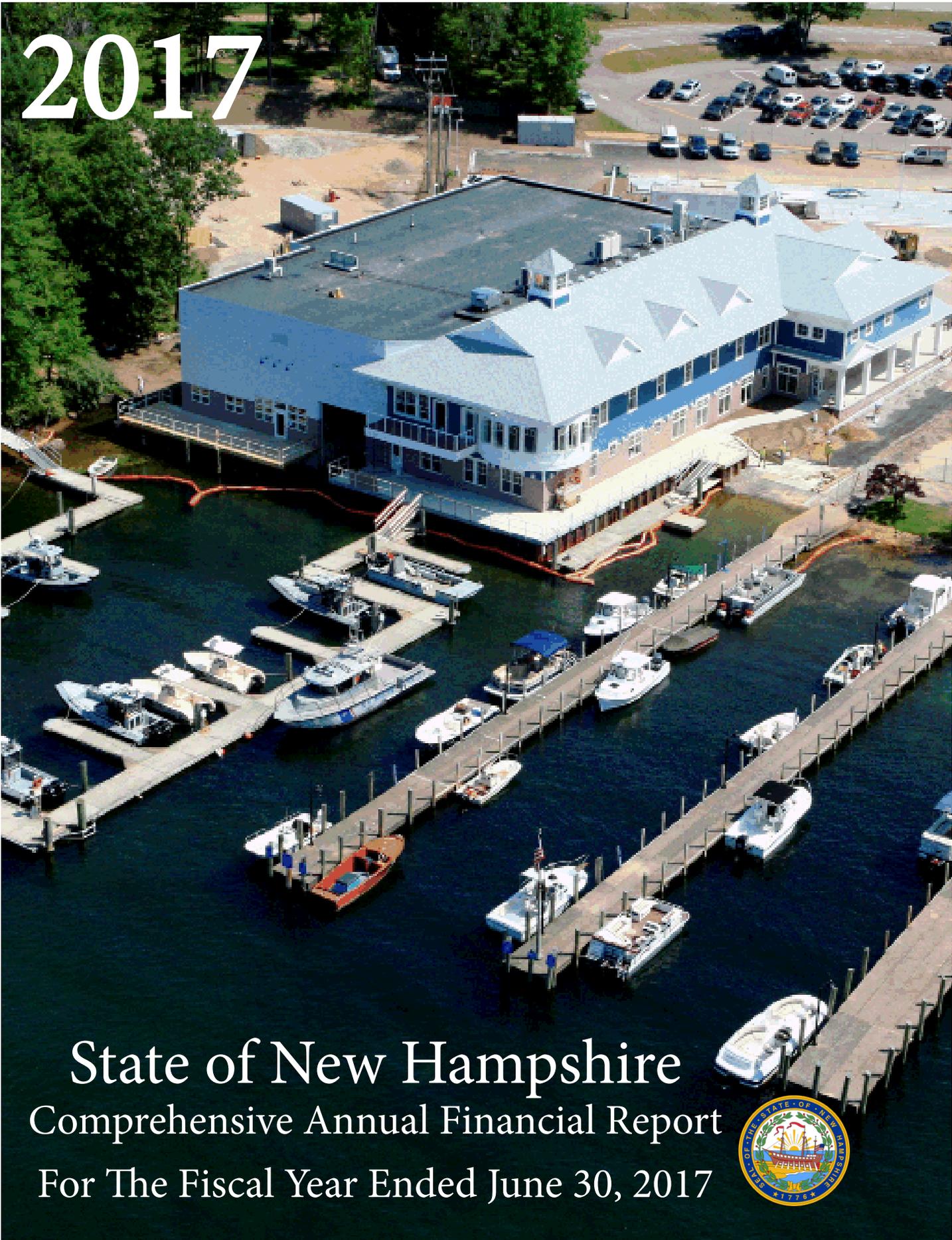


2017



State of New Hampshire  
Comprehensive Annual Financial Report  
For The Fiscal Year Ended June 30, 2017



# David T. Barrett Marine Patrol Headquarters

The New Hampshire State Police-Marine Patrol's new headquarters

*The new headquarters in Gilford offers expanded services, allowing meeting, training and classroom spaces for New Hampshire's boating community, state agencies and local law enforcement. The facility also allows customers to perform numerous water-related transactions.*



STATE OF NEW HAMPSHIRE

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**COMPREHENSIVE  
ANNUAL  
FINANCIAL REPORT**

---

For the Fiscal Year Ended

June 30, 2017



**Prepared by the Department of Administrative Services**

Charles M. Arlinghaus, Commissioner

**Division of Accounting Services**

Dana M. Call, Comptroller

**and the Bureau of Financial Reporting**

Karen J. Burke, Administrator

Diana L. Smestad

Catherine L. Bogan

This document and related information can be accessed at <http://das.nh.gov/accounting/reports.asp>



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



December 22, 2017

Dear Citizens of the State of New Hampshire and Honorable Members of the Legislature:

It is an honor to accept the Comprehensive Annual Financial Report of behalf of the State of New Hampshire for the fiscal year that ended on June 30, 2017.

This report is great news for fiscal responsibility in the State of New Hampshire. I'm very encouraged by the state's preliminary surplus statement. It reflects good management of taxpayer money within state agencies for controlling costs and a very strong economy. State employees should be commended for their dedication to efficiency and their vigilance against waste.

We have laid a foundation for addressing critical priorities while practicing strong fiscal management.

Addressing New Hampshire's infrastructure needs is critical to ensure safety on our roads. We returned over \$30 million to cities and towns for infrastructure improvements – a key first step in rebuilding our state's infrastructure and reducing property tax obligations for every citizen in the state. For years we have heard how the state cannot control local property taxes, but what we can do is use infrastructure grants to give our towns more financial flexibility and target key areas of need to our communities, which will revitalize New Hampshire's aging infrastructure, and reinvigorate our local economies.

I made a commitment to the people of New Hampshire to increase school building aid, and that is exactly what we have done. Much needed funds will be headed back to local school districts for some critically needed building projects from our newly created Public School Infrastructure Fund. Once finalized, we will be able to deliver this additional support without increasing state liabilities; these are one time funds that will be spent on one time projects.

New Hampshire troopers work tirelessly to keep our communities safe, and truly embody the spirit of selflessness and public service found only in the bravest among us. We have dedicated millions to highway drug interdiction as part of Granite Shield, putting \$4.5 million towards drug enforcement, focusing resources to the states drug lab, the narcotics department, and Granite Hammer – which will get drug dealers off the streets, eliminate the supply of drugs before they hit local communities, and strengthen New Hampshire's intelligence-sharing cooperation with its law enforcements partners at the federal, state and local levels. By applying critical dollars to enhance a regional drug interdiction strategy in coordination with our federal, state and local partners, we will achieve real progress on what remains our state's most serious public health and safety issue. Enforcing these interdiction efforts will lead to safer communities, safer roads and provide a pathway to treatment and recovery for those in need.



As we move forward, we will continue to manage taxpayer resources carefully and in a fiscally conservative manner and keep a strong lid on additional cost increases or expenses. I am proud of the work we've done, but there is always more to accomplish so we can continue to ensure that New Hampshire remains the best place to live, work, and raise a family.

Sincerely,

A blue ink signature of Christopher T. Sununu.

Christopher T. Sununu  
Governor



State of New Hampshire  
Selected State Officials  
For the Fiscal Year Ended June 30, 2017

***Executive Branch***

***Governor*** Christopher T. Sununu

***Executive Council***

- Joseph D. Kenney, District 1
- Andru Volinsky, District 2
- Russell E. Prescott, District 3
- Christopher C. Pappas, District 4
- David K. Wheeler, District 5

***Attorney General***

Gordon MacDonald

***Commissioner of Administrative Services***

Charles M. Arlinghaus

***State Treasurer***

William F. Dwyer

***Secretary of State***

William M. Gardner

***Comptroller***

Dana M. Call

***Judicial Branch***

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

Linda Stewart Dalianis

***Legislative Branch***

***President of the Senate***

Chuck Morse

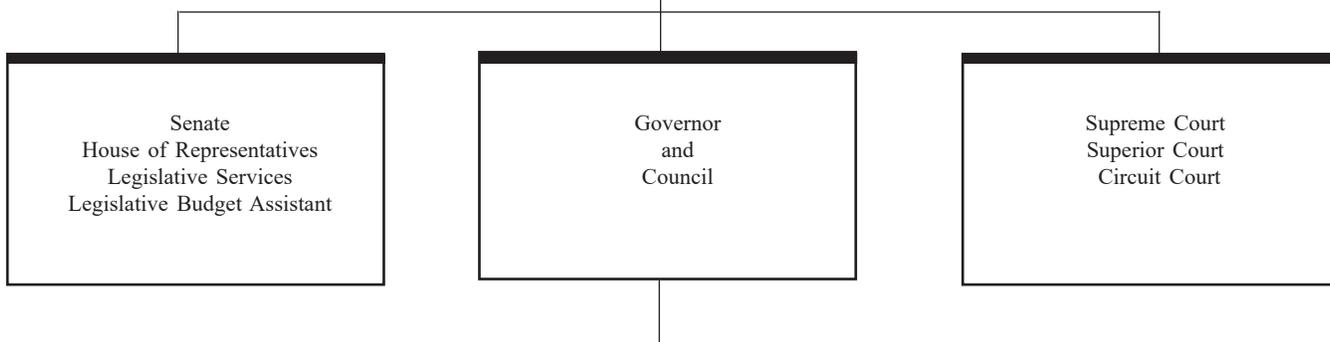
24 Senators

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

Shawn N. Jasper

400 Representatives

# STATE OF NEW HAMPSHIRE ORGANIZATION CHART



## STATE AGENCIES AND COMPONENT UNITS (\*)

<p style="text-align: center; margin: 0;"><b>GENERAL GOVERNMENT</b></p> <p style="margin: 5px 0;">Administrative Services                  Board of Tax &amp; Land Appeals                  Boxing &amp; Wrestling Commission                  Cultural Resources                  Department of Information Technology                  Development Disabilities Council                  Executive Office                  Professional Licensure &amp; Certification                  NH Retirement System*                  Revenue Administration                  Secretary of State                  State Treasury</p>	<p style="text-align: center; margin: 0;"><b>ADMINISTRATION OF JUSTICE AND PUBLIC PROTECTION</b></p> <p style="margin: 5px 0;">Adjutant General                  Agriculture, Markets &amp; Food                  Banking                  Board of Veterinary Medicine                  Corrections                  Employment Security                  Human Rights Commission                  Insurance                  Judicial Council                  NH Judicial Retirement Plan*                  Justice                  Labor                  Liquor Commission                  Public Employee Labor Relations Board                  Public Utilities Commission                  Safety</p>	<p style="text-align: center; margin: 0;"><b>RESOURCE PROTECTION AND DEVELOPMENT</b></p> <p style="margin: 5px 0;">Business Finance Authority*                  Environmental Services                  Fish and Game                  Community Development Finance                  Authority*                  Pease Development Authority*                  Resources and Economic Development</p>
<p style="text-align: center; margin: 0;"><b>TRANSPORTATION</b></p> <p style="margin: 5px 0;">Transportation                  Turnpike System</p>	<p style="text-align: center; margin: 0;"><b>HEALTH AND SOCIAL SERVICES</b></p> <p style="margin: 5px 0;">Health and Human Services                  NH Office of Veterans' Services                  Veterans' Home</p>	<p style="text-align: center; margin: 0;"><b>EDUCATION</b></p> <p style="margin: 5px 0;">Education                  Community College System of NH*                  Lottery Commission                  Police Standards &amp; Training Council                  University System of                  New Hampshire*</p>



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

**CHARLES M. ARLINGHAUS**  
Commissioner  
(603) 271-3201

December 22, 2017

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

In accordance with the Revised Statutes Annotated (RSA) 21-I:8,II (a), it is a pleasure to submit the Comprehensive Annual Financial Report (CAFR), covering the fiscal year ended June 30, 2017. This report has been prepared by the State of New Hampshire, 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 U.S. 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, the development of parks and recreation facilities, conservation of natural resources, and economic 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 1,330,608 in 2015 according to the U.S. Census Bureau estimates. 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 business taxes (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 real estate 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 unemployment rate was significantly less than the national average in October 2017 (2.7% vs. 4.1% seasonally adjusted).
- Total non-farm employment increased by 6,300 jobs from October 2016 to October 2017 (seasonally adjusted), although a shortage of qualified candidates in the workforce represents some future economic risk to the state.
- New Hampshire continues to have a very low poverty rate at 7.3% (2016) as compared to 12.7% nationally. Median household income is \$66,779 (2011-2015 ACS 5-year estimates).
- New Hampshire ranks 8<sup>th</sup> in the nation with 36.6% of the population over 25 years of age with a bachelor's degree or higher as of 2016, according to the U.S. Census Bureau "2016 American Community Survey-Table R1502".
- The housing market continues to be active with real estate transfer tax receipts of \$142 million for fiscal year 2017 exceeding the prior year by 5.3%.
- In 2017 the Tax Foundation ranked New Hampshire 46<sup>th</sup> among the 50 states in terms of its corporate income tax. This is despite the NH Legislature's efforts to spur economic activity by systematically reducing the tax rates for the state's two major business taxes (discussed in detail in the financial section of this report).

## Major Initiatives for Fiscal Year 2017

### *Statewide Technology:*

#### Enterprise Resource Planning

In 2009, an Enterprise Resource Planning (ERP) system was implemented to replace the twenty-five year old mainframe general ledger system. In 2012, on-line time reporting was implemented replacing paper and resource intensive time tracking systems. In 2013 the human resources and payroll system that had been in service since 1992 was replaced and [in 2013] the State converted the human resources and payroll functions to the ERP system. NH FIRST, the State's ERP system, has (1) reduced costs and delays in associated paperwork, cycle-time for state procurement, payment and revenue collection and (2) replaced 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.

NH FIRST enabled the State to streamline the purchasing process by changing a very paper intensive process to all electronic, from the initiation of the requisition through the bidding process, and up to and including issuing a purchase order. With the efficiencies obtained through the new system, the Bureau of Purchasing was able to reallocate resources and expand the use of multi-agency service contracts. Centralizing multi-agency service contracts has eliminated the need for each agency to bid and contract for services, resulting in further efficiencies. NH FIRST

has also allowed the State to implement statewide posting for internal job vacancies, a policy enhancement that was not feasible in the past due to the technology limitations of the previous system. Other efficiency examples are: electronic job postings, applications and hiring; electronic time reporting and online payroll information for employees; and online benefit enrollment and administration. Through the implementation of Process Flow software for all major financial and Human Resources transaction processing, tracking and accountability of these items is easily retrievable and projection of in process revenues and payment liabilities is now easily reported.

The State has most recently implemented a significant upgrade to the NH FIRST system. With the latest upgrade new features were introduced to allow the State of New Hampshire to use a NH FIRST home page and launch all the NH FIRST applications from it. This feature also enabled the State to use single sign on (SSO) which enables State employees to log onto one environment instead of several. This is an enormous time saver for all NH FIRST users. The upgrade brought the State to the currently supported environment from the vendor and will allow the State to upgrade in the future in a sustainable fashion.

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.

#### **Online Licensing**

The first phase of the new enterprise licensing solution went into production in May 2016. This consolidated three separate systems into one and implemented a standard approach for the management of business and occupational licensing for regulated entities. Included in the first phase are 21 regulatory boards from the Departments of Agriculture, Health and Human Services, and Safety and the Office of Professional Licensing and Certification (OPLC). Phase Two, which completed all boards within OPLC as well as Liquor Enforcement, went live in 2017 as planned. Planning on Phase Three, which will add additional boards from the Department of Agriculture and other agencies, is also underway with an expectation they will be in operation in 2018.

#### **Cybersecurity Initiative**

Traditional defenses are insufficient against today's complex and sophisticated cyber-attacks. In order to improve our posture the New Hampshire Cyber Integration Center (NHCIC) was formed by executive order. This collaborative effort leverages strengths from Homeland Security and Emergency Management and the Department of Information Technology to improve our cyber monitoring and response capabilities. Executive Order 2016-6:

- Consolidates security operations into a single entity
- Calls for immediate and complete notification of Cyber incidents
- Affirms the importance of the Cybersecurity Advisory Committee (CAC) in the development of good Cyber policy and practice

The intent is to reduce the likelihood of cyber intrusions and lessen the impact of security events, strengthening the overall security posture of the state's data, systems, and networks.

#### **Strategic Planning Initiative**

During 2017 the Information Technology Council ratified a strategic plan for DoIT, the first in over ten years. This plan will provide ongoing strategic information technology direction to promote enterprise alignment across State of NH technology initiatives. The plan will be updated as necessary to accommodate the changing needs of NH over time.

#### *State of NH Strategic Objectives by Theme:*

##### Enterprise Partnership

- Increase Enterprise Alignment
- Mature Governance

##### Customer Satisfaction

- Enhance Citizen Services
- Improve Customer Communications

##### Performance

- Promote Continuous Improvement

##### Effective Resource Management

- Employee Development
- Invest in Talent Management
- Promote Financial Transparency

##### Cybersecurity

- Strengthen the State's Security Posture

#### **Scheduling Software**

During FY 2017, the Department of Administrative Services (DAS) led a multi-agency team to seek capital funding in the FY 2018-2019 budget and to develop and issue a request for proposals (RFP) to secure and implement enterprise scheduling software as part of the state's ERP system. Representatives from the DAS, Department of Safety, Department of Corrections, and Department of Information Technology (DoIT), and other state agencies participated in the development of the RFP, vendor demonstrations, and selection of a vendor for this project. The contract was executed in early FY 2018. The selected vendor, IntelliTime, also provides its own time tracking/time reporting solution and timeclocks, and both the scheduling tool and the timecard can be connected to IntelliTime timeclocks. DAS will be working with all state agencies to configure and implement this new software in FY 2018-2019.

## ***Efficiency & Improvement Initiatives:***

### **Heating System Upgrades**

As discussed in the Capital Budget section, in May of 2017, a central steam utility plant that provided heat to over 100 customers in downtown Concord ceased operations. This left the State of New Hampshire with 26 buildings that require new heating systems. A plan was developed and is underway to replace the central heating plant with more efficient decentralized heating systems. When the project is completed, the State is estimating that they will reduce operating costs by over \$2 million per year.

### **Human Resources and Payroll**

Pursuant to Chapter 156, Laws of 2017, the State is continuing the process of consolidating human resource and payroll functions. The replacement of the human resources and payroll system has facilitated the consolidation initiative. The statewide Personnel Rules were updated and readopted to incorporate the requirements of the new human resources and payroll system, and the Department of Administrative Services created monthly cross-agency Human Resources and Payroll meetings to train HR/payroll staff and standardize procedures. The Department has also created centralized training materials for statewide human resources functions and these resource materials are posted and accessible on SunSpot, the State Intranet.

The Department has continued to work on statewide standardization of recruitment, workforce development, training and payroll processes. Recent initiatives include the launch of the Employee Portal, which is a central access point for all employees to obtain up-to-date information about employee training, leave time, benefits and pay. The Employee Portal is linked to the central on-line recruitment system and the statewide recruitment pages. In addition, the Department led a LEAN initiative to review the position classification process, and developed a streamlined position classification questionnaire and standard work processes for use by all state agency human resources offices. The Department continues to oversee the centralized classification system and to audit and approve all changes related to position management and employee transactions, including providing ongoing training to agency human resources and payroll offices.

During FY 2017, the Department completed initiatives related to the standardization of data measures for compilation and analysis of statistics for workforce reporting, and also completed a comprehensive review to verify all employee and position data. A new policy was implemented to run error reports on a regular basis to ensure that all data associated with these new reports remains valid. In addition, the Department developed a more efficient process to enable new employees to gain quicker access to the human resources and payroll system, and automated methodology for removing access to human resources and payroll functions upon separation from state service. These measures were implemented and communicated to all agency human resources and payroll offices during FY 2017. In the area of workforce development, the Division of Personnel created a state-sponsored internship program and the resource materials were posted on the central human resources website and on SunSpot, the state intranet.

### **Human Resources Audit Log Project**

The Administrative Rules of the Division of Personnel PER 1500 provides access to hard copy or electronic files which are defined as part of the personnel record. With the implementation of NH FIRST and the State's transition to electronic files, the Division of Personnel and Financial Data Management partnered to provide human resource system users access to information in the NH FIRST HR audit logs. This functionality is required to provide copies of personnel files for employees to review, to allow legal access to files, and for annual Legislative Budget Assistant (LBA) audits.

Two reports have been designed to identify the current employee electronic record and the NH FIRST employee history. These reports along with the documents attached in the system and the employee history from the GHRS records (the former HRIS system) comprise the full electronic personnel file.

### **Dissolution of Shared Services Center for AP Processing**

Based on findings of a 2016 Legislative Budget Assistant audit and a detailed process evaluation in 2016-2017 by the Department of Administrative Services (DAS), DAS determined that it would be more efficient and cost-effective for agencies to perform AP data entry than to continue centralized AP data entry at the Shared Service Center (SSC). The SSC was established in November 2012 per Chapter 224:85, Laws of 2011, and provided centralized data entry for around 200,000 accounts payable (AP) transactions per year for 27 state agencies. The return of data entry to agencies, together with other process improvements, including a new, up-to-date, detailed SOP, is expected to reduce total invoice processing time by 2-3 days while maintaining the current low error rate.

DAS, in coordination with agencies that were served by the SSC, determined the need for staffing at each agency to resume data entry based on the number of invoices processed per year by that agency, the best practice data from SSC operations (of 10,000 invoices/year/FTE), and current accounting operations within each agency. Fifteen (15) agencies resumed AP data entry without any additional staff. Twenty-one (21) full-time positions were placed in agencies to support AP processing, and seven (7) full-time positions were abolished in the FY 2018-2019 budget.

## ***2017 Capital Budget: Capital Projects Fund:***

During fiscal year 2017, the State completed several significant projects including:

- Construction of a new regional training Institute for the Adjutant General Department. The project included the construction of barracks and training facilities totaling approximately 97,430 square feet. The total project cost was approximately \$38 million.
- Construction of a new Marine Patrol Facility at Lake Winnepesaukee. This project included the demolition of the existing facility and the construction of a new 26,900 square foot building that will include space to house Marine Patrol headquarters, boat safety classes and maintenance of all the marine boats and equipment. The facility was constructed at a total cost of \$9 million dollars.
- Other ongoing projects include the construction of a new 224 bed women's prison total project value \$50.6 million (\$38 million SFY 14-15, \$12.6 million SFY 16-17 capital budget). The project is scheduled to be completed in the winter of 2017/2018.

In addition the capital budget for state fiscal years 2016-2017 authorizes nearly \$271 million in capital appropriation, leveraging approximately \$126 million in general fund bonding authority, with the balance from other sources.

Approved projects include:

- Over \$14 million at the Community College System for IT infrastructure and critical maintenance, and building and development of HVAC Electrical Technology, Auto Technology and STEM facilities
- Over \$7 million for the Department of Education to renovate two Career and Technical Education centers
- \$15.7 million for the Judicial Branch to construct a new superior courthouse
- \$13.5 million at the New Hampshire Veterans' Home to construct a 50 bed addition to the Life Enhancement Dementia Unit
- Over \$5 million for the Department of Resources and Economic Development for repairs and improvements at various state parks
- \$19 million for the Pease Development Authority to complete an expansion of the Piscataqua River turning basin to allow larger vessels to navigate through Portsmouth Harbor
- \$10.6 million and \$9.4 million in Federal reimbursement funding for two Field Maintenance Structures for the Adjutant General in Hooksett and Rochester, NH, respectively
- \$8 million for the Liquor Commission to raze and construct a new Portsmouth Traffic Circle Retail Store

*Other Significant Projects:*

In the prior fiscal year, it was estimated that \$25 million would be required to install new heating systems at 26 state facilities that were obtaining heat from Concord Steam, a local utility provider. During fiscal year 2017, \$18 million was appropriated to the general fund to begin the conversion to permanent heating plants in the spring of 2017. The remaining \$7 million was included in the capital budget for the fiscal year 2018-2019 biennium, to complete the project.

**Financial Information**  
**General Fund & Education Trust Fund FY 2015, 2016 & 2017**  
(\$ in millions)

	FY 2015	FY 2016			FY 2017		
	Total	General	Education	Total	General	Education	Total
<b>Undesignated Fund Balance, July 1</b>	\$21.9	\$49.0		\$49.0	\$88.5		\$88.5
Unrestricted Revenue	2,266.7	1,528.8	928.8	2,457.6	1,503.2	904.3	2,407.5
Exxon Settlement - 10% to RDF		30.7		30.7			
<b>Total Additions</b>	<b>2,266.7</b>	<b>1,559.5</b>	<b>928.8</b>	<b>2,488.3</b>	<b>1,503.2</b>	<b>904.3</b>	<b>2,407.5</b>
<b>Deductions:</b>							
Appropriations Net of Estimated Revenues	(2,286.6)	(1,423.7)	(957.3)	(2,381.0)	(1,425.7)	(973.1)	(2,398.8)
Additional Appropriations					(133.1)	(9.1)	(142.2)
Less Lapses	81.4	39.9	0.4	40.3	47.6	15.7	63.3
<b>Total Net Appropriations</b>	<b>(2,205.2)</b>	<b>(1,383.8)</b>	<b>(956.9)</b>	<b>(2,340.7)</b>	<b>(1,511.2)</b>	<b>(966.5)</b>	<b>(2,477.7)</b>
<b>GAAP and Other Adjustments</b>	<b>(20.5)</b>	<b>(36.7)</b>		<b>(36.7)</b>	<b>22.0</b>		<b>22.0</b>
<b>Current Year Balance</b>	<b>41.0</b>	<b>139.0</b>	<b>(28.1)</b>	<b>110.9</b>	<b>14.0</b>	<b>(62.2)</b>	<b>(48.2)</b>
<b>Fund Balance Transfers (To)/From:</b>							
Rainy Day	(13.0)	(70.7)		(70.7)	(7.0)		(7.0)
Highway Fund					(13.9)		(13.9)
Fish and Game Fund	(0.9)	(0.7)		(0.7)	(0.7)		(0.7)
Public School Infrastructure Fund					(18.7)		(18.7)
Education Trust Fund		(28.1)	28.1		(62.2)	62.2	
<b>Undesignated Fund Balance, June 30</b>	<b>49.0</b>	<b>88.5</b>		<b>88.5</b>			
<b>Reserved for Rainy Day Account</b>	<b>22.3</b>	<b>93.0</b>		<b>93.0</b>	<b>100.0</b>		<b>100.0</b>
<b>Total Unassigned Fund Balance</b>	<b>\$71.3</b>	<b>\$181.5</b>		<b>\$181.5</b>	<b>\$100.0</b>		<b>\$100.0</b>

## Fiscal Year 2017 Operations

The fiscal year 2017 budget as adopted in 2015 (the "fiscal year 2017 budget") assumed the State would start the year with an unassigned general fund surplus of \$32.9 million and a Revenue Stabilization Fund ("Rainy Day Fund") balance of \$23.8 million. However, based on positive variances in fiscal year 2016, fiscal year 2017 began with an undesignated general fund surplus of \$88.5 million and a Rainy Day Fund balance of \$93.0 million, for a total unassigned balance of \$181.5 million. Although unrestricted revenues came in higher than plan by \$96.4 million, this was offset entirely by additional appropriations approved by the legislature effective for fiscal year 2017. Within the unassigned fund balance, the Rainy Day Fund increased \$0.9 million over the prior year, as a result of the addition of ten percent of judgments received during fiscal year 2017. In addition, Chapter 156, Laws of 2017 required that to the extent the audited, combined unrestricted general and education trust fund revenues for the fiscal year ending June 30, 2017 exceeded the official estimates, less any amounts deposited pursuant to RSA 7:6-e I, the excess is to be transferred to the Rainy Day Fund, up to \$100 million. This resulted in an additional \$6.1 million transferred to the Rainy Day Fund. The excess surplus after the \$6.1 million transfer to the Rainy Day Fund totaled \$18.7 million and was transferred to the Public School Infrastructure Fund established pursuant to RSA 198:15-y. These transfers were completed effective June 30, 2017, bringing the unassigned general fund surplus balance to zero.

Traditional unrestricted revenue for the General and Education Trust Funds received during fiscal year 2017 totaled \$2,407.5 million which was above the fiscal year 2017 Plan of \$2,311.4 million by 4.2%. The favorable results as compared to the fiscal year 2017 budget resulted,

in part, from the following taxes which performed better than expected: Business Taxes by \$72.7 million (12.9%); Real Estate Transfer Taxes by \$15.3 million (12.1%); Meals and Rooms Taxes by \$7.3 million (2.4%); and Insurance Taxes by \$7.5 million (6.6%). Interest and Dividends Taxes were below the fiscal year 2017 budget by approximately \$1.7 million (1.8%), as well as Tobacco Taxes below budget by \$3.1 million (1.4%) and Communications Taxes below budget by \$11.3 million (19.3%). The State's other remaining revenue sources combined were approximately \$9.7 million above the fiscal year 2017 budget.

Net General Fund and Education Fund appropriations exceeded the fiscal year 2017 budget estimates by \$124.1 million (5.3%). Appropriations authorized after the passage of the fiscal year 2017 budget via new legislation or existing laws made up approximately \$142 million of the increase in net appropriations. These additional appropriations utilized the majority of the beginning undesignated General Fund surplus carried forward from fiscal year 2016, as well as a portion of the fiscal year 2017 surplus in an effort to fund previously deferred infrastructure programs including: \$18 million for the heating conversion discussed earlier, \$36.8 million to be provided to municipalities for road and bridge repair, and \$4.5 million for a drug interdiction program to address that part of the opioid crisis. In addition, the legislature authorized a transfer of \$13.9 million of General Fund surplus to be transferred to the Highway Fund for fiscal year 2017. Offsetting the impact of additional appropriations and transfers to other funds were favorable lapses of combined General Fund and Education Fund appropriations. The fiscal year 2017 original budget of \$2,353.6 million included \$47 million in anticipated lapses, while actual lapses according to the unaudited results came in at \$63.3 million for a difference of \$16.3 million.

Net favorable closing adjustments made in accordance with GAAP to bring the budgetary accounting basis to the modified accrual accounting basis totaled \$22 million for fiscal year 2017. GAAP and other adjustments were not budgeted in fiscal year 2017. The most significant of the GAAP and other adjustments affecting fiscal year 2017 was the reversal of the \$10.4 million liability and expense recorded in fiscal year 2016 as a result of the expected resolution of the City of Dover v. State of New Hampshire litigation, representing payment of the entire amount of education adequacy aid withheld due to the cap. While this was recorded as a liability reducing 2016 General Fund surplus, a portion of this amount (\$9.1 million) was also appropriated to the Education Fund in fiscal year 2017, thus the combined impact resulted in a positive \$9.1 million GAAP adjustment in fiscal year 2017. Also contributing to the positive adjustment was a decrease in the annual escheat liability (\$3.7 million) and a decrease in the State's share of Medicaid liability (\$2.3 million), both measured as of June 30, 2017. The remainder of the variance was due to smaller scale increases or decreases in several other areas.

#### General Fund & Education Trust Fund FY 2015, 2016 & 2017

(\$ in millions)

Revenue Category	FY 2015	FY 2016			FY 2017			FY 2017
	Total	General	Education	Total	General	Education	Total	Combined Plan
Business Profits Tax	\$343.5	\$352.8	\$74.2	\$427.0	\$317.4	\$68.4	\$385.8	\$339.8
Business Enterprise Tax	218.2	91.3	181.0	272.3	83.6	168.4	252.0	225.3
Subtotal	561.7	444.1	255.2	699.3	401.0	236.8	637.8	565.1
Meals & Rentals Tax	281.2	292.8	8.5	301.3	306.2	8.6	314.8	307.5
Tobacco Tax	221.3	132.4	94.7	227.1	128.2	90.4	218.6	221.7
Liquor Sales and Distribution	138.5	139.8		139.8	141.1		141.1	144.2
Interest & Dividends Tax	96.9	89.3		89.3	94.3		94.3	96.0
Insurance Tax	114.6	123.4		123.4	121.9		121.9	114.4
Communications Tax	57.3	52.4		52.4	47.1		47.1	58.4
Real Estate Transfer Tax	117.6	89.7	44.8	134.5	94.5	47.2	141.7	126.4
Transfers from Lottery Commission	74.3		75.9	75.9		72.6	72.6	75.0
Transfers from Racing & Charitable Gaming Commission	3.0		3.3	3.3		3.5	3.5	2.5
Tobacco Settlement	41.9	1.5	40.0	41.5	2.6	40.0	42.6	39.0
Utility Property Tax	41.0		43.3	43.3		41.8	41.8	41.8
Property Tax Retained Locally	363.4		363.1	363.1		363.4	363.4	363.1
Other	147.3	154.3		154.3	157.4		157.4	145.9
Subtotal	2,260.0	1,519.7	928.8	2,448.5	1,494.3	904.3	2,398.6	2,301.0
Recoveries	6.7	9.1		9.1	8.9		8.9	10.4
Total	\$2,266.7	\$1,528.8	\$928.8	\$2,457.6	\$1,503.2	\$904.3	\$2,407.5	\$2,311.4

#### Highway Fund

The Highway Fund ended fiscal year 2017 with an operating surplus of approximately \$48.4 million as compared to the fiscal year 2016 balance of \$35.4 million. The fiscal year 2017 beginning surplus was \$30.4 million higher than the balance of \$5.0 million assumed in the original fiscal year 2016-2017 biennium. In the fiscal year 2018-2019 biennium, it was assumed the fiscal year 2017 balance would end with a balance of \$30.3 million. This included a transfer of General Fund operating surplus to the Highway Fund of \$13.9 million. The actual Highway Fund revenues of \$220.9 million were \$7.9 million higher than those budgeted for fiscal year 2017, and \$4.7 million higher than actual revenues received in the fiscal year 2016. Also contributing to the positive variance in surplus were lapses being \$10.5 million greater than assumed in the budget, while fiscal year 2017 net appropriations of \$244.4 million were relatively consistent with those assumed in the budget.

As the majority of fund balance within the Highway Fund is categorized as restricted, the surplus amount is embedded within restricted fund balance. Additional information on the Highway Fund can be found on page 143.

**Fish & Game Fund**

The Fish and Game Fund ended fiscal year 2017 with an operating surplus of approximately \$1.8 million as compared to the fiscal year 2016 balance of \$1.1 million. The fiscal year 2017 beginning surplus was \$1.0 million higher than the balance of \$0.1 million assumed in the original fiscal year 2016-2017 biennium. In the fiscal year 2018-2019 biennium, it was assumed the fiscal year 2017 balance would end with a balance of \$0.8 million. This included a transfer from the General Fund, as budgeted, of \$0.6 million. The actual Fish and Game Fund revenues and other credits of \$13.0 million were \$0.5 million lower than those budgeted for fiscal year 2017, but equal to actual revenues received in the fiscal year 2016. Also contributing to the positive variance in surplus were lapses being \$0.8 million greater than assumed in the budget, while fiscal year 2017 net appropriations of \$14.7 million were relatively consistent with those assumed in the budget. The Fish and Game surplus balance is embedded within assigned fund balance within the Fish and Game fund. Additional information regarding the Fish and Game fund can be found on page 144.

**Unrestricted Net Position**

At the Government-Wide Level, the State's Governmental Activities unrestricted net position is 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, 2017 was \$1,683.1 million. The deficit unrestricted net position appears to be primarily the result of the following: 1) \$1,180.5 million of Other Post Employment Benefit (OPEB) Liabilities outstanding as of June 30, 2017 (see Note 11) 2) \$1,029.8 million of Net Pension Liabilities outstanding as of June 30, 2017 (see Note 11) 3) Long-Term debt issued by the State for component unit capital purposes, \$160 million outstanding principal balance as of June 30, 2017 (\$132 million USNH and \$28 million CCSNH), that did not result in a Governmental Activities' capital asset (assets are recorded on the balance sheets of USNH and CCSNH), and 4) school building aid long term debt which was bonded between 2009-2011 with a remaining principal balance of approximately \$79 million that did not result in a State capital asset.

***Major Initiatives Expected to Affect the Future Financial Position of the State:*****Revenue Stabilization Fund**

The balance of the State's Revenue Stabilization Fund ('Rainy Day Fund') had been \$9.3 million since 2009. FY 2015 marked the first increase in the Rainy Day fund balance to \$22.3 million. This amount was less than ideal relative to comparisons to other states and various general guidelines to ensure the State can absorb unpredicted financial challenges. Additionally, Chapter 214, Laws of 2014 became effective in FY 2015 and directed that whenever the Department of Justice receives judgment or settlement money in excess of \$1 million, the first 10 percent of those funds shall be transferred to the Rainy Day Fund. For FY 2016, the State received environmental litigation settlement payments totaling \$307.2 million, resulting in a \$30.7 million increase to the Rainy Day Fund. In addition, with revenues coming in higher than plan, there was a transfer of \$40 million to the Rainy Day Fund, bringing the balance to \$93.0 million as of June 30, 2016. The statutory capacity of the Rainy Day Fund is set at 10% of general fund unrestricted revenue for the most recently audited fiscal year, which for 2016 was \$153 million.

This statutory limit was revised by Chapter 156, Laws of 2017 and required that to the extent the audited, combined unrestricted general and education trust fund revenues for the fiscal year ending June 30, 2017 exceeded the official estimates, less any amounts deposited pursuant to RSA 7:6-e I, which totaled \$0.9 million for fiscal year 2017, the excess is to be transferred to the Rainy Day Fund, bringing the balance to \$100 million. Any excess, after the transfer of sufficient funds to bring the Rainy Day Fund to \$100 million, is to be transferred to the Public School Infrastructure Fund established pursuant to RSA 198:15-y. The State ended fiscal year 2017 with an operating surplus of \$24.8 million, therefore, \$6.1 million was transferred to the Rainy Day Fund and \$18.7 million to the Public School Infrastructure Fund, which is a component of restricted fund balance. Additional information on the General Fund undesignated balances can be found in the preceding table above, and on page 141.

**Business Taxes and Interest & Dividends Taxes**

During the last few years, several changes have been made to the tax laws. The companion bill to the State's budget for FYs 2016-2017, SB 9 reduced Business Profits Tax and Business Enterprise Tax rates from 8.5% to 8.2% and from 0.75% to 0.72%, respectively, for tax years ending on or after December 31, 2016. Additionally, as the combined unrestricted general and education trust fund revenues exceeded the threshold established for the 2016-2017 biennium, the rates will be further reduced for tax years ending on or after December 31, 2018 from 8.2% to 7.9% and from 0.72% to 0.675% for Business Profits Tax and Business Enterprise Tax, respectively. In addition, the State's budget for FYs 2018-2019 includes additional rate reductions for tax years ending on or after December 31, 2019 and 2021.

**Drinking Water and Groundwater Trust**

During fiscal year 2016, the State received approximately \$276 million in proceeds from Exxon Corp. which were placed in a trust fund to be used to operate the State's MTBE remediation bureau within the State's Department of Environmental Services, in accordance with RSA 485-F. Funds will be used for qualifying projects as determined by the New Hampshire Drinking Water and Groundwater Advisory Commission. The Commission and its subcommittees met throughout fiscal year 2017 and expect to begin funding projects in fiscal year 2018.

**Highway Fund Financing**

Beginning in May 2016, the State entered into the Transportation Infrastructure Finance and Innovation Act (TIFIA) financing agreement for \$200 million to advance the construction of the remaining I-93 expansion projects. The loan proceeds are being used on four Federal Highway Administration (FHWA) approved projects included in the I-93 widening project, all of which were active in state fiscal year 2017. These projects are accounted for and reported in the Highway Fund. Total proceeds attributed to fiscal year 2017 expenditures were \$38.3 million, for a total program to date of \$48.0 million, representing a long-term note payable.

**Medicaid Program**

*Managed Care Delivery Model:* Significant changes were made to New Hampshire Medicaid during the 2011 legislative session. Chapter 125, Laws of 2011 directed the fee-for-service program be converted to a managed care delivery model (MCM), however, only medical services have converted to MCM to date. New legislation requires that nursing facility services and services provided under the Choices For Independence (CFI)

waiver, shall be incorporated into the Medicaid managed care delivery system beginning on July 1, 2019 (SB 155, Laws of 2017). The remaining provisions of the second phase of MCM, including services provided under the developmental disability (DD), acquired brain disorder (ABD), and In Home Supports (IHS) waivers shall not be implemented before July 1, 2019. The Commissioner of DHHS, also per [SB 155], shall re-procure contracts with vendors to administer the Medicaid managed care program, with a program start date of July 1, 2019.

*Policy Changes:* The number of individuals enrolled in Medicaid at the beginning of fiscal year 2014 was approximately 140,000. The number of individuals enrolled at the end of fiscal year 2017 was approximately 185,000, representing an increase of 34%. The increase was primarily attributed to two policy changes. An increase of approximately 7% in enrollment was attributable to the federal changes in eligibility criteria included in the Patient Protection and Affordable Care Act (PPACA). The Modified Adjusted Gross Income (“MAGI”) methodology changed the financial eligibility criteria for Medicaid medical services.

*NH Health Protection Program:* The second policy change resulting in increases in Medicaid participation was a result of Senate Bill 413 (codified at 2014 Laws Chapter 3), which required the Department to establish the New Hampshire Health Protection Program (NHHPP), which expanded Medicaid eligibility to newly eligible adults. In August 2014, NHHPP was implemented and this has expanded coverage to an additional 52,313 individuals by the end of fiscal year 2017. Federal financial participation for this expanded population began at 100% and reduces to 90% over time. Beginning January 1, 2016, NHHPP enrollees who are not medically frail were required to purchase coverage with a qualified health plan doing business in the individual market through the Federally Facilitated Marketplace. Those enrollees who self-attest to being Medically Frail (those having one or more mental, physical or emotional conditions which affect their ability to undertake the daily tasks of living) are excluded from the PAP by the terms of the Premium Assistance Waiver, 11-W-00298/1, issued to New Hampshire by the Centers for Medicare and Medicaid Services. As of January 1, 2017, the program was 95% funded by the federal government. As of January 1, 2018, the program is expected to be funded 94% by the federal government. Current State law authorizes the program through December 31, 2018, utilizing third party funding to cover the non-federal share and prohibiting use of moneys from the State general fund toward this cost. CMS has identified concerns with the State’s use of voluntary donations to cover the non-federal share of the program, but allowed the State through the 2018 legislative session to address the concerns over third-party funding sources. Expenses for the NHHPP for SFY 2018 are estimated at \$490 million total funds.

HB 1696 reauthorized the program to operate through December 31, 2018 and it is unknown what action, if any, the Governor and Legislature may take with respect to this program upon its scheduled expiration.

*New Hampshire Medicaid Financial Summary:* Though New Hampshire Medicaid program deploys a robust array of management strategies to contain Medicaid costs, but economic forces and state and federal regulations also impact Medicaid spending. Total expenditures are a function of enrollment of qualified applicants, provider rates, and service utilization on the fee-for service side of the program and are a function of enrollment and per-member per month rates paid to Managed Care Organizations on the managed care side of the program. Enrollment fluctuations result primarily from changes in the State economy, in particular the unemployment rate, and changes in policy at the state or federal level that impact Medicaid eligibility.

In fiscal year 2017, the Medicaid program experienced slower-than-anticipated declines in enrollment and experienced an unbudgeted increase in managed care rates. Combined, these two changes created a budget shortfall of approximately \$34.3 million for fiscal year 2017. This was covered by an additional appropriation from the General Court along with transfers of surpluses from other areas of the DHHS budget.

In addition, CHIP reauthorization includes an increase from 65% to 88% federal funding until 2017, offsetting state general fund requirements by \$10-\$15 million each year beginning October 1, 2015 through September 30, 2017. Although no action has yet been taken to extend the CHIP funding, under current law, states may utilize the balance of unused federal fiscal year 2017 CHIP allotments until those funds are exhausted. The approved State fiscal year 2018-2019 budget, anticipates that the CHIP program would not be re-authorized beyond the first quarter ending September 30, 2017. The remaining seven quarters of the Biennium budget, funds the CHIP Medicaid expansion program at the regular Medicaid match rate of 50%. As of November 8, 2017, the CHIP program has not been reauthorized.

*Section 1115 Transformation Waiver:* On January 5, 2016 the Centers for Medicare and Medicaid Services (CMS) approved New Hampshire’s Section 1115 Research and Demonstration Transformation Waiver, # 11-W-00301/1 to access new federal funding to help transform its behavioral health delivery system. This Demonstration Waiver will allow the state to access up to \$150 million over the next five years for the purpose of strengthening and expanding capacity for the states’ behavioral health system. Under the waiver the State, including local county governments, are not required to spend any new or additional funds. However, in order to continue to receive the additional federal matching funds, spending on the existing health related programs are expected to continue. Under the transformation waiver received by New Hampshire, CMS will provide the State with up to \$30 million in funding each year for five years. There are two distinct federal funding streams associated with the waiver, a federal reimbursement for Designated State Health Programs (“DSHP”) and a federal reimbursement for Delivery System Reform Incentive Payments (“DSRIP”). The DSHP funds consist of new federal matching funds received on existing state and local health related programs. Under the Waiver approval, DSHP funds will be disbursed to fund new DSRIP reform projects. DSRIP performance based payments made to the regionally based networks of medical and community social service providers called Integrated Delivery Networks (IDN’s) processed in fiscal year 2017 were \$24.9 million. Expenditures for SFY’s 2018 and 2019 will be no more than \$30 million per year.

*New Hampshire’s Disproportionate Share Hospital (“DSH”) Program; Chapter 158, Laws of 2014:* This statute codified the State’s settlement with hospitals over the use of MET revenue, revising services taxable under the MET and clarifying that the MET is a health care-related tax. The statute removes the application of the MET to special hospitals for rehabilitation, changes the payment schedule for the tax and the method for collecting overdue tax payments, and provides for a phased in reduction in the rate of the tax. The statute also clarified the priority in which MET can be applied to DSH payments to hospitals and for Medicaid provider payments. New Hampshire’s Critical and Non Critical Access Hospitals file their MET in April and, under new rules, will self-report UCC in January. DSH Payments are required to be paid to New

Hampshire hospitals to reimburse for care for which they have not been paid, known as “Uncompensated Care” and are funded by the MET and federal Medicaid matching funds. MET is currently assessed at 5.4% of net patient service revenue, collected by the DRA, and subsequently transferred to DHHS. The tax rate may be lowered to 5.25% in state fiscal year 2018 if total UCC falls below \$375 million. The DHHS is targeting early March to complete the UCC calculation and inform the Commissioner of DRA whether the \$375 million threshold was met in order to determine the appropriate tax rate for the April 15, 2018 MET payment.

DSH payments are paid annually by May 31st and are processed in the following priority order (subject to certain caps at both the ceiling and floor level):

- (1) Critical Access Hospital will be reimbursed at an amount equal to 75% of UCC
- (2) Non-Critical Access Hospital will be reimbursed at an amount equal to 50% of UCC.
- (3) Remaining funds shall support Medicaid Provider payments

The State’s fiscal year 2017 DSH obligation was higher than anticipated at the time the SFY 2016/2017 budget was enacted because of a dispute over the clarification to the definition of uncompensated care by the federal government that resulted in the issuance of a permanent order by the Federal District Court in New Hampshire in *NHHA v. Sylvia Matthews Burwell*. The effect of the order was to prevent the inclusion of any third party payments against hospital costs to arrive at a net UCC until such time as CMS issued the clarification of the definition by rule-making. Without the rule, third-party revenue for Medicaid patients was excluded thereby resulting in higher calculations of uncompensated care which are subject to a DSH payment. CMS issued a final rule effective June 2, 2017; therefore the 2018 payment will consider all reimbursement for Medicaid services to be compensation. This would bring the anticipated UCC below the established “floor” level of \$350 million, resulting in a DSH payment of \$175 million. That amount would further be reduced by a change in the tax rate or any shortfall in the MET payment, bringing the total anticipated DSH payment for State fiscal year 2018 to the budgeted amount of \$165.7 million. Since issuance of the final order, CMS has appealed the decision in *NHHA v. Sylvia Matthews Burwell* and the NHHA et al. has brought suit against USDHHS questioning the authority of the Secretary to issue this interpretation in rule. The outcome of these cases could impact future DSH payments.

### **Retirement Funding**

The New Hampshire Retirement System is the administrator of the cost-sharing multiple-employer Public Employee Retirement System (NHRS) established in 1967 by RSA 100-A:2 (see Note 11). The New Hampshire Judicial Retirement Plan (NHJRP) is a single employer plan established in 2005 by RSA 100-C:2. For the year ended June 30, 2015, the State implemented GASBS No. 68, *Accounting and Financial Reporting for Pensions*, (GASBS 68), which significantly changed how governments measure and report the long-term obligations and annual costs associated with the pension benefits they provide through pension plans administered through trust or equivalent arrangements. Under the new standards, the State reports a net pension liability associated with pension benefits provided through the NHRS and the NHJRP. Based on GASBS 68, as of June 30, 2017 the State reported a total liability of \$1,082.4 million for its proportionate share of the net pension liability of the NHRS liability and the net pension liability of NHJRP. This liability-based approach replaces the funding progress-based approach in place before fiscal year 2015.

### **Funding Status:**

The Pension Plan is funded by contributions from the members, the State and local employers and investment earnings. The State has enacted various legislative changes in recent years in order to address certain issues pertaining to the Pension Plan, including, among other matters, the level of benefits to be received by retirees and the contributions required to be made by employers and employees.

### **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, 2016 (most recent valuation), the State’s estimated unfunded actuarial accrued liability (UAAL) was estimated at approximately \$2.3 billion, a slight increase over the previous valuation of \$2.1 billion as of December 31, 2014. The increase is primarily attributable to normal plan operations such as continuing accruals for active employees and interest on the total liability less benefit payments. The smaller than expected increase of \$144M was partially due to increases in retiree premium contributions.

In the fiscal year 18/19 budget, the legislature increased the revenue paid by retirees to the Retiree Health Benefit Plan. The legislature created a new revenue source by requiring, for the first time ever, Medicare retirees born on or after January 1, 1949 to pay 10% of the monthly premium for Medicare Retiree Health Benefits. This revenue source will continue to grow as more retirees age into Medicare eligibility. In addition, the legislature further increased the premium contribution percentage paid by Non-Medicare retirees. Building on the Non-Medicare premium contribution increase from 12.5% to 17.5% that was effective on January 1, 2016, the legislature raised the premium contribution for Non-Medicare retirees from 17.5% to 20% effective October 1, 2017. The Non-Medicare and Medicare retiree premium contribution increases offset the projected increase in UAAL by approximately \$132 million.

## **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 June of that same odd numbered year.

The legal level of budgetary control is generally at the expenditure class level within each accounting unit within each department level. All departments are authorized to transfer appropriations between and among accounts within the department, unless restricted by law, 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.

Throughout fiscal year 2017, 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. In some instances, agencies continue to use other applications to track financial data; however, transactions are recorded in NHFirst and reconciled on a periodic basis.

## 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, 2017.

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 2018.

## 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, 2016. This is the eighth consecutive year that the State has 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.

Respectfully submitted,



Charles M. Arlinghaus, Commissioner



Government Finance Officers Association

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Presented to

**State of New Hampshire**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2016**

*Christopher P. Morill*

Executive Director/CEO

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# Financial Section

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KPMG LLP  
515 Broadway  
Albany, NY 12207-2974

## Independent Auditors' Report

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, 2017, 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 6.1% and 80.0%, respectively, of the assets and revenues of the business-type activities. Additionally, we 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 12.9% and 13.2%, respectively, of the assets and revenues of the aggregate discretely presented component units. Further, we did not audit the New Hampshire Judicial Retirement Plan and the New Hampshire Public Deposit Investment Pool, which represent 2.5% and 10.4%, respectively, of the assets and revenues of the aggregate remaining fund information. Those statements were audited by other auditors whose reports have 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*.



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, 2017, 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 Matter**

As discussed in note 1(t) to the basic financial statements, in 2017, the State adopted Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, GASB Statement No. 77, *Tax Abatement Disclosures*, and GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*. 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, information about the New Hampshire Retirement System and information about the New Hampshire 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 Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the 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.

#### *Supplementary and 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 the 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 22, 2017 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State's 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**

Albany, New York  
December 22, 2017



# 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, 2017. 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 and deferred inflows of resources as of June 30, 2017 by \$2.6 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, \$1.6 billion 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 \$50.6 million, or 2.0%, in fiscal year 2017 from \$2,540.4 million to \$2,591.0 million, as shown in the Comparative Changes in Net Position table within this report. Also as reflected in this table, the net position of governmental activities decreased by \$11.6 million (1.1%), from \$1,022.7 million to \$1,011.1 million in fiscal year 2017. Net position of the business-type activities showed an increase of \$62.2 million (4.1%) related to fiscal year 2017 activity, from \$1,517.6 million to \$1,579.8 million. Total expenses for the period were \$299.6 million, or 4.5% higher than fiscal year 2016 and total revenues were approximately \$75.8 million or 1.1% higher than fiscal year 2016.

**Non-Current Liabilities:** The State's total non-current liabilities increased by \$349.1 million or 10.2% during the current fiscal year, and is largely due to the increase of \$248.3 million in the State's aggregate net pension liability as of June 30, 2017 for a total of \$1,082.4 million as compared to \$834.1 million as of June 30, 2016. Reported non-current debt, including bonds and notes, decreased \$22.9 million or 1.7%, as a result of payments on outstanding debt. In addition, the State refunded \$53.8 existing bonds and issued \$50.9 in new bonds during fiscal year 2017. The State issued an additional \$38.3 million of notes payable during fiscal year 2017, related to the Federal Transportation Infrastructure Finance and Innovation Act (TIFIA), as described in Footnote 5 of the Notes to the Basic Financial Statements. Also, an increase in long-term liabilities of \$111.5 million was recorded for other postemployment health benefits in accordance with governmental accounting standards as well as, other minor decreases in liabilities of \$26.1 million.

### **Fund Highlights:**

**Governmental funds - Fund Balances:** As of the close of fiscal year 2017, the State's governmental funds reported a combined balance of all funds of \$902.3 million, an increase of \$9.1 million over the prior year. Within the governmental funds, fund balances for the general fund, highway fund, and education fund increased by \$20.7 million, \$18.0 and \$0.2 million, respectively. This increase was partially offset by a decrease of fund balance of \$29.9 million in the combined non-major governmental funds, as a result of the timing of project expenditures and related bond issuances in the capital fund. The increase in the general fund was driven by a \$58.4 million increase in restricted fund balance, primarily due to the \$36.8 million appropriation for Local Highway and Municipal Bridge Aid (SB 38) approved in July 2017 for fiscal year 2017, and an increase in assigned fund balance of \$27.9 million primarily due to an \$18 million appropriation for Concord Steam (HB 368) approved in March 2017, non-lapsing through June 30, 2019. In addition, the State recognized an \$81.5 million decrease in unassigned fund balance, as fiscal year 2017 ended with an unassigned fund balance of \$100.0 million as compared to \$181.5 million in the previous year. As of June 30, 2017, the entire unassigned fund balance represents the Revenue Stabilization balance. The state legislature utilized much of the June 30, 2016 unassigned fund balance to appropriate funds towards previously deferred infrastructure projects, including a \$13.9 million transfer of general fund surplus to the highway fund for fiscal year 2017. The legislature also designated that any remaining operating surplus from fiscal year 2017 be transferred as follows: \$6.0 million to the Revenue Stabilization balance and the remainder of \$18.7 million to the public school infrastructure fund. This brought the Revenue Stabilization balance to \$100.0 million, as compared to \$93.0 million in the prior year, which included a \$1.0 million transfer from the consumer protection escrow account which was designated toward the State's "Rainy Day fund" per RSA 7:6-f.

## 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 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 30, 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 32, 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 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 of the State of New Hampshire
- Community Development Finance Authority,
- Pease Development Authority, and
- The Community College System of New Hampshire

Complete financial statements of the individual component units can be obtained from their respective administrative offices. Addresses and other additional information about the state's component units are presented in the notes to the 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 35 through 37.

Because the focus of governmental funds is narrower than that of the Government-Wide Financial Statements, it is useful to compare the information presented here with similar information presented in the Government-Wide Financial Statements. Reconciliations are provided between the Governmental Fund Financial Statements and the Government-Wide Financial Statements, which can be found on pages 36 and 38.

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 Projects Fund and Permanent Funds) are provided in the combining statements found on pages 112 and 113.

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

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

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

The State's fiduciary funds on pages 45-46 include the:

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

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

### Major Component Unit

The State has only one major discretely presented component unit - the University System of New Hampshire and four non-major discretely presented component units. This separation is determined by the relative size of the individual entities' assets, liabilities, revenues and expenses in relation to the combined total of all component units. The combining financial statements for the component units can be found on pages 48 and 49.

### Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the financial statements begin on page 51.

### Required Supplementary Information

In addition to this Management's Discussion and Analysis, the basic financial statements and accompanying notes are followed by a section of required supplementary information. This section includes a budgetary comparison schedule for each of the State's major governmental funds, and includes reconciliation between the statutory fund balance for budgetary purposes and the fund balance as presented in the governmental fund financial statements. In addition, information about the New Hampshire Retirement System and the New Hampshire Judicial Retirement Plan, as required under GASBS 68 and a schedule of funding progress for the State's Other Postemployment Benefit Plan are presented.

### 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

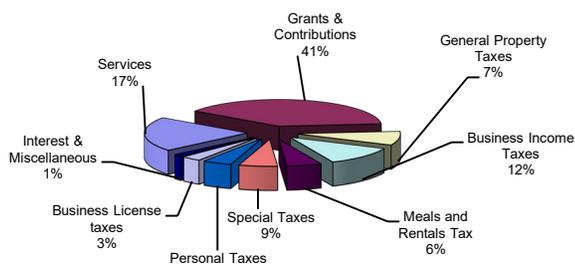
As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The State's combined net position (governmental and business-type activities) totaled \$2.6 billion as of June 30, 2017 which was \$50.6 million, or 2.0%, higher than the net position as of June 30, 2016.

<b>Comparative Net Position as of June 30, 2017 and 2016</b>						
<b>(In Thousands)</b>						
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Current assets	\$1,607,159	\$1,623,638	\$761,019	\$826,708	\$2,368,178	\$2,450,346
Capital assets	3,045,111	2,942,881	952,949	931,480	3,998,060	3,874,361
Other assets	153,802	62,891	473,236	373,276	627,038	436,167
<b>Total assets</b>	<b>4,806,072</b>	<b>4,629,410</b>	<b>2,187,204</b>	<b>2,131,464</b>	<b>6,993,276</b>	<b>6,760,874</b>
<b>Total deferred outflows of resources</b>	<b>290,981</b>	<b>101,639</b>	<b>17,292</b>	<b>6,127</b>	<b>308,273</b>	<b>107,766</b>
Noncurrent liabilities	3,278,123	2,933,476	480,800	476,326	3,758,923	3,409,802
Current liabilities	767,889	728,166	141,629	141,254	909,518	869,420
<b>Total liabilities</b>	<b>4,046,012</b>	<b>3,661,642</b>	<b>622,429</b>	<b>617,580</b>	<b>4,668,441</b>	<b>4,279,222</b>
<b>Total deferred inflows of resources</b>	<b>39,900</b>	<b>46,666</b>	<b>2,236</b>	<b>2,387</b>	<b>42,136</b>	<b>49,053</b>
Net position:						
Net investment in capital assets	2,265,036	2,206,073	528,287	502,720	2,793,323	2,708,793
Restricted	429,246	418,702	1,018,208	997,892	1,447,454	1,416,594
Unrestricted	(1,683,141)	(1,602,034)	33,336	17,012	(1,649,805)	(1,585,022)
<b>Total net position</b>	<b>\$1,011,141</b>	<b>\$1,022,741</b>	<b>\$1,579,831</b>	<b>\$1,517,624</b>	<b>\$2,590,972</b>	<b>\$2,540,365</b>

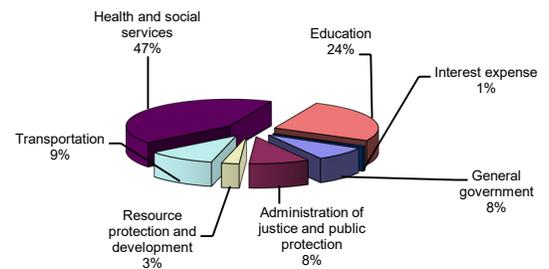
**Comparative Changes in Net Position**  
**For Fiscal Years Ended June 30, 2017 and 2016**  
(In Thousands)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<b>Revenues</b>						
Program revenues:						
Charges for services	\$983,336	\$962,549	\$1,238,364	\$1,223,594	\$2,221,700	\$2,186,143
Operating grants & contributions	2,164,704	2,137,529	20,651	26,374	2,185,355	2,163,903
Capital grants & contributions	188,237	169,643	44	87	188,281	169,730
General revenues:						
General property taxes	403,212	407,276			403,212	407,276
Business income taxes	662,400	693,691			662,400	693,691
Meals and rentals tax	315,680	302,473			315,680	302,473
Special taxes	536,998	521,574			536,998	521,574
Personal taxes	218,833	226,803			218,833	226,803
Business license taxes	184,132	182,582			184,132	182,582
Interest	14,600	17,015			14,600	17,015
Miscellaneous	59,570	43,884			59,570	43,884
Total revenues	<u>5,731,702</u>	<u>5,665,019</u>	<u>1,259,059</u>	<u>1,250,055</u>	<u>6,990,761</u>	<u>6,915,074</u>
<b>Expenses</b>						
General government	482,357	445,931			482,357	445,931
Administration of justice and public protection	516,377	469,263			516,377	469,263
Resource protection and development	177,032	156,899			177,032	156,899
Transportation	558,500	500,899			558,500	500,899
Health and social services	2,843,514	2,717,099			2,843,514	2,717,099
Education	1,361,946	1,358,215			1,361,946	1,358,215
Interest expense	33,437	54,748			33,437	54,748
Turnpike System			99,475	88,091	99,475	88,091
Liquor Commission			549,260	531,064	549,260	531,064
Lottery Commission			228,168	229,488	228,168	229,488
SRF			15,457	9,288	15,457	9,288
Unemployment Compensation Trust Fund			74,631	79,569	74,631	79,569
Total expenses	<u>5,973,163</u>	<u>5,703,054</u>	<u>966,991</u>	<u>937,500</u>	<u>6,940,154</u>	<u>6,640,554</u>
Increase/ (decrease) in net position before transfers and other items	(241,461)	(38,035)	292,068	312,555	50,607	274,520
Special item - environmental litigation settlements		276,457				276,457
Transfers & other items	229,861	235,038	(229,861)	(235,038)		
Increase/ (decrease) in net position	<u>(11,600)</u>	<u>473,460</u>	<u>62,207</u>	<u>77,517</u>	<u>50,607</u>	<u>550,977</u>
Net position - July 1	<u>1,022,741</u>	<u>549,281</u>	<u>1,517,624</u>	<u>1,440,107</u>	<u>2,540,365</u>	<u>1,989,388</u>
Net position - June 30	<u>\$1,011,141</u>	<u>\$1,022,741</u>	<u>\$1,579,831</u>	<u>\$1,517,624</u>	<u>\$2,590,972</u>	<u>\$2,540,365</u>

**Governmental Activities - Revenues**  
**Fiscal Year Ended June 30, 2017**



**Governmental Activities - Expenses**  
**Fiscal Year Ended June 30, 2017**



**Net Investment in Capital Assets:** The largest portion of the State's net position 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 net investment in capital assets increased \$84.5 million from prior year. This increase was primarily the result of a net increase in capital assets of \$123.7 million during the year. 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 Position:** Another portion of the State's net position, \$1,447.5 million, represents resources that are subject to external restrictions on how they may be used. State-imposed designations of resources, unless resulting from enabling legislation, are not presented as restricted net position. Restricted net position increased \$30.9 million from prior year primarily due to the \$36.8 million appropriation for Local Highway and Municipal Bridge Aid (SB 38) approved in July 2017 for fiscal year 2017.

**Unrestricted Net Position:** The deficit in the State's unrestricted net position is \$1,649.8 million which is an increase of \$64.8 million from the deficit of \$1,585.0 million from the previous year. The two largest components of the deficit are the net pension liability of \$1,082.5 million and the net other postemployment benefit obligations of \$1,180.5 million. Combined these non-current liabilities increased the deficit unrestricted net position by \$359.8 million. However, this deficit increase was offset by the effect of increased government-wide revenues, as revenues exceeded expenses by \$50.6 thousand in 2017, as compared to \$274.5 thousand in 2016.

### Changes in Net Position

The State's total net position increased by \$50.6 million, or 2.0%, from current fiscal year activities. Total revenues were \$6,990.8 million, an increase of \$75.7 million (1.1%) as compared to the prior year, and total reported expenses were \$ 6,940.2 million, an increase of \$299.6 million (4.5%) as compared to the prior year. The increase in expenses surpassed the increase in revenues, contributing to a lower increase in net position as compared to the increase in fiscal year 2016.

More than half of the State's revenue (65.7%) is from program revenue, consisting of charges for services, and federal and local grants. Revenues not specifically targeted for a specific program are known as general revenues, which are primarily from taxes. In total, program revenues exceeded the prior fiscal year by \$75.6 million and general revenues were relatively flat, only increasing by \$127 thousand. Program revenues were higher in fiscal year 2017 mainly as a result of additional federal grant funding in the areas of Transportation and Health and Social Services.

The State's expenses cover a range of services. The largest expenses were for Health and Social Services and Education, which accounted for 41.0% and 19.6% of total expenses, respectively. Increases in the State's Health and Social Services expenses are discussed below.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	\$Change	% Change	\$Change	% Change	\$Change	% Change
	<b>Revenues</b>					
<b>Program revenues:</b>						
Charges for services	20.8	2.2%	14.8	1.2%	35.6	1.6%
Operating grants & contributions	27.2	1.3%	(5.7)	-21.7%	21.5	1.0%
Capital grants & contributions	18.6	11.0%			18.6	10.9%
<b>General revenues:</b>						
General property taxes	(4.1)	-1.0%			(4.1)	-1.0%
Business income taxes	(31.3)	-4.5%			(31.3)	-4.5%
Meals and rental taxes	13.2	4.4%			13.2	4.4%
Special taxes	15.4	3.0%			15.4	3.0%
Personal taxes	(8.0)	-3.5%			(8.0)	-3.5%
Business license taxes	1.6	0.8%			1.6	0.8%
Interest	(2.4)	-14.2%			(2.4)	-14.2%
Miscellaneous	15.7	35.7%			15.7	35.7%
<b>Total revenues</b>	<b>66.7</b>	<b>1.2%</b>	<b>9.1</b>	<b>0.7%</b>	<b>75.8</b>	<b>1.1%</b>
<b>Expenses</b>						
General government	36.4	8.2%			36.4	8.2%
Administration of justice and public protection	47.1	10.0%			47.1	10.0%
Resource protection and development	20.1	12.8%			20.1	12.8%
Transportation	57.6	11.5%			57.6	11.5%
Health and social services	126.4	4.7%			126.4	4.7%
Education	3.7	0.3%			3.7	0.3%
Interest expense	(21.3)	-38.9%			(21.3)	-38.9%
Turnpike System			11.4	12.9%	11.4	12.9%
Liquor Commission			18.2	3.4%	18.2	3.4%
Lottery Commission			(1.3)	-0.6%	(1.3)	-0.6%
SRF			6.2	66.4%	6.2	66.4%
Unemployment Compensation Trust Fund			(4.9)	-6.2%	(4.9)	-6.2%
<b>Total expenses</b>	<b>270.0</b>	<b>4.7%</b>	<b>29.6</b>	<b>3.1%</b>	<b>299.6</b>	<b>4.5%</b>

### **Governmental Activities**

Governmental activities decreased the State's net position by \$241.5 million, before transfers and other items. Revenues increased by \$66.7 million or 1.2% from the prior year to total \$5.7 billion. Total program revenue, consisting of charges for goods and services, and federal and local grants, increased \$66.5 million or 2.0%, while taxes and other revenues were relatively flat, with an increase of \$127 thousand, or 0.01%. Reported expenses increased \$270.1 million or 4.7%. The rise in program revenues was driven largely by an increase in federal grants, with the largest increase relating to federal funding for newly eligible Medicaid patients through the New Hampshire Health Protection Program. In general revenues, there was an increase in fiscal year 2017 in the Medicaid Enhancement Tax, which is paid to the State by hospitals in New Hampshire and is based on certain revenues that those hospitals receive, offset by a decrease in the business tax collections in fiscal year 2017 as compared to 2016, which experienced exceptionally high business tax collections due to the improved economic conditions within the State. The increase in expenses is primarily due to corresponding spending associated with the increase in federal grant revenue.

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 above. 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 many of these significant program costs are not fully recovered from program revenues, these programs are supplemented from general revenues.

### **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 \$292.1 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 \$153.9 million, a decrease of \$3.4 million (2.2%) from the prior year. Transfers from the Liquor Commission to the General Fund totaled \$153.7 million for fiscal year 2017 and were used to fund the general operations of the State. The Lottery Commission net income before transfers of \$76.2 million was a decrease of \$2.9 million (3.7%) as compared to the prior year. The increases in net income at both the Liquor Commission and the Lottery Commission were mostly attributable to higher sales, largely due to continued opening of new Liquor stores and large big game jackpots. Additionally, the Turnpike System generated net income before transfers of \$37.8 million, down from \$47.6 million in the prior year, as a result of a general increase in operating expenses. The operations of the Unemployment Compensation fund yielded an increase in net position of \$5.5 million, which is up from an increase of \$3.8 million in the prior year. The operations of the State Revolving Fund yielded an increase in net position of \$18.7 million, down from \$24.8 million in the prior year.

## **FINANCIAL ANALYSIS OF THE STATE'S FUNDS**

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

### **Governmental Funds**

The focus of the State's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the State's financing requirements. In particular, 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 increased \$9.1 million in fiscal year 2017. A deficiency of revenues under expenditures of \$334.8 million was funded by \$343.0 million of net transfers from Enterprise Funds and Other Financing Sources, resulting in a net increase in Governmental Fund Balance.

#### **General Fund**

The general fund is the primary operating fund of the State. The total fund equity at June 30, 2017 is \$752.9 million, which was an increase of \$20.7 over the prior year balance of \$732.2 million. Revenues in the general fund were \$4,207.2 million, \$47.4 million (1.1%) higher than the prior year, with the increase largely the result of increases fines, penalties and interest (including securities administration revenues), and federal grants received during fiscal year 2017. Expenditures increased by \$110.6 million (2.7%) to \$4,279.1 million, which was primarily the result of the increase in Health and Social Services expenditures. Both revenue and expenditures were higher during fiscal year 2017 due to continued increases in health and social services' federally-funded programs, including the New Hampshire Health Protection Program. In addition, transfers out of the general fund to support the education trust fund deficit were higher in fiscal year 2017 by \$25.0 million, as contemplated through the '16-17 biennial budget process. The combination of the deficiency of revenues under expenditures of \$71.9 million and the additional transfer to the education trust fund, resulted in only a \$20.7 million increase in fund equity in fiscal year 2017.

The June 30, 2017 general fund unassigned fund balance was comprised only of the Rainy Day fund amount of \$100.0 million, an overall decrease of \$81.5 million from the prior year (the Rainy Day fund balance as of June 30, 2016 was \$93.0 million). While unrestricted revenues in fiscal year 2017 were higher than the planned amount by \$96.1 million, additional 2017 appropriations were approved as part of a legislative effort to use surplus funds from the current biennium to fund deferred infrastructure projects, resulting in additional fiscal year 2017 expenditures, and a transfer of \$6 million to the Rainy Day fund. In addition, \$1.0 million of the Rainy Day fund increase was the result of a transfer from the consumer protection escrow account.

#### **Education Fund**

The education fund, before year-end transfers from other funds, had a deficit balance of \$129.0 million. Approximately \$76.1 million was transferred from the Enterprise funds and the general fund made a transfer from unassigned fund balance for the remaining \$53.1 million to bring the education assigned fund balance to \$4.8 million at June 30, 2017. The remaining fund balance within the education fund primarily represents the remaining fiscal year 2017 appropriations available for Charter Schools.

#### **Highway Fund**

The highway fund ended the year with a restricted fund balance of \$115.6 million and assigned fund balance of \$13.9 million. As the highway fund revenues include revenues primarily restricted by the State Constitution or the Federal Government, the fund balance as of June 30, 2017 is

predominantly classified as restricted, however, a transfer of funds from general fund unrestricted fund balance occurred at the end of fiscal year 2017 resulting in a portion designated as assigned fund balance. In total, fund balance decreased only \$0.3 million from the fiscal year 2016 restricted fund balance of \$129.8 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 99.

### **General Fund:**

The net increase from the original budget of \$4,408.1 million to the final budget of \$5,396.0 million is \$987.9 million and represents additional appropriations issued after adoption of the operating budget, primarily in the following categories of government: Health & Social Services (\$837 million), Justice & Public Protection (\$77 million) and Transportation (\$41 million). The budget increase is due largely to appropriations for federal programs not part of the adopted operating budget, including the New Hampshire Health Protection Program.

Actual total revenue was less than the final budget by approximately \$733.9 million which was primarily the result of lower federal grant revenues. The federal grant revenue unfavorable variance of \$602.6 million was due primarily to the timing of program expenditures. Total actual expenditures were approximately \$1,054.3 million lower than the final budget, primarily within the Department of Health & Human Services, the Department of Justice, the Department of Education, the Department of Transportation and the Department of Environmental Services. This variance was largely due to the timing of program expenditures and certain multi-year supplemental appropriations which were approved late in the fiscal year.

### **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, 2017, amounted to \$7.3 billion, with accumulated depreciation amounts of \$3.3 billion, leaving a net book value of \$4.0 billion, consistent with the 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 \$2.4 billion, representing a \$0.1 billion increase from the prior year. During fiscal year 2017, the State recognized additional expense of \$21 million to record the impairment of certain assets that had been previously capitalized as part of the Department of Transportation's project to upgrade the Conway, New Hampshire bypass corridor.

The 2016-2017 capital budget authorizes nearly \$271 million in capital appropriations, leveraging approximately \$126 million in general fund bonding authority, with the balance from other sources. Some of the State's larger projects resulting in capitalized assets during fiscal year 2017 include:

- Construction in progress of approximately \$22.6 million towards completion of a new, 224-bed women's prison (\$38 million authorized in the fiscal year 2014-2015 capital budget, with another \$14 million authorized in the fiscal year 2016-2017 budget).
- Building and land improvements of approximately \$9 million relating to National Guard Armory locations as well as final completion of the newly constructed National Guard Training facility, which had been previously capitalized as construction in progress.
- Departments of Safety and Transportation equipment expenditures totaling \$15.4 million towards communications, transportation and other operational improvements.
- Department of Safety construction in progress expenditures totaling \$4.6 million towards the new Marine Patrol headquarters in the lakes region.
- Department of Transportation continued expenditures towards highways, bridges and other state infrastructure improvements.

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 and notes, 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 debt outstanding of \$1,454.6 million. Of this amount, \$915.3 million are general obligation bonds and notes payable, which are backed by the full faith and credit of the State, and \$137.9 million are Federal Highway Grant Anticipation Bonds (GARVEE). The remainder of the State's debt is Turnpike revenue bonds, which are secured by the specified revenue sources within the Turnpike System.

On July 12, 2016, the State issued \$3.9 million of general obligation capital improvement bonds. The bonds were sold via private placement with the New Hampshire Municipal Bond Bank ("NHMBB"). The proceeds are being used to finance various capital projects of the State. The NHMBB holds the bonds as investments in its Debt Service Reserve Fund.

The State issued \$63.4 million General Obligation Capital Improvement Bonds 2016 Series B on November 30, 2016 through a competitive sale and resulted in an overall true-interest-cost (TIC) to the state of 2.80% with coupons ranging from 3.00% to 5.00% and with final maturity on 6/1/2036. The proceeds of these bonds will be used to fund all or part of various capital projects of the State.

The State also issued \$50.9 million General Obligation Refunding Bonds 2016 Series A on November 30, 2016 for the current and advanced refunding of outstanding general obligation debt of the State. The Series A Refunding Bonds were sold through a competitive sale which resulted in an overall true-interest-cost (TIC) to the state of 1.69% with coupons at 5.00% and final maturity on 10/15/2024. These bonds were used to refund \$53.8 million of existing outstanding bonds which resulted in an overall net present value savings of \$2.8 million or 5.17% savings on the refunded bonds.

In May 2016, the State entered into the Transportation Infrastructure Finance and Innovation Act (TIFIA) financing agreement to advance the construction of the remaining I-93 expansion projects. The loan proceeds are being used on four Federal Highway Administration (FHWA) approved projects included in the I-93 widening project, of which were active in the state fiscal year 2017. Total proceeds attributed to fiscal year 2017 expenditures were \$38.3 million, representing a long-term note payable.

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 continuing to emerge from the recent recession buoyed by some strong positive economic indicators, but also with potential 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 coming out of this recession than many other states in the region and the nation. The State's preliminary October 2017 unemployment rate of 2.7% (seasonally adjusted) continues to be below the national average of 4.1%.

*Fiscal Year 2018 Revenue Performance for the five months ended November 30, 2017:*

Unrestricted revenue for the General and Education Funds received year to date through the month of November totaled \$709.1 million, which was above plan by \$11 million (1.6%) and above prior year by \$29.3 million (4.3%).

Some of the strong performing revenue categories behind the positive variance, which are typically indicative of the overall economic climate, were:

- Business Taxes totaled \$189.5 million through November, which was \$11.7 million (6.6%) above plan and \$17.4 million (10.1%) above prior year.
- Tobacco Tax receipts through November of \$97.5 million were \$1.6 million (1.7%) above plan and \$4.0 million (4.3%) above prior year.
- Collections for the Interest and Dividends Tax through November of \$20.2 million were \$0.8 million (10.0%) above plan and only \$1.3 million (6.9%) above prior year.

The positive variances above were partially offset by:

- Meals and Rentals Tax receipts through November were \$1.0 million (0.6%) below plan and \$6.8 million (4.4%) above prior year.
- Real Estate Transfer Taxes through November were \$4.8 million (6.3%) below plan and \$0.7 million (1.0%) above prior year.
- Collections for the Communications Services Tax for the month were \$3.7 million, equal to plan and \$0.2 million (5.1%) below prior year. YTD collections of \$18.7 million were equal to plan and \$2.0 million (9.7%) below prior year. According to DRA, this revenue continues to be on target.

On an annual basis, the fiscal year 2018 General and Education Funds revenue Plan of \$2,443.9 million is approximately \$36.0 million higher (1.5%) than the actual traditional revenue realized in fiscal year 2017 (\$2,407.9 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.

Additional discussion of the region's economy is found in the Commissioner's Transmittal Letter.

### **REQUESTS FOR INFORMATION**

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



## **Basic Financial Statements**

**STATE OF NEW HAMPSHIRE**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2017**  
**(Expressed in Thousands)**

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and Cash Equivalents	\$456,732	\$98,388	\$555,120	\$88,374
Cash and Cash Equivalents-Restricted	340,342	444,065	784,407	21,550
Investments				162,734
Investments - Restricted		91,913	91,913	
Receivables (Net of Allowances for Uncollectibles)	676,683	16,972	693,655	47,355
Other Receivables-Restricted	64,080	45,530	109,610	
Internal Balances Receivable (Payable)	20,316	(20,316)		
Inventories	23,888	79,596	103,484	
Other Current Assets	25,118	70	25,188	9,247
Other Current Assets-Restricted		4,801	4,801	
Total Current Assets	1,607,159	761,019	2,368,178	329,260
<b>Noncurrent Assets:</b>				
Receivables (Net of Allowances for Uncollectibles)	10,749		10,749	50,282
Other Receivables-Restricted	1,599	394,394	395,993	
Investments	28,860		28,860	750,609
Investments-Restricted	112,594	74,759	187,353	
Other Assets				16,238
Other Assets-Restricted		4,083	4,083	
<b>Capital Assets:</b>				
Land & Land Improvements	676,777	106,408	783,185	31,064
Buildings & Building Improvements	875,465	51,362	926,827	2,008,196
Equipment & Computer Software	430,059	77,109	507,168	165,397
Construction in Progress	231,637	75,463	307,100	122,271
Infrastructure	3,756,810	1,059,664	4,816,474	
Less: Allowance for Depreciation	(2,925,637)	(417,057)	(3,342,694)	(1,022,264)
Net Capital Assets	3,045,111	952,949	3,998,060	1,304,664
Total Noncurrent Assets	3,198,913	1,426,185	4,625,098	2,121,793
Total Assets	4,806,072	2,187,204	6,993,276	2,451,053
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	290,981	17,292	308,273	54,850

**STATE OF NEW HAMPSHIRE**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2017**  
**(Expressed in Thousands)**

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Accounts Payable	\$436,274	\$71,869	\$508,143	\$61,806
Accrued Payroll	44,643	3,721	48,364	6,491
Unearned Revenue	112,794	16,780	129,574	40,616
Unclaimed Property & Prizes	15,594	6,636	22,230	
General Obligation Bonds Payable	85,144	4,380	89,524	
Federal Highway Grant Anticipation Bond Payable	12,985		12,985	
Claims & Compensated Absences Payable	44,236	1,922	46,158	7,434
Other Liabilities	16,219	18,431	34,650	12,646
Revenue Bonds Payable		17,890	17,890	22,417
Total Current Liabilities	767,889	141,629	909,518	151,410
<b>Noncurrent Liabilities:</b>				
General Obligation Bonds Payable, Net	744,288	33,530	777,818	
Federal Highway Grant Anticipation Bond Payable	125,000		125,000	
Revenue Bonds Payable, Net		383,390	383,390	481,401
Notes Payable	47,989		47,989	
Claims & Compensated Absences Payable	96,607	5,957	102,564	27,178
Postemployment Benefits Payable	1,180,498		1,180,498	50,251
Derivative Instruments - Interest Rate Swaps				25,759
Net Pension Liability	1,029,774	52,666	1,082,440	77,703
Other Noncurrent Liabilities	53,967	5,257	59,224	72,047
Total Noncurrent Liabilities	3,278,123	480,800	3,758,923	734,339
Total Liabilities	4,046,012	622,429	4,668,441	885,749
<b>DEFERRED INFLOWS OF RESOURCES</b>	39,900	2,236	42,136	12,822
<b>NET POSITION</b>				
Net Investment in Capital Assets	2,265,036	528,287	2,793,323	812,642
Restricted for Debt Repayments		55,806	55,806	
Restricted for Uninsured Risks		3,434	3,434	
Restricted for Unemployment Benefits	11,569	300,379	311,948	
Restricted for Permanent Funds-Expendable	12,011		12,011	
Restricted for Permanent Funds-Non-Expendable	11,821		11,821	
Restricted for Prize Awards - MUSL & Tri-State		4,083	4,083	
Restricted for Environmental Remediation	339,736		339,736	
Restricted for Environmental Loan Programs	1,610	654,352	655,962	
Restricted for Health and Social Services	52,499		52,499	
Restricted for Facility Sustainment		154	154	
Restricted Component Unit Net Position				514,099
Unrestricted Net Position (Deficit)	(1,683,141)	33,336	(1,649,805)	280,591
Total Net Position	\$1,011,141	\$1,579,831	\$2,590,972	\$1,607,332

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

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**STATE OF NEW HAMPSHIRE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**  
**(Expressed in Thousands)**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>PRIMARY GOVERNMENT</b>				
<b>Governmental Activities:</b>				
General Government	\$482,357	\$313,725	\$31,707	
Administration of Justice & Public Protection	516,377	397,049	69,680	\$20
Resource Protection and Development	177,032	95,579	41,028	
Transportation	558,500	15,363	12,403	188,217
Health and Social Services	2,843,514	159,600	1,823,082	
Education	1,361,946	2,020	186,804	
Interest Expense	33,437			
Total Governmental Activities	5,973,163	983,336	2,164,704	188,237
<b>Business-type Activities:</b>				
Turnpike System	99,475	137,270		44
Liquor Commission	549,260	703,136		
Lottery Commission	228,168	304,322		
SRF	15,457	13,492	20,651	
Unemployment Compensation	74,631	80,144		
Total Business-type Activities	966,991	1,238,364	20,651	44
Total Primary Government	6,940,154	2,221,700	2,185,355	188,281
<b>COMPONENT UNITS</b>				
University System of New Hampshire	830,961	575,112	157,120	7,828
Non-Major Component Units	157,420	74,082	31,108	7,468
Total Component Units	\$988,381	\$649,194	\$188,228	\$15,296

**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  
Transfers - Internal Activities  
Total General Revenues and Transfers  
Changes in Net Position  
**Net Position - July 1, restated (\*)**  
**Net Position - June 30**

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


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<b>Primary Government</b>			
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Component Units (*)</b>
\$(136,925)		\$(136,925)	
(49,628)		(49,628)	
(40,425)		(40,425)	
(342,517)		(342,517)	
(860,832)		(860,832)	
(1,173,122)		(1,173,122)	
(33,437)		(33,437)	
(2,636,886)		(2,636,886)	
	\$37,839	37,839	
	153,876	153,876	
	76,154	76,154	
	18,686	18,686	
	5,513	5,513	
	292,068	292,068	
(2,636,886)	292,068	(2,344,818)	
			\$(90,901)
			(44,762)
			\$(135,663)
403,212		403,212	
662,400		662,400	
315,680		315,680	
536,998		536,998	
218,833		218,833	
184,132		184,132	
14,600		14,600	102,599
59,570		59,570	
			128,386
229,861	(229,861)		
2,625,286	(229,861)	2,395,425	230,985
(11,600)	62,207	50,607	95,322
1,022,741	1,517,624	2,540,365	1,512,010
\$1,011,141	\$1,579,831	\$2,590,972	\$1,607,332

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, 2017**  
**(Expressed in Thousands)**

	<b>General</b>	<b>Highway</b>	<b>Education</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b><u>ASSETS</u></b>					
Cash and Cash Equivalents	\$619,237	\$121,044		\$9,566	\$749,847
Investments	118,183			23,271	141,454
Receivables (Net of Allowances for Uncollectibles)	587,678	54,842	\$82,493	3,409	728,422
Due from Other Funds	57,302	232		6,589	64,123
Other Assets	24,891				24,891
Inventories	5,122	18,258		508	23,888
Loan Receivables	12,359				12,359
Total Assets	1,424,772	194,376	82,493	43,343	1,744,984
<b><u>LIABILITIES</u></b>					
Accounts Payable	385,087	32,788	1,653	15,635	435,163
Accrued Payroll	35,505	8,249		889	44,643
Due to Other Funds	121		13,683	30,003	43,807
Unearned Revenue	108,463	4,331			112,794
Unclaimed Property	15,594				15,594
Other Liabilities	74				74
Total Liabilities	544,844	45,368	15,336	46,527	652,075
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>					
	127,013	1,216	62,400		190,629
<b><u>FUND BALANCES</u></b>					
Nonspendable:					
Inventories	5,122	18,258		508	23,888
Permanent Fund Principal				11,821	11,821
Restricted	553,760	115,634		16,035	685,429
Committed	32,006			2,481	34,487
Assigned	62,027	13,900	4,757	1,394	82,078
Unassigned:					
Revenue Stabilization	100,000				100,000
Other				(35,423)	(35,423)
Total Fund Balances (Deficits)	752,915	147,792	4,757	(3,184)	902,280
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$1,424,772	\$194,376	\$82,493	\$43,343	\$1,744,984

**STATE OF NEW HAMPSHIRE  
RECONCILIATION OF THE BALANCE SHEET-  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
JUNE 30, 2017  
(Expressed in Thousands)**

**Total Fund Balances for Governmental Funds** \$902,280

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. 3,045,111

Revenues that will be collected after year-end and are not available to pay for the current period's expenditures are reported as deferred inflows of resources in the funds. 190,629

Revenues that will be collected after year-end and are not available 227

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. 34,509

Net deferred outflows of resources related to deferred losses on refunding of bonds payable are not reported in the funds. 14,875

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

Compensated Absences, Workers' Compensation	(116,906)	
Net Pension Liability, Net of Deferred Amounts	(793,568)	
Other Postemployment Benefits	(1,180,498)	
Pollution Remediation Obligation	(51,462)	
Capital Lease Obligations	(6,528)	
Bonds and Notes Payable	(1,015,406)	
Advance Construction Commitments to Municipalities	(562)	
Interest Payable and Other Liabilities	(11,560)	(3,176,490)

**Net Position of Governmental Activities** \$1,011,141

STATE OF NEW HAMPSHIRE  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Expressed in Thousands)

	General	Highway	Education	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
General Property Taxes	\$226		\$405,186		\$405,412
Special Taxes	1,197,023		292,555		1,489,578
Personal Taxes	128,161		90,472		218,633
Business License Taxes	23,697	\$184,132			207,829
Non-Business License Taxes	121,555	89,674		\$10,761	221,990
Fees	160,824	23,871		2,372	187,067
Fines, Penalties and Interest	18,579	6,597	2	135	25,313
Grants from Federal Government	2,002,944	171,624		25,683	2,200,251
Grants from Private and Local Sources	168,344	2,881		399	171,624
Rents and Leases	1,294	143			1,437
Interest, Premiums and Discounts	15,604			1,173	16,777
Sale of Commodities	14,617	5,749		204	20,570
Sale of Service	28,929	4,874			33,803
Assessments	60,203				60,203
Grants from Other Agencies	64,579	7,844		6,029	78,452
Miscellaneous	200,581	1,973	40,003	3,829	246,386
Total Revenues	4,207,160	499,362	828,218	50,585	5,585,325
<b>EXPENDITURES</b>					
Current:					
General Government	346,593		1,694		348,287
Administration of Justice and Public Protection	439,359	59,040		90	498,489
Resource Protection and Development	133,196	1,737		26,869	161,802
Transportation	12,572	304,557			317,129
Health and Social Services	2,817,626			369	2,817,995
Education	397,381		955,540		1,352,921
Debt Service	107,726	31,576		395	139,697
Capital Outlay	24,651	134,585		124,558	283,794
Total Expenditures	4,279,104	531,495	957,234	152,281	5,920,114
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	(71,944)	(32,133)	(129,016)	(101,696)	(334,789)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	1,158	13,988	53,096	2,112	70,354
Transfers in from Enterprise Funds	153,741		76,120		229,861
Transfers Out	(67,684)	(2,670)			(70,354)
Capital Lease Acquisition	4,882				4,882
Payments to Refunding Agent				(55,082)	(55,082)
Bond Premiums				5,862	5,862
Note Issuance		38,304		119,188	157,492
Total Other Financing Sources	92,097	49,622	129,216	72,080	343,015
Net Change in Fund Balances	20,153	17,489	200	(29,616)	8,226
Fund Balances - July 1	732,211	129,791	4,557	26,671	893,230
Change in Inventory	551	512		(239)	824
Fund Balances (Deficits) - June 30	\$752,915	\$147,792	\$4,757	\$(3,184)	\$902,280

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, 2017  
(Expressed in Thousands)**

**Net Change in Fund Balances for Total Governmental Funds, including Change in Inventory** \$9,050

Amounts reported for governmental activities in the Statement of Activities are different because:

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 18,081

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	(2,340)	
Buildings & Building Improvements	62,955	
Equipment & Computer Software	31,706	
Construction in Progress	20,050	
Infrastructure	78,714	
Accumulated Depreciation, Net of Disposals	<u>(88,855)</u>	102,230

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. 8,247

Proceeds of bonds and notes provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond and note 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 repayments exceeded proceeds.

Note Proceeds Received	(38,304)	
Bond Proceeds and Premiums Received	(112,350)	
Repayment of Bond/Note Principal & Interest	147,964	
Amortization of Premiums	12,423	
Increase in Unamortized Loss on Refunding, net	492	
Accretion of Bonds Payable	(99)	
Accrued Interest & Amortization of Premiums	<u>856</u>	10,982

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. These amounts represent changes in:

Compensated Absences, Workers' Compensation	(2,981)	
Other Postemployment Benefits	(111,475)	
Net Pension Liability, Net of Deferred Amounts	(38,814)	
Pollution Remediation Obligation	(2,362)	
Capital Lease Obligation	(4,583)	
Advance Construction Commitments to Municipalities	<u>25</u>	(160,190)

**Change in Net Position of Governmental Activities** \$(11,600)

# Proprietary Fund Financial Statements

## Enterprise Funds

**Turnpike System:** *The Turnpike System presently consists of 89 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 658 total lane miles, 170 bridges, 49 interchanges, 84 toll lanes, and 25 facilities. Since beginning operations in 1950, the Turnpike System has contributed to the development of the New Hampshire economy. It has also been a major factor in the growth of the tourist industry in the State. The Turnpike System consists of three limited access highways: the Blue Star Turnpike (I-95) and the Spaulding Turnpike, (which are collectively referred to as the Eastern Turnpike), and the Central Turnpike. 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 Commission activities are included in this fund. This net income is transferred to the Education Trust 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 Agency 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, 2017  
(Expressed in Thousands)

	Business-Type Activities - Enterprise Funds					Total	Governmental Activities Internal Service Fund
	Turnpike System	Liquor Commission	Lottery Commission	State Revolving Fund	Unemployment Compensation		
<b>ASSETS</b>							
<b>Current Assets:</b>							
Cash and Cash Equivalents	\$92,136		\$6,252			\$98,388	\$47,227
Cash and Cash Equivalents-Restricted	42,006		84	\$103,174	\$298,801	444,065	
Investments - Restricted	17,388			74,525		91,913	
Receivables (Net of Allowances for Uncollectibles)	7,756	\$6,769	2,447			16,972	12,330
Other Receivables-Restricted				28,209	17,321	45,530	
Due from Other Funds	164	29	521			714	
Inventories	2,938	75,416	1,242			79,596	
Other Current Assets	69		1			70	
Other Current Assets-Restricted				4,801		4,801	
Total Current Assets	162,457	82,214	10,547	210,709	316,122	782,049	59,557
<b>Noncurrent Assets:</b>							
Investments - Restricted				74,759		74,759	
Other Receivables-Restricted				394,394		394,394	
<b>Capital Assets:</b>							
Land & Land Improvements	103,717	2,691				106,408	
Buildings & Building Improvements	14,477	36,885				51,362	
Equipment & Computer Software	62,846	13,619	644			77,109	
Construction in Progress	71,330	4,133				75,463	
Infrastructure	1,059,664					1,059,664	
Less: Allowance for Depreciation & Amortization	(396,691)	(19,867)	(499)			(417,057)	
Net Capital Assets	915,343	37,461	145			952,949	
Other Assets - Restricted				4,083		4,083	
Total Noncurrent Assets	915,343	37,461	4,228	469,153		1,426,185	
Total Assets	1,077,800	119,675	14,775	679,862	316,122	2,208,234	59,557
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	5,736	8,262	1,402	1,892		17,292	
<b>LIABILITIES</b>							
<b>Current Liabilities:</b>							
Accounts Payable	8,591	60,128	1,979	1,171		71,869	1,111
Accrued Payroll	1,077	2,020	294	330		3,721	
Due to Other Funds	232	17,694			3,104	21,030	
Unearned Revenue	13,052	2,628	1,100			16,780	
Unclaimed Prizes			6,636			6,636	
General Obligation Bonds Payable		1,541		2,839		4,380	
Revenue Bonds Payable-Current	17,890					17,890	
Accrued Interest Payable	5,192	101				5,293	
Claims & Compensated Absences Payable	315	1,300	83	224		1,922	23,937
Other Liabilities	343	56	85	15	12,639	13,138	
Total Current Liabilities	46,692	85,468	10,177	4,579	15,743	162,659	25,048
<b>Noncurrent Liabilities:</b>							
General Obligation Bonds Payable		18,156		15,374		33,530	
Revenue Bonds Payable	383,390					383,390	
Claims & Compensated Absences Payable	1,716	3,063	434	744		5,957	
Net Pension Liabilities	13,757	27,540	4,948	6,421		52,666	
Other Noncurrent Liabilities	5,003	254				5,257	
Total Noncurrent Liabilities	403,866	49,013	5,382	22,539		480,800	
Total Liabilities	450,558	134,481	15,559	27,118	15,743	643,459	25,048
<b>DEFERRED INFLOWS OF RESOURCES</b>	688	1,050	214	284		2,236	
<b>NET POSITION</b>							
Net Investment in Capital Assets	515,408	12,734	145			528,287	
Restricted for Debt Repayments	55,806					55,806	
Restricted for Uninsured Risks	3,434					3,434	
Restricted for Prize Awards - MUSL & Tri-State			4,083			4,083	
Restricted for Environmental Loans				642,099		642,099	
Restricted for SRF Programs				12,253		12,253	
Restricted for Facility Sustainment	154					154	
Restricted for Unemployment Benefits					300,379	300,379	
Unrestricted Net Position (Deficit)	57,488	(20,328)	(3,824)			33,336	34,509
Total Net Position (Deficit)	\$632,290	\$(7,594)	\$404	\$654,352	\$300,379	\$1,579,831	\$34,509

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, 2017**  
**(Expressed in Thousands)**

	Business-Type Activities - Enterprise Funds					Total	Governmental Activities Internal Service Fund
	Turnpike System	Liquor Commission	Lottery Commission	State Revolving Fund	Unemployment Compensation		
<b>OPERATING REVENUES</b>							
Charges for Sales and Services		\$684,833	\$304,222	\$10,710	\$73,592	\$1,073,357	\$293,607
Toll Revenue Pledged for Repaying Revenue Bonds	\$131,388					131,388	
Total Operating Revenue	131,388	684,833	304,222	10,710	73,592	1,204,745	293,607
<b>OPERATING EXPENSES</b>							
Cost of Sales and Services		484,835				484,835	
Lottery Prize Awards			217,426			217,426	
Unemployment Insurance Benefits					74,631	74,631	
Principal Forgiveness				4,876		4,876	
Insurance Claims							271,903
Administration	59,047	61,436	10,660	10,123		141,266	13,457
Depreciation	27,286	2,274	82			29,642	
Total Operating Expenses	86,333	548,545	228,168	14,999	74,631	952,676	285,360
Operating Income (Loss)	45,055	136,288	76,054	(4,289)	(1,039)	252,069	8,247
<b>NONOPERATING REVENUES (EXPENSES)</b>							
Licenses		4,394				4,394	
Beer Taxes		12,678				12,678	
Investment Income	434		100	737	6,552	7,823	
Miscellaneous	5,448	1,231		2,045		8,724	
Federal Grant Revenue				20,651		20,651	
Interest on Bonds	(13,142)	(715)		(458)		(14,315)	
Total Nonoperating Revenues (Expenses)	(7,260)	17,588	100	22,975	6,552	39,955	
Income Before Capital Grant Contributions	37,795	153,876	76,154	18,686	5,513	292,024	8,247
Capital Contributions and Grants	44					44	
Income Before Transfers	37,839	153,876	76,154	18,686	5,513	292,068	8,247
Transfers To Governmental Funds		(153,741)	(76,120)			(229,861)	
Change in Net Position	37,839	135	34	18,686	5,513	62,207	8,247
Net Position (Deficit)- July 1	594,451	(7,729)	370	635,666	294,866	1,517,624	26,262
Net Position (Deficit) - June 30	\$632,290	\$(7,594)	\$404	\$654,352	\$300,379	\$1,579,831	\$34,509

**STATE OF NEW HAMPSHIRE  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Expressed in Thousands)**

	Business-Type Activities - Enterprise Funds					Total	Governmental Activities Internal Service Fund
	Turnpike System	Liquor Commission	Lottery Commission	State Revolving Fund	Unemployment Compensation		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Receipts from Federal and Local Agencies				\$7,183	\$1,316	\$8,499	
Receipts from Customers	\$131,373	684,943	494,003		73,087	1,383,406	56,592
Receipts from Interfund Charges							234,062
Payments to Employees	(15,962)	(32,491)	(5,344)			(53,797)	
Payments to Suppliers	(39,622)	(509,692)	(12,197)	(8,595)		(570,106)	(14,229)
Payments to Prize Winners			(396,429)			(396,429)	
Payments for Insurance Claims					(76,501)	(76,501)	(269,158)
Payments for Interfund Services		(6,829)		(2,677)		(9,506)	
Net Cash Provided by (Used for) Operating Activities	75,789	135,931	80,033	(4,089)	(2,098)	285,566	7,267
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>							
Transfers to Other Funds		(153,211)	(76,432)			(229,643)	
Receipts from Federal Agencies				20,407		20,407	
Other Contributions				10,398		10,398	
Temporary Loan from Other State Funds		8,369				8,369	
Interest Paid on Bonds				(458)		(458)	
Principal Paid on Bonds				(2,275)		(2,275)	
Transfer: Alcohol Abuse Prevention/Treatment Fund		(3,315)				(3,315)	
Proceeds from Collection of Licenses and Beer Tax		17,072				17,072	
Other Income		1,231				1,231	
Net Cash Provided by (Used for) Noncapital and Related Financing Activities		(129,854)	(76,432)	28,072		(178,214)	
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Acquisition, Disposal, Sale and Construction of Capital Assets	(36,702)	(10,290)	(17)			(47,009)	
Interest Paid on Bonds	(21,184)	(731)				(21,915)	
Principal Paid on Bonds	(27,855)	(1,056)				(28,911)	
Net Proceeds from Issuance of Bonds		6,000				6,000	
Payments for Underwriter Discount/Premium	(49)					(49)	
Receipts from Others	6,143					6,143	
Net Cash Provided by (Used for) Capital and Related Financing Activities	(79,647)	(6,077)	(17)			(85,741)	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Investment Proceeds	64,970			2,663		67,633	
Purchase of Investment	(54,863)			(149,284)		(204,147)	
Receipts from Borrowers				29,722		29,722	
Payments to Borrowers				(63,558)		(63,558)	
Other Income	526		100	428	6,552	7,606	
Net Cash Provided by (Used for) Investing Activities	10,633		100	(180,029)	6,552	(162,744)	
Net Increase in Cash & Cash Equivalents	6,775		3,684	(156,046)	4,454	(141,133)	7,267
Cash and Cash Equivalents - July 1	127,367		2,651	259,220	294,347	683,585	39,960
Cash and Cash Equivalents - June 30	\$134,142		\$6,335	\$103,174	\$298,801	\$542,452	\$47,227

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, 2017  
(Expressed in Thousands)

	Business-Type Activities - Enterprise Funds					Total	Governmental Activities Internal Service Fund
	Turnpike System	Liquor Commission	Lottery Commission	State Revolving Fund	Unemployment Compensation		
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</b>							
Operating Income (Loss)	\$45,055	\$136,288	\$76,054	\$(4,289)	\$(1,039)	\$252,069	\$8,247
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:							
Depreciation	27,286	2,274	82			29,642	
Capitalized Loan Interest				(571)		(571)	
Principal Forgiveness				4,876		4,876	
Interest Income on Loans				(2,663)		(2,663)	
Miscellaneous Income/(Expense)	272					272	
Capital Deletions / Reclassification	3,601					3,601	
Change in Operating Assets and Liabilities:							
Change in Receivables/Loans	240	(299)	(18)	(274)	811	460	(2,881)
Change in Inventories	(2,578)	(8,477)	(149)			(11,204)	
Change in Other Current Assets			47			47	
Change in Restricted Deposits-MUSL			2			2	
Change in Accounts Payable and Other Accruals	1,638	4,612	(205)	(1,463)	(1,870)	2,712	(771)
Change in Claims Payable			4,076	64		4,140	2,744
Change in Unearned Revenue	275	336	(117)			494	(72)
Change in Net Pension Liability, Net of Deferred Amounts		1,197	261	231		1,689	
Net Cash Provided by (Used In) Operating Activities	\$75,789	\$135,931	\$80,033	\$(4,089)	\$(2,098)	\$285,566	\$7,267

**Turnpike Non-Cash Capital and Related Financing Activities:**

Capital Contributions \$44

**Liquor Non-Cash Capital and Related Financing Activities:**

During fiscal year 2017, the State's Capital Projects

Fund paid for Capital Assets \$6,000

**SRF Non-Cash Investing Activities:**

Principal Forgiveness \$4,876

# 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. NHRS is a component unit of the State.

***New Hampshire Judicial Retirement Plan*** - The New Hampshire Judicial Retirement Plan (NHJRP) 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 and trust funds. NHPDIP's investment detail and audited financial statements can be obtained by visiting [www.nhpdip.com](http://www.nhpdip.com) or contacting the Client Services Team at 1-844-4NH-PDIP.

***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 judgments 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, 2017**  
**(Expressed in Thousands)**

	Pension Trust Funds	Private Purpose Trust Funds	Investment Trust Fund	Agency Funds
<b><u>ASSETS</u></b>				
Cash and Cash Equivalents	\$10,472	\$4,011	\$9,111	\$12,399
Receivables:				
Due from Employers	48,149			
Due from Plan Members	23,085			
Due from Brokers for Securities Sold	15,808			
Interest and Dividends	17,580		393	
Other	3,191			
Total Receivables	107,813		393	
Investments:				
Cash & Cash Equivalents	185,167			
Certificates of Deposit			115,313	
Repurchase Agreements			6,770	
U.S. Government Obligations			12,957	
Equity Investments	4,171,846			
Fixed Income Investments	1,824,379			
Commercial Real Estate	815,293			
Commercial Paper			24,564	
Alternative Investments	1,257,025			
Other Investments		2,878		270
Total Investments	8,253,710	2,878	159,604	270
Other Assets	171			
Total Assets	8,372,166	6,889	169,108	12,669
<b><u>LIABILITIES</u></b>				
Management Fees and Other Payables	9,642		82	
Due to Brokers for Securities Purchased	19,091			
Custodial Funds Payable				12,669
Total Liabilities	28,733		82	\$12,669
<b><u>NET POSITION</u></b>				
Net Position Restricted for Pension and Other Postemployment Benefits (OPEB)	8,343,433			
Net Position Held in Trust for Benefits & Other Purposes		6,889	169,026	
<b>RECONCILIATION OF NET POSITION HELD IN TRUST:</b>				
Employees' Pension Benefits	8,304,160			
Employees' Postemployment Healthcare Benefits	39,273			
Net Position for Pool Participants in External Investment Pool			169,026	
Other Purposes		6,889		
Net Position Restricted for Pension and Other Postemployment Benefits (OPEB)	\$8,343,433			
Net Position Held in Trust for Benefits & Other Purposes		\$6,889	\$169,026	

**STATE OF NEW HAMPSHIRE**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**  
**(Expressed in Thousands)**

	Pension Trust Funds	Private Purpose Trust Funds	Investment Trust Fund
<b><u>ADDITIONS</u></b>			
<b>Contributions:</b>			
Employer	\$431,946		
Plan Members	213,789		
Participants		\$35,235	\$222,384
Total Contributions	645,735	35,235	222,384
<b>Investment Income:</b>			
From Investing Activities:			
Net Appreciation in Fair Value of Investments	837,157		
Interest Income	56,682	85	1,555
Dividends	73,487		
Alternative Investment Income	27,383		
Other	16,518	109	5
Gross Income from Investing Activities	1,011,227	194	1,560
<b>Less Investment Activity Expenses:</b>			
Investment Management Fees	23,695		482
Custodial Fees	652		
Investment Advisor Fees	740		
Investment Administrative Expense	627		
Total Investment Activity Expenses	25,714		482
Total Net Income from Investing Activities	985,513	194	1,078
Interest Income	181		
Total Additions	1,631,429	35,429	223,462
<b><u>DEDUCTIONS</u></b>			
Benefits/Distributions to Participants	763,056	32,453	
Refunds of Contributions	23,408		
Administrative Expense	7,942		
Professional Fees	996		
Interest Expense	181		
Other	264	2,799	178,335
Total Deductions	795,847	35,252	178,335
Change in Net Position	835,582	177	45,127
<b><u>NET POSITION HELD IN TRUST FOR BENEFITS &amp; OTHER PURPOSES</u></b>			
Net Position - July 1	7,507,851	6,712	123,899
Net Position - June 30	\$8,343,433	\$6,889	\$169,026

# **Component Units Financial Statements**

**STATE OF NEW HAMPSHIRE**  
**COMBINING STATEMENT OF NET POSITION**  
**COMPONENT UNITS**  
**JUNE 30, 2017**  
(Expressed in Thousands)

	University System of New Hampshire	Non-Major Component Units	Total
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$66,069	\$22,305	\$88,374
Cash and Cash Equivalents - Restricted		21,550	21,550
Operating Investments	146,588	16,146	162,734
Accounts Receivable	21,729	4,629	26,358
Other Receivables	3,187	4,876	8,063
Notes Receivable - Current Portion	3,293	9,641	12,934
Prepaid Expenses & Other	7,811	1,436	9,247
Total Current Assets	248,677	80,583	329,260
Noncurrent Assets:			
Investments	730,508	20,101	750,609
Notes & Other Receivables	25,200	25,082	50,282
Other Assets	11,711	4,527	16,238
Capital Assets:			
Land & Land Improvements	15,865	15,199	31,064
Building & Building Improvements	1,680,661	327,535	2,008,196
Equipment	132,616	32,781	165,397
Construction in Progress	116,832	5,439	122,271
Less: Accumulated Depreciation	(826,346)	(195,918)	(1,022,264)
Net Capital Assets	1,119,628	185,036	1,304,664
Total Noncurrent Assets	1,887,047	234,746	2,121,793
Total Assets	2,135,724	315,329	2,451,053
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	33,067	21,783	54,850
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	57,238	4,568	61,806
Accrued Salaries and Wages		6,491	6,491
Accrued Employee Benefits - Current	7,407	27	7,434
Other Payables & Accrued Expenses		6,628	6,628
Other Liabilities	6,018		6,018
Deposits and Unearned Revenues	37,682	2,934	40,616
Long Term Debt - Current Portion	20,064	2,353	22,417
Total Current Liabilities	128,409	23,001	151,410
Noncurrent Liabilities:			
Revenue Bonds Payable	481,401		481,401
Accrued Employee Benefits	27,178		27,178
Postemployment Medical Benefits	50,251		50,251
Derivative Instruments - Interest Rate Swaps	25,759		25,759
Net Pension Liability		77,703	77,703
Other Long Term Debt	18,769	53,278	72,047
Total Noncurrent Liabilities	603,358	130,981	734,339
Total Liabilities	731,767	153,982	885,749
<b>DEFERRED INFLOWS OF RESOURCES</b>	2,206	10,616	12,822
<b>NET POSITION</b>			
Net Investment in Capital Assets	650,968	161,674	812,642
Restricted:			
Nonexpendable	270,089		270,089
Expendable	184,842	59,168	244,010
Unrestricted Net Position (Deficit)	328,919	(48,328)	280,591
Total Net Position	\$1,434,818	\$172,514	\$1,607,332

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

STATE OF NEW HAMPSHIRE  
 COMBINING STATEMENT OF ACTIVITIES  
 COMPONENT UNITS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
 (Expressed in Thousands)

	University System of New Hampshire	Non-Major Component Units (*)	Total
<b><u>EXPENSES</u></b>	\$830,961	\$157,420	\$988,381
<b><u>PROGRAM REVENUES:</u></b>			
Charges for Services:			
Tuition & Fees	501,119	67,179	568,298
Student Financial Aid	(171,602)	(19,248)	(190,850)
Sales, Services, & Other Revenue	245,595	26,151	271,746
Operating Grants & Contributions	157,120	31,108	188,228
Capital Grants & Contributions	7,828	7,468	15,296
Total Program Revenues	<u>740,060</u>	<u>112,658</u>	<u>852,718</u>
Net Expenses	<u>(90,901)</u>	<u>(44,762)</u>	<u>(135,663)</u>
Interest & Investment Income	99,908	2,691	102,599
Payments from State of New Hampshire	84,611	43,775	128,386
Change in Net Position	<u>93,618</u>	<u>1,704</u>	<u>95,322</u>
<b>Net Position - July 1, restated (*)</b>	<u>1,341,200</u>	<u>170,810</u>	<u>1,512,010</u>
<b>Net Position - June 30</b>	<u>\$1,434,818</u>	<u>\$172,514</u>	<u>\$1,607,332</u>



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# NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

## 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 (U.S. 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 5 Chenell Drive Suite 301, Concord, NH 03301.

#### **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, 2017, 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.

(\*) Beginning Net Position was restated by approximately \$3 thousand. An adjustment was made after their fiscal year 2016 financials were issued.

**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, 2017, 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, 2017, the debt retained by the State for CCSNH assets was approximately \$19.2 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 include the following:

**New Hampshire Retirement System** - The New Hampshire Retirement System (NHRS) 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 (the "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.

NHRS 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. It is fiduciarily responsible for NHRS 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 NHRS.

NHRS 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 NHRS.

**New Hampshire Judicial Retirement Plan** - The New Hampshire Judicial Retirement Plan (NHJRP) 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.

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

NHJRP is deemed to be fiscally dependent on the State because of the State's contributions toward the NHJRP 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, deferred outflows of resources, liabilities, and deferred inflows of resources, 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 Trust 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 NHRS and NHJRP 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, 2017, and for the year then ended, except for the New Hampshire Judicial Retirement Plan which is as of December 31, 2016.

### **D. CASH EQUIVALENTS**

For the purposes of reporting in the Statement of Net Position, Statement of Fiduciary Net Position and 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 valued at cost, which approximates fair value, or net asset value. Cash equivalents include money market mutual funds, the State's holdings in the New Hampshire Public Deposit Investment Pool and investments in Unemployment Compensation external pooled short-term investments managed by the State's custodian.

### **E. FAIR VALUE MEASUREMENT OF 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. In determining fair value, the State utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. If an investment is in an active market where quoted prices exist, the market price of an identical security is used to report fair value. Corporate fixed income securities and certain U.S. government securities utilize pricing that may involve estimation using similar securities or trade dates. As these investments are generally not traded in an active market, fair value measurements are determined using market data and matrix pricing. Fair values for shares in registered mutual funds and exchange-traded funds are based on published share prices. Money market mutual funds are generally reported at net asset value (NAV) reported by the fund managers and assessed as reasonable by the State, which is used as a practical expedient to estimate the fair value. Fair market value techniques for investments held by the State's Fiduciary and Major Component Units are described in Note 2.

### **F. RECEIVABLES**

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

Other Receivables - Restricted are primarily loans receivable made to public water systems and local governments under the State Revolving Fund (SRF) for wastewater treatment facilities and safe drinking water systems. Loans are funded by federal grants from programs by the U.S. Environmental Protection Agency, with federal grants and partially matching state funds. Loan funds are disbursed to borrowers on a cost reimbursement basis, and interest begins accruing when funds are disbursed. After construction is completed, the borrower can elect to add the construction period interest to the loan amount, or they can pay it in total with the first loan repayment. Loans are typically repaid over periods of five, ten, fifteen or twenty years, and repayment of the loans must begin within one year of construction completion. 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. There is no provision for uncollectible accounts, as all repayments are current, and management believes all loans will be repaid according to the loan terms. Loan amounts classified currently represent those loan amounts expected to be satisfied within the forthcoming fiscal year.

Under federal regulations, a portion of each federal grant award is required to be provided as additional subsidy to borrowers. This additional subsidy comes in the form of principal forgiveness and ranges from 12% for CWSRF federal loans to a range of between 20-30% for DWSRF federal loans. Borrowers must meet selected criteria to be eligible for the additional subsidy. Principal forgiveness eligibility and amount is calculated when the loan is finalized and goes into repayment status. For CWSRF loans, principal forgiveness is recognized with the first loan repayment. For DWSRF loans, principal forgiveness is recognized on a payment by payment basis. If a borrower defaults on a loan, the total amount unpaid is deemed owed.

## 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 (FIFO) 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 acquisition value.

Equipment is capitalized when the cost of individual items exceeds \$10,000, and all other capital assets are capitalized when the cost of individual items or projects exceeds \$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 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.

## 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 last-in, first-out (LIFO) 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. NET PENSION LIABILITY

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the NHRS and the NHJRP, and additions to/deductions from their respective fiduciary net positions have been determined on the same basis as they are reported by NHRS and NHJRP. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms, and investments are reported at fair value.

## M. 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 referred to as the Revenue Stabilization Account (the "Rainy Day Fund") in the general fund and reported as unassigned fund balance. See Note 16 for additional information about fund balances and the stabilization account.

## N. 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.

## O. 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 and notes. 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.

## P. 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 Trust 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 Position, except for the amounts due between governmental and business-type activities.

## Q. 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.

## R. 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 and permanent 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 expenditure class level within each accounting unit within each department.

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.

## S. 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.

## T. ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS

During the fiscal year ended June 30, 2017, the State adopted the following new accounting standards issued by the GASB:

**GASBS No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*** (GASB 74) improves the usefulness of information about postemployment benefits other than pensions included in external financial reports of state and local government OPEB plans. This Statement requires enhanced note disclosures and schedules of required supplementary information to be presented by OPEB plans that are administered through trusts. The implementation of GASB 74 did not require modification of the financial statements, but did impact the State's fiduciary component unit (NHRS), which has stand alone audited financial statements.

**GASB No. 77, *Tax Abatement Disclosures*** (GASB 77) defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. This Statement requires governments that enter into tax abatement agreements to disclose certain information about the agreements. The new disclosure resulting from implementation of this statement can be found in Note 14.

**GASB No. 78**, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* (GASB 78) amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state and local governmental employers through cost-sharing multiple-employer defined benefit plan that (1) is not a state or local government pension plan, (2) is used to provide defined benefit pensions both to employees of state and local governmental employers and to employees of employers that are not state and local government employers, and (3) has no predominant state or local governmental employers. This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The implementation of GASB 78 did not have an impact on the financial statements.

**GASB No. 80**, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14* (GASB 80) improves financial reporting by clarifying the financial statement presentation requirements for certain component units. This statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of component units incorporated as not-for-profit corporations in which the primary government is the sole corporate member. The implementation of GASB 80 did not have an impact on the financial statements.

**GASB No. 82**, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73* (GASB 82) addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The new disclosures resulting from implementation of this statement can be found in the required supplementary information.

## U. 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.

## 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 statements of financial position under the captions "Cash and Cash Equivalents" and "Investments."

### 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 credit 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) are 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.

The table below details the State's bank balances at June 30, 2017 exposed to custodial credit risk (expressed in thousands):

Type	Governmental & Business-Type			Fiduciary		
	Insured	Collateral & held in State's name	Uncollateralized	Insured	Collateral & held in State's name	Uncollateralized
Demand Deposits	\$1,500	\$672,317	\$1,548		\$11,190	\$29
Money Market			340,381			8,144
Savings Accounts	500	154	37,063		791	
CDs	500	8,461	4,062			
<b>Total</b>	<b>\$2,500</b>	<b>\$680,932</b>	<b>\$383,054</b>		<b>\$11,981</b>	<b>\$8,173</b>

**New Hampshire Public Deposit Investment Pool (NHPDIP):**

The NHPDIP (the “pool”) 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. As of June 30, 2017, the State held an investment position in NHPDIP, which is reported as the State’s share of the overall pool and not by investment type based on the underlying investment securities held by the pool. 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. In accordance with GASBS 79, the pool’s portfolio securities are valued at amortized cost, which approximates fair value. NHPDIP’s investment detail and audited financial statements can be obtained by visiting [www.nhpdip.com](http://www.nhpdip.com) or contacting the Client Services Team at 1-844-4NH-PDIP.

**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 and 383-B:3-303). Additionally, investment guidelines exist for operating funds as well as trust and custodial funds. All investments will be denominated in U.S. dollars.

The State Treasury classifies the following balances by investment type as of June 30, 2017. The reconciliation table on page 61 provides a comparison of the Treasury presentation to the classification per the financial statements.

State Treasury Investments by Type	(Fair values in thousands)	
	Governmental & Business-Type	Fiduciary (excluding Pension Trust Funds)
Investments in Non-Participating Interest Earning Investment Contracts (CD’s)	\$13,023	\$251
Equity Securities	18,588	
Corporate Bonds	1,583	
US Government Obligations	253,740	
Municipal Bonds	326	
Money Market Mutual Funds	2,995	5,601
Equity Open Ended Mutual Funds	16,402	848
Fixed Income Open Ended Mutual Funds	4,446	2,003
NH Public Deposit Investment Pool (Internal investment held by State and NHH patient agency fund)	10,085	46
External Portion of NH Public Deposit Investment Pool		159,604
<b>Totals</b>	<b>\$321,188</b>	<b>\$168,353</b>
<b>Less Investments Not Measured at Fair Value</b>		
Investments in Non-Participating Interest Earning Investment Contracts (CD’s)	(13,023)	(251)
NH Public Deposit Investment Pool (Internal investment held by State and NHH patient agency fund)	(10,085)	(46)
External Portion of NH Public Deposit Investment Pool		(159,604)
<b>Investments Measured at Fair Value</b>	<b>\$298,080</b>	<b>\$8,452</b>

**Fair Value Hierarchy of Investments:** In accordance with GASBS 72, except for investments measured using net asset value (NAV) as a practical expedient to estimate fair value, the State categorizes the fair value measurements of its investments within the fair value hierarchy established by U.S. GAAP. The fair value hierarchy categorizes the inputs to valuation techniques used for fair value measurement into the following levels:

Level 1 inputs reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the State has the ability to access at the measurement date. Most of the State’s directly held marketable equity securities would be examples of Level 1 investments.

Level 2 inputs are other than quoted prices that are observable for assets or liabilities either directly or indirectly, including inputs in markets that are not considered to be active. Because they most often are priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held fixed income securities, as well as the State’s holdings in U.S. government obligations and corporate bonds, are categorized in Level 2.

Level 3 inputs are significant unobservable inputs. The State held no Level 3 investments as of June 30, 2017.

The fair value hierarchy gives the highest priority to Level 1 inputs. In certain instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Investments are reported at fair value. If an investment is held directly by the State and an active market with quoted prices exists, such as for domestic equity securities, the market price of an identical security is used to report fair value and is classified in Level 1. Corporate fixed income securities and certain governmental securities utilize pricing that may involve estimation using similar securities or trade dates and are classified in Level 2. Fair values for shares in registered mutual funds and exchange-traded funds are based on published share prices and classified in Level 1. Fair values for shares in registered mutual funds and exchange-traded funds are based on published share prices and classified in Level 1. Corporate fixed income securities and certain governmental securities utilize pricing that may involve estimation using similar securities or trade dates and are classified in Level 2. Whereas Level 2 investments generally refer to investments not traded in an active market, fair value measurements are determined using market data and matrix pricing.

Investments in money market mutual funds are generally reported at the net asset value (NAV) reported by the fund managers, which is used as a practical expedient to estimate the fair value of the State's interest therein, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. At June 30, 2017 the State had no plans or intentions to sell investments at amounts different from NAV. NAVs determined by fund managers generally consider variables such as operating results, comparable earnings multiples, projected cash flows, recent sales prices, and other pertinent information, and may reflect discounts for the illiquid nature of certain investments held. Because of the inherent uncertainties of valuation, the estimated fair values used in NAV calculations may differ significantly from values that would have been used had a ready market existed, and the differences could be material.

The following table summarizes the hierarchy of the State's investments measured at fair value, by type, as of June 30, 2017 (expressed in thousands):

	Investments Classified in the Fair Value Hierarchy			Total
	Quoted Prices in Active Markets for Identical Assets		Significant Other Observable Inputs (NAV)	
	(Level 1)	(Level 2)		
<b>Governmental &amp; Business-Type Activities</b>				
U.S. Government Obligations & Municipal Bonds (1)		\$254,066		\$254,066
Equity Securities	\$18,588			18,588
Corporate Bonds		1,583		1,583
Money Market Mutual Funds			\$2,995	2,995
Equity Open Ended Mutual Funds			16,402	16,402
Fixed Income Open Ended Mutual Funds			4,446	4,446
<b>Total Governmental &amp; Business-Type Activities</b>	<b>18,588</b>	<b>255,649</b>	<b>23,843</b>	<b>298,080</b>
<b>Fiduciary Activities</b>				
Money Market Mutual Funds			5,601	5,601
Equity Open Ended Mutual Funds			848	848
Fixed Income Open Ended Mutual Funds			2,003	2,003
<b>Total Fiduciary Activities</b>			<b>8,452</b>	<b>8,452</b>
<b>Total Investments</b>	<b>\$18,588</b>	<b>\$255,649</b>	<b>\$32,295</b>	<b>\$306,532</b>

Notes to the table above:

- (1) Rates range from 0.0% to 5.25% and maturities from fiscal year 2018 to 2029.

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

Reconciliation Between Financial Statements and Footnote						
		Unrestricted		Restricted		Total
		Cash and Cash Equivalents	Investments	Cash and Cash Equivalents	Investments	
<b>Per Statement of Net Position</b>	Primary Government	\$555,120	\$28,860	\$784,407	\$279,266	\$1,647,653
<b>Per Statement of Fiduciary Net Position</b>	Private Purpose	4,011	2,878			6,889
	Investment Trust	9,111	159,604			168,715
	Agency Funds	12,399	270			12,669
	<b>Total per Financial Statements</b>	<b>\$580,641</b>	<b>\$191,612</b>	<b>\$784,407</b>	<b>\$279,266</b>	<b>\$1,835,926</b>
				<b>Per Footnote</b>		
				Carrying Amount of Cash Equivalents		1,346,385
				Treasury Investments		489,541
				<b>Total Per Footnote</b>		<b>\$1,835,926</b>

#### **Equity Securities and Mutual Funds:**

The State's policy relative to operating funds and mitigation of concentration and credit risk does not permit investing in equity securities. 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. All equity mutual funds are open ended and not exposed to custodial credit risk. There is no concentration, custodial or credit risk to the State for amounts held in the State's abandoned property program.

**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, and securities issued by the U.S. Treasury and Government Agencies. The Turnpike System's investment in U.S. Treasury Bonds and Bills represent \$14.0 million of the State's debt securities.

**Credit Risk:** The risk that the issuer will not fulfill its obligations. The State invests in only investment grade securities which are defined as those with a grade B or higher. Obligations of the U.S. Government or obligations backed by the U.S. 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 3 years. Trust and custodial funds manage and monitor interest rate risk primarily through a weighted average maturity (WAM) approach. The State's WAM is dollar-weighted in terms of years. The specific target or limits of such maturity and percentage allocations are tailored to meet the investment objective(s) and defined in the investment guidelines associated with those funds.

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

**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. However, as all corporate bonds are held in the State's abandoned property program, there is no concentration risk. 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.

Credit Risk and Interest Rate Risk (expressed in thousands)						
Type	Governmental & Business Type			Fiduciary		
	Credit Risk		Interest Rate Risk	Credit Risk		Interest Rate Risk
	Investment Grade	Unrated	WAM in years	Investment Grade	Unrated	WAM in years
Corporate Bonds	\$1,583		4.7			
U.S. Government Obligations Held in Permanent Funds	1,145		10.9			
U.S. Government Obligations Held in Governmental and Business Type Activities	252,595		1.1			
Fixed Income Open Ended Mutual Funds		\$4,446	4.6	\$2,003		7.4
Municipal Bonds	\$326		10.1			

#### FIDUCIARY COMPONENT UNIT (New Hampshire Retirement System – NHRS)

Investments are reported at fair value. Investments in both domestic and non-U.S. securities are valued at current market prices and expressed in U.S. dollars. NHRS uses a trade-date accounting basis for these investments. Investments in non-registered commingled funds are valued at net asset value (NAV) as a practical expedient to estimate fair value.

Real estate includes investments in commingled funds. The NAVs for real estate investments recorded in this report were obtained from statements provided by the general partners of commingled funds. Real estate commingled funds are selected by NHRS's discretionary real estate manager.

Alternative investments include investments in private equity, private debt and absolute return strategies. The NAVs for alternative investments recorded in this report were obtained from statements provided by the investment managers.

Cash and cash equivalents are valued at cost, which approximates fair value. Cash and cash equivalents primarily represent investments in the pooled short term investment fund managed by NHRS's master custodian. This fund invests mainly in high-grade money market instruments with maturities averaging less than three months. The fund provides daily liquidity.

The Plan holds no investments, either directly or indirectly, nor participates in any loans or leases, nor other party-in-interest transactions with any NHRS officials, New Hampshire State Government officials, or parties related to these officials.

The annual money-weighted rate of return at June 30, 2017 was 13.4%. The return shows the investment performance net of fees and is adjusted for the timing of cash flows and the changing amounts actually invested.

RSA 100-A:15, I, provides separate and specific authorities to the NHRS Board of Trustees and the Independent Investment Committee for the management of the funds of the Plans and charges them with exercising the judgment and care under the circumstances then prevailing, which persons of prudence, discretion and intelligence, acting in a like capacity and familiar with such matters, would use in the conduct of a pension plan of like character and with like aims of the Plans.

To aid in the prudent investment of the Plans' assets, NHRS has adopted an Investment Manual which includes an investment policy. Primary components of the investment policy include the delineation of roles and responsibilities of the NHRS Board of Trustees, Independent Investment

Committee, staff, and service providers; investment objectives; asset allocation policy; and asset class performance measurement and monitoring policy. This policy may be modified by the NHRS Board of Trustees as deemed necessary. In addition, the Investment Manual includes asset class guidelines which provide parameters for investment management.

Professional investment managers are bound by policy and contract to a standard of care that establishes a fiduciary relationship, to the extent permitted by law, requiring the manager to act prudently and solely in the best interest of the Plan and beneficiaries. Investment guidelines provide portfolio-level standards for separate account management including permissible investment types; security concentration thresholds; investment restrictions; and benchmarks for performance measurement and monitoring. NHRS utilizes a custodial bank compliance system to monitor the marketable investment portfolios against their respective guidelines.

NHRS's asset allocation as of June 30, 2017, as recommended by the Independent Investment Committee and adopted by the NHRS Board of Trustees, is as follows:

ASSET ALLOCATION	2017	
Asset Class:	Target	Range
Large Cap Equities	22.50%	
Small/Mid Cap Equities	7.50%	
<b>Total Domestic Equity</b>	<b>30.00%</b>	<b>20–50%</b>
Int'l Equities (Unhedged)	13.00%	
Emerging Int'l Equities	7.00%	
<b>Total International Equity</b>	<b>20.00%</b>	<b>15–25%</b>
Core Bonds	5.00%	
Short Duration	2.00%	
Global Multi-Sector Fixed Income	11.00%	
Absolute Return Fixed Income	7.00%	
<b>Total Fixed Income</b>	<b>25.00%</b>	<b>20–30%</b>
Private Equity	5.00%	
Private Debt	5.00%	
Opportunistic	5.00%	
<b>Total Alternative Investments</b>	<b>15.00%</b>	<b>0–25%</b>
Real Estate	10.00%	
<b>Total Real Estate</b>	<b>10.00%</b>	<b>5-20%</b>
<b>TOTAL</b>	<b>100.00%</b>	

**Custodial Credit Risk - Deposits:** Custodial credit risk for deposits is the risk that in an event of a bank failure, deposits may not be recovered. NHRS does not have a deposit policy to manage custodial credit risk on deposits.

At June 30, 2017, NHRS held deposits of \$9.4 million in the local custodian bank. These deposits are fully insured or collateralized and are used to support the daily working capital needs of NHRS.

**Custodial Credit Risk - Investments:** Investment securities are exposed to custodial credit risk if the investment securities are uninsured, are not registered in the name of the Plan, and are held by either:

- a. The counterparty to a transaction or,
- b. The counterparty's trust department or agent but not in the Plan's name.

All of NHRS's securities are held by NHRS's bank in NHRS's name.

**Concentration of Credit Risk:** Concentration of credit risk is the risk of loss attributable to the magnitude of the Plan's investments in a single issuer. NHRS policy is expressed through individual separate account manager guidelines which limit investments in a single issuer to 10%, or less, of the portfolio value in order to control the overall risk of loss on a total portfolio level. This threshold is set as an upper limit, and in actual practice, managers generally do not reach this limit. Certain securities may be excluded from this limitation due to the nature of the investments (such as U.S. government securities, government-sponsored enterprise obligations, and supranational debt). NHRS fixed income managers have consistently adhered to the established guidelines for issuer concentration. The fixed income commingled fund managers have established investment guidelines regarding concentration of credit risk. The total portfolio is broadly-diversified across equities, fixed income, cash equivalent securities, real estate and alternative investments. Due to this diversification, the concentration of credit risk in a single issuer is below 5% at the total portfolio level.

**Interest Rate Risk - Fixed Income Investments:** Interest rate risk is the effect on the fair value of fixed income investments from changes in interest rates. Duration measures a debt investment's change in fair value arising from a change in interest rates.

Interest rate risk is illustrated below using the effective duration or option-adjusted methodology. This methodology is widely-used in the management of fixed income portfolios to quantify the risk associated with interest rate changes. The effective duration methodology takes into account the most likely timing and magnitude of variable cash flows, such as callable options, prepayments and other factors, and scales the risk of price changes on bonds depending upon the degree of change in rates and the slope of the yield curve.

The NHRS policy on duration is expressed through individual portfolio guidelines with each investment manager in lieu of a broad, plan-level policy. Duration guidelines have been established with each fixed income manager in order to manage interest rate risk within the separate account portfolios. The fixed income commingled fund managers also have established investment guidelines regarding duration. These provisions specify that the duration of each individual fixed income portfolio will be managed within a specified percentage or number of years relative to its benchmark index. NHRS fixed income managers follow the established guidelines for duration. If there is an occasional exception, the manager prudently remedies the guideline breach.

The following effective duration table quantifies the interest rate risk of the Plan's fixed income assets, as of June 30, 2017 (dollars expressed in thousands):

<b>Investment Type</b>	<b>Fair Value June 30, 2017</b>	<b>Percentage of Fixed Income Investments</b>	<b>Effective Duration in Years</b>	<b>Weighted Average Effective Duration</b>
Collateralized/Asset Backed Obligations	\$145,486	8.0%	4.5	0.4
Corporate Bonds	590,951	32.6%	5.5	1.8
Government and Agency Bonds	643,823	35.5%	6.2	2.2
Commingled Fund	222,500	12.2%	(0.4)	(0.04)
Commingled Fund	211,745	11.7%	2.4	0.3
<b>Totals</b>	<b>\$1,814,505</b>	<b>100.0%</b>		<b>4.7</b>

**Credit Risk - Fixed Income Securities:** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

NHRS controls credit risk on debt securities by establishing requirements for average credit quality at the separate account portfolio level and through credit quality standards for individual securities. The NHRS policy on credit quality is expressed through individual portfolio guidelines with each investment manager in lieu of a broad, plan-level policy. The investment guidelines are customized to the individual manager's strategy. NHRS fixed income managers follow established guidelines for credit quality. If there is an occasional exception, the manager prudently remedies the guideline breach. NHRS applies standards with regard to securities rated by nationally recognized statistical rating organizations ("NRSRO") and uses the lowest agency ratings for evaluating the credit quality of a specific security. The fixed income commingled fund managers have established investment guidelines regarding concentration of credit risk.

The following schedule illustrates the Plan's fixed income investments as of June 30, 2017, including the distribution of those investments by Standard & Poor's quality credit ratings (dollars expressed in thousands):

<b>Investment Type</b>	<b>Quality Ratings<sup>1</sup></b>					
	<b>Fair Value June 30, 2017</b>	<b>AAA</b>	<b>AA</b>	<b>A</b>	<b>BBB or Lower</b>	<b>Unrated</b>
Collateralized/Asset Backed Obligations	\$145,486	\$103,914	\$2,455	\$6,317	\$17,692	\$15,108
Corporate Bonds	590,951	5,323	46,638	123,602	413,399	1,989
Government and Agency Bonds <sup>2</sup>	152,631	13,374	25,186	65,352	48,719	
Commingled Fund <sup>3</sup>	222,500			222,500		
Commingled Fund <sup>3</sup>	211,745		211,745			
<b>Totals</b>	<b>\$1,323,313</b>	<b>\$122,611</b>	<b>\$286,024</b>	<b>\$417,771</b>	<b>\$479,810</b>	<b>\$17,097</b>
<b>Percent of Total Fair Value</b>		<b>9.27%</b>	<b>21.61%</b>	<b>31.57%</b>	<b>36.26%</b>	<b>1.29%</b>

<sup>1</sup>Ratings were derived primarily from Standard & Poor's (S&P). In instances where S&P did not rate a security, the Moody's rating was used.

<sup>2</sup>Government and Agency Bonds exclude U.S. government securities and securities explicitly guaranteed by the U.S. government (\$491,192) because these securities are not considered to have credit risk.

<sup>3</sup>Average credit quality rating for the commingled funds was provided by GAM and Manulife respectively.

Investments in asset-backed and mortgage-backed securities are reported at fair value. Although not generally considered to be derivatives, asset-backed and mortgage-backed securities receive cash flows from interest and principal payments on the underlying assets and mortgages. As a result, they are exposed to prepayment risk. As of June 30, 2017, the Plan's combined investment in asset-backed and mortgage-backed securities held in separate account portfolios totaled \$131.0 million.

**Foreign Currency Risk - Investments:** Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment.

NHRS manages its foreign currency risk primarily through its strategic asset allocation policy. As of June 30, 2017, investments in non-U.S. equity securities have a target asset allocation of 20% of total investments with a target range of 15–25%. As of June 30, 2017, non-U.S. fixed income securities represent 2.7% of the total investments as a result of the managers' security selection process. Non-U.S. investments are permitted in the alternative investment asset class, which includes private equity, private debt and absolute return strategy investments. The target allocation for alternative investments is 15% and the NHRS investment policy does not set limits for foreign investments in this asset class. The target allocation for real estate investments is 10%, and up to 35% of the Plan's real estate allocation may be invested in non-U.S. investments.

In addition, foreign currency risk is mitigated through the investment guidelines. NHRS manages its foreign exposure by requiring that separate account managers diversify their non-U.S. portfolios by country, sector and issuer to limit both foreign currency risk and security risk. Managers of commingled funds have discretion over their respective investment guidelines which must be consistent with strategies approved by NHRS. In certain instances, where permitted in the investment guidelines, investment managers may also use foreign currency forward contracts to hedge against foreign currency risk.

The Plan's exposure to foreign currency risk at June 30, 2017 is presented on the following schedule (expressed in thousands):

Currency	Equity*	Fixed Income	Real Estate & Alternative Investments	Cash and Cash Equivalents	Totals
<b>Total investments subject to foreign currency risk</b>	<b>\$664,388</b>	<b>\$217,508</b>	<b>\$98,883</b>	<b>\$298</b>	<b>\$981,077</b>

\*NHRS also invests in commingled funds where foreign currency risk information is not available. As a result, totals for equity shown on this schedule will not match the total non-U.S. equity shown on the Combining Statements of Fiduciary Net Position.

**Derivatives:** Derivative instruments are contracts whose values are based on the valuation of an underlying asset, reference rate or index. Derivatives include futures, options, forward contracts and forward foreign currency exchanges. NHRS managers may enter into certain derivative instruments primarily to enhance the efficiency and reduce the volatility of the portfolio. As of June 30, 2017, there was \$3.8 million invested in equity futures and there were no investments in options within the separate account portfolios. The NHRS investment policy and certain investment manager guidelines allow for the use of derivative instruments. The use of futures, options, or forward contracts is not permitted for any speculative hedging or leveraging of the portfolios and is prohibited in separate account mandates. Managers of commingled funds have discretion over their respective investment guidelines which may allow for the use of derivative instruments.

The Plan could be exposed to risk if the counterparties to the contracts are unable to meet the terms of the contracts. To mitigate this risk, investment managers conduct assessments of their counterparties and utilize exchanges which have trading standards.

NHRS managers may use futures, options, and foreign currency exchange contracts in order to manage currency risk or initiate transactions in non-U.S. investments. NHRS may be positively or negatively impacted by foreign currency risk due to fluctuations in the value of different currencies. The Plan could be exposed to risk if the counterparties to the contracts are unable to meet the terms of the contracts. To mitigate this risk, investment managers conduct assessments of their counterparties and utilize exchanges which have trading standards. The fair value of open foreign currency exchange contracts including unrealized appreciation or depreciation is recorded on the Statement of Fiduciary Net Position as Due from Brokers for Securities Sold and as Due to Brokers for Securities Purchased.

Foreign currency exchange contracts open at June 30, 2017 are summarized below (expressed in thousands):

<b>FOREIGN CURRENCY EXCHANGE CONTRACTS PURCHASED &amp; SOLD</b>		
	Unrealized Appreciation	Unrealized (Depreciation)
<b>Totals</b>	<b>\$2,660</b>	<b>\$(893)</b>

**Fair Value:** NHRS categorizes the fair value measurements of its investment within the fair value hierarchy established by generally accepted accounting principles as described in detail earlier in Note 2. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3).

Level 1 - Unadjusted quoted prices for identical instruments in active markets.

Level 2 - Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.

Level 3 - Valuations derived from valuation techniques in which significant inputs are unobservable. NHRS had no level 3 investments as of June 30, 2017.

Investments that are measured at fair value using the net asset value (NAV) as a practical expedient are not classified in the fair value hierarchy. At June 30, 2017 NHRS had no plans or intentions to sell investments at amounts different from NAV.

The categorization of investments within the hierarchy is based on the pricing transparency of the investment and should not be perceived as the particular investment's risk.

The following table summarizes NHRS's investments measured at fair value, by type, as of June 30, 2017 (expressed in thousands):

Investments at Fair Value	2017				Unfunded Commitments
	Total	Fair Value Measurements Using		Net Asset Value (NAV)	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)		
Short -term:					
Cash and Cash Equivalents	\$185,167	\$175,043	\$10,124		
Fixed Income:					
U.S Government Obligations (1)	393,641	363,018	30,623		
Domestic Fixed Income (2)	769,111	7,284	761,827		
Commingled Funds (3)	434,245			\$434,245	
International Fixed Income (4)	217,508		217,508		
Equity:					
Domestic Equity Securities	2,802,758	2,799,295	3,463		
Commingled Funds (5)	662,221			662,221	
International Equity Securities	678,052	678,052			
Real Estate:					
Real Estate Funds (6)	815,293			815,293	\$120,985
Alternative Investments:					
Private Equity (7)	612,575			612,575	687,797
Private Debt (8)	420,218			420,218	141,674
Opportunistic (9)	214,392			214,392	
<b>Total Investments</b>	<b>\$8,205,181</b>	<b>\$4,022,692</b>	<b>\$1,023,545</b>	<b>\$3,158,944</b>	<b>\$950,456</b>

Notes to the table above:

- (1) Fiscal 2017 rates range from 0.750% to 6.000%, and maturities from 2017 to 2046. Fiscal 2016 rates range from 0.625% to 6.770%, and maturities from 2017 to 2046.
- (2) Fiscal 2017 rates range from 0.00% to 11.000%, and maturities from 2016 to 2057. Fiscal 2016 rates range from 0.000% to 10.500%, and maturities from 2016 to 2057.
- (3) This represents investments in two commingled fixed income funds that invest globally in both developed and emerging markets with investments consisting primarily of corporate bonds (investment grade and high yield), sovereign bonds and securitized bonds. These funds may also invest in convertible bonds and currencies. The redemption frequency for these investments range from daily to monthly with one to 30 business days' prior written notice.
- (4) Fiscal 2017 rates range from 1.250% to 10.600%, and maturities from 2017 to 2064. Fiscal 2016 rates range from 0.250% to 10.250%, and maturities from 2016 to 2064.
- (5) This represents investments in five commingled equity funds that invest primarily in common stock of companies located outside the U.S., including emerging markets. These investments have daily liquidity and require up to 10 business days' notice for redemption.
- (6) This represents investments in 45 funds consisting of 10 open-end funds and 35 closed-end funds. The open-end funds, totaling \$517.6 million at June 30, 2017, can be redeemed on a quarterly basis with 45–90 days' notice periods. The closed-end funds are not redeemable.
- (7) This represents 30 investments in private partnerships focused primarily on the following strategies: buyouts, growth equity, secondaries and energy. These private partnerships typically have 10 to 15 year life cycles during which limited partners are unable to redeem their positions, but instead, receive distributions as the partnerships liquidate their underlying assets.
- (8) This represents 16 investments in private partnerships focused primarily on the following strategies: direct lending, mezzanine and distressed debt. These private partnerships typically have 6 to 10 year life cycles during which limited partners are unable to redeem their positions, but instead, receive distributions from coupon payments and/or as the partnerships liquidate their underlying assets.
- (9) SLI GARS is held within the Opportunistic sleeve of the Alternative Investments asset allocation as SLI GARS is an "unconstrained/go anywhere" manager that invests across various geographies and asset classes including equity, credit, interest rates, currencies and real estate. This manager invests on an opportunistic basis to take advantage of market dislocations.

Unfunded commitments with various real estate and alternative investment funds total \$0.95 billion as of June 30, 2017.

ASSET ALLOCATION	2017	
Asset Class:	Target	Policy Range
Large Cap Equities	34.6%	
Small Cap Equities	4.6%	
<b>Domestic Equity</b>	<b>39.2%</b>	<b>35–45%</b>
<b>International Equity</b>	<b>15.8%</b>	<b>8–20%</b>
Inflation-indexed bonds	5.3%	
Core Fixed Income	16.1%	
<b>Fixed Income</b>	<b>21.4%</b>	<b>10–33%</b>
<b>Alternatives</b>	<b>22.9%</b>	<b>0–33%</b>
<b>Cash and cash equivalents</b>	<b>0.7%</b>	<b>0-15%</b>

**FIDUCIARY COMPONENT UNIT (New Hampshire Judicial Retirement Plan – NHJRP)**

Investments are reported at fair value. Investments in mutual funds are valued at current market prices. Alternative investments include investments in limited partnerships valued at net asset value (NAV) as a practical expedient to estimate fair value. The NAVs for alternative investments were obtained from statements provided by the investment managers in good faith by the funds' managers or underlying investments' general partners. These values may not reflect the amount that would be realized upon an immediate sale due to lack of liquidity or other market conditions. Due to the uncertainty of valuation, the investment manager's estimated values may differ from the values that would have been used had a ready market existed for the fund's investments, and the difference could be material. The net appreciation (depreciation) in the fair value of investments held by NHJRP is based on the valuation of investments as of the date of the statement of fiduciary net position.

For the year ended December 31, 2016, the annual money-weighted rate of return on investments, net of investment expenses, was 6.14%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The investment philosophy of the Board of Trustees of NHJRP flows from its responsibility as fiduciary with respect to the NHJRP members and beneficiaries. As such, the Plan's assets are invested and managed for the exclusive purpose of providing plan benefits and are invested pursuant to RSA 100-C:12. The Board of Trustees pursues an investment strategy designed to meet the long-term funding requirements of NHJRP as determined by the NHJRP's actuary.

The Board's investment policy permits NHJRP assets to be invested in U.S. and non-U.S. equities, U.S. and non-U.S. fixed income securities, and certain hedge funds and alternative fund-of-funds, subject to certain portfolio restrictions. Asset allocations among various classes are as follows as of December 31, 2016:

**Custodial Credit Risk – Deposits:** At times, NHJRP maintains cash balances in excess of the amount insured by the Federal Deposit Insurance Corporation. NHJRP has not experienced any losses in such accounts. NHJRP believes it is not exposed to any significant risk with respect to these accounts held at Bank of New Hampshire.

**Custodial Credit Risk – Investments:** Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, NHJRP will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of NHJRP and are held by either the counterparty, or the counterparty's trust department or agency, but not in NHJRP's name.

NHJRP does not have a written policy in place to address custodial credit risk on investments. As of December 31, 2016, NHJRP's investments included in the Statement of Fiduciary Net Position were exposed to custodial credit risk. The investments were held by the counterparty, not in the name of NHJRP.

**Concentration of Credit Risk:** NHJRP's investment policy prohibits more than 5% of the portfolio, at fair value, to be invested in the securities of any one company. These guidelines mitigate the magnitude of risk and loss attributable to a single issuer.

**Interest Rate Risk – Fixed Income Investments:** Interest rate risk associated with adverse effects of changes in the fair value of fixed income securities is not addressed in the policy by NHJRP. While policies do exist to limit the percentage of market value in a single issue at any one time and of the total percentage held of any issuer's debt instruments, the duration of the remaining life of individual securities is not subject to any limitations and may therefore introduce a measure of interest rate risk.

**Credit Quality Risk – Fixed Income Investments:** The investment policy uses quality ratings by Standard & Poor's and Moody's as the primary guide for corporate fixed income investments. There are no limits on the use of U.S. Government, agency or guaranteed issues. In addition, there are no limits on the use of issues of Canadian, British, Japanese, Australian, or European monetary systems bloc governments and their agencies and supranational borrowers in local currency or European Currency Unit. A 15% limit is placed on all other issues.

**Fair Value:** NHJRP categorizes the fair value measurements of its investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the investment. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are other significant observable inputs. Level 3 inputs are unobservable inputs. NHJRP has no unfunded commitments, and the following recurring fair value measurements as of December 31, 2016 (expressed in thousands):

	Fair Value Measurements as of December 31, 2016 Using				Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value (NAV)	
<b>Investments at fair value</b>					
Domestic equity	\$21,801				\$21,801
International equity	7,014				7,014
Fixed income	9,874				9,874
Alternatives				\$9,840	9,840
	\$38,689			\$9,840	\$48,529

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

Cash, cash equivalents, and short-term investments are recorded at fair value. USNH's investment policy and guidelines specify permitted instruments, durations, required ratings and insurance of USNH cash, cash equivalents and short-term investments. The investment policy and guidelines are intended to mitigate credit risk on investments individually and in the aggregate through restrictions on investment type, liquidity, custodian, dollar level, maturity, and rating category. Money market funds are placed with the largest national fund managers. These funds must be rated AAA/Aaa by Standard & Poor's and Moody's Investor Service and comply with Securities and Exchange Commission Rule 2A-7. Repurchase agreements must be fully collateralized at 102% of the face value by U.S. Treasuries, or 103% of the face value by US Government-backed or guaranteed agencies or government sponsored enterprises. In addition, USNH investments may not exceed 5% of any institution's total deposits or 20% of any institution's net equity.

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. Short-term investments are highly liquid amounts held to support specific current liabilities. Cash, cash equivalents and short-term investments are generally uninsured and uncollateralized against custodial credit risk, and the related mutual funds are not rated. Cash and cash equivalents totaled \$66.1 million and short-term investments totaled \$146.6 million at June 30, 2017.

The components of cash, cash equivalents and short-term investments are summarized below (expressed in thousands):

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>	<u>Weighted Average Maturity</u>
Cash balance	\$3,803		\$3,803	Less than 1 year
Repurchase agreements		\$25,475	25,475	Less than 1 year
Money market funds	64,909		64,909	Less than 1 year
Domestic equity	276		276	Less than 1 year
Mutual funds	91,947		91,947	1-5 years
U.S. Treasuries		26,247	26,247	1-5 years
Total cash, cash equivalents and short-term investments	\$160,935	\$51,722	\$212,657	

USNH's investment policy and guidelines specify permitted instruments, duration and required ratings for pooled endowment funds. The policy and guidelines are intended to mitigate risk on investments individually and in the aggregate while maximizing total returns and supporting intergenerational equity of spending levels. Illiquid investments are limited to 20% of the USNH consolidated endowment pool. Credit risk is mitigated by due diligence in the selection and continuing review of investment managers as well as diversification of both investment managers and underlying investments. No more than \$50 million may be invested in any single fund and no more than \$75 million or 10% of the pool may be invested with any single bank, fund manager, or investment group unless approved by the Finance Committee for Investments. Foreign currency risk is mitigated by limiting global equity investments in publically traded international and emerging market funds to 25% of the endowment pool. Private global equity investments are limited to 15% of the endowment pool. No USNH endowment investments were denominated in foreign currencies as of June 30, 2017.

Endowment and similar investments are reported at estimated fair value. The fair value of these investments is based on quoted market prices when available. If an investment is held directly by USNH and an active market with quoted prices exists, the market price of an identical security is used to determine its fair value. Fair values of shares in registered mutual funds are based on published share prices. Registered mutual funds and directly held equity securities are classified in Level 1 of the fair value hierarchy. Investments classified in Level 2 consist of directly held investments that have valuations based on inputs other than quoted prices. There were no transfers between levels in 2017.

As a practical expedient to estimate the fair value of USNH's interests, certain investments in commingled funds and limited partnerships are reported at the net asset value (NAV) determined by the fund managers, without adjustment when assessed as reasonable by USNH, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. 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. As of June 30, 2017, USNH had no plans or intentions to sell such investments at amounts different from NAV.

The following tables summarize USNH's investments by type (expressed in thousands):

	Investments Classified in the Fair Value Hierarchy		Investments Measured at	Total
	Level 1	Level 2	NAV	
Endowment and similar investments - campuses				
Money market	\$13,694			\$13,694
Domestic equity	106,689		\$50,323	157,012
International equity	53,145		42,996	96,141
Global fixed income	17,865	\$29,214		47,079
Inflation hedging assets		8,041	9,593	17,634
Hedge funds:				
Fund of Funds			56,640	56,640
Event-Driven			29,775	29,775
Equity Hedge			44,479	44,479
Distressed/Restructuring			12,236	12,236
Private equity & non-marketable real assets			23,280	23,280
Funds held in trust		16,192		16,192
Total endowment and similar investments - campuses	<u>191,393</u>	<u>53,447</u>	<u>269,322</u>	<u>514,162</u>
Endowment and similar investments - affiliated entities				
Money market	3,303			3,303
Domestic equity	37,240		34,635	71,875
International equity	15,788		29,918	45,706
Global fixed income	12,795	720	1,342	14,857
Inflation hedging assets	2,785	3,799	3,352	9,936
Hedge funds:				
Equity Hedge			21,216	21,216
Distressed/Restructuring			26,075	26,075
Diversified			9,797	9,797
Private equity & non-marketable real assets			13,581	13,581
Total endowment and similar investments - affiliated entities	<u>71,911</u>	<u>4,519</u>	<u>139,916</u>	<u>216,346</u>
Total endowment and similar investments	<u>\$263,304</u>	<u>\$57,966</u>	<u>\$409,238</u>	<u>\$730,508</u>

The majority of USNH's investments are units of institutional commingled funds and limited partnerships invested in equity, fixed income, hedge, natural resources, private equity, or real estate strategies. Hedge strategies involve funds whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. Funds with hedge strategies generally hold securities or other financial instruments for which a ready market exists and may include stocks, bonds, put or call options, swaps, currency hedges and other instruments which are valued by the investment manager. To the extent quoted prices exist the manager would use those; otherwise, other methodologies maximizing observable inputs would be used for the valuation, such as discounted cash flow analysis, capitalization of current or stabilized net operating income, replacement costs, or sales contracts and recent sales comparable in the market. Private equity funds employ buyout, growth and venture capital, and distressed security strategies. Real asset funds generally hold interests in private real estate. As of June 30, 2017, fixed income securities had maturities up to 30 years and carried ratings ranging from AAA to A3. The mutual fund investments held in the endowment pools are not rated.

As of June 30, 2017, the University of New Hampshire Foundation, Inc. (UNHF) had one equity hedge fund with lock-up periods for multiple share classes ranging from 2 to 17 months, one distressed hedge fund with a lock-up period set to expire in 13 months, and one diversified fund with a lock-up period ending in 18 months. As of June 30, 2017, USNH had no funds in an active lock-up period. Hedge funds, private equity and real estate funds classified as illiquid have no ability to be redeemed. For USNH, of the 28 funds classified as illiquid, nine are currently in liquidation; five are expected to start liquidation within the next year; five are expected to start liquidation in 2 to 9 years, and nine currently have no expected liquidation dates. For UNHF, fourteen funds are classified as illiquid and are expected to be liquidated over the next 2 months to 14 years.

As of June 30, 2017, USNH has three outstanding investment liquidation requests which have been limited by the respective fund managers. Management of the fund in which USNH has the largest of these balances has approved a plan to fully liquidate all balances by the end of 2018. USNH's balance in that fund was \$482,000 as of June 30, 2017. Plans have not been communicated for the remaining two funds. USNH's balance in the remaining funds totaled \$233,000 as of June 30, 2017. The fair values based on NAV of all three investments at June 30, 2017 are \$714,000. It is uncertain when, or if, the funds will be fully collected at the NAV recorded.

Unfunded commitments with various private equity and similar alternative investment funds total \$15.3 million for USNH and \$17.4 million for (UNHF) at June 30, 2017. This compares to \$15.8 million and \$21.6 million, respectively, at June 30, 2016.

<b>3. RECEIVABLES AND OTHER RECEIVABLES-RESTRICTED</b>
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The following is a breakdown of receivables at June 30, 2017 (expressed in thousands):

	Governmental Activities	Business-Type Activities	Total	Major Component Unit
<b>Short-Term Receivables</b>				
Taxes:				
Meals and Rooms	\$41,338		\$41,338	
Business Taxes	171,535		171,535	
Tobacco	13,644		13,644	
Real Estate Transfer	16,039		16,039	
Interest & Dividends	25,216		25,216	
Communications	3,715		3,715	
Utility Property Tax	20,200		20,200	
Gasoline Road Toll	11,158		11,158	
Subtotal	302,845		302,845	
Other Receivables:				
Turnpike System		\$7,756	7,756	
Liquor Commission		6,769	6,769	
Lottery Commission		2,447	2,447	
Unemployment Trust Fund		17,321	17,321	
Internal Service Fund	12,330		12,330	
Federal Grants	310,575		310,575	\$18,847
Local Grants	32,944		32,944	
Miscellaneous	134,180		134,180	6,095
Short Term Portion Of SRF Loans Receivable		28,209	28,209	
Short Term Portion Of Note/Pledge Receivable				6,480
Subtotal	490,029	62,502	552,531	31,422
Total Current Receivables (Gross)	792,874	62,502	855,376	31,422
<b>Long-Term Receivables</b>				
SRF Loans Receivable		394,394	394,394	
Miscellaneous	12,359		12,359	
Note/Pledge Receivable				30,759
Total Long Term Receivables (Gross)	12,359	394,394	406,753	30,759
<b>Allowance for Doubtful Accounts</b>	(52,122)		(52,122)	(8,772)
Total Receivables (Net)	\$753,111	\$456,896	\$1,210,007	\$53,409

**State Revolving Fund (SRF):**

Business-type activities include loans made under a program with the U.S. Environmental Protection Agency to improve cleanliness and potability of the State's water supplies. The 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. Amounts recorded as principal forgiveness totaled approximately \$4.9 million for the year ended June 30, 2017.

**Unearned Revenue:**

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned. As of June 30, 2017, unearned revenue reported in governmental funds was \$112.8 million, and in business-type activities was \$16.8 million.

#### 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, was as follows (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Bal- ance
<b>Governmental Activities:</b>				
Capital Assets not being depreciated:				
Land & Land Improvements	\$558,327	\$11,531	\$(17,024)	\$552,834
Construction in Progress	211,587	168,506	(148,456)	231,637
Work in Progress Computer Software	75,478	11,690	(3,461)	83,707
Total Capital Assets not being depreciated	845,392	191,727	(168,941)	868,178
Other Capital Assets:				
Equipment & Computer Software	322,875	32,140	(8,663)	346,352
Buildings & Building Improvements	812,510	66,665	(3,710)	875,465
Land Improvements	120,790	3,503	(350)	123,943
Infrastructure	3,678,096	87,078	(8,364)	3,756,810
Total Other Capital Assets	4,934,271	189,386	(21,087)	5,102,570
Less accumulated depreciation for:				
Equipment & Computer Software	(284,222)	(19,559)	5,467	(298,314)
Buildings & Building Improvements	(411,467)	(25,198)	3,827	(432,838)
Land Improvements	(96,607)	(2,282)	359	(98,530)
Infrastructure	(2,044,486)	(54,704)	3,235	(2,095,955)
Total Accumulated Depreciation	(2,836,782)	(101,743)	12,888	(2,925,637)
Other Capital Assets, Net	2,097,489	87,643	(8,199)	2,176,933
Governmental Activities Capital Assets, Net	\$2,942,881	\$279,370	\$(177,140)	\$3,045,111
<b>Business-Type Activities:</b>				
<b>Turnpike System:</b>				
Capital Assets not being depreciated:				
Land & Land Improvements	\$101,404	\$310		\$101,714
Construction in Progress	141,697	41,197	\$(111,564)	71,330
Capital Assets not being depreciated	243,101	41,507	(111,564)	173,044
Other Capital Assets:				
Equipment & Computer Software	50,227	13,209	(590)	62,846
Buildings & Building Improvements	14,459	18		14,477
Land Improvements	2,003			2,003
Infrastructure	962,900	97,368	(604)	1,059,664
Total Other Capital Assets	1,029,589	110,595	(1,194)	1,138,990
Less accumulated depreciation for:				
Equipment	(45,255)	(6,026)	555	(50,726)
Buildings & Building Improvements	(2,820)	(363)		(3,183)
Land Improvements	(198)	(101)		(299)
Infrastructure	(322,287)	(20,800)	604	(342,483)
Total Accumulated Depreciation	(370,560)	(27,290)	1,159	(396,691)
Turnpike Capital Assets, Net	\$902,130	\$124,812	\$(111,599)	\$915,343
<b>Liquor:</b>				
Capital Assets not being depreciated:				
Land	\$2,002			\$2,002
Construction In Progress	1,143	\$4,108	\$(1,118)	4,133
Work In Progress Computer Software	911	2,692		3,603
Total Capital Assets not being depreciated	4,056	6,800	(1,118)	9,738
Other Capital Assets:				
Equipment	7,543	2,626	(153)	10,016
Buildings & Building Improvements	34,597	2,288		36,885
Land Improvements	689			689
Total Other Capital Assets	42,829	4,914	(153)	47,590
Less accumulated depreciation for:				
Equipment	(5,394)	(1,159)	153	(6,400)
Buildings & Building Improvements	(11,756)	(1,110)		(12,866)
Land Improvements	(596)	(5)		(601)
Total Accumulated Depreciation	(17,746)	(2,274)	153	(19,867)
Liquor Capital Assets, Net	\$29,139	\$9,440	\$(1,118)	\$37,461
<b>Lottery Commission:</b>				
Equipment	\$652	\$17	\$(25)	\$644
Less Accumulated Depreciation for Equipment:	(441)	(82)	24	(499)
Lottery Capital Assets, Net	\$211	\$(65)	\$(1)	\$145

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

<b>Governmental Activities:</b>	
General Government	\$10,690
Administration of Justice and Public Protection	15,466
Resource Protection and Development	5,041
Transportation	65,081
Health and Social Services	5,085
Education	380
<b>Total Governmental Activities Depreciation Expense</b>	<b>\$101,743</b>

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

- A. Held for public exhibition, education, or research in furtherance of public service, rather than financial gain.
- B. Protected, kept unencumbered, cared for, and preserved.
- C. Subject to an organizational policy that requires 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):

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
Land and Land Improvements	\$15,780	\$85		\$15,865
Building and Building Improvements	1,593,091	96,333	\$(8,763)	1,680,661
Equipment	123,087	12,603	(3,075)	132,615
Construction in Progress	118,357	94,894	(96,418)	116,833
Subtotal	1,850,315	203,915	(108,256)	1,945,974
Less: Accumulated Depreciation	(773,264)	(62,942)	9,860	(826,346)
<b>Total</b>	<b>\$1,077,051</b>	<b>\$140,973</b>	<b>\$(98,396)</b>	<b>\$1,119,628</b>

Contractual Obligations for major construction projects totaled approximately \$26.8 million at June 30, 2017.

## 5. LONG-TERM DEBT

### PRIMARY GOVERNMENT

**Bonds/Notes Authorized and Unissued:** Bonds/Notes authorized and unissued amounted to \$675.7 million at June 30, 2017. The proceeds of the bonds/notes will be applied to the following funds when issued (expressed in millions):

Capital Projects Fund	\$178.5
Federal Highway/Garvees	447.0
Turnpike System	50.2
<b>Total</b>	<b>\$675.7</b>

**Turnpike System:** The Legislature has established a 10-year highway construction and reconstruction plan for the Turnpike System to be funded from Turnpike revenues. This legislation also authorized the Treasurer with the approval of the Governor and Executive Council to issue up to \$766.0 million of bonds to support this project. The State has issued \$715.8 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 millions):

<b>Date of Advance Refunding</b>	<b>Amount Outstanding at June 30, 2017</b>
<b>Governmental Fund Types (General Obligation Bonds):</b>	
April 8, 2010	\$89,575
December 10, 2014	\$60,640
November 30, 2016	\$12,775
<b>Subtotal</b>	<b>\$162,990</b>

**Bond/Note Issuances:**

Effective July 1, 2014, Chapter 17 of the Laws of 2014 and as amended by Chapter 276:210 and 276:211, Laws of 2015, authorized the use of a 4.2 cent increase in motor vehicle fuel fees (referred to as a 'road toll' in New Hampshire laws) to fund \$200 million in general obligation bonds or revenue bonds, or both, to complete the I-93 Salem to Manchester widening project. Subsequent legislation specifically authorized a Federal Transportation Infrastructure Finance and Innovation Act (TIFIA) loan as an alternative to a traditional general obligation bond issue including, without limitation, a pledge of the revenue collected from adjustments under RSA 260:32-a for rates that exceed \$0.18 per gallon less required distributions under RSA 235:23, I, on said revenues.

The State, through the State Treasurer and the NH Department of Transportation (Department) was approved for a TIFIA loan in May of 2016. The TIFIA loan resulted in \$200.0 million of funding at a favorable 1.09% interest rate that will allow the Department to perform additional bridge repair and pavement maintenance and completion of the I-93 project within the time frame of the law. This increase under Chapter 17 of the Laws of 2014, as amended, will expire once all debt service payments for the I-93 project have been made or 20 years after the initial issuance of such bonds, whichever is earlier. As of June 30, 2017, \$48.0 million of TIFIA proceeds had been received under this arrangement, representing a long-term note payable. This compares to \$9.7 million as of June 30, 2016. The TIFIA obligation is payable on an interest-only basis initially, with principal payments beginning in 2025. A final principal payment schedule will be established once all proceeds have been drawn against the loan. Interest paid during the fiscal year ended June 30, 2017 was \$203 thousand.

On July 12, 2016, the State issued \$3.9 million of general obligation capital improvement bonds. The bonds were sold via private placement with the New Hampshire Municipal Bond Bank (NHMBB). The proceeds are being used to finance various capital projects of the State. The NHMBB holds the bonds as investments in its Debt Service Reserve Fund.

The State issued \$63.4 million General Obligation Capital Improvement Bonds 2016 Series B on November 30, 2016 through a competitive sale and resulted in an overall true-interest-cost (TIC) to the state of 2.80% with coupons ranging from 3.00% to 5.00% and with final maturity on 6/1/2036. The proceeds of these bonds will be used to fund all or part of various capital projects of the State.

The State also issued \$50.9 million General Obligation Refunding Bonds 2016 Series A on November 30, 2016 for the current and advanced refunding of outstanding general obligation debt of the State. The Series A Refunding Bonds were sold through a competitive sale which resulted in an overall true-interest-cost (TIC) to the State of 1.69% with coupons at 5.00% and final maturity on 10/15/2024. These bonds were used to refund \$53.8 million of existing outstanding bonds, which resulted in an overall net present value savings of \$2.9 million or 5.17% savings on the refunded bonds.

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

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Accretion</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>	<b>Current</b>	<b>Long-Term</b>
General Obligation Bonds Payable	\$862,887	\$99	\$112,350	\$145,904	\$829,432	\$85,144	\$744,288
Federal Highway Grant Anticipation Bonds	152,468			14,483	137,985	12,985	125,000
Notes Payable	9,685		38,304		47,989		47,989
Compensated Absences	88,052		2,872	788	90,136	14,422	75,714
Claims Payable	47,066		281,934	278,293	50,707	29,814	20,893
Net Pension Liability	795,345		234,429		1,029,774		1,029,774
Other Postemployment Benefits	1,069,023		203,516	92,041	1,180,498		1,180,498
Pollution Remediation Obligation	49,100		3,690	1,328	51,462	2,875	48,587
Capital Lease	1,945		4,882	299	6,528	1,148	5,380
Advance Construction Commitments	587			25	562	562	
<b>Total Governmental</b>	<b>3,076,158</b>	<b>99</b>	<b>881,977</b>	<b>533,161</b>	<b>3,425,073</b>	<b>146,950</b>	<b>3,278,123</b>
<b>Business-Type Activities</b>							
<b>Turnpike System</b>							
Revenue Bonds	431,982			30,702	401,280	17,890	383,390
Pollution Remediation Obligation	2,889		2,527	70	5,346	343	5,003
Claims & Compensated Absences Payable	2,236		132	337	2,031	315	1,716
Net Pension Liability	10,100		3,657		13,757		13,757
<b>Total</b>	<b>447,207</b>		<b>6,316</b>	<b>31,109</b>	<b>422,414</b>	<b>18,548</b>	<b>403,866</b>
<b>Liquor Commission</b>							
General Obligation Bonds Payable	14,780		6,000	1,083	19,697	1,541	18,156
Capital Lease	353			43	310	56	254
Claims & Compensated Absences Payable	4,802			439	4,363	1,300	3,063
Net Pension Liability	20,141		7,399		27,540		27,540
<b>Total</b>	<b>40,076</b>		<b>13,399</b>	<b>1,565</b>	<b>51,910</b>	<b>2,897</b>	<b>49,013</b>
<b>Lottery Commission</b>							
Claims & Compensated Absences Payable	621		424	528	517	83	434
Net Pension Liability	3,675		1,273		4,948		4,948
<b>Total</b>	<b>4,296</b>		<b>1,697</b>	<b>528</b>	<b>5,465</b>	<b>83</b>	<b>5,382</b>
<b>State Revolving Fund Programs</b>							
General Obligation Bonds Payable	12,135		8,353	2,275	18,213	2,839	15,374
Claims & Compensated Absences Payable	851		117		968	224	744
Net Pension Liability	4,805		1,616		6,421		6,421
<b>Total</b>	<b>17,791</b>		<b>10,086</b>	<b>2,275</b>	<b>25,602</b>	<b>3,063</b>	<b>22,539</b>
<b>Total Business-Type</b>	<b>\$509,370</b>		<b>\$31,498</b>	<b>\$35,477</b>	<b>\$505,391</b>	<b>\$24,591</b>	<b>\$480,800</b>

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, 2017, 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 four issues in this group have matured leaving only two capital appreciation bonds outstanding. At June 30, 2017, the cumulative interest accretion since issuance for all six capital appreciation bonds is approximately \$158.0 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 U.S. Environmental Protection Agency expends superfund trust monies for cleanup. Currently there are seven 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 No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, pollution liabilities of \$51.5 million and \$5.2 million were reported for governmental activities and business-type activities, respectively, at June 30, 2017. 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 and TIFIA note payable, 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 supporting" debt are funded by reimbursements from component units for debt issued by the State on their behalf and through user fees and other revenues statutorily earmarked to fund debt service payments on specific projects. The anticipated source of repayment and annual maturities including expected federal interest subsidies described earlier are as follows (expressed in thousands):

Payable June 30,	SOURCE OF PRINCIPAL PAYMENTS								DEBT SERVICE			
	Governmental Activities					Business-Type Activities			TOTAL ALL FUNDS			
	General Fund	Highway Fund	Federal Highway (GARVEE)	Self Supporting	Total	Liquor Commission	SRF Funds	Turnpike System	Principal	Interest	Less: Federal Interest Subsidy	Net Total
						General Obligations						
2018	\$63,904	\$9,918	\$12,985	\$11,322	\$98,129	\$1,541	\$2,839	\$17,890	\$120,399	\$60,086	\$6,307	\$174,178
2019	65,077	8,038	13,620	11,479	98,214	1,542	2,077	27,110	128,943	53,987	6,199	176,731
2020	61,985	7,666	14,300	10,923	94,874	1,559	2,077	30,040	128,550	47,873	6,089	170,334
2021	54,193	7,085	15,000	7,744	84,022	1,559	2,072	24,145	111,798	41,858	5,949	147,707
2022	49,561	6,530	14,400	7,941	78,432	1,456	2,072	26,285	108,245	36,846	5,627	139,464
2023-2027	169,968	28,093	61,400	33,930	293,391	5,513	4,078	78,640	381,622	119,438	20,171	480,889
2028-2032	77,493	7,913		18,185	103,591	4,627	1,670	61,285	171,173	53,575	8,987	215,761
2033-2037	25,004	2,359		2,740	30,103	1,900	1,328	57,025	90,356	24,010	4,420	109,946
2038-2042								52,165	52,165	6,356	778	57,743
2043-2047								6,270	6,270	125		6,395
Subtotal	\$567,185	\$77,602	\$131,705	\$104,264	\$880,756	\$19,697	\$18,213	\$380,855	\$1,299,521	\$444,154	\$64,527	\$1,679,148
Unamortized (Discount) / Premium	80,381		6,280		86,661			20,425	107,086			107,086
Total	\$647,566	\$77,602	\$137,985	\$104,264	\$967,417	\$19,697	\$18,213	\$401,280	\$1,406,607	\$444,154	\$64,527	\$1,786,234

**Revenue Bond Resolutions:** Turnpike System revenue bonds are secured by a pledge of substantially all Turnpike System revenues and monies deposited into accounts created by the bond resolutions, subject only to the payment of operating expenses.

The bond resolutions require the Turnpike System to establish and collect tolls which are adequate at all times, when combined with other available sources of revenues, to provide for the proper operation and maintenance of the Turnpike System and for the timely payment of the principal and interest on all bonds, notes, or other evidences of indebtedness. The resolutions further require the Turnpike System to collect sufficient tolls so that in each fiscal year net revenues as defined by the resolutions will be at least equal to the greater of: (a) 120% of current year debt service on the revenue bonds, or (b) 100% of current year debt service on the revenue bonds and on all general obligation or other bonds, notes or other indebtedness, and the additional amount, if any, required to be paid from the revenue bond general reserve account to satisfy the Renewal & Replacement (R&R) requirement for the fiscal year.

The resolutions further require the Turnpike System to request payment from the Revenue Bond Construction Account and an Authorized Officer shall sign a written order and file the request with the State Treasurer.

The Turnpike System is required to review the adequacy of its tolls after each fiscal year. If this review indicates that the tolls and charges are, or will be, insufficient to meet the requirements described above, then the Independent Engineer of the Turnpike System will make a study and recommend a schedule of tolls and charges which will provide revenues sufficient to comply with the requirements described above. For fiscal year 2017, the toll rate schedule was deemed to be sufficient to meet all required payments in connection with the Turnpike System, and as such, no Independent Engineer's study was necessary.

The resolutions establish an R&R requirement with respect to each fiscal year. R&R costs consist of rehabilitation, renewals, replacements, and extraordinary repairs necessary for the sound operation of the Turnpike System or to prevent loss of revenues, but not costs associated with new construction, additions or extensions. Total R&R costs for fiscal year 2017 were \$9.3 million, of which \$9.1 million were recorded as current year expenses and \$0.1 million were capitalized.

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 \$491.5 million; capital lease obligations of \$9.9 million; deferred obligations interest swaps of \$25.8 million; accrued employee benefits and compensated absences of \$34.6 million; other postemployment benefits of \$56.3 million; and other liabilities of \$18.7 million (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance	Current	Long-Term
University System of NH	\$679,211	\$9,361	\$51,725	\$636,847	\$33,489	\$603,358

**Debt Maturity:** The table below 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):

Payable June 30,	UNIVERSITY SYSTEM OF N.H.		
	Principal	Interest	Total
2018	\$18,615	\$20,672	\$39,287
2019	66,512	19,886	86,398
2020	20,567	16,630	37,197
2021	50,594	15,987	66,581
2022	24,778	13,458	38,236
2023-2027	120,529	50,399	170,928
2028-2032	69,315	31,884	101,199
2033-2037	60,180	17,481	77,661
2038-2042	23,490	8,631	32,121
2043-2047	24,634	2,899	27,533
Subtotal	479,214	197,927	677,141
Unamortized Discounts/Premium, net	22,251		22,251
Total	\$501,465	\$197,927	\$699,392

<b>6. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES</b>
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The components of deferred outflows and inflows of resources in the government-wide financial statements related to the primary government at June 30, 2017 are as follows (expressed in thousands):

	Governmental Activities	Business-Type Activities	Primary Government
<b>Deferred outflows of resources:</b>			
Pension related amounts:			
New Hampshire Retirement System	\$265,815	\$15,947	\$281,762
New Hampshire Judicial Retirement Plan	10,291		10,291
Total pension related amounts	276,106	15,947	292,053
Loss on refunding of debt, net	14,875	1,345	16,220
<b>Total deferred outflows of resources</b>	<u>\$290,981</u>	<u>\$17,292</u>	<u>\$308,273</u>
<b>Deferred inflows of resources:</b>			
Pension related amounts:			
New Hampshire Retirement System	\$39,900	\$2,236	\$42,136
<b>Total deferred inflows of resources</b>	<u>\$39,900</u>	<u>\$2,236</u>	<u>\$42,136</u>

The components of deferred inflows of resources related to the governmental funds at June 30, 2017 are as follows (expressed in thousands):

	General	Highway	Education	Total Governmental Funds
<b>Deferred inflows of resources:</b>				
Taxes considered unavailable	\$107,949		\$62,400	\$170,349
Local assistance	10,698			10,698
Other loans	1,610			1,610
Indigent representation advances	4,675			4,675
Banking assessments	1,500			1,500
Miscellaneous fees & fines	581	\$1,216		1,797
<b>Total deferred inflows of resources</b>	<u>\$127,013</u>	<u>\$1,216</u>	<u>\$62,400</u>	<u>\$190,629</u>

#### MAJOR COMPONENT UNIT

The University System of New Hampshire's deferred outflows and deferred inflows of resources at June 30, 2017 are as follows (expressed in thousands):

<b>Deferred outflows of resources:</b>	
Accumulated decrease in fair value of hedging derivatives	\$25,759
Accounting loss on debt refinancing, net	7,308
<b>Total deferred outflows of resources</b>	<u>\$33,067</u>
<b>Deferred inflows of resources:</b>	
Deferred inflows of resources related to retirement	\$698
Accounting gain on debt financing, net	1,508
<b>Total deferred inflows of resources</b>	<u>\$2,206</u>

## 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 23 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, one fleet claim was settled in excess of policy limits during fiscal year 2016. As of June 30, 2017, there are no outstanding fleet claims that are currently expected to exceed the policy coverage. The State's exposure per claimant is limited by law to a total of \$475 thousand under RSA 541-B:14 and the State's current fleet policy coverage is \$250 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, which totaled \$16.0 million as of June 30, 2017. In addition, state law requires the Fund to maintain a reserve in the amount of at least 3% of estimated annual claims and administrative costs, for unexpected costs. For fiscal year 2017, this reserve equaled \$16.2 million for the Fund. The State maintains a reserve for four plans in the Fund: Actives, Troopers, Retirees, and Dental. The Trooper plan is reported as part of the Active plan, however, the Trooper component of the Active reserve amount represents 90% of the estimated annual claims and administrative expenses for the Trooper health plan account due to its small member size (approximately 825 members), which equaled \$3.0 million for fiscal year 2017. The Active (with Trooper), Retiree, and Dental reserves totaled \$12.2 million, \$3.6 million, and \$0.4 million, respectively. Outside of the Trooper component, the Active, Retiree, and Dental accounts maintained a reserve of 5%, 4%, and 3%, respectively, of the estimated annual claims and administrative expenses. Health and Dental Plan Rates are established annually, by actuaries, based on an analysis of past claims, State and other medical trend, and annual projected plan claims and administrative expenses. 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 fiscal year 2017 actuarial study, the Estimated Workers' Compensation Unpaid Loss and Allocated Loss Adjustment Expense (ALAE), which comprises past claims, claim trends, and future estimated loss experience, is \$29.8 million as of June 30, 2017.

The following table presents the changes in claim liabilities during the fiscal years ending June 30, 2016 and 2017 (expressed in thousands):

Governmental Activities	6/30/2015			6/30/2016			6/30/2017		
	Balance	Increases	Decreases	Balance	Increases	Decreases	Balance	Current	Long-Term
Workers' Compensation Claims Payable	\$23,079	\$9,541	\$6,747	\$25,873	\$7,287	\$6,390	\$26,770	\$5,877	\$20,893
Health Claims Payable*	23,161	260,878	262,846	21,193	274,647	271,903	\$23,937	23,937	
Total	46,240	270,419	269,593	47,066	281,934	278,293	50,707	29,814	20,893
<b>Business-Type Activities</b>									
<b>Turnpike System</b>									
Workers' Compensation Claims Payable	1,634		619	1,015		224	791	117	674
Total	1,634		619	1,015		224	791	117	674
<b>Liquor Commission</b>									
Workers' Compensation Claims Payable	2,139	1,027	526	2,640	372	806	2,206	741	1,465
Total	2,139	1,027	526	2,640	372	806	2,206	741	1,465
<b>Lottery Commission</b>									
Workers' Compensation Claims Payable	25		24	1			1		1
Total	25		24	1			1		1
Total Business-Type	\$3,798	\$1,027	\$1,169	\$3,656	\$372	\$1,030	\$2,998	\$858	\$2,140

\* 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, 2017 (expressed in thousands):

RECEIVABLES / DUE FROM	AMOUNT	PAYABLES / DUE TO	AMOUNT
Highway Fund	\$232	Turnpike System	\$232
General Fund	13,597	Education Fund	13,597
General Fund	3,104	Unemployment Compensation	3,104
General Fund	10,598	Liquor Commission	10,598
General Fund	30,003	Non-Major Fund	30,003
Non-Major Fund	6,589	Liquor Commission	6,589
Liquor Commission	29	General Fund	29
Turnpike System	92	General Fund	92
Turnpike System	72	Liquor Commission	72
Lottery Commission	86	Education Fund	86
Lottery Commission	435	Liquor Commission	435
<b>Total</b>	<b>\$64,837</b>	<b>Total</b>	<b>\$64,837</b>

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 \$20.8 million from business-type activities represents the "internal balances" amount on the statement of net position. The \$38.7 million between governmental funds, and the \$0.6 million between enterprise funds has been eliminated on the government-wide financial statements.

## 9. INTERFUND TRANSFERS

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

Transferred From	Transferred To				Total Governmental Funds
	General Fund	Highway Fund	Education Fund	Non-Major Funds	
<b>Governmental Funds</b>					
General Fund		\$13,988	\$53,096	\$600	\$67,684
Highway Fund	\$1,158			1,512	2,670
Total Governmental Funds	* 1,158 *	13,988	53,096	* 2,112 *	70,354
<b>Proprietary - Enterprise Funds</b>					
Liquor Commission	153,741				153,741
Lottery Commission			76,120		76,120
Total Proprietary - Enterprise Funds	\$153,741		\$76,120		\$229,861

\* 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 \$76.1 million to fund education
- Transfer of Liquor Commission profits of \$150.4 million to the general fund for government operations and \$3.3 million to the general fund pursuant to RSA 176:16, III for the Alcohol Abuse Prevention and Treatment Fund.
- \$53.1 million transfer from the general fund to eliminate the education fund deficit

Pursuant to RSA 260:61, \$0.6 million was transferred from the Highway Fund to the Fish and Game Fund for the Bureau of Off Highway Recreational Vehicle (BOHRV) Grant.

Pursuant to RSA 260:60, \$1.8 million of unrefunded gas tax in the Highway Fund was transferred on a 50/50 basis to the General Fund and Fish & Game Fund.

## 10. CONTRACTUAL COMMITMENTS

**Contractual Commitments:** The State Department of Transportation has estimated its share of contractual obligations for construction contracts to be \$59.4 million at June 30, 2017. This represents total obligations of \$253.9 million less \$194.5 million in estimated federal aid.

**Encumbrances:** Encumbrances by fund for the State at June 30, 2017, excluding contractual commitments noted above, were as follows:

	Expressed in Millions
General Fund	\$(243.3)
Highway Fund	(471.7)
Education Fund	(4.8)
Non-Major Governmental Funds	<u>(96.3)</u>
	<u>\$(816.1)</u>

## 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 ("NHRS") 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. NHRS is a contributory defined-benefit plan providing service, disability, death, and vested retirement benefits to members and beneficiaries. NHRS 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. NHRS 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, NHRS also provides a postretirement medical premium subsidy for Group I employees and teachers and Group II police officers and firefighters.

NHRS 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:** NHRS 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 NHRS actuary using the entry age normal funding method and are expressed as a percentage of gross payroll. The State contributed 12.50% of gross payroll for Group I members, 29.16% of gross payroll for Group II firefighter members, and 26.38% of gross payroll for Group II police officer members.

The State's required and actual contributions for the year ended June 30, 2017 were \$84.8 million, which included an amount for other postemployment benefits of \$12.1 million.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:**

As of June 30, 2017, the State reported a liability of \$1,035.4 million for its proportionate share of the net pension liability of NHRS. This net pension liability is measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015, with update procedures used to roll the total pension liability forward to June 30, 2016. The State's proportion of the net pension liability was based on the State's share of contributions to NHRS relative to the contributions of all participating employers, actuarially determined. As of the measurement date, the State's proportion was 19.47%, which was a decrease of 60 basis points from its proportion measured as of the previous measurement date. For the year ended June 30, 2017, the State recognized total pension expense of \$110.1 million. NHRS has not adopted changes to certain economic and demographic assumptions since the measurement date.

As of June 30, 2017, the State reported deferred outflows and inflows of resources on its government-wide financial statements related to pensions in the primary government of \$207.4 million and \$40.4 million, respectively, from the following sources:

<i>(in thousands)</i>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between projected and actual earnings on pension plan investments	\$64,778	
Differences between expected and actual experience	2,877	\$13,074
Changes in assumptions	127,421	
Changes in employer proportion	12,305	27,362
Contributions subsequent to the measurement date	72,680	
<b>Total</b>	<b>\$280,061</b>	<b>\$40,436</b>

Amounts reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	Amount (in thousands)
2018	\$31,600
2019	31,600
2020	56,105
2021	45,608
2022	2,032
	<u>\$166,945</u>

**Actuarial Assumptions:** NHRS total pension liability, measured as of June 30, 2016, was determined by a roll forward of the actuarial valuation as of June 30, 2015, for which the following actuarial assumptions were used:

Inflation	2.5%
Salary increases	5.6% average, including inflation
Investment rate of return	7.25%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 employee generational mortality tables for males and females, adjusted for mortality improvements using Scale MP-2015, based on the last experience study.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010 - June 30, 2015.

**Long-Term Rates of Return:** The long-term expected rate of return on pension plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and long-term rates of return for 2016:

Asset Class	Target Allocation	Weighted average long-term expected geometric real rate of return:
		2016
Large Cap Equities	22.50%	4.25%
Small/Mid Cap Equities	7.50%	4.50%
Total domestic equity	30.00%	
International Equities (unhedged)	13.00%	4.75%
Emerging International Equities	7.00%	6.25%
Total international equity	20.00%	
Core Bonds	5.00%	0.64%
Short Duration	2.00%	(0.25%)
Global Multi-Sector Fixed Income	11.00%	1.71%
Absolute return fixed income	7.00%	1.08%
Total fixed income	25.00%	
Private equity	5.00%	6.25%
Private debt	5.00%	4.75%
Opportunistic	5.00%	3.68%
Total alternative investments	15.00%	
Real estate	10.00%	3.25%
Total real estate investments	10.00%	
Total	100.00%	

**Discount Rate:** The discount rate used to measure the collective total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are determined based on the expected payroll of current members only. Employer contributions are determined based on NHRS's actuarial funding policy and as required by RSA 100-A:16. Based on those assumptions, NHRS's fiduciary net position was projected to be available to make all projected future benefit payments to current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine total pension liability.

The following table illustrates the sensitivity of the State's proportionate share of NHRS's net pension liability to changes in the discount rate. In particular, the table presents the State's proportionate share of NHRS's net pension liability measured at June 30, 2016 assuming it was calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the single discount rate (in millions):

1% Decrease to 6.25%	Current single rate assumption 7.25%	1% Increase to 8.25%
\$1,330.4	\$1,035.4	\$790.7

**Pension Allocations:** The Statewide amounts for net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense detailed above were allocated among governmental and business-type activities based on each reporting unit's share of the Statewide employer contribution to NHRS. Pension-related amounts for each reporting unit are as follows (expressed in thousands):

	<b>Governmental Activities</b>	<b>Turnpike System</b>	<b>Liquor Commission</b>	<b>Lottery Commission</b>	<b>State Revolving Fund</b>	<b>Business-type Activities</b>	<b>Primary Government</b>
Proportionate share of Statewide amount	94.91%	1.33%	2.66%	0.48%	0.62%	5.09%	100.00%
Net pension liability	\$982,704	\$13,757	\$27,540	\$4,948	\$6,421	\$52,666	\$1,035,370
Pension expense	104,210	1,500	3,092	594	693	5,879	110,089
Deferred outflows of resources representing contributions subsequent to the measurement date	68,970	1,030	1,890	330	460	3,710	72,680
Deferred outflows of resources representing the changes in employer proportion	11,706	152	313	57	77	599	12,305
Deferred outflows of resources representing the net difference between projected and actual earnings on pension plan investments	61,460	855	1,740	309	414	3,318	64,778
Deferred outflows of resources representing changes in assumptions	120,940	1,693	3,389	609	790	6,481	127,421
Deferred outflows of resources representing the differences between expected and actual experience	2,732	38	76	14	17	145	2,877
Deferred inflows of resources representing the differences between expected and actual experience	12,438	162	332	61	81	636	13,074
Deferred inflows of resources representing the changes in employer proportion	25,986	359	718	130	168	1,375	27,361
Deferred outflows of resources representing change in proportion within the entity	7	623	854	83	134	1,694	1,701
Deferred inflows of resources representing change in proportion within the entity	1,476	167		23	35	225	1,701
<i>Amortization of deferred amounts:</i>							
2018	29,615	525	1,066	163	231	1,985	31,600
2019	29,615	525	1,066	163	231	1,985	31,600
2020	52,891	845	1,704	282	383	3,214	56,105
2021	42,924	740	1,418	236	290	2,684	45,608
2022	1,900	38	68	14	13	133	2,033
Total	156,945	2,673	5,322	858	1,148	10,001	166,946
<i>Sensitivity analysis:</i>							
Net pension liability at 6.25% discount rate	1,262,664	17,694	35,388	6,386	8,248	67,716	1,330,380
Net pension liability at 8.25% discount rate	750,459	10,516	21,033	3,795	4,902	40,246	790,705

## JUDICIAL RETIREMENT PLAN

**Plan Description:** The New Hampshire Judicial Retirement Plan (NHJRP), a single-employer 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. NHJRP 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, or from the State's website at <http://www.nh.gov>.

**Members covered by benefit terms:** As of December 31, 2016, the following members were covered by the benefit terms:

Inactive members or beneficiaries currently receiving benefits	65
Inactive members entitled to but not yet receiving benefits	1
Active or vested members	58
	<u>124</u>

The NHJRP is administered by an appointed Board of Trustees (Board), separate from the New Hampshire Retirement System. The Board consists of 7 members, 2 of which are appointed by the Governor and Council and 1 of whom the Governor shall designate to serve as chairman of the Board of Trustees, and who shall be qualified persons with business experience and not members of NHJRP. The Chief Justice of the state supreme court shall appoint 3 trustees, at least 2 of whom shall be active members of NHJRP and one of whom may be a retired member of NHJRP. One member of the state senate and one member of the house of representatives shall be appointed biennially. Certain daily administrative functions of NHJRP have been delegated by the Board to the New Hampshire Retirement System such as retirement request processing, member record maintenance and serving as the NHJRP's information center. The NHJRP 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 NHJRP.

Any member of the NHJRP 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 creditable 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 NHJRP 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 NHJRP's initial unfunded accrued liability. All eligible judges are required to contribute 10% of their salaries to the NHJRP until they become eligible for a service retirement equal to 75% of their final year's salary. The State was required to and contributed 41% of the members' salary through June 30, 2013. Effective July 1, 2013 the State was required to and contributed 64.5% of the member's salary. For the year ended June 30, 2017, State contributions to the NHJRP totaled \$6.0 million.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:** As of June 30, 2017, the State reported a net pension liability of \$47 million for the NHJRP. The NHJRP's net pension liability was measured as of December 31, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016, and was then projected forward to the measurement date. Changes in the components of net pension liability for the measurement period ended December 31, 2016 are as follows (in thousands):

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances as of December 31, 2015	\$86,039	\$46,906	\$39,133
Changes for the year:			
Service cost	3,248		3,248
Interest on total pension liability	6,568		6,568
Effect of differences between expected and actual experience	3,773		3,773
Effect of changes in actuarial assumptions	3,806		3,806
Benefit payments	(6,192)	(6,192)	
Employer contributions		6,096	(6,096)
Member contributions		727	(727)
Net investment income		2,874	(2,874)
Administrative expenses		(239)	239
Balances as of December 31, 2016	<u>\$97,242</u>	<u>\$50,172</u>	<u>\$47,070</u>

For the year ended June 30, 2017, the State recognized pension expense of \$9.8 million for the NHJRP. As of June 30, 2017, the State reported deferred outflows of resources on its government-wide financial statements related to the NHJRP of \$10.3 million from the following sources (in thousands):

	<u>Deferred Outflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$2,580
Net difference between expected and actual experience	2,322
Change in assumptions	2,342
Contributions subsequent to the measurement date	3,047
Total	<u>\$10,291</u>

Amounts reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	Amount (in thousands)
2018	\$3,770
2019	2604
2020	785
2021	85
	<u>\$7,244</u>

**Actuarial Assumptions:** The total pension liability in the January 1, 2016 actuarial valuation, which was projected forward to the measurement date of December 31, 2016, was determined using the following actuarial assumptions:

Inflation	2.75%
Salary increases	2.25%
Investment rate of return	7.00%

Mortality rates were based on the RP-2000 Mortality Tables for Employees and Healthy Annuitants with generational projection per Scale BB.

The actuarial assumptions used in the January 1, 2016 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2005 - June 30, 2010.

**Long-Term Rates of Return:** The long-term expected rate of return on NHJRP investments was selected from a best estimate range determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. Following is a table presenting target allocations and long-term rates of return for 2016:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
Cash	0.70%	0.80%
Core Fixed Income	16.10%	2.55%
Inflation-Indexed Bonds	5.30%	1.80%
Large Cap US Equities	34.60%	3.86%
Small Cap US Equities	4.60%	4.25%
International equity	15.80%	4.35%
Alternatives	22.90%	1.86%
Assumed Inflation - Mean		2.75%
Assumed Inflation - Standard Deviation		2.00%
Portfolio Real Mean Return		3.29%
Portfolio Nominal Mean Return		6.10%
Portfolio Standard Deviation		10.30%
<b>Long-Term Expected Rate of Return</b>		<b>7.00%</b>

**Discount Rate:** The single discount rate used to measure the collective total pension liability was 7.00%, the same rate used for the prior year measurement of total pension liability. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the NHJRP's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table illustrates the sensitivity of the NHJRP's net pension liability to changes in the discount rate. In particular, the table presents the net pension liability of NHJRP, calculated using the discount rate of 7.00%, as well as what the NHJRP's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current discount rate (expressed in thousands):

	1% Decrease	Current Discount Rate	1% Increase
	6.00%	7.00%	8.00%
Net pension liability	\$56,242	\$47,070	\$39,164

## OTHER POSTEMPLOYMENT BENEFITS

Pursuant to RSA 100-A:52, RSA 100-A:52-a and RSA 100-A:52-b, NHRS administers a cost-sharing multiple employer defined benefit postemployment medical subsidy healthcare plan designated in statute by membership type (“medical subsidy plan”). The medical subsidy is a payment made by NHRS to the former employers of its members, or their insurance administrator, toward the cost of health insurance. The State is a recipient of these medical subsidy payments on behalf of its former employees. Eligibility for the medical subsidy payment is determined by the relevant RSA’s, however, the medical subsidy plan is closed to new entrants. Funding for the medical subsidy payment is via the employer contribution rates set forth by NHRS. The State Legislature has the authority to establish, amend and discontinue the contribution requirements of the medical subsidy plan. Employer contributions made by the State to NHRS for the medical subsidy component amounted to \$11.4 million in fiscal year 2017 and \$11.0 million in fiscal years 2016 and 2015.

Medical subsidy plan obligations of all former employers of NHRS members are pooled and the assets can be used to pay benefits of the retirees of any employer participating in the medical subsidy plan, therefore, the medical subsidy plan is considered a single plan for purposes of reporting in accordance with GASB 74. As a result, the State, as an employer, has no disclosure requirements pertaining to the medical subsidy plan.

In addition, 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. These benefits are referred to as “OPEB”. 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 and prescription drug 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 NHRS medical subsidy payment described earlier, which totaled approximately \$12.3 million, \$12.8 million and \$13.1 million, respectively, for the fiscal years ended June 30, 2017, 2016 and 2015.

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 2017 (dollar amounts in thousands):

Annual Required Contribution	\$155,413
Interest on net OPEB obligation	48,103
Adjustment to annual required contribution	<u>(42,195)</u>
Annual OPEB cost	161,321
Contributions made (pay-as-you-go)	<u>(49,846)</u>
Increase in Net OPEB Obligation	<u>111,475</u>
Net OPEB Obligation - Beginning of Year	<u>1,069,023</u>
<b>Net OPEB Obligation - End of Year</b>	<b><u><u>\$1,180,498</u></u></b>

The State’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2017, 2016 and 2015 were as follows (expressed in thousands):

Fiscal Year Ended	Annual OPEB Cost	Actual Contributions (pay-as-you-go)	Percentage Contributed	Net OPEB Obligation
06/30/17	\$161,321	\$49,846	30.90%	\$1,180,498
06/30/16	\$160,424	\$53,218	33.17%	\$1,069,023
06/30/15	\$155,048	\$51,600	33.28%	\$961,817

As of December 31, 2016, the date of the most recent actuarial valuation, the actuarial accrued liability (AAL) for benefits was \$2,283 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,283 million. The covered payroll (annual payroll of active employees covered by the plan) was \$588 million during fiscal year 2017 and the ratio of the UAAL to the covered payroll was 389 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, 2016 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.5% investment rate of return, a 3.25% inflation rate and projected salary increases of 3.25% per annum. The projected medical cost trend rate for under age 65 retirees is 4.50%. The projected medical cost trend rate for age 65 and over retirees is 4.50%. The drug cost trend rate is 11% initially, decreasing at 0.5% for 13 years to an ultimate level of 4.50%. The UAAL is being amortized using level percent of pay, open amortization method. The remaining amortization period at December 31, 2016, was thirty years.

## 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 be 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 \$83.1 million of financial guarantees outstanding and statutory limits as of June 30, 2017 (expressed in thousands):

	RSA	Guarantee Limit	Remaining Capacity	June 30, 2017		
				Principal	Interest	Total
<i>Municipalities and Political Subdivisions</i>						
Water Pollution Bonds	485-A:7	\$50,000	\$49,702	\$290	\$8	\$298
School Construction Bonds	195-C:2	95,000	65,812	22,378	6,810	29,188
Solid Waste Bonds	149-M:31	10,000	10,000			
Super Fund Site Cleanup Bonds	33:3-f	20,000	*	20,000		
<i>Related Organizations</i>						
Business Finance Authority (BFA) - General Obligation	162-A:17	25,000	**	20,000	2,433	22,433
Business Finance Authority (BFA) - Additional State Guarantee	162-l:9-b	50,000	**	30,867	393	31,260
Business Finance Authority (BFA) - Unified Contingent Credit Limit	162-A:22	115,000	*	64,133	2,826	53,693
Pease Development Authority - Guarantees for Loans	12-G:31	70,000	13,910			
Pease Development Authority - Guarantees for Development	12-G:33	35,000	35,000			
Pease Development Authority - Guarantees for Development	12-G:35	10,000	10,000			
Housing Finance Authority - Child Care Loans	204-C:79	300	300			
Totals		\$405,300	\$268,857	\$73,535	\$9,644	\$83,179

\* Plus Interest

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

### 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 2017 for governmental activities and business-type activities were approximately \$28.5 million and \$8.6 million, respectively. The leases for space, which are subject to continuing appropriation, extend forward a number of years and may contain rent escalation clauses and renewal options. The following is a schedule of future minimum space rental payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of June 30, 2017 (expressed in thousands):

Payable June 30,	Governmental Activities	Business-Type Activities
2018	\$10,343	\$6,140
2019	8,730	6,170
2020	6,698	5,891
2021	6,008	5,484
2022	3,762	5,209
2023-2027	11,194	18,377
2028-2032		5,638
2033-2037		4,067
2038-2042		415
Total	\$46,735	57,391

#### 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, 2017 are as follows (expressed in thousands):

Payable June 30,	Governmental Activities	Business-Type Activities
2018	\$1,148	\$125
2019	1,012	125
2020	909	125
2021	903	104
2022	772	
2023-2027	2,491	
2023-2027	1,846	
Total	9,081	479
Amount Representing Interest	(2,553)	(169)
Present Value of Minimum Lease Payments	\$6,528	\$310

The assets acquired through capital leases and included in capital assets at June 30, 2017 include the following (expressed in thousands):

	Governmental Activities	Business-Type Activities
Equipment	\$4,630	
Buildings & Building Improvements	3,660	\$1,563
Total	8,290	1,563
Less: Accumulated Depreciation	(2,119)	(1,151)
Net	\$6,171	\$412

## 14. TAX ABATEMENTS

For financial reporting purposes, a tax abatement is defined as an agreement between the government and an individual or entity through which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to the economic development or otherwise benefit the government or its citizens. The State has conducted an analysis of tax abatement programs that meet the definition for disclosure, which are described below:

### **Economic Revitalization Zone Tax Credit (ERZTC) (RSA 162-N:7)**

*Description:* The authority to enter into Community Reinvestment and Opportunity (CROP) Zone Credit Agreements became effective July 1, 2003. The CROP Zone tax credit was replaced with the ERZTC and shall be available to taxpayers only for tax liabilities arising during the five consecutive tax periods following the signing of the agreement. ERZTC shall be applied against tax due under RSA 77-E, the Business Enterprise Tax (BET). For the purpose of the credit allowed under RSA 77-A:5, XII, the Business Profits Tax (BPT), the ERZTC shall be considered taxes paid under RSA 77-E. ERZTCs shall not be transferable. This tax credit has carryforward provisions.

The ERZTC is a “cascading” tax credit that may be used to reduce a BET liability and, as considered “taxes paid” under RSA 77-E, may then be used to reduce a BPT liability. The amount disclosed below is total the reduction in revenue to the State whether applied against BPT, BET, or both tax liabilities. There were no other commitments made by the State other than the agreement to credit taxes.

*Agreement:* An agreement between the State and the taxpayer determines the amount of credit awarded and includes provisions such as quality and quantity of full-time jobs to be created, duration of the taxpayer’s commitments with respect to the economic revitalization zone, the amount of the taxpayer’s investment in the project, and a precise definition of the location of the facility eligible for the credit. There are no provisions to recapture previous credits.

*Methodology:* Credit used is the amount actually reported by 57 taxpayers and used to offset a tax liability on the New Hampshire BPT return, BET return, or both.

*Tax returns filed in fiscal year 2017:* The tax credit used against BPT, BET, or both totaled \$823,000. The maximum aggregate credit amount allowable for all taxpayers was \$825,000.

### **Education Tax Credit (RSA 77-G)**

*Description:* Chapter 287, Laws of 2012 (SB 372) enacted a law that allows a business organization and business enterprise to make a money donation (up to \$400,000 in the first year of the program and \$600,000 in the second year of the program) to an approved scholarship organization(s) for which the business organization or business enterprise will receive a tax credit against the BPT and/or BET for 85% of their donation. The donations are used by an approved scholarship organization(s) to grant scholarships for children to attend private schools. The Education Tax Credit Program began January 1, 2013.

This tax credit is not a “cascading” credit and it also does not have any carryforward provisions. The tax credit may only be used to offset tax liabilities incurred in the tax year in which the donation was made.

The amount disclosed below is the total reduction in revenue to the State whether applied against BPT, BET, or both tax liabilities. There were no other commitments made by the State other than the agreement to credit taxes.

*Agreement:* For each contribution made to a scholarship organization, a business organization or business enterprise may claim the credit on their return per the allowable amount calculated by the Department of Revenue Administration. There are no provisions to recapture previous credits.

*Methodology:* Credit used is the amount actually reported by 35 taxpayers and used to offset a tax liability on the New Hampshire BET and BPT returns.

*Tax returns filed in fiscal year 2017:* The tax credit used against BPT, BET or both totaled \$188,000. The maximum aggregate credit amount allowable for all taxpayers was \$5,100,000.

## 15. LITIGATION AND OTHER MATTERS

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

#### ***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. Following St. Joseph's settlement with the State, agreeing to the terms of the global settlement, the parties filed a motion for administrative closure. Under both the global agreement and St. Joseph's agreement, this matter is to be administratively closed subject to a right to bring forward the action. The plaintiffs further agreed that if funding for fiscal years 2015, 2016, and 2017 as set out in the global agreement is met, the plaintiffs will move to dismiss this action, with prejudice, by July 1, 2018. Although it is not expected that the agreed upon funding will be appropriated, 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. Following St. Joseph's settlement with the State, agreeing to the terms of the global settlement, the parties filed a motion for administrative closure. Under both the global agreement and St. Joseph's agreement, this matter is to be administratively closed subject to a right to bring forward the action. The plaintiffs further agreed that if funding for fiscal years 2015, 2016, and 2017 as set out in the global agreement is met, the plaintiffs will move to dismiss this action, with prejudice, by July 1, 2018. Although it is expected that the agreed upon funding will be appropriated, it is not possible to predict the outcome of this case at this time.

#### ***Katherine Frederick v. DHHS***

The initial 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, Title VII, and RSA 275-E. The court dismissed the plaintiff's original complaint filed holding that the law does not recognize a right to breastfeed (as opposed to expressing milk) in the workplace. The court did, however, provide the plaintiff with leave to file an amended complaint, which she did in November 2015. Plaintiff's new complaint raised claims under the ADA, Title VII, and for wrongful termination. DHHS filed a motion to dismiss these claims on exhaustion and statute of limitations grounds, as well as for the failure to state a claim upon which relief can be granted. On August 16, 2016, the court granted DHHS' motion as to the Title VII claim, but denied it with regard to the ADA and wrongful termination claims. On October 26, 2016, DHHS filed a motion for judgment on the pleadings, asserting Eleventh Amendment immunity. On May 6, 2017, the court granted DHHS's motion, thereby ending the litigation. Pursuant to RSA 508:10, the Plaintiff has the option to re-file her claims in state court within one year of the May 6, 2017 order.

#### ***NHHA v. Sylvia Matthews Burwell, USDC 15-cv-460-LM***

New Hampshire Hospital Association (NHHA) filed a lawsuit against Centers for Medicare & Medicaid Services (CMS) seeking to prevent the application of CMS answers to FAQ's 33 and 34 concerning audit requirements that require hospitals to exclude any payments related to Medicaid recipients from third parties (TPL), including Medicare or private insurance, from claimed uncompensated care, arguing that CMS had engaged in illegal informal rulemaking and that the substance was not authorized by the CMS statute. NHHA requested that the application of the audit requirements related to uncompensated care be enjoined prospectively to future years disproportionate share reporting and calculations and retroactively to the then pending 2011 audit findings that several million dollars would have to be recouped from the critical care hospitals and several of the major hospitals. The State is not a party to this lawsuit, but has acknowledged that it would be bound by any order issued to CMS, as the State has adopted the CMS requirements for calculation of uncompensated care as the basis for how disproportionate share (DSH) payments are made.

Following a Preliminary Injunction hearing in January 2016, on March 11, 2016 the New Hampshire Federal District Court enjoined CMS from enforcing these audit requirements on procedural grounds for failure to use formal rulemaking and also found a likelihood of success on the merits. The parties filed cross-motions for summary judgment. Oral argument occurred on those motions on September 13, 2016.

In August 2016, CMS filed a notice of rulemaking to adopt a rule that would memorialize its position. On April 3, 2017 CMS published notice adopting the final rule, which became effective on June 2, 2017. As a result of the Court's order, not only is recoupment of the 2011 overpayments based on TPL enjoined, but the hospitals were allowed in the current year, and will need to be allowed going forward as long as the injunction is in place, to claim uncompensated care without deducting these third party payments. In the last fiscal year this resulted in approximately a \$17 million increase in the DSH payments owed to hospitals. The State filed a motion for permissive intervention indicating that it supports CMS statutory authority to adopt the substance of FAQ 33 and 34. That motion was denied.

On March 3, 2017, the federal court granted the hospitals summary judgment motion in part, finding that CMS did not have authority to adopt these substantive interpretations by FAQ. This final order assumed that CMS could adopt its interpretation through rulemaking. A permanent

injunction has been entered. The court rejected a request by the Hospitals challenging the validity of the newly enacted rule in this action. CMS has appealed the portion of the decision rejecting their authority to enforce the FAQ's. The case has been briefed and is scheduled for oral argument in the First Circuit Court of Appeal on January 9, 2018. Although CMS has indicated it does not seek to enforce the FAQ's retroactively against the New Hampshire Hospitals, if CMS were to prevail on its appeal, it is unclear whether they would have the legal option to do so. As such, it is not possible to predict the outcome of the matter at this time.

***NHHA v. Centers for Medicare and Medicaid Services (Price), USDC 1:17-cv-349-JD***

On August 10, 2017 the New Hampshire Hospital Association (NHHA) filed a new lawsuit against Centers for Medicare & Medicaid Services (CMS) seeking to challenge the validity of the recent adoption by rule on June 2, 2017 of the policies in FAQ's 33 and 34. (see above case). The rule requires hospitals to exclude any payments related to Medicaid recipients from third parties (TPL), including Medicare or private insurance, from claimed uncompensated care. The Hospitals argue that CMS failed to comply with the Regulatory Flexibility Act and other statutes that require financial impact analysis during rulemaking and that the substance of the rule is not authorized by the CMS statute. Summary judgment briefing will occur over the next few months and the district court has indicated it plans to render a decision by or before the May 31, 2018 DSH payment deadline. The same issue as to authority for the rule has been brought in several other jurisdictions, most notably the District of Columbia USDC, where it has already been briefed and argued. The potential impact to the state budget going forward if the rule is invalidated would be similar to the impact of the preliminary and permanent injunction mentioned in the prior case remaining in place. It is not possible to predict the outcome of the matter at this time. The State also cannot predict what actions the Hospitals may take if the Court upholds the CMS rule, which could include possible challenges to their obligations to pay some or all of the MET tax due in 2018 (\$214 million) or reinitiating their earlier constitutional challenge to the MET tax.

***T.C. et al. v. State of New Hampshire, Department of Health and Human Services, Division of Children, Youth, and Families ("DCYF") et al., Dkt. No. 216-2016-CV-743 (N.H. Super. Ct. Hillsborough North).***

In or about October 2016, this lawsuit was filed in New Hampshire state superior court by four plaintiffs, who are identified by the initials T.C., D.C., N.B., and J.B. T.C. and D.C. are the biological grandparents and the adoptive parents of N.B. and J.B. The complaint contained multiple counts of negligence, negligent training and supervision, and breach of fiduciary duty against defendants DCYF and Easter Seals New Hampshire, Inc. The plaintiffs allege that the defendants' negligence in, among other things, permitting the children to have unsupervised visits with their biological parents resulted in the sexual abuse of N.B. and J.B. on multiple occasions. The abuse occurred at the hands of N.B. and J.B.'s biological parents. On or about December 12, 2016, DCYF answered the complaint and also moved to dismiss the plaintiffs' claims against DCYF.

On or about January 6, 2017, the plaintiffs moved to amend their complaint, seeking to add a request for declaratory relief on the interpretation and constitutionality of the confidentiality provisions in RSA 169-C:25 and RSA 170-G:8-a. At the same time, plaintiffs amended their complaint to add claims against a third defendant, the Court Appointed Special Advocates of New Hampshire, Inc. ("CASA"). On or about January 17, 2017, DCYF objected to the motion to amend. By order dated April 12, 2017, the court denied DCYF's motion to dismiss and granted the plaintiffs' motion to amend. On or about September 15, 2017, the plaintiffs filed a second amended complaint, which includes a claim by T.C. and D.C. for negligent infliction of emotional distress against all defendants, including DCYF. On November 16, 2017, the court issued an order, which (a) granted a motion to dismiss all claims in the operative complaint as against CASA; and (b) declared that the plaintiffs, with certain exceptions, may waive confidentiality with respect to the contents of DCYF case records as defined by RSA 170-G:8-a. Plaintiffs have indicated they intend to appeal the dismissal of CASA from the action. This case is in the discovery phase. Discovery is currently scheduled to close on February 28, 2018. Trial in the case is currently scheduled for June 2018.

While this case would typically be subject to the statutory cap on damages, plaintiffs recently have argued that they are entitled to damages for multiple alleged incidents of harm, which would bring the claim for damages above the level determined by the State for disclosure in the financial statements. It is not possible to predict the outcome of the case at this time.

***Additional litigation and threatened litigation relating to the Department of Health and Human Services, Division of Children, Youth, and Families ("DCYF").***

DCYF is currently defending or has been advised of several claims relating to physical and sexual abuse of children either directly or indirectly under the supervision of DCYF. Individually, other than the litigation described above (T.C. et al. v. State of New Hampshire, Department of Health and Human Services, Division of Children, Youth, and Families ("DCYF") et al., Dkt. No. 216-2016-CV-743 (N.H. Super. Ct. Hillsborough North)) none of these claims appear to individually meet the level determined by the State for disclosure in the financial statements. Cumulatively, however, the aggregate of the claims may exceed this level. Only one of these claims is currently the subject of a lawsuit, which has been filed under seal due to the confidential nature of the records. It is not possible to predict the outcome of these cases at this time.

**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 (Northeast) 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 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 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 fiscal year 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 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 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 July 14, 2015, the superior court granted the State's motion to dismiss St. Joseph's claim on grounds of mootness. St. Joseph has not appealed that decision; therefore, St. Joseph's claims relating to the 2011 tax year are concluded. All that remains of this litigation are CMS and Exeter's claims, which are administratively closed pursuant to the global settlement agreement. Pursuant to the Agreement, CMS and Exeter's claims can only be revived if the legislature fails to appropriate the requested funds and precludes the State from complying with this Agreement.

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

This action seeks to recover unpaid Meals and Rooms Tax ("M&R Tax") and penalties, as well as penalties under the Consumer Protection Act ("CPA"), from online travel companies ("OTCs"). The lawsuit alleges M&R Tax is due on the retail rate paid by the consumers to the OTCs, that the OTCs collect this tax from consumers, but that the OTCs do not remit any tax to the State. The OTCs allege they provide the equivalent of the M&R Tax due on the wholesale rate, as opposed to the retail rate, rate to hotels and rental car companies. The complaint also alleges the OTCs use deceptive and misleading practices in violation of the CPA. Following the May 1-12, 2017 trial and post-trial memoranda, the Court ruled that the OTCs are not operators subject to the M&R Tax law. The State filed a notice of appeal on November 17, 2017.

#### ***Michael Gill v. DRA; The Mortgage Specialists, Inc. v. DRA***

The NH Supreme Court affirmed a consolidated lower court decision granting summary judgment in favor of the State in this appeal of administrative decisions that Mr. Gill and The Mortgage Specialists owe taxes. The total amount owed, with penalties and interest, is approximately \$3.9 million. The State has initiated collection efforts, and believes the taxpayers have sufficient assets to pay at least a substantial portion of the taxes, penalties and interest. The State has collected approximately \$310,000 to date, however, it is not possible to predict the total amount that will be recovered at this time.

#### **Liquor Commission**

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

In March 2012, the NHSLC issued an 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. The motion was denied. XTL filed a motion for partial summary judgment six weeks before the trial was set to begin. NHSLC has since filed a cross motion for summary judgment. Following the submission of summary judgment memoranda, the court heard oral argument on the cross motions on November 10, 2015. On January 4, 2016 the court issued its order on the cross motions for summary judgment, denying both parties' motions. On May 23, 2016, trial commenced in this matter, which lasted eight days. The parties filed post-trial memoranda on July 22, 2016. On September 8, 2016, the Court issued an order rejecting XTL's claims and finding for NHSLC. In doing so, the Court found that the RFP, evaluation process, and contract award to Exel were lawful and in compliance with New Hampshire competitive bidding law. On October 7, 2016, XTL filed a timely appeal of the trial court's order through which it raised five appellate issues. The NHSLC subsequently filed a narrow cross-appeal raising one issue. The parties have submitted their briefs, and the court held oral argument on March 14, 2017. 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 fiscal year 14/15 Capital Budget (Chapter 195 Laws 2013). The groundbreaking ceremony occurred on August 18, 2014 and the facility is expected to be substantially completed in December 2017, however, it is likely its opening will be delayed until sometime in 2018 given challenges to fully staffing the facility. A status conference was held for December 14, 2017. The case continues to remain stayed. The next status conference is scheduled for March 2018. It is not possible to predict the outcome of this case at this time.

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

This is a civil action initiated by a general contractor against the Department of Administrative Services ("DAS"), Department of Resources and Economic Development ("DRED") and two DAS employees, regarding a contract to construct 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 State defendants filed cross claims against the plaintiff in this matter. The plaintiff has disclosed expert reports supporting a claim for \$2.1 million in damages. The State filed a motion for partial summary judgment seeking dismissal of all claims except the breach of contract claim. The parties agreed to settle the remaining claim for \$500 thousand in December of 2016 and the matter was closed in January 2017.

***Rand v. Lavoie, et al. (Wendy Lawrence v. New Hampshire State Police)***

The complaint, brought on behalf of the estate of Wendy Lawrence, arises from an officer-involved fatal shooting. On September 30, 2013, Ms. Lawrence initially fled from State Police during a traffic stop on Interstate 89. Following a couple of pursuits, eventually, the State Police were able to stop her after she traveled into Manchester. While she was stopped in Manchester, defendant Chad Lavoie attempted to take her into custody. Ms. Lawrence refused to surrender and ultimately began to drive at defendant Lavoie. Defendant Lavoie shot her, and she died later that evening. The original complaint alleged 42 U.S.C. §1983 claims alleging violations of Ms. Lawrence's Fourth, Fifth, and Fourteenth Amendment rights under the U.S. Constitution, as well as a wrongful death claim. The State obtained judgment on the pleadings with regard to the Fifth and Fourteenth Amendment claims. The plaintiff amended the complaint to add the Department of Safety as a defendant and a claim that essentially alleges that the Department failed to train, supervise, and discipline the troopers to recognize symptoms of a disability under the Americans with Disabilities Act (ADA), offer reasonable accommodations to Ms. Lawrence, and discriminated against her. That claim was later non-suited with prejudice by the plaintiff. The court denied the State's motion for summary judgment on the Fourth Amendment claim. On November 1, 2017, the parties settled the litigation for \$750 thousand in exchange for a general release of all claims by the plaintiff. This expense has not been recorded in the accompanying financial statements.

***City of Dover v. State of New Hampshire***

In this case, filed August 20, 2015, the City of Dover challenges the State's distribution of education aid to municipalities as a violation of the state constitutional entitlement to an adequate education, insofar as the statutory distribution scheme imposes a "cap" limiting the aid that a particular municipality can receive in a particular year to 108% of the aid it received in the prior year. The suit seeks both prospective and retrospective relief against the cap, which has been in effect since 2009. If the request for prospective relief is successful, it will require a restructuring of the State's formula for distributing education aid to municipalities. If the request for retrospective relief is successful, it would require paying the City of Dover the difference between the aid they received in each of those years and the aid they would have otherwise gotten, but for the cap. While the aggregate amount of that potential exposure has not yet been calculated for all fiscal years at issue, the total amount of aid to all municipalities withheld on the basis of the cap for fiscal year 2016 was approximately \$10.44 million. Shortly after the suit was filed, the State entered into a stipulation agreeing that any final rulings regarding the constitutionality of the cap would apply not only to Dover, but to all other municipalities affected by the cap.

On September 6, 2016, the Superior Court issued a final order ruling that the cap is unconstitutional but limiting Dover to prospective relief. In effect, this ruling entitles Dover to the \$1.377 million it would have received but for the cap in fiscal year 2016. It is the State's position that this ruling also entitles the twenty-four other municipalities to the difference between the amount they would have received in fiscal year 2016 and the amount they actually received due to the cap; in total, the amount for the other municipalities is approximately \$9.065 million. On September 26, 2016, the State agreed to settle the lawsuit with Dover by paying the \$1.377 million. The approximately \$9.065 million for the other municipalities had to be appropriated by the Legislature in accordance with RSA 14:35-b. HB 354 was enacted by the legislature in April 2017, paying Bedford and the other towns the 2016 adequacy payments but for the cap. This litigation is now concluded.

***Bedford School District and William Foote v. State of New Hampshire, et al.***

The Bedford School District and Mr. Foote, a taxpayer in Bedford, sued the State arguing that Bedford did not receive all of the education adequacy payments for fiscal year 2016 and would not receive all of the education adequacy payments for fiscal year 2017. A hearing was held on June 29, 2016, where Bedford's request for a preliminary injunction was denied. The State filed an Answer objecting to Bedford's claim for adequacy payments from fiscal year 2016 as being untimely filed thus barring it by sovereign immunity. Bedford received its fiscal year 2017 adequacy payments in the ordinary course from funds already appropriated for that purpose. On April 6, 2017, the court issued an order granting Bedford's motion for summary judgment requesting payment of the adequacy payments for fiscal year 2016 but for the cap and granted Bedford attorneys' fees. In the meantime, HB 354 was enacted by the legislature in April 2017, paying Bedford and the other towns the 2016 adequacy payments but for the cap. The State appealed the order requiring the payment of attorneys' fees to Bedford. Briefing will be completed on December 28, 2017. Oral arguments have not yet been scheduled. It is not possible at this time to predict the outcome of this case.

***Conduent State and Local Solutions, Inc. (formerly Xerox) v. Department of Transportation et al***

In this case, filed in superior court in October 2015 and appealed to the NH Supreme Court on September 20, 2017, Conduent (formerly Xerox), sued the Department of Transportation to challenge the selection of another vendor for the contract award of the operation of the back office systems for the E-Z Pass program in New Hampshire. Conduent was the former vendor and was not the winning bidder for the new contract that was awarded on October 7, 2015. The contract award was for design, testing, installation and maintenance services for the operation of the NH E-Z Pass Back Office for the Turnpike System, in the amount of \$51.9 million. Conduent alleges the bidding process was flawed and specifically brings claims to invalidate the bidding process and seeking damages. After the defendants filed several motions for summary judgment, the court dismissed many of the equitable claims made by the plaintiff. The plaintiff filed a notice of voluntary non-suit of the non-dismissed claims without prejudice and has appealed the single issue of whether the Department of Transportation had legal authority to procure this contract on a "best value" basis. The superior court dismissed the remaining claims without prejudice and the plaintiff's appeal will move forward. The Plaintiff's brief is due on or before January 8, 2018. It is not possible at this time to predict the outcome of this case.

***State v. Volkswagen, et al***

In September of 2015, a number of states engaged Volkswagen and related companies to discuss litigation related to the company's "defeat devices". These devices disabled the emissions control systems on all affected vehicles during normal, "on road" conditions. As part of a settlement between Volkswagen, the California Air Resources Board (CARB) and the U.S. EPA, New Hampshire opted-in to provisions which will provide it approximately \$6 million to resolve state consumer claims and \$31 million in environmental mitigation (restitution to owners was covered separately through the plaintiffs' steering committee and will result in recalls, buybacks, and cash payments). On September 15, 2016, the State sued Volkswagen for the one remaining issue, environmental penalties. Possible liability for Volkswagen is more than \$2 million, but a likely litigation or settlement result is, at this point, unknown.

***Conservation Law Foundation, Inc. v. Pease Development Authority, et al and Notice of Intent to File Suit Against Pease Development Authority***

On September 8, 2016, the Conservation Law Foundation (CLF) gave notice to the Pease Development Authority (PDA) that it intends to file suit pursuant to Section 7002 of the Resource Conservation and Recovery Act (RCRA) for violations related to PDA's storage and disposal of perfluorooctanoic acid (PFOA) and perfluorooctanesulfonic acid (PFOS). CLF alleges that PDA is discharging stormwater to the waters of the United States which convey discarded PFOA and PFOS into the waters thereby jeopardizing the health of individuals, wildlife, and the environment in the vicinity of the waters into which PDA discharged the PFOA and PFOS. CLF will seek injunctive relief to remediate the effects of the PFOA and PFOS in and around Pease, including removal of PFOA and PFOS from the site; containment of PFOA and PFOS present on-site so that stormwater runoff and groundwater cannot be contaminated; and any and all other legal and equitable relief that may be necessary to terminate the alleged imminent and substantial endangerment to human health or the environment posed by PFOA and PFOS. CLF will also seek recovery of costs and fees, including reasonable attorney and expert witness fees associated with this matter. CLF has yet to file litigation pursuant to RCRA.

On the same date, CLF also gave notice to PDA of its intent to file suit pursuant to Section 505 of the Federal Water Pollution Control Act (Clean Water Act) for the following violations: (1) discharging stormwater from systems of conveyances to the waters of the United States without a permit; (2) failure to obtain coverage under the required Clean Water Act National Pollutant Discharge Elimination System permit; and (3) failure to comply with the specific requirements of any such permit. CLF alleges that each separate violation of the Clean Water Act subjects PDA to a penalty of up to \$37,500 per day per violation for all violations occurring from January 2009 through November 2015 and \$51,570 thereafter, if assessed on or after August 1, 2016. On November 10, 2016, CLF filed the Complaint pursuant to Section 505 of the Clean Water Act. CLF is seeking the full penalties allowed by law. In addition to civil penalties, CLF is seeking declaratory relief and injunctive relief to prevent further violations of the Clean Water Act. CLF is also seeking an order from the court requiring PDA to correct all identified violations by implementing permitting requirements; and will seek recovery of costs and fees associated with this matter. On February 8, 2017, PDA filed a motion to dismiss the entire Complaint on Eleventh Amendment immunity grounds. The Court granted the motion in part, holding that all retrospective relief is barred. The claims for prospective relief against the named officials at PDA remain. The matter is currently stayed to allow the parties to pursue potential settlement. It is not possible to predict the outcome of this case at this time.

***NIMCO Real Estate Assoc., LLC v. Nadeau, et al – U.S. District Court***

The Plaintiffs are NIMCO Real Estate Associates, LLC (owned by 1 Pine Street Extension prior to condemnation in 2003); Ultima Nashua Industrial Corporation (tenant of 1 Pine Street Extension, Nashua filed eviction action which resulted in writ of possession on July 20, 2016, but

appeal is pending); and Dr. Anoosh Kiamanesh (aka “Dr. Kia”)(Manager of NIMCO, and sole Director/President of Ultima). The Defendants are Gregory Nadeau, Administrator of Federal Highway Administration; the City of Nashua; and the NH Department of Transportation (“NHDOT”).

The Plaintiffs have filed a nine count Complaint (Counts I-IX) against the defendants seeking \$25 million in damages and equitable relief. The State is named as a Defendant only in one count (Count II). Plaintiffs allege three separate causes of action within this count, alleging that the State violated: (1) RSA 124-A:1, et seq. (the State’s law which provides for payment of relocation costs for persons displaced by eminent domain takings), (2) the Uniform Relocation Assistance and Real Property Acquisition Act, (the “URA”) 42 USC4601, et seq., and (3) Part I, Article 1 of the NH State Constitution. Plaintiffs indicate that they are seeking equitable relief only against the State in the sub-heading of the Complaint. The State filed a motion to dismiss on the basis of sovereign immunity, statute of limitations, failure to exhaust administrative remedies, eleventh amendment immunity, and that the URA does not create a private right of action.

The City of Nashua has filed a three count cross-claim against the State. Count I claims that NHDOT is negligent in two respects. First, it claims that the NHDOT was negligent acting as an agent for the City, when it failed to charge and collect fair market rent as is required by Federal regulations, 23 C.F.R. 710.403, from 2004 to 2010. Second, that NHDOT was negligent in failing to follow federal and state law by failing to provide relocation assistance. Count II alleges that NHDOT breached its “agreements” with the City by failing to collect fair market rent, although it does not spell out specifically what agreement or provision required NHDOT to do this. Count III only states “To the extent Plaintiffs recover any amount against the City, NHDOT is obligated to indemnify the City.” The Complaint does not cite anything (an agreement, federal or state law, etc.) to support its claim for indemnity. The State filed a motion to dismiss Nashua’s cross-claims against the State arguing that the cross-claims are barred by the statute of limitations, sovereign immunity, as well as other grounds. In January 2017, after the City evicted Plaintiffs and retook possession of the premises, Plaintiffs filed a Motion for a Preliminary Injunction against the City seeking to prevent the City from dismantling or removing the machines located inside the premises, which it claimed were worth \$12 million. The City filed an objection. In March, the court dismissed the cross-claims, as well as all counts, and ordered that judgment be entered accordingly and the case closed. The matter should be closed.

#### **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.

#### **OTHER MATTERS**

During fiscal year 2017, the State recorded an expense of \$21 million to recognize the impairment of certain assets that had been previously capitalized as part of the state department of transportation’s project to upgrade the Conway, New Hampshire bypass corridor. This project had multiple segments, some of which were completed, and some were not completed in the timeframes required by the U.S. Department of Transportation Federal Highway Administration (“FHWA”). Capitalized expenses which met the State’s definition for impairment included both preliminary engineering and right of way related expenses. The State is in the process of determining what portion, if any, of either the preliminary engineering or right of way related expenses that were incurred utilizing federal funds, would result in a potential liability to FHWA. As certain segments of the project were completed, only the bypass segment of the expenditures is at risk of being deemed ineligible by FHWA. The state has been advised that formal guidance in making this determination is forthcoming from FHWA, however, the State has not received this guidance or any demand for payment as of this date. As such, the State is unable to determine the likelihood of an unfavorable outcome, or the amount or range of any liability if an unfavorable outcome occurs.

## 16. GOVERNMENTAL FUND BALANCES AND STABILIZATION ACCOUNT

A summary of the nature and purpose of the constraints and related amounts by fund at June 30, 2017 follows:

### Governmental Fund Balances - Restricted, Committed, Assigned and Unassigned (expressed in thousands)

	Restricted	Committed	Assigned	Unassigned
<b>General Fund:</b>				
General Government	\$23,030	\$5,751	\$30,295	
Administration of Justice & Public Protection	40,778	21,793	12,484	
Resources Protection & Development	378,867	4,308	5,344	
Transportation	37,877			
Health & Human Services	52,499	154	7,358	
Education	20,709		6,546	
Total	553,760	32,006	62,027	
<b>Highway Fund:</b>				
Administration of Justice & Public Protection	6,097			
Resources Protection & Development	31			
Transportation	109,506		13,900	
Total	115,634		13,900	
<b>Education Trust Fund:</b>				
Education			4,757	
Total			4,757	
<b>Non-Major Governmental Funds:</b>				
Resources Protection & Development	4,024	2,481	1,394	
Other Purposes	12,011			(35,423)
Total	\$16,035	\$2,481	\$1,394	\$(35,423)

The deficit in the non-major governmental funds will be eliminated through future intergovernmental revenues and the future issuance of general obligation bonds.

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 non-lapsing account. Prior to the 2016 legislative session, in any single fiscal year the total of such transfer could not exceed ½ of the total potential maximum balance allowable which is defined by the statute as 10% of the actual general fund unrestricted revenues for the most recently completed fiscal year. Chapter 237 of the 2016 legislative session repealed the law which capped the single year transfer amount. 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.

According to the governing statute, transfers into the Rainy Day Fund only occur in the second year of a biennium. However, per Chapter 264 of the 2016 legislative session, to the extent the results of the fiscal year 2016 audited financial statements show that unrestricted General fund and Education Trust fund revenues exceed the plan, an amount not to exceed \$40 million will be transferred to the Revenue Stabilization Reserve Account. According to the audited results, these revenues exceeded plan by \$150.5 million, and \$40 million was transferred into the Rainy Day fund. In addition, in accordance with RSA 7:6-e, 10 percent of the \$300 million (plus interest) verdict in the State v. Exxon for the MtBE water contamination lawsuit went to the State's Rainy Day Fund, bringing the balance as of June 30, 2016 to \$93.0 million, leaving \$88.5 million to remain in the general fund at the beginning of fiscal year 2017. During fiscal year 2017 an additional \$7.0 million was transferred to the Rainy Day Fund, bringing the balance as of June 30, 2017 to \$100.0 million.

## 17. 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, Lottery does not record a liability for jackpot awards which are payable in installments from funds provided by Tri-State. For the year ended June 30, 2017, the Lottery recognized

\$7.9 million of net income from Tri-State. At June 30, 2017 Tri-State reported total installment prize obligations owed to jackpot winners of \$27.3 million, payable through the year 2045.

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, 2017. 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, 2017, the Lottery recognized \$20.0 million of net income from MUSL.

In addition, MUSL has established a contingency reserve to protect MUSL and its members against unforeseen liabilities. The Lottery's share of deposits held as MUSL prize reserves was \$2.3 million at June 30, 2017. 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 twenty-two states' lotteries and the District of Columbia. 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 pay-out. 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, 2017, New Hampshire's total share of the net operating income for Lucky for Life was \$1.7 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. There are no prize reserves held by MUSL for this game.

The State's total share of accrued prize and operating amounts due at June 30, 2017 amounted to \$2.3 million, representing MUSL prize reserves which could be returned to the State's Education Trust Fund.

## 18. SUBSEQUENT EVENTS

### **General Obligation Capital Improvement Bonds:**

The State issued \$4,375,000 General Obligation Capital Improvement Bonds 2017 Series A through a private placement with the New Hampshire Municipal Bond Bank ("NHMBB") which closed on July 13, 2017. These bonds were issued with an overall true-interest-cost (TIC) to the State of 2.66%, which, as is the case with all such NHMBB bond placements, reflects a cost of funds based on the prevailing market rates for credit similar to the State's at the time the bonds are issued. This is the ninth transaction of its kind since 2009, providing an investment for the NHMBB to hold in its Debt Service Reserve Fund while providing the State with low-cost financing to fund capital spending.

The State issued \$66,510,000 General Obligation Capital Improvement Bonds 2017 Series B through a competitive sale which priced on December 6, 2017 and is scheduled to close on December 20, 2017. These bonds were issued with an overall true-interest-cost (TIC) to the State of 2.42%, with coupons ranging from 3.00% to 5.00% and with final maturity on 12/1/2037. The proceeds of this bond issue will be used to fund all or part of various capital projects of the State.

### **Federal Transportation Infrastructure Finance and Innovation Act (TIFIA) Notes:**

Under the TIFIA loan agreement, the State has the ability to draw up to \$200 million in funds as described in Note 5 to the Financial Statements. During the period July 1, 2017 through December 15, 2017, an additional \$27.2 million of TIFIA proceeds had been requested/received under this arrangement, representing a long-term note payable.



**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, 2017**  
**(Expressed in Thousands)**

	General Fund			
	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
General Property Taxes	\$236	\$236	\$226	\$(10)
Special Taxes	1,147,472	1,146,061	1,197,023	50,962
Personal Taxes	124,090	124,090	128,161	4,071
Business License Taxes	21,409	21,437	23,697	2,260
Non-Business License Taxes	125,132	125,256	121,555	(3,701)
Fees	181,719	193,746	174,324	(19,422)
Fines, Penalties and Interest	11,835	12,703	18,579	5,876
Grants from Federal Government	1,741,867	2,534,626	1,932,021	(602,605)
Grants from Private and Local Sources	191,058	191,687	169,761	(21,926)
Rents and Leases	2,954	3,584	1,295	(2,289)
Interest Premiums and Discounts	14,339	14,358	15,585	1,227
Sale of Commodities	12,298	18,023	14,721	(3,302)
Sale of Services	39,803	40,097	29,038	(11,059)
Assessments	69,320	82,745	68,038	(14,707)
Grants from Other Agencies	266,292	271,613	142,526	(129,087)
Miscellaneous	1,295,631	371,519	381,310	9,791
Total Revenue	5,245,455	5,151,781	4,417,860	(733,921)
<b>EXPENDITURES</b>				
<b>GENERAL GOVERNMENT</b>				
Legislative Branch	24,056	24,683	16,408	8,275
Executive	41,728	47,066	27,572	19,494
Information Technology	74,710	80,290	64,441	15,849
Executive Council	236	240	233	7
Administrative Services	134,855	161,698	134,392	27,306
Sec of State	10,885	13,571	9,346	4,225
Cultural Affairs	8,786	8,950	5,548	3,402
Revenue Administration	20,558	18,676	16,513	2,163
State Treasury	106,763	105,641	90,140	15,501
NH Retirement System	8,578	8,589	7,077	1,512
Developmental Disabilities Council	664	671	415	256
Office of Professional Licensure and Certification	7,943	8,299	7,344	955
Boards and Commissions	936	953	928	25
Total	440,698	479,327	380,357	98,970
<b>JUSTICE AND PUBLIC PROTECTION</b>				
Judicial Branch	84,884	89,422	81,958	7,464
Adjutant General	28,402	31,985	19,624	12,361

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, 2017**  
**(Expressed in Thousands)**

	General Fund			
	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Agriculture	6,811	9,105	6,695	2,410
Justice Department	110,019	120,056	36,043	84,013
Bank Commission	6,114	6,207	4,875	1,332
Insurance	15,186	15,951	11,697	4,254
Labor	9,919	27,936	26,313	1,623
Public Utilities Commission	34,971	54,433	30,300	24,133
Safety	125,636	135,425	91,673	43,752
Corrections Department	115,590	120,240	113,488	6,752
Employment Security	77,708	80,611	29,894	50,717
Judicial Council	26,624	27,990	27,733	257
Human Rights Commission	672	689	635	54
Boards and Commissions	439	447	428	19
Total	642,975	720,497	481,356	239,141
<b>RESOURCE PROTECTION AND DEVELOPMENT</b>				
Resource and Economic Development	98,413	113,371	59,475	53,896
Pease Development Authority	670	683	500	183
Environmental Services	128,246	137,002	80,138	56,864
Development Finance Authority	171	171	171	
Boards and Commissions	50	78	78	
Total	227,550	251,305	140,362	110,943
<b>TRANSPORTATION</b>				
Transportation	28,487	69,135	11,568	57,567
Total	28,487	69,135	11,568	57,567
<b>HEALTH AND SOCIAL SERVICES</b>				
Health and Human Services Commissioner	121,792	124,786	96,453	28,333
Office of Health Management	120,321	127,384	76,958	50,426
Transitional Assistance	100,886	94,720	82,078	12,642
Office of Medicaid & Business Policy	894,179	1,725,528	1,446,946	278,582
Behavioral Health	49,743	49,281	39,980	9,301
Developmental Services	332,878	332,338	319,111	13,227
N H Hospital	73,166	72,211	66,357	5,854
Glenclyff Home	16,276	15,081	13,793	1,288
N H Veterans Home	34,114	34,389	31,615	2,774
Veterans Council	551	577	489	88
Human Services	181,065	185,674	167,519	18,155
Elderly and Adult Services	452,801	446,599	415,133	31,466
Community Based Care Svc	57,895	64,243	27,891	36,352
Total	2,435,667	3,272,811	2,784,323	488,488

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, 2017**  
**(Expressed in Thousands)**

	<b>General Fund</b>			
	<b>Budgeted Amounts</b>		<b>Actual (Budgetary Basis)</b>	<b>Variance with Final Budget- Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>EDUCATION</b>				
Department of Education	370,708	339,094	280,744	58,350
NH Comm. Tech. College System	42,500	43,779	43,779	
Police Standards and Training Council	3,469	4,033	3,161	872
University of New Hampshire	81,000	81,000	81,000	
Total	497,677	467,906	408,684	59,222
<hr/>				
Debt Service	110,352	110,352	110,352	
Capital Outlays	24,651	24,651	24,651	
Total Expenditures	4,408,057	5,395,984	4,341,653	1,054,331
<hr/>				
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	837,398	(244,203)	76,207	320,410
<hr/>				
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers In		1,158	1,158	
Transfers Out		(42,690)	(42,690)	
Miscellaneous		441	441	
Total Other Financing Sources (Uses)		(41,091)	(41,091)	
<hr/>				
Excess (Deficiency) of Revenues				
and Other Sources Over (Under)	837,398	(285,294)	35,116	320,410
<hr/>				
Expenditures and Other Uses				
<b>Fund Balance - July 1</b>	874,359	874,359	874,359	
<b>Fund Balance - June 30</b>	\$1,711,757	\$589,065	\$909,475	\$320,410

**STATE OF NEW HAMPSHIRE**  
**BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE (Unaudited)**  
**HIGHWAY FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**  
**(Expressed in Thousands)**

	<b>Highway Fund</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final</b>
	<b>Original</b>	<b>Final</b>		
				<b>(Negative)</b>
<b>REVENUES</b>				
Business License Taxes	\$150,071	\$150,071	\$181,203	\$31,132
Non-Business License Taxes	63,999	63,999	71,625	7,626
Fees	55,894	55,919	18,390	(37,529)
Fines, Penalties and Interest	8,024	8,026	6,573	(1,453)
Grants from Federal Government	654,540	659,560	182,233	(477,327)
Grants from Private and Local Sources	10,476	10,476	2,867	(7,609)
Rents and Leases	239	239	143	(96)
Sale of Commodities	598	15,805	11,569	(4,236)
Sale of Services	5,451	5,151	4,888	(263)
Grants from Other Agencies	12,384	11,585	9,571	(2,014)
Miscellaneous	66,882	69,435	28,463	(40,972)
Total Revenues	1,028,558	1,050,266	517,525	(532,741)
<b>EXPENDITURES</b>				
Justice and Public Protection	97,788	100,745	58,607	42,138
Resource Protection and Development	1,845	1,879	1,728	151
Transportation	970,103	1,009,468	452,674	556,794
Debt Service	31,576	31,576	31,576	
Capital Outlays	9,755	9,755	9,755	
Total Expenditures	1,111,067	1,153,423	554,340	599,083
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(82,509)	(103,157)	(36,815)	66,342
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out		(2,670)	(2,670)	
Transfers In		13,988	13,988	
Miscellaneous		512	512	
Total Other Financing Sources (Uses)		11,830	11,830	
Excess (Deficiency) of Revenues				
and Other Sources Over (Under)				
Expenditures and Other Uses	(82,509)	(91,327)	(24,985)	66,342
<b>Fund Balance - July 1</b>	643,133	643,133	643,133	
<b>Fund Balance - June 30</b>	\$560,624	\$551,806	\$618,148	\$66,342

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, 2017  
 (Expressed in Thousands)

	Education Trust Fund			
	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget-Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
General Property Taxes	\$404,900	\$404,900	\$405,186	\$286
Special Taxes	344,462	344,462	292,242	(52,220)
Personal Taxes	97,591	97,591	166,904	69,313
Fines, Penalties and Interest			2	2
Miscellaneous	39,000	39,000	40,004	1,004
Total Revenues	885,953	885,953	904,338	18,385
<b>EXPENDITURES</b>				
Education	965,564	980,691	966,990	13,701
Total Expenditures	965,564	980,691	966,990	13,701
Deficiency of Revenues Under Expenditures	(79,611)	(94,738)	(62,652)	32,086
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In		28,052	28,052	
Total Other Financing Sources (Uses)		28,052	28,052	
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(79,611)	(66,686)	(34,600)	32,086
<b>Fund Balance - July 1</b>	(21,043)	(21,043)	(21,043)	
<b>Fund Balance - June 30</b>	<b>\$(100,654)</b>	<b>\$(87,729)</b>	<b>\$(55,643)</b>	<b>\$32,086</b>

## Note to the Required Supplementary Information - Budgetary Reporting (Unaudited) FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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 Trust Fund, presents the original and final appropriated budgets for fiscal year 2017, 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 (HB1) as of September 16, 2015 with an effective date of July 1, 2015, 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, 2017 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, 2017 (expressed in thousands).

	General Fund	Highway Fund	Education Trust Fund
Excess/(Deficiency) of revenues and other financing sources over/(under) expenditures and other financing (uses) (Budgetary Basis)	\$35,116	\$(24,985)	\$(34,600)
Adjustments and Reclassifications:			
To record change in Accounts Payable and Accrued Payroll	204,798	22,844	9,756
To record change in Accounts Receivable	(352,640)	(18,162)	(76,120)
To record Other Financing Sources (Uses)	133,430	38,304	101,164
Excess/(Deficiency) of revenues and other financing sources over/(under) expenditures and other financing (uses) (GAAP Basis) including change in inventory	\$20,704	\$18,001	\$200

## Required Supplementary Information (Unaudited)

### INFORMATION ABOUT THE STATE'S OTHER POSTEMPLOYMENT BENEFITS

As of December 31, 2016, the most recent actuarial valuation date, the actuarial accrued liability (AAL) for benefits was \$2,283 million, with no actuarial value of assets, resulting in UAAL of \$2,283 million, which is an increase as compared with a UAAL as of December 31, 2014 of \$2,138 million. Plan obligations had been expected to increase, but the smaller than expected increase was the net result of an actuarial experience gain decreasing obligations while changes in valuation assumptions increased obligations. In addition, plan amendments such as contribution rates increasing for retirees and spouses resulted in decreased obligations. The AAL and UAAL as of December 31, 2014 of \$2,138 million was an increase from the AAL and UAAL as of December 31, 2012 of \$1,857 million, which was attributable to an actuarial experience loss and to valuation assumption changes, specifically an increase due to a rising prescription drug cost trend, partially offset by decreases due to lower valuation year per capita health costs and to a lower medical cost trend. The assumption changes in the December 31, 2016 report as compared to the previous report are per capita health costs recalculated based on more recent data, medical and drug trends updated to reflect experience and future expectations, the excise tax on high cost health plans beginning in 2020 revised due to recent experience and updated demographic assumptions. The following schedule presents the State of New Hampshire's actuarially determined funding progress for the State's Other Post-employment 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
12/31/16		\$2,282,723	\$2,282,723	0%	\$587,543	388.52%
12/31/14		\$2,138,368	\$2,138,368	0%	\$563,322	379.60%
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%

## Required Supplementary Information (Unaudited)

### INFORMATION ABOUT THE NEW HAMPSHIRE RETIREMENT SYSTEM

#### Schedule of the State's Proportionate Share of the Net Pension Liability

(dollars in thousands)

	June 30, 2017	June 30, 2016	June 30, 2015
State's Proportion of the Net Pension Liability	19.47%	20.07%	19.60%
State's Proportionate Share of the Net Pension Liability	\$1,035,370	\$794,933	\$735,869
State's Covered-Employee Payroll	\$562,387	\$563,322	\$533,457
State's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	184.10%	141.12%	137.94%
NHRS Fiduciary Net Position as a Percentage of the Total Pension Liability	58.30%	65.47%	66.32%

Note: The amounts presented were determined as of and for the measurement periods ended June 30, 2016, June 30, 2015 and June 30, 2014. The schedule is intended to show 10 years. Additional years will be added as they become available.

#### Schedule of State Contributions

(dollars in thousands)

	June 30,			
	2017	2016	2015	2014
Required State Contribution	\$72,680	\$69,700	\$67,450	\$63,621
Actual State Contributions	72,680	69,700	67,450	63,621
State's Covered-Employee Payroll	\$587,542	\$562,387	\$563,322	\$533,457
State Contribution as a Percentage of its Covered-Employee Payroll	12.37%	12.39%	11.97%	11.93%

Note: The schedule is intended to show 10 years. Additional years will be added as they become available.

**Required Supplementary Information (Unaudited)**  
**INFORMATION ABOUT THE NEW HAMPSHIRE JUDICIAL RETIREMENT PLAN**

Fiscal Year Ended (dollars in thousands)	June 30, 2017	June 30, 2016	June 30, 2015
<b>Total Pension Liability</b>			
Service cost	\$3,248	\$2,693	\$2,351
Interest on total pension liability	6,568	5,642	5,648
Effect of differences between expected and actual experience	3,773		
Effect of changes in actuarial assumptions	3,806		
Benefit payments	(6,192)	(5,694)	(5,775)
Net change in total pension liability	11,203	2,641	2,224
Total pension liability, beginning	86,039	83,398	81,174
Total pension liability, ending (a)	\$97,242	\$86,039	\$83,398
<b>Fiduciary Net Position</b>			
Employer contributions	\$6,096	\$5,470	\$4,923
Member contributions	727	664	635
Investment income net of investment expenses	2,874	(249)	2,759
Benefit payments	(6,192)	(5,694)	(5,775)
Administrative expenses	(239)	(208)	(203)
Net change in plan fiduciary net position	3,266	(17)	2,339
Fiduciary net position, beginning	46,906	46,923	44,584
Fiduciary net position, ending (b)	50,172	46,906	46,923
Net pension liability, ending = (a) - (b)	\$47,070	\$39,133	\$36,475
Fiduciary net position as a % of total pension liability	51.60%	54.52%	56.26%
Covered payroll	\$8,525	\$8,031	\$7,535
Net pension liability as a % of covered payroll	552.11%	487.29%	484.05%

Note: The amounts presented above were determined as of and for the measurement period ended December 31, 2016, December 31, 2015 and December 31, 2014. The schedule is intended to show 10 years. Additional years will be added as they become available.

**Schedule of Employer Contributions**

(dollars in thousands)

**Fiscal Year Ended June 30.**

	2017	2016	2015	2014
Actuarially Determined Contribution	\$6,151	\$5,678	\$5,100	\$4,666
Contributions in Relation to the Actuarially Determined Contribution	6,151	5,678	5,100	4,666
Covered-Employee Payroll	\$8,686	\$8,209	\$7,944	\$7,348
Contribution as a Percentage of the Covered-Employee Payroll	70.82%	69.17%	64.20%	63.50%

Note: The schedule is intended to show 10 years. Additional years will be added as they become available.

Notes to the Required Supplementary Information:

Valuation	Actuarially determined contribution rates are calculated as of January 1, eighteen and thirty months prior to the end of the fiscal year in which contributions are reported.
Investment rate of return	7.00%
Inflation	2.75%
Salary increases	2.25%
Cost of living adjustment	2.25%
Mortality	RP-2000 Mortality Tables for Employees and Healthy Annuitants with generational projection per Scale BB
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed 25 years was used for the year ended December 31, 2015
Remaining amortization period	24 years
Asset valuation method	5-year non-asymptotic
Retirement age	25% are assumed to retire at age 60 with 15 years of service; 50% are assumed to retire at age 65; 100% are assumed to retire at age 70 with 7 years of service; 5% are assumed to retire at each age between 60 and 65; 15% are assumed to retire at each age between 66 and 69.

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

## **Combining Financial Statements**

## Highway Fund

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

**Capital account** activities are comprised of two main construction accounts: (1) Federal Highway Construction Trust which includes federal construction aid and federal highway bond/note proceeds (2) State-funded capital which includes State aid, municipal bridge, betterment and I-93 capital investment. The **operating account** represents the total highway fund less the capital account activities. Except for the betterment and I-93 capital investment accounts, 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 and I-93 capital investment accounts receive cash transfers each month. The betterment account receives 88% of 3 cents of the gasoline road toll. The I-93 capital investment account receives the adjusted gasoline road toll, which is 4.2 cents above the 18 cent gasoline road toll.

STATE OF NEW HAMPSHIRE  
 COMBINING BALANCE SHEET  
 HIGHWAY FUND  
 JUNE 30, 2017  
 (Expressed in Thousands)

	Highway Construction			Highway Operating	Total Highway Fund
	Federal Highway Construction Trust	State Funded Construction	Total Highway Construction		
<b>ASSETS</b>					
Cash and Cash Equivalents	\$12,390	\$45,457	\$57,847	\$63,153	\$121,000
Cash and Cash Equivalents - Restricted	44		44		44
Receivables (Net of Allowances for Uncollectibles)	31,971	5,039	37,010	17,832	54,842
Due from Other Funds	14	15,032	15,046	(14,814)	232
Inventories				18,258	18,258
Total Assets	44,419	65,528	109,947	84,429	194,376
<b>LIABILITIES</b>					
Accounts Payable	13,218	11,493	24,711	8,077	32,788
Accrued Payroll				8,249	8,249
Due to Other Accounts	8,352		8,352	(8,352)	
Unearned Revenue	4,166	47	4,213	118	4,331
Total Liabilities	25,736	11,540	37,276	8,092	45,368
<b>DEFERRED INFLOWS OF RESOURCES</b>				1,216	1,216
<b>FUND BALANCES</b>					
Nonspendable:					
Inventories				18,258	18,258
Restricted	18,683	53,988	72,671	42,963	115,634
Assigned				13,900	13,900
Total Fund Balances	18,683	53,988	72,671	75,121	147,792
Total Liabilities, Deferred Inflows of Resources, and Fund Balances					
	\$44,419	\$65,528	\$109,947	\$84,429	\$194,376

See accompanying Independent Auditors' Report

**STATE OF NEW HAMPSHIRE**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**HIGHWAY FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**  
**(Expressed in Thousands)**

	Highway Construction			Highway Operating	Total Highway Fund
	Federal Highway Construction Trust	State Funded Construction	Total Highway Construction		
<b>REVENUES</b>					
<b>Unrestricted</b>					
Business License Taxes (Road Toll)				\$124,477	\$124,477
Motor Vehicle Fees				89,716	89,716
Fines, Penalties and Interest				6,304	6,304
Sale of Commodities				177	177
Sale of Service				16	16
Miscellaneous				236	236
Subtotal Unrestricted Revenues				220,926	220,926
<b>Restricted</b>					
Business License Taxes (Road Toll - Betterment - Ch.17,L'2014)		\$48,425	\$48,425	11,230	59,655
Motor Vehicle Fees				23,829	23,829
Fines, Penalties and Interest				293	293
Grants from Federal Government	\$132,813	6,159	138,972	32,652	171,624
Grants from Private and Local Sources	1,451	3	1,454	1,427	2,881
Rents and Leases				143	143
Sale of Commodities (Motor Fuel, Hwy Inventory)				5,572	5,572
Sale of Service				4,858	4,858
Grants from Other Agencies		43	43	7,801	7,844
Miscellaneous	832		832	905	1,737
Subtotal Restricted Revenues	135,096	54,630	189,726	88,710	278,436
Total Revenue	135,096	54,630	189,726	309,636	499,362
<b>EXPENDITURES</b>					
Current:					
Administration of Justice and Public Protection				59,040	59,040
Resource Protection and Development				1,737	1,737
Transportation	21,498	42,213	63,711	177,516	241,227
Municipal Aid	18,798	9,798	28,596	34,734	63,330
Debt Service-Safety				1,407	1,407
Debt Service-Transportation	18,876	203	19,079	11,090	30,169
Capital Outlay Equipment - Safety				3,206	3,206
Capital Outlay Equipment - Transportation	22		22	3,342	3,364
Capital Outlay Infrastructure - Transportation	113,875	1,371	115,246	9,584	124,830
Capital Outlay Land and Buildings - Transportation	1,491	1,571	3,062	123	3,185
Total Expenditures	174,560	55,156	229,716	301,779	531,495
Excess (Deficiency) of Revenues Over (Under) Expenditures	(39,464)	(526)	(39,990)	7,857	(32,133)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers among accounts		8,031	8,031	5,957	13,988
Transfers Out	(35)		(35)	(2,635)	(2,670)
Note Issuance	38,304		38,304		38,304
Total Other Financing Sources (Uses)	38,269	8,031	46,300	3,322	49,622
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(1,195)	7,505	6,310	11,179	17,489
Fund Balances - July 1	19,878	46,483	66,361	63,430	129,791
Change in Inventory				512	512
Fund Balances - June 30	\$18,683	\$53,988	\$72,671	\$75,121	\$147,792

See accompanying Independent Auditors' Report

## Non-Major Governmental Funds

### *Special Revenue Funds:*

***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 Conservation Land Stewardship Program (CLS), which is housed in the NH Office of Energy and Planning (OEP), monitors and stewards the 86 state-held Land Conservation Investment Program conservation easements.

***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, NH Hospital Patient Banking, and Community Conservation Endowment Funds.

**STATE OF NEW HAMPSHIRE  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2017  
(Expressed in Thousands)**

	Fish & Game	Capital	Permanent Funds			Total Permanent	Total Non-Major
			NH Hospital	Land Conservation Endowment	Other Permanent		
<b>ASSETS</b>							
Cash and Cash Equivalents	\$9,005		\$183	\$168	\$210	\$561	\$9,566
Investments			7,272	3,506	12,493	23,271	23,271
Receivables (Net)	1,372	\$2,037					3,409
Due from Other Funds		6,589					6,589
Inventories	508						508
Total Assets	10,885	8,626	7,455	3,674	12,703	23,832	43,343
<b>LIABILITIES</b>							
Accounts Payable	1,589	14,046					15,635
Accrued Payroll	889						889
Due to other funds		30,003					30,003
Total Liabilities	2,478	44,049					46,527
<b>FUND BALANCES</b>							
Nonspendable:							
Inventories	508						508
Permanent Fund Principal			458	2,293	9,070	11,821	11,821
Restricted	4,024		6,997	1,381	3,633	12,011	16,035
Committed	2,481						2,481
Assigned	1,394						1,394
Unassigned		(35,423)					(35,423)
Total Fund Balances (Deficits)	8,407	(35,423)	7,455	3,674	12,703	23,832	(3,184)
Total Liabilities and Fund Balances	\$10,885	\$8,626	\$7,455	\$3,674	\$12,703	\$23,832	\$43,343

**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, 2017**  
**(Expressed in Thousands)**

	Fish & Game	Capital Projects	Permanent Funds				Total Permanent	Total Non-Major
			NH Hospital	Land Conservation Endowment	Other Permanent			
<b>REVENUES</b>								
Non-Business License Taxes	\$10,761							\$10,761
Fees	1,163	\$1,209						2,372
Fines, Penalties and Interest	135							135
Grants from Federal Government	8,947	16,736						25,683
Grants from Private and Local Sources	399							399
Interest, Premiums and Discounts	38	721	\$162	\$62	\$190	\$414		1,173
Sale of Commodities	204							204
Grants from Other Agencies	6,029							6,029
Miscellaneous	304	862	467	382	1,814	2,663		3,829
Total Revenues	27,980	19,528	629	444	2,004	3,077		50,585
<b>EXPENDITURES</b>								
Current:								
Administration of Justice & Public Protection					90	90		90
Resource Protection and Development	26,495			179	195	374		26,869
Health and Social Services			298		71	369		369
Debt Service	395							395
Capital Outlay	1,703	122,855						124,558
Total Expenditures	28,593	122,855	298	179	356	833		152,281
Excess (Deficiency) of Revenues								
Over (Under) Expenditures	(613)	(103,327)	331	265	1,648	2,244		(101,696)
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers In	2,112							2,112
Payments to Refunding Agent		(55,082)						(55,082)
G.O. Bond Premium		5,862						5,862
G.O. Bond Issuance		119,188						119,188
Total Other Financing Sources	2,112	69,968						72,080
Excess (Deficiency) of Revenues & Other Sources								
Over (Under) Expenditures & Other Uses	1,499	(33,359)	331	265	1,648	2,244		(29,616)
Fund Balances - July 1	7,147	(2,064)	7,124	3,409	11,055	21,588		26,671
Change in Inventory	(239)							(239)
Fund Balances (Deficits) - June 30	\$8,407	\$(35,423)	\$7,455	\$3,674	\$12,703	\$23,832		\$(3,184)

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, 2017  
(Expressed in Thousands)**

	<b>Fish and Game Fund</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amount (Budgetary Basis)</b>	<b>Variance with Final Budget-Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Non-Business License Taxes	\$10,799	\$11,641	\$10,761	\$(880)
Fees	2,636	2,999	1,513	(1,486)
Fines, Penalties and Interest	150	150	135	(15)
Grants from Federal Government	7,730	7,908	8,933	1,025
Grants from Private and Local Sources	1,203	1,333	399	(934)
Interest Premiums and Discounts	33	34	38	4
Sale of Commodities	633	639	454	(185)
Sale of Services	1,207	1,232	33	(1,199)
Grants from Other Agencies	6,527	7,042	6,029	(1,013)
Miscellaneous	2,025	2,225	905	(1,320)
Total Revenues	<u>32,943</u>	<u>35,203</u>	<u>29,200</u>	<u>(6,003)</u>
<b>EXPENDITURES</b>				
Resource Protection and Development	29,038	31,627	27,727	3,900
Debt Service	395	395	395	
Capital Outlays	1,703	1,703	1,703	
Total Expenditures	<u>31,136</u>	<u>33,725</u>	<u>29,825</u>	<u>3,900</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,807</u>	<u>1,478</u>	<u>(625)</u>	<u>(2,103)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In		2,112	2,112	
Miscellaneous		(239)	(239)	
Total Other Financing Sources (Uses)		<u>1,873</u>	<u>1,873</u>	
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>1,807</u>	<u>3,351</u>	<u>1,248</u>	<u>(2,103)</u>
<b>Fund Balance - July 1</b>	<u>8,029</u>	<u>8,029</u>	<u>8,029</u>	
<b>Fund Balance - June 30</b>	<u>\$9,836</u>	<u>\$11,380</u>	<u>\$9,277</u>	<u>\$(2,103)</u>

### 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, 2017 (expressed in thousands).

	Fish & Game Fund
Excess of revenues and other financing sources over expenditures and other financing uses (Budgetary Basis)	\$1,248
Adjustments and Reclassifications: To record change in Accounts Payable and Accrued Payroll	1,232
To record change in Accounts Receivable	(1,221)
Excess of revenues and other financing sources over expenditures and other financing uses (GAAP Basis) including change in inventory	\$1,260

# **State Revolving Fund**

STATE OF NEW HAMPSHIRE  
 COMBINING SCHEDULE OF NET POSITION  
 STATE REVOLVING FUND  
 JUNE 30, 2017  
 (Expressed in Thousands)

	Clean Water	Drinking Water	Total SRF Fund
<b><u>ASSETS - (Restricted)</u></b>			
<b>Current Assets:</b>			
Cash and Cash Equivalents	\$86,245	\$16,929	\$103,174
Investments	58,751	15,774	74,525
Loans Receivable:			
Cap Grant - Wastewater/Regular	10,361	6,940	17,301
Cap Grant - Landfills	1,691		1,691
Repayment Loans	7,926	1,291	9,217
Total Loans Receivable	19,978	8,231	28,209
Other Current Assets	3,461	1,340	4,801
Total Current Assets	168,435	42,274	210,709
<b>Noncurrent Assets:</b>			
Investments	58,687	16,072	74,759
Loans Receivable:			
Cap Grant - Wastewater/Regular	135,208	93,785	228,993
Cap Grant - Landfills	6,667		6,667
Repayment Loans	127,579	31,155	158,734
Total Loans Receivable	269,454	124,940	394,394
Total Noncurrent Assets	328,141	141,012	469,153
Total Assets	496,576	183,286	679,862
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
	932	960	1,892
<b><u>LIABILITIES</u></b>			
<b>Current Liabilities:</b>			
Accounts Payable	468	703	1,171
Bonds Payable	2,062	777	2,839
Accrued Payroll	169	161	330
Compensated Absence - current	86	138	224
Advanced Collection	1	14	15
Total Current Liabilities	2,786	1,793	4,579
<b>Noncurrent Liabilities:</b>			
Bonds Payable	12,813	2,561	15,374
Compensated Absence - noncurrent	453	291	744
Net Pension Liability	3,189	3,232	6,421
Total Noncurrent Liabilities	16,455	6,084	22,539
Total Liabilities	19,241	7,877	27,118
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
	150	134	284
<b><u>NET POSITION</u></b>			
Restricted for Environmental Loans	469,601	172,498	642,099
Restricted for SRF Programs	8,516	3,737	12,253
Total Net Position	\$478,117	\$176,235	\$654,352

**STATE OF NEW HAMPSHIRE**  
**COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**STATE REVOLVING FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**  
**(Expressed in Thousands)**

	Clean Water	Drinking Water	Total SRF Fund
<b><u>OPERATING REVENUES</u></b>			
Loan Interest	\$1,374	\$1,098	\$2,472
Capitalized Loan Interest	571		571
Management Fees	5,434	2,233	7,667
Total Operating Revenue	<u>7,379</u>	<u>3,331</u>	<u>10,710</u>
<b><u>OPERATING EXPENSES</u></b>			
Principal Forgiveness	1,690	3,186	4,876
Small System Set-Aside Costs		114	114
State Program Management Costs		1,042	1,042
Local Assistance Set-Aside Costs		1,528	1,528
Administration	5,076	2,363	7,439
Total Operating Expenses	<u>6,766</u>	<u>8,233</u>	<u>14,999</u>
Operating Income (Loss)	<u>613</u>	<u>(4,902)</u>	<u>(4,289)</u>
<b><u>NONOPERATING REVENUES (EXPENSES)</u></b>			
Investment Income	630	107	737
Federal Grant Revenue	9,883	10,768	20,651
State Contributions		2,045	2,045
Miscellaneous	(367)	(91)	(458)
Total Nonoperating Revenues	<u>10,146</u>	<u>12,829</u>	<u>22,975</u>
Change in Net Position	10,759	7,927	18,686
Net Position - July 1	467,358	168,308	635,666
Net Position - June 30	<u>\$478,117</u>	<u>\$176,235</u>	<u>\$654,352</u>

## **Internal Service Fund**

STATE OF NEW HAMPSHIRE  
 COMBINING SCHEDULE OF NET POSITION  
 EMPLOYEE BENEFIT RISK MANAGEMENT FUND  
 JUNE 30, 2017  
 (Expressed in Thousands)

<b>ASSETS</b>	<b>Health</b>			<b>Dental</b>	<b>Total</b>
	<b>Active</b>	<b>Retirees</b>	<b>Total</b>		
<b>Current Assets:</b>					
Cash and Cash Equivalents	\$34,723	\$11,723	\$46,446	\$781	\$47,227
Accounts Receivable	4,382	7,897	12,279	51	12,330
Total Assets	39,105	19,620	58,725	832	59,557
<b>LIABILITIES</b>					
<b>Current Liabilities:</b>					
Accounts Payable	676	406	1,082	29	1,111
Claims Payable	6,005	1,686	7,691	229	7,920
Incurred but not Reported (IBNR)	10,332	5,364	15,696	321	16,017
Total Liabilities	17,013	7,456	24,469	579	25,048
<b>NET POSITION</b>					
Unrestricted Net Position	\$22,092	\$12,164	\$34,256	\$253	\$34,509

**STATE OF NEW HAMPSHIRE  
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
EMPLOYEE BENEFIT RISK MANAGEMENT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Expressed in Thousands)**

	Health			Dental	Total
	Active	Retirees	Total		
<b><u>OPERATING REVENUES</u></b>					
Contributions For Health Benefits					
State Contributions:					
Active Employees	\$169,635		\$169,635	\$10,662	\$180,297
Retired Judges & Constitutional Officers		\$659	659		659
Retired Employees		53,179	53,179		53,179
Non-State Contributions:					
Employee and Retiree Premiums	10,766	5,909	16,675	1,103	17,778
Other Employers	2,625		2,625	173	2,798
COBRA Participants	392	5	397	137	534
Legislator Participants	542	313	855	106	961
Retirement Subsidies & Deductions		12,345	12,345		12,345
Recoveries, Subsidies & Rebates	8,584	16,472	25,056		25,056
Total Contributions for Health Benefits	192,544	88,882	281,426	12,181	293,607
Total Charges for Sales and Services	192,544	88,882	281,426	12,181	293,607
<b><u>OPERATING EXPENSES</u></b>					
Health Care Expenses:					
Medical Payments	141,299	39,439	180,738	11,546	192,284
Pharmaceuticals	39,032	39,995	79,027		79,027
Ancillary Benefits	592		592		592
Total Health Care Expenses	180,923	79,434	260,357	11,546	271,903
Administrative Expenses	7,721	5,384	13,105	352	13,457
Total Operating Expenses	188,644	84,818	273,462	11,898	285,360
Operating Income (Loss)	3,900	4,064	7,964	283	8,247
Change in Net Position	3,900	4,064	7,964	283	8,247
Net Position - July 1	18,192	8,100	26,292	(30)	26,262
Net Position - June 30	\$22,092	\$12,164	\$34,256	\$253	\$34,509

## **Non-Major Component Units**

**STATE OF NEW HAMPSHIRE**  
**COMBINING STATEMENT OF NET POSITION**  
**NON-MAJOR COMPONENT UNITS**  
**JUNE 30, 2017**  
**(Expressed in Thousands)**

	<b>Business Finance Authority</b>	<b>Community Development Finance Authority</b>	<b>Pease Development Authority</b>	<b>Community College System of New Hampshire</b>	<b>Total</b>
<b>ASSETS</b>					
Current Assets:					
Cash and Cash Equivalents	\$7,536	\$641	\$4,032	\$10,096	\$22,305
Cash and Cash Equivalents-Restricted	17,748	3,107	695		21,550
Investments		7,496		8,650	16,146
Accounts Receivable	81	2,526	1,324	698	4,629
Other Receivables	301	305	1,077	3,193	4,876
Notes Receivable - Current Portion	7,949	1,559		133	9,641
Prepaid Expenses & Other	414	486	536		1,436
Total Current Assets	34,029	16,120	7,664	22,770	80,583
Noncurrent Assets:					
Investments		414		19,687	20,101
Notes & Other Receivables	16,825	6,087		2,170	25,082
Other Assets	4,527				4,527
Capital Assets:					
Land & Land Improvements			7,521	7,678	15,199
Building & Building Improvements			141,327	186,208	327,535
Equipment	34	210	13,919	18,618	32,781
Construction in Progress			1,304	4,135	5,439
Less: Accumulated Depreciation	(34)	(175)	(98,400)	(97,309)	(195,918)
Net Capital Assets		35	65,671	119,330	185,036
Total Noncurrent Assets	21,352	6,536	65,671	141,187	234,746
Total Assets	55,381	22,656	73,335	163,957	315,329
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			1,722	20,061	21,783
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts Payable	7	91	2,605	1,865	4,568
Accrued Salaries and Wages				6,491	6,491
Accrued Employee Benefits - Current	27				27
Other Payables & Accrued Expenses		6,628			6,628
Deposits and Unearned Revenues		859	699	1,376	2,934
Long Term Debt-Current Portion			116	2,237	2,353
Total Current Liabilities	34	7,578	3,420	11,969	23,001
Noncurrent Liabilities:					
Net Pension Liabilities			5,490	72,213	77,703
Other Long Term Debt	29,732		338	23,208	53,278
Total Noncurrent Liabilities	29,732		5,828	95,421	130,981
Total Liabilities	29,766	7,578	9,248	107,390	153,982
<b>DEFERRED INFLOWS OF RESOURCES</b>			2,798	7,609	10,616
<b>NET POSITION</b>					
Net Investment in Capital Assets			64,435	97,239	161,674
Restricted for Specific Purpose	24,383	12,821	1,518	20,446	59,168
Unrestricted Net Position (Deficit)	(1,566)	2,257	(353)	(48,666)	(48,328)
Total Net Position	\$22,817	\$15,078	\$65,600	\$69,019	\$172,514

STATE OF NEW HAMPSHIRE  
 COMBINING STATEMENT OF ACTIVITIES  
 NON-MAJOR COMPONENT UNITS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
 (Expressed in Thousands)

	Business Finance Authority (*)	Community Development Finance Authority	Pease Development Authority	Community College System of New Hampshire	Total
<b>EXPENSES</b>	\$1,815	\$8,700	\$17,318	\$129,587	\$157,420
<b>PROGRAM REVENUES:</b>					
Charges for Services:					
Tuition & Fees				67,179	67,179
Scholarship Allowances				(19,248)	(19,248)
Sales, Services, & Other Revenue	1,984	1,952	14,468	7,747	26,151
Operating Grants & Contributions		6,764	2,388	21,956	31,108
Capital Grants & Contributions				7,468	7,468
Total Program Revenues	1,984	8,716	16,856	85,102	112,658
Net Revenues (Expenses)	169	16	(462)	(44,485)	(44,762)
Interest & Investment Income	20	80	7	2,584	2,691
Payments from State of New Hampshire				43,775	43,775
Change in Net Position	189	96	(455)	1,874	1,704
<b>Net Position - July 1, restated (Note 1) (*)</b>	22,628	14,982	66,055	67,145	170,810
<b>Net Position - June 30</b>	\$22,817	\$15,078	\$65,600	\$69,019	\$172,514

# Fiduciary Funds

## Pension Trust Funds

**NHRS:** *The New Hampshire Retirement System consists of a cost-sharing multiple-employer contributory pension plan (NHRS) 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 a separate cost-sharing multiple-employer postemployment medical subsidy healthcare 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 one defined benefit postemployment medical subsidy healthcare plan designated in statute by membership type. The four membership groups 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 Plan.*

**Judicial Retirement Plan:** *The New Hampshire Judicial Retirement Plan (NHJRP) 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, 2017  
 (Expressed in Thousands)

	NHRS		Judicial Retirement Plan	Total
	Pension Plan	OPEB		
<b>ASSETS</b>				
Cash & Cash Equivalents	\$9,345	\$37	\$1,090	\$10,472
Total Cash	9,345	37	1,090	10,472
Receivables:				
Due from Employers	40,606	7,152	391	48,149
Due from Plan Members	23,038		47	23,085
Due from Brokers for Securities Sold	15,746	62		15,808
Interest and Dividends	17,416	68	96	17,580
Other	3,150	12	29	3,191
Total Receivables	99,956	7,294	563	107,813
Investments				
Cash & Cash Equivalents	184,444	723		185,167
Equity Investments				
Domestic	2,923,484	11,466	21,801	2,956,751
International	1,203,362	4,719	7,014	1,215,095
Fixed Income Investments				
Domestic	1,590,758	6,239	9,874	1,606,871
International	216,658	850		217,508
Commercial Real Estate	812,108	3,185		815,293
Alternative Investments	1,242,313	4,872	9,840	1,257,025
Total Investments	8,173,127	32,054	48,529	8,253,710
Other Assets	170	1		171
Total Assets	8,282,598	39,386	50,182	8,372,166
<b>LIABILITIES</b>				
Management Fees and Other Payables	9,594	38	10	9,642
Due to Brokers for Securities Purchased	19,016	75		19,091
Total Liabilities	28,610	113	10	28,733
<b>NET POSITION</b>				
Net Position Restricted for Pension and Other Postemployment Benefits (OPEB)	\$8,253,988	\$39,273	\$50,172	\$8,343,433

**STATE OF NEW HAMPSHIRE**  
**COMBINING STATEMENT OF CHANGES IN PLAN NET POSITION**  
**PENSION TRUST FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**  
**(Expressed in Thousands)**

	NHRS		Judicial	Total
	Pension Plan	OPEB	Retirement Plan	
<b>ADDITIONS</b>				
<b>Contributions:</b>				
Employers	\$366,653	\$59,197	\$6,096	\$431,946
Plan Members	213,061		728	213,789
<b>Total Contributions</b>	<b>579,714</b>	<b>59,197</b>	<b>6,824</b>	<b>645,735</b>
<b>Investment Income:</b>				
From Investing Activities:				
Net Appreciation (Depreciation) in Fair Value of Investments	831,995	3,440	1,722	837,157
Interest	55,205	228	1,249	56,682
Dividends	73,184	303		73,487
Alternative Investment Income	27,270	113		27,383
Net Real Estate Income	16,450	68		16,518
<b>Total Income from Investing Activities</b>	<b>1,004,104</b>	<b>4,152</b>	<b>2,971</b>	<b>1,011,227</b>
<b>Less: Investment Activity Expenses:</b>				
Investment Management Fees	23,538	97	60	23,695
Custodial Fees	611	3	38	652
Investment Administrative Expense	624	3		627
Investment Advisor Fees	737	3		740
<b>Total Investment Activity Expenses</b>	<b>25,510</b>	<b>106</b>	<b>98</b>	<b>25,714</b>
<b>Total Net Income from Investing Activities</b>	<b>978,594</b>	<b>4,046</b>	<b>2,873</b>	<b>985,513</b>
<b>Total Net Investment Income</b>	<b>978,594</b>	<b>4,046</b>	<b>2,873</b>	<b>985,513</b>
Interest Income		181		181
<b>Total Additions</b>	<b>1,558,308</b>	<b>63,424</b>	<b>9,697</b>	<b>1,631,429</b>
<b>DEDUCTIONS</b>				
Benefits/Distributions to Participants	706,304	50,560	6,192	763,056
Refunds of Contributions	23,408			23,408
Administrative Expense	7,671	32	239	7,942
Professional Fees	992	4		996
Interest Expense		181		181
Other	263	1		264
<b>Total Deductions</b>	<b>738,638</b>	<b>50,778</b>	<b>6,431</b>	<b>795,847</b>
<b>Change in Net Position</b>	<b>819,670</b>	<b>12,646</b>	<b>3,266</b>	<b>835,582</b>
Net Position - July 1	7,434,318	26,627	46,906	7,507,851
Net Position - June 30	<b>\$8,253,988</b>	<b>\$39,273</b>	<b>\$50,172</b>	<b>\$8,343,433</b>

## 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, and NH Hospital Patient Banking.*

**STATE OF NEW HAMPSHIRE  
 COMBINING STATEMENT OF NET POSITION  
 PRIVATE PURPOSE TRUST FUNDS  
 JUNE 30, 2017  
 (Expressed in Thousands)**

	Private Purpose Trust Funds				Total Private Purpose
	Special Fund for Second Injuries	EAP	College Savings	Other	
<b><u>ASSETS</u></b>					
Cash and Cash Equivalents	\$1,291	\$1,580	\$305	\$835	\$4,011
Investments			2,174	704	2,878
Total Assets	1,291	1,580	2,479	1,539	6,889
<b><u>LIABILITIES</u></b>					
Total Liabilities					
Net Position Held in Trust for Benefits & Other Purposes	\$1,291	\$1,580	\$2,479	\$1,539	\$6,889

STATE OF NEW HAMPSHIRE  
 COMBINING STATEMENT OF CHANGES IN NET POSITION  
 PRIVATE PURPOSE TRUST FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
 (Expressed in Thousands)

	Private Purpose Trust Funds				
	Special Fund for Second Injuries	EAP	College Savings	Other	Total Private Purpose
<b>ADDITIONS</b>					
<b>Contributions:</b>					
From Participants	\$17,248	\$1,484	\$13,378	\$3,125	\$35,235
Total Contributions	17,248	1,484	13,378	3,125	35,235
Interest Income	17		54	14	85
Other			60	49	109
<b>Total Additions</b>	<b>17,265</b>	<b>1,484</b>	<b>13,492</b>	<b>3,188</b>	<b>35,429</b>
<b>DEDUCTIONS</b>					
Benefits/Distributions to Participants	17,824	822	13,040	767	32,453
Other			440	2,359	2,799
<b>Total Deductions</b>	<b>17,824</b>	<b>822</b>	<b>13,480</b>	<b>3,126</b>	<b>35,252</b>
<b>Change in Net Position</b>	<b>(559)</b>	<b>662</b>	<b>12</b>	<b>62</b>	<b>177</b>
<b>Net Position - July 1</b>	<b>1,850</b>	<b>918</b>	<b>2,467</b>	<b>1,477</b>	<b>6,712</b>
<b>Net Position - June 30</b>	<b>\$1,291</b>	<b>\$1,580</b>	<b>\$2,479</b>	<b>\$1,539</b>	<b>\$6,889</b>

# Agency Funds

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

**Child Support Funds:** *There are currently five non-state program funds reported under the child support funds and all function in a custodial capacity for the benefit of child support recipients. The Payroll account has the most activity and resulted from the transfer of activity from the Department of Probation to the Division of Human Services (Welfare) in 1981. This account includes the checking account for the dollars received and disbursed on behalf of those receiving Child Support. The revolving fund was established to make timely payment of certain child support enforcement services costs. The purpose of the child support enforcement program is to obtain from responsible parents reimbursement of financial assistance provided their dependent children. The Department of 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 Casablanca, DOL Crown Paper Workers Comp Fund, VOIP Escrow, Various Corrections Funds, National Seminars Group, Laconia State School Training Center, Videll Healthcare, DHHS DCYF as Guardian for 01, DHHS as Guardian for 02, John Mason Institute, Stone Markers Corp and NHSLRP/JUA Escrow Account.*

STATE OF NEW HAMPSHIRE  
 COMBINING STATEMENT OF ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 JUNE 30, 2017  
 (Expressed in Thousands)

	Agency Funds					Total
	Unified Court System	Child Support Funds	Lifetime License Fund	Board of Tax and Land Appeals	Other Agency Funds	
<b>ASSETS</b>						
Cash and Cash Equivalents	\$4,384	\$2,423	\$1,684	\$874	\$3,034	\$12,399
Investments					270	270
Total Assets	4,384	2,423	1,684	874	3,304	12,669
<b>LIABILITIES</b>						
Custodial Funds Payable	4,384	2,423	1,684	874	3,304	12,669
Total Liabilities	\$4,384	\$2,423	\$1,684	\$874	\$3,304	\$12,669

**STATE OF NEW HAMPSHIRE**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**  
**(Expressed in Thousands)**

	Balance			Balance
	July 1, 2016	Additions	Deletions	June 30, 2017
<b><u>Unified Court System</u></b>				
<b><u>ASSETS</u></b>				
Cash and Cash Equivalents	\$5,551	\$13,545	\$14,712	\$4,384
<b><u>LIABILITIES</u></b>				
Custodial Funds Payable	5,551	13,545	14,712	4,384
<b><u>Child Support Funds</u></b>				
<b><u>ASSETS</u></b>				
Cash and Cash Equivalents	\$2,265	\$86,332	\$86,174	\$2,423
<b><u>LIABILITIES</u></b>				
Custodial Funds Payable	\$2,265	\$86,332	\$86,174	\$2,423
<b><u>Lifetime License Fund</u></b>				
<b><u>ASSETS</u></b>				
Cash and Cash Equivalents	\$1,609	\$265	\$190	\$1,684
<b><u>LIABILITIES</u></b>				
Custodial Funds Payable	\$1,609	\$265	\$190	\$1,684
<b><u>Board of Tax and Land Appeals</u></b>				
<b><u>ASSETS</u></b>				
Cash and Cash Equivalents	\$375	\$756	\$257	\$874
<b><u>LIABILITIES</u></b>				
Custodial Funds Payable	\$375	\$756	\$257	\$874
<b><u>Other Agency Funds</u></b>				
<b><u>ASSETS</u></b>				
Cash and Cash Equivalents	\$3,630	\$6,295	\$6,891	\$3,034
Investments	272		2	270
Total Assets	\$3,902	\$6,295	\$6,893	\$3,304
<b><u>LIABILITIES</u></b>				
Custodial Funds Payable	\$3,902	\$6,295	\$6,893	\$3,304
<b><u>Totals - Agency Funds</u></b>				
<b><u>TOTAL ASSETS - AGENCY FUNDS</u></b>				
Cash and Cash Equivalents	\$13,430	\$107,193	\$108,224	\$12,399
Investments	272		2	270
Total Assets - Agency funds	\$13,702	\$107,193	\$108,226	\$12,669
<b><u>TOTAL LIABILITIES - AGENCY FUNDS</u></b>				
Custodial Funds Payable	\$13,702	\$107,193	\$108,226	\$12,669
Total Liabilities - Agency Funds	\$13,702	\$107,193	\$108,226	\$12,669

See accompanying Independent Auditors' Report



# Statistical Section

## *(Unaudited)*

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

### Financial Trends

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

Schedule of Net Position by Component	135
Schedule of Changes in Net Position	136
Schedule of Fund Balances, Governmental Funds	138
Schedule of Changes in Fund Balance, Governmental Funds	139
Schedule of Unrestricted Revenue - GAAP Basis - General Fund	140
Schedule of Undesignated/Unassigned - Other Fund Balance - General Fund	141
Schedule of Undesignated/Assigned Fund Balance - Education Fund	142
Schedule of Undesignated/Restricted Fund Balance - Highway Fund	143
Schedule of Undesignated/Assigned Fund Balance - Fish and Game Fund	144

### 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	145
Schedule of Statewide Property Tax For Top Ten Cities/Towns	147
Schedule of Sales by Top Ten State Liquor Retail Locations	149

### 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	149
Schedule of Ratios of General Bonded Debt Outstanding	150
Schedule of Pledged Revenue Coverage	150

### 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	151
Schedule of Building Permits for Housing Units	151
Schedule of Principal Employers	152

### 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	154
Schedule of State Employees by Function	158
Schedule of Capital Asset Balances by Function	159

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

	Fiscal Year				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>Governmental activities</b>					
Net investment of capital assets, net of related debt	\$2,265,036	\$2,206,073	\$2,036,066	\$2,013,107	\$2,022,477
Restricted	429,246	418,702	152,702	108,658	106,027
Unrestricted	<u>(1,683,141)</u>	<u>(1,602,034)</u>	<u>(1,639,487)</u>	<u>(790,120)</u>	<u>(716,379)</u>
Total governmental activities net assets	<u>\$1,011,141</u>	<u>\$1,022,741</u>	<u>\$549,281</u>	<u>\$1,331,645</u>	<u>\$1,412,125</u>
<b>Business-type activities</b>					
Net investment of capital assets, net of related debt	\$528,287	\$502,720	\$485,461	\$462,660	\$433,001
Restricted	1,018,208	997,892	965,691	929,609	857,061
Unrestricted	33,336	17,012	(11,045)	33,869	33,412
Total business-type activities net assets	<u>\$1,579,831</u>	<u>\$1,517,624</u>	<u>\$1,440,107</u>	<u>\$1,426,138</u>	<u>\$1,323,474</u>
<b>Primary government</b>					
Net investment of capital assets, net of related debt	\$2,793,323	\$2,708,793	\$2,521,527	\$2,475,767	\$2,455,478
Restricted	1,447,454	1,416,594	1,118,393	1,038,267	963,088
Unrestricted	<u>(1,649,805)</u>	<u>(1,585,022)</u>	<u>(1,650,532)</u>	<u>(756,251)</u>	<u>(682,967)</u>
Total primary government net assets	<u>\$2,590,972</u>	<u>\$2,540,365</u>	<u>\$1,989,388</u>	<u>\$2,757,783</u>	<u>\$2,735,599</u>
<b>Governmental activities</b>					
Net investment of capital assets, net of related debt	\$1,992,798	\$1,885,451	\$1,685,975	\$1,695,688	\$1,674,011
Restricted	23,722	25,403	463,498	291,513	366,662
Unrestricted	<u>(742,680)</u>	<u>(631,237)</u>	<u>(25,524)</u>	3,102	213,570
Total governmental activities net assets	<u>\$1,273,840</u>	<u>\$1,279,617</u>	<u>\$2,123,949</u>	<u>\$1,990,303</u>	<u>\$2,254,243</u>
<b>Business-type activities</b>					
Net investment of capital assets, net of related debt	\$409,841	\$273,365	\$227,358	\$341,422	\$316,330
Restricted	767,581	688,864	102,937	150,387	264,782
Unrestricted	26,647	64,574	59,367	41,360	35,234
Total business-type activities net assets	<u>\$1,204,069</u>	<u>\$1,026,803</u>	<u>\$389,662</u>	<u>\$533,169</u>	<u>\$616,346</u>
<b>Primary government</b>					
Net investment of capital assets, net of related debt	\$2,402,639	\$2,158,816	\$1,913,333	\$2,037,110	\$1,990,341
Restricted	791,303	714,267	566,435	441,900	631,444
Unrestricted	<u>(716,033)</u>	<u>(566,663)</u>	33,843	44,462	248,804
Total primary government net assets	<u>\$2,477,909</u>	<u>\$2,306,420</u>	<u>\$2,513,611</u>	<u>\$2,523,472</u>	<u>\$2,870,589</u>

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

	Fiscal Year				
	2017	2016	2015	2014	2013
<b>Governmental Activities:</b>					
Expenses					
General government	\$482,357	\$445,931	\$442,490	\$425,806	\$428,738
Administration of justice and public protection	516,377	469,263	528,840	480,720	528,734
Resource protection and development	177,032	156,899	156,795	140,316	156,148
Transportation	558,500	500,899	501,461	541,058	410,758
Health and social services	2,843,514	2,717,099	2,406,752	2,153,341	2,009,403
Education	1,361,946	1,358,215	1,346,431	1,335,566	1,329,015
Interest expense	33,437	54,748	41,877	31,548	27,666
<b>Total expenses</b>	<b>5,973,163</b>	<b>5,703,054</b>	<b>5,424,646</b>	<b>5,108,355</b>	<b>4,890,462</b>
Charges for services:					
General government	313,725	309,072	273,145	233,697	310,150
Administration of justice and public protection	397,049	401,255	358,571	366,654	340,088
Resource protection and development	95,579	89,441	86,294	80,317	58,460
Transportation	15,363	16,257	28,470	31,682	46,543
Health and social services	159,600	144,354	271,752	301,986	189,426
Education	2,020	2,170	5,024	5,017	11,963
Operating grants and contributions	2,164,704	2,137,529	1,895,332	1,641,790	1,602,922
Capital grants and contributions	188,237	169,643	197,400	218,351	183,676
<b>Total program revenues</b>	<b>3,336,277</b>	<b>3,269,721</b>	<b>3,115,988</b>	<b>2,879,494</b>	<b>2,743,228</b>
<b>Total Governmental Activities Net Program Expense</b>	<b>(2,636,886)</b>	<b>(2,433,333)</b>	<b>(2,308,658)</b>	<b>(2,228,861)</b>	<b>(2,147,234)</b>
General Revenues and Other Changes in Net Assets					
Taxes					
General property taxes	403,212	407,276	408,678	398,419	400,563
Business Income Taxes	662,400	693,691	564,562	546,829	538,365
Meals and Rental Tax	315,680	302,473	280,792	263,050	248,574
Special taxes	536,998	521,574	370,000	290,020	359,967
Personal taxes	218,833	226,803	221,501	219,903	205,849
Business license taxes	184,132	182,582	181,278	145,658	144,023
Interest and investment income	14,600	17,015	15,172	16,343	13,167
Miscellaneous	59,570	43,884	47,846	52,005	71,028
Special Item - Environmental Litigation Settlements		276,457			90,700
Transfers/Contributions of assets to other entities				(653)	(4,484)
Transfers	229,861	235,038	228,098	216,807	217,767
<b>Total General Revenues and Other Changes in Net Position</b>	<b>2,625,286</b>	<b>2,906,793</b>	<b>2,317,927</b>	<b>2,148,381</b>	<b>2,285,519</b>
<b>Total Governmental Activities Change in Net Position</b>	<b>\$(11,600)</b>	<b>\$473,460</b>	<b>\$9,269</b>	<b>\$(80,480)</b>	<b>\$138,285</b>
<b>Business-type Activities:</b>					
Expenses					
Turnpike System	\$99,475	\$88,091	\$116,372	\$90,243	\$88,119
Liquor Commission	549,260	531,064	497,091	482,158	463,843
Lottery Commission	228,168	229,488	210,254	205,052	207,509
SRF Fund	15,457	9,288	22,962	21,541	19,950
Unemployment Compensation	74,631	79,569	93,450	124,654	168,280
<b>Total expenses</b>	<b>966,991</b>	<b>937,500</b>	<b>940,129</b>	<b>923,648</b>	<b>947,701</b>
Revenues					
Charges for services:					
Turnpike System	137,270	135,588	127,781	122,384	121,112
Liquor Commission	703,136	688,374	649,154	630,812	603,575
Lottery Commission	304,322	308,570	287,453	280,561	285,232
SRF Fund	13,492	7,710	9,605	10,788	11,381
Unemployment Compensation	80,144	83,352	99,930	160,095	228,612
Operating grants and contributions	20,651	26,374	46,986	36,876	25,031
Capital grants and contributions	44	87	74	3,108	5,446
<b>Total revenues</b>	<b>1,259,059</b>	<b>1,250,055</b>	<b>1,220,983</b>	<b>1,244,624</b>	<b>1,280,389</b>
<b>Total Business-type Activities Net Program Revenue</b>	<b>292,068</b>	<b>312,555</b>	<b>280,854</b>	<b>320,976</b>	<b>332,688</b>
Other Changes in Net Position					
Transfer/Contribution of Capital Assets				653	4,484
Transfers	(229,861)	(235,038)	(228,098)	(216,807)	(217,767)
<b>Total Other Changes in Net Position</b>	<b>(229,861)</b>	<b>(235,038)</b>	<b>(228,098)</b>	<b>(216,154)</b>	<b>(213,283)</b>
<b>Total Business-type Activities Change in Net Position</b>	<b>\$62,207</b>	<b>\$77,517</b>	<b>\$52,756</b>	<b>\$104,822</b>	<b>\$119,405</b>
<b>Total Primary Government Change in Net Position</b>	<b>\$50,607</b>	<b>\$550,977</b>	<b>\$62,025</b>	<b>\$24,342</b>	<b>\$257,690</b>

See accompanying Independent Auditors' Report

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

Fiscal Year				
2012	2011	2010	2009	2008
\$467,022	\$525,152	\$568,119	\$495,720	\$420,367
520,958	506,824	474,095	438,273	420,120
142,153	132,690	178,406	139,574	138,215
310,736	456,652	587,542	518,415	443,258
1,959,017	2,177,806	2,162,636	1,980,286	1,877,924
1,342,002	1,484,909	1,469,926	1,346,221	1,343,253
41,349	47,334	32,074	31,546	26,115
4,783,237	5,331,367	5,472,798	4,950,035	4,669,252
296,152	299,148	317,542	208,219	192,436
306,509	341,099	411,353	315,081	315,613
65,453	70,017	76,960	64,216	62,406
89,074	60,009	69,046	33,249	19,093
178,484	109,034	123,906	98,491	76,392
27,051	4,002	8,550	(1,330)	879
1,622,317	1,824,734	1,948,200	1,599,262	1,424,014
193,546	146,267	223,103	208,309	194,637
2,778,586	2,854,310	3,178,660	2,525,497	2,285,470
(2,004,651)	(2,477,057)	(2,294,138)	(2,424,538)	(2,383,782)
397,716	396,272	393,296	395,151	387,952
486,535	402,004	565,825	482,597	
239,067	234,852	231,663	211,414	
370,050	429,628	464,519	473,215	1,329,137
214,928	226,649	243,499	188,038	166,288
143,888	160,847	146,684	145,973	151,321
10,968	8,552	7,037	15,291	18,169
46,985	29,926	49,648	56,174	48,314
(117,709)	(13,788)	116,565		(106)
206,446	205,294	209,048	192,745	188,602
1,998,874	2,080,236	2,427,784	2,160,598	2,289,677
\$(5,777)	\$(396,821)	\$133,646	\$(263,940)	\$(94,105)
\$86,166	\$91,331	\$82,237	\$80,433	\$80,411
433,631	415,816	397,490	385,794	367,847
190,566	167,961	168,853	172,630	186,906
33,031	5,412			
220,391	284,773	458,098	280,385	119,645
963,785	965,293	1,106,678	919,242	754,809
123,489	118,852	120,511	107,593	107,075
575,233	558,605	530,936	507,479	479,448
260,990	232,597	237,591	243,890	264,014
13,874	9,586			
305,256	341,157	399,746	165,896	77,051
21,869	61,470			
201	24,162		3,952	8,816
1,300,912	1,346,429	1,288,784	1,028,810	936,404
337,127	381,136	182,106	109,568	181,595
46,585	13,788	(116,565)		
(206,446)	(205,294)	(209,048)	(192,745)	(188,602)
(159,861)	(191,506)	(325,613)	(192,745)	(188,602)
\$177,266	\$189,630	\$(143,507)	\$(83,177)	\$(7,007)
\$171,489	\$(207,191)	\$(9,861)	\$(347,117)	\$(101,112)

See accompanying Independent Auditors' Report

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

	Fiscal Year						
	2017	2016	2015	2014	2013	2012	2011
<b>General fund</b>							
Nonspendable:							
Inventories	\$5,122	\$4,680	\$5,145	\$4,712	\$5,092	\$5,892	\$6,649
Restricted	553,760	486,626	195,546	109,417	104,687	24,933	161,043
Committed	32,006	34,411	37,553	116,325	123,245	137,764	92,883
Assigned	62,027	24,962	26,631	35,765	25,509	24,984	27,356
Unassigned:							
Revenue Stabilization	100,000	93,043	22,326	9,312	9,312	9,312	9,312
Other		88,489	49,000	21,890	72,177	13,836	17,672
Total General Fund	<u>\$752,915</u>	<u>\$732,211</u>	<u>\$336,201</u>	<u>\$297,421</u>	<u>\$340,022</u>	<u>\$216,721</u>	<u>\$314,915</u>
<b>All Other Governmental Funds</b>							
Nonspendable:							
Inventories	\$18,766	\$18,493	\$17,791	\$14,965	\$12,063	\$13,147	\$12,401
Permanent Fund Principal	11,821	10,583	11,019	11,358	7,076	10,305	6,665
Restricted	131,669	124,272	199,114	212,518	174,174	193,102	115,448
Committed	2,481	2,028	1,733	1,304	14,048	15,397	1,469
Assigned	20,051	5,643	4,819	6,304	60,587	40,192	37,770
Unassigned	(35,423)						(33,577)
Total All Other Governmental Funds	<u>149,365</u>	<u>161,019</u>	<u>234,476</u>	<u>246,449</u>	<u>267,948</u>	<u>272,143</u>	<u>140,176</u>
Total Fund Balances - Governmental Funds	<u>\$902,280</u>	<u>\$893,230</u>	<u>\$570,677</u>	<u>\$543,870</u>	<u>\$607,970</u>	<u>\$488,864</u>	<u>\$455,091</u>

	Fiscal Year		
	2010	2009	2008
<b>General fund</b>			
Reserved	\$305,243	\$291,901	\$330,064
Unreserved	65,681		17,184
Total general fund	<u>370,924</u>	<u>291,901</u>	<u>347,248</u>
<b>All other governmental funds</b>			
Reserved	132,435	165,743	304,436
Unreserved, reported in:			
Special revenue funds	12,477	(50,281)	(23,511)
Capital projects fund	(63,519)	(132,927)	(245,939)
Total all other governmental funds	<u>\$81,393</u>	<u>\$(17,465)</u>	<u>\$34,986</u>

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

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Revenues</b>										
General Property Taxes	\$405,412	\$406,677	\$404,579	\$399,519	\$397,162	\$396,316	\$396,272	\$393,296	\$392,951	\$387,552
Special Taxes	1,489,578	1,520,222	1,210,649	1,101,388	1,160,348	1,124,025	1,169,883	1,208,180	1,168,412	1,352,476
Personal Taxes	218,633	227,003	221,300	219,903	205,849	214,928	226,649	243,499	188,038	166,288
Business License Taxes	207,829	205,162	204,975	166,840	163,736	163,764	181,730	165,508	166,930	172,277
Non-Business License Taxes	221,990	217,595	210,697	187,642	186,839	174,103	199,550	216,878	183,974	187,103
Fees	187,067	187,965	182,947	186,173	176,781	177,570	190,902	194,331	155,528	153,675
Fines, Penalties and Interest	25,313	15,246	13,974	7,931	14,010	25,118	11,111	11,953	28,498	35,383
Grants from Federal Government	2,200,251	2,157,393	1,934,969	1,701,117	1,603,132	1,649,458	1,929,010	2,073,667	1,680,891	1,497,606
Grants from Private and Local Sources	171,624	167,032	171,660	173,202	192,422	171,043	122,179	112,077	160,365	147,682
Rents and Leases	1,437	149	1,226	156	2,396	2,784	3,030	10,350	1,574	1,051
Interest, Premiums and Discounts	16,777	18,390	16,668	17,783	14,542	12,279	14,917	12,289	19,774	24,440
Sale of Commodities	20,570	21,021	24,793	24,392	25,071	12,546	12,506	11,829	10,921	10,465
Sale of Service	33,803	29,316	32,320	25,163	73,665	78,010	90,458	93,667	76,489	62,499
Assessments	60,203	62,847	60,653	71,492	60,777	73,816	66,528	81,009	64,901	53,069
Grants from Other Agencies	78,452	72,213	70,968	68,978	60,672	58,429	54,972	118,206	18,130	7,265
Miscellaneous	246,386	254,370	341,740	367,854	314,515	293,237	201,903	219,431	157,950	168,130
<b>Total Revenues</b>	<b>5,585,325</b>	<b>5,562,601</b>	<b>5,104,118</b>	<b>4,719,533</b>	<b>4,651,917</b>	<b>4,627,426</b>	<b>4,871,600</b>	<b>5,166,170</b>	<b>4,475,326</b>	<b>4,426,961</b>
<b>Expenditures</b>										
General Government	348,287	340,644	323,673	328,895	328,506	334,636	393,429	420,360	380,799	346,347
Administration of Justice and Public Protection	498,489	503,700	475,601	460,844	466,423	444,209	377,865	416,073	374,532	353,675
Resource Protection and Development	161,802	147,250	147,858	133,801	142,550	139,204	236,392	239,175	153,204	161,485
Transportation *	317,129	307,377	347,018	310,751	293,679	435,391	524,108	536,552	452,209	305,378
Health and Social Services	2,817,995	2,721,001	2,391,432	2,133,921	1,969,281	1,931,136	2,114,451	2,133,629	1,945,122	1,838,018
Education	1,352,921	1,357,379	1,343,238	1,331,072	1,336,946	1,361,783	1,375,706	1,362,028	1,274,261	1,304,734
Debt Service										
Principal	93,146	97,834	97,513	89,859	76,657	80,104	33,612	69,321	65,832	64,829
Interest	46,551	51,318	54,749	47,692	48,124	52,332	43,167	42,428	41,803	31,941
Capital Outlay *	283,794	236,154	210,064	253,087	300,126	144,373	191,293	196,717	242,758	354,337
<b>Total Expenditures</b>	<b>5,920,114</b>	<b>5,762,657</b>	<b>5,391,146</b>	<b>5,089,922</b>	<b>4,962,292</b>	<b>4,923,168</b>	<b>5,290,023</b>	<b>5,416,283</b>	<b>4,930,520</b>	<b>4,760,744</b>
Revenues Over (Under) Expenditures	(334,789)	(200,056)	(287,028)	(370,389)	(310,375)	(295,742)	(418,423)	(250,113)	(455,194)	(333,783)
<b>Other Financing Sources (Uses)</b>										
Transfers In	70,354	30,994	81,683	104,882	126,966	143,943	128,259	43,244	58,458	35,986
Transfers In from Enterprise Funds	229,861	235,038	228,098	224,032	222,735	210,743	205,294	209,048	192,745	188,602
Transfers Out	(70,354)	(30,994)	(81,683)	(112,760)	(131,934)	(148,240)	(128,259)	(43,244)	(58,458)	(35,986)
Refunding Bond Issuance							45,036			
Bond Premiums	5,862		29,276	7,672	12,820	26,245	22,846	23,509	2,219	6,548
Bond/Note Issuance	157,492	9,685	147,956	65,793	85,625	201,770	230,000	282,599	179,380	161,320
Payments to Refunding Bond Escrow Agent	(55,082)		(108,875)				(49,967)	(168,608)	(30,255)	(60,000)
Installments on Sale of Assets		414	13,765	14,020	24,262	23,316	15,349	30,000		
Repayment (Issuance) of BANS							(50,000)	50,000		
Capital Lease Acquisition	4,882	778	245	128	189	250	626	157	296	198
<b>Total Other Financing Sources (Uses)</b>	<b>343,015</b>	<b>245,915</b>	<b>310,465</b>	<b>303,767</b>	<b>340,663</b>	<b>458,027</b>	<b>419,184</b>	<b>426,705</b>	<b>344,385</b>	<b>296,668</b>
Special Item - Environmental Litigation Settlements		276,457			90,700					
Change in Inventory	824	237	3,370	2,522	(1,882)	(12)	2,013	274,436	3,011	(605)
<b>Net Change in Fund Balances</b>	<b>\$9,050</b>	<b>\$322,553</b>	<b>\$26,807</b>	<b>\$(64,100)</b>	<b>\$119,106</b>	<b>\$162,273</b>	<b>\$2,774</b>	<b>\$451,028</b>	<b>\$(107,798)</b>	<b>\$(37,720)</b>
<b>Debt Service as a Percentage of Non-Capital Expenditure:</b>	2.5%	2.8%	3.0%	2.9%	2.8%	2.9%	1.5%	2.2%	2.4%	2.2%

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

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

	Fiscal Year Ended June 30									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Beer Tax	\$12,678	\$12,850	\$12,299	\$12,656	\$12,689	\$12,885	\$12,900	\$13,065	\$12,695	\$12,720
Board and Care Revenue					26,439	24,487	22,519	22,072	21,338	19,937
Business Profits Tax	317,412	352,788	282,351	271,707	267,062	256,552	248,537	258,633	251,925	317,439
Business Enterprise Tax	83,588	91,304	71,898	73,009	78,293	68,459	63,003	71,744	61,889	77,710
Estate and Legacy Tax	7	29	8	43	(60)	7	92	48	(4)	214
Insurance Tax	121,865	123,448	114,621	95,028	95,405	84,990	84,902	86,804	94,144	95,876
Securities Revenue	44,598	43,703	42,534	40,612	38,137	37,591	37,025	34,231	34,680	34,700
Interest and Dividends Tax	94,287	89,265	96,861	79,811	92,974	83,536	76,597	84,866	97,126	118,693
Liquor	141,063	139,851	138,522	135,889	132,338	127,590	125,718	120,718	146,000	133,052
Meals and Rentals Tax	306,184	292,774	272,682	254,033	241,169	231,776	228,898	228,291	203,603	206,726
Dog Racing							329	334	385	525
Horse Racing							1,005	1,184	1,633	2,440
Gambling Winning Tax							3,188	2,933		
Games of Chance							1,136	1,181		
Real Estate Transfer Tax	94,497	89,665	78,784	67,093	62,322	52,792	53,987	55,994	53,539	77,690
Telephone/Communications Tax	47,087	52,449	57,308	59,281	57,350	79,320	76,500	80,965	80,243	80,932
Tobacco Tax	128,178	132,395	128,734	130,274	126,233	136,094	129,849	130,521	59,257	57,060
Tobacco Settlement	2,608	1,479	1,917	2,279	23,249	2,510	1,692	4,221	12,821	8,404
Utilities Tax	5,901	5,932	6,039	6,147	6,104	5,929	5,955	5,976	6,535	6,285
Courts Fines and Fees	13,673	13,473	13,375	13,637	12,898	13,853	13,737	13,022	29,295	31,300
Flexible Grant										
Other:										
Corporate Returns	646	665	675	710	683	575	754	712	647	682
Interstate Vehicle Registrations							2,157	1,132	1,231	1,362
Corporate Filing Fees	3,092	3,272	3,237	2,899	2,937	3,056	3,251	3,016	3,271	3,346
Interest on Surplus Funds	1,684	781	140	270	59	(41)	10	(545)	404	5,352
Reimbursement of Indirect Costs	10,006	12,906	9,497	10,390	8,915	9,836	10,800	8,340	7,214	6,858
Miscellaneous	65,266	60,710	59,529	61,835	71,016	63,682	59,444	78,862	74,031	71,412
<b>Subtotal</b>	<b>1,494,320</b>	<b>1,519,739</b>	<b>1,391,011</b>	<b>1,317,603</b>	<b>1,356,212</b>	<b>1,295,479</b>	<b>1,263,985</b>	<b>1,308,320</b>	<b>1,253,902</b>	<b>1,370,715</b>
Net Medicaid Enhancement Revenues (MER)					69,082	74,832	93,440	98,136	99,626	93,111
Recoveries	8,870	9,061	6,662	4,739	11,324	6,309	27,758	19,854	21,827	20,108
<b>Subtotal</b>	<b>1,503,190</b>	<b>1,528,800</b>	<b>1,397,673</b>	<b>1,322,342</b>	<b>1,436,618</b>	<b>1,376,620</b>	<b>1,385,183</b>	<b>1,426,310</b>	<b>1,375,355</b>	<b>1,483,934</b>
<b>Total Unrestricted Revenue</b>	<b>\$1,503,190</b>	<b>\$1,528,800</b>	<b>\$1,397,673</b>	<b>\$1,322,342</b>	<b>\$1,436,618</b>	<b>\$1,376,620</b>	<b>\$1,385,183</b>	<b>\$1,426,310</b>	<b>\$1,375,355</b>	<b>\$1,483,934</b>

See accompanying Independent Auditors' Report

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

	Fiscal Year Ended June 30									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Balance, July 1 (Budgetary Method)	\$218,442	\$192,511	\$165,501	\$214,070	\$183,904	\$210,884	\$112,355	\$24,094	\$103,494	\$92,966
Additions:										
Unrestricted Revenue	1,503,190	1,528,800	1,397,673	1,322,342	1,436,618	1,376,620	1,385,183	1,426,310	1,375,355	1,483,934
Total Unrestricted Revenue	1,503,190	1,528,800	1,397,673	1,322,342	1,436,618	1,376,620	1,385,183	1,426,310	1,375,355	1,483,934
Transfer from Other Funds	1,158	783	760	2,589	793	1,952	38,333	9,576	865	47,409
Other Credits	441					145	975	6,800	529	437
Total Additions	1,504,789	1,529,583	1,398,433	1,324,931	1,437,411	1,378,717	1,424,491	1,442,686	1,376,749	1,531,780
Deductions:										
Appropriations Net of Estimated Revenues:										
General Government	302,735	275,201	272,577	259,245	257,703	261,384	282,297	319,116	342,736	338,358
Administration of Justice and Public Protection	277,029	255,233	222,846	217,101	210,595	211,009	221,054	217,743	209,521	222,982
Resource Protection and Development	37,452	32,980	31,444	18,055	27,246	29,693	33,118	38,183	42,348	45,674
Transportation	37,824	975	976	1,077	919	917	1,071	573	1,155	1,173
Health and Social Services	686,866	641,842	586,310	606,356	660,317	660,712	691,787	663,458	678,334	695,610
Education	216,933	217,476	211,330	203,609	168,691	156,406	193,707	201,346	197,570	236,560
Liquor Commission									37,570	35,465
Total Appropriations Net of Estimated Revenues	1,558,839	1,423,707	1,325,483	1,305,443	1,325,471	1,320,121	1,423,034	1,440,419	1,509,234	1,575,822
Less: Lapses	(47,568)	(39,844)	(67,711)	(54,424)	(59,312)	(39,463)	(97,154)	(60,700)	(71,246)	(61,628)
Net Appropriations	1,511,271	1,383,863	1,257,772	1,251,019	1,266,159	1,280,658	1,325,880	1,379,719	1,437,988	1,514,194
Transfers to Other Funds	45,422	79,213	100,502	122,102	140,134	124,281	50	52,988	18,067	6,887
Other Debits		576	135	379	952	758	32	1,452	94	171
Designation or Reserve Accounts	6,957	40,000	13,014					(79,734)		
Total Deductions	1,563,650	1,503,652	1,371,423	1,373,500	1,407,245	1,405,697	1,325,962	1,354,425	1,456,149	1,521,252
Balance, June 30 (Budgetary Method)	159,581	218,442	192,511	165,501	214,070	183,904	210,884	112,355	24,094	103,494
GAAP Adjustments:										
Receivables	79,327	72,870	81,816	67,887	20,832	17,701	71,238	38,435	55,183	41,090
Accounts Payable and Accrued Liabilities	(153,152)	(174,771)	(146,699)	(109,457)	(41,401)	(47,685)	(140,427)	(116,599)	(100,100)	(106,756)
Transfer from General to Liquor Fund									(5,973)	(5,322)
Additional Transfers (to) from other Funds/Accounts	(32,660)								79,734	
Total GAAP Adjustments	(106,485)	(101,901)	(64,883)	(41,570)	(20,569)	(29,984)	(69,189)	(78,164)	28,844	(70,988)
Year-End Transfer to/from the Education Trust Fund	(53,096)	(28,052)	(78,628)	(102,041)	(121,324)	(140,084)	(124,023)	31,490	\$(52,938)	(15,322)
Balance (Deficit), June 30 (GAAP)		\$88,489	\$49,000	\$21,890	\$72,177	\$13,836	\$17,672	\$65,681		\$17,184

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 UNDESIGNATED / ASSIGNED FUND BALANCE  
EDUCATION TRUST FUND  
FOR THE LAST TEN YEARS  
(Expressed in Thousands)**

	Fiscal Year Ended June 30									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Balance, July 1 (Budgetary Method)										
<b>Additions</b>										
Unrestricted Revenue										
Statewide Property Tax (2)	\$363,432	\$363,138	\$363,353	\$363,599	\$363,675	\$363,121	\$363,647	\$363,166	\$363,653	\$363,066
Statewide Property Tax										58
Utility Property Tax	41,755	43,256	41,044	35,771	33,249	33,067	32,319	29,929	28,972	24,196
BPT Increase	68,397	74,167	61,076	58,442	56,692	55,309	49,264	57,590	53,894	67,961
BET Increase	168,402	181,032	146,338	146,471	149,718	135,815	129,401	122,157	123,389	154,990
Meals & Rentals	8,557	8,525	8,546	7,697	7,232	7,559	6,643	4,235	6,107	7,632
Real Estate Tax Increase	47,198	44,877	38,799	33,700	31,099	29,196	27,975	28,832	27,736	38,616
Tobacco Tax Increase	90,472	94,658	92,575	89,753	79,631	78,843	96,805	113,004	128,796	109,260
Tobacco Settlement	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Transfers from Lottery	72,611	75,871	74,325	72,380	74,335	66,768	62,206	66,222	68,149	75,553
Transfers from Racing & Charitable Gaming	3,509	3,314	2,952	3,034	3,373	3,495	1,254	1,362	1,470	1,457
Total Revenue	904,333	928,838	869,008	850,847	839,004	813,173	809,514	826,497	842,166	882,789
General Fund Budgeted Appropriations										
Total Additions	904,333	928,838	869,008	850,847	839,004	813,173	809,514	826,497	842,166	882,789
<b>Deductions</b>										
Appropriations										
Adequate Education Grant (1)	570,584	570,121	572,711	572,465	577,792	578,204	482,725	336,852	526,707	527,295
Adequate Education Grant (2)	363,432	363,138	363,353	363,599	363,675	363,121	363,647	363,166	363,653	363,066
Total Grants	934,016	933,259	936,064	936,064	941,467	941,325	846,372	700,018	890,360	890,361
DRA-Property Tax Relief	2,150	2,150	2,900	2,887	2,706	1,246	3,300	5,210	5,390	5,700
DOE-Charter Schools	36,993	21,891	22,177	18,905	11,085	5,185	6,407	4,830	2,378	1,780
DOE-Kindergarten Aid					1,952	1,952	3,678	3,678		
DOE-Fiscal Disparity Grants					5,026	4,266	51,187	39,760		
DOE-Education Transition Aid							43,491	43,657		
Total Appropriations	973,159	957,300	961,141	957,856	962,236	953,974	954,435	797,153	898,128	897,841
Less Lapses	(15,730)	(410)	(13,505)	(4,968)	(2,272)	(717)	(20,898)	(2,146)	(3,024)	270
Net Appropriations	957,429	956,890	947,636	952,888	959,964	953,257	933,537	795,007	895,104	898,111
Balance (Deficit), June 30 (Budgetary Method)	\$(53,096)	\$(28,052)	\$(78,628)	\$(102,041)	\$(120,960)	\$(140,084)	\$(124,023)	\$31,490	\$(52,938)	\$(15,322)
<b>End of Year</b>										
<b>Transfers From(To)</b>										
General Fund										
FY 2007										15,322
FY 2008									52,938	
FY 2009								(31,490)		
FY 2010							124,023			
FY 2011						140,084				
FY 2012					120,960					
FY 2013				102,041						
FY 2014			78,628							
FY 2015		28,052								
FY 2016	53,096									
Balance June 30										

(1) State Education Grant Disbursed by State

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

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.

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

**Fiscal Year Ended June 30**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Balance (Deficit), July 1 (Budgetary Method)	\$545,585	\$338,578	\$350,618	\$360,926	\$347,198	\$205,152	\$271,881	\$(35,361)	\$(13,691)	\$(3,940)
<b>Additions:</b>										
Unrestricted Revenue:										
Gasoline Tax	124,478	123,791	125,849	124,670	123,337	123,168	124,967	123,741	132,125	137,036
Motor Vehicle Fees	96,009	91,645	117,129	113,831	113,428	112,234	132,132	150,158	99,312	100,908
Other	439	745	14,624	15,805	48,453	48,431	43,116	65,597	17,031	11,035
Total Unrestricted Revenue	220,926	216,181	257,602	254,306	285,218	283,833	300,215	339,496	248,468	248,979
Bonds/Notes Authorized and Unissued (1)		200,000				250,000		240,000		
Other Credits	14,500	750	2,722	2,800						
Total Additions	235,426	416,931	260,324	257,106	285,218	533,833	300,215	579,496	248,468	248,979
<b>Deductions:</b>										
Appropriations Net of Estimated Revenues	244,441	220,963	290,822	279,788	281,626	404,476	394,544	299,552	300,721	283,195
Less: Appropriation Adjustment ***							3,265	(19,770)		
Less: Lapses	(24,993)	(22,979)	(20,621)	(14,488)	(17,051)	(15,674)	(32,859)	(15,249)	(28,675)	(20,902)
Net Appropriations	219,448	197,984	270,201	265,300	264,575	388,802	364,950	264,533	272,046	262,293
Bonds/Notes Authorized and Unissued (1)	38,303	9,685								
Other Debits	2,176	2,255	2,163	2,114	6,915	2,985	1,994	7,721	(1,908)	(3,563)
Total Deductions	259,927	209,924	272,364	267,414	271,490	391,787	366,944	272,254	270,138	258,730
Balance (Deficit), June 30 (Budgetary Method)	521,084	545,585	338,578	350,618	360,926	347,198	205,152	271,881	(35,361)	(13,691)
<b>GAAP Adjustment:</b>										
Receivables	3,180		1,628	2,612	3,300	1,340	2,588	3,911	3,645	1,270
Bonds/Notes Authorized and Unissued	(447,017)	(485,320)	(295,005)	(295,005)	(295,005)	(295,005)	(160,000)	(240,000)		
Accounts Payable and Accrued Liabilities	(28,830)	(24,865)	(29,004)	(25,042)	(22,882)	(18,741)	(27,407)	(26,896)	(23,146)	(15,087)
Total GAAP Adjustments	(472,667)	(510,185)	(322,381)	(317,435)	(314,587)	(312,406)	(184,819)	(262,985)	(19,501)	(13,817)
Balance (Deficit), June 30 (GAAP)	\$48,417	\$35,400	\$16,197	\$33,183	\$46,339	\$34,792	\$20,333	\$8,896	\$(54,862)	\$(27,508)

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

(1) Borrowing Authority per Ch 17, Laws of 2014, and as amended by Ch 276:210 and 276:211, Laws of 2015 (FY 2016); and Ch 228-A:2 for federal highway grant anticipation bonds (Garvee Bonds) as modified by Ch 231:13 Laws of 2010 (FY 2012 and 2010)

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 UNDESIGNATED / ASSIGNED FUND BALANCE  
FISH AND GAME FUND  
FOR THE LAST TEN YEARS  
(Expressed in Thousands)**

	Fiscal Year Ended June 30									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Balance, July 1 (Budgetary Method)	\$2,326	\$1,541	\$2,187	\$2,352	\$3,203	\$4,238	\$5,031	\$5,845	\$5,406	\$3,533
<b>Additions:</b>										
Unrestricted Revenue	11,624	11,475	10,029	10,594	10,327	10,111	10,087	9,944	10,269	10,741
Other Credits	1,943	2,139	2,400	2,147	1,213	1,543	1,512	1,819	1,655	1,828
Total Additions	13,567	13,614	12,429	12,741	11,540	11,654	11,599	11,763	11,924	12,569
<b>Deductions:</b>										
Appropriations Net of Estimated Revenues	14,742	14,223	14,195	13,709	13,739	13,377	13,677	12,915	13,541	12,604
Less: Lapses	(1,747)	(1,394)	(1,120)	(803)	(1,523)	(792)	(1,389)	(838)	(2,252)	(1,908)
Net Appropriations	12,995	12,829	13,075	12,906	12,216	12,585	12,288	12,077	11,289	10,696
Other Debits					175	104	104	500	196	
Total Deductions	12,995	12,829	13,075	12,906	12,391	12,689	12,392	12,577	11,485	10,696
Current Year Balance	572	785	(646)	(165)	(851)	(1,035)	(793)	(814)	439	1,873
Balance, June 30 (Budgetary Method)	2,898	2,326	1,541	2,187	2,352	3,203	4,238	5,031	5,845	5,406
<b>GAAP Adjustment:</b>										
Receivables	23	9	46	67	215	290	389	371	344	394
Accounts Payable and Accrued Liabilities	(1,169)	(1,261)	(1,186)	(1,019)	(942)	(1,260)	(1,808)	(1,821)	(1,608)	(1,803)
Total GAAP Adjustments	(1,146)	(1,252)	(1,140)	(952)	(727)	(970)	(1,419)	(1,450)	(1,264)	(1,409)
Balance (Deficit), June 30 (GAAP)	\$1,752	\$1,074	\$401	\$1,235	\$1,625	\$2,233	\$2,819	\$3,581	\$4,581	\$3,997

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.

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

<b>BUSINESS PROFITS TAX - BPT (1)</b>					<b>BUSINESS ENTERPRISE TAX - BET (2)</b>			
<b>FISCAL YEAR 2017</b>								
<b>Taxes Paid Level</b>	<b>Number of Filers</b>	<b>Percentage of Total</b>	<b>Tax Liability</b>	<b>Percentage of Total</b>	<b>Number of Filers</b>	<b>Percentage of Total</b>	<b>Tax Liability</b>	<b>Percentage of Total</b>
\$5,000 and higher	4,972	28%	\$368,895,110	96%	5,672	15%	\$180,647,746	82%
\$1,000 - \$4,999	5,602	31%	13,996,173	4%	14,690	38%	31,928,710	14%
Under \$1,000	7,251	41%	2,310,159	1%	17,942	47%	7,856,253	4%
	<u>17,825</u>	<u>100%</u>	<u>\$385,201,442</u>	<u>100%</u>	<u>38,304</u>	<u>100%</u>	<u>\$220,432,709</u>	<u>100%</u>

<b>BUSINESS PROFITS TAX - BPT (1)</b>					<b>BUSINESS ENTERPRISE TAX - BET (2)</b>			
<b>FISCAL YEAR 2016</b>								
<b>Taxes Paid Level</b>	<b>Number of Filers</b>	<b>Percentage of Total</b>	<b>Tax Liability</b>	<b>Percentage of Total</b>	<b>Number of Filers</b>	<b>Percentage of Total</b>	<b>Tax Liability</b>	<b>Percentage of Total</b>
\$5,000 and higher	4,931	27%	\$320,607,315	95%	5,737	15%	\$174,131,265	81%
\$1,000 - \$4,999	5,731	32%	14,207,112	4%	14,876	39%	32,299,066	15%
Under \$1,000	7,511	41%	2,393,663	1%	17,941	46%	7,828,980	4%
	<u>18,173</u>	<u>100%</u>	<u>\$337,208,090</u>	<u>100%</u>	<u>38,554</u>	<u>100%</u>	<u>\$214,259,311</u>	<u>100%</u>

<b>BUSINESS PROFITS TAX - BPT (1)</b>					<b>BUSINESS ENTERPRISE TAX - BET (2)</b>			
<b>FISCAL YEAR 2015</b>								
<b>Taxes Paid Level</b>	<b>Number of Filers</b>	<b>Percentage of Total</b>	<b>Tax Liability</b>	<b>Percentage of Total</b>	<b>Number of Filers</b>	<b>Percentage of Total</b>	<b>Tax Liability</b>	<b>Percentage of Total</b>
\$5,000 and higher	4,411	25%	\$290,929,767	95%	5,137	15%	\$156,574,444	81%
\$1,000 - \$4,999	5,438	31%	13,349,598	4%	13,287	38%	29,013,593	15%
Under \$1,000	7,469	44%	2,362,497	1%	16,691	47%	7,247,986	4%
	<u>17,318</u>	<u>100%</u>	<u>\$306,641,862</u>	<u>100%</u>	<u>35,115</u>	<u>100%</u>	<u>\$192,836,023</u>	<u>100%</u>

<b>BUSINESS PROFITS TAX - BPT (1)</b>					<b>BUSINESS ENTERPRISE TAX - BET (2)</b>			
<b>FISCAL YEAR 2014</b>								
<b>Taxes Paid Level</b>	<b>Number of Filers</b>	<b>Percentage of Total</b>	<b>Tax Liability</b>	<b>Percentage of Total</b>	<b>Number of Filers</b>	<b>Percentage of Total</b>	<b>Tax Liability</b>	<b>Percentage of Total</b>
\$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%
	<u>15,865</u>	<u>100%</u>	<u>\$286,048,728</u>	<u>100%</u>	<u>35,200</u>	<u>100%</u>	<u>\$185,409,838</u>	<u>100%</u>

<b>BUSINESS PROFITS TAX - BPT (1)</b>					<b>BUSINESS ENTERPRISE TAX - BET (2)</b>			
<b>FISCAL YEAR 2013</b>								
<b>Taxes Paid Level</b>	<b>Number of Filers</b>	<b>Percentage of Total</b>	<b>Tax Liability</b>	<b>Percentage of Total</b>	<b>Number of Filers</b>	<b>Percentage of Total</b>	<b>Tax Liability</b>	<b>Percentage of Total</b>
\$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%
	<u>13,799</u>	<u>100%</u>	<u>\$266,026,233</u>	<u>100%</u>	<u>32,703</u>	<u>100%</u>	<u>\$155,306,495</u>	<u>100%</u>

Source: New Hampshire Department of Revenue for returns filed in fiscal year 2017.

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. For taxable periods ending on or after December 31, 2016, the BPT rate is reduced to 8.2%.
- (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. For taxable periods ending on or after December 31, 2016, the BET rate is reduced to .72%.

See accompanying Independent Auditors' Report

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

Taxes Paid Level	<b>BUSINESS PROFITS TAX - BPT (1)</b>				<b>BUSINESS ENTERPRISE TAX - BET (2)</b>			
	<b>FISCAL YEAR 2011</b>				<b>FISCAL YEAR 2011</b>			
	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%	\$255,854,875	96%	4,259	13%	\$132,712,620	81%
\$1,000 - \$4,999	3,588	32%	8,927,856	3%	10,928	34%	24,075,510	15%
Under \$1,000	4,689	41%	1,443,410	1%	16,511	52%	7,255,736	4%
	<u>11,375</u>	<u>100%</u>	<u>\$266,226,141</u>	<u>100%</u>	<u>31,698</u>	<u>100%</u>	<u>\$164,043,866</u>	<u>100%</u>

Taxes Paid Level	<b>BUSINESS PROFITS TAX - BPT (1)</b>				<b>BUSINESS ENTERPRISE TAX - BET (2)</b>			
	<b>FISCAL YEAR 2010</b>				<b>FISCAL YEAR 2010</b>			
	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
\$5,000 and higher	3,432	28%	\$222,632,541	95%	4,803	13%	\$147,567,184	81%
\$1,000 - \$4,999	3,904	31%	9,691,312	4%	12,428	34%	27,137,353	15%
Under \$1,000	5,133	41%	1,583,730	1%	19,105	53%	8,470,491	5%
	<u>12,469</u>	<u>100%</u>	<u>\$233,907,583</u>	<u>100%</u>	<u>36,336</u>	<u>100%</u>	<u>\$183,175,028</u>	<u>100%</u>

Taxes Paid Level	<b>BUSINESS PROFITS TAX - BPT (1)</b>				<b>BUSINESS ENTERPRISE TAX - BET (2)</b>			
	<b>FISCAL YEAR 2009</b>				<b>FISCAL YEAR 2009</b>			
	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
\$5,000 and higher	4,051	28%	\$263,820,090	95%	5,198	12%	\$146,943,763	78%
\$1,000 - \$4,999	4,564	31%	11,405,749	4%	14,259	34%	30,659,274	16%
Under \$1,000	5,879	41%	1,888,686	1%	22,194	53%	9,858,184	5%
	<u>14,494</u>	<u>100%</u>	<u>\$277,114,525</u>	<u>100%</u>	<u>41,651</u>	<u>100%</u>	<u>\$187,461,221</u>	<u>100%</u>

Taxes Paid Level	<b>BUSINESS PROFITS TAX - BPT (1)</b>				<b>BUSINESS ENTERPRISE TAX - BET (2)</b>			
	<b>FISCAL YEAR 2008</b>				<b>FISCAL YEAR 2008</b>			
	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%	\$345,675,438	96%	5,096	12%	\$139,909,338	78%
\$1,000 - \$4,999	4,549	31%	11,367,721	3%	14,146	34%	30,627,097	17%
Under \$1,000	5,986	41%	1,891,098	1%	22,554	54%	9,962,503	6%
	<u>14,780</u>	<u>100%</u>	<u>\$358,934,257</u>	<u>100%</u>	<u>41,796</u>	<u>100%</u>	<u>\$180,498,938</u>	<u>100%</u>

Source: New Hampshire Department of Revenue for returns filed in fiscal year 2017.

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. For taxable periods ending on or after December 31, 2016, the BPT rate is reduced to 8.2%.
- (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. For taxable periods ending on or after December 31, 2016, the BET rate is reduced to .72%.

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

<u>FISCAL YEAR 2017</u>				<u>FISCAL YEAR 2016</u>			
<u>City/Town</u>	<u>Rank</u>	<u>Equalized Value</u>	<u>Warrant Amount</u>	<u>City/Town</u>	<u>Rank</u>	<u>Equalized Value</u>	<u>Warrant Amount</u>
Manchester	1	\$8,507,370	\$19,950	Manchester	1	\$8,249,264	\$19,963
Nashua	2	8,479,052	19,883	Nashua	2	8,199,653	19,843
Portsmouth	3	4,721,069	11,071	Portsmouth	3	4,332,376	10,484
Salem	4	4,392,768	10,301	Salem	4	3,904,389	9,449
Bedford	5	3,533,420	8,286	Concord	5	3,633,314	8,793
Concord	6	3,504,068	8,217	Bedford	6	3,365,822	8,145
Merrimack	7	2,977,493	6,982	Merrimack	7	2,844,904	6,885
Hampton	8	2,954,791	6,929	Moultonborough	8	2,835,839	6,863
Dover	9	2,918,672	6,844	Dover	9	2,805,753	6,790
Londonderry	10	2,891,077	6,780	Hampton	10	2,797,166	6,769

<u>FISCAL YEAR 2015</u>				<u>FISCAL YEAR 2014</u>			
<u>City/Town</u>	<u>Rank</u>	<u>Equalized Value</u>	<u>Warrant Amount</u>	<u>City/Town</u>	<u>Rank</u>	<u>Equalized Value</u>	<u>Warrant Amount</u>
Manchester	1	\$7,945,116	\$19,703	Manchester	1	\$8,271,099	\$20,140
Nashua	2	7,762,983	19,252	Nashua	2	8,078,318	19,671
Portsmouth	3	4,084,567	10,130	Portsmouth	3	4,001,646	9,744
Salem	4	3,638,768	9,024	Salem	4	3,773,697	9,189
Concord	5	3,470,796	8,608	Bedford	5	3,339,209	8,131
Bedford	6	3,171,866	7,866	Concord	6	3,298,380	8,032
Merrimack	7	2,770,580	6,871	Moultonborough	7	2,921,008	7,113
Moultonborough	8	2,744,585	6,807	Merrimack	8	2,732,089	6,653
Hampton	9	2,720,904	6,748	Hampton	9	2,725,165	6,636
Dover	10	2,705,723	6,710	Dover	10	2,683,306	6,534

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

Source: New Hampshire Department of Revenue, warrants for Tax Year 2017, 2016, 2015, 2014, 2013, 2012, 2011, 2010, 2009 and 2008

Notes: The rate per \$1,000 of equalized value for fiscal years 2017, 2016, 2015, 2014, 2013, 2012, 2011, 2010, 2009 and 2008 were \$2.34, \$2.42, \$2.48, \$2.44, \$2.325, \$2.19, \$2.135, \$2.14, \$2.24 and \$2.515, respectively

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

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

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

Source: New Hampshire Department of Revenue, warrants for Tax Year 2017, 2016, 2015, 2014, 2013, 2012, 2011, 2010, 2009 and 2008

Notes: The rate per \$1,000 of equalized value for fiscal years 2017, 2016, 2015, 2014, 2013, 2012, 2011, 2010, 2009 and 2008 were \$2.34, \$2.42, \$2.48, \$2.44, \$2.325, \$2.19, \$2.135, \$2.14, \$2.24 and \$2.515, respectively

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

Location	FISCAL YEAR									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Hampton - North	\$32.0	\$34.2	\$33.5	\$33.3	\$32.4	\$31.3	\$31.2	\$29.8	\$27.4	\$26.6
Nashua	26.5	18.5	18.3	18.9	19.0	18.3	19.4	17.8	15.9	13.1
Hampton - South	25.8	29.6	29.4	29.2	28.7	27.1	27.3	26.4	23.9	23.4
Salem	25.2	25.8	23.3	23.4	23.1	22.0	22.2	21.6	19.4	18.6
Portsmouth Traffic Circle	23.7	24.5	24.6	24.7	24.2	23.9	23.4	22.8	22.1	21.2
Hooksett - North	20.3	21.2	19.7	18.1	19.1	18.9	18.7	17.8	16.4	15.5
Bedford	17.0									
Nashua	16.9	16.9	18.0	18.0	17.9	16.8	14.2	14.1	13.2	13.0
Hooksett - South	16.4	17.5	17.5	16.2	16.0	14.8	14.9	14.2	12.9	12.2
Londonderry	15.4									
West Lebanon		14.2	13.7	13.1	12.6	11.5	11.3	11.2	10.9	10.0
Keene		14.8	11.9	11.0	10.6	10.1	9.7	9.7	9.9	9.6
Total	\$219.2	\$217.2	\$209.9	\$205.9	\$203.6	\$194.7	\$192.3	\$185.4	\$172.0	\$163.2

Source: NH State Liquor Commission

**STATE OF NEW HAMPSHIRE  
SCHEDULE OF RATIOS OF OUTSTANDING DEBT BY TYPE  
PAST TEN FISCAL YEARS  
(Expressed in Thousands, except per capita)**

Fiscal Year	Governmental Activities					Business-Type Activities					
	General Obligation Bonds	Federal Highway Grant Anticipation Bonds	Notes Payable	Bond Anticipation Notes	Capital Leases	General Obligation Bonds	Revenue Bonds	Capital Leases	Total Primary Government	Percentage of Personal Income	Per Capita
2017	\$829,432	\$137,985	\$47,989		\$6,528	\$37,910	\$401,280		\$1,461,124	1.8%	\$1,092
2016	862,887	152,468	9,685		1,945	26,915	431,982	353	1,486,235	1.9%	1,113
2015	961,834	166,361			1,597	30,246	454,285	379	1,614,702	2.2%	1,214
2014	986,656	179,744			1,944	28,276	426,656	397	1,623,673	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

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  
PAST TEN FISCAL YEARS**

(Expressed in Thousands)

Fiscal Year	(1)	(2)	(3)	Ratio Of General Long-Term Debt to Assessed Value	General Long-Term Debt Per Capita
	Population	Assessed Value	General Long-Term Debt		
2017	1,338	\$175,099,088	\$867,342	0.50	\$648
2016	1,335	173,365,434	889,802	0.51	667
2015	1,331	166,808,092	992,080	0.59	745
2014	1,327	160,572,109	1,014,932	0.63	765
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

Source: (1) U.S. Dept. of Commerce, Bureau of Census, reflects the most current available data for all years represented (2017 estimated).  
 (2) New Hampshire Department of Revenue Administration (2017 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		All Obligations	
						Debt Service Requirements	Renewal & Replacement	Total	Coverage Ratio
2017	\$133,046	\$49,903 (1)	\$83,143	\$41,345 (2)	2.01		\$9,600	\$50,945	1.63(3)
2016	132,725	43,023 (1)	89,702	41,333 (2)	2.17		9,700	\$51,033	1.76(3)
2015	124,412	44,361 (1)	80,051	39,091 (2)	2.06		8,900	47,991	1.68(4)
2014	119,373	42,469 (1)	76,904	36,031 (2)	2.13		9,800	45,831	1.68(4)
2013	118,027	42,213 (1)	75,814	36,950 (2)	2.05		9,800	46,750	1.62(4)
2012	118,856 (5)	40,653 (1)	78,203	33,328	2.35		9,200	42,528	1.84(4)
2011	119,314	42,339 (1)	76,975	33,745	2.28	599	9,800	44,144	1.74(4)
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	2.60	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

1. Fiscal years 2006 through 2017 calculations of Direct Operating Expenses deduct the entire amount of current year depreciation expense (Turnpikes, Federal, & Highway match portions). Prior year calculations reflect the historical practice of deducting only the Turnpikes portion of depreciation expense.

2. For fiscal years 2013 through 2017, the 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 during the fiscal year. Debt service reflects reduced Build America Bonds subsidy payments resulting from federal sequestration.

3. Unaudited toll covenant calculations indicate adequate toll revenues for fiscal year 2017. The revenue bond coverage ratio was satisfied at 1.92 for the 1.2 times test. The all obligations coverage ratio was satisfied at 1.57 for the 1.0 times test, as calculated by the Department.

4. During fiscal year 2016, a note payable of \$418 thousand (including interest) was made to the State Highway Fund. This payment was final payment to the State Highway Fund for the I-95 Piscataqua River Bridge Acquisition. The Turnpike System's unrestricted cash balance at June 30, 2016 was \$51.0 million and deemed more than sufficient to satisfy the Note Payable to the State Highway Fund. It was determined that current fiscal year 2016 revenues for this payment were not needed and accordingly, the Note Payable to State Highway Fund was not included in the all obligations ratio for fiscal years 2011 through 2015.

5. Gross Revenues less Federal revenue of \$1.3 million.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b>Population (in thousands)</b>	1,338	1,335	1,331	1,327	1,323	1,321	1,318	1,316	1,316	1,316
<b>% Change</b>	0.2%	0.3%	0.3%	0.3%	0.2%	0.2%	0.2%	0.0%	0.0%	0.2%
<b>Total Personal Income (in millions)*</b>	82,103	77,848	72,948	70,519	66,379	62,150	60,480	57,898	55,827	58,162
<b>% Change</b>	5.5%	6.7%	3.4%	6.2%	6.8%	2.8%	4.5%	3.7%	-4.0%	3.1%
<b>Per Capita Personal Income*</b>	61,335	58,322	54,817	53,149	50,156	47,058	45,881	43,968	42,418	44,199

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 2017**

**Building Permits Issued  
By Number of Units**

<u>Calendar Year</u>	<u>Single Family</u>	<u>Multi- Family</u>	<u>Total</u>
2017	2,584	812	3,396
2016	2,627	724	3,351
2015	1,910	1,201	3,111
2014	2,187	1,165	3,352
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

Source: U.S. Department of Commerce, Bureau of the Census.  
Current year data annualized on activity through September 2017

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

Employer	2017			Employer	2016		
	Percentage of Total State				Percentage of Total State		
	Employees	Rank	Employment		Employees	Rank	Employment
1. State of New Hampshire	16,970	1	2.32%	1. State of New Hampshire	17,071	1	2.38%
2. Dartmouth-Hitchcock Medical Center	9,100	2	1.25%	2. Dartmouth-Hitchcock Medical Center	9,100	2	1.27%
3. Demoulas & Market Basket	9,000	3	1.23%	3. Demoulas & Market Basket	9,000	3	1.25%
4. Wal-Mart Stores Inc.	7,886	4	1.08%	4. Wal-Mart Stores Inc.	7,886	4	1.10%
5. University of New Hampshire	6,188	5	0.85%	5. University of New Hampshire	6,284	5	0.88%
6. Fidelity Investments	5,700	6	0.78%	6. Fidelity Investments	5,400	6	0.75%
7. Liberty Mutual-Northern N.E. Division	5,058	7	0.69%	7. Liberty Mutual-Northern N.E. Division	4,924	7	0.69%
8. BAE Systems	5,000	8	0.68%	8. Hannaford Brothers	4,900	8	0.68%
9. Hannaford Brothers	4,900	9	0.67%	9. BAE Systems	4,500	9	0.63%
10. Elliot Hospital	3,682	10	0.50%	10. Elliot Hospital	3,724	10	0.52%
Total	73,484		10.06%	Total	72,789		10.15%

Employer	2015			Employer	2014		
	Percentage of Total State				Percentage of Total State		
	Employees	Rank	Employment		Employees	Rank	Employment
1. State of New Hampshire	17,756	1	2.50%	1. State of New Hampshire	17,754	1	2.53%
2. Demoulas & Market Basket	9,000	2	1.26%	2. Demoulas & Market Basket	9,000	2	1.28%
3. Dartmouth-Hitchcock Medical Center	8,852	3	1.24%	3. Wal-Mart Stores Inc.	7,886	3	1.12%
4. Wal-Mart Stores Inc.	7,886	4	1.11%	4. Dartmouth-Hitchcock Medical Center	6,404	4	0.91%
5. University of New Hampshire	6,256	5	0.88%	5. University of New Hampshire	6,079	5	0.86%
6. Fidelity Investments	5,400	6	0.76%	6. Fidelity Investments	5,400	6	0.77%
7. Hannaford Brothers	4,900	7	0.69%	7. Hannaford Brothers	4,900	7	0.70%
8. Liberty Mutual-Northern N.E. Division	4,700	8	0.66%	8. Liberty Mutual-Northern N.E. Division	4,700	8	0.67%
9. BAE Systems	4,500	9	0.63%	9. BAE Systems	4,500	9	0.64%
10. Elliot Hospital	4,000	10	0.56%	10. Elliot Hospital	4,000	10	0.57%
Total	73,250		10.29%	Total	70,623		10.05%

Employer	2013			Employer	2012		
	Percentage of Total State				Percentage of Total State		
	Employees	Rank	Employment		Employees	Rank	Employment
1. State of New Hampshire	17,921	1	2.54%	1. State of New Hampshire	17,867	1	2.54%
2. Wal-Mart Stores Inc.	8,008	2	1.14%	2. Wal-Mart Stores Inc.	8,166	2	1.16%
3. Demoulas & Market Basket	7,500	3	1.06%	3. Dartmouth-Hitchcock Medical Center	6,654	3	1%
4. Dartmouth-Hitchcock Medical Center	6,404	4	0.91%	4. University of New Hampshire	6,159	4	0.88%
5. University of New Hampshire	6,029	5	0.85%	5. Demoulas & Market Basket	6,000	5	0.85%
6. Fidelity Investments	5,000	6	0.71%	6. Hannaford Brothers	4,817	6	0.68%
7. Hannaford Brothers	4,900	7	0.69%	7. Fidelity Investments	4,600	7	0.65%
8. Liberty Mutual-Northern N.E. Division	4,700	8	0.67%	8. BAE Systems	4,500	8	0.64%
9. Elliot Hospital	3,485	9	0.49%	9. Dartmouth College	4,250	9	0.60%
10. Shaw's Supermarkets	3,358	10	0.48%	10. Liberty Mutual-Northern N.E. Division	4,200	10	0.60%
Total	67,305		9.54%	Total	67,213		9.55%

Source: New Hampshire Business Review/ Book of Lists 2017

Provided by USNH

Schedule of State Employees by Function (page 158)

NHES Economic and Labor Market Information Bureau

See accompanying Independent Auditors' Report

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

<b>Employer</b>	<b>2011</b>			<b>Employer</b>	<b>2010</b>		
	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total State Employment</b>		<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total State Employment</b>
1. State of New Hampshire	17,820	1	2.52%	1. State of New Hampshire	18,487	1	3.14%
2. Wal-Mart Stores Inc.	8,421	2	1.19%	2. Wal-Mart Stores Inc.	8,974	2	1.28%
3. Dartmouth-Hitchcock Medical Center	7,073	3	1.00%	3. Dartmouth-Hitchcock Medical Center	8,025	3	1.14%
4. University of New Hampshire	6,081	4	0.86%	4. University of New Hampshire	6,459	4	0.92%
5. Demoulas & Market Basket	6,000	5	0.85%	5. Demoulas & Market Basket	6,000	5	0.85%
6. BAE Systems	4,500	6	0.64%	6. Hannaford Brothers	4,776	6	0.68%
7. Fidelity Investments	4,400	7	0.62%	7. Fidelity Investments	4,600	7	0.65%
8. Dartmouth College	4,250	8	0.60%	8. BAE Systems	4,500	8	0.64%
9. Liberty Mutual-Northern N.E. Division	4,200	9	0.59%	9. Shaw's Supermarkets Inc.	4,399	9	0.63%
10. Hannaford Brothers	3,894	10	0.55%	10. Dartmouth College	4,399	10	0.63%
<b>Total</b>	<b>66,639</b>		<b>9.42%</b>	<b>Total</b>	<b>70,619</b>		<b>10.56%</b>

<b>Employer</b>	<b>2009</b>			<b>Employer</b>	<b>2008</b>		
	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total State Employment</b>		<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total State Employment</b>
1. State of New Hampshire	18,735	1	3.29%	State of New Hampshire	18,556	1	3.04%
2. Wal-Mart Stores Inc.	9,017	2	1.30%	Wal-Mart Stores Inc.	8,631	2	1.19%
3. Dartmouth-Hitchcock Medical Center	8,025	3	1.16%	Dartmouth-Hitchcock Medical Center	7,804	3	1.08%
4. University of New Hampshire	6,457	4	0.93%	University of New Hampshire	6,784	4	0.94%
5. Demoulas & Market Basket	6,000	5	0.86%	Demoulas & Market Basket	6,000	5	0.83%
6. Fidelity Investments	5,500	6	0.79%	Fidelity Investments	5,700	6	0.79%
7. BAE Systems	4,700	7	0.68%	Liberty Mutual-Northern N.E. Division	5,133	7	0.71%
8. Shaw's Supermarkets	4,516	8	0.65%	Hannaford Brothers	4,629	8	0.64%
9. Hannaford Brothers	4,474	9	0.64%	Shaw's Supermarkets Inc.	4,500	9	0.62%
10. Dartmouth College	4,407	10	0.63%	Dartmouth College	4,246	10	0.59%
<b>Total</b>	<b>71,831</b>		<b>10.93%</b>	<b>Total</b>	<b>71,983</b>		<b>10.43%</b>

Source: New Hampshire Business Review/ Book of Lists 2017  
 Provided by USNH  
 Schedule of State Employees by Function (page 158)  
 NHES Economic and Labor Market Information Bureau

See accompanying Independent Auditors' Report

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

	2017	2016	2015	2014	2013
<b>General Government</b>					
<b>Secretary of State</b>					
<i>Domestic Registrations:</i>					
Limited Liability Company	7,810	8,930	8,040	8,093	7,300
Trade Name	6,145	6,781	7,039	7,039	6,463
Corporation	550	843	881	957	893
Other	754	776	808	759	677
<i>Foreign Registrations:</i>					
Corporation	1,237	1,333	1,217	1,230	1,265
Limited Liability Company	1,162	1,273	1,044	1,111	1,024
Other	157	237	176	145	184
<b>Administration of Justice &amp; Public Protection</b>					
<b>Department of Safety</b>					
Troop Station Personnel:					
Headquarters - Merrimack	251	375	300	294	246
Troop A - Rockingham/Strafford	41	46	47	49	44
Troop B - Hillsborough	39	37	39	52	38
Troop C - Cheshire/Sullivan	31	35	31	32	30
Troop D - Merrimack	36	39	43	42	39
Troop E - Belknap/Carroll	27	28	31	33	29
Troop F - Coos/Grafton	47	45	45	48	41
Troop G - Merrimack	45	48	50	56	56
<b>Department of Corrections</b>					
Number of Prison Inmates:					
NH State Prison/Men - Concord	1,468	1,416	1,487	1,531	1,485
NH Correctional Facility for Women - Goffstown	155	155	177	176	165
Lakes Region Facility - Laconia					
Northern NH Correctional Facility - Berlin	666	662	690	673	649
SPU/RTU & Transitional Housing	391	385	401	411	396
<b>Resource Protection &amp; Development</b>					
<b>Department of Resources and Economic Development</b>					
Number of visitors at top 10 state parks:					
Seacoast Parking Meters	450,698	460,569	427,644	427,166	
Franconia Notch State Park*	433,990	337,846	421,898	402,147	
Wallis Sands Beach	154,676	157,722	183,087	86,120	102,644
Hampton Beach South	120,011	156,770	158,447	107,979	140,884
Monadnock	97,795	93,446	86,674	67,349	
Wellington	49,897	54,908	54,679	45,081	41,643
Pawtuckaway	49,045	78,762	51,105	65,400	88,076
Mt. Sunapee Beach	39,177	45,099	49,513	39,015	50,059
Odiorne Point	35,641	35,249	NA	NA	26,554
Echo Lake - North Conway	35,342	35,107	38,359		

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

See accompanying Independent Auditors' Report

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

2012	2011	2010	2009	2008
7,022	6,543	6,052	6,833	7,203
6,929	6,987	7,323	7,728	8,497
1,019	1,000	1,093	1,028	1,222
325	250	267	273	321
1,297	1,293	1,458	1,350	1,592
969	860	879	793	957
54	43	57	46	62
228	228	220	195	199
40	39	43	47	49
43	48	52	51	54
29	30	33	38	38
39	36	41	41	41
28	33	34	34	33
45	48	47	46	42
58	62	67	73	79
1,439	1,361	1,467	1,407	1,398
140	108	120	147	142
			298	316
625	600	745	587	573
376	375	365	344	344
106,822	74,398	64,200	62,484	92,182
107,813	95,073	52,908	98,681	57,992
46,426	40,143	29,974	42,179	54,744
69,808	82,566	82,247	88,403	84,907
68,486	43,766	34,555	28,718	21,952
22,173	17,626	18,173	18,109	21,566

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

See accompanying Independent Auditors' Report

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

	2017	2016	2015	2014	2013
<b>Department of Environmental Services</b>					
Dollars disbursed by program:					
SRF - Clean water	\$44,638,628	\$31,743,515	\$41,037,753	\$32,505,870	\$26,328,832
SRF - Drinking water	15,096,193	20,348,204	14,023,139	9,067,835	7,221,886
SRF - Brownfields			480,000		155,599
Landfills	776,245	792,116	886,850	1,080,206	899,812
Drinking Water Grants*	797,661	876,822	1,073,438	1,170,679	1,131,618
Water supply land					
Waste water	6,415,792	5,711,222	6,610,139	6,519,872	3,327,666
Aquatic weed	593,419	405,650	510,435	468,542	408,127
Household hazardous waste	154,436	190,786	193,371	180,894	172,735
Aquatic Resources Mitigation Grants	2,267,840	903,464	939,304	1,779,393	1,193,010
<b>Transportation</b>					
<b>Department of Safety</b>					
Number of motor vehicle registrations by county: (Monthly Average)					
Belknap	79,110	77,716	74,716	74,878	74,357
Carroll	69,642	68,102	65,765	66,197	65,452
Cheshire	82,895	82,282	80,043	81,040	80,682
Coos	37,752	37,635	36,572	37,448	37,402
Grafton	98,270	97,573	94,431	95,246	94,473
Hillsborough	424,865	418,637	402,662	404,672	400,820
Merrimack	172,738	170,436	164,776	165,341	164,053
Rockingham	362,933	357,608	344,888	344,681	341,038
Strafford	124,306	121,871	117,297	117,779	116,395
Sullivan	50,841	50,175	48,557	49,132	48,939
Other (Indeterminable)					
<b>Health &amp; Social Services</b>					
<b>Department of Health &amp; Human Services</b>					
Number of caseloads by program:					
Medical assistance - average monthly caseload	186,381	184,946	169,312	99,364	84,200
TANF Caseloads	2,351	2,466	2,862	3,146	3,453
Nursing services for elderly (excludes services in home)	4,112	4,222	4,241	4,350	4,323
Child & family services - DCYF Referrals	1,322	1,235	1,261	1,200	1,177
Food stamps - June monthly average	45,541	47,391	51,113	53,155	55,192
Developmental Service - Unduplicated Count	9,964	10,016	9,867	9,562	9,612
<b>Education</b>					
<b>Community College System of New Hampshire</b>					
Enrollment	11,152	11,503	12,650	11,119	11,150
<b>University System of New Hampshire</b>					
Enrollment	26,371	26,692	26,887	26,846	26,597

(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 TEN FISCAL YEARS - CONTINUED**

<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
\$30,684,368	\$58,275,067	\$42,797,121	\$18,130,550	\$23,238,600
10,912,295	23,863,570	24,873,672	7,517,227	13,339,877
	9,632	671,906	165,625	1,062,586
927,658	894,703	981,070	1,287,790	1,944,036
1,184,996	1,149,844	1,101,760	1,281,908	1,494,664
		113,167	571,655	772,093
5,199,986	5,902,524	6,463,894	9,003,767	10,820,000
355,444	245,440	205,616	285,554	330,798
144,638	193,979	162,623	153,155	95,971
942,458	702,036			
73,783	73,375	74,260	74,975	75,395
65,174	65,188	66,233	66,861	66,461
80,688	80,754	81,759	82,460	82,535
37,848	38,130	38,809	39,541	40,313
93,698	93,572	94,470	95,305	95,726
396,361	393,992	394,162	395,186	394,380
162,502	161,291	163,368	164,749	165,887
336,713	333,198	334,903	336,828	337,654
115,230	115,322	116,165	116,674	115,783
48,906	48,969	49,810	50,375	51,100
			219	466
77,952	77,378	75,751	70,176	67,966
4,422	5,117	5,335	5,034	4,586
4,400	4,268	4,357	4,334	4,498
1,189	1,140	1,113		
56,962	54,735	51,401	40,682	31,830
9,568	9,873			
11,141	11,129	11,782	10,659	9,528
26,906	26,732	26,843	26,485	26,117

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 TEN FISCAL YEARS**

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

Full-Time Employees	FISCAL YEAR									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>General Government</b>										
Department of Information Technology	326	300	304	318	327	326	337	353	388	391
Department of Administrative Services	271	277	278	283	276	281	304	312	312	303
Department of Revenue Administration	133	136	128	138	117	118	165	177	194	186
Legislative Services	128	128	127	125	126	130	136	142	144	146
All other	304	315	278	218	270	213	234	240	253	250
<b>Administration of Justice and Public Protection</b>										
Department of Safety	1,048	1,022	1,014	1,015	992	1,011	1,026	1,065	1,085	1,096
Department of Corrections	771	770	800	766	782	792	810	856	944	975
Judicial Branch	570	539	532	531	531	526	595	634	670	676
Department of Employment Security	238	251	269	272	276	283	374	357	312	314
Liquor Commission	316	308	306	301	310	286	286	301	302	305
Adjutant General	125	112	113	115	123	123	113	121	120	119
All other	445	439	450	449	434	440	471	480	484	493
<b>Resource Protection and Development</b>										
Department of Environmental Services	342	333	367	427	421	413	429	469	470	474
Department of Resource and Economic Development	211	221	205	205	202	205	187	192	193	206
Fish and Game	174	175	182	179	179	182	185	186	184	183
All other	5	5	5	6	7	6	6	13	13	12
<b>Transportation</b>										
Department of Transportation	1,546	1,540	1,500	1,493	1,537	1,560	1,632	1,677	1,623	1,643
<b>Health and Social Services</b>										
Department of Health and Human Services:										
New Hampshire Hospital	521	527	543	549	538	534	627	704	737	756
Office of Commissioner	356	366	351	307	303	565	564	565	617	635
Division of Children and Youth*				1		347	347	336	372	371
Human Services*	706	685	685	714	712					
Division of Transitional Assistance	417	409	429	419	380	332	334	318	337	335
New Hampshire Veteran's Home	327	329	324	308	320	325	319	323	326	328
Division of Juvenile Justice Services*				5	4	258	260	290	313	315
Office of Health Management	229	220	220	225	230	241	226	232	265	271
All other	397	398	422	449	454	399	407	410	422	433
<b>Education</b>										
Department of Education	244	247	235	234	243	250	256	263	267	269
All other	78	75	60	59	60	71	85	87	92	92
<b>State Total</b>	<b>10,228</b>	<b>10,127</b>	<b>10,127</b>	<b>10,111</b>	<b>10,154</b>	<b>10,217</b>	<b>10,715</b>	<b>11,103</b>	<b>11,439</b>	<b>11,577</b>
<b>Part-Time and Temporary Employees</b>										
General Government	910	902	807	780	794	720	708	726	718	719
Administration of Justice and Public Protection	4,145	4,203	4,260	4,358	4,197	4,206	3,915	3,971	4,005	3,745
Resource Protection and Development	1,138	1,201	1,696	1,559	1,932	1,790	1,477	1,697	1,465	1,369
Transportation	228	271	297	315	287	331	422	463	458	449
Health and Social Services	284	328	520	579	512	533	511	453	582	633
Education	37	39	49	52	45	70	72	74	68	64
<b>State Total</b>	<b>6,742</b>	<b>6,944</b>	<b>7,629</b>	<b>7,643</b>	<b>7,767</b>	<b>7,650</b>	<b>7,105</b>	<b>7,384</b>	<b>7,296</b>	<b>6,979</b>

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

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

<b>Function</b>	<b>Fiscal Year</b>									
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
<b>Land &amp; Land Improvements</b>										
General Government	\$8,298	\$7,981	\$7,981	\$7,750	\$7,426	\$7,146	\$7,146	\$7,146	\$5,885	\$5,886
Administration of Justice & Public Protection	50,841	46,528	40,259	36,674	35,569	33,699	32,428	27,751	28,951	28,772
Resource Protection & Development	295,721	292,252	280,161	272,770	264,721	257,174	246,188	238,131	236,391	228,569
Transportation	316,896	328,127	324,930	323,494	316,148	327,014	324,422	319,476	310,714	305,299
Health & Social Services	4,895	4,103	4,085	4,029	4,033	4,033	4,033	4,033	4,033	4,034
Education	126	126	126	126	143	143	4,658	4,194	4,185	3,883
<b>Building &amp; Building Improvements</b>										
General Government	205,309	203,501	202,659	203,274	204,064	200,014	183,461	180,055	152,335	147,036
Administration of Justice & Public Protection	347,001	292,989	282,085	277,380	250,817	248,211	243,616	219,953	221,332	216,691
Resource Protection & Development	80,193	79,826	78,364	76,393	76,554	71,097	70,864	65,954	64,347	69,479
Transportation	80,907	74,149	73,716	74,867	73,119	71,987	68,833	69,589	65,360	56,143
Health & Social Services	145,339	145,374	140,569	139,964	129,965	126,442	125,948	119,742	119,157	112,434
Education	16,716	16,671	16,628	16,531	16,531	16,532	121,375	110,142	91,087	83,641
<b>Equipment and Computer Software</b>										
General Government	46,438	45,152	41,400	37,713	38,617	32,814	29,636	29,419	29,204	19,149
Administration of Justice & Public Protection	117,633	106,242	102,282	98,681	99,106	95,659	91,114	97,380	79,569	76,594
Resource Protection & Development	24,570	20,637	19,902	18,919	20,132	19,421	20,006	19,543	18,822	18,891
Transportation	134,952	124,954	116,791	112,012	111,654	105,003	91,472	77,851	76,653	67,209
Health & Social Services	103,146	98,033	82,471	79,855	69,170	57,043	55,441	55,286	55,066	58,636
Education	3,319	3,335	3,335	3,226	3,201	3,344	11,058	10,018	9,682	8,359
<b>Infrastructure</b>										
Transportation	3,756,812	3,678,096	3,524,721	3,438,817	3,350,208	3,199,307	3,032,547	3,036,174	3,048,728	2,865,262

STATE OF NEW HAMPSHIRE  
ACKNOWLEDGEMENTS



REPORT PREPARED BY THE DIVISION OF ACCOUNTING SERVICES

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

State of New Hampshire  
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Division of Accounting Services  
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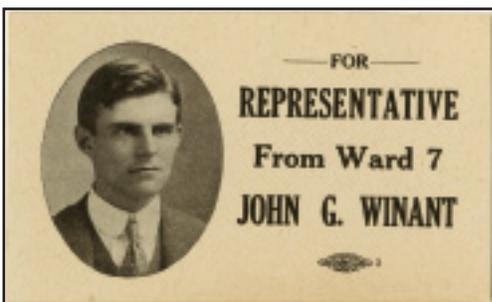
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# Memorializing a Remarkable Man

## John Gilbert Winant Governor and Ambassador



*Winant left for military service the day after the U. S. entered WWI; he joined the fledgling U.S. flying corps.*



*Elected to the N.H. Senate and N.H. House, Winant also served three terms as governor, the first to do so since colonial times.*



*"A friend of justice, freedom and truth...an inspiration."  
– Prime Minister Winston S. Churchill*



### HONORING WINANT

A committee of leaders from politics, business, the arts, and other areas – including members of the St. Paul's School community, where Winant taught – has been working since 2013 to create a memorial that has been installed in front of the New Hampshire State Library in Concord. The memorial consists of a wheelchair-accessible plaza with a bronze statue of Winant inviting passersby to sit on a park bench and spend some time with him.

A national competition led to the selection of J. Brett Grill as sculptor. Among Grill's commissioned pieces is the statue of President Gerald R. Ford that stands in the Rotunda of the U.S. Capitol.

Winant Committee  
c/o The Park Street Foundation  
20 Park Street, Concord, New Hampshire 03301  
[www.winantmemorial.org](http://www.winantmemorial.org)



Department of Administrative Services  
Division of Accounting Services  
State House Annex, Room 310  
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