality of life factors, comparing New Hampshire to the other 50 states. New Hampshire has the lowest tax burden in the country, a high standard of living, a well-educated labor force, and a high quality of life. New Hampshire is also one of the safest states in the country, according to the most recent FBI statistics on state crime per capita. These New Hampshire advantages will benefit the state as it exits the recessionary period.

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

Just recently released by the New Hampshire Economic and Labor Market Information Bureau, New Hampshire's unemployment rate continues to decline and the preliminary seasonally adjusted unemployment rate for November 2011 was 5.2 percent.



The New Hampshire unemployment rate has continued to fall below the peak of 6.7 percent in late 2009/early 2010 (according to NEEP). New Hampshire's unemployment rate continues to remain below the national unemployment rate which was 8.6 percent (seasonally adjusted) in November 2011.



MAJOR INITIATIVES

NH First - The State's new Enterprise Resource Planning (ERP) System

The State of New Hampshire has conducted a project since 2005 to replace antiquated budgeting and financial systems that were not meeting our business needs. The first phase of this project was completed in July of 2008, replacing the budgeting system and implementing a new chart of accounts to improve clarity of expenditures. In July of 2009, an enterprise-wide financial system (ERP) was implemented to replace the twenty-five year old mainframe general ledger system. The second phase was a major undertaking to improve the sustainability, accountability, and efficiency of financial administration, processing controls, and management information. The final phase, undertaken in FY 2012, addresses human resources, asset management and strategic sourcing solutions.

This phase of ERP implementation is now underway and includes the adoption of the Human Resources/Payroll segments of the system. The plan is to begin implementation of certain modules in 2012 with full HR and payroll conversion scheduled for January 2013. The current HR/payroll system has been in service for over twenty years and will reach its end of serviceability in 2014. This aspect of the ERP development will add automated processes to the State's human resource management functions, such as on-line time reporting, eliminating out-dated paper processes, and introducing the opportunity for automated project labor cost allocations. The State has appropriated \$3.6 million for this phase during the current biennium.

The decision to invest in this ERP project was based on several criteria not the least of which were: (1) our need to take advantage of modern processing technology to reduce costs and delays in associated paperwork, cycle-time for state procurement, payment and revenue collection. (2) The State had for many years relied on a system that had been customized to the point it could no longer be serviced or maintained by the original vendor. The technology was limited, archaic, and presented sustainability risks we needed to eliminate.

The Department of Administrative Services is extremely grateful to all the employees state-wide who have embraced the significant technology improvement. We know that this hard work will reap substantial ongoing benefits to the operation of the State and to its citizens.

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 health benefit costs. As a result, a new fund, titled the Employee Benefit Risk Management Fund (EBRMF), was established in October 2003. The fund was created to manage the State's self-insurance program and to pool all resources to pay for the costs associated with providing employee benefits for state employees and retirees.

Agencies are charged an actuarially determined "benefit rate" for participating employees, which is paid into this fund under the control of the state's payroll system. This rate is intended to cover the costs of anticipated claims, administrative fees and reserve requirements. The benefit rate does not include either "insurance floats" or profit margins typically charged by commercial health insurance companies. Claims payments by the third party administrator to the healthcare providers are reimbursed by the state out of this fund as incurred.

Now in its seventh full year of self-funding, the state has consistently achieved considerable cost savings. The average annual percent change in health costs for fiscal 2004-2010 was 8%. The aggregate cost in fiscal 2011 increased 5% from prior fiscal year. The continued success of reducing cost trends has been achieved by reducing excessive utilization and managing service costs through:

- The aggressive procurement, contracting and management of benefit vendors.
- Plan design changes and premium contribution increases negotiated with labor unions with similar changes to the retiree plans, approved by the legislature.
- The promotion of employee wellness through vendor health promotion tools and on-site programs.
- Incentive programs that steer employees to cost effective facilities for medical tests and procedures.

For more information on the State's risk management program, readers are referred to the annual report located on its website at: <http://admin.state.nh.us/riskmanagement/Newsletters.asp>

MAJOR INITIATIVES - CONTINUED

American Recovery and Reinvestment Act of 2009

On January 27, 2009, the Governor issued Executive Order 2009-1 creating the Office of Economic Stimulus (“OES”). The OES was responsible for coordinating with State agencies to ensure all terms and conditions of the American Recovery and Reinvestment Act of 2009 (“ARRA”) were met, and for providing state wide aggregation of benefits realized. While some programs continue into the period to 2014, new awards cease for the majority of our programs by September 30, 2012.

The State has benefited considerably from programs under ARRA. Regular reports of funding and activities have been published quarterly and are available on OES and individual agency sites. From data reported in the most recent statewide report by OES prior to the office's closing on June 30, 2011, the following is a brief summary of some of the more significant Stimulus programs:

- Since inception of ARRA, the State received \$297 million in ARRA funding in FMAP-Medicaid claims paid (Enhanced Medicaid Program). The average Medicaid reimbursement rate through June 30, of federal fiscal year 2011 was 59.08% and since inception had reached an annual average high of 61.59% in federal fiscal year 2010.
- ARRA has provided significant State funding through a provision known as the State Fiscal Stabilization Fund. The State’s allocation totaled \$200.8 million. As required by federal law, the State budgeted 81.8 percent (\$164 million) of its allocation for education. With approval from the US Department of Education, the State of New Hampshire utilized \$160 million for primary and secondary education funding under this program.
- ARRA provides that a portion of the State Fiscal Stabilization Fund can be used by states for public safety and other government services. The State allocated this flexible portion of \$36.5 million to fund other State government services in fiscal years 2009 through 2011.
- Under the federal Education Jobs Fund Public Law 111-226, New Hampshire was awarded \$41 million, and distributed these funds to Local Education Agencies (LEA’s) through the state’s primary elementary and secondary education funding formula. To provide additional support for communities, fifty percent of these funds have or will be distributed to LEAs proportionally through the state’s primary elementary and secondary education funding formula as additional aid above the FY 2011 education funding distribution under state law. This additional federal aid will be available to LEAs during the current fiscal year. An LEA that has funds remaining after the 2010-2011 school year may obligate those remaining funds through September 30, 2012.
- In July 2010, Network New Hampshire Now (NNHN), a collaboration of public and private partners from across the State led by the University of New Hampshire, received \$44.5 million in economic stimulus funds, matched with \$22 million in private cash and in-kind funding, for critically needed broadband expansion across the state. NNHN expands broadband in all 10 counties in New Hampshire and also includes a wireless public safety network, connectivity for an intelligent transportation system, and last mile “fiber to the home” in two communities. The largest component is a middle mile fiber network that connects and supports the entire program, including connecting dozens of community anchor institutions, such as healthcare providers, community colleges, schools and libraries.
- The State has received additional direct program allocations through ARRA for specific program purposes that are being administered through various State agencies. These amounts cannot be used to offset amounts previously funded with State dollars. These amounts include:

Office of Economic Stimulus	\$200.8 million
Department of Transportation	\$139.6 million
Department of Education	\$135.5 million
Department of Environmental Services	\$ 64.5 million
Office of Energy and Planning	\$ 70.2 million
Department of Health and Human Services	\$ 25.9 million
Department of Justice	\$ 8.0 million
Department of Labor	\$ 8.0 million
Department of the Adjutant General	\$ 5.0 million
Community Development Finance Authority	\$ 2.4 million
Department of Employment Security	\$ 1.6 million
Public Utilities Commission	\$784 thousand
Department of Cultural Resources	\$293 thousand
Department of Administrative Services	\$218 thousand

From its inception, and as of the closing of the OES, approximately \$503 million has been expended by the State on non-FMAP programs, with 76% of the funds awarded for those programs.

Efficiency Initiatives

The State has taken on a number of initiatives in the area of efficiency. After having completed the financial phase of ERP implementation in 2009, the state began the next phase to address human resources. The majority of the work will be done in SFY 2012 and 13, with a go live date of January 2013. Another initiative was to move agencies to electronic processing of accounts payable transactions thereby eliminating hundreds of thousands of dollars in paper costs, saving staff time and fuel costs while improving throughput. By June of 2011, approximately 70% of the transactions were electronic. Today that number exceeds 90%. Also yielding efficiencies is the implementation of a redesigned process for disbursement transaction auditing, improving throughput and productivity by establishing threshold limits and incorporating random sampling.

Efforts to improve efficiency have included diligent study and proactive restructuring plans for many administrative processes of the State, some required under provisions enacted in the budget, with others were under the direction of the Governor. Some of these are more immediate and others require a great deal of planning. The identification of surplus state assets for sale such as the Lakes Region Property, reassignment of the State’s fleet to optimally assign vehicles thereby reducing personal car mileage, and consolidation of various boards and commissions are just some examples.

FINANCIAL INFORMATION

Surplus Statement General and Education Funds (In Millions)

	FY 2009	FY 2010			FY 2011		
	Total	General	Education	Total	General	Education	Total
Undesignated Fund Balance, July 1	\$ 17.2	\$ -	\$ -	\$ -	\$ 65.7	\$ -	\$ 65.7
Additions:							
Unrestricted Revenue	2,202.4	1,398.2	826.5	2,224.7	1,383.7	809.5	2,193.2
Executive Order & Special Session Revenue	15.1	28.1		28.1	1.5		1.5
Total Additions	2,217.5	1,426.3	826.5	2,252.8	1,385.2	809.5	2,194.7
Deductions:							
Appropriations Net of Estimated Revenues	(2,406.9)	(1,440.4)	(796.8)	(2,237.2)	(1,423.0)	(938.3)	(2,361.3)
Less Lapses	74.2	42.3	2.1	44.4	97.1	4.8	101.9
Total Net Appropriations	(2,332.7)	(1,398.1)	(794.7)	(2,192.8)	(1,325.9)	(933.5)	(2,259.4)
GAAP and Other Adjustments	1.7	(7.0)	(0.3)	(7.3)	14.6		14.6
ARRA Stabilization	18.4			-			-
Current Year Balance	(95.1)	21.2	31.5	52.7	73.9	(124.0)	(50.1)
Fund Balance Transfers (To)/From:							
Rainy Day Fund	79.7						
Liquor Commission		6.5		6.5	2.1		2.1
Highway Fund	(1.8)	6.5		6.5			
Education Trust Fund		31.5	(31.5)		(124.0)	124.0	
Undesignated Fund Balance, June 30,	\$ (0.0)	\$ 65.7	\$ -	\$ 65.7	\$ 17.7	\$ -	\$ 17.7
Reserved for Rainy Day Account	9.3	9.3		9.3	9.3		9.3
Total Equity	\$ 9.3	\$ 75.0	\$ -	\$ 75.0	\$ 27.0	\$ -	\$ 27.0

Fiscal Year 2011 began with an undesignated surplus of \$65.7 million and a Rainy Day Account balance of \$9.3 million versus the original FY 2011 budget estimate which was a combined total of \$21.6 million. This was an increase of approximately \$53.4 million with a significant portion of this increase being utilized during FY 2011.

In FY 2010 as the State's revenue receipts remained less than the original budget had projected, the State implemented cost reduction plans to align with the revised revenue projections for both fiscal years 2010 and 2011. The revised revenue estimate for FY 2011 became \$2,234.1 million (2010 Special Session) which represented a reduction of approximately \$58 million for the general revenue decline and another \$17 million in reductions for certain tax laws that were repealed in 2010. During FY11, the actual revenues realized were an additional \$40.9 million below the revised estimates developed in 2010.

As a result of 1) the lower unrestricted revenues anticipated during FY 2011, 2) the absence of other funding sources originally budgeted (JUA funding, Sale/Lease of certain Liquor Assets), and 3) the FY 2010 utilization of FY 2011 budgeted ARRA State Fiscal Stabilization Funds (Education & Government Services), the State implemented various cost savings and cost reduction measures. Some of the significant cost savings measures implemented included the restructuring of debt which generated savings of approximately \$40 million, direct budget cuts, and a continued freeze on hiring, equipment and travel. In addition, the State received more ARRA FMAP funding (approximately \$32 million from a Federal extension of this program) as well as increased federal Education Jobs funding. Of the \$41 million of Education Jobs funding received, approximately 50% was used to fund the budgeted State education requirements and the remaining 50% was provided to Local Education Agencies.

In addition to direct budget reductions implemented during the year, various lapses were required of State agencies as of 6/30/11. The initial budgeted lapse requirement for FY 2011 of \$23.5 million had been increased during the 2010 Special Session and additional increases were part of Chapters 223 and 244 Laws of 2011. Ultimately, the State's actual lapse realized for FY 2011 was \$101.9 million which was approximately \$78.4 million above the original budget estimate. Through enabling legislation and strict financial management during the year, the State was able to return a significant amount of additional funding back to the General Fund.

The final undesignated fund balance as of June 30, 2011 was \$17.7 million plus the Rainy Day fund balance of \$9.3 million for a total of \$27.0 million. The combined balances are approximately \$3 million less than the original budget had projected back in 2009 (\$30.4 million). This is a significant accomplishment for the State in this challenging economic environment.

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

Revenue Category	FY 2009	FY 2010			FY 2011			FY 2011
		General	Education	Total	General	Education	Total	Combined Plan
Business Profits Tax.....	\$ 305.8	\$ 258.6	\$ 57.6	\$ 316.2	\$ 248.5	\$ 49.3	\$ 297.8	\$ 313.3
Business Enterprise Tax.....	185.3	71.7	122.2	193.9	63.0	129.4	192.4	189.7
Subtotal.....	491.1	330.3	179.8	510.1	311.5	178.7	490.2	503.0
Meals & Rentals Tax.....	209.7	228.3	4.2	232.5	228.9	6.6	235.5	245.0
Tobacco Tax.....	188.1	130.5	113.0	243.5	129.8	96.8	226.6	220.6
Liquor Sales and Distribution.....	146.0	120.7		120.7	125.7		125.7	127.9
Interest & Dividends Tax.....	97.1	84.9		84.9	76.6		76.6	90.1
Insurance Tax.....	94.2	86.8		86.8	84.9		84.9	80.5
Communications Tax.....	80.3	81.0		81.0	76.5		76.5	75.0
Real Estate Transfer Tax.....	81.2	56.0	28.8	84.8	54.0	28.0	82.0	89.2
Transfers from Lottery Commission.....	68.1	-	66.2	66.2		62.2	62.2	77.7
Transfers from Racing & Charitable Gaming Commission....	1.5		1.4	1.4		1.3	1.3	1.3
Tobacco Settlement.....	52.8	4.2	40.0	44.2	1.7	40.0	41.7	44.2
Utility Property Tax.....	29.0		29.9	29.9		32.3	32.3	28.0
Property Tax Retained Locally.....	363.7		363.2	363.2		363.6	363.6	363.6
Other.....	178.2	157.5		157.5	174.4		174.4	160.3
Subtotal.....	2,081.0	1,280.2	826.5	2,106.7	1,264.0	809.5	2,073.5	2,106.4
Net Medicaid Enhancement	-							
Revenues.....	99.6	98.1		98.1	93.4		93.4	108.5
Recoveries.....	21.8	19.9		19.9	27.8		27.8	19.2
Subtotal.....	2,202.4	1,398.2	826.5	2,224.7	1,385.2	809.5	2,194.7	2,234.1
Executive Orders and Special Session Revenues	15.1	28.1		28.1				
Total.....	\$ 2,217.5	\$ 1,426.3	\$ 826.5	\$ 2,252.8	\$ 1,385.2	\$ 809.5	\$ 2,194.7	\$ 2,234.1

The General and Education Trust Funds revenues for fiscal year 2011 were \$2,194.7 million, which were \$39.4 million (1.8%) below plan (SSHB1 2010 Special Session) and \$30.0 million (1.4%) below prior year revenue before Executive Order and Special Session Revenues. Several individual categories also performed below SSHB1 estimates and below prior year results, respectively, including: Business taxes, \$12.8 million (2.5%) and \$19.9 million (3.9%); Interest and Dividends, \$13.5 million (15.0%) and \$8.3 million (9.8%); Real Estate Transfer tax, \$7.2 million (8.1%) and \$2.8 million (3.3%); and Lottery collections, \$15.5 million (19.9%) and \$4.0 million (6.0%). Other results include Meals and Rentals taxes which were \$9.5 million (3.9%) below plan but \$3.0 million (1.3%) above prior year, Tobacco taxes which were \$6.0 million (2.7%) above plan but \$16.9 million (6.9%) below prior year, and the shortfall of Medicaid Enhancement Tax which was below plan and prior year by \$15.1 million (13.9%) and \$4.7 million (4.8%), respectively.

Budgetary Process

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

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

Internal Controls

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

- *Department of Administrative Services (DAS)* - The commissioner of Administrative Services, the assistant commissioner/budget officer and the comptroller are responsible for enforcing financial policy guidelines, assisting with the development of the executive budget, collecting financial data from individual agencies, developing and reviewing appropriation control procedures, and compiling agency financial information.

- *Legislative Budget Assistant (LBA)* - The LBA, appointed by the Fiscal Committee, is responsible for ensuring that an annual audit is conducted of the state's basic financial statements prepared by the Department of Administrative Services. The LBA also provides staff assistance to the finance committees of the state Legislature. The LBA Audit Division performs various financial, compliance, and performance audits of state agencies.

- *State Treasurer* - The State Treasurer, elected by the Legislature, is responsible for executing policy for the management of the state treasury and depositing and investing state funds as well as the issuing of general obligation and revenue bonds.

- *State Agencies* - Agency commissioners and directors are responsible for administering their agencies, in accordance with legislative and executive directives, to effectively service the citizens of the State.

Through FY 2011, financial transactions for the various state agencies were recorded in the New Hampshire accounting ERP System, NH FIRST (discussed above). The state's centralized accounting system and other accounting procedures are designed to provide various controls to provide reasonable, though not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use and the proper recording of financial transactions. In connection with the adoption of the State's new ERP system, substantial training was provided by DAS, which served to strengthen users' procedures and instruct them in the system of internal controls employed in its use.

Cash and Investments

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

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

Insurance

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, with a \$1 million deductible.

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.

Audits

Pursuant to RSA 21-I:8,II, (a), the Legislative Budget Assistant may designate a certified public accountant not employed in state service to conduct an annual audit, in accordance with Generally Accepted Auditing Standards, of the State's basic financial statements. KPMG LLP, the designated certified public accountant, has performed an independent audit of the State's basic financial statements for the fiscal year ended June 30, 2011.

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

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of New Hampshire for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2010. This is the third consecutive year that the state received this prestigious award.

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

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

Annual Report to the Citizens

Again for fiscal year 2011, the Department of Administrative Services will publish the *Annual Report to the Citizens* when available. 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

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of New Hampshire

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

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



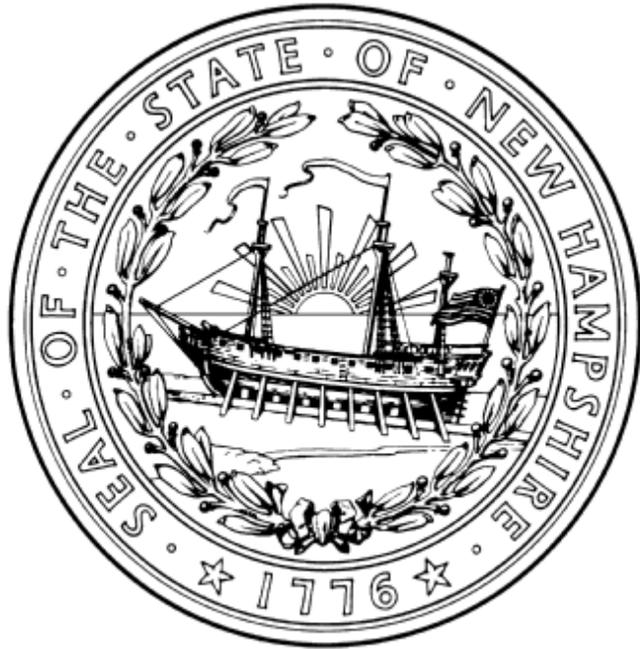
Linda C. Davison

President

Jeffrey R. Enos

Executive Director

Financial Section





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

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of New Hampshire as of and for the year ended June 30, 2011, which collectively comprise the State of New Hampshire's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of New Hampshire's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Turnpike System and the Lottery Commission, which represent 88.6% and 28.0% of the assets and revenues of the business-type activities, respectively, and 100% of the assets and revenues of the Turnpike System and Lottery Commission major funds, respectively. We also did not audit the University System of New Hampshire, Business Finance Authority of the State of New Hampshire, Community Development Finance Authority, or Pease Development Authority, which represent 97.2% and 87.4% of the assets and revenues of the aggregate discretely presented component units, respectively. Further, we did not audit the New Hampshire Judicial Retirement System and the New Hampshire Public Deposit Investment Pool, which represent 4.2% and 12.6% of the assets and revenues of the aggregate remaining fund information, respectively. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for these entities, are based on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of New Hampshire, as of June 30, 2011, and the respective changes in



To the Fiscal Committee of the General Court
State of New Hampshire
Page 2

financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated February, 28 2012, on our consideration of the State of New Hampshire's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

As described in note 1(R) of the financial statements, the State of New Hampshire adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of July 1, 2010.

The Management's Discussion and Analysis on pages 16 through 22, the budget to actual - budgetary basis - schedules on pages 77 through 82, and the schedules of funding progress on page 83 are not required parts of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We and the other auditors 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 by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are 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

February 28, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

The following is a discussion and analysis of the financial activities of the State of New Hampshire (the State) for the fiscal year ended June 30, 2011. 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, 2011 by \$2.3 billion. This amount is presented as "Total Net Assets" on the Statement of Net Assets for the Total Primary Government (condensed information can be seen later in the MD&A section of this report). Of this amount, \$356.0 million is reported as a deficit in unrestricted net assets, representing a deficiency of unrestricted non-capital assets to liabilities.

Changes in Net Assets: The State's total net assets decreased by \$207.2 million, or 8.2%, in fiscal year 2011. Net assets of governmental activities decreased by \$324.7 million (15.3%), and net assets of the business-type activities showed an increase of \$117.5 million (30.2%). While revenues declined during fiscal year 2011, expenses were also reduced by \$282.8 million or 4.3%.

Non-Current Liabilities: The State's total non-current liabilities increased by \$268.3 million or 15.3% during the current fiscal year. Long-term bonded debt increased \$141.6 million or 12% as new issuances exceeded payments of outstanding debt. Also, an additional \$107.7 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 2011, the State's governmental funds reported a combined ending fund balance of \$455.1 million, an increase of \$2.8 million from the prior year. The State's adoption of Governmental Accounting Standards Board Statement No. 54 changed the presentation of Fund Balances by classifying components differently, as is explained in Note 1(K) to the Basic Financial Statements. This change is made prospectively without restatement of prior financial statements, making most components of Fund Balance not comparable. However, the amount reported as Unassigned Fund Balance, inclusive of Revenue Stabilization and Other, is comparable to previously reported Unreserved, Undesignated Fund Balance. This year, the General Fund ended the year with an Unassigned Fund Balance of \$27.0 million (including Revenue Stabilization balance of \$9.3 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 basic financial statements.

Government-Wide Financial Statements

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

The **Statement of Net Assets**, beginning on page 24 presents all of the State's non-fiduciary assets and liabilities. The difference between assets and liabilities is reported as "net assets" instead of fund equity as shown on the Fund Statements. Over time, increases or decreases in the net assets may serve as a useful indicator of whether the financial position of the State is improving or deteriorating.

The **Statement of Activities**, beginning on page 26, presents information showing how the State's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (such as uncollected taxes and licenses and earned but unused vacation leave). This statement also presents a comparison between direct expenses and program revenues for each function of the State.

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

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

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

- Liquor Commission,
- Lottery Commission,
- 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.

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

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The State, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements, focus on the individual parts of the State government, and report the State's operations in more detail than the government-wide statements. The State's funds are divided into three categories - governmental, proprietary and fiduciary. For governmental and proprietary funds, only those funds that are considered Major Funds are reported in individual columns in the Fund Financial Statements with 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 Other Supplementary Information 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 current financial resources measurement focus and modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted into cash. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the State's programs. The basic Governmental Fund Financial Statements can be found on pages 30 and 32.

Because the focus of governmental funds is narrower than that of the Government-Wide Financial Statements, it is useful to compare the information presented here with similar information presented in the Government-Wide Financial Statements. Reconciliations are provided between the Governmental Fund Statements and the Government-Wide Statements, which can be found on pages 31 and 33.

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

Individual fund data for each of the State's non-major governmental funds (Fish and Game Fund, Capital Fund and Permanent Funds) are provided in the combining statements found on pages 89 and 90.

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

Like the Government-Wide Financial Statements, Proprietary Fund Financial Statements use the economic resources measurement focus and accrual basis of accounting. Therefore there is no reconciliation needed between the Government-Wide Financial Statements for business-type activities and the Proprietary Fund Financial Statements. The Internal Service Fund is reported within governmental activities on the Government-Wide Financial Statements. The basic proprietary funds financial statements can be found on pages 36-38.

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

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

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

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

Major Component Unit

The State has only one major discretely presented component unit - the University System of New Hampshire and four non-major discretely presented component units. This separation is determined by the relative size of the individual entities' assets, liabilities, revenues and expenses in relation to the combined total of all component units. The combining financial statements for the component units can be found on pages 44 and 45.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the financial statements begin on page 47.

Required Supplementary Information

In addition to this Management's Discussion and Analysis the basic financial statements and accompanying notes are followed by a section of required supplementary information. This section includes a budgetary comparison schedule for each of the State's major governmental funds, and includes a reconciliation between the statutory fund balance for budgetary purposes and the fund balance as presented in the governmental fund financial statements. In addition, schedules of funding progress are presented for the state's Other Postemployment Benefit Plan and the Judicial Retirement Plan.

Other Supplementary Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The State's combined net assets (government and business-type activities) totaled \$2.3 billion at the end of 2011, compared to \$2.5 billion at the end of the previous year.

Investment in Capital Assets: The largest portion of the State's net assets (84.5%) 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 \$34.8 million from prior year. This increase was the result of a net increase in capital assets of \$101.2 million during the year combined with an increase in capital related debt of \$66.4 million. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves generally cannot be used to liquidate these liabilities.

Restricted Net Assets: Another portion of the State's net assets (31.0%) represents resources that are subject to external restrictions on how they may be used. State-imposed designations of resources, unless resulting from enabling legislation, are not presented as restricted net assets. Restricted net assets increased \$147.8 million from prior year due largely to increases in environmental loans and assets restricted for unemployment benefits. The Revenue Stabilization account previously classified as restricted, has been reclassified as unrestricted to conform with the definition of restrictions as applied to newly adopted GASB 54.

Unrestricted Net Assets: The State's unrestricted net assets are a deficit of \$356.0 million, a decrease of \$389.8 million from the previous year.

Comparative Net Assets as of June 30, 2011 and 2010						
(In Thousands)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010 (1)	2011	2010	2011	2010 (1)
Current assets	\$ 1,046,294	\$ 1,209,680	\$ 306,621	\$ 222,279	\$ 1,352,915	\$ 1,431,959
Capital assets	2,517,388	2,487,350	711,121	639,964	3,228,509	3,127,314
Other assets	526,639	344,285	(45,426)	7,188	481,213	351,473
Total assets	4,090,321	\$4,041,315	972,316	869,431	5,062,637	\$ 4,910,746
Noncurrent liabilities	1,667,682	1,382,785	353,044	369,670	2,020,726	1,752,455
Current liabilities	623,422	534,581	112,069	110,099	735,491	644,680
Total liabilities	2,291,104	1,917,366	465,113	479,769	2,756,217	2,397,135
Net assets:						
Invested in capital assets, net of related debt	1,674,794	1,685,975	273,365	227,358	1,948,159	1,913,333
Restricted	545,003	463,498	169,264	102,937	714,267	566,435
Unrestricted	(420,580)	(25,524)	64,574	59,367	(356,006)	33,843
Total net assets	\$ 1,799,217	\$ 2,123,949	\$ 507,203	\$ 389,662	\$ 2,306,420	\$ 2,513,611

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

Changes in Net Assets

The State's total net assets decreased by \$207.2 million, or 8.2%, during the current fiscal year. Total revenues decreased \$480.1 million (7.3%) as compared to a decrease in expenses of \$282.8 million (4.3%). The unrestricted net assets had a deficit balance of \$356.0 million at June 30, 2011 as compared to a balance of \$33.8 million, the prior year. The reason for the significant decline in available net assets is attributable to a number of significant individual charges, largely related to an increase in other postemployment benefit liability of \$107 million, the accrual of specific litigation charges of \$39 million (see footnote 13), and lower Accounts Receivable (net of allowances). Total state-wide current receivables declined \$130.3 million (19.5%), largely reflecting a lower estimate of taxes receivable resulting from refinement of methods for estimating currently earned taxes to be collected in subsequent periods.

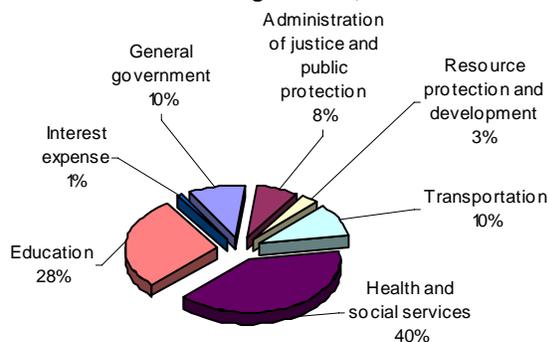
More than half of the State's revenue (69.0%) is from program revenue, consisting of charges for goods and services, and federal and local grants. Revenues not specifically targeted for a specific program are known as general revenues, which are primarily from taxes.

The State's expenses cover a range of services. The largest expenses were for Health and Social Services and Education, which accounted for 34.6% and 23.6% of total expenses, respectively. As compared to the prior year, total expenses decreased \$282.8 million, or 4.3%. Expenses for unemployment compensation was the largest decrease, \$173.3 million or 37.8% due to lower unemployment. General Government, Administration of Justice and Public Protection, Resource Protection and Development, and Transportation each declined between \$40 to \$50 million.

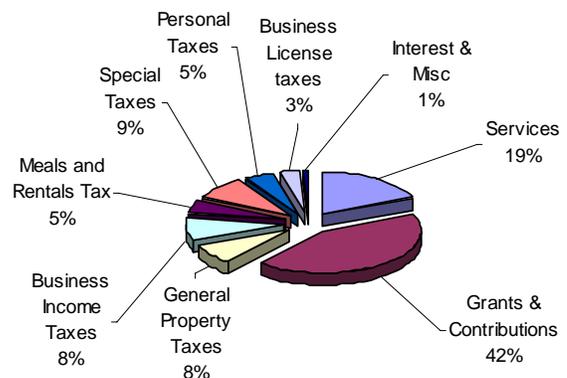
Comparative Changes in Net Assets
For Fiscal Years Ending June 30, 2011 and 2010
(In Thousands)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues						
Program revenues:						
Charges for services	\$ 892,895	\$ 1,007,357	\$ 1,251,211	\$ 1,288,784	\$ 2,144,106	\$ 2,296,141
Operating grants & contributions	1,828,020	1,948,200			1,828,020	1,948,200
Capital grants & contributions	210,896	223,103	17,717		228,613	223,103
General revenues:						
General Property Taxes	396,272	393,296			396,272	393,296
Business Income Taxes	402,004	565,825			402,004	565,825
Meals and Rentals Tax	234,852	231,663			234,852	231,663
Special taxes	429,628	464,519			429,628	464,519
Personal taxes	226,649	243,499			226,649	243,499
Business License taxes	160,847	146,684			160,847	146,684
Interest	8,552	7,037			8,552	7,037
Miscellaneous	29,926	49,648			29,926	49,648
Total revenues	4,820,541	5,280,831	1,268,928	1,288,784	6,089,469	6,569,615
Expenses						
General government	525,152	568,119			525,152	568,119
Administration of justice and public protection	423,408	474,095			423,408	474,095
Resource protection and development	138,102	178,406			138,102	178,406
Transportation	540,068	587,542			540,068	587,542
Health and social services	2,177,806	2,162,636			2,177,806	2,162,636
Education	1,484,909	1,469,926			1,484,909	1,469,926
Interest Expense	47,334	32,074			47,334	32,074
Turnpike System			91,331	82,237	91,331	82,237
Liquor Commission			415,816	397,490	415,816	397,490
Lottery Commission			167,961	168,853	167,961	168,853
Unemployment Compensation			284,773	458,098	284,773	458,098
Total expenses	5,336,779	5,472,798	959,881	1,106,678	6,296,660	6,579,476
Increase (decrease) in net assets before transfers	(516,238)	(191,967)	309,047	182,106	(207,191)	(9,861)
Transfers & Other Items	191,506	325,613	(191,506)	(325,613)		
Increase (Decrease) in net assets	(324,732)	133,646	117,541	(143,507)	(207,191)	(9,861)
Net assets, beginning of year	2,123,949	1,990,303	389,662	533,169	2,513,611	2,523,472
Net assets, end of year	\$ 1,799,217	\$ 2,123,949	\$ 507,203	\$ 389,662	\$ 2,306,420	\$ 2,513,611

Governmental Activities - Expenses
Fiscal Year Ending June 30, 2011



Governmental Activities - Revenues
Fiscal Year Ending June 30, 2011

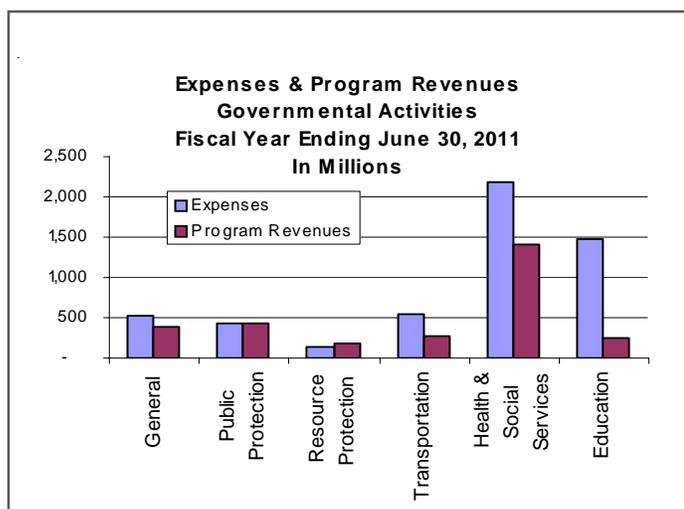


	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	\$Change	% Change	\$Change	% Change	\$Change	% Change
Revenues						
Program revenues:						
Charges for services	(114.5)	-11.4%	(37.6)	-2.9%	(152.0)	-6.6%
Operating grants & contributions	(120.2)	-6.2%			(120.2)	-6.2%
Capital grants & contributions	(12.2)	-5.5%	17.7	100.0%	5.5	2.5%
General revenues:						
General Property Taxes	3.0	0.8%			3.0	0.8%
Business Income taxes	(163.8)	-29.0%			(163.8)	-29.0%
Meals and Rental Taxes	3.2	1.4%			3.2	1.4%
Special taxes	(34.9)	-7.5%			(34.9)	-7.5%
Personal taxes	(16.9)	-6.9%			(16.9)	-6.9%
Business License taxes	14.2	9.7%			14.2	9.7%
Interest	1.5	21.5%			1.5	21.5%
Miscellaneous	(19.7)	-39.7%			(19.7)	-39.7%
Total revenues	(460.3)	-8.7%	(19.9)	-1.5%	(480.1)	-7.3%
Expenses						
General government						
Administration of justice and public protection	(50.7)	-10.7%			(50.7)	-10.7%
Resource protection and development						
Transportation	(40.3)	-22.6%			(40.3)	-22.6%
Health and social services	(47.5)	-8.1%			(47.5)	-8.1%
Education	15.2	0.7%			15.2	0.7%
Interest Expense	15.0	1.0%			15.0	1.0%
Turnpike System	15.3	47.6%	9.1	11.1%	9.1	11.1%
Liquor Commission			18.3	4.6%	18.3	4.6%
Lottery Commission			(0.9)	-0.5%	(0.9)	-0.5%
Unemployment Compensation			(173.3)	-37.8%	(173.3)	-37.8%
Total expenses	(136.0)	-2.5%	(146.8)	-13.3%	(282.8)	-4.3%

Governmental Activities

Governmental activities decreased the State's net assets by \$516.3 million, before transfers and other items. Revenues decreased by \$460.3 million or 8.7% from prior year to total \$4.8 billion. Operating grants and contributions, which include federal programs, decreased \$120.2 million or 6.2% and business taxes declined \$163.8 million or 29.0%. Expenses also declined, by \$136.0 million or 2.5%, while not sufficient to offset revenue declines.

A comparison of the cost of services by function for the State's governmental activities with the related program revenues is shown in the chart below. The largest expenses for the state, Health and Social Services and Education, also represent those activities that have the largest gap between expense and program revenues. Since these significant program costs are not fully recovered from program revenues, these programs are supplemented from general revenues, which primarily consist of taxes, such as the statewide property taxes, business profits tax, business enterprise tax, real estate transfer, tobacco, meals and rentals, and interest and dividends tax.



The amount of general revenue supplement to these activities in FY 2011 increased by \$137.5 million for Education largely due to the decline in ARRA funding, contributing to an overall increase of the supplement of approximately \$100 million.

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 \$309.1 million prior to transfers, \$127 million more than the prior year. Business-Type activities include the operations from the Liquor Commission, Lottery Commission, Unemployment Compensation Fund, and Turnpike Fund.

Operations of the Liquor Commission generated net income before transfers of \$142.8 million, approximately equal to prior year, all of which was transferred to the General Fund to fund the general operations of the State. The Lottery Commission had a relatively stable increase in net revenues compared to last year at \$64.6 million.

Turnpike System net assets increased by \$59.0 million. The operations of the Unemployment Compensation fund yielded an increase in net assets of \$56.4 million, an improvement to prior year of \$114.8 million, due to a reduction in benefits.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

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

Governmental Funds

The focus of the State's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the State's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As discussed above, total Governmental Fund Balance increased \$2.8 million. A deficiency of revenues over expenditures of \$418.4 million was financed by more than \$419.2 million of Other Financing Sources, resulting in a net increase in Governmental Fund Balance.

General Fund

The general fund is the chief operating fund of the State. The total fund equity at June 30, 2011 is \$314.9 million. The general fund unassigned fund balance, comprising Revenue Stabilization (Rainy Day fund) amount of \$9.3 million and other fund balance of \$17.7 million ended the year at \$27.0 million, a decrease of \$48.0 million from the prior year. No change in the Rainy Day fund has been made for this biennium.

Revenues in the General Fund were \$3,531 million, \$99.9 million (3%) less than the prior year, the decrease largely realized in business taxes. Expenditures were reduced accordingly by \$125.6 million (3.4%) to \$3,609 million. Savings were realized relatively evenly throughout functional areas. Debt service was reduced by \$28 million due to refinancing initiatives.

Education Fund

The education fund, before year end transfers, had a deficit of \$189.6 million, attributable to a revenue decrease of \$151.7 million (16.5%) largely due to lower ARRA funding. The general fund made a transfer from unassigned fund balance of \$124.0 million to bring the education assigned fund balance to zero at June 30 as required by law.

Highway Fund

The highway fund ended the year with an assigned fund balance of \$34.8 million in accordance with GASB Statement 54. Included in this amount is \$20.3 million of undesignated highway fund surplus, an increase of \$11.4 million from the prior year. See "Footnote 15 Highway" in the Notes to the Basic Financial Statements.

Non-Major Funds

The non-major unassigned other deficit relates to the capital fund. See footnote 9 on page 66.

Proprietary Funds

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

BUDGETARY HIGHLIGHTS

During the fiscal year, the original budget was amended by various supplemental appropriations and appropriation revisions. Budget to Actual Schedules for the major governmental funds are in the Required Supplementary Information section beginning on page 77.

General Fund:

The increase from the original budget of \$4,406 million to the final budget of \$4,517 million is \$111 million and represents additional appropriations issued after July 1, 2010 and are composed of the following (*in millions*):

• Office of Health & Human Services	\$66
ARRA - Medical Assistance Programs	
• Dept. of Education	34
ARRA Local Education Agencies	
• Dept. of Resources and Economic Dev	16
Workforce Opportunity Council	
• Office of Energy and Planning	15
ARRA - Energy Efficiency Grants	
ARRA - Weatherization	
• Various Other	20
• Other Appropriation Reduction	(40)
Total	<u>\$ 111</u>

The largest variances from the final budget to actual amounts were for grant revenues and education grant expenditures. Grants from Federal, Private and Local Sources had a combined unfavorable variance of \$432 million. This was offset by a favorable Department of Education variance of \$254 million. These variances are due to timing differences that extend beyond the State's fiscal year where budgeted grant revenue is not drawn down until the budgeted 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, 2011, amounted to \$6 billion, with accumulated depreciation amounts of \$2.8 billion, leaving a net book value of \$3.2 billion, an increase

of \$101.2 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 \$1.7 billion, representing a \$11.9 million decline from the prior year as current year additions of \$78.8 million were less than total deletions and depreciation of \$90.7 million.

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

Debt Administration

The State may issue general obligation bonds, revenue bonds, and notes in anticipation of such bonds authorized by the Legislature and Governor and Council. The State may also directly guarantee certain authority or political subdivision obligations. At the end of the current fiscal year, the State had total bonded debt outstanding of \$1,428.8 million. Of this amount, \$987.4 million are general obligation bonds, which are backed by the full faith and credit of the State and \$80.0 million are Federal Highway Grant Anticipation Bonds (GARVEE). The remainder of the State's bonded debt is Turnpike revenue bonds, which are secured by the specified revenue sources within the Turnpike System.

On July 27, 2010 the State issued \$45.0 million of general obligation refunding bonds. The maturity dates on these serial bonds range from 2013 through 2020. These bonds were used to current and advance refund \$48.4 million of general obligation debt maturing in fiscal 2011. Debt service on the refunded bonds totaled \$50.0 million; new debt service on the refunding bonds total \$56.7 million over ten years resulting in an economic loss of \$0.8 million. The refunding bonds were issued in order to provide budgetary savings in FY 2011 as part of the State's overall plan to balance the FY 2011 budget.

On September 2, 2010, the State issued \$90.0 million in tax exempt general obligation bonds with maturity dates ranging from 2012 to 2020 with 5% coupon rates. The sale resulted in a \$17.0 million premium that will be used for authorized capital purposes. Of the \$107.0 million in proceeds, \$91.2 million was used to fund school building aid payments, which had partially been funded with \$50 million in bond anticipation notes. Accordingly, the \$50.0 million in bond anticipation notes outstanding was paid from the \$107.0 million in tax exempt proceeds. Also on September 2, 2010, the State issued \$60.0 million in taxable Build America Bonds with maturity dates ranging from 2021 to 2030 and coupon rates from 3.5% to 4.5%. The proceeds were used to fund a number of capital projects. The federal government will provide subsidy payments of 35% of the interest on these bonds.

On November 18, 2010, the State issued \$80.0 million in taxable Federal Highway Grant Anticipation Bonds. The State will use the 2010 Bond proceeds to fund segments of the I-93 Project. Of the amount, \$20.0 million was issued as Build America Bonds with maturity dates ranging from 2020 to 2022 and coupon rates from 3.9% to 4.3%. The federal government will provide subsidy payments of 35% of the interest on these bonds. In addition, \$60.0 million was issued as Recovery Zone Economic Development Bonds with maturity dates ranging from 2022 to 2025 and coupon rates from 4.3% to 4.9%. The federal government will provide subsidy payments of 45% of the interest on these 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 Basic Financial Statements.

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

ECONOMIC CONDITIONS AND OUTLOOK

Along with the nation and the region, the State's economy is emerging from recession with some challenges ahead. Due to a favorable tax climate for individuals coupled with a high quality of life and standard of living, New Hampshire is considered a very attractive state to live in as well as a competitive state. As a result, New Hampshire has fared better in this recession than many other states in the region and the nation. The State's preliminary November 2011 unemployment rate of 5.2% (seasonally adjusted) continues to be below the national averages of 8.6%.

Current forecasts indicate that New Hampshire's recession is over, but the recovery is slow. General and Education Fund revenues for the first seven months of fiscal year 2012 were \$936.8 million, which was \$27.5 million (2.9%) below plan and \$37.2 million (3.8%) below prior year. Business Taxes and Real Estate Transfer Tax receipts have increased versus the prior year by \$28.8 million (12.6%) and \$1.4 million (2.7%) respectively. However, the Medicaid Enhancement Tax receipts are below Plan and prior year by \$41.1 million and \$36.9 million, respectively. Additionally, Interest and Dividend tax receipts remain at lower levels (\$7.2 million below Plan and \$4.3 million below prior year) and the sale of tobacco tax stamps (unit volume) are down approximately 3% versus the prior year.

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

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

24 • NEW HAMPSHIRE
 STATE OF NEW HAMPSHIRE
 STATEMENT OF NET ASSETS
 JUNE 30, 2011
 (Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Current Assets:				
Cash and Cash Equivalents.....	\$ 300,118	\$ 86,072	\$ 386,190	\$ 333,908
Cash and Cash Equivalents-Restricted.....	161,205	124,401	285,606	
Receivables (Net of Allowances for Uncollectibles)....	521,586	16,499	538,085	63,258
Other Receivables-Restricted.....	19,929	62,874	82,803	
Internal Balances Receivable (Payable).....	(3,060)	3,060		
Internal Notes Receivable (Payable).....	23,317	(23,317)		
Due from Component Units.....	4,149		4,149	
Inventories.....	19,050	36,791	55,841	
Other Current Assets.....		241	241	8,310
Total Current Assets.....	1,046,294	306,621	1,352,915	405,476
Noncurrent Assets:				
Receivables (Net of Allowances for Uncollectibles)....	7,767		7,767	40,198
Other Receivables-Restricted.....	374,945		374,945	
Internal Notes Receivable (Payable).....	52,461	(52,461)		
Due from Component Units.....	3,070		3,070	
Investments.....	19,261		19,261	401,375
Investments-Restricted.....	69,135		69,135	
Bond Issue Costs.....		3,056	3,056	
Other Assets.....		3,979	3,979	27,629
Capital Assets:				
Land & Land Improvements.....	618,875	111,861	730,736	17,487
Buildings & Building Improvements.....	814,097	30,502	844,599	1,527,184
Equipment & Computer Software.....	298,727	42,924	341,651	105,788
Construction in Progress.....	239,377	120,785	360,162	39,723
Infrastructure.....	3,032,547	713,456	3,746,003	
Less: Allowance for Depreciation.....	(2,486,235)	(308,407)	(2,794,642)	(660,082)
Net Capital Assets.....	2,517,388	711,121	3,228,509	1,030,100
Total Noncurrent Assets.....	3,044,027	665,695	3,709,722	1,499,302
Total Assets.....	4,090,321	972,316	5,062,637	1,904,778
LIABILITIES				
Current Liabilities:				
Accounts Payable.....	303,317	48,246	351,563	60,727
Accrued Payroll.....	44,702	2,862	47,564	5,744
Due to Primary Government.....				4,149
Unearned Revenue.....	92,885	10,927	103,812	49,294
Unclaimed Property & Prizes.....	20,806	3,575	24,381	
General Obligation Bonds Payable.....	87,727		87,727	
Claims & Compensated Absences Payable.....	47,048	1,680	48,728	14,076
Other Liabilities.....	26,937	27,759	54,696	10,540
Revenue Bonds Payable.....		17,020	17,020	98,623
Total Current Liabilities.....	\$ 623,422	\$ 112,069	\$ 735,491	\$ 243,153

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

STATE OF NEW HAMPSHIRE
STATEMENT OF NET ASSETS
JUNE 30, 2011
(Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
LIABILITIES - CONTINUED				
Noncurrent Liabilities:				
General Obligation Bonds Payable, Net	\$ 899,681		\$ 899,681	
Federal Highway Grant Anticipation Bond Payable	80,000		80,000	
Revenue Bonds Payable, Net		\$ 344,420	344,420	\$ 364,102
Claims & Compensated Absences Payable	70,872	5,630	76,502	32,541
Postemployment Benefits Payable.....	558,304		558,304	52,535
Due to Primary Government.....				3,070
Other Noncurrent Liabilities.....	58,825	2,994	61,819	88,155
Total Noncurrent Liabilities.....	1,667,682	353,044	2,020,726	540,403
Total Liabilities.....	2,291,104	465,113	2,756,217	783,556
NET ASSETS				
Invested in Capital Assets, net of related debt.....	1,674,794	273,365	1,948,159	564,743
Restricted for Debt Repayments		44,885	44,885	
Restricted for Construction.....		13,434	13,434	
Restricted for Uninsured Risks.....		3,001	3,001	
Restricted for Unemployment Benefits.....		103,965	103,965	
Restricted for Permanent Funds-Expendable.....	8,991		8,991	
Restricted for Permanent Funds-Non-Expendable.....	6,665		6,665	
Restricted for Prize Awards - MUSL & Tri-State.....		3,979	3,979	
Restricted for Environmental Loans.....	529,347		529,347	
Restricted Component Unit Net Assets				321,409
Unrestricted Net Assets	(420,580)	64,574	(356,006)	235,070
Total Net Assets.....	\$ 1,799,217	\$ 507,203	\$ 2,306,420	\$ 1,121,222

26 • NEW HAMPSHIRE
 STATE OF NEW HAMPSHIRE
 STATEMENT OF ACTIVITIES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011
 (Expressed in Thousands)

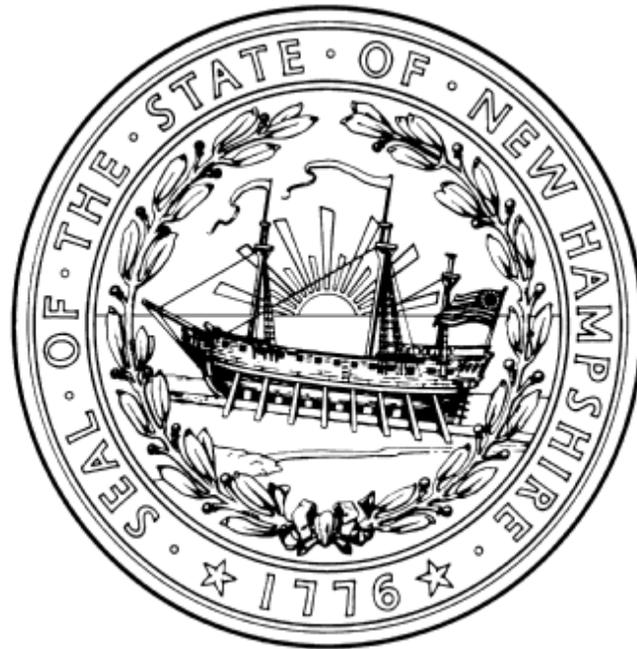
Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental Activities:				
General Government.....	\$ 525,152	\$ 299,148	\$ 75,960	
Administration of Justice & Public Protection.....	423,408	341,099	92,362	\$ 33
Resource Protection and Development.....	138,102	79,603	103,409	
Transportation.....	540,068	60,009	13,036	205,784
Health and Social Services.....	2,177,806	109,034	1,301,632	
Education.....	1,484,909	4,002	241,621	5,079
Interest Expense.....	47,334			
Total Governmental Activities.....	5,336,779	892,895	1,828,020	210,896
Business-type Activities:				
Turnpike System.....	91,331	118,852		17,717
Liquor Commission.....	415,816	558,605		
Lottery Commission.....	167,961	232,597		
Unemployment Compensation.....	284,773	341,157		
Total Business-type Activities.....	959,881	1,251,211		17,717
Total Primary Government.....	\$ 6,296,660	\$ 2,144,106	\$ 1,828,020	\$ 228,613
COMPONENT UNITS				
University System of New Hampshire.....	\$ 762,810	\$ 496,828	\$ 239,488	\$ 7,022
Non-Major Component Units.....	170,448	83,395	45,539	
Total Component Units.....	\$ 933,258	\$ 580,223	\$ 285,027	\$ 7,022

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

Primary Government

Governmental Activities	Business-Type Activities	Total	Component Units
\$ (150,044)		\$ (150,044)	
10,086		10,086	
44,910		44,910	
(261,239)		(261,239)	
(767,140)		(767,140)	
(1,234,207)		(1,234,207)	
(47,334)		(47,334)	
<u>(2,404,968)</u>		<u>(2,404,968)</u>	
	\$ 45,238	45,238	
	142,789	142,789	
	64,636	64,636	
	56,384	56,384	
	<u>309,047</u>	<u>309,047</u>	
<u>\$ (2,404,968)</u>	<u>\$ 309,047</u>	<u>\$ (2,095,921)</u>	
			\$ (19,472)
			(41,514)
			<u>\$ (60,986)</u>
396,272		396,272	
402,004		402,004	
234,852		234,852	
429,628		429,628	
226,649		226,649	
160,847		160,847	
8,552		8,552	15,661
29,926		29,926	
			160,643
(13,788)	13,788		
205,294	(205,294)		
<u>2,080,236</u>	<u>(191,506)</u>	<u>1,888,730</u>	<u>176,304</u>
(324,732)	117,541	(207,191)	115,318
2,123,949	389,662	2,513,611	1,005,904
<u>\$ 1,799,217</u>	<u>\$ 507,203</u>	<u>\$ 2,306,420</u>	<u>\$ 1,121,222</u>

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



Fund Financial Statements

Governmental Funds

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

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

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

30 • NEW HAMPSHIRE
STATE OF NEW HAMPSHIRE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011
(Expressed in Thousands)

	General	Highway	Education	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 395,426	\$ 22,335		\$ 9,360	\$ 427,121
Investments	19,261	57,876		11,259	88,396
Receivables (Net of Allowances for Uncollectibles)	413,708	40,909	\$ 60,179	3,836	518,632
Inter-Fund Note Receivable.....		75,778			75,778
Due from Other Funds	22,830	62,002		2,303	87,135
Due from Component Units.....	7,219				7,219
Inventories.....	6,649	11,612		789	19,050
Loans and Notes Receivables	402,641				402,641
Total Assets	\$ 1,267,734	\$ 270,512	\$ 60,179	\$ 27,547	\$ 1,625,972
LIABILITIES					
Accounts Payable.....	\$ 247,724	\$ 30,210	\$ 3,700	\$ 21,513	\$ 303,147
Accrued Payroll.....	33,990	9,878		834	44,702
Due to Other Funds	66,607		9,978	13,610	90,195
Deferred Revenue	583,677	81,748	46,500	91	712,016
Unclaimed Property.....	20,806				20,806
Other Liabilities.....	15				15
Total Liabilities.....	952,819	121,836	60,178	36,048	1,170,881
FUND BALANCES					
Nonspendable:					
Inventories.....	6,649	11,612		789	19,050
Permanent Fund Principal.....				6,665	6,665
Restricted.....	161,043	100,789		14,659	276,491
Committed.....	92,883	1,453		16	94,352
Assigned.....	27,356	34,822	1	2,947	65,126
Unassigned:					
Revenue Stabilization.....	9,312				9,312
Other.....	17,672			(33,577)	(15,905)
Total Fund Balances (Deficit).....	314,915	148,676	1	(8,501)	455,091
Total Liabilities and Fund Balances.....	\$ 1,267,734	\$ 270,512	\$ 60,179	\$ 27,547	\$ 1,625,972

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, 2011
(Expressed in Thousands)

Total fund balances for governmental funds	\$	455,091
--	----	---------

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	2,517,388
--	-----------

Certain tax revenues and loans are earned but not available and therefore are deferred in the funds:

Business Taxes, I&D, Meals & Rooms, and Utility Property	\$	132,847	
Medicaid Hospital Reimbursements		2,637	
Highway Fund Federal and Municipal Billings		3,997	
Highway Fund Note Receivable from Turnpike System		75,778	
Indigent Representation Advances		3,015	
SRF Loans		394,874	
Component Unit Loans		5,983	
		<u>619,131</u>	619,131

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.

18,341

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

Compensated Absences, Workers Compensation	(99,275)	
Other Postemployment Benefits	(558,304)	
Pollution Remediation Obligation	(31,072)	
Capital Lease Obligations	(3,305)	
Bond Payables	(1,067,408)	
Litigation Payable	(39,400)	
Interest Payable	(11,970)	
	<u>(1,810,734)</u>	(1,810,734)

Net Assets of Governmental Activities	\$	<u>1,799,217</u>
---------------------------------------	----	------------------

STATE OF NEW HAMPSHIRE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Expressed in Thousands)

	General	Highway	Education	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
General Property Taxes.....	\$ 306		\$ 395,966		\$ 396,272
Special Taxes.....	956,599		213,284		1,169,883
Personal Taxes.....	129,844		96,805		226,649
Business License Taxes.....	20,888	\$ 160,842			181,730
Non-Business License Taxes.....	87,410	103,794		\$ 8,346	199,550
Fees.....	168,241	21,478		1,183	190,902
Fines, Penalties and Interest.....	10,412	566		133	11,111
Grants from Federal Government.....	1,699,481	187,417	21,293	20,819	1,929,010
Grants from Private and Local Sources.....	115,573	5,416		1,190	122,179
Rents and Leases.....	2,852	178			3,030
Interest, Premiums and Discounts.....	14,555			362	14,917
Sale of Commodities.....	11,951	299		256	12,506
Sale of Service.....	70,472	19,983		3	90,458
Assessments.....	66,528				66,528
Grants from Other Agencies.....	47,002	2,468		5,502	54,972
Miscellaneous.....	128,591	30,055	40,000	3,257	201,903
Total Revenues.....	3,530,705	532,496	767,348	41,051	4,871,600
EXPENDITURES					
Current:					
General Government.....	393,429				393,429
Administration of Justice and Public Protection.....	374,823	3,042			377,865
Resource Protection and Development.....	209,457	23		26,912	236,392
Transportation.....	13,558	510,550			524,108
Health and Social Services.....	2,113,984			467	2,114,451
Education.....	418,777		956,929		1,375,706
Debt Service.....	69,409	7,186		184	76,779
Capital Outlay.....	15,413	18,546		157,334	191,293
Total Expenditures.....	3,608,850	539,347	956,929	184,897	5,290,023
Excess (Deficiency) of Revenues					
Over (Under) Expenditures.....	(78,145)	(6,851)	(189,581)	(143,846)	(418,423)
OTHER FINANCING SOURCES (USES)					
Transfers In.....	2,724		124,023	1,512	128,259
Transfers in from Enterprise Funds.....	141,834		63,460		205,294
Transfers Out.....	(124,023)	(2,589)		(1,647)	(128,259)
Capital Lease Acquisition.....	626				626
Payment of BANS.....				(50,000)	(50,000)
Payments to Refunding Bond Escrow Agent.....				(49,967)	(49,967)
Refunding Bond Issuance.....				45,036	45,036
Installments on Sale of Assets.....		15,349			15,349
Bond Premiums.....				22,846	22,846
Bond Issuance.....		80,000		150,000	230,000
Total Other Financing Sources (Uses).....	21,161	92,760	187,483	117,780	419,184
Net Change in Fund Balances.....	(56,984)	85,909	(2,098)	(26,066)	761
Fund Balance - July 1.....	370,924	61,625	2,099	17,669	452,317
Change in Inventory.....	975	1,142		(104)	2,013
Fund Balance (Deficit) - June 30.....	\$ 314,915	\$ 148,676	\$ 1	\$ (8,501)	\$ 455,091

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, 2011
(Expressed in Thousands)**

Net change in fund balances - total governmental funds, including change in inventory	\$ 2,774
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	(146,880)

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	\$ 18,146	
Buildings & Building Improvements	48,661	
Equipment & Computer Software	9,235	
Construction in Progress	32,175	
Infrastructure	(3,626)	
Accumulated Depreciation, net of Disposals	<u>(74,553)</u>	30,038

Internal service funds are used by management to charge the costs of certain activities, such as risk management and health related fringe benefits, to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.	(2,106)
--	---------

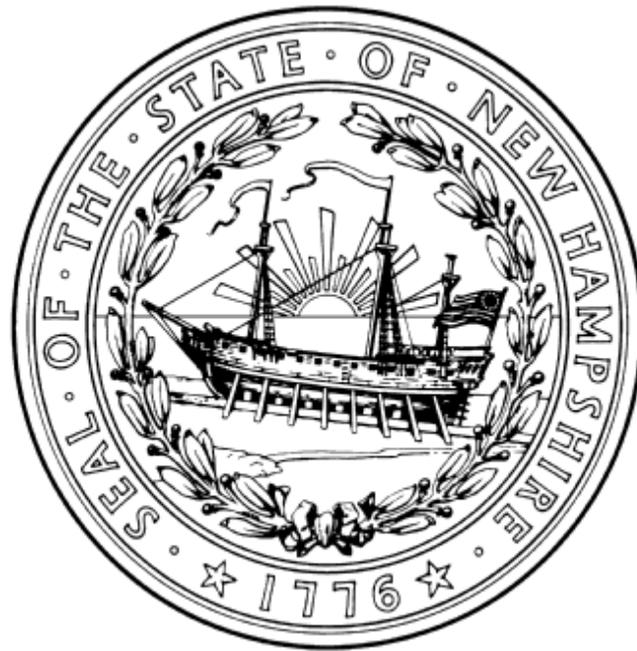
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.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

Bond Proceeds & Premiums Received	(297,881)	
Repayment of Bond Principal & Interest	88,252	
Bond Anticipation Note Repayment	50,000	
Accretion of Bonds Payable	(2,085)	
Accrued Interest & Amortization	<u>(6,514)</u>	(168,228)

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	6,699	
Other Postemployment Benefits	(107,702)	
Pollution Remediation Obligation	(1,568)	
Legal Contingency	(38,450)	
Change in Capital Lease Obligation	72	
SRF loan program	<u>100,619</u>	(40,330)

Change in net assets of governmental activities	<u><u>\$ (324,732)</u></u>
---	----------------------------



Proprietary Fund Financial Statements

Enterprise Funds:

Turnpike System: *The State constructs, maintains, and operates transportation toll facilities. The Turnpike System, presently consists of 90 .6 miles of limited access highway, 36 miles of which are part of the U.S. Interstate Highway System. The Turnpike System comprises a total of approximately 617 total lane miles. The Turnpike System primarily serves the major cities located in the central and eastern sections of southern New Hampshire. 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 are deposited in to the Liquor Commission Fund from which all expenses of the Commission are paid. Any excess funds of the Commission is transferred to the General Fund on a daily basis. 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 1,250 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 Compensation 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, 2011
(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.....	\$ 82,083	\$ 744	\$ 3,245		\$ 86,072	\$ 34,202
Cash and Cash Equivalents-Restricted.....	61,320			\$ 63,081	124,401	
Receivables (Net of Allowances for Uncollectibles)...	4,561	8,992	2,946		16,499	2,954
Other Receivables-Restricted.....				62,874	62,874	
Due from Other Funds.....	18	2,280	1,057		3,355	
Inventories.....	1,780	34,050	961		36,791	
Other Current Assets.....	109		132		241	
Total Current Assets.....	149,871	46,066	8,341	125,955	330,233	37,156
Noncurrent Assets:						
Bond Issue Costs.....	3,056				3,056	
Capital Assets:						
Land & Land Improvements.....	108,783	3,078			111,861	
Buildings & Building Improvements.....	6,994	23,508			30,502	
Equipment & Computer Software.....	37,372	5,034	518		42,924	
Construction in Progress.....	120,785				120,785	
Infrastructure.....	713,456				713,456	
Less: Allowance for Depreciation & Amortization.....	(290,724)	(17,207)	(476)		(308,407)	
Net Capital Assets.....	696,666	14,413	42		711,121	
Other Assets - Restricted.....			3,979		3,979	
Total Noncurrent Assets.....	699,722	14,413	4,021		718,156	
Total Assets.....	849,593	60,479	12,362	125,955	1,048,389	37,156
LIABILITIES						
Current Liabilities:						
Accounts Payable.....	6,926	38,354	2,966		48,246	170
Accrued Payroll.....	944	1,619	299		2,862	
Due to Other Funds.....		295			295	
Deferred Revenue.....	7,814	2,047	1,066		10,927	
Unclaimed Prizes.....			3,575		3,575	
Revenue Bonds Payable-Current.....	17,020				17,020	
Note Payable to Highway Fund.....	23,317				23,317	
Accrued Interest Payable.....	5,346				5,346	
Claims & Compensated Absences Payable.....	680	857	143		1,680	18,645
Other Liabilities.....	309	114		21,990	22,413	
Total Current Liabilities.....	62,356	43,286	8,049	21,990	135,681	18,815
Noncurrent Liabilities:						
Revenue Bonds Payable.....	344,420				344,420	
Note Payable to Highway Fund.....	52,461				52,461	
Claims & Compensated Absences Payable.....	2,387	2,894	349		5,630	
Other Noncurrent Liabilities.....	2,570	424			2,994	
Total Noncurrent Liabilities.....	401,838	3,318	349		405,505	
Total Liabilities.....	464,194	46,604	8,398	21,990	541,186	18,815
NET ASSETS						
Invested in Capital Assets, net of related debt.....	259,448	13,875	42		273,365	
Restricted for Debt Repayments.....	44,885				44,885	
Restricted for Construction.....	13,434				13,434	
Restricted for Uninsured Risks.....	3,001				3,001	
Restricted for Prize Awards - MUSL & Tri-State.....			3,979		3,979	
Restricted for Unemployment Benefits.....				103,965	103,965	
Unrestricted Net Assets (Deficit).....	64,631		(57)		64,574	18,341
Total Net Assets.....	\$ 385,399	\$ 13,875	\$ 3,964	\$ 103,965	\$ 507,203	\$ 18,341

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, 2011
 (Expressed in Thousands)

	Business-Type Activities - Enterprise Funds				Total	Governmental
	Turnpike System	Liquor Commission	Lottery Commission	Unemployment Compensation		Activities Internal Service Fund
OPERATING REVENUES						
Charges for Sales and Services.....		\$ 534,628	\$ 232,534	\$ 340,441	\$ 1,107,603	\$ 272,764
Toll Revenue Pledged for						
Repaying Revenue Bonds.....	\$118,688				118,688	
Total Operating Revenue.....	118,688	534,628	232,534	340,441	1,226,291	272,764
OPERATING EXPENSES						
Cost of Sales and Services.....		374,501	19,683		394,184	
Lottery Prize Awards.....			139,263		139,263	
Unemployment Insurance Benefits.....				284,773	284,773	
Insurance Claims.....						263,471
Administration.....	56,648	40,470	8,960		106,078	11,399
Depreciation.....	21,004	845	55		21,904	
Total Operating Expenses.....	77,652	415,816	167,961	284,773	946,202	274,870
Operating Income (Loss).....	41,036	118,812	64,573	55,668	280,089	(2,106)
NONOPERATING REVENUES (EXPENSES)						
Licenses.....		3,862			3,862	
Beer Taxes.....		12,748			12,748	
Investment Income.....	164		63	716	943	
Miscellaneous.....	3,421	5,287			8,708	
Intra-entity Aquisition of Capital Assets.....	(2,080)	2,080				
Interest on Bonds.....	(14,792)				(14,792)	
Amortization of Bond Issuance Costs.....	(228)				(228)	
Total Nonoperating Revenues (Expenses).....	(13,515)	23,977	63	716	11,241	
Income (Loss) Before Capital Grant Contributions	27,521	142,789	64,636	56,384	291,330	(2,106)
Capital Grant Contributions.....	31,505				31,505	
Income (Loss) Before Transfers.....	59,026	142,789	64,636	56,384	322,835	(2,106)
Transfers Out to Governmental Funds.....		(140,698)	(64,596)		(205,294)	
Change in Net Assets.....	59,026	2,091	40	56,384	117,541	(2,106)
Net Assets - July 1.....	326,373	11,784	3,924	47,581	389,662	20,447
Net Assets - June 30.....	\$385,399	\$ 13,875	\$ 3,964	\$ 103,965	\$ 507,203	\$ 18,341

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

STATE OF NEW HAMPSHIRE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Expressed in Thousands)

	Business-Type Activities - Enterprise Funds				Governmental Activities	
	Turnpike System	Liquor Commission	Lottery Commission	Unemployment Compensation	Total	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from federal and local agencies.....				\$ 124,346	\$ 124,346	
Receipts from customers.....	\$ 119,776	\$ 533,628	\$ 133,572	204,033	991,009	\$ 43,744
Receipts from interfund charges.....						228,358
Payments to employees.....	(16,998)	(23,495)	(2,906)		(43,399)	
Payments to suppliers.....	(42,409)	(390,781)	(11,335)		(444,525)	(11,266)
Payments to prize winners.....			(52,014)		(52,014)	
Payments for Insurance Claims.....				(283,836)	(283,836)	(262,932)
Payments for Interfund Services.....		(4,354)	(33)		(4,387)	
Net Cash Provided by (Used for) Operating Activities.....	60,369	114,998	67,284	44,543	287,194	(2,126)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers to Other Funds.....		(137,783)	(65,578)		(203,361)	
Proceeds from Loan Receipts.....				56,316	56,316	
Principal Paid on Loan.....				(56,316)	(56,316)	
Proceeds from Collection of Licenses and Beer Tax.....		1,610			1,610	
Net Cash Used for Noncapital and Related Financing Activities.....		(121,173)	(65,578)		(186,751)	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition, Disposal, Sale and Construction of Capital Assets.....	(70,369)	(883)			(71,252)	
Capital Grant Reimbursement.....	14,396				14,396	
Interest Paid on Bonds.....	(13,267)				(13,267)	
Principal Paid on Bonds.....	(17,384)				(17,384)	
Principal Paid on Notes.....	(15,349)				(15,349)	
Contributions from Other Funds.....	(2,082)	2,963			881	
Net Cash Provided by (Used for) Capital and Related Financing Activities.....	(104,055)	2,080	-		(101,975)	
CASH FLOWS FROM INVESTING ACTIVITIES						
Sale of Investments.....	139,670				139,670	
Purchase of Investments.....	(139,670)				(139,670)	
Interest and Other Income.....	622	2,719	64	716	4,121	
Net Cash Provided by Investing Activities.....	622	2,719	64	716	4,121	
Net Increase (Decrease) in Cash & Cash Equivalents.....	(43,064)	(1,376)	1,770	45,259	2,589	(2,126)
Cash and Cash Equivalents - July 1.....	186,467	2,120	1,475	17,822	207,884	36,328
Cash and Cash Equivalents - June 30.....	\$ 143,403	\$ 744	\$ 3,245	\$ 63,081	\$ 210,473	\$ 34,202

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

STATE OF NEW HAMPSHIRE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Expressed in Thousands)

	Business-Type Activities - Enterprise Funds					Governmental
	Turnpike System	Liquor Commission	Lottery Commission	Unemployment Compensation	Total	Activities Internal Service Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:						
Operating Income (Loss).....	\$ 41,036	\$ 18,812	\$ 64,573	\$ 55,668	\$ 280,089	\$ (2,106)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used for) Operating Activities:						
Depreciation.....	21,004	845	55		21,904	
Change in Operating Assets and Liabilities:						
Change in Receivables.....	749	(1,131)	(1,924)	(12,142)	(14,448)	(693)
Change in Inventories.....	(853)	(1,459)	(208)		(2,520)	
Change in Other Current Assets.....			46		46	
Change in Restricted Deposits-MUSL.....			(42)		(42)	
Change in Accounts Payable and Other Accruals.....	(1,906)	(2,200)	1,801	1,017	(1,288)	134
Change in Claims Payable.....			2,659		2,659	539
Change in Deferred Revenue.....	339	131	324		794	
Net Cash Provided by (Used In) Operating Activities.....	\$ 60,369	\$ 14,998	\$ 67,284	\$ 44,543	\$ 287,194	\$ (2,126)

Turnpike Non -Cash Capital and Related Financing Activities:

I93 Exit 13 Replacement Bridge

Transfer of Capital Asset - From Highway Fund
recorded at Net Carrying Cost \$ 13,788

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, 2011
(Expressed in Thousands)

	Pension Trust Funds	Private-purpose Trust Funds	Investment Trust Funds	Agency Funds
ASSETS				
Cash and Cash Equivalents.....	\$ 4,047	\$ 5,347		\$ 13,484
Receivables:				
Due from Employers.....	32,433			
Due from State.....	6,995			
Due from Plan Members.....	16,214			
Due from Brokers for Securities Sold.....	235,243			
Interest and Dividends.....	16,772			
Other	2,470		\$ 22	
Total Receivables.....	310,127		22	
Investments.....	5,891,391	15,082	236,094	1,559
Other Assets.....	176			
Total Assets.....	6,205,741	20,429	236,116	15,043
LIABILITIES				
Management Fees and Other Payables.....	8,072		27	
Due to Brokers for Securities Purchased.....	267,937			
Custodial Funds Payable.....				15,043
Other Liabilities.....			170	
Total Liabilities.....	276,009		197	15,043
Net Assets Held in Trust for Benefits & Other Purposes.....	\$ 5,929,732	\$ 20,429	\$ 235,919	\$ -

RECONCILIATION OF NET ASSETS HELD IN TRUST:

Employees' Pension Benefits.....	\$ 5,895,978			
Employees' Postemployment Healthcare Benefits.....	33,754			
Net Assets for Pool Participants in				
External Investment Pool.....			\$ 235,919	
Other Purposes.....		\$ 20,429		
Net Assets Held in Trust for Benefits & Other Purposes.....	\$ 5,929,732	\$ 20,429	\$ 235,919	

STATE OF NEW HAMPSHIRE
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Expressed in Thousands)

	Pension Trust Funds	Private-purpose Trust Funds	Investment Trust Funds
ADDITIONS			
Contributions:			
Employer	\$ 265,119		
State Contributions on Behalf of Local Employers	44,269		
Total Employer Contributions	309,388		
Plan Members	153,030		
From Participants		\$ 28,020	\$ 273,363
Total Contributions	462,418	28,020	273,363
Investment Income:			
From Investing Activities:			
Net Appreciation in Fair Value of Investments	1,018,375	287	
Interest Income	50,814	379	
Dividends	67,296		
Alternative Investment Loss	(9)		
Commercial Real Estate Operating Income	17,328		
Net Increase in Joint Value from Investment Income			457
Total Income from Investing Activities	1,153,804	666	457
Less: Investment Activity Expenses:			
Investment Management Fees	17,186		
Custodial Fees	456		
Investment Advisor Fees	812		
Total Investment Activity Expenses	18,454		
Total Net Income from Investing Activities	1,135,350	666	457
From Securities Lending Activities:			
Security Lending Income	414		
Less: Security Lending Borrower (Premiums) Rebates	(2)		
Less: Security Lending Management Fees	83		
Net Income from Securities Lending Activities	333		
Total Net Investment Income	1,135,683	666	457
Other	13,521		
Total Additions	1,611,622	28,686	273,820
DEDUCTIONS			
Benefits/Distributions to Participants	584,285	15,848	457
Refunds of Contributions	22,830		
Administrative Expense	7,604		
Professional Fees	1,438		
Other	750	13,077	323,593
Total Deductions	616,907	28,925	324,050
Change in Net Assets	994,715	(239)	(50,230)
NET ASSETS HELD IN TRUST FOR BENEFITS & OTHER PURPOSES			
Beginning of the Year	4,935,017	20,668	286,149
End of the Year	\$ 5,929,732	\$ 20,429	\$ 235,919

Component Units Financial Statements

STATE OF NEW HAMPSHIRE
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Expressed in Thousands)

	University System of New Hampshire	Non-Major Component Units	Total
ASSETS			
Current Assets:			
Cash, Cash Equivalents, and Operating Investments.....	\$ 294,513	\$ 39,395	\$ 333,908
Accounts Receivable.....	45,244	5,906	51,150
Other Receivables.....		1,018	1,018
Notes Receivable - Current Portion.....	3,951	8,157	12,108
Prepaid Expenses & Other.....	6,538	754	7,292
Total Current Assets.....	350,246	55,230	405,476
Noncurrent Assets:			
Investments.....	381,713	19,662	401,375
Notes & Other Receivables.....	20,763	19,435	40,198
Other Assets.....	26,499	1,130	27,629
Capital Assets:			
Land & Land Improvements.....	12,397	5,090	17,487
Building & Building Improvements.....	1,377,185	149,999	1,527,184
Equipment.....	94,633	11,155	105,788
Construction in Progress.....	37,735	1,988	39,723
Less: Accumulated Depreciation.....	(591,031)	(69,051)	(660,082)
Net Capital Assets.....	930,919	99,181	1,030,100
Total Noncurrent Assets.....	1,359,894	139,408	1,499,302
Total Assets.....	1,710,140	194,638	1,904,778
LIABILITIES			
Current Liabilities:			
Accounts Payable.....	59,976	751	60,727
Accrued Salaries and Wages.....		5,744	5,744
Accrued Employee Benefits - Current.....	8,917	5,159	14,076
Other Payables & Accrued Expenses.....		8,578	8,578
Other Liabilities-Restricted.....		1,962	1,962
Deposits and Deferred Revenues.....	42,049	7,245	49,294
Due to Primary Government - Current Portion.....		4,149	4,149
Long Term Debt - Current Portion.....	96,370	2,253	98,623
Total Current Liabilities.....	207,312	35,841	243,153
Noncurrent Liabilities:			
Revenue Bonds Payable.....	364,102		364,102
Accrued Employee Benefits.....	32,541		32,541
Postemployment Medical Benefits.....	52,535		52,535
Due to Primary Government.....		3,070	3,070
Other Long Term Debt.....	43,563	44,592	88,155
Total Noncurrent Liabilities.....	492,741	47,662	540,403
Total Liabilities.....	700,053	83,503	783,556
NET ASSETS			
Invested in Capital Assets, Net of Related Debt.....	492,675	72,068	564,743
Restricted for Endowments.....	308,716		308,716
Restricted for Specific Purposes.....		12,693	12,693
Unrestricted Net Assets.....	208,696	26,374	235,070
Total Net Assets.....	\$ 1,010,087	\$ 111,135	\$ 1,121,222

STATE OF NEW HAMPSHIRE
 COMBINING STATEMENT OF ACTIVITIES
 COMPONENT UNITS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011
 (Expressed in Thousands)

	University System of New Hampshire	Non-Major Component Units	Total
Expenses	\$ 762,810	\$ 170,448	\$ 933,258
Program Revenues:			
Charges for Services:			
Tuition & Fees.....	390,917	56,473	447,390
Student Financial Aid.....	(120,708)		(120,708)
Sales, Services, & Other Revenue.....	226,619	26,922	253,541
Operating Grants & Contributions.....	239,488	45,539	285,027
Capital Grants & Contributions.....	7,022		7,022
Total Program Revenues.....	<u>743,338</u>	<u>128,934</u>	<u>872,272</u>
Net Expenses.....	<u>(19,472)</u>	<u>(41,514)</u>	<u>(60,986)</u>
Interest & Investment Income.....	9,726	5,935	15,661
Payments from State of New Hampshire.....	122,907	37,736	160,643
Change in Net Assets.....	<u>113,161</u>	<u>2,157</u>	<u>115,318</u>
Net Assets - Beginning	896,926	108,978	1,005,904
(Restated Beginning Net Assets-See Note 18).....			
Net Assets - Ending	<u>\$ 1,010,087</u>	<u>\$ 111,135</u>	<u>\$ 1,121,222</u>

Notes to the Basic Financial Statements

1. Summary of Significant Accounting Policies	
A. Reporting Entity.....	47
B. Government-Wide and Fund Financial Statements.....	48
C. Measurement Focus, Basis of Accounting and Financial Statement Presentation.....	49
D. Cash Equivalents.....	50
E. Investments.....	50
F. Receivables.....	50
G. Inventories.....	50
H. Capital Assets.....	50
I. Deferred Revenue.....	50
J. Compensated Absences.....	50
K. Fund Balances.....	50
L. Bond Discounts, Premiums, and Issuance Costs.....	51
M. Revenues and Expenditures/Expenses.....	51
N. Interfund Activity and Balances.....	51
O. Encumbrances and Capital Projects.....	51
P. Budget Control and Reporting.....	51
Q. Use of Estimates.....	52
R. Adoption of New Accounting Pronouncements	52
2. Cash, Cash Equivalents, and Investments.....	53
3. Receivables.....	59
4. Capital Assets.....	60
5. Long-Term Debt.....	61
6. Risk Management and Insurance.....	64
7. Interfund Receivables and Payables.....	65
8. Interfund Transfers.....	65
9. Fund Balance (Deficit) and Contractual Commitments.....	66
10. Employee Benefit Plans.....	66
11. Contingent and Limited Liabilities.....	69
12. Lease Commitments.....	70
13. Litigation.....	70
14. Governmental Fund Balances and Stabilization Account.....	73
15. Highway.....	74
16. Joint Ventures-Lottery Commission.....	74
17. Transactions Among Related Funds and Activities.....	75
18. Restatement of June 30, 2010 Component Unit Net Assets.....	75
19. Subsequent Events.....	75

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

For financial reporting purposes, the State's reporting entity includes all funds, organizations, agencies, boards, commissions, authorities and all component units for which the state is financially accountable. There are no other organizations for which the nature and significance of their relationship with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. The criteria to be considered in determining financial accountability include whether the State, as the primary government, has appointed a voting majority of an organization's governing body and (1) has the ability to impose its will on that organization or (2) there is potential for the organization to provide specific financial benefits to or impose specific financial burdens on the State. Financial accountability also exists if an organization is determined to be fiscally dependent on the primary government, although the primary government does not appoint a voting majority of the organization's governing board.

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

Discrete Component Units:

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

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

Major Component Unit

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

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

Non-major Component Units

Business Finance Authority of the State of New Hampshire - The Business Finance Authority (BFA) is a body corporate and politic with a governing board of fourteen members. The board consists of nine members appointed by the Governor with the consent of the Executive Council. The remaining members include two state Representatives, two Senators, and the State Treasurer. The state currently guarantees outstanding loans and principal on bonds of the BFA as of June 30, 2011, which creates the potential for the BFA to impose a financial burden on the State. BFA's financials can be obtained by contacting the BFA at 2 Pillsbury Street, Suite 201, Concord, NH 03301.

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

Pease Development Authority - The Pease Development Authority (PDA) is a body corporate and politic with a governing body of seven members. Four members are appointed by the Governor and state legislative leadership, and three members are appointed by the city of Portsmouth and the town of Newington. The state currently guarantees outstanding loans and principal on bonds of the PDA and has issued bonds on behalf of the PDA as of June 30, 2011, which creates the potential for the PDA to impose a financial burden on the State. In addition, the State has made several loans to the PDA. PDA's financials can be obtained by contacting PDA at 55 International Drive, Portsmouth, NH 03801.

The Community College System of New Hampshire (CCSNH)

The CCSNH was established under Chapter 361, Laws of 2007 (effective date July 17, 2007), as a body politic and corporate, whose main purpose is to provide a well-coordinated system of public community college education. The CCSNH includes colleges in Berlin, Claremont, Concord, Laconia, Manchester, Nashua and Stratham/Portsmouth. It is governed by a single board of trustees with 19 voting members appointed by the Governor and Executive Council. The CCSNH funds its operations through tuition, room and board, fees, grants, legacies and gifts, and state appropriations. The CCSNH prepares a biennial operating budget for presentation to the Governor and the General Court. The CCSNH continues to use the financial and administrative services of the State Treasurer and State Department of Administrative Services. The CCSNH pays the Primary Government \$1.0 million per fiscal year for these services.

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 consist of the Pension Trust Funds, which represent the assets and liabilities of the following:

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

The System is administered by a 14 member board of Trustees on which the State does not represent a voting majority. The Board has all the powers of a corporation and is fiduciarily responsible for the system's assets and directs the investment of those assets through an independent investment committee, reviews actuarial assumptions and valuations from which the employer contribution rates are certified by the board, and generally supervises the operations of the System.

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

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

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

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

These component units are presented along with other fiduciary funds of the State, and have been omitted from the State's government-wide financial statements.

Related Organizations:

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

Those organizations are:

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**Government-Wide Financial Statements**

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

The *Statement of Net Assets* presents the reporting entity's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets invested in capital assets, net of related debt includes capital assets net of accumulated depreciation, and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Net assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net assets.

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

Fund Financial Statements

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

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

Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the state generally considers revenues to be available if they are collected within 60 days after year end. An exception to this policy is federal grant revenue, which generally is considered to be available if collection is expected within 12 months after year end. Taxes, grants, licenses and fees associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to debt service and other long-term obligations including compensated absences, other post-employment benefits, pollution remediation obligations and claims and judgments are recorded only when payment is due.

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

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

Financial Statement Presentation

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

The State reports the following major governmental funds:

General Fund: The General Fund is the State's primary

operating fund and accounts for all financial transactions not accounted for in any other fund.

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

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

The state reports the following major enterprise funds:

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

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

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

The *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 Funds - report resources that are required to be held in trusts for the members and beneficiaries of the State's contributory defined benefit plans, and post employment benefit plan. The New Hampshire Retirement System and The New Hampshire Judicial Retirement Plan are component units of the State.

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

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

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

Reporting Periods

The accompanying financial statements of the state are presented as of June 30, 2011, and for the year then ended, except for the New Hampshire Judicial Retirement Plan which is as of December 31, 2010.

D. CASH EQUIVALENTS

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

E. INVESTMENTS

Investments are reported at fair value except for investments of the investment trust fund, which are reported at net amortized cost.

F. RECEIVABLES

Receivables in the government-wide financial statements represent amounts due to the State at June 30, recorded as revenue, which will be collected sometime in the future and consist primarily of accrued taxes and federal grants receivable. In the governmental fund financial statements, taxes receivable are primarily taxpayer-assessed revenues where the underlying exchange has occurred in the period ending June 30 or prior, and for federal grants, which reimburse the State for expenditures incurred pursuant to federally funded programs. Tax and grant revenues are susceptible to accrual in accordance with measurable and available criteria under the modified accrual basis of accounting.

G. INVENTORIES

Inventories for materials and supplies are determined by physical count. Both the Lottery and Liquor Commissions use the lower of cost or market to value their inventories. Lottery uses the first-in, first-out method and Liquor uses the average cost method. All other inventories in the governmental and proprietary funds are stated at average cost.

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

H. CAPITAL ASSETS

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

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

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

Equipment	5 years
Buildings	40 years

Building improvements	20 years
Infrastructure	50 years
Computer software	5 years

I. DEFERRED REVENUE

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

J. COMPENSATED ABSENCES

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

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

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

K. FUND BALANCES

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

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

L. BOND DISCOUNTS, PREMIUMS, AND ISSUANCE COSTS

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

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

M. REVENUES AND EXPENDITURES/EXPENSES

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

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the State's general policy to use restricted resources first. In the governmental funds, when expenditures are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the State's general policy to spend committed resources first followed by assigned and unassigned resources, respectively.

In the governmental fund financial statements, expenditures are reported by character: "Current", "Debt Service" or "Capital Outlay." Current expenditures are subclassified by function and are for items such as salaries, grants, supplies and services. Debt service includes both interest and principal outlays related to bonds. Capital outlay includes expenditures for equipment, real property or infrastructure including the Highway Fund's capital outlays for the 10-year state capital highway construction program.

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

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

Reimbursements - Various departments charge fees on a user basis for such services as centralized data processing,

accounting and auditing, purchasing, personnel, and maintenance and telecommunications. These transactions, when material, have been eliminated in the government-wide and governmental fund financial statements.

N. INTERFUND ACTIVITY AND BALANCES

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

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

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

O. ENCUMBRANCES AND CAPITAL PROJECTS

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

The state records the resources obtained and used for the acquisition, construction, or improvement of certain capital facilities in the Highway Fund and the Capital Projects Fund.

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

P. BUDGET CONTROL AND REPORTING

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

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

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

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

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

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

Q. USE OF ESTIMATES

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

R. ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS

For the fiscal year ended June 30, 2011, the State implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB Statement 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The new hierarchical fund balance classification is based primarily upon the extent to which a government is bound to follow constraints on resources in governmental funds and includes the terms: *nonspendable, committed, restricted, assigned, and unassigned*. The effect of implementation of GASB Statement 54 on the State's financial statements was limited to the use of the new fund balance classifications. Implementation did not result in a change in beginning fund balances nor did it affect the types of governmental funds reported by the State.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

PRIMARY GOVERNMENT

The State pools cash and investments except for separate cash and investment accounts maintained in accordance with legal restrictions. Each fund's equity share of the total pooled cash and investments and restricted assets is included on the statement of financial position under the captions "Cash and Cash Equivalents" and "Investments". Cash and investments of the New Hampshire Retirement System and the New Hampshire Judicial Retirement Plan are excluded from this footnote and can be obtained from their respective audited financial statements.

DEPOSITS:

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

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

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

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

Section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act provides temporary unlimited deposit insurance coverage for noninterest-bearing transaction accounts at all FDIC-insured depository institutions. The provisions are effective from December 31, 2010 to December 31, 2012. Therefore, a large portion of State deposits are insured at June 30, 2011.

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, 2011, the State's carrying value for deposits was \$615.1 million. The table below details the state's bank balances at June 30, 2011 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	\$ 308,110	\$ 167,995	-	\$ 5,921	\$ 3,263	\$ -
Money Market	-	61,077	\$ 96,685	-	-	7,817
Savings Accounts	240	-	-	8	3,081	649
CDs	500	5,002	5,587	-	-	54
Total	\$ 308,850	\$ 234,074	\$ 102,272	\$ 5,929	\$ 6,344	\$ 8,520

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, 2011, the State had the following types of investments:

(Fair values in thousands)		
Investment Type	Governmental & Business Type	Fiduciary
Stocks	\$ 19,960	
Corporate Bonds	967	
US Treasury	448	
US Government Agencies	64,252	
Municipal Bonds	80	
Equity Open Ended Mutual Funds	5,716	\$ 5,272
Fixed Income Open Ended Mutual Funds	2,856	11,242
Unemployment Compensation External Pool (special issue bonds guaranteed by US government)	64,297	
NH Public Deposit Investment Pool (internal investment held by Treasury)	501	
NH Public Deposit Investment Pool (Internal investment held by NHH patient agency fund)		127
External Portion of NH Public Deposit Investment Pool		236,094
Totals	\$ 159,077	\$ 252,735

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	\$ 386,190	\$ 19,261	\$ 285,606	\$ 69,135	\$ 760,192
Per Statement of Fiduciary Net Assets	Private Purpose	5,347	15,082			20,429
	Investment Trust		236,094			236,094
	Agency Funds	13,484	1,559			15,043
	Total per Financial Statements	\$ 405,021	\$ 271,996	\$ 285,606	\$ 69,135	\$ 1,031,758
				Per Footnote		
				Cash On Hand		\$ 4,785
				Carrying Amount of Deposits		615,161
				Investments		411,812
				Total Per Footnote		\$ 1,031,758

Repurchase Agreements:

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

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

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

As of June 30, 2011, the State did not have any repurchase agreements outstanding.

Stocks:

The State's policy relative to operating funds and mitigation of concentration of credit risk does not permit investing in stocks. Although not issuer specific, individual investment guidelines for trust and custodial funds include overall asset allocation limits that are consistent with sound investment principles and practices. There is no concentration, custodial or credit risk to the State for amounts held in the State's abandoned property program.

Concentration Risk: The risk of loss attributed to the magnitude of the State's investment in a single issuer. The top 10 issuers as of June 30, 2011 are noted below (expressed in thousands):

Name / Issuer	Governmental Activities			
	Aband. Property	Permanent Funds	Total	% of Total
Metlife Inc Com	\$ 4,970		\$ 4,970	24.9%
Manulife Finl Corp	1,144		1,144	5.7%
Prudential Finl Inc	1,105		1,105	5.5%
Thermo Fisher Scientific Inc	835	\$ 23	858	4.3%
A T & T Inc	781	43	824	4.1%
Vodafone Grp Plc Sp Adr	648		648	3.2%
Verizon Communications Inc	319	16	335	1.7%
Exxon Mobil Corp	202	99	301	1.5%
Alcatel-Lucent / France Adr	263		263	1.3%
General Electric Co	210	34	244	1.2%

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

New Hampshire Public Deposit Investment Pool (NHPDIP):

The NHPDIP was established, in accordance with RSA 383:22-24, for the purpose of investing funds of the State of New Hampshire, funds under the custody of all governmental units, pooled risk management programs established pursuant to RSA 5-B, agencies, authorities, commissions, boards, political subdivisions, and all other public units within, or instrumentalities of the State of New Hampshire. In accordance with GAAP, the external portion of the NHPDIP is reported as an investment trust fund in the Fiduciary Funds using the economic resources measurement focus and accrual basis of accounting. NHPDIP's investment detail and audited financial statements can be obtained by visiting www.nhpdip.com or contacting the Client Services Team at 1-800-395-5505.

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

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

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

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

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

Debt Securities (continued):

The State's exposed risks at June 30, 2011 are noted below (expressed in thousands):

Type	Governmental & Business Type			Fiduciary		
	Credit Risk		Interest Rate Risk	Credit Risk		Interest Rate Risk
	Investment Grade	Unrated	WAM in years	Investment Grade	Unrated	WAM in years
Corporate Bonds	\$ 967	-	3.7	-	-	-
US Treasury	448	-	3.4	-	-	-
US Government Agencies	64,252	-	0.9	-	-	-
Fixed Income Open Ended Mutual Funds	-	\$ 2,856	6.1	-	\$ 11,242	5.4
Municipal Bonds	80	-	7.7	-	-	-
Unemployment Compensation Fund Pool (special issue bonds guaranteed by US govt)	-	64,297	1.00	-	-	-

Concentration Risk:

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

The State's top ten corporate issuers at June 30, 2011 are listed below (expressed in thousands):

Issuer	Governmental & Business Type	
	Fair Value	% of Total
AT&T Inc	\$ 112	11.6%
Conocophillips	110	11.4%
IBM Intl Group	106	11.0%
BB&T Corp	105	10.9%
Morgan Stanley	104	10.8%
National Rural Utils Coop FI	103	10.7%
Bank of America Corp	101	10.4%
Illinois Tool Works	55	5.7%
E I Du Pont De Nemours	55	5.7%
Bank New York Inc	52	5.3%

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

Cash and Cash Equivalents (expressed in thousands):

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

	2011
Cash & Repurchase agreements.....	\$ 8,337
Money Market Funds.....	62,228
Other Mutual Funds.....	202,255
Total Cash & Cash Equivalents.....	<u>\$ 272,820</u>

Included in the cash and repurchase agreements balances at June 30, 2011 were \$10,137 in repurchase agreements, \$4,601 in cash and a net cash overdraft of \$6,401. Repurchase agreements were limited to overnight investments only.

Investments (expressed in thousands):

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

Operating Investments

Unlike the long-term operating investments discussed below, operating investments included in current assets, are amounts invested to meet regular operations of USNH and include obligations of the U.S. Government, commercial paper, and money market and other mutual funds. 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, 2011 are summarized below (expressed in thousands):

	Balance	Weighted Average Maturity
Obligations of the U.S. Government.....	\$ 2,500	6 years
Corporate Bonds & Notes.....		Not Applicable
Cash and Cash Equivalents.....	18,379	Not Applicable
Money Market and other Mutual Funds.....	754	Not Applicable
Other Accounts.....	60	Not Applicable
Total:.....	<u>\$ 21,693</u>	

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

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

Debt Proceeds Held By Others for Construction Purposes:

At June 30, 2011 total debt proceeds held by others included \$7,608 of construction proceeds held by the bond trustee.

Debt proceeds held by others for construction purposes consisted of the following investments at June 30, 2011 (expressed in thousands):

	Balance	Weighted Average Maturity
Cash.....	\$ 7,137	
Money market funds.....	471	Not Applicable
Total Debt proceeds held by others.....	<u>\$ 7,608</u>	
Long-term portion.....	<u>\$ 7,608</u>	

Long-term operating investments represent unrestricted amounts invested alongside the campuses' endowment pool which are not expected to be liquidated in the next year, but which are available for operations if needed. The balance of long-term operating investments at June 30, 2011 was \$6,594. 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, 2011 (expressed in thousands):

Money Market Funds.....	\$ 14,567
Mutual Funds-Bonds.....	34,762
Mutual Funds-Stocks.....	82,167
US Government obligations.....	3,565
Corporate Bonds and Notes.....	214
Common/Preferred Stocks.....	19,264
Alternative Investments.....	200,351
Investments Held by Others.....	19,214
Operating amounts invested alongside endowment pool.....	(6,593)
Total endowment and similar investments.....	<u>\$ 367,511</u>

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

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

3. RECEIVABLES

The following is a breakdown of receivables at June 30, 2011 (expressed in thousands):

	Governmental	Business- Type	Total	Major Component Unit
Short Term Receivables				
Taxes:				
Meals and Rooms.....	\$ 27,018		\$ 27,018	
Business Taxes.....	190,891		190,891	
Tobacco.....	9,401		9,401	
Real Estate Transfer.....	9,594		9,594	
Interest & Dividends.....	22,468		22,468	
Communications.....	6,889		6,889	
Nursing Facility Assessments.....	6,464		6,464	
Utility Property Tax.....	14,000		14,000	
Gasoline Road Toll.....	10,328		10,328	
Beer.....		\$ 1,345	1,345	
Subtotal.....	297,053	1,345	298,398	
Other Receivables:				
Turnpike System.....		4,561	4,561	
Liquor Commission.....		7,647	7,647	
Lottery Commission.....		2,946	2,946	
Unemployment Trust Fund.....		73,915	73,915	
Internal Service Fund.....	2,954		2,954	
Board and Care.....	2,066		2,066	
Federal Grants.....	223,413		223,413	\$ 25,152
Local Grants.....	8,240		8,240	
Miscellaneous.....	81,557		81,557	23,886
Short Term Portion Of State Revolving Loan Fund.....	19,929		19,929	
Short Term Portion Of Note/Pledge Receivable.....				3,951
Subtotal.....	338,159	89,069	427,228	52,989
Total Current Receivables (Gross).....	635,212	90,414	725,626	52,989
Long Term Receivables				
State Revolving Loan Fund.....	374,945		374,945	
Miscellaneous.....	7,767		7,767	
Note/Pledge Receivable.....				20,763
Total Long Term Receivables (Gross).....	382,712		382,712	20,763
Allowance for Doubtful Accounts	(93,697)	(11,041)	(104,738)	(3,794)
Total Receivables (Net).....	\$ 924,227	\$ 79,373	\$ 1,003,600	\$ 69,958

State Revolving Loan Fund:

Primary Government: As of June 30, 2011, total water pollution control loans outstanding of \$394.9 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 includes University System of New Hampshire Perkins Loans, pledges and other college and university loans of \$24.7 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, 2011, the various components of deferred revenue (\$712.0 million) reported in the governmental funds were as follows:

	Unavailable	Unearned	Total
Taxes & Fees receivable.....	\$ 135,863		\$ 135,863
Loans receivable.....	476,635		476,635
Federal/Local receivables.....	6,633		6,633
Receipts in advance of eligibility requirements.....		\$ 92,885	92,885
Total.....	\$ 619,131	\$ 92,885	\$ 712,016

4. CAPITAL ASSETS

Capital Asset activity for the year ended June 30, 2011, was as follows (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets not being depreciated:				
Land & Land Improvements.....	\$ 501,757	\$ 19,418	\$ (5,075)	\$ 516,100
Construction in Progress	207,202	97,135	(64,960)	239,377
Work in Progress Computer Software.....	31,727	1,030	(10,727)	22,030
Total Capital Assets not being depreciated.....	740,686	117,583	(80,762)	777,507
Other Capital Assets:				
Equipment & Computer Software.....	257,765	28,699	(9,767)	276,697
Buildings & Building Improvements	765,436	54,267	(5,606)	814,097
Land Improvements.....	98,972	3,803		102,775
Infrastructure.....	3,036,173	36,189	(39,815)	3,032,547
Total Other Capital Assets	4,158,346	122,958	(55,188)	4,226,116
Less accumulated depreciation for:				
Equipment & Computer Software.....	(200,308)	(29,890)	9,663	(220,535)
Buildings & Building Improvements	(341,202)	(22,521)	3,449	(360,274)
Land Improvements.....	(86,583)	(2,180)		(88,763)
Infrastructure.....	(1,783,589)	(45,458)	12,384	(1,816,663)
Total Accumulated Depreciation.....	(2,411,682)	(100,049)	25,496	(2,486,235)
Other Capital Assets, Net.....	1,746,664	22,909	(29,692)	1,739,881
Governmental Activities Capital Assets, Net.....	\$ 2,487,350	\$ 140,492	\$ (110,454)	\$ 2,517,388
Business-Type Activities:				
Turnpike:				
Capital Assets not being depreciated:				
Land & Land Improvements.....	\$ 108,751	\$ 35	\$ (3)	\$ 108,783
Construction in Progress.....	76,758	71,933	(27,906)	120,785
Capital Assets not being depreciated	185,509	71,968	(27,909)	229,568
Other Capital Assets:				
Equipment.....	37,167	1,199	(994)	37,372
Buildings & Building Improvements.....	4,831	2,163		6,994
Infrastructure.....	671,146	42,623	(313)	713,456
Total Capital Assets	898,653	117,953	(29,216)	987,390
Less accumulated depreciation for:				
Equipment.....	(26,545)	(3,209)	993	(28,761)
Buildings & Building Improvements.....	(2,964)	(237)	23	(3,178)
Infrastructure.....	(241,299)	(17,581)	95	(258,785)
Total Accumulated Depreciation.....	(270,808)	(21,027)	1,111	(290,724)
Turnpike Capital Assets, Net.....	\$ 627,845	\$ 96,926	\$ (28,105)	\$ 696,666
Liquor:				
Capital Assets not being depreciated:				
Land & Land Improvements.....	\$ 2,077	\$ 3		\$ 2,080
Other Capital Assets:				
Equipment.....	5,342	234	\$ (542)	5,034
Buildings & Building Improvements.....	20,515	3,000	(7)	23,508
Land Improvements.....	998			998
Total Capital Assets	28,932	3,237	(549)	31,620
Less accumulated depreciation for:				
Equipment.....	(4,766)	(266)	543	(4,489)
Buildings & Building Improvements.....	(11,453)	(558)	5	(12,006)
Land Improvements.....	(691)	(21)		(712)
Total Accumulated Depreciation.....	(16,910)	(845)	548	(17,207)
Liquor Capital Assets, Net.....	\$ 12,022	\$ 2,392	\$ (1)	\$ 14,413
Lottery Commission:				
Equipment.....	\$ 518			\$ 518
Less Accumulated Depreciation for Equipment.....	(421)	\$ (55)		(476)
Lottery's Capital Assets, Net.....	\$ 97	\$ (55)	\$ -	\$ 42

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

Governmental Activities:	
General Government	\$ 11,413
Administration of Justice and Public Protection	15,294
Resource Protection and Development	5,068
Transportation	59,911
Health and Social Services	3,615
Education	4,748
Total Governmental Activities Depreciation Expense	\$ 100,049

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		Deletions	Ending
	Balance	Additions		Balance
Land and Land Improvements.....	\$ 12,212	\$ 185		\$ 12,397
Building and Building Improvements.....	1,324,096	53,815	\$ (726)	1,377,185
Equipment.....	123,769	11,912	(41,048)	94,633
Construction in Progress.....	56,077	(18,342)		37,735
Subtotal.....	\$1,516,154	\$ 47,570	\$ (41,774)	\$1,521,950
Less: Accumulated Depreciation.....	(580,661)	(50,730)	40,360	(591,031)
Total.....	\$ 935,493	\$ (3,160)	\$ (1,414)	\$ 930,919

5. LONG TERM-DEBT

PRIMARY GOVERNMENT

Bonds Authorized and Unissued: Bonds authorized and unissued amounted to \$517.0 million at June 30, 2011. The proceeds of the bonds will be applied to the following funds when issued (expressed in millions):

Capital Projects Fund.....	\$ 136.0
Federal Highway/Garvees.....	160.0
Turnpike System.....	221.0
Total.....	\$ 517.0

Turnpike System: The Legislature has established a 10-year highway construction and reconstruction plan for the Turnpike System to be funded from Turnpike revenues. This legislation also authorized the Treasurer with the approval of the Governor and Executive Council to issue up to \$766 million of bonds to support this project. The State has issued \$545 million of revenue bonds for these projects.

Bond Issues:

On July 27, 2010 the State issued \$45.0 million of general obligation refunding bonds. The maturity dates on these serial bonds range from 2013 through 2020. These bonds were used to current and advance refund \$48.4 million of general obligation debt maturing in fiscal 2011. Debt service on the refunded bonds totaled \$50.0 million; new debt service on the refunding bonds total \$56.7 million over ten years resulting in an economic loss of \$0.8 million. The refunding bonds were issued in order to provide budgetary savings in FY 2011 as part of the State's overall plan to balance the FY 2011 budget.

On September 2, 2010, the State issued \$90.0 million in tax exempt general obligation bonds with maturity dates ranging from 2012 to 2020 with 5% coupon rates. The sale resulted in a \$17.0 million premium that will be used for authorized capital purposes. Of the \$107.0 million in proceeds, \$91.2 million was used to fund school building aid payments, which had partially been funded with \$50 million in bond anticipation notes. Accordingly, the \$50.0 million in bond anticipation notes outstanding was paid from the \$107.0 million in tax exempt proceeds. Also on September 2, 2010, the State issued \$60.0 million in taxable Build America Bonds with maturity dates ranging from 2021 to 2030 and coupon rates from 3.5% to 4.5%. The proceeds were used to fund a number of capital projects. The federal government will provide subsidy payments of 35% of the interest on these bonds.

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

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

Date of Advance Refunding	Amount
	Outstanding at June 30, 2011
Governmental Fund Types (General Obligation Bonds):	
December, 2006.....	\$ 50,360
April 8, 2010.....	147,505
Subtotal.....	\$ 197,865

Bond Issues Continued:

On November 18, 2010, the State issued \$80.0 million in taxable Federal Highway Grant Anticipation Bonds. The State will use the 2010 Bond proceeds to fund segments of the I-93 Project. Of the amount, \$20.0 million was issued as Build America Bonds with maturity dates ranging from 2020 to 2022 and coupon rates from 3.9% to 4.3%. The federal government will provide subsidy payments of 35% of the interest on these bonds. In addition, \$60.0 million was issued as Recovery Zone Economic Development Bonds with maturity dates ranging from 2022 to 2025 and coupon rates from 4.3% to 4.9%. The federal government will provide subsidy payments of 45% of the interest on these bonds.

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

Governmental Activities	Beginning Balance	Accretion	Increases	Decreases	Ending Balance	Current	Long-Term
General Obligation Bonds Payable.....	\$ 859,400	\$ 2,085	\$ 217,882	\$ 91,959	\$ 987,408	\$ 87,727	\$ 899,681
Federal Highway Grant Anticipation Bonds.			80,000		80,000		80,000
Bond Anticipation Notes.....	50,000			50,000			
Compensated Absences.....	81,674		57,970	62,675	76,969	22,958	54,011
Claims Payable.....	42,406		257,455	258,910	40,951	24,090	16,861
Other Postemployment Benefits.....	450,602		177,140	69,438	558,304		558,304
Pollution Remediation Obligation.....	29,504		3,721	2,153	31,072	1,331	29,741
Capital Lease.....	3,377		626	698	3,305	721	2,584
Legal Contingency (See Footnote 13).....	950		39,400	950	39,400	12,900	26,500
Total Governmental.....	\$ 1,517,913	\$ 2,085	\$ 834,194	\$ 536,783	\$ 1,817,409	\$ 149,727	\$ 1,667,682
Business-Type Activities							
Turnpike System							
General Obligation Bonds.....	\$ 584			\$ 584			
Revenue Bonds.....	378,240			16,800	\$ 361,440	\$ 17,020	\$ 344,420
Note Payable.....	91,127			15,349	75,778	23,317	52,461
Pollution Remediation Obligation.....	2,579		\$ 471	171	2,879	309	2,570
Claims & Compensated Absences Payable.	3,003		1,314	1,250	3,067	680	2,387
Total.....	\$ 475,533		\$ 1,785	\$ 34,154	\$ 443,164	\$ 41,326	\$ 401,838
Liquor Commission							
Capital Lease.....	\$ 237		\$ 434	\$ 133	\$ 538	\$ 114	\$ 424
Claims & Compensated Absences Payable.	3,968		1,751	1,968	3,751	857	2,894
Total.....	\$ 4,205		\$ 2,185	\$ 2,101	\$ 4,289	\$ 971	\$ 3,318
Lottery Commission							
Claims & Compensated Absences Payable.	\$ 512		\$ 342	\$ 362	\$ 492	\$ 143	\$ 349
Total.....	\$ 512		\$ 342	\$ 362	\$ 492	\$ 143	\$ 349
Total Business-Type.....	\$ 480,250		\$ 4,312	\$ 36,617	\$ 447,945	\$ 42,440	\$ 405,505

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

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. On September 9, 2010, \$50.0 million of bond anticipation notes were paid from the proceeds of the September 2, 2010 bond issue. As of June 30, 2011, the State had no bond anticipated notes outstanding.

Capital Appreciation Bonds: Six of the State's general obligation capital improvement bonds issued since November 1991 represent capital appreciation bonds (College Savings Bond Program) with interest being accrued and compounded semiannually. The initial issue in this group had its final maturity in fiscal 2011 leaving only five capital appreciation bonds outstanding. At June 30, 2011, the cumulative interest accretion since issuance for all six capital appreciation bonds is approximately \$153.1 million. The interest is not paid until the bonds mature, at which time the expenditure will be recorded.

Pollution Remediation Obligations: Under the federal Superfund law, the State is responsible for sharing remediation costs at sites where the Environmental Protection Agency expends superfund trust monies for cleanup. Currently there are six sites in various stages of cleanup, from initial assessment to cleanup activities. In addition, the State has other sites for which it is responsible for cleanup and monitoring, including underground fuel storage facilities. Per GASB Statement 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, pollution liabilities of \$31.1 million and \$2.9 million were reported for governmental activities and business-type activities, respectively, at June 30, 2011. These liabilities were measured using the actual contract cost, where no changes in cost are expected, or a method that is materially close to the expected cash flow technique. Liability estimates are subject to change due to price increases or reductions, technology, or changes in applicable laws or regulations governing the remediation efforts. The State does not anticipate recovering reimbursements from the parties who caused the pollution.

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

Payable June 30,	SOURCE OF PRINCIPAL PAYMENTS						DEBT SERVICE				
	Governmental Activities				Business-Type Activities		TOTAL ALL FUNDS				
	General Fund	Highway Fund	Federal Highway (GARVEE)	Self Liquidating	Total	Turnpike System		Principal	Interest	Less: Federal Interest Subsidy	Net Total
						Revenue	Note Payable				
2012.....	\$ 65,031	\$ 7,557		\$ 15,139	\$ 87,727	\$ 17,020	\$ 23,317	\$ 128,064	\$ 65,453	\$ 6,803	\$ 186,714
2013.....	61,313	7,950		15,518	84,781	19,460	24,261	128,502	60,371	6,803	182,070
2014.....	57,602	7,667		12,420	77,689	16,460	4,814	98,963	55,391	6,803	147,551
2015.....	58,654	7,717		12,202	78,573	21,690	5,009	105,272	51,202	6,803	149,671
2016.....	54,354	7,551		12,094	73,999	18,330	5,213	97,542	46,996	6,803	137,735
2017-2021.....	228,355	33,527	\$ 4,200	53,659	319,741	97,020	13,164	429,925	170,716	33,138	567,503
2022-2026.....	119,904	20,203	75,800	32,067	247,974	59,960		307,934	85,611	24,001	369,544
2027-2031.....	32,853	6,414		20,267	59,534	44,955		104,489	32,058	10,589	125,958
2032-2036.....						34,135		34,135	14,677	5,137	43,675
2037-2041.....						31,665		31,665	3,902	1,365	34,202
Subtotal.....	\$ 678,066	\$ 98,586	\$ 80,000	\$ 173,366	\$ 1,030,018	\$ 360,695	\$ 75,778	\$ 1,466,491	\$ 586,377	\$ 108,245	\$ 1,944,623
Unamortized (Discount) / Premium	52,446	(239)		(388)	51,819	9,612		61,431			61,431
Unamortized Loss on Refunding	(14,429)				(14,429)	(8,867)		(23,296)			(23,296)
Total.....	\$ 716,083	\$ 98,347	\$ 80,000	\$ 172,978	\$ 1,067,408	\$ 361,440	\$ 75,778	\$ 1,504,626	\$ 586,377	\$ 108,245	\$ 1,982,758

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

MAJOR COMPONENT UNIT

Changes in Long-Term Liabilities: The University System of New Hampshire's long term liabilities include: Revenue Bonds Payable of \$443.9 million; capital lease obligations of \$16.5 million; accrued employee benefits and compensated absences of \$41.5 million; other postemployment benefits of \$52.5 million; and other liabilities of \$18.9 million.

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

	Beginning Balance	Increases	Decreases	Ending Balance	Current	Long-Term
University System of NH.....	\$ 597,957	\$ 72,546	\$ 72,475	\$ 598,028	\$ 105,287	\$ 492,741

Payable June 30,	UNIVERSITY SYSTEM OF N.H.		
	Principal	Interest	Total
2012.....	\$ 96,370	\$ 20,386	\$ 116,756
2013.....	8,188	19,785	27,973
2014.....	7,973	19,410	27,383
2015.....	29,752	18,716	48,468
2016.....	8,708	17,141	25,849
2017-2021.....	150,279	68,341	218,620
2022-2026.....	74,219	33,618	107,837
2027-2031.....	34,850	17,787	52,637
2032-2036.....	38,690	6,655	45,345
2037-2041.....	3,525	176	3,701
Subtotal.....	452,554	222,015	674,569
Unamortized Dis count...	7,918		7,918
Total.....	\$ 460,472	\$ 222,015	\$ 682,487

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

6. RISK MANAGEMENT AND INSURANCE

The State is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; and natural disasters.

Principle of self-insurance

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

Employee and Retiree Health Benefits

During fiscal year 2004, the State established an Employee Benefit Risk Management Fund, an internal service fund, to account for its uninsured risks of loss related to employee and retiree health benefits. Currently, the State retains all of the risk associated with these benefits, and utilizes an actuarially-established IBNR (incurred but not reported) claims reserve. In addition, state law prescribes the retention of a reserve comprising 5% of annual claims and administrative costs, for unexpected costs. For FY 2011, this reserve equaled \$15.5 million for the Fund. Rates are established annually, by actuaries, based on an analysis of past claims, state and other medical trend, and future estimated loss experience. The process used in estimating claim liabilities may not result in an exact payout amount due to variables such as medical inflation, or changes in law, enrollment or plan design.

Workers Compensation

Since February 2003, the State has been self-insured for its workers compensation exposures, retaining all of the risk associated with workers compensation claims. The state utilizes an actuarial study that provides an updated estimate of the outstanding liabilities for the prior years' claims. The study also contains assumptions about loss development patterns, trend and other relevant claim characteristics based on the state's historical loss experience. According to the FY 11 actuarial study, the Selected Ultimate Loss and Allocated Loss Adjustment Expense (ALAE) for workers' compensation claims is \$7.4 million as of June 30, 2011, which comprises past claims, claim trends and future estimated loss experience.

The following table presents the changes in claim liabilities during the fiscal years ending June 30, 2010 and 2011 (In Thousands):

Governmental Activities	6/30/2009			6/30/2010			6/30/2011		
	Balance	Increases	Decreases	Balance	Increases	Decreases	Balance	Current	Long-Term
Workers Compensation Claims Payable....	\$ 27,404	\$ 2,312	\$ 5,416	\$ 24,300	\$ 4,845	\$ 6,839	\$ 22,306	\$ 5,445	\$ 16,861
Health Claims Payable*.....	22,750	241,756	246,400	18,106	252,610	252,071	18,645	18,645	
Total.....	\$ 50,154	\$ 244,068	\$ 251,816	\$ 42,406	\$ 257,455	\$ 258,910	\$ 40,951	\$ 24,090	\$ 16,861
Business-Type Activities									
Turnpike System									
Workers Compensation Claims Payable....	\$ 2,045	\$ 36	\$ 181	\$ 1,900	\$ 541	\$ 451	\$ 1,990	\$ 359	\$ 1,631
Total.....	\$ 2,045	\$ 36	\$ 181	\$ 1,900	\$ 541	\$ 451	\$ 1,990	\$ 359	\$ 1,631
Liquor Commission									
Workers Compensation Claims Payable....	\$ 1,888	\$ 201	\$ 428	\$ 1,661	\$ 303	\$ 296	\$ 1,668	\$ 235	\$ 1,433
Total.....	\$ 1,888	\$ 201	\$ 428	\$ 1,661	\$ 303	\$ 296	\$ 1,668	\$ 235	\$ 1,433
Lottery Commission									
Workers Compensation Claims Payable....	\$ 13	\$ 2	\$ 1	\$ 14	\$ -	\$ 1	\$ 13	\$ -	\$ 13
Total.....	\$ 13	\$ 2	\$ 1	\$ 14	\$ -	\$ 1	\$ 13	\$ -	\$ 13
Total Business-Type.....	\$ 3,946	\$ 239	\$ 610	\$ 3,575	\$ 844	\$ 748	\$ 3,671	\$ 594	\$ 3,077

* Health Claims Payable is recorded in the Internal Service Fund

7. INTERFUND RECEIVABLES AND PAYABLES

Due From or To Other Funds for the primary government on the fund financial statements represent amounts resulting from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made, and consist of the following as of June 30, 2011 (expressed in thousands):

RECEIVABLES / DUE FROM	AMOUNT	PAYABLES / DUE TO	AMOUNT
Highway Fund.....	\$ 62,002	General Fund.....	\$ 62,002
General Fund.....	13,610	Non Major Fund.....	13,610
Non Major Fund.....	2,303	General Fund.....	2,303
General Fund.....	9,220	Education Fund.....	9,220
Turnpike Fund.....	18	General Fund.....	18
Lottery Commission.....	4	General Fund.....	4
Lottery Commission.....	758	Education.....	758
Lottery Commission.....	295	Liquor Commission.....	295
Liquor Commission.....	2,280	General Fund.....	2,280
Total.....	\$ 90,490	Total.....	\$ 90,490

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 \$3.1 million to business-type activities represents the "internal balances" amount on the statement of net assets. The \$87.1 million between governmental funds, and the \$0.3 million between enterprise funds has been eliminated on the government-wide financial statements.

Internal Note Receivable: At June 30, 2011, internal note receivable (payable) balances consist of \$75.8 million payable to the Highway Fund from the Turnpike System. The balance has been offset by a corresponding amount of deferred revenue in the Highway Fund financial statements. The note relates to the conveyance of a portion of Interstate 95 in Portsmouth from the Highway Fund to the Turnpike Fund.

Due from Component Units: As of June 30, 2011, the cumulative balance of outstanding loans plus accrued interest to the Pease Development Authority (PDA) amounted to \$6.0 million. The balance has been offset by a corresponding amount of deferred revenue in the General Fund Financial Statements. Also, as of June 30, 2011, \$1.2 million is due from the Community College System of New Hampshire (CCSNH) for unreimbursed services provided.

8. INTERFUND TRANSFERS

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

Transferred From	Transferred To			
	General Fund	Education Fund	Non-Major Funds	Total Governmental Fund
Governmental Funds				
General Fund.....		\$ 124,023		\$ 124,023
Highway Fund.....	\$ 1,077		\$ 1,512	2,589
Non-Major Funds.....	1,647			1,647
Total Governmental Funds.....	* 2,724	124,023	* 1,512	* 128,259
Proprietary - Enterprise Funds				
Liquor Commission.....	140,698			140,698
Lottery Commission.....	1,136	63,460		64,596
Total Proprietary - Enterprise Funds.....	\$ 141,834	\$ 63,460		\$ 205,294

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

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

- Transfer of Lottery Commission profits of \$63.5 million to fund education
- Transfer of Liquor Commission profits of \$140.7 million to general fund for government operations
- \$124.0 million transfer from the general fund to eliminate education fund deficit

Pursuant to RSA 260:61, \$0.7 million transfer from highway fund to fish and game fund for the Bureau 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. FUND BALANCE (DEFICIT) AND CONTRACTUAL COMMITMENTS

Capital Projects Fund: The June 30, 2011, unassigned deficit of the Capital Projects Fund was \$33.6 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, 2011, bonds authorized and unissued for the Capital Projects Fund amounted to \$136.0 million.

Contractual Commitments: The State has estimated its share of contractual obligations for construction contracts to be \$82.1 million at June 30, 2011. This represents total obligations of \$321.5 million less \$239.4 million in estimated federal aid.

Encumbrances: Other encumbrances for the State totaled \$300.6 million as of June 30, 2011.

10. EMPLOYEE BENEFIT PLANS

NEW HAMPSHIRE RETIREMENT SYSTEM

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

Group I members at age 60 (age 65 for members beginning service on or after July 1, 2011) qualify for a normal service retirement allowance based on years of creditable service and average final compensation (AFC). The yearly pension amount is $1/60$ (1.67%) of average final compensation multiplied by years of creditable service ($1/66$ of AFC times creditable service for members beginning service on or after July 1, 2011). AFC is defined as the average of the three highest salary years for members vested prior to January 1, 2012 and five years for members not vested on January 1, 2012. At age 65, the yearly pension amount is recalculated at $1/66$ (1.5%) 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 a minimum of 20 years of creditable service (age 50 with a minimum of 25 years of creditable service or age 60 for members beginning service on or after July 1, 2011) can receive a retirement allowance at a rate of 2.5% of AFC for each year of service not to exceed 40 years (2% of AFC times creditable service up to 42.5 years for members beginning service on or after July 1, 2011). A member who began service on or after July 1, 2011 shall not receive a service retirement allowance until attaining age 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service. However, the allowance will be reduced by $1/4$ of one percent for each month prior to age 52.5 that the member receives the allowance.

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

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

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

A special account was established by RSA 100-A:16, II(h) for additional benefits. Prior to fiscal year 2007 the account was credited with all of the earnings of the account assets in the account plus the earnings of the remaining assets of the plan in excess of the assumed rate of return plus $1/2$ of 1 percent.

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

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

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 2011, by statute, Group 1 members contributed 5.0% of gross earnings, except for state employees hired after July 1, 2009 who contributed 7.0% 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 25% 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 required and actual contributions to the plan for the years ending June 30, 2011, 2010, and 2009 were \$117.9 million, \$126.0 million, and \$111.5 million, respectively. Included in these contributions for FY 2011 and FY 2010 is an amount for other postemployment benefits of \$12.0 million and \$12.1 million, respectively. The State's contributions for the fiscal year ended June 30, 2011 decreased over the amounts contributed for the fiscal year ended June 30, 2010, primarily due to the reduction in the percentage the State contributed toward employer costs of political subdivisions.

As of June 30, 2011, the date of the most recent actuarial valuation, the net assets available to pay pension benefits, at actuarial value, were reported by the New Hampshire Retirement System to be \$5,741 million. The total pension liability at June 30, 2011 using the entry age normal actuarial cost method was \$9,998 million, resulting in a funded ratio of 57.4% and projected pension liability in excess of assets of \$4,257 million.

OTHER POSTEMPLOYMENT BENEFITS

In addition to providing pension benefits, RSA 21-I:30 specifies that the State provide certain health care insurance benefits for retired employees. These benefits include group hospitalization, hospital medical care, and surgical care. Substantially all of the State's employees who were hired on or before June 30, 2003 and have 10 years of service, may become eligible for these benefits if they reach normal retirement age while working for the State and receive their pensions on a periodic basis rather than a lump sum. During fiscal year 2004, legislation was passed that requires state Group I employees hired on or after July 1, 2003 to have 20 years of state service in order to qualify for health insurance benefits. These and similar benefits for active employees and retirees are authorized by RSA 21-I:30 and provided through the Employee and Retiree Benefit Risk Management Fund, a single-employer defined benefit plan, which is the state's self-insurance fund implemented in October 2003 for active state employees and retirees. The State recognizes the cost of providing benefits by paying actuarially determined insurance contributions into the fund. An additional major source of funding for retiree benefits is from the New Hampshire Retirement System's medical premium subsidy program for Group I and Group II employees, which totaled approximately \$14.0 million for the fiscal year ended June 30, 2011.

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

The State Legislature currently plans to only partially fund (on a pay-as-you-go basis) the annual required contribution (ARC), an actuarially determined rate in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB plan for fiscal year 2011 (dollar amounts in thousands):

Annual Required Contribution	\$ 156,863
Interest on net OPEB obligation	20,277
Adjustment to annual required contribution	<u>(15,020)</u>
Annual OPEB cost	162,120
Contributions made (pay-as-you-go)	<u>(54,418)</u>
Increase in Net OPEB Obligation	<u>107,702</u>
Net OPEB Obligation - Beginning of Year	450,602
Net OPEB Obligation - End of Year	<u>\$ 558,304</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 2011, 2010 and 2009 were as follows (dollar amounts in thousands):

Fiscal Year Ended	Actual Contributions			
	Annual OPEB Cost	(pay-as-you-go)	Percentage Contributed	Net OPEB Obligation
06/30/11	\$ 162,120	\$ 54,418	33.57%	\$ 558,304
06/30/10	208,151	52,790	25.36%	450,602
06/30/09	195,442	57,011	29.17%	295,241

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

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

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

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

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

JUDICIAL RETIREMENT PLAN

Plan Description: The New Hampshire Judicial Retirement Plan (the Plan) was established on January 1, 2005 pursuant to RSA 100-C:2 and is intended for all time to meet the requirements of a qualified pension trust within the meaning of section 401(a) and to qualify as a governmental plan within the meaning of section 414(d) of the United States Internal Revenue Code. The Plan is a defined benefit plan providing disability, death, and retirement protection for full-time supreme court, superior court, district court or probate court judges employed within the State. Information and financial reports of the New Hampshire Judicial Retirement Plan can be obtained by writing to them at 54 Regional Drive, Concord, NH 03301.

The Plan is administered by an appointed Board of Trustees (Board), separate from the New Hampshire Retirement System, but certain daily administrative functions of the plan have been delegated by the Board to the New Hampshire Retirement System such as retirement request processing, member record maintenance and serving as the Plan's information center. The Plan has one employee. All employer and member contributions are deposited into separate trust funds that are managed and controlled by the Board of Trustees of the Plan. Any member of the Plan who has at least 15 years of creditable service and who is at least 60 years old is entitled to retirement benefits equal to 70% of the member's final year's salary.

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

A member who is at least 60 years old with at least 15 years of service is entitled to 70% of the member's final year's salary, plus an additional 1% for each year of additional service in excess of 15 years.

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

Funding Policy: The Plan is financed by contributions from the members and the State. Pursuant to Chapter 311, Laws of 2003, on January 19, 2005, the State issued \$42.8 million of general obligation bonds in order to fund the Plan's initial unfunded accrued liability. All eligible judges are required to contribute 10% of their salaries to the Plan until they become eligible for a service retirement equal to 75% of their final year's salary. For the bienniums beginning July 1, 2009 and July 1, 2007 the State was required to and contributed 27.42% and 19.68%, respectively, of the members' salary.

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

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

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

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

Fiscal Year Ended December 31,	Annual Required		
	Contribution (ARC)	Actual Contributions	Percentage Contributed
2010	\$ 1,905	\$ 1,905	100.00%
2009	\$ 1,754	\$ 1,754	100.00%
2008	\$ 1,416	\$ 1,416	100.00%

11. CONTINGENT AND LIMITED LIABILITIES

PRIMARY GOVERNMENT

Contingent Liabilities: The State of New Hampshire is contingently liable, within statutory legal limits, for bonds sold by municipalities, school districts, and for first mortgages on industrial and recreational property that contain the guarantee of the State of New Hampshire. The following table shows the composition of the State's \$136.6 million of contingent liabilities and the statutory limits as of June 30, 2011 (expressed in thousands):

	RSA	Guarantee Limit	Remaining Capacity	June 30, 2011		
				PRINCIPAL	INTEREST	TOTAL
Water Pollution Bonds.....	485-A:7	\$ 50,000	\$ 45,313	\$ 4,190	\$ 497	\$ 4,687
Business Finance Authority (BFA) - General Obligation.....	162-A:17	25,000	**	20,000	6,603	26,603
Business Finance Authority (BFA) - Additional State Guarantee.....	162-l:9-b	50,000	**	46,873	338	47,211
Business Finance Authority (BFA) - Unified Contingent Credit Limit....	162-A:22	95,000	* 28,127	66,873	6,941	73,814
School Construction Bonds.....	195-C:2	95,000	36,982	39,479	18,539	58,018
Solid Waste Bonds.....	149-M:31	10,000	9,875	115	10	125
Super Fund Site Cleanup Bonds.....	33:3-f	20,000	* 20,000			
Housing Finance Authority Child Care Loans.....	204-C:79	300	300			
TOTALS.....		\$ 270,300	\$ 140,597	\$110,657	\$ 25,987	\$ 136,644

*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, 2011 (expressed in thousands):

Legal Limit	(1)	(2)	(3)	(4)
	RSA 12-G:31	RSA 12-G:33	RSA 12-G:34	RSA 12-G:35
	\$ 70,000	\$ 35,000	\$ 5,000	\$ 10,000
Debt Guaranteed Now Assumed by State				
Business Express Airlines.....	10,000			
Atlantic Coast Airlines.....	1,000			
Amount Bonded By State and Loaned to PDA				
Operating Budget FY92 (V161).....	2,800			
Operating Budget FY93 (V161).....	3,800			
Operating Budget FY93 (V165).....	1,000			
Matching Grants Econ. Dev. (V165).....			5,000	
Lonza (Celltech).....	29,990			
Amount Borrowed By PDA and Guaranteed By State				
Bond Anticipation Notes.....	5,000			
Line of Credit.....	2,500			
Remaining Capacity	\$ 13,910	\$ 35,000	\$ -	\$ 10,000

(1) RSA 12-G:31 - \$70 million in bonds may be guaranteed by the State for airport projects or the State can make loans by issuing bonds.

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

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

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

PDA: 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, 2011 relative to the Lonza (Celltech) loans is \$6.4 million (representing principal \$5.9 million and interest \$0.5 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 audits may become the liability of the State. The State estimates that any ultimate disallowance not otherwise disclosed, pertaining to these grants, will be immaterial to its overall financial condition.

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 2011 for governmental activities and business-type activities were approximately \$11.2 million and \$3.8 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, 2011 (expressed in thousands):

Payable June 30,	Governmental Activities	Business-Type Activities
2012.....	\$ 9,507	\$ 2,585
2013.....	5,819	2,374
2014.....	3,217	1,815
2015.....	1,711	1,785
2016.....	1,065	1,737
2017-2021.....	2,743	3,353
Total.....	<u>\$ 24,062</u>	<u>\$ 13,649</u>

CAPITAL LEASES

The State has entered into lease agreements as lessee for financing the acquisition of buildings and equipment. These leases qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments. The future minimum lease payments and the net present value of those payments at June 30, 2011, are as follows (in thousands):

Payable June 30,	Governmental Activities	Business-Type Activities
2012.....	\$ 858	\$ 222
2013.....	700	113
2014.....	521	113
2015.....	456	113
2016.....	384	115
2017-2021.....	864	604
2022-2026.....	133	
Total.....	3,916	1,280
Amount Representing Interest.....	(611)	(742)
Present Value of Minimum Lease Payments.....	<u>\$ 3,305</u>	<u>\$ 538</u>

The assets acquired through capital leases and included in capital assets at June 30, 2011 include the following (in thousands):

	Governmental Activities	Business-Type Activities
Equipment.....	\$ 6,200	\$ 563
Buildings & Building Improvements..	10,227	1,563
Total.....	16,427	2,126
Less: Accumulated Depreciation....	(14,207)	(1,121)
Net.....	<u>\$ 2,220</u>	<u>\$ 1,005</u>

13. LITIGATION*Dartmouth Hitchcock et. al v. Toumpas*

In August 2011, ten of the State's thirteen non-critical access hospitals and one "John Doe" individual Medicaid recipient filed a federal court lawsuit against the Commissioner of the Department of Health and Human Services regarding a number of legislative and departmental actions since 2005 that have reduced the reimbursement rates for Medicaid in-patient and outpatient services, and eliminated disproportionate share payments to non-critical access hospitals in the FY 2012/2013 budget. The claims are brought under the supremacy clause of the United States Constitution related to the Medicaid statute, 42 U.S.C 1396a(a)(30)(A) and 42 U.S.C. 1396a(a)(13)(a), alleging that the changes from these actions are contrary to the intent of the Medicaid statute since the resulting payments are insufficient to ensure access to services for Medicaid clients, and further alleging that the changes cannot be implemented because the State did not give notice or do a state plan amendment regarding each change. A motion for preliminary injunction requesting that the federal court enjoin each of the changes and require the State to revert to prior payments levels was filed at the same time. Pleadings have been filed by the State answering the complaint, moving to dismiss the 42 U.S.C. 1396a(a)(30)(A) claims (Counts I-IV) and briefing the legal and evidentiary issues raised in the plaintiffs' motion for preliminary injunction. On December 8, 2011 the court heard oral argument on the legal standing issues raised in the motion to dismiss and the preliminary injunction. There was a further evidentiary hearing on the motion for preliminary injunction held on January 10-12, 2012. No decision has been issued. While this suit does not request damages, the potential prospective impact on the state general fund if the state is required to change the rates and reimbursement paid for inpatient and outpatient hospital services could be in excess of \$100 million. It is not possible to predict the outcome of this case at this time.

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

DHHS filed a formal Notice of Appeal on December 18, 2009, electing to retain the funds, pending an outcome. To provide the parties an opportunity to explore the possibility of resolution of the matter through settlement, the DAB temporarily stayed a decision in the appeal which it lifted on July 13, 2011, and a decision was issued upholding the disallowance. Within the allotted time following the DAB decision, the State filed a motion for reconsideration. On October 14, 2011, the DAB responded to this request by denying the request and affirming its decision to uphold the determination by CMS of disallowance. As a result, CMS has issued a claim for repayment in the total amount of \$35.4 million (including interest). CMS has agreed with the state on an arrangement to pay in eight quarterly installments beginning in January 2012, with final installment payable in the quarter beginning October 2013. A liability has been recorded in the government-wide statement of net assets for the full amount of repayment due as of June 30, 2011.

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

A group of twelve plaintiffs filed suit on August 7, 2009 challenging the changes to the retirement system made pursuant to Chapter 300, Laws of 2008 that affect (1) earnable compensation; (2) COLA payments; and (3) medical subsidies. The plaintiffs have also sought class certification for all other New Hampshire retirees eligible for state retirement benefits. The State answered the complaint on November 4, 2009, and on May 18, 2010 the plaintiffs filed a motion to amend their petition. This motion was granted on July 20, 2010 and the State filed an amended answer. The parties filed cross motions for summary judgment on December 5, 2010, and in January 2011 the court issued an order indicating that it would defer ruling on the parties' summary judgment motions until the class certification process was complete. Discovery on issues relating to class certification has closed. It is anticipated that the issue of class certification will be resolved by pleadings to be filed in early 2012. It is not possible to predict the outcome of this case at this time.

Professional Firefighters et al v. State of New Hampshire

On June 29, 2011, the Professional Firefighters, Police Association, National Education Association and State Employees Association filed a Motion of Temporary Restraining Order in Merrimack County Superior Court seeking status quo on member contribution rates and recertification of fiscal year 2012 and 2013 employer contribution rates until such time as the Court can rule on the Petition for Declaratory and Injunctive Relief filed by the same Petitioners the same day. The State filed a motion to dismiss the petition. On January 6, 2012 (issued January 31, 2012), the Court ruled that the increase in employee contributions is unconstitutional as to those employees who are "vested" as that term is defined in the retirement statute (10 years in the retirement system). The Court dismissed the lawsuit, however, on the grounds that the plaintiffs did not allege they are "vested employees." The Court's dismissal was without prejudice to the plaintiffs to file an amended petition by March 1, 2012. The Court also dismissed the request to enjoin the recertification of employer contribution rates, stating that employees do not have standing to challenge the employer contribution rate. If the plaintiffs amend their petition by March 1, 2012, the Court will likely issue an injunction regarding the increase in employee contribution for vested employees consistent with its order.

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

This lawsuit challenges the constitutionality of the legislation that reduced the State's share of funding for local employers'

cost for municipal, school, and county employees in fiscal years 2010 and 2011. The total reduction of the State's share over the biennium is estimated to be \$27 million. Petitioners allege that this reduction in the State's share results in an unconstitutional unfunded mandate imposed on them. The Petitioners filed cross motions for summary judgment, however the trial court granted summary judgment in favor of the state. The Petitioners appealed the decision to the New Hampshire Supreme Court. Oral argument is scheduled for March 13, 2012. It is not possible to predict the outcome of this matter.

Litigation related to Financial Resources Mortgage, Inc.

A lawsuit, *Marino v. Commissioner of Banking*, was filed in Merrimack County Superior Court related to the failure of an investment company known as Financial Resources Mortgage, Inc., ("FRM"). FRM was operating a ponzi scheme related to real estate and construction loans. After an evaluation conducted by the Attorney General, it was determined that three State agencies, the Banking Department, the Securities Bureau, and the Attorney General's Office, failed to appropriately handle complaints received over a 10 year period. The plaintiffs in this case claimed \$265,000 in damages. The State received an additional 35 notices of claim alerting the State that these individuals may file lawsuits claiming that the State failed to appropriately regulate FRM. Some reports calculated the total losses to all investors at approximately \$80 million.

The State filed a motion to dismiss this matter, which was granted by the Court on January 27, 2011, with the Court finding that the State is not a guarantor of individuals' investment decisions. The petitioners, however, appealed the decision to the New Hampshire Supreme Court. On October 17, 2011, the Supreme Court issued an order affirming the trial court's order. The matter is now closed.

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

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

The tobacco companies have identified thirty-five states they claim failed to "diligent enforce" their obligations under the MSA, including New Hampshire. The arbitration will begin April 23, 2012 with a presentation of facts and issues common to all the individual state cases. Individual state hearings are scheduled to begin May 21, 2012 and will continue at least through 2012. New Hampshire's hearing is scheduled for the week of November 5, 2012. The State is unable to predict the outcome at this time.

USDOJ's Findings Letter Relating to New Hampshire's Mental Health Services System

On April 7, 2011, the United States Department of Justice ("USDOJ") issued a letter finding that the State failed to comply with aspects of the Americans with Disabilities Act, 42 U.S.C. secs. 12131-12134 (Part A), by not providing services for individuals with mental illness that allow them to live in the most integrated community-based settings appropriate for their needs. The USDOJ's findings were based on an investigation it performed of New Hampshire's mental health services system over a four month period. On December 6, 2011, the State issued a formal response to the USDOJ findings. The response describes the basis for the State's disagreement with the USDOJ's findings, and asks the USDOJ to withdraw its findings. On February 9, 2012, a class action lawsuit was filed in the U.S. District Court alleging New Hampshire has failed to provide adequate community-based mental health services. The State will defend the action. It is not possible to predict the outcome of this matter at this time.

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

Plaintiffs have brought this wrongful death lawsuit in federal court alleging the decedent was subjected to severe and/or pervasive sexual harassment, creating a hostile work environment. As a result, the Plaintiffs allege the decedent went on medical leave, Defendants (Administrative Office of the Courts et al) denied her reasonable accommodations to return to work, retaliated against her and continued to harass her while she was on leave. The Plaintiffs allege that the events described in the lawsuit, lead to the eventual suicide of the decedent in May 2010. The Plaintiffs seek damages arising out of claims of discrimination, sexual harassment, hostile work environment, retaliation and violation of the Americans with Disabilities Act. The State has filed an Answer and discovery is ongoing. Trial is scheduled for January 2013. On January 17, 2012, the State filed a motion to dismiss five of the eight counts based on the litigation bar contained in the workers' compensation law. No decision has been made by the Court on the State's motion. It is not possible to predict an outcome.

Catholic Medical Center (CMC) et al v. Department of Revenue (MET Tax)

CMC, Exeter Hospital and St. Joseph's Hospital have filed three separate lawsuits challenging the constitutionality, both facially and as applied, of RSA 84-A, the Medicaid Enhancement Tax ("MET"). The hospitals claim the MET tax is unconstitutional under both state and federal law because: (1) it taxes hospitals for net patient services revenue (NPSR) but does not tax other medical entities for the same revenue; and (2) there is an alleged different rate of taxation assessed between the hospitals and rehabilitation hospitals. Each hospital seeks full reimbursement of the tax it paid in 2011 totaling \$31.5 million. Answers have not yet been filed, and the three cases are still in their preliminary stages. It is not possible to predict the outcome of these cases at this time.

Chase Home et al v. DCYF

On November 7, 2007, seven residential childcare providers initiated a lawsuit in Merrimack County Superior Court against the Division for Children, Youth, and Families (DCYF) on a variety of claims, including DCYF's statutory obligation to pay for residential childcare services provided under certain provisions of State law.

DCYF filed a motion for summary judgment on the grounds that DCYF does not have a contractual relationship with the providers, and that it did not engage in any unconstitutional taking of property.

The Court denied the motion for summary judgment and, after trial, in May 2010, the court ruled in favor of the Petitioners and found that the State had breached its contracts and that there was sufficient money appropriated in the years in question to pay the Petitioners. The Court awarded damages of \$3.5 million, but denied Petitioners' request for attorney fees. The State's Motion to Reconsider was denied, an appeal was filed and the Supreme Court issued a decision upholding the trial court's determination that there were valid contracts, holding the state liable for a judgment of approximately \$3.5 million regarding the FY2004-FY2006 claims. Calculation of allowable interest will add approximately \$.3 million to the judgment. The Department has determined that it does not have an appropriation from which the judgment can be paid. The judgment, therefore, will need to be submitted to the legislature under RSA 491:8, unless a settlement for the judgment and the outstanding years (below) can be reached. A liability of \$2.9 million, representing the net of state cost after federal share, has been recorded for this judgment in the government wide statement of net assets as of June 30, 2011.

There are similar claims for some of the same providers pending in DHHS administrative appeals unit for FY2007-FY2010. DHHS is in the process of trying to calculate the potential liability for the outstanding additional years. Since the outstanding claims are complex due to several undecided legal issues, it is difficult to predict a range of the potential outcome. However, it is unlikely that an unfavorable outcome to the outstanding years matter will be material.

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

In 2008, the DHHS received a confidential draft report from the OIG regarding an audit of DHHS's 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 \$1.1 million was unallowable on grounds that DHHS 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 DHHS 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. OIG issued a final report reiterating its findings and recommended that DHHS refund personnel costs claimed at the enhanced rate in the amount of \$1.1 million. 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 financial participation. DHHS is currently working with CMS to resolve CMS' concerns and reduce any potential disallowance. A liability has been recorded for this disallowance in the government-wide statement of net assets as of June 30, 2011.

The Sunapee Difference, LLC v. State of NH

The plaintiff sued the State for mandamus, breach of contract, promissory estoppel, breach of covenant of good faith and fair dealing and inverse condemnation arising out of the plaintiff's lease with the State to operate the Mt. Sunapee ski area.

OTHER LITIGATION

The plaintiff amended its complaint to add a claim for contract reformation. Specifically the plaintiff alleged that the State breached its promises to amend the leasehold description and/or to amend the lease and operating agreement to permit expansion of the ski area, upon transfer of the lease to a third party. The plaintiff claimed over \$14 million in damages.

A hearing was held on the State's Motion to Dismiss, and the order was denied by an order dated November 17, 2008. On or about December 30, 2008, the State filed a Motion for Summary Judgment on all of the plaintiff's claims. On April 17, 2009, the Court issued an order granting the State's Motion for Summary Judgment in full, and entered judgment in favor of the State. The plaintiff filed an appeal with the New Hampshire Supreme Court which by interim order on June 25, 2010 remanded the case back to the trial court for a ruling on whether the plaintiff has standing to bring the lawsuit. A hearing was held on the issue of whether the parties intended to release Sunapee Difference's claims when Sunapee Difference assigned the lease to a third party. The trial court issued an order ruling that Sunapee Difference has standing to seek reformation of the lease. The State has appealed that decision to the Supreme Court. Briefs will be filed by May 8, 2012, after which the Court will schedule oral argument. The issues raised in this 2011 appeal will be combined with the Plaintiff's 2009 appeal. It is not possible to predict the outcome at this time.

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

The Petitioners allege that the Department of Revenue Administration ("DRA") improperly assessed and collected an additional \$4.6 million in business profits taxes, interest, and penalties against Woodland and Lyme for the tax year ending December 31, 2003 and has improperly denied a request filed by Woodland for refund of this amount. The total amount in controversy including interest is \$5.3 million. In May 2010, the trial court granted summary judgment on Count II in favor of the DRA, thereby denying Petitioners' request for a remand to the Commissioner. Trial is scheduled for February 18, 2013. It is not possible to predict the outcome of this matter at this time.

Leighton et al v. State of New Hampshire

Plaintiffs challenged the constitutionality of the State's 10% tax on gambling winnings. Plaintiffs brought this as a class action, but the State has objected to it being certified as a class action, and the court has not yet ruled on that issue. The parties filed a joint interlocutory transfer without ruling in the Supreme Court, which was denied on February 23, 2011. The case returned to superior court where the parties agreed that the case could be decided on cross-motions for summary judgment. After the State settled Plaintiff Leighton's claims for \$0.3 million, a new lottery winner joined the case as a plaintiff. The plaintiff gambler's claims also remain. Motions for summary judgment have been cross claimed. In October 2011, the trial court denied the Plaintiffs' motion for summary judgment. The court granted, in part, the State's cross-motion for summary judgment with respect to the plaintiffs' facial challenge to the statute. Trial is scheduled for the week of April 30, 2012. It is not possible to predict the likely outcome of the case at this time.

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

14. GOVERNMENTAL FUND BALANCES AND STABILIZATION ACCOUNT

Governmental Fund Balances - Restricted, Committed and Assigned

A summary of the nature and purpose of these constraints and related amounts by fund at June 30, 2011, follows:

Governmental Fund Balances
(expressed in thousands)

	Restricted Purposes	Committed Purposes	Assigned Purposes
General Fund:			
General Government	\$ 1,329	\$ 21,354	\$ 6,218
Administration of Justice & Public Protection	7,335	37,863	4,583
Resource Protection & Development	149,756	25,072	387
Transportation	258	679	868
Health & Human Services	1,461	6,895	12,885
Education	904	1,020	2,415
Total	\$ 161,043	\$ 92,883	\$ 27,356
Highway Fund:			
Administration of Justice & Public Protection	\$ 1,636	\$ 430	
Transportation	99,153	1,023	\$ 34,822
Total	\$ 100,789	\$ 1,453	\$ 34,822
Education Fund:			
Education Grants			\$ 1
Non-major Governmental Funds:			
Resource Protection & Development	\$ 5,668	\$ 16	\$ 2,947
Other Purposes	8,991		
Total	\$ 14,659	\$ 16	\$ 2,947

Stabilization Account

The State maintains a Revenue Stabilization account (the Rainy Day Fund) established by RSA 9:13-e, for the purpose of deficit reduction and reported as unassigned fund balance in the General Fund. Any General Fund unassigned fund balance, remaining after Education Trust Fund transfer, is distributed to the Revenue Stabilization account. The maximum balance that may accumulate in the account is limited to 10% of the General Fund unrestricted revenue. The account may not be used for any other purpose without specific approval by two-thirds of each house of the Legislature and the Governor.

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

The balance at June 30, 2011 remained at \$9.3 million, the same as at June 30, 2010.

15. HIGHWAY

The highway fund is comprised of two accounts, an operating account and capital account. The capital account is primarily 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 undesignated surplus (deficit) portion of assigned fund balance for the capital and operating accounts and the total highway fund, at June 30, 2011 were as follows (expressed in millions):

	Capital Account	Operating Account	Total Highway Fund
Undesignated Surplus/(Deficit)	\$ (10.9)	\$ 31.2	\$ 20.3

The deficit in the capital account at June 30, 2011 exists primarily because funds are appropriated from the current year fund balance for multi-year highway construction projects. Although the State will receive reimbursements from federal and local sources in future years, after the actual cash disbursements have occurred, the total project cost is a charge against the fund balance at the time the project is approved.

The surplus in the operating account at June 30, 2011 was \$31.2 million. Future projects, where no contract has been approved and appropriated, 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.

16. 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, 2011, the Lottery recognized \$9.5 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 \$1.6 million at June 30, 2011. The Tri-State issues a publicly available annual financial report, which may be obtained by writing to the Tri-State Lotto Commission, P.O. Box 420 South Barre, Vermont 05670.

In November 1995, the Lottery became a member of MUSL, which is currently comprised of 33 member state lotteries and administers the Multi-State Lottery Powerball, Hot Lotto, and Mega Millions games. Each state lottery sells tickets, collects revenues and remits prize funds to MUSL net of lower tier prize awards. Each member also pays for a share of MUSL's operating expenses based upon the members' proportionate share of game sales. Jackpot prizes that are payable in installments are satisfied through investments purchased by MUSL. Accordingly, the Lottery does not record a liability for jackpot awards which are payable in installments from funds provided by MUSL. For the year ended June 30, 2011, the Lottery recognized \$18.0 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, 2011. MUSL issues a publicly available annual financial report, which may be obtained by writing to the Multi-State Lottery Association, 1701-48th Street, Suite 210, West Des Moines, Iowa 50266-6723.

17. TRANSACTIONS AMONG RELATED FUNDS AND ACTIVITIES

Land associated with the Hooksett Rest Area of Interstate 93

In fiscal year 2010, the State Liquor Commission ("SLC") conveyed approximately 18.5 acres of land to the Turnpike System for \$6.5 million, an amount determined by appraisal. The land is to be used by the System for the commercial development of expanded rest area facilities to potentially include traveler conveniences such as restaurants and fuel facilities. The SLC transferred the cash received, \$6.5 million to the General Fund as provided by legislation passed for the transaction.

Since the transaction was between related Activities of Government, the Turnpike System recorded the land at the SLC carrying cost of \$0.3 million, and the rest of the proceeds paid were recognized as an intra-entity transfer out on the acquisition of assets.

In fiscal year 2011, under the terms of new legislation, an additional \$2.08 million was paid and reflected as an intra-entity acquisition of assets between Turnpike and SLC, and a transfer from SLC to the general fund, in the accompanying financial statements.

Transfer of Capital Assets

In fiscal year 2011, a replacement bridge completed in fiscal year 2001 located at exit 13 of the Turnpike System in Concord, previously recorded to the Highway Fund, was transferred to the Turnpike System at a value of \$17.2 million less accumulated depreciation of \$3.4 million. In the Turnpike Fund, the \$13.8 million net carrying value of the bridge is reported as a capital contribution. In the government-wide financial statements, the transaction is reported as a transfer of capital assets between governmental and business-type activities.

18. RESTATEMENT OF JUNE 30, 2010 COMPONENT UNIT NET ASSETS

Community Development Finance Authority

The net assets of the Community Development Finance Authority (CDFA) at June 30, 2010 have been increased by \$22,000 as a result of an adjustment for income from investment in related party.

Business Finance Authority

The net assets of the Business Finance Authority (BFA) at June 30, 2010 have been increased by \$1.9 million as a result of a reclassification. In FY 2010, the BFA received \$1.9 million from the NH Public Utilities Commission, however, upon further consideration of the award documentation and program objectives, the award has been reclassified as pass through grant revenue.

(Expressed in Thousands)	CDFA	BFA
Net Assets at June 30, 2010	\$ 7,860	\$ 8,036
Adjustment	\$ 22	\$ 1,900
Net Assets at June 30, 2010 - restated	<u>\$ 7,882</u>	<u>\$ 9,936</u>

19. SUBSEQUENT EVENTS

Debt Issuance

On July 27, 2011, the State issued \$42.1 million of Turnpike System revenue refunding bonds. The interest rates on these new bonds is 4% and 5%. The closing date for this bond issue is January 5, 2012. At closing, the \$47.5 million in net proceeds from the issuance will be placed in an irrevocable trust to provide for all future debt service payments on the old bonds. This refunding transaction will result in a cash savings of \$5.4 million over the next 9 years and a 8.14% net present value savings of \$3.7 million.

On October 20, 2011, the State issued \$100.0 million of general obligation capital improvement bonds. The interest rates on these serial bonds range from 3.0% to 5.0%, and the maturity dates range from 2013 through 2031.

Claims for refunds - MET

Since enactment of the operating budget for fiscal years 2012 and 2013, between the middle of June 2011 and the end of November 2011, the Department of Revenue Administration ("DRA") received amended returns of Medicaid Enhancement Tax ("MET") from hospital taxpayers for fiscal periods ending 2008 through 2011, which requested refunds or credits totaling \$89 million. Soon after receipt, the DRA denied \$20 million of requests as being outside the statute of limitations period. The appeal period for these denials has expired and no hospital has appealed.

The DRA has reviewed records for open years for many of the taxpayers making the remaining \$69 million of requests, and has issued determinations. On a case by case basis, these may have resulted in refunds for some open years and assessment of additional taxes for other open years, the net of which did not result in a material amount. While further reviews are being performed which could yield unexpected results, based on the determinations made on taxpayer reviews thus far, the state does not believe that a material net obligation to taxpayers will result from all refund requests.

Every determination issued results in 60 days for an aggrieved taxpayer to file an appeal with the DRA's Hearings Bureau. The statutory process for appeal requires a minimum of 180 days before a hearing can be scheduled. The Hearing Officer's decision may be further appealed to the Superior Court.

Multi-State Mortgage Bank Settlement

On February 9, 2012, New Hampshire joined a multi-state settlement with the nation's five largest mortgage servicers over foreclosure abuses and fraud, and unacceptable nationwide mortgage servicing practices. The agreement provides an estimated \$43.6 million in relief to New Hampshire homeowners and which addresses future mortgage loan servicing practices. As part of the total relief, the state will receive a direct payment of \$11 million, which is expected to be constrained to spending for consumer protection purposes at the discretion of the Attorney General.

**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, 2011
 (expressed in thousands)

	General Fund			
	Budgeted Amount		ACTUAL (Budgetary Basis)	Variance with Final Budget-
	ORIGINAL	FINAL		Positive (Negative)
REVENUES				
General Property Taxes.....	\$ 430	\$ 430	\$ 306	\$ (124)
Special Taxes.....	1,087,617	1,068,329	958,006	(110,323)
Personal Taxes.....	115,365	115,365	129,844	14,479
Business License Taxes.....	35,771	35,741	20,888	(14,853)
Non-Business License Taxes.....	85,187	85,188	87,410	2,222
Fees.....	179,841	184,519	167,740	(16,779)
Fines, Penalties and Interest.....	12,337	13,040	10,412	(2,628)
Grants from Federal Government.....	1,699,192	1,926,986	1,527,304	(399,682)
Grants from Private and Local Sources.....	166,323	149,379	117,302	(32,077)
Rents and Leases.....	10,269	10,366	10,262	(104)
Interest Premiums and Discounts.....	4,786	4,788	14,555	9,767
Sale of Commodities.....	5,681	8,961	11,731	2,770
Sale of Services.....	116,621	117,030	111,618	(5,412)
Assessments.....	130,060	131,197	73,119	(58,078)
Grants from Other Agencies.....	154,090	153,858	182,589	28,731
Miscellaneous.....	274,141	283,106	123,190	(159,916)
Total Revenue.....	4,077,711	4,288,283	3,546,276	(742,007)
EXPENDITURES				
GENERAL GOVERNMENT				
Legislative Branch.....	19,847	20,130	16,385	3,745
Executive.....	65,401	79,644	65,878	13,766
Information Technology.....	65,522	60,075	53,306	6,769
Executive Council.....	234	220	218	2
Off. Of Economic Stimulus.....	1,461	1,681	1,681	0
Administrative Services.....	146,083	154,249	118,266	35,983
Sec of State.....	27,865	27,647	7,743	19,904
Cultural Affairs.....	8,279	7,674	6,236	1,438
Revenue Administration.....	19,068	16,185	15,437	748
State Treasury.....	117,739	131,551	80,472	51,079
NH Retirement System.....	55,895	55,895	52,210	3,685
Boards and Commissions.....	3,102	2,912	2,532	380
Total.....	530,496	557,863	420,364	137,499
JUSTICE AND PUBLIC PROTECTION				
Judicial Branch.....	80,160	80,975	74,234	6,741
Adjutant General.....	25,783	25,327	17,560	7,767
Agriculture.....	4,764	4,902	4,548	354
Justice Department.....	37,769	44,617	26,748	17,869

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, 2011
(expressed in thousands)

	General Fund			Variance with Final Budget- Positive (Negative)
	Budgeted Amount		ACTUAL (Budgetary Basis)	
	ORIGINAL	FINAL		
Bank Commission.....	5,596	6,362	5,380	982
Racing and Charitable Gaming.....	1,021	863	724	139
Highway Safety.....	6,191	6,194	3,067	3,127
Insurance.....	10,559	11,934	8,863	3,071
Labor.....	35,123	21,894	19,468	2,426
Public Utilities Commission.....	72,931	73,877	18,129	55,748
Safety.....	225,117	244,232	150,512	93,720
Corrections Department.....	113,565	108,427	103,535	4,892
Employment Security.....	40,090	40,845	40,845	0
Judicial Council.....	28,379	29,328	28,382	946
Human Rights Commission.....	750	698	644	54
Boards and Commissions.....	595	502	471	31
Total.....	688,393	700,977	503,110	197,867
RESOURCE PROTECTION AND DEVELOPMENT				
Resource and Economic Development.....	46,731	74,128	52,085	22,043
Pease Development Authority.....	15,028	15,028	670	14,358
Environmental Services.....	170,629	177,450	116,666	60,784
Development Finance Authority.....	180	180	180	-
Boards and Commissions.....	(11)	(2)	(2)	0
Total.....	232,557	266,784	169,599	97,185
TRANSPORTATION				
Transportation.....	21,135	22,788	10,219	12,569
Total.....	21,135	22,788	10,219	12,569
HEALTH AND SOCIAL SERVICES				
Health and Human Services Commissioner.....	836,308	810,750	770,188	40,562
Office of Health Management.....	101,475	108,540	78,096	30,444
Children and Youth.....	143,462	137,708	114,640	23,068
Transitional Assistance.....	108,330	112,985	103,719	9,266
Behavioral Health.....	114,931	115,893	113,372	2,521
Developmental Services.....	257,694	262,050	251,568	10,482
Developmental Disabilities Council.....	609	609	501	108
NH Hospital.....	77,683	72,693	63,346	9,347
Home for Elderly.....	14,877	13,785	12,932	853
NH Veterans Home.....	30,424	29,255	27,229	2,026
Veterans Council.....	488	459	419	40
Youth Development Services.....	28,149	28,543	25,302	3,241
Elderly and Adult Services.....	432,682	450,426	425,524	24,902
Admin and Support.....	971	941	841	100
Boards and Commissions.....	3,758	3,616	3,036	580
Total.....	2,151,841	2,148,253	1,990,713	157,540

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, 2011
 (expressed in thousands)

	General Fund			Variance with Final Budget- Positive (Negative)
	Budgeted Amount		ACTUAL (Budgetary Basis)	
	ORIGINAL	FINAL		
EDUCATION				
Post Secondary Education Commission.....	4,948	6,196	5,486	710
Department of Education.....	481,126	517,802	263,483	254,319
NH Comm. Tech. College System.....	110,997	110,962	81,585	29,377
Planetarium.....	1,539	1,564	1,537	27
Police Standards and Training Council.....	3,923	3,956	3,019	937
University of New Hampshire.....	100,000	100,000	100,000	-
Total.....	702,533	740,480	455,110	285,370
Debt Service.....	63,519	63,519	63,519	0
Capital Outlays.....	15,413	15,413	15,413	-
Total.....	4,405,887	4,516,077	3,628,047	888,030
Deficiency of Revenues				
Under Expenditures.....	(328,176)	(227,794)	(81,771)	146,023
Other Financing Sources (Uses)				
Transfers In.....	174,912	174,912	174,912	-
Transfers Out.....	-	(50)	(50)	-
Miscellaneous.....	-	979	6,952	5,973
Total Other Financing Sources Uses.....	174,912	175,841	181,814	5,973
Deficiency of Revenues and Other				
Sources Under Expenditures and Other Uses.....	(153,264)	(51,953)	100,043	151,996
Fund Balance - July 1.....	428,667	428,667	428,667	-
Fund Balance - June 30.....	\$ 275,403	\$ 376,714	\$ 528,710	\$ 151,996

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, 2011
 (expressed in thousands)

Highway Fund

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget-Positive (Negative)
	Original	Final		
REVENUES				
Business License Taxes.....	\$ 151,091	\$ 151,091	\$ 160,842	\$ 9,751
Non-Business License Taxes.....	103,125	103,125	103,794	669
Fees.....	23,965	24,115	21,478	(2,637)
Fines, Penalties and Interest.....	600	600	566	(34)
Grants from Federal Government.....	336,398	336,495	210,649	(125,846)
Grants from Private and Local Sources.....	14,533	20,144	5,416	(14,728)
Rents and Leases.....	222	223	178	(45)
Interest Premiums and Discounts.....	750	750	-	(750)
Sale of Commodities.....	1,160	1,160	299	(861)
Sale of Services.....	33,967	33,967	35,093	1,126
Assessments.....	-	-	-	-
Grants from Other Agencies.....	2,297	2,297	2,468	171
Miscellaneous.....	53,515	53,805	94,668	40,863
Total Revenues.....	721,623	727,772	635,451	(92,321)
EXPENDITURES				
Justice and Public Protection.....	1,586	1,591	1,384	207
Transportation.....	771,262	782,167	603,134	179,033
Debt Service.....	7,186	7,186	7,186	-
Capital Outlays.....	18,546	18,546	18,546	-
Total Expenditures.....	798,580	809,490	630,250	179,240
Deficiency of Revenues Under Expenditures.....	(76,957)	(81,718)	5,201	86,919
OTHER FINANCING SOURCES (USES)				
Transfers In.....	-	-	-	-
Transfers Out.....	-	(2,590)	(2,590)	-
Miscellaneous.....	-	1,142	1,142	-
Total Other Financing Sources (Uses).....	-	(1,448)	(1,448)	-
Deficiency of Revenues and Other Sources Under Expenditures and Other Uses.....	(76,957)	(83,166)	3,753	86,919
Fund Balance - July 1.....	316,334	316,334	316,334	-
Fund Balance - June 30.....	\$ 239,377	\$ 233,168	\$ 320,087	\$ 86,919

STATE OF NEW HAMPSHIRE
 BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE (Unaudited)
 EDUCATION FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011
 (expressed in thousands)

	Education Fund			
	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget-Positive (Negative)
	Original	Final		
REVENUES				
General Property Taxes.....	\$ 391,000	\$ 391,000	\$ 395,966	\$ 4,966
Special Taxes.....	301,300	301,300	276,744	(24,556)
Personal Taxes.....	90,600	90,600	96,805	6,205
Fines, Penalties and Interest.....	-	-	-	-
Grants from Federal Government.....	80,078	41,144	21,371	(19,773)
Miscellaneous.....	40,000	40,000	40,000	-
Total Revenues.....	902,978	864,044	830,886	(33,158)
EXPENDITURES				
General Government.....	-	-	-	-
Education.....	974,908	995,480	956,023	39,457
Total Expenditures.....	974,908	995,480	956,023	39,457
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	(71,930)	(131,436)	(125,137)	6,299
OTHER FINANCING SOURCES (USES)				
Transfers In.....	-	(31,490)	(31,490)	-
Total Other Financing Sources (Uses).....	-	(31,490)	(31,490)	-
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses.....	(71,930)	(162,926)	(156,627)	6,299
Fund Balance - July 1.....	36,411	36,411	36,411	-
Fund Balance - June 30.....	\$ (35,519)	\$ (126,515)	\$ (120,216)	\$ 6,299

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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 schedules are presented on a "budgetary basis" under such standardized accounting methods and policies structured to provide a meaningful comparison to budget.

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

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, 2011 (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)	\$ 100,043	\$ 3,753	\$ (156,627)
Adjustments and Reclassifications:			
To record change in Accounts Payable and Accrued Payroll	(164,210)	(52,520)	(906)
To Record change in Encumbrances	(55,377)	76,215	-
To Record change in Accounts Receivable	255,982	(20,397)	(63,537)
To Record Other Financing Sources (Uses)	(192,447)	80,000	218,972
Excess/(Deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses* (GAAP Basis)	\$ (56,009)	\$ 87,051	\$ (2,098)

*Includes Change in Inventory for General and Highway of \$975, \$1,142 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 for the State's Other Postemployment Benefits (using the projected unit credit actuarial cost method):

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

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

INFORMATION ABOUT THE NEW HAMPSHIRE JUDICIAL RETIREMENT PLAN

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

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

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

Combining Financial Statements

Highway Fund

The State's highway fund serves a dual role, comprising of both operating activities and long-term capital improvement activities. The accounting and budgeting over the years has followed a conservative approach in that funds are raised in the current year to appropriate for highway construction projects that may subsequently take several years to complete. The fund balance is affected at the time of appropriation. The State has expanded its reporting by presenting the operating and capital activities separately on combining schedules and adding additional disclosures relating to encumbrances and future commitments.

***Capital account** activities is comprised of two main construction accounts: (1) Federal Highway Construction Trust which includes federal construction aid and federal highway grant anticipation bond proceeds (2) state funded capital which includes state aid, municipal bridge and betterment. The **operating account** represents the total highway fund less the capital account activities. Except for the betterment account, cash raised from current year revenue transactions, such as gasoline road toll, licenses, fees etc, are maintained in the operating account and transferred to the capital accounts on demand as cash is needed to fund current year costs. By law, the betterment account receives a cash transfer each month, representing 88% of 3 cents of the gasoline road toll tax.*

**STATE OF NEW HAMPSHIRE
COMBINING SCHEDULE OF BALANCE SHEET ACCOUNTS
HIGHWAY FUND
JUNE 30, 2011
(Expressed in Thousands)**

	Highway Capital				
	Federal Highway Construction Trust	State Funded Capital	Total Highway Capital	Highway Operating	Total Highway Fund
ASSETS					
Cash and Cash Equivalents	\$ 236	\$ 24,792	\$ 25,028	\$ (25,028)	\$ -
Cash and Cash Equivalents - Restricted.....	22,335		22,335		22,335
Receivables (Net of Allow ances for Uncollectibles) ..	22,707	1,847	24,554	16,355	40,909
Inter-Fund Note Receivable.....				75,778	75,778
Due from Other Funds.....				62,002	62,002
Inventories.....				11,612	11,612
Investments.....	57,876		57,876		57,876
Total Assets	<u>\$ 103,154</u>	<u>\$ 26,639</u>	<u>\$ 129,793</u>	<u>\$ 140,719</u>	<u>\$ 270,512</u>
LIABILITIES					
Accounts Payable.....	\$ 14,794	\$ 8,376	\$ 23,170	\$ 7,040	\$ 30,210
Accrued Payroll.....				9,878	9,878
Due to Other Accounts.....	4,850		4,850	(4,850)	
Deferred Revenue	4,543	87	4,630	77,118	81,748
Total Liabilities.....	<u>24,187</u>	<u>8,463</u>	<u>32,650</u>	<u>89,186</u>	<u>121,836</u>
FUND BALANCES					
Nonspendable:					
Inventories.....				11,612	11,612
Restricted.....	74,501	26,094	100,595	194	100,789
Committed.....				1,453	1,453
Assigned.....	4,466	(7,918)	(3,452)	38,274	34,822
Total Fund Balances	<u>78,967</u>	<u>18,176</u>	<u>97,143</u>	<u>51,533</u>	<u>148,676</u>
Total Liabilities and Fund Balances.....	<u>\$ 103,154</u>	<u>\$ 26,639</u>	<u>\$ 129,793</u>	<u>\$ 140,719</u>	<u>\$ 270,512</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, 2011
 (Expressed in Thousands)

	Highway Capital				
	Federal Highway Construction Trust	State Funded Capital	Total Highway Capital	Highway Operating	
REVENUES					
Business License Taxes (Betterment).....		\$ 36,095	\$ 36,095	\$ 124,747	\$ 160,842
Non-Business License Taxes.....				103,794	103,794
Fees.....				21,478	21,478
Fines, Penalties and Interest.....				566	566
Grants from Federal Government.....	\$ 177,714	(17)	177,697	9,720	187,417
Grants from Private and Local Sources.....	2,318	1,529	3,847	1,569	5,416
Rents and Leases.....				178	178
Sale of Commodities.....				299	299
Sale of Service.....				19,983	19,983
Grants from Other Agencies.....		90	90	2,378	2,468
Miscellaneous.....	680	5	685	29,370	30,055
Total Revenues.....	<u>180,712</u>	<u>37,702</u>	<u>218,414</u>	<u>314,082</u>	<u>532,496</u>
EXPENDITURES					
Current:					
Administration of Justice and Public Protection.....				3,042	3,042
Resource Protection and Development.....				23	23
Municipal Aid.....	17,936	14,192	32,128	34,897	67,025
Safety and Other Agency.....				71,686	71,686
Transportation.....	158,397	25,682	184,079	187,760	371,839
Debt Service.....	1,039		1,039	6,147	7,186
Capital Outlay Equipment.....	98		98	6,910	7,008
Capital Outlay Land and Buildings.....	11,078	(50)	11,028	510	11,538
Total Expenditures.....	<u>188,548</u>	<u>39,824</u>	<u>228,372</u>	<u>310,975</u>	<u>539,347</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	(7,836)	(2,122)	(9,958)	3,107	(6,851)
OTHER FINANCING SOURCES (USES)					
Transfers among accounts.....	107	16,617	16,724	(16,724)	
Transfers Out.....	(3,464)		(3,464)	875	(2,589)
Installments on Sale of Assets.....				15,349	15,349
Proceeds From Bonds.....	80,000		80,000		80,000
Total Other Financing Sources (Uses).....	<u>76,643</u>	<u>16,617</u>	<u>93,260</u>	<u>(500)</u>	<u>92,760</u>
Excess of Revenues and Other Sources Over Expenditures and Other Uses.....	68,807	14,495	83,302	2,607	85,909
Fund Balances - July 1	10,160	3,681	13,841	47,784	61,625
Change in Inventory.....				1,142	1,142
Fund Balances - June 30.....	<u>\$ 78,967</u>	<u>\$ 18,176</u>	<u>\$ 97,143</u>	<u>\$ 51,533</u>	<u>\$ 148,676</u>

See accompanying Independent Auditors' Report

Non - Major Governmental Fund Financial Statements

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

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

Permanent Funds:

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

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

Other: *The other category consists of several accounts that report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the State or its citizenry. They include: Harriet Huntress, Hattie Livesey, John Nesmith, Special Teachers Comp., Catastrophic Illness, Sam Whidden Trust, Ben Thompson, the Guy Thompson Memorial, Matthew Elliott Trust, Pari-Mutuel Comm. Licensee Escrow, State of NH Racing Torguson Group NH LLC, DOL Crown Paper Workers Comp Fund, Connecticut Lake fund, and State vs. Bardsley.*

STATE OF NEW HAMPSHIRE
 COMBINING BALANCE SHEET
 NON - MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2011
 (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	\$ 4,963		\$ 108	\$ 37	\$ 4,252	\$ 4,397	\$ 9,360	
Investments			5,702	2,943	2,614	11,259	11,259	
Receivables (Net).....	2,741	\$ 1,095					3,836	
Due from Other Funds.....	2,303						2,303	
Inventories.....	789						789	
Total Assets.....	\$ 10,796	\$ 1,095	\$ 5,810	\$ 2,980	\$ 6,866	\$ 15,656	\$ 27,547	
LIABILITIES								
Accounts Payable.....	\$ 562	\$ 20,951					\$ 21,513	
Accrued Payroll.....	814	20					834	
Deferred Revenue		91					91	
Due to other funds.....		13,610					13,610	
Total Liabilities.....	1,376	34,672					36,048	
FUND BALANCES								
Nonspendable:								
Inventories.....	789						789	
Permanent Fund Principal.....				2,109	4,556	\$ 6,665	6,665	
Restricted.....	5,668		\$ 5,810	871	2,310	8,991	14,659	
Committed.....	16						16	
Assigned.....	2,947						2,947	
Unassigned.....		(33,577)					(33,577)	
Total Fund Balances (Deficit).....	9,420	(33,577)	5,810	2,980	6,866	15,656	(8,501)	
Total Liabilities and Fund Balances	\$ 10,796	\$ 1,095	\$ 5,810	\$ 2,980	\$ 6,866	\$ 15,656	\$ 27,547	

**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, 2011
 (Expressed in Thousands)**

	Fish & Game	Capital	Permanent Funds				Total Permanent	Total Non-Major
			NH Hospital	Land Conservation Endowment	Other Permanent			
REVENUES								
Non-Business License Taxes.....	\$ 8,346							\$ 8,346
Fees.....	1,183							1,183
Fines, Penalties and Interest.....	133							133
Grants from Federal Government.....	8,853	\$ 11,966						20,819
Grants from Private and Local Sources.....	1,190							1,190
Interest, Premiums and Discounts.....	38		\$ 160	\$ 57	\$ 107	\$ 324		362
Sale of Commodities.....	256							256
Sale of Service.....	3							3
Grants from Other Agencies.....	5,502							5,502
Miscellaneous.....	451	1,147	756	474	429	1,659		3,257
Total Revenues.....	25,955	13,113	916	531	536	1,983		41,051
EXPENDITURES								
Current:								
Resource Protection and Development.....	26,835			77		77		26,912
Health and Social Services.....			227		240	467		467
Debt Service.....	184							184
Capital Outlay.....	778	156,556						157,334
Total Expenditures.....	27,797	156,556	227	77	240	544		184,897
Deficiency of Revenues Under Expenditures.....	(1,842)	(143,443)	689	454	296	1,439		(143,846)
OTHER FINANCING SOURCES (USES)								
Transfers In.....	1,512							1,512
Transfers Out.....		(1,647)						(1,647)
Payment of BANS.....		(50,000)						(50,000)
Payments to Refunding Bond Escrow Agent.....		(49,967)						(49,967)
Refunding Bond Issuance.....		45,036						45,036
G.O. Bond Premium.....		22,846						22,846
G.O. Bond Issuance.....		150,000						150,000
Total Other Financing Sources.....	1,512	116,268						117,780
Excess (Deficiency) of Revenues & Other Sources Over (Under) Expenditures & Other Uses.....	(330)	(27,175)	689	454	296	1,439		(26,066)
Fund Balances (Deficit) - July 1.....	9,854	(6,402)	5,121	2,526	6,570	14,217		17,669
Change in Inventory.....	(104)							(104)
Fund Balances (Deficit) - June 30.....	\$ 9,420	\$ (33,577)	\$ 5,810	\$ 2,980	\$ 6,866	\$ 15,656		\$ (8,501)

STATE OF NEW HAMPSHIRE
 BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
 FISH & GAME FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011
 (expressed in thousands)

Fish and Game Fund

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget-Positive (Negative)
	Original	Final		
REVENUES				
Non-Business License Taxes.....	\$ 11,828	\$ 11,828	\$ 8,346	\$ (3,482)
Fees.....	3,852	3,852	1,569	(2,283)
Fines, Penalties and Interest.....	153	153	133	(20)
Grants from Federal Government.....	8,240	9,133	7,839	(1,294)
Grants from Private and Local Sources.....	838	875	1,190	315
Interest Premiums and Discounts.....	123	123	38	(85)
Sale of Commodities.....	642	647	489	(158)
Sale of Services.....	(1,236)	(1,031)	3	1,034
Grants from Other Agencies.....	6,559	7,015	5,502	(1,513)
Miscellaneous.....	1,436	1,470	627	(843)
Total Revenues.....	32,435	34,065	25,736	(8,329)
EXPENDITURES				
Resource Protection and Development.....	29,822	31,529	27,526	4,003
Debt Service.....	962	184	184	-
Capital Outlays.....	-	778	778	-
Total Expenditures.....	30,784	32,491	28,488	4,003
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	1,651	1,574	(2,752)	(4,326)
OTHER FINANCING SOURCES (USES)				
Transfers In.....	-	1,512	1,512	-
Transfers Out.....	-	(104)	(104)	-
Miscellaneous.....	-	(104)	(104)	-
Total Other Financing Sources (Uses).....	-	1,408	1,408	-
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses.....	1,651	2,982	(1,344)	(4,326)
Fund Balance - July 1.....	10,516	10,516	10,516	-
Fund Balance - June 30.....	\$ 12,167	\$ 13,498	\$ 9,172	\$ (4,326)

Reconciliation of Budgetary To GAAP

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

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

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

The following schedule reconciles the Fish and Game Fund of the primary government for differences between budgetary accounting methods and the GAAP basis accounting principles for the year ended June 30, 2011 (expressed in thousands).

	Fish & Game Fund
Deficiency of revenues and other financing sources under expenditures and other financing uses (Budgetary Basis)	\$ (1,344)
Adjustments and Reclassifications: To record change in Accounts Payable and Accrued Payroll	709
To Record change in Encumbrances	(222)
To Record change in Accounts Receivable	423
Deficiency of revenues and other financing sources under expenditures and other financing uses* (GAAP Basis)	\$ (434)

Internal Service Fund

STATE OF NEW HAMPSHIRE
 COMBINING SCHEDULE OF BALANCE SHEET ACCOUNTS
 EMPLOYEE BENEFIT RISK MANAGEMENT FUND
 JUNE 30, 2011
 (Expressed in Thousands)

	Health			Dental	Total
	Active	Retirees	Total		
ASSETS					
Current Assets:					
Cash and Cash Equivalents.....	\$ 25,498	\$ 7,666	\$ 33,164	\$ 1,038	\$ 34,202
Accounts Receivable.....	953	1,959	2,912	42	2,954
Total Assets.....	\$ 26,451	\$ 9,625	\$ 36,076	\$ 1,080	\$ 37,156
LIABILITIES					
Current Liabilities:					
Accounts Payable.....	\$ 86	\$ 43	\$ 129	\$ 41	\$ 170
Claims Payable.....	2,655	1,684	4,339	80	4,419
Incurred but not Reported (IBNR).....	9,409	4,476	13,885	\$ 341	14,226
Total Liabilities.....	12,150	6,203	18,353	462	18,815
NET ASSETS					
Unrestricted Net Assets	\$ 14,301	\$ 3,422	\$ 17,723	\$ 618	\$ 18,341

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, 2011
(Expressed in Thousands)

	Health			Dental	Total
	Active	Retirees	Total		
<u>OPERATING REVENUES</u>					
Charges for Sales and Services					
Contributions For Health Benefits					
State Contributions:					
Active Employees.....	\$ 173,807		\$ 173,807	\$ 10,548	\$ 184,355
Retired Judges & Constitutional Officers.....		\$ 515	515		515
Retired Employees.....		43,487	43,487		43,487
Non-State Contributions:					
Employee and Retiree Premiums.....	8,751	2,795	11,546	9	11,555
Other Employers.....	1,259		1,259	75	1,334
COBRA Participants.....	667		667	137	804
Legislator Participants.....	697	172	869	113	982
Retirement Subsidies & Deductions.....		14,250	14,250		14,250
Recoveries.....	6,118	4,591	10,709		10,709
Federal Part D Subsidies.....		4,773	4,773		4,773
Total Contributions for Health Benefits.....	191,299	70,583	261,882	10,882	272,764
Total Charges for Sales and Services.....	191,299	70,583	261,882	10,882	272,764
<u>OPERATING EXPENSES</u>					
Health Care Expenses:					
Medical Payments.....	142,197	39,776	181,973	11,127	193,100
Pharmaceuticals.....	37,500	32,042	69,542		69,542
Ancillary Benefits.....	829		829		829
Total Health Care Expenses.....	180,526	71,818	252,344	11,127	263,471
Administrative Expenses.....	6,210	4,297	10,507	497	11,004
Enrollment.....	275	120	395		395
Total Operating Expenses.....	187,011	76,235	263,246	11,624	274,870
Change in Net Assets.....	4,288	(5,652)	(1,364)	(742)	(2,106)
Net Assets - July 1	10,013	9,074	19,087	1,360	20,447
Net Assets - June 30.....	\$ 14,301	\$ 3,422	\$ 17,723	\$ 618	\$ 18,341

Component Units

STATE OF NEW HAMPSHIRE
 COMBINING STATEMENT OF NET ASSETS
 NON-MAJOR COMPONENT UNITS
 JUNE 30, 2011
 (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.....	\$ 2,998	\$ 10,766	\$ 6,747	\$ 18,884	\$ 39,395
Accounts Receivable.....	377	2,777	913	1,839	5,906
Other Receivables.....			1,018		1,018
Notes Receivable - Current Portion.....	7,559	462		136	8,157
Prepaid Expenses & Other.....	22	238	494		754
Total Current Assets.....	10,956	14,243	9,172	20,859	55,230
Noncurrent Assets:					
Investments.....	10,069			9,593	19,662
Notes & Other Receivables.....	16,893	2,542			19,435
Other Assets.....	174		956		1,130
Capital Assets:					
Land & Land Improvements.....			5,090		5,090
Building & Building Improvements.....	4		120,451	29,544	149,999
Equipment.....	41	124	10,990		11,155
Construction in Progress.....			1,988		1,988
Less: Accumulated Depreciation.....	(31)	(66)	(62,043)	(6,911)	(69,051)
Net Capital Assets.....	14	58	76,476	22,633	99,181
Total Noncurrent Assets.....	27,150	2,600	77,432	32,226	139,408
Total Assets.....	38,106	16,843	86,604	53,085	194,638
Current Liabilities:					
Accounts Payable.....	2	164	521	64	751
Accrued Salaries and Wages.....				5,744	5,744
Accrued Employee Benefits - Current.....	45			5,114	5,159
Other Payables & Accrued Expenses.....	21	7,728	829		8,578
Other Liabilities.....			292	1,670	1,962
Deposits and Deferred Revenues.....	2,480	567	648	3,550	7,245
Due to Primary Government-Current Portion.....			2,913	1,236	4,149
Long Term Debt-Current Portion.....			1,047	1,206	2,253
Total Current Liabilities.....	2,548	8,459	6,250	18,584	35,841
Noncurrent Liabilities:					
Due to Primary Government.....			3,070		3,070
Other Long Term Debt.....	25,844		3,617	15,131	44,592
Total Noncurrent Liabilities.....	25,844		6,687	15,131	47,662
Total Liabilities.....	28,392	8,459	12,937	33,715	83,503
NET ASSETS					
Invested in Capital Assets, Net of Related Debt....		58	65,713	6,297	72,068
Restricted for Specific Purpose.....	15	1,518	1,374	9,786	12,693
Unrestricted.....	9,699	6,808	6,580	3,287	26,374
Total Net Assets.....	\$ 9,714	\$ 8,384	\$ 73,667	\$ 19,370	\$ 111,135

See accompanying Independent Auditors' Report

STATE OF NEW HAMPSHIRE
 COMBINING STATEMENT OF ACTIVITIES
 NON-MAJOR COMPONENT UNITS
 JUNE 30, 2011
 (Expressed in Thousands)

	Business Finance Authority	Community Development Finance Authority	Pease Development Authority	Community College System of New Hampshire	Total
Expenses	\$ 3,486	\$ 20,450	\$ 17,100	\$ 129,412	\$ 170,448
Program Revenues:					
Charges for Services:					
Tuition & Fees.....				56,473	56,473
Sales, Services, & Other Revenue.....	3,276	2,809	14,448	6,389	26,922
Operating Grants & Contributions.....		17,963	1,544	26,032	45,539
Total Program Revenues.....	3,276	20,772	15,992	88,894	128,934
Net Revenues (Expenses).....	(210)	322	(1,108)	(40,518)	(41,514)
Interest & Investment Income.....	23	180		5,732	5,935
Payments (to) from State of New Hampshire.....	(35)			37,771	37,736
Change in Net Assets.....	(222)	502	(1,108)	2,985	2,157
Net Assets - Beginning	9,936	7,882	74,775	16,385	108,978
(Restated Beginning Net Assets-Note 18).....					
Net Assets - Ending	\$ 9,714	\$ 8,384	\$ 73,667	\$ 19,370	\$ 111,135

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, 2011
(Expressed in Thousands)

	Other Postemployment Medical Plans (OPEB)						Judicial Retirement Plan	Total
	Group II		Group 1		Group 1			
	Pension Plan	Police Officer & Firefighter	Group 1 Teachers	Political Subdivisions	Group 1 State Employees			
ASSETS								
Cash & Cash Equivalents.....	\$ 3,772	\$ 7	\$ (4)	\$ 19	\$ -	\$ 253	\$ 4,047	
Total Cash.....	3,772	7	(4)	19	-	253	4,047	
Receivables:								
Due from Employers.....	32,371					62	32,433	
Due from State.....	6,995						6,995	
Due from Plan Members.....	16,191					23	16,214	
Due from Brokers for Securities Sold....	233,881	406	(251)	1,185	22		235,243	
Interest and Dividends.....	16,459	29	(18)	83	2	217	16,772	
Other	2,457	4	(3)	12			2,470	
Total Receivables.....	308,354	439	(272)	1,280	24	302	310,127	
Investments								
Cash & Cash Equivalents.....	217,545	377	(234)	1,102	20		218,810	
Equity Investments								
Domestic.....	2,636,087	4,573	(2,831)	13,351	244	16,706	2,668,130	
International.....	1,086,703	1,885	(1,167)	5,503	100	6,116	1,099,140	
Fixed Income Investments								
Domestic.....	1,191,423	2,068	(1,279)	6,034	110	11,110	1,209,466	
International.....	240,459	417	(258)	1,217	22		241,857	
Commercial Real Estate.....	324,369	563	(348)	1,643	30		326,257	
Alternative Investments.....	122,926	213	(131)	622	11	4,090	127,731	
Total Investments.....	5,819,512	10,096	(6,248)	29,472	537	38,022	5,891,391	
Other Assets.....	175			1			176	
Total Assets.....	6,131,813	10,542	(6,524)	30,772	561	38,577	6,205,741	
LIABILITIES								
Management Fees and Other Payables.....	8,001	14	(9)	41	1	24	8,072	
Due to Brokers for Securities Purchased..	266,387	462	(286)	1,349	25		267,937	
Total Liabilities.....	274,388	476	(295)	1,390	26	24	276,009	
Net Assets Held in Trust for								
Benefits & Other Purposes.....	\$ 5,857,425	\$ 10,066	\$ (6,229)	\$ 29,382	\$ 535	\$ 38,553	\$ 5,929,732	

**STATE OF NEW HAMPSHIRE
COMBINING STATEMENT OF CHANGES
IN PLAN NET ASSETS
PENSION TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(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	\$ 235,399	\$ 6,693	\$ 10,366	\$ 423	\$ 10,333	\$ 1,905	\$ 265,119	
State Contributions on Behalf of								
Local Employers.....	39,183	1,662	3,424				44,269	
Total Employer Contributions.....	274,582	8,355	13,790	423	10,333	1,905	309,388	
Plan Member.....	152,412					618	153,030	
Total Contributions.....	426,994	8,355	13,790	423	10,333	2,523	462,418	
Investment Income:								
From Investing Activities:								
Net Appreciation								
in Fair Value of Investments.....	1,006,258	2,989	283	5,793	78	2,974	1,018,375	
Interest.....	49,221	147	14	284	4	1,144	50,814	
Dividends.....	66,689	198	19	385	5		67,296	
Alternative Investment Income (loss).....	(9)	-					(9)	
Commercial Real Estate Operating Income.....	17,171	51	5	100	1		17,328	
Total Income from Investing Activities.....	1,139,330	3,385	321	6,562	88	4,118	1,153,804	
Less: Investment Activity Expenses:								
Investment Management Fees.....	17,031	51	5	98	1		17,186	
Custodial Fees.....	423	1	1	2		29	456	
Investment Advisor Fees.....	745	2	1	4		60	812	
Total Investment Activity Expenses.....	18,199	54	7	104	1	89	18,454	
Total Net Income from Investing Activities.....	1,121,131	3,331	314	6,458	87	4,029	1,135,350	
From Securities Lending Activities:								
Security Lending Income.....	410	2	-	2			414	
Less: Security Lending Borrower (Premiums) Rebates.....	(2)						(2)	
Less: Security Lending Management Fees.....	83						83	
Net Income from Securities Lending Activities.....	329	2	-	2	-		333	
Total Net Investment Income.....	1,121,460	3,333	314	6,460	87	4,029	1,135,683	
Other.....	13,399	40	4	77	1		13,521	
Total Additions.....	1,561,853	11,728	14,108	6,960	10,421	6,552	1,611,622	
DEDUCTIONS								
Benefits/Distributions to Participants.....	519,970	16,019	26,766	7,193	9,885	4,452	584,285	
Refunds of Contributions.....	22,830						22,830	
Administrative Expense.....	7,312	22	2	42	1	225	7,604	
Professional Fees.....	1,425	5		8			1,438	
Other.....	743	2		5			750	
Total Deductions.....	552,280	16,048	26,768	7,248	9,886	4,677	616,907	
Change in Net Assets.....	1,009,573	(4,320)	(12,660)	(288)	535	1,875	994,715	
NET ASSETS HELD IN TRUST FOR BENEFITS								
Beginning of the Year.....	4,847,852	14,386	6,431	29,670	-	36,678	4,935,017	
End of the Year.....	\$ 5,857,425	\$ 10,066	\$ (6,229)	\$ 29,382	\$ 535	\$ 38,553	\$ 5,929,732	

Private - Purpose Trust Funds

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

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

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

Other: *The other category consists of several accounts whose trust arrangements provide principal and income to benefit individuals, private organizations or other governments. They include: NH Veterans Home Funds, Prison Funds, Laconia State School, Japanese Charitable Trust, Youth Development Center, YDC Other Funds, the Special Fund for Active Cases, First Choice Training, Erasmus Institute, National Seminars Group, Green Energy Training Center and Tip-Top House Fund.*

STATE OF NEW HAMPSHIRE
 COMBINING STATEMENT OF NET ASSETS -
 PRIVATE - PURPOSE TRUST FUNDS
 JUNE 30, 2011
 (Expressed in Thousands)

	Private-Purpose Trust Funds				
	Special Fund For Second Injuries	EAP	College Savings	Other	Total Private-Purpose
ASSETS					
Cash and Cash Equivalents.....	\$ 2,105	\$ 38	\$ 2,106	\$ 1,098	\$ 5,347
Investments.....			14,407	675	15,082
Total Assets.....	2,105	38	16,513	1,773	20,429
LIABILITIES					
Total Liabilities.....					
Net Assets Held in Trust for Benefits & Other Purposes.....	\$ 2,105	\$ 38	\$ 16,513	\$ 1,773	\$ 20,429

STATE OF NEW HAMPSHIRE
 STATEMENT OF CHANGES IN NET ASSETS -
 PRIVATE-PURPOSE TRUST FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011
 (Expressed in Thousands)

	Private Purpose Trust Funds				
	Special Fund For Second Injuries	EAP	College Savings	Other	Total Private Purpose
ADDITIONS					
Contributions:					
From Participants.....	\$ 10,505	\$ 1,921	\$ 13,304	\$ 2,290	\$ 28,020
Total Contributions.....	10,505	1,921	13,304	2,290	28,020
Interest Income.....	8	1	355	15	379
Other.....			(305)	592	287
Total Additions.....	10,513	1,922	13,354	2,897	28,686
DEDUCTIONS					
Benefits/Distributions to Participants.....	11,493	2,225		2,130	15,848
Other.....		7	12,599	471	13,077
Total Deductions.....	11,493	2,232	12,599	2,601	28,925
Net Increase/(Decrease).....	(980)	(310)	755	296	(239)
NET ASSETS HELD IN TRUST FOR BENEFITS & OTHER PURPOSES					
Beginning of the Year.....	3,085	348	15,758	1,477	20,668
End of the Year.....	\$ 2,105	\$ 38	\$ 16,513	\$ 1,773	\$ 20,429

Agency Funds

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

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

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

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

Other: *The other category consists of several accounts whose assets and liabilities for deposits and investments have been entrusted to the state as an agent for others. The following make up this category, Glencliff Home, Financial Responsibility, Agriculture Markets & Food, NHH Patient Banking, Safety Road Toll, NH Veterans Home Member Account, Corrections Funds, and the Community Conservation Endowment Funds.*

STATE OF NEW HAMPSHIRE
 COMBINING STATEMENT OF ASSETS AND LIABILITIES
 AGENCY FUNDS
 JUNE 30, 2011
 (Expressed in Thousands)

	Agency Funds					Total
	Unified Court System	Child Support Funds	Lifetime License Fund	Board of Tax and Land Appeals	Other Agency Funds	
ASSETS						
Cash and Cash Equivalents.....	\$ 6,888	\$ 1,872	\$ 14	\$ 899	\$ 3,811	\$ 13,484
Investments.....		-	1,432	-	127	1,559
Total Assets.....	\$ 6,888	\$ 1,872	\$ 1,446	\$ 899	\$ 3,938	\$ 15,043
LIABILITIES						
Custodial Funds Payable.....	\$ 6,888	\$ 1,872	\$ 1,446	\$ 899	\$ 3,938	\$ 15,043
Total Liabilities.....	\$ 6,888	\$ 1,872	\$ 1,446	\$ 899	\$ 3,938	\$ 15,043

STATE OF NEW HAMPSHIRE
 COMBINING STATEMENT OF CHANGES
 IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011
 (Expressed in Thousands)

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
<u>Unified Court System</u>				
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 6,838	\$ 12,567	\$ 12,517	\$ 6,888
<u>LIABILITIES</u>				
Custodial Funds Payable	\$ 6,838	\$ 12,567	\$ 12,517	\$ 6,888
<u>Child Support Funds</u>				
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 1,907	\$ 93,181	\$ 93,216	\$ 1,872
<u>LIABILITIES</u>				
Custodial Funds Payable	\$ 1,907	\$ 93,181	\$ 93,216	\$ 1,872
<u>Lifetime License Fund</u>				
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 19	\$ 136	\$ 141	\$ 14
Investments	1,207	225		1,432
Total Assets	\$ 1,226	\$ 361	\$ 141	\$ 1,446
<u>LIABILITIES</u>				
Custodial Funds Payable	\$ 1,226	\$ 361	\$ 141	\$ 1,446
<u>Board of Tax and Land Appeals</u>				
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 1,461	\$ 5,095	\$ 5,657	\$ 899
<u>LIABILITIES</u>				
Custodial Funds Payable	\$ 1,461	\$ 5,095	\$ 5,657	\$ 899
<u>Other Agency Funds</u>				
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 3,813	\$ 6,287	\$ 6,289	\$ 3,811
Investments		127		127
Total Assets	\$ 3,813	\$ 6,414	\$ 6,289	\$ 3,938
<u>LIABILITIES</u>				
Custodial Funds Payable	\$ 3,813	\$ 6,414	\$ 6,289	\$ 3,938
<u>Totals - Agency Funds</u>				
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 14,038	\$ 117,266	\$ 117,820	\$ 13,484
Investments	1,207	352	-	1,559
Total Assets	\$ 15,245	\$ 117,618	\$ 117,820	\$ 15,043
<u>LIABILITIES</u>				
Custodial Funds Payable	15,245	117,618	117,820	15,043
Total Liabilities	\$ 15,245	\$ 117,618	\$ 117,820	\$ 15,043



Statistical Section

(Unaudited)

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

Financial Trends

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

Schedule of Net Assets by Component.....	109
Schedule of Changes in Net Assets.....	110
Schedule of Fund Balances, Governmental Funds.....	112
Schedule of Changes in Fund Balance, Governmental Funds.....	114
Schedule of Unrestricted Revenue - GAAP Basis - General Fund.....	116
Schedule of Undesignated/ Assigned - Other Fund Balance - General Fund.....	117
Schedule of Undesignated/ Assigned Fund Balance - Education Fund.....	118
Schedule of Undesignated/ Assigned Fund Balance - Highway Fund.....	119
Schedule of Undesignated/ Assigned Fund Balance - Fish and Game Fund.....	120

Revenue Capacity

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

Schedule of Business Tax Filers and Liability by Tax Paid Level.....	121
Schedule of Statewide Property Tax For Top Ten Cities/Towns.....	123
Schedule of Sales by Top Ten State Liquor Retail Locations.....	124

Debt Capacity

These tables present information to help users assess the affordability of the State's current levels of outstanding debt.

Schedule of Ratios of Outstanding Debt by Type.....	124
Schedule of Ratios of General Bonded Debt Outstanding.....	125
Schedule of Pledged Revenue Coverage.....	125

Demographic and Economic Information

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

Schedule of Demographic and Economic Statistics.....	126
Schedule of Building Permits for Housing Units.....	126
Schedule of Principle Employers.....	127

Operating Information

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

Schedule of Operating Indicators by Function.....	128
Schedule of State Employees by Function.....	130
Schedule of Capital Asset Balances by Function.....	131

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

	Fiscal Year				
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Governmental activities					
Invested in capital assets,					
net of related debt	\$ 1,674,794	\$ 1,685,975	\$ 1,695,688	\$ 1,674,011	\$ 1,547,866
Restricted	545,003	463,498	291,513	366,662	355,883
Unrestricted	(420,580)	(25,524)	3,102	213,570	477,791
Total governmental activities net assets	<u>\$ 1,799,217</u>	<u>\$ 2,123,949</u>	<u>\$ 1,990,303</u>	<u>\$ 2,254,243</u>	<u>\$ 2,381,540</u>
Business-type activities					
Invested in capital assets,					
net of related debt	\$ 273,365	\$ 227,358	\$ 341,422	\$ 316,330	\$ 298,150
Restricted	169,264	102,937	150,387	264,782	307,056
Unrestricted	64,574	59,367	41,360	35,234	21,747
Total business-type activities net assets	<u>\$ 507,203</u>	<u>\$ 389,662</u>	<u>\$ 533,169</u>	<u>\$ 616,346</u>	<u>\$ 626,953</u>
Primary government					
Invested in capital assets,					
net of related debt	\$ 1,948,159	\$ 1,913,333	\$ 2,037,110	\$ 1,990,341	\$ 1,846,016
Restricted	74,267	566,435	441,900	631,444	662,939
Unrestricted	(356,006)	33,843	44,462	248,804	499,538
Total primary government net assets	<u>\$ 2,306,420</u>	<u>\$ 2,513,611</u>	<u>\$ 2,523,472</u>	<u>\$ 2,870,589</u>	<u>\$ 3,008,493</u>

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

See accompanying Independent Auditors' Report

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

	2011	2010	2009	2008	2007	2006	2005
Governmental Activities:							
Expenses							
General government	\$ 525,452	\$ 568,119	\$ 495,720	\$ 420,367	\$ 358,060	\$ 353,814	\$ 331,651
Administration of justice and public protection	423,408	474,095	438,273	420,120	341,501	345,779	288,737
Resource protection and development	138,102	178,406	139,574	138,215	139,096	131,812	130,113
Transportation	540,068	587,542	518,415	443,258	411,475	416,518	383,435
Health and social services	2,177,806	2,162,636	1,980,286	1,877,924	1,714,445	1,681,182	1,785,525
Education	1,484,909	1,469,926	1,346,221	1,343,253	1,310,261	1,289,684	1,235,183
Interest expense	47,334	32,074	31,546	26,115	28,180	27,991	29,467
Total expenses	5,336,779	5,472,798	4,950,035	4,669,252	4,303,018	4,246,780	4,184,111
Program revenues							
Charges for services:							
General government	299,148	317,542	208,219	192,436	156,973	175,108	141,883
Administration of justice and public protection	341,099	411,353	315,081	315,613	297,505	279,700	282,820
Resource protection and development	79,603	76,960	64,216	62,406	64,304	63,333	62,381
Transportation	60,009	69,046	33,249	19,093	14,564	20,622	17,466
Health and social services	109,034	123,906	98,491	76,392	74,297	84,445	199,245
Education	4,002	8,550	(1,330)	879	42,767	41,749	38,690
Operating grants and contributions	1,828,020	1,948,200	1,599,262	1,424,014	1,367,207	1,340,495	1,359,477
Capital grants and contributions	210,896	223,103	208,309	194,637	184,409	195,142	159,238
Total program revenues	2,931,811	3,178,660	2,525,497	2,285,470	2,202,026	2,200,594	2,261,200
Total Governmental Activities Net Program Expense	(2,404,968)	(2,294,138)	(2,424,538)	(2,383,782)	(2,100,992)	(2,046,186)	(1,922,911)
General Revenues and Other Changes in Net Assets							
Taxes							
General property taxes	396,272	393,296	395,151	387,952	384,708	384,873	393,426
Business Income Taxes	402,004	565,825	482,597				
Meals and Rental Tax	234,852	231,663	211,414				
Special taxes	429,628	464,519	473,215	1,329,137	1,383,540	1,282,467	1,240,922
Personal taxes	226,649	243,499	188,038	166,288	143,610	150,756	101,360
Business license taxes	160,847	146,684	145,973	151,321	151,472	149,502	154,335
Interest and investment income	8,552	7,037	15,291	18,169	35,631	11,895	6,557
Miscellaneous	29,926	49,648	56,174	48,314	43,695	39,759	46,156
Gain (Loss) on transfer of assets to other entities	(13,788)	116,565	-	(106)			
Transfers	205,294	209,048	192,745	188,602	186,542	185,429	167,944
Total General Revenues and Other Changes in Net Assets	2,080,236	2,427,784	2,160,598	2,289,677	2,329,198	2,204,681	2,110,700
Total Governmental Activities Change in Net Assets	\$ (324,732)	\$ 133,646	\$ (263,940)	\$ (94,105)	\$ 228,206	\$ 158,495	\$ 187,789
Business-type Activities:							
Expenses							
Turnpike System	\$ 91,331	\$ 82,237	\$ 80,433	\$ 80,411	\$ 72,136	\$ 75,580	\$ 58,582
Liquor Commission	415,816	397,490	385,794	367,847	349,084	330,701	313,838
Lottery Commission	167,961	168,853	172,630	186,906	186,907	183,871	160,282
Unemployment Compensation	284,773	458,098	280,385	119,645	95,673	81,582	82,549
Total expenses	959,881	1,106,678	919,242	754,809	703,800	671,734	615,251
Revenues							
Charges for services:							
Turnpike System	118,852	120,511	107,593	107,075	89,408	83,395	67,866
Liquor Commission	558,605	530,936	507,479	479,448	454,917	433,530	411,764
Lottery Commission	232,597	237,591	243,890	264,014	267,322	265,807	230,543
Unemployment Compensation	341,157	399,746	165,896	77,051	79,777	87,729	102,012
Capital grants and contributions	17,717	-	3,952	8,816	10,422	16,757	6,373
Total revenues	1,268,928	1,288,784	1,028,810	936,404	901,846	887,218	818,558
Total Business-type Activities Net Program Revenue	309,047	182,106	109,568	181,595	198,046	215,484	203,307
Other Changes in Net Assets							
Transfer of Capital Assets							
Transfers	13,788	(116,565)					
Transfers	(205,294)	(209,048)	(192,745)	(188,602)	(186,542)	(185,429)	(167,944)
Total Other Changes in Net Assets	(191,506)	(325,613)	(192,745)	(188,602)	(186,542)	(185,429)	(167,944)
Total Business-type Activities Change in Net Assets	\$ 117,541	\$ (143,507)	\$ (83,177)	\$ (7,007)	\$ 11,504	\$ 30,055	\$ 35,363
Total Primary Government Change in Net Assets	\$ (207,191)	\$ (9,861)	\$ (347,117)	\$ (101,112)	\$ 239,710	\$ 188,550	\$ 223,152

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

2004	2003	2002
\$ 263,634	\$ 250,160	\$ 185,269
278,392	283,944	231,309
124,357	128,320	115,670
380,358	488,947	419,048
1,778,791	1,516,228	1,358,774
1,318,503	1,301,202	1,292,751
27,062	28,525	30,609
<u>4,171,097</u>	<u>3,997,326</u>	<u>3,633,430</u>
110,136	98,653	66,629
272,943	260,782	247,972
51,423	60,752	56,114
10,018	5,211	7,058
154,242	96,823	81,071
39,821	36,085	32,413
1,369,236	1,194,229	1,003,587
159,015	153,630	200,429
<u>2,166,834</u>	<u>1,906,165</u>	<u>1,695,273</u>
<u>(2,004,263)</u>	<u>(2,091,161)</u>	<u>(1,938,157)</u>
494,364	504,191	502,604
1,142,406	1,070,627	1,059,080
100,015	94,029	84,222
151,744	145,422	141,851
5,832	7,851	1,289
42,620	48,827	51,030
	(64,001)	(7,725)
165,820	152,182	148,727
<u>2,102,801</u>	<u>1,959,128</u>	<u>1,981,078</u>
<u>\$ 98,538</u>	<u>\$ (132,033)</u>	<u>\$ 42,921</u>
\$ 56,816	\$ 58,080	\$ 55,677
295,798	277,135	259,986
165,532	157,036	149,791
116,802	143,429	120,623
<u>634,948</u>	<u>635,680</u>	<u>586,077</u>
65,691	66,830	66,515
387,215	362,421	341,935
239,630	223,605	215,916
109,627	79,830	102,604
7,338	-	-
<u>809,501</u>	<u>732,686</u>	<u>726,970</u>
<u>174,553</u>	<u>97,006</u>	<u>140,893</u>
(165,820)	(152,182)	(148,727)
<u>(165,820)</u>	<u>(152,182)</u>	<u>(148,727)</u>
<u>\$ 8,733</u>	<u>\$ (55,176)</u>	<u>\$ (7,834)</u>
<u>\$ 107,271</u>	<u>\$ (187,209)</u>	<u>\$ 35,087</u>

See accompanying Independent Auditors' Report

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

	<u>Fiscal year 2011</u>
General fund	
Nonspendable:	
Inventories	\$ 6,649
Restricted	161,043
Committed	92,883
Assigned	27,356
Unassigned:	
Revenue Stabilization	9,312
Other	17,672
Total General Fund	<u>\$ 314,915</u>
All Other Governmental Funds	
Nonspendable:	
Inventories	\$ 12,401
Permanent Fund Principal	6,665
Restricted	115,448
Committed	1,469
Assigned	37,770
Unassigned	(33,577)
Total All Other Governmental Funds	<u>140,176</u>
Total Fund Balances - Governmental Funds	<u>\$ 455,091</u>

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

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

See accompanying Independent Auditors' Report

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

Fiscal Year			
<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ 223,162	\$ 220,077	\$ 188,642	\$ 257,638
82,202	15,287	-	(37,869)
<u>\$ 305,364</u>	<u>\$ 235,364</u>	<u>\$ 188,642</u>	<u>\$ 219,769</u>
\$ 246,043	\$ 325,307	\$ 251,573	\$ 323,912
10,030	(6,689)	(9,982)	(1,513)
(130,913)	(207,182)	(144,898)	(152,128)
<u>\$ 125,160</u>	<u>\$ 111,436</u>	<u>\$ 96,693</u>	<u>\$ 170,271</u>

See accompanying Independent Auditors' Report

STATE OF NEW HAMPSHIRE

SCHEDULE OF CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(Modified Accrual Basis of Accounting, Expressed in Thousands)

	Fiscal Year					
	2011	2010	2009	2008	2007	2006
Revenues						
General property taxes	\$ 396,272	\$ 393,296	\$ 392,951	\$ 387,552	\$ 385,308	\$ 384,273
Special taxes	1,169,883	1,208,180	1,168,412	1,352,476	1,301,889	1,237,742
Personal taxes	226,649	243,499	188,038	166,288	143,610	150,756
Business License Taxes	181,730	165,508	166,930	172,277	171,316	168,544
Non-Business License Taxes	199,550	216,878	183,974	187,103	181,171	167,476
Fees	190,902	194,331	155,528	153,675	143,541	139,319
Fines, Penalties and Interest	11,111	11,953	28,498	35,383	27,421	32,223
Grants from Federal Government	1,929,010	2,073,667	1,680,891	1,497,606	1,409,251	1,414,103
Grants from Private and Local Sources	122,179	112,077	160,365	147,682	130,297	124,633
Rents and Leases	3,030	10,350	1,574	1,051	1,396	1,360
Interest, Premiums and Discounts	14,917	12,289	19,774	24,440	46,286	19,091
Sale of Commodities	12,506	11,829	10,921	10,465	8,425	8,178
Sale of Service	90,458	93,667	76,489	62,499	93,054	94,700
Assessments	66,528	81,009	64,901	53,069	51,017	54,081
Grants from Other Agencies	54,972	118,206	18,130	7,265	10,887	22,869
Miscellaneous	201,903	219,431	157,950	168,130	124,702	150,260
Total Revenues	4,871,600	5,166,170	4,475,326	4,426,961	4,229,571	4,169,608
Expenditures						
General Government	393,429	420,360	380,799	346,347	314,597	308,187
Administration of Justice and Public Protection	377,865	416,073	374,532	353,675	330,616	326,360
Resource Protection and Development	236,392	239,175	153,204	161,485	170,249	159,099
Transportation	524,108	536,552	452,209	305,378	290,093	284,686
Health and Social Services	2,114,451	2,133,629	1,945,122	1,838,018	1,713,604	1,663,667
Education	1,375,706	1,362,028	1,274,261	1,304,734	1,273,184	1,260,372
Debt Service						
Principal	33,612	69,321	65,832	64,829	62,570	60,560
Interest	43,167	42,428	41,803	31,941	32,627	32,608
Capital Outlay	191,293	197,342	242,758	354,337	314,549	337,945
Total expenditures	5,290,023	5,416,283	4,930,520	4,760,744	4,502,089	4,433,484
Revenues Over (Under) Expenditures	(418,423)	(250,113)	(455,194)	(333,783)	(272,518)	(263,876)
Other Financing Sources (Uses)						
Transfers In	128,259	43,244	58,458	35,986	43,373	7,183
Transfers In from Enterprise Funds	205,294	209,048	192,745	188,602	186,542	185,429
Transfers Out	(128,259)	(43,244)	(58,458)	(35,986)	(43,373)	(7,183)
Refunding Bond Issuance	45,036					
G.O. Bond Premiums	22,846	23,509	2,219	6,548	7,386	1,462
G.O. Bond Issuance	230,000	282,599	179,380	161,320	196,885	75,000
Payments to Refunding Bond Escrow Agent	(49,967)	(168,608)	(30,255)	(60,000)	(127,787)	
Installments on Sale of Assets	15,349	30,000				
Repayment (Issuance) of BANS	(50,000)	50,000				
Capital Lease Acquisition	626	157	296	198	810	537
Total Other Financing Sources (Uses)	419,184	426,705	344,385	296,668	263,836	262,428
Change in Inventory	2,013	274,436	3,011	(605)	(84)	(356)
Net Change in Fund Balances	\$ 2,774	\$ 451,028	\$ (107,798)	\$ (37,720)	\$ (8,766)	\$ (1,804)
Debt Service as a Percentage of Non-Capital Expenditure:	1.5%	2.2%	2.4%	2.2%	2.3%	2.3%

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

Fiscal Year			
<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ 392,276	\$ 493,614	\$ 504,891	\$ 501,704
1,216,864	1,137,423	1,054,577	1,018,713
101,360	100,015	94,029	84,222
173,039	170,322	162,973	159,480
173,800	169,592	163,764	155,279
132,264	121,636	116,266	111,044
24,188	24,365	22,663	20,598
1,415,070	1,380,605	1,236,223	1,104,470
103,856	139,976	117,978	101,248
1,296	1,457	1,333	1,612
11,970	5,101	11,700	7,583
8,701	8,882	11,783	11,354
166,472	153,423	94,314	88,892
82,209	16,422	14,322	17,365
20,583	5,659	4,644	3,241
155,059	164,421	159,922	119,753
<u>4,179,007</u>	<u>4,092,913</u>	<u>3,771,382</u>	<u>3,506,558</u>
311,755	217,050	211,475	116,665
278,905	259,579	254,551	235,113
159,575	163,155	162,006	136,224
258,243	237,711	236,479	221,572
1,786,260	1,755,287	1,505,655	1,352,660
1,208,781	1,281,614	1,263,036	1,286,651
55,298	57,717	59,685	50,691
35,433	29,023	29,906	32,068
288,150	281,348	316,403	289,050
<u>4,382,400</u>	<u>4,282,484</u>	<u>4,039,196</u>	<u>3,720,694</u>
<u>(203,393)</u>	<u>(189,571)</u>	<u>(267,814)</u>	<u>(214,136)</u>
41,311	59,716	68,796	86,434
167,944	165,820	152,182	148,727
(41,311)	(59,716)	(68,796)	(86,434)
181	3,417	6,912	3,340
117,800	80,000	101,477	105,130
		(97,830)	
			(50,000)
	134	1,159	2,600
<u>285,925</u>	<u>249,371</u>	<u>163,900</u>	<u>209,797</u>
1,192	1,665	(791)	1,934
<u>\$ 83,724</u>	<u>\$ 61,465</u>	<u>\$ (104,705)</u>	<u>\$ (2,405)</u>
2.3%	2.2%	2.5%	2.5%

See accompanying Independent Auditors' Report

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

Fiscal Year Ended June 30

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Beer Tax.....	\$ 12,900	\$ 13,065	\$ 12,695	\$ 12,720	\$ 12,728	\$ 12,805	\$ 12,413	\$ 12,445	\$ 12,281	\$ 12,157
Board and Care Revenue.....	22,519	22,072	21,338	19,937	18,354	13,261	15,583	12,384	11,197	10,692
Business Profits Tax.....	248,537	258,633	251,925	317,439	287,423	264,027	196,647	131,585	137,757	128,574
Business Enterprise Tax.....	63,003	71,744	61,889	77,710	79,291	75,190	114,110	118,538	96,574	121,016
Estate and Legacy Tax.....	92	48	(4)	214	617	3,224	11,659	26,971	59,074	56,958
Insurance Tax.....	84,902	86,804	94,144	95,876	97,909	90,462	88,706	86,246	82,161	76,094
Securities Revenue.....	37,025	34,231	34,680	34,700	32,964	30,064	27,904	26,344	25,778	26,060
Interest and Dividends Tax.....	76,597	84,866	97,126	18,693	108,086	80,543	67,896	55,630	55,129	70,334
Liquor.....	125,718	120,718	146,000	133,052	124,742	120,644	112,555	106,676	98,996	96,237
Meals and Rentals Tax.....	228,898	228,291	203,603	206,726	202,595	193,788	186,486	178,480	168,722	164,045
Dog Racing.....	329	334	385	525	703	559	1,112	1,515	1,572	1,487
Horse Racing.....	1,005	1,184	1,633	2,440	2,398	2,313	2,401	2,474	2,459	2,701
Gambling Winning Tax.....	3,188	2,933								
Games of Chance.....	1,136	1,181								
Real Estate Transfer Tax.....	53,987	55,994	53,539	77,690	91,704	106,161	107,821	95,162	78,859	66,393
Telephone/Communications Tax.....	76,500	80,965	80,243	80,932	72,986	70,496	70,039	65,781	62,522	64,663
Tobacco Tax.....	129,849	130,521	59,257	57,060	65,337	69,892	73,159	71,471	67,066	60,294
Tobacco Settlement.....	1,692	4,221	12,821	8,404			2,441	1,816	5,862	5,725
Utilities Tax.....	5,955	5,976	6,535	6,285	5,757	6,385	6,265	5,121	7,078	5,565
Courts Fines and Fees.....	13,737	13,022	29,295	31,300	30,452	29,500	25,517	24,673	22,114	23,234
Flexible Grant.....								25,000	25,000	
Other:										
Corporate Returns.....	754	712	647	682	678	744	733	748	750	711
Interstate Vehicle Registrations.....	2,157	1,132	1,231	1,362	167	2,411	2,334	2,253	2,310	2,377
Corporate Filing Fees.....	3,251	3,016	3,271	3,346	3,414	3,716	3,231	2,947	3,346	3,341
Interest on Surplus Funds.....	10	(545)	404	5,352	7,776	4,868	1,712	174	75	1,250
Reimbursement of Indirect Costs.....	10,800	8,340	7,214	6,858	6,822	6,265	6,724	6,671	5,675	5,511
Miscellaneous.....	59,444	78,862	74,031	71,412	69,612	44,092	44,878	44,258	40,409	32,403
Subtotal.....	1,263,985	1,308,320	1,253,902	1,370,715	1,322,515	1,231,410	1,182,326	1,105,363	1,072,766	1,037,822
Net Medicaid Enhancement										
Revenues (MER).....	93,440	98,136	99,626	93,111	83,257	73,617	147,209	149,831	116,979	98,208
Recoveries.....	27,758	19,854	21,827	20,108	15,875	24,462	22,989	20,374		
Subtotal.....	1,385,183	1,426,310	1,375,355	1,483,934	1,421,647	1,329,489	1,352,524	1,275,568	1,189,745	1,136,030
Other MER Transferred to/(from)										
Uncompensated Care Pool.....							39,062	35,143	16,594	16,263
Total Unrestricted Revenue.....	\$ 1,385,183	\$ 1,426,310	\$ 1,375,355	\$ 1,483,934	\$ 1,421,647	\$ 1,329,489	\$ 1,391,586	\$ 1,310,711	\$ 1,206,339	\$ 1,152,293

See accompanying Independent Auditors' Report

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

	Fiscal Year Ended June 30									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Balance, July 1(Budgetary Method).....	\$ 112,355	\$ 24,094	\$ 103,494	\$ 92,966	\$ 80,329	\$ 123,174	\$ 73,757	\$ 20,047	\$ 23,309	\$ 136,349
Additions:										
Unrestricted Revenue.....	1,385,183	1,426,310	1,375,355	1,483,934	1,421,647	1,329,489	1,352,524	1,275,568	1,189,745	1,136,030
(1)Unrestricted Revenue - UCP.....							39,062	35,143	16,594	16,263
Total Unrestricted Revenue.....	1,385,183	1,426,310	1,375,355	1,483,934	1,421,647	1,329,489	1,391,586	1,310,711	1,206,339	1,152,293
Transfer from Other Funds.....	38,333	9,576	865	47,409	1,938	27,013	8,709	9,161	517	3,358
Bonds Authorized and Unissued.....							42,800			5,130
Additional Lottery Transfer.....										
Other Credits.....	975	6,800	529	437	116	137	1,126	821	35	247
Total Additions.....	1,424,491	1,442,686	1,376,749	1,531,780	1,423,701	1,356,639	1,444,221	1,320,693	1,206,891	1,161,028
Deductions:										
Appropriations Net of Estimated Revenues:										
General Government.....	282,297	319,116	342,736	338,358	297,294	281,005	303,522	248,390	233,118	228,190
Administration of Justice and Public Protection.....	221,054	217,743	209,521	222,982	200,236	195,145	172,289	168,515	163,516	161,406
Resource Protection and Development.....	33,118	38,183	42,348	45,674	43,078	42,056	41,454	41,673	41,161	41,511
Transportation.....	1,071	573	1,155	1,173	2,704	6,021	2,885	2,759	3,286	3,399
Health and Social Services.....	691,787	663,458	678,334	695,610	633,792	614,948	608,735	589,392	516,550	498,534
Education.....	193,707	201,346	197,570	236,560	223,498	210,520	256,466	247,543	265,552	242,657
Liquor Commission.....	-	-	37,570	35,465	31,949	30,585	27,562	28,879	24,943	25,035
(2)Special Fund.....										
Subtotal.....	1,423,034	1,440,419	1,509,234	1,575,822	1,432,551	1,380,280	1,412,913	1,327,151	1,248,126	1,200,732
Uncompensated Care Pool.....							39,062	35,143	16,594	16,263
Total Appropriations Net of Estimated Revenues.....	1,423,034	1,440,419	1,509,234	1,575,822	1,432,551	1,380,280	1,451,975	1,362,294	1,264,720	1,216,995
Less: Lapses.....	(97,154)	(60,700)	(71,246)	(61,628)	(41,582)	(34,045)	(57,969)	(57,491)	(20,650)	(26,179)
Lapses - HCTF.....										
Total Lapses.....	(97,154)	(60,700)	(71,246)	(61,628)	(41,582)	(34,045)	(57,969)	(57,491)	(20,650)	(26,179)
Net Appropriations.....	1,325,880	1,379,719	1,437,988	1,514,194	1,390,969	1,346,235	1,394,006	1,304,803	1,244,070	1,190,816
Transfers to Other Funds.....	50	52,988	18,067	6,887			757			
Other Debits.....	32	1,452	94	171	95	1,547	41	37		
Transfer to (from) Fund Equity										
Designation or Reserve Accounts.....		(79,734)			20,000	51,702	-	(37,857)	(33,917)	83,252
Total Deductions.....	1,325,962	1,354,425	1,456,149	1,521,252	1,411,064	1,399,484	1,394,804	1,266,983	1,210,153	1,274,068
Balance, June 30 (Budgetary Method).....	210,884	112,355	24,094	103,494	92,966	80,329	123,174	73,757	20,047	23,309
GAAP Adjustments:										
Receivables.....	71,238	38,435	55,183	41,090	33,647	39,098	34,313	32,722	29,676	26,254
Accounts Payable and Accrued Liabilities.....	(140,427)	(116,599)	(100,100)	(106,756)	(100,451)	(88,809)	(93,773)	(94,872)	(88,271)	(67,704)
Transfer from General to Liquor Fund.....			(5,973)	(5,322)	(5,030)	(4,562)	(4,012)	(4,191)	(4,324)	(3,148)
Additional Transfers (to) from Reserve Accounts.....			79,734						37,857	
Total GAAP Adjustments.....	(69,189)	(78,164)	28,844	(70,988)	(71,834)	(54,273)	(63,472)	(66,341)	(25,062)	(44,598)
Year-End Transfer to/from the.....										
Education Trust Fund.....	(124,023)	31,490	(52,938)	(15,322)	40,581		22,500	7,871	5,015	(16,580)
Balance (Deficit), June 30 (GAAP).....	\$ 17,672	\$ 65,681	\$ 24,094	\$ 17,184	\$ 61,713	\$ 26,056	\$ 82,202	\$ 5,287	\$ 20,047	\$ (37,869)

(1) UCP = Uncompensated Care Pool

See accompanying Independent Auditors' Report

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

	Fiscal Year Ended June 30									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Balance July 1.....	\$	\$	\$	\$	\$ 8,357	\$	\$	\$	\$	\$
Additions										
Unrestricted Revenue										
Statewide Property Tax.....	363,647	363,166	363,653	363,066	363,335	363,392	350,368	443,350	452,997	454,135
Statewide Property Tax.....			-	58	-	-	20,934	29,844	32,666	28,987
Utility Property Tax.....	32,319	29,929	28,972	24,196	21,847	20,881	20,102	20,160	18,834	18,170
BPT Increase.....	49,264	57,590	53,894	67,961	57,755	56,578	50,748	41,000	37,100	32,645
BET Increase.....	129,401	122,157	123,389	154,990	174,208	150,380	130,600	116,900	121,400	101,215
Meals & Rentals.....	6,643	4,235	6,107	7,632	7,218	7,138	7,153	6,875	6,701	6,604
Real Estate Tax Increase.....	27,975	28,832	27,736	38,616	45,663	52,545	51,960	47,515	39,426	33,073
Tobacco Tax Increase.....	96,805	113,004	128,796	109,260	78,283	80,902	28,214	28,582	26,977	23,968
Tobacco Settlement.....	40,000	40,000	40,000	40,000	40,781	38,961	40,000	40,000	40,000	40,000
Initial Tobacco Settlement Payment.....										
Transfers from Lottery.....	62,206	66,222	68,149	75,553	80,548	81,987	70,263	73,745	66,569	66,125
Transfers from Racing & Charitable Gaming..	1,254	1,362	1,470	1,457						
Other.....										
Total Revenue.....	809,514	826,497	842,166	882,789	869,638	852,764	770,342	847,971	842,670	804,922
General Fund Budgeted Appropriations.....							61,378	62,590	83,420	65,690
Total Additions.....	809,514	826,497	842,166	882,789	869,638	852,764	831,720	910,561	926,090	870,612
Deductions										
Appropriations										
Adequate Education Grant.....	488,332	341,682	529,085	529,075	472,783	473,534	441,610	451,640	443,873	426,523
Adequate Education Grant.....	363,647	363,166	363,653	363,066	363,335	363,392	350,368	443,350	452,997	454,135
Total Grants.....	851,979	704,848	892,738	892,141	836,118	836,926	791,978	894,990	896,870	880,658
DOE-Hardship Grants.....	4,000	5,000	5,000	5,000	5,000	5,000	1,000		5,000	5,000
DRA-Property Tax Relief.....	100	210	390	700	(1,200)	(2,100)	(2,800)	7,700		
DRA-Tax Relief Admin.....										
DOE-Kindergarten Aid.....	3,678	3,678			2,004				2,625	1,972
DOE-Fiscal Disparity Grants.....	51,187	39,760								
DOE-Education Transition Aid.....	43,491	43,657								
DOE-Admin. & Computers.....										
Total Appropriations.....	954,435	797,153	898,128	897,841	841,922	839,826	790,178	902,690	904,495	887,630
Less Lapses.....	(20,898)	(2,146)	(3,024)	270	(4,508)	4,581	19,042			(438)
Net Appropriations.....	933,537	795,007	895,104	898,111	837,414	844,407	809,220	902,690	904,495	887,192
Current Year Balance.....	(124,023)	31,490	(52,938)	(15,322)	32,224	8,357	22,500	7,871	21,595	(16,580)
End of Year Transfers From(To)										
General Fund.....										
FY 2000.....										
FY 2001.....										
FY 2002.....										16,580
FY 2003.....									(16,580)	
FY 2003.....									(5,015)	
FY 2004.....								(7,871)		
FY 2005.....							(22,500)			
FY 2007.....					(40,581)					
FY 2008.....				15,322						
FY 2009.....			52,938							
FY 2010.....		(31,490)								
FY 2011.....	124,023									
Balance June 30.....	\$	\$	\$	\$	\$	\$ 8,357	\$	\$	\$	\$

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

Fiscal Year Ended June 30

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Balance (Deficit) July 1 (Budgetary Method)....	\$ 27,188	\$ (35,361)	\$ (13,691)	\$ (3,940)	\$ 17,738	\$ 18,792	\$ 3,063	\$ (4,271)	\$ 6,227	\$ (18,274)
Additions:										
Unrestricted Revenue:										
Gasoline Tax.....	124,967	123,741	132,125	137,036	129,514	127,924	131,975	129,863	124,221	121,665
Motor Vehicle Fees.....	132,132	150,158	99,312	100,908	93,327	85,747	93,190	89,934	87,725	83,715
Other.....	43,116	65,597	17,031	11,035	15,817	14,183	7,418	6,270	4,737	6,343
Total Unrestricted Revenue.....	300,215	339,496	248,468	248,979	238,658	227,854	232,583	226,067	216,683	211,723
Bonds Authorized and Unissued (1).....		240,000								
Other Credits *.....										19,436
Total Additions.....	300,215	579,496	248,468	248,979	238,658	227,854	232,583	226,067	216,683	231,159
Deductions:										
Appropriations Net of Estimated Revenues.....	394,544	299,552	300,721	283,195	281,647	275,775	253,894	235,021	238,453	229,962
Less: Appropriation Adjustment ***.....	3,265	(19,770)			(8,000)	(33,100)	(26,600)			
Less: Lapses **.....	(32,859)	(15,249)	(28,675)	(20,902)	(14,957)	(14,233)	(12,307)	(16,677)	(13,133)	(23,149)
Net Appropriations.....	364,950	264,533	272,046	262,293	258,690	228,442	214,987	218,344	225,320	206,813
Other Debits.....	1,994	7,721	(1,908)	(3,563)	1,646	466	1,867	389	1,861	(15)
Total Deductions.....	366,944	272,254	270,138	258,730	260,336	228,908	216,854	218,733	227,181	206,658
Balance, June 30 (Budgetary Method).....	205,152	271,881	(35,361)	(3,691)	(3,940)	17,738	18,792	3,063	(4,271)	6,227
GAAP Adjustment:										
Receivables.....	2,588	3,911	3,645	1,270	1,948	4,006	1,413	119	1,511	360
Bonds Authorized and Unissued.....	(160,000)	(240,000)								
Accounts Payable and Accrued Liabilities.....	(27,407)	(26,896)	(23,146)	(15,087)	(15,889)	(20,493)	(13,231)	(12,644)	(9,851)	(10,696)
Total GAAP Adjustments.....	(184,819)	(262,985)	(19,501)	(13,817)	(13,941)	(16,487)	(11,818)	(12,525)	(8,340)	(10,336)
Balance (Deficit), June 30 (GAAP).....	\$ 20,333	\$ 8,896	\$ (54,862)	\$ (27,508)	\$ (17,881)	\$ 1,251	\$ 6,974	\$ (9,462)	\$ (12,611)	\$ (4,109)

* 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.

*** Adjustments where net appropriations for the Consolidated Federal Account is (reduced) increased and transferred to Undesignated Surplus

(1) Bonding Authority per Ch 228-A:2 for federal highway grant anticipation bonds (Garvee Bonds) as modified by Ch 231:13 L'10

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

	Fiscal Year Ended June 30									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Balance, July 1 (Budgetary Method).....	\$ 5,031	\$ 5,845	\$ 5,406	\$ 3,533	\$ 3,639	\$ 4,336	\$ 3,763	\$ 3,616	\$ 3,324	\$ 3,599
Additions:										
Unrestricted Revenue.....	10,087	9,944	10,269	10,741	10,248	9,558	9,530	9,164	8,924	8,374
Other Credits.....	1,512	1,819	1,655	1,828	854	850	1,153	507	939	806
Total Additions.....	11,599	11,763	11,924	12,569	11,102	10,408	10,683	9,671	9,863	9,180
Deductions:										
Appropriations Net of Estimated Revenues.....	13,677	12,915	13,541	12,604	12,869	12,281	11,236	10,651	10,593	10,545
Less: Lapses.....	(1,389)	(838)	(2,252)	(1,908)	(1,743)	(1,359)	(1,126)	(1,127)	(1,024)	(1,131)
Net Appropriations.....	12,288	12,077	11,289	10,696	11,126	10,922	10,110	9,524	9,569	9,414
Other Debits.....	104	500	196		82	183			2	41
Total Deductions.....	12,392	12,577	11,485	10,696	11,208	11,105	10,110	9,524	9,571	9,455
Current Year Balance.....	(793)	(814)	439	1,873	(106)	(697)	573	147	292	(275)
Balance, June 30 (Budgetary Method).	4,238	5,031	5,845	5,406	3,533	3,639	4,336	3,763	3,616	3,324
GAAP Adjustment:										
Receivables.....	389	371	344	394	354	343	421	289	229	299
Accounts Payable and Accrued Liabilities.....	(1,808)	(1,821)	(1,608)	(1,803)	(1,391)	(1,429)	(1,701)	(1,279)	(1,216)	(1,027)
Total GAAP Adjustments.....	(1,419)	(1,450)	(1,264)	(1,409)	(1,037)	(1,086)	(1,280)	(990)	(987)	(728)
Balance, June 30 (GAAP).....	\$ 2,819	\$ 3,581	\$ 4,581	\$ 3,997	\$ 2,496	\$ 2,553	\$ 3,056	\$ 2,773	\$ 2,629	\$ 2,596

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 2011				FISCAL YEAR 2011			
	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
\$5,000 and higher	3,098	25%	\$255,854,874	96%	4,259	12%	\$132,712,619	81%
\$1,000 - \$4,999	3,588	29%	8,927,856	3%	10,928	30%	24,075,510	15%
Under \$1,000	4,689	38%	1,443,410	1%	16,511	45%	7,255,736	4%
	<u>11,375</u>	<u>91%</u>	<u>\$266,226,141</u>	<u>100%</u>	<u>31,698</u>	<u>87%</u>	<u>\$164,043,866</u>	<u>100%</u>

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

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

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

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

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>

Source: New Hampshire Department of Revenue for returns filed in fiscal year 2011.

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.

See accompanying Independent Auditors' Report

STATE OF NEW HAMPSHIRE

SCHEDULE OF BUSINESS TAX FILERS AND LIABILITY BY TAX PAID LEVEL - CONTINUED

Taxes Paid Level	<u>BUSINESS PROFITS TAX - BPT (1)</u>				<u>BUSINESS ENTERPRISE TAX - BET (2)</u>			
	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	<u>BUSINESS PROFITS TAX - BPT (1)</u>				<u>BUSINESS ENTERPRISE TAX - BET (2)</u>			
	FISCAL YEAR 2006				FISCAL YEAR 2006			
	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
\$5,000 and higher	4,176	30%	\$227,772,952	95%	4,739	12%	\$132,537,782	77%
\$1,000 - \$4,999	4,418	31%	11,273,616	5%	13,419	33%	28,879,717	17%
Under \$1,000	5,450	39%	1,721,564	1%	22,234	55%	9,708,523	6%
	<u>14,044</u>	<u>100%</u>	<u>\$240,768,132</u>	<u>100%</u>	<u>40,392</u>	<u>100%</u>	<u>\$171,126,022</u>	<u>100%</u>

Source: New Hampshire Department of Revenue for returns filed in fiscal year 2011.

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 2011</u>				<u>FISCAL YEAR 2010</u>			
<u>City/Town</u>	<u>Rank</u>	<u>Equalized Value</u>	<u>Warrant Amount</u>	<u>City/Town</u>	<u>Rank</u>	<u>Equalized Value</u>	<u>Warrant Amount</u>
Manchester	1	\$ 9,494,627	\$20,793	Manchester	1	\$ 9,972,707	\$21,292
Nashua	2	8,918,557	19,532	Nashua	2	9,274,502	19,801
Salem	3	4,613,130	10,103	Salem	3	4,571,586	9,760
Portsmouth	4	4,127,075	9,038	Portsmouth	4	3,956,463	8,447
Concord	5	3,867,377	8,470	Concord	5	3,939,198	8,410
Bedford	6	3,470,959	7,601	Bedford	6	3,565,764	7,613
Merrimack	7	3,065,810	6,714	Merrimack	7	3,200,777	6,834
Londonderry	8	3,051,443	6,683	Hampton	8	3,134,405	6,692
Hampton	9	3,017,992	6,609	Moultonborough	9	3,054,026	6,520
Dover	10	2,994,728	6,558	Londonderry	10	3,052,210	6,516

<u>FISCAL YEAR 2009</u>				<u>FISCAL YEAR 2008</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	\$ 10,183,639	\$21,793	Manchester	1	\$10,269,201	\$23,003
Nashua	2	9,633,372	20,615	Nashua	2	9,221,057	20,655
Salem	3	4,635,936	9,921	Salem	3	4,665,501	10,451
Portsmouth	4	4,051,242	8,670	Portsmouth	4	3,721,855	8,337
Concord	5	3,801,508	8,135	Concord	5	3,548,823	7,949
Bedford	6	3,497,190	7,484	Bedford	6	3,339,184	7,480
Merrimack	7	3,270,597	6,999	Derry	7	3,230,275	7,236
Hampton	8	3,146,653	6,734	Merrimack	8	3,205,670	7,181
Derry	9	3,125,324	6,688	Hampton	9	3,064,552	6,865
Londonderry	10	3,096,080	6,626	Londonderry	10	3,055,707	6,845

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

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

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

See accompanying Independent Auditors' Report

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

FISCAL YEAR

Location	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Hampton - North	\$ 31.2	\$ 29.8	\$ 27.4	\$ 26.6	\$ 25.3	\$ 23.9	\$ 23.1	\$ 22.7	\$ 21.6	\$ 20.0
Hampton - South	27.3	26.4	23.9	23.4	22.8	21.2	20.6	20.1	18.7	17.6
Portsmouth Traffic Circle	23.4	22.8	22.1	21.2	20.3	19.3	18.2	17.3	16.8	16.3
Salem	22.2	21.6	19.4	18.6	17.4	16.4	15.9	15.1	14.0	13.5
Nashua	19.4	17.8	15.9	13.1	12.7	12.9	12.4	12.9	12.8	12.8
Hooksett - North	18.7	17.8	16.4	15.5	14.7	13.9	13.8	13.0	12.3	11.5
Hooksett - South	14.9	14.2	12.9	12.2	11.6	11.1	10.9	10.4	9.7	8.9
Nashua	14.2	14.1	13.2	13.0	11.9	11.0	11.2	10.3	9.8	11.4
West Lebanon	11.3	11.2	10.9	10.0	9.7	9.5	9.2	8.8	8.6	8.9
Keene	9.7	9.7	9.9	9.6	8.6	7.3	4.6	4.3	4.9	4.6
Total	\$192.3	\$185.4	\$172.0	\$163.2	\$155.0	\$146.5	\$139.9	\$134.9	\$129.2	\$125.5

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

(Expressed in Thousands, except per capita)

Fiscal Year	Governmental Activities				Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Federal Highway Grant Anticipation Bonds	Bond Anticipation Notes	Capital Leases	General Obligation Bonds	Revenue Bonds	Capital Leases			
2011	\$ 987,408	\$ 80,000		\$ 3,305	\$ -	\$ 361,440	\$ 538	1,432,691	2.4%	1,079
2010	859,400		50,000	3,377	584	378,240	237	1,291,838	2.2%	982
2009	810,233			4,038	1,301	244,032	364	1,059,968	1.9%	800
2008	735,176			5,146	2,821	256,965	487	1,000,595	1.7%	757
2007	710,875			5,825	4,376	269,084	618	990,778	1.8%	752
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%	771
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	2.2%	782
2002	660,204			7,981	22,185	321,161	1,583	1,013,114	2.3%	797

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
2011	1,328	\$ 153,759,268	\$ 987,408	0.64	\$ 744
2010	1,316	156,897,212	859,984	0.55	653
2009	1,325	160,571,630	811,534	0.51	612
2008	1,322	170,079,711	737,997	0.43	558
2007	1,317	173,624,015	715,251	0.41	543
2006	1,312	173,176,615	708,797	0.41	540
2005	1,301	165,222,644	700,986	0.42	539
2004	1,293	147,483,615	648,492	0.44	502
2003	1,282	131,148,359	629,461	0.48	491
2002	1,271	114,813,249	682,389	0.59	537

Source: (1) U.S. Dept. of Commerce, Bureau of Census, reflects the most current available data for all years represented (2011 estimated).
(2) New Hampshire Department of Revenue Administration (2011 estimated). Equalization evaluation.
(3) Includes all General Obligation Bonds Payable of the Primary Government.

STATE OF NEW HAMPSHIRE
SCHEDULE OF PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS

(Expressed in Thousands)

Fiscal Year	Turnpike System Revenue Bonds								
	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
2011	\$ 119,314	\$42,339 (1)	\$ 76,975	\$ 33,745	2.28	\$ 599	\$ 9,800	\$ 44,144	1.74
2010	119,407	40,171 (1)	79,236	29,656	2.67	669	9,600	39,925	1.98
2009	107,660	40,361 (1)	67,299	25,873 (2)	2.60	1,597	10,040	37,510	1.79
2008	106,814	37,122 (1)	69,692	25,710	2.71	1,713	8,300	35,723	1.95
2007	89,054	36,158 (1)	52,896	28,078	1.88	2,985	6,047	37,110	1.43
2006	83,054	41,784 (1)	41,270	25,831	1.60	4,219	5,871	35,921	1.15
2005	68,318	30,041	38,277	27,003	1.42	4,246	5,700	36,949	1.04
2004	66,463	26,568	39,895	23,865	1.67	4,842	5,600	34,307	1.16
2003	67,086	24,505	42,581	24,749	1.72	5,183	5,700	35,632	1.20
2002	66,218	23,877	42,341	26,452	1.60	5,415	5,365	37,232	1.14

(1) Fiscal years 2006 through 2011 calculations of Direct Operating Expenses subtract out the entire amount of current year depreciation expense (Turnpikes, Federal, & Highway match portions). However, prior year calculations still reflect the historical practice of subtracting only the Turnpikes portion of depreciation expense.

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

(3) Unaudited toll covenant calculations indicate adequate toll revenues for fiscal 2011. The revenue bond coverage ratio was satisfied at 2.28 for the 1.2 times test. The all obligations coverage ratio was satisfied at 1.74 for the 1.0 times test, as calculated by the Department. Chapter 144, Laws of 2009 authorized the acquisition and transfer of a bridge and 1.6 mile section of I-95 to the Turnpike System for \$120 million. The Turnpike System continues to make payments, and in fiscal year 2011, made a note payment of \$20 million to the State Highway Fund. Because the Turnpike System cash balance at June 30, 2010 was \$127.5 million, this balance beginning in fiscal 2011 was deemed more than sufficient to satisfy the Note Payable to the State Highway Fund and current year FY 2011 revenues for this payment were not needed. Accordingly, the Note Payable to the State Highway Fund was not included in the all obligations ratio for fiscal year 2011.

See accompanying Independent Auditors' Report

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Population (in thousands)	1,328	1,316	1,325	1,322	1,317	1,312	1,301	1,293	1,282	1,271
% Change	0.9%	-0.7%	0.2%	0.4%	0.4%	0.8%	0.6%	0.9%	0.9%	1.1%
Total Personal Income (in millions)	60,878	58,036	56,408	57,617	56,368	53,765	50,028	48,661	45,828	44,711
% Change	4.9%	2.9%	-2.1%	2.2%	4.8%	7.5%	2.8%	6.2%	2.5%	4.9%
Per Capita Personal Income	45,714	44,084	42,585	43,587	42,789	40,982	38,441	37,641	35,751	35,173
% Change	3.7%	3.5%	-2.3%	1.9%	4.4%	6.6%	2.1%	5.3%	1.6%	3.7%
Unemployment Rate	4.9%	5.9%	6.8%	4.0%	4.0%	3.3%	3.5%	3.9%	4.1%	4.5%

Source: U.S. Department of Commerce, Bureau of the Census.
 Data is annualized based on activity through July 2011

STATE OF NEW HAMPSHIRE
SCHEDULE OF BUILDING PERMITS FOR HOUSING UNITS
FOR CALENDAR YEAR 2011

Building Permits Issued
By Number of Units

<u>Fiscal Year</u>	<u>Single Family</u>	<u>Multi-Family</u>	<u>Total</u>
2011	1,620	745	2,366
2010	1,946	828	2,775
2009	1,646	428	2,074
2008	2,301	916	3,217
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

Source: U.S. Department of Commerce, Bureau of the Census.
 Data is annualized based on activity through October 2011

See accompanying Independent Auditors' Report

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

2011				2010			
Employer	Employees	Rank	Percentage of	Employees	Rank	Percentage of	
			Total State			Total State	
			Employment			Employment	
1. State of New Hampshire.....	17,887	1	2.52%	1. State of New Hampshire.....	22,077	1	3.14%
2. Wal-Mart Stores Inc.....	8,421	2	1.19%	2. Wal-Mart Stores Inc.....	8,974	2	1.28%
3. Dartmouth-Hitchcock Medical Center....	7,073	3	1.00%	3. Dartmouth-Hitchcock Medical Center...	8,025	3	1.14%
4. University System of New Hampshire.....	6,081	4	0.86%	4. University System of New Hampshire.....	6,459	4	0.92%
5. Demoulas & Market Basket.....	6,000	5	0.85%	5. Demoulas & Market Basket.....	6,000	5	0.85%
6. BAE Systems.....	4,500	6	0.64%	6. Hannaford Brothers.....	4,776	6	0.68%
7. Fidelity Investments.....	4,400	7	0.62%	7. Fidelity Investments.....	4,600	7	0.65%
8. Dartmouth College.....	4,250	8	0.60%	8. BAE Systems.....	4,500	8	0.64%
9. Liberty Mutual-Northern N.E. Division....	4,200	9	0.59%	9. Shaw's Supermarkets Inc.....	4,399	9	0.63%
10. Hannaford Brothers.....	3,894	10	0.55%	10. Dartmouth College.....	4,399	10	0.63%
Total.....	66,706		9.42%	Total.....	74,209		10.56%

2009				2008			
Employer	Employees	Rank	Percentage of	Employees	Rank	Percentage of	
			Total State			Total State	
			Employment			Employment	
1. State of New Hampshire.....	22,832	1	3.29%	1. State of New Hampshire.....	21,983	1	3.04%
2. Wal-Mart Stores Inc.....	9,017	2	1.30%	2. Wal-Mart Stores Inc.....	8,631	2	1.19%
3. Dartmouth-Hitchcock Medical Center....	8,025	3	1.16%	3. Dartmouth-Hitchcock Medical Center...	7,804	3	1.08%
4. University System of New Hampshire.....	6,457	4	0.93%	4. University System of New Hampshire.....	6,784	4	0.94%
5. Demoulas & Market Basket.....	6,000	5	0.86%	5. Demoulas & Market Basket.....	6,000	5	0.83%
6. Fidelity Investments.....	5,500	6	0.79%	6. Fidelity Investments.....	5,700	6	0.79%
7. BAE Systems.....	4,700	7	0.68%	7. Liberty Mutual-Northern N.E. Division....	5,133	7	0.71%
8. Shaw's Supermarkets Inc.....	4,516	8	0.65%	8. Hannaford Brothers.....	4,629	8	0.64%
9. Hannaford Brothers.....	4,474	9	0.64%	9. Shaw's Supermarkets Inc.....	4,500	9	0.62%
10. Dartmouth College.....	4,407	10	0.63%	10. Dartmouth College.....	4,246	10	0.59%
Total.....	75,928		10.93%	Total.....	75,410		10.43%

2007				2006			
Employer	Employees	Rank	Percentage of	Employees	Rank	Percentage of	
			Total State			Total State	
			Employment			Employment	
1. State of New Hampshire.....	21,655	1	2.99%	1. State of New Hampshire.....	21,121	1	2.93%
2. Wal-Mart Stores Inc.....	8,012	2	1.11%	2. Wal-Mart Stores Inc.....	8,659	2	1.20%
3. University System of New Hampshire.....	6,668	3	0.92%	3. Dartmouth Hitchcock Medical Center...	7,100	3	0.98%
4. Market Basket.....	6,600	4	0.91%	4. University System of New Hampshire.....	6,901	4	0.96%
5. Dartmouth Hitchcock Medical Center....	6,211	5	0.86%	5. Market Basket.....	6,600	5	0.92%
6. Fidelity Investments.....	5,430	6	0.75%	6. Hannaford Supermarkets.....	5,374	6	0.75%
7. Shaw's Supermarkets.....	4,700	7	0.65%	7. Fidelity Investments.....	4,859	7	0.67%
8. Hannaford Supermarkets.....	4,663	8	0.64%	8. Shaw's Supermarkets.....	4,600	8	0.64%
9. Dartmouth College.....	4,246	9	0.59%	9. Dartmouth College.....	4,246	9	0.59%
10. BAE Systems.....	4,100	10	0.57%	10. BAE Systems.....	4,100	10	0.57%
Total.....	72,285		9.99%	Total.....	73,560		10.21%

Source: New Hampshire Business Review/ Book of Lists 2011

USNH Fact Book 2011

State of NH Payroll Department

See accompanying Independent Auditors' Report

STATE OF NEW HAMPSHIRE
SCHEDULE OF OPERATING INDICATORS BY FUNCTION

	2011	2010	2009	2008	2007	2006
<u>General Government</u>						
Secretary of State						
Corporate Division Filings:						
LLC Certificate of Formation.....	15,869	14,639	16,412	17,323	17,461	21,048
Trade Name Registrations.....	16,579	17,110	16,165	17,530	17,307	22,231
Corp. - Certificate of Authority.....	3,580	4,202	4,189	4,614	4,721	6,157
Other Corporate Filings.....	8,477	7,103	8,940	6,295	7,491	9,445
<u>Administration of Justice & Public Protection</u>						
Department of Safety						
Troop Station Personnel:						
Headquarters - Merrimack.....	228	220	195	199	196	190
Troop A - Rockingham/Strafford.....	39	43	47	49	56	56
Troop B - Hillsborough.....	48	52	51	54	51	55
Troop C - Cheshire/Sullivan.....	30	33	38	38	39	38
Troop D - Merrimack.....	36	41	41	41	43	44
Troop E - Belknap/Carroll.....	33	34	34	33	35	33
Troop F - Coos/Grafton.....	48	47	46	42	48	47
Troop G - Merrimack.....	62	67	73	79	-	-
Department of Corrections						
Number of Prison Inmates:						
NHSP/Men - Concord.....	1,361	1,467	1,407	1,398	1,348	1,301
NHSP/Women - Goffstown.....	108	120	147	142	114	100
Lakes Region Facility - Laconia.....	-	-	298	316	284	264
Northern Correctional Facility - Berlin.....	600	745	587	573	544	536
SPU/RTU & Transitional Housing.....	375	365	344	344	325	321
<u>Resource Protection & Development</u>						
Department of Resources and Economic Development						
Number of visitors at top 10 state parks:						
Cannon Mountain ¹	215,117	187,950	192,748	130,000	169,924	81,533
Flume.....	94,647	94,188	147,395	139,146	133,161	132,947
Hampton Beach ¹	95,073	52,908	98,681	57,992	46,756	88,283
Wallis Sands Beach.....	74,398	64,200	62,484	92,182	66,212	46,528
Pawtucket Bay.....	82,566	82,247	88,403	84,907	92,019	44,673
Wellington.....	40,143	29,974	42,179	54,744	49,218	34,417
Mt. Sunapee Beach.....	43,766	34,555	28,718	21,952	33,249	32,150
Silver Lake.....	11,063	16,746	21,188	28,780	36,076	28,475
Odiorne Point.....	17,626	18,173	18,109	21,566	24,372	23,299
Ellacoya.....	31,742	31,582	25,401	39,308	46,074	21,972

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

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

See accompanying Independent Auditors' Report

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

	2011	2010	2009	2008	2007	2006
Department of Environmental Services						
Dollars disbursed by program:						
SRF - Clean water.....	\$58,275,067	\$42,797,121	\$18,130,550	\$23,238,600	\$25,231,659	\$10,597,219
SRF - Drinking water.....	23,863,570	24,873,672	7,517,227	13,339,877	16,094,390	11,268,138
SRF - Brownsfield.....	9,632	671,906	165,625	1,062,586	-	56,352
Landfills.....	894,703	981,070	1,287,790	1,944,036	2,030,802	2,067,751
Water filtration.....	-	1,051,844	1,153,861	1,387,255	1,632,596	1,484,583
Drinking Water Grants*.....	1,149,844	-	-	-	-	-
Interconnection Grants.....	-	49,916	128,047	107,409	109,386	-
Water supply land.....	-	113,167	571,655	772,093	373,750	577,301
Waste water.....	5,902,524	6,463,894	9,003,767	10,820,000	12,195,029	11,826,356
Aquatic weed.....	245,440	205,616	285,554	330,798	268,781	258,191
Household hazardous waste.....	193,979	162,623	153,155	95,971	149,744	140,974
Aquatic Resources Mitigation Grants.....	702,036	-	-	-	-	-
Used oil.....	33,152	31,866	35,661	30,506	33,611	18,975
Transportation						
Department of Safety						
Number of motor vehicle registrations by county:						
Belknap.....	73,375	74,260	74,975	75,395	76,315	74,947
Carroll.....	65,188	66,233	66,861	66,461	68,816	66,563
Cheshire.....	80,754	81,759	82,460	82,535	85,133	84,397
Coos.....	38,130	38,809	39,541	40,313	41,614	41,287
Grafton.....	93,572	94,470	95,305	95,726	98,002	95,424
Hillsborough.....	393,992	394,162	395,186	394,380	403,722	398,493
Merrimack.....	161,291	163,368	164,749	165,887	169,271	167,730
Rockingham.....	333,198	334,903	336,828	337,654	342,793	339,579
Strafford.....	115,322	116,165	116,674	115,783	120,495	116,865
Sullivan.....	48,969	49,810	50,375	51,100	52,157	50,526
Other (Indeterminable).....	-	-	219	466	989	-
Health & Social Services						
Department of Health & Human Services						
Number of caseloads by program:						
Medical assistance.....	77,378	75,751	70,176	67,966	66,505	65,279
TANF.....	5,117	5,335	5,034	4,586	5,472	6,031
Nursing services for elderly.....	4,268	4,357	4,334	4,498	4,544	4,781
Child & family services.....	26,864	25,928	19,568	19,831	18,945	18,594
Food stamps.....	54,735	51,401	40,682	31,830	29,203	27,665
Education						
Community College System of New Hampshire						
Enrollment	11,129	11,782	10,659	9,528	9,011	8,577
University System of New Hampshire						
Enrollment	26,732	26,843	26,485	26,117	25,499	24,932

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

*Formerly interconnection and water filtration grants
 See accompanying Independent Auditors' Report

STATE OF NEW HAMPSHIRE

SCHEDULE OF STATE EMPLOYEES BY FUNCTION

Full-Time Employees	FISCAL YEAR					
	2011	2010	2009	2008	2007	2006
General Government						
Office of Information Technology.....	337	353	388	391	391	390
Department of Administrative Services.....	304	312	312	303	294	252
Department of Revenue Administration.....	165	177	194	186	190	183
All other.....	429	446	459	456	453	450
Administration of Justice and Public Protection						
Department of Safety.....	1,026	1,065	1,085	1,096	1,092	1,057
Department of Corrections.....	810	856	944	975	967	973
Judicial Branch.....	595	634	670	676	673	682
Department of Employment Security.....	374	357	312	314	319	327
All other.....	870	902	906	917	881	879
Resource Protection and Development						
Department of Environmental Services.....	429	469	470	474	469	475
Department of Resource and Economic Development..	187	192	193	206	205	212
All other.....	191	199	197	195	186	189
Transportation						
Department of Transportation.....	1,632	1,677	1,623	1,643	1,658	1,683
Health and Social Services						
Department of Health and Human Services:						
New Hampshire Hospital.....	627	704	737	756	749	772
Office of Commissioner.....	564	565	617	635	625	585
Division of Children and Youth.....	347	336	372	371	350	358
Division of Transitional Assistance.....	334	318	337	335	318	317
New Hampshire Veteran's Home.....	319	323	326	328	316	279
Division of Juvenile Justice Services.....	260	290	313	315	321	348
Office of Health Management.....	226	232	265	271	267	262
All other.....	407	410	422	433	438	435
Education						
Department of Education.....	256	263	267	269	277	274
All other.....	85	87	92	92	92	90
State Total	10,774	11,167	11,501	11,637	11,531	11,472
Part-Time and Temporary Employees						
General Government.....	716	736	728	729	730	725
Administration of Justice and Public Protection.....	3,915	3,971	4,005	3,745	3,617	3,374
Resource Protection and Development.....	1,477	1,697	1,465	1,369	1,237	1,301
Transportation.....	422	463	458	449	461	444
Health and Social Services.....	511	453	582	633	614	535
*Education.....	72	2,771	3,337	2,673	2,746	2,561
State Total	7,113	10,091	10,575	9,598	9,405	8,940

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

*FY 2011 does not include the C.C.S.N.H.

See accompanying Independent Auditors' Report

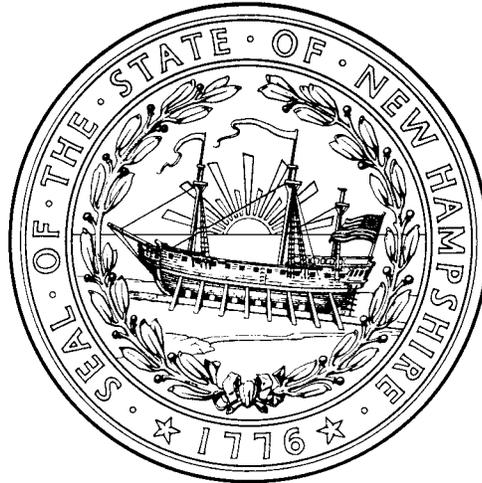
STATE OF NEW HAMPSHIRE
SCHEDULE OF CAPITAL ASSET BALANCES BY FUNCTION
GOVERNMENTAL ACTIVITIES
LAST TEN FISCAL YEARS
(Amounts in Thousands)

Function	Fiscal Year					
	2011	2010	2009	2008	2007	2006
Land & Land Improvements						
General Government.....	\$ 7,146	\$ 7,146	\$ 5,885	\$ 5,886	\$ 5,885	\$ 5,764
Administration of Justice &.....	32,428	27,751	28,951	28,772	28,771	28,672
Public Protection.....						
Resource Protection & Development.....	246,188	238,131	236,391	228,569	223,510	219,679
Transportation.....	324,422	319,476	310,714	305,299	281,263	233,585
Health & Social Services.....	4,033	4,033	4,033	4,034	4,033	4,154
Education.....	4,658	4,194	4,185	3,883	2,949	2,924
Building & Building Improvements						
General Government.....	183,461	180,055	152,335	147,036	146,348	135,795
Administration of Justice &.....	243,616	219,953	221,332	216,691	215,140	204,555
Public Protection.....						
Resource Protection & Development.....	70,864	65,954	64,347	69,479	63,286	62,389
Transportation.....	68,833	69,589	65,360	56,143	48,274	45,816
Health & Social Services.....	125,948	119,742	119,157	112,434	111,160	82,395
Education.....	121,375	110,142	91,087	83,641	77,624	76,016
Equipment and Computer Software						
General Government.....	29,636	29,419	29,204	19,149	12,994	9,003
Administration of Justice &.....	91,114	97,380	79,569	76,594	69,585	62,524
Public Protection.....						
Resource Protection & Development.....	20,006	19,543	18,822	18,891	18,061	17,550
Transportation.....	91,472	77,851	76,653	67,209	56,587	46,539
Health & Social Services.....	55,441	55,286	55,066	58,636	53,466	43,238
Education.....	11,058	10,018	9,682	8,359	8,340	8,030
Infrastructure						
Transportation.....	3,032,547	3,036,174	3,048,728	2,865,262	2,744,520	2,652,916

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

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

STATE OF NEW HAMPSHIRE
ACKNOWLEDGEMENTS



REPORT PREPARED BY THE DIVISION OF ACCOUNTING SERVICES

Edgar R. Carter, CPA
Stephen C. Smith, CPA
Diana L. Smestad
Kelly J. Brown
Timothy M. Hartshorn

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

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

<http://admin.state.nh.us/accounting>
(603) 271-3373

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

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