State of New Hampshire

COMPREHENSIVE ANNUAL FINANCIAL REPORT for Fiscal Year 2014

"Public safety truly is the most important task of any government, and thanks to the steadfast dedication, integrity and courage of our public safety officials, New Hampshire is consistently recognized as one of the safest states in the nation. Our people, our families and our economy cannot thrive without safe communities, and we must continue our bipartisan efforts to strengthen public safety and ensure that our public safety officials have the resources they need to keep our people and communities safe. On behalf of the citizens of New Hampshire, I want to thank public safety officials across the state for their unyielding commitment to serving their fellow citizens, keeping us safe, and ensuring a bright future for all of our people."

~ Governor Maggie Hassan

STATE OF NEW HAMPSHIRE

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended

June 30, 2014

Prepared by the Department of Administrative Services
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This document and related information can be accessed at *http://admin.state.nh.us/accounting*

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SEAL · OF · THE · STATE · OF · NEW HAMPSHIRE
1776

STATE OF NEW HAMPSHIRE
OFFICE OF THE GOVERNOR

December 31, 2014

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, 2014.

In 2013, we came together across party lines to enact the most bipartisan budget in more than a decade, without a sales or income tax, and in 2014, we came together to settle costly lawsuits that were threatening our state's financial outlook and bond rating, strengthening both our state and our long-term fiscal picture. Through these bipartisan efforts, and by carefully managing state agency expenditures and taking preemptive action to protect our budget, we ended Fiscal Year 2014 with a $21.9 million surplus.

Thanks to our bipartisan commitment to responsibly investing in our shared priorities, as well as the hard work of state agencies and employees, we have made real progress to move our state's economy forward while also maintaining our commitment to a fiscally responsible, balanced budget.

Our unemployment rate dropped to 4.1 percent in November, the lowest rate in New England and significantly lower than the national average, and a recent report from the Organization for Economic Cooperation and Development found that Granite Staters have the highest quality of life in the country. Despite this progress, we know that there is much work left to do in order to support job-creating businesses, expand opportunities for middle class families and keep our economy moving in the right direction.

As all of you know, we continue to deal with shortfalls in business tax and interest-and-dividends tax revenues, as well as increased caseloads at the Department of Health and Human Services, that require us to take strategic action to maintain fiscal responsibility and keep the budget for Fiscal Year 2015 balanced. In November 2014, I issued an Executive Order directing a reduction of more than $18 million in Executive Branch expenditures for Fiscal Year 2015, and the Department of Health and Human Services is ensuring that its budget stays within its appropriation even in the face of increasing costs. In addition, a statewide freeze on generally funded hiring, equipment and out-of-state travel remains in effect.

In 2013, we passed a bipartisan budget that made real progress for the people and businesses of New Hampshire, a budget that restored critical priorities – fostering economic development, helping keep our young people in state by freezing tuition at our public colleges and universities, expanding opportunities for all of our citizens, and maintaining our status as one of the safest, healthiest and most livable states in the nation.

Despite the challenges posed by continued caseload growth and shortfalls in revenues from business taxes and the interest and dividend tax, it is in that same bipartisan spirit that I will work with the Legislature and our state agencies to ensure a balanced budget for Fiscal Year 2015, while also keeping our shared commitment to moving the State of New Hampshire forward.

With every good wish,

Margaret Wood Hassan
Governor

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State of New Hampshire
Selected State Officials
For the Fiscal Year Ended June 30, 2014

Executive Branch

Governor **Margaret Wood Hassan**

Executive Council

Joseph D. Kenney, 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

Commissioner of the Treasury

William F. Dwyer

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
Chuck Morse
24 Senators

Speaker of the House of Representatives
Terie Norelli
400 Representatives

STATE OF NEW HAMPSHIRE
ORGANIZATION CHART

LEGISLATIVE

Senate
House of Representatives
Legislative Services
Legislative Budget Assistant

EXECUTIVE

Governor
and
Council

JUDICIAL

Supreme Court
Superior Court
Circuit Court

STATE AGENCIES AND COMPONENT UNITS (*)

GENERAL GOVERNMENT

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

ADMINISTRATION OF JUSTICE AND PUBLIC PROTECTION

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

RESOURCE PROTECTION AND DEVELOPMENT

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

TRANSPORTATION

Transportation
Turnpike System

HEALTH AND SOCIAL SERVICES

Health and Human Services
NH Office of Veterans' Services
Veterans' Home

EDUCATION

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 31, 2014

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, 2014. 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. The State's population was 1,323,459 in 2013 according to the U.S. Census Bureau. New Hampshire holds the first in the nation Presidential Primary. Since 1920, the first ballot of the New Hampshire Presidential Primary has been cast in the Ballot Room of the Balsams Hotel in Dixville Notch.

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

• The executive officers of the Executive Branch consist of the Governor, the State Treasurer, the Secretary of State and the five-member Executive Council (the "Council"). 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 State Treasurer and the Secretary of State are elected by joint ballot of the House and Senate for two-year terms. The Council is elected by the people biennially, one Councilor for each of the five Councilor districts in the State. The Council's chief function is to provide advice and consent to the Governor in the executive function of government. The Governor and Council can negate each other in nominations of and appointments to executive positions in the judicial and executive branches. The executive branch is organized into a number of departments, each headed by a Commissioner.

• 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 a Circuit Court with three divisions, probate, district, and family, with 32 sites. 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. Two of the more significant 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

- New Hampshire's preliminary unemployment rate was significantly less than national average in November (4.1% vs. 5.8% seasonally adjusted).
- Foreclosures through October 2014 are at an annual rate of 2,100. At the current pace, 2014 will end the year with fewer foreclosures than any of the prior six years.
- Real estate transfer tax receipts of $100 million for fiscal year 2014 were 8.6% higher than the prior year.
- Total non-farm employment increased by 5,900 jobs from November 2013 to November 2014. Government employment increased by 200 during the period, while the private service producing sector added 5,100 jobs, and the goods producing sector added 600 jobs.
- New Hampshire per capita income ranked 8th in the country in 2013, or 113% of the national average.
- Pew Charitable Trusts rated New Hampshire state revenue to be among the least volatile in the U.S. at 4.1% for the 1994-2012 period compared to 5.1% nationally.

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 October 9, 2014 by Dennis Delay, Economist for the New Hampshire Center for Public Policy Studies, and N.H. Forecast Manager for NEEP.

- Highlights of the October 2014 Forecast:
    - o The Granite State will add only a few hundred manufacturing jobs over the next five years. However, it is expected that Granite State 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 about 2.0 percent 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 seen a return to normal (pre housing bubble) price appreciation according to

state realtors. However, housing sales weakened in 2014. Foreclosure recordings continued to decline steadily over the past year. The state rental market remains strong, with rental costs increasing and vacancies remaining below 3 percent in most areas.

- The following chart 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 (2003-2008 and 2008-2013), however, higher than the regional growth rate between 2008-2013. Gross State Product for New Hampshire is currently forecasted to be below the growth rates both regionally and nationally over the next five years.

NEEP Forecast Summary Comparisons
Average Annual Rates of Growth October 2014 Forecast

	Actual 2003-2008	Actual 2008-2013	Forecast 2013-2018
Gross State Product			
GSP-New Hampshire	1.0	0.9	2.2
GSP-New England	1.7	0.7	2.4
GDP-United States	2.2	1.2	2.7

Major Initiatives for Fiscal Year 2014:

State-wide Technology

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

Another significant phase of the project 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. The 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 full benefits associated with the additional functionality provided in this implementation have been significantly limited by the low level of staff and resources that were assigned to this project, the fact that the State has operated the Human Resources and Payroll functions in a decentralized manner for many years, and the aging desktop computer technology for approximately 3,000 employees that was spread across State government which prevented those employees from accessing all functions of the ERP from their local computer. Accordingly, the State has been working to centralize Human Resources and Payroll functions across all Agencies, assign additional resources from other non-payroll areas as well as modernize the desktop computers to address these issues.

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.

Medicaid Management Information System (MMIS)

The State replaced the automated system that processes Medicaid claims. The new MMIS system went live April 1, 2013 with the New Hampshire MMIS Health Enterprise System, administered under contract with the Xerox Corporation as the fiscal agent. The State and the contractor staff continue to identify and resolve implementation issues and significant progress has been made to date, such that the Department has requested Centers for Medicare and Medicaid Services (CMS) certification of the system as of mid-December 2014. Upon certification, the Federal Financial Participation (FFP) rate for MMIS maintenance could increase from 50% to 75%.

Business One Stop

The Business One Stop Concept and portal was developed during the last few years and was designed to help businesses identify what

they need to know to work with state agencies to run a successful business in New Hampshire. As it is almost impossible for a small business owner to know which agency has oversight over the myriad of areas in which the business must be compliant to operate in this state, the Business One Stop portal puts the information together so the State is presenting a single face to our customers. Business One Stop does not change existing workflows between a business and state agency to accomplish particular tasks. What it does is identify what those tasks are, what forms or other information are required to accomplish the task, how much and how long a particular task takes as well as provide a point of contact within the agency who is an expert in the field.

E-Licensing

The State of New Hampshire continues to expand and enhance online licensing capabilities. The capabilities include online licensing and renewals as well as license lookup and verification.

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

Innovation Commission

In May 2013, Governor Hassan issued Executive Order 2013-07 which is an order establishing the Governor's Commission on State Government Innovation, Efficiency and Transparency. The intent of the Commission is to bring the public and private sector together to help reform state government in order to save taxpayer dollars and improve state services. The Commission is scheduled to submit its final recommendations in December 2014.

Welcome Centers in Hooksett NH

During fiscal year 2014, the State of New Hampshire began redeveloping the Hooksett Welcome Centers on Interstate 93. This is a public-private project partnership that will provide New Hampshire residents and visitors a wide range of new and improved services, including multiple dining options, an interactive visitors center, a NH Liquor and Wine Outlet store, a country store, a bank and fueling stations. The Welcome Centers are anticipated to be completed in February 2015.

Consolidation of Certain Business Processing Functions

- **Consolidation of Accounts Payable**: Pursuant to Chapter 224:85, Laws of 2011, the State continued the implementation of the consolidation of Accounts Payable during fiscal year 2014. As of June 30, 2014, vendor invoices for the majority of Executive Branch Departments were being processed by the State's Shared Services Center (SSC).
- **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. Given the current level of resources that can be assigned to this initiative, the consolidation of human resources and payroll functions is not anticipated to occur until fiscal year 2016 or later.

Capital Projects – Capital Fund (Permanent Fund)

During fiscal year 2014, many capital projects were started, in process and/or completed. Some of the State's larger fiscal year 2014 capital projects included the following along with the approximate fiscal year 2014 expenditures (budgetary basis):

- $14 million Employment Security Renovations of the Tobey Building & Construction of Parking Garage
- $11 million Department of Transportation Federal Aviation Administration Projects
- $10 million Community College System of New Hampshire Career and Technical Building Projects
- $6 million Hooksett North and South Liquor Stores
- $5 million University System of New Hampshire Projects

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
- $21 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 ac-

tual 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.

Fiscal Year 2014 Operations

The fiscal year 2014 budget as adopted in 2013 (the "Fiscal Year 2014 Budget") assumed the State would start the year with an unassigned general fund surplus of $56.9 million and a Rainy Day balance of $9.3 million. However, the State began fiscal year 2014 with an unassigned surplus of $72.2 million, an increase of $15.3 million, and a Revenue Stabilization Fund (Rainy Day Fund) balance of $9.3 million. Accordingly, the unassigned general fund balance, comprising Rainy Day Fund amount of $9.3 million and other undesignated fund balance of $72.2 million, ended fiscal year 2013 at $81.5 million.

Unrestricted revenue for the General and Education Trust Funds received during fiscal year 2014 totaled $2,173.2 million which was above the revised fiscal year 2014 budget by $3.8 million and $102.4 million lower than fiscal year 2013. Note: The original fiscal year 2014 unrestricted revenue budget as passed in 2013 ($2,241.6 million) included $72.2 million of Medicaid Enhancement Tax revenue which was redirected to the Department of Health and Human Services as a restricted revenue pursuant to Chapter 158, Laws of 2014, which passed in June 2014. The revised fiscal year 2014 Revenue budget was $2,169.4 million.

- The net favorable results as compared to the revised fiscal year 2014 budget resulted from favorable and unfavorable changes within many of the revenue categories. Revenues that performed better than the revised budget included: Meals and Rooms Taxes by $10.5 million (4%), Insurance Taxes $8.1 million (9%), Tobacco Taxes $5.4 million (3%) (Note: the tobacco tax rate increased on August 1, 2013 from $1.68/pack of cigarettes to $1.78/pack), and Real Estate Transfer Taxes $3.9 million (4%). Revenues that performed below the revised budget included: Business Taxes by $11.5 million (2%) and Interest and Dividends Taxes $16.3 million (17%). The State's other remaining revenue sources combined were approximately $3.7 million above the revised fiscal year 2014 budget.

- The reported $102.4 million (4.5%) revenue reduction as compared to fiscal year 2013 resulted primarily from one-time settlements received during fiscal year 2013 and changes made to the Fiscal Year 2014 Budget.

    - One-time revenues received in fiscal year 2013 included an additional $20.8 million of Tobacco Settlement revenue (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.

    - The Fiscal Year 2014 Budget changed how the board and care revenue and certain drug rebate revenue was recognized by the Department of Health and Human Services from an unrestricted revenue to a restricted revenue (reduction of $26.4 million for Board & Care and approximately $6.2 million for drug rebates). Additionally, Chapter 158 Laws 2014, directed 100% of the fiscal year 2014 Medicaid Enhancement Tax revenue to the Department of Health and Human Services whereas $69.1 million had been recognized as unrestricted revenue in fiscal year 2013.

    - Accordingly, excluding the significant one-time revenues received in fiscal year 2013 which were not received in fiscal year 2014 and excluding the Fiscal Year 2014 Budget changes to Board & Care, Drug Rebates and Medicaid Enhancement Tax revenues, the remaining unrestricted revenues increased approximately $29.1 million or 1.4%. Meals and Rooms Taxes increased $13.3 million (5%), Tobacco Taxes increased $14.2 million (7%), Real Estate Transfer Taxes increased $7.4 million (8%), Interest & Dividends Taxes decreased $13.2 million (14%), and all other variances were approximately $7.4 million favorable (net).

Net General Fund and Education Fund appropriations included in the original fiscal year 2014 budget, $2,271.1 million, were revised in June 2014 to $2,198.9 million as a result of Chapter 158, Laws of 2014, which directed 100% of the Medicaid Enhancement Tax to the Department of Health and Human Services as a restricted revenue ($72.2 million of Medicaid Enhancement Tax revenue was changed from unrestricted to restricted). As compared to the revised fiscal year 2014 budget, net appropriations in fiscal year 2014 of $2,205.3 million were approximately $6.4 million unfavorable. Approximately $4.3 million in net reductions under House Bills 1 and 2 were not achieved during the fiscal year and appropriations authorized after the passage of the Fiscal Year 2014 Budget via new legislation or existing laws were approximately $11.5 million. However, lapses were approximately $9.4 million higher than expected. Net appropriations are reported as approximately $20 million lower than the fiscal year 2013 net appropriations of $2,225.3 million; however, if fiscal year 2013 is reduced ('normalized') for the fiscal year 2013 board and care, drug rebates and MET revenues which were changed from unrestricted to restricted revenues in fiscal year 2014, net appropriations in fiscal year 2014 increased approximately $81.7 million (3.8%) from approximately $2,123.6 million in fiscal year 2013.

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 $17.5 million for fiscal year 2014. GAAP and other adjustments were not budgeted in fiscal year 2014. The most significant GAAP and other adjustments affecting fiscal year 2014 were the result of an increase in the Medicaid liability required as of June 30, 2014. A General Fund GAAP adjustment of approximately $17.8 million was required for unpaid liabilities to providers and managed care organizations as well as the incurred but not reported liabilities. The remaining GAAP and other adjustments (net) were favorable by approximately $0.3 million. The fiscal year 2014 GAAP and other adjustments were approximately $25.6 million higher than fiscal year 2013 ($8.1 million). Additionally, $0.7 million was transferred as budgeted to the Fish & Game fund during fiscal year 2014.

Accordingly, in addition to the $9.3 million remaining in the Rainy Day Fund, the State ended the year with an undesignated fund balance of $21.9 million for a total of $31.2 million. This was approximately $4.8 million less than the budget and approximately $50.3 million less than the prior year.

Highway Fund

The Highway Fund ended the year with an operating surplus of approximately $33.2 million as compared to the Budget of $22.7 million. The Highway Fund revenues were higher than the Budget by approximately $6 million. The Fiscal Year 2014 revenues included approximately $15 million of revenue from the Turnpike System related to the I-95 sale transaction that took place back in 2010. The Fiscal Year 2014 Unrestricted Highway Fund revenues were approximately $30.9 million lower than Fiscal Year 2013 primarily as a result of the decrease in the revenue received from the I-95 sale (decrease of $11 million), as well as the result of a reclassification from Unrestricted Highway Fund revenues to Restricted Highway Fund revenues in the Fiscal Year 2014 budget for Federal overhead and indirect cost recoveries (decrease of approximately $14.7 million). Additional information on the Highway Fund Balance can be found on page 125.

Fish & Game Fund

The Fish and Game Fund ended the year with an Undesignated Fund Balance of approximately $1.2 million versus the Original Budget as passed in 2013 of essentially $0. Fish and Game Fund revenues of $10.6 million were slightly favorable for the year by approximately $.2 million as compared to the fiscal year 2014 Plan of $10.1 million. A Transer from the General Fund was made during Fiscal Year 2014, as budgeted, in the amount of $.7 million. Additional information regarding the Fish and Game Fund Undesignated Fund Balance can be found on page 126.

Unrestricted Net Position

At the Government-Wide Level, the State's Governmental Activities unrestricted net position 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 net position has changed from an unrestricted positive balance to an unrestricted deficit balance. The deficit balance as of June 30, 2014 was $790 million. This decrease in unrestricted net position to the current deficit position appears to be primarily the result of the following: 1) $858 million of Other Post Employment Benefit (OPEB) Liabilities outstanding as of June 30, 2014 (see Note 11) 2) Long-Term debt issued by the State for component unit capital purposes, $244 million outstanding principal balance as of June 30, 2014 ($185 million USNH and $59 million CCSNH), that did not result in a Governmental Activities' capital asset (assets are recorded on the balance sheets of USNH and CCSNH), and 3) school building aid which was bonded between 2009-2011 of approximately $105 million that did not result in a State capital asset.

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 $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 various general guidelines 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. The appropriate level of the Revenue Stabilization Fund ultimately depends on state-specific factors and the State should continue policy discussions in order to have adequate resources available during times of revenue shortfalls and unforeseen events.

Business Taxes and Interest & Dividends Taxes:

During the last few years, several changes have been made to the Business Tax and Interest & Dividend tax laws. It is currently unclear as to the impact those changes have had on fiscal year 2014 and prior year revenues as well as the impact the changes will have on future revenues; however, the Department of Revenue Administration continues to evaluate the effects of these changes. A list of the more significant changes was provided in the April 2014 Monthly Revenue Focus issued by the Department of Administrative Services at http://admin.state.nh.us/accounting/FY%2014/Monthly%20Rev%20April.pdf.

Medicaid Program

- **Managed Care Delivery Model:**
  Significant changes were made to New Hampshire Medicaid 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. DHHS issued a Request for Proposals for Medicaid Care Management Services in October 2011 and the Governor and Executive Council approved the original 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. 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 began open enrollment on September 11, 2013 for Step 1 Medicaid recipients with coverage beginning December 1, 2013 (Step 1 includes medical services and behavioral health services).

  In June 2014 one of the three managed care organizations informed DHHS of its intent to exit the New Hampshire Medicaid market. In June and July of 2014, all 31,000 Medicaid members enrolled in the health plan were successfully transitioned to the two remaining health plans. The second phase of MCM, including long term care support services and mandatory enrollment for the currently optional population, is expected to be implemented in the summer of 2015 for services beginning September 1, 2015. Enrollment of the disabled population is still yet to be determined.

- **New Hampshire Health Protection Program:**
  The New Hampshire Health Protection Act, Chapter 3, Laws of 2014 (SB 413), codified at RSA 126-A:5, XXIII-XXVI and RSA 126-A:67 established the New Hampshire Health Protection Program to provide a coordinated strategy to access private insurance coverage for uninsured, low-income citizens with income up to 133 percent of the federal poverty level (FPL) using available, cost-effective health care coverage options for Medicaid newly eligible individuals at the earliest practicable date through December 31, 2016.

  As of July 1, 2014, New Hampshire residents began applying for Medicaid insurance coverage to start on August 15, 2014, with 22,146 current New Hampshire Health Protection Program (NHHPP) beneficiaries enrolled as of October 31, 2014. The Program consists of a mandatory Health Insurance Premium Program (HIPP) under which newly eligible individuals with access to cost-effective private employer sponsored insurance will be covered through their employer-sponsored insurance, with the Program paying the employee's premiums and other costs of coverage; a Voluntary Bridge to Marketplace Program under which those non-HIPP eligible will be temporarily enrolled in private managed care plans either through the federal marketplace (if determined to be cost-effective) or managed care organizations currently under contract with the State; and a Premium Assistance Program under which newly eligible persons will be enrolled in private Qualified Health Plans on the NH Marketplace beginning January 1, 2016. Implementation of the Premium Assistance Program and the transition of the Bridge program to the Premium Assistance Program are contingent upon the approval of an 1115 Medicaid Demonstration Waiver.

  The NH Health Protection Program service costs will be funded with 100% federal funds of which all payments and reimbursement of federal funds will be managed in the NH Health Protection Fund established under RSA 126-A:5-b and administered by the Commissioner of the Department of Health and Human Services.

  It is estimated that in fiscal year 2015, the State will receive $299 million in federal funds to provide private health insurance coverage to approximately 54,441 people newly eligible for the benefit. Fiscal year 2015 implementation costs are currently projected to total $15.8 million, of which $9.3 million will be funded by the federal government and $6.5 million will be funded by the State general fund. While costs for services are 100% federally funded, administration is matched at 50% and system development and implementation costs are matched at 90% or 75%.

- **Fiscal Year 2014 and Future Outlook:**
  The State experienced a 7.5% increase in eligible Medicaid population in FY 14 as compared to FY 13. The increase in caseload can be attributed mainly to the federal changes in eligibility criteria as part of the Modified Adjusted Gross Income (MAGI) methodology of the Patient Protection and Affordable Care Act (PPACA). These increased caseloads, when calculated along with potential offsetting savings from individuals moving to employer-sponsored plans, as well as a delay in the conversion from fee for service to managed care are contributing to an estimated increase in general fund cost of $8.2 million and $31 million in fiscal years 2014 and 2015 respectively, as compared to the budget as passed.

Workforce Development Challenges

As of June 30, 2014, the State estimates that approximately 33% of the full-time workforce was eligible to retire (at age 60/65 depending on hire date, or 'rule of 70'for Group 1, or using the Group II Retirement Rule). Additionally, projecting out five years, it appears that an additional 13% 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

The adopted budget for Fiscal Years 2014 and 2015 accelerated the Turnpike System's payments to the Highway Fund from the sale of a portion of I-95 in fiscal year 2010. Accordingly, as of June 30, 2014, approximately $14 million remains to be paid during Fiscal Year 2015 and the final payment of $.4 million will be paid in Fiscal Year 2016

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. The final payment of $.4 million is expected to be made in Fiscal Year 2016.

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 assets available to pay pension benefits, at actuarial value, were 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 projected 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 have been challenged in court (see Note 14 Litigation).

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, as well as other forms of postemployment benefits (for example, health insurance) 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 estimated unfunded actuarial accrued liability (UAAL) was estimated as approximately $1.9 billion.

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. This usually occurs in late May of that same odd numbered year.

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 2014, 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 adoption of the State's new ERP system, substantial training was provided by DAS, which served to strengthen users' procedures and instruct them in the system of internal controls employed in its use.

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, 2014.

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 and is anticipated to be completed in March 2015.

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, 2013. This is the fifth consecutive year that the state received this award.

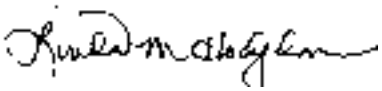
In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

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,



Linda M. Hodgdon, Commissioner

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of New Hampshire

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

Financial Section

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

INDEPENDENT AUDITORS' REPORT

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

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 (the State), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the State'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 and the Lottery Commission, which represent 5.3% and 72.9% of the assets and revenues of the business-type activities, respectively, and 100% and 98% of the assets and revenues of the respective major funds. We also did not audit the financial statements of 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 14.0% and 15.9% 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 3.1% and 9.5% 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 they relate to the amounts included for these entities, are 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*.

KPMG LLP is a Delaware limited liability partnership, the U.S. member firm of KPMG International Cooperative ("KPMG International"), a Swiss entity.

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, 2014, 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.

Emphasis of Matters

Adoption of New Accounting Pronouncement

As discussed in Note 17 to the financial statements, in 2014, the State adopted Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis, budget to actual schedules, and information about the State's other postemployment benefits and Judicial Retirement Plan, 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 GASB 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's basic financial statements. The introductory section, other supplementary information within the financial section, and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information within the financial section is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 other supplementary information within the financial section is 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 31, 2014 on our consideration of the State'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's internal control over financial reporting and compliance.

KPMG LLP

December 31, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

FINANCIAL HIGHLIGHTS – PRIMARY GOVERNMENT

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, 2014. 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.

Government-Wide Highlights

Net Position: The total assets and deferred outflows of resources of the State exceeded total liabilities at fiscal year ending June 30, 2014 by $2.8 billion. This amount is presented as "Total Net Position" on the Statement of Net Position for the Primary Government (condensed information can be seen later in the MD&A section of this report). Of this amount, $756.3 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 $24.3 million, or .9% in fiscal year 2014. The net position of governmental activities decreased by $80.5 million (5.7%), and net position of the business-type activities showed an increase of $104.8 million (7.9%). Expenses for the period were $193.8 million or 3.3% higher than fiscal year 2013 and total revenues were approximately $51.2 million or .9% higher than fiscal year 2013.

Non-Current Liabilities: The State's total non-current liabilities increased by $42.5 million or 1.7% during the current fiscal year. Reported non-current bonded debt decreased $53.5 million or 3.5% as payments exceeded new issuances of outstanding debt. Also, an additional $92.7 million long-term liability was recorded for other postemployment health benefits in accordance with governmental accounting standards.

Fund Highlights:

Governmental funds - Fund Balances: As of the close of fiscal year 2014, the State's governmental funds reported a combined balance of all funds of $543.9 million, a decrease of $64.1 million from the prior year. This year, the General Fund ended the year with an Unassigned Fund Balance of $31.2 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 as well as any deferred outflows of resources or deferred inflows of resources. The difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources 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 33 through 36.

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 34 and 36.

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 94 and 95.

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 38 through 41.

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 43-44 include the:

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

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

Major Component Unit

The State has only one major discretely presented component unit - the University System of New Hampshire and four non-major discretely presented component units. This separation is determined by the relative size of the individual entities' assets, liabilities, revenues and expenses in relation to the combined total of all component units. The combining financial statements for the component units can be found on pages 46 and 47.

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 49.

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 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 $2.8 billion at the end of 2014 which was slightly higher (.9%) than fiscal year 2013.

Investment in Capital Assets: The largest portion of the State's net position (89.8%) 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 $22.4 million from prior year. This increase was the result of a net increase in capital assets of $71.9 million during the year, which partially utilized prior year bond proceeds, combined with an increase in capital related debt of $49.5 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 ($1,038.3 million or 37.6%) 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 $75.2 million from prior year due largely to increases in assets restricted for Unemployment Benefits and for Environmental Loans within the State Revolving Fund.

Unrestricted Net Position: The deficit in the State's unrestricted net position is $756.3 million which is up $73.3 million from the deficit of $683.0 million (restated) from the previous year. A significant component of the deficit is attributable to net other postemployment benefit obligation, which at June 30, 2014 was $858.4 million.

Changes in Net Position

The State's total net position increased by $24.3 million, or .9%, during the current fiscal year. Total revenues were $6,056.3 million, an increase of $51.2 million (.9%) as compared to the prior year, and total reported expenses were $6,032.0 million, an increase of $193.8 million (3.3%) as compared to the prior year.

Comparative Net Position as of June 30, 2014 and 2013
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Current assets	$1,174,835	$1,093,563	$777,158	$741,803	$1,951,993	$1,835,366
Capital assets	2,752,656	2,720,450	914,386	874,712	3,667,042	3,595,162
Other assets	74,271	128,841	316,241	294,516	390,512	423,357
Total assets	4,001,762	$3,942,854	2,007,785	1,911,031	6,009,547	$5,853,885
Total deferred outflows of resources	10,540	11,752	3,009	3,742	13,549	15,494
Noncurrent liabilities	2,037,301	1,983,834	438,287	449,241	2,475,588	2,433,075
Current liabilities	643,356	558,647	146,369	144,216	789,725	702,863
Total liabilities	2,680,657	2,542,481	584,656	593,457	3,265,313	3,135,938
Net Position:						
Net Investment in capital assets	2,013,107	2,022,477	462,660	430,843	2,475,767	2,453,320
Restricted	108,658	106,027	929,609	857,061	1,038,267	963,088
Unrestricted	(790,120)	(716,379)	33,869	33,412	(756,251)	(682,967)
Total net position	$1,331,645	$1,412,125	$1,426,138	$1,321,316	$2,757,783	$2,733,441

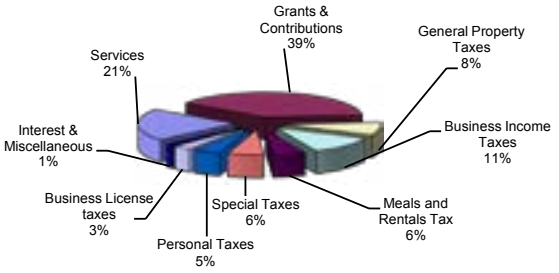
The financial statements for the fiscal year ending June 30, 2013 have been restated to reflect the implementation of GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities*.

Comparative Changes in Net Position

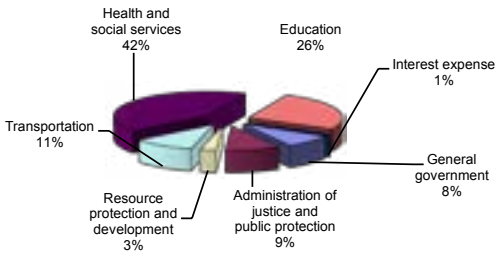
For Fiscal Years Ending June 30, 2014 and 2013
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Revenues						
Program revenues:						
Charges for services	$1,019,353	$956,630	$1,204,640	$1,249,912	$2,223,993	$2,206,542
Operating grants & contributions	1,641,790	1,602,922	36,876	25,031	1,678,666	1,627,953
Capital grants & contributions	218,351	183,676	3,108	5,446	221,459	189,122
General revenues:						
General Property Taxes	398,419	400,563			398,419	400,563
Business Income Taxes	546,829	538,365			546,829	538,365
Meals and Rentals Tax	263,050	248,574			263,050	248,574
Special taxes	290,020	359,967			290,020	359,967
Personal taxes	219,903	205,849			219,903	205,849
Business License taxes	145,658	144,023			145,658	144,023
Interest	16,343	13,167			16,343	13,167
Miscellaneous	52,005	71,028			52,005	71,028
Total revenues	4,811,721	4,724,764	1,244,624	1,280,389	6,056,345	6,005,153
Expenses						
General government	425,806	428,738			425,806	428,738
Administration of justice and public protection	480,720	528,734			480,720	528,734
Resource protection and development	140,316	156,148			140,316	156,148
Transportation	541,058	410,758			541,058	410,758
Health and social services	2,153,341	2,009,403			2,153,341	2,009,403
Education	1,335,566	1,329,015			1,335,566	1,329,015
Interest Expense	31,548	27,666			31,548	27,666
Turnpike System			90,243	88,119	90,243	88,119
Liquor Commission			482,158	463,843	482,158	463,843
Lottery Commission			205,052	207,509	205,052	207,509
SRF Fund			21,541	19,950	21,541	19,950
Unemployment Compensation			124,654	168,280	124,654	168,280
Total expenses	5,108,355	4,890,462	923,648	947,701	6,032,003	5,838,163
Increase (decrease) in net position before transfers and other items	(296,634)	(165,698)	320,976	332,688	24,342	166,990
Special Item - Environmental Litigation Settlements		90,700				90,700
Transfers & Other Items	216,154	213,283	(216,154)	(213,283)		
Increase (Decrease) in net position	(80,480)	138,285	104,822	119,405	24,342	257,690
Net position, beginning of year (restated)	1,412,125	1,273,840	1,321,316	1,201,911	2,733,441	2,475,751
Net position, end of year	$1,331,645	$1,412,125	$1,426,138	$1,321,316	$2,757,783	$2,733,441

Governmental Activities - Revenues
Fiscal Year Ending June 30, 2014



Governmental Activities - Expenses
Fiscal Year Ending June 30, 2014



More than half of the State's revenue (68%) is from program revenue, consisting of charges for goods and services, and federal and local grants. Revenues not specifically targeted for a specific program are known as general revenues, which are primarily from taxes.

The State's expenses cover a range of services. The largest expenses were for Health and Social Services and Education, which accounted for 36% and 22% of total expenses, respectively.

Governmental Activities

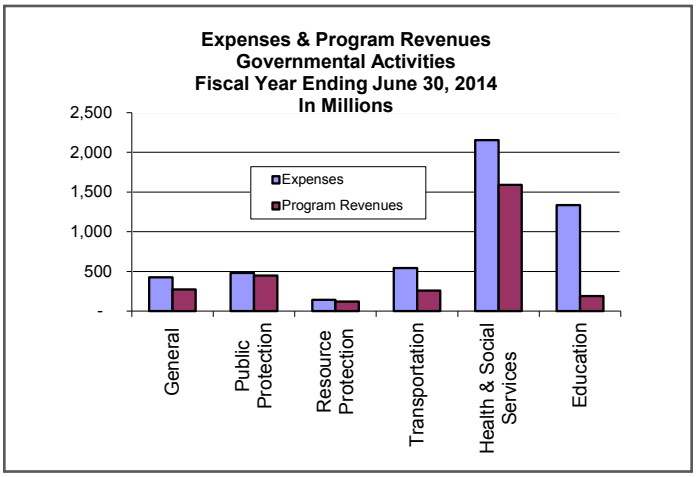
Governmental activities decreased the State's net position by $296.6 million, before transfers and other items. Revenues increased by $86.9 million or 1.7% from the prior year to total $4.8 billion. Total program revenue, consisting of charges for goods and services, and federal and local grants, increased $136.3 million or 5.0%, while taxes and other revenues decreased $49.4 million or 2.5%. Reported expenses increased $217.9 million or 4.5%.

A comparison of the cost of services by function for the State's governmental activities with the related program revenues is shown in the chart below. 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 an increase in net position of $321.0 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 $148.7 million, an increase from the prior year of approximately 6.4%, which was transferred to the General Fund to fund the general operations of the State. The Lottery Commission net income before transfers of $75.5 million was a decrease of $2.2 million (2.8%) as compared to the prior year.



Additionally, the Turnpike System's net position increased by $35.2 million. The operations of the Unemployment Compensation fund yielded an increase in net assets of $35.4 million. The State Revolving Fund net position increased $34.0 after transfers.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

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

Governmental Funds

The focus of the State's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the State's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Total Governmental Fund Balances decreased $64.1 million in fiscal year 2014. A deficiency of revenues over expenditures of $370.4 million was funded by $303.8 million of net transfers from Enterprise Funds and Other Financing Sources, resulting in a net decrease in Governmental Fund Balance.

General Fund

The general fund is the primary operating fund of the State. The total fund equity at June 30, 2014 is $297.4 million. The general fund unassigned fund balance, comprising Revenue Stabilization (Rainy Day fund) amount of $9.3 million and other fund balance of $21.9 million ended the year at $31.2 million, a decrease of $50.3 million from the prior year.

Analysis of Changes in Revenues and Expenses
For Fiscal Year Ending June 30, 2014 Compared to 2013
($ In Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	$Change	% Change	$Change	% Change	$Change	% Change
Revenues						
Program revenues:						
Charges for services	62.7	6.6%	(45.3)	-3.6%	17.4	0.8%
Operating grants & contributions	38.9	2.4%	11.9	47.6%	50.8	3.1%
Capital grants & contributions	34.7	18.9%	(2.3)	100.0%	32.4	17.1%
General revenues:						
General Property Taxes	(2.2)	-0.5%			(2.2)	-0.5%
Business Income taxes	8.4	1.6%			8.4	1.6%
Meals and Rental Taxes	14.5	5.8%			14.5	5.8%
Special taxes	(70.0)	-19.4%			(70.0)	-19.4%
Personal taxes	14.1	6.9%			14.1	6.9%
Business License taxes	1.7	1.2%			1.7	1.2%
Interest	3.1	23.5%			3.1	23.5%
Miscellaneous	(19.0)	-26.8%			(19.0)	-26.8%
Total revenues	86.9	1.7%	(35.7)	-2.8%	51.2	0.9%
Expenses						
General government	(2.9)	-0.7%			(2.9)	-0.7%
Administration of justice and public protection	(48.0)	-9.1%			(48.0)	-9.1%
Resource protection and development	(15.9)	-10.2%			(15.9)	-10.2%
Transportation	130.3	31.7%			130.3	31.7%
Health and social services	144.0	7.2%			144.0	7.2%
Education	6.6	0.5%			6.6	0.5%
Interest Expense	3.8	13.7%			3.8	13.7%
Turnpike System			2.1	0.1%	2.1	2.4%
Liquor Commission			18.4	4.0%	18.4	4.0%
Lottery Commission			(2.5)	-1.2%	(2.5)	-1.2%
SRF Fund			1.5	7.5%	1.5	7.5%
Unemployment Compensation			(43.6)	-25.9%	(43.6)	-25.9%
Total expenses	217.9	4.5%	(24.1)	-2.5%	193.8	3.3%

Revenues in the general fund were $3,384.6 million, $56.8 million (1.7%) higher than the prior year, the increase largely the result of increases in Federal Grants received during fiscal year 2014. Expenditures increased by $151.2 million (4.6%) to $3,465.7 million which was primarily the result of the increase in Health and Social Services expenditures.

Education Fund

The education fund, before year-end transfers from other funds, had a deficit balance of $172.4 million. Approximately $75.4 million was transferred from the Enterprise funds and the general fund made a transfer from unassigned fund balance for the remaining $102.0 million to bring the education assigned fund balance to $5.1 million at June 30, 2014. The remaining fund balance within the Education Fund primarily represents the remaining fiscal year 2014 appropriations available for Charter Schools.

Highway Fund

The highway fund ended the year with a restricted fund balance of $163.8 million. As the highway fund revenues include revenues primarily restricted by the Constitution or the Federal Government, the remaining spendable fund balance as of June 30, 2014 has been classified as restricted. This is a decrease of approximately $43.1 million from the fiscal year 2013 spendable fund balance of $206.9 million.

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 82.

General Fund:

The net increase from the original budget of $4,086.0 million to the final budget of $4,263.8 million is $177.8 million and represents additional appropriations issued and budget reductions recorded (HB2), after July 1, 2013 primarily in the following categories of government: Health & Social Services ($55 million), Justice & Public Protection ($74 million) and Resource Protection and Development ($34 million).

Actual total revenue was less than the final budget by approximately $997.2 million which was primarily the result of lower federal grant revenues. The federal grant revenue unfavorable variance of $549.5 million was due primarily to the timing of program expenditures. Total actual expenditures were approximately $885.5 million lower than the final budget primarily within the Department of Health & Human 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, 2014, amounted to $6.7 billion, with accumulated depreciation amounts of $3.0 billion, leaving a net book value of $3.7 billion, an increase of approximately $0.1 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 $2.1 billion, representing a $0.1 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 $1,621.3 million. Of this amount, $1,014.9 million are general obligation bonds, which are backed by the full faith and credit of the State and $179.7 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 15, 2013, the State issued a $5.2 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 to finance various capital projects of the State.

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 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 of 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%.

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 Standard & 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 preliminary November 2014 unemployment rate of 4.1 % (seasonally adjusted) continues to be below the national average of 5.8%.

Fiscal Year 2015 Revenue Performance for the four months ended November 30, 2014

Unrestricted revenue for the General and Education Trust Funds received for fiscal year 2015 (cash basis) totaled $615.7 million, which was above plan by $4.9 million, or 0.8%, but below the prior year by $1.5 million, or 0.2%.

Some of the stronger revenue categories contributing to these favorable results include the following:

• Meals and Rooms Tax - $5.1 million (3.9%) above plan and $7.6 million (5.9%) above prior year.
• Tobacco Tax - $2.9 million (3.1%) above plan, however, $7.9 million (7.6%) below prior year. The variance versus the prior year is primarily due to the high volume of tobacco tax stamps sold in July 2013 in advance of the August 1, 2013 tax rate increase from $1.68 to $1.78 per stamp (pack).
• Real Estate Transfer Tax - $4.4 million (8.7%) above plan and $5.2 million (10.5%) above prior year.

Some of the unfavorable revenue categories significantly offsetting the above favorable results include the following:
• Business Taxes were $11.1 million (7.2%) below plan and $10.5 million (6.8%) below prior year.
• The Interest & Dividends Tax was $5.9 million (25.8%) below plan and $1.5 million (8.1%) below prior year.

The Other net revenues are above Plan and prior year; however, a significant portion of this net increase is primarily deemed to be related to the timing of the receipt of the revenue rather than an increase in revenue for the year.

On an annual basis, the fiscal year 2015 General and Education Funds revenue Plan of $2,219.8 million is approximately $46.6 million higher (2.1%) than the actual revenue realized in fiscal year 2014 ($2,173.2 million).

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

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Basic Financial Statements

STATE OF NEW HAMPSHIRE
STATEMENT OF NET POSITION
JUNE 30, 2014
(Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$439,756	$68,637	$508,393	$105,499
Cash and Cash Equivalents-Restricted	131,972	545,329	677,301	16,360
Investments				154,291
Investments - Restricted		32,990	32,990	
Receivables (Net of Allowances for Uncollectibles)	563,251	17,502	580,753	48,503
Other Receivables-Restricted	70	69,690	69,760	
Internal Balances Receivable (Payable)	6,344	(6,344)		
Internal Notes Receivable (Payable)	13,765	(13,765)		
Inventories	19,677	56,625	76,302	
Other Current Assets		33	33	10,260
Other Current Assets-Restricted		6,461	6,461	
Total Current Assets	1,174,835	777,158	1,951,993	334,913
Noncurrent Assets:				
Receivables (Net of Allowances for Uncollectibles)	7,044		7,044	55,638
Other Receivables-Restricted	4,926	312,425	317,351	
Internal Notes Receivable (Payable)	414	(414)		
Investments	16,429		16,429	685,925
Investments-Restricted	45,458		45,458	
Other Assets				11,046
Other Assets-Restricted		4,230	4,230	
Capital Assets:				
Land & Land Improvements	644,841	117,483	762,324	27,247
Buildings & Building Improvements	788,410	33,333	821,743	1,837,335
Equipment & Computer Software	350,408	54,636	405,044	141,587
Construction in Progress	201,794	168,522	370,316	54,126
Infrastructure	3,438,817	890,738	4,329,555	
Less: Allowance for Depreciation	(2,671,614)	(350,326)	(3,021,940)	(886,118)
Net Capital Assets	2,752,656	914,386	3,667,042	1,174,177
Total Noncurrent Assets	2,826,927	1,230,627	4,057,554	1,926,786
Total Assets	4,001,762	2,007,785	6,009,547	2,261,699
DEFERRED OUTFLOWS OF RESOURCES	10,540	3,009	13,549	35,401

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

STATE OF NEW HAMPSHIRE
STATEMENT OF NET POSITION
JUNE 30, 2014
(Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
LIABILITIES				
Current Liabilities:				
Accounts Payable	$359,152	$74,126	$433,278	$60,532
Accrued Payroll	24,897	2,479	27,376	5,701
Unearned Revenue	69,100	13,801	82,901	37,777
Unclaimed Property & Prizes	16,083	4,272	20,355	
General Obligation Bonds Payable	92,541	3,030	95,571	
Federal Highway Grant Anticipation Bond Payable	11,290		11,290	
Claims & Compensated Absences Payable	47,784	1,952	49,736	8,714
Other Liabilities	22,509	23,834	46,343	13,211
Revenue Bonds Payable		22,875	22,875	52,757
Total Current Liabilities	643,356	146,369	789,725	178,692
Noncurrent Liabilities:				
General Obligation Bonds Payable, Net	894,115	25,246	919,361	
Federal Highway Grant Anticipation Bond Payable	168,454		168,454	
Revenue Bonds Payable, Net		403,781	403,781	$380,323
Claims & Compensated Absences Payable	77,742	6,024	83,766	34,969
Postemployment Benefits Payable	858,369		858,369	46,590
Derivative Instruments - Interest Rate Swaps				29,828
Other Noncurrent Liabilities	38,621	3,236	41,857	77,061
Total Noncurrent Liabilities	2,037,301	438,287	2,475,588	568,771
Total Liabilities	2,680,657	584,656	3,265,313	747,463
NET POSITION				
Net Investment in Capital Assets	2,013,107	462,660	2,475,767	740,315
Restricted for Debt Repayments		55,735	55,735	
Restricted for Uninsured Risks		3,001	3,001	
Restricted for Unemployment Benefits		284,603	284,603	
Restricted for Permanent Funds-Expendable	10,558		10,558	
Restricted for Permanent Funds-Non-Expendable	11,358		11,358	
Restricted for Prize Awards - MUSL & Tri-State		4,230	4,230	
Restricted for Environmental Remediation	81,746		81,746	
Restricted for Environmental Loans	4,996	582,040	587,036	
Restricted Component Unit Net Position				444,600
Unrestricted Net Position	(790,120)	33,869	(756,251)	364,722
Total Net Position	$1,331,645	$1,426,138	$2,757,783	$1,549,637

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

STATE OF NEW HAMPSHIRE
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
PRIMARY GOVERNMENT				
Governmental Activities:				
General Government	$425,806	$233,697	$40,124	
Administration of Justice & Public Protection	480,720	366,654	80,192	
Resource Protection and Development	140,316	80,317	39,613	
Transportation	541,058	31,682	9,752	$218,351
Health and Social Services	2,153,341	301,986	1,288,318	
Education	1,335,566	5,017	183,791	
Interest Expense	31,548			
Total Governmental Activities	5,108,355	1,019,353	1,641,790	218,351
Business-type Activities:				
Turnpike System	90,243	122,384		3,108
Liquor Commission	482,158	630,812		
Lottery Commission	205,052	280,561		
SRF Fund	21,541	10,788	36,876	
Unemployment Compensation	124,654	160,095		
Total Business-type Activities	923,648	1,204,640	36,876	3,108
Total Primary Government	$6,032,003	$2,223,993	$1,678,666	$221,459
COMPONENT UNITS				
University System of New Hampshire	$774,169	$551,201	$163,699	$3,791
Non-Major Component Units	167,012	105,381	14,081	2,772
Total Component Units	$941,181	$656,582	$177,780	$6,563

General Revenues:
- General Property Taxes
- Business Income Taxes
- Meals and Rental Taxes
- Special Taxes
- Personal Taxes
- Business License Taxes
- Interest & Investment Income
- Miscellaneous

Payments from State of New Hampshire
Transfer of Capital Assets
Transfers - Internal Activities
Total General Revenues and Transfers
Changes in Net Position
Net Position - July 1 - Restated (note 17)
Net Position - June 30

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

Net (Expenses) Revenues and Changes in Net Position

Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
$(151,985)		$(151,985)	
(33,874)		(33,874)	
(20,386)		(20,386)	
(281,273)		(281,273)	
(563,037)		(563,037)	
(1,146,758)		(1,146,758)	
(31,548)		(31,548)	
(2,228,861)		(2,228,861)	
	35,249	35,249	
	148,654	148,654	
	75,509	75,509	
	26,123	26,123	
	35,441	35,441	
	320,976	320,976	
$(2,228,861)	$320,976	$(1,907,885)	
			$(55,478)
			(44,778)
			$(100,256)
398,419		398,419	
546,829		546,829	
263,050		263,050	
290,020		290,020	
219,903		219,903	
145,658		145,658	
16,343		16,343	111,524
52,005		52,005	
			122,020
(653)	653		
216,807	(216,807)		
2,148,381	(216,154)	1,932,227	233,544
(80,480)	104,822	24,342	133,288
1,412,125	1,321,316	2,733,441	1,416,349
$1,331,645	$1,426,138	$2,757,783	$1,549,637

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

Fund Financial Statements
Governmental Funds

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

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

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

STATE OF NEW HAMPSHIRE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014
(Expressed in Thousands)

	General	Highway	Education	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	$330,514	$144,696		$44,312	$519,522
Investments	16,429	24,114		21,344	61,887
Receivables (Net of Allowances for Uncollectibles)	438,066	46,384	$68,786	6,269	559,505
Inter-Fund Note Receivable		14,179			14,179
Due from Other Funds	13,973	1,193		4,326	19,492
Inventories	4,712	14,352		613	19,677
Loan Receivables	12,040				12,040
Total Assets	$815,734	$244,918	$68,786	$76,864	$1,206,302
LIABILITIES					
Accounts Payable	$301,935	$40,741	$1,199	$13,181	$357,056
Accrued Payroll	19,556	4,871		470	24,897
Due to Other Funds	2,820	610	9,718		13,148
Unearned Revenue	66,122	2,978			69,100
Unclaimed Property	16,083				16,083
Other Liabilities	698				698
Total Liabilities	407,214	49,200	10,917	13,651	480,982
DEFERRED INFLOWS OF RESOURCES	111,099	17,551	52,800		181,450
FUND BALANCES					
Nonspendable:					
Inventories	4,712	14,352		613	19,677
Permanent Fund Principal				11,358	11,358
Restricted	109,417	163,815		48,703	321,935
Committed	116,325			1,304	117,629
Assigned	35,765		5,069	1,235	42,069
Unassigned:					
Revenue Stabilization	9,312				9,312
Other	21,890				21,890
Total Fund Balances	297,421	178,167	5,069	63,213	543,870
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$815,734	$244,918	$68,786	$76,864	$1,206,302

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

STATE OF NEW HAMPSHIRE
RECONCILIATION OF THE BALANCE SHEET-
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2014
(Expressed in Thousands)

Total fund balances for governmental funds		$543,870
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		2,752,656
Revenues and loans that will be collected after year-end, and are not available to pay for the current period's expenditures are reported as inflows of resources in the funds.		181,450
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.		34,179
Deferred outflows of resources related to deferred losses on refunding of bonds payable are not reported in the funds.		10,540
Certain liabilities are not payable by current available resources and therefore are not reported in the funds:		
Compensated Absences, Workers Compensation	(105,850)	
Other Postemployment Benefits	(858,369)	
Pollution Remediation Obligation	(38,015)	
Capital Lease Obligations	(1,944)	
Bond Payables	(1,166,400)	
Litigation Payable	(4,212)	
Advance Construction Commitments to Municipalities	(2,312)	
Interest Payable	(13,948)	(2,191,050)
Net Position of Governmental Activities		$1,331,645

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

STATE OF NEW HAMPSHIRE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)

	General	Highway	Education	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
General Property Taxes	$149		$399,370		$399,519
Special Taxes	855,078		246,310		1,101,388
Personal Taxes	130,150		89,753		219,903
Business License Taxes	21,182	$145,658			166,840
Non-Business License Taxes	94,895	83,692		$9,055	187,642
Fees	155,711	24,221		6,241	186,173
Fines, Penalties and Interest		7,788	1	142	7,931
Grants from Federal Government	1,476,977	198,157		25,983	1,701,117
Grants from Private and Local Sources	160,435	12,396		371	173,202
Rents and Leases	15	141			156
Interest, Premiums and Discounts	17,391			392	17,783
Sale of Commodities	12,344	11,755		293	24,392
Sale of Service	20,419	4,744			25,163
Assessments	71,492				71,492
Grants from Other Agencies	51,844	11,971		5,163	68,978
Miscellaneous	316,491	7,195	40,000	4,168	367,854
Total Revenues	3,384,573	507,718	775,434	51,808	4,719,533
EXPENDITURES					
Current:					
General Government	328,895				328,895
Administration of Justice and Public Protection	380,259	80,278		307	460,844
Resource Protection and Development	107,401	1,346		25,054	133,801
Transportation	11,877	298,874			310,751
Health and Social Services	2,133,781			140	2,133,921
Education	383,252		947,820		1,331,072
Debt Service	104,325	32,782		444	137,551
Capital Outlay	15,872	149,408		87,807	253,087
Total Expenditures	3,465,662	562,688	947,820	113,752	5,089,922
Excess (Deficiency) of Revenues Over (Under) Expenditures	(81,089)	(54,970)	(172,386)	(61,944)	(370,389)
OTHER FINANCING SOURCES (USES)					
Transfers In	768		102,041	2,073	104,882
Transfers in from Enterprise Funds	148,618		75,414		224,032
Transfers Out	(110,646)	(2,114)			(112,760)
Capital Lease Acquisition	128				128
Installments on Sale of Assets		14,020			14,020
Bond Premiums				7,672	7,672
Bond Issuance				65,793	65,793
Total Other Financing Sources	38,868	11,906	177,455	75,538	303,767
Net Change in Fund Balances	(42,221)	(43,064)	5,069	13,594	(66,622)
Fund Balances - July 1	340,022	218,431		49,517	607,970
Change in Inventory	(380)	2,800		102	2,522
Fund Balances - June 30	$297,421	$178,167	$5,069	$63,213	$543,870

The notes to the basic 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, 2014
(Expressed in Thousands)

Net change in fund balances - total governmental funds, including change in inventory		$(64,100)
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		(3,579)
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	16,801	
Buildings & Building Improvements	37,360	
Equipment & Computer Software	8,528	
Construction in Progress	(45,939)	
Infrastructure	88,609	
Accumulated Depreciation, Net of Disposals	(73,153)	32,206
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 of the internal service fund is reported with governmental activities.		8,402
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	(69,829)	
Repayment of Bond Principal & Interest	98,919	
Accretion of Bonds Payable	(1,001)	
Accrued Interest & Amortization	8,086	36,175
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	(5,944)	
Other Postemployment Benefits	(92,670)	
Pollution Remediation Obligation	(1,667)	
Legal Contingency	9,553	
Change in Capital Lease Obligation	456	
Advance Construction Commitments to Municipalities	968	
Other loan program	(280)	(89,584)
Change in net position of governmental activities		$(80,480)

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

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, under the executive direction of the liquor commissioner 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 Commision 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.*

STATE OF NEW HAMPSHIRE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014
(Expressed in Thousands)

	Business-Type Activities - Enterprise Funds						Governmental Activities Internal Service Fund
ASSETS	Turnpike System	Liquor Commission	Lottery Commission	State Revolving Fund	Unemployment Compensation	Total	
Current Assets:							
Cash and Cash Equivalents	$58,528	$7,770	$2,339			$68,637	$52,206
Cash and Cash Equivalents-Restricted	25,746			$247,149	$272,434	545,329	
Investments - Restricted	32,990					32,990	
Receivables (Net of Allowances for Uncollectibles)	5,094	8,886	3,522			17,502	3,746
Other Receivables-Restricted				36,126	33,564	69,690	
Due from Other Funds			790			790	
Inventories	1,404	54,442	779			56,625	
Other Current Assets			33			33	
Other Current Assets-Restricted				6,461		6,461	
Total Current Assets	123,762	71,098	7,463	289,736	305,998	798,057	55,952
Noncurrent Assets:							
Other Receivables-Restricted				312,425		312,425	
Capital Assets:							
Land & Land Improvements	114,405	3,078				117,483	
Buildings & Building Improvements	6,438	26,895				33,333	
Equipment & Computer Software	48,805	5,206	625			54,636	
Construction in Progress	161,515	7,007				168,522	
Infrastructure	890,738					890,738	
Less: Allowance for Depreciation & Amortization	(331,404)	(18,555)	(367)			(350,326)	
Net Capital Assets	890,497	23,631	258			914,386	
Other Assets - Restricted			4,230			4,230	
Total Noncurrent Assets	890,497	23,631	4,488	312,425		1,231,041	
Total Assets	1,014,259	94,729	11,951	602,161	305,998	2,029,098	55,952
DEFERRED OUTFLOWS OF RESOURCES	3,009					3,009	
LIABILITIES							
Current Liabilities:							
Accounts Payable	6,610	62,475	1,609	3,432		74,126	2,097
Accrued Payroll	643	1,633	203			2,479	
Due to Other Funds	1,183	2,318			3,633	7,134	
Unearned Revenue	10,560	2,194	1,047			13,801	
Unclaimed Prizes			4,272			4,272	
General Obligation Bonds Payable		755		2,275		3,030	
Revenue Bonds Payable-Current	22,875					22,875	
Note Payable to Highway Fund	13,765					13,765	
Accrued Interest Payable	5,998					5,998	
Claims & Compensated Absences Payable	755	1,041	156			1,952	19,676
Other Liabilities	70			4	17,762	17,836	
Total Current Liabilities	62,459	70,416	7,287	5,711	21,395	167,268	21,773
Noncurrent Liabilities:							
General Obligation Bonds Payable		10,836		14,410		25,246	
Revenue Bonds Payable	403,781					403,781	
Note Payable to Highway Fund	414					414	
Claims & Compensated Absences Payable	2,235	3,355	434			6,024	
Other Noncurrent Liabilities	2,857	379				3,236	
Total Noncurrent Liabilities	409,287	14,570	434	14,410		438,701	
Total Liabilities	471,746	84,986	7,721	20,121	21,395	605,969	21,773
NET POSITION							
Net Investment in Capital Assets	452,671	9,743	246			462,660	
Restricted for Debt Repayments	55,735					55,735	
Restricted for Uninsured Risks	3,001					3,001	
Restricted for Prize Awards - MUSL & Tri-State			4,230			4,230	
Restricted for Environmental Loans				582,040		582,040	
Restricted for Unemployment Benefits					284,603	284,603	
Unrestricted Net Position (Deficit)	34,115		(246)			33,869	34,179
Total Net Position	$545,522	$9,743	$4,230	$582,040	$284,603	$1,426,138	$34,179

The notes to the basic 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, 2014
(Expressed in Thousands)

	Business-Type Activities - Enterprise Funds						Governmental Activities
	Turnpike System	Liquor Commission	Lottery Commission	State Revolving Fund	Unemployment Compensation	Total	Internal Service Fund
OPERATING REVENUES							
Charges for Sales and Services		$611,157	$280,508	$10,628	$154,223	$1,056,516	$259,539
Toll Revenue Pledged for Repaying Revenue Bonds	$119,325					119,325	
Total Operating Revenue	119,325	611,157	280,508	10,628	154,223	1,175,841	259,539
OPERATING EXPENSES							
Cost of Sales and Services		434,406				434,406	
Lottery Prize Awards			194,885			194,885	
Unemployment Insurance Benefits					124,654	124,654	
Principal Forgiveness				13,374		13,374	
Insurance Claims							239,075
Administration	51,899	46,243	10,127	8,167		116,436	12,062
Depreciation	22,832	1,007	40			23,879	
Total Operating Expenses	74,731	481,656	205,052	21,541	124,654	907,634	251,137
Operating Income (Loss)	44,594	129,501	75,456	(10,913)	29,569	268,207	8,402
NONOPERATING REVENUES (EXPENSES)							
Licenses		4,495				4,495	
Beer Taxes		12,656				12,656	
Investment Income	78		53	160	5,872	6,163	
Miscellaneous	2,981	2,504				5,485	
Federal Grant Revenue				36,876		36,876	
Interest on Bonds	(15,512)	(502)				(16,014)	
Total Nonoperating Revenues (Expenses)	(12,453)	19,153	53	37,036	5,872	49,661	
Income Before Capital Grant Contributions	32,141	148,654	75,509	26,123	35,441	317,868	8,402
Capital Contributions and Grants	3,108					3,108	
Income Before Transfers	35,249	148,654	75,509	26,123	35,441	320,976	8,402
Transfers (To) From Governmental Funds		(148,618)	(75,414)	7,878		(216,154)	
Change in Net Position	35,249	36	95	34,001	35,441	104,822	8,402
Net Position - July 1 - Restated (note 17)	510,273	9,707	4,135	548,039	249,162	1,321,316	25,777
Net Position - June 30	$545,522	$9,743	$4,230	$582,040	$284,603	$1,426,138	$34,179

The notes to the basic 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, 2014
(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	
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from Federal and Local Agencies				$7,062	$11,147	$18,209	
Receipts from Customers	$120,746	$613,862	$153,297		153,830	1,041,735	$38,883
Receipts from Interfund Charges							219,460
Payments to Employees	(15,979)	(25,825)	(4,711)			(46,515)	
Payments to Suppliers	(34,802)	(456,900)	(11,475)	(7,150)		(510,327)	(10,840)
Payments to Prize Winners			(66,554)			(66,554)	
Payments for Insurance Claims					(123,614)	(123,614)	(236,447)
Payments for Interfund Services		(4,744)	(72)	(364)		(5,180)	
Net Cash Provided by (Used for) Operating Activities	69,965	126,393	70,485	(452)	41,363	307,754	11,056
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfers to Other Funds		(149,024)	(76,823)			(225,847)	
Receipts from Federal Agencies				36,986		36,986	
Contributions from Other Funds				7,878		7,878	
Interest Paid on Bonds				(110)		(110)	
Principal Paid on Bonds				(2,280)		(2,280)	
Net Proceeds from Issuance of Bonds				18,965		18,965	
Proceeds from Collection of Licenses and Beer Tax		17,151				17,151	
Net Cash Provided by (Used for) Noncapital and Related Financing Activities		(131,873)	(76,823)	61,439		(147,257)	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Acquisition, Disposal , Sale and Construction of Capital Assets	(53,518)	(6,424)	(140)			(60,082)	
Interest Paid on Bonds	(22,318)	(502)				(22,820)	
Principal Paid on Bonds	(17,605)	(756)				(18,361)	
Principal Paid on Notes	(14,020)					(14,020)	
Net Proceeds from Issuance of Bonds	(44)					(44)	
Receipts from Federal Agencies	2,905					2,905	
Net Cash Used for Capital and Related Financing Activities	(104,600)	(7,682)	(140)			(112,422)	
CASH FLOWS FROM INVESTING ACTIVITIES							
Investment Proceeds	18,920					18,920	
Purchase of Investment	(32,994)					(32,994)	
Receipts from borrowers				26,171		26,171	
Payments to borrowers				(49,300)		(49,300)	
Interest and Other Income	331	2,469	30	160	5,872	8,862	
Net Cash Provided by (used for) Investing Activities	(13,743)	2,469	30	(22,969)	5,872	(28,341)	
Net Increase in Cash & Cash Equivalents	(48,378)	(10,693)	(6,448)	38,018	47,235	19,734	11,056
Cash and Cash Equivalents - July 1	132,652	18,463	8,787	209,131	225,199	594,232	41,150
Cash and Cash Equivalents -June 30	$84,274	$7,770	$2,339	$247,149	$272,434	$613,966	$52,206

The notes to the basic 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, 2014
(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	
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:							
Operating Income (Loss)	$44,594	$129,501	$75,456	$(10,913)	$29,569	$268,207	$8,402
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:							
Depreciation	22,832	1,007	40			23,879	
Principal Forgiveness				13,374		13,374	
Interest Income on Loans				(3,604)		(3,604)	
Miscellaneous Income	198					198	
Change in Operating Assets and Liabilities:							
Change in Receivables/Loans	436	2,727	(254)	(254)	12,786	15,441	(1,196)
Change in Inventories	140	(9,820)	248			(9,432)	
Change in Other Current Assets			14	(2,074)		(2,060)	
Change in Restricted Deposits-MUSL			(96)			(96)	
Change in Accounts Payable and Other Accruals	1,174	2,978	(477)	3,019	(992)	5,702	1,222
Change in Claims Payable			(4,444)			(4,444)	2,628
Change in Unearned Revenue	591		(2)			589	
Net Cash Provided by (Used In) Operating Activities	$69,965	$126,393	$70,485	$(452)	$41,363	$307,754	$11,056

Turnpike Non-Cash Capital and Related Financing Activities:

Capital Contributions	$2,671
I-95 Bridge Paint Maintenance	$229

Liquor Non-Cash Capital and Related Financing Activities:

During fiscal year 2014, the State's Capital Projects Fund paid Construction in Progress	$1,575

SRF Non-Cash Investing Activities:

Principal Forgiveness	$13,374

The notes to the basic 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, 2014
(Expressed in Thousands)

	Pension Trust Funds	Private-purpose Trust Funds	Investment Trust Funds	Agency Funds
ASSETS				
Cash and Cash Equivalents	$10,956	$6,802	$2	$12,553
Receivables:				
Due from Employers	42,504			
Due from Group I Teacher OPEB Plan	12,406			
Due from Plan Members	21,968			
Due from Brokers for Securities Sold	11,961			
Interest and Dividends	18,707		24	
Other	2,497			
Total Receivables	110,043		24	
Investments	7,377,035	4,168	195,075	
Other Assets	239			
Total Assets	7,498,273	10,970	195,101	12,553
LIABILITIES				
Management Fees and Other Payables	9,003		91	
Due to Group II Police & Fire OPEB Plan	3,226			
Due to Group I Political Subdivision OPEB Plan	9,180			
Due to Brokers for Securities Purchased	18,219			
Custodial Funds Payable				12,553
Other Liabilities			64	
Total Liabilities	39,628		155	12,553
Net Position Held in Trust for Benefits & Other Purposes	$7,458,645	$10,970	$194,946	

RECONCILIATION OF NET POSITION HELD IN TRUST:			
Employees' Pension Benefits	$7,435,211		
Employees' Postemployment Healthcare Benefits	23,434		
Net Position for Pool Participants in External Investment Pool			$194,946
Other Purposes		$10,970	
Net Position Held in Trust for Benefits & Other Purposes	$7,458,645	$10,970	$194,946

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

STATE OF NEW HAMPSHIRE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)

	Pension Trust Funds	Private-purpose Trust Funds	Investment Trust Funds
ADDITIONS			
Contributions:			
Employer	$381,176		
Plan Members	199,675		
From Participants		$30,858	$200,910
Total Contributions	580,851	30,858	200,910
Investment Income:			
From Investing Activities:			
Net Appreciation in Fair Value of Investments	969,776		
Interest Income	59,156	89	
Dividends	90,945		
Alternative Investment Income	1,423		
Net Increase in Joint Value from Investment Income			49
Other	7,773	768	
Gross Income from Investing Activities	1,129,073	857	49
Less: Investment Activity Expenses:			
Investment Management Fees	22,371		
Custodial Fees	806		
Investment Advisor Fees	780		
Investment Administrative Expense	674		
Total Investment Activity Expenses	24,631		
Total Net Income from Investing Activities	1,104,442	857	49
Interest Income	1,051		
Total Additions	1,686,344	31,715	200,959
DEDUCTIONS			
Benefits/Distributions to Participants	658,581	14,771	49
Refunds of Contributions	26,120		
Administrative Expense	7,624		
Professional Fees	1,085		
Interest Expense	1,051		
Other	367	15,571	192,055
Total Deductions	694,828	30,342	192,104
Change in Net Position	991,516	1,373	8,855
NET POSITION HELD IN TRUST FOR BENEFITS & OTHER PURPOSES			
Net Position - July 1	6,467,129	9,597	186,091
Net Position - June 30	$7,458,645	$10,970	$194,946

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

Component Units Financial Statements

STATE OF NEW HAMPSHIRE
COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)

	University System of New Hampshire	Non-Major Component Units	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$80,339	$25,160	$105,499
Cash and Cash Equivalents - Restricted		16,360	16,360
Operating Investments	154,291		154,291
Accounts Receivable.	20,964	3,516	24,480
Other Receivables	1,582	4,479	6,061
Notes Receivable - Current Portion	4,797	13,165	17,962
Prepaid Expenses & Other	8,815	1,445	10,260
Total Current Assets	270,788	64,125	334,913
Noncurrent Assets:			
Investments	666,855	19,070	685,925
Notes & Other Receivables	25,009	30,629	55,638
Other Assets		11,046	11,046
Capital Assets:			
Land & Land Improvements	13,387	13,860	27,247
Building & Building Improvements	1,551,468	285,867	1,837,335
Equipment	110,455	31,132	141,587
Construction in Progress	37,784	16,342	54,126
Less: Accumulated Depreciation	(730,818)	(155,300)	(886,118)
Net Capital Assets	982,276	191,901	1,174,177
Total Noncurrent Assets	1,674,140	252,646	1,926,786
Total Assets	1,944,928	316,771	2,261,699
DEFERRED OUTFLOWS OF RESOURCES	35,401		35,401
LIABILITIES			
Current Liabilities:			
Accounts Payable	54,130	6,402	60,532
Accrued Salaries and Wages		5,701	5,701
Accrued Employee Benefits - Current	8,681	33	8,714
Other Payables & Accrued Expenses		5,991	5,991
Other Liabilities	4,871	2,349	7,220
Deposits and Unearned Revenues	32,846	4,931	37,777
Long Term Debt - Current Portion	50,246	2,511	52,757
Total Current Liabilities	150,774	27,918	178,692
Noncurrent Liabilities:			
Revenue Bonds Payable	380,323		380,323
Accrued Employee Benefits	34,969		34,969
Postemployment Medical Benefits	46,590		46,590
Derivative Instruments - Interest Rate Swaps	29,828		29,828
Other Long Term Debt	19,534	57,527	77,061
Total Noncurrent Liabilities	511,244	57,527	568,771
Total Liabilities	662,018	85,445	747,463
NET POSITION			
Net investment in Capital Assets	574,302	166,013	740,315
Restricted:			
Nonexpendable	223,847		223,847
Expendable	173,590	47,163	220,753
Unrestricted	346,572	18,150	364,722
Total Net Position	$1,318,311	$231,326	$1,549,637

The notes to the basicfinancial 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, 2014
(Expressed in Thousands)

	University System of New Hampshire	Non-Major Component Units	Total
Expenses	$774,169	$167,012	$941,181
Program Revenues:			
Charges for Services:			
Tuition & Fees	465,265	74,082	539,347
Student Financial Aid	(144,215)	(900)	(145,115)
Sales, Services, & Other Revenue	230,151	32,199	262,350
Operating Grants & Contributions	163,699	14,081	177,780
Capital Grants & Contributions	3,791	2,772	6,563
Total Program Revenues	718,691	122,234	840,925
Net Expenses	(55,478)	(44,778)	(100,256)
Interest & Investment Income	109,445	2,079	111,524
Payments from State of New Hampshire	74,997	47,023	122,020
Change in Net Position	128,964	4,324	133,288
Net Position - July 1 - Restated (note 17)	1,189,347	227,002	1,416,349
Net Position - June 30	$1,318,311	$231,326	$1,549,637

Notes to the Basic Financial Statements

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NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

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, 2014, 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, 2014, 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, 2014, the debt retained by the State for CCSNH assets was approximately $38.0 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 for 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. Receivables not expected to be collected within 60 days are offset by deferred inflows of resources. 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 when available.

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 unemployed 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, 2014, and for the year then ended, except for the New Hampshire Judicial Retirement Plan which is as of December 31, 2013.

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 occured 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. UNEARNED REVENUE

In the government-wide financial statements, governmental fund financial statements and the proprietary fund financial statements, unearned revenue is recognized when cash, receivables or other assets are recorded prior to their being earned.

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, 2014.

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 15 for additional information about fund balances and the stabilization account.

M. BOND DISCOUNTS AND PREMIUMS

In the government-wide and proprietary fund financial statements, bond discounts/premiums 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.

In the governmental fund financial statements, bond discounts and premiums 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.

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 government-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 basic 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, 2014, the State adopted the following new accounting standards issued by the GASB:

GASBS No. 65, *Items Prevously Reported as Assets and Liabilities,* (GASBS 65) establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The implementation of GASBS 65 resulted in the reclassification of certain items previously reported as assets and liabilities, and required the write-off of deferred bond issuance costs that were previously classified as assets, therefore the beginning net position of the Turnpike System and the Business Finance Authority have been restated (see note 17).

GASBS No. 66, *Technical Corrections - 2012, (*GASBS 62) amends GASBS No. 10, *Accounting and Financial Reporting for Risk Financing Related Insurance Issues*, and GASBS No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-Novemener 30, 1989 FASB and AICPA Pronouncements*. GASBS No. 66 amends GASBS No. 10 by removing the provision that limits fund-based reporting of an entity's risk financing activities to the General Fund and the internal service fund type. It also amends GASBS No. 62 by modifying the specific guidance of accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) serving fee rate. Adoption of GASBS 66 did not require modification to the financial statements.

GASBS No. 70, *Accounting and Financial for Nonexchange Financial Guarantees* (GASBS 70), establishes accounting and financial reporting standards for governments that extend and receive nonexchange financial guarantees. GASBS 70 requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. Adoption of GASBS 70 did not require modification to the financial statements.

T. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

Deferred outflows of resources are defined as a consumption of net assets by the government that is applicable to a future reporting period. Deferred inflows of resources are defined as an acquisition of net assets by the government that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets, and deferred inflows of resources decrease net position, similar to liabilities.

In the government-wide financial statements deferred outflows of resources represent deferred loss on bond refundings and accumulated changes in fair value of hedging derivative instruments.

In the governmental fund financial statements deferred inflows of resources represent revenues accrued which do not meet the “available” criterion for revenue recognition under the modified accrual basis of accounting. The deferred inflow of resources in the governmental fund types has primarily resulted as an offset to taxes receivable but not available and long-term loans receivable.

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.

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, 2014, the State's carrying value for deposits was $926.9 million. The table below details the state's bank balances at June 30, 2014 exposed to custodial credit risk (expressed in thousands):

	Governmental & Business Type			Fiduciary		
Type	**Insured**	**Collateral & held in State's name**	**Uncollateralized**	**Insured**	**Collateral & held in State's name**	**Uncollateralized**
Demand Deposits	$750	$644,280	$34,385		$11,237	$28
Money Market	664	150,906				8,395
Savings Accounts					3,809	
CDs		36,141	37,901			
Total	$1,414	$831,327	$72,286		$15,046	$8,423

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, 2014, the State had the following types of investments:

	(Fair values in thousands)	
Investment Type	**Governmental & Business Type**	**Fiduciary**
Stocks	$18,244	
Corporate Bonds	905	
US Treasury	260	
US Government Agencies	59,603	
Municipal Bonds	83	
Equity Open Ended Mutual Funds	13,070	$1,469
Fixed Income Open Ended Mutual Funds	4,451	2,699
Unemployment Compenation External Pool (special issue bonds guaranteed by US government)	272,434	
NH Public Deposit Investment Pool (Internal investment held by NHH patient agency fund)		57
External Portion of NH Public Deposit Investment Pool		195,075
Totals	**$369,050**	**$199,300**

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		
		Cash and Cash Equivalents	**Investments**	**Cash and Cash Equivalents**	**Investments**	**Total**
Per Statement of Net Position	Primary Government	$508,393	$16,429	$677,301	$78,448	$1,280,571
Per Statement of Fiduciary Net Position	Private Purpose	6,802	4,168			10,970
	Investment Trust	2	195,075			195,077
	Agency Funds	12,553				12,553
	Total per Financial Statements	**$527,750**	**$215,672**	**$677,301**	**$78,448**	**$1,499,171**

Per Footnote	
Cash On Hand	$3,919
Carrying Amount of Deposits	926,902
Investments	568,350
Total Per Footnote	**$1,499,171**

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, 2014, the State did not have any repurchase agreements outstanding.

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

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

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, 2014 are noted below (expressed in thousands):

	Governmental Activities			
Name / Issuer	Aband. Property	Permanent Funds	Total	% of Total Stock
Metlife Inc	$2,538		$2,538	13.9%
Prudential Financial Inc	802		$802	4.4%
AT&T Inc	722	72	$794	4.4%
Verizon Communications Inc	444	69	$513	2.8%
Comcat Corp	401		$401	2.2%
Chevron Corp	333	32	$365	2.0%
Manulife Financial Inc	345		$345	1.9%
Rockwell Collins Inc	285	53	$338	1.9%
Marriott International Inc	333		$333	1.8%
Loew's Corp	330		$330	1.8%

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

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

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

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

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

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

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

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.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Credit Risk and Interest Rate Risk (expressed in thousands)						
	Governmental & Business Type			Fiduciary		
Type	Credit Risk		Interest Rate Risk	Credit Risk		Interest Rate Risk
	Investment Grade	Unrated	WAM in years	Investment Grade	Unrated	WAM in years
Corporate Bonds	$905		2.3			
US Treasury	260		2.1			
US Government Agencies	59,603		4.7			
Fixed Income Open Ended Mutual Funds		$4,451	5.2		$2,699	5.3
Municipal Bonds	83		4.7			
Unemployment Compensation Fund Pool (special issue bonds guaranteed by US govt)		272,434	1.0			

The State's corporate issuers at June 30, 2014 are listed below (expressed in thousands):

	Governmental & Business Type	
Issuer	**Fair Value**	**% of Total**
General Elec Cap Corp	$151	16.7%
BB&T Corp	114	12.6
National Rural Utils Coop FI	104	11.5
Bank of America Corp	104	11.4
Conocophillips	102	11.3
Oracle Corp	102	11.2
Shell Intl Fin	101	11.2
Cargil Inc	76	8.4
E I Du Pont De Nemours	51	5.7
	$905	100.0%

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

Cash and Cash Equivalents

Cash equivalents represent amounts invested for the purpose of satisfying current operating liabilities and include repurchase agreements, 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 (expressed in thousands):

	2014
Cash & Repurchase agreements	$17,907
Money Market Funds	62,432
Total Cash & Cash Equivalents	$80,339

Included in the cash and repurchase agreements balances at June 30, 2014 were $16,070 in repurchase agreements, and $1,837 in cash. Repurchase agreements were limited to overnight investments only.

Investments

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.

Short-term 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 (expressed in thousands):

	Balance	Weighted Average Maturity
Obligations of the U.S. Government	$2,940	5-10 years
Certificates of Deposit and Money Market Funds	17,198	Less than 1 year
Other Mutual Funds	133,976	1-5 years
Other Accounts	177	Less than 1 year
Total:	$154,291	

Cash, cash equivalents and short-term investments are generally uninsured and uncollateralized against custodial credit risk. The related mutual funds are not rated.

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, 2014 (expressed in thousands):

Money Market Funds	$37,694
Other Mutual Funds	223,644
Fixed Income Securities	9,572
Commingled Funds	358,313
Common/Preferred Stocks	16,297
Other Investments	21,335
Total Endowment and Similar Investments	$666,855

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. As of June 30, 2014 and 2013, fixed securities have weighted average maturities up to 30 years and carried ratings ranging from AAA to A2. The mutual fund investments held in the endowment pools are not rated.

Uncalled commitments with various private equity and similar alternative investment funds total $15,586,000 for USNH and $9,376,000 for UNHF at June 30, 2014. This compares to $12,848,000 and $4,982,000, respectively, at June 30, 2013.

3. RECEIVABLES AND OTHER RECEIVABLES-RESTRICTED

The following is a breakdown of receivables at June 30, 2014 (expressed in thousands):

	Governmental	Business-Type	Total	Major Component Unit
Short Term Receivables				
Taxes:				
Meals and Rooms	$33,876		$33,876	
Business Taxes	143,612		143,612	
Tobacco	12,360		12,360	
Real Estate Transfer	10,329		10,329	
Interest & Dividends	21,943		21,943	
Communications	5,093		5,093	
Utility Property Tax	17,700		17,700	
Gasoline Road Toll	10,551		10,551	
Subtotal	255,464		255,464	
Other Receivables:				
Turnpike System		$5,094	5,094	
Liquor Commission		8,886	8,886	
Lottery Commission		3,522	3,522	
Unemployment Trust Fund		62,735	62,735	
Internal Service Fund	3,746		3,746	
Federal Grants	254,945		254,945	$16,017
Local Grants	26,893		26,893	
Miscellaneous	67,036		67,036	7,573
Short Term Portion Of State Revolving Loan Funds		36,126	36,126	
Short Term Portion Of Note/Pledge Receivable				6,379
Subtotal	352,620	116,363	468,983	29,969
Total Current Receivables (Gross)	608,084	116,363	724,447	29,969
Long Term Receivables				
State Revolving Loan Funds		312,425	312,425	
Miscellaneous	11,970		11,970	
Note/Pledge Receivable				30,980
Total Long Term Receivables (Gross)	11,970	312,425	324,395	30,980
Allowance for Doubtful Accounts	(44,763)	(29,171)	(73,934)	(8,597)
Total Receivables (Net)	$575,291	$399,617	$974,908	$52,352

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 FY2014, totaled $13.4 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.

Unearned Revenue:

Primary Government: Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned. As of June 30, 2014, unearned revenue reported in governmental funds was $69.1 million.

4. CAPITAL ASSETS

Capital Asset activity for the year ended June 30, 2014, was as follows (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets not being depreciated:				
Land & Land Improvements	$523,099	$21,044	$(7,518)	$536,625
Construction in Progress	247,733	117,327	(163,266)	201,794
Work in Progress Computer Software	39,874	12,907	(906)	51,875
Total Capital Assets not being depreciated	810,706	151,278	(171,690)	790,294
Other Capital Assets:				
Equipment & Computer Software	302,006	13,319	(16,792)	298,533
Buildings & Building Improvements	751,050	43,993	(6,633)	788,410
Land Improvements	104,941	3,278	(3)	108,216
Infrastructure	3,350,208	92,047	(3,438)	3,438,817
Total Other Capital Assets	4,508,205	152,637	(26,866)	4,633,976
Less accumulated depreciation for:				
Equipment & Computer Software	(256,132)	(25,931)	18,620	(263,443)
Buildings & Building Improvements	(355,110)	(22,241)	5,709	(371,642)
Land Improvements	(90,353)	(1,943)		(92,296)
Infrastructure	(1,896,866)	(50,805)	3,438	(1,944,233)
Total Accumulated Depreciation	(2,598,461)	(100,920)	27,767	(2,671,614)
Other Capital Assets, Net	1,909,744	51,717	901	1,962,362
Governmental Activities Capital Assets, Net	$2,720,450	$202,995	$(170,789)	$2,752,656
Business-Type Activities:				
Turnpike:				
Capital Assets not being depreciated:				
Land & Land Improvements	$113,692	$817	$(104)	$114,405
Construction in Progress	152,542	54,509	(45,536)	161,515
Work In Progress Computer Software				
Capital Assets not being depreciated	266,234	55,326	(45,640)	275,920
Other Capital Assets:				
Equipment and Computer Software	44,151	5,082	(428)	48,805
Buildings & Building Improvements	6,715		(277)	6,438
Infrastructure	851,117	40,518	(897)	890,738
Total Capital Assets	1,168,217	100,926	(47,242)	1,221,901
Less accumulated depreciation for:				
Equipment	(35,717)	(4,969)	481	(40,205)
Buildings & Building Improvements	(2,364)	(203)	277	(2,290)
Infrastructure	(272,205)	(17,608)	904	(288,909)
Total Accumulated Depreciation	(310,286)	(22,780)	1,662	(331,404)
Turnpike Capital Assets, Net	$857,931	$78,146	$(45,580)	$890,497
Liquor:				
Capital Assets not being depreciated:				
Land & Land Improvements	$2,080			$2,080
Construction In Progress		$7,007		7,007
Other Capital Assets:				
Equipment	4,969	237		5,206
Buildings & Building Improvements	26,184	711		26,895
Land Improvements	998			998
Total Capital Assets	34,231	7,955		42,186
Less accumulated depreciation for:				
Equipment	(4,385)	(324)		(4,709)
Buildings & Building Improvements	(12,446)	(323)		(12,769)
Land Improvements	(754)	(323)		(1,077)
Total Accumulated Depreciation	(17,585)	(970)		(18,555)
Liquor Capital Assets, Net	$16,646	$6,985		$23,631
Lottery Commission:				
Equipment	$606	$162	$(143)	$625
Less Accumulated Depreciation for Equipment:	(471)	(39)	143	(367)
Lottery's Capital Assets, Net	$135	$123		$258

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

Governmental Activities:	
General Government	$12,474
Administration of Justice and Public Protection	15,671
Resource Protection and Development	4,851
Transportation	62,335
Health and Social Services	4,472
Education	1,117
Total Governmental Activities Depreciation Expense	$100,920

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 System of New Hampshire (expressed in thousands):

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	$12,926	$461		$13,387
Building and Building Improvements	1,483,862	68,617	$(1,011)	1,551,468
Equipment	107,489	10,636	(7,670)	110,455
Construction in Progress	61,710	45,142	(69,068)	37,784
Subtotal	$1,665,987	$124,856	$(77,749)	$1,713,094
Less: Accumulated Depreciation	(681,721)	(57,192)	8,095	(730,818)
Total	$984,266	$67,664	$(69,654)	$982,276

5. LONG TERM-DEBT

PRIMARY GOVERNMENT

Bonds Authorized and Unissued: Bonds authorized and unissued amounted to $621.8 million at June 30, 2014. The proceeds of the bonds will be applied to the following funds when issued (expressed in millions):

Capital Projects Fund	$224.3
Federal Highway/Garvees	295.0
Turnpike System	102.5
Total	$621.8

Turnpike System: The Legislature has established a 10-year highway construction and reconstruction plan for the Turnpike System to be funded from Turnpike revenues. This legislation also authorized the Treasurer with the approval of the Governor and Executive Council to issue up to $766 million of bonds to support this project. The State has issued $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, 2014
Governmental Fund Types (General Obligation Bonds):	
April 8, 2010	$124,175

Bond Issues:

On August 15, 2013, the State issued a $5.2 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 to finance various capital projects of the State.

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 0.7% to 3.4% , and sold with an overall total interest cost to the State of 2.29%.

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*	$1,010,767	$1,001	$69,829	$94,941	$986,656	$92,541	$894,115
Federal Highway Grant Anticipation Bonds	192,902			13,158	179,744	11,290	168,454
Compensated Absences	78,225		5,766		83,991	22,679	61,312
Claims Payable	38,730		247,450	244,645	41,535	25,105	16,430
Other Postemployment Benefits	765,699		173,595	80,925	858,369		858,369
Pollution Remediation Obligation	36,348		8,485	6,818	38,015	939	37,076
Capital Lease	2,402		128	586	1,944	601	1,343
Advance Construction Commitments	3,280		2,312	3,280	2,312	2,312	
Legal & Other Settlement Contingency	13,966		5,079	12,180	6,865	6,663	202
Total Governmental	2,142,319	1,001	512,644	456,533	2,199,431	162,130	2,037,301
Business-Type Activities							
Turnpike System							
Revenue Bonds*	446,369			19,713	426,656	22,875	403,781
Note Payable	28,199			14,020	14,179	13,765	414
Pollution Remediation Obligation	2,789		191	53	2,927	70	2,857
Claims & Compensated Absences Payable	3,329			339	2,990	755	2,235
Total	480,686		191	34,125	446,752	37,465	409,287
Liquor Commission							
General Obligation Bonds Payable	12,347			756	11,591	755	10,836
Capital Lease	412			15	397	18	379
Claims & Compensated Absences Payable	4,237		949	790	4,396	1,041	3,355
Total	16,996		949	1,560	16,384	1,814	14,570
Lottery Commission							
Claims & Compensated Absences Payable	588		2		590	156	434
Total	588		2		590	156	434
State Revolving Fund Programs							
General Obligation Bonds Payable			18,965	2,280	16,685	2,275	14,410
Total			18,965	2,280	16,685	2,275	14,410
Total Business-Type	$498,270		$20,107	$37,965	$480,411	$41,710	$438,701

* Note - Beginning balances for General Obligation and Turpike Revenue Bonds Payable are restated for GASB 65 implemenation. Losses on Refunding (General Obligation - $11.8 million and Turnpike Revenue - $3.7) were reclassified as Deferred Outflows of Resources

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

Bond Anticipation Notes: As of June 30, 2014, 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, 2014, the cumulative interest accretion since issuance for all six capital appreciation bonds is approximately $157.2 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 $38 million and $2.9 million were reported for governmental activities and business-type activities, respectively, at June 30, 2014. 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):

	SOURCE OF PRINCIPAL PAYMENTS									DEBT SERVICE			
	Governmental Activities					Business-Type Activities				TOTAL ALL FUNDS			
						Liquor Commission	SRF Funds	Turnpike System					
Payable June 30,	General Fund	Highway Fund	Federal Highway (GARVEE)	Self Liquidating	Total	General Obligations	General Obligations	Revenue	Note Payable	Principal	Interest	Less: Federal Interest Subsidy	Net Total
2015	$72,013	$9,286	$11,290	$11,242	$103,831	$755	$2,275	$22,875	$13,765	$143,501	$68,661	$6,803	$205,359
2016	67,712	9,025	11,800	11,192	99,729	756	2,275	19,455	414	122,629	63,252	6,803	179,078
2017	65,075	8,960	12,390	11,081	97,506	756	2,275	27,855		128,392	57,975	6,803	179,564
2018	61,731	8,854	12,985	10,543	94,113	756	2,275	15,615		112,759	52,188	6,767	158,180
2019	60,960	8,149	13,620	10,549	93,278	756	1,520	19,705		115,259	46,551	6,652	155,158
2020-2024	225,606	30,400	73,635	36,695	366,336	3,480	6,065	84,795		460,676	161,318	29,260	592,734
2025-2029	108,437	17,312	31,465	27,889	185,103	2,609		66,010		253,722	76,480	15,163	315,039
2030-2034	42,938	1,822		4,047	48,807	1,723		54,785		105,315	34,526	6,589	133,252
2035-2039								62,070		62,070	15,607	2,909	74,768
2040-2044								32,075		32,075	2,193	88	34,180
Subtotal	$704,472	$93,808	$167,185	$123,238	$1,088,703	$11,591	$16,685	$405,240	$14,179	$1,536,398	$578,751	$87,837	$2,027,312
Unamortized (Discount) / Premium	65,249	(52)	12,559	(59)	77,697			21,416		99,113			99,113
Total	$769,721	$93,756	$179,744	$123,179	$1,166,400	$11,591	$16,685	$426,656	$14,179	$1,635,511	$578,751	$87,837	$2,126,425

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 $417.9 million; capital lease obligations of $12.6 million; deferred obligations interest swaps of $29.8 million; accrued employee benefits and compensated absences of $43.7 million; other postemployment benefits of $51.5 million; and other liabilities of $19.5 million.

	Beginning Balance	Increases	Decreases	Ending Balance	Current	Long-Term
University System of NH	$583,844	$49,890	$58,692	$575,042	$63,798	$511,244

	UNIVERSITY SYSTEM OF N.H.		
Payable June 30,	Principal	Interest	Total
2015	$49,922	$18,315	$68,237
2016	12,983	17,265	30,248
2017	38,287	16,907	55,194
2018	13,942	14,985	28,927
2019	60,989	14,585	75,574
2020-2024	134,102	46,537	180,639
2025-2029	47,429	21,966	69,395
2030-2034	49,685	11,253	60,938
2035-2037	17,300	1,470	18,770
Subtotal	424,639	163,283	587,922
Unamortized Discounts/Premium, net	5,930		5,930
Total	$430,569	$163,283	$593,852

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 System of New Hampshire and includes revenue bonds and capital leases (expressed in thousands):

6. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

The components of deferred outflows of resources in the government-wide financial statements related to the primary government at June 30, 2014 are as follows (expressed in thousands):

	Governmental Activities	Business-type Activities	Primary Government
Deferred outflows of resources:			
Loss on refunding of debt	$10,540	$3,009	$13,549
Total deferred outflows of resources	$10,540	$3,009	$13,549

The components of deferred inflows of resources related to the governmental funds at June 30, 2014 are as follows (expressed in thousands):

Governmental Funds:

	General	Highway	Education	Total Governmental Funds
Deferred inflows of resources:				
Taxes considered unavailable	$90,122		$52,800	$142,922
Local assistance	10,322			10,322
Note receivable from Turnpike System		$14,179		14,179
Other loans	4,996			4,996
Indigent representation advances	3,570			3,570
Banking assessments	1,100			1,100
Miscellaneous fees & fines	526	1,936		2,462
Federal and municipal billings	463	1,436		1,899
Total deferred inflows of resources	$111,099	$17,551	$52,800	$181,450

MAJOR COMPONENT UNIT

The University System of New Hampshire's deferred outflow of resources are as follows (expressed in thousands):

Accumulated decrease in fair value of hedging derivatives	$29,828
Loss on debt refinancings	5,573
Total deferred outflows of resources	$35,401

7. 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 26 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 2014, this reserve equaled $16.2 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 14 actuarial study, the Selected Ultimate Loss and Allocated Loss Adjustment Expense (ALAE), which comprises past claims, claim trends and future estimated loss experience, is $7.5 million as of June 30, 2014.

The following table presents the changes in claim liabilities during the fiscal years ending June 30, 2013 and 2014 (expressed in thousands):

Governmental Activities	6/30/2012 Balance	Increases	Decreases	6/30/2013 Balance	Increases	Decreases	6/30/2014 Balance	Current	Long-Term
Workers Compensation Claims Payable	$20,906	$6,657	$5,881	$21,682	$5,747	$5,570	$21,859	$5,429	$16,430
Health Claims Payable*	17,383	238,990	239,325	17,048	241,703	239,075	19,676	19,676	
Total	38,289	245,647	245,206	38,730	247,450	244,645	41,535	25,105	16,430
Business-Type Activities									
Turnpike System									
Workers Compensation Claims Payable	1,989	678	463	2,204	222	484	1,942	472	1,470
Total	1,989	678	463	2,204	222	484	1,942	472	1,470
Liquor Commission									
Workers Compensation Claims Payable	1,859	1,437	827	2,469	460	518	2,411	505	1,906
Total	1,859	1,437	827	2,469	460	518	2,411	505	1,906
Lottery Commission									
Workers Compensation Claims Payable	16	6	1	21	6		27		27
Total	16	6	1	21	6		27		27
Total Business-Type	$3,864	$2,121	$1,291	$4,694	$688	$1,002	$4,380	$977	$3,403

* Health Claims Payable is recorded in the Internal Service Fund

8. 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, 2014 (expressed in thousands):

RECEIVABLES / DUE FROM	AMOUNT	PAYABLES / DUE TO	AMOUNT
Highway Fund	$70	General Fund	$70
Highway Fund	1,123	Turnpike System	1,123
General Fund	327	Liquor Commission	327
General Fund	3,633	Unemployment Compensation	3,633
General Fund	9,343	Education Fund	9,343
General Fund	60	Turnpike System	60
General Fund	610	Highway Fund	610
Non-Major Fund	2,750	General Fund	2,750
Non-Major Fund	1,576	Liquor Commission	1,576
Lottery Commission	375	Education Fund	375
Lottery Commission	415	Liquor Commission	415
Total	$20,282	Total	$20,282

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 activities receivable of $6.3 million from business-type activities represents the "internal balances" amount on the statement of net position. The $12.8 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, 2014, internal note receivable (payable) balances consist of $14.2 million payable to the Highway Fund from the Turnpike System. The balance has been offset by a corresponding amount of deferred inflows of resources 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.

9. INTERFUND TRANSFERS

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

	Transferred To					
Transferred From	General Fund	Education Fund	Non-Major Funds	Total Governmental Fund	SRF Fund	Total
Governmental Funds						
General Fund		$102,041	$727	$102,768	$7,878	$110,646
Highway Fund	$768		1,346	2,114		2,114
Non-Major Funds						
Total Governmental Funds	* 768	* 102,041	* 2,073	* 104,882	7,878	112,760
Proprietary - Enterprise Funds						
Liquor Commission	148,618			148,618		148,618
Lottery Commission		75,414		75,414		75,414
Total Proprietary - Enterprise Funds	$148,618	$75,414		$224,032		$224,032

* 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 $75.4 million to fund education
- Transfer of Liquor Commission profits of $148.6 million to general fund for government operations
- $102.0 million transfer from the general fund to eliminate education fund deficit
- $7.9 million transfer from general fund to SRF, representing the state match for the revolving loan programs

Pursuant to RSA 260:61, $0.6 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, $1.5 million of unrefunded gas tax in the Highway Fund was transferred on a 50/50 basis to the General and Fish & Game funds.

10. CONTRACTUAL COMMITMENTS

Contractual Commitments: The State Department of Transportation has estimated its share of contractual obligations for construction contracts to be $84.4 million at June 30, 2014. This represents total obligations of $278.1 million less $193.7 million in estimated federal aid.

Encumbrances: Encumbrances by fund for the State at June 30, 2014, excluding contractual commitments noted above, were as follows:

	Expressed in Millions
General Fund	$209.4
Highway Fund	17.9
Non-Major Governmental Funds	78.4
	$305.7

11. 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.

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 required and actual contributions to the plan for the years ending June 30, 2014, 2013, and 2012 were $75.0 million, $61.6 million, and $69.2 million, respectively. Included in these contributions for FY 2014, FY 2013 and FY 2012 is an amount for other postemployment benefits of $10.4 million, $11.1 million, and $6.6 million, respectively. The State's contributions for the fiscal year ended June 30, 2014 increased over the amounts contributed for the fiscal years ended June 30, 2013 and 2012, primarily due to increased contribution rates.

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 $6,070.7 million. The total pension liability at June 30, 2013 using the entry age normal actuarial cost method was $10,708.8 million, resulting in a funded ratio of 56.7% and projected pension liability in excess of assets of $4,638.1 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 $12.3 million for the fiscal year ended June 30, 2014.

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 and 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 2014 (dollar amounts in thousands):

Annual Required Contribution	$139,139
Interest on net OPEB obligation	34,456
Adjustment to annual required contribution	(28,278)
Annual OPEB cost	145,317
Contributions made (pay-as-you-go)	(52,647)
Increase in Net OPEB Obligation	92,670
Net OPEB Obligation - Beginning of Year	765,699
Net OPEB Obligation - End of Year	**$858,369**

The State's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2014, 2013 and 2012 were as follows (expressed in thousands):

Fiscal Year Ended	Annual OPEB Cost	Actual Contributions (pay-as-you-go)	Percentage Contributed	Net OPEB Obligation
06/30/14	$145,317	$52,647	36.23%	$858,369
06/30/13	$137,812	$51,332	37.25%	$765,699
06/30/12	$171,912	$50,997	29.66%	$679,219

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 0.25% 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. Effective July 1, 2013 the State was required to and contributed 64.5% of the member's salary.

As of January 1, 2014, 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 $41.1 million. The total retirement benefit liability using the entry age normal actuarial cost method was $80.7 million, resulting in a funded ratio of 51% and projected liability in excess of assets of $39.6 million. Annual covered payroll was $7.0 million resulting in an unfunded actuarial liability of 566% 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 2.25% 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-C13. As a closed amortization period is being used, 26 years remain as of January 1, 2014. The actuarial value of plan assets is calculated by spreading recognition of gains and losses over five years.

Due to the settlement of the lawsuit, *Raymond Cloutier v. State of New Hampshire*, 1 active and 5 retired participants elected to receive their benefits under the pre-December 31, 2004 plan provisions. The actuarial impact of this change was to increase the Unfunded Accrued Liability by about $1.4 million and to increase the Annual Required Contribution by approximately $0.1 million.

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
2013	$4,414	$4,414	100.00%
2012	2,786	2,786	100.00%
2011	2,356	2,356	100.00%

12. CONTINGENT AND LIMITED LIABILITIES

PRIMARY GOVERNMENT

Nonexchange Financial Guarantees: The State of New Hampshire extends nonexchange financial guarantees to municipalities, political subdivisions, and certain Authorities indefinitely within certain statutory limits. Guarantees may include, but not limited to, bonds sold by municipalities and school districts, first mortgages on industrial and recreational property, as well as airport and development projects. Arrangements for the State to recover payments is described in the enabling statutes or in agreements authorized by the Governor and Executive Council. Based on the review of qualitative factors and available historical data relative to the financial position of guaranteed entities, the State determined that it is less than likely the State would have to make payments related to the nonexchange guarantees extended. The following table includes the composition of the State's $111.7 million of financial guarantees outstanding and statutory limits as of June 30, 2014 (expressed in thousands):

	RSA	Guarantee Limit	Remaining Capacity	June 30, 2014 Principal	Interest	Total
Municipalities and Political Subdivisions						
Water Pollution Bonds	485-A:7	$50,000	$48,719	$1,160	$121	$1,281
School Construction Bonds	195-C:2	95,000	53,308	29,775	11,917	41,692
Solid Waste Bonds	149-M:31	10,000	10,000			
Super Fund Site Cleanup Bonds	33:3-f	20,000	* 20,000			
Related Organizations						
Business Finance Authority (BFA) - General Obligation	162-A:17	25,000	**	20,000	4,517	24,517
Business Finance Authority (BFA) - Additional State Guarantee	162-I:9-b	50,000	**	42,243	479	42,722
Business Finance Authority (BFA) - Unified Contingent Credit Limit	162-A:22	95,000	* 32,757	62,243	4,996	67,239
Pease Development Authority - Guarantees or Loans	12-G:31	70,000	13,910	1,570		1,570
Pease Development Authority - Guarantees for Development	12-G:33	35,000	35,000			
Housing Finance Authority - Child Care Loans	204-C:79	300	300			
Totals		$375,300	$213,994	$94,748	$17,034	$111,782

* Plus Interest

** Plus interest (guaranteed limit under this section is included in and limited by RSA 162-A:22).

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 federal-reimbursed costs as of June 30, 2013 which were questioned by the State's auditors and are still being resolved by the respective State and Federal Agencies. Note: Questioned costs as of June 30, 2013 are outlined in the Single Audit of Federal Financial Assistance Programs Report issued in March 2014.

Although the fiscal year 2013 Single Audit of Federal Financial Assistance Programs identified minimal questioned costs, approximately $8.7 million of questioned costs related to fiscal years 2010-2012 remained unresolved. 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 which were issued on December 1, 2014. The ruling is currently under review by the Department of Health and Human Services and any financial implications are indeterminable at this time. 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. Additional compliance findings (material weaknesses and significant deficiencies) which did not result in questioned costs were also identified during the audit and can be found within the audit report located on the State's website at http://admin.state.nh.us/accounting/FY%2013/Single%20Audit%20Report.pdf.

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, and received additional refund requests from all hospitals for the fiscal year 2014 receipts of approximately $165.6 million. DRA denied $20 million of those requests related to fiscal year 2008 as being outside the statute of limitations as well as denied $7 million in requests related to fiscal year 2012. Additionally, the DRA issued tax notices for fiscal year 2012 for $13 million.

During fiscal year 2013, the DRA reached agreements with over half of the hospitals to resolve all outstanding issues between them relating to approximately $67.6 million of the $89 million in MET refund and credit requests and $11 million of the $13 million in tax notices for fiscal years 2009 through 2013 leaving $14.4 million in refund requests and $2 million in tax notices outstanding as of June 30, 2013. As a result of the settlement agreements reached in fiscal year 2013 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 (see note 14).

In fiscal year 2014, that State reached an agreement with 25 New Hampshire hospitals' outstanding challenges to (1) the constitutionality of the Medicaid Enhancement Tax, (2) the majority of the claims that the hospitals had filed for refunds on their 2014 tax payments and what remained outstanding related to fiscal years 2013 and prior, and (3) Medicaid rate reductions made in previous years. The legislature approved this agreement and Senate Bill 369 was signed into law on June 30, 2014 (Chapter 158, Laws 2014). Only one hospital did not participate in the agreement (See Note 14 Catholic Medical Center et al v. Department of Revenue). Under the agreement, the state would agree to provide "disproportionate share" (DSH) payments to critical and noncritical access hospitals. Critical access hospitals would be reimbursed 75 percent of their uncompensated care costs, and noncritical care access hospitals would receive no more than 50 percent of their individual uncompensated care costs in Fiscal Years 2016 and 2017. The state's obligation would be capped at $224 million in total payments that are shared with the federal government. Based on aggregate uncompensated care estimates, the state's obligation is expected to range between approximately $45 and $95 million for the 2016-2017 biennium, depending on actual levels of uncompensated care. In Fiscal Years 2018 and 2019, critical access hospitals would continue to be reimbursed 75 percent of their uncompensated care costs. Other acute care hospitals would receive no more than 55 percent of their uncompensated care costs, up to a cap of $241 million. The state's obligation for FY 18 and 19 is expected to range between approximately $35 million and $80 million, as compared to FY 15. The hospitals are guaranteed at least $175 million a year in DSH payments. Payments to hospitals would be contingent on Medicaid Enhancement Tax revenues reaching agreed upon estimates. If revenues fall short of the estimates, state payments to the disproportionate share pool for noncritical access hospitals will be reduced. The State agrees to put all money raised from the Medicaid Enhancement Tax in a trust fund and use those funds exclusively to support Medicaid services, including funding DSH payments, hospital provider payments, and other Medicaid costs. The agreement also eliminates certain freestanding rehabilitation hospitals from the Medicaid Enhancement Tax base, and also precludes them from receiving uncompensated care payments. Through the agreement, the participating hospitals agreed they will not challenge the MET on constitutional grounds as long as the terms of the agreement are met. Additionally, the participating hospitals agreed to drop their claims for tax refunds in 2014 and 15 and drop their participation – and claims – in lawsuits challenging the constitutionality and application of the Medicaid Enhancement Tax. They also agreed to drop claims in state and federal court cases challenging rate reductions made beginning in 2008. If future legislatures choose to cut funding, the hospitals retain the right to re-launch their litigation and the state retains all of its defenses.

As a result of the settlements reached in fiscal year 2014, the remaining refund requests outstanding as of June 30, 2014 from fiscal years 2014 and prior are deemed to be immaterial.

Primary Government Payroll Matters: As a result of converting to a new consolidated payroll system, the State has become aware of certain potential compliance concerns with Federal wage and hour regulations associated with the State's payroll processing procedures. An estimate of potential liability for the State related to these circumstances cannot be determined at this time.

13. 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 2014 for governmental activities and business-type activities were approximately $25.0 million and $5.4 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, 2014 (expressed in thousands):

Payable June 30,	Governmental Activities	Business-Type Activities
2015	$7,092	$4,436
2016	4,025	4,091
2017	3,669	4,048
2018	2,549	4,100
2019	1,691	3,691
2020-2024	5,280	3,709
2025-2029	3,128	
2030-2034		
Total	$27,434	$24,075

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, 2014, are as follows (expressed in thousands):

Payable June 30,	Governmental Activities	Business-Type Activities
2015	$663	$113
2016	565	115
2017	218	125
2018	209	125
2019	152	125
2020-2024	417	229
Total	2,224	832
Amount Representing Interest	(280)	(435)
Present Value of Minimum Lease Payments	$1,944	$397

The assets aquired through capital leases and included in capital assets at June 30, 2014 include the following (expressed in thousands):

	Governmental Activities	Business-Type Activities
Equipment	$985	
Buildings & Building Improvements	4,951	$832
Total	5,936	832
Less: Accumulated Depreciation	(4,522)	(107)
Net	$1,414	$725

14. 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 $0.4 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 position for the full amount of repayment due as of June 30, 2011 while the governmental funds accrued expenditures at the time installments became due and payable. Payments (principal and interest) were made, in accordance with the agreement, as follows: FY12 $9 million, FY13 $17.9 million, and FY14 $8.9 million. The matter is closed as the final payments were made during fiscal year 2014.

Chase Home et al v. Division for Children, Youth, and Families (DCYF)

On November 7, 2007, seven residential childcare providers initiated a lawsuit in Merrimack County Superior Court against 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 FY04-FY06 (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 $0.3 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 DCYF's administrative appeals unit for FY07-FY10. DCYF 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, 2014 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.

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. A hearing on the settlement was held on February 12, 2014, and the Court approved the settlement agreement at the hearing. The parties agreed to dismiss the appeal to the First Circuit and the matter was dismissed by the First Circuit on March 14, 2014. The 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 the plaintiffs $2.4 million for legal fees and expenses within 4 years of the effective date of the agreement of which $1.1 million was paid in fiscal year 2014 and the remaining $1.3 million is a legal liability recorded as of June 30, 2014 within the government-wide financial statements. Funding for the additional services was requested in HB 1635, which passed both the House and Senate and has been signed by the Governor (Chapter 214 Laws of 2014). This matter is now closed.

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 appealed the issues decided in the two motions for summary judgment. On June 18, 2014, the Supreme Court concluded that the rule requiring an interagency agreement is not a reasonable qualification requirement, reversed

the trial court's grant of summary judgment and remanded it to the trial court. The plaintiffs have also filed a new lawsuit for declaratory and injunctive relief, which simply reasserts the same claims as are made in the case remanded to the Superior Court. The State has settled with the individual plaintiffs, agreeing to allow them to receive functional support services from Harbor Homes, and payments of $160,000 in attorney's fees and $2,500 in costs. DHHS filed a partial motion to dismiss against Harbor Homes, the only remaining plaintiff, on August 28, 2014. Harbor Homes has objected, and filed a motion for entry of judgment on its procedural due process claim. The State objected to the motion for entry of judgment, and moved to dismiss on grounds of mootness in light of the settlement agreement with the individual plaintiffs which provides all of the injunctive relief requested in the action.

Harbor Homes filed a separate breach of contract and procedural due process lawsuit. DHHS filed a motion to dismiss on August 28, 2014, to which Harbor Homes has objected. No hearing has been scheduled. This second action, which was filed in Hillsborough South Superior Court, is being transferred to Merrimack County Superior Court. It is not possible to predict the outcome of these cases at this time.

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. On May 22, 2014, the trial court ruled that the Plaintiffs' cause of action is barred by sovereign immunity, but granted Plaintiffs leave to file an amended complaint to correct the deficiencies. The Plaintiffs filed an amended complaint on June 23, 2014, which added claims for violation of separation of powers, breach of contract, and violation of Section 504 of the Federal Rehabilitation Act, 29 U.S.C. section 794. The State moved to dismiss the three new claims for failure to state a claim and moved to dismiss the original claim as barred by sovereign immunity. The plaintiffs objected and moved for summary judgment on all claims, to which the State has objected. The Court granted the State's motion to dismiss the amended complaint, but is allowing the plaintiffs to amend their complaint one more time. The plaintiffs have filed a Second Amended Complaint, to which the State filed a motion to seek to dismiss on December 22, 2014. It is not possible to predict the outcome of this case at this time.

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 the rate change. The plaintiffs assert damages of approximately $20 million. A motion to dismiss was filed on behalf of the State. On June 23, 2014, the plaintiffs filed a motion to stay to provide time to implement the MET settlement (*see Catholic Medical Center et al v. DRA*). In addition, because St. Joseph's Hospital was not a party to the MET settlement, the stay is designed to provide St. Joseph's time to obtain new legal counsel, and determine if it will continue with the litigation on its own. The matter remains stayed during the implementation of the MET settlement (*see Catholic Medical Center, et al. v. DRA*). Pursuant to the settlement agreement with twenty-five hospitals, any judgment against the State from this litigation will be paid by the settling hospitals, up to a cap of $4.5 million. Although it is not expected that the claim by St. Joseph's Hospital will exceed $4.5 million, it is not possible to predict the outcome of this case at this time.

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. On June 23, 2014, the plaintiffs filed a motion to stay to provide time to implement the MET settlement (*see Catholic Medical Center et al v. DRA*). In addition, because St. Joseph's Hospital was not a party to the MET settlement, the stay is designed to provide St. Joseph's time to obtain new legal counsel, and determine if it will continue with the litigation on its own. The matter remains stayed during the implementation of the MET settlement (*see Catholic Medical Center, et al. v. DRA*). Pursuant to the settlement agreement with twenty-five hospitals, any judgment against the State from this litigation will be paid by the settling hospitals, up to a cap of $4.5 million. Although it is not expected that the claim by St. Joseph's Hospital will exceed $4.5 million, it is not possible to predict the outcome of this case at this time.

Carrie Hendrick. v NH DHHS

The complaint, filed on June 19, 2014 by New Hampshire Legal Assistance (NHLA) as a class action in Merrimack County Superior Court, is regarding DHHS's treatment of social security income ("SSI") as household countable income for eligibility and calculation of TANF grants. NHLA seeks a declaratory judgment that DHHS not include the named plaintiff's children (SSI recipients) in her household assistance group. The plaintiffs also challenge the validity of the applicable administrative rule (He-W 654.04(c)) and seek a permanent injunction. SB 198 (effective 1/13/2012) made the change in state law to count children receiving SSI in the family assistance group. Trial is scheduled for November 2015. 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 2013. On February 7, 2014, the trial court in the Northeast Rehabilitation case found a portion of the tax (revenue from outpatient hospital services) to be unconstitutional. It implicitly found the State's taxation of inpatient treatment to be constitutional. Finally, the trial court held that the MET did not constitute a double tax of for-profit hospitals. Both parties have appealed this decision. On April 8, 2014, the trial court in the CMC case found the entire tax (inpatient and outpatient hospital services) unconstitutional.

The State entered into a global settlement with 25 hospitals including CMC, Exeter and Northeast. Litigation with these three hospitals will be stayed pending federal approval of changes to the State's distribution of DSH payments. Dismissal of the litigation will not occur until after the settlement is implemented, which may take several years. St. Joseph's Hospital did not agree to the settlement, and is the only remaining active litigant in the MET litigation challenging the constitutionality of the 2011 MET statute. The State has filed a motion arguing that the trial court's decision is now moot in light of statutory changes to MET effective June 30, 2014. On September 15, 2014, the court issued an order temporarily staying the proceedings for six months or until CMS issues a determination relating to the settlement agreement.

On October 15, 2014, St. Joseph's filed a new lawsuit challenging the constitutionality of both the 2014 changes to the MET and the previous law. The plaintiff also claims that the revisions to the law do not apply because it paid the tax before the changes went into effect, and seeks a full tax refund for its fiscal year 2014 MET of $9,379,356. The State has filed its answer, denying the plaintiff's claim that the law (both in its original form and as amended) is unconstitutional. The case is in its preliminary stages, and no court proceedings have yet been scheduled. It is not possible to predict the outcome of this matter at this time.

Leighton et al. v. State of New Hampshire

Plaintiffs have challenged the constitutionality of the State's 10% tax on gambling winnings with a class action, but the State has objected to it being certified as a class action, and the court has not yet ruled on that issue. The parties filed a joint interlocutory transfer without ruling in the Supreme Court, which was denied on February 23, 2011. The case returned to Superior Court where the parties agreed that the case could be decided on cross-motions for summary judgment. After the State settled Plaintiff Leighton's claims for $0.3 million, a new lottery winner joined the case as a plaintiff, and motions for summary judgment have been cross claimed. In October 2011, the trial court denied the Plaintiffs' motion for summary judgment, but granted, in part, the State's cross-motion for summary judgment with respect to the plaintiffs' facial challenge to the statute. The court denied the State's motion, in part, finding that there was a question of fact as to whether the plaintiff was a "professional gambler," which the plaintiff conceded that he is not under the legal test articulated by the court in its summary judgment order. Plaintiffs attempted to find a professional gambler to intervene in the case, but were unsuccessful, and in June 2012, the declaratory judgment statute, RSA 491:22, was amended. 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. The Supreme Court issued an opinion on June 13, 2014, affirming the trial court's decision. Plaintiffs filed a motion for limited reconsideration which was denied on July 10, 2014. This matter is now concluded.

State v. Priceline, Inc. et al.

This action seeks to recover unpaid Meals and Rooms Taxes ("M&R Tax"), and penalties under the Consumer Protection Act ("CPA"), 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. By order dated June 30, 2014, the court dismissed the State's common law and equitable claims, leaving the several core claims seeking a declaratory ruling and alleging violations of the CPA and the M&R Tax law. The parties are conducting discovery, and expect to file cross motions for summary judgment in the spring of 2015. 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. It 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. On December 19, 2013, the plaintiffs filed a cross appeal. Oral argument was held on November 13, 2014. 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. In October 2013, both parties filed notices of appeal with the Supreme Court. On December 10, 2014, the Supreme Court found there was no unmistakable intent by the legislature to bind itself from prospectively changing the employee contribution rate, and found no constitutional violation. While the case has been remanded, it is expected the trial court will dismiss the case upon remand.

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, the Petitioners have filed a lawsuit challenging Section 161 (definition of Earnable Compensation), Section 163 (definition of Average Final Compensation), Section 164 (Maximum Retirement Benefit), Section 166 (Age Multiplier to calculate benefit), and Section 186 (repeal of disability exception from the gainful occupation reduction provision) of HB2. Petitioners seek an order finding HB2 is unconstitutional under the Contracts and Takings Clauses of both the New Hampshire Constitution and the United States Constitution. Petitioners seek injunctive relief, payment of damages and attorneys' fees. A preliminary injunction hearing was scheduled for May 21, 2012. A hearing on the request for a preliminary injunction was held on August 27, 2012. The trial court ordered the parties to file a motion for interlocutory appeal, which 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 will continue to be stayed pending the outcome of the 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.

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

This suit arises out of the 2009 changes to the retirement system at issue in the AFT case. The plaintiffs argue that the transfer of $250 million from the special account and changes to COLA payments are unconstitutional under the Contract Clause. The case will continue to be stayed pending the outcome of the 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.

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

On July 11, 2014, the plaintiffs filed a new lawsuit related to Firefighters I seeking payment of the additional employee contributions paid under HB 2. The new lawsuit has been stayed by the trial court pending the outcome of Firefighters I and AFT. In light of the Supreme Court's December 10, 2014 decision in *Firefighters I*, the State expects to file a motion to dismiss if the plaintiffs do not voluntarily withdraw *Firefighters IV*.

Liquor Commission

Law Warehouses, Inc., v. New Hampshire State Liquor Commission ("Law I")

Law Warehouses Inc. ("LWI") has provided warehousing services to the New Hampshire State Liquor Commission ("NHSLC"). The parties' most recent contract ended on October 31, 2013. In March 2012, the NHSLC 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 NHSLC awarded the warehousing contract to Exel, Inc. ("Exel"). LWI finished third under the NHSLC'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 NHSLC and Exel and order that a new bidding process take place. LWI contends that the NHSLC 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. 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. On October 28, 2014, the trial court ruled that LWI's tort damage claims were capped at $475,000, and granted the motion regarding equitable claims. The trial court denied summary judgment as to the promissory estoppel claim and the claim for lost profits. The Court reserved the issue of whether it will hold a pre-trial evidentiary hearing on the issue of immunity. Trial is scheduled for May 2015. It is not possible to predict the outcome of this case at this time.

Law Warehouses, Inc. v. New Hampshire State Liquor Commission ("Law II")

Law Warehouses Inc. ("LWI") has filed a second lawsuit regarding the award of the 20-year liquor warehousing services contract to Exel, Inc. ("Exel"). The lawsuit arises from the same facts in the Law I but alleges new state and federal claims of antitrust and civil conspiracy. The State filed a motion to dismiss on November 7, 2014, to which the plaintiff filed an objection. At the motion hearing held on December 15, 2014, the Court asked the parties for additional briefing on whether the Superior Court had subject matter jurisdiction over the claims brought in Law II. Both parties have submitted briefs on the jurisdictional issue raised by the Court. No decision on the motion to dismiss has been issued. 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 NHSLC awarded the warehousing contract to Exel, Inc.

("Exel"). XTL finished second under the NHSLC's bid scoring system. XTL participated in the two-level protest process outlined in the RFP. On March 8, 2013, the NHSLC denied XTL's protest. On March 12, 2013, XTL filed a civil action requesting that the Court enjoin performance of the contract between NHSLC and Exel and order the NHSLC to award the contract to XTL. XTL contends that as the lowest responsible bidder, it is entitled to the contract. Further, XTL argues that NHSLC improperly modified the RFP to favor Exel's bid in violation of New Hampshire's competitive bidding laws. The injunction was denied. On April 4, 2014, the NHSLC filed a motion for summary judgment contending that: XTL's requests for injunctive relief and monetary damages were barred by sovereign immunity and that XTL was not entitled to lost profits or attorneys' fees. On July 16, 2014, the Court ruled on the NHSLC's motion for summary judgment. The Court found that XTL cannot obtain injunctive relief or attorneys' fees in this matter, but that XTL can seek monetary damages, including lost profits. On November 14, 2014, the plaintiff filed a motion for interlocutory appeal regarding the trial court's July 16, 2014, order. Trial is not currently scheduled. 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 was 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. The restricted portion balance as of June 30, 2014 remains substantially unchanged from June 30, 2013. 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. The Supreme Court has ordered Exxon to file its brief by November 3, 2014, and the State's brief is to be filed by January 2, 2015. The State has requested an extension of the responsive deadline. The Superior Court continues to examine the State's requests for expert costs and will likely schedule oral argument on this issue. 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. Amerada 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. Plaintiffs allege damages of approximately $17.8 million. Trial occurred on May 30, 2014 and the trial court issued a decision denying the plaintiff's claims against the State. The plaintiffs have appealed. It is not possible to predict the outcome of this case at this time.

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. Discovery is ongoing. It is not possible to predict the outcome of this matter at this time.

Other Matters

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 was held in April 2014. On July 10, 2014, the Court issued an order on the merits. The Court reformed the lease contract to make the leasehold boundary coterminous with the State's property boundary, but denied the Plaintiff's claim for estoppel and inverse condemnation, and did not award any damages to the Plaintiff. Neither party appealed and this matter is now closed.

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 filed administrative appeals of the termination with the Department of Administrative Services and the Department of Transportation, but those matters were 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 paid approximately $2.4 million to settle the majority of the claims, of that, the State was reimbursed by approximately $1.4 million in federal funds. The last remaining issues relating to various pieces of missing steel and pieces of steel that the State claims are defective have been resolved with a payment to the State of $813. This matter is now closed.

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 and recently filed several claims against its surety. The defendants filed cross claims against the plaintiff in this matter. The surety has moved to dismiss the plaintiff's claims and a decision on that motion is pending. The parties and court have agreed not to set a new discovery and trial deadline until the motion to dismiss has been decided. The parties have also discussed renewing settlement discussions. The State has not yet made an offer in this matter. The plaintiff and its surety made a combined demand of approximately $1.3 million. However, the plaintiff disclosed an expert in the administrative appeal who estimated total damages to be approximately $2.5 million. Additionally, the plaintiff has amended its complaint to add its surety as a party. Trial is scheduled for August 2015, and mediation is scheduled for January 2015. It is not possible to predict the outcome of this case at this time.

Wendy Lawrence v. New Hampshire Department of Safety

The State has learned that the estate of Wendy Lawrence filed a lawsuit against the State Police arising out of an officer-involved shooting after she fled from State Police during a traffic stop in September 2013. The State has not received a copy of the lawsuit. The State is unable to determine the likelihood of an unfavorable outcome, or the amount or range of any loss if an unfavorable outcome occurs.

Katherine Frederick v. NH DHHS

The complaint, filed on September 21, 2014, alleges that the plaintiff suffered damages as a result of DHHS's failure to allow the plaintiff to breastfeed her child. She alleges wrongful discharge and violations of 29 U.S.C. §207(r), 29 U.S.C. §215(a)(3), the Family Medical Leave Act ("FMLA"), Title VII, and RSA 275-E. It is not known at this stage how much the plaintiff is seeking in damages. The State has filed a motion seeking dismissal of all claims, to which the plaintiff has filed an objection. It is not possible to predict the outcome of this case at this time.

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.

15. GOVERNMENTAL FUND BALANCES AND STABILIZATION ACCOUNT

A summary of the nature and purpose of the contraints and related amounts by fund at June 30, 2014, follows:

Governmental Fund Balances - Restricted, Committed and Assigned

Governmental Fund Balance
(expressed in thousands)

	Restricted Purposes	Committed Purposes	Assigned Purposes
General Fund:			
General Government	$5,471	$19,902	$3,544
Administration of Justice & Public Protection	86,814	48,440	10,858
Resources Protection & Development	7,429	29,913	2,594
Transportation		624	73
Health & Human Services	8,663	12,868	15,686
Education	1,040	4,578	3,010
Total	$109,417	$116,325	$35,765
Highway Fund:			
Administration of Justice & Public Protection	$5,617		
Resources Protection & Development	29		
Transportation	158,169		
Total	$163,815		
Education Trust Fund:			
Education			$5,069
Total			$5,069
Non-Major Governmental Funds:			
Resources Protection & Development	$2,602	$1,304	$1,235
Other Purposes	46,101		
Total	$48,703	$1,304	$1,235

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. The balance at June 30, 2014 remained at $9.3 million, the same as at June 30, 2013.

16. JOINT VENTURES-LOTTERY COMMISSION

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

In September 1985, the 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 of the member states contributes services towards the management and advisory functions. Each member state including the Lottery shares in all joint venture sales and expenses, including prize expenses, based on its pro-rata share of sales. Direct charges, such as advertising, vendor fees and the Lottery's per-diem payments are charged to participating states based on services received. 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, 2014 Tri-State reported total installment prize obligations owed to jackpot winners of $37.9 million, payable through the year 2043.

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 $1.8 million at June 30, 2014. 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 37 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, 2014, the Lottery recognized $23.1 million of net income from MUSL.

In addition, MUSL has established a contingency reserve to protect MUSL and its members against unforeseen liabilities. The Lottery's share of deposits held as MUSL prize reserves was $2.5 million at June 30, 2014. 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.

The New Hampshire Lottery Commission became a member of the New England regional lottery game known as Lucky for Life beginning sales on March 11, 2012, with the first drawing held on March 15, 2012. Lucky for Life is currently comprised of the six New England states' lotteries: the Connecticut Lottery Corporation, the Maine State Liquor & Lottery Commission, the Massachusetts State Lottery Commission, the New Hampshire Lottery Commission, the Rhode Island Division of State Lottery, and the Vermont Lottery Commission. The Lottery sells Lucky for Life tickets, collects all revenues, and remits prize funds and operating funds to MUSL. While Lucky for Life is not a MUSL game, the party lotteries pay a fee to MUSL to act as the game administrator (clearinghouse agent). MUSL collects and re-distributes funds to the party lotteries when funds are due and purchases insurance annuities for the top two highest prize tiers when a winner does not choose a cash payout. The top two prize tiers are payable in installments and are satisfied through insurance annuities purchased by MUSL when a winner chooses the annuity option. Accordingly, the Lottery does not record an obligation for jackpot awards which are payable in installments from funds provided by MUSL or the other party lotteries. The Lottery does accrue a current amount due for its proportionate share of prizes and expenses.

Each member state including the Lottery shares in all joint venture sales and expenses, including prize expenses, based on its pro-rata share of sales. For the year ended June 30, 2014, New Hampshire's total share of the net operating income for Lucky for Life was $2.1 million. The prize liability for each Lucky for Life drawing is shared by each member Lottery based on an amount equal to a percentage of that member Lottery's Lucky for Life sales. Each member Lottery is responsible for a prize payout equal to a percentage of that member Lottery's Lucky for Life sales, said percentage being the proportion of total Lucky for Life prize liability to total Lucky for Life sales. The Lottery does accrue a current amount due for its proportionate share of prizes and expenses. There are no prize reserves held by MUSL for this game. New Hampshire's total share of accrued prize and operating amounts due at June 30, 2014 amounted to $2.4 million.

17. ACCOUNTING CHANGES

University System of New Hampshire (USNH)

The UNH School of Law fully integrated with USNH as of January 1, 2014. The integration is treated as a merger in accordance with GASB Statement No. 69, *Governmental Combinations and Disposals of Government Operations*. Accordingly, the activities and balances of the UNH School of Law were merged with those of USNH for financial reporting purposes as of the beginning of the fiscal year, with the effect on beginning net position shown below.

Turnpike System
Business Finance Authority (BFA)

The Turnpike System and BFA adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Implementation of this guidance requires bond issuance costs (previously reported as assets) to be expensed when incurred. Accordingly, previously unamortized bond issuance costs have been eliminated and the related effect on beginning net position for business-type activities and non-major component units is below:

(Expressed in Thousands)	Turnpike System	Total Business-type Activities	USNH	Non-major Component Units	Total Component Units
Net Position, as previously reported	$512,431	$1,323,474	$1,160,841	$227,156	$1,387,997
Add Net Position of UNH School of Law			28,506		28,506
Accelerated Amortization of Bond Issue Costs	(2,158)	(2,158)		(154)	(154)
Net Position, as restated	$510,273	$1,321,316	$1,189,347	$227,002	$1,416,349

18. SUBSEQUENT EVENTS

The State issued its $89,925,000 General Obligation Refunding Bonds, 2014 Series A (the "2014 Series A Refunding Bonds") on December 10, 2014 for the current and advanced refunding of outstanding general obligation debt of the State. The Series A Refunding Bonds were sold through a negotiated sale to both retail and institutional investors and resulted in an overall true-interest-cost of 2.29% with net present value savings to the State of $7.6 million.

The State issued its $55,005,000 General Obligation Capital Improvement Bonds 2014 Series B (the 2014 Series B Bonds") on December 11, 2014 through a competitive sale and resulted in an overall true-interest-cost to the State of 2.64% and coupons ranging from 2.5% to 5.0%. The Series B Bonds were issued to fund all or a portion of various capital projects.

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, 2014
(expressed in thousands)

	General Fund			
	Budgeted Amount			Variance with Final Budget-
	ORIGINAL	FINAL	ACTUAL (Budgetary Basis)	Positive (Negative)
REVENUES				
General Property Taxes	$130	$130	$149	$19
Special Taxes	951,314	952,591	853,839	(98,752)
Personal Taxes	127,494	127,494	130,150	2,656
Business License Taxes	22,310	22,322	21,182	(1,140)
Non-Business License Taxes	90,145	90,437	94,895	4,458
Fees	164,453	174,644	167,510	(7,134)
Fines, Penalties and Interest	7,002	8,214	-	(8,214)
Grants from Federal Government	1,766,432	1,850,639	1,301,144	(549,495)
Grants from Private and Local Sources	172,283	177,949	161,272	(16,677)
Rents and Leases	1,243	1,901	1,414	(487)
Interest Premiums and Discounts	20,194	20,200	17,390	(2,810)
Sale of Commodities	13,904	19,151	12,443	(6,708)
Sale of Services	30,767	31,113	28,503	(2,610)
Assessments	100,491	101,738	77,814	(23,924)
Grants from Other Agencies	166,511	166,751	132,481	(34,270)
Miscellaneous	456,456	586,396	334,301	(252,095)
Total Revenue	4,091,129	4,331,670	3,334,487	(997,183)
EXPENDITURES				
GENERAL GOVERNMENT				
Legislative Branch	19,415	18,853	15,148	3,705
Executive	60,267	60,803	33,428	27,375
Information Technology	69,125	69,982	58,639	11,343
Executive Council	229	231	208	23
Off. Of Economic Stimulus	-	-	-	-
Administrative Services	122,373	128,828	122,235	6,593
Sec of State	10,449	13,634	7,846	5,788
Cultural Affairs	6,698	7,016	5,700	1,316
Revenue Administration	16,294	15,538	13,347	2,191
State Treasury	91,308	93,087	88,438	4,649
NH Retirement System	7,963	7,984	6,767	1,217
Boards and Commissions	3,359	3,392	3,072	320
Total	407,480	419,348	354,828	64,520
JUSTICE AND PUBLIC PROTECTION				
Judicial Branch	82,521	79,183	76,834	2,349
Adjutant General	31,103	31,917	20,731	11,186

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

STATE OF NEW HAMPSHIRE
BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE (Unaudited) - continued
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(expressed in thousands)

	General Fund			
	Budgeted Amount			Variance with Final Budget-
	ORIGINAL	FINAL	ACTUAL (Budgetary Basis)	Positive (Negative)
Agriculture	5,743	6,074	4,458	1,616
Justice Department	34,187	58,703	23,134	35,569
Bank Commission	6,068	5,888	4,825	1,063
Highway Safety	8,846	8,832	3,015	5,817
Insurance	12,064	14,056	9,865	4,191
Labor	23,400	23,405	21,979	1,426
Public Utilities Commission	34,542	44,037	32,820	11,217
Safety	106,881	143,303	69,843	73,460
Corrections Department	104,993	105,601	103,832	1,769
Employment Security	57,292	60,749	30,963	29,786
Judicial Council	24,874	25,028	24,605	423
Human Rights Commission	645	642	596	46
Boards and Commissions	411	413	404	9
Total	533,570	607,831	427,904	179,927
RESOURCE PROTECTION AND DEVELOPMENT				
Resource and Economic Development	76,206	86,455	55,606	30,849
Pease Development Authority	699	699	708	(9)
Environmental Services	113,673	137,385	71,091	66,294
Development Finance Authority	180	180	180	-
Boards and Commissions	50	58	58	-
Total	190,808	224,777	127,643	97,134
TRANSPORTATION				
Transportation	33,740	34,793	10,616	24,177
Total	33,740	34,793	10,616	24,177
HEALTH AND SOCIAL SERVICES				
Health and Human Services Commissioner	178,399	197,072	120,422	76,650
Office of Health Management	106,057	106,336	74,003	32,333
Children and Youth	1,781	1,857	1,322	535
Transitional Assistance	98,939	113,373	85,872	27,501
Office of Medicaid & Business Policy	624,336	645,574	578,857	66,717
Behavioral Health	127,537	121,318	86,424	34,894
Developmental Services	298,486	305,623	275,134	30,489
Developmental Disabilities Council	658	661	479	182
N H Hospital	65,340	62,224	57,561	4,663
Glencliff Home	14,599	14,486	13,485	1,001
N H Veterans Home	31,558	31,563	28,354	3,209

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, 2014
(expressed in thousands)

	General Fund			
	Budgeted Amount			Variance with Final Budget- Positive (Negative)
	ORIGINAL	FINAL	ACTUAL (Budgetary Basis)	
Veterans Council	495	497	465	32
Youth Development Services	332	832	774	58
Human Services	173,537	168,875	152,294	16,581
Elderly and Adult Services	494,068	500,450	449,005	51,445
Community Based Care	28,399	28,316	17,029	11,287
Board of Medicine	920	949	868	81
Boards and Commissions	3,748	3,913	3,248	665
Total	2,249,189	2,303,919	1,945,596	358,323
EDUCATION				
Department of Education	438,459	440,340	279,574	160,766
NH Comm. Tech. College System	40,000	40,000	40,000	
Planetarium			11	(11)
Police Standards and Training Council	3,542	3,616	2,953	663
University of New Hampshire	69,000	69,000	69,000	
Total	551,001	552,956	391,538	161,418
Debt Service	104,325	104,325	104,325	
Capital Outlays	15,871	15,871	15,871	
Total	4,085,984	4,263,820	3,378,321	885,499
Excess of Revenues Over Expenditures	5,145	67,850	(43,831)	(111,681)
Other Financing Sources (Uses)				
Transfers In	146,300	146,300	149,868	3,568
Transfers Out	(331,153)	(331,153)	(331,153)	
Miscellaneous			4,555	4,555
Total Other Financing Sources (Uses)	(184,853)	(184,853)	(176,730)	8,123
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(179,708)	(117,003)	(220,561)	(103,558)
Fund Balance - July 1	715,404	715,404	715,404	
Fund Balance - June 30	535,696	598,401	494,843	(103,558)

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

STATE OF NEW HAMPSHIRE
BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE (Unaudited)
HIGHWAY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(expressed in thousands)

	Highway Fund			
	Budgeted Amounts			
	Original	Final	Actual (Budgetary Basis)	Variance with Final Budget-Positive (Negative)
REVENUES				
Business License Taxes	$147,952	$147,952	$145,658	$(2,294)
Non-Business License Taxes	80,534	80,534	83,692	3,158
Fees	23,761	23,766	24,221	455
Fines, Penalties and Interest	7,918	7,926	7,788	(138)
Grants from Federal Government	570,238	572,541	195,249	(377,292)
Grants from Private and Local Sources	8,788	8,788	11,821	3,033
Rents and Leases	209	209	141	(68)
Sale of Commodities	1,383	20,387	18,743	(1,644)
Sale of Services	6,004	5,784	4,875	(909)
Grants from Other Agencies	7,310	12,294	14,470	2,176
Miscellaneous	33,451	35,666	21,215	(14,451)
Total Revenues	887,548	915,847	527,873	(387,974)
EXPENDITURES				
Justice and Public Protection	89,274	91,153	82,961	8,192
Resource Protection and Development	1,639	1,654	1,405	249
Transportation	856,804	898,561	431,918	466,643
Debt Service	32,782	32,782	32,782	-
Capital Outlays	18,430	18,430	18,430	-
Total Expenditures	998,929	1,042,580	567,496	475,084
Deficiency of Revenues				
Under Expenditures	(111,381)	(126,733)	(39,623)	87,110
OTHER FINANCING SOURCES (USES)				-
Transfers Out	-	(2,114)	(2,114)	-
Miscellaneous	-	2,800	2,800	-
Total Other Financing Sources (Uses)	-	686	686	0
Deficiency of Revenues				0
and Other Sources Under				0
Expenditures and Other Uses	(111,381)	(126,047)	(38,937)	87,110
Fund Balance - July 1	534,465	534,465	534,465	-
Fund Balance - June 30	$423,084	$408,418	$495,528	$87,110

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)
EDUCATION FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(expressed in thousands)

	Education Fund			
	Budgeted Amounts			
	Original	Final	Actual (Budgetary Basis)	Variance with Final Budget-Positive (Negative)
REVENUES				
General Property Taxes	$398,100	$398,100	$399,370	$1,270
Special Taxes	249,840	249,840	243,024	(6,816)
Personal Taxes	87,150	87,150	89,753	2,603
Fines, Penalties and Interest			1	1
Grants from Federal Government				
Miscellaneous	40,000	40,000	40,000	
Total Revenues	775,090	775,090	772,148	(2,942)
EXPENDITURES				
Education	959,283	959,283	948,300	10,983
Total Expenditures	959,283	959,283	948,300	10,983
Deficiency of Revenues Under Expenditures	(184,193)	(184,193)	(176,152)	8,041
OTHER FINANCING SOURCES (USES)				
Transfers In		200,024	200,024	
Total Other Financing Sources (Uses)		200,024	200,024	
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other (Uses)	(184,193)	15,831	23,872	8,041
Fund Balance - July 1	(119,537)	(119,537)	(119,537)	
Fund Balance - June 30	$(303,730)	$(103,706)	$(95,665)	$8,041

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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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 2014, 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 26, 2013 (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, 2014 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, 2014 (expressed in thousands).

	General Fund	Highway Fund	Education Fund
Excess/(Deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses (Budgetary Basis)	$(220,561)	$(38,937)	$23,872
Adjustments and Reclassifications:			
To record change in Accounts Payable and Accrued Payroll	(52,536)	(4,808)	481
To Record change in Accounts Receivable	(141,699)	(10,539)	(75,415)
To Record Other Financing Sources (Uses)	372,195	14,020	56,131
Excess/(Deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses (GAAP Basis)	$(42,601)	$(40,264)	$5,069

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	0%	597,821	377.67%
06/30/08	-	2,470,485	2,470,485	0%	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
01/01/14	$ 41,137	$ 80,713	$ 39,576	51%	$ 7,006	564.89%
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%

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.

C***apital 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, 2014
(Expressed in Thousands)

	Highway Construction				
	Federal Highway Construction Trust	State Funded Construction	Total Highway Construction	Highway Operating	Total Highway Fund
ASSETS					
Cash and Cash Equivalents	$5,475	$30,324	$35,799	$59,186	$94,985
Cash and Cash Equivalents - Restricted	49,711		49,711		49,711
Investments	24,114		24,114		24,114
Receivables (Net of Allowances for Uncollectibles)	23,591	4,409	28,000	18,384	46,384
Inter-Fund Note Receivable				14,179	14,179
Due from Other Funds	5,933	15,513	21,446	(20,863)	583
Inventories				14,352	14,352
Total Assets	$108,824	$50,246	$159,070	$85,238	$244,308
LIABILITIES					
Accounts Payable	$22,660	$9,945	$32,605	$8,136	$40,741
Accrued Payroll				4,871	4,871
Unearned Revenue	2,801		2,801	177	2,978
Total Liabilities	25,461	9,945	35,406	13,184	48,590
DEFERRED INFLOWS OF RESOURCES	1,538		1,538	16,013	17,551
FUND BALANCES					
Nonspendable:					
Inventories				14,352	14,352
Restricted	81,825	40,301	122,126	41,689	163,815
Total Fund Balances	81,825	40,301	122,126	56,041	178,167
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$108,824	$50,246	$159,070	$85,238	$244,308

See accompanying Independent Auditors' Report

STATE OF NEW HAMPSHIRE
COMBINING SCHEDULE OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE ACCOUNTS
HIGHWAY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)

	Highway Construction				
	Federal Highway Construction Trust	State Funded Construction	Total Highway Construction	Highway Operating	Total Highway Fund
REVENUES					
Unrestricted					
Business License Taxes (Road Toll)				$124,467	$124,467
Motor Vehicle Fees				106,487	106,487
Fines, Penalties and Interest				7,531	7,531
Sale of Commodities				142	142
Sale of Service				26	26
Miscellaneous				1,926	1,926
Subtotal Unrestricted Revenues				240,579	240,579
Restricted					
Business License Taxes (Road Toll - Betterment)		$21,191	$21,191		21,191
Motor Vehicle Fees				1,426	1,426
Fines, Penalties and Interest				257	257
Grants from Federal Government	$159,497	7,989	167,486	30,671	198,157
Grants from Private and Local Sources	9,852	169	10,021	2,375	12,396
Rents and Leases				141	141
Sale of Commodities (Motor Fuel, Hwy Inventory)				11,613	11,613
Sale of Service				4,718	4,718
Grants from Other Agencies				11,971	11,971
Miscellaneous	2,672		2,672	2,597	5,269
Subtotal Unrestricted Revenues	172,021	29,349	201,370	65,769	267,139
Total Revenues	172,021	29,349	201,370	306,348	507,718
EXPENDITURES					
Current:					
Administration of Justice and Public Protection				80,278	80,278
Resource Protection and Development				1,346	1,346
Municipal Aid	20,320	10,043	30,363	34,355	64,718
Transportation	39,976	19,886	59,862	174,294	234,156
Debt Service	19,057		19,057	13,725	32,782
Capital Outlay Equipment - Safety				1,601	1,601
Capital Outlay Equipment - Transportation	46		46	5,028	5,074
Capital Outlay Infrastructure - Transportation	117,895	1,393	119,288	11,576	130,864
Capital Outlay Land and Buildings - Transportation	11,814		11,814	55	11,869
Total Expenditures	209,108	31,322	240,430	322,258	562,688
Deficiency of Revenues Under Expenditures	(37,087)	(1,973)	(39,060)	(15,910)	(54,970)
OTHER FINANCING SOURCES (USES)					
Transfers among accounts	68	8,584	8,652	(8,652)	
Transfers Out		(73)	(73)	(2,041)	(2,114)
Installments on Sale of Assets (I-95 Transfer Payment)				14,020	14,020
Total Other Financing Sources (Uses)	68	8,511	8,579	3,327	11,906
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(37,019)	6,538	(30,481)	(12,583)	(43,064)
Fund Balances - July 1	118,844	33,763	152,607	65,824	218,431
Change in Inventory				2,800	2,800
Fund Balances - June 30	$81,825	$40,301	$122,126	$56,041	$178,167

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, 2014
(Expressed in Thousands)

			Permanent Funds				
	Fish & Game	Capital	NH Hospital	Land Conservation Endowment	Other Permanent	Total Permanent	Total Non-Major
ASSETS							
Cash and Cash Equivalents	$5,556	$38,184	$357	$52	$163	$572	$44,312
Investments			6,630	3,555	11,159	21,344	21,344
Receivables (Net)	1,866	4,403					6,269
Due from Other Funds		4,326					4,326
Inventories	613						613
Total Assets	$8,035	$46,913	$6,987	$3,607	$11,322	$21,916	$76,864
LIABILITIES							
Accounts Payable	1,812	11,369					$13,181
Accrued Payroll	470						470
Total Liabilities	2,282	11,369					13,651
FUND BALANCES							
Nonspendable:							
Inventories	613						613
Permanent Fund Principal			458	2,220	8,680	11,358	11,358
Restricted	2,601	35,544	6,529	1,387	2,642	10,558	48,703
Committed	1,304						1,304
Assigned	1,235						1,235
Total Fund Balances	5,753	35,544	6,987	3,607	11,322	21,916	63,213
Total Liabilities and Fund Balances	$8,035	$46,913	$6,987	$3,607	$11,322	$21,916	$76,864

See accompanying Independent Auditors' Report

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, 2014
(Expressed in Thousands)

			Permanent Funds				
	Fish & Game	Capital	NH Hospital	Land Conservation Endowment	Other Permanent	Total Permanent	Total Non-Major
REVENUES							
Non-Business License Taxes	$9,055						$9,055
Fees	991	$5,250					6,241
Fines, Penalties and Interest	142						142
Grants from Federal Government	8,148	17,835					25,983
Grants from Private and Local Sources	371						371
Interest, Premiums and Discounts	29		$131	$53	$179	$363	392
Sale of Commodities	293						293
Grants from Other Agencies	5,163						5,163
Miscellaneous	699	373	823	494	1,779	3,096	4,168
Total Revenues	24,891	23,458	954	547	1,958	3,459	51,808
EXPENDITURES							
Current:							
Administration of Justice & Public Protection					307	307	307
Resource Protection and Development	24,895			105	54	159	25,054
Health and Social Services			140			140	140
Debt Service	444						444
Capital Outlay	1,052	86,755					87,807
Total Expenditures	26,391	86,755	140	105	361	606	113,752
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,500)	(63,297)	814	442	1,597	2,853	(61,944)
OTHER FINANCING SOURCES (USES)							
Transfers In	2,044	29					2,073
G.O. Bond Premium		7,672					7,672
G.O. Bond Issuance		65,793					65,793
Total Other Financing Sources	2,044	73,494					75,538
Excess of Revenues & Other Sources Over Expenditures & Other Uses	544	10,197	814	442	1,597	2,853	13,594
Fund Balances - July 1	5,107	25,347	6,173	3,165	9,725	19,063	49,517
Change in Inventory	102						102
Fund Balances - June 30	$5,753	$35,544	$6,987	$3,607	$11,322	$21,916	$63,213

See accompanying Independent Auditors' Report

STATE OF NEW HAMPSHIRE
BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
FISH & GAME FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(expressed in thousands)

	Fish and Game Fund			
	Budgeted Amounts			
	Original	Final	Actual (Budgetary Basis)	Variance with Final Budget-Positive (Negative)
REVENUES				
Non-Business License Taxes	$10,280	$10,282	$9,055	$(1,227)
Fees	2,717	2,889	1,317	(1,572)
Fines, Penalties and Interest	375	375	142	(233)
Grants from Federal Government	8,117	8,097	8,186	89
Grants from Private and Local Sources	563	735	371	(364)
Interest Premiums and Discounts	104	104	29	(75)
Sale of Commodities	680	680	544	(136)
Sale of Services	1,214	1,224		(1,224)
Grants from Other Agencies	5,687	5,689	5,163	(526)
Miscellaneous	987	1,130	1,084	(46)
Total Revenues	30,724	31,205	25,891	(5,314)
EXPENDITURES				
Resource Protection and Development	28,053	28,696	25,972	2,724
Debt Service	444	444	444	
Capital Outlays	1,053	1,053	1,053	
Total Expenditures	29,550	30,193	27,469	2,724
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,174	1,012	(1,578)	(2,590)
OTHER FINANCING SOURCES (USES)				
Transfers In			2,045	2,045
Transfers Out				
Miscellaneous			102	102
Total Other Financing Sources (Uses)			2,147	2,147
Excess of Revenues and Other Sources Over Expenditures and Other Uses	1,174	1,012	569	(443)
Fund Balance - July 1	5,687	5,687	5,687	
Fund Balance - June 30	$6,861	$6,699	$6,256	$(443)

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, 2014 (expressed in thousands).

	Fish & Game Fund
Excess of revenues and other financing sources over expenditures and other financing uses (Budgetary Basis)	$569
Adjustments and Reclassifications:	
To record change in Accounts Payable and Accrued Payroll	1,077
To Record change in Accounts Receivable	(1,000)
Excess of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	$646

See accompanying Independent Auditors' Report

SRF Funds

STATE OF NEW HAMPSHIRE
COMBINING SCHEDULE OF NET POSITION
SRF FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Clean Water	Drinking Water	Total SRF Fund
ASSETS - (Restricted)			
Current Assets:			
Cash and Cash Equivalents	$202,540	$44,609	$247,149
Loans Receivable:			
Cap Grant - Wastewater	21,791		21,791
Cap Grant - Landfills	1,863		1,863
Cap Grant - Regular		3,761	3,761
Repayment Loans	7,193	1,518	8,711
Total Loans Receivable	30,847	5,279	36,126
Other Current Assets	4,415	2,046	6,461
Total Current Assets	237,802	51,934	289,736
Noncurrent Assets:			
Loans Receivable:			
Cap Grant - Wastewater	113,748		113,748
Cap Grant - Landfills	12,094		12,094
Cap Grant - Regular		70,043	70,043
Repayment Loans	90,060	26,480	116,540
Total Loans Receivable	215,902	96,523	312,425
Total Noncurrent Assets	215,902	96,523	312,425
Total Assets	453,704	148,457	602,161
LIABILITIES			
Current Liabilities:			
Accounts Payable	1,692	1,740	3,432
Bonds Payable	1,505	770	2,275
Advanced Collection		4	4
Total Current Liabilities	3,197	2,514	5,711
Noncurrent Liabilities:			
Bonds Payable	9,532	4,878	14,410
Total Noncurrent Liabilities	9,532	4,878	14,410
Total Liabilities	12,729	7,392	20,121
NET POSITION			
Restricted for Environmental Loans	440,975	141,065	582,040
Total Net Position	$440,975	$141,065	$582,040

See accompanying Independent Auditors' Report

STATE OF NEW HAMPSHIRE
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
SRF FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Clean Water	Drinking Water	Total SRF Fund
OPERATING REVENUES			
Loan Interest	$2,214	$1,062	$3,276
Capitalized Loan Interest	239	15	254
Management Fees	3,730	1,740	5,470
Grant Revenue		1,628	1,628
Total Operating Revenue	6,183	4,445	10,628
OPERATING EXPENSES			
Principal Forgiveness	10,700	2,674	13,374
Small System Set-Aside Costs		226	226
Small Program Management Costs		786	786
Local Assistance Set-Aside Costs		1,253	1,253
Administration	3,900	2,002	5,902
Total Operating Expenses	14,600	6,941	21,541
Operating Loss	(8,417)	(2,496)	(10,913)
NONOPERATING REVENUES			
Investment Income	140	20	160
Federal Grant Revenue	29,139	7,737	36,876
Total Nonoperating Revenues	29,279	7,757	37,036
Income Before Transfers	20,862	5,261	26,123
Transfers from Governmental Funds	5,833	2,045	7,878
Change in Net Position	26,695	7,306	34,001
Net Position - July 1	414,280	133,759	548,039
Net Position - June 30	$440,975	$141,065	$582,040

See accompanying Independent Auditors' Report

Internal Service Fund

STATE OF NEW HAMPSHIRE
COMBINING SCHEDULE OF NET POSITION ACCOUNTS
EMPLOYEE BENEFIT RISK MANAGEMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)

	Health				
ASSETS	**Active**	**Retirees**	**Total**	**Dental**	**Total**
Current Assets:					
Cash and Cash Equivalents	$36,324	$13,396	$49,720	$2,486	$52,206
Accounts Receivable	1,513	2,186	3,699	47	3,746
Total Assets	37,837	15,582	53,419	2,533	55,952
LIABILITIES					
Current Liabilities:					
Accounts Payable	$1,585	$249	$1,834	$263	$2,097
Claims Payable	3,675	2,133	5,808	200	6,008
Incurred but not Reported (IBNR)	8,907	4,465	13,372	$296	13,668
Total Liabilities	14,167	6,847	21,014	759	21,773
NET POSITION					
Unrestricted Net Position	$23,670	$8,735	$32,405	$1,774	$34,179

See accompanying Independent Auditors' Report

STATE OF NEW HAMPSHIRE
COMBINING SCHEDULE OF REVENUES,
EXPENSES AND CHANGES IN NET POSITION ACCOUNTS
EMPLOYEE BENEFIT RISK MANAGEMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)

	Health				
	Active	Retirees	Total	Dental	Total
OPERATING REVENUES					
Charges for Sales and Services					
Contributions For Health Benefits					
State Contributions:					
Active Employees	$158,834		$158,834	$10,493	$169,327
Retired Judges & Constitutional Officers		$564	564		564
Retired Employees		49,569	49,569		49,569
Non-State Contributions:					
Employee and Retiree Premiums	10,976	4,495	15,471	281	15,752
Other Employers	2,640		2,640	169	2,809
COBRA Participants	361	2	363	124	487
Legislator Participants	591	215	806	153	959
Retirement Subsidies & Deductions		12,342	12,342		12,342
Recoveries	2,500	1,934	4,434		4,434
Federal Part D Subsidies		3,296	3,296		3,296
Total Contributions for Health Benefits	175,902	72,417	248,319	11,220	259,539
Total Charges for Sales and Services	175,902	72,417	248,319	11,220	259,539
OPERATING EXPENSES					
Health Care Expenses:					
Medical Payments	132,801	37,724	170,525	10,014	180,539
Pharmaceuticals	28,047	29,763	57,810		57,810
Ancillary Benefits	726		726		726
Total Health Care Expenses	161,574	67,487	229,061	10,014	239,075
Administrative Expenses	7,275	4,148	11,423	639	12,062
Total Operating Expenses	168,849	71,635	240,484	10,653	251,137
Change in Net Position	7,053	782	7,835	567	8,402
Net Position - July 1	16,617	7,953	24,570	1,207	25,777
Net Position - June 30	$23,670	$8,735	$32,405	$1,774	$34,179

See accompanying Independent Auditors' Report

Non-Major Component Units

STATE OF NEW HAMPSHIRE
COMBINING STATEMENT OF NET POSITION
NON-MAJOR COMPONENT UNITS
JUNE 30, 2014
(Expressed in Thousands)

	Business Finance Authority	Community Development Finance Authority	Pease Development Authority	Community College System of New Hampshire	Total
ASSETS					
Current Assets:					
Cash and Cash Equivalents	$732	$2,835	$1,444	$20,149	$25,160
Cash and Cash Equivalents-Restricted	12,972	2,685	703		16,360
Accounts Receivable	108	1,216	2,161	31	3,516
Other Receivables	130	1,600		2,749	4,479
Notes Receivable - Current Portion	11,342	1,823			13,165
Prepaid Expenses & Other	474	437	534		1,445
Total Current Assets	25,758	10,596	4,842	22,929	64,125
Noncurrent Assets:					
Investments		5,276		13,794	19,070
Notes & Other Receivables	22,267	6,713	810	839	30,629
Other Assets	5,012			6,034	11,046
Capital Assets:					
Land & Land Improvements			7,499	6,361	13,860
Building & Building Improvements			126,492	159,375	285,867
Equipment	34	128	13,158	17,812	31,132
Construction in Progress			7,261	9,081	16,342
Less: Accumulated Depreciation	(34)	(121)	(80,131)	(75,014)	(155,300)
Net Capital Assets	-	7	74,279	117,615	191,901
Total Noncurrent Assets	27,279	11,996	75,089	138,282	252,646
Total Assets	53,037	22,592	79,931	161,211	316,771
Current Liabilities:					
Accounts Payable	12	61	3,630	2,699	6,402
Accrued Salaries and Wages				5,701	5,701
Accrued Employee Benefits - Current	33				33
Other Payables & Accrued Expenses	52	5,939			5,991
Other Liabilities	62		2,000	287	2,349
Deposits and Unearned Revenues	2,580	468	544	1,339	4,931
Long Term Debt-Current Portion			642	1,869	2,511
Total Current Liabilities	2,739	6,468	6,816	11,895	27,918
Noncurrent Liabilities:					
Other Long Term Debt	30,074		1,665	25,788	57,527
Total Noncurrent Liabilities	30,074		1,665	25,788	57,527
Total Liabilities	32,813	6,468	8,481	37,683	85,445
NET POSITION					
Net Investment in Capital Assets			69,972	96,041	166,013
Restricted for Specific Purpose	26,893	1,019	1,638	17,613	47,163
Unrestricted	(6,669)	15,105	(160)	9,874	18,150
Total Net Position	$20,224	$16,124	$71,450	$123,528	$231,326

See accompanying Independent Auditors' Report

STATE OF NEW HAMPSHIRE
COMBINING STATEMENT OF ACTIVITIES
NON-MAJOR COMPONENT UNITS
JUNE 30, 2014
(Expressed in Thousands)

	Business Finance Authority	Community Development Finance Authority	Pease Development Authority	Community College System of New Hampshire	Total
Expenses	$2,809	$12,123	$18,160	$133,920	$167,012
Program Revenues:					
Charges for Services:					
Tuition & Fees				74,082	74,082
Scholarship Allowances				(900)	(900)
Sales, Services, & Other Revenue	3,881	2,083	13,200	13,035	32,199
Operating Grants & Contributions		9,803	4,278		14,081
Capital Grants & Contributions				2,772	2,772
Total Program Revenues	3,881	11,886	17,478	88,989	122,234
Net Revenues (Expenses)	1,072	(237)	(682)	(44,931)	(44,778)
Interest & Investment Income	20	72	6	1,981	2,079
Payments from State of New Hampshire				47,023	47,023
Change in Net Position	1,092	(165)	(676)	4,073	4,324
Net Position - July 1 - Restated (note 17)	19,132	16,289	72,126	119,455	227,002
Net Position - June 30	$20,224	$16,124	$71,450	$123,528	$231,326

See accompanying Independent Auditors' Report

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, 2014
(Expressed in Thousands)

		Other Postemployment Medical Plans (OPEB)					
	Pension Plan	Group II Police Officer & Firefighter	GroupI Teachers	Group I Political Subdivisions	Group I State Employees	Judicial Retirement Plan	Total
ASSETS							
Cash & Cash Equivalents	$9,878	$9		$21		$1,048	$10,956
Total Cash	9,878	9		21		1,048	10,956
Receivables:							
Due from Employers	42,262					242	42,504
Due from Plan Members	21,869					99	21,968
Due from Group 1 Teacher OPEB Plan		3,226		9,180			12,406
Due from Brokers for Securities Sold	11,922	12		26	1		11,961
Interest and Dividends	18,519	18		40	1	129	18,707
Other	2,490	2		5			2,497
Total Receivables	97,062	3,258		9,251	2	470	110,043
Investments							
Cash & Cash Equivalents	173,692	169		378	9		174,248
Equity Investments							
Domestic	3,672,963	3,582		7,986	180	19,297	3,704,008
International	862,982	841		1,877	42	6,341	872,083
Fixed Income Investments							
Domestic	1,155,059	1,127		2,511	57	5,830	1,164,584
International	317,276	309		690	15		318,290
Commercial Real Estate	655,137	639		1,425	32		657,233
Alternative Investments	473,468	462		1,030	23	11,606	486,589
Total Investments	7,310,577	7,129		15,897	358	43,074	7,377,035
Other Assets	238			1			239
Total Assets	7,417,755	10,396		25,170	360	44,592	7,498,273
LIABILITIES							
Management Fees and Other Payables	8,966	9		19		9	9,003
Due to Group 1 Political Subdivision OPEB Plan			9,180				9,180
Due to Group II Police & Fire OPEB Plan			3,226				3,226
Due to Brokers for Securities Purchased	18,161	18		39	1		18,219
Total Liabilities	27,127	27	12,406	58	1	9	39,628
Net Position Held in Trust for Benefits & Other Purposes	$7,390,628	$10,369	$(12,406)	$25,112	$359	$44,583	$7,458,645

See accompanying Independent Auditors' Report

STATE OF NEW HAMPSHIRE
COMBINING STATEMENT OF CHANGES
IN PLAN NET POSITION
PENSION TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)

		Other Postemployment Medical Plans (OPEB)					
	Pension Plan	Group II Police Officer & Firefighter	Group I Teachers	Group I Political Subdivisions	Group I State Employees	Judicial Retirement Plan	Total
ADDITIONS							
Contributions:							
Employer	$328,444	$15,438	$23,277	$2,010	$8,156	$3,851	$381,176
Plan Members	199,033					642	199,675
Total Contributions	527,477	15,438	23,277	2,010	8,156	4,493	580,851
Investment Income:							
From Investing Activities:							
Net Appreciation (Depreciation) in Fair Value of Investments	959,199	1,303		3,396	26	5,852	969,776
Interest	58,154	78		206	2	716	59,156
Dividends	90,499	123		320	3		90,945
Alternative Investment Income	1,416	2		5			1,423
Commercial Real Estate Operating Income	7,735	11		27			7,773
Total Income from Investing Activities	1,117,003	1,517		3,954	31	6,568	1,129,073
Less: Investment Activity Expenses:							
Investment Management Fees	22,261	30		79	1		22,371
Custodial Fees	769	1		3		33	806
Investment Administrative Expense	671	1		2			674
Investment Advisor Fees	716	1		3		60	780
Total Investment Activity Expenses	24,417	33		87	1	93	24,631
Total Net Income (loss) from Investing Activities	1,092,586	1,484		3,867	30	6,475	1,104,442
Total Net Investment Income (loss)	1,092,586	1,484		3,867	30	6,475	1,104,442
Interest Income		273		778			1,051
Total Additions	1,620,063	17,195	23,277	6,655	8,186	10,968	1,686,344
DEDUCTIONS							
Benefits/Distributions to Participants	599,476	15,980	23,750	6,154	7,927	5,294	658,581
Refunds of Contributions	26,120						26,120
Administrative Expense	7,377	10		26		211	7,624
Professional Fees	1,080	1		4			1,085
Interest Expense			1,051				1,051
Other	366			1			367
Total Deductions	634,419	15,991	24,801	6,185	7,927	5,505	694,828
Change in Net Position	985,644	1,204	(1,524)	470	259	5,463	991,516
NET POSITION HELD IN TRUST FOR BENEFITS							
Net Position - July 1	6,404,984	9,165	(10,882)	24,642	100	39,120	6,467,129
Net Position - June 30	$7,390,628	$10,369	$(12,406)	$25,112	$359	$44,583	$7,458,645

See accompanying Independent Auditors' Report

Private - Purpose Trust Funds

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

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

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

Other: *The other category consists of several accounts whose trust arrangements provide principal and income to benefit individuals, private organizations or other governments. They include: NH Veterans Home Funds, Prison Funds, 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, 2014
(Expressed in Thousands)

	Private-Purpose Trust Funds				
	Special Fund For Second Injuries	EAP	College Savings	Other	Total Private-Purpose
ASSETS					
Cash and Cash Equivalents	$3,260	$2,779	$96	$667	$6,802
Investments			3,321	847	4,168
Total Assets	$3,260	$2,779	$3,417	$1,514	$10,970
LIABILITIES					
Total Liabilities					
Net Position Held in Trust for Benefits & Other Purposes	$3,260	$2,779	$3,417	$1,514	$10,970

See accompanying Independent Auditors' Report

STATE OF NEW HAMPSHIRE
COMBINING STATEMENT OF CHANGES IN NET POSITION-
PRIVATE-PURPOSE TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)

	Private Purpose Trust Funds				
	Special Fund For Second Injuries	EAP	College Savings	Other	Total Private Purpose
ADDITIONS					
Contributions:					
From Participants	$15,008	$1,637	$11,744	$2,469	$30,858
Total Contributions	15,008	1,637	11,744	2,469	30,858
Interest Income	4		70	15	89
Other			203	565	768
Total Additions	15,012	1,637	12,017	3,049	31,715
DEDUCTIONS					
Benefits/Distributions to Participants	14,223			548	14,771
Other		1,309	11,766	2,496	15,571
Total Deductions	14,223	1,309	11,766	3,044	30,342
Change in Net Postion	789	328	251	5	1,373
NET POSITION HELD IN TRUST FOR BENEFITS & OTHER PURPOSES					
Net Position - July 1	2,471	2,451	3,166	1,509	9,597
Net Position - June 30	$3,260	$2,779	$3,417	$1,514	$10,970

See accompanying Independent Auditors' Report

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 Health and Human Services, Division of Child Support Services, has an agreement with Xerox Business Services, LLC 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 related to Juvenile Services restitution cases and court repayment of lawyer's fees.*

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

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

Other: *The other category consists of several accounts whose assets and liabilities for deposits and investments have been entrusted to the state as an agent for others. The following make up this category, Glencliff Home, Financial Responsibility, 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, 2014
(Expressed in Thousands)

	Agency Funds					
	Unified Court System	Child Support Funds	Lifetime License Fund	Board of Tax and Land Appeals	Other Agency Funds	Total
ASSETS						
Cash and Cash Equivalents	$6,836	$1,720	$1,384	$284	$2,329	$12,553
Total Assets	$6,836	$1,720	$1,384	$284	$2,329	$12,553
LIABILITIES						
Custodial Funds Payable	$6,836	$1,720	$1,384	$284	$2,329	$12,553
Total Liabilities	$6,836	$1,720	$1,384	$284	$2,329	$12,553

See accompanying Independent Auditors' Report

STATE OF NEW HAMPSHIRE
COMBINING STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Unified Court System				
ASSETS				
Cash and Cash Equivalents	$8,547	$17,178	$18,889	$6,836
LIABILITIES				
Custodial Funds Payable	$8,547	$17,178	$18,889	$6,836
Child Support Funds				
ASSETS				
Cash and Cash Equivalents	$1,621	$92,294	$92,195	$1,720
LIABILITIES				
Custodial Funds Payable	$1,621	$92,294	$92,195	$1,720
Lifetime License Fund				
ASSETS				
Cash and Cash Equivalents	$1,459	$69	$144	$1,384
LIABILITIES				
Custodial Funds Payable	$1,459	$69	$144	$1,384
Board of Tax and Land Appeals				
ASSETS				
Cash and Cash Equivalents	$974	$1,674	$2,364	$284
LIABILITIES				
Custodial Funds Payable	$974	$1,674	$2,364	$284
Other Agency Funds				
ASSETS				
Cash and Cash Equivalents	$2,494	$6,918	$7,083	$2,329
Investments	20		20	
Total Assets	$2,514	$6,918	$7,103	$2,329
LIABILITIES				
Custodial Funds Payable	$2,514	$6,918	$7,103	$2,329
Totals - Agency Funds				
ASSETS				
Cash and Cash Equivalents	$15,095	$118,133	$120,675	$12,553
Investments	20		20	
Total Assets	$15,115	$118,133	$120,695	$12,553
LIABILITIES				
Custodial Funds Payable	$15,115	$118,133	$120,695	$12,553
Total Liabilities	$15,115	$118,133	$120,695	$12,553

See accompanying Independent Auditors' Report

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Statistical Section

(Unaudited)

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

Financial Trends

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

Schedule of Net Position by Component 117
Schedule of Changes in Net Position 118
Schedule of Fund Balances, Governmental Funds 120
Schedule of Changes in Fund Balance, Governmental Funds 121
Schedule of Unrestricted Revenue - GAAP Basis - General Fund 122
Schedule of Undesignated/Unassigned - Other Fund Balance - General Fund 123
Schedule of Undesignated/Assigned Fund Balance - Education Fund 124
Schedule of Undesignated/Assigned Fund Balance - Highway Fund 125
Schedule of Undesignated/Assigned Fund Balance - Fish and Game Fund 126

Revenue Capacity

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

Schedule of Business Tax Filers and Liability by Tax Paid Level 127
Schedule of Statewide Property Tax For Top Ten Cities/Towns 129
Schedule of Sales by Top Ten State Liquor Retail Locations 131

Debt Capacity

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

Schedule of Ratios of Outstanding Debt by Type 131
Schedule of Ratios of General Bonded Debt Outstanding 132
Schedule of Pledged Revenue Coverage 132

Demographic and Economic Information

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

Schedule of Demographic and Economic Statistics 133
Schedule of Building Permits for Housing Units 133
Schedule of Principal Employers 134

Operating Information

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

Schedule of Operating Indicators by Function 136
Schedule of State Employees by Function 140
Schedule of Capital Asset Balances by Function 141

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

	Fiscal Year				
	2014	**2013**	**2012**	**2011**	**2010**
Govermental activities					
Invested in capital assets, net of related debt	$2,013,107	$2,022,477	$1,992,798	$1,885,451	$1,685,975
Restricted	108,658	106,027	23,722	25,403	463,498
Unrestricted	(790,120)	(716,379)	(742,680)	(631,237)	(25,524)
Total governmental activities net assets	$1,331,645	$1,412,125	$1,273,840	$1,279,617	$2,123,949
Business-type activities					
Invested in capital assets, net of related debt	$462,660	$433,001	$409,841	$273,365	$227,358
Restricted	929,609	857,061	767,581	688,864	102,937
Unrestricted	33,869	33,412	26,647	64,574	59,367
Total business-type activities net assets	$1,426,138	$1,323,474	$1,204,069	$1,026,803	$389,662
Primary government					
Invested in capital assets, net of related debt	$2,475,767	$2,455,478	$2,402,639	$2,158,816	$1,913,333
Restricted	1,038,267	963,088	791,303	714,267	566,435
Unrestricted	(756,251)	(682,967)	(716,033)	(566,663)	33,843
Total primary government net assets	$2,757,783	$2,735,599	$2,477,909	$2,306,420	$2,513,611

	2009	**2008**	**2007**	**2006**	**2005**
Govermental activities					
Invested in capital assets, net of related debt	$1,695,688	$1,674,011	$1,547,866	$1,430,849	$1,314,663
Restricted	291,513	366,662	355,883	311,460	262,938
Unrestricted	3,102	213,570	477,791	411,025	417,238
Total governmental activities net assets	$1,990,303	$2,254,243	$2,381,540	$2,153,334	$1,994,839
Business-type activities					
Invested in capital assets, net of related debt	$341,422	$316,330	$298,150	$276,083	$238,080
Restricted	150,387	264,782	307,056	325,307	318,143
Unrestricted	41,360	35,234	21,747	14,059	29,171
Total business-type activities net assets	$533,169	$616,346	$626,953	$615,449	$585,394
Primary government					
Invested in capital assets, net of related debt	$2,037,110	$1,990,341	$1,846,016	$1,706,932	$1,552,743
Restricted	441,900	631,444	662,939	636,767	581,081
Unrestricted	44,462	248,804	499,538	425,084	446,409
Total primary government net assets	$2,523,472	$2,870,589	$3,008,493	$2,768,783	$2,580,233

See accompanying Independent Auditors' Report

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

	Fiscal Year					
	2014	2013	2012	2011	2010	2009
Governmental Activities:						
Expenses						
General government	$425,806	$428,738	$467,022	$525,152	$568,119	$495,720
Administration of justice and public protection	480,720	528,734	520,958	506,824	474,095	438,273
Resource protection and development	140,316	156,148	142,153	132,690	178,406	139,574
Transportation	541,058	410,758	310,736	456,652	587,542	518,415
Health and social services	2,153,341	2,009,403	1,959,017	2,177,806	2,162,636	1,980,286
Education	1,335,566	1,329,015	1,342,002	1,484,909	1,469,926	1,346,221
Interest expense	31,548	27,666	41,349	47,334	32,074	31,546
Total expenses	5,108,355	4,890,462	4,783,237	5,331,367	5,472,798	4,950,035
Program revenues						
Charges for services:						
General government	233,697	310,150	296,152	299,148	317,542	208,219
Administration of justice and public protection	366,654	340,088	306,509	341,099	411,353	315,081
Resource protection and development	80,317	58,460	65,453	70,017	76,960	64,216
Transportation	31,682	46,543	89,074	60,009	69,046	33,249
Health and social services	301,986	189,426	178,484	109,034	123,906	98,491
Education	5,017	11,963	27,051	4,002	8,550	(1,330)
Operating grants and contributions	1,641,790	1,602,922	1,622,317	1,824,734	1,948,200	1,599,262
Capital grants and contributions	218,351	183,676	193,546	146,267	223,103	208,309
Total program revenues	2,879,494	2,743,228	2,778,586	2,854,310	3,178,660	2,525,497
Total Governmental Activities Net Program Expense	(2,228,861)	(2,147,234)	(2,004,651)	(2,477,057)	(2,294,138)	(2,424,538)
General Revenues and Other Changes in Net Assets						
Taxes						
General property taxes	398,419	400,563	397,716	396,272	393,296	395,151
Business Income Taxes	546,829	538,365	486,535	402,004	565,825	482,597
Meals and Rental Tax	263,050	248,574	239,067	234,852	231,663	211,414
Special taxes	290,020	359,967	370,050	429,628	464,519	473,215
Personal taxes	219,903	205,849	214,928	226,649	243,499	188,038
Business license taxes	145,658	144,023	143,888	160,847	146,684	145,973
Interest and investment income	16,343	13,167	10,968	8,552	7,037	15,291
Miscellaneous	52,005	71,028	46,985	29,926	49,648	56,174
Special Item - Environmental Litigation Settlements		90,700				
Transfers/Contributions of assets to other entities	(653)	(4,484)	(117,709)	(13,788)	116,565	
Transfers	216,807	217,767	206,446	205,294	209,048	192,745
Total General Revenues and Other Changes in Net Position	2,148,381	2,285,519	1,998,874	2,080,236	2,427,784	2,160,598
Total Governmental Activities Change in Net Position	$(80,480)	$138,285	$(5,777)	$(396,821)	$133,646	$(263,940)
Business-type Activities:						
Expenses						
Turnpike System	$90,243	$88,119	$86,166	$91,331	$82,237	$80,433
Liquor Commission	482,158	463,843	433,631	415,816	397,490	385,794
Lottery Commission	205,052	207,509	190,566	167,961	168,853	172,630
SRF Fund	21,541	19,950	33,031	5,412		
Unemployment Compensation	124,654	168,280	220,391	284,773	458,098	280,385
Total expenses	923,648	947,701	963,785	965,293	1,106,678	919,242
Revenues						
Charges for services:						
Turnpike System	122,384	121,112	123,489	118,852	120,511	107,593
Liquor Commission	630,812	603,575	575,233	558,605	530,936	507,479
Lottery Commission	280,561	285,232	260,990	232,597	237,591	243,890
SRF Fund	10,788	11,381	13,874	9,586		
Unemployment Compensation	160,095	228,612	305,256	341,157	399,746	165,896
Operating grants and contributions	36,876	25,031	21,869	61,470		
Capital grants and contributions	3,108	5,446	201	24,162		3,952
Total revenues	1,244,624	1,280,389	1,300,912	1,346,429	1,288,784	1,028,810
Total Business-type Activities Net Program Revenue	320,976	332,688	337,127	381,136	182,106	109,568
Other Changes in Net Position						
Transfer/Contribution of Capital Assets	653	4,484	46,585	13,788	(116,565)	
Transfers	(216,807)	(217,767)	(206,446)	(205,294)	(209,048)	(192,745)
Total Other Changes in Net Position	(216,154)	(213,283)	(159,861)	(191,506)	(325,613)	(192,745)
Total Business-type Activities Change in Net Position	$104,822	$119,405	$177,266	$189,630	$(143,507)	$(83,177)
Total Primary Government Change in Net Position	$24,342	$257,690	$171,489	$(207,191)	$(9,861)	$(347,117)

See accompanying Independent Auditors' Report

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

Fiscal Year			
2008	2007	2006	2005
$420,367	$358,060	$353,814	$331,651
420,120	341,501	345,779	288,737
138,215	139,096	131,812	130,113
443,258	411,475	416,518	383,435
1,877,924	1,714,445	1,681,182	1,785,525
1,343,253	1,310,261	1,289,684	1,235,183
26,115	28,180	27,991	29,467
4,669,252	4,303,018	4,246,780	4,184,111
192,436	156,973	175,108	141,883
315,613	297,505	279,700	282,820
62,406	64,304	63,333	62,381
19,093	14,564	20,622	17,466
76,392	74,297	84,445	199,245
879	42,767	41,749	38,690
1,424,014	1,367,207	1,340,495	1,359,477
194,637	184,409	195,142	159,238
2,285,470	2,202,026	2,200,594	2,261,200
(2,383,782)	(2,100,992)	(2,046,186)	(1,922,911)
387,952	384,708	384,873	393,426
1,329,137	1,383,540	1,282,467	1,240,922
166,288	143,610	150,756	101,360
151,321	151,472	149,502	154,335
18,169	35,631	11,895	6,557
48,314	43,695	39,759	46,156
(106)			
188,602	186,542	185,429	167,944
2,289,677	2,329,198	2,204,681	2,110,700
$(94,105)	$228,206	$158,495	$187,789
$80,411	$72,136	$75,580	$58,582
367,847	349,084	330,701	313,838
186,906	186,907	183,871	160,282
119,645	95,673	81,582	82,549
754,809	703,800	671,734	615,251
107,075	89,408	83,395	67,866
479,448	454,917	433,530	411,764
264,014	267,322	265,807	230,543
77,051	79,777	87,729	102,012
8,816	10,422	16,757	6,373
936,404	901,846	887,218	818,558
181,595	198,046	215,484	203,307
(188,602)	(186,542)	(185,429)	(167,944)
(188,602)	(186,542)	(185,429)	(167,944)
$(7,007)	$11,504	$30,055	$35,363
$(101,112)	$239,710	$188,550	$223,152

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			
	2014	**2013**	**2012**	**2011**
General fund				
Nonspendable:				
Inventories	$4,712	$5,092	$5,892	$6,649
Restricted	109,417	104,687	24,933	161,043
Committed	116,325	123,245	137,764	92,883
Assigned	35,765	25,509	24,984	27,356
Unassigned:				
Revenue Stabilization	9,312	9,312	9,312	9,312
Other	21,890	72,177	13,836	17,672
Total General Fund	$297,421	$340,022	$216,721	$314,915
All Other Governmental Funds				
Nonspendable:				
Inventories	$14,965	$12,063	$13,147	$12,401
Permanent Fund Principal	11,358	7,076	10,305	6,665
Restricted	212,518	174,174	193,102	115,448
Committed	1,304	14,048	15,397	1,469
Assigned	6,304	60,587	40,192	37,770
Unassigned				(33,577)
Total All Other Governmental Funds	246,449	267,948	272,143	140,176
Total Fund Balances - Governmental Funds	$543,870	$607,970	$488,864	$455,091

	Fiscal Year					
	2010	**2009**	**2008**	**2007**	**2006**	**2005**
General fund						
Reserved	$305,243	$291,901	$330,064	$294,199	$313,252	$223,162
Unreserved	65,681		17,184	61,713	26,056	82,202
Total general fund	$370,924	$291,901	$347,248	$355,912	$339,308	$305,364
All other governmental funds						
Reserved	$132,435	$165,743	$304,436	$222,264	$296,346	$246,043
Unreserved, reported in:						
Special revenue funds	12,477	(50,281)	(23,511)	(15,385)	12,161	10,030
Capital project fund	(63,519)	(132,927)	(245,939)	(142,837)	(219,095)	(130,913)
Total all other governmental funds	$81,393	$(17,465)	$34,986	$64,042	$89,412	$125,160

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							Fiscal Year		
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues										
General property taxes	$399,519	$397,162	$396,316	$396,272	$393,296	$392,951	$387,552	$385,308	$384,273	$392,276
Special taxes	1,101,388	1,160,348	1,124,025	1,169,883	1,208,180	1,168,412	1,352,476	1,301,889	1,237,742	1,216,864
Personal taxes	219,903	205,849	214,928	226,649	243,499	188,038	166,288	143,610	150,756	101,360
Business License Taxes	166,840	163,736	163,764	181,730	165,508	166,930	172,277	171,316	168,544	173,039
Non-Business License Taxes	187,642	186,839	174,103	199,550	216,878	183,974	187,103	181,171	167,476	173,800
Fees	186,173	176,781	177,570	190,902	194,331	155,528	153,675	143,541	139,319	132,264
Fines, Penalties and Interest	7,931	14,010	25,118	11,111	11,953	28,498	35,383	27,421	32,223	24,188
Grants from Federal Government	1,701,117	1,603,132	1,649,458	1,929,010	2,073,667	1,680,891	1,497,606	1,409,251	1,414,103	1,415,070
Grants from Private and Local Sources	173,202	192,422	171,043	122,179	112,077	160,365	147,682	130,297	124,633	103,856
Rents and Leases	156	2,396	2,784	3,030	10,350	1,574	1,051	1,396	1,360	1,296
Interest, Premiums and Discounts	17,783	14,542	12,279	14,917	12,289	19,774	24,440	46,286	19,091	11,970
Sale of Commodities	24,392	25,071	12,546	12,506	11,829	10,921	10,465	8,425	8,178	8,701
Sale of Service	25,163	73,665	78,010	90,458	93,667	76,489	62,499	93,054	94,700	166,472
Assessments	71,492	60,777	73,816	66,528	81,009	64,901	53,069	51,017	54,081	82,209
Grants from Other Agencies	68,978	60,672	58,429	54,972	118,206	18,130	7,265	10,887	22,869	20,583
Miscellaneous	367,854	314,515	293,237	201,903	219,431	157,950	168,130	124,702	150,260	155,059
Total Revenues	4,719,533	4,651,917	4,627,426	4,871,600	5,166,170	4,475,326	4,426,961	4,229,571	4,169,608	4,179,007
Expenditures										
General Government	328,895	328,506	334,636	393,429	420,360	380,799	346,347	314,597	308,187	311,755
Administration of Justice and Public Protection	460,844	466,423	444,209	377,865	416,073	374,532	353,675	330,616	326,360	278,905
Resource Protection and Development	133,801	142,550	139,204	236,392	239,175	153,204	161,485	170,249	159,099	159,575
Transportation *	310,751	293,679	435,391	524,108	536,552	452,209	305,378	290,093	284,686	258,243
Health and Social Services	2,133,921	1,969,281	1,931,136	2,114,451	2,133,629	1,945,122	1,838,018	1,713,604	1,663,667	1,786,260
Education	1,331,072	1,336,946	1,361,783	1,375,706	1,362,028	1,274,261	1,304,734	1,273,184	1,260,372	1,208,781
Debt Service										
Principal	89,859	76,657	80,104	33,612	69,321	65,832	64,829	62,570	60,560	55,298
Interest	47,692	48,124	52,332	43,167	42,428	41,803	31,941	32,627	32,608	35,433
Capital Outlay *	253,087	300,126	144,373	191,293	197,342	242,758	354,337	314,549	337,945	288,150
Total expenditures	5,089,922	4,962,292	4,923,168	5,290,023	5,416,283	4,930,520	4,760,744	4,502,089	4,433,484	4,382,400
Revenues Over (Under) Expenditures	(370,389)	(310,375)	(295,742)	(418,423)	(250,113)	(455,194)	(333,783)	(272,518)	(263,876)	(203,393)
Other Financing Sources (Uses)										
Transfers In	104,882	126,966	143,943	128,259	43,244	58,458	35,986	43,373	7,183	41,311
Transfers In from Enterprise Funds	224,032	222,735	210,743	205,294	209,048	192,745	188,602	186,542	185,429	167,944
Transfers Out	(112,760)	(131,934)	(148,240)	(128,259)	(43,244)	(58,458)	(35,986)	(43,373)	(7,183)	(41,311)
Refunding Bond Issuance				45,036						
G.O. Bond Premiums	7,672	12,820	26,245	22,846	23,509	2,219	6,548	7,386	1,462	181
G.O. Bond Issuance	65,793	85,625	201,770	230,000	282,599	179,380	161,320	196,885	75,000	117,800
Payments to Refunding										
Bond Escrow Agent				(49,967)	(168,608)	(30,255)	(60,000)	(127,787)		
Installments on Sale of Assets	14,020	24,262	23,316	15,349	30,000					
Repayment (Issuance) of BANS				(50,000)	50,000					
Capital Lease Acquisition	128	189	250	626	157	296	198	810	537	
Total Other Financing Sources (Uses)	303,767	340,663	458,027	419,184	426,705	344,385	296,668	263,836	262,428	285,925
Special Item - Environmental Litigation Settlements		90,700								
Change in Inventory	2,522	(1,882)	(12)	2,013	274,436	3,011	(605)	(84)	(356)	1,192
Net Change in Fund Balances	$(64,100)	$119,106	$162,273	$2,774	$451,028	$(107,798)	$(37,720)	$(8,766)	$(1,804)	$83,724
Debt Service as a Percentage of Non-Capital Expenditure:	2.9%	2.8%	2.9%	1.5%	2.2%	2.4%	2.2%	2.3%	2.3%	2.3%

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

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									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Beer Tax	$12,656	$12,689	$12,885	$12,900	$13,065	$12,695	$12,720	$12,728	$12,805	$12,413
Board and Care Revenue		26,439	24,487	22,519	22,072	21,338	19,937	18,354	13,261	15,583
Business Profits Tax	271,707	267,062	256,552	248,537	258,633	251,925	317,439	287,423	264,027	196,647
Business Enterprise Tax	73,009	78,293	68,459	63,003	71,744	61,889	77,710	79,291	75,190	114,110
Estate and Legacy Tax	43	(60)	7	92	48	(4)	214	617	3,224	11,659
Insurance Tax	95,028	95,405	84,990	84,902	86,804	94,144	95,876	97,909	90,462	88,706
Securities Revenue	40,612	38,137	37,591	37,025	34,231	34,680	34,700	32,964	30,064	27,904
Interest and Dividends Tax	79,811	92,974	83,536	76,597	84,866	97,126	118,693	108,086	80,543	67,896
Liquor	135,889	132,338	127,590	125,718	120,718	146,000	133,052	124,742	120,644	112,555
Meals and Rentals Tax	254,033	241,169	231,776	228,898	228,291	203,603	206,726	202,595	193,788	186,486
Dog Racing				329	334	385	525	703	559	1,112
Horse Racing				1,005	1,184	1,633	2,440	2,398	2,313	2,401
Gambling Winning Tax				3,188	2,933					
Games of Chance				1,136	1,181					
Real Estate Transfer Tax	67,093	62,322	52,792	53,987	55,994	53,539	77,690	91,704	106,161	107,821
Telephone/Communications Tax	59,281	57,350	79,320	76,500	80,965	80,243	80,932	72,986	70,496	70,039
Tobacco Tax	130,274	126,233	136,094	129,849	130,521	59,257	57,060	65,337	69,892	73,159
Tobacco Settlement	2,279	23,249	2,510	1,692	4,221	12,821	8,404			2,441
Utilities Tax	6,147	6,104	5,929	5,955	5,976	6,535	6,285	5,757	6,385	6,265
Courts Fines and Fees	13,637	12,898	13,853	13,737	13,022	29,295	31,300	30,452	29,500	25,517
Flexible Grant										
Other:										
Corporate Returns	710	683	575	754	712	647	682	678	744	733
Interstate Vehicle Registrations				2,157	1,132	1,231	1,362	167	2,411	2,334
Corporate Filing Fees	2,899	2,937	3,056	3,251	3,016	3,271	3,346	3,414	3,716	3,231
Interest on Surplus Funds	270	59	(41)	10	(545)	404	5,352	7,776	4,868	1,712
Reimbursement of Indirect Costs	10,390	8,915	9,836	10,800	8,340	7,214	6,858	6,822	6,265	6,724
Miscellaneous	61,835	71,016	63,682	59,444	78,862	74,031	71,412	69,612	44,092	44,878
Subtotal	1,317,603	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
Net Medicaid Enhancement										
Revenues (MER)		69,082	74,832	93,440	98,136	99,626	93,111	83,257	73,617	147,209
Recoveries	4,739	11,324	6,309	27,758	19,854	21,827	20,108	15,875	24,462	22,989
Subtotal	1,322,342	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
Other MER Transferred to/(from) Uncompensated Care Pool										39,062
Total Unrestricted Revenue	$1,322,342	$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

See accompanying Independent Auditors' Report

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

	Fiscal Year Ended June 30									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Balance, July 1 (Budgetary Method)	$214,070	$183,904	$210,884	$112,355	$24,094	$103,494	$92,966	$80,329	$123,174	$73,757
Additions:										
Unrestricted Revenue	1,322,342	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)Unrestricted Revenue - UCP										39,062
Total Unrestricted Revenue	1,322,342	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
Transfer from Other Funds	2,589	793	1,952	38,333	9,576	865	47,409	1,938	27,013	8,709
Bonds Authorized and Unissued										42,800
Other Credits			145	975	6,800	529	437	116	137	1,126
Total Additions	1,324,931	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
Deductions:										
Appropriations Net of Estimated Revenues:										
General Government	259,245	257,703	261,384	282,297	319,116	342,736	338,358	297,294	281,005	303,522
Administration of Justice and Public Protection	217,101	210,595	211,009	221,054	217,743	209,521	222,982	200,236	195,145	172,289
Resource Protection and Development	18,055	27,246	29,693	33,118	38,183	42,348	45,674	43,078	42,056	41,454
Transportation	1,077	919	917	1,071	573	1,155	1,173	2,704	6,021	2,885
Health and Social Services	606,356	660,317	660,712	691,787	663,458	678,334	695,610	633,792	614,948	608,735
Education	203,609	168,691	156,406	193,707	201,346	197,570	236,560	223,498	210,520	256,466
Liquor Commission						37,570	35,465	31,949	30,585	27,562
Subtotal	1,305,443	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
Uncompensated Care Pool										39,062
Total Appropriations Net of Estimated Revenues	1,305,443	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
Less: Lapses	(54,424)	(59,312)	(39,463)	(97,154)	(60,700)	(71,246)	(61,628)	(41,582)	(34,045)	(57,969)
Net Appropriations	1,251,019	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
Transfers to Other Funds	122,102	140,134	124,281	50	52,988	18,067	6,887			757
Other Debits	379	952	758	32	1,452	94	171	95	1,547	41
Designation or Reserve Accounts					(79,734)			20,000	51,702	-
Total Deductions	1,373,500	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
Balance, June 30 (Budgetary Method)	165,501	214,070	183,904	210,884	112,355	24,094	103,494	92,966	80,329	123,174
GAAP Adjustments:										
Receivables	67,887	20,832	17,701	71,238	38,435	55,183	41,090	33,647	39,098	34,313
Accounts Payable and Accrued Liabilities	(109,457)	(41,401)	(47,685)	(140,427)	(116,599)	(100,100)	(106,756)	(100,451)	(88,809)	(93,773)
Transfer from General to Liquor Fund						(5,973)	(5,322)	(5,030)	(4,562)	(4,012)
Additional Transfers (to) from Reserve Accounts						79,734				
Total GAAP Adjustments	(41,570)	(20,569)	(29,984)	(69,189)	(78,164)	28,844	(70,988)	(71,834)	(54,273)	(63,472)
Year-End Transfer to/from the Education Trust Fund	(102,041)	(121,324)	(140,084)	(124,023)	31,490	(52,938)	(15,322)	40,581		22,500
Balance (Deficit), June 30 (GAAP)	$21,890	$72,177	$13,836	$17,672	$65,681	$	$17,184	$61,713	$26,056	$82,202

See accompanying Independent Auditors' Report

SCHEDULE OF UNDESIGNATED / UNASSIGNED FUND BALANCE
EDUCATION FUND
FOR THE LAST TEN FISCAL YEARS
(Expressed in Thousands)

	Fiscal Year Ended June 30									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Balance July 1	$	$	$	$	$	$	$	$8,357	$	$
Additions										
Unrestricted Revenue										
Statewide Property Tax (2)	363,599	363,675	363,121	363,647	363,166	363,653	363,066	363,335	363,392	350,368
Statewide Property Tax							58			20,934
Utility Property Tax	35,771	33,249	33,067	32,319	29,929	28,972	24,196	21,847	20,881	20,102
BPT Increase	58,442	56,692	55,309	49,264	57,590	53,894	67,961	57,755	56,578	50,748
BET Increase	146,471	149,718	135,815	129,401	122,157	123,389	154,990	174,208	150,380	130,600
Meals & Rentals	7,697	7,232	7,559	6,643	4,235	6,107	7,632	7,218	7,138	7,153
Real Estate Tax Increase	33,700	31,099	29,196	27,975	28,832	27,736	38,616	45,663	52,545	51,960
Tobacco Tax Increase	89,753	79,631	78,843	96,805	113,004	128,796	109,260	78,283	80,902	28,214
Tobacco Settlement	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,781	38,961	40,000
Transfers from Lottery	72,380	74,335	66,768	62,206	66,222	68,149	75,553	80,548	81,987	70,263
Transfers from Racing & Charitable Gaming	3,034	3,373	3,495	1,254	1,362	1,470	1,457			
Total Revenue	850,847	839,004	813,173	809,514	826,497	842,166	882,789	869,638	852,764	770,342
General Fund										
Budgeted Appropriations										61,378
Total Additions	850,847	839,004	813,173	809,514	826,497	842,166	882,789	869,638	852,764	831,720
Deductions										
Appropriations										
Adequate Education Grant (1)	572,465	577,792	578,204	482,725	336,852	526,707	527,295	472,383	473,534	441,610
Adequate Education Grant (2)	363,599	363,675	363,121	363,647	363,166	363,653	363,066	363,335	363,392	350,368
Total Grants	936,064	941,467	941,325	846,372	700,018	890,360	890,361	835,718	836,926	791,978
DRA-Property Tax Relief	2,887	2,706	1,246	3,300	5,210	5,390	5,700	3,800	2,900	(1,800)
DOE-Charter Schools	18,905	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.	957,856	962,236	953,974	954,435	797,153	898,128	897,841	841,922	839,826	790,178
Less Lapses	(4,968)	(2,272)	(717)	(20,898)	(2,146)	(3,024)	270	(4,508)	4,581	19,042
Net Appropriations	952,888	959,964	953,257	933,537	795,007	895,104	898,111	837,414	844,407	809,220
Current Year Balance	(102,041)	(120,960)	(140,084)	(124,023)	31,490	(52,938)	(15,322)	32,224	8,357	22,500
End of Year										
Transfers From(To)										
General Fund										
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								
FY 2014	102,041									
Balance June 30	$	$	$	$	$	$	$	$	$8,357	$

(1) State Education Grant Disbursed by State

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

See accompanying Independent Auditors' Report

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									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Balance (Deficit) July 1 (Budgetary Method)	$360,926	$347,198	$205,152	$271,881	$(35,361)	$(13,691)	$(3,940)	$17,738	$18,792	$3,063
Additions:										
Unrestricted Revenue:										
Gasoline Tax	124,670	123,337	123,168	124,967	123,741	132,125	137,036	129,514	127,924	131,975
Motor Vehicle Fees	113,831	113,428	112,234	132,132	150,158	99,312	100,908	93,327	85,747	93,190
Other	15,805	48,453	48,431	43,116	65,597	17,031	11,035	15,817	14,183	7,418
Total Unrestricted Revenue	254,306	285,218	283,833	300,215	339,496	248,468	248,979	238,658	227,854	232,583
Bonds Authorized and Unissued (1)			250,000		240,000					
Other Credits	2,800									
Total Additions	257,106	285,218	533,833	300,215	579,496	248,468	248,979	238,658	227,854	232,583
Deductions:										
Appropriations Net of Estimated Revenues	279,788	281,626	404,476	394,544	299,552	300,721	283,195	281,647	275,775	253,894
Less: Appropriation Adjustment ***				3,265	(19,770)			(8,000)	(33,100)	(26,600)
Less: Lapses	(14,488)	(17,051)	(15,674)	(32,859)	(15,249)	(28,675)	(20,902)	(14,957)	(14,233)	(12,307)
Net Appropriations	265,300	264,575	388,802	364,950	264,533	272,046	262,293	258,690	228,442	214,987
Other Debits	2,114	6,915	2,985	1,994	7,721	(1,908)	(3,563)	1,646	466	1,867
Total Deductions	267,414	271,490	391,787	366,944	272,254	270,138	258,730	260,336	228,908	216,854
Balance, June 30 (Budgetary Method)	350,618	360,926	347,198	205,152	271,881	(35,361)	(13,691)	(3,940)	17,738	18,792
GAAP Adjustment:										
Receivables	2,612	3,300	1,340	2,588	3,911	3,645	1,270	1,948	4,006	1,413
Bonds Authorized and Unissued	(295,005)	(295,005)	(295,005)	(160,000)	(240,000)					
Accounts Payable and Accrued Liabilities	(25,042)	(22,882)	(18,741)	(27,407)	(26,896)	(23,146)	(15,087)	(15,889)	(20,493)	(13,231)
Total GAAP Adjustments	(317,435)	(314,587)	(312,406)	(184,819)	(262,985)	(19,501)	(13,817)	(13,941)	(16,487)	(11,818)
Balance (Deficit), June 30 (GAAP)	$33,183	$46,339	$34,792	$20,333	$8,896	$(54,862)	$(27,508)	$(17,881)	$1,251	$6,974

*** 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

See accompanying Independent Auditors' Report

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									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Balance, July 1 (Budgetary Method)	$2,352	$3,203	$4,238	$5,031	$5,845	$5,406	$3,533	$3,639	$4,336	$3,763
Additions:										
Unrestricted Revenue	10,594	10,327	10,111	10,087	9,944	10,269	10,741	10,248	9,558	9,530
Other Credits	2,147	1,213	1,543	1,512	1,819	1,655	1,828	854	850	1,153
Total Additions	12,741	11,540	11,654	11,599	11,763	11,924	12,569	11,102	10,408	10,683
Deductions:										
Appropriations Net of Estimated Revenues	13,709	13,739	13,377	13,677	12,915	13,541	12,604	12,869	12,281	11,236
Less: Lapses	(803)	(1,523)	(792)	(1,389)	(838)	(2,252)	(1,908)	(1,743)	(1,359)	(1,126)
Net Appropriations	12,906	12,216	12,585	12,288	12,077	11,289	10,696	11,126	10,922	10,110
Other Debits		175	104	104	500	196		82	183	
Total Deductions	12,906	12,391	12,689	12,392	12,577	11,485	10,696	11,208	11,105	10,110
Current Year Balance	(165)	(851)	(1,035)	(793)	(814)	439	1,873	(106)	(697)	573
Balance, June 30 (Budgetary Method)	2,187	2,352	3,203	4,238	5,031	5,845	5,406	3,533	3,639	4,336
GAAP Adjustment:										
Receivables	67	215	290	389	371	344	394	354	343	421
Accounts Payable and Accrued Liabilities	(1,019)	(942)	(1,260)	(1,808)	(1,821)	(1,608)	(1,803)	(1,391)	(1,429)	(1,701)
Total GAAP Adjustments	(952)	(727)	(970)	(1,419)	(1,450)	(1,264)	(1,409)	(1,037)	(1,086)	(1,280)
Balance, June 30 (GAAP)	$1,235	$1,625	$2,233	$2,819	$3,581	$4,581	$3,997	$2,496	$2,553	$3,056

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)*			
	FISCAL YEAR 2014				FISCAL YEAR 2014			
Taxes Paid Level	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	4,372	28%	$271,994,585	95%	4,880	14%	$149,798,466	81%
$1,000 - $4,999	4,774	30%	11,957,829	4%	12,746	36%	27,953,266	15%
Under $1,000	6,719	42%	2,096,314	1%	17,574	50%	7,658,106	4%
	15,865	100%	$286,048,728	100%	35,200	100%	$185,409,838	100%

	FISCAL YEAR 2013				FISCAL YEAR 2013			
Taxes Paid Level	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	79%
$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%
	13,799	100%	$266,026,233	100%	32,703	100%	$155,306,495	100%

	BUSINESS PROFITS TAX - BPT *(1)*				BUSINESS ENTERPRISE TAX - BET *(2)*			
	FISCAL YEAR 2012				FISCAL YEAR 2012			
Taxes Paid Level	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%
	11,535	100%	$284,217,568	100%	30,055	100%	$166,436,910	100%

	BUSINESS PROFITS TAX - BPT *(1)*				BUSINESS ENTERPRISE TAX - BET *(2)*			
	FISCAL YEAR 2011				FISCAL YEAR 2011			
Taxes Paid Level	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	14%	$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%
	11,375	100%	$266,226,140	100%	31,698	100%	$164,043,865	100%

	BUSINESS PROFITS TAX - BPT *(1)*				BUSINESS ENTERPRISE TAX - BET *(2)*			
	FISCAL YEAR 2010				FISCAL YEAR 2010			
Taxes Paid Level	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	80%
$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%
	12,469	100%	$233,907,583	100%	36,336	100%	$183,175,028	100%

Source: New Hampshire Department of Revenue for returns filed in fiscal year 2014.

Notes:

(1) 8.5% tax assessed on income from conducting business activity within the state. For multi-state businesses, income is apportioned, using a weighted sales factor of 2 and the payroll and property factors.

(2) 0.75% tax assessed on the enterprise value tax base, which is the sum of all compensation paid or accrued, interest paid or accrued, and dividends paid by the business enterprise, after special adjustments and apportionment.

See accompanying Independent Auditors' Report

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

	BUSINESS PROFITS TAX - BPT *(1)*				BUSINESS ENTERPRISE TAX - BET *(2)*			
	FISCAL YEAR 2009				FISCAL YEAR 2009			
Taxes Paid Level	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	13%	$146,943,764	79%
$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%
	14,494	100%	$277,114,525	100%	41,651	100%	$187,461,222	100%

	BUSINESS PROFITS TAX - BPT *(1)*				BUSINESS ENTERPRISE TAX - BET *(2)*			
	FISCAL YEAR 2008				FISCAL YEAR 2008			
Taxes Paid Level	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	77%
$1,000 - $4,999	4,549	31%	11,367,721	3%	14,146	34%	30,627,097	17%
Under $1,000	5,986	40%	1,891,098	1%	22,554	54%	9,962,503	6%
	14,780	100%	$358,934,258	100%	41,796	100%	$180,498,938	100%

	BUSINESS PROFITS TAX - BPT *(1)*				BUSINESS ENTERPRISE TAX - BET *(2)*			
	FISCAL YEAR 2007				FISCAL YEAR 2007			
Taxes Paid Level	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%
	13,855	100%	$298,017,751	100%	39,244	100%	$178,733,438	100%

	BUSINESS PROFITS TAX - BPT *(1)*				BUSINESS ENTERPRISE TAX - BET *(2)*			
	FISCAL YEAR 2006				FISCAL YEAR 2006			
Taxes Paid Level	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	94%	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%
	14,044	100%	$240,768,132	100%	40,392	100%	$171,126,022	100%

Source: New Hampshire Department of Revenue for returns filed in fiscal year 2014.

Notes:

(1) 8.5% tax assessed on income from conducting business activity within the state. For multi-state businesses, income is apportioned, using a weighted sales factor of 2 and the payroll and property factors.

(2) 0.75% tax assessed on the enterprise value tax base, which is the sum of all compensation paid or accrued, interest paid or accrued, and dividends paid by the business enterprise, after special adjustments and apportionment.

See accompanying Independent Auditors' Report

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

FISCAL YEAR 2014

City/Town	Rank	Equalized Value	Warrant Amount
Manchester	1	$8,271,099	$20,140
Nashua	2	8,078,318	19,671
Portsmouth	3	4,001,646	9,744
Salem	4	3,773,697	9,189
Bedford	5	3,339,209	8,131
Concord	6	3,298,380	8,032
Moutonborough	7	2,921,008	7,113
Merrimack	8	2,732,089	6,653
Hampton	9	2,725,165	6,636
Dover	10	2,683,306	6,534

FISCAL YEAR 2013

City/Town	Rank	Equalized Value	Warrant Amount
Nashua	1	$8,359,563	$19,979
Manchester	2	8,318,781	19,882
Portsmouth	3	3,916,815	9,361
Salem	4	3,804,887	9,094
Concord	5	3,439,148	8,220
Bedford	6	3,220,569	7,697
Moultonborough	7	2,887,538	6,901
Merrimack	8	2,827,160	6,757
Hampton	9	2,774,185	6,630
Londonderry	10	2,753,614	6,581

FISCAL YEAR 2012

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

FISCAL YEAR 2011

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

FISCAL YEAR 2010

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

FISCAL YEAR 2009

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

Source: New Hampshire Department of Revenue, warrants for Tax Year 2014, 2013, 2012, 2011, 2010, 2009, 2008 and 2007

Notes: The rate per $1,000 of equalized value for fiscal years 2014, 2013, 2012, 2011, 2010, 2009, 2008, 2007 and 2006 were $2.44 $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 NINE YEARS - CONTINUE
IN THOUSANDS

FISCAL YEAR 2008

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

FISCAL YEAR 2007

City/Town	Rank	Equalized Value	Warrant Amount
Manchester	1	$9,316,890	$23,432
Nashua	2	8,362,475	21,032
Salem	3	4,145,370	10,426
Portsmouth	4	3,403,768	8,560
Concord	5	3,278,261	8,245
Bedford	6	3,019,624	7,594
Merrimack	7	2,918,653	7,340
Londonderry	8	2,813,405	7,076
Derry	9	2,813,359	7,076
Hampton	10	2,749,152	6,914

FISCAL YEAR 2006

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

Source: New Hampshire Department of Revenue, warrants for Tax Year 2014, 2013, 2012, 2011, 2010, 2009, 2008 and 2007

Notes: The rate per $1,000 of equalized value for fiscal years 2014, 2013, 2012, 2011, 2010, 2009, 2008, 2007 and 2006 were $2.44 $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

	FISCAL YEAR									
Location	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Hampton - North	$33.3	$32.4	$31.3	$31.2	$29.8	$27.4	$26.6	$25.3	$23.9	$23.1
Hampton - South	29.2	28.7	27.1	27.3	26.4	23.9	23.4	22.8	21.2	20.6
Portsmouth Traffic Circle	24.7	24.2	23.9	23.4	22.8	22.1	21.2	20.3	19.3	18.2
Salem	23.4	23.1	22.0	22.2	21.6	19.4	18.6	17.4	16.4	15.9
Hooksett - North	18.1	19.1	18.9	18.7	17.8	16.4	15.5	14.7	13.9	13.8
Nashua	18.9	19.0	18.3	19.4	17.8	15.9	13.1	12.7	12.9	12.4
Nashua	18.0	17.9	16.8	14.2	14.1	13.2	13.0	11.9	11.0	11.2
Hooksett - South	16.2	16.0	14.8	14.9	14.2	12.9	12.2	11.6	11.1	10.9
West Lebanon	13.1	12.6	11.5	11.3	11.2	10.9	10.0	9.7	9.5	9.2
Keene	11.0	10.6	10.1	9.7	9.7	9.9	9.6	8.6	7.3	4.6
Total	$205.9	$203.6	$194.7	$192.3	$185.4	$172.0	$163.2	$155.0	$146.5	$139.9

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)

	Governmental Activities				Business-Type Activities					
Fiscal Year	General Obligation Bonds	Federal Highway Grant Anticipation Bonds	Bond Anticipation Notes	Capital Leases	General Obligation Bonds	Revenue Bonds	Capital Leases	Total Primary Government	Percentage of Personal Income	Per Capita
2014	$986,656	$179,744		$1,944	$28,276	$426,656	$379	$1,623,655	2.3%	$1,225
2013	999,015	192,902		2,402	12,347	442,627	412	1,649,705	2.5%	1,247
2012	1,007,530	194,995		2,856		343,791	424	1,549,596	2.5%	1,171
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

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.

See accompanying Independent Auditors' Report

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

	(Expressed in Thousands)				
	(1)	(2)	(3)		
Fiscal Year	Population	Assessed Value	General Long-Term Debt	Ratio Of General Long-Term Debt to Assessed Value	General Long-Term Debt Per Capita
2014	1,325	$153,683,031	$1,014,932	0.66	766
2013 *	1,323	155,235,385	1,023,114	0.66	773
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

Source: (1) U.S. Dept. of Commerce, Bureau of Census, reflects the most current available data for all years represented (2014 estimated).
(2) New Hampshire Department of Revenue Administration (2014 estimated). Equalization evaluation.
(3) Includes all General Obligation Bonds Payable of the Primary Government.

Note: 2013 debt balance restated for effects of accounting change. See note 5.

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

	Turnpike System Revenue Bonds													
Fiscal Year	Gross Revenues		Direct Operating Expenses		Net Revenue Available For Debt Service	Revenue Bond Debt Service Requirements		Revenue Bond Coverage Ratio	G.O. Bond Debt Service Requirements	Renewal & Replacement	Total	All Obligations Coverage Ratio	
2014	$119,373		$42,469	(1)	$76,904	$36,031		2.13		$9,800	$45,831	1.68	(3)
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	

(1) Fiscal years 2006 through 2014 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 2014. The revenue bond coverage ratio was satisfied at 2.13 for the 1.2 times test. The all obligations coverage ratio was satisfied at 1.68 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 2014, made a note payment of $14 million to the State Highway Fund. Because the Turnpike System cash balance at June 30, 2014 was $58.5 million, this balance was deemed more than sufficient to satisfy the Note Payable to the State Highway Fund and current year FY 2014 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 2014.

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

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Population *(in thousands)*	1,325	1,323	1,321	1,318	1,316	1,316	1,316	1,313	1,308	1,298
% Change	0.2%	0.2%	0.2%	0.2%	0.0%	0.0%	0.2%	0.4%	0.8%	0.6%
Total Personal Income *(in millions)**	$69,499	66,379	62,150	60,480	57,898	55,827	58,162	56,418	53,765	50,028
% Change	4.7%	6.8%	2.8%	4.5%	3.7%	-4.0%	3.1%	4.9%	7.5%	2.8%
Per Capita Personal Income*	$52,413	50,156	47,058	45,881	43,968	42,418	44,199	42,984	41,092	38,528
% Change	4.5%	6.6%	2.6%	4.4%	3.7%	-4.0%	2.8%	4.6%	6.7%	2.1%
Unemployment Rate**	4.4%	5.1%	5.1%	4.9%	5.9%	6.8%	4.0%	4.0%	3.3%	3.5%

Source: US Department of Commerce, Bureau of Census
* NH Department of Employment Security, Economic and Labor Market Information Bureau, NH Vital Signs
** 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 2014

Building Permits Issued
By Number of Units

Calendar Year	Single Family	Multi- Family	Total
2014 YTD 10/14	1,875	1,120	2,995
2013	2,136	652	2,788
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

Source: U.S. Department of Commerce, Bureau of the Census.
Current year data is YTD through September 2014

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

	2014				2013		
Employer	**Employees**	**Rank**	**Percentage of Total State Employment**	**Employer**	**Employees**	**Rank**	**Percentage of Total State Employment**
1. State of New Hampshire	17,754	1	2.53%	1. State of New Hampshire	17,921	1	2.54%
2. Demoulas & Market Basket	9,000	2	1.28%	2. Wal-Mart Stores Inc.	8,008	2	1.14%
3. Wal-Mart Stores Inc.	7,886	3	1.12%	3. Demoulas & Market Basket	7,500	3	1.06%
4. Dartmouth-Hitchcock Medical Center	6,404	4	0.91%	4. Dartmouth-Hitchcock Medical Center	6,404	4	0.91%
5. University of New Hampshire	6,079	5	0.86%	5. University of New Hampshire	6,029	5	0.85%
6. Fidelity Investments	5,400	6	0.77%	6. Fidelity Investments	5,000	6	0.71%
7. Hannaford Brothers	4,900	7	0.70%	7. Hannaford Brothers	4,900	7	0.69%
8. Liberty Mutual-Northern N.E. Division	4,700	8	0.67%	8. Liberty Mutual-Northern N.E. Division	4,700	8	0.67%
9. BAE Systems	4,500	9	0.64%	9. Elliot Hospital	3,485	9	0.49%
10. Elliot Hospital	4,000	10	0.57%	10. Shaw's Supermarkets	3,358	10	0.48%
Total	70,623		10.05%	Total	67,305		9.54%

	2012				2011		
Employer	**Employees**	**Rank**	**Percentage of Total State Employment**	**Employer**	**Employees**	**Rank**	**Percentage of Total State Employment**
1. State of New Hampshire	17,867	1	2.54%	1. State of New Hampshire	17,820	1	2.52%
2. Wal-Mart Stores Inc.	8,166	2	1.16%	2. Wal-Mart Stores Inc.	8,421	2	1.19%
3. Dartmouth-Hitchcock Medical Center	6,654	3	0.95%	3. Dartmouth-Hitchcock Medical Center	7,073	3	1.0%
4. University of New Hampshire	6,159	4	0.88%	4. University of New Hampshire	6,081	4	0.86%
5. Demoulas & Market Basket	6,000	5	0.85%	5. Demoulas & Market Basket	6,000	5	0.85%
6. Hannaford Brothers	4,817	6	0.68%	6. BAE Systems	4,500	6	0.64%
7. Fidelity Investments	4,600	7	0.65%	7. Fidelity Investments	4,400	7	0.62%
8. BAE Systems	4,500	8	0.64%	8. Dartmouth College	4,250	8	0.60%
9. Dartmouth College	4,250	9	0.60%	9. Liberty Mutual-Northern N.E. Division	4,200	9	0.59%
10. Liberty Mutual-Northern N.E. Division	4,200	10	0.60%	10. Hannaford Brothers	3,894	10	0.55%
Total	67,213		9.55%	Total	66,639		9.42%

	2010				2009		
Employer	**Employees**	**Rank**	**Percentage of Total State Employment**	**Employer**	**Employees**	**Rank**	**Percentage of Total State Employment**
1. State of New Hampshire	18,487	1	3.14%	1. State of New Hampshire	18,735	1	3.29%
2. Wal-Mart Stores Inc.	8,974	2	1.28%	2. Wal-Mart Stores Inc.	9,017	2	1.30%
3. Dartmouth-Hitchcock Medical Center	8,025	3	1.14%	3. Dartmouth-Hitchcock Medical Center	8,025	3	1.16%
4. University of New Hampshire	6,459	4	0.92%	4. University of New Hampshire	6,457	4	0.93%
5. Demoulas & Market Basket	6,000	5	0.85%	5. Demoulas & Market Basket	6,000	5	0.86%
6. Hannaford Brothers	4,776	6	0.68%	6. Fidelity Investments	5,500	6	0.79%
7. Fidelity Investments	4,600	7	0.65%	7. BAE Systems	4,700	7	0.68%
8. BAE Systems	4,500	8	0.64%	8. Shaw's Supermarkets	4,516	8	0.65%
9. Shaw's Supermarkets Inc.	4,399	9	0.63%	9. Hannaford Brothers	4,474	9	0.64%
10. Dartmouth College	4,399	10	0.63%	10. Dartmouth College	4,407	10	0.63%
Total	70,619		10.56%	Total	71,831		10.93%

Source: New Hampshire Business Review/ Book of Lists 2014
Provided by USNH
Schedule of State Employees by Function (page 142)
NHES Economic and Labor Market Informtaion Bureau

STATE OF NEW HAMPSHIRE
SCHEDULE OF PRINCIPAL (LARGEST) EMPLOYERS
LAST NINE YEARS - CONTINUED

	2008				2007		
Employer	Employees	Rank	Percentage of Total State Employment	Employer	Employees	Rank	Percentage of Total State Employment
State of New Hampshire	18,556	1	3.04%	State of New Hampshire	21,590	1	2.99%
Wal-Mart Stores Inc.	8,631	2	1.19%	Wal-Mart Stores Inc.	8,012	2	1.11%
Dartmouth-Hitchcock Medical Center	7,804	3	1.08%	University of New Hampshire	6,668	3	0.92%
University of New Hampshire	6,784	4	0.94%	Market Basket	6,600	4	0.91%
Demoulas & Market Basket	6,000	5	0.83%	Dartmouth-Hitchcock Medical Center	6,211	5	0.86%
Fidelity Investments	5,700	6	0.79%	Fidelity Investments	5,430	6	0.75%
Liberty Mutual-Northern N.E. Division	5,133	7	0.71%	Shaw's Supermarkets	4,700	7	0.65%
Hannaford Brothers	4,629	8	0.64%	Hannaford Supermarkets	4,663	8	0.64%
Shaw's Supermarkets Inc.	4,500	9	0.62%	Dartmouth College	4,246	9	0.59%
Dartmouth College	4,246	10	0.59%	BAE Systems	4,100	10	0.57%
Total	71,983		10.43%	Total	72,220		9.99%

	2006		
Employer	Employees	Rank	Percentage of Total State Employment
State of New Hampshire	21,056	1	2.93%
Wal-Mart Stores Inc.	8,659	2	1.20%
Dartmouth-Hitchcock Medical Center	7,100	3	0.98%
University of New Hampshire	6,901	4	0.96%
Market Basket	6,600	5	0.92%
Hannaford Brothers	5,374	6	0.75%
Fidelity Investments	4,859	7	0.67%
Shaw's Supermarket	4,600	8	0.64%
Dartmouth College	4,246	9	0.59%
BAE Systems	4,100	10	0.57%
Total	73,495		10.21%

Source: New Hampshire Business Review/ Book of Lists 2014
Provided by USNH
Schedule of State Employees by Function (page 142)
NHES Economic and Labor Market Informtaion Bureau

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

	2014	2013	2012	2011	2010
General Government					
Secretary of State					
Domestic Registrations:					
Limited Liability Company	8,093	7,300	7,022	6,543	6,052
Trade Name	7,039	6,463	6,929	6,987	7,323
Corporation	957	893	1,019	1,000	1,093
Other	759	677	325	250	267
Foreign Registrations:					
Corporation	1,230	1,265	1,297	1,293	1,458
Limited Liability Company	1,111	1,024	969	860	879
Other	145	184	54	43	57
Administration of Justice & Public Protection					
Department of Safety					
Troop Station Personnel:					
Headquarters - Merrimack	294	246	228	228	220
Troop A - Rockingham/Strafford	49	44	40	39	43
Troop B - Hillsborough	52	38	43	48	52
Troop C - Cheshire/Sullivan	32	30	29	30	33
Troop D - Merrimack	42	39	39	36	41
Troop E - Belknap/Carroll	33	29	28	33	34
Troop F - Coos/Grafton	48	41	45	48	47
Troop G - Merrimack	56	56	58	62	67
Department of Corrections					
Number of Prison Inmates:					
NHSP/Men - Concord	1,531	1,485	1,439	1,361	1,467
NHSP/Women - Goffstown	176	165	140	108	120
Lakes Region Facility - Laconia					
Northern Correctional Facility - Berlin	673	649	625	600	745
SPU/RTU & Transitional Housing	411	396	376	375	365
Resource Protection & Development					
Department of Resources and Economic Development					
Number of visitors at top 10 state parks:					
Cannon Mountain	235,374	228,582	207,120	215,117	187,950
Flume	146,328	134,606	136,630	94,647	94,188
Hampton Beach	107,979	140,884	107,813	95,073	52,908
Wallis Sands Beach	86,120	102,644	106,822	74,398	64,200
Pawtuckaway	65,400	88,076	69,808	82,566	82,247
Wellington	45,081	41,643	46,426	40,143	29,974
Mt. Sunapee Beach	39,015	50,059	68,486	43,766	34,555
Seacoast Parking Meters	427,166				
Monadnock	67,349				
Ellacoya	31,484	35,154	36,008	31,742	31,582
Silver Lake	NA	10,780	11,699	11,063	16,746
Odiorne Point	NA	26,554	22,173	17,626	18,173

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

As of FY14 Seacoast Parking Meters and Monadnock State Park have been added to the top ten visited state parks, and Silver Lake State Park and Odiorne Point State Park have been removed.

See accompanying Independent Auditors' Report

STATE OF NEW HAMPSHIRE
SCHEDULE OF OPERATING INDICATORS BY FUNCTION
LAST NINE FISCAL YEARS - CONTINUED

2009	2008	2007	2006
6,833	7,203	8,011	8,062
7,728	8,497	8,540	9,267
1,028	1,222	1,311	1,546
273	321	289	325
1,350	1,592	1,719	1,650
793	957	963	841
46	62	60	86
195	199	196	190
47	49	56	56
51	54	51	55
38	38	39	38
41	41	43	44
34	33	35	33
46	42	48	47
73	79		
1,407	1,398	1,348	1,301
147	142	114	100
298	316	284	264
587	573	544	536
344	344	325	321
192,748	130,000	169,924	81,533
147,395	139,146	133,161	132,947
98,681	57,992	46,756	88,283
62,484	92,182	66,212	46,528
88,403	84,907	92,019	44,673
42,179	54,744	49,218	34,417
28,718	21,952	33,249	32,150
25,401	39,308	46,074	21,972
21,188	28,780	36,076	28,475
18,109	21,566	24,372	23,299

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

As of FY14 Seacoast Parking Meters and Monadnock State Park have been added to the top ten visited state parks, and Silver Lake State Park and Odiorne Point State Park have been removed.

See accompanying Independent Auditors' Report

STATE OF NEW HAMPSHIRE
SCHEDULE OF OPERATING INDICATORS BY FUNCTION
LAST NINE FISCAL YEARS - CONTINUED

	2014	2013	2012	2011	2010
Department of Environmental Services					
Dollars disbursed by program:					
SRF - Clean water	$32,505,870	$26,328,832	$30,684,368	$58,275,067	$42,797,121
SRF - Drinking water	9,067,835	7,221,886	10,912,295	23,863,570	24,873,672
SRF - Brownfields		155,599		9,632	671,906
Landfills	1,080,206	899,812	927,658	894,703	981,070
Drinking Water Grants*	1,170,679	1,131,618	1,184,996	1,149,844	1,101,760
Water supply land					113,167
Waste water	6,519,872	3,327,666	5,199,986	5,902,524	6,463,894
Aquatic weed	468,542	408,127	355,444	245,440	205,616
Household hazardous waste	180,894	172,735	144,638	193,979	162,623
Aquatic Resources Mitigation Grants	1,779,393	1,193,010	942,458	702,036	
Transportation					
Department of Safety					
Number of motor vehicle registrations by county:					
(Monthly Average)					
Belknap	74,878	74,357	73,783	73,375	74,260
Carroll	66,197	65,452	65,174	65,188	66,233
Cheshire	81,040	80,682	80,688	80,754	81,759
Coos	37,448	37,402	37,848	38,130	38,809
Grafton	95,246	94,473	93,698	93,572	94,470
Hillsborough	404,672	400,820	396,361	393,992	394,162
Merrimack	165,341	164,053	162,502	161,291	163,368
Rockingham	344,681	341,038	336,713	333,198	334,903
Strafford	117,779	116,395	115,230	115,322	116,165
Sullivan	49,132	48,939	48,906	48,969	49,810
Other (Indeterminable)					
Health & Social Services					
Department of Health & Human Services					
Number of caseloads by program:					
Medical assistance - average monthly caseload (1)	99,364	84,200	77,952	77,378	75,751
TANF Caseloads	3,146	3,453	4,422	5,117	5,335
Nursing services for elderly	4,350	4,323	4,400	4,268	4,357
Child & family services - calls to central intake	31,826	32,684	31,826	26,864	25,928
Food stamps - June monthly average	53,155	55,192	56,962	54,735	51,401
Education					
Community College System of New Hampshire					
Enrollment	11,119	11,150	11,141	11,129	11,782
University System of New Hampshire					
Enrollment	26,846	26,597	26,906	26,732	26,843

(1) FY 2013 and 2014 include Children Health Insurance Program (CHIP). FY 2014 includes the effects of the Affordable Care Act.
* SFY 12-13 Biennium Marine Patrol was transferred into State Police. Marine Patrol utilizes a PT workforce during the summer season

STATE OF NEW HAMPSHIRE
SCHEDULE OF OPERATING INDICATORS BY FUNCTION
LAST NINE FISCAL YEARS - CONTINUED

2009	2008	2007	2006
$18,130,550	$23,238,600	$25,231,659	$10,597,219
7,517,227	13,339,877	16,094,390	11,268,138
165,625	1,062,586		56,352
1,287,790	1,944,036	2,030,802	2,067,751
1,281,908	1,494,664	1,741,982	1,484,589
571,655	772,093	373,750	577,301
9,003,767	10,820,000	12,195,029	11,826,356
285,554	330,798	268,781	258,191
153,155	95,971	149,744	140,974
74,975	75,395	76,315	74,947
66,861	66,461	68,816	66,563
82,460	82,535	85,133	84,397
39,541	40,313	41,614	41,287
95,305	95,726	98,002	95,424
395,186	394,380	403,722	398,493
164,749	165,887	169,271	167,730
336,828	337,654	342,793	339,579
116,674	115,783	120,495	116,865
50,375	51,100	52,157	50,526
219	466	989	
70,176	67,966	66,505	65,279
5,034	4,586	5,472	6,031
4,334	4,498	4,544	4,781
19,568	24,978	23,286	18,594
40,682	31,830	29,203	27,665
10,659	9,528	9,011	8,577
26,485	26,117	25,499	24,932

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

See accompanying Independent Auditors' Report

STATE OF NEW HAMPSHIRE
SCHEDULE OF STATE EMPLOYEES BY FUNCTION
LAST NINE FISCAL YEARS
(Includes all active employees eligible for payment at June 30th and does not include vacant positions)

	FISCAL YEAR								
Full-Time Employees	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**
General Government									
Department of Information Technology	318	327	326	337	353	388	391	391	390
Department of Administrative Services	283	276	281	304	312	312	303	294	252
Department of Revenue Administration	138	117	118	165	177	194	186	190	183
Legislative Services	125	126	130	136	142	144	146	141	134
All other	218	270	213	234	240	253	250	256	262
Administration of Justice and Public Protection									
Department of Safety	1,015	992	1,011	1,026	1,065	1,085	1,096	1,092	1,057
Department of Corrections	766	782	792	810	856	944	975	967	973
Judicial Branch	531	531	526	595	634	670	676	673	682
Department of Employment Security	272	276	283	374	357	312	314	319	327
Liquor Commission	301	310	286	286	301	302	305	297	303
Adjutant General	115	123	123	113	121	120	119	117	120
All other	449	434	440	471	480	484	493	467	456
Resource Protection and Development									
Department of Environmental Services	427	421	413	429	469	470	474	469	475
Department of Resource and Economic Development	205	202	205	187	192	193	206	205	212
Fish and Game	179	179	182	185	186	184	183	180	183
All other	6	7	6	6	13	13	12	6	6
Transportation									
Department of Transportation	1,493	1,537	1,560	1,632	1,677	1,623	1,643	1,658	1,683
Health and Social Services									
Department of Health and Human Services:									
New Hampshire Hospital	549	538	534	627	704	737	756	749	772
Office of Commissioner	307	303	565	564	565	617	635	625	585
Division of Children and Youth*	1		347	347	336	372	371	350	358
Human Services*	714	712							
Division of Transitional Assistance	419	380	332	334	318	337	335	318	317
New Hampshire Veteran's Home	308	320	325	319	323	326	328	316	279
Division of Juvenile Justice Services*	5	4	258	260	290	313	315	321	348
Office of Health Management	225	230	241	226	232	265	271	267	262
All other	449	454	399	407	410	422	433	438	435
Education									
Department of Education	234	243	250	256	263	267	269	277	274
CCSNH **								719	709
All other	59	60	71	85	87	92	92	92	90
State Total	10,111	10,154	10,217	10,715	11,103	11,439	11,577	12,194	12,127
Part-Time and Temporary Employees									
General Government	780	794	720	708	726	718	719	721	717
Administration of Justice and Public Protection	4,358	4,197	4,206	3,915	3,971	4,005	3,745	3,617	3,374
Resource Protection and Development	1,559	1,932	1,790	1,477	1,697	1,465	1,369	1,237	1,301
Transportation	315	287	331	422	463	458	449	461	444
Health and Social Services	579	512	533	511	453	582	633	614	535
Education	52	45	70	72	74	68	64	62	68
CCSNH**								2,684	2,490
State Total	7,643	7,767	7,650	7,105	7,384	7,296	6,979	9,396	8,929

Source: The Department of Administrative Services, Division of Accounting Services.
** SFY 13 and 14 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.*

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)

	Fiscal Year								Fiscal Year	
Function	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**
Land & Land Improvements										
General Government	$7,750	$7,426	$7,146	$7,146	$7,146	$5,885	$5,886	$5,885	$5,764	$5,764
Administration of Justice & Public Protection	36,674	35,569	33,699	32,428	27,751	28,951	28,772	28,771	28,672	28,672
Resource Protection & Development	272,770	264,721	257,174	246,188	238,131	236,391	228,569	223,510	219,679	204,882
Transportation	323,494	316,148	327,014	324,422	319,476	310,714	305,299	281,263	233,585	220,610
Health & Social Services	4,029	4,033	4,033	4,033	4,033	4,033	4,034	4,033	4,154	4,138
Education	126	143	143	4,658	4,194	4,185	3,883	2,949	2,924	2,642
Building & Building Improvements										
General Government	203,274	204,064	200,014	183,461	180,055	152,335	147,036	146,348	135,795	135,795
Administration of Justice & Public Protection	277,380	250,817	248,211	243,616	219,953	221,332	216,691	215,140	204,555	202,720
Resource Protection & Development	76,393	76,554	71,097	70,864	65,954	64,347	69,479	63,286	62,389	62,389
Transportation	74,867	73,119	71,987	68,833	69,589	65,360	56,143	48,274	45,816	27,988
Health & Social Services	139,964	129,965	126,442	125,948	119,742	119,157	112,434	111,160	82,395	81,995
Education	16,531	16,531	16,532	121,375	110,142	91,087	83,641	77,624	76,016	66,235
Equipment and Computer Software										
General Government	37,713	38,617	32,814	29,636	29,419	29,204	19,149	12,994	9,003	8,672
Administration of Justice & Public Protection	98,681	99,106	95,659	91,114	97,380	79,569	76,594	69,585	62,524	50,501
Resource Protection & Development	18,919	20,132	19,421	20,006	19,543	18,822	18,891	18,061	17,550	16,336
Transportation	112,012	111,654	105,003	91,472	77,851	76,653	67,209	56,587	46,539	44,955
Health & Social Services	79,855	69,170	57,043	55,441	55,286	55,066	58,636	53,466	43,238	42,900
Education	3,226	3,201	3,344	11,058	10,018	9,682	8,359	8,340	8,030	7,785
Infrastructure										
Transportation	3,438,817	3,350,208	3,199,307	3,032,547	3,036,174	3,048,728	2,865,262	2,744,520	2,652,916	2,532,386

See accompanying Independent Auditors' Report

STATE OF NEW HAMPSHIRE

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REPORT PREPARED BY THE DIVISION OF ACCOUNTING SERVICES

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