

# State of New Hampshire



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**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
for Fiscal Year 2013**

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*“In recent years, New Hampshire’s hard-working state employees have done more with less, demonstrating an unyielding commitment to serving the people of the Granite State. Despite the challenges posed by the recession, our state employees helped ensure that state government continued to meet the needs of our citizens. On behalf of the people of New Hampshire, I want to thank all of our dedicated public servants who have helped maintain our high quality of life, keeping New Hampshire one of the safest, healthiest and most livable states in the nation.”*

*~ Governor Maggie Hassan*



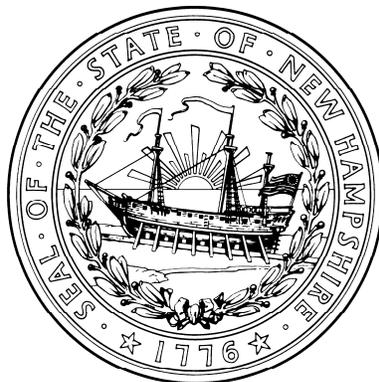
STATE OF NEW HAMPSHIRE

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**COMPREHENSIVE  
ANNUAL  
FINANCIAL REPORT**

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For the Fiscal Year Ended  
June 30, 2013



**Prepared by the Department of Administrative Services**

Linda M. Hodgdon, Commissioner

**Division of Accounting Services**

Karen L. Benincasa, Comptroller

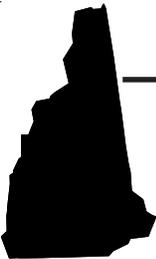
**and the Bureau of Financial Reporting**

Stephen C. Smith, Administrator

Diana L. Smestad

Melanie L. Carraher

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



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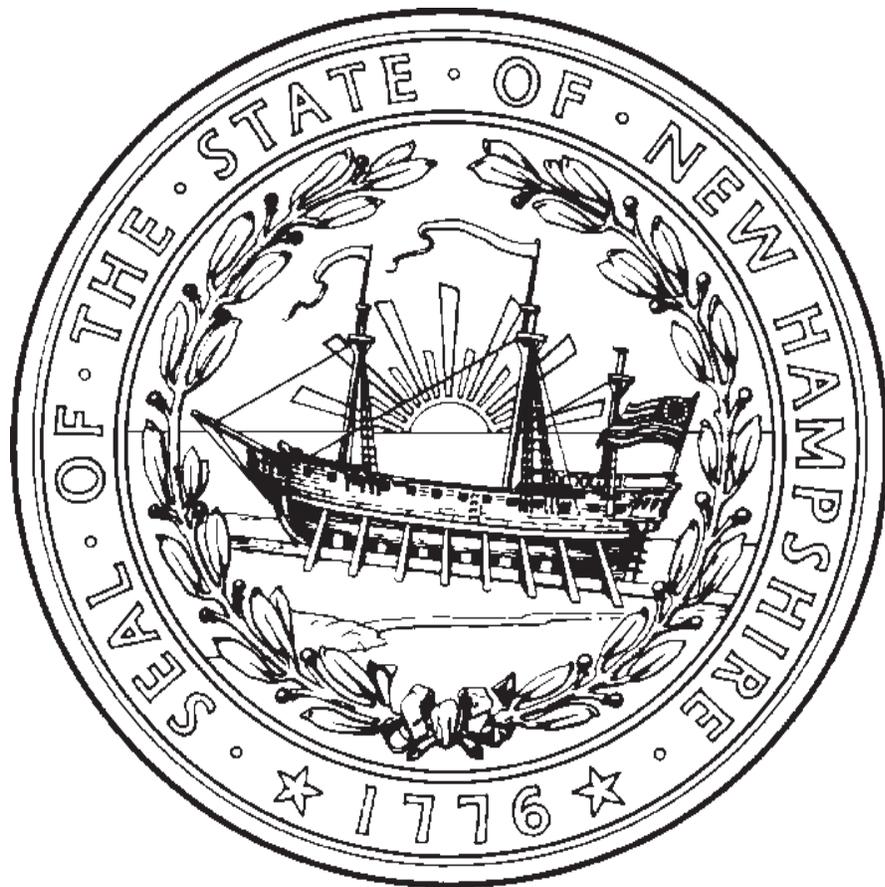
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**STATE OF NEW HAMPSHIRE**  
OFFICE OF THE GOVERNOR



December 23, 2013

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 that ended June 30, 2013.

After years of immense challenges caused by the worst recession in generations, 2013 brought clear signs that New Hampshire's economic future is strong and poised for innovative growth.

A combination of a strengthening economy, settlements of lawsuits and sound fiscal management from state agencies resulted in a surplus of \$72.2 million for fiscal year 2013. This significant achievement would not have been possible without the hard work of New Hampshire's dedicated state employees, who, despite five straight years of cuts and personnel reductions, continue to go above and beyond to serve our citizens.

As New Hampshire emerges from the recession, we came together this year to enact a fiscally responsible, bipartisan budget for fiscal years 2014 and 2015; a budget that restores critical priorities and sets the foundation for a more innovative economic future – freezing in-state tuition at our public colleges and universities, doubling the research-and-development tax credit, beginning to repair our strained mental health system and making investments to keep New Hampshire one of the safest, healthiest and most livable states in the nation.

At the same time, we must continue to promote innovation, efficiency and fiscal responsibility in state government in order to save taxpayer dollars and improve state services. As part of the 2014-2015 budget, we continued to consolidate state back-office functions; reorganized the Liquor Commission; and advanced efforts to move more state services online through Business One Stop.



To build on those efforts, I have created the Commission on State Government Innovation, Efficiency and Transparency, whose members are working to leverage their expertise from both the public and private sectors to come up with new ideas and approaches that will help reposition state government for the challenges of the 21st century, and I look forward to their recommendations.

In 2013, we demonstrated that when we work together, we can lay the foundation for innovative economic growth that will create good jobs, support a strong middle class, and lift all of our people. To keep our state moving forward, we must continue working together to build a stronger, more innovative New Hampshire.

With every good wish,

A handwritten signature in blue ink that reads "Margaret Wood Hassan".

Margaret Wood Hassan  
Governor



State of New Hampshire  
Selected State Officials  
For the Fiscal Year Ended June 30, 2013

***Executive Branch***

***Governor*** Margaret Wood Hassan

***Executive Council***

Raymond S. Burton, District 1  
Colin Van Ostern, District 2  
Christopher T. Sununu, District 3  
Christopher C. Pappas, District 4  
Debora B. Pignatelli, District 5

***Attorney General***

Joseph A. Foster

***Commissioner of Administrative Services***

Linda M. Hodgdon

***Treasurer***

Catherine A. Provencher

***Secretary of State***

William M. Gardner

***Comptroller***

Karen L. Benincasa

***Judicial Branch***

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

Linda Stewart Dalianis

***Legislative Branch***

***President of the Senate***

Peter Bragdon

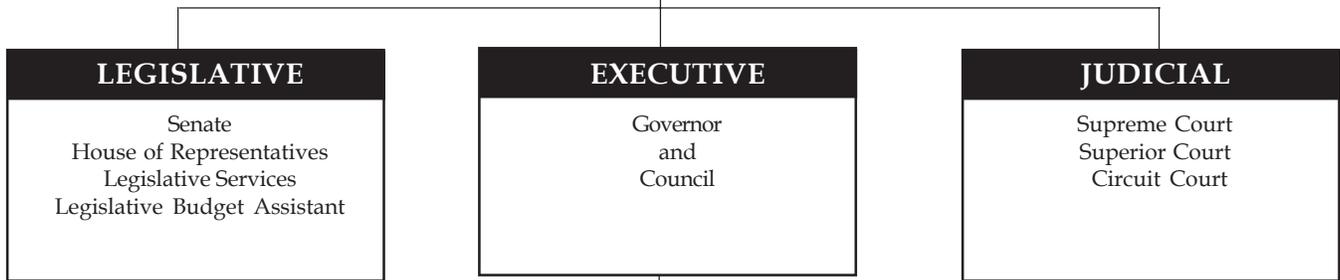
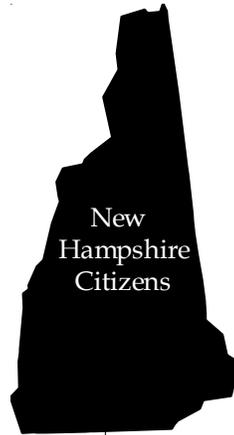
24 Senators

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

Terie Norelli

400 Representatives

# STATE OF NEW HAMPSHIRE ORGANIZATION CHART



## STATE AGENCIES AND COMPONENT UNITS (\*)

<div style="border: 1px solid black; padding: 5px; margin-bottom: 10px; text-align: center; font-weight: bold;">GENERAL GOVERNMENT</div> Administrative Services Board of Tax & Land Appeals Boxing & Wrestling Commission Cultural Resources Department of Information Technology Development Disabilities Council Executive Office Joint Board of Licensure & Certification NH Retirement System* Real Estate Commission Revenue Administration Secretary of State State Treasury	<div style="border: 1px solid black; padding: 5px; margin-bottom: 10px; text-align: center; font-weight: bold;">ADMINISTRATION OF JUSTICE AND PUBLIC PROTECTION</div> Adjutant General Agriculture, Markets & Food Banking Board of Veterinary Medicine Corrections Employment Security Family Mediator Certification Board Highway Safety Human Rights Commission Insurance Judicial Council NH Judicial Retirement Plan* Justice Labor Liquor Commission Public Employee Labor Relations Board Public Utilities Commission Racing & Charitable Gaming Commission Safety	<div style="border: 1px solid black; padding: 5px; margin-bottom: 10px; text-align: center; font-weight: bold;">RESOURCE PROTECTION AND DEVELOPMENT</div> Business Finance Authority* Environmental Services Fish and Game Community Development Finance Authority* Pease Development Authority* Resources and Economic Development
<div style="border: 1px solid black; padding: 5px; margin-bottom: 10px; text-align: center; font-weight: bold;">TRANSPORTATION</div> Transportation Turnpike System	<div style="border: 1px solid black; padding: 5px; margin-bottom: 10px; text-align: center; font-weight: bold;">HEALTH AND SOCIAL SERVICES</div> Health and Human Services NH Office of Veterans' Services Veterans' Home	<div style="border: 1px solid black; padding: 5px; margin-bottom: 10px; text-align: center; font-weight: bold;">EDUCATION</div> Education Community College System of NH* Lottery Commission Police Standards & Training Council University System of New Hampshire*



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

LINDA M. HODGDON  
Commissioner  
(603) 271-3201

December 23, 2013

To: The Citizens of New Hampshire,  
Her 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, 2013. 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.

## State Profile

New Hampshire, known as the Granite State, is located in the New England census region and is bordered by the states of Maine, Massachusetts and Vermont and the Province of Quebec, Canada. The State is 9,304 square miles in area and has 18 miles of general coastline on the Atlantic Ocean and 131 miles of tidal shoreline. According to the U.S. Census Bureau, the State's estimated population in 2012 was 1,320,718. New Hampshire holds the first in-the-nation presidential primary.

The State Constitution provides for three branches of government which include the Executive Branch, the Legislative Branch and the Judicial Branch:

- The executive power of the State is vested in the Governor. A five-member Executive Council (the "Council") provides advice to the Governor in the executive functions of government and performs other functions as described in the Constitution and laws of the State. The Governor, who holds office for a two-year term, is responsible for the faithful execution of all laws enacted by the Legislature and the management of the executive departments of the State. The Council is elected by the people biennially, one Councilor for each of the five Councilor districts in the State. The Governor and Council can negate each other in nominations of and appointments in the judicial and executive branches. The Executive Branch is organized into a number of departments, each generally headed by an appointed Commissioner. The State Treasurer and the Secretary of State are elected by joint ballot of the House and Senate for two-year terms.
- The legislative power of the State is vested in the General Court (the "Legislature") consisting of the 400 member House of Representatives and the 24-member Senate, both meeting annually. Members of the House are elected biennially from districts apportioned among cities and towns of the State on the basis of population. Senate members are elected biennially from single-member Senate districts. Money bills originate in the House, but the Senate may propose or concur in amendments. Every bill which passes both houses of the Legislature is presented to the Governor for approval or veto. If a bill is vetoed by the Governor, that veto may be overridden by a vote of two-thirds of the members of each house of the Legislature. If the Governor fails to act within five days (except Sundays) on a bill presented for approval, the bill automatically becomes law unless the Legislature is not then in session.
- The Judicial Branch of the government consists of a Supreme Court, Superior Court with 11 sites, and the Circuit Court which includes three divisions (probate, district, and family). There are 10 Circuit Courts. All justices and judges are appointed by the Governor and Council and may serve until seventy years of age.

### State and Local Taxation

The State finances its operations through a combination of specialized taxes, user charges, and revenues received from the State liquor sales and distribution system. The most important taxes are the business profits and business enterprise taxes and a meals and rooms tax. The State does not levy any personal earned income tax or general sales tax but does impose a tax on interest and dividends. The State believes its tax structure has played an important role in the State's economic growth. New Hampshire has generally been the highest among all states in local property tax collections per \$1,000 of personal income, because local property taxes were traditionally the principal source of funding for primary and secondary education.

## New Hampshire's Economic Conditions & Outlook

The State's per capita personal income increased 38.7% between 2002 and 2012 as contrasted with an increase of 37.5% in the per capita personal income for the United States and a 40.1% increase for the New England region. The State's per capita personal income ranked 9th in 2012 with \$49,129 or 112.3% of the national average.

The average annual employment growth rate in New Hampshire (.32%) grew faster than those in the New England region but lower than the nation growth rate (.44%) from 2002 to 2012.

New Hampshire's Data recently released by the New Hampshire Economic and Labor Market Information Bureau: New Hampshire's unemployment rate continues to remain below the United States and New England averages. The seasonally adjusted unemployment rate for New Hampshire in October 2013 was 5.1 percent. Nationally, the seasonally adjusted unemployment rate for October 2013 was 7.3 percent, and the comparable New England unemployment rate was 7.1 percent.

Foreclosures for the first eight months of 2013 are lower than the first eight months of any year since 2007. At the current pace, calendar year 2013 will end the year with fewer foreclosures than any of the prior five years.

In October 2013, the New Hampshire Center for Public Policy Studies published New Hampshire's Economic Climate: Key Indicators. This report provides a data-based assessment of the State's economic and business climate. This study indicates that New Hampshire fares relatively well in education & workforce, cultural and natural resources and business retention and growth.

## New Hampshire's Economic Conditions & Outlook - Continued

Thumbtack.com, in partnership with the Ewing Marion Kauffman Foundation, has released the new results from the second annual Thumbtack.com Small Business Survey. The 2013 study draws upon data from over 7,000 small business owners nationwide and shows that small business owners gave New Hampshire high marks across several categories, including an 'A+' for the ease of starting a new business in the state. Some of the key findings for New Hampshire include:

- New Hampshire was the #3 best state for small business and #2 for the ease of starting a new business in the state.
- New Hampshire ranked #3 for the overall business-friendliness of its tax code and the ease of understanding and filing taxes.

The following discussion reflects statements and information about New Hampshire's Economic Outlook based on the most recent New England Economic Partnership (NEEP) forecast, issued on November 14, 2013 by Dennis Delay, Economist for the New Hampshire Center for Public Policy Studies, and N.H. Forecast Manager for NEEP.

- Highlights of the November 2013 Forecast:
  - o New Hampshire's manufacturing jobs will decrease by .4% annual average each year for the next five years (forecast period of 2012-2017). However, it is expected that New Hampshire's manufacturing output will continue to increase in the forecast period, as it has in the past five years.
  - o In the Private Services sector, employment will increase by 2% annually in the forecast period. The fastest rate of growth will occur in Professional and Business Services, followed by Leisure & Hospitality, and Education and Health Services employment.
  - o The New Hampshire real estate market has finally seen a return to normal (pre housing bubble) price appreciation and sales growth, according to state realtors. Foreclosure recordings declined steadily over the past year. The State rental market remains strong, with rental costs leveling and vacancies remaining below 5% in most areas.
- 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 a slower growth rate than the national growth rate over the past two five-year periods (2002-2007 and 2007-2012), however, higher than the regional growth rate between 2007-2012. Gross State Product for New Hampshire is currently forecasted to be slightly higher than the growth rates regionally and nationally over the next five years.

**NEEP Forecast Summary Comparisons**  
Average Annual Rates of Growth November 2013 Forecast

	<b>Actual 2002-2007</b>	<b>Actual 2007-2012</b>	<b>Forecast 2012-2017</b>
Gross State Product			
GSP-New Hampshire	1.8	0.7	3.0
GSP-New England	1.8	0.3	2.8
GDP-United States	2.9	0.8	2.8

## Major Initiatives for Fiscal Year 2013

### State-wide Technology

NHFIRST, the State's Enterprise Resource Planning (ERP) system project, has been ongoing since 2005 to replace antiquated budgeting and financial systems, insufficient for the needs of a modern government. The project is expected to (1) reduce costs and delays in associated paperwork, cycle-time for state procurement, payment and revenue collection, and (2) replace a system that had been customized to the point it could no longer be serviced or maintained, was limited and archaic, and presented significant sustainability risk. The first phase of this implementation went into operation in July of 2008, replacing the budgeting system and implementing a new chart of accounts to improve clarity of expenditures. In July of 2009, an ERP system was implemented to replace the twenty-five year old mainframe general ledger system.

Another significant phase of the project was launched in FY 2012 to replace the human resources and payroll system in service since 1992. The State converted the human resources and payroll systems in February 2013 with limited financial and human resources dedicated to this significant implementation. This phase of the implementation enabled the retirement of the legacy human resources and payroll system which was unsupported by the software publisher and for which the State was only licensed to use through May of 2014. The implementation was significant and challenging because it impacted over 15,000 State employees. The realization of the full benefits associated with the additional functionality provided in this implementation is currently limited by the aging desktop computer technology for approximately 3,000 employees spread across State government which prevents those employees from accessing all functions of the ERP from their local computer. The 2014-2015 capital budget includes an appropriation to modernize desktop computers to address this issue. In the interim, computer kiosks have been made available in locations where employees do not have ready access to computers. Additionally, the ability of central and agency staff to implement additional

## Major Initiative - Continued

functionality is limited by the staff reductions at various State agencies imposed by the 2012-2013 budget and continued, in many cases, by the 2014-2015 biennial budget.

The State plans to implement additional system upgrades in the future to achieve similar efficiencies in asset management accounting and control and to increase the State's purchasing power by implementing web-based strategic sourcing for suppliers and vendors and thereby increase competitive bidding for State businesses.

### Revenue Administration

In Fiscal Year 2010, the Department of Revenue Administration (DRA) was provided a capital appropriation of \$7 million to modernize and automate its internal processing systems. The DRA implemented new technology improvements during fiscal year 2012 and continued to implement and refine the various elements of its multiyear business plan for modernizing its operations during fiscal year 2013. The analytic capability now being built into the "legacy" computer systems provides for better informed tax policy decisions today and going forward.

### Medicaid Management Information System (MMIS)

The State replaced the automated system that processes Medicaid claims. The State went live March 31, 2013 with the New Hampshire MMIS Health Enterprise System, administered under contract with the Xerox Corporation as the fiscal agent. The new system has functioned continuously without unplanned down time since implementation, processing 150,000 claims weekly. State and contractor staff continue to identify and resolve implementation issues. For example, the number and dollar amount of denied and suspended claims requiring manual review has increased significantly with the new MMIS system and the causes of this have been and continue to be addressed by the fiscal agent and DHHS staff to determine which are caused by the more robust front end editing of claims in the new system versus those caused by software logic that require changes. The implementation plan included making estimated contingency payments to providers during the "black out" period between the "old" and "new" systems to provide a buffer during the transition period. Additional estimated payments were selectively made to certain providers to cover claims processing delays once the system went live April 1st. Estimated net contingency payments outstanding as of June 30, 2013 were approximately \$30 million. These estimated contingency payments have been and will continue to be recouped as offsets during claims processing in weekly payment cycles in fiscal year 2014.

### Other

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

## Efficiency & Improvement Initiatives

### Consolidation of Certain Business Processing Functions

Pursuant to Chapter 224:85, Laws of 2011, the State continued the implementation of the consolidation of Accounts Payable during fiscal year 2013. As of June 30, 2013, vendor invoices for the majority of Executive Branch Departments were being processed the State's Shared Services Center (SSC).

### Consolidation of Human Resources and Payroll

Pursuant to Chapter 144:28, Laws of 2013, the state is in the process of consolidating human resource and payroll functions. The replacement of the human resources and payroll system will facilitate the consolidation initiative. This initiative is anticipated to be significantly implemented by the end of fiscal year 2015.

### Capital Projects – Capital Fund

During fiscal year 2013, many capital projects were started, in process and/or completed. Some of the State's larger fiscal year 2013 capital projects included the following along with the approximate fiscal year 2013 expenditures (budgetary basis):

- \$14 million Department of Transportation Federal Aviation Administration Projects
- \$9 million Department of Health and Human Services Medicaid System (MMIS)
- \$9 million Community College System of New Hampshire Career and Technical Building Projects
- \$7 million University System of New Hampshire Projects
- \$7 million Department of Education Renovations of the Laconia Career & Technical Education Center
- \$6 million Department of Education Renovations of the Pinkerton Career & Technical Education Center
- \$6 million Employment Security Renovations of the Tobey Building & Construction of Parking Garage

Summary of some of the larger fiscal years 2014/2015 Capital Budget projects approved:

- \$38 million to construct a 224 bed women's prison

- \$24 million for regional vocational technical high schools
- \$23 million for Community College and the University System capital projects
- \$20 million to expand and construct State liquor stores and \$10 million to upgrade liquor retail software including credit card compliance and data security
- \$17 million for various Department of Transportation projects including replacement of underground tanks, computer system replacement, and new patrol sheds

### **Transparency & the TransparentNH Web Site**

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

## **Financial Information**

### **Surplus Statement**

#### **General and Education Funds**

**(In Millions)**

	FY 2011	FY 2012			FY 2013		
	Total	General	Education	Total	General	Education	Total
<b>Undesignated Fund Balance, July 1</b>	\$ 65.7	\$ 17.7	\$ -	\$ 17.7	\$ 13.8	\$ -	\$ 13.8
<b>Additions:</b>							
Unrestricted Revenue	2,193.2	1,376.6	813.2	2,189.8	1,436.6	839.0	2,275.6
Executive Order & Special Session Revenue	1.5			-			-
Total Additions	2,194.7	1,376.6	813.2	2,189.8	1,436.6	839.0	2,275.6
<b>Deductions:</b>							
Appropriations Net of Estimated Revenues	(2,361.3)	(1,320.1)	(956.4)	(2,276.5)	(1,325.5)	(961.4)	(2,286.9)
Less Lapses	101.9	39.5	0.7	40.2	59.3	2.3	61.6
Total Net Appropriations	(2,259.4)	(1,280.6)	(955.7)	(2,236.3)	(1,266.2)	(959.1)	(2,225.3)
<b>GAAP and Other Adjustments</b>	14.6	40.1	2.5	42.6	9.3	(1.2)	8.1
<b>Current Year Balance</b>	(50.1)	136.1	(140.0)	(3.9)	179.7	(121.3)	58.4
<b>Fund Balance Transfers (To)/From:</b>							
Rainy Day Fund							
Liquor Commission	2.1						
Education Trust Fund		(140.0)	140.0		(121.3)	121.3	
<b>Undesignated Fund Balance, June 30,</b>	\$ 17.7	\$ 13.8	\$ -	\$ 13.8	\$ 72.2	\$ -	\$ 72.2
<b>Reserved for Rainy Day Account</b>	9.3	9.3		9.3	9.3		9.3
<b>Total Equity</b>	\$ 27.0	\$ 23.1	\$ -	\$ 23.1	\$ 81.5	\$ -	\$ 81.5

## **Fiscal Year 2013 Operations**

The fiscal year 2013 budget as adopted in 2011 (the “Fiscal Year 2013 Budget”) assumed the State would start the year with an unassigned general fund deficit of \$14.1 million. The Fiscal Year 2013 Budget also assumed that the State would make up the deficit during the year and would end fiscal year 2013 with approximately \$.6 million available to be transferred to the Rainy Day Fund as of June 30, 2013. Additionally, the Fiscal Year 2013 Budget assumed that \$10 million, to be generated by the sale of the State’s Lakes Region Facility by the end of the fiscal year, would be deposited directly to the Rainy Day Fund.

In June 2013, the Legislature updated certain projections for fiscal year 2013. The unassigned general fund balance at the start of fiscal year 2013 was updated to the actual fiscal year 2012 surplus of \$13.8 million. Revenue, expenditures and other adjustments estimates were also updated and the State was then-projected to end fiscal year 2013 with an unassigned general fund equity balance of approximately \$56.9 million. In addition, the projected Rainy Day Fund balance was updated to remain at \$9.3 million – the level at which it has been since the end of fiscal year 2009 – because the net proceeds from the sale of the Lakes Region Facility were removed from the projection and, pursuant to Chapter 144:135, Laws 2013, any remaining surplus as of June 30, 2013 would not be deposited to the Rainy Day Fund.

The general fund unassigned fund balance, comprising Revenue Stabilization (Rainy Day fund) amount of \$9.3 million and other undesignated fund balance of \$72.2 million, ended the year at \$81.5 million. The undesignated fund balance is \$15.3 million higher than the amount projected in the fiscal years 2014-2015 budget adopted in June 2013.

Unrestricted revenue for the General and Education Trust Funds received during fiscal year 2013 totaled \$2,275.6 million which was above the Fiscal Year 2013 Budget by \$45.7 million and \$4.2 million lower than the revised estimate made in June 2013. The favorable results as compared to the Fiscal Year 2013 Budget resulted, in part, from one-time settlements received during the year. An additional \$20.8 million of Tobacco Settlement revenue was received during fiscal year 2013 (see LITIGATION – *State of New Hampshire v. Philip Morris USA, RJ Reynolds, Inc. and Lorillard Tobacco Company*), as well as approximately \$9 million from the Methyl tertiary-butyl ether (“MtBE”) settlement (see LITIGATION – *State of New Hampshire v. Amerada Hess, et al.*). Additionally, the following taxes performed better than expected: Business Taxes by \$33.7 million; Meals and Rooms Taxes by \$14.1 million; and Real Estate Transfer Taxes by \$12.2 million. The Medicaid Enhancement Tax was below the Fiscal Year 2013 Budget by approximately \$35.7 million primarily as a result of hospitals reporting less than projected net patient services revenues and credits authorized as part of prior year settlements. Tobacco Tax was below the Fiscal Year 2013 Budget by approximately \$13.1 million which was primarily the result of the decreased tax rate effective during fiscal year 2013 (the rate reduced on July 1, 2011 from \$1.78/pack of cigarettes to \$1.68/pack) and Communications Taxes were significantly below the Fiscal Year 2013 Budget by \$25.0 million primarily as a result of the change in the law which excluded certain internet services from the taxable base. The State’s other remaining revenue sources combined were approximately \$29.7 million above the Fiscal Year 2013 Budget.

Net appropriations exceeded the Fiscal Year 2013 Budget estimates by \$10.1 million, or approximately .5%. The Fiscal Year 2013 Budget of \$2,215.2 million included approximately \$7.8 million in net reductions under House Bills 1 and 2 that were not achieved during the fiscal year. Appropriations authorized after the passage of the Fiscal Year 2013 Budget via new legislation or existing laws were approximately \$19.3 million; however, lapses were approximately \$17.0 million higher than expected. Total closing adjustments made in accordance with generally accepted accounting principles (GAAP) to bring the budgetary accounting basis to the modified accrual accounting basis totaled \$8.1 million for fiscal year 2013. Significant adjustments included a benefit of approximately \$11.1 million related the Abandoned Property Escheat Revenue which was partially related to the refinement of the revenue calculation (\$6 million) and the remaining increase (\$5 million) was related to the increased value of the abandoned property assets. Additional GAAP adjustments were recorded to recognize a deficit in the Capital Fund related to the sale of the Community College System Stratham Property (\$2.8 million) and other GAAP adjustments totaled a net of \$0.2 million.

#### **Highway Fund**

The Highway Fund ended the year with in Undesignated Fund Balance of \$46 million versus the Original Budget of \$8 million. The Highway Fund unrestricted revenues of \$285 million (includes the installment on the sale of assets) were favorable for the year by approximately \$7 million as compared to the fiscal year 2013 Plan of \$278 million. Additional information regarding the Highway Fund Undesignated Fund Balance can be found on page 127.

#### **Fish & Game Fund**

The Fish and Game Fund ended the year with an Undesignated Fund Balance of approximately \$1.6 million versus the Original Budget as passed in 2011 of \$2.0 million. Fish and Game Fund revenues of \$10.3 million were unfavorable for the year by approximately \$.3 million as compared to the fiscal year 2013 Plan of \$10.6 million. Additional information regarding the Fish and Game Fund Undesignated Fund Balance can be found on page 128.

#### **Unrestricted Net Position**

At the Government-Wide Level, the State’s Governmental Activities unrestricted assets are less than the unrestricted liabilities which results in a deficit of unrestricted net position. Since fiscal year 2009 (on a restated basis), the State’s position has changed from an unrestricted net position balance to an unrestricted deficit balance. The deficit balance as of June 30, 2013 was \$716 million. This decrease in unrestricted net position to the current deficit position appears to be primarily the result of \$766 million of Other Post Employment Benefit (OPEB) Liabilities outstanding as of June 30, 2013 (see Note 10) and debt issued by the State that did not result in Governmental Activities capital assets (long-term debt issued for component units and school building aid bonded between 2009-2011).

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

Revenue Category	FY 2011	FY 2012			FY 2013			FY 2013
		General	Education	Total	General	Education	Total	Combined Plan
Business Profits Tax.....	\$ 297.8	\$ 256.5	\$ 55.3	\$ 311.8	\$ 267.1	\$ 56.7	\$ 323.8	\$ 322.0
Business Enterprise Tax.....	192.4	68.5	135.8	204.3	78.3	149.7	228.0	196.1
<b>Subtotal.....</b>	<b>490.2</b>	<b>325.0</b>	<b>191.1</b>	<b>516.1</b>	<b>345.4</b>	<b>206.4</b>	<b>551.8</b>	<b>518.1</b>
Meals & Rentals Tax.....	235.5	231.8	7.6	239.4	241.2	7.2	248.4	234.3
Tobacco Tax.....	226.6	136.1	78.8	214.9	126.2	79.7	205.9	219.0
Liquor Sales and Distribution.....	125.7	127.6		127.6	132.3		132.3	139.0
Interest & Dividends Tax.....	76.6	83.5		83.5	93.0		93.0	87.1
Insurance Tax.....	84.9	85.0		85.0	95.4		95.4	86.8
Communications Tax.....	76.5	79.3		79.3	57.4		57.4	82.4
Real Estate Transfer Tax.....	82.0	52.8	29.2	82.0	62.3	31.1	93.4	81.2
Transfers from Lottery Commission.....	62.2	-	66.8	66.8		74.3	74.3	72.0
Transfers from Racing & Charitable Gaming Commission....	1.3		3.5	3.5		3.4	3.4	3.8
Tobacco Settlement.....	41.7	2.5	40.0	42.5	23.2	40.0	63.2	42.4
Utility Property Tax.....	32.3		33.1	33.1		33.2	33.2	28.3
Property Tax Retained Locally.....	363.6		363.1	363.1		363.7	363.7	363.1
Other.....	174.4	171.9		171.9	179.8		179.8	163.8
<b>Subtotal.....</b>	<b>2,073.5</b>	<b>1,295.5</b>	<b>813.2</b>	<b>2,108.7</b>	<b>1,356.2</b>	<b>839.0</b>	<b>2,195.2</b>	<b>2,121.3</b>
Net Medicaid Enhancement	-							
Revenues.....	93.4	74.8		74.8	69.1		69.1	104.8
Recoveries.....	27.8	6.3		6.3	11.3		11.3	3.8
<b>Total.....</b>	<b>\$ 2,194.7</b>	<b>\$ 1,376.6</b>	<b>\$ 813.2</b>	<b>\$ 2,189.8</b>	<b>\$ 1,436.6</b>	<b>\$ 839.0</b>	<b>\$ 2,275.6</b>	<b>\$ 2,229.9</b>

## Major Initiatives Expected to Affect the Future Financial Position of the State

### Increase Balance of the Revenue Stabilization Fund

Currently, the State of New Hampshire has only approximately \$9.3 million in the State's Revenue Stabilization Fund ('Rainy Day Fund'). As this balance is significantly less than ideal relative to comparisons to other States and to ensure the State can absorb any unpredicted financial challenges that we may face in the future, the State continues to discuss ways to increase this balance going forward.

### Medicaid Managed Care Model and Implementation

Significant changes to the New Hampshire Medicaid program were legislated during the 2011 legislative session. Notably, Chapter 125, Laws of 2011 directed the current fee-for-service program be converted to a managed care model effective July 2012 with Medicaid and Children's Health Insurance Program (CHIP) combined into one Medicaid managed care program. The budgeted cost savings for the biennium was \$16 million for the current fee-for-service program and an additional \$4.7 million for the transition of the CHIP program into the combined Medicaid managed care program. The Department of Health and Human Services (DHHS) issued a Request for Proposals for Medicaid Care Management Services in October 2011 and the Governor and Executive Council approved contracts with three managed care organizations on May 9, 2012. The State Plan Amendment (SPA) for this initiative (12-006) was submitted to CMS on March 30, 2012 and was approved on August 24, 2012. Although the start-up of the managed care program was delayed until December 2013, the State was able to absorb the planned savings of \$16 million, primarily because the Medicaid program had minimal growth in enrollment and expenditures in fiscal year 2013. The budgeted cost savings for fiscal years 2014 and 2015 are \$5.8 million and \$41.6 million respectively. The contracts and associated rates for the Medicaid Managed Care Model were approved by the federal Centers for Medicare and Medicaid Services on September 18, 2013. The Medicaid Care Management (MCM) program commenced open enrollment on September 11, 2013 for Medicaid recipients to select one of the three Health Plans and management of medical care for most Medicaid clients was assumed by the health plans on December 1, 2013. To date, implementation is proceeding as expected.

### **Workforce Development Challenges**

As of June 30, 2013, the State estimates that approximately 33% of the full-time workforce was eligible to retire (at age 60 or ‘rule of 70’ for Group I or using the Group II Retirement Rule). Additionally, projecting out five years, it appears that an additional 21% of the full-time workforce will be eligible to retire. Accordingly, the State needs to continue to address the development of the State’s workforce. It is critical that each State Department continues to develop experienced and capable employees that are prepared to assume these roles as they become available in the future.

### **Highway Fund**

As set forth in Chapters 143 and 144 of the Laws of 2013, total net operating appropriations (including estimated compensation and benefit reductions and lapses) for the Highway Fund for fiscal years 2014 and 2015 are \$253.1 million and \$260.7 million, respectively (not including capital appropriations). The adopted budget also accelerates the Turnpike System’s payments to the Highway Fund for the sale of a portion of I-95 (fiscal year 2010 transaction) paying off the remaining balance of approximately \$29 million in fiscal years 2014 and 2015. The \$29 million projected to be received by the Highway Fund from the Turnpike System in fiscal years 2014 and 2015 is \$23 million lower than the \$52 million received during fiscal years 2012 and 2013.

It is likely that additional revenues will be needed to support Highway Fund expenditures in future years, particularly as the final payments from the Turnpike System are made in FY 2015. The table below sets forth the payments made and scheduled to be made by the Turnpike System to the Highway Funds in the fiscal years since the I-95 sale.

Fiscal Year	Amount
2010	\$30 million
2011	20 million
2012	26 million
2013	26 million
2014	15 million
2015	14 million

### **Retirement Funding**

The New Hampshire Retirement System is the administrator of the cost-sharing multiple-employer Public Employee Retirement System established in 1967 by RSA 100-A:2 (see Note 10). As of June 30, 2013, the date of the most recent actuarial valuation, the net position held in trust to pay pension benefits, at actuarial value, was reported by the New Hampshire Retirement System to be \$6.1 billion. The total pension liability at June 30, 2013 using the entry age normal actuarial cost method was approximately \$10.7 billion, resulting in a funded ratio of 56.7 % and a projection pension liability in excess of assets of approximately \$4.6 billion.

The State has enacted various legislative changes in recent years in order to address certain issues pertaining to the System, including, among other matters, the level of benefits to be received by retirees and the contributions required to be made by employers and employees. Certain of the legislative changes are being challenged in court (see Note 13) and it is possible that additional litigation will be brought in the future. The State cannot now predict the outcome of any of these matters.

### **OPEB**

In addition to pensions, many state and local governmental employers provide other postemployment benefits (“OPEB”) as part of the total benefit component of compensation offered to attract and retain the services of qualified employees. OPEB includes postemployment healthcare when provided separately from a pension plan. From an accrual accounting perspective, the cost of OPEB, like the cost of pension benefits, generally should be associated with the periods in which the exchange occurs (matching principle), rather than with the periods (often many years later) when benefits are paid or provided. However, in current practice, most OPEB plans are financed on a pay-as-you-go basis. As of December 31, 2012 (most recent valuation), the State’s unfunded actuarial accrued liability (UAAL) was estimated as approximately \$1.9 billion (see Note 10).

Although recent efforts by the State have reduced this UAAL from approximately \$2.3 billion as of December 31, 2010, the State continues to focus on ways to reduce the current and future costs of this benefit. Pursuant to Chapter 144:33, Laws of 2013, a study commission was established to review retiree health care benefits for employees hired after July 1, 2013 in light of the implementation of the Patient Protection and Affordable Care Act and recommend a cohesive plan outlining cost effective health plan models effective for such new employees. The Commission report which included findings and recommendations was issued to the Governor and the Fiscal Committee of the General Court on November 15, 2013.

## Budgetary Process

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

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

## Internal Controls

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

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

Through FY 2013, financial transactions for the various State agencies were recorded in the New Hampshire accounting ERP System, NHFIRST. 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 implementation of the State's new ERP system, substantial training has been provided which strengthens users' procedures and improves the system of internal controls.

## 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, 2013.

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, 2012. This is the fifth consecutive year that the state received this award.

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

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

## **Acknowledgements**

In submitting this report, I acknowledge the cooperation, assistance and dedication of all State agencies and their employees.

Respectively submitted,

A handwritten signature in black ink, appearing to read "Linda M. Hodgdon". The signature is written in a cursive style with a large initial "L" and a long, sweeping tail.

Linda M. Hodgdon, Commissioner



Government Finance Officers Association

Certificate of  
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**State of New Hampshire**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2012**

Executive Director/CEO

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# Financial Section

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**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

**Report on the Financial Statements**

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, 2013, and the related notes to the financial statements, which collectively comprise the State of New Hampshire's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Liquor Commission, Turnpike System and the Lottery Commission, which represent 59.0% and 79.8% of the assets and revenues of the business-type activities, respectively, and 100% of the assets and revenues of the respective major funds. We also did not audit the Business Finance Authority of the State of New Hampshire, Community Development Finance Authority, Pease Development Authority and the Community College System of New Hampshire, which represent 14.8% and 17.3% of the assets and revenues of the aggregate discretely presented component units, respectively. Further, we did not audit the New Hampshire Judicial Retirement Plan and the New Hampshire Public Deposit Investment Pool, which represent 3.2% and 10.9% of the assets and revenues of the aggregate remaining fund information, respectively. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinions, insofar as it relates to the amounts included for these entities, is based solely 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 from material misstatement. The financial statements of the New Hampshire Public Deposit Investment Pool and the Business Finance Authority of the State of New Hampshire were not audited in accordance with *Government Auditing Standards*.



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Opinions*

In our opinion, based on our audit and the reports of the 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, 2013, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

### *Other Matters*

#### *Required Supplementary Information*

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

#### *Other Information*

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, combining financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial



statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the combining financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2013 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of New Hampshire's internal control over financial reporting and compliance.

KPMG LLP

December 23, 2013

# 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, 2013. 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 Position:** The total assets of the State exceeded total liabilities at fiscal year ending June 30, 2013 by \$2.7 billion. This amount is presented as "Total Net Position" on the Statement of Net Position for the Total Primary Government (condensed information can be seen later in the MD&A section of this report). Of this amount, \$683.0 million is reported as a deficit in unrestricted net position, representing a deficiency of unrestricted, non-capital assets, to liabilities other than capital debt.

**Changes in Net Position:** The State's total net position increased by \$257.7 million, or 10.4% in fiscal year 2013. The net position of governmental activities increased by \$138.3 million (10.9%), and net position of the business-type activities showed an increase of \$119.4 million (9.9%). Expenses for the period are reported as \$91.1 million or 1.6% higher than fiscal year 2012 and revenues were approximately \$15.5 million or 0.3% higher than fiscal year 2012.

**Non-Current Liabilities:** The State's total non-current liabilities increased by \$179.8 million or 8.0% during the current fiscal year. Long-term bonded debt increased \$100.6 million or 6.5% as new issuances exceeded payments of outstanding debt. Also, an additional \$86.5 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 2013, the State's governmental funds reported a combined balance of all funds of \$608.0 million, an increase of \$119.1 million from the prior year. This year, the General Fund ended the year with an Unassigned Fund Balance of \$81.5 million (including Revenue Stabilization balance of \$9.3 million).

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

### Government-Wide Financial Statements

The Government-Wide Financial Statements provide a broad view of the State's finances. These statements (Statement of Net Position 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 Position**, beginning on page 28 presents all of the State's non-fiduciary assets and liabilities. The difference between assets and liabilities is reported as "net position" instead of fund balance as shown on the Fund Statements. Over time, increases or decreases in the net position 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 30, presents information showing how the State's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (such as uncollected taxes and licenses and earned but unused vacation leave). This statement also presents a comparison between direct expenses and program revenues for each function of the State.

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

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

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

- Liquor Commission,
- Lottery Commission (includes Racing & Charitable Gaming Commission),
- Turnpike System,
- State Revolving Loan Fund (SRF), and
- New Hampshire Unemployment Compensation Trust Fund

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

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

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

### **Fund Financial Statements**

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

**Governmental Funds:** Most of the basic services provided by the State are financed through governmental funds. Unlike the Government-Wide Financial Statements, the Governmental Fund Financial Statements report using the current financial resources measurement focus and modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted into cash. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the State's programs. The Governmental Fund Financial Statements can be found on pages 34 through 37.

Because the focus of governmental funds is narrower than that of the Government-Wide Financial Statements, it is useful to compare the information presented here with similar information presented in the Government-Wide Financial Statements. Reconciliations are provided between the Governmental Fund Financial Statements and the Government-Wide Financial Statements, which can be found on pages 35 and 37.

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 95 and 96.

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

Like the Government-Wide Financial Statements, Proprietary Fund Financial Statements use the economic resources measurement focus and accrual basis of accounting. Therefore there is no reconciliation needed between the Government-Wide Financial Statements for business-type activities and the Proprietary Fund Financial Statements. The Internal Service Fund is reported within governmental activities on the Government-Wide Financial Statements. The basic proprietary funds financial statements can be found on pages 40 through 43.

**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 45-46 include the:

- **Pension Trust Funds** which account 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 48 and 49.

## 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 51.

### 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 Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The State's combined net position (government and business-type activities) totaled \$2.7 billion at the end of 2013, compared to \$2.5 billion at the end of the previous year.

**Net Investment in Capital Assets:** The largest portion of the State's net position (90%) 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 \$52.8 million from prior year. This increase was the result of a net increase in capital assets of \$164.6 million during the year combined with an increase in capital related debt of \$111.8 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 position (\$963.1 million) 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 \$171.8 million from prior year due largely to increases in funds received during fiscal year 2013 restricted for environmental remediation (see Note 13- *State of New Hampshire v. Amerada Hess, et al*) and assets restricted for unemployment benefits.

**Unrestricted Net Position:** The deficit in the State's unrestricted net position is \$683.0 million which is an improvement (deficit reduction) of \$33.1 million from the previous year. A significant component of the deficit is attributable to net other postemployment benefit obligation, which at June 30, 2013 was \$765.7 million.

### Comparative Net Position as of June 30, 2013 and 2012

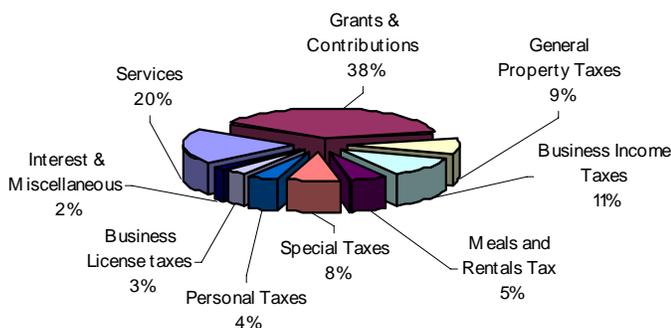
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Current assets	\$ 1,093,563	\$ 1,030,906	\$ 741,803	\$ 567,204	\$ 1,835,366	\$ 1,598,110
Capital assets	2,720,450	2,624,079	874,712	806,517	3,595,162	3,430,596
Other assets	128,841	101,200	296,674	303,595	425,515	404,795
<b>Total assets</b>	<b>3,942,854</b>	<b>\$ 3,756,185</b>	<b>1,913,189</b>	<b>1,677,316</b>	<b>5,856,043</b>	<b>\$ 5,433,501</b>
Noncurrent liabilities	1,972,082	1,904,580	445,499	333,204	2,417,581	2,237,784
Current liabilities	558,647	577,765	144,216	140,043	702,863	717,808
<b>Total liabilities</b>	<b>2,530,729</b>	<b>2,482,345</b>	<b>589,715</b>	<b>473,247</b>	<b>3,120,444</b>	<b>2,955,592</b>
Net Position:						
Net Investment in capital assets	2,022,477	1,992,798	433,001	409,841	2,455,478	2,402,639
Restricted	106,027	23,722	857,061	767,581	963,088	791,303
Unrestricted	(716,379)	(742,680)	33,412	26,647	(682,967)	(716,033)
<b>Total net position</b>	<b>\$ 1,412,125</b>	<b>\$ 1,273,840</b>	<b>\$ 1,323,474</b>	<b>\$ 1,204,069</b>	<b>\$ 2,735,599</b>	<b>\$ 2,477,909</b>

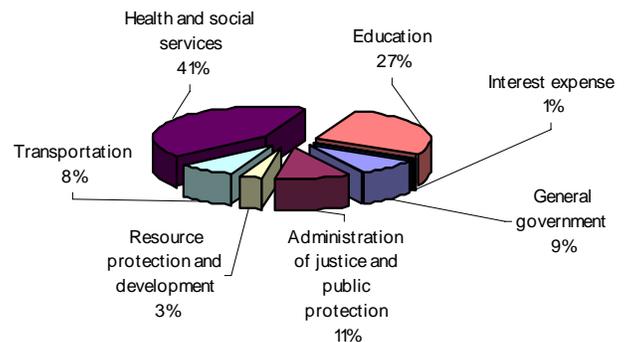
**Comparative Changes in Net Position**  
**For Fiscal Years Ending June 30, 2013 and 2012**  
(In Thousands)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 956,630	\$ 962,723	\$ 1,249,912	\$ 1,278,842	\$ 2,206,542	\$ 2,241,565
Operating grants & contributions	1,602,922	1,622,317	25,031	21,869	1,627,953	1,644,186
Capital grants & contributions	183,676	193,546	5,446	201	189,122	193,747
General revenues:						
General Property Taxes	400,563	397,716			400,563	397,716
Business Income Taxes	538,365	486,535			538,365	486,535
Meals and Rentals Tax	248,574	239,067			248,574	239,067
Special taxes	359,967	370,050			359,967	370,050
Personal taxes	205,849	214,928			205,849	214,928
Business License taxes	144,023	143,888			144,023	143,888
Interest	13,167	10,968			13,167	10,968
Miscellaneous	71,028	46,985			71,028	46,985
<b>Total revenues</b>	<b>4,724,764</b>	<b>4,688,723</b>	<b>1,280,389</b>	<b>1,300,912</b>	<b>6,005,153</b>	<b>5,989,635</b>
<b>Expenses</b>						
General government	428,738	467,022			428,738	467,022
Administration of justice and public protection	528,734	520,958			528,734	520,958
Resource protection and development	156,148	142,153			156,148	142,153
Transportation	410,758	310,736			410,758	310,736
Health and social services	2,009,403	1,959,017			2,009,403	1,959,017
Education	1,329,015	1,342,002			1,329,015	1,342,002
Interest Expense	27,666	41,349			27,666	41,349
Turnpike System			88,119	86,166	88,119	86,166
Liquor Commission			463,843	433,631	463,843	433,631
Lottery Commission			207,509	190,566	207,509	190,566
SRF Fund			19,950	33,031	19,950	33,031
Unemployment Compensation			168,280	220,391	168,280	220,391
<b>Total expenses</b>	<b>4,890,462</b>	<b>4,783,237</b>	<b>947,701</b>	<b>963,785</b>	<b>5,838,163</b>	<b>5,747,022</b>
Increase (decrease) in net position before transfers and other items	(165,698)	(94,514)	332,688	337,127	166,990	242,613
Special Item - Environmental Litigation Settlements	90,700				90,700	
Transfers & Other Items	213,283	88,737	(213,283)	(159,861)		(71,124)
<b>Increase (Decrease) in net position</b>	<b>138,285</b>	<b>(5,777)</b>	<b>119,405</b>	<b>177,266</b>	<b>257,690</b>	<b>171,489</b>
Net position, beginning of year	1,273,840	1,279,617	1,204,069	1,026,803	2,477,909	2,306,420
<b>Net position, end of year</b>	<b>\$ 1,412,125</b>	<b>\$ 1,273,840</b>	<b>\$ 1,323,474</b>	<b>\$ 1,204,069</b>	<b>\$ 2,735,599</b>	<b>\$ 2,477,909</b>

**Governmental Activities - Revenues**  
**Fiscal Year Ending June 30, 2013**



**Governmental Activities - Expenses**  
**Fiscal Year Ending June 30, 2013**



## Changes in Net Position

The State's total net position increased by \$257.7 million, or 10.4%, during the current fiscal year. Total revenues were \$6,005.2 million, an increase of \$15.5 million (0.3%) as compared to the prior year, and total reported expenses were \$5,838.2 million, an increase of \$91.1 million (1.6%) as compared to the prior year. In addition, the State received \$90.7 million in environmental litigation settlements during the current year, which are reported as a special item.

More than half of the State's revenue (67%) 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 34.4% and 22.8% of total expenses, respectively.

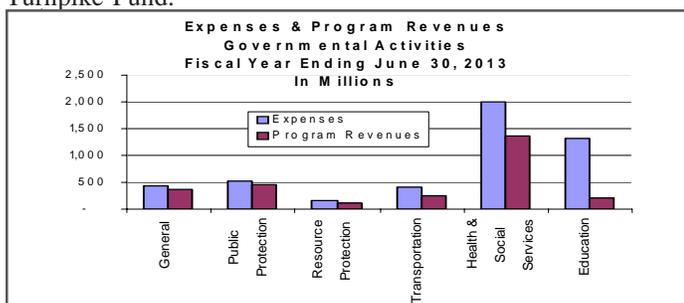
## Governmental Activities

Governmental activities decreased the State's net position by \$165.7 million, before transfers and other items. Revenues increased by \$36.0 million or 0.8% from prior year to total \$4.7 billion. Operating grants and contributions, which includes federal programs, decreased \$19.4 million or 1.2%, while taxes and other revenues increased \$55.4 million or 1.8%. The reported increase in expenditures was \$107.2 million or 2.2%.

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

## Business-Type Activities

Charges for goods and services for the State's combined business type activities were more than adequate to cover the operating expenses and resulted in net position increasing by \$332.7 million prior to transfers. Business-Type activities include the operations from the Liquor Commission, Lottery Commission, SRF Fund, Unemployment Compensation Fund, and Turnpike Fund.



Operations of the Liquor Commission generated net income before transfers of \$139.7 million, approximately equal to prior year, most of which was transferred to the General Fund to fund the general operations of the State. The Lottery Commission generated net income of \$77.7 million, an increase from prior year of \$7.3 million, which was transferred to the Education fund.

Turnpike System net position increased by \$42.9 million. During fiscal year 2013, the Turnpike System billed approximately \$4 million of administrative fee revenue; however, because the State has been unable to determine when the administrative fees meet the definition of revenue in accordance with generally accepted accounting principles, the revenue has not been included as part of the financial statements as of June 30, 2013. The historical collectibility of administration fees is approximately 20%.

The operations of the Unemployment Compensation fund yielded an increase in net position of \$60.3 million, and State Revolving Fund activities generated an increase in net position of \$21.4 million.

## 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, fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Total Governmental Fund Balances increased \$119.1 million in fiscal year

	Governmental Activities		Business-type Activities		Total Primary Government	
	\$Change	% Change	\$Change	% Change	\$Change	% Change
<b>Revenues</b>						
Program revenues:						
Charges for services	(6.1)	-0.6%	(28.9)	-2.3%	(35.0)	-1.6%
Operating grants & contributions	(19.4)	-1.2%	3.2	14.5%	(16.2)	-1.0%
Capital grants & contributions	(9.9)	-5.1%	5.2	100.0%	(4.7)	-2.4%
General revenues:						
General Property Taxes	2.9	0.7%			2.9	0.7%
Business Income taxes	51.8	10.7%			51.8	10.7%
Meals and Rental Taxes	9.5	4.0%			9.5	4.0%
Special taxes	(10.1)	-2.7%			(10.1)	-2.7%
Personal taxes	(9.1)	-4.2%			(9.1)	-4.2%
Business License taxes	0.1	0.1%			0.1	0.1%
Interest	2.2	20.0%			2.2	20.0%
Miscellaneous	24.1	51.4%			24.1	51.4%
<b>Total revenues</b>	<b>36.0</b>	<b>0.7%</b>	<b>(20.5)</b>	<b>-1.6%</b>	<b>15.5</b>	<b>0.3%</b>
<b>Expenses</b>						
General government	(38.3)	-8.2%			(38.3)	-8.2%
Administration of justice and public protection	7.8	1.5%			7.8	1.5%
Resource protection and development	14.0	9.8%			14.0	9.8%
Transportation	100.0	32.2%			100.0	32.2%
Health and social services	50.4	2.6%			50.4	2.6%
Education	(13.0)	-1.0%			(13.0)	-1.0%
Interest Expense	(13.7)	-33.1%			(13.7)	-33.1%
Turnpike System			2.0	0.1%	2.0	2.3%
Liquor Commission			30.2	7.0%	30.2	7.0%
Lottery Commission			16.9	8.9%	16.9	8.9%
SRF Fund			(13.1)	-39.6%	(13.1)	-39.6%
Unemployment Compensation			(52.1)	-23.6%	(52.1)	-23.6%
<b>Total expenses</b>	<b>107.2</b>	<b>2.2%</b>	<b>(16.1)</b>	<b>-1.7%</b>	<b>91.1</b>	<b>1.6%</b>

2013. A deficiency of revenues over expenditures of \$310.4 million was funded by more than \$340 million of transfers from Enterprise Funds, Other Financing Sources and the environmental settlement received in fiscal year 2013, resulting in a net increase in Governmental Fund Balance.

### **General Fund**

The general fund is the primary operating fund of the State. The total fund balance at June 30, 2013 is \$340.0 million. The general fund unassigned fund balance, comprising Revenue Stabilization (Rainy Day fund) amount of \$9.3 million and other designated fund balance of \$72.2 million, ended the year at \$81.5 million, a increase of \$58.3 million from the prior year.

Revenues in the general fund were \$3,327.8 million, \$15.2 million (0.5%) higher than the prior year. Additionally, approximately \$90.7 million was received for an environmental settlement (MtBE litigation settlement receipts). Total expenditures increased by \$35.0 million (1.1%) to \$3,314.5 million which was net of a decrease in debt service of \$11.5 million.

### **Education Fund**

The education fund, before year-end transfers from other funds, had a deficit balance of \$198.7 million. The general fund made a transfer from unassigned fund balance of \$121.0 million to bring the unassigned fund balance to zero at June 30, as required by law.

### **Highway Fund**

The highway fund ended the year with an assigned undesignated fund balance of \$46.3 million. Included in this amount is \$43.3 million available for Highway Operating funds and \$3.0 million of total Highway Construction.

### **Proprietary Funds**

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

## **BUDGETARY HIGHLIGHTS**

During the fiscal year, the original budget was amended by various supplemental appropriations and appropriation revisions. Budget to Actual Schedules for the major governmental funds are in the Required Supplementary Information section beginning on page 83.

### **General Fund:**

The net increase in expenditure from the original budget of \$4,014.9 million to the final budget of \$4,162.5 million is \$147.6 million and represents additional appropriations issued and budget reductions recorded (HB2), after July 1, 2012 primarily in the following categories of government: Health & Social Services (\$89 million), Justice & Public Protection (\$29 million) and

Resource Protection and Development (\$20 million). The \$71.6 million increase from original budgeted revenues to the final budgeted revenues was primarily due to increases in federal and private and local grants.

Actual total revenue was less than the final budget by approximately \$523.7 million which was primarily the result of lower federal grant revenues. The federal grant revenue unfavorable variance of \$508.2 million was due primarily to the timing of program expenditures. This unfavorable increase along with others were partially offset by an increase in miscellaneous revenues as a result of MtBE settlements of \$91 million and additional tobacco settlement revenue of \$21 million. Total actual expenditures were approximately \$890.6 million lower than the final budget primarily within the Department of Health & Human Services (Commissioner's Office, Office of Health Management & Elderly and Adult Services), the Department of Safety, the Department of Education, and the Department of Environmental Services.

## **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, 2013, amounted to \$6.5 billion, with accumulated depreciation amounts of \$2.9 billion, leaving a net book value of \$3.6 billion, an increase of approximately \$0.2 billion 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 \$2.0 billion, representing a \$.2 billion increase from the prior year. 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 \$1,646.9 million. Of this amount, \$1,011.4 million are general obligation bonds, which are backed by the full faith and credit of the State and \$192.9 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 August 30, 2012, the State issued \$110.2 million of Turnpike System Revenue Bonds. The interest rates on these revenue bonds range from 3% to 5%, and the maturity dates range from 2013 through 2036.

On September 26, 2012, the State issued a \$1.4 million general obligation capital improvement bond. The bond was sold via

private placement to the New Hampshire Municipal Bond Bank. The proceeds are being used finance various capital projects of the State.

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

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

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

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

### **ECONOMIC CONDITIONS AND OUTLOOK**

Along with the nation and the region, the State's economy is emerging from recession with some challenges ahead. Due to a favorable tax climate for individuals coupled with a high quality of life and standard of living, New Hampshire is considered a very attractive state to live in. As a result, New Hampshire has fared better in this recession than many other states in the region and the nation. The State's October 2013 unemployment rate of 5.1% (seasonally adjusted) continues to be below the national average of 7.3%.

Between July and November 2013, the state had received approximately \$689.4 million in General and Education Fund revenues for fiscal year 2014 as compared to the year-to-date Plan of \$666.1 million. This increase of approximately \$23.3 million or 3.5% was primarily the result of year-to-date increases in various taxes and revenue sources (Business Taxes, Meals & Rentals, Liquor Revenues, Real Estate Transfer Taxes and Tobacco Taxes); however, at least \$4 million of this favorable increase is deemed to be the result of early revenue receipts which were planned for later in fiscal year 2014 (Other revenues and Utility Property Taxes).

Versus the prior year, the year-to-date November fiscal year 2014 revenues are reported as \$28.4 million higher (4.3%). Although certain taxes and revenues are significantly higher than the prior year (Meals & Rentals, Tobacco Tax, Liquor Revenues, Real Estate Transfer Taxes, Medicaid Enhancement Revenues), the Board and Care Revenue is lower as a result of a budget change in fiscal year 2014 (revenue is now budgeted as restricted revenue within the Department of Health and Human Services Budget) and additionally Communications taxes

are lower. On an annual basis, the fiscal year 2014 General and Education Funds revenue Plan of \$2,241.6 million is approximately \$34.0 million lower (1.5%) than the actual revenue realized in fiscal year 2013 (\$2,275.6 million). However, fiscal year 2013 unrestricted revenues, excluding Board & Care Revenue, of \$2,249.2 million (assuming Board & Care is restricted as budgeted in fiscal year 2014), are only \$7.6 million higher than the 2014 plan.

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 if needed.

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

### **REQUESTS FOR INFORMATION**

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



## **Basic Financial Statements**

28 • NEW HAMPSHIRE  
 STATE OF NEW HAMPSHIRE  
 STATEMENT OF NET POSITION  
 JUNE 30, 2013  
 (Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and Cash Equivalents.....	\$ 376,529	\$ 81,035	\$ 457,564	\$ 118,595
Cash and Cash Equivalents-Restricted.....	151,834	513,197	665,031	11,984
Investments.....				141,712
Investments - Restricted.....		18,734	18,734	
Receivables (Net of Allowances for Uncollectibles).....	536,821	20,859	557,680	43,647
Other Receivables-Restricted.....	47	67,521	67,568	
Internal Balances Receivable (Payable).....	6,363	(6,363)		
Internal Notes Receivable (Payable).....	4,814	(4,814)		
Inventories.....	17,155	47,193	64,348	
Other Current Assets.....		4,441	4,441	16,541
Total Current Assets.....	1,093,563	741,803	1,835,366	332,479
<b>Noncurrent Assets:</b>				
Receivables (Net of Allowances for Uncollectibles).....	7,663		7,663	56,142
Other Receivables-Restricted.....	5,230	313,766	318,996	
Internal Notes Receivable (Payable).....	23,385	(23,385)		
Investments.....	18,425		18,425	554,304
Investments-Restricted.....	74,138		74,138	
Bond Issue Costs.....		2,158	2,158	
Other Assets.....		4,135	4,135	10,701
<b>Capital Assets:</b>				
Land & Land Improvements.....	628,040	116,770	744,810	23,612
Buildings & Building Improvements.....	751,050	32,899	783,949	1,732,399
Equipment & Computer Software.....	341,880	49,726	391,606	128,663
Construction in Progress.....	247,733	152,542	400,275	83,655
Infrastructure.....	3,350,208	851,117	4,201,325	
Less: Allowance for Depreciation .....	(2,598,461)	(328,342)	(2,926,803)	(812,845)
Net Capital Assets.....	2,720,450	874,712	3,595,162	1,155,484
Total Noncurrent Assets.....	2,849,291	1,171,386	4,020,677	1,776,631
Total Assets.....	3,942,854	1,913,189	5,856,043	2,109,110
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Accumulated Decrease in Fair Value of Hedging Derivatives...				30,631
Accounting Loss on Debt Refinancings, net.....				5,661
Total Deferred Outflows of Resources.....				36,292

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

STATE OF NEW HAMPSHIRE  
STATEMENT OF NET POSITION  
JUNE 30, 2013  
(Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Accounts Payable.....	269,944	73,754	343,698	61,217
Accrued Payroll.....	28,231	1,827	30,058	5,711
Unearned Revenue.....	71,475	14,386	85,861	36,931
Unclaimed Property & Prizes.....	16,587	8,716	25,303	
General Obligation Bonds Payable.....	87,854	756	88,610	
Federal Highway Grant Anticipation Bond Payable .....	11,065		11,065	
Claims & Compensated Absences Payable .....	43,246	2,340	45,586	6,810
Other Liabilities.....	30,245	24,832	55,077	7,306
Revenue Bonds Payable.....		17,605	17,605	54,689
Total Current Liabilities.....	\$ 558,647	\$ 144,216	\$ 702,863	\$ 172,664
<b>Noncurrent Liabilities:</b>				
General Obligation Bonds Payable, Net .....	\$ 911,161	\$ 11,591	\$ 922,752	
Federal Highway Grant Anticipation Bond Payable .....	181,837		181,837	
Revenue Bonds Payable, Net .....		425,022	425,022	\$ 390,957
Claims & Compensated Absences Payable .....	73,709	5,815	79,524	30,832
Postemployment Benefits Payable.....	765,699		765,699	54,505
Derivative Instruments - Interest Rate Swaps.....				30,631
Other Noncurrent Liabilities.....	39,676	3,071	42,747	77,816
Total Noncurrent Liabilities.....	1,972,082	445,499	2,417,581	584,741
Total Liabilities.....	2,530,729	589,715	3,120,444	757,405
<b>NET POSITION</b>				
Net Investment in Capital Assets.....	2,022,477	433,001	2,455,478	709,179
Restricted for Debt Repayments.....		52,720	52,720	
Restricted for Uninsured Risks.....		3,005	3,005	
Restricted for Unemployment Benefits.....		249,162	249,162	
Restricted for Permanent Funds-Expendable.....	11,987		11,987	
Restricted for Permanent Funds-Non-Expendable.....	7,076		7,076	
Restricted for Prize Awards - MUSL & Tri-State.....		4,135	4,135	
Restricted for Environmental Remediation.....	81,688		81,688	
Restricted for Environmental Loans.....	5,276	548,039	553,315	
Restricted Component Unit Net Position.....				372,469
Unrestricted Net Position.....	(716,379)	33,412	(682,967)	306,349
Total Net Position.....	\$ 1,412,125	\$ 1,323,474	\$ 2,735,599	\$ 1,387,997

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**STATE OF NEW HAMPSHIRE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**  
(Expressed in Thousands)

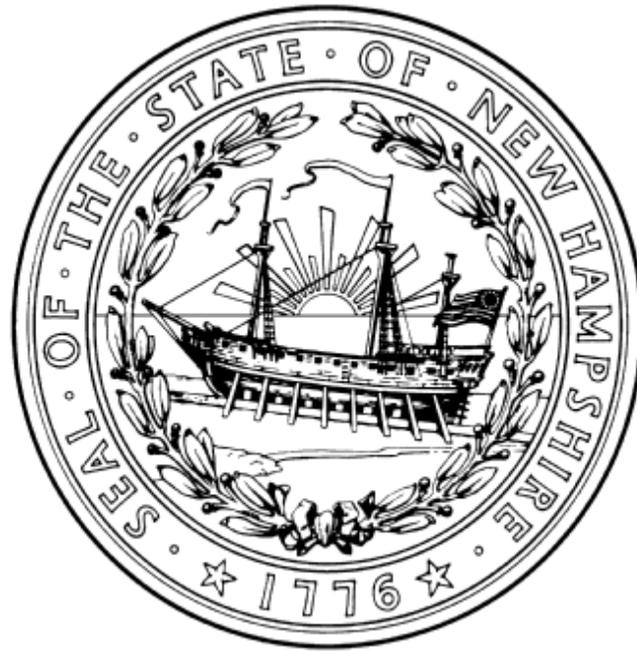
<u>Functions/Programs</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>PRIMARY GOVERNMENT</b>				
<b>Governmental Activities:</b>				
General Government.....	\$ 428,738	\$ 310,150	\$ 52,680	
Administration of Justice & Public Protection.....	528,734	340,088	103,439	\$ 34
Resource Protection and Development.....	156,148	58,460	50,038	
Transportation.....	410,758	46,543	18,586	180,892
Health and Social Services.....	2,009,403	189,426	1,182,786	
Education.....	1,329,015	11,963	195,393	2,750
Interest Expense.....	27,666			
Total Governmental Activities.....	4,890,462	956,630	1,602,922	183,676
<b>Business-type Activities:</b>				
Turnpike System.....	88,119	121,112		5,446
Liquor Commission.....	463,843	603,575		
Lottery Commission.....	207,509	285,232		
SRF Fund.....	19,950	11,381	25,031	
Unemployment Compensation.....	168,280	228,612		
Total Business-type Activities.....	947,701	1,249,912	25,031	5,446
Total Primary Government.....	\$ 5,838,163	\$ 2,206,542	\$ 1,627,953	\$ 189,122
<b>COMPONENT UNITS</b>				
University System of New Hampshire.....	\$ 746,045	\$ 542,320	\$ 190,498	\$ 7,286
Non-Major Component Units.....	154,682	111,988	21,743	2,841
Total Component Units.....	\$ 900,727	\$ 654,308	\$ 212,241	\$ 10,127

<b>General Revenues:</b>				
General Property Taxes.....				
Business Income Taxes.....				
Meals and Rental Taxes.....				
Special Taxes.....				
Personal Taxes.....				
Business License Taxes.....				
Interest & Investment Income.....				
Miscellaneous.....				
Special Item - Environmental Litigation Settlements.....				
Payments from State of New Hampshire.....				
Transfer of Capital Assets.....				
Transfers - Internal Activities.....				
Total General Revenues and Transfers.....				
Changes in Net Position.....				
<b>Net Position - July 1.....</b>				
<b>Net Position - June 30.....</b>				

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

Primary Government			
Governmental Activities	Business- Type Activities	Total	Component Units
\$ (65,908)		\$ (65,908)	
(85,173)		(85,173)	
(47,650)		(47,650)	
(164,737)		(164,737)	
(637,191)		(637,191)	
(1,118,909)		(1,118,909)	
(27,666)		(27,666)	
(2,147,234)		(2,147,234)	
	38,439	38,439	
	139,732	139,732	
	77,723	77,723	
	16,462	16,462	
	60,332	60,332	
	332,688	332,688	
\$ (2,147,234)	\$ 332,688	\$ (1,814,546)	
			\$ (5,941)
			(18,110)
			\$ (24,051)
400,563		400,563	
538,365		538,365	
248,574		248,574	
359,967		359,967	
205,849		205,849	
144,023		144,023	
13,167		13,167	58,533
71,028		71,028	
90,700		90,700	
			102,445
(4,484)	4,484		
217,767	(217,767)		
2,285,519	(213,283)	2,072,236	160,978
138,285	119,405	257,690	136,927
1,273,840	1,204,069	2,477,909	1,251,070
\$ 1,412,125	\$ 1,323,474	\$ 2,735,599	\$ 1,387,997

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



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# Fund Financial Statements

## Governmental Funds

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

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

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

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**STATE OF NEW HAMPSHIRE**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2013**  
(Expressed in Thousands)

	General	Highway	Education	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and Cash Equivalents .....	\$ 311,479	\$ 140,179		\$ 35,555	\$ 487,213
Investments .....	18,425	55,427		18,711	92,563
Receivables (Net of Allow ances for Uncollectibles) .....	397,022	58,173	\$ 70,684	8,392	534,271
Inter-Fund Note Receivable.....		28,199			28,199
Due from Other Funds .....	21,473	1,663	1,151	2,750	27,037
Inventories.....	5,092	11,552		511	17,155
Loan Receivables .....	12,940				12,940
Total Assets .....	<u>\$ 766,431</u>	<u>\$ 295,193</u>	<u>\$ 71,835</u>	<u>\$ 65,919</u>	<u>\$ 1,199,378</u>
<b>LIABILITIES</b>					
Accounts Payable.....	\$ 216,693	\$ 35,693	\$ 1,681	\$ 15,001	\$ 269,068
Accrued Payroll.....	22,377	5,272		582	28,231
Due to Other Funds .....	3,820		16,854		20,674
Deferred Revenue .....	166,870	35,797	53,300	819	256,786
Unclaimed Property.....	16,587				16,587
Other Liabilities.....	62				62
Total Liabilities.....	<u>426,409</u>	<u>76,762</u>	<u>71,835</u>	<u>16,402</u>	<u>591,408</u>
<b>FUND BALANCES</b>					
Nonspendable:					
Inventories.....	5,092	11,552		511	17,155
Permanent Fund Principal.....				7,076	7,076
Restricted.....	104,687	134,797		39,377	278,861
Committed.....	123,245	12,918		1,130	137,293
Assigned.....	25,509	59,164		1,423	86,096
Unassigned:					
Revenue Stabilization.....	9,312				9,312
Other.....	72,177				72,177
Total Fund Balances.....	<u>340,022</u>	<u>218,431</u>		<u>49,517</u>	<u>607,970</u>
Total Liabilities and Fund Balances.....	<u>\$ 766,431</u>	<u>\$ 295,193</u>	<u>\$ 71,835</u>	<u>\$ 65,919</u>	<u>\$ 1,199,378</u>

**STATE OF NEW HAMPSHIRE**  
**RECONCILIATION OF THE BALANCE SHEET-**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2013**  
**(Expressed in Thousands)**

Total fund balances for governmental funds		\$	607,970
Amounts reported for governmental activities in the Statement of Net Position are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds			2,720,450
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	\$	142,839	
Banking Assessments		1,000	
Highway Fund Federal and Municipal Billings		4,589	
Highway Fund Note Receivable from Turnpike System		28,199	
Indigent Representation Advances		3,408	
Other Loans		5,276	
			185,311
Internal service funds are used by management to charge the costs of certain activities, such as risk management and health related fringe benefits, to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Position.			
			25,777
Certain liabilities are not payable by current available resources and therefore are not reported in the funds:			
Compensated Absences, Workers Compensation		(99,907)	
Other Postemployment Benefits		(765,699)	
Pollution Remediation Obligation		(36,348)	
Capital Lease Obligations		(2,402)	
Bond Payables		(1,191,917)	
Litigation Payable		(13,766)	
Advance Construction Commitments to Municipalities		(3,280)	
Interest Payable		(14,064)	
			(2,127,383)
Net Position of Governmental Activities		\$	<u>1,412,125</u>

**STATE OF NEW HAMPSHIRE**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**  
**(Expressed in Thousands)**

	General	Highway	Education	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
General Property Taxes.....	\$ 242		\$ 396,920		\$ 397,162
Special Taxes.....	915,606		244,742		1,160,348
Personal Taxes.....	126,218		79,631		205,849
Business License Taxes.....	19,713	\$ 144,023			163,736
Non-Business License Taxes.....	93,937	84,106		\$ 8,796	186,839
Fees.....	152,550	23,277		954	176,781
Fines, Penalties and Interest.....	6,163	7,727	3	117	14,010
Grants from Federal Government.....	1,412,418	146,913	509	43,292	1,603,132
Grants from Private and Local Sources.....	157,946	34,303		173	192,422
Rents and Leases.....	2,253	143			2,396
Interest, Premiums and Discounts.....	13,968			574	14,542
Sale of Commodities.....	13,012	11,824		235	25,071
Sale of Service.....	51,083	22,582			73,665
Assessments.....	60,777				60,777
Grants from Other Agencies.....	47,836	8,412		4,424	60,672
Miscellaneous.....	254,095	9,133	40,000	11,287	314,515
Total Revenues.....	3,327,817	492,443	761,805	69,852	4,651,917
<b>EXPENDITURES</b>					
Current:					
General Government.....	328,506				328,506
Administration of Justice and Public Protection.....	390,142	74,636		1,645	466,423
Resource Protection and Development.....	115,133	1,303		26,114	142,550
Transportation.....	7,875	285,804			293,679
Health and Social Services.....	1,969,108			173	1,969,281
Education.....	376,473		960,473		1,336,946
Debt Service.....	105,008	19,323		450	124,781
Capital Outlay.....	22,253	154,650		123,223	300,126
Total Expenditures.....	3,314,498	535,716	960,473	151,605	4,962,292
Excess (Deficiency) of Revenues					
Over (Under) Expenditures.....	13,319	(43,273)	(198,668)	(81,753)	(310,375)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In.....	793		120,960	5,213	126,966
Transfers in from Enterprise Funds.....	145,027		77,708		222,735
Transfers Out.....	(125,928)	(6,003)		(3)	(131,934)
Capital Lease Acquisition.....	189				189
Installments on Sale of Assets.....		24,262			24,262
Bond Premiums.....				12,820	12,820
Bond Issuance.....				85,625	85,625
Total Other Financing Sources.....	20,081	18,259	198,668	103,655	340,663
<b>SPECIAL ITEM - ENVIRONMENTAL LITIGATION</b>					
SETTLEMENTS	90,700				90,700
Net Change in Fund Balances.....	124,100	(25,014)		21,902	120,988
Fund Balances - July 1.....	216,721	244,354		27,789	488,864
Change in Inventory.....	(799)	(909)		(174)	(1,882)
Fund Balances - June 30.....	\$ 340,022	\$ 218,431	\$ -	\$ 49,517	\$ 607,970

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, 2013  
(Expressed in Thousands)**

Net change in fund balances - total governmental funds, including change in inventory \$ 119,106

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 (17,800)

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	\$ (1,168)	
Buildings & Building Improvements	16,767	
Equipment & Computer Software	28,622	
Construction in Progress	(13,592)	
Infrastructure	150,901	
Accumulated Depreciation, net of Disposals	<u>(85,159)</u>	96,371

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. 9,944

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

Bond Proceeds & Premiums Received	(89,636)	
Repayment of Bond Principal & Interest	94,449	
Accretion of Bonds Payable	(1,507)	
Accrued Interest & Amortization	<u>6,866</u>	10,172

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	215	
Other Postemployment Benefits	(86,480)	
Pollution Remediation Obligation	(6,462)	
Legal Contingency	12,728	
Change in Capital Lease Obligation	454	
Advance Construction Commitments to Municipalities	(480)	
Other loan program	<u>517</u>	(79,508)

Change in net position of governmental activities \$ 138,285



# Proprietary Fund Financial Statements

## **Enterprise Funds:**

**Turnpike System:** *The State constructs, maintains, and operates transportation toll facilities. The Turnpike System presently consists of 90.6 miles of limited access highway, 36 miles of which are part of the U.S. Interstate Highway System. The Turnpike System comprises a total of approximately 617 total lane miles. The Turnpike System primarily serves the major cities located in the central and eastern sections of southern New Hampshire.*

**Liquor Commission:** *By statute, all liquor and beer sold in the State must be sold through a sales and distribution system operated by the state Liquor Commission, comprising three members appointed by the Governor with the consent of the Executive Council. The Commission makes all liquor purchases directly from the manufacturers and importers and operates state liquor stores in cities and towns that accept the provisions of the local option law. The Commission is authorized to sell liquor through retail outlets as well as directly to restaurants, hotels, and other organizations. The Commission also charges permit and license fees for the sale of beverages through private distributors and retailers and an additional fee of 30 cents per gallon on beverages sold by such retailers. Any excess funds of the Commission are transferred to the General Fund on a daily basis.*

**Lottery Commission:** *The state sells lottery games online and through some 1,282 agents, including state liquor stores, licensed racetracks, and private retail outlets. Through the sale of lottery tickets, revenue is generated for prize payments and commission expenses, with the net income used for aid to education. Additionally the Racing and Charitable Gaming Commission activities are included in this fund. This net income is transferred to the Education Fund and then transferred to the local school districts.*

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

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

## **Internal Service Fund:**

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

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**STATE OF NEW HAMPSHIRE**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2013**  
**(Expressed in Thousands)**

	Business-Type Activities - Enterprise Funds						Governmental Activities Internal Service Fund
	Turnpike System	Liquor Commission	Lottery Commission	State Revolving Fund	Unemployment Compensation	Total	
<b>ASSETS</b>							
<b>Current Assets:</b>							
Cash and Cash Equivalents.....	\$ 59,605	\$ 12,643	\$ 8,787			\$ 81,035	\$ 41,150
Cash and Cash Equivalents-Restricted.....	73,047	5,820		\$ 209,131	\$ 225,199	513,197	
Investments - Restricted.....	18,734					18,734	
Receivables (Net of Allowances for Uncollectibles)...	5,955	11,613	3,291			20,859	2,550
Other Receivables-Restricted.....				21,771	46,350	67,521	
Due from Other Funds.....			504			504	
Inventories.....	1,544	44,622	1,027			47,193	
Other Current Assets.....			53	4,388		4,441	
<b>Total Current Assets.....</b>	<b>158,885</b>	<b>74,698</b>	<b>13,662</b>	<b>234,690</b>	<b>271,549</b>	<b>753,484</b>	<b>43,700</b>
<b>Noncurrent Assets:</b>							
Other Receivables-Restricted.....				313,766		313,766	
Bond Issue Costs.....	2,158					2,158	
<b>Capital Assets:</b>							
Land & Land Improvements.....	113,692	3,078				116,770	
Buildings & Building Improvements.....	6,715	26,184				32,899	
Equipment & Computer Software.....	44,151	4,969	606			49,726	
Construction in Progress.....	152,542					152,542	
Infrastructure.....	851,117					851,117	
Less: Allowance for Depreciation & Amortization....	(310,286)	(17,585)	(471)			(328,342)	
<b>Net Capital Assets.....</b>	<b>857,931</b>	<b>16,646</b>	<b>135</b>			<b>874,712</b>	
Other Assets - Restricted.....			4,135			4,135	
<b>Total Noncurrent Assets.....</b>	<b>860,089</b>	<b>16,646</b>	<b>4,270</b>	<b>313,766</b>		<b>1,194,771</b>	
<b>Total Assets.....</b>	<b>1,018,974</b>	<b>91,344</b>	<b>17,932</b>	<b>548,456</b>	<b>271,549</b>	<b>1,948,255</b>	<b>43,700</b>
<b>LIABILITIES</b>							
<b>Current Liabilities:</b>							
Accounts Payable.....	11,158	60,117	2,085	394		73,754	875
Accrued Payroll.....	479	1,140	208			1,827	
Due to Other Funds.....	593	1,200	1,151		3,923	6,867	
Deferred Revenue.....	11,153	2,184	1,049			14,386	
Unclaimed Prizes.....			8,716			8,716	
General Obligation Bonds Payable.....		756				756	
Revenue Bonds Payable-Current.....	17,605					17,605	
Note Payable to Highway Fund.....	4,814					4,814	
Accrued Interest Payable.....	6,216					6,216	
Claims & Compensated Absences Payable.....	805	1,372	163			2,340	17,048
Other Liabilities.....	115	15		23	18,464	18,617	
<b>Total Current Liabilities.....</b>	<b>52,938</b>	<b>66,784</b>	<b>13,372</b>	<b>417</b>	<b>22,387</b>	<b>155,898</b>	<b>17,923</b>
<b>Noncurrent Liabilities:</b>							
General Obligation Bonds Payable.....		11,591				11,591	
Revenue Bonds Payable.....	425,022					425,022	
Note Payable to Highway Fund.....	23,385					23,385	
Claims & Compensated Absences Payable.....	2,524	2,865	425			5,814	
Other Noncurrent Liabilities.....	2,674	397				3,071	
<b>Total Noncurrent Liabilities.....</b>	<b>453,605</b>	<b>14,853</b>	<b>425</b>			<b>468,883</b>	
<b>Total Liabilities.....</b>	<b>506,543</b>	<b>81,637</b>	<b>13,797</b>	<b>417</b>	<b>22,387</b>	<b>624,781</b>	<b>17,923</b>
<b>Net Position</b>							
Net Investment in Capital Assets.....	423,161	9,707	133			433,001	
Restricted for Debt Repayments.....	52,720					52,720	
Restricted for Uninsured Risks.....	3,005					3,005	
Restricted for Prize Awards - M USL & Tri-State.....			4,135			4,135	
Restricted for Environmental Loans.....				548,039		548,039	
Restricted for Unemployment Benefits.....					249,162	249,162	
Unrestricted Net Position (Deficit).....	33,545		(133)			33,412	25,777
<b>Total Net Position.....</b>	<b>\$ 512,431</b>	<b>\$ 9,707</b>	<b>\$ 4,135</b>	<b>\$ 548,039</b>	<b>\$ 249,162</b>	<b>\$ 1,323,474</b>	<b>\$ 25,777</b>

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 POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**  
**(Expressed in Thousands)**

	Business-Type Activities - Enterprise Funds					Total	Governmental Activities Internal Service Fund
	Turnpike System	Liquor Commission	Lottery Commission	State			
				Revolving Fund	Unemployment Compensation		
<b>OPERATING REVENUES</b>							
Charges for Sales and Services.....		\$ 588,729	\$ 285,181	\$ 11,280	\$ 223,975	\$ 1,109,165	\$ 261,005
Toll Revenue Pledged for							
Repaying Revenue Bonds.....	\$ 117,819					117,819	
Total Operating Revenue.....	117,819	588,729	285,181	11,280	223,975	1,226,984	261,005
<b>OPERATING EXPENSES</b>							
Cost of Sales and Services.....		418,380				418,380	
Lottery Prize Awards.....			197,601			197,601	
Unemployment Insurance Benefits.....					168,280	168,280	
Principal Forgiveness.....				12,287		12,287	
Insurance Claims.....							239,325
Administration.....	48,581	44,178	9,878	7,663		110,300	11,736
Depreciation.....	21,491	966	30			22,487	
Total Operating Expenses.....	70,072	463,524	207,509	19,950	168,280	929,335	251,061
Operating Income (Loss).....	47,747	125,205	77,672	(8,670)	55,695	297,649	9,944
<b>NONOPERATING REVENUES (EXPENSES)</b>							
Licenses.....		4,206				4,206	
Beer Taxes.....		12,689				12,689	
Investment Income.....	98		51	101	4,637	4,887	
Miscellaneous.....	3,195	(2,049)				1,146	
Federal Grant Revenue.....				25,031		25,031	
Interest on Bonds.....	(17,575)	(319)				(17,894)	
Amortization of Bond Issuance Costs.....	(472)					(472)	
Total Nonoperating Revenues (Expenses).....	(14,754)	14,527	51	25,132	4,637	29,593	
Income Before Capital Grant Contributions.....	32,993	139,732	77,723	16,462	60,332	327,242	9,944
Capital Contributions and Grants.....	9,930					9,930	
Income Before Transfers.....	42,923	139,732	77,723	16,462	60,332	337,172	9,944
Transfers (To) From Governmental Funds.....		(145,027)	(77,708)	4,968		(217,767)	
Change in Net Position.....	42,923	(5,295)	15	21,430	60,332	119,405	9,944
Net Position - July 1.....	469,508	15,002	4,120	526,609	188,830	1,204,069	15,833
Net Position - June 30.....	\$ 512,431	\$ 9,707	\$ 4,135	\$ 548,039	\$ 249,162	\$ 1,323,474	\$ 25,777

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

42 • NEW HAMPSHIRE  
**STATE OF NEW HAMPSHIRE**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**  
(Expressed in Thousands)

	Business-Type Activities - Enterprise Funds						Governmental
	State					Total	Activities
	Turnpike System	Liquor Commission	Lottery Commission	Revolving Fund	Unemployment Compensation		Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Receipts from Federal and Local Agencies.....				\$ 7,981	\$ 33,056	\$ 41,037	
Receipts from Customers.....	\$ 118,523	\$ 588,227	\$ 152,165		204,730	1,063,645	\$ 38,756
Receipts from Interfund Charges.....							221,673
Payments to Employees.....	(16,516)	(24,745)	(4,569)			(45,830)	
Payments to Suppliers.....	(35,800)	(427,995)	(11,711)	(7,295)		(482,801)	(11,723)
Payments to Prize Winners.....			(56,475)			(56,475)	
Payments for Insurance Claims.....					(165,627)	(165,627)	(239,660)
Payments for Interfund Services.....		(4,572)	(56)	(494)		(5,122)	
Net Cash Provided by Operating Activities.....	66,207	130,915	79,354	192	72,159	348,827	9,046
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>							
Transfers to Other Funds.....		(161,920)	(76,003)			(227,923)	
Receipts from Federal Agencies.....				25,031		25,031	
Contributions from Other Funds.....				4,968		4,968	
Proceeds from Collection of Licenses and Beer Tax.....		16,895				16,895	
Net Cash Provided by (Used for) Noncapital and Related Financing Activities.....		(135,025)	(76,003)	29,999		(181,029)	
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Acquisition, Disposal, Sale and Construction of Capital Assets.....	(75,593)	(2,208)	(121)			(77,922)	
Interest Paid on Bonds.....	(22,313)	(319)				(22,632)	
Principal Paid on Bonds.....	(19,460)	(246)				(19,706)	
Principal Paid on Notes.....	(24,262)					(24,262)	
Net Proceeds from Issuance of Bonds.....	118,651	8,500				127,151	
Net Receipts from Agent on Refunding Bonds.....	536					536	
Payments for Underwriter Discount/Premium.....	(666)					(666)	
Receipts from Federal Agencies.....	3,131					3,131	
Net Cash Provided by (Used for) Capital and Related Financing Activities.....	(19,976)	5,727	(121)			(14,370)	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Investment Proceeds.....	38,885					38,885	
Purchase of Investment.....	(58,284)					(58,284)	
Receipts from borrowers.....				36,896		36,896	
Payments to borrowers.....				(38,367)		(38,367)	
Interest and Other Income.....	324	3,127	25	101	4,637	8,214	
Net Cash Provided by (Used for) Investing Activities.....	(19,075)	3,127	25	(1,370)	4,637	(12,656)	
Net Increase in Cash & Cash Equivalents.....	27,156	4,744	3,255	28,821	76,796	140,772	9,046
Cash and Cash Equivalents - July 1.....	105,496	13,719	5,532	180,310	148,403	453,460	32,104
Cash and Cash Equivalents - June 30.....	\$ 132,652	\$ 18,463	\$ 8,787	\$ 209,131	\$ 225,199	\$ 594,232	\$ 41,150

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, 2013  
 (Expressed in Thousands)

	Business-Type Activities - Enterprise Funds						Governmental Activities Internal Service Fund
	State					Total	
	Turnpike System	Liquor Commission	Lottery Commission	Revolving Fund	Unemployment Compensation		
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</b>							
Operating Income (Loss).....	\$ 47,747	\$ 125,205	\$ 77,672	\$ (8,670)	\$ 55,695	\$ 297,649	\$ 9,944
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:							
Depreciation.....	21,491	966	30			22,487	
Principal Forgiveness.....				12,287		12,287	
Interest Income on Loans.....				(4,026)		(4,026)	
Miscellaneous Income.....	654					654	
Change in Operating Assets and Liabilities:							
Change in Receivables/Loans.....	(502)	(604)	(1,273)	(501)	16,746	13,866	(576)
Change in Inventories.....	(68)	(3,157)	(249)			(3,474)	
Change in Other Current Assets.....			(4)	1,230		1,226	
Change in Restricted Deposits-MUSL.....			(1)			(1)	
Change in Accounts Payable and Other Accruals.....							
	(4,356)	8,403	(1,176)	(128)	(282)	2,461	13
Change in Claims Payable.....			4,369			4,369	(335)
Change in Deferred Revenue.....	1,241	102	(14)			1,329	
Net Cash Provided by (Used In) Operating Activities.....	\$ 66,207	\$ 130,915	\$ 79,354	\$ 192	\$ 72,159	\$ 348,827	\$ 9,046
<b>Turnpike Non-Cash Capital and Related Financing Activities:</b>							
Capital Contributions	\$ 9,930						
I-95 Bridge Paint Maintenance	\$ 144						
<b>SRF Non-Cash Investing Activities:</b>							
Principal Forgiveness				\$ 12,287			

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

## 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 POSITION  
 JUNE 30, 2013  
 (Expressed in Thousands)

	Pension Trust Funds	Private-purpose Trust Funds	Investment Trust Funds	Agency Funds
<b>ASSETS</b>				
Cash and Cash Equivalents.....	\$ 7,956	\$ 5,874	\$ 79	\$ 15,095
Receivables:				
Due from Employers.....	34,459			
Due from Group I Teacher OPEB Plan.....	10,882			
Due from Plan Members.....	22,087			
Due from Brokers for Securities Sold.....	275,684			
Interest and Dividends.....	17,715		57	
Other.....	3,957			
Total Receivables.....	364,784		57	
Investments.....	6,391,748	3,723	186,056	20
Other Assets.....	306			
Total Assets.....	6,764,794	9,597	186,192	15,115
<b>LIABILITIES</b>				
Management Fees and Other Payables.....	8,612		22	
Due to Group II Police & Fire OPEB Plan.....	2,829			
Due to Group I Political Subdivision OPEB Plan.....	8,053			
Due to Brokers for Securities Purchased.....	278,171			
Custodial Funds Payable.....				15,115
Other Liabilities.....			79	
Total Liabilities.....	297,665		101	15,115
Net Position Held in Trust for Benefits & Other Purposes..	\$ 6,467,129	\$ 9,597	\$ 186,091	\$ -

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

Employees' Pension Benefits.....	\$ 6,444,104			
Employees' Postemployment Healthcare Benefits.....	23,025			
Net Position for Pool Participants in				
External Investment Pool.....			\$ 186,091	
Other Purposes.....		\$ 9,597		
Net Position Held in Trust for Benefits & Other Purposes..	\$ 6,467,129	\$ 9,597	\$ 186,091	

**STATE OF NEW HAMPSHIRE**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**  
(Expressed in Thousands)

	Pension Trust Funds	Private-purpose Trust Funds	Investment Trust Funds
<b><u>ADDITIONS</u></b>			
<b>Contributions:</b>			
Employer .....	\$ 302,333		
Plan Members .....	197,035		
From Participants .....		\$ 29,546	\$ 196,532
From Gifts, Bequests, and Endowments .....		19	
<b>Total Contributions</b> .....	<b>499,368</b>	<b>29,565</b>	<b>196,532</b>
<b>Investment Income:</b>			
From Investing Activities:			
Net Appreciation in Fair Value of Investments .....	691,657	606	
Interest Income .....	65,830	86	
Dividends .....	82,601		
Alternative Investment Income .....	5,015		
Net Increase in Joint Value from Investment Income .....			164
<b>Gross Income from Investing Activities</b> .....	<b>845,103</b>	<b>692</b>	<b>164</b>
<b>Less: Investment Activity Expenses:</b>			
Investment Management Fees .....	19,918		
Custodial Fees .....	1,527		
Investment Advisor Fees .....	680		
<b>Total Investment Activity Expenses</b> .....	<b>22,125</b>		
<b>Total Net Income from Investing Activities</b> .....	<b>822,978</b>	<b>692</b>	<b>164</b>
Interest Income .....	933		
Other .....	111		
<b>Total Additions</b> .....	<b>1,323,390</b>	<b>30,257</b>	<b>196,696</b>
<b><u>DEDUCTIONS</u></b>			
Benefits/Distributions to Participants .....	633,737	15,015	164
Refunds of Contributions .....	23,191		
Administrative Expense .....	7,247		
Professional Fees .....	977		
Interest Expense .....	933		
Other .....	822	13,727	220,832
<b>Total Deductions</b> .....	<b>666,907</b>	<b>28,742</b>	<b>220,996</b>
<b>Change in Net Position</b> .....	<b>656,483</b>	<b>1,515</b>	<b>(24,300)</b>
<b><u>NET POSITION HELD IN TRUST FOR BENEFITS &amp; OTHER PURPOSES</u></b>			
Net Position - July 1 .....	5,810,646	8,082	210,391
<b>Net Position - June 30</b> .....	<b>\$ 6,467,129</b>	<b>\$ 9,597</b>	<b>\$ 186,091</b>

## **Component Units Financial Statements**

**STATE OF NEW HAMPSHIRE**  
**COMBINING STATEMENT OF NET POSITION**  
**COMPONENT UNITS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**  
(Expressed in Thousands)

	University System of New Hampshire	Non-Major Component Units	Total
<b><u>ASSETS</u></b>			
Current Assets:			
Cash and Cash Equivalents.....	\$ 77,749	\$ 40,846	\$ 118,595
Cash and Cash Equivalents - Restricted.....		11,984	11,984
Operating Investments.....	141,712		141,712
Accounts Receivable.....	22,513	3,309	25,822
Other Receivables.....	1,107	5,250	6,357
Notes Receivable - Current Portion.....	4,855	12,970	17,825
Prepaid Expenses & Other.....	8,824	1,360	10,184
Total Current Assets.....	<u>256,760</u>	<u>75,719</u>	<u>332,479</u>
Noncurrent Assets:			
Investments.....	545,418	8,886	554,304
Notes & Other Receivables.....	23,304	32,838	56,142
Other Assets.....		10,701	10,701
Capital Assets:			
Land & Land Improvements.....	12,312	11,300	23,612
Building & Building Improvements.....	1,465,155	267,244	1,732,399
Equipment.....	102,431	26,232	128,663
Construction in Progress.....	61,704	21,951	83,655
Less: Accumulated Depreciation.....	(670,787)	(142,058)	(812,845)
Net Capital Assets.....	<u>970,815</u>	<u>184,669</u>	<u>1,155,484</u>
Total Noncurrent Assets.....	<u>1,539,537</u>	<u>237,094</u>	<u>1,776,631</u>
Total Assets.....	<u>1,796,297</u>	<u>312,813</u>	<u>2,109,110</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Accumulated Decrease in Fair Value of Hedging Derivatives.....	30,631		30,631
Accounting Loss on Debt Refinancings, net.....	5,661		5,661
Total Deferred Outflows of Resources.....	<u>36,292</u>		<u>36,292</u>
<b><u>LIABILITIES</u></b>			
Current Liabilities:			
Accounts Payable.....	55,301	5,916	61,217
Accrued Salaries and Wages.....		5,711	5,711
Accrued Employee Benefits - Current.....	6,776	34	6,810
Other Payables & Accrued Expenses.....		6,901	6,901
Other Liabilities-Restricted.....		405	405
Deposits and Deferred Revenues.....	32,679	4,252	36,931
Long Term Debt - Current Portion.....	51,686	3,003	54,689
Total Current Liabilities.....	<u>146,442</u>	<u>26,222</u>	<u>172,664</u>
<b><u>Noncurrent Liabilities:</u></b>			
Revenue Bonds Payable.....	390,957		390,957
Accrued Employee Benefits.....	30,832		30,832
Postemployment Medical Benefits.....	54,505		54,505
Derivative Instruments - Interest Rate Swaps.....	30,631		30,631
Other Long Term Debt.....	18,381	59,435	77,816
Total Noncurrent Liabilities.....	<u>525,306</u>	<u>59,435</u>	<u>584,741</u>
Total Liabilities.....	<u>671,748</u>	<u>85,657</u>	<u>757,405</u>
<b><u>NET POSITION</u></b>			
Net investment in Capital Assets.....	549,124	160,055	709,179
Restricted:			
Nonexpendable.....	209,875		209,875
Expendable.....	119,604	42,990	162,594
Unrestricted.....	282,238	24,111	306,349
Total Net Position.....	<u>\$ 1,160,841</u>	<u>\$ 227,156</u>	<u>\$ 1,387,997</u>

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

STATE OF NEW HAMPSHIRE  
 COMBINING STATEMENT OF ACTIVITIES  
 COMPONENT UNITS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
 (Expressed in Thousands)

	University System of New Hampshire	Non-Major Component Units	Total
<b>Expenses</b> .....	\$ 746,045	\$ 154,682	\$ 900,727
<b>Program Revenues:</b>			
Charges for Services:			
Tuition & Fees.....	451,221	71,155	522,376
Student Financial Aid.....	(131,340)	(1,449)	(132,789)
Sales, Services, & Other Revenue.....	222,439	42,282	264,721
Operating Grants & Contributions.....	190,498	21,743	212,241
Capital Grants & Contributions.....	7,286	2,841	10,127
Total Program Revenues.....	740,104	136,572	876,676
Net Expenses.....	(5,941)	(18,110)	(24,051)
Interest & Investment Income.....	57,406	1,127	58,533
Payments from State of New Hampshire.....	60,451	41,994	102,445
Change in Net Position.....	111,916	25,011	136,927
<b>Net Position - July 1</b> .....	1,048,925	202,145	1,251,070
<b>Net Position - June 30</b> .....	\$ 1,160,841	\$ 227,156	\$ 1,387,997

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# NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2013

## 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. 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 and the primary government is in a relationship of financial benefit/burden with the organization.

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. 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-seven 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 which impose a specific financial burden on the State. 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, 2013, 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. Additionally, CDFA imposes a financial burden on the State as 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, 2013, 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 Portsmouth. It is governed by a single board of trustees with 23 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 which impose a specific financial burden on the State.

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. During fiscal year 2012, all remaining capital assets attributable to CCSNH were transferred pursuant to Chapter 199 Laws of 2011 and as of June 30, 2013, the debt retained by the State for CCSNH assets was approximately \$20.9 million. CCSNH's financials can be obtained by contacting CCSNH at 26 College Drive, Concord, NH 03301.

**Fiduciary Component Units:**

The state's fiduciary component units consist of the Pension Trust Funds, which represent the assets and liabilities of the following:

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

The System is administered by a 13 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, and circuit 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 of appointing voting members of the governing boards of the following legally separate organizations; however, the State is not financially accountable for these organizations. Although the Treasurer may serve as a Trustee and have certain involvement with the organizations, the organizations are not fiscally dependent upon the primary government and the organizations do not provide specific benefit to or impose burden on the primary government. Exclusion of these organizations from the State's financial statements would not render the financial statements to be misleading.

**Related Organizations Excluded :**

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

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

The Statement of Net Position 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 Position* presents the reporting entity's non-fiduciary assets and liabilities, with the difference reported as net position. Net position from net investment in capital assets includes capital assets net of accumulated depreciation, and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Net position is restricted when constraints are externally imposed or imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as part of restricted net position. The remaining net position is considered unrestricted.

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.

### **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 as part of the Proprietary Fund Financial Statements:

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 Commission and the State's Racing & Charitable Gaming activities.

The *Turnpike System* accounts for the revenues and expenses used in the construction, maintenance and operations of three limited access highways: the Blue Star Turnpike (I-95), the Spaulding Turnpike and the Central Turnpike. The Turnpike System primarily serves the major cities located in the central and eastern sections of southern New Hampshire.

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

The *New Hampshire Unemployment Compensation Trust Fund* receives contributions from employers and provides benefits to eligible unem-

ployed workers.

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

### **Governmental Fund Types**

*Fish and Game Fund* – accounts for 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. Principal revenues include fees from fish and game licenses, the marine gas tax, penalties, recoveries, federal grants-in-aid related to fish and game management and other funding as approved by the Legislature.

*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 employees and retirees 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, 2013, and for the year then ended, except for the New Hampshire Judicial Retirement Plan which is as of December 31, 2012.

## **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 and are stated at cost.

## **E. INVESTMENTS**

Investments are reported at fair value except for investments of the investment trust fund, which are reported using the amortized cost method of valuation provided that amortized cost approximates the fair value of a security.

## F. RECEIVABLES

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

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

## G. INVENTORIES

Inventories for materials and supplies are determined by physical count. Both the Lottery and Liquor Commissions use the lower of cost or market to value their inventories. Lottery uses the first-in, first-out method and Liquor uses the average cost method. All other inventories in the governmental and proprietary funds are stated at average cost. Governmental fund inventories are recorded under the purchase method. Reported inventory balances in the governmental funds are offset by a nonspendable fund balance designation that indicates they do not constitute available spendable resources.

## H. CAPITAL ASSETS

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

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

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

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

## I. DEFERRED REVENUE

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

## J. ACCOUNTS PAYABLE

Accounts payable represent the gross amount of expenditures or expenses incurred as a result of normal operations, but for which no actual payment has yet been issued to vendors/providers as of June 30, 2013.

## K. COMPENSATED ABSENCES

All full-time State employees in classified service earn annual and sick leave. At the end of each fiscal year, additional leave (bonus days) may be awarded based on the amount of sick leave taken during the year. Accrued compensatory time, earned for overtime worked, should generally be taken within one year or in accordance with applicable collective bargaining agreements.

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 is 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."

## L. FUND BALANCES

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

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

## M. 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.

## N. 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 generally 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 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 govern-

ment-wide and governmental fund financial statements.

## O. 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 include 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). 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.

## P. 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.

Governmental activities generally 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.

## Q. 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, state departments may submit to the Legislature and Governor and Council, as required, supplemental budget requests necessary to meet expenditures during the current biennium. Appropriation transfers can be made within a department with the appropriate approvals; therefore, the legal level of

budgetary control is generally 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 generally 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.

## R. 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.

## S. ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS

During the fiscal year ended June 30, 2013, the State adopted the following new accounting standards issued by the GASB:

GASBS No. 60, *Accounting and Financial Reporting for Service Concession Arrangements (SCAs)*, (GASBS 60) establishes recognition, measurement and disclosure requirements for SCAs for both transferors and governmental operators. GASBS 60 requires governments to account for and report SCAs in the same manner, which improves the comparability of financial statements. The implementation of GASBS 60 did not have an impact on the financial statements.

GASBS No. 61, *The Financial Reporting Entity* (GASBS 61), modifies existing requirements used for assessing potential component units in determining what should be included in the financial reporting entity and disclosure requirements. Implementing this statement resulted in no changes to the financial reporting entity however, the note disclosures were revised to reflect the new disclosure requirements.

GASBS No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in the Pre-November 30, 1989 FASB and AICPA (American Institute of Certified Public Accountants) Pronouncements*, (GASBS 62) improves financial reporting by incorporating into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in FASB and AICPA pronouncements issued on or before November 30, 1989, which does not conflict or contradict GASB pronouncements. Adoption of GASBS 62 did not have an impact on the financial statements.

GASBS No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, (GASBS 63) provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. Amounts required to be reported as deferred outflows of resources should be reported in a statement of financial position in a separate section following assets. Similarly, amounts required to be reported as deferred inflows of resources should be reported in a separate section following liabilities. The statement of net position should report the residual amount of net position, rather than net assets. The provisions of GASBS 63 required these changes and replaces the statement of net assets with the statement of net position for accrual basis financial statements.

## 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 provided temporary unlimited deposit insurance coverage for noninterest-bearing transaction accounts at all FDIC-insured depository institutions. The provisions were in effect from December 31, 2010 to December 31, 2012. This special temporary unlimited coverage expired on January 1, 2013. As a result, beginning on January 1, 2013, all deposits at FDIC-insured depository institutions (including noninterest bearing accounts) were insured by the FDIC up to the standard maximum amount of \$250,000 for each deposit insurance ownership category.

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, 2013, the State's carrying value for deposits was \$911.3 million. The table below details the state's bank balances at June 30, 2013 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	\$ 1,242	\$ 388,697	64,368	\$ -	\$ 10,780	\$ 17
Money Market		32,480	\$ 466,448	-	-	6,355
Savings Accounts				-	5,995	-
CDs	500	3,005	12,065	-	-	-
<b>Total</b>	<b>\$ 1,742</b>	<b>\$ 424,182</b>	<b>\$ 542,881</b>	<b>\$ -</b>	<b>\$ 16,775</b>	<b>\$ 6,372</b>

## 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

## INVESTMENTS:

The State Treasury 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, 2013, the State had the following types of investments:

(Fair values in thousands)		
Investment Type	Governmental & Business Type	Fiduciary
Stocks	\$ 19,644	
Corporate Bonds	724	
US Treasury	367	
US Government Agencies	79,265	
Municipal Bonds	83	
Equity Open Ended Mutual Funds	10,494	\$ 1,196
Fixed Income Open Ended Mutual Funds	5,409	2,529
Unemployment Compensation External Pool (special issue bonds guaranteed by US government)	225,220	
NH Public Deposit Investment Pool (Internal investment held by NHH patient agency fund)		82
External Portion of NH Public Deposit Investment Pool		186,056
Totals	\$ 341,206	\$ 189,863

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

Reconciliation Between Financial Statements and Footnote						
		Unrestricted		Restricted		Total
		Cash and Equivalents	Investments	Cash and Equivalents	Investments	
<b>Per Statement of Net Position</b>	Primary Government	\$ 457,564	\$ 18,425	\$ 665,031	\$ 92,872	\$ 1,233,892
<b>Per Statement of Fiduciary Net Position</b>	Private Purpose	5,874	\$ 3,723			9,597
	Investment Trust	79	186,056			186,135
	Agency Funds	15,095	20			15,115
	<b>Total per Financial Statements</b>	<b>\$ 478,612</b>	<b>\$ 208,224</b>	<b>\$ 665,031</b>	<b>\$ 92,872</b>	<b>\$ 1,444,739</b>
				<b>Per Footnote</b>		
				Cash On Hand		\$ 2,320
				Carrying Amount of Deposits		911,350
				Investments		531,069
				<b>Total Per Footnote</b>		<b>\$ 1,444,739</b>

**Repurchase Agreements:**

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

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

**Interest Rate Risk:** 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, 2013, the State did not have any repurchase agreements outstanding.

## 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

### 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, 2013 are noted below (expressed in thousands):

Name / Issuer	Governmental Activities			
	Aband. Property	Permanent Funds	Total	% of Total
Metlife Inc	\$ 5,638		\$ 5,638	51.0%
AT&T Inc	1,085	73	\$ 1,158	10.5%
Warning Management Services Inc	1,000		\$ 1,000	9.1%
Prudential Financial Inc	807		\$ 807	7.3%
Verizon Communications Inc	464	47	\$ 511	4.6%
Manulife Financial Inc	482		\$ 482	4.4%
Comcat Corp	437		\$ 437	4.0%
Exxon Mobil Corp	212	133	\$ 345	3.1%
Vodafone Group Plc ADR	338		\$ 338	3.1%
Loew's Corp	333		\$ 333	3.0%

**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](http://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

**2. CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED**

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.

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	\$ 724		4.0			
US Treasury	367		2.8			
US Government Agencies	79,265		2.6			
Fixed Income Open Ended Mutual Funds		\$ 5,409	5.2	\$ 2,529		5.3
Municipal Bonds	83		5.7			
Unemployment Compensation Fund Pool (special issue bonds guaranteed by US govt)	-	225,220	1.0	-	-	-

**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 corporate issuers at June 30, 2013 are listed below (expressed in thousands):

Issuer	Governmental & Business Type	
	Fair Value	% of Total
General Elec Cap Corp	\$ 142	19.6%
BB&T Corp	111	15.4
Conocophillips	106	14.6
National Rural Utils Coop FI	105	14.5
Bank of America Corp	104	14.4
E I Du Pont De Nemours	53	7.4
Illinois Tool Works	52	7.1
Bank New York Inc	51	7.0
	\$ 724	100.0%

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

Cash equivalents represent amounts invested for the purpose of satisfying current operating liabilities and include repurchase agreement, money market funds and other mutual funds. Repurchase agreements are limited to overnight investments only. Cash and cash equivalents at June 30 consisted of the following (\$ in thousands):

	2013
Cash & Repurchase agreements.....	\$ 15,348
Money Market Funds.....	62,401
Total Cash & Cash Equivalents.....	<u>\$ 77,749</u>

Included in the cash and repurchase agreements balances at June 30, 2013 were \$11,911 in repurchase agreements, and \$3,437 in cash. 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

Short-term investments are highly liquid amounts held to support specific current liabilities. The components of operating investments at June 30 are summarized below (\$ in thousands):

	Balance	Weighted Average Maturity
Obligations of the U.S. Government.....	\$ 2,902	5-10 years
Certificates of Deposit and Money Market Funds.....	17,004	Less than 1 year
Other Mutual Funds.....	121,690	1-5 years
Other Accounts.....	116	Less than 1 year
Total:.....	<u>\$ 141,712</u>	

Cash, cash equivalents and short-term investments are generally uninsured and uncollateralized against custodial credit risk.

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

Endowment and Similar Investments:

Endowment and similar investments are amounts invested primarily with the objective to achieve a long-term rate of return sufficient to fund a portion of annual operating activities and to preserve purchasing power of the investments in perpetuity. The balances consisted of the following as of June 30, 2013 (expressed in thousands):

Money Market Funds.....	\$ 26,481
Other Mutual Funds.....	185,418
Fixed income securities.....	10,677
Commingled Funds.....	290,915
Common/Preferred Stocks.....	13,112
Other Investments.....	18,815
Total endowment and similar investments.....	<u>\$ 545,418</u>

The fair value of investments is based on quoted market prices when available. The estimated fair value of investments without traditional markets (eq. private equity and non-marketable real assets) is based on valuations provided by primary fund managers and reviewed by management. Because these investments are not 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. Flexible capital investments include various hedge funds holding long/short positions, and investing in special situations, relative value and other strategies.

Uncalled commitments with various private equity and similar alternative investment funds total \$12,848,000 for USNH and \$4,305,000 for UNFH at June 30, 2013. This compares to \$4,534,000 and \$2,077,000, respectively, at June 30, 2012.

<b>3. RECEIVABLES</b>
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The following is a breakdown of receivables at June 30, 2013 (expressed in thousands):

	Governmental	Business- Type	Total	Major Component Unit
<b>Short Term Receivables</b>				
Taxes:				
Meals and Rooms.....	\$ 31,372		\$ 31,372	
Business Taxes.....	150,068		150,068	
Tobacco.....	13,996		13,996	
Real Estate Transfer.....	9,957		9,957	
Interest & Dividends.....	23,342		23,342	
Communications.....	4,422		4,422	
Utility Property Tax.....	18,800		18,800	
Gasoline Road Toll.....	10,494		10,494	
Subtotal.....	262,451		262,451	
Other Receivables:				
Turnpike System.....		\$ 5,955	5,955	
Liquor Commission.....		11,613	11,613	
Lottery Commission.....		3,291	3,291	
Unemployment Trust Fund.....		72,258	72,258	
Internal Service Fund.....	2,550		2,550	
Board and Care.....	2,617		2,617	
Federal Grants.....	214,669		214,669	\$ 18,604
Local Grants.....	25,474		25,474	
Miscellaneous.....	78,344		78,344	6,294
Short Term Portion Of State Revolving Loan Funds..		21,171	21,171	
Short Term Portion Of Note/Pledge Receivable.....				5,962
Subtotal.....	323,654	114,288	437,942	30,860
Total Current Receivables (Gross).....	586,105	114,288	700,393	30,860
<b>Long Term Receivables</b>				
State Revolving Loan Funds.....		313,766	313,766	
Miscellaneous.....	12,894		12,894	
Note/Pledge Receivable.....				27,252
Total Long Term Receivables (Gross).....	12,894	313,766	326,660	27,252
<b>Allowance for Doubtful Accounts</b>				
Total Receivables (Net).....	\$ 549,761	\$ 402,146	\$ 951,907	\$ 51,779

**State Revolving Loan Fund:**

**Primary Government:** Business-type activities includes loans made under a program with the U.S. Environmental Protection Agency to improve cleanliness and potability of the State's water supplies. The State Revolving Loan Fund (SRF) lends funds to municipalities and qualified private water organizations for the purpose of constructing wastewater and drinking water treatment facilities. The loans, based on specific federal criteria, may allow for forgiveness of portions of the principal, which is recognized at such time as the creditor has fulfilled all requirements of entitlement. Amounts recorded as Principal Forgiveness during FY2013, totaled \$12.3 million. Loans are repaid over terms ranging from five to twenty years, with fixed rates for interest and administration paid to the State. Repayments are credited to special accounts and then used to lend out more funds to communities and qualified private water organizations. In addition to interest, portions of loan repayment and federal grants are allowed to be allocated to administrative costs.

**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, 2013, the various components of deferred revenue (\$248.9 million) reported in the governmental funds were as follows:

	Unavailable	Unearned	Total
Taxes & Fees receivable..	\$ 147,246		\$ 147,246
Loans receivable.....	33,475		33,475
Federal/Local receivables.	4,590		4,590
Receipts in advance of eligibility requirements....		\$ 71,475	71,475
Total.....	\$ 185,311	\$ 71,475	\$ 256,786

<b>4. CAPITAL ASSETS</b>
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Capital Asset activity for the year ended June 30, 2013, was as follows (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital Assets not being depreciated:				
Land & Land Improvements.....	\$ 524,703	\$ 12,590	\$ (14,194)	\$ 523,099
Construction in Progress .....	261,325	158,848	(172,440)	247,733
Work in Progress Computer Software.....	25,415	14,969	(510)	39,874
Total Capital Assets not being depreciated.....	811,443	186,407	(187,144)	810,706
Other Capital Assets:				
Equipment & Computer Software.....	287,843	19,350	(5,187)	302,006
Buildings & Building Improvements .....	734,283	16,863	(96)	751,050
Land Improvements.....	104,505	436		104,941
Infrastructure.....	3,199,307	159,953	(9,052)	3,350,208
Total Other Capital Assets .....	4,325,938	196,602	(14,335)	4,508,205
Less accumulated depreciation for:				
Equipment & Computer Software.....	(234,558)	(25,578)	4,004	(256,132)
Buildings & Building Improvements .....	(336,378)	(19,654)	922	(355,110)
Land Improvements.....	(88,585)	(1,768)		(90,353)
Infrastructure.....	(1,853,781)	(49,624)	6,539	(1,896,866)
Total Accumulated Depreciation.....	(2,513,302)	(96,624)	11,465	(2,598,461)
Other Capital Assets, Net.....	1,812,636	99,978	(2,870)	1,909,744
Governmental Activities Capital Assets, Net.....	\$ 2,624,079	\$ 286,385	\$ (190,014)	\$ 2,720,450
<b>Business-Type Activities:</b>				
<b>Turnpike:</b>				
Capital Assets not being depreciated:				
Land & Land Improvements.....	\$ 112,519	\$ 1,175	\$ (2)	\$ 113,692
Construction in Progress.....	159,803	82,946	(90,207)	152,542
Capital Assets not being depreciated .....	272,322	84,121	(90,209)	266,234
Other Capital Assets:				
Equipment and Computer Software.....	39,057	6,033	(939)	44,151
Buildings & Building Improvements.....	6,145	570	-	6,715
Infrastructure.....	764,384	87,825	(1,092)	851,117
Total Capital Assets .....	1,081,908	178,549	(92,240)	1,168,217
Less accumulated depreciation for:				
Equipment.....	(32,339)	(4,317)	939	(35,717)
Buildings & Building Improvements.....	(2,191)	(172)	(1)	(2,364)
Infrastructure.....	(256,300)	(17,125)	1,220	(272,205)
Total Accumulated Depreciation.....	(290,830)	(21,614)	2,158	(310,286)
Turnpike Capital Assets, Net.....	\$ 791,078	\$ 156,935	\$ (90,082)	\$ 857,931
<b>Liquor:</b>				
Capital Assets not being depreciated:				
Land & Land Improvements.....	\$ 2,080	\$ -	\$ -	\$ 2,080
Other Capital Assets:				
Equipment.....	4,747	379	(157)	4,969
Buildings & Building Improvements.....	24,377	1,818	(11)	26,184
Land Improvements.....	998	-	-	998
Total Capital Assets .....	32,202	2,197	(168)	34,231
Less accumulated depreciation for:				
Equipment.....	(4,238)	(303)	156	(4,385)
Buildings & Building Improvements.....	(11,805)	(641)	-	(12,446)
Land Improvements.....	(733)	(21)	-	(754)
Total Accumulated Depreciation.....	(16,776)	(965)	156	(17,585)
Liquor Capital Assets, Net.....	\$ 15,426	\$ 1,232	\$ (12)	\$ 16,646
<b>Lottery Commission:</b>				
Equipment.....	\$ 482	\$ 146	\$ (22)	\$ 606
Less Accumulated Depreciation for Equipment.....	(469)	(24)	22	(471)
Lottery's Capital Assets, Net.....	\$ 13	\$ 122	\$ -	\$ 135

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

<b>Governmental Activities:</b>	
General Government	\$ 12,176
Administration of Justice and Public Protection	14,476
Resource Protection and Development	3,852
Transportation	61,725
Health and Social Services	4,029
Education	366
<b>Total Governmental Activities Depreciation Expense</b>	<b>\$ 96,624</b>

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

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

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

	<b>Beginning</b>			<b>Ending</b>
	<b>Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance</b>
Land and Land Improvements.....	\$ 12,312	\$ -		\$ 12,312
Building and Building Improvements.....	1,384,386	84,103	\$ (3,334)	1,465,155
Equipment.....	91,469	12,117	(1,155)	102,431
Construction in Progress.....	90,752	35,071	(64,119)	61,704
Subtotal.....	<b>\$ 1,578,919</b>	<b>\$ 131,291</b>	<b>\$ (68,608)</b>	<b>\$ 1,641,602</b>
Less: Accumulated Depreciation.....	(622,319)	(51,999)	3,531	(670,787)
Total.....	<b>\$ 956,600</b>	<b>\$ 79,292</b>	<b>\$ (65,077)</b>	<b>\$ 970,815</b>

**5. LONG TERM-DEBT**

**PRIMARY GOVERNMENT**

**Bonds Authorized and Unissued:** Bonds authorized and unissued amounted to \$516.7 million at June 30, 2013. The proceeds of the bonds will be applied to the following funds when issued (expressed in millions):

Capital Projects Fund.....	\$ 119.2
Federal Highway/Garvees.....	295.0
Turnpike System.....	102.5
<b>Total.....</b>	<b>\$ 516.7</b>

**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 \$655 million of revenue bonds for these projects.

**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, 2013
<b>Governmental Fund Types (General Obligation Bonds):</b>	
December, 2006.....	\$ 12,800
April 8, 2010.....	143,440
Subtotal.....	<b>\$ 156,240</b>

**Bond Issues:**

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

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

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

**Bond Issues Continued:**

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

**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.....	\$ 1,007,530	\$ 1,507	\$ 90,848	\$ 100,870	\$ 999,015	\$ 87,854	\$ 911,161
Federal Highway Grant Anticipation Bonds..	194,995			2,093	192,902	11,065	181,837
Compensated Absences.....	79,215			990	78,225	21,121	57,104
Claims Payable.....	38,289		245,647	245,206	38,730	22,125	16,605
Other Postemployment Benefits.....	679,219		162,896	76,416	765,699		765,699
Pollution Remediation Obligation.....	29,886		7,544	1,082	36,348	887	35,461
Capital Lease.....	2,856		189	643	2,402	570	1,832
Advance Construction Commitments.....	2,800		3,280	2,800	3,280	897	2,383
Legal Contingency (See Footnote 13).....	29,400		5,135	20,569	13,966	13,966	
Total Governmental.....	\$ 2,064,190	\$ 1,507	\$ 515,539	\$ 450,669	\$ 2,130,567	\$ 158,485	\$ 1,972,082
<b>Business-Type Activities</b>							
<b>Turnpike System</b>							
Revenue Bonds.....	\$ 343,791		\$ 195,410	96,574	\$ 442,627	\$ 17,605	\$ 425,022
Note Payable.....	52,461			24,262	28,199	4,814	23,385
Pollution Remediation Obligation.....	2,855		27	93	2,789	115	2,674
Claims & Compensated Absences Payable..	3,114		215		3,329	805	2,524
Total.....	\$ 402,221		\$ 195,652	\$ 120,929	\$ 476,944	\$ 23,339	\$ 453,605
<b>Liquor Commission</b>							
General Obligation Bonds Payable.....	\$ -		\$ 12,592	245	\$ 12,347	\$ 756	\$ 11,591
Capital Lease.....	424			\$ 12	\$ 412	\$ 15	\$ 397
Claims & Compensated Absences Payable..	3,742		495		4,237	1,372	2,865
Total.....	\$ 4,166		\$ 13,087	\$ 257	\$ 16,996	\$ 2,143	\$ 14,853
<b>Lottery Commission</b>							
Claims & Compensated Absences Payable..	\$ 632			\$ 44	\$ 588	\$ 163	\$ 425
Total.....	\$ 632		\$ -	\$ 44	\$ 588	\$ 163	\$ 425
Total Business-Type.....	\$ 407,019		\$ 208,739	\$ 121,230	\$ 494,528	\$ 25,645	\$ 468,883

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

**Bond Anticipation Notes:** As of June 30, 2013, the State had no bond anticipation notes outstanding.

**Capital Appreciation Bonds:** Six of the State's general obligation capital improvement bonds issued since November 1991 represent capital appreciation bonds (College Savings Bond Program) with interest being accrued and compounded semiannually. The initial three issues in this group have matured leaving only three capital appreciation bonds outstanding. At June 30, 2013, the cumulative interest accretion since issuance for all six capital appreciation bonds is approximately \$156.2 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 \$36.3 million and \$2.8 million were reported for governmental activities and business-type activities, respectively, at June 30, 2013. 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	Liquor Commission	Turnpike System		Principal	Interest	Less: Federal Interest Subsidy	Net Total
						General Obligations	Revenue	Note Payable				
2014.....	\$ 67,198	\$ 8,267	\$ 11,065	\$ 12,389	\$ 98,919	\$ 756	\$ 17,605	\$ 4,814	\$ 122,094	\$ 71,273	\$ 6,803	\$ 186,564
2015.....	68,251	8,317	11,290	12,166	100,024	755	22,875	5,009	128,663	66,262	6,803	188,122
2016.....	63,952	8,151	11,800	12,019	95,922	756	19,455	5,213	121,346	60,885	6,803	175,428
2017.....	61,316	8,089	12,390	11,905	93,700	756	27,855	5,425	127,736	55,604	6,803	176,537
2018.....	57,973	8,056	12,985	11,292	90,306	756	15,615	7,738	114,415	49,839	6,767	157,487
2019-2023.....	233,162	30,054	72,110	44,374	379,700	3,714	85,706	-	469,120	174,077	31,077	612,120
2024-2028.....	117,793	19,835	46,610	29,988	214,226	2,609	70,520	-	287,355	84,846	17,906	354,295
2029-2033.....	40,744	2,070		9,796	52,610	2,245	57,695	-	112,550	37,572	7,648	142,474
2034-2038.....							60,020	-	60,020	13,786	3,681	75,125
2039-2043.....							45,500	-	45,500	3,993	350	49,143
Subtotal.....	\$ 710,389	\$ 92,839	\$ 178,250	\$ 143,929	\$ 1,254,077	\$ 12,347	\$ 422,846	\$ 28,199	\$ 1,588,799	\$ 623,137	\$ 94,641	\$ 2,117,295
Unamortized (Discount) / Premium	63,852	(87)	14,652	(165)	78,262		23,524		101,786			101,786
Unamortized Loss on Refunding	(11,752)				(11,752)		(3,743)		(15,495)			(15,495)
Total.....	\$ 762,489	\$ 92,752	\$ 192,902	\$ 143,774	\$ 1,191,917	\$ 12,347	\$ 442,627	\$ 28,199	\$ 1,675,090	\$ 623,137	\$ 94,641	\$ 2,203,586

**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 \$429.1 million; capital lease obligations of \$13.5 million; deferred obligations interest swaps of \$30.6 million; accrued employee benefits and compensated absences of \$37.6 million; other postemployment benefits of \$54.5 million; and other liabilities of \$18.4 million.

	Beginning Balance	Increases	Decreases	Ending Balance	Current	Long-Term
University System of NH.....	\$ 607,096	\$ 16,284	\$ 39,612	\$ 583,768	\$ 58,462	\$ 525,306

Payable June 30,	UNIVERSITY SYSTEM OF N.H.		
	Principal	Interest	Total
2014.....	\$ 51,363	\$ 18,928	\$ 70,291
2015.....	32,077	18,315	50,392
2016.....	11,028	16,802	27,830
2017.....	36,257	16,517	52,774
2018.....	11,872	14,635	26,507
2019-2023.....	140,778	52,693	193,471
2024-2028.....	77,217	25,595	102,812
2029-2033.....	47,795	13,500	61,295
2034-2036.....	28,010	2,759	30,769
Subtotal.....	436,397	179,744	616,141
Unamortized Discounts/Premium, net.....	6,246		6,246
Total.....	\$ 442,643	\$ 179,744	\$ 622,387

**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 provisions of law require the purchase of commercial insurance or a risk assessment has indicated that commercial insurance is economical and beneficial for the State or the general public. In such instances, the State may elect to purchase commercial insurance. There are approximately 39 such commercial insurance programs in effect. These include, but are not exclusive to, State owned real property insurance, fleet automobile liability, inland marine insurance, foster parent liability, ski area liability for Cannon Mountain, and a fidelity and faithful performance bond. In general, claims settled in the past three years under the insurance programs have not exceeded commercial insurance coverage; however, two currently outstanding claims under the fleet automobile policies have the potential to exceed the insurance coverage. We are unable to determine if an unfavorable outcome is likely or not, or the amount or range of loss if an unfavorable outcome occurs; however, the State's exposure per claimant is limited by law to a total of \$475 thousand pursuant to RSA 541-B:14 and the State's current fleet policy coverage is \$275 thousand per claimant.

### 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 2013, this reserve equaled \$14.7 million for the Fund. Rates are established annually, by actuaries, based on an analysis of past claims, state and other medical trend, and future estimated loss experience. The process used in estimating claim liabilities may not result in an exact payout amount due to variables such as medical inflation, or changes in law, enrollment or plan design.

### Workers Compensation

Since February 2003, the State has been self-insured for its workers compensation exposures, retaining all of the risk associated with workers compensation claims. The state utilizes an actuarial study that provides an annual estimate of the outstanding liabilities for the prior years' claims. The study also contains assumptions about loss development patterns, trends and other claim projections based upon the state's historical loss experience. According to the FY 13 actuarial study, the Selected Ultimate Loss and Allocated Loss Adjustment Expense (ALAE), which comprises past claims, claim trends and future estimated loss experience, is \$7 million as of June 30, 2013.

The following table presents the changes in claim liabilities during the fiscal years ending June 30, 2012 and 2013 (In Thousands):

Governmental Activities	6/30/2011	Increases	Decreases	6/30/2012	Increases	Decreases	6/30/2013	Current	Long-Term
	Balance			Balance			Balance		
Workers Compensation Claims Payable....	\$ 22,306	\$ 4,481	\$ 5,881	\$ 20,906	\$ 6,657	\$ 5,881	\$ 21,682	\$ 5,077	\$ 16,605
Health Claims Payable*.....	18,645	240,205	241,467	17,383	238,990	239,325	17,048	17,048	
Total.....	\$ 40,951	\$ 244,686	\$ 247,348	\$ 38,289	\$ 245,647	\$ 245,206	\$ 38,730	\$ 22,125	\$ 16,605
<b>Business-Type Activities</b>									
<b>Turnpike System</b>									
Workers Compensation Claims Payable....	\$ 1,990	\$ 383	\$ 384	\$ 1,989	\$ 678	\$ 463	\$ 2,204	\$ 501	\$ 1,703
Total.....	\$ 1,990	\$ 383	\$ 384	\$ 1,989	\$ 678	\$ 463	\$ 2,204	\$ 501	\$ 1,703
<b>Liquor Commission</b>									
Workers Compensation Claims Payable....	\$ 1,668	\$ 695	\$ 504	\$ 1,859	\$ 1,437	\$ 827	\$ 2,469	\$ 895	\$ 1,574
Total.....	\$ 1,668	\$ 695	\$ 504	\$ 1,859	\$ 1,437	\$ 827	\$ 2,469	\$ 895	\$ 1,574
<b>Lottery Commission</b>									
Workers Compensation Claims Payable....	\$ 13	\$ 4	\$ 1	\$ 16	\$ 6	\$ 1	\$ 21		\$ 21
Total.....	\$ 13	\$ 4	\$ 1	\$ 16	\$ 6	\$ 1	\$ 21	\$ -	\$ 21
Total Business-Type.....	\$ 3,671	\$ 1,082	\$ 889	\$ 3,864	\$ 2,121	\$ 1,291	\$ 4,694	\$ 1,396	\$ 3,298

\* 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, 2013 (expressed in thousands):

RECEIVABLES / DUE FROM	AMOUNT	PAYABLES / DUE TO	AMOUNT
Highway Fund.....	\$ 1,070	General Fund.....	\$ 1,070
Highway Fund.....	593	Turnpike System.....	593
General Fund.....	808	Liquor Commission.....	808
General Fund.....	3,923	Unemployment Compensation	3,923
General Fund.....	16,742	Education Fund.....	16,742
Education Fund.....	1,151	Lottery Commission.....	1,151
Non-Major Fund.....	2,750	General Fund.....	2,750
Lottery Commission.....	112	Education Fund.....	112
Lottery Commission.....	392	Liquor Commission.....	392
Total.....	\$ 27,541	Total.....	\$ 27,541

The net due from or to other funds for the primary government has been reported as "internal balances" in the government-wide financial statements. The governmental receivable of \$6.4 million from business-type activities represents the "internal balances" amount on the statement of net assets. The \$20.6 million between governmental funds, and the \$0.4 million between enterprise funds has been eliminated on the government-wide financial statements.

**Internal Note Receivable:** At June 30, 2013, internal note receivable (payable) balances consist of \$28.2 million payable to the Highway Fund from the Turnpike System. The balance has been offset by a corresponding amount of deferred revenue in the Highway Fund financial statements. The note relates to the conveyance of a portion of Interstate 95 in Portsmouth from the Highway Fund to the Turnpike Fund.

## 8. INTERFUND TRANSFERS

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

Transferred From	Transferred To					
	General Fund	Education Fund	Non-Major Funds	Total Governmental Fund	SRF Fund	Total
<b>Governmental Funds</b>						
General Fund.....		\$ 120,960		\$ 120,960	\$4,968	\$ 125,928
Highway Fund.....	\$ 790		\$ 5,213	6,003		6,003
Non-Major Funds.....	3			3		3
Total Governmental Funds.....	* 793	* 120,960	* 5,213	* 126,966	4,968	131,934
<b>Proprietary - Enterprise Funds</b>						
Liquor Commission.....	145,027			145,027		145,027
Lottery Commission.....		77,708		77,708		77,708
Total Proprietary - Enterprise Funds..	\$ 145,027	\$ 77,708		\$ 222,735		\$ 222,735
* 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 \$77.7 million to fund education
- Transfer of Liquor Commission profits of \$145.0 million to general fund for government operations
- \$121.0 million transfer from the general fund to eliminate education fund deficit

Pursuant to RSA 260:61, \$0.8 million transfer from Highway Fund to Fish and Game Fund for the Bureau of Off Highway Recreational Vehicle (BOHRV) Grant.

Pursuant to RSA 260:60, \$1.2 million of unrefunded gas tax in the Highway Fund was transferred on a 50/50 basis to the General and Fish & Game funds.

Highway constructs capital assets on behalf of the Turnpike System and transfers those assets upon completion. During fiscal 2013, \$4.5 million of assets were transferred and reported by Turnpike System as contributed capital, and as a transfer of capital assets on the government-wide statement of activities.

## 9. CONTRACTUAL COMMITMENTS

**Contractual Commitments:** The State Department of Transportation has estimated its share of contractual obligations for construction contracts to be \$111.8 million at June 30, 2013. This represents total obligations of \$330.5 million less \$218.7 million in estimated federal aid.

**Encumbrances:** Encumbrances by fund for the State at June 30, 2013 were as follows:

	Expressed in Millions	
General Fund.....	\$	220.6
Highway Fund.....		9.0
Non-Major Governmental Funds..		67.1
	\$	<u>296.7</u>

## 10. EMPLOYEE BENEFIT PLANS

### NEW HAMPSHIRE RETIREMENT SYSTEM

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

Group I members at age 60 (age 65 for members beginning service on or after July 1, 2011) qualify for a normal service retirement allowance based on years of creditable service and average final compensation (AFC). The yearly pension amount is 1/60 (1.667%) of average final compensation multiplied by years of creditable service (1/66 of AFC times creditable service for members beginning service on or after July 1, 2011). AFC is defined as the average of the three highest salary years for members vested as of January 1, 2012 and five years for members not vested as of January 1, 2012. At age 65, the yearly pension amount is recalculated at 1/66 (1.515%) of AFC multiplied by years of creditable service.

Members in service with 10 or more years creditable service who are between age 50 and 60 or members in service with at least 20 or more years of service, whose combination of age and service is 70 or more, are entitled to a retirement allowance with appropriate graduated reduction based on years of creditable service.

Group II members who are age 60, or members who are at least age 45 with a minimum of 20 years of creditable service (age 50 with a minimum of 25 years of creditable service or age 60 for members beginning service on or after July 1, 2011) can receive a retirement allowance at a rate of 2.5% of AFC for each year of service not to exceed 40 years (2% of AFC times creditable service up to 42.5 years for members beginning service on or after July 1, 2011). A member who began service on or after July 1, 2011 shall not receive a service retirement allowance until attaining age 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service. However, the allowance will be reduced by ¼ of one percent

for each month prior to age 52.5 that the member receives the allowance.

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

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

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

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

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

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

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

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

**Funding Policy:** The Plan is financed by contributions from the members, the State and local employers, and investment earnings. By statute, Group I members contributed 7.0% of gross earnings. Group II firefighter members contributed 11.80% of gross earnings and group II police officers contributed 11.55% of gross earnings. Employer contributions required to cover that amount of cost not met by the members' contributions are determined by a biennial actuarial valuation by the system's actuary using the entry age normal funding method and are expressed as a percentage of gross payroll. The State's share represents 100% of the employer cost for all State employees. 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, 2013, 2012, and 2011 were \$61.6 million, \$69.2 million, and \$117.9 million, respectively. Included in these contributions for FY 2013, FY 2012 and FY 2011 is an amount for other postemployment benefits of \$11.1 million, \$6.6 million, and \$12.0 million, respectively. The State's contributions for the fiscal year ended June 30, 2013 and 2012 decreased over the amounts contributed for the fiscal year ended June 30, 2011, primarily due to the reduction in the percentage the State contributed toward employer costs of political subdivisions.

As of June 30, 2013, the date of the most recent actuarial valuation, the net position held in trust to pay pension benefits, at actuarial value, was reported by the New Hampshire Retirement System to be \$6,070 million. The total pension liability at June 30, 2013 using the entry age normal actuarial cost method was \$10,708 million, resulting in a funded ratio of 56.7% and projected pension liability in excess of assets of \$4,638 million.

#### OTHER POSTEMPLOYMENT BENEFITS

In addition to providing pension benefits, RSA 21-I:30 specifies that the State provide certain health care benefits for retired employees and their spouses. These benefits include group hospitalization, hospital medical care, surgical care and other medical 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 benefits. During fiscal year 2011, legislation was passed that requires Group II employees to have 20 years of State service to qualify for retiree health benefits. Additionally, during fiscal year 2012, legislation was passed requiring Group I employees hired after July 1, 2011 to have 25 years of state service and increased the normal retirement age for Group I and Group II employees hired after July 1, 2011. 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 group health plan (Plan), which is the state's self-insurance internal service fund implemented in October 2003 for active state employees and retirees. The Plan funds the cost of medical claims by charging actuarially developed working rates to State agencies for participating employees, retirees and eligible spouses. 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 \$12.4 million for the fiscal year ended June 30, 2013.

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 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 2013 (dollar amounts in thousands):

Annual Required Contribution	\$ 132,331
Interest on net OPEB obligation	30,565
Adjustment to annual required contribution	(25,084)
Annual OPEB cost	137,812
Contributions made (pay-as-you-go)	(51,332)
Increase in Net OPEB Obligation	86,480
Net OPEB Obligation - Beginning of Year	679,219
<b>Net OPEB Obligation - End of Year</b>	<b>\$ 765,699</b>

The State's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2013, 2012 and 2011 were as follows (dollar amounts in thousands):

Fiscal Year Ended	Annual OPEB Cost	Actual Contributions (pay-as-you-go)		Percentage Contributed	Net OPEB Obligation
06/30/13	\$ 137,812	\$ 51,332		37.25%	\$ 765,699
06/30/12	171,912	50,997		29.66	679,219
06/30/11	162,120	54,418		33.57	558,304

As of December 31, 2012, the date of the most recent actuarial valuation, the actuarial accrued liability (AAL) for benefits was \$1,857 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,857 million. The covered payroll (annual payroll of active employees covered by the plan) was \$518.7 million during fiscal year 2013 and the ratio of the UAAL to the covered payroll was 358 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, 2012 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return, a 3.75 percent inflation rate and projected salary increases of 3.75 percent per annum. The projected medical cost trend rate for under age 65 retirees is 6 percent initially, decreasing at .25% for 4 years to an ultimate level of 5%. The projected medical cost trend rate for age 65 and over retirees is 5%. The drug cost trend rate is 6 percent initially, decreasing at .25% for 4 years to an ultimate level of 5%. The UAAL is being amortized using level percent of pay, open amortization method. The remaining amortization period at December 31, 2012, was thirty years.

## JUDICIAL RETIREMENT PLAN

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

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

Any member of the Plan who has at least 10 years of creditable service and who is at least 65 years old is entitled to retirement benefits equal to 75% of the member's final year's salary. Any member who has at least 7 years of creditable service and who is at least 70 years old is entitled to retirement benefits equal to 45% of the member's final year's salary.

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

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

**Funding Policy:** The Plan is financed by contributions from the members and the State. Pursuant to Chapter 311, Laws of 2003, on January 19, 2005, the State issued \$42.8 million of general obligation bonds in order to fund the Plan's initial unfunded accrued liability. All eligible judges are required to contribute 10% of their salaries to the Plan until they become eligible for a service retirement equal to 75% of their final year's salary. The State was required to and contributed 27.42% of the members' salary through June 30, 2011. Effective July 1, 2011, the State was required to and contributed 41% of the members' salary.

As of January 1, 2012, 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 \$42.0 million. The total retirement benefit liability using the entry age normal actuarial cost method was \$71.3 million, resulting in a funded ratio of 58% and projected liability in excess of assets of \$29.8 million. Annual covered payroll was \$6.6 million resulting in an unfunded actuarial liability of 454% of covered payroll. Actuarial assumptions used in the valuation include the 1994 Group Annuity Mortality Table, an investment return of 7.0% and salary growth of 0.0% for the next two years, and 3.0% thereafter, and

the unfunded actuarial liability is amortized as a level dollar over a decreasing number of years. As of January 1, 2010, the amortization period was extended to 30 years to reflect an amendment to RSA 100-C:13. As a closed amortization period is being used, 28 years remain as of January 1, 2012. 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
2012	\$ 2,786	\$ 2,786	100.00%
2011	2,356	2,356	100.00
2010	1,905	1,905	100.00

<b>11. CONTINGENT AND LIMITED LIABILITIES</b>
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**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 \$109.6 million of contingent liabilities and the statutory limits as of June 30, 2013 (expressed in thousands):

	RSA	Guarantee Limit	Remaining Capacity	June 30, 2013		
				PRINCIPAL	INTEREST	TOTAL
Water Pollution Bonds.....	485-A:7	\$ 50,000	\$ 48,362	\$ 1,450	\$ 188	\$ 1,638
Business Finance Authority (BFA) - General Obligation.....	162-A:17	25,000	**	20,000	5,213	25,213
Business Finance Authority (BFA) - Additional State Guarantee.....	162-l:9-b	50,000	**	35,598	508	36,106
Business Finance Authority (BFA) - Unified Contingent Credit Limit....	162-A:22	95,000	* 39,402	55,598	5,721	61,319
School Construction Bonds.....	195-C:2	95,000	48,352	32,669	13,979	46,648
Solid Waste Bonds.....	149-M:31	10,000	10,000			
Super Fund Site Cleanup Bonds.....	33:3-f	20,000	* 20,000			
Housing Finance Authority Child Care Loans.....	204-C:79	300	300			
<b>TOTALS.....</b>		<b>\$270,300</b>	<b>\$ 166,416</b>	<b>\$ 89,717</b>	<b>\$ 19,888</b>	<b>\$ 109,605</b>

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

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

The State has statutory authority to guarantee bonds issued by the PDA, within certain limits, and advance money to the PDA, through both interest and non-interest bearing loans. In addition, RSA 12-G:17 authorizes the issuance of up to \$250.0 million in bonds backed solely by the credit of the PDA. The table below highlights the legal limits of state guarantees and loans relative to the PDA as of June 30, 2013 (expressed in thousands):

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

- (1) RSA 12-G:31 - \$70 million in bonds may be guaranteed by the State for airport projects or the State can make loans by issuing bonds.
- (2) RSA 12-G:33 - \$35 million in bonds may be guaranteed by the State to develop a research district.
- (3) RSA 12-G:34 - \$5 million in bonds may be issued and loaned to provide matching grants for FAA and EDA grants.
- (4) RSA 12-G:35 - \$10 million in bonds may be issued and loaned to provide matching to private grants for development of research district.

**Federal Grants:** The State receives federal grants, which are subject to review and audit by the grantor agencies. Access to these resources is generally conditional upon compliance with terms and conditions of grant agreements and applicable regulations, including expenditure of resources for allowable purposes. Any disallowances resulting from audits may become the liability of the State. Although the amount of expenditures that may be disallowed by the grantor agencies cannot be determined at this time, the State is aware of some awards that have significant questioned costs as of June 30, 2012 which are still being resolved by the respective State and Federal Agencies. Note: Questioned costs as of June 30, 2012 are outlined in the Single Audit of Federal Financial Assistance Programs Report issued in March 2013.

Significant questioned costs were identified within the June 30, 2012 report in the following areas: 1) The resolution of the DSH calculation methodology which had remaining questioned costs as of March 2013 of \$17.6 million. This amount is scheduled to be paid back to the Federal Agency on a quarterly basis and the remaining amount due as of June 30, 2013 (\$8.9 million) has been recorded as a liability in the government wide statements. (See Note 13 - Review of New Hampshire's Medicaid Disproportionate Share Hospital Payments). 2) New Hampshire Hospital (NHH) had questioned costs of \$8.4 million in 2011 related to disproportionate share hospital cost recoupment. The ultimate liability or additional federal revenue is dependent on language in federal Medicaid rules pending final issuance. In the event that an unfavorable determination is made regarding the NHH 2011 questioned costs, additional costs in years subsequent to 2011 may also be questioned.

**Requests for Medicaid Enhancement Tax Refund/Credit:**

Since June of 2011, the Department of Revenue Administration (DRA) has received requests for refund or credit of the Medicaid Enhancement Tax (MET) from 20 of the 28 hospital taxpayers for prior fiscal periods ending June 30, 2008 through June 30, 2013, totaling \$109 million. Refund and credit requests received by the DRA for fiscal period 2013 were immaterial. Soon after receipt, the DRA denied \$20 million of

those requests related to fiscal year 2008 as being outside the statute of limitations. The appeal period for those denials expired and no hospital appealed. The DRA has reached agreements with over half of the hospitals to resolve all outstanding issues between them relating to \$67.6 million of the \$89 million in MET refund and credit requests for fiscal years 2009 through 2013, and denied \$7 million in requests related to fiscal year 2012, leaving \$14.4 million in requests outstanding.

Additionally, the DRA issued tax notices for fiscal year 2012 for \$13 million, of which \$11 million in tax notices have settled and/or paid and \$2 million in tax notices remain outstanding.

During fiscal year 2013, as a result of the settlement agreements for fiscal years 2009 through 2013, the State received approximately \$5.4 million of MET revenue and granted \$3.6 million in credits to be applied in fiscal year 2014 and \$3.6 million in credits to be applied in fiscal year 2015. The DRA continues to work to reach settlement agreements with the other hospitals for the remaining outstanding amounts related to fiscal years 2009 through 2013 (\$14.4 million of refund and credit requests and \$2 million of outstanding tax notices). See Note 13 for additional information.

Superior court litigation (*Catholic Medical Center et al v. Department of Revenue* (See Note 13)) challenging the constitutionality of the MET as to the fiscal year 2011 MET payment brought by three hospitals was converted to a declaratory judgment, meaning there can be no fiscal impact on the State for the fiscal periods 2009 through 2013 in the event of an adverse ruling. Any potential fiscal impact will apply only to fiscal years 2014 and beyond.

## 12. LEASE COMMITMENTS

### OPERATING LEASES

The State has lease commitments for equipment and space requirements which are accounted for as operating leases. Rental expenditures for fiscal year 2013 for governmental activities and business-type activities were approximately \$36.5 million and \$4.6 million, respectively. The leases for space, which are subject to continuing appropriation, extend forward a number of years and may contain rent escalation clauses and renewal options. The following is a schedule of future minimum space rental payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of June 30, 2013 (expressed in thousands):

Payable June 30,	Governmental Activities	Business-Type Activities
2014.....	\$ 8,819	\$ 2,667
2015.....	5,675	2,519
2016.....	3,032	2,451
2017.....	2,733	2,026
2018.....	1,662	1,597
2019-2023.....	4,257	1,141
2024-2028.....	3,471	-
2029-2033.....	310	-
Total.....	\$ 29,959	\$ 12,401

### 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, 2013, are as follows (in thousands):

Payable June 30,	Governmental Activities	Business-Type Activities
2014.....	\$ 673	\$ 113
2015.....	608	114
2016.....	496	115
2017.....	218	125
2018.....	209	125
2019-2023.....	570	354
Total.....	2,774	946
Amount Representing Interest.....	(372)	(534)
Present Value of Minimum Lease Payments.....	\$ 2,402	\$ 412

The assets acquired through capital leases and included in capital assets at June 30, 2013 include the following (in thousands):

	Governmental Activities	Business-Type Activities
Equipment.....	\$ 6,728	\$ 563
Buildings & Building Improvements..	10,227	1,563
Total.....	16,955	2,126
Less: Accumulated Depreciation....	(15,422)	(1,277)
Net.....	\$ 1,533	\$ 849

## 13. LITIGATION

### Department of Health and Human Services (DHHS)

#### *Review of New Hampshire's Medicaid Disproportionate Share Hospital Payments*

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

After hearings and appeals to the Department Appeals Board (DAB), DAB denied a request for reconsideration and affirmed its decision to uphold the determination by CMS of disallowance. As a result, CMS has issued a claim for repayment in the total amount of \$35.4 million plus an estimated interest cost of \$.4 million. CMS has agreed with the state on an arrangement to pay in eight quarterly installments beginning in January 2012, with final installment payable in the quarter beginning October 2013. The expense was recognized and a liability was recorded in the government-wide statement of net assets for the

full amount of repayment due as of June 30, 2011 while the governmental funds will accrue expenditures at the time installments become due and payable. Payments (principal and interest) are being made, in accordance with the agreement, as follows: FY12 \$9 million, FY13 \$17.9 million, and FY14 \$8.9 million. The matter is closed, contingent on the remaining payments being made in fiscal year 2014.

#### *Chase Home et al v. DCYF*

On November 7, 2007, seven residential childcare providers initiated a lawsuit in Merrimack County Superior Court against the Division for Children, Youth, and Families (DCYF) on a variety of claims, including DCYF's statutory obligation to pay for residential childcare services provided under certain provisions of State law. DCYF filed a motion for summary judgment, which the court denied, on the grounds that DCYF does not have a contractual relationship with the providers, and that it did not engage in any unconstitutional taking of property. In May 2010, the court ruled in favor of the Petitioners and found that the State had breached its contracts, that there was sufficient money appropriated in the years in question to pay the Petitioners, and awarded damages of \$3.5 million for the claims of FY2004-FY2006 (denying Petitioners' request for attorney fees.) A Motion to Reconsider was denied, another appeal was filed, and a Supreme Court decision upheld the trial court's determination that there were valid contracts, holding the state liable for the court's judgment, plus allowable interest of approximately \$3 million. On February 3, 2012, the judgment was submitted to the legislature in accordance with RSA 491:8, calling for legislation, which did not pass in the 2012 session. However, HB 486-FN was adopted in 2013 providing the funding (\$2.7 million general funds and \$1.3 million federal funds) and the judgment was paid in FY13.

There are similar claims by some of the same providers pending in the Department's administrative appeals unit for FY2007-FY2010. The Department estimates the potential liability for the outstanding additional years is between \$2 million and \$4 million (general fund portion only). Although it is difficult to predict the outcome of this case at this time, the State believes that the legal liabilities recorded as of June 30, 2013 within the government-wide financial statements are reasonably adequate to absorb all or the majority of this liability (general fund portion) if there is a ruling against the State.

#### *Dartmouth Hitchcock et. al v. Toumpas*

In August 2011, ten of the State's thirteen non-critical access hospitals and one "John Doe" individual Medicaid recipient filed a federal court lawsuit against the Commissioner of the Department of Health and Human Services ("DHHS") regarding a number of legislative and departmental actions since 2005 that have reduced the reimbursement rates for Medicaid in-patient and outpatient services, and eliminated disproportionate share payments to non-critical access hospitals in the FY 2012/2013 budget. The claims are brought under the supremacy clause of the United States Constitution related to the Medicaid statute, 42 U.S.C. 1396a(a)(30)(A) and 42 U.S.C. 1396a(a)(13)(a), alleging that the changes from these actions are contrary to the intent of the Medicaid statute since the resulting payments are insufficient to ensure access to services for Medicaid clients, and further alleging that the changes cannot be implemented because the State did not give notice or do a state plan amendment regarding each change. A motion for preliminary injunction requesting that the federal court enjoin each of the changes and require the State to revert to prior payments levels was filed at the same time. Pleadings, briefs and hearings were heard, and on December 8, 2011 the court heard oral argument on the legal standing issues raised in the motion to dismiss. A further evidentiary hearing on the motion for preliminary injunction was held on January 10-12, 2012, and on March 2, 2012, the Court issued a preliminary injunction ordering the State to

provide notice of the current rates and its intention to continue those rates. The Court's order also required the State to allow for submission of comments, which have now been received. The notice required by the preliminary injunction order has been published, and a notice of intent to continue to use the rates at the current level has been published. The further briefing ordered by the court regarding the ability to bring the access claims under the Supremacy clause, in light of the 2012 United States Supreme Court decision in *Douglas v. Indep. Living Ctr. of So. Calif.*, has been filed and supplements submitted regarding access reports and monitoring activity related to access between the State and CMS. On September 27, 2012 the Court issued an order denying, without prejudice, the Motion to Dismiss. The Court scheduled a hearing for December 20, 2012 and invited the Secretary of the U.S. Department of Health and Human Services to provide information to the Court. Prior to December 20, 2012, CMS approved several State Plan Amendments (SPAs), including the 2010 SPAs that memorialized the 2008 rate reductions and several of the other issues raised by plaintiffs. Following the SPA approvals, the State made a verbal request to renew the motion to dismiss at the December 20, 2012 hearing. Plaintiffs argued that there was an outstanding issue regarding use of the 2008 rates prior to the effective date of the SPA approvals. The court set a schedule for further briefing on that issue. Rather than submit any further briefing, plaintiffs filed a motion to stay the action and at the same time filed with CMS a request to reconsider the SPA approvals. On March 13, 2013 CMS approved the 2011 SPAs containing the remaining changes that relate to the reductions in DSH for the last biennium. The Court denied the motion to stay and denied the renewed motion to dismiss without prejudice and set a status hearing to determine what if anything remained in light of further recent court decisions in other jurisdictions. Following that action, the plaintiffs voluntarily dismissed this lawsuit in November 2013, therefore this matter is closed. However, two other lawsuits were filed by six of the ten plaintiffs, one in state court and one in federal court related to only the 2008 rates (see *Frisbie Memorial Hospital et al. v. Toumpas* and *Frisbie Memorial Hospital et al. v. Sebelius*).

#### *Dube et al. v. Governor et al.*

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

On February 9, 2012, six State residents who have received mental health services from either New Hampshire Hospital or Glencliff Home filed a class action lawsuit in the U.S. District Court alleging New Hampshire has failed to provide adequate community-based mental health services. USDOJ has joined the lawsuit. The State challenged class certification. On September 17, 2013, the Court granted class certification. Trial was scheduled for June 2014. The State appealed the class certification decision to the First Circuit Court of Appeals. Due to the settlement discussions, the District Court and First Circuit were stayed to give the parties an opportunity to determine if settlement is possible. On December 19, 2013, the parties reached a settlement. Because the Court allowed the case to proceed as a class action, a notice to all class members must be published. The class members have until mid January 2014 to object. The Court is expected to hold a hearing on approval of the settlement in mid February, 2014.

The tentative settlement includes new and additional community-based services for individuals with serious mental illness. The estimated increase in general fund expenditures for fiscal years 2014-2015 is approximately \$6 million. In fiscal years 2016-2017, the expected increase in general fund expenditures is approximately \$23.7 million. The State has also agreed to pay for the plaintiffs \$2.4 million for legal fees and expenses over the course of approximately four years from the effective date of the agreement.

#### *Gary Dube et al. v. State of New Hampshire*

Harbor Homes, Inc., a provider of Medicaid-funded community mental health services, and four individuals who had been receiving services from Harbor Homes prior to June 30, 2011 sued the State and DHHS, challenging the State's decision to consolidate delivery of community mental health services in the approved community mental health program for Region 6. The core issue is whether the State rules requiring an interagency agreement with a community mental health program is a reasonable qualification in order to qualify as a community mental health provider of Medicaid-funded services. On January 25, 2012, the Court issued an order granting, in part, the State's Motion for Summary Judgment, but left open the plaintiffs' claim whether the State violated Harbor Homes' due process rights with respect to the Greater Nashua Mental Health Center's refusal to enter into a new interagency agreement upon expiration of the prior agreement. On August 2, 2012, the Court issued an order granting the State's Motion for Summary Judgment on the plaintiff's due process claim. On August 31, 2012, the plaintiffs filed a motion for voluntary non-suit without prejudice of the remaining claims. The motion for voluntary non-suit was granted. The plaintiffs have appealed the issues decided in the two motions for summary judgment. Oral argument was held before the New Hampshire Supreme Court on November 13, 2013. We are unable to determine if an unfavorable outcome is likely or not, or the amount or range of loss if an unfavorable outcome occurs.

#### *Wallace et al. v. State of NH DHHS*

On August 16, 2013, 13 persons who receive long-term services pursuant to Medicaid waivers through Area Agencies, 9 Area Agencies (providers of such services), and Community Support Network (an advocacy group that represents the interests of the other plaintiffs) initiated a lawsuit, against the State of New Hampshire and DHHS. The plaintiffs seek a declaration that RSA 126-A:5, XIX, which directs DHHS to implement a managed care system for delivery of Medicaid-funded services, is not intended to include long-term care services provided to developmentally disabled persons and those with acquired brain disorders. The case may have an impact on budget assumptions for savings in FY 2015 or later years, although the impact of a decision for the plaintiffs has not been calculated. No discovery has been exchanged and preliminary dispositive motions have been filed. The court denied DHHS's motion to dismiss. The plaintiffs filed a motion for summary judgment on December 6, 2013. DHHS intends to object to that motion and file a cross-motion for summary judgment. We are unable to determine if an unfavorable outcome is likely or not, or the amount or range of loss if an unfavorable outcome occurs.

#### *Frisbie Memorial Hospital et al. v. Toumpas*

Six Hospitals, Frisbie, Wentworth-Douglas, Exeter, LRGH, Southern NH, and St. Joseph's, filed suit on October 10, 2013 in Strafford Superior Court against DHHS claiming that the 2008 rate reductions to inpatient and outpatient hospital rates are void due to lack of proper notice and failure to submit a state plan amendment ("SPA") and to provide comment opportunity before the changes were made and that they are therefore entitled to payment at higher rates under the existing

state plan language for the time period July 1, 2008 to November 19, 2010, the effective date of a SPA approved by CMS that ultimately contained each change. The plaintiffs assert damages of approximately \$20 million. A motion to dismiss has been filed on behalf of the State. We are unable to determine if an unfavorable outcome is likely or not, or the amount or range of loss if an unfavorable outcome occurs.

#### *Frisbie Memorial Hospital et al. v. Sebelius*

Six Hospitals, Frisbie, Wentworth-Douglas, Exeter, LRGH, Southern NH, and St. Joseph's, filed suit on October 10, 2013 in federal court in an Administrative Procedures Act challenge to CMS' approval of two State Plan Amendments ("SPA") submitted in 2010 that authorized the State to add the current 2008 rates for inpatient and outpatient. The plaintiffs allege that the notice of these proposed SPAs did not specifically include that these rates would be imbedded in these SPAs. The State is not a defendant in this lawsuit. These SPAs, however, are important to the State and the State will seek permission to intervene. If plaintiffs are successful, additional claims would likely be made against the State for the period from November 2010 until March 20, 2012. We are unable to determine if an unfavorable outcome is likely or not, or the amount or range of loss if an unfavorable outcome occurs.

#### *Department of Revenue Administration*

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

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 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 initially sought full reimbursement of the tax it paid in 2011 totaling \$31.5 million. Northeast Rehabilitation Hospital filed a similar lawsuit seeking \$1.5 million of reimbursement for the tax paid in 2011. The CMC, Exeter, and St. Joseph's lawsuits have been consolidated (collectively the "CMC Litigation"), and the parties have drafted an agreed stipulation of facts, and have filed cross-motions for summary judgment. The parties in the Northeast Rehabilitation Hospital litigation have agreed to draft an agreed stipulation of facts and litigate the case through cross-motions for summary judgment. The parties in the Northeast Rehabilitation litigation agreed to seek an extension of time of the deadline to reach an agreed statement in that case to sometime after December 31, 2012. During fiscal year 2013, the parties in the CMC Litigation settled the 2011 claims, and agreed the remainder of the case will be only for FY 2014 and beyond. The parties have filed an agreed statement of facts and cross-motions for summary judgment. The hospitals filed an objection to the State's cross-motion for summary judgment in October 2013, and the State filed its reply in November. The potential MET revenue at risk for FY 2014 is approximately \$200 million. We are unable to determine if an unfavorable outcome is likely or not, or the amount or range of loss if an unfavorable outcome occurs.

#### *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. The parties litigated the impact of alleged concessions through cross Motions in Limine. In September 2011, the Court granted the Motion in Limine, finding that the case was not narrowed by the statements made by State employees. In February 2013, this case settled with Petitioners paying DRA \$1,350,000 to resolve all tax years in dispute.

#### *Leighton et al. v. State of New Hampshire*

Plaintiffs have challenged the constitutionality of the State's 10% tax on gambling winnings with a class action, but the State has objected to it being certified as a class action, and the court has not yet ruled on that issue. The parties filed a joint interlocutory transfer without ruling in the Supreme Court, which was denied on February 23, 2011. The case returned to Superior Court where the parties agreed that the case could be decided on cross-motions for summary judgment. After the State settled Plaintiff Leighton's claims for \$0.3 million, a new lottery winner joined the case as a plaintiff, and motions for summary judgment have been cross claimed. In October 2011, the trial court denied the Plaintiffs' motion for summary judgment, but granted, in part, the State's cross-motion for summary judgment with respect to the plaintiffs' facial challenge to the statute. The court denied the State's motion, in part, finding that there was a question of fact as to whether the plaintiff was a "professional gambler," which the plaintiff conceded that he is not under the legal test articulated by the court in its summary judgment order. Plaintiffs attempted to find a professional gambler to intervene in the case, but were unsuccessful, and in June 2012, the declaratory judgment statute, RSA 491:22, was amended. The plaintiffs' claim that the amendment provides them with standing to challenge the Gambling Winnings Tax as an occupation tax even if they are not professional gamblers, to which claim the State disagrees. The parties agreed to continue the bench trial (scheduled for late September 2012) and file cross-motions for summary judgment. Cross motions for summary judgment were filed by the parties. The court granted the State's motion for summary judgment. The Plaintiffs appealed the trial court's decision to the Supreme Court. Oral argument was held on November 14, 2013. We are unable to determine if an unfavorable outcome is likely or not, or the amount or range of loss if an unfavorable outcome occurs.

#### *State v. Priceline, Inc. et al.*

This action seeks to recover unpaid Meals and Rooms Taxes, and penalties under the Consumer Protection Act, against several online travel companies ("OTCs"). The lawsuit seeks to recover unpaid taxes on the difference between the wholesale and retail room and rental car rates. The Defendants only paid taxes on the wholesale rates over the last ten years. The State filed its complaint in Superior Court on October 16, 2013. It is not possible to predict the outcome at this time.

#### Retirement System

#### *American Federation of Teachers - New Hampshire, et al v. State, Retirement System et al. ("AFT")*

A group of twelve plaintiffs filed suit on August 7, 2009 challenging the changes to the retirement system made pursuant to Chapter 300, Laws of 2008 that affect (1) earnable compensation; (2) COLA payments; and (3) medical subsidies. The plaintiffs have also sought class certification for all other New Hampshire retirees eligible for state retirement benefits. The State answered the complaint on November 4, 2009, and on May 18, 2010 the plaintiffs filed a motion to amend

their petition. This motion was granted on July 20, 2010 and the State filed an amended answer. The parties filed cross motions for summary judgment on December 5, 2010, and in January 2011 the court issued an order indicating that it would defer ruling on the parties' summary judgment motions until the class certification process was completed. The plaintiffs have withdrawn their request for class certification, and the trial court has approved an interlocutory appeal without ruling to the Supreme Court. The Supreme Court denied the interlocutory appeal. On July 15, 2013 the Court issued an Order holding that the Contracts Clause applies to employees who are vested in the retirement system (10 years), and the law is unconstitutional as to them. The Court also found that the COLA benefit was not contractually protected, and found that aspect of the law to be constitutional. He also found that the modification to the special account (removing the funding for medical subsidies) was necessary to serve a substantial public interest, and therefore does not violate the constitution. The Plaintiffs have filed a motion to reconsider. On November 18, 2013, the court denied the plaintiffs' motion to reconsider, and on December 3, 2013, the State filed a notice of appeal with the New Hampshire Supreme Court. We are unable to determine if an unfavorable outcome is likely or not, or the amount or range of loss if an unfavorable outcome occurs.

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

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

The State filed a motion to dismiss the petition, and on January 6, 2012 the Court ruled that the increase in employee contributions is unconstitutional as to those employees who are "vested" as that term is defined in the retirement statute (10 years in the retirement system). The Court dismissed the lawsuit, however, on the grounds that the plaintiffs did not allege they are "vested employees" however, the dismissal was without prejudice to the plaintiffs to file an amended petition by March 1, 2012. The Court also dismissed the request to enjoin the recertification of employer contribution rates, stating that employees do not have standing to challenge the employer contribution rate. The Petitioners filed a second amended petition on February 24, 2012. The parties filed cross motions for summary judgment on the issue of whether the increase in the employee contribution is constitutional. On September 16, 2013, the Court granted summary judgment for the plaintiffs to the extent they are vested in the retirement system (ten years). The Court ruled that vested members have a contractual interest in their contribution rates, and legislative changes cannot substantially impair those rights. The State filed a notice of appeal on October 8, 2013, and the plaintiffs filed a cross appeal on October 9, 2013. It is not possible to predict the outcome of this case at this time.

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

In a matter similar to the case Fire Fighters I, above, the Petitioners have filed a lawsuit challenging Section 161 (definition of Earnable Compensation), Section 163 (definition of Average Final Compensation), Section 164 (Maximum Retirement Benefit), Section 166 (Age Multiplier to calculate benefit), and Section 186 (repeal of disability exception from the gainful occupation reduction provision) of HB2. Petitioners seek an order finding HB2 is unconstitutional under the Contracts and Takings Clauses of both the New Hampshire Constitu-

tion and the United States Constitution. Petitioners seek injunctive relief, payment of damages and attorneys' fees. A preliminary injunction hearing was scheduled for May 21, 2012. A hearing on the request for a preliminary injunction was held on August 27, 2012. The trial court ordered the parties to file a motion for interlocutory appeal, which was filed. The trial court issued a preliminary order on May 23, 2013 which held that employees have a contractual interest in their retirement benefit when they become "permanent employees" (approximately 1 year into employment). The Court found there is a factual question on whether the changes to the law resulted in a "substantial impairment." The case is stayed pending the outcome of the appeals in Firefighters I and AFT litigation. We are unable to determine if an unfavorable outcome is likely or not, or the amount or range of loss if an unfavorable outcome occurs.

### Liquor Commission

#### *Law Warehouses, Inc., v. New Hampshire State Liquor Commission*

Law Warehouses Inc. ("LWI") has provided warehousing services to the New Hampshire State Liquor Commission ("NHS LC"). The parties' current contract ended on October 31, 2013. In March 2012, the NHS LC issued a RFP requesting bids for a 20-year warehousing services contract to begin upon the expiration of its current contract with LWI. In June 2012, LWI and four other vendors submitted bids under the RFP. On November 20, 2012, following a thorough review of each bid, the NHS LC awarded the warehousing contract to Exel, Inc. ("Exel"). LWI finished third under the NHS LC's bid scoring system. LWI did not participate in the protest process outlined in the RFP, but instead, on February 27, 2013, filed a civil action requesting that the court preliminarily enjoin performance of the contract between the NHS LC and Exel and order that a new bidding process take place. LWI contends that the NHS LC improperly modified the RFP in favor of Exel's bid in violation of New Hampshire's competitive bidding laws. The trial court denied LWI's motion for preliminary injunction. Trial is scheduled for the week of May 19, 2014. On September 3, 2013, LWI filed a Petition for Original Jurisdiction with the Supreme Court. The Supreme Court denied LWI's Petition for Original Jurisdiction. Discovery in the trial court is ongoing. It is not possible to predict the outcome of this case at this time.

#### *XTL-NH, Inc., v. New Hampshire State Liquor Commission and Exel Inc.*

In March 2012, the New Hampshire State Liquor Commission issued a RFP requesting bids for a 20-year warehousing services contract. In June 2012, XTL-NH, Inc. ("XTL") and four other vendors submitted bids under the RFP. On November 20, 2012, following a thorough review of each bid, the NHS LC awarded the warehousing contract to Exel, Inc. ("Exel"). XTL finished second under the NHS LC's bid scoring system. XTL participated in the two-level protest process outlined in the RFP. On March 8, 2013, the NHS LC denied XTL's protest. On March 12, 2013, XTL filed a civil action requesting that the Court enjoin performance of the contract between NHS LC and Exel and order the NHS LC to award the contract to XTL. XTL contends that as the lowest responsible bidder, it is entitled to the contract. Further, XTL argues that NHS LC improperly modified the RFP to favor Exel's bid in violation of New Hampshire's competitive bidding laws. On May 7, 2013, the trial court denied XTL's request for preliminary injunction. Trial is scheduled for August 4, 2014. It is not possible to predict the outcome of this case at this time.

### Department of Corrections

#### *Woods et al. v. Commissioner of the Department of Corrections*

Four female New Hampshire state inmates filed this class action lawsuit in state court seeking declaratory and injunctive relief to remedy claimed violations of their constitutional, statutory and judicially decreed right to facilities, conditions of confinement, programs, and services that are on parity with those that the State of New Hampshire provides to male New Hampshire prison inmates. The Plaintiffs claim that female inmates do not have access to vocational training, education, and other programs, services and facilities comparable to what is provided to male inmates, and claim that the Defendant has therefore violated (1) their rights under New Hampshire's Equal Rights Amendment, Part I, Article 2 of the State Constitution; (2) the Equal Protection Clause of the New Hampshire Constitution, Part I, Article 12; (3) RSA 622:33-a, III; and (4) RSA 21-H:11. The State filed an answer on November 2, 2012. Petitioners filed a motion for class certification in February 2013. The State filed an objection in March 2013 and the parties have agreed to stay the case as the Legislature has included a \$38 million capital budget appropriation for a new women's prison and transitional housing facility in the FY14/15 Capital Budget (Chapter 195 Laws 2013). It is not possible to predict the outcome of this case at this time.

### Environmental Litigation

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

The State filed this claim for damages, injunctive relief and civil penalties against major oil companies as a result of statewide contamination of drinking water with the gasoline additive Methyl tertiary-butyl ether ("MtBE"). The Defendants attempted to remove the case to federal court. The State was successful in its argument that the case should be heard in the state court and the case was remanded to the Merrimack County Superior Court. On September 17, 2008, the trial court granted the Defendants' Motion to Dismiss as it related to the State's claim based on nuisance. The Court denied the Defendants' Motion to Dismiss the other counts of the State's Petition. On September 30, 2008, the trial court granted the State's Motion to Dismiss the Defendants' counterclaims. The State has prevailed on a number of summary judgment motions, including a motion to seek damages for contamination to private wells. The State lost two summary judgment motions that eliminated its Trespass and Consumer Protection Claims. Further, the State dismissed on its own motion its claim under RSA 146-A. The State's remaining claims are 2 products liability claims and a negligence claim. The State's claim for damages was approximately \$771 million. Settlements executed with all the defendants except Exxon/Mobil, totaled approximately \$136.5 million. After reduction for legal and other settlement-related costs, approximately \$90 million was received by the State during fiscal year 2013 and is recorded as a special item in the general fund. Approximately \$81 million is restricted for environmental purposes and the remaining \$9 million is unrestricted in accordance with the terms of the settlement agreements. Those settlements are subject to the terms of the settlement agreements, all of which have been approved by the trial court. Those are now final, and not subject to further amendments or appeal. Exxon/Mobil was the only defendant that did not settle before trial. After trial against Exxon/Mobil, the jury awarded the State \$236 million. The trial court has ruled that the State is required to put \$195 million of the jury's award in a trust. The State has filed an objection, which has not been ruled on. The trial court also awarded prejudgment interest but has not yet calculated the amount and will probably not do so while the appeal is pending. The defendant filed an appeal. It is not possible to predict the outcome at this time.

***Aranosian Oil Co. et al. v. State***

On February 24, 2012 a number of independent oil dealers brought a petition for declaratory judgment and equitable relief seeking to recover money they previously paid into the Oil Discharge and Disposal Fund ("ODD Fund") in the event the State prevails in the matter of *State v. Hess et al.* The petition argues that the fees paid into the ODD fund are unconstitutional, and also argues theories of unjust enrichment and equitable right of subrogation. The petition is identical to one brought previously by a number of the same Plaintiffs, which was dismissed by the Superior Court on the issue of ripeness. The parties agreed to a stay of this case until such time as it ripens. The plaintiff filed a motion to lift the stay based upon a number of settlements in the MTBE case. The Superior Court lifted the stay and ordered discovery to commence. Trial has been rescheduled for April 2014. The plaintiffs allege damages of approximately \$35 million. We are unable to determine if an unfavorable outcome is likely or not, or the amount or range of loss if an unfavorable outcome occurs.

***State v. Shell Oil Co.***

The State has asserted a claim against Shell Oil Company and associated entities for unjust enrichment. The State has claimed that Shell received disbursements from the State's Oil Discharge and Disposal Fund ("ODD Fund") for remediation work it performed at contaminated sites in the state, then subsequently recovered money from its insurers for the same sites. The State arranged for a pre-litigation mediation session to occur in February 2013. The State filed suit in September 2013 in Superior Court against Shell Oil seeking \$4.4 million plus fees, costs, and enhanced compensatory damages.

The State also has several unasserted claims against major oil companies currently (or previously) doing business in the state. The claims are of the same nature as the claims against Shell Oil Co. The State intends to assert these claims in the near future. It is not possible to predict the outcome of this matter at this time.

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

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

A settlement was reached between 20 states and the tobacco companies, including New Hampshire. The settlement resolves the diligent enforcement dispute with the settling states through 2015. Under the

terms of the settlement, the tobacco companies accepted a reduction in their claim for an NPM Adjustment against the settling states. The settlement resulted in the release by the tobacco companies of approximately \$63.2 million to New Hampshire from the disputed payments account. In exchange, New Hampshire's 2013 annual tobacco payment was reduced by approximately \$42.4 million, and its annual payment will be reduced in 2014 through 2017 by approximately \$4 million, as payment for its share of the settlement agreement. An additional reduction in the State's annual payment is possible in 2014 and 2015 based upon a deficiency in escrow payments as determined by a comparison of escrow deposits and State excise tax paid.

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

Plaintiffs have brought this wrongful death lawsuit in federal court alleging the decedent was subjected to severe and/or pervasive sexual harassment, creating a hostile work environment. As a result, the Plaintiffs allege the decedent went on medical leave, Defendants (Administrative Office of the Courts et al) denied her reasonable accommodations to return to work, retaliated against her and continued to harass her while she was on leave. The Plaintiffs allege that the events described in the lawsuit, lead to the eventual suicide of the decedent in May 2010. The Plaintiffs seek damages arising out of claims of discrimination, sexual harassment, hostile work environment, retaliation and violation of the Americans with Disabilities Act. The State has filed an Answer and discovery is ongoing. On January 17, 2012, the State filed a motion to dismiss five of the eight counts based on the litigation bar contained in the workers' compensation law, which the Court denied. In 2013, the parties settled this matter. Under the terms of the settlement, the State will pay \$37,500. This matter is now closed.

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

A hearing was held on the State's Motion to Dismiss on October 10, 2008. By an order dated November 17, 2008, the Court denied the State's Motion to Dismiss with regard to Sunapee Difference's claims of breach of contract, estoppel, breach of implied covenant of good faith and fair dealing, and inverse condemnation. 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. Following a denial of the plaintiff's Motion for Reconsideration, the plaintiff filed an appeal with the New Hampshire Supreme Court. The Court issued an interim order on June 25, 2010 remanding the case back to the trial court for a ruling on whether the plaintiff has standing to bring the lawsuit. After hearing, the trial court issued an order ruling that Sunapee Difference has standing to seek reformation of the lease. The State appealed that decision to the Supreme Court. Oral argument was held on both the 2009 and 2012 appeals on September 13, 2012. On April 30, 2013, the Supreme Court affirmed in part, reversed in part, vacated in part, and remanded the case to the trial court. In its Order, the Supreme Court affirmed the trial court's order granting summary judgment for the State of Sunapee Difference's contract claim, but remanded the case for trial on the issues

of estoppel and reformation of contract. Trial is scheduled for April 2014. It is not possible to predict the outcome at this time.

#### ***TLT Construction Corp.***

On September 14, 2011, the Executive Council approved a contract with TLT Construction Corp. to construct the Pembroke Regional Training Institute and Barracks for the N.H. Army National Guard. The contract amount of \$24.6 million is 100% Federal funds, the expenditure of which is monitored and authorized by the National Guard Bureau in Washington, D.C. In late May 2012, the Bureau of Public Works (BPW) terminated TLT as the general contractor for the project. TLT has filed administrative appeals of the termination with the Department of Administrative Services and the Department of Transportation, but those matters have been stayed pending negotiations to resolve the dispute. Settlement terms were reached between the parties, and stipulations of dismissal have been filed in the two administrative proceedings. The State estimates the liability to be approximately \$2 million to settle the majority of the claims, of that, the State expects to be reimbursed by approximately \$1.5 million in federal funds. This liability has been recorded as of June 30, 2013 in the government-wide financial statements.

#### ***White Mountain Communications Co. v. New Hampshire Department of Administrative Services***

This is a civil action initiated by a general contractor against the New Hampshire Department of Administrative Services ("DAS"), New Hampshire Department of Resources and Economic Development ("DRED") and two DAS employees. This matter relates to the construction of four mountaintop communication facilities. The plaintiff is alleging that the State breached its contract with the plaintiff by improperly terminating the construction contract in February of 2012 without just cause. The plaintiff has also made claims for unjust enrichment, fraud and breach of the implied covenant of good faith. The State has filed cross claims against the plaintiff in this matter. The plaintiff has disclosed an expert, who estimated total damages to be approximately \$2.5 million. The plaintiff and their surety made a combined demand of approximately \$1.3 million. Additionally, the plaintiff has indicated that it will add direct claims against the surety. Trial is currently scheduled for July 2014, but is expected to be continued in light of the new claims to be filed against the surety. We are unable to determine if an unfavorable outcome is likely or not, or the amount or range of loss if an unfavorable outcome occurs.

#### ***Wendy Lawrence***

The State has received notice that the estate of Wendy Lawrence intends to file suit against the State Police. Ms. Lawrence died following an officer involved shooting after she fled from State Police during a traffic stop in September 2013. The State anticipates that any suit filed would include a 42 USC § 1983, excessive force claim. We are unable to determine if an unfavorable outcome is likely or not, or the amount or range of loss if an unfavorable outcome occurs.

#### ***OTHER LITIGATION***

The state, its agencies, officials and employees are defendants in numerous other lawsuits. Although the state is unable to predict the ultimate outcomes of these suits, based on the information provided by the Attorney General's Office, it does not appear that such litigation resulting, either individually or in the aggregate, in final judgments against the State, would materially affect its financial position. Accordingly, no detailed disclosures of these other lawsuits are provided herein and only immaterial provisions, if appropriate, for such ultimate liability has been made in the financial statements.

### **14. GOVERNMENTAL FUND BALANCES AND STABILIZATION ACCOUNT**

A summary of the nature and purpose of these constraints and related amounts by fund at June 30, 2013, follows:

#### **Governmental Fund Balances - Restricted, Committed and Assigned**

	<b>Governmental Fund Balance</b>		
	<b>(expressed in thousands)</b>		
	<b>Restricted Purposes</b>	<b>Committed Purposes</b>	<b>Assigned Purposes</b>
<b>General Fund:</b>			
General Government	\$ 627	\$ 20,855	\$ 3,428
Administration of Justice & Public Protection	87,054	69,046	156
Resources Protection & Development	8,054	27,625	1,092
Transportation	-	1,203	2
Health & Human Services	8,637	-	20,582
Education	315	4,516	249
<b>Total</b>	<b>\$ 104,687</b>	<b>\$ 123,245</b>	<b>\$ 25,509</b>
<b>Highway Fund:</b>			
Administration of Justice & Public Protection	\$ 1,915	\$ 1,569	\$ 673
Resources Protection & Development	-	-	16
Transportation	132,882	11,349	58,475
<b>Total</b>	<b>\$ 134,797</b>	<b>\$ 12,918</b>	<b>\$ 59,164</b>
<b>Non-Major Governmental Funds</b>			
Resources Protection & Development	\$ 2,043	\$ 1,130	\$ 1,423
Other Purposes	37,334		
<b>Total</b>	<b>\$ 39,377</b>	<b>\$ 1,130</b>	<b>\$ 1,423</b>

The State maintains a Revenue Stabilization account (the Rainy Day Fund) established by RSA 9:13-e. Pursuant to RSA 9:13-e, at the close of each fiscal biennium, any General Fund Unassigned Fund Balance (Surplus) remaining, as determined by the official audit performed pursuant to RSA 21-I:8, II(a), shall be transferred to this special nonlapsing account; provided, however, that in any single fiscal year the total of such transfer shall not exceed ½ of the total potential maximum balance allowable which is defined as 10% of the actual general fund unrestricted revenues for the most recently completed fiscal year. In the event of an operating budget deficit at the close of any fiscal biennium, as determined by the official audit, and upon approval of the Fiscal Committee of the General Court and the Governor to the extent available, sufficient funds can be transferred from this account to eliminate such deficit. Such transfer shall occur only when both of the following conditions are met:

1) A general fund operating budget deficit occurred for the most recently completed fiscal biennium and 2) Unrestricted general fund revenues in the most recently completed fiscal biennium were less than the budget forecast. No available balance in the revenue stabilization reserve account shall be utilized for any purpose other than deficit reduction without specific approval of 2/3 of each house of the General Court and the Governor.

Pursuant to Chapter 144:135, Laws 2013, any budget surplus for the close of the fiscal biennium ending June 30, 2013 shall not be deposited in the revenue stabilization reserve account but shall remain in the general fund. Accordingly, the remaining surplus as of June 30, 2013 has not been deposited to the Revenue Stabilization account. The balance at June 30, 2013 remained at \$9.3 million, the same as at June 30, 2012.

## 15. JOINT VENTURES-LOTTERY COMMISSION

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

In September 1985, Tri-State was established whereby the New Hampshire Lottery Commission (Lottery) entered into a joint venture with the lotteries of the states of Maine and Vermont to promulgate rules and regulations regarding the conduct of lottery games and the licensing of retailers. In addition, each state contributes services towards the management and advisory functions. Each states' share of revenues, expenses and interest income is based on their respective share of sales except for direct charges such as advertising, vendor fees and per-diem payments. Prizes awarded under Tri-State games are fully funded by deposit fund contracts and investments held by Tri-State. Accordingly, the Lottery does not record a liability for jackpot awards which are payable in installments from funds provided by Tri-State. At June 30, 2013 Tri-State reported total installment prize obligations owed to jackpot winners of \$43.5 million, payable through the year 2033.

In addition, Tri-State has established a Designated Prize Reserve, which acts as a contingency to protect Tri-State against unforeseen liabilities. The Lottery's share of deposits held as Tri-State prize reserves was \$1.7 million at June 30, 2013. The Tri-State issues a publicly available annual financial report, which may be obtained by writing to the Tri-State Lotto Commission, 1311 US Route 302 Suite 100, Barre, Vermont 05671.

In November 1995, the Lottery became a member of MUSL, which is currently comprised of 33 member state lotteries and administers the Multi-State Lottery Powerball, Hot Lotto, and Mega Millions games. Each state lottery sells tickets, collects revenues and remits prize funds to MUSL net of lower tier prize awards. Each member also pays for a share of MUSL's operating expenses based upon the members' proportionate share of game sales. Jackpot prizes that are payable in installments are satisfied through investments purchased by MUSL. Accordingly, the Lottery does not record a liability for jackpot awards which are payable in installments from funds provided by MUSL. For the year ended June 30, 2013, the Lottery recognized \$24.5 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 \$1.1 million at June 30, 2013. MUSL issues a publicly available annual financial report, which may be obtained by writing to the Multi-State Lottery Association, 4400 NW Urbandale Drive, Urbandale, Iowa 50322.

## 16. TRANSACTIONS AMONG RELATED FUNDS AND ACTIVITIES

Pursuant to Chapter 173, Laws of 2012, the McAuliffe-Shepard Discovery Center was transferred effective January 1, 2013 from the State to a private nonprofit corporation. This law created a body politic and corporate which has a distinct legal existence separate from the State. Accordingly, the activity of the McAuliffe-Shepard Center is included within the Governmental Activities only to the extent as provided in the law through December 31, 2012. As of January 1, 2013, the McAuliffe-Shepard Center was no longer a department of state government. The state retained ownership to all equipment, software, buildings, and grounds and the state entered into a 10-year, renewable lease with the private operator to occupy and operate the discovery center buildings and grounds and utilize the equipment and software beginning on January 1, 2013, at a charge of \$1 per year. Additionally, the State assumes building and grounds routine maintenance and repair costs as

determined appropriated by the General Court which shall not exceed \$70,000 annually.

## 17. SUBSEQUENT EVENTS

On December 5, 2013 the State issued two series of general obligation capital improvement bonds through back-to-back competitive sales. The state sold \$59.1 million of federally tax-exempt bonds (2013 Series B) as well as \$19.0 million of federally taxable bonds (2013 Series C). Proceeds from the Series B issue will be used for the sole purpose of financing various capital projects of the State. Proceeds from the Series C issue will finance state match funding for State Revolving Fund Loan programs as authorized in New Hampshire Laws of 2011, Chapter 253:1, VI, A and B. The Series B bonds mature over twenty years, carry coupons ranging from 4% to 5% , and sold with an overall total interest cost to the State of 3.10%. The Series C bonds mature over ten years, carry coupons ranging from .7% to 3.4% , and sold with an overall total interest cost to the State of 2.29%.

**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, 2013  
 (expressed in thousands)

	General Fund			Variance with Final Budget- Positive (Negative)
	Budgeted Amount		ACTUAL (Budgetary Basis)	
	ORIGINAL	FINAL		
<b>REVENUES</b>				
General Property Taxes .....	\$ 230	\$ 230	\$ 242	\$ 12
Special Taxes .....	943,607	945,857	917,199	(28,658)
Personal Taxes .....	123,066	123,066	126,218	3,152
Business License Taxes .....	34,444	34,295	19,713	(14,582)
Non-Business License Taxes .....	90,268	90,233	93,937	3,704
Fees .....	165,667	172,152	152,366	(19,786)
Fines, Penalties and Interest .....	10,491	10,737	6,163	(4,574)
Grants from Federal Government .....	1,738,418	1,781,581	1,273,394	(508,187)
Grants from Private and Local Sources .....	156,818	190,057	168,432	(21,625)
Rents and Leases .....	12,916	13,629	10,267	(3,362)
Interest Premiums and Discounts .....	7,443	7,321	13,968	6,647
Sale of Commodities .....	11,796	16,977	13,126	(3,851)
Sale of Services .....	51,254	50,817	50,405	(412)
Assessments .....	104,813	105,052	70,352	(34,700)
Grants from Other Agencies .....	132,274	130,338	107,482	(22,856)
Miscellaneous .....	392,054	374,853	500,273	125,420
Total Revenue .....	3,975,559	4,047,195	3,523,537	(523,658)
<b>EXPENDITURES</b>				
<b>GENERAL GOVERNMENT</b>				
Legislative Branch .....	19,550	18,708	14,847	3,861
Executive .....	65,040	65,281	44,105	21,176
Information Technology .....	67,088	62,295	52,929	9,366
Executive Council .....	231	229	218	11
Off. Of Economic Stimulus .....	128	130	-	130
Administrative Services .....	126,319	131,382	119,523	11,859
Sec of State .....	11,122	12,082	8,519	3,563
Cultural Affairs .....	7,546	6,767	5,446	1,321
Revenue Administration .....	16,087	14,289	11,670	2,619
State Treasury .....	75,292	81,125	78,965	2,160
NH Retirement System .....	8,751	8,750	6,661	2,089
Boards and Commissions .....	2,685	2,607	2,282	325
Total .....	399,839	403,645	345,165	58,480
<b>JUSTICE AND PUBLIC PROTECTION</b>				
Judicial Branch .....	86,418	77,980	70,519	7,461
Adjutant General .....	32,312	34,008	21,280	12,728
Agriculture .....	5,356	5,634	4,375	1,259
Justice Department .....	35,429	44,313	26,523	17,790

**STATE OF NEW HAMPSHIRE**  
**BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE (Unaudited) - continued**  
**GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**  
(expressed in thousands)

	General Fund			Variance with Final Budget- Positive (Negative)
	Budgeted Amount		ACTUAL (Budgetary Basis)	
	ORIGINAL	FINAL		
Bank Commission.....	6,303	6,159	4,778	1,381
Highway Safety.....	6,051	6,051	3,478	2,573
Insurance.....	10,671	11,810	9,915	1,895
Labor.....	9,493	23,214	20,968	2,246
Public Utilities Commission.....	34,309	34,808	19,501	15,307
Safety.....	160,574	180,267	86,666	93,601
Corrections Department.....	115,777	104,889	100,218	4,671
Employment Security.....	50,380	52,938	30,478	22,460
Judicial Council.....	24,844	25,251	23,923	1,328
Human Rights Commission.....	578	559	533	26
Boards and Commissions.....	953	479	449	30
Total.....	579,448	608,360	423,604	184,756
<b>RESOURCE PROTECTION AND DEVELOPMENT</b>				
Resource and Economic Development.....	74,846	92,104	57,229	34,875
Pease Development Authority.....	2,346	2,319	495	1,824
Environmental Services.....	177,569	180,666	70,867	109,799
Development Finance Authority.....	171	171	171	-
Boards and Commissions.....	50	68	68	-
Total.....	254,982	275,328	128,830	146,498
<b>TRANSPORTATION</b>				
Transportation.....	28,256	29,160	7,743	21,417
Total.....	28,256	29,160	7,743	21,417
<b>HEALTH AND SOCIAL SERVICES</b>				
Health and Human Services Commissioner.....	712,620	751,624	642,248	109,376
Office of Health Management.....	108,921	114,274	74,093	40,181
Children and Youth.....	119,267	115,968	107,901	8,067
Transitional Assistance.....	100,774	98,332	76,017	22,315
Behavioral Health.....	120,111	123,658	115,551	8,107
Developmental Services.....	288,470	286,587	274,605	11,982
Developmental Disabilities Council.....	794	779	514	265
N H Hospital.....	66,618	61,255	54,000	7,255
Home for Elderly.....	14,408	13,737	13,061	676
N H Veterans Home.....	30,832	30,214	27,179	3,035
Veterans Council.....	434	431	405	26
Youth Development Services.....	29,805	28,506	25,895	2,611
Elderly and Adult Services.....	440,045	495,409	440,618	54,791
Board of Medicine.....	4,322	928	842	86
Boards and Commissions.....	3	4,170	2,949	1,221
Total.....	2,037,424	2,125,872	1,855,878	269,994

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, 2013  
 (expressed in thousands)

	General Fund			Variance with Final Budget- Positive (Negative)
	Budgeted Amount		ACTUAL (Budgetary Basis)	
	ORIGINAL	FINAL		
EDUCATION				
Department of Education.....	497,359	501,556	294,151	207,405
NH Comm. Tech. College System.....	31,973	31,974	31,544	430
Planetarium.....	(59)	1,037	1,127	(90)
Police Standards and Training Council.....	3,614	3,498	2,839	659
University of New Hampshire.....	54,650	54,650	53,647	1,003
Total.....	587,537	592,715	383,308	209,407
Debt Service.....	105,204	105,204	105,008	196
Capital Outlays.....	22,263	22,263	22,253	10
Total.....	4,014,953	4,162,547	3,271,994	890,553
Excess of Revenues				
Over Expenditures.....	(39,394)	(115,352)	251,543	366,895
<b>Other Financing Sources (Uses)</b>				
Transfers In.....	-	793	793	-
Transfers Out.....	-	(140,134)	(140,134)	-
Miscellaneous.....	-	-	(5,813)	(5,813)
Total Other Financing Sources (Uses).....	-	(139,341)	(145,154)	(5,813)
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses.....	(39,394)	(254,693)	106,389	361,082
<b>Fund Balance - July 1.....</b>	580,161	580,161	580,161	-
<b>Fund Balance - June 30.....</b>	540,767	325,468	686,550	361,082

**STATE OF NEW HAMPSHIRE**  
**BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE (Unaudited)**  
**HIGHWAY FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**  
**(expressed in thousands)**

	Highway Fund			
	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget-Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Business License Taxes.....	\$ 152,816	\$ 152,800	\$ 144,023	\$ (8,777)
Non-Business License Taxes.....	79,780	79,780	84,106	4,326
Fees.....	24,253	24,203	23,277	(926)
Fines, Penalties and Interest.....	8,934	8,921	7,727	(1,194)
Grants from Federal Government.....	472,658	502,088	149,702	(352,386)
Grants from Private and Local Sources.....	6,584	42,068	33,924	(8,144)
Rents and Leases.....	167	167	143	(24)
Sale of Commodities.....	1,156	19,054	18,552	(502)
Sale of Services.....	31,831	31,530	36,987	5,457
Grants from Other Agencies.....	4,844	7,394	9,931	2,537
Miscellaneous.....	67,797	69,866	32,534	(37,332)
Total Revenues.....	850,820	937,871	540,906	(396,965)
<b>EXPENDITURES</b>				
Justice and Public Protection.....	85,955	81,691	74,206	7,485
Resource Protection and Development.....	1,508	1,457	1,302	155
Transportation.....	882,407	952,199	448,202	503,997
Debt Service.....	19,323	19,323	19,323	-
Capital Outlays.....	15,687	15,687	15,687	-
Total Expenditures.....	1,004,880	1,070,357	558,720	511,637
Deficiency of Revenues				
Under Expenditures.....	(154,060)	(132,486)	(17,814)	114,672
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out.....	-	(6,003)	(6,003)	-
Miscellaneous.....	-	(48)	(48)	-
Total Other Financing Sources (Uses).....	-	(6,051)	(6,051)	-
Deficiency of Revenues and Other Sources Under Expenditures and Other Uses.....				
	(154,060)	(138,537)	(23,865)	114,672
<b>Fund Balance - July 1.....</b>	<b>558,329</b>	<b>558,329</b>	<b>558,329</b>	<b>-</b>
<b>Fund Balance - June 30.....</b>	<b>\$ 404,269</b>	<b>\$ 419,792</b>	<b>\$ 534,464</b>	<b>\$ 114,672</b>

STATE OF NEW HAMPSHIRE  
 BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE (Unaudited)  
 EDUCATION FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
 (expressed in thousands)

	Education Fund			
	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget-Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
General Property Taxes.....	\$ 391,400	\$ 391,400	\$ 396,920	\$ 5,520
Special Taxes.....	298,193	298,193	322,450	24,257
Personal Taxes.....	95,899	95,899	79,631	(16,268)
Fines, Penalties and Interest.....	-	-	3	3
Grants from Federal Government.....	-	-	1,892	1,892
Miscellaneous.....	40,000	40,000	40,000	-
Total Revenues.....	825,492	825,492	840,896	15,404
<b>EXPENDITURES</b>				
Education.....	961,737	962,922	961,173	1,749
Total Expenditures.....	961,737	962,922	961,173	1,749
Deficiency of Revenues Under Expenditures.....	(136,245)	(137,430)	(120,277)	17,153
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In.....	-	140,084	140,084	-
Total Other Financing Sources Uses.....		140,084	140,084	
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other (Uses).....	(136,245)	2,654	19,807	17,153
<b>Fund Balance - July 1.....</b>	<b>(139,344)</b>	<b>(139,344)</b>	<b>(139,344)</b>	<b>-</b>
<b>Fund Balance - June 30.....</b>	<b>\$ (275,589)</b>	<b>\$ (136,690)</b>	<b>\$ (119,537)</b>	<b>\$ 17,153</b>

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

### FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

The comparison schedule presented for the General Fund, the Highway Fund, and the Education Fund, presents the original and final appropriated budgets for fiscal year 2013, as well as the actual resource inflows, outflows and fund balances stated on the budgetary basis.

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

Generally accepted accounting principles (GAAP) require the final legal budget be reflected in the "final budget" column for those accounts included in the original budget. Therefore updated revenue estimates available for appropriations as of June 30, 2013 rather than the amounts shown in the original budget, are reported. The final appropriations budget represents the original budget (HB1), plus HB2 and supplemental appropriations, carry-forwards, approved transfers, and any executive order reductions for budgeted accounts.

#### RECONCILIATION OF BUDGETARY TO GAAP

The state's biennial budget is prepared on a basis other than GAAP. The "actual" results columns of the Budget To Actual (Non-GAAP Budgetary Basis) schedules are presented on a "budgetary basis" under such standardized accounting methods and policies structured to provide a meaningful comparison to budget.

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

1. Expenditures (Budgetary) are recorded when cash is paid, rather than when the obligation is incurred (GAAP). Revenues (Budgetary) are based on cash received plus estimated revenues related to the budgetary expenditures. Additional revenue accruals are made on a (GAAP) basis only.
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, 2013 (expressed

	General Fund	Highway Fund	Education Fund
Excess/(Deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses (Budgetary Basis)	\$ 106,389	\$ (23,865)	\$ 19,807
Adjustments and Reclassifications:			
To record change in Accounts Payable and Accrued Payroll	(47,474)	23,002	701
To Record change in Accounts Receivable	40,009	(48,460)	(1,383)
To Record Other Financing Sources (Uses)	24,377	23,400	(19,125)
Excess/(Deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses (GAAP Basis)	\$ 123,301	\$ (25,923)	\$ -

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

As of December 31, 2012, the most recent actuarial valuation date, the actuarial accrued liability ("AAL") for benefits was \$1,857 million, with no actuarial value of assets, resulting in UAAL of \$1,857 million, as compared with a UAAL as of December 31, 2010 of \$2,258 million. The decrease in the AAL and UAAL from the December 31, 2010 valuation is attributable to specific changes made to pricing of the prescription drug program, changes in plan design and premium contributions, and overall favorable health claim experience. The new valuation report was performed using updated data, a payroll growth assumption of 3.75% (down from 4.50%) and changes to mortality, disability, turnover and retirement rates consistent with changes made by the New Hampshire Retirement System based on its June 30, 2010 experience study. The following schedule presents the State of New Hampshire's actuarially determined funding progress for the State's Other Postemployment Benefits (using the projected unit credit actuarial cost method):

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

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/12	\$ -	\$ 1,856,714	\$ 1,856,714	0%	\$ 518,664	357.98%
12/31/10	-	2,257,820	2,257,820	-	597,821	377.67
06/30/08	-	2,470,485	2,470,485	-	602,644	409.94

**INFORMATION ABOUT THE NEW HAMPSHIRE JUDICIAL RETIREMENT PLAN**

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

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

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
01/01/12	\$ 41,547	\$ 71,305	\$ 29,758	58%	\$ 6,553	454.11%
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

## **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, 2013  
 (Expressed in Thousands)

	<u>Highway Construction</u>				
	Federal Highway Construction Trust	State Funded Construction	Total Highway Construction	Highway Operating	Total Highway Fund
<b>ASSETS</b>					
Cash and Cash Equivalents .....	\$ 3,036	\$ 23,450	\$ 26,486	\$ 43,899	\$ 70,385
Cash and Cash Equivalents - Restricted.....	69,794		69,794		69,794
Receivables (Net of Allow ances for Uncollectibles)..	22,801	4,043	26,844	31,329	58,173
Inter-Fund Note Receivable.....				28,199	28,199
Due from Other Funds.....	(6,617)	14,259	7,642	(5,979)	1,663
Inventories.....				11,552	11,552
Investments.....	55,427		55,427		55,427
Total Assets .....	<u>\$ 144,441</u>	<u>\$ 41,752</u>	<u>\$ 186,193</u>	<u>\$ 109,000</u>	<u>\$ 295,193</u>
<b>LIABILITIES</b>					
Accounts Payable.....	\$ 22,494	\$ 5,868	\$ 28,362	\$ 7,331	\$ 35,693
Accrued Payroll.....				5,272	5,272
Deferred Revenue .....	3,103	2,121	5,224	30,573	35,797
Total Liabilities.....	<u>25,597</u>	<u>7,989</u>	<u>33,586</u>	<u>43,176</u>	<u>76,762</u>
<b>FUND BALANCES</b>					
Nonspendable:					
Inventories.....				11,552	11,552
Restricted.....	115,811	14,685	130,496	4,301	134,797
Committed.....		8,262	8,262	4,656	12,918
Assigned.....	3,033	10,816	13,849	45,315	59,164
Total Fund Balances .....	<u>118,844</u>	<u>33,763</u>	<u>152,607</u>	<u>65,824</u>	<u>218,431</u>
Total Liabilities and Fund Balances.....	<u>\$ 144,441</u>	<u>\$ 41,752</u>	<u>\$ 186,193</u>	<u>\$ 109,000</u>	<u>\$ 295,193</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, 2013  
 (Expressed in Thousands)

	Highway Construction				
	Federal Highway Construction Trust	State Funded Construction	Total Highway Construction	Highway Operating	Total Highway Fund
<b>REVENUES</b>					
<b>Unrestricted</b>					
Business License Taxes (Road Toll).....				\$ 123,179	\$ 123,179
Motor Vehicle Fees.....				106,086	106,086
Fines, Penalties and Interest.....				7,517	7,517
Sale of Commodities.....				97	97
Sale of Service (Includes Overhead Billing).....				22,029	22,029
Miscellaneous.....				2,465	2,465
Subtotal Unrestricted Revenues.....	-	-	-	261,373	261,373
<b>Restricted</b>					
Business License Taxes (Road Toll - Betterment).....		\$ 20,844	\$ 20,844	-	20,844
Motor Vehicle Fees.....				1,297	1,297
Fines, Penalties and Interest.....				210	210
Grants from Federal Government.....	\$ 119,938	7,324	127,262	19,651	146,913
Grants from Private and Local Sources.....	27,831	87	27,918	6,385	34,303
Rents and Leases.....				143	143
Sale of Commodities (Motor Fuel, Highway Inventory).....				11,727	11,727
Sale of Service.....				553	553
Grants from Other Agencies.....				8,412	8,412
Miscellaneous.....	1,710		1,710	4,958	6,668
Subtotal Restricted Revenues.....	149,479	28,255	177,734	53,336	231,070
Total Revenue.....	149,479	28,255	177,734	314,709	492,443
<b>EXPENDITURES</b>					
Current:					
Administration of Justice and Public Protection.....				74,636	74,636
Resource Protection and Development.....				1,303	1,303
Municipal Aid.....	9,348	7,867	17,215	29,611	46,826
Transportation.....	50,480	23,547	74,027	164,951	238,978
Debt Service.....	6,998		6,998	12,325	19,323
Capital Outlay Equipment - Safety.....				1,613	1,613
Capital Outlay Equipment - Transportation.....	789		789	6,968	7,757
Capital Outlay Infrastructure - Transportation.....	125,883	5,753	131,636	9,123	140,759
Capital Outlay Land and Buildings - Transportation.....	3,630	20	3,650	871	4,521
Total Expenditures.....	197,128	37,187	234,315	301,401	535,716
Excess (Deficiency) of Revenues					
Over (Under) Expenditures.....	(47,649)	(8,932)	(56,581)	13,308	(43,273)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers among accounts.....	4,960	11,419	16,379	(16,379)	
Transfers Out.....			-	(6,003)	(6,003)
Installments on Sale of Assets (I-95 Transfer Payment).....				24,262	24,262
Total Other Financing Sources (Uses).....	4,960	11,419	16,379	1,880	18,259
Excess (Deficiency) of Revenues and Other Sources					
Over (Under) Expenditures and Other Uses.....	(42,689)	2,487	(40,202)	15,188	(25,014)
Fund Balances - July 1.....	161,533	31,276	192,809	51,545	244,354
Change in Inventory.....				(909)	(909)
Fund Balances - June 30.....	\$ 118,844	\$ 33,763	\$ 152,607	\$ 65,824	\$ 218,431

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., Sam Whidden Trust, Ben Thompson, the Guy Thompson Memorial, Matthew Elliott Trust, Connecticut Lake fund, Laconia State School/Training Center, NH Hospital Patient Banking, and Community Conservation Endowment Funds.*

STATE OF NEW HAMPSHIRE  
 COMBINING BALANCE SHEET  
 NON - MAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2013  
 (Expressed in Thousands)

	Permanent Funds						Total Non- Major
	Fish & Game	Capital	NH Hospital	Land Conservation Endowment	Other Permanent	Total Permanent	
<b>ASSETS</b>							
Cash and Cash Equivalents .....	\$5,266	\$ 29,937	\$ 81	\$ 60	\$ 211	\$ 352	\$ 35,555
Investments .....			6,092	3,105	9,514	18,711	18,711
Receivables (Net).....	1,913	6,479					8,392
Due from Other Funds.....		2,750					2,750
Inventories.....	511						511
Total Assets.....	\$7,690	\$ 39,166	\$ 6,173	\$ 3,165	\$ 9,725	\$ 19,063	\$ 65,919
<b>LIABILITIES</b>							
Accounts Payable.....	\$2,007	\$ 12,994					\$ 15,001
Accrued Payroll.....	576	6					582
Deferred Revenue .....		819					819
Total Liabilities.....	2,583	13,819					16,402
<b>FUND BALANCES</b>							
Nonspendable:							
Inventories.....	511						511
Permanent Fund Principal.....				2,166	4,910	7,076	7,076
Restricted.....	2,043	25,347	\$ 6,173	999	4,815	11,987	39,377
Committed.....	1,130						1,130
Assigned.....	1,423						1,423
Total Fund Balances.....	5,107	25,347	6,173	3,165	9,725	19,063	49,517
Total Liabilities and Fund Balances ....	\$7,690	\$ 39,166	\$ 6,173	\$ 3,165	\$ 9,725	\$ 19,063	\$ 65,919

**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, 2013  
 (Expressed in Thousands)**

	Permanent Funds							Total Non-Major
	Fish & Game	Capital	NH Hospital	Conservation Endowment	Other Permanent	Total Permanent	Land	
<b>REVENUES</b>								
Non-Business License Taxes.....	\$ 8,796							\$ 8,796
Fees.....	954							954
Fines, Penalties and Interest.....	117							117
Grants from Federal Government.....	8,929	\$ 34,363						43,292
Grants from Private and Local Sources.....	173							173
Interest, Premiums and Discounts.....	37		\$ 149	\$ 57	\$ 331	\$ 537		574
Sale of Commodities.....	235							235
Grants from Other Agencies.....	4,424							4,424
Miscellaneous.....	620	8,896	414	295	1,062	1,771		11,287
Total Revenues.....	24,285	43,259	563	352	1,393	2,308		69,852
<b>EXPENDITURES</b>								
Current:								
General Government.....								
Administration of Justice & Public Protection.....					1,645	1,645		1,645
Resource Protection and Development.....	25,724			92	298	390		26,114
Health and Social Services.....			173			173		173
Debt Service.....	450							450
Capital Outlay.....	1,916	121,307						123,223
Total Expenditures.....	28,090	121,307	173	92	1,943	2,208		151,605
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	(3,805)	(78,048)	390	260	(550)	100		(81,753)
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers In .....	1,213	4,000						5,213
Transfers Out.....		(3)						(3)
G.O. Bond Premium.....		12,820						12,820
G.O. Bond Issuance.....		85,625						85,625
Total Other Financing Sources.....	1,213	102,442						103,655
Excess (Deficiency) of Revenues & Other Sources Over (Under) Expenditures & Other Uses.....	(2,592)	24,394	390	260	(550)	100		21,902
Fund Balances - July 1 .....	7,873	953	5,783	2,905	10,275	18,963		27,789
Change in Inventory.....	(174)							(174)
Fund Balances - June 30.....	\$ 5,107	\$ 25,347	\$ 6,173	\$ 3,165	\$ 9,725	\$ 19,063		\$ 49,517

STATE OF NEW HAMPSHIRE  
 BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE  
 FISH & GAME FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
 (expressed in thousands)

	Fish and Game Fund			
	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget-Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Non-Business License Taxes.....	\$ 11,197	\$ 12,094	\$ 8,796	\$ (3,298)
Fees.....	2,906	3,023	1,428	(1,595)
Fines, Penalties and Interest.....	153	153	117	(36)
Grants from Federal Government.....	9,693	9,750	9,114	(636)
Grants from Private and Local Sources.....	615	620	202	(418)
Interest Premiums and Discounts.....	276	274	37	(237)
Sale of Commodities.....	626	622	579	(43)
Sale of Services.....	1,234	1,239	-	(1,239)
Grants from Other Agencies.....	6,147	6,120	4,424	(1,696)
Miscellaneous.....	825	1,006	956	(50)
Total Revenues.....	33,672	34,901	25,653	(9,248)
<b>EXPENDITURES</b>				
Resource Protection and Development.....	30,323	31,161	27,001	4,160
Debt Service.....	450	450	450	-
Capital Outlays.....	1,917	1,917	1,917	-
Total Expenditures.....	32,690	33,528	29,368	4,160
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	982	1,373	(3,715)	(5,088)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In.....				
Transfers Out.....	-	1,214	1,214	-
Miscellaneous.....	-	(174)	(174)	-
Total Other Financing Sources (Uses).....		1,040	1,040	
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses.....	982	2,413	(2,675)	(5,088)
<b>Fund Balance - July 1.....</b>	<b>8,362</b>	<b>8,362</b>	<b>8,362</b>	<b>-</b>
<b>Fund Balance - June 30.....</b>	<b>\$ 9,344</b>	<b>\$ 10,775</b>	<b>\$ 5,687</b>	<b>\$ (5,088)</b>

### Reconciliation of Budgetary To GAAP

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

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

1. Expenditures are recorded when cash is paid or committed (budgetary), rather than when the obligation is incurred (GAAP). In addition, revenue based on these accruals is adjusted on a GAAP basis only.

2. On a GAAP basis, major inter-agency and intra-agency transactions are eliminated in order to not double count revenues and expenditures.

The following schedule reconciles the Fish and Game Fund of the primary government for differences between budgetary accounting methods and the GAAP basis accounting principles for the year ended June 30, 2013 (expressed in thousands).

	Fish & Game Fund
Deficiency of revenues and other financing sources under expenditures and other financing uses (Budgetary Basis)	\$ (2,675)
Adjustments and Reclassifications: To record change in Accounts Payable and Accrued Payroll	1,276
To Record change in Accounts Receivable	(1,367)
Deficiency of revenues and other financing sources under expenditures and other financing uses (GAAP Basis)	\$ (2,766)

## **SRF Funds**

STATE OF NEW HAMPSHIRE  
 STATEMENT OF NET POSITION  
 SRF FUND  
 June 30, 2013  
 (Expressed in Thousands)

	Clean Water	Drinking Water	Total SRF Fund
<b>ASSETS - (Restricted)</b>			
<b>Current Assets:</b>			
Cash and Cash Equivalents.....	\$ 174,986	\$ 34,145	\$ 209,131
Loans Receivable:			
Cap Grant - Wastewater.....	8,504		8,504
Cap Grant - Landfills.....	1,965		1,965
Cap Grant - Regular.....		3,062	3,062
Repayment Loans.....	6,340	1,300	7,640
Total Loans Receivable.....	16,809	4,362	21,171
Other Current Assets.....	3,126	1,262	4,388
Total Current Assets.....	194,921	39,769	234,690
<b>Noncurrent Assets:</b>			
Loans Receivable:			
Cap Grant - Wastewater.....	111,525		111,525
Cap Grant - Landfills.....	14,214		14,214
Cap Grant - Regular.....		67,660	67,660
Repayment Loans.....	93,774	26,593	120,367
Total Loans Receivable.....	219,513	94,253	313,766
Total Noncurrent Assets.....	219,513	94,253	313,766
Total Assets.....	414,434	134,022	548,456
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts Payable.....	135	259	394
Advanced Collection.....	19	4	23
Total Current Liabilities.....	154	263	417
Total Liabilities.....	154	263	417
<b>NET POSITION</b>			
Restricted Net Position.....	414,280	133,759	548,039
Total Net Position.....	\$ 414,280	\$ 133,759	\$ 548,039

STATE OF NEW HAMPSHIRE  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
SRF FUND  
For The Fiscal Year Ended June 30, 2013  
(Expressed in Thousands)

	Clean Water	Drinking Water	Total SRF Fund
<b><u>OPERATING REVENUES</u></b>			
Loan Interest.....	\$ 2,267	\$ 1,364	\$ 3,631
Capitalized Loan Interest.....	518	1	519
Management Fees.....	3,404	1,727	5,131
Grant Revenue.....		1,999	1,999
Total Operating Revenue.....	<u>6,189</u>	<u>5,091</u>	<u>11,280</u>
<b><u>OPERATING EXPENSES</u></b>			
Principal Forgiveness.....	7,244	5,043	12,287
Small System Set-Aside Costs.....		142	142
Small Program Management Costs.....		592	592
Local Assistance Set-Aside Costs.....		1,201	1,201
Administration.....	3,785	1,943	5,728
Total Operating Expenses.....	<u>11,029</u>	<u>8,921</u>	<u>19,950</u>
Operating Loss.....	<u>(4,840)</u>	<u>(3,830)</u>	<u>(8,670)</u>
<b><u>NONOPERATING REVENUES</u></b>			
Investment Income.....	88	13	101
Federal Grant Revenue.....	18,428	6,603	25,031
Total Nonoperating Revenues.....	<u>18,516</u>	<u>6,616</u>	<u>25,132</u>
Income Before Transfers.....	<u>13,676</u>	<u>2,786</u>	<u>16,462</u>
Transfers from Governmental Funds.....	3,276	1,692	4,968
Change in Net Position.....	16,952	4,478	21,430
Net Position - July 1.....	397,328	129,281	526,609
Net Position - June 30.....	<u>\$ 414,280</u>	<u>\$ 133,759</u>	<u>\$ 548,039</u>

# **Internal Service Fund**

**STATE OF NEW HAMPSHIRE**  
**COMBINING SCHEDULE OF STATEMENT OF NET POSITION ACCOUNTS**  
**EMPLOYEE BENEFIT RISK MANAGEMENT FUND**  
**JUNE 30, 2013**  
**(Expressed in Thousands)**

<b>ASSETS</b>	<b>Health</b>			<b>Dental</b>	<b>Total</b>
	<b>Active</b>	<b>Retirees</b>	<b>Total</b>		
<b>Current Assets:</b>					
Cash and Cash Equivalents.....	\$ 27,219	\$ 12,263	\$ 39,482	\$ 1,668	\$ 41,150
Accounts Receivable.....	1,228	1,307	2,535	15	2,550
Total Assets.....	<u>\$ 28,447</u>	<u>\$ 13,570</u>	<u>\$ 42,017</u>	<u>\$ 1,683</u>	<u>\$ 43,700</u>
<b>LIABILITIES</b>					
<b>Current Liabilities:</b>					
Accounts Payable.....	\$ 473	\$ 366	\$ 839	\$ 36	\$ 875
Claims Payable.....	2,660	621	3,281	212	3,493
Incurred but not Reported (IBNR).....	8,697	4,630	13,327	\$ 228	13,555
Total Liabilities.....	<u>11,830</u>	<u>5,617</u>	<u>17,447</u>	<u>476</u>	<u>17,923</u>
<b>NET POSITION</b>					
Unrestricted Net Position.....	<u>\$ 16,617</u>	<u>\$ 7,953</u>	<u>\$ 24,570</u>	<u>\$ 1,207</u>	<u>\$ 25,777</u>

**STATE OF NEW HAMPSHIRE**  
**COMBINING SCHEDULE OF REVENUES,**  
**EXPENDITURES AND CHANGES IN NET POSITION ACCOUNTS**  
**EMPLOYEE BENEFIT RISK MANAGEMENT FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**  
(Expressed in Thousands)

	Health			Dental	Total
	Active	Retirees	Total		
<b>OPERATING REVENUES</b>					
Charges for Sales and Services					
Contributions For Health Benefits					
State Contributions:					
Active Employees.....	\$ 161,116		\$ 161,116	\$ 10,604	\$ 171,720
Retired Judges & Constitutional Officers.....		\$ 552	552		552
Retired Employees.....		49,401	49,401		49,401
Non-State Contributions:					
Employee and Retiree Premiums.....	11,180	4,612	15,792	6	15,798
Other Employers.....	1,819		1,819	113	1,932
COBRA Participants.....	487	1	488	126	614
Legislator Participants.....	690	254	944	86	1,030
Retirement Subsidies & Deductions.....		12,419	12,419		12,419
Recoveries.....	2,151	2,249	4,400	9	4,409
Federal Part D Subsidies.....		3,130	3,130		3,130
Total Contributions for Health Benefits.....	177,443	72,618	250,061	10,944	261,005
Total Charges for Sales and Services.....	177,443	72,618	250,061	10,944	261,005
<b>OPERATING EXPENSES</b>					
Health Care Expenses:					
Medical Payments.....	135,783	40,568	176,351	9,881	186,232
Pharmaceuticals.....	27,342	24,955	52,297		52,297
Ancillary Benefits.....	796		796		796
Total Health Care Expenses.....	163,921	65,523	229,444	9,881	239,325
Administrative Expenses.....	5,961	5,344	11,305	431	11,736
Total Operating Expenses.....	169,882	70,867	240,749	10,312	251,061
Change in Net Position.....	7,561	1,751	9,312	632	9,944
Net Position - July 1 .....	9,056	6,202	15,258	575	15,833
Net Position - June 30.....	\$ 16,617	\$ 7,953	\$ 24,570	\$ 1,207	\$ 25,777

## **Component Units**

STATE OF NEW HAMPSHIRE  
 COMBINING STATEMENT OF NET POSITION  
 NON-MAJOR COMPONENT UNITS  
 JUNE 30, 2013  
 (Expressed in Thousands)

	Business Finance Authority	Community Development Finance Authority	Pease Development Authority	Community College System of New Hampshire	Total
<b>ASSETS</b>					
Current Assets:					
Cash and Cash Equivalents.....	\$ 2,025	\$ 7,235	\$ 3,996	\$ 27,590	\$ 40,846
Cash and Cash Equivalents-Restricted.....	9,984	1,305	695		11,984
Accounts Receivable.....	-	1,564	1,367	378	3,309
Other Receivables.....	752	2,581		1,917	5,250
Notes Receivable - Current Portion.....	11,456	1,514			12,970
Prepaid Expenses & Other.....	387	432	541		1,360
Total Current Assets.....	24,604	14,631	6,599	29,885	75,719
Noncurrent Assets:					
Investments.....		156		8,730	8,886
Notes & Other Receivables.....	22,225	8,996	814	803	32,838
Other Assets.....	4,639			6,062	10,701
Capital Assets:					
Land & Land Improvements.....			5,139	6,161	11,300
Building & Building Improvements.....			121,964	145,280	267,244
Equipment.....		159	12,527	13,546	26,232
Construction in Progress.....			7,140	14,811	21,951
Less: Accumulated Depreciation.....		(131)	(74,140)	(67,787)	(142,058)
Net Capital Assets.....	-	28	72,630	112,011	184,669
Total Noncurrent Assets.....	26,864	9,180	73,444	127,606	237,094
Total Assets.....	51,468	23,811	80,043	157,491	312,813
Current Liabilities:					
Accounts Payable.....		150	3,859	1,907	5,916
Accrued Salaries and Wages.....				5,711	5,711
Accrued Employee Benefits - Current.....	34				34
Other Payables & Accrued Expenses.....	52	6,849			6,901
Other Liabilities.....	352			53	405
Deposits and Deferred Revenues.....	2,476	523	461	792	4,252
Long Term Debt-Current Portion.....			1,290	1,713	3,003
Total Current Liabilities.....	2,914	7,522	5,610	10,176	26,222
Noncurrent Liabilities:					
Other Long Term Debt.....	29,268		2,307	27,860	59,435
Total Noncurrent Liabilities.....	29,268		2,307	27,860	59,435
Total Liabilities.....	32,182	7,522	7,917	38,036	85,657
<b>NET POSITION</b>					
Net Investment in Capital Assets.....	-	-	69,032	91,023	160,055
Restricted for Specific Purpose.....	25,392	2,604	1,617	13,377	42,990
Unrestricted.....	(6,106)	13,685	1,477	15,055	24,111
Total Net Position.....	\$ 19,286	\$ 16,289	\$ 72,126	\$ 119,455	\$ 227,156

See accompanying Independent Auditors' Report

STATE OF NEW HAMPSHIRE  
 COMBINING STATEMENT OF ACTIVITIES  
 NON-MAJOR COMPONENT UNITS  
 JUNE 30, 2013  
 (Expressed in Thousands)

	Business Finance Authority	Community Development Finance Authority	Pease Development Authority	Community College System of New Hampshire	Total
<b>Expenses</b> .....	\$ 2,253	\$ 19,427	\$ 19,233	\$ 113,769	\$ 154,682
<b>Program Revenues:</b>					
Charges for Services:					
Tuition & Fees.....				69,706	69,706
Scholarship Allowances.....					
Sales, Services, & Other Revenue.....	10,965	3,294	14,239	13,784	42,282
Operating Grants & Contributions.....		19,925	1,818		21,743
Capital Grants & Contributions.....				2,841	2,841
Total Program Revenues.....	10,965	23,219	16,057	86,331	136,572
Net Revenues (Expenses).....	8,712	3,792	(3,176)	(27,438)	(18,110)
Interest & Investment Income.....	19	96	12	1,000	1,127
Payments from State of New Hampshire.....			1,344	40,650	41,994
Change in Net Position.....	8,731	3,888	(1,820)	14,212	25,011
<b>Net Position - July 1</b> .....	10,555	12,401	73,946	105,243	202,145
<b>Net Position - June 30</b> .....	\$ 19,286	\$ 16,289	\$ 72,126	\$ 119,455	\$ 227,156

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## 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 POSITION**  
**PENSION TRUST FUNDS**  
**JUNE 30, 2013**  
**(Expressed in Thousands)**

	Other Postemployment Medical Plans (OPEB)						Total
	Pension Plan	Group II Police Officer & Firefighter	Group 1 Teachers	Group 1 Political Subdivisions	Group 1 State Employees	Judicial Retirement Plan	
<b>ASSETS</b>							
Cash & Cash Equivalents.....	\$ 7,670	\$ 8	\$ -	\$ 20	\$ -	\$ 258	\$ 7,956
Total Cash.....	7,670	8	-	20	-	258	7,956
Receivables:							
Due from Employers.....	34,309	-	-	-	-	150	34,459
Due from Plan Members.....	22,058	-	-	-	-	29	22,087
Due from Group 1 Teacher OPEB Plan ..	-	2,829	-	8,053	-	-	10,882
Due from Brokers for Securities Sold....	274,688	274	-	718	4	-	275,684
Interest and Dividends.....	17,515	18	-	45	-	137	17,715
Other .....	3,943	4	-	10	-	-	3,957
Total Receivables.....	352,513	3,125	-	8,826	4	316	364,784
Investments							
Cash & Cash Equivalents.....	104,469	105	-	272	3	-	104,849
Equity Investments							
Domestic.....	2,986,750	2,981	-	7,805	47	14,467	3,012,050
International.....	1,019,273	1,017	-	2,663	16	5,591	1,028,560
Fixed Income Investments							
Domestic.....	1,106,357	1,104	-	2,891	17	9,092	1,119,461
International.....	323,366	323	-	845	5	-	324,539
Commercial Real Estate.....	570,486	569	-	1,491	9	-	572,555
Alternative Investments.....	219,487	219	-	574	3	9,451	229,734
Total Investments.....	6,330,188	6,318	-	16,541	100	38,601	6,391,748
Other Assets.....	305	-	-	1	-	-	306
Total Assets.....	6,690,676	9,451	-	25,388	104	39,175	6,764,794
<b>LIABILITIES</b>							
Management Fees and Other Payables.....	8,526	9	-	22	-	55	8,612
Due to Group 1 Political Subdivision.....							
OPEB Plan.....	-	-	8,053	-	-	-	8,053
Due to Group II Police & Fire OPEB Plan.....	-	-	2,829	-	-	-	2,829
Due to Brokers for Securities Purchased..	277,166	277	-	724	4	-	278,171
Total Liabilities.....	285,692	286	10,882	746	4	55	297,665
Net Position Held in Trust for .....							
Benefits & Other Purposes.....	6,404,984	9,165	(10,882)	24,642	100	39,120	6,467,129

STATE OF NEW HAMPSHIRE  
 COMBINING STATEMENT OF CHANGES  
 IN PLAN NET POSITION  
 PENSION TRUST FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
 (Expressed in Thousands)

	Other Postemployment Medical Plans (OPEB)						Total
	Group II		Group 1		Judicial		
	Pension Plan	Police Officer & Firefighter	Group 1 Teachers	Group 1 Political Subdivisions	Group 1 State Employees	Judicial Retirement Plan	
<b>ADDITIONS</b>							
<b>Contributions:</b>							
Employer .....	\$ 249,835	\$ 15,260	\$ 23,767	\$ 1,885	\$ 8,800	\$ 2,786	\$ 302,333
State Contributions on Behalf of							
Local Employers.....	-	-	-	-	-	-	-
Total Employer Contributions.....	249,835	15,260	23,767	1,885	8,800	2,786	302,333
Plan Members.....	196,489	-	-	-	-	546	197,035
Total Contributions.....	446,324	15,260	23,767	1,885	8,800	3,332	499,368
<b>Investment Income:</b>							
From Investing Activities:							
Net Appreciation (Depreciation)							
in Fair Value of Investments.....	683,928	991	-	2,784	(1)	3,955	691,657
Interest.....	64,520	94	-	263	-	953	65,830
Dividends.....	82,148	119	-	334	-	-	82,601
Alternative Investment Income.....	4,987	7	-	21	-	-	5,015
Total Income (loss) from Investing Activities.....	835,583	1,211	-	3,402	(1)	4,908	845,103
<b>Less: Investment Activity Expenses:</b>							
Investment Management Fees.....	19,808	29	-	81	-	-	19,918
Custodial Fees.....	773	1	-	3	-	31	808
Investment Administrative Expense.....	715	1	-	3	-	-	719
Investment Advisor Fees.....	616	1	-	3	-	60	680
Total Investment Activity Expenses.....	21,912	32	-	90	-	91	22,125
Total Net Income (loss) from Investing Activities.....	813,671	1,179	-	3,312	(1)	4,817	822,978
<b>Total Net Investment Income (loss).....</b>	<b>813,671</b>	<b>1,179</b>	<b>-</b>	<b>3,312</b>	<b>(1)</b>	<b>4,817</b>	<b>822,978</b>
Interest Income.....	-	243	-	690	-	-	933
Other.....	111	-	-	-	-	-	111
<b>Total Additions.....</b>	<b>1,260,106</b>	<b>16,682</b>	<b>23,767</b>	<b>5,887</b>	<b>8,799</b>	<b>8,149</b>	<b>1,323,390</b>
<b>DEDUCTIONS</b>							
Benefits/Distributions to Participants.....	573,469	16,209	24,731	6,413	7,793	5,122	633,737
Refunds of Contributions.....	23,191	-	-	-	-	-	23,191
Administrative Expense.....	6,999	10	-	28	-	210	7,247
Professional Fees.....	972	1	-	4	-	-	977
Interest Expense.....	-	-	933	-	-	-	933
Other.....	818	1	-	3	-	-	822
<b>Total Deductions.....</b>	<b>605,449</b>	<b>16,221</b>	<b>25,664</b>	<b>6,448</b>	<b>7,793</b>	<b>5,332</b>	<b>666,907</b>
<b>Change in Net Position.....</b>	<b>654,657</b>	<b>461</b>	<b>(1,897)</b>	<b>(561)</b>	<b>1,006</b>	<b>2,817</b>	<b>656,483</b>
<b>NET POSITION HELD IN TRUST FOR BENEFITS</b>							
Net Position - July 1.....	5,750,327	8,704	(8,985)	25,203	(906)	36,303	5,810,646
Net Position - June 30.....	6,404,984	9,165	(10,882)	24,642	100	39,120	6,467,129

## 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, Japanese Charitable Trust, Youth Development Center, YDC Other Funds, the Special Fund for Active Cases, Tip-Top House Fund, NH Disaster Relief Fund 2011, and NH Hospital Patient Banking.*

STATE OF NEW HAMPSHIRE  
 COMBINING STATEMENT OF NET POSITION -  
 PRIVATE - PURPOSE TRUST FUNDS  
 JUNE 30, 2013  
 (Expressed in Thousands)

	Private-Purpose Trust Funds					Total Private-Purpose
	Special Fund For Second Injuries	EAP	College Savings	Other		
<b>ASSETS</b>						
Cash and Cash Equivalents .....	\$ 2,471	\$ 2,451	\$ 222	\$ 730	\$	5,874
Investments .....			2,944	779		3,723
Total Assets .....	2,471	2,451	3,166	1,509		9,597
<b>LIABILITIES</b>						
Total Liabilities .....						
Net Position Held in Trust for Benefits .....						
& Other Purposes .....	\$ 2,471	\$ 2,451	\$ 3,166	\$ 1,509	\$	9,597

STATE OF NEW HAMPSHIRE  
 COMBINING STATEMENT OF CHANGES IN NET POSITION-  
 PRIVATE-PURPOSE TRUST FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
 (Expressed in Thousands)

	Private Purpose Trust Funds				
	Special Fund For Second Injuries	EAP	College Savings	Other	Total Private Purpose
<b>ADDITIONS</b>					
<b>Contributions:</b>					
From Participants.....	\$ 13,498	\$ 2,393	\$ 11,190	\$ 2,465	\$ 29,546
From Gifts, Bequests, and Endowments.....		0	0	19	19
Total Contributions.....	13,498	2,393	11,190	2,484	29,565
Interest Income.....	6		66	14	86
Other.....			(3)	609	606
<b>Total Additions.....</b>	<b>13,504</b>	<b>2,393</b>	<b>11,253</b>	<b>3,107</b>	<b>30,257</b>
<b>DEDUCTIONS</b>					
Benefits/Distributions to Participants.....	13,661	626		728	15,015
Other.....			11,129	2,598	13,727
<b>Total Deductions.....</b>	<b>13,661</b>	<b>626</b>	<b>11,129</b>	<b>3,326</b>	<b>28,742</b>
<b>Net Increase/(Decrease).....</b>	<b>(157)</b>	<b>1,767</b>	<b>124</b>	<b>(219)</b>	<b>1,515</b>
<b>NET POSITION HELD IN TRUST FOR BENEFITS &amp; OTHER PURPOSES</b>					
Net Position - July 1.....	2,628	684	3,042	1,728	8,082
<b>Net Position - June 30.....</b>	<b>\$ 2,471</b>	<b>\$ 2,451</b>	<b>\$ 3,166</b>	<b>\$ 1,509</b>	<b>\$ 9,597</b>

## Agency Funds

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

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

**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, Glenclyff Home, Financial Responsibility, NHH Patient Banking, Safety Road Toll, NH Veterans Home Member Account, Pari-Mutuel Comm. Licensee Escrow, State of NH Racing Torguson Group NH LLC, State of NH Racing Casablanca, DOL Crown Paper Workers Comp Fund, VOIP Escrow, NHSLC Warehouse Services RFP, Various Corrections Funds, and National Seminars Group.*

**STATE OF NEW HAMPSHIRE**  
**COMBINING STATEMENT OF ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**JUNE 30, 2013**  
**(Expressed in Thousands)**

	Agency Funds					Total
	Unified Court System	Child Support Funds	Lifetime License Fund	Board of Tax and Land Appeals	Other Agency Funds	
<b>ASSETS</b>						
Cash and Cash Equivalents.....	\$ 8,547	\$ 1,621	\$ 1,459	\$ 974	\$ 2,494	\$ 15,095
Investments.....			-		20	20
Total Assets.....	\$ 8,547	\$ 1,621	\$ 1,459	\$ 974	\$ 2,514	\$ 15,115
<b>LIABILITIES</b>						
Custodial Funds Payable.....	\$ 8,547	\$ 1,621	\$ 1,459	\$ 974	\$ 2,514	\$ 15,115
Total Liabilities.....	\$ 8,547	\$ 1,621	\$ 1,459	\$ 974	\$ 2,514	\$ 15,115

STATE OF NEW HAMPSHIRE  
 COMBINING STATEMENT OF CHANGES  
 IN ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
 (Expressed in Thousands)

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
<b><u>Unified Court System</u></b>				
<b><u>ASSETS</u></b>				
Cash and Cash Equivalents.....	\$ 6,898	\$ 13,725	\$ 12,076	\$ 8,547
<b><u>LIABILITIES</u></b>				
Custodial Funds Payable.....	\$ 6,898	\$ 13,725	\$ 12,076	\$ 8,547
<b><u>Child Support Funds</u></b>				
<b><u>ASSETS</u></b>				
Cash and Cash Equivalents.....	\$ 1,722	\$ 91,322	\$ 91,423	\$ 1,621
<b><u>LIABILITIES</u></b>				
Custodial Funds Payable.....	\$ 1,722	\$ 91,322	\$ 91,423	\$ 1,621
<b><u>Lifetime License Fund</u></b>				
<b><u>ASSETS</u></b>				
Cash and Cash Equivalents.....	\$ 94	\$ 1,641	\$ 276	\$ 1,459
Investments.....	1,448		1,448	0
Total Assets.....	\$ 1,542	\$ 1,641	\$ 1,724	\$ 1,459
<b><u>LIABILITIES</u></b>				
Custodial Funds Payable.....	\$ 1,542	\$ 1,641	\$ 1,724	\$ 1,459
<b><u>Board of Tax and Land Appeals</u></b>				
<b><u>ASSETS</u></b>				
Cash and Cash Equivalents.....	\$ 1,021	\$ 1,066	\$ 1,113	\$ 974
<b><u>LIABILITIES</u></b>				
Custodial Funds Payable.....	\$ 1,021	\$ 1,066	\$ 1,113	\$ 974
<b><u>Other Agency Funds</u></b>				
<b><u>ASSETS</u></b>				
Cash and Cash Equivalents.....	\$ 2,023	\$ 6,189	\$ 5,718	\$ 2,494
Investments.....	2,265		2,245	20
Total Assets.....	\$ 4,288	\$ 6,189	\$ 7,963	\$ 2,514
<b><u>LIABILITIES</u></b>				
Custodial Funds Payable.....	\$ 4,288	\$ 6,189	\$ 7,963	\$ 2,514
<b><u>Totals - Agency Funds</u></b>				
<b><u>ASSETS</u></b>				
Cash and Cash Equivalents.....	\$ 11,758	\$ 113,943	\$ 110,606	\$ 15,095
Investments.....	3,713	-	3,693	20
Total Assets.....	\$ 15,471	\$ 113,943	\$ 114,299	\$ 15,115
<b><u>LIABILITIES</u></b>				
Custodial Funds Payable.....	15,471	113,943	114,299	15,115
Total Liabilities.....	\$ 15,471	\$ 113,943	\$ 114,299	\$ 15,115

See accompanying Independent Auditors' Report

# Statistical Section

## *(Unaudited)*

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

### Financial Trends

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

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

*(Accrual Basis of Accounting, Expressed in Thousands)*

	Fiscal Year					
	2013	2012	2011	2010	2009	2008
<b>Governmental Activities:</b>						
Expenses						
General government	\$ 428,738	\$ 467,022	\$ 525,152	\$ 568,119	\$ 495,720	\$ 420,367
Administration of justice and public protection	528,734	520,958	506,824	474,095	438,273	420,120
Resource protection and development	156,148	142,153	132,690	178,406	139,574	138,215
Transportation	410,758	310,736	456,652	587,542	518,415	443,258
Health and social services	2,009,403	1,959,017	2,177,806	2,162,636	1,980,286	1,877,924
Education	1,329,015	1,342,002	1,484,909	1,469,926	1,346,221	1,343,253
Interest expense	27,666	41,349	47,334	32,074	31,546	26,115
<b>Total expenses</b>	<b>4,890,462</b>	<b>4,783,237</b>	<b>5,331,367</b>	<b>5,472,798</b>	<b>4,950,035</b>	<b>4,669,252</b>
Program revenues						
Charges for services:						
General government	310,150	296,152	299,148	317,542	208,219	192,436
Administration of justice and public protection	340,088	306,509	341,099	411,353	315,081	315,613
Resource protection and development	58,460	65,453	70,017	76,960	64,216	62,406
Transportation	46,543	89,074	60,009	69,046	33,249	19,093
Health and social services	189,426	178,484	109,034	123,906	98,491	76,392
Education	11,963	27,051	4,002	8,550	(1,330)	879
Operating grants and contributions	1,602,922	1,622,317	1,824,734	1,948,200	1,599,262	1,424,014
Capital grants and contributions	183,676	193,546	146,267	223,103	208,309	194,637
<b>Total program revenues</b>	<b>2,743,228</b>	<b>2,778,586</b>	<b>2,854,310</b>	<b>3,178,660</b>	<b>2,525,497</b>	<b>2,285,470</b>
<b>Total Governmental Activities Net Program Expense</b>	<b>(2,147,234)</b>	<b>(2,004,651)</b>	<b>(2,477,057)</b>	<b>(2,294,138)</b>	<b>(2,424,538)</b>	<b>(2,383,782)</b>
General Revenues and Other Changes in Net Assets						
Taxes						
General property taxes	400,563	397,716	396,272	393,296	395,151	387,952
Business Income Taxes	538,365	486,535	402,004	565,825	482,597	
Meals and Rental Tax	248,574	239,067	234,852	231,663	211,414	
Special taxes	359,967	370,050	429,628	464,519	473,215	1,329,137
Personal taxes	205,849	214,928	226,649	243,499	188,038	166,288
Business license taxes	144,023	143,888	160,847	146,684	145,973	151,321
Interest and investment income	13,167	10,968	8,552	7,037	15,291	18,169
Miscellaneous	71,028	46,985	29,926	49,648	56,174	48,314
Special Item - Environmental Litigation Settlements	90,700					
Transfers/Contributions of assets to other entities	(4,484)	(117,709)	(13,788)	116,565		(106)
Transfers	217,767	206,446	205,294	209,048	192,745	188,602
<b>Total General Revenues and Other Changes in Net Assets</b>	<b>2,285,519</b>	<b>1,998,874</b>	<b>2,080,236</b>	<b>2,427,784</b>	<b>2,160,598</b>	<b>2,289,677</b>
<b>Total Governmental Activities Change in Net Assets</b>	<b>\$ 138,285</b>	<b>\$ (5,777)</b>	<b>\$ (396,821)</b>	<b>\$ 133,646</b>	<b>\$ (263,940)</b>	<b>\$ (94,105)</b>
<b>Business-type Activities:</b>						
Expenses						
Turnpike System	\$ 88,119	\$ 86,166	\$ 91,331	\$ 82,237	\$ 80,433	\$ 80,411
Liquor Commission	463,843	433,631	415,816	397,490	385,794	367,847
Lottery Commission	207,509	190,566	167,961	168,853	172,630	186,906
SRF Fund	19,950	33,031	5,412			
Unemployment Compensation	168,280	220,391	284,773	458,098	280,385	119,645
<b>Total expenses</b>	<b>947,701</b>	<b>963,785</b>	<b>965,293</b>	<b>1,106,678</b>	<b>919,242</b>	<b>754,809</b>
Revenues						
Charges for services:						
Turnpike System	121,112	123,489	118,852	120,511	107,593	107,075
Liquor Commission	603,575	575,233	558,605	530,936	507,479	479,448
Lottery Commission	285,232	260,990	232,597	237,591	243,890	264,014
SRF Fund	11,381	13,874	9,586			
Unemployment Compensation	228,612	305,256	341,157	399,746	165,896	77,051
Operating grants and contributions	25,031	21,869	61,470	-	-	-
Capital grants and contributions	5,446	201	24,162	-	3,952	8,816
<b>Total revenues</b>	<b>1,280,389</b>	<b>1,300,912</b>	<b>1,346,429</b>	<b>1,288,784</b>	<b>1,028,810</b>	<b>936,404</b>
<b>Total Business-type Activities Net Program Revenue</b>	<b>332,688</b>	<b>337,127</b>	<b>381,136</b>	<b>182,106</b>	<b>109,568</b>	<b>181,595</b>
Other Changes in Net Assets						
Transfer/Contribution of Capital Assets	4,484	46,585	13,788	(116,565)		
Transfers	(217,767)	(206,446)	(205,294)	(209,048)	(192,745)	(188,602)
<b>Total Other Changes in Net Assets</b>	<b>(213,283)</b>	<b>(159,861)</b>	<b>(191,506)</b>	<b>(325,613)</b>	<b>(192,745)</b>	<b>(188,602)</b>
<b>Total Business-type Activities Change in Net Assets</b>	<b>\$ 119,405</b>	<b>\$ 177,266</b>	<b>\$ 189,630</b>	<b>\$ (143,507)</b>	<b>\$ (83,177)</b>	<b>\$ (7,007)</b>
<b>Total Primary Government Change in Net Assets</b>	<b>\$ 257,690</b>	<b>\$ 171,489</b>	<b>\$ (207,191)</b>	<b>\$ (9,861)</b>	<b>\$ (347,117)</b>	<b>\$ (101,112)</b>

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

Fiscal Year			
<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
\$ 358,060	\$ 353,814	\$ 331,651	\$ 263,634
341,501	345,779	288,737	278,392
139,096	131,812	130,113	124,357
411,475	416,518	383,435	380,358
1,714,445	1,681,182	1,785,525	1,778,791
1,310,261	1,289,684	1,235,183	1,318,503
28,180	27,991	29,467	27,062
<u>4,303,018</u>	<u>4,246,780</u>	<u>4,184,111</u>	<u>4,171,097</u>
156,973	175,108	141,883	110,136
297,505	279,700	282,820	272,943
64,304	63,333	62,381	51,423
14,564	20,622	17,466	10,018
74,297	84,445	199,245	154,242
42,767	41,749	38,690	39,821
1,367,207	1,340,495	1,359,477	1,369,236
184,409	195,142	159,238	159,015
<u>2,202,026</u>	<u>2,200,594</u>	<u>2,261,200</u>	<u>2,166,834</u>
<u>(2,100,992)</u>	<u>(2,046,186)</u>	<u>(1,922,911)</u>	<u>(2,004,263)</u>
384,708	384,873	393,426	494,364
1,383,540	1,282,467	1,240,922	1,142,406
143,610	150,756	101,360	100,015
151,472	149,502	154,335	151,744
35,631	11,895	6,557	5,832
43,695	39,759	46,156	42,620
186,542	185,429	167,944	165,820
<u>2,329,198</u>	<u>2,204,681</u>	<u>2,110,700</u>	<u>2,102,801</u>
<u>\$ 228,206</u>	<u>\$ 158,495</u>	<u>\$ 187,789</u>	<u>\$ 98,538</u>
\$ 72,136	\$ 75,580	\$ 58,582	\$ 56,816
349,084	330,701	313,838	295,798
186,907	183,871	160,282	165,532
95,673	81,582	82,549	116,802
<u>703,800</u>	<u>671,734</u>	<u>615,251</u>	<u>634,948</u>
89,408	83,395	67,866	65,691
454,917	433,530	411,764	387,215
267,322	265,807	230,543	239,630
79,777	87,729	102,012	109,627
-	-	-	-
10,422	16,757	6,373	7,338
<u>901,846</u>	<u>887,218</u>	<u>818,558</u>	<u>809,501</u>
<u>198,046</u>	<u>215,484</u>	<u>203,307</u>	<u>174,553</u>
(186,542)	(185,429)	(167,944)	(165,820)
<u>(186,542)</u>	<u>(185,429)</u>	<u>(167,944)</u>	<u>(165,820)</u>
<u>\$ 11,504</u>	<u>\$ 30,055</u>	<u>\$ 35,363</u>	<u>\$ 8,733</u>
<u>\$ 239,710</u>	<u>\$ 188,550</u>	<u>\$ 223,152</u>	<u>\$ 107,271</u>

See accompanying Independent Auditors' Report

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

	Fiscal Year		
	2013	2012	2011
<b>General fund</b>			
Nonspendable:			
Inventories	\$ 5,092	\$ 5,892	\$ 6,649
Restricted	104,687	24,933	161,043
Committed	123,245	137,764	92,883
Assigned	25,509	24,984	27,356
Unassigned:			
Revenue Stabilization	9,312	9,312	9,312
Other	72,177	13,836	17,672
Total General Fund	<u>\$ 340,022</u>	<u>\$ 216,721</u>	<u>\$ 314,915</u>
<b>All Other Governmental Funds</b>			
Nonspendable:			
Inventories	\$ 12,063	\$ 13,147	\$ 12,401
Permanent Fund Principal	7,076	10,305	6,665
Restricted	174,174	193,102	115,448
Committed	14,048	15,397	1,469
Assigned	60,587	40,192	37,770
Unassigned			(33,577)
Total All Other Governmental Funds	<u>267,948</u>	<u>272,143</u>	<u>140,176</u>
Total Fund Balances - Governmental Funds	<u>\$ 607,970</u>	<u>\$ 488,864</u>	<u>\$ 455,091</u>

	Fiscal Year				
	2010	2009	2008	2007	2006
<b>General fund</b>					
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>
<b>All other governmental funds</b>					
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)*

	<u>Fiscal Year</u>	
	<u>2005</u>	<u>2004</u>
General fund		
Reserved	\$ 223,162	\$ 220,077
Unreserved	82,202	15,287
Total general fund	<u>\$ 305,364</u>	<u>\$ 235,364</u>
All other governmental funds		
Reserved	\$ 246,043	\$ 325,307
Unreserved, reported in:		
Special revenue funds	10,030	(6,689)
Capital project fund	<u>(130,913)</u>	<u>(207,182)</u>
Total all other governmental funds	<u>\$ 125,160</u>	<u>\$ 111,436</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 CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS

## LAST TEN FISCAL YEARS

(Modified Accrual Basis of Accounting, Expressed in Thousands)

	Fiscal Year					
	2013	2012	2011	2010	2009	2008
<b>Revenues</b>						
General property taxes	\$ 397,162	\$ 396,316	\$ 396,272	\$ 393,296	\$ 392,951	\$ 387,552
Special taxes	1,160,348	1,124,025	1,169,883	1,208,180	1,168,412	1,352,476
Personal taxes	205,849	214,928	226,649	243,499	188,038	166,288
Business License Taxes	163,736	163,764	181,730	165,508	166,930	172,277
Non-Business License Taxes	186,839	174,103	199,550	216,878	183,974	187,103
Fees	176,781	177,570	190,902	194,331	155,528	153,675
Fines, Penalties and Interest	14,010	25,118	11,111	11,953	28,498	35,383
Grants from Federal Government	1,603,132	1,649,458	1,929,010	2,073,667	1,680,891	1,497,606
Grants from Private and Local Sources	192,422	171,043	122,179	112,077	160,365	147,682
Rents and Leases	2,396	2,784	3,030	10,350	1,574	1,051
Interest, Premiums and Discounts	14,542	12,279	14,917	12,289	19,774	24,440
Sale of Commodities	25,071	12,546	12,506	11,829	10,921	10,465
Sale of Service	73,665	78,010	90,458	93,667	76,489	62,499
Assessments	60,777	73,816	66,528	81,009	64,901	53,069
Grants from Other Agencies	60,672	58,429	54,972	118,206	18,130	7,265
Miscellaneous	314,515	293,237	201,903	219,431	157,950	168,130
<b>Total Revenues</b>	<b>4,651,917</b>	<b>4,627,426</b>	<b>4,871,600</b>	<b>5,166,170</b>	<b>4,475,326</b>	<b>4,426,961</b>
<b>Expenditures</b>						
General Government	328,506	334,636	393,429	420,360	380,799	346,347
Administration of Justice and Public Protection	466,423	444,209	377,865	416,073	374,532	353,675
Resource Protection and Development	142,550	139,204	236,392	239,175	153,204	161,485
Transportation *	293,679	435,391	524,108	536,552	452,209	305,378
Health and Social Services	1,969,281	1,931,136	2,114,451	2,133,629	1,945,122	1,838,018
Education	1,336,946	1,361,783	1,375,706	1,362,028	1,274,261	1,304,734
Debt Service						
Principal	76,657	80,104	33,612	69,321	65,832	64,829
Interest	48,124	52,332	43,167	42,428	41,803	31,941
Capital Outlay *	300,126	144,373	191,293	197,342	242,758	354,337
<b>Total expenditures</b>	<b>4,962,292</b>	<b>4,923,168</b>	<b>5,290,023</b>	<b>5,416,283</b>	<b>4,930,520</b>	<b>4,760,744</b>
<b>Revenues Over (Under) Expenditures</b>	<b>(310,375)</b>	<b>(295,742)</b>	<b>(418,423)</b>	<b>(250,113)</b>	<b>(455,194)</b>	<b>(333,783)</b>
<b>Other Financing Sources (Uses)</b>						
Transfers In	126,966	143,943	128,259	43,244	58,458	35,986
Transfers In from Enterprise Funds	222,735	210,743	205,294	209,048	192,745	188,602
Transfers Out	(131,934)	(148,240)	(128,259)	(43,244)	(58,458)	(35,986)
Refunding Bond Issuance	-	-	45,036			
G.O. Bond Premiums	12,820	26,245	22,846	23,509	2,219	6,548
G.O. Bond Issuance	85,625	201,770	230,000	282,599	179,380	161,320
Payments to Refunding						
Bond Escrow Agent	-	-	(49,967)	(168,608)	(30,255)	(60,000)
Installments on Sale of Assets	24,262	23,316	15,349	30,000		
Repayment (Issuance) of BANS	-	-	(50,000)	50,000		
Capital Lease Acquisition	189	250	626	157	296	198
<b>Total Other Financing Sources (Uses)</b>	<b>340,663</b>	<b>458,027</b>	<b>419,184</b>	<b>426,705</b>	<b>344,385</b>	<b>296,668</b>
Special Item - Environmental Litigation Settlements	90,700					
Change in Inventory	(1,882)	(12)	2,013	274,436	3,011	(605)
<b>Net Change in Fund Balances</b>	<b>\$ 119,106</b>	<b>\$ 162,273</b>	<b>\$ 2,774</b>	<b>\$ 451,028</b>	<b>\$(107,798)</b>	<b>\$ (37,720)</b>
<b>Debt Service as a Percentage of Non-Capital Expenditure:</b>	2.8%	2.9%	1.5%	2.2%	2.4%	2.2%

\* In fiscal year 2013 certain Transportation expenses have been classified as Capital Outlay

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			
2007	2006	2005	2004
\$ 385,308	\$ 384,273	\$ 392,276	\$ 493,614
1,301,889	1,237,742	1,216,864	1,137,423
143,610	150,756	101,360	100,015
171,316	168,544	173,039	170,322
181,171	167,476	173,800	169,592
143,541	139,319	132,264	121,636
27,421	32,223	24,188	24,365
1,409,251	1,414,103	1,415,070	1,380,605
130,297	124,633	103,856	139,976
1,396	1,360	1,296	1,457
46,286	19,091	11,970	5,101
8,425	8,178	8,701	8,882
93,054	94,700	166,472	153,423
51,017	54,081	82,209	16,422
10,887	22,869	20,583	5,659
124,702	150,260	155,059	164,421
<u>4,229,571</u>	<u>4,169,608</u>	<u>4,179,007</u>	<u>4,092,913</u>
314,597	308,187	311,755	217,050
330,616	326,360	278,905	259,579
170,249	159,099	159,575	163,155
290,093	284,686	258,243	237,711
1,713,604	1,663,667	1,786,260	1,755,287
1,273,184	1,260,372	1,208,781	1,281,614
62,570	60,560	55,298	57,717
32,627	32,608	35,433	29,023
314,549	337,945	288,150	281,348
<u>4,502,089</u>	<u>4,433,484</u>	<u>4,382,400</u>	<u>4,282,484</u>
<u>(272,518)</u>	<u>(263,876)</u>	<u>(203,393)</u>	<u>(189,571)</u>
43,373	7,183	41,311	59,716
186,542	185,429	167,944	165,820
(43,373)	(7,183)	(41,311)	(59,716)
7,386	1,462	181	3,417
196,885	75,000	117,800	80,000
(127,787)			
810	537		134
<u>263,836</u>	<u>262,428</u>	<u>285,925</u>	<u>249,371</u>
(84)	(356)	1,192	1,665
<u>\$ (8,766)</u>	<u>\$ (1,804)</u>	<u>\$ 83,724</u>	<u>\$ 61,465</u>
2.3%	2.3%	2.3%	2.2%

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									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Beer Tax.....	\$ 12,689	\$ 12,885	\$ 12,900	\$ 13,065	\$ 12,695	\$ 12,720	\$ 12,728	\$ 12,805	\$ 12,413	\$ 12,445
Board and Care Revenue.....	26,439	24,487	22,519	22,072	21,338	19,937	18,354	13,261	15,583	12,384
Business Profits Tax .....	267,062	256,552	248,537	258,633	251,925	317,439	287,423	264,027	196,647	131,585
Business Enterprise Tax.....	78,293	68,459	63,003	71,744	61,889	77,710	79,291	75,190	114,110	118,538
Estate and Legacy Tax.....	(60)	7	92	48	(4)	214	617	3,224	11,659	26,971
Insurance Tax.....	95,405	84,990	84,902	86,804	94,144	95,876	97,909	90,462	88,706	86,246
Securities Revenue.....	38,137	37,591	37,025	34,231	34,680	34,700	32,964	30,064	27,904	26,344
Interest and Dividends Tax.....	92,974	83,536	76,597	84,866	97,126	118,693	108,086	80,543	67,896	55,630
Liquor.....	132,338	127,590	125,718	120,718	146,000	133,052	124,742	120,644	112,555	106,676
Meals and Rentals Tax.....	241,169	231,776	228,898	228,291	203,603	206,726	202,595	193,788	186,486	178,480
Dog Racing.....			329	334	385	525	703	559	1,112	1,515
Horse Racing.....			1,005	1,184	1,633	2,440	2,398	2,313	2,401	2,474
Gambling Winning Tax.....			3,188	2,933						
Games of Chance.....			1,136	1,181						
Real Estate Transfer Tax.....	62,322	52,792	53,987	55,994	53,539	77,690	91,704	106,161	107,821	95,162
Telephone/Communications Tax.....	57,350	79,320	76,500	80,965	80,243	80,932	72,986	70,496	70,039	65,781
Tobacco Tax.....	126,233	136,094	129,849	130,521	59,257	57,060	65,337	69,892	73,159	71,471
Tobacco Settlement.....	23,249	2,510	1,692	4,221	12,821	8,404			2,441	1,816
Utilities Tax.....	6,104	5,929	5,955	5,976	6,535	6,285	5,757	6,385	6,265	5,121
Courts Fines and Fees.....	12,898	13,853	13,737	13,022	29,295	31,300	30,452	29,500	25,517	24,673
Flexible Grant.....										25,000
Other:										
Corporate Returns.....	683	575	754	712	647	682	678	744	733	748
Interstate Vehicle Registrations...			2,157	1,132	1,231	1,362	167	2,411	2,334	2,253
Corporate Filing Fees.....	2,937	3,056	3,251	3,016	3,271	3,346	3,414	3,716	3,231	2,947
Interest on Surplus Funds.....	59	(41)	10	(545)	404	5,352	7,776	4,868	1,712	174
Reimbursement of Indirect Costs.	8,915	9,836	10,800	8,340	7,214	6,858	6,822	6,265	6,724	6,671
Miscellaneous.....	71,016	63,682	59,444	78,862	74,031	71,412	69,612	44,092	44,878	44,258
Subtotal.....	1,356,212	1,295,479	1,263,985	1,308,320	1,253,902	1,370,715	1,322,515	1,231,410	1,182,326	1,105,363
Net Medicaid Enhancement										
Revenues (MER).....	69,082	74,832	93,440	98,136	99,626	93,111	83,257	73,617	147,209	149,831
Recoveries.....	11,324	6,309	27,758	19,854	21,827	20,108	15,875	24,462	22,989	20,374
Subtotal.....	1,436,618	1,376,620	1,385,183	1,426,310	1,375,355	1,483,934	1,421,647	1,329,489	1,352,524	1,275,568
Other MER Transferred to/(from)										
Uncompensated Care Pool.....									39,062	35,143
Total Unrestricted Revenue.....	\$ 1,436,618	\$ 1,376,620	\$ 1,385,183	\$ 1,426,310	\$ 1,375,355	\$ 1,483,934	\$ 1,421,647	\$ 1,329,489	\$ 1,391,586	\$ 1,310,711

**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									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Balance, July 1 (Budgetary Method)...	\$ 183,904	\$ 210,884	\$ 112,355	\$ 24,094	\$ 103,494	\$ 92,966	\$ 80,329	\$ 123,174	\$ 73,757	\$ 20,047
Additions:										
Unrestricted Revenue.....	1,436,618	1,376,620	1,385,183	1,426,310	1,375,355	1,483,934	1,421,647	1,329,489	1,352,524	1,275,568
(1)Unrestricted Revenue - UCP.....									39,062	35,143
Total Unrestricted Revenue.....	1,436,618	1,376,620	1,385,183	1,426,310	1,375,355	1,483,934	1,421,647	1,329,489	1,391,586	1,310,711
Transfer from Other Funds.....	793	1,952	38,333	9,576	865	47,409	1,938	27,013	8,709	9,161
Bonds Authorized and Unissued.....									42,800	
Other Credits.....		145	975	6,800	529	437	116	137	1,126	821
Total Additions.....	1,437,411	1,378,717	1,424,491	1,442,686	1,376,749	1,531,780	1,423,701	1,356,639	1,444,221	1,320,693
Deductions:										
Appropriations Net										
of Estimated Revenues:										
General Government.....	257,703	261,384	282,297	319,116	342,736	338,358	297,294	281,005	303,522	248,390
Administration of Justice										
and Public Protection.....	210,595	211,009	221,054	217,743	209,521	222,982	200,236	195,145	172,289	168,515
Resource Protection										
and Development.....	27,246	29,693	33,118	38,183	42,348	45,674	43,078	42,056	41,454	41,673
Transportation.....	919	917	1,071	573	1,155	1,173	2,704	6,021	2,885	2,759
Health and Social Services.....	660,317	660,712	691,787	663,458	678,334	695,610	633,792	614,948	608,735	589,392
Education.....	168,691	156,406	193,707	201,346	197,570	236,560	223,498	210,520	256,466	247,543
Liquor Commission.....	-	-	-	-	37,570	35,465	31,949	30,585	27,562	28,879
Subtotal.....	1,325,471	1,320,121	1,423,034	1,440,419	1,509,234	1,575,822	1,432,551	1,380,280	1,412,913	1,327,151
Uncompensated Care Pool.....									39,062	35,143
Total Appropriations Net										
of Estimated Revenues.....	1,325,471	1,320,121	1,423,034	1,440,419	1,509,234	1,575,822	1,432,551	1,380,280	1,451,975	1,362,294
Less: Lapses.....	(59,312)	(39,463)	(97,154)	(60,700)	(71,246)	(61,628)	(41,582)	(34,045)	(57,969)	(57,491)
Net Appropriations.....	1,266,159	1,280,658	1,325,880	1,379,719	1,437,988	1,514,194	1,390,969	1,346,235	1,394,006	1,304,803
Transfers to Other Funds.....	140,134	124,281	50	52,988	18,067	6,887			757	
Other Debits.....	952	758	32	1,452	94	171	95	1,547	41	37
Designation or Reserve Accounts				(79,734)			20,000	51,702	-	(37,857)
Total Deductions.....	1,407,245	1,405,697	1,325,962	1,354,425	1,456,149	1,521,252	1,411,064	1,399,484	1,394,804	1,266,983
Balance, June 30 (Budgetary Method)	214,070	183,904	210,884	112,355	24,094	103,494	92,966	80,329	123,174	73,757
GAAP Adjustments:										
Receivables.....	20,832	17,701	71,238	38,435	55,183	41,090	33,647	39,098	34,313	32,722
Accounts Payable and										
Accrued Liabilities.....	(41,401)	(47,685)	(140,427)	(116,599)	(100,100)	(106,756)	(100,451)	(88,809)	(93,773)	(94,872)
Transfer from General										
to Liquor Fund.....					(5,973)	(5,322)	(5,030)	(4,562)	(4,012)	(4,191)
Additional Transfers (to)					79,734					
from Reserve Accounts.....										
Total GAAP Adjustments.....	(20,569)	(29,984)	(69,189)	(78,164)	28,844	(70,988)	(71,834)	(54,273)	(63,472)	(66,341)
Year-End Transfer to/from the.....										
Education Trust Fund.....	(121,324)	(140,084)	(124,023)	31,490	(52,938)	(15,322)	40,581		22,500	7,871
Balance (Deficit), June 30 (GAAP).....	\$ 72,177	\$ 13,836	\$ 17,672	\$ 65,681	\$	\$ 17,184	\$ 61,713	\$ 26,056	\$ 82,202	\$ 15,287

(1) UCP = Uncompensated Care Pool

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

## Fiscal Year Ended June 30

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Balance July 1.....	\$	\$	\$	\$	\$	\$	\$ 8,357	\$	\$	\$
<b>Additions</b>										
Unrestricted Revenue										
Statewide Property Tax (2).....	363,675	363,121	363,647	363,166	363,653	363,066	363,335	363,392	350,368	443,350
Statewide Property Tax.....					-	58	-	-	20,934	29,844
Utility Property Tax.....	33,249	33,067	32,319	29,929	28,972	24,196	21,847	20,881	20,102	20,160
BPT Increase.....	56,692	55,309	49,264	57,590	53,894	67,961	57,755	56,578	50,748	41,000
BET Increase.....	149,718	135,815	129,401	122,157	123,389	154,990	174,208	150,380	130,600	116,900
Meals & Rentals.....	7,232	7,559	6,643	4,235	6,107	7,632	7,218	7,138	7,153	6,875
Real Estate Tax Increase .....	31,099	29,196	27,975	28,832	27,736	38,616	45,663	52,545	51,960	47,515
Tobacco Tax Increase.....	79,631	78,843	96,805	113,004	128,796	109,260	78,283	80,902	28,214	28,582
Tobacco Settlement.....	40,000	40,000	40,000	40,000	40,000	40,000	40,781	38,961	40,000	40,000
Transfers from Lottery.....	74,335	66,768	62,206	66,222	68,149	75,553	80,548	81,987	70,263	73,745
Transfers from Racing & .....										
Charitable Gaming.....	3,373	3,495	1,254	1,362	1,470	1,457				
Total Revenue.....	839,004	813,173	809,514	826,497	842,166	882,789	869,638	852,764	770,342	847,971
General Fund										
Budgeted Appropriations.....									61,378	62,590
Total Additions.....	839,004	813,173	809,514	826,497	842,166	882,789	869,638	852,764	831,720	910,561
<b>Deductions</b>										
Appropriations										
Adequate Education Grant (1)....	577,792	578,204	482,725	336,852	526,707	527,295	472,383	473,534	441,610	451,640
Adequate Education Grant (2)....	363,675	363,121	363,647	363,166	363,653	363,066	363,335	363,392	350,368	443,350
Total Grants.....	941,467	941,325	846,372	700,018	890,360	890,361	835,718	836,926	791,978	894,990
DRA-Property Tax Relief.....	2,706	1,246	3,300	5,210	5,390	5,700	3,800	2,900	(1,800)	7,700
DOE-Charter Schools.....	11,085	5,185	6,407	4,830	2,378	1,780	400			
DOE-Kindergarten Aid.....	1,952	1,952	3,678	3,678			2,004			
DOE-Fiscal Disparity Grants.....	5,026	4,266	51,187	39,760						
DOE-Education Transition Aid.....	-	-	43,491	43,657						
Total Appropriations.....	962,236	953,974	954,435	797,153	898,128	897,841	841,922	839,826	790,178	902,690
Less Lapses.....	(2,272)	(717)	(20,898)	(2,146)	(3,024)	270	(4,508)	4,581	19,042	
Net Appropriations.....	959,964	953,257	933,537	795,007	895,104	898,111	837,414	844,407	809,220	902,690
Current Year Balance.....	(120,960)	(140,084)	(124,023)	31,490	(52,938)	(15,322)	32,224	8,357	22,500	7,871
<b>End of Year</b>										
<b>Transfers From(To)</b>										
General Fund.....										
FY 2004.....										(7,871)
FY 2005.....									(22,500)	
FY 2007.....							(40,581)			
FY 2008.....						15,322				
FY 2009.....					52,938					
FY 2010.....				(31,490)						
FY 2011.....			124,023							
FY 2012.....		140,084								
FY 2013.....	120,960									
Balance June 30.....	\$	\$	\$	\$	\$	\$	\$	\$ 8,357	\$	\$

(1) State Education Grant Disbursed by State

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

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

**Fiscal Year Ended June 30**

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Balance (Deficit) July 1 (Budgetary Method)	\$347,198	\$205,152	\$271,881	\$(35,361)	\$(13,691)	\$ (3,940)	\$ 17,738	\$ 18,792	\$ 3,063	\$(4,271)
<b>Additions:</b>										
Unrestricted Revenue:										
Gasoline Tax.....	123,337	123,168	124,967	123,741	132,125	137,036	129,514	127,924	131,975	129,863
Motor Vehicle Fees.....	113,428	112,234	132,132	150,158	99,312	100,908	93,327	85,747	93,190	89,934
Other.....	48,453	48,431	43,116	65,597	17,031	11,035	15,817	14,183	7,418	6,270
Total Unrestricted Revenue.....	285,218	283,833	300,215	339,496	248,468	248,979	238,658	227,854	232,583	226,067
Bonds Authorized and Unissued (1).....		250,000		240,000						
Other Credits .....										
Total Additions.....	285,218	533,833	300,215	579,496	248,468	248,979	238,658	227,854	232,583	226,067
<b>Deductions:</b>										
Appropriations Net of										
Estimated Revenues.....	281,626	404,476	394,544	299,552	300,721	283,195	281,647	275,775	253,894	235,021
Less: Appropriation Adjustment ***.....			3,265	(19,770)			(8,000)	(33,100)	(26,600)	
Less: Lapses .....	(17,051)	(15,674)	(32,859)	(15,249)	(28,675)	(20,902)	(14,957)	(14,233)	(12,307)	(16,677)
Net Appropriations.....	264,575	388,802	364,950	264,533	272,046	262,293	258,690	228,442	214,987	218,344
Other Debits.....	6,915	2,985	1,994	7,721	(1,908)	(3,563)	1,646	466	1,867	389
Total Deductions.....	271,490	391,787	366,944	272,254	270,138	258,730	260,336	228,908	216,854	218,733
Balance, June 30 (Budgetary Method).....	360,926	347,198	205,152	271,881	(35,361)	(13,691)	(3,940)	17,738	18,792	3,063
<b>GAAP Adjustment:</b>										
Receivables.....	3,300	1,340	2,588	3,911	3,645	1,270	1,948	4,006	1,413	119
Bonds Authorized and Unissued.....	(295,005)	(295,005)	(160,000)	(240,000)						
Accounts Payable and										
Accrued Liabilities.....	(22,882)	(18,741)	(27,407)	(26,896)	(23,146)	(15,087)	(15,889)	(20,493)	(13,231)	(12,644)
Total GAAP Adjustments.....	(314,587)	(312,406)	(184,819)	(262,985)	(19,501)	(13,817)	(13,941)	(16,487)	(11,818)	(12,525)
Balance (Deficit), June 30 (GAAP).....	\$ 46,339	\$ 34,792	\$ 20,333	\$ 8,896	\$(54,862)	\$(27,508)	\$(17,881)	\$ 1,251	\$ 6,974	\$(9,462)

\*\*\* 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									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Balance, July 1 (Budgetary Method)....	\$ 3,203	\$ 4,238	\$ 5,031	\$ 5,845	\$ 5,406	\$ 3,533	\$ 3,639	\$ 4,336	\$ 3,763	\$ 3,616
<b>Additions:</b>										
Unrestricted Revenue.....	10,327	10,111	10,087	9,944	10,269	10,741	10,248	9,558	9,530	9,164
Other Credits.....	1,213	1,543	1,512	1,819	1,655	1,828	854	850	1,153	507
Total Additions.....	11,540	11,654	11,599	11,763	11,924	12,569	11,102	10,408	10,683	9,671
<b>Deductions:</b>										
Appropriations Net of Estimated Revenues.....	13,739	13,377	13,677	12,915	13,541	12,604	12,869	12,281	11,236	10,651
Less: Lapses.....	(1,523)	(792)	(1,389)	(838)	(2,252)	(1,908)	(1,743)	(1,359)	(1,126)	(1,127)
Net Appropriations.....	12,216	12,585	12,288	12,077	11,289	10,696	11,126	10,922	10,110	9,524
Other Debits.....	175	104	104	500	196		82	183		
Total Deductions.....	12,391	12,689	12,392	12,577	11,485	10,696	11,208	11,105	10,110	9,524
Current Year Balance.....	(851)	(1,035)	(793)	(814)	439	1,873	(106)	(697)	573	147
Balance, June 30 (Budgetary Method).	2,352	3,203	4,238	5,031	5,845	5,406	3,533	3,639	4,336	3,763
<b>GAAP Adjustment:</b>										
Receivables.....	215	290	389	371	344	394	354	343	421	289
Accounts Payable and Accrued Liabilities.....	(942)	(1,260)	(1,808)	(1,821)	(1,608)	(1,803)	(1,391)	(1,429)	(1,701)	(1,279)
Total GAAP Adjustments.....	(727)	(970)	(1,419)	(1,450)	(1,264)	(1,409)	(1,037)	(1,086)	(1,280)	(990)
Balance, June 30 (GAAP).....	\$ 1,625	\$ 2,233	\$ 2,819	\$ 3,581	\$ 4,581	\$ 3,997	\$ 2,496	\$ 2,553	\$ 3,056	\$ 2,773

See accompanying Independent Auditors' Report

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

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

Taxes Paid Level	FISCAL YEAR 2013				FISCAL YEAR 2013			
	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	3,887	28%	\$253,821,210	95%	4,280	13%	\$123,490,726	80%
\$1,000 - \$4,999	4,144	30%	10,417,345	4%	11,082	34%	24,325,884	16%
Under \$1,000	5,768	42%	1,787,678	1%	17,341	53%	7,489,885	5%
	<u>13,799</u>	<u>100%</u>	<u>\$266,026,233</u>	<u>100%</u>	<u>32,703</u>	<u>100%</u>	<u>\$155,306,495</u>	<u>100%</u>

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Notes:

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

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

<u>FISCAL YEAR 2013</u>				<u>FISCAL YEAR 2012</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>
Nashua	1	\$ 8,359,563	\$19,979	Manchester	1	\$ 8,468,243	\$19,689
Manchester	2	8,318,781	19,882	Nashua	2	8,445,914	19,637
Portsmouth	3	3,916,815	9,361	Portsmouth	3	4,019,021	9,344
Salem	4	3,804,887	9,094	Salem	4	3,856,296	8,966
Concord	5	3,439,148	8,220	Concord	5	3,595,843	8,360
Bedford	6	3,220,569	7,697	Bedford	6	3,320,248	7,720
Moultonborough	7	2,887,538	6,901	Moultonborough	7	2,981,086	6,931
Merrimack	8	2,827,160	6,757	Merrimack	8	2,960,156	6,882
Hampton	9	2,774,185	6,630	Hampton	9	2,853,982	6,636
Londonderry	10	2,753,614	6,581	Dover	10	2,748,387	6,390

<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

Source: New Hampshire Department of Revenue, warrants for Tax Year 2012, 2011, 2010, 2009, 2008, 2007, 2006 and 2005

Notes: The rate per \$1,000 of equalized value for fiscal years 2013, 2012, 2011, 2010, 2009, 2008, 2007 and 2006 were \$2.39, \$2.325, \$2.19, \$2.135, \$2.14, \$2.24, \$2.515 and \$2.84, respectively

See accompanying Independent Auditors' Report

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

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

Source: New Hampshire Department of Revenue, warrants for Tax Year 2012, 2011, 2010, 2009, 2008, 2007, 2006 and 2005

Notes: The rate per \$1,000 of equalized value for fiscal years 2013, 2012, 2011, 2010, 2009, 2008, 2007 and 2006 were \$2.39, \$2.325, \$2.19, \$2.135, \$2.14, \$2.24, \$2.515 and \$2.84, respectively

See accompanying Independent Auditors' Report

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

Location	FISCAL YEAR									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Hampton - North	\$ 32.4	\$ 31.3	\$ 31.2	\$ 29.8	\$ 27.4	\$ 26.6	\$ 25.3	\$ 23.9	\$ 23.1	\$ 22.7
Hampton - South	28.7	27.1	27.3	26.4	23.9	23.4	22.8	21.2	20.6	20.1
Portsmouth Traffic Circle	24.2	23.9	23.4	22.8	22.1	21.2	20.3	19.3	18.2	17.3
Salem	23.1	22.0	22.2	21.6	19.4	18.6	17.4	16.4	15.9	15.1
Hooksett - North	19.1	18.9	18.7	17.8	16.4	15.5	14.7	13.9	13.8	13.0
Nashua	19.0	18.3	19.4	17.8	15.9	13.1	12.7	12.9	12.4	12.9
Nashua	17.9	16.8	14.2	14.1	13.2	13.0	11.9	11.0	11.2	10.3
Hooksett - South	16.0	14.8	14.9	14.2	12.9	12.2	11.6	11.1	10.9	10.4
West Lebanon	12.6	11.5	11.3	11.2	10.9	10.0	9.7	9.5	9.2	8.8
Keene	10.6	10.1	9.7	9.7	9.9	9.6	8.6	7.3	4.6	4.3
Total	<u>\$203.6</u>	<u>\$194.7</u>	<u>\$192.3</u>	<u>\$185.4</u>	<u>\$172.0</u>	<u>\$163.2</u>	<u>\$155.0</u>	<u>\$146.5</u>	<u>\$139.9</u>	<u>\$134.9</u>

Source: NH State Liquor Commission

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

(Expressed in Thousands, except per capita)

Fiscal Year	Governmental Activities				Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Federal Highway Grant Anticipation Bonds	Bond Anticipation Notes	Capital Leases	General Obligation Bonds	Revenue Bonds	Capital Leases			
2013	\$ 999,015	\$ 192,902		\$ 2,402	\$ 12,347	\$ 442,627	\$ 412	\$ 1,649,705	2.6%	1,247
2012	1,007,530	194,995		2,856		343,791	424	1,549,596	2.5%	1,173
2011	987,408	80,000		3,305		361,440	538	1,432,691	2.4%	1,087
2010	859,400		\$ 50,000	3,377	584	378,240	237	1,291,838	2.2%	982
2009	810,233			4,038	1,301	244,032	364	1,059,968	1.9%	805
2008	735,176			5,146	2,821	256,965	487	1,000,595	1.7%	760
2007	710,875			5,825	4,376	269,084	618	990,778	1.8%	755
2006	701,730			6,085	7,067	284,175	852	999,909	1.9%	764
2005	690,191			6,438	10,795	294,774	1,072	1,003,270	2.0%	773
2004	634,130		50,000	7,462	14,362	305,857	1,120	1,012,931	2.1%	785

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

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

Fiscal Year	(Expressed in Thousands)				Ratio Of General Long- Term Debt To Assessed Value	General Long- Term Debt Per Capita
	(1) Population	(2) Assessed Value	(3) General Long-Term Debt			
2013	1,323	150,178,476	1,011,362	0.67	764	
2012	1,321	151,695,430	1,007,530	0.66	763	
2011	1,318	154,348,551	987,408	0.64	749	
2010	1,316	156,897,212	859,984	0.55	653	
2009	1,316	160,571,630	811,534	0.51	617	
2008	1,316	170,079,711	737,997	0.43	561	
2007	1,313	173,624,015	715,251	0.41	545	
2006	1,308	173,176,615	708,797	0.41	542	
2005	1,298	165,222,644	700,986	0.42	540	
2004	1,290	147,483,615	648,492	0.44	503	

Source: (1) U.S. Dept. of Commerce, Bureau of Census, reflects the most current available data for all years represented (2013 estimated).  
(2) New Hampshire Department of Revenue Administration (2013 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 Debt Service Requirements	Revenue Bond Coverage Ratio	G.O. Bond Debt Service Requirements	Renewal & Replacement	Total	All Obligations Coverage Ratio	
2013	\$ 118,027	\$42,213 (1)	\$ 75,814	\$ 36,950	2.05	\$ -	\$ 9,800	\$46,750	1.62	(3)
2012	118,856 (a)	40,653 (1)	78,203	33,328	2.35	-	9,200	42,528	1.84	(3)
2011	119,314	42,339 (1)	76,975	33,745	2.28	599	9,800	44,144	1.74	(3)
2010	119,407	40,171 (1)	79,236	29,656	2.67	669	9,600	39,925	1.98	
2009	107,660	40,361 (1)	67,299	25,873 (2)	2.60	1,597	10,040	37,510	1.79	
2008	106,814	37,122 (1)	69,692	25,710	2.71	1,713	8,300	35,723	1.95	
2007	89,054	36,158 (1)	52,896	28,078	1.88	2,985	6,047	37,110	1.43	
2006	83,054	41,784 (1)	41,270	25,831	1.60	4,219	5,871	35,921	1.15	
2005	68,318	30,041	38,277	27,003	1.42	4,246	5,700	36,949	1.04	
2004	66,463	26,568	39,895	23,865	1.67	4,842	5,600	34,307	1.16	

(1) Fiscal years 2006 through 2013 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 2013. The revenue bond coverage ratio was satisfied at 2.05 for the 1.2 times test. The all obligations coverage ratio was satisfied at 1.62 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 2013, made a note payment of \$24 million to the State Highway Fund. Because the Turnpike System cash balance at June 30, 2013 was \$59.6 million, this balance beginning in fiscal 2013 was deemed more than sufficient to satisfy the Note Payable to the State Highway Fund and current year FY 2013 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 2013.

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

See accompanying Independent Auditors' Report

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>Population (in thousands)</b>	1,323	1,321	1,318	1,316	1,316	1,316	1,313	1,308	1,298	1,290
<b>% Change</b>	0.2%	0.2%	0.2%	0.0%	0.0%	0.2%	0.4%	0.8%	0.6%	0.8%
<b>Total Personal Income (in millions)*</b>	64,387	62,150	60,480	57,898	55,827	58,162	56,418	53,765	50,028	48,661
<b>% Change</b>	3.6%	2.8%	4.5%	3.7%	-4.0%	3.1%	4.9%	7.5%	2.8%	6.2%
<b>Per Capita Personal Income*</b>	48,705	47,058	45,881	43,968	42,418	44,199	42,984	41,092	38,528	37,718
<b>% Change</b>	3.5%	2.6%	4.4%	3.7%	-4.0%	2.8%	4.6%	6.7%	2.1%	5.3%
<b>Unemployment Rate**</b>	5.1%	5.1%	4.9%	5.9%	6.8%	4.0%	4.0%	3.3%	3.5%	3.9%

Source: US Department of Commerce, Bureau of the Census

\* NH Department of Employment Security, Economic and Labor Market Information Bureau, NH Vital Signs - April Issue

\*\* NH Department of Employment Security, Economic and Labor Market Information Bureau, Economic Conditions Seasonally Adjusted June Estimated - September Issue

**STATE OF NEW HAMPSHIRE**  
**SCHEDULE OF BUILDING PERMITS FOR HOUSING UNITS**  
**FOR CALENDAR YEAR 2013**

**Building Permits Issued**  
**By Number of Units**

<u>Calendar Year</u>	<u>Single Family</u>	<u>Multi-Family</u>	<u>Total</u>
2013	2,057	647	2,704
2012	1,682	614	2,296
2011	1,606	740	2,346
2010	1,890	780	2,670
2009	1,662	625	2,287
2008	2,333	901	3,234
2007	3,772	789	4,561
2006	4,826	851	5,677
2005	6,432	1,154	7,586
2004	7,002	1,651	8,653

Source: U.S. Department of Commerce, Bureau of the Census.  
 Current year data is annualized based on activity through September 2013

See accompanying Independent Auditors' Report

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

Employer	2013			Employer	2012		
	Employees	Rank	Percentage of		Employees	Rank	Percentage of
			Total State Employment				Total State Employment
1. State of New Hampshire.....	17,921	1	2.54%	1. State of New Hampshire.....	17,867	1	2.54%
2. Wal-Mart Stores Inc.....	8,008	2	1.14%	2. Wal-Mart Stores Inc.....	8,166	2	1.16%
3. Demoulas & Market Basket.....	7,500	3	1.06%	3. Dartmouth-Hitchcock Medical Center...	6,654	3	0.95%
4. Dartmouth-Hitchcock Medical Center....	6,404	4	0.91%	4. University System of New Hampshire....	6,159	4	0.88%
5. University System of New Hampshire.....	6,029	5	0.85%	5. Demoulas & Market Basket.....	6,000	5	0.85%
6. Fidelity Investments.....	5,000	6	0.71%	6. Hannaford Brothers.....	4,817	6	0.68%
7. Hannaford Brothers.....	4,900	7	0.69%	7. Fidelity Investments.....	4,600	7	0.65%
8. Liberty Mutual-Northern N.E. Division....	4,700	8	0.67%	8. BAE Systems.....	4,500	8	0.64%
9. Elliot Hospital.....	3,485	9	0.49%	9. Dartmouth College.....	4,250	9	0.60%
10. Shaw's Supermarkets.....	3,358	10	0.48%	10. Liberty Mutual-Northern N.E. Division...	4,200	10	0.60%
Total.....	67,305		9.55%	Total.....	67,213		9.55%

Employer	2011			Employer	2010		
	Employees	Rank	Percentage of		Employees	Rank	Percentage of
			Total State Employment				Total State Employment
1. State of New Hampshire.....	17,820	1	2.52%	1. State of New Hampshire.....	18,487	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.....	66,639		9.42%	Total.....	70,619		10.56%

Employer	2009			Employer	2008		
	Employees	Rank	Percentage of		Employees	Rank	Percentage of
			Total State Employment				Total State Employment
1. State of New Hampshire.....	18,735	1	3.29%	1. State of New Hampshire.....	18,556	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.....	71,831		10.93%	Total.....	71,983		10.43%

Source: New Hampshire Business Review/ Book of Lists 2013

USNH Fact Book 2013

Schedule of State Employees by Function (pages 138-139)

See accompanying Independent Auditors' Report

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

**HISTORY**

<u>Employer</u>	<u>2007</u>			<u>Employer</u>	<u>2006</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total State Employment</u>		<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total State Employment</u>
1. State of New Hampshire.....	21,590	1	2.99%	1. State of New Hampshire.....	21,056	1	2.93%
2. Wal-Mart Stores Inc.....	8,012	2	1.1%	2. Wal-Mart Stores Inc.....	8,659	2	1.20%
3. University System of New Hampshire.....	6,668	3	0.92%	3. Dartmouth Hitchcock Medical Center...	7,100	3	0.98%
4. Market Basket.....	6,600	4	0.9%	4. University System of New Hampshire.....	6,901	4	0.96%
5. Dartmouth Hitchcock Medical Center....	6,211	5	0.86%	5. Market Basket.....	6,600	5	0.92%
6. Fidelity Investments.....	5,430	6	0.75%	6. Hannaford Supermarkets.....	5,374	6	0.75%
7. Shaw's Supermarkets.....	4,700	7	0.65%	7. Fidelity Investments.....	4,859	7	0.67%
8. Hannaford Supermarkets.....	4,663	8	0.64%	8. Shaw's Supermarkets.....	4,600	8	0.64%
9. Dartmouth College.....	4,246	9	0.59%	9. Dartmouth College.....	4,246	9	0.59%
10. BAE Systems.....	4,100	10	0.57%	10. BAE Systems.....	4,100	10	0.57%
Total.....	72,220		9.99%	Total.....	73,495		10.2%

Source: New Hampshire Business Review/ Book of Lists 2013  
USNH Fact Book 2013  
Schedule of State Employees by Function (pages 138-139)

See accompanying Independent Auditors' Report

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

	2013	2012	2011	2010	2009
<b>General Government</b>					
<b>Secretary of State</b>					
<i>Domestic Registrations:</i>					
Limited Liability Company.....	7,300	7,022	6,543	6,052	6,833
Trade Name.....	6,463	6,929	6,987	7,323	7,728
Corporation.....	893	1,019	1,000	1,093	1,028
Other.....	677	325	250	267	273
<i>Foreign Registrations:</i>					
Corporation.....	1,265	1,297	1,293	1,458	1,350
Limited Liability Company.....	1,024	969	860	879	793
Other.....	184	54	43	57	46
<b>Administration of Justice &amp; Public Protection</b>					
<b>Department of Safety</b>					
Troop Station Personnel:					
Headquarters - Merrimack.....	246	228	228	220	195
Troop A - Rockingham/Strafford.....	44	40	39	43	47
Troop B - Hillsborough.....	38	43	48	52	51
Troop C - Cheshire/Sullivan.....	30	29	30	33	38
Troop D - Merrimack.....	39	39	36	41	41
Troop E - Belknap/Carroll.....	29	28	33	34	34
Troop F - Coos/Grafton.....	41	45	48	47	46
Troop G - Merrimack.....	56	58	62	67	73
<b>Department of Corrections</b>					
Number of Prison Inmates:					
NHSP/Men - Concord.....	1,485	1,439	1,361	1,467	1,407
NHSP/Women - Goffstown.....	165	140	108	120	147
Lakes Region Facility - Laconia.....	-	-	-	-	298
Northern Correctional Facility - Berlin.....	649	625	600	745	587
SPU/RTU & Transitional Housing.....	396	376	375	365	344
<b>Resource Protection &amp; Development</b>					
<b>Department of Resources and Economic Development</b>					
Number of visitors at top 10 state parks:					
Cannon Mountain <sup>1</sup> .....	228,582	207,120	215,117	187,950	192,748
Flume.....	134,606	136,630	94,647	94,188	147,395
Hampton Beach <sup>1</sup> .....	140,884	107,813	95,073	52,908	98,681
Wallis Sands Beach.....	102,644	106,822	74,398	64,200	62,484
Pawtuckaway.....	88,076	69,808	82,566	82,247	88,403
Wellington.....	41,643	46,426	40,143	29,974	42,179
Mt. Sunapee Beach.....	50,059	68,486	43,766	34,555	28,718
Silver Lake.....	10,780	11,699	11,063	16,746	21,188
Odiorne Point.....	26,554	22,173	17,626	18,173	18,109
Ellacoya.....	35,154	36,008	31,742	31,582	25,401

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

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

See accompanying Independent Auditors' Report

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

<b>2008</b>	<b>2007</b>	<b>2006</b>
7,203	8,011	8,062
8,497	8,540	9,267
1,222	1,311	1,546
321	289	325
1,592	1,719	1,650
957	963	841
62	60	86
199	196	190
49	56	56
54	51	55
38	39	38
41	43	44
33	35	33
42	48	47
79	-	-
1,398	1,348	1,301
142	114	100
316	284	264
573	544	536
344	325	321
130,000	169,924	81,533
139,146	133,161	132,947
57,992	46,756	88,283
92,182	66,212	46,528
84,907	92,019	44,673
54,744	49,218	34,417
21,952	33,249	32,150
28,780	36,076	28,475
21,566	24,372	23,299
39,308	46,074	21,972

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

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

See accompanying Independent Auditors' Report

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

	2013	2012	2011	2010	2009
<b>Department of Environmental Services</b>					
Dollars disbursed by program:					
SRF - Clean water.....	\$ 26,328,832	\$30,684,368	\$58,275,067	\$42,797,121	\$18,130,550
SRF - Drinking water.....	7,221,886	10,912,295	23,863,570	24,873,672	7,517,227
SRF - Brownfields.....	155,599	-	9,632	671,906	165,625
Landfills.....	899,812	927,658	894,703	981,070	1,287,790
Drinking Water Grants* .....	1,131,618	1,184,996	1,149,844	1,101,760	1,281,908
Water supply land.....	-	-	-	113,167	571,655
Waste water.....	3,327,666	5,199,986	5,902,524	6,463,894	9,003,767
Aquatic weed.....	408,127	355,444	245,440	205,616	285,554
Household hazardous waste.....	172,735	144,638	193,979	162,623	153,155
Aquatic Resources Mitigation Grants.....	1,193,010	942,458	702,036	-	-
<b>Transportation</b>					
<b>Department of Safety</b>					
Number of motor vehicle registrations by county: (Monthly Average)					
Belknap.....	74,357	73,783	73,375	74,260	74,975
Carroll.....	65,452	65,174	65,188	66,233	66,861
Cheshire.....	80,682	80,688	80,754	81,759	82,460
Coos.....	37,402	37,848	38,130	38,809	39,541
Grafton.....	94,473	93,698	93,572	94,470	95,305
Hillsborough.....	400,820	396,361	393,992	394,162	395,186
Merrimack.....	164,053	162,502	161,291	163,368	164,749
Rockingham.....	341,038	336,713	333,198	334,903	336,828
Strafford.....	116,395	115,230	115,322	116,165	116,674
Sullivan.....	48,939	48,906	48,969	49,810	50,375
Other (Indeterminable).....	-	-	-	-	219
<b>Health &amp; Social Services</b>					
<b>Department of Health &amp; Human Services</b>					
Number of caseloads by program:					
Medical assistance - average monthly caseload (1)	84,200	77,952	77,378	75,751	70,176
TANF Caseloads.....	3,453	4,422	5,117	5,335	5,034
Nursing services for elderly.....	4,323	4,400	4,268	4,357	4,334
Child & family services - calls to central intake.....	32,684	31,826	26,864	25,928	19,568
Food stamps - June monthly average.....	55,192	56,962	54,735	51,401	40,682
<b>Education</b>					
<b>Community College System of New Hampshire</b>					
Enrollment	11,150	11,141	11,129	11,782	10,659
<b>University System of New Hampshire</b>					
Enrollment	26,597	26,906	26,732	26,843	26,485

(1) FY 2013 includes Children Health Insurance Program (CHIP)

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

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

<b>2008</b>	<b>2007</b>	<b>2006</b>
\$23,238,600	\$25,231,659	\$10,597,219
13,339,877	16,094,390	11,268,138
1,062,586	-	56,352
1,944,036	2,030,802	2,067,751
1,494,664	1,741,982	1,484,589
772,093	373,750	577,301
10,820,000	12,195,029	11,826,356
330,798	268,781	258,191
95,971	149,744	140,974
-	-	-
75,395	76,315	74,947
66,461	68,816	66,563
82,535	85,133	84,397
40,313	41,614	41,287
95,726	98,002	95,424
394,380	403,722	398,493
165,887	169,271	167,730
337,654	342,793	339,579
115,783	120,495	116,865
51,100	52,157	50,526
466	989	-
67,966	66,505	65,279
4,586	5,472	6,031
4,498	4,544	4,781
24,978	23,286	18,594
31,830	29,203	27,665
9,528	9,011	8,577
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

## STATE OF NEW HAMPSHIRE

## SCHEDULE OF STATE EMPLOYEES BY FUNCTION

## LAST EIGHT FISCAL YEARS

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

Full-Time Employees	FISCAL YEAR				
	2013	2012	2011	2010	2009
<b>General Government</b>					
Department of Information Technology.....	327	326	337	353	388
Department of Administrative Services.....	276	281	304	312	312
Department of Revenue Administration.....	117	118	165	177	194
Legislative Services.....	126	130	136	142	144
All other.....	270	213	234	240	253
<b>Administration of Justice and Public Protection</b>					
Department of Safety.....	992	1,011	1,026	1,065	1,085
Department of Corrections.....	782	792	810	856	944
Judicial Branch.....	531	526	595	634	670
Department of Employment Security.....	276	283	374	357	312
Liquor Commission.....	310	286	286	301	302
Adjutant General.....	123	123	113	121	120
All other.....	434	440	471	480	484
<b>Resource Protection and Development</b>					
Department of Environmental Services.....	421	413	429	469	470
Department of Resource and Economic Development.....	202	205	187	192	193
Fish and Game.....	179	182	185	186	184
All other.....	7	6	6	13	13
<b>Transportation</b>					
Department of Transportation.....	1,537	1,560	1,632	1,677	1,623
<b>Health and Social Services</b>					
Department of Health and Human Services:					
New Hampshire Hospital.....	538	534	627	704	737
Office of Commissioner.....	303	565	564	565	617
Division of Children and Youth*.....	-	347	347	336	372
Human Services*.....	712	-	-	-	-
Division of Transitional Assistance.....	380	332	334	318	337
New Hampshire Veteran's Home.....	320	325	319	323	326
Division of Juvenile Justice Services*.....	4	258	260	290	313
Office of Health Management.....	230	241	226	232	265
All other.....	454	399	407	410	422
<b>Education</b>					
Department of Education.....	243	250	256	263	267
CCSNH **.....					
All other.....	60	71	85	87	92
<b>State Total.....</b>	<b>10,154</b>	<b>10,217</b>	<b>10,715</b>	<b>11,103</b>	<b>11,439</b>
<b>Part-Time and Temporary Employees</b>					
General Government.....	794	720	708	726	718
Administration of Justice and Public Protection.....	4,197	4,206	3,915	3,971	4,005
Resource Protection and Development.....	1,932	1,790	1,477	1,697	1,465
Transportation.....	287	331	422	463	458
Health and Social Services.....	512	533	511	453	582
Education.....	45	70	72	74	68
CCSNH**.....					
<b>State Total.....</b>	<b>7,767</b>	<b>7,650</b>	<b>7,105</b>	<b>7,384</b>	<b>7,296</b>

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

See accompanying Independent Auditors' Report

\* SFY 13 Changes are due to new agencies being created and reorganization as part of FY14 budget

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

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

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

FISCAL YEAR		
2008	2007	2006
391	391	390
303	294	252
186	190	183
146	141	134
250	256	262
1,096	1,092	1,057
975	967	973
676	673	682
314	319	327
305	297	303
119	117	120
493	467	456
474	469	475
206	205	212
183	180	183
12	6	6
1,643	1,658	1,683
756	749	772
635	625	585
371	350	358
-	-	-
335	318	317
328	316	279
315	321	348
271	267	262
433	438	435
269	277	274
	719	709
92	92	90
<u>11,577</u>	<u>12,194</u>	<u>12,127</u>
719	721	717
3,745	3,617	3,374
1,369	1,237	1,301
449	461	444
633	614	535
64	62	68
	2,684	2,490
<u>6,979</u>	<u>9,396</u>	<u>8,929</u>

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

\* SFY 13 Changes are due to new agencies being created and reorganization

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

See accompanying Independent Auditors' Report

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

<u>Function</u>	<u>Fiscal Year</u>					
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b>Land &amp; Land Improvements</b>						
General Government.....	\$ 7,426	\$ 7,146	\$ 7,146	\$ 7,146	\$ 5,885	\$ 5,886
Administration of Justice &.....	35,569	33,699	32,428	27,751	28,951	28,772
Public Protection						
Resource Protection & Development.....	264,721	257,174	246,188	238,131	236,391	228,569
Transportation.....	316,148	327,014	324,422	319,476	310,714	305,299
Health & Social Services.....	4,033	4,033	4,033	4,033	4,033	4,034
Education.....	143	143	4,658	4,194	4,185	3,883
<b>Building &amp; Building Improvements</b>						
General Government.....	204,064	200,014	183,461	180,055	152,335	147,036
Administration of Justice &.....	250,817	248,211	243,616	219,953	221,332	216,691
Public Protection						
Resource Protection & Development.....	76,554	71,097	70,864	65,954	64,347	69,479
Transportation.....	73,119	71,987	68,833	69,589	65,360	56,143
Health & Social Services.....	129,965	126,442	125,948	119,742	119,157	112,434
Education.....	16,531	16,532	121,375	110,142	91,087	83,641
<b>Equipment and Computer Software</b>						
General Government.....	38,617	32,814	29,636	29,419	29,204	19,149
Administration of Justice &.....	99,106	95,659	91,114	97,380	79,569	76,594
Public Protection						
Resource Protection & Development.....	20,132	19,421	20,006	19,543	18,822	18,891
Transportation.....	111,654	105,003	91,472	77,851	76,653	67,209
Health & Social Services.....	69,170	57,043	55,441	55,286	55,066	58,636
Education.....	3,201	3,344	11,058	10,018	9,682	8,359
<b>Infrastructure</b>						
Transportation.....	3,350,208	3,199,307	3,032,547	3,036,174	3,048,728	2,865,262

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

	Fiscal Year			
	2007	2006	2005	2004
\$ 5,885	\$ 5,764	\$ 5,764	\$ 5,782	
28,771	28,672	28,672	28,306	
223,510	219,679	204,882	197,542	
281,263	233,585	220,610	186,692	
4,033	4,154	4,138	4,138	
2,949	2,924	2,642	2,640	
146,348	135,795	135,795	102,174	
215,140	204,555	202,720	171,573	
63,286	62,389	62,389	61,206	
48,274	45,816	27,988	24,304	
111,160	82,395	81,995	70,870	
77,624	76,016	66,235	62,933	
12,994	9,003	8,672	2,923	
69,585	62,524	50,501	51,570	
18,061	17,550	16,336	15,364	
56,587	46,539	44,955	43,622	
53,466	43,238	42,900	42,233	
8,340	8,030	7,785	7,383	
2,744,520	2,652,916	2,532,386	2,531,841	

See accompanying Independent Auditors' Report

STATE OF NEW HAMPSHIRE  
ACKNOWLEDGEMENTS



REPORT PREPARED BY THE DIVISION OF ACCOUNTING SERVICES

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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.

# Some comments received from the public about our hard working state employees:

*"I wanted to say thank you, that all the hard work and long hours were appreciated so much after the last winter storm"*

*"I find they are always so prompt in answering my many questions as well as informative and helpful"*

*"You have guided me through the process and I so appreciate it"*



*"She is always so courteous and responsive to all of our questions and communications"*

*"Thank you for sticking with the problem until you had it fixed"*

*"He is efficient and hardworking and handles our issues quickly"*

*"KUDOS to your employees for the wonderful service"*

*"Thank you for your technician's commitment to us, their customers"*

*"He is very professional and so good at what he does"*

*"He is a wonderful liaison taking time to meet with us and go over the plans and listen to our requests"*



*"They certainly know the meaning of customer service, going above and beyond time and again"*

*"Thank you for the great work you and your folks did today. It was amazing how quickly you were able to 'right' things"*

*"Please accept my sincere thanks for the excellent job you did"*



Thank you state employees for all your hard work, dedication and commitment to the People of New Hampshire!





State of New Hampshire  
Department of Administrative Services  
Division of Accounting Services  
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