

State of New Hampshire

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2018



PREPARED BY: DEPARTMENT OF ADMINISTRATIVE SERVICES



Front Cover Photos include:

Image of the Manchester Millyard along the Merrimack River, courtesy of Getty Images, highlighting an area with significant economic development activity and one of the state's hottest market segments. According to *NH Business Review (February 2017)*, more than thirty high tech firms house facilities in the Millyard. Additional images provided by New Hampshire's Department of Business and Economic Affairs *#NHEconomy #VisitNH*, representing New Hampshire's fast-growing economy, job growth, outdoor opportunities and federal grants received for infrastructure projects including protection of New Hampshire's waterways.

In addition, our cover images illustrate some of New Hampshire's scenic vistas highlighted by the New Hampshire Department of Environmental Services through their *#ThisIsNH* website, which encourages citizens to crowd-source what they love about New Hampshire and where to find it by providing a photo and map location in order to put New Hampshire's environment on the map!

STATE OF NEW HAMPSHIRE

**COMPREHENSIVE
ANNUAL
FINANCIAL REPORT**

For the Fiscal Year Ended

June 30, 2018



Prepared by the Department of Administrative Services

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



TABLE OF CONTENTS

INTRODUCTORY SECTION

Governor's Letter	1
Selected State Officials	2
Organization Chart	3
Letter of Transmittal	4
Government Finance Officers Association Certificate of Achievement	14

FINANCIAL SECTION

Independent Auditors' Report	16
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Management's Discussion and Analysis (Unaudited)	20
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Basic Financial Statements

Government-wide Financial Statements	
Statement of Net Position	30
Statement of Activities	32

Governmental Fund Financial Statements	
Balance Sheet	35
Reconciliation of the Balance Sheet-Governmental Funds to the Statement Of Net Position	36
Statement of Revenues, Expenditures and Changes in Fund Balances	37
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds to the Statement of Activities	38

Proprietary Fund Financial Statements	
Statement of Net Position	40
Statement of Revenues, Expenses, and Changes in Net Position	41
Statement of Cash Flows	42

Fiduciary Fund Financial Statements	
Statement of Fiduciary Net Position	45
Statement of Changes in Fiduciary Net Position	46

Component Units	
Combining Statement of Net Position	48
Combining Statement of Activities	49

Index for Notes to the Basic Financial Statements	50
Notes to the Basic Financial Statements	51

Required Supplementary Information (Unaudited)

Budget to Actual Schedules	
Budget to Actual - General Fund	106
Budget to Actual - Highway Fund	109
Budget to Actual - Education Fund	110
Note to the Required Supplementary Information-Budgetary Reporting	111
Information about the Trusted & Non Trusted Other Postemployment Benefits Plans	112
Information about the New Hampshire Retirement System and New Hampshire Judicial Retirement Plans	114

Other Supplementary Information

Highway Fund	
Combining Balance Sheet	118
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	119

TABLE OF CONTENTS - (Continued)

Non-Major Governmental Funds	
Combining Balance Sheet	121
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	122
Budget to Actual Schedule - Fish & Game Fund	123
State Revolving Fund	
Combining Schedule of Net Position	125
Combining Schedule of Revenues, Expenses and Changes in Net Position	126
Internal Service Fund	
Combining Schedule of Net Position - Employee Benefit Risk Management Fund	128
Combining Schedule of Revenues, Expenses and Changes in Net Position - Employee Benefit Risk Management Fund	129
Non-Major Component Units	
Combining Statement of Net Position	131
Combining Statement of Activities	132
Fiduciary Funds	
Pension Trust Funds	
Combining Statement of Plan Net Position	134
Combining Statement of Changes in Plan Net Position	135
Private Purpose Trust Funds	
Combining Statement of Net Position	137
Combining Statement of Changes in Net Position	138
Agency Funds	
Combining Statement of Assets and Liabilities	140
Combining Statement of Changes in Assets and Liabilities	141
<u>STATISTICAL SECTION (Unaudited)</u>	
Schedule of Net Position by Component	143
Schedule of Changes in Net Position	144
Schedule of Fund Balances - Governmental Funds	146
Schedule of Changes in Fund Balances - Governmental Funds	147
Schedule of Unrestricted Revenue- GAAP Basis- General Fund	148
Schedule of Statutory Unassigned - Other Fund Balance- General Fund	149
Schedule of Statutory Fund Balance- Education Fund	150
Schedule of Statutory Fund Balance- Highway Fund	151
Schedule of Statutory Fund Balance- Fish and Game Fund	152
Schedule of Business Tax Filers and Liability by Tax Paid Level	153
Schedule of Statewide Property Tax for Top Ten Cities/Towns	155
Schedule of Sales by Top Ten State Liquor Retail Locations	157
Schedule of Ratios of Outstanding Debt by Type	157
Schedule of Ratios of General Bonded Debt Outstanding	158
Schedule of Pledged Revenue Coverage	158
Schedule of Demographic and Economic Statistics	159
Schedule of Building Permits for Housing Units	159
Schedule of Principal (Largest) Employers	160
Schedule of Operating Indicators by Function	162
Schedule of State Employees by Function	166
Schedule of Capital Asset Balances by Function	167



STATE OF NEW HAMPSHIRE
OFFICE OF THE GOVERNOR



December 27, 2018

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

It is my privilege to accept the Comprehensive Annual Financial Report on behalf of the State of New Hampshire for the fiscal year that ended on June 30, 2018.

This report is further confirmation of the positive financial health of the state and the responsible fiscal path that the State Government has been on since the wake of the 2008 – 2010 financial Crisis. It has been my paramount duty as Governor to be a prudent manager of taxpayer resources; I have tasked the heads of the Executive Branch Agencies with finding efficiencies, controlling costs, and implementing innovative solutions. The state's preliminary surplus statement is a testament to the strong management by our team.

As we close the books on Fiscal Year 2018, I would like to reflect on the revolutionary success of our State's 2018-2019 biennial budget. The budget we crafted was unlike those we have seen in recent decades. Previous budgets used surplus funds from the preceding biennium to balance the books and to justify unsustainable government spending. This financial sleight of hand was for too long a mainstay in Concord. Due to these financial tricks, long-term operational obligations became untenable and in 2011, almost \$900 million had to be cut from the State Budget in order to balance it. For Fiscal Year 2018-2019, we decided to leave this irresponsible practice behind, passing a budget that is truly balanced within itself. Rather than using unpredictable surplus revenue to justify long-term spending, we used those one-time funds for one-time investments in our state, and we saw the benefits in FY 18. It is crucial that the state continue this practice going forward.

After almost a decade of anemic growth, New Hampshire's economy is flourishing again. Our growth has led to strong Business Tax Revenues and an unquestionable broadening and deepening of our tax base. Business Tax Revenues have been extraordinary for the Fiscal Year 2018, and a large part of this growth is due to one-time revenue anomalies that have resulted from the 2017 Federal Tax Reform. When reviewing these financial statements and considering the state's revenue surplus, it is critical that policymakers recognize that these one-time monies must be put towards one-time expenses. Our judicious fiscal management during the 2018-2019 budget process removed structural imbalances from New Hampshire's budget. It is vital that the budget remains structurally balanced in the Fiscal Year 2019 and onward. This will ensure that the state is well prepared to weather any future economic downturns.



New Hampshire's Economy is booming, our Government is increasingly efficient and nimble, and our demographics are becoming younger and more diverse. The strong management reflected in these pages has resulted in dividends which will be reinvested in areas from education, to housing, to transportation, to critical state facilities and systems. We have an amazing opportunity to use these surplus funds to make strategic one-time investments that ensure that New Hampshire remains the national standard for a small, effective, responsive, government.

Sincerely,

A handwritten signature in blue ink that reads "Christopher T. Sununu".

Christopher T. Sununu
Governor



State of New Hampshire
Selected State Officials
For the Fiscal Year Ended June 30, 2018

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 J. 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

Robert J. Lynn

Legislative Branch

President of the Senate

Chuck Morse

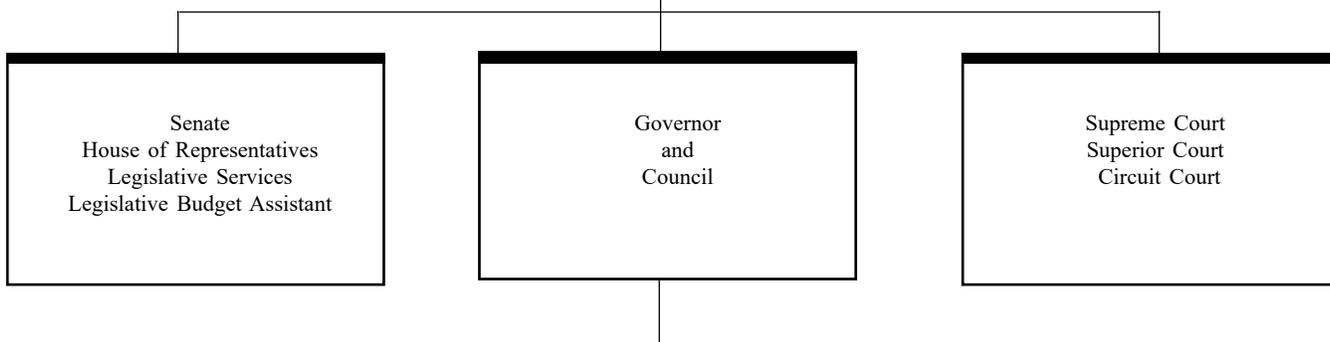
24 Senators

Speaker of the House of Representatives

Gene G. Chandler

400 Representatives

STATE OF NEW HAMPSHIRE ORGANIZATION CHART



STATE AGENCIES AND COMPONENT UNITS (*)

<p style="text-align: center;">GENERAL GOVERNMENT</p> <p> Administrative Services Board of Tax & Land Appeals Boxing & Wrestling Commission Department of Information Technology Development Disabilities Council Executive Office Professional Licensure & Certification NH Retirement System* Revenue Administration Secretary of State State Treasury </p>	<p style="text-align: center;">ADMINISTRATION OF JUSTICE AND PUBLIC PROTECTION</p> <p> Adjutant General Agriculture, Markets & 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;">RESOURCE PROTECTION AND DEVELOPMENT</p> <p> Business & Economic Affairs Business Finance Authority* Community Development Finance Authority* Environmental Services Fish and Game Pease Development Authority* Natural & Cultural Resources </p>
<p style="text-align: center;">TRANSPORTATION</p> <p> Transportation Turnpike System </p>	<p style="text-align: center;">HEALTH AND SOCIAL SERVICES</p> <p> Health and Human Services NH Office of Veterans' Services Veterans' Home </p>	<p style="text-align: center;">EDUCATION</p> <p> Education Community College System of NH* Lottery Commission Police Standards & 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 27, 2018

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, 2018. 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

In July, 2017, the New Hampshire Legislature created the state Department of Business & Economic Affairs with the mission of specifically developing and implementing strategies to grow and build a long-term economic strategy for the state. The Department will release a new statewide 10-year economic development strategy in early 2019 to set a path forward for growth and resiliency for the next decade and continue building new public/private collaborations with key implementation stakeholders.

New Hampshire's demographic trends coupled with the third-lowest unemployment of any state in the country demands a focus on workforce recruitment and training to fuel state employer requirements. Growth is in sectors that require an educated and qualified workforce, such as precision manufacturing, biomed tech, high-tech, and healthcare. Positive trends for workforce growth include increases in labor force participation, declining median ages in certain areas of the state, and positive net migration numbers in key age demographics.

New private capital investment in the state exceeded \$250 million in the July 2017-18 period. Corporate tax rates are scheduled to continue to decline in 2019, exports by state employers set new records in 2017 and are on track to do the same in 2018, and the state remains well positioned as one of the most sophisticated low-tax pro-growth states in the eastern U.S.

In 2018, New Hampshire was no.1 for economic opportunity (*US News and World Report*); child well-being (Annie E. Carsey Foundation), and, for the fourth year in a row, *Politico* proclaimed New Hampshire as the Best State in the Union. The state placed high in other areas, including: Best state to live in; to raise a family; quality of life; best economy; best taxpayer ROI.

As stated, the state's unemployment rate (seasonally adjusted, non-farm), as of October 2018, stood at 2.6 percent, which was well below the national average of 3.7 percent; both rates remained unchanged from October 2017. Year-to-date, 15,300 more people were employed in October 2018 than in October 2017. The seasonally unadjusted rate for October 2018 was 2.1 percent statewide, with some counties below that, including Grafton (1.6 percent); Sullivan (1.7 percent), and Merrimack and Stafford (both 1.8 percent).

Fiscal Year 2018 Operations

The fiscal year 2018 budget as adopted in 2017 (the “fiscal year 2018 budget”) assumed the State would start the year with no unassigned general fund surplus and a Revenue Stabilization Fund (“Rainy Day Fund”) balance of \$100.0 million. This did occur, as final transfers were completed effective June 30, 2017, bringing the unassigned general fund surplus balance to zero and the rainy day fund to \$100.0 million.

Traditional unrestricted revenue for the General and Education Trust Funds received during fiscal year 2018 totaled \$2,577.2 million which was above the fiscal year 2018 Plan of \$2,443.9 million by \$133.3 million, or 5.5%. The favorable results as compared to the fiscal year 2018 budget resulted, in part, from the following taxes which performed better than expected: Business Taxes by \$118.8 million (17.9%); Interest and Dividends Taxes by \$9.8 million (10.2%); Meals and Rooms Taxes by \$1.9 million (0.6%); and Insurance Taxes by \$1.4 million (1.2%). Real Estate Transfer Taxes were below the fiscal year 2018 budget by approximately \$5.8 million (3.7%), as well as Tobacco Taxes below budget by \$3.4 million (1.6%) and Communications Taxes below budget by \$0.6 million (1.4%). The State’s other remaining revenue sources combined were approximately \$11.2 million above the fiscal year 2018 budget.

Net General Fund and Education Fund appropriations exceeded the fiscal year 2018 budget estimates by \$22.4 million (0.9%). Appropriations authorized after the passage of the fiscal year 2018 budget via new legislation or existing laws made up approximately \$65.9 million of the increase in net appropriations. These additional appropriations utilized a portion of the General Fund surplus revenues from fiscal year 2018 and included: \$22 million for Medicaid Care Management, \$20 million for Department of Transportation Red List Bridge projects, as well as additional supplemental appropriations that occur on an annual basis. Offsetting the impact of additional appropriations and transfers to other funds (including rainy day fund and public school infrastructure fund) were favorable lapses of combined General Fund and Education Fund appropriations. The fiscal year 2018 original budget of \$2,443.4 million included \$51.0 million in anticipated lapses, while actual lapses came in at \$94.8 million for a difference of \$43.8 million.

Net favorable closing adjustments totaled \$1.0 million for fiscal year 2018. The current year adjustments reflect the reversal of the prior year budgetary basis adjustment of \$9.1 million which brought the FY 2017 budgetary transfer to the Education Trust Fund of \$62 million to a GAAP basis transfer of \$53 million. This positive adjustment was offset by increases in net accrued liabilities, escheat liability, Medicaid liability and additional reserves for budgetary negative closing balances (total of \$8 million). The remainder of the variance was due to the net of increases and decreases in several other areas.

General Fund & Education Trust Fund FY 2016, 2017 & 2018

(\$ in millions)

Revenue Category	FY 2016	FY 2017			FY 2018			FY 2018
	Total	General	Education	Total	General	Education	Total	Combined Plan
Business Profits Tax	\$427.0	\$317.4	\$68.4	\$385.8	\$393.4	\$88.9	\$482.3	\$397.4
Business Enterprise Tax	272.3	83.6	168.4	252.0	87.8	211.0	298.8	264.9
Subtotal	699.3	401.0	236.8	637.8	481.2	299.9	781.1	662.3
Meals & Rentals Tax	301.3	306.2	8.6	314.8	322.5	9.2	331.7	329.8
Tobacco Tax	227.1	128.2	90.4	218.6	124.5	87.1	211.6	215.0
Liquor Sales and Distribution	139.8	141.1		141.1	136.4		136.4	144.3
Interest & Dividends Tax	89.3	94.3		94.3	105.8		105.8	96.0
Insurance Tax	123.4	121.9		121.9	115.0		115.0	113.6
Communications Tax	52.4	47.1		47.1	43.4		43.4	44.0
Real Estate Transfer Tax	134.5	94.5	47.2	141.7	99.4	49.7	149.1	154.9
Transfers from Lottery Commission	79.2		76.1	76.1		87.3	87.3	81.0
Tobacco Settlement	41.5	2.6	40.0	42.6	5.9	40.0	45.9	35.0
Utility Property Tax	43.3		41.8	41.8		45.2	45.2	42.9
Property Tax Retained Locally	363.1		363.4	363.4		363.1	363.1	363.1
Other	154.3	157.4		157.4	157.5		157.5	152.9
Subtotal	2,448.5	1,494.3	904.3	2,398.6	1,591.6	981.5	2,573.1	2,434.8
Recoveries	9.1	8.9		8.9	4.1		4.1	9.1
Total	\$2,457.6	\$1,503.2	\$904.3	\$2,407.5	\$1,595.7	\$981.5	\$2,577.2	\$2,443.9

Financial Information
General Fund & Education Trust Fund FY 2016, 2017 & 2018

(\$ in millions)

	FY 2016	FY 2017			FY 2018		
	Total	General	Education	Total	General	Education	Total
Undesignated Fund Balance, July 1	\$49.0	\$88.5		\$88.5			
Unrestricted Revenue	2,457.6	1,503.2	\$904.3	2,407.5	\$1,595.7	\$981.5	\$2,577.2
Exxon Settlement - 10% to RDF	30.7						
Total Additions	2,488.3	1,503.2	904.3	2,407.5	1,595.7	981.5	2,577.2
Deductions:							
Appropriations Net of Estimated Revenues	(2,381.0)	(1,425.7)	(973.1)	(2,398.8)	(1,533.1)	(961.6)	(2,494.7)
Additional Appropriations		(133.1)	(9.1)	(142.2)	(64.4)	(1.5)	(65.9)
Less Lapses	40.3	47.6	15.7	63.3	93.4	1.4	94.8
Total Net Appropriations	(2,340.7)	(1,511.2)	(966.5)	(2,477.7)	(1,504.1)	(961.7)	(2,465.8)
Adjustments	(36.7)	22.0		22.0	(0.6)	1.6	1.0
Current Year Balance	110.9	14.0	(62.2)	(48.2)	91.0	21.4	112.4
Fund Balance Transfers (To)/From:							
Rainy Day	(70.7)	(7.0)		(7.0)	(10.0)		(10.0)
Highway Fund		(13.9)		(13.9)			
Fish and Game Fund	(0.7)	(0.7)		(0.7)			
Public School Infrastructure Fund		(18.7)		(18.7)	(6.6)		(6.6)
Education Trust Fund		(62.2)	62.2				
Undesignated Fund Balance, June 30	\$88.5			\$0.0	\$74.4	\$21.4	\$95.8
Reserved for Rainy Day Account	93.0	100.0		100.0	110.0		110.0
Total Unassigned Fund Balance	\$181.5	\$100.0		\$100.0	\$184.4	\$21.4	\$205.8

Public School Infrastructure Fund FY 2017 & 2018

(\$ in millions)

	FY 2017	FY 2018
Fund Balance, July 1		\$18.7
HB1415 from funds not otherwise appropriated		10.0
Total Additions		10.0
Deductions:		
Appropriations: Fiscal Committee approved		(25.3)
Total Net Appropriations		(25.3)
Current Year Balance		(15.3)
Fund Balance Transfers (To)/From:		
General Fund FY17 Surplus	\$18.7	
Reserved for Public School Infrastructure	\$18.7	\$3.4

Highway Fund

The Highway Fund ended fiscal year 2018 with an operating surplus of approximately \$44.2 million as compared to the fiscal year 2017 balance of \$48.4 million. The fiscal year 2018 beginning surplus was \$74.1 million, as assumed in the adopted budget for the 2018-2019 biennium. This included a fiscal 2017 transfer of General Fund operating surplus to the Highway Fund of \$13.9 million. The actual Highway Fund fiscal 2018 revenues of \$223.7 million were \$10.4 million higher than those budgeted for fiscal year 2018, and \$2.7 million higher than actual revenues received in the fiscal year 2017. Also contributing to the positive variance in surplus were lapses being \$14.6 million greater than assumed in the budget. Fiscal year 2018 net appropriations of \$249.2 million were \$13.1 million higher than those assumed in the fiscal 2018 budget due to additional appropriations for winter maintenance, which partially offset the positive variance in surplus, resulting in an \$8.8 million increase in surplus as of June 30, 2018, as compared to the original 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 151.

Fish & Game Fund

The Fish and Game Fund ended fiscal year 2018 with an operating surplus of approximately \$2.7 million as compared to the fiscal year 2017 balance of \$1.8 million. 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 for fiscal 2018 of \$13.8 million were \$0.8 million higher than those budgeted for fiscal year 2018, and slightly higher than actual revenues received in the fiscal year 2017 of \$13.6 million. Also contributing to the positive variance in surplus were lapses being \$0.3 million greater than assumed in the budget, while fiscal year 2018 net appropriations of \$14.1 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 152.

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, 2018 was (\$3,221.3) million, a decrease of \$111.8 million over the deficit balance as of June 30, 2017, on a restated basis, of (\$3,109.5) million. As noted in Note 1, the restatement was a result of the fiscal year 2018 implementation of GASBS No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which significantly impacted the amount reported for Other Post Employment Benefit (OPEB) payables on the Statement of Net Position. The deficit unrestricted net position is primarily the result of the following: 1) \$2,080.6 million of OPEB payables outstanding as of June 30, 2018 (see Note 11) 2) \$963.1 million of Net Pension Liabilities outstanding as of June 30, 2018 (see Note 11) 3) Long-Term debt issued by the State for component unit capital purposes, \$130 million outstanding principal balance as of June 30, 2018 (\$114 million USNH and \$16 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 \$70 million that did not result in a State capital asset.

Other Financial Matters**2018 Capital Budget / Capital Projects Fund**

During fiscal year 2018, the State completed or made substantial progress on several significant projects including:

- Completion of the NH Women's Prison in Concord, replacing the leased facility in Goffstown. The total project cost was approximately \$50.6 million and was completed in April 2018.
- Completion of the renovation of two Career and Technical Education centers for the Department of Education.
- Construction of a new superior courthouse, for approximately \$16 million.
- Construction of an addition at the New Hampshire Veterans' Home 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.
- Pease Development Authority's expansion of the Piscataqua River turning basin to allow larger vessels to navigate through Portsmouth Harbor.

In addition, the capital budget for state fiscal years 2018-2019 authorizes nearly \$262 million in capital appropriation, leveraging approximately \$201 million in bonding authority, with \$125 million in general funds and the balance from other sources.

Approved projects include:

- \$7 million towards State House and other state facilities' steam heat conversion
- Over \$5 million for a new Milford Circuit courthouse
- \$9.6 million at the Community College System for critical maintenance, lab and IT upgrades
- Nearly \$13.5 million for the Department of Education to renovate two Career and Technical Education centers
- \$4.9 million towards reconstruction of the Ossipee Lake Dam
- \$2.5 million for NH Housing Finance Authority Affordable housing fund
- \$1.4 million for Cyber Security Program enhancements
- \$30 million for the Department of Revenue Administration for a new Revenue Information Management system
- \$8 million for the Liquor Commission to raze and construct a new Portsmouth Traffic Circle Retail Store

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 2017 was \$150 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. During the 2018 legislative session, Chapter 162 required that \$10 million of FY 2018 unrestricted General fund excess revenues over plan be transferred into the Rainy Day fund, bringing the balance as of June 30, 2018 to \$110 million. In addition, Chapter 349, Laws of 2018, authorized an additional \$10 million of FY 2018 unrestricted General fund excess revenues over plan be transferred into the Public School Infrastructure Fund bringing the total available for school safety projects to \$28.7 million. During fiscal year 2018, \$25.3 million in projects were awarded to school districts and other entities, leaving a balance of \$3.4 million in the fund as of June 30, 2018.

Additional information on both the General Fund undesignated balance and the Public School Infrastructure fund can be found in the preceding tables and on page 151.

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. This will reduce Business Profits Tax from 7.9% to 7.7% in 2019 and to 7.5% in 2021, and reduce Business Enterprise Tax from 0.675% to 0.60% in 2019 and to 0.50% in 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 regularly throughout fiscal year 2017/2018 and approximately \$40 million in projects were approved for 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 2018. These projects are accounted for and reported in the Highway Fund. Total proceeds attributed to fiscal year 2018 expenditures were \$54.8 million, for a total program to date of \$102.8 million, representing a long-term note payable.

Medicaid Program

Overview of New Hampshire Medicaid. There are approximately 180,000 adults and children currently enrolled in the New Hampshire Medicaid program. Of this total, some 51,000 are within the Medicaid expansion "New Adult Group", which principally insures childless adults up to 138% of the federal poverty level. New Hampshire expanded its Medicaid program as provided for under the Patient Protection and Affordable Care Act in July 2014. The New Hampshire Medicaid program administered through the Department of Health and Human Services (DHHS) is a complex network that provides health care and psychosocial support insurance coverage to participants who meet eligibility requirements. New Hampshire Medicaid covers all or part of the health care costs of low-income children, pregnant women, parents with children, senior citizens, and people with disabilities for medical and hospital services, nursing facility care, in-home support services and more.

Though New Hampshire Medicaid deploys a robust array of management strategies to contain Medicaid costs, economic forces and state and federal regulations limit options for controlling 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.

New Hampshire Medicaid Financial Summary. New Hampshire Medicaid expended a total of \$2.1 billion in fiscal year 2017 ; \$2.13 billion in fiscal year 2018 and expects to expend \$2.0 billion in fiscal year 2019. The State's base federal matching rate is 50%. There are exceptions, which afford higher federal medical assistance percentages (FMAP) rates, Breast and Cervical Cancer Program (65% match), and the New Hampshire Health Protection Program (95% match calendar year 2017; currently at 94% match through calendar year 2018; 93% match calendar year 2019 and then 90% beginning in calendar year 2020).

Children's Health Insurance Program (CHIP) program: On January 22, 2018, Congress passed a six-year extension of CHIP funding as part of a broader continuing resolution to fund the federal government, which provides federal funding for CHIP for six years starting at the enhanced rate of 88% for SFYs 2018 and 2019, and phasing down to 65% in SFY 2022.

The FMAP rate for expenditures funded by CHIP allotments is equal to the "enhanced FMAP" (EFMAP) as determined under section 2105(b) of the Social Security Act (the Act), which is capped at 85 percent unless otherwise provided in the statute. Section 2101(a) of the Patient Protection and Affordable Care Act amended section 2105(b) of the Act by increasing the EFMAP by 23 percentage points (not to exceed 100 percent) for FY 2016 through FY 2019. Section 3005 of the HEALTHY KIDS Act amended section 2105(b) of the Act by increasing the EFMAP by 11.5 percent points (not to exceed 100 percent) for FFY 2020. Beginning October 1, 2020, there will no longer be any additional percentage points increasing the FMAP.

The effect of the amendments to the FMAP:

- EFMAP plus 23 percentage points remains in effect for FFYs 2018 and 2019 = 88% for the period of 10/1/17 - 9/30/19.
- EFMAP plus 11.5 percentage points is in effect for FFY 2020 = 76.5% for the period 10/1/19 - 9/30/20 and
- EFMAP reverts to the standard FMAP rate (pre-October 1, 2015 formula) beginning FFY 2021 = 65%. (10/1/20)

The re-authorization of the CHIP Program is expected to off-set State General Fund requirements by \$20-\$26 million each year. This includes enhanced federal match for Qualifying State costs, under section 2105(g) of the Social Security Act, for related expenses for standard Medicaid children ages 0 to 18 that fall within two separate groups.

RSA 126-A:75 established an excess appropriation allocation account in the department of health and human services for the biennium ending June 30, 2019. The federal funds are a result of the reauthorization of the Medicaid Children's Health Insurance Program (CHIP) and represent the thirty eight percentage point enhanced federal match. Due to uncertainty in future availability of federal funds, during the most recent biennial budget, the Department only budgeted one quarter (three months) of Medicaid CHIP revenue received at a federal match of 88% for SFY 2018, and three quarters at 50% federal match; and all four quarters of SFY 2019 at a federal match of 50%. Any funds remaining unspent in the excess allocation appropriation account at the end of each fiscal year shall lapse to the state general fund . At the end of state fiscal year 2018, \$20.1M lapsed to the general fund. For state fiscal year 2019, \$8.1M in freed up general funds have been transferred to the excess appropriation allocation account to support bills funding positions within the Division for Children, Youth and Families, funds to cover foster care rates/programs and provide funding for the developmental waitlist. Additional fiscal items will be processed to transfer additional available general funds to the excess appropriation allocation account.

Policy Changes. Certain recent policy changes have impacted Medicaid enrollment. 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 2018 was approximately 182,850, representing an increase of 30%. The increase can be primarily attributed to two elements of the PPACA. An increase of approximately 7% in enrollment was attributable to the federal changes in eligibility criteria as part of the Modified Adjusted Gross Income ("MAGI") methodology, which changed the financial eligibility criteria for Medicaid medical services.

NH Health Protection Program: Senate Bill 413 (codified at 2014 Laws Chapter 3) required the Department to establish the NHHPP, which expanded Medicaid eligibility to newly eligible adults as allowed under the PPACA. Newly eligible adults are those who are aged 19 up to 65 years old with incomes up to 133 percent of FPL, who are not pregnant at the time of application, are not eligible for or enrolled in Medicare, and are not eligible for Medicaid through any other existing Medicaid eligibility category ("New Adult Group"). Federal law requires that states who voluntarily expand health coverage to the New Adult Group allow for a 5% increase in income above 133% of the FPL to minimize the number of people who lose eligibility by monthly fluctuations in income. This 5% income disregard effectively expands eligibility to 138% of the FPL.

As of January 1, 2018, the program is funded 94% by the federal government, 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 State fiscal year 2018 were approximately \$492 million total funds.

During the 2016 Legislative session, HB 1696 reauthorized the program to operate through December 31, 2018 and funded the non-federal share of the program with a combination of revenue sources, namely, revenue from the state's insurance premium tax, contributions from the state's high risk insurance pool and voluntary donations from hospitals. On July 25, 2017, the Centers for Medicare and Medicaid Services informed the state that its use of voluntary provider donations did not meet all of the federal criteria for a bona fide provider donation but allowed the state additional time through the following legislative session to amend its funding for the non-federal share of the program.

Granite Advantage Health Care Program: Senate Bill 313, was enacted on June 28, 2018. This bill repealed the NHHPP and established the NH Granite Advantage Health Care Program, a five-year demonstration program beginning January 1, 2019, which will serve the entire Medicaid population, including the expansion population, in the state's managed care program. The New Hampshire Department of Health and Human Services has submitted the required waiver applications and state plan amendments to establish the Granite Advantage Health Care Program. CMS is expected to issue all necessary approvals for the program by December 1, 2018.

The Granite Advantage Program will provide the same services as the NHPP, but instead of utilizing qualified health plans on the Federal Marketplace for coverage for the New Adult Expansion Group, Granite Advantage will transition this population into the state's existing managed care program, which will reduce costs by an estimated \$200 million dollars the first year. New Hampshire granite advantage health care trust fund provides coverage for the newly eligible Medicaid population as provided for under RSA 126-AA:2, All moneys in the fund shall be nonlapsing and shall be continually appropriated to the commissioner for the purposes of the fund. The fund shall be authorized to pay and/or reimburse the cost of medical services and cost-effective related services, including without limitation, capitation payments to MCOs. No state general funds shall be used to fund the program. The non-federal share of the costs of the program, including administrative expenses, will be funded from a combination of revenues: liquor tax revenues transferred from the alcohol abuse prevention and treatment fund; the insurance premium tax; contributions from the state's insurance high risk pool assessment and other funds as allowed by RSA 126-AA:3.

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 self-report UCC in February. 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.

During the 2018 legislative session, the NHHA and the State of New Hampshire revised their 2014 settlement to agree that for SFY 2018, DSH payments would be made in an amount equal to 92.2% of the MET collected, and for SFY 2019, in an amount equal to 90.2% of amount of MET collected. The new agreement was codified in Chapter 162:31, laws of 2018, which also appropriated the additional DSH payments for the biennium ended June 30, 2019.

In SFYs 2018 and 2019 DSH payments will be paid annually by May 31st and are processed in the following priority order:

- (1) Critical Access Hospital (CAH) will be reimbursed at an amount equal to 75% of UCC
- (2) Non-Critical Access Hospital will be reimbursed at an amount up to 92.2% (SFY 2018) or 90.2% (SFY 2019) of MET revenues
- (3) Remaining funds shall support Medicaid Provider payments

In SFY 2018, this resulted in an increased DSH payment of approximately \$58 million above the SFY 2018 budget and decreased the available MET for other Medicaid provider payments by approximately \$22 million. For SFY 2019, DSH payments are estimated to be \$227.1 million, or \$61.7 million above the budgeted DSH payments. MET revenue is estimated at \$251.8 million, which is \$8.4 million higher than originally budgeted, so the reduction to MET available for Medicaid provider payments is estimated to be \$22.2 million.

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. On January 5, 2016, the Centers for Medicare and Medicaid Services approved the State's application to participate in this Demonstration Waiver that will allow the State to access up to a total of \$150 million over the next five years (approximately \$30 million per year) over the next five years for the purpose of strengthening and expanding capacity for the states' behavioral health system. The Transformation Waiver has four main targets:

- (1) Deliver integrated physical and behavioral health care that better addresses the full range of individuals' needs
- (2) Expand capacity to address emerging and ongoing behavioral health needs in an appropriate setting
- (3) Reduce gaps in care during transitions across care settings by improving coordination across providers and linking patients with community supports.
- (4) Move fifty percent of Medicaid reimbursement to alternative payment models by the end of the demonstration period

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 and in fiscal year 2018 were \$20.4 million. 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.

A change in federal policy has introduced potential implications to the current five-year waiver for future DSHP financing under the DSRIP waiver. CMS has issued national guidance regarding the discontinuation of certain DSHP financing subsequent to the original five year duration. A portion of the State's DSRIP waiver required conversion of certain DSHP financing to a CPE (certified public expenditures) method for this waiver specifically. Under the CPE rules CMS guidance potentially disallows a portion of the monies anticipated by the State. While CMS has subsequently approved DHHS' alternative methodology it is contingently effective in that it depends on Counties voluntarily appropriating monies not previously federally matched to be contributed to DHHS so they can be matched in support of the DSRIP waiver. As of October, 2018 eight

of ten counties have thus far voted 2018 appropriations. The capability of the Counties to contribute is indirectly the result of enhanced Proshare payments as a result of the alternative methodology. The impact going forward in 2019 and 2020, the remainder of the waiver period, should the Counties elect not to provide financial support would be a curtailment of what can be accomplished through the waiver. Therefore, any County shortfall is not expected to impact the General Fund.

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 ending 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, 2018 the State reported a total liability of \$1,012.9 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, as calculated under GASBS No. 45.

For the year ended June 30, 2018, the State implemented GASBS No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, (GASBS 75), which significantly changes how governments measure and report the long-term obligations related to OPEB. The State has two components of OPEB which include the State Retiree Health Benefit Plan and the NHRS Medical Subsidy Plan. The State Retiree Health Benefit Plan is a single-employer (primary government with component units) plan with no assets accumulated in a trust that meets the criteria of paragraph 4 of GASBS 75, and the State is reporting a Total OPEB Liability on its balance sheet of \$2.2 billion for this plan. The NHRS Medical Subsidy Plan is a cost sharing multiple-employer plan with assets accumulated in a trust that meets the criteria of paragraph 4 of GASBS 75, and the State is reporting a Net OPEB Liability on its balance sheet of \$93.2 million for this plan, representing the proportionate share of the NHRS Net OPEB Liability for the State’s primary government and component units.

In the FY 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. As reflected in the December 31, 2016 valuation, the Non-Medicare and Medicare retiree premium contribution increases offset the projected increase in UAAL by approximately \$132 million.

The State has continued to review and analyze cost containment options for the Retiree Health Benefit Plan. As such, effective January 1, 2019 the State will be replacing the current self-funded Medicare supplemental coverage with a fully-insured Medicare Advantage Plan (Medicare Part C plan), which is expected to result in both budgetary savings and a reduction to the OPEB liability.

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 FY 2018, 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, 2018.

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 2019.

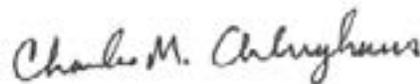
Certificate of Achievement

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, 2017. This is the ninth 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



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For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

Executive Director/CEO

Financial Section





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

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, 2018, 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 7.2% and 79.8%, 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 13.7%, respectively, of the assets and revenues of the aggregate discretely presented component units. Further, we did not audit the financial statements of the New Hampshire Retirement System, the New Hampshire Judicial Retirement Plan and the New Hampshire Public Deposit Investment Pool, which represent 98.5% and 80.1%, 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, 2018, 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(U) to the basic financial statements, in 2018, the State adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*. 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 and required supplementary information, as listed in the table of contents (collectively referred to as RSI), 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 RSI 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 27, 2018 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

Boston, MA
December 27, 2018



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, 2018. 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, 2018 by \$1.3 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, (\$3.3) 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 decreased by \$1,299.1 million, or 50.0%, in fiscal year 2018 as shown in the Comparative Changes in Net Position table within this report, however, the net decrease was largely attributable to the effect of the implementation of GASB Statement No 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, as described in Note 1 to the financial statements. After adjusting for the \$1,574.9 million restatement of beginning of year net position, the State's total net position increased by \$275.8 million, or 27.1%, in fiscal year 2018 from \$1,016.1 million (restated) to \$1,291.9 million. Also reflected in this table, the State's net position of governmental activities increased by \$196.9 million (47.4%), from \$(415.2) million (restated) to \$(218.3) million in fiscal year 2018. Net position of the business-type activities showed an increase of \$78.9 million (5.5%) related to fiscal year 2018 activity, from \$1,431.3 million (restated) to \$1,510.2 million. Total change in expenses for the period were \$75.6 million, or 1.1% higher than fiscal year 2017 and total change in revenues were approximately \$300.8 million or 4.3% higher than fiscal year 2017.

Non-Current Liabilities: The State's total non-current liabilities decreased by \$694.0 million or 12.9% during the current fiscal year, on a restated basis, and is largely due to the decrease of \$69.5 million in the State's aggregate net pension liability as of June 30, 2018 for a total of \$1,012.9 million as compared to \$1,082.4 million as of June 30, 2017 and a decrease of \$616.7 million in the State's aggregate OPEB liability as of June 30, 2018 for a total of \$2,197.9 million as compared to \$2,814.6 million as of June 30, 2017, as restated. Reported non-current debt, including bonds and notes, decreased a net of \$10.3 million or 0.8%, as a result of payments on outstanding debt. In addition, the State issued \$70.8 million in new bonds during fiscal year 2018. The State issued an additional \$54.8 million of notes payable during fiscal year 2018, related to the Federal Transportation Infrastructure Finance and Innovation Act (TIFIA), as described in Footnote 5 of the Notes to the Basic Financial Statements.

Fund Highlights:

Governmental funds - Fund Balances: As of the close of fiscal year 2018, the State's governmental funds reported a combined balance of all funds of \$1,049.0 million, an increase of \$146.7 million over the prior year. Within the governmental funds, fund balances for the general fund, highway fund, education fund, and the combined non-major governmental funds increased by \$111.5 million, \$8.1 million, \$20.7 million and \$6.4 million, respectively. The increase in the general fund was driven by additional appropriations authorized in house bill 1817 in June 2018, which are classified as either assigned or restricted fund balance as of the end of fiscal year 2018. These include \$20 million for the state's red listed bridges and \$22 million for additional Medicaid program funding. In addition, fiscal year 2018 ended with an undesignated general fund balance of \$74.4 million as compared to \$0 million in the previous year. As of June 30, 2018, the \$110.0 million of the unassigned fund balance represents the Revenue Stabilization balance, as compared to \$100.0 million in fiscal year 2017. Lastly, the education trust fund, which typically operates in a budgetary deficit, ended with a fund balance of \$25.4 million as of June 30, 2018, due to the overall increase in unrestricted revenues deposited into the general and education trust funds.

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),
- 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 and 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 121 and 122.

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 information about the Trusted and Non-Trusted Other Post Employment Benefit Plans (OPEB), as required under GASB 75.

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

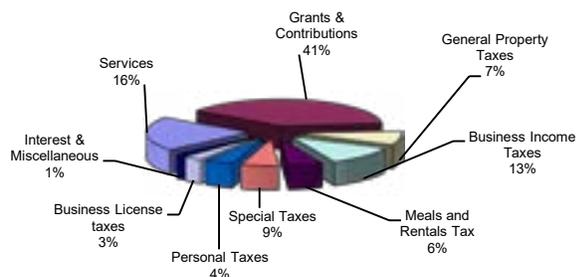
As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The State's combined net position (governmental and business-type activities) totaled \$1.3 billion as of June 30, 2018 which was \$275.8 million, or 27.1%, higher than the net position as of June 30, 2017, as restated.

Comparative Net Position as of June 30, 2018 and 2017						
(In Thousands)						
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current assets	\$1,478,944	\$1,607,159	\$820,751	\$761,019	\$2,299,695	\$2,368,178
Capital assets	3,152,031	3,045,111	969,005	952,949	4,121,036	3,998,060
Other assets	389,297	153,802	498,841	473,236	888,138	627,038
Total assets	<u>5,020,272</u>	<u>4,806,072</u>	<u>2,288,597</u>	<u>2,187,204</u>	<u>7,308,869</u>	<u>6,993,276</u>
Total deferred outflows of resources	267,098	290,981	16,517	17,292	283,615	308,273
Noncurrent liabilities	4,128,565	3,278,123	570,361	480,800	4,698,926	3,758,923
Current liabilities	733,301	767,889	185,966	141,629	919,267	909,518
Total liabilities	<u>4,861,866</u>	<u>4,046,012</u>	<u>756,327</u>	<u>622,429</u>	<u>5,618,193</u>	<u>4,668,441</u>
Total deferred inflows of resources	643,823	39,900	38,607	2,236	682,430	42,136
Net position:						
Net investment in capital assets	2,315,210	2,265,036	554,745	528,287	2,869,955	2,793,323
Restricted	687,731	429,246	1,054,707	1,018,208	1,742,438	1,447,454
Unrestricted	<u>(3,221,260)</u>	<u>(1,683,141)</u>	<u>(99,272)</u>	<u>33,336</u>	<u>(3,320,532)</u>	<u>(1,649,805)</u>
Total net position	<u><u>\$ (218,319)</u></u>	<u><u>\$ 1,011,141</u></u>	<u><u>\$ 1,510,180</u></u>	<u><u>\$ 1,579,831</u></u>	<u><u>\$ 1,291,861</u></u>	<u><u>\$ 2,590,972</u></u>

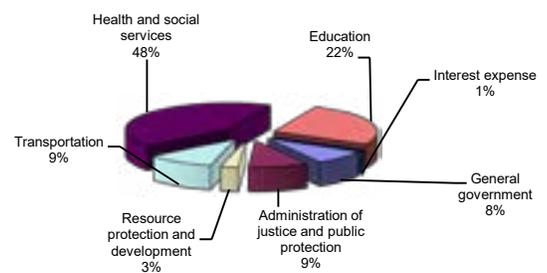
Comparative Changes in Net Position
For Fiscal Years Ended June 30, 2018 and 2017
(In Thousands)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues						
Program revenues:						
Charges for services	\$969,216	\$983,336	\$1,284,408	\$1,238,364	\$2,253,624	\$2,221,700
Operating grants & contributions	2,267,221	2,164,704	28,456	20,651	2,295,677	2,185,355
Capital grants & contributions	190,813	188,237	104	44	190,917	188,281
General revenues:						
General property taxes	409,085	403,212			409,085	403,212
Business income taxes	774,512	662,400			774,512	662,400
Meals and rentals tax	329,983	315,680			329,983	315,680
Special taxes	567,200	536,998			567,200	536,998
Personal taxes	211,319	218,833			211,319	218,833
Business license taxes	184,886	184,132			184,886	184,132
Interest	21,023	14,600			21,023	14,600
Miscellaneous	53,376	59,570			53,376	59,570
Total revenues	<u>5,978,634</u>	<u>5,731,702</u>	<u>1,312,968</u>	<u>1,259,059</u>	<u>7,291,602</u>	<u>6,990,761</u>
Expenses						
General government	487,323	482,357			487,323	482,357
Administration of justice and public protection	529,684	516,377			529,684	516,377
Resource protection and development	178,862	177,032			178,862	177,032
Transportation	569,332	558,500			569,332	558,500
Health and social services	2,883,850	2,843,514			2,883,850	2,843,514
Education	1,356,013	1,361,946			1,356,013	1,361,946
Interest expense	33,754	33,437			33,754	33,437
Turnpike System			97,530	99,475	97,530	99,475
Liquor Commission			554,195	549,260	554,195	549,260
Lottery Commission			250,510	228,168	250,510	228,168
SRF			17,244	15,457	17,244	15,457
Unemployment Compensation Trust Fund			57,529	74,631	57,529	74,631
Total expenses	<u>6,038,818</u>	<u>5,973,163</u>	<u>977,008</u>	<u>966,991</u>	<u>7,015,826</u>	<u>6,940,154</u>
Increase/ (decrease) in net position before transfers and other items	(60,184)	(241,461)	335,960	292,068	275,776	50,607
Transfers & other items	257,086	229,861	(257,086)	(229,861)		
Increase/ (decrease) in net position	<u>196,902</u>	<u>(11,600)</u>	<u>78,874</u>	<u>62,207</u>	<u>275,776</u>	<u>50,607</u>
Net position - July 1, restated	<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>
Cumulative effect of implementation of GASBS 37	(1,426,362)		(148,525)		(1,574,887)	
Net position - June 30	<u><u>\$(218,319)</u></u>	<u><u>\$1,011,141</u></u>	<u><u>\$1,510,180</u></u>	<u><u>\$1,579,831</u></u>	<u><u>\$1,291,861</u></u>	<u><u>\$2,590,972</u></u>

Governmental Activities - Revenues
Fiscal Year Ended June 30, 2018



Governmental Activities - Expenses
Fiscal Year Ended June 30, 2018



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 \$76.6 million from prior year. This increase was primarily the result of a net increase in capital assets of \$122.9 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, \$1,742.4 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 \$295.0 million from prior year primarily due to \$22 million in additional Medicaid program funding as well as \$24.8 million in additional public school infrastructure funding which was appropriated late in fiscal year 2018. An additional increase of \$230 million was due to reclassification in the Statement of Net Position of certain fund level restricted balances out of unrestricted net position.

Unrestricted Net Position: The deficit in the State's unrestricted net position is \$3,320.5 million which is a decrease of \$95.8 million from the deficit of \$3,224.7 million (as restated) from the previous year. As noted above, \$230 million was reclassified to restricted net position for June 30, 2018, and without this reclassification, the unrestricted deficit net position would have had a positive change from fiscal 2017 to 2018 of approximately \$135 million. The two largest components of the deficit are the net pension liability of \$1,012.9 million and the other post-employment benefit liability of \$2,197.9 million. Net with the increase in assets recognized during the year, non-current liabilities decreased, which positively impacted the deficit unrestricted net position. In addition, the deficit was positively impacted by increased government-wide revenues, as revenues exceeded expenses by \$275.8 million in 2018, as compared to \$50.6 million in 2017.

Changes in Net Position

The State's total net position increased by \$275.8 million, or 27.1%, from current fiscal year activities. Total revenues were \$7,291.6 million, an increase of \$300.8 million (4.3%) as compared to the prior year, and total reported expenses were \$ 7,015.8 million, an increase of \$75.6 million (1.1%) as compared to the prior year. The increase in revenues surpassed the increase in expenditures, contributing to a higher increase in net position as compared to the increase in fiscal year 2017.

More than half of the State's revenue (65.0%) 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 \$144.9 million and general revenues increased \$156.0 million over prior year. Program revenues were higher in fiscal year 2018 mainly as a result of additional federal grant funding in the areas of Administration of Justice and Public Protection, Transportation and Health and Social Services. General revenues were higher in fiscal year 2018 directly attributable to business taxes coming in significantly higher than anticipated.

The State's expenses cover a range of services. The largest expenses were for Health and Social Services and Education, which accounted for 48% and 22% of total expenses, respectively. Increases in the State's Health and Social Services expenses are discussed below.

Analysis of Changes in Revenues and Expenses For Fiscal Year Ending June 30, 2018 Compared to 2017 (\$ In Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	\$Change	% Change	\$Change	% Change	\$Change	% Change
Revenues						
Program revenues:						
Charges for services	(14.1)	-1.4%	46.0	3.7%	31.9	1.4%
Operating grants & contributions	102.5	4.7%	7.8	37.8%	110.3	5.0%
Capital grants & contributions	2.6	1.4%			2.6	1.4%
General revenues:						
General property taxes	5.9	1.5%			5.9	1.5%
Business income taxes	112.1	16.9%			112.1	16.9%
Meals and rental taxes	14.3	4.5%			14.3	4.5%
Special taxes	30.2	5.6%			30.2	5.6%
Personal taxes	(7.5)	-3.4%			(7.5)	-3.4%
Business license taxes	0.8	0.4%			0.8	0.4%
Interest	6.4	44.0%			6.4	44.0%
Miscellaneous	(6.2)	-10.4%			(6.2)	-10.4%
Total revenues	247.0	4.3%	53.8	4.3%	300.8	4.3%
Expenses						
General government	5.0	1.0%			5.0	1.0%
Administration of justice and public protection	13.3	2.6%			13.3	2.6%
Resource protection and development	1.8	1.0%			1.8	1.0%
Transportation	10.8	1.9%			10.8	1.9%
Health and social services	40.3	1.4%			40.3	1.4%
Education	(5.9)	-0.4%			(5.9)	-0.4%
Interest expense	0.3	0.9%			0.3	0.9%
Turnpike System			(1.9)	-2.0%	(1.9)	-2.0%
Liquor Commission			4.9	0.9%	4.9	0.9%
Lottery Commission			22.3	9.8%	22.3	9.8%
SRF			1.8	11.6%	1.8	11.6%
Unemployment Compensation Trust Fund			(17.1)	-22.9%	(17.1)	-22.9%
Total expenses	65.6	1.1%	10.0	1.0%	75.6	1.1%

Governmental Activities

Governmental activities decreased the State's net position by \$60.2 million, before transfers and other items. Revenues increased by \$247.0 million or 4.3% from the prior year to total \$6.0 billion. Total program revenue, consisting of charges for goods and services, and federal and local grants, increased \$91.0 million or 2.7%, while taxes and other revenues increased \$156.0 million, or 6.5%. Reported expenses increased \$65.6 million or 1.1%. The rise in program revenues was driven largely by an increase in federal grants, with the largest increase relating to federal funding for Medicaid programs, transportation infrastructure and National Guard projects. The increase in general revenues was driven by the significant increase in business tax collections in fiscal year 2018 as compared to 2017, which was a combined result of improved economic conditions within the State, the impact of a statutory reduction of business tax rates and the impact of anomalies in tax payments as a result of the 2017 federal tax reform. 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 \$336.0 million prior to transfers. Business-Type activities include the operations from the Liquor Commission, Lottery Commission, SRF Fund, Unemployment Compensation Fund, and Turnpike Fund. Operations of the Liquor Commission generated net income before transfers of \$156.0 million, an increase of \$2.1 million (1.4%) from the prior year. Transfers from the Liquor Commission to the General Fund unrestricted revenue totaled \$149.2 million for fiscal year 2018, as compared to \$150.4 million in fiscal year 2017, and were used to fund the general operations of the State. Also in fiscal year 2018, \$6.8 million in liquor profits were transferred to the State's Alcohol Abuse Prevention and Treatment fund. The Lottery Commission net income before transfers of \$87.4 million was an increase of \$11.2 million (14.7%) as compared to the prior year. The increase in net income at the Lottery Commission was attributable to higher sales, largely due to big game jackpots, as well as Keno revenue. Additionally, the Turnpike System generated net income before transfers of \$42.0 million, up slightly from \$37.8 million in the prior year, as a result of a general decrease in operating expenses. The operations of the Unemployment Compensation fund yielded an increase in net position of \$10.5 million, which is up from an increase of \$5.5 million in the prior year, due to a reduction in benefit payments. The operations of the State Revolving Fund yielded an increase in net position of \$26.3 million, up from \$18.7 million in the prior year, due to additional federal grant revenue.

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 \$146.7 million in fiscal year 2018. A deficiency of revenues under expenditures of \$244.5 million was funded by \$390.4 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, 2018 is \$864.4 million, which was an increase of \$111.5 over the prior year balance of \$752.9 million. Revenues in the general fund were \$4,396.7 million, \$189.5 million (4.5%) higher than the prior year, with the increase largely in special taxes, as a result of high business tax collections, and federal grants received during fiscal year 2018. Expenditures increased by \$183.7 million (4.3%) to \$4,462.8 million, which was primarily the result of the increase in Health and Social Services expenditures. Both revenue and expenditures were higher during fiscal year 2018 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 lower, from \$67.7 million in fiscal year 2017 to \$0 in fiscal year 2018. As a result of increased revenues in the general and education trust funds, the education trust fund did not have a deficit and did not require a transfer from the general fund, thus contributing to the increase in fund balance in fiscal year 2018 for both funds.

The June 30, 2018 general fund unassigned fund balance was comprised of an undesignated balance of \$74.4 million and the Rainy Day fund amount of \$110.0 million, an overall increase of \$84.4 million from the prior year (the Rainy Day fund balance as of June 30, 2017 was \$100.0 million). Unrestricted revenues in fiscal year 2018 were higher than the planned amount by \$133.3 million and were offset by additional 2018 appropriations approved as part of a legislative effort to use some surplus funds to fund deferred infrastructure projects, resulting in a net increase of \$74.4 million in undesignated surplus. In addition, legislation authorized an additional \$10.0 million of surplus revenues to be transferred to the Rainy Day fund, bringing the balance to \$110.0 million of June 30, 2018.

Education Fund

As noted, the education trust fund did not have a deficit balance as of June 30, 2018, but ended with surplus revenues which, per statute, remain in the fund and are classified as assigned fund balance. The remaining fund balance within the education trust fund primarily represents the remaining fiscal year 2018 appropriations available for Charter Schools.

Highway Fund

The highway fund ended the year with a restricted fund balance of \$122.7 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, 2018 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 increased \$8.1 million during fiscal year 2018 due to increased revenues and higher lapsed expenditures as compared to the budgeted amounts, offset by additional appropriations for winter maintenance needs.

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 106.

General Fund:

The net increase from the original budget of \$4,855.2 million to the final budget of \$5,458.3 million is \$603.1 million and represents additional appropriations issued after adoption of the operating budget, primarily in the following categories of government: Health & Social Services (\$424.1 million), Justice & Public Protection (\$64.6 million) and Resource Protection and Development (\$47.2 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, as well as drinking and groundwater programs funded through additional revenue sources.

Actual total revenue was less than the final budget by approximately \$711.6 million which was primarily the result of lower federal grant revenues. The federal grant revenue unfavorable variance of \$462.2 million was due primarily to the timing of program expenditures. Total actual expenditures were approximately \$980.7 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 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, 2018, amounted to \$7.6 billion, with accumulated depreciation amounts of \$3.5 billion, leaving a net book value of \$4.1 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, consistent with the prior year.

The 2018-2019 capital budget authorized nearly \$262 million in capital appropriations, leveraging approximately \$201 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 2018 include:

- 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), previously capitalized as construction in progress.
- Building improvements of approximately \$6.2 million relating to National Guard armory locations.
- Departments of Safety and Transportation equipment expenditures totaling \$11.1 million towards communications, transportation and other operational improvements.
- 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 \$1,267.1 million, which includes \$15.7 million of general obligation bonds related to a component unit. Of the total amount, \$785.3 million are general obligation bonds and notes payable, which are backed by the full faith and credit of the State, and \$118.7 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 13, 2017, the State issued \$4.3 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 \$66.5 million General Obligation Capital Improvement Bonds 2017 Series B on December 6, 2017, of which \$57.1 million was for governmental activities and \$9.4 million was for Liquor projects, through a competitive sale and resulted in 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 12/31/37. The proceeds of these bonds will be used to fund all or part of various capital projects of the State.

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 2018. Total proceeds attributed to fiscal year 2018 expenditures were \$54.8 million, representing an addition to the 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 2018 unemployment rate of 2.6% (seasonally adjusted) continues to be below the national average of 3.7%.

Fiscal Year 2019 Revenue Performance for the five months ended November 30, 2018:

Unrestricted revenue for the General and Education Funds received year to date through the month of November totaled \$760.1 million, which was above plan by \$57.3 million (8.2%) and above prior year by \$51.0 million (7.2%).

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

- Business Taxes totaled \$233.4 million through November, which was \$63.8 million (37.6%) above plan and \$43.9 million (23.2%) above prior year.
- Meals and Rentals Tax receipts through November were \$1.2 million (0.7%) above plan and \$8.4 million (5.3%) above prior year.
- Real Estate Transfer Taxes through November were \$1.5 million (1.9%) below plan but \$6.0 million (8.4%) above prior year.
- Collections for the Interest and Dividends Tax through November of \$21.2 million were \$1.7 million (8.7%) above plan and \$1.0 million (5.0%) above prior year.

The positive variances above were partially offset by:

- Tobacco Tax receipts through November of \$90.1 million were \$4.1 million (4.4%) below plan and \$7.4 million (7.6%) below prior year.
- Transfers from the Liquor Commission were lower than plan due to lower profits and additional funds transferred to the state's Alcohol Abuse Prevention and Treatment fund.

On an annual basis, the fiscal year 2019 General and Education Funds revenue Plan of \$2,471.7 million is approximately \$105.5 million lower (4%) than the actual traditional revenue realized in fiscal year 2018 (\$2,577.2 million), due to the anomalies experienced in business tax collections in fiscal year 2018.

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, 2018
(Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$338,049	\$120,701	\$458,750	\$92,160
Cash and Cash Equivalents-Restricted	334,514	474,491	809,005	23,552
Investments				160,809
Investments - Restricted		78,108	78,108	
Receivables (Net of Allowances for Uncollectibles)	737,666	23,226	760,892	43,002
Other Receivables-Restricted		43,861	43,861	
Internal Balances Receivable (Payable)	10,691	(10,691)		
Inventories	24,709	85,555	110,264	
Other Current Assets	33,315	73	33,388	10,107
Other Current Assets-Restricted		5,427	5,427	
Total Current Assets	1,478,944	820,751	2,299,695	329,630
Noncurrent Assets:				
Receivables (Net of Allowances for Uncollectibles)	13,712		13,712	43,453
Other Receivables-Restricted		419,037	419,037	
Investments	26,473		26,473	803,615
Investments-Restricted	349,112	75,614	424,726	
Other Assets				10,970
Other Assets-Restricted		4,190	4,190	
Capital Assets:				
Land & Land Improvements	680,631	106,463	787,094	30,788
Buildings & Building Improvements	935,377	55,865	991,242	2,141,508
Equipment & Computer Software	457,767	83,289	541,056	172,282
Construction in Progress	237,177	69,325	306,502	46,080
Infrastructure	3,854,870	1,094,637	4,949,507	
Less: Allowance for Depreciation	(3,013,791)	(440,574)	(3,454,365)	(1,084,557)
Net Capital Assets	3,152,031	969,005	4,121,036	1,306,101
Total Noncurrent Assets	3,541,328	1,467,846	5,009,174	2,164,139
Total Assets	5,020,272	2,288,597	7,308,869	2,493,769
DEFERRED OUTFLOWS OF RESOURCES	267,098	16,517	283,615	49,366

STATE OF NEW HAMPSHIRE
STATEMENT OF NET POSITION
JUNE 30, 2018
(Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$422,781	\$106,020	\$528,801	\$65,220
Accrued Payroll	48,263	3,683	51,946	6,961
Unearned Revenue	88,356	19,849	108,205	42,665
Unclaimed Property & Prizes	15,864	5,775	21,639	
General Obligation Bonds Payable	88,399	4,185	92,584	
Federal Highway Grant Anticipation Bond Payable	13,620		13,620	
Claims & Compensated Absences Payable	37,984	1,115	39,099	6,952
Other Liabilities	18,034	18,229	36,263	12,808
Revenue Bonds Payable		27,110	27,110	25,327
Total Current Liabilities	733,301	185,966	919,267	159,933
Noncurrent Liabilities:				
General Obligation Bonds Payable, Net	719,629	38,759	758,388	
Federal Highway Grant Anticipation Bond Payable	109,287		109,287	
Revenue Bonds Payable, Net		353,432	353,432	465,219
Notes Payable	102,757		102,757	
Claims & Compensated Absences Payable	99,697	7,264	106,961	25,736
Other Postemployment Benefits Payable	2,080,640	117,223	2,197,863	208,746
Derivative Instruments - Interest Rate Swaps				18,294
Net Pension Liability	963,114	49,813	1,012,927	67,938
Other Noncurrent Liabilities	53,441	3,870	57,311	66,298
Total Noncurrent Liabilities	4,128,565	570,361	4,698,926	852,231
Total Liabilities	4,861,866	756,327	5,618,193	1,012,164
DEFERRED INFLOWS OF RESOURCES				
	643,823	38,607	682,430	56,501
NET POSITION (DEFICIT)				
Net Investment in Capital Assets	2,315,210	554,745	2,869,955	828,709
Restricted for Debt Repayments		62,465	62,465	
Restricted for Uninsured Risks		3,523	3,523	
Restricted for Unemployment Benefits	14,376	310,831	325,207	
Restricted for Permanent Funds-Expendable	12,877		12,877	
Restricted for Permanent Funds-Non-Expendable	12,606		12,606	
Restricted for Prize Awards - MUSL & Tri-State		4,189	4,189	
Restricted for Environmental Remediation	334,112		334,112	
Restricted for Environmental Loan Programs	1,584	673,376	674,960	
Restricted for Health and Social Services	81,758		81,758	
Restricted for Facility Sustainment		323	323	
Restricted for Highway	122,677		122,677	
Restricted for Other Purposes	107,741		107,741	
Restricted Component Unit Net Position				537,192
Unrestricted Net Position (Deficit)	(3,221,260)	(99,272)	(3,320,532)	108,569
Total Net Position (Deficit)	\$(218,319)	\$1,510,180	\$1,291,861	\$1,474,470

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

32 • NEW HAMPSHIRE
STATE OF NEW HAMPSHIRE
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Expressed in Thousands)

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
PRIMARY GOVERNMENT				
Governmental Activities:				
General Government	\$487,323	\$292,437	\$35,722	
Administration of Justice & Public Protection	529,684	377,270	92,157	\$16
Resource Protection and Development	178,862	100,984	44,465	
Transportation	569,332	18,950	11,945	190,797
Health and Social Services	2,883,850	178,117	1,896,120	
Education	1,356,013	1,458	186,812	
Interest Expense	33,754			
Total Governmental Activities	<u>6,038,818</u>	<u>969,216</u>	<u>2,267,221</u>	<u>190,813</u>
Business-type Activities:				
Turnpike System	97,530	139,474		104
Liquor Commission	554,195	710,214		
Lottery Commission	250,510	337,896		
SRF	17,244	15,038	28,456	
Unemployment Compensation	57,529	81,786		
Total Business-type Activities	<u>977,008</u>	<u>1,284,408</u>	<u>28,456</u>	<u>104</u>
Total Primary Government	<u>7,015,826</u>	<u>2,253,624</u>	<u>2,295,677</u>	<u>190,917</u>
COMPONENT UNITS				
University System of New Hampshire	843,618	571,138	167,404	1,862
Non-Major Component Units	158,861	73,357	36,479	7,320
Total Component Units	<u>\$1,002,479</u>	<u>\$644,495</u>	<u>\$203,883</u>	<u>\$9,182</u>

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 (Deficit) - July 1, restated

Net Position (Deficit) - June 30

Net (Expenses) Revenues and Changes in Net Position

Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
\$ (159,164)		\$ (159,164)	
(60,241)		(60,241)	
(33,413)		(33,413)	
(347,640)		(347,640)	
(809,613)		(809,613)	
(1,167,743)		(1,167,743)	
(33,754)		(33,754)	
(2,611,568)		(2,611,568)	
	\$42,048	42,048	
	156,019	156,019	
	87,386	87,386	
	26,250	26,250	
	24,257	24,257	
	335,960	335,960	
(2,611,568)	335,960	(2,275,608)	
			\$ (103,214)
			(41,705)
			\$ (144,919)
409,085		409,085	
774,512		774,512	
329,983		329,983	
567,200		567,200	
211,319		211,319	
184,886		184,886	
21,023		21,023	79,592
53,376		53,376	
			130,475
257,086	(257,086)		
2,808,470	(257,086)	2,551,384	210,067
196,902	78,874	275,776	65,148
(415,221)	1,431,306	1,016,085	1,409,322
\$ (218,319)	\$ 1,510,180	\$ 1,291,861	\$ 1,474,470

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 federal emergency 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, 2018
(Expressed in Thousands)

	General	Highway	Education	Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>					
Cash and Cash Equivalents	\$488,070	\$119,117	\$5,553	\$11,226	\$623,966
Investments	350,456			25,129	375,585
Receivables (Net of Allowances for Uncollectibles)	567,295	65,181	86,899	5,757	725,132
Due from Other Funds	29,983	319	1,284	6,781	38,367
Other Assets	33,060				33,060
Inventories	4,729	19,345		635	24,709
Loan Receivables	13,728				13,728
Total Assets	1,487,321	203,962	93,736	49,528	1,834,547
<u>LIABILITIES</u>					
Accounts Payable	367,672	34,028	2,492	18,370	422,562
Accrued Payroll	38,488	8,830		945	48,263
Due to Other Funds	522	169		26,985	27,676
Unearned Revenue	84,668	3,688			88,356
Unclaimed Property	15,864				15,864
Other Liabilities	1,033				1,033
Total Liabilities	508,247	46,715	2,492	46,300	603,754
<u>DEFERRED INFLOWS OF RESOURCES</u>					
	114,686	1,325	65,800		181,811
<u>FUND BALANCES</u>					
Nonspendable:					
Inventories	4,729	19,345		635	24,709
Permanent Fund Principal				12,606	12,606
Restricted	547,274	122,677		17,780	687,731
Committed	28,157			2,885	31,042
Assigned	99,833	13,900	25,444	1,962	141,139
Unassigned:					
Revenue Stabilization	110,000				110,000
Other	74,395			(32,640)	41,755
Total Fund Balances	864,388	155,922	25,444	3,228	1,048,982
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$1,487,321	\$203,962	\$93,736	\$49,528	\$1,834,547

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

**STATE OF NEW HAMPSHIRE
RECONCILIATION OF THE BALANCE SHEET-
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2018
(Expressed in Thousands)**

Total Fund Balances for Governmental Funds \$1,048,982

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. 3,152,031

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. 181,811

Revenues that will be collected after year-end and are not available 255

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. 41,401

Net deferred outflows of resources related to deferred losses on refunding of bonds payable are not reported in the funds. 13,264

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

Compensated Absences, Workers' Compensation	(118,186)	
Net Pension Liability, net of Deferred Amounts	(816,886)	
Other Postemployment Benefits Payable, net of Deferred Amounts	(2,616,857)	
Pollution Remediation Obligation	(49,961)	
Capital Lease Obligations	(9,444)	
Bonds and Notes Payable	(1,033,692)	
Advance Construction Commitments to Municipalities	(275)	
Interest Payable and Other Liabilities	<u>(10,762)</u>	<u>(4,656,063)</u>

Net Position of Governmental Activities \$ (218,319)

STATE OF NEW HAMPSHIRE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Expressed in Thousands)

	General	Highway	Education	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
General Property Taxes	\$273		\$408,312		\$408,585
Special Taxes	1,320,269		358,826		1,679,095
Personal Taxes	124,443		87,077		211,520
Business License Taxes	24,475	\$184,886			209,361
Non-Business License Taxes	114,629	90,460		\$10,350	215,439
Fees	156,955	23,582		6,452	186,989
Fines, Penalties and Interest	7,085	6,108	3	105	13,301
Grants from Federal Government	2,070,807	175,492		50,278	2,296,577
Grants from Private and Local Sources	177,441	4,169		812	182,422
Rents and Leases	1,368	92			1,460
Interest, Premiums and Discounts	26,770			623	27,393
Sale of Commodities	14,881	2,686		392	17,959
Sale of Service	23,740	4,114			27,854
Assessments	63,092				63,092
Grants from Other Agencies	56,191	14,756		95	71,042
Miscellaneous	214,247	5,272	39,999	3,205	262,723
Total Revenues	4,396,666	511,617	894,217	72,312	5,874,812
EXPENDITURES					
Current:					
General Government	375,556		1,243		376,799
Administration of Justice and Public Protection	468,056	62,202		109	530,367
Resource Protection and Development	137,331	1,881		23,172	162,384
Transportation	40,414	329,227			369,641
Health and Social Services	2,906,735			377	2,907,112
Education	400,155		959,566		1,359,721
Debt Service	106,089	33,706		387	140,182
Capital Outlay	28,479	129,484		115,157	273,120
Total Expenditures	4,462,815	556,500	960,809	139,202	6,119,326
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	(66,149)	(44,883)	(66,592)	(66,890)	(244,514)
OTHER FINANCING SOURCES (USES)					
Transfers In	4,511			1,881	6,392
Transfers in from Enterprise Funds	169,807		87,279		257,086
Transfers Out		(2,842)		(3,550)	(6,392)
Capital Lease Acquisition	3,776				3,776
Miscellaneous	(79)			4,084	4,005
Bond Premiums				9,282	9,282
Note Issuance		54,768		61,478	116,246
Total Other Financing Sources	178,015	51,926	87,279	73,175	390,395
Net Change in Fund Balances	111,866	7,043	20,687	6,285	145,881
Fund Balances (Deficits)- July 1	752,915	147,792	4,757	(3,184)	902,280
Change in Inventory	(393)	1,087		127	821
Fund Balances - June 30	\$864,388	\$155,922	\$25,444	\$3,228	\$1,048,982

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, 2018
(Expressed in Thousands)**

Net Change in Fund Balances for Total Governmental Funds, including Change in Inventory \$146,702

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 (8,788)

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	3,854	
Buildings & Building Improvements	59,912	
Equipment & Computer Software	27,708	
Construction in Progress	5,540	
Infrastructure	98,060	
Accumulated Depreciation, Net of Disposals	<u>(88,154)</u>	106,920

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. 6,892

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	(54,768)	
Bond Proceeds and Premiums Received	(70,760)	
Repayment of Bond/Note Principal & Interest	96,724	
Amortization of Premiums	10,518	
Unamortized Loss on Refunding, net	(1,611)	
Accrued Interest	<u>797</u>	(19,100)

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	(1,280)	
Other Postemployment Benefits Payable, net of Deferred Amounts	(9,998)	
Net Pension Liability, net of Deferred Amounts	(23,318)	
Pollution Remediation Obligation	1,501	
Capital Lease Obligation	(2,916)	
Advance Construction Commitments to Municipalities	<u>287</u>	(35,724)

Change in Net Position of Governmental Activities \$196,902

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, 172 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 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, 2018
(Expressed in Thousands)

	Business-Type Activities - Enterprise Funds					Total	Governmental Activities Internal Service Fund
	Turnpike System	Liquor Commission	Lottery Commission	Revolving Fund	Unemployment Compensation		
ASSETS							
Current Assets:							
Cash and Cash Equivalents	\$101,174	\$13,808	\$5,719			\$120,701	\$48,597
Cash and Cash Equivalents-Restricted	62,788		116	\$102,316	\$309,271	474,491	
Investments - Restricted	3,523			74,585		78,108	
Receivables (Net of Allowances for Uncollectibles)	12,177	7,123	3,926			23,226	12,518
Other Receivables-Restricted				26,913	16,948	43,861	
Due from Other Funds	451	367	419			1,237	
Inventories	2,597	81,982	976			85,555	
Other Current Assets	73					73	
Other Current Assets-Restricted				5,427		5,427	
Total Current Assets	182,783	103,280	11,156	209,241	326,219	832,679	61,115
Noncurrent Assets:							
Investments - Restricted				75,614		75,614	
Other Receivables-Restricted				419,037		419,037	
Capital Assets:							
Land & Land Improvements	103,772	2,691				106,463	
Buildings & Building Improvements	14,773	41,092				55,865	
Equipment & Computer Software	63,938	18,707	644			83,289	
Construction in Progress	63,398	5,927				69,325	
Infrastructure	1,094,637					1,094,637	
Less: Allowance for Depreciation & Amortization	(417,266)	(22,736)	(572)			(440,574)	
Net Capital Assets	923,252	45,681	72			969,005	
Other Assets - Restricted				4,190		4,190	
Total Noncurrent Assets	923,252	45,681	4,262	494,651		1,467,846	
Total Assets	1,106,035	148,961	15,418	703,892	326,219	2,300,525	61,115
DEFERRED OUTFLOWS OF RESOURCES	5,991	7,343	1,343	1,840		16,517	
LIABILITIES							
Current Liabilities:							
Accounts Payable	11,521	91,044	2,066	1,389		106,020	219
Accrued Payroll	882	2,113	316	372		3,683	
Due to Other Funds	319	7,327	1,284		2,998	11,928	
Unearned Revenue	16,157	2,708	984			19,849	
Unclaimed Prizes			5,775			5,775	
General Obligation Bonds Payable		2,107		2,078		4,185	
Revenue Bonds Payable-Current	27,110					27,110	
Accrued Interest Payable	4,930	133				5,063	
Claims & Compensated Absences Payable	374	531	76	134		1,115	19,495
Other Liabilities	575	71	117	13	12,390	13,166	
Total Current Liabilities	61,868	106,034	10,618	3,986	15,388	197,894	19,714
Noncurrent Liabilities:							
General Obligation Bonds Payable		25,455		13,304		38,759	
Revenue Bonds Payable	353,432					353,432	
Claims & Compensated Absences Payable	2,324	3,649	397	894		7,264	
Other Postemployment Benefits Payable	32,186	62,905	16,144	5,988		117,223	
Net Pension Liabilities	13,875	25,425	4,402	6,111		49,813	
Other Noncurrent Liabilities	3,687	183				3,870	
Total Noncurrent Liabilities	405,504	117,617	20,943	26,297		570,361	
Total Liabilities	467,372	223,651	31,561	30,283	15,388	768,255	19,714
DEFERRED INFLOWS OF RESOURCES	10,306	20,957	5,271	2,073		38,607	
NET POSITION							
Net Investment in Capital Assets	543,590	11,083	72			554,745	
Restricted for Debt Repayments	62,465					62,465	
Restricted for Uninsured Risks	3,523					3,523	
Restricted for Prize Awards - MUSL & Tri-State			4,189			4,189	
Restricted for Environmental Loans				666,203		666,203	
Restricted for SRF Programs				7,173		7,173	
Restricted for Facility Sustainment	323					323	
Restricted for Unemployment Benefits					310,831	310,831	
Unrestricted Net Position (Deficit)	24,447	(99,387)	(24,332)			(99,272)	41,401
Total Net Position (Deficit)	\$634,348	\$(88,304)	\$(20,071)	\$673,376	\$310,831	\$1,510,180	\$41,401

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, 2018
(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		
OPERATING REVENUES							
Charges for Sales and Services		\$691,854	\$337,793	\$10,117	\$75,058	\$1,114,822	\$298,361
Toll Revenue Pledged for Repaying Revenue Bonds	\$134,839					134,839	
Total Operating Revenue	134,839	691,854	337,793	10,117	75,058	1,249,661	298,361
OPERATING EXPENSES							
Cost of Sales and Services		491,098				491,098	
Lottery Prize Awards			240,011			240,011	
Unemployment Insurance Benefits					57,529	57,529	
Principal Forgiveness Insurance Claims				6,939		6,939	279,900
Administration	56,801	58,995	10,426	9,687		135,909	11,569
Depreciation	26,628	3,058	73			29,759	
Total Operating Expenses	83,429	553,151	250,510	16,626	57,529	961,245	291,469
Operating Income (Loss)	51,410	138,703	87,283	(6,509)	17,529	288,416	6,892
NONOPERATING REVENUES (EXPENSES)							
Licenses		4,286				4,286	
Beer Taxes		12,828				12,828	
Investment Income	1,080		103	3,501	6,728	11,412	
Miscellaneous	3,555	1,246		1,420		6,221	
Federal Grant Revenue				28,456		28,456	
Interest on Bonds	(14,101)	(1,044)		(618)		(15,763)	
Total Nonoperating Revenues (Expenses)	(9,466)	17,316	103	32,759	6,728	47,440	
Income Before Capital Grant Contributions	41,944	156,019	87,386	26,250	24,257	335,856	6,892
Capital Contributions and Grants	104					104	
Income Before Transfers	42,048	156,019	87,386	26,250	24,257	335,960	6,892
Transfers To Governmental Funds		(156,002)	(87,279)		(13,805)	(257,086)	
Change in Net Position	42,048	17	107	26,250	10,452	78,874	6,892
Net Position (Deficit)- July 1 - restated	592,300	(88,321)	(20,178)	647,126	300,379	1,431,306	34,509
Net Position (Deficit) - June 30	\$634,348	\$(88,304)	\$(20,071)	\$673,376	\$310,831	\$1,510,180	\$41,401

**STATE OF NEW HAMPSHIRE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(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		
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from Federal and Local Agencies				\$3,758	\$776	\$4,534	
Receipts from Customers	\$133,882	\$691,425	\$517,578		73,901	1,416,786	\$61,897
Receipts from Borrowers				51,015		51,015	
Interest from Borrowers				6,220		6,220	
Receipts from Supplier Rebate		75,343				75,343	
Receipts from Interfund Charges							236,276
Payments to Borrowers				(81,281)		(81,281)	
Payments to Employees	(15,840)	(30,783)	(5,201)			(51,824)	
Payments to Suppliers	(36,743)	(562,968)	(11,425)	(7,968)		(619,104)	(12,533)
Payments to Prize Winners			(415,604)			(415,604)	
Payments for Insurance Claims					(57,130)	(57,130)	(284,270)
Payments for Interfund Services		(6,779)		(851)		(7,630)	
Net Cash Provided by (Used for) Operating Activities	81,299	166,238	85,348	(29,107)	17,547	321,325	1,370
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfers to Other Funds		(149,202)	(85,910)		(13,805)	(248,917)	
Receipts from Federal Agencies				27,927		27,927	
Other Contributions				1,420		1,420	
Temporary Loan from Other State Funds		(10,559)				(10,559)	
Interest Paid on Bonds				(618)		(618)	
Principal Paid on Bonds				(2,832)		(2,832)	
Net Proceeds from Issuance of Bonds							
Transfer: Alcohol Abuse Prevention/Treatment Fund		(6,800)				(6,800)	
Proceeds from Collection of Licenses and Beer Tax		17,115				17,115	
Other Income		1,246				1,246	
Net Cash Provided by (Used for) Noncapital and Related Financing Activities		(148,200)	(85,910)	25,897	(13,805)	(222,018)	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Acquisition, Disposal, Sale and Construction of Capital Assets	(34,507)	(11,052)				(45,559)	
Interest Paid on Bonds	(19,607)	(1,044)				(20,651)	
Principal Paid on Bonds	(17,890)	(1,541)				(19,431)	
Net Proceeds from Issuance of Bonds		9,407				9,407	
Payments for Underwriter Discount/Premium	(44)					(44)	
Receipts from Others	5,161					5,161	
Contributions from Other Funds							-
Net Cash Provided by (Used for) Capital and Related Financing Activities	(66,887)	(4,230)				(71,117)	
CASH FLOWS FROM INVESTING ACTIVITIES							
Investment Proceeds	54,000					54,000	
Purchase of Investment	(39,760)			(915)		(40,675)	
Other Income	1,168		61	3,267	6,728	11,224	
Net Cash Provided by (Used for) Investing Activities	15,408		61	2,352	6,728	24,549	
Net Increase in Cash & Cash Equivalents	29,820	13,808	(501)	(858)	10,470	52,739	1,370
Cash and Cash Equivalents - July 1	134,142		6,336	103,174	298,801	542,453	47,227
Cash and Cash Equivalents - June 30	\$163,962	\$13,808	\$5,835	\$102,316	\$309,271	\$595,192	\$48,597

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, 2018
(Expressed in Thousands)**

	Business-Type Activities - Enterprise Funds						Governmental Activities Internal Service Fund
	Turnpike System	Liquor Commission	Lottery Commission	State		Total	
				Revolving Fund	Unemployment Compensation		
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:							
Operating Income (Loss)	\$51,410	\$138,703	\$87,283	\$(6,509)	\$17,529	\$288,416	\$6,892
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:							
Depreciation	26,628	3,058	73			29,759	
Principal Repayments				51,015		51,015	
Loan Advances to Borrowers				(81,281)		(81,281)	
Capitalized Loan Interest				(74)		(74)	
Principal Forgiveness				6,939		6,939	
Miscellaneous Income/(Expense)	278			244		522	
Change in Receivables/Loans	(4,708)	(693)	(1,420)	(53)	373	(6,501)	(188)
Change in Inventories	(317)	(6,566)	266			(6,617)	
Change in Other Current Assets			1			1	
Change in Restricted Deposits-MUSL			(107)			(107)	
Change in Accounts Payable and Other Accruals	3,610	30,767	96	169	(355)	34,287	(892)
Change in Claims Payable			(861)	150		(711)	(4,442)
Change in Unearned Revenue	3,186	80	(116)			3,150	
Change in Other Postemployment Benefits Payable	1,212	189	69	293		1,763	
Change in Net Pension Liability, Net of Deferred Amounts		700	64			764	
Net Cash Provided by (Used In) Operating Activities	\$81,299	\$166,238	\$85,348	\$(29,107)	\$17,547	\$321,325	\$1,370

Turnpike Non-Cash Capital and Related Financing Activities:

Capital Contributions \$104

SRF Non-Cash Investing Activities:

Principal Forgiveness \$6,939

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 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, 2018
(Expressed in Thousands)

	Pension Trust Funds	Private Purpose Trust Funds	Investment Trust Fund	Agency Funds
ASSETS				
Cash and Cash Equivalents	\$292,127	\$11,872	\$8,196	\$11,350
Receivables:				
Due from Employers	51,055			
Due from Plan Members	22,546			
Due from Brokers for Securities Sold	22,573			
Interest and Dividends	17,268		457	
Other	4,509			
Total Receivables	117,951		457	
Investments:				
Cash & Cash Equivalents				
Certificates of Deposit			101,039	
Repurchase Agreements			26,169	
U.S. Government Obligations			13,581	
Equity Investments	4,272,465			
Fixed Income Investments	1,843,519			
Commercial Real Estate	805,153			
Commercial Paper			34,426	
Alternative Investments	1,638,913			
Other Investments		3,402		2,113
Total Investments	8,560,050	3,402	175,215	2,113
Other Assets	141			
Total Assets	8,970,269	15,274	183,868	13,463
LIABILITIES				
Management Fees and Other Payables	10,005	3,801	82	
Due to Brokers for Securities Purchased	28,158			
Custodial Funds Payable				13,463
Total Liabilities	38,163	3,801	82	13,463
NET POSITION				
Net Position Restricted for Pension and Other Postemployment Benefits (OPEB)	8,932,106			
Net Position Held in Trust for Benefits & Other Purposes		11,473	183,786	
RECONCILIATION OF NET POSITION HELD IN TRUST:				
Employees' Pension Benefits	8,894,798			
Employees' Postemployment Healthcare Benefits	37,308			
Net Position for Pool Participants in External Investment Pool			183,786	
Other Purposes		11,473		
Net Position Restricted for Pension and Other Postemployment Benefits (OPEB)	\$8,932,106			
Net Position Held in Trust for Benefits & Other Purposes		\$11,473	\$183,786	

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

**STATE OF NEW HAMPSHIRE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Expressed in Thousands)**

	Pension Trust Funds	Private Purpose Trust Funds	Investment Trust Fund
<u>ADDITIONS</u>			
Contributions:			
Employers	\$473,199		
Plan Members	218,317		
Participants		\$42,147	\$237,894
Total Contributions	691,516	42,147	237,894
Investment Income:			
From Investing Activities:			
Net Appreciation in Fair Value of Investments	566,353		
Interest Income	55,469	177	3,088
Dividends	73,895		
Alternative Investment Income	29,995		
Other	30,984	112	2
Gross Income from Investing Activities	756,696	289	3,090
Less Investment Activity Expenses:			
Investment Management Fees	26,622		596
Custodial Fees	676		
Investment Administrative Expense	645		
Investment Advisor Fees	750		
Investment Professional Fees	288		
Total Investment Activity Expenses	28,981		596
Total Net Income from Investing Activities	727,715	289	2,494
Total Additions	1,419,231	42,436	240,388
<u>DEDUCTIONS</u>			
Benefits/Distributions to Participants	797,605	34,899	225,628
Refunds of Contributions	24,010		
Administrative Expense	8,028		
Professional Fees	690		
Other	225	2,953	
Total Deductions	830,558	37,852	225,628
Change in Net Position	588,673	4,584	14,760
<u>NET POSITION HELD IN TRUST FOR BENEFITS & OTHER PURPOSES</u>			
Net Position - July 1	8,343,433	6,889	169,026
Net Position - June 30	\$8,932,106	\$11,473	\$183,786

Component Units Financial Statements

STATE OF NEW HAMPSHIRE
COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
JUNE 30, 2018
(Expressed in Thousands)

	University System of New Hampshire	Non-Major Component Units	Total
<u>ASSETS</u>			
Current Assets:			
Cash and Cash Equivalents	\$55,128	\$37,032	\$92,160
Cash and Cash Equivalents - Restricted		23,552	23,552
Operating Investments	151,150	9,659	160,809
Accounts Receivable	20,628	3,770	24,398
Other Receivables	3,299	3,649	6,948
Notes Receivable - Current Portion	2,711	8,945	11,656
Prepaid Expenses & Other	7,590	2,517	10,107
Total Current Assets	<u>240,506</u>	<u>89,124</u>	<u>329,630</u>
Noncurrent Assets:			
Investments	781,282	22,333	803,615
Notes & Other Receivables	23,571	19,882	43,453
Other Assets	4,963	6,007	10,970
Capital Assets:			
Land & Land Improvements	15,588	15,200	30,788
Building & Building Improvements	1,801,107	340,401	2,141,508
Equipment	138,587	33,695	172,282
Construction in Progress	42,862	3,218	46,080
Less: Accumulated Depreciation	(876,133)	(208,424)	(1,084,557)
Net Capital Assets	<u>1,122,011</u>	<u>184,090</u>	<u>1,306,101</u>
Total Noncurrent Assets	<u>1,931,827</u>	<u>232,312</u>	<u>2,164,139</u>
Total Assets	<u>2,172,333</u>	<u>321,436</u>	<u>2,493,769</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	31,436	17,930	49,366
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	59,924	5,296	65,220
Accrued Salaries and Wages		6,961	6,961
Accrued Employee Benefits - Current	6,917	35	6,952
Other Payables & Accrued Expenses		6,971	6,971
Other Liabilities	5,837		5,837
Deposits and Unearned Revenues	39,864	2,801	42,665
Long Term Debt - Current Portion	22,968	2,359	25,327
Total Current Liabilities	<u>135,510</u>	<u>24,423</u>	<u>159,933</u>
Noncurrent Liabilities:			
Revenue Bonds Payable	465,219		465,219
Accrued Employee Benefits	25,736		25,736
Other Postemployment Medical Benefits Payable	83,975	124,771	208,746
Derivative Instruments - Interest Rate Swaps	18,294		18,294
Net Pension Liability		67,938	67,938
Other Long Term Debt	18,679	47,619	66,298
Total Noncurrent Liabilities	<u>611,903</u>	<u>240,328</u>	<u>852,231</u>
Total Liabilities	<u>747,413</u>	<u>264,751</u>	<u>1,012,164</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	8,700	47,801	56,501
<u>NET POSITION</u>			
Net Investment in Capital Assets	665,194	163,515	828,709
Restricted:			
Nonexpendable	263,969		263,969
Expendable	216,339	56,884	273,223
Unrestricted Net Position (Deficit)	302,154	(193,585)	108,569
Total Net Position	<u>\$1,447,656</u>	<u>\$26,814</u>	<u>\$1,474,470</u>

**STATE OF NEW HAMPSHIRE
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Expressed in Thousands)**

	University System of New Hampshire	Non-Major Component Units	Total
<u>EXPENSES</u>	\$843,618	\$158,861	\$1,002,479
<u>PROGRAM REVENUES:</u>			
Charges for Services:			
Tuition & Fees	513,809	67,583	581,392
Student Financial Aid	(187,481)	(20,387)	(207,868)
Sales, Services, & Other Revenue	244,810	26,161	270,971
Operating Grants & Contributions	167,404	36,479	203,883
Capital Grants & Contributions	1,862	7,320	9,182
Total Program Revenues	<u>740,404</u>	<u>117,156</u>	<u>857,560</u>
Net Expenses	<u>(103,214)</u>	<u>(41,705)</u>	<u>(144,919)</u>
Interest & Investment Income	75,146	4,446	79,592
Payments from State of New Hampshire	84,000	46,475	130,475
Change in Net Position	55,932	9,216	65,148
Net Position (Deficit) - July 1, restated	<u>1,391,724</u>	<u>17,598</u>	<u>1,409,322</u>
Net Position (Deficit) - June 30	<u><u>\$1,447,656</u></u>	<u><u>\$26,814</u></u>	<u><u>\$1,474,470</u></u>

Notes to the Basic Financial Statements

1.	Summary of Significant Accounting Policies	51
	A. Reporting Entity	51
	B. Government-Wide and Fund Financial Statements	52
	C. Measurement Focus, Basis of Accounting and Financial Statement Presentation	53
	D. Cash Equivalents	54
	E. Investments	54
	F. Receivables	55
	G. Inventories	55
	H. Capital Assets	55
	I. Unearned Revenue	55
	J. Accounts Payable	55
	K. Compensated Absences	56
	L. Deferred Outflows of Resources and Deferred Inflows of Resources	56
	M. Postemployment Liabilities	56
	N. Fund Balances	56
	O. Bond Discounts and Premiums	56
	P. Revenues and Expenditures/Expenses	56
	Q. Interfund Activity and Balances	57
	R. Encumbrances and Capital Projects	57
	S. Budget Control and Reporting	57
	T. Use of Estimates	58
	U. Adoption of New Accounting Pronouncements	58
2.	Cash, Cash Equivalents, and Investments	59
3.	Receivables and Other Receivables-Restricted	70
4.	Capital Assets	71
5.	Long-Term Debt	72
6.	Deferred Outflows of Resources and Deferred Inflows of Resources	76
7.	Risk Management and Insurance	77
8.	Interfund Receivables and Payables	78
9.	Interfund Transfers	78
10.	Contractual Commitments	79
11.	Employee Benefit Plans	79
12.	Contingent and Limited Liabilities	92
13.	Lease Commitments	93
14.	Tax Abatements	94
15.	Litigation and Other Matters	94
16.	Governmental Fund Balances and Stabilization Account	101
17.	Joint Ventures-Lottery Commission	102
18.	Subsequent Events	103

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

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 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, which creates the potential for the BFA to impose a financial burden on the State. BFA's financials can be obtained by contacting the BFA at 2 Pillsbury Street, Suite 201, Concord, NH 03301.

Community Development Finance Authority - The Community Development Finance Authority (CDFA) is a body corporate and politic organized as a nonprofit corporation under Revised Statutes Annotated (RSA) 292. The governing board of eleven members is made up of the Commissioner of the Department of Resources and Economic Development or designee and ten public members appointed by the Governor and Executive Council as follows: four representatives of community development corporations or other nonprofit organizations engaged in community development activities, one representative of organized labor, two representatives of small business and the financial community, one representative of employment training programs, and two representatives of private financial institutions. Additionally, CDFFA imposes a financial burden on the State as investment tax credit equal to 75 percent of the contribution made to the CDFFA 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. CDFFA's financials can be obtained by contacting the CDFFA 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, 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. As of June 30, 2018, there was no remaining debt retained by the State for CCSNH assets. 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.

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 financial benefit to or impose financial 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
- Land and Community Heritage Investment Program

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, 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, maintenance and operations of the State's public highways and the supervision of traffic thereon.

Education Trust Fund: 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 *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 *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 *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 Funds

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

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 New Hampshire Public Deposit Investment Pool (NHPDIP or the Pool), an external investment pool. The NHPDIP was established, in accordance with RSA 383:22-24, for the purpose of investing funds of the State of New Hampshire, funds under the custody of all governmental units, pooled risk management programs established pursuant to RSA 5-B, agencies, authorities, commissions, boards, political subdivisions, and all other public units within, or instrumentalities of the State of New Hampshire. As of June 30, 2018, 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 or contacting the Client Services Team at 1-844-4NH-PDIP.

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, 2018, and for the year then ended, except for the New Hampshire Judicial Retirement Plan which is as of December 31, 2017, and for the year then ended.

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 certain money market mutual funds, the State's holdings in the NHPDIP and funds on deposit with the U.S. Treasury for the Unemployment Compensation Fund.

E. INVESTMENTS

Primary Government

Investments are reported at fair value. 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.

Non Pension Fiduciary Funds

In accordance with GASB 79, NHPDIP portfolio securities are valued at amortized cost, which approximates fair value. All other non pension trust fund investments are reported at fair value.

Pension Trust Funds and Major Component Unit

See Note 2 for further discussion of fair value techniques.

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. 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.

M. POSTEMPLOYMENT LIABILITIES

The State participates in two defined benefit pension plans, the State of New Hampshire Retirement System (NHRS) and the New Hampshire Judicial Retirement Plan (NHJRP). The State also participates in two other postemployment benefit (OPEB) plans, a funded plan administered by NHRS, hereafter referred to as the Trusted OPEB Plan, and a nonfunded plan, hereafter referred to as the Non Trusted OPEB Plan. See footnote 11 for activity related to these plans.

For purposes of measuring the total/net Pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to these liabilities and related expense, information about the fiduciary net position of the NHRS and NHJRP, and additions to/deductions from the fiduciary net position has been determined on the same basis as it is reported by NHRS, NHJRP and the State OPEB Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms, and investments are reported at fair value.

N. 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.

O. 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 effective interest 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.

P. REVENUES AND EXPENDITURES/EXPENSES

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

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.

Q. INTERFUND ACTIVITY AND BALANCES

Interfund Activity – As a general rule, the effect of interfund activity has been eliminated from the government-wide statements. Exceptions to this rule 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.

R. 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.

S. BUDGET CONTROL AND REPORTING

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

The operating budget is prepared principally on a modified cash basis and adopted for the governmental 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.

T. USE OF ESTIMATES

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

U. ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS

During the fiscal year ended June 30, 2018, the State adopted the following new accounting standards issued by the GASB:

GASBS No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, (GASB 75) improves the financial reporting for post-employment benefits other than pensions (OPEB). This statement requires enhanced notes disclosures and schedules for required supplementary information be presented. Under the new standard, the State will report net/total other postemployment benefits liability and related amounts of deferred outflows of resources and deferred inflows of resources associated with other postemployment benefits provided through the NHRS and the State. As shown below, the State has restated net position as of July 1, 2017 for the effect of implementation of the new standard. The new disclosures resulting from implementation of this statement can be found in Note 11 and in the RSI.

(Expressed in Thousands)	Governmental Activities	Turnpike System	Liquor Commission	Lottery Commission	State Revolving Fund	Unemployment Compensation	Business-type Activities
Net Position (deficit), as previously reported	\$1,011,141	\$632,290	\$(7,594)	\$404	\$654,352	\$300,379	\$1,579,831
Trusted OPEB Plan	(78,533)						
Non Trusted OPEB Plan	(1,347,829)	(39,990)	(80,727)	(20,582)	(7,226)		(148,525)
Less: GASBS 75 Implementation Adjustment	(1,426,362)	(39,990)	(80,727)	(20,582)	(7,226)		(148,525)
Net Position (deficit), as restated	\$(415,221)	\$592,300	\$(88,321)	\$(20,178)	\$647,126	\$300,379	\$1,431,306

(Expressed in Thousands)	University of New Hampshire	Non-major Component Units	Component Units
Net Position, as previously reported	\$1,434,818	\$172,514	\$1,607,332
Trusted OPEB Plan		(5,827)	(5,827)
Non Trusted OPEB Plan		(149,089)	(149,089)
Other	(41,792)		(41,792)
Less: GASBS 75 Implementation Adjustment	(41,792)	(154,916)	(196,708)
Less: GASB 81 Implementation Adjustment	(1,302)		(1,302)
Net Position, as restated	\$1,391,724	\$17,598	\$1,409,322

GASB No. 81, *Irrevocable Split-Interest Agreements* (GASB 81) improves the financial reporting for irrevocable split-interest agreements by providing guidance for situations in which a government is a beneficiary of an agreement. This statement requires governments that receive resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement and recognize assets representing its beneficial interests that are administered by a third party, if the government controls the present service capacity of the beneficial interests. The implementation of GASB 81 did not have an impact on the primary government financial statements.

GASB No. 85, *Omnibus 2017* (GASB 85) addresses practice issues that have been identified during implementation and application of certain GASB statements. This statement addresses a variety of topics including blending component units, goodwill, fair value measurement, and post-employment benefits. The new disclosures resulting from implementation of this statement can be found in Note 11 and in the RSI.

GASB No. 86, *Certain Debt Extinguishment Issues* (GASB 86) improves financial reporting and notes to the financial statements for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in a irrevocable trust for the sole purpose of extinguishing debt. In addition, the statement improves financial reporting for prepaid insurance on debt that is extinguished. The implementation of GASB 86 did not have an impact on the financial statements.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

PRIMARY GOVERNMENT AND NON PENSION FIDUCIARY FUNDS

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."

The table below presents the cash, cash equivalents, and investments as reflected in the financial statements (expressed in thousands):

		Unrestricted		Restricted		Total
		Cash and Cash Equivalents	Investments	Cash and Cash Equivalents	Investments	
Per Statement of Net Position	Primary Government	\$458,750	\$26,473	\$809,005	\$502,834	\$1,797,062
Per Statement of Fiduciary Net Position	Private Purpose	11,872	3,402			15,274
	Investment Trust	8,196	175,215			183,411
	Agency Funds	11,350	2,113			13,463
	Total per Financial Statements	\$490,168	\$207,203	\$809,005	\$502,834	\$2,009,210

INVESTMENTS:

The State's Treasury Department (State Treasury) is responsible for managing certain State cash and investments in accordance with 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, 2018:

State Treasury Investments by Type	(Amounts in thousands)	
	Governmental & Business-Type	Fiduciary
Investments Measured at Fair Value		
Equity Securities	\$18,026	
Corporate Bonds	1,532	
US Government Obligations	475,456	
Municipal Bonds	312	
Money Market Mutual Funds	624	10,693
Equity Open Ended Mutual Funds	17,685	1,004
Fixed Income Open Ended Mutual Funds	5,858	2,370
Subtotal At Fair Value	\$519,493	\$14,067
Investments Not Measured at Fair Value		
Investments in Non-Participating Interest Earning Investment Contracts (CD's)	12,052	271
NH Public Deposit Investment Pool (Internal investment held by State and NHH patient agency fund)	10,202	47
External Portion of NH Public Deposit Investment Pool		175,215
Subtotal Not At Fair Value	\$22,254	\$175,533
Total (1)	\$541,747	\$189,600

(1) Certain balances classified as investments for purposes of this State Treasury table are classified as cash and cash equivalents on the Statement of Net Position

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, 2018.

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. If an investment is held directly by the State and an active market with quoted prices exists, such as for domestic equity securities, registered mutual funds and exchanged traded funds, those securities are classified in Level 1. Corporate fixed income securities and certain governmental securities utilize pricing that may involve estimation using market data and matrix pricing are classified in Level 2.

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, 2018 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, 2018 (expressed in thousands):

	Investments Classified in the Fair Value Hierarchy			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Net Asset Value (NAV)	
Governmental & Business-Type Activities				
U.S. Government Obligations & Municipal Bonds (1)		\$475,768		\$475,768
Equity Securities	\$18,026			18,026
Corporate Bonds		1,532		1,532
Money Market Mutual Funds			\$624	624
Equity Open Ended Mutual Funds			17,685	17,685
Fixed Income Open Ended Mutual Funds			5,858	5,858
Total Governmental & Business-Type Activities	18,026	477,300	24,167	519,493
Fiduciary Activities				
Money Market Mutual Funds			10,693	10,693
Equity Open Ended Mutual Funds			1,004	1,004
Fixed Income Open Ended Mutual Funds			2,370	2,370
Total Fiduciary Activities			14,067	14,067
Total Investments	\$18,026	\$477,300	\$38,234	\$533,560

Notes to the table above:

(1) Rates range from 0.625% to 7.134% and maturities from fiscal year 2018 to 2031

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 had no investments in U.S. Treasury Bonds and Bills.

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.

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	\$1,532		3.7			
U.S. Government Obligations Held in Permanent Funds	1,275		9.9			
U.S. Government Obligations Held in Governmental and Business Type Activities	474,181		0.7			
Fixed Income Open Ended Mutual Funds		\$5,858	7.1	\$2,370		7.6
Municipal Bonds	\$312		9.1			

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, 2018 exposed to custodial credit risk and excludes \$8.2 million in cash and cash equivalents held by the Investment Trust Fund (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	\$2,000	\$703,060	\$63,511		\$12,640	\$34
Money Market			208,073			10,812
Savings Accounts		323			848	
CDs	250	10,552	1,250			
Total	\$2,250	\$713,935	\$272,834		\$13,488	\$10,846

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.

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, 2018, as recommended by the Independent Investment Committee and adopted by the NHRS Board of Trustees, is as follows:

ASSET ALLOCATION	2018	
	Target	Range
Asset Class:		
Large Cap Equities	22.50%	
Small/Mid Cap Equities	7.50%	
Total Domestic Equity	30.00%	20-50%
Int'l Equities (Unhedged)	13.00%	
Emerging Int'l Equities	7.00%	
Total International Equity	20.00%	15-25%
Core Bonds	4.50%	
Short Duration	2.50%	
Global Multi-Sector Fixed Income	11.00%	
Absolute Return Fixed Income	7.00%	
Total Fixed Income	25.00%	20-30%
Private Equity	5.00%	
Private Debt	5.00%	
Opportunistic	5.00%	
Total Alternative Investments	15.00%	0-25%
Real Estate	10.00%	
Total Real Estate	10.00%	5-20%
TOTAL	100.00%	

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, 2018, NHRS held deposits of \$8.8 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, 2018 (dollars expressed in thousands):

Investment Type	Fair Value June 30, 2018	Percentage of Fixed Income Investments	Effective Duration in Years	Weighted Average Effective Duration Years
Collateralized/Asset Backed Obligations	\$143,582	7.8%	3.0	0.2
Corporate Bonds	596,944	32.6%	4.9	1.6
Government and Agency Bonds	656,414	35.8%	4.4	1.6
Commingled Fund	210,767	11.5%	2.1	0.24
Commingled Fund	225,309	12.3%	(1.2)	(0.1)
Totals	\$1,833,016	100.0%		3.5

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, 2018, including the distribution of those investments by Standard & Poor's quality credit ratings (dollars expressed in thousands):

Investment Type	Quality Ratings ¹					
	Fair Value June 30, 2018	AAA	AA	A	BBB or Lower	Unrated
Collateralized/Asset Backed Obligations	\$143,582	\$100,680	\$1,936	\$5,620	\$16,117	\$19,229
Corporate Bonds	596,944	6,304	37,946	147,924	398,154	6,616
Government and Agency Bonds ²	235,113	18,495	43,369	100,842	62,101	10,306
Commingled Fund ³	225,309			225,309		
Commingled Fund ³	210,767				210,767	
Totals	\$1,411,715	\$125,479	\$83,251	\$479,695	\$687,139	\$36,151
Percent of Total Fair Value		8.89%	5.90%	33.98%	48.67%	2.56%

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

² Government and Agency Bonds exclude U.S. government securities and securities explicitly guaranteed by the U.S. government (\$421,301) because these securities are not considered to have credit risk.

³ Average credit quality ratings 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, 2018, the Plan's combined investment in asset-backed and mortgage-backed securities held in separate account portfolios totaled \$127.2 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, 2018, 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, 2018, 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, 2018 is presented on the following schedule (expressed in thousands):

Currency	Equity	Fixed Income	Real Estate and Alternative Investments	Cash and Cash Equivalents	Totals
Total investments subject to foreign currency risk	\$720,588	\$205,799	\$107,257	\$8,264	\$1,041,908

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, 2018, there was \$12.1 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, 2018 are summarized below (expressed in thousands):

FOREIGN CURRENCY EXCHANGE CONTRACTS PURCHASED & SOLD

	Unrealized Appreciation	Unrealized (Depreciation)
Totals	\$1,781	\$(6,783)

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, 2018.

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, 2018 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, 2018 (expressed in thousands):

2018						
Fair Value Measurements Using (in thousands)						
Investments at Fair Value	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value (NAV)	Unfunded Commitments
Fixed Income:						
U.S. Government Obligations (1)	\$422,571	\$388,564	\$34,007			
Domestic Fixed Income (2)	768,573	8,412	760,161			
Commingled Funds (3)	436,075				\$436,075	
International Fixed Income (4)	205,798		205,798			
Equity:						
Domestic Equity Securities	2,815,885	2,812,581	3,304			
Commingled Funds (5)	700,413				700,413	
International Equity Securities	720,590	720,590				
Real Estate:						
Real Estate Funds (6)	805,153				805,153	\$154,796
Alternative Investments:						
Private Equity (7)	908,131				908,131	769,397
Private Debt (8)	514,942				514,942	321,082
Opportunistic (9)	210,634				210,634	
Total Investments	\$8,508,765	\$3,930,147	\$1,003,270		\$3,575,348	\$1,245,275

Notes to the table above:

- (1) Fiscal 2018 rates range from 0.125% to 6.000%, and maturities from 2018 to 2048. Fiscal 2017 rates range from 0.750% to 6.000%, and maturities from 2017 to 2046.
- (2) Fiscal 2018 rates range from 0.00% to 12.000%, and maturities from 2018 to 2059. Fiscal 2017 rates range from 0.000% to 11.000%, and maturities from 2017 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 2018 rates range from 0.000% to 10.600%, and maturities from 2018 to 2050. Fiscal 2017 rates range from 1.250% to 10.600%, and maturities from 2017 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 52 real estate vehicles consisting of 11 strategic open-end funds and 41 tactical non-core investments. Redemption from the open-end funds can be requested on a quarterly basis with 45-90 days' notice periods. The tactical non-core investments are not redeemable. NHRS has no direct property investments as of June 30, 2018.
- (7) This represents 32 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 20 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 asset.
- (9) AberdeenStandard Investments GARS is held within the Opportunistic sleeve of the Alternative Investments asset allocation as it 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.

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.

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, 2017:

ASSET ALLOCATION		
Asset Class:	Target	Policy Range
Large Cap Equities	39.1%	
Small Cap Equities	5.9%	
Domestic Equity	45.0%	35–45%
International Equity	19.2%	8–20%
U.S. Government Bonds	9.3%	
Core Fixed Income	12.5%	
Fixed Income	21.8%	10–33%
U.S. REITs	1.5%	
Alternatives	10.0%	
Alternatives	11.5%	0–33%
Cash and cash equivalents	2.5%	0-15%

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, 2017, 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. NHJRP's fixed income investments are in mutual funds for which ratings are not available.

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, 2017 (expressed in thousands):

Investments at fair value	Quoted Prices in	Significant	Significant	Net Asset Value (NAV)	Total
	Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)		
Domestic equity	\$24,642				\$24,642
International equity	10,935				10,935
Fixed income	10,503				10,503
Alternatives				\$5,205	5,205
	\$46,080			\$5,205	\$51,285

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 \$55.1 million and short-term investments totaled \$151.2 million at June 30, 2018.

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

	Level 1	Level 2	Total	Weighted Average Maturity
Cash balance	\$10,654		\$10,654	Less than 1 year
Repurchase agreements		\$7,018	7,018	Less than 1 year
Money market funds	68,344		68,344	Less than 1 year
Domestic equity	298		298	Less than 1 year
Mutual funds	93,928		93,928	1-5 years
U.S. Treasuries		26,036	26,036	1-5 years
Total cash, cash equivalents and short-term investments	\$173,224	\$33,054	\$206,278	

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 15% of total portfolio assets may be invested in any single fund and no more than 20% of the pool may be invested with any single bank, fund manager, or investment group unless approved by the USNH Board of Trustees' Finance Committee for Investments. Foreign currency risk is mitigated by limiting global equity investments in publicly 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, 2018.

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 2018.

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, 2018, 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 NAV	Total
	Level 1	Level 2		
Endowment and similar investments - campuses				
Money market	\$14,671			\$14,671
Domestic equity	106,777		\$57,801	164,578
International equity	31,617		58,979	90,596
Global fixed income	17,554	\$36,511		54,065
Inflation hedging assets		8,213	10,222	18,435
Hedge funds:				
Fund of Funds			36,391	36,391
Event-Driven			33,192	33,192
Equity Hedge			73,076	73,076
Distressed/Restructuring			15,347	15,347
Private equity & non-marketable real assets			26,799	26,799
Funds held in trust		16,215		16,215
Total endowment and similar investments - campuses	<u>170,619</u>	<u>60,939</u>	<u>311,807</u>	<u>543,365</u>
Endowment and similar investments - affiliated entities				
Money market	9,408			9,408
Domestic equity	24,193		33,573	57,766
International equity	12,865		39,699	52,564
Global fixed income	21,359		4,718	26,077
Inflation hedging assets	4,006	9,300	453	13,759
Hedge funds:				
Equity Hedge			15,029	15,029
Distressed/Restructuring			31,089	31,089
Diversified			16,437	16,437
Private equity & non-marketable real assets			15,788	15,788
Total endowment and similar investments - affiliated entities	<u>71,831</u>	<u>9,300</u>	<u>156,786</u>	<u>237,917</u>
Total endowment and similar investments	<u>\$242,450</u>	<u>\$70,239</u>	<u>\$468,593</u>	<u>\$781,282</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, 2018, fixed income securities had maturities up to 29 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, 2018, USNH had two equity hedge funds in a lock-up period set to expire in 7 months. As of June 30, 2018, University of New Hampshire Foundation, Inc. had one distressed hedge fund with a lock-up period set to expire in 10 months. Hedge funds, private equity and real estate funds classified as illiquid have no ability to be redeemed. For USNH, of the 30 funds classified as illiquid, ten are currently in liquidation; two are expected to start liquidation within the next year; nine are expected to start liquidation in 2 to 15 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 one to 13 years. One of the funds classified as illiquid can be redeemed in 3 years.

As of June 30, 2018, USNH has two 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 early 2019 with the anticipated holdback distributed by the end of 2019. USNH's balance in that fund was \$369,000 as of June 30, 2018. Plans have not been com-

municated for the remaining fund. USNH's balance in the remaining fund totaled \$92,000 as of June 30, 2018. The estimated fair values based on June 30 of the two investments at June 30, 2018 are \$461,000. 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 totaled \$30.3 million for USNH and \$23.9 million for UNHF at June 30, 2018. This compares to \$15.4 million and \$17.4 million, respectively at June 30, 2017.

3. RECEIVABLES AND OTHER RECEIVABLES-RESTRICTED

The following is a breakdown of receivables at June 30, 2018 (expressed in thousands):

	Governmental Activities	Business-Type Activities	Total	Major Component Unit
Short-Term Receivables				
Taxes:				
Meals and Rooms	\$35,234		\$35,234	
Business Taxes	176,252		176,252	
Tobacco	10,868		10,868	
Real Estate Transfer	16,295		16,295	
Interest & Dividends	23,990		23,990	
Communications	3,605		3,605	
Utility Property Tax	20,700		20,700	
Gasoline Road Toll	11,275		11,275	
Subtotal	298,219		298,219	
Other Receivables:				
Turnpike System		18,116	18,116	
Liquor Commission		7,123	7,123	
Lottery Commission		3,926	3,926	
Unemployment Trust Fund		51,251	51,251	
Internal Service Fund	12,518		12,518	
Federal Grants	328,198		328,198	\$16,296
Local Grants	41,382		41,382	
Miscellaneous	106,250		106,250	7,827
Short Term Portion Of SRF Loans Receivable		26,913	26,913	
Short Term Portion Of Note/Pledge Receivable				6,010
Subtotal	488,348	107,329	595,677	30,133
Total Current Receivables (Gross)	786,567	107,329	893,896	30,133
Long-Term Receivables				
SRF Loans Receivable		419,037	419,037	
Miscellaneous	13,728		13,728	
Note/Pledge Receivable				28,991
Total Long Term Receivables (Gross)	13,728	419,037	432,765	28,991
Allowance for Doubtful Accounts	(48,917)	(40,242)	(89,159)	(8,915)
Total Receivables (Net)	\$751,378	\$486,124	\$1,237,502	\$50,209

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 \$6.9 million for the year ended June 30, 2018.

Unearned Revenue:

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned. As of June 30, 2018, unearned revenue reported in governmental funds was \$88.4 million, and in business-type activities was \$19.8 million.

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018, was as follows (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets not being depreciated:				
Land & Land Improvements	\$552,834	\$5,514	\$(741)	\$557,607
Construction in Progress	231,637	159,435	(153,895)	237,177
Work in Progress Computer Software	83,707	16,460	(10,255)	89,912
Total Capital Assets not being depreciated	868,178	181,409	(164,891)	884,696
Other Capital Assets:				
Equipment & Computer Software	346,352	37,801	(16,298)	367,855
Buildings & Building Improvements	875,465	64,276	(4,364)	935,377
Land Improvements	123,943		(919)	123,024
Infrastructure	3,756,810	98,704	(644)	3,854,870
Total Other Capital Assets	5,102,570	200,781	(22,225)	5,281,126
Less accumulated depreciation for:				
Equipment & Computer Software	(298,314)	(24,144)	15,319	(307,139)
Buildings & Building Improvements	(432,838)	(24,904)	2,934	(454,808)
Land Improvements	(98,530)	(2,108)	393	(100,245)
Infrastructure	(2,095,955)	(55,962)	318	(2,151,599)
Total Accumulated Depreciation	(2,925,637)	(107,118)	18,964	(3,013,791)
Other Capital Assets, Net	2,176,933	93,663	(3,261)	2,267,335
Governmental Activities Capital Assets, Net	\$3,045,111	\$275,072	\$(168,152)	\$3,152,031
Business-Type Activities:				
Turnpike System:				
Capital Assets not being depreciated:				
Land & Land Improvements	\$101,714	\$355	\$(300)	\$101,769
Construction in Progress	71,330	25,075	(33,007)	63,398
Capital Assets not being depreciated	173,044	25,430	(33,307)	165,167
Other Capital Assets:				
Equipment & Computer Software	62,846	1,737	(645)	63,938
Buildings & Building Improvements	14,477	333	(37)	14,773
Land Improvements	2,003			2,003
Infrastructure	1,059,664	40,434	(5,461)	1,094,637
Total Other Capital Assets	1,138,990	42,504	(6,143)	1,175,351
Less accumulated depreciation for:				
Equipment	(50,726)	(3,162)	645	(53,243)
Buildings & Building Improvements	(3,183)	(357)		(3,540)
Land Improvements	(299)	(100)		(399)
Infrastructure	(342,483)	(21,495)	3,894	(360,084)
Total Accumulated Depreciation	(396,691)	(25,114)	4,539	(417,266)
Turnpike Capital Assets, Net	\$915,343	\$42,820	\$(34,911)	\$923,252
Liquor:				
Capital Assets not being depreciated:				
Land	\$2,002			\$2,002
Construction In Progress	4,133	4,624	(2,830)	5,927
Work In Progress Computer Software	3,603	3,200		6,803
Total Capital Assets not being depreciated	9,738	7,824	(2,830)	14,732
Other Capital Assets:				
Equipment	10,016	2,194	(306)	11,904
Buildings & Building Improvements	36,885	4,235	(28)	41,092
Land Improvements	689			689
Total Other Capital Assets	47,590	6,429	(334)	53,685
Less accumulated depreciation for:				
Equipment	(6,400)	(1,700)	272	(7,828)
Buildings & Building Improvements	(12,866)	(1,464)	28	(14,302)
Land Improvements	(601)	(5)		(606)
Total Accumulated Depreciation	(19,867)	(3,169)	300	(22,736)
Liquor Capital Assets, Net	\$37,461	\$11,084	\$(2,864)	\$45,681
Lottery Commission:				
Equipment	\$644			\$644
Less Accumulated Depreciation for Equipment:	(499)	(95)	22	(572)
Lottery Capital Assets, Net	\$145	\$(95)	\$22	\$72

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

Governmental Activities:	
General Government	\$9,013
Administration of Justice and Public Protection	17,944
Resource Protection and Development	4,993
Transportation	68,022
Health and Social Services	6,778
Education	368
Total Governmental Activities Depreciation Expense	\$107,118

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:

- Held for public exhibition, education, or research in furtherance of public service, rather than financial gain.
- Protected, kept unencumbered, cared for, and preserved.
- 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):

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$15,865		\$(277)	\$15,588
Building and Building Improvements	1,680,661	134,977	(14,531)	1,801,107
Equipment	132,615	11,153	(5,181)	138,587
Construction in Progress	116,833	61,006	(134,977)	42,862
Subtotal	1,945,974	207,136	(154,966)	1,998,144
Less: Accumulated Depreciation	(826,346)	(65,096)	15,309	(876,133)
Total	\$1,119,628	\$142,040	\$(139,657)	\$1,122,011

Contractual Obligations for major construction projects totaled approximately \$35.4 million at June 30, 2018.

5. LONG-TERM DEBT

PRIMARY GOVERNMENT

Bonds/Notes Authorized and Unissued: Bonds/Notes authorized and unissued amounted to \$743.7 million at June 30, 2018. The proceeds of the bonds/notes will be applied to the following funds when issued (expressed in millions):

Capital Projects Fund	\$301.2
Federal Highway/Garvees	392.3
Turnpike System	50.2
Total	\$743.7

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 thousands):

Date of Advance Refunding	Amount Outstanding at June 30, 2018
Governmental Fund Types (General Obligation Bonds):	
April 8, 2010	\$41,160
December 10, 2014	27,640
November 30, 2016	12,775
Subtotal	\$81,575

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 \$0.042 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, 2018, \$102.8 million of TIFIA proceeds had been received under this arrangement, representing a long-term note payable. This compares to \$48.0 million as of June 30, 2017. 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, 2018 was \$721 thousand.

On July 13, 2017, the State issued \$4.3 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 \$66.5 million General Obligation Capital Improvement Bonds 2017 Series B on December 6, 2017, of which \$57.1 million was for governmental activities and \$9.4 million was for Liquor projects, through a competitive sale and resulted in 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 12/31/37. The proceeds of these bonds will be used to fund all or part of various capital projects of the State.

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

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance	Current	Non Current
General Obligation Bonds Payable	\$829,432	\$70,760	\$92,164	\$808,028	\$88,399	\$719,629
Federal Highway Grant Anticipation Bonds	137,985		15,078	122,907	13,620	109,287
Notes Payable	47,989	54,768		102,757		102,757
Compensated Absences	90,136	2,594	1,296	91,434	11,887	79,547
Claims Payable	50,707	282,970	287,430	46,247	26,097	20,150
Net Pension Liability	1,029,774	29,323	95,983	963,114		963,114
Other Postemployment Benefits Payable	2,663,387	12,805	595,552	2,080,640		2,080,640
Pollution Remediation Obligation	51,462	1,345	2,846	49,961	4,303	45,658
Capital Lease	6,528	4,815	1,899	9,444	1,661	7,783
Advance Construction Commitments	562		287	275	275	
Total Governmental	4,907,962	459,380	1,092,535	4,274,807	146,242	4,128,565
Business-Type Activities						
Turnpike System						
Revenue Bonds	401,280		20,738	380,542	27,110	353,432
Pollution Remediation Obligation	5,346	232	1,316	4,262	575	3,687
Claims & Compensated Absences Payable	2,031	989	322	2,698	374	2,324
Other Postemployment Benefits Payable	40,694	1,023	9,531	32,186		32,186
Net Pension Liability	13,757	916	798	13,875		13,875
Total	463,108	3,160	32,705	433,563	28,059	405,504
Liquor Commission						
General Obligation Bonds Payable	19,697	9,407	1,542	27,562	2,107	25,455
Capital Lease	310		56	254	71	183
Claims & Compensated Absences Payable	4,363	99	282	4,180	531	3,649
Other Postemployment Benefits Payable	82,149	223	19,467	62,905		62,905
Net Pension Liability	27,540	839	2,954	25,425		25,425
Total	134,059	10,568	24,301	120,326	2,709	117,617
Lottery Commission						
Claims & Compensated Absences Payable	517	440	484	473	76	397
Other Postemployment Benefits Payable	20,943	81	4,880	16,144		16,144
Net Pension Liability	4,948	64	610	4,402		4,402
Total	26,408	585	5,974	21,019	76	20,943
State Revolving Fund Programs						
General Obligation Bonds Payable	18,213		2,831	15,382	2,078	13,304
Claims & Compensated Absences Payable	968	60		1,028	134	894
Other Postemployment Benefits Payable	7,353	408	1,773	5,988		5,988
Net Pension Liability	6,421	206	516	6,111		6,111
Total	32,955	674	5,120	28,509	2,212	26,297
Total Business-Type	\$656,530	\$14,987	\$68,100	\$603,417	\$33,056	\$570,361

Note: Beginning balances above reflect restated values for other postemployment benefits due to implementation of GASB 75.

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, 2018, 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, 2018, 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 \$50.0 million and \$4.3 million were reported for governmental activities and business-type activities, respectively, at June 30, 2018. 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 Revenue	Principal	Interest	Less: Federal Interest Subsidy	Net Total
General Obligations						General Obligations						
2019	\$67,648	\$9,482	\$13,620	\$11,269	\$102,019	\$2,107	\$2,078	\$27,110	\$133,314	\$57,012	\$6,652	\$183,674
2020	65,187	8,168	14,300	11,178	98,833	2,124	2,077	30,040	133,074	\$50,679	6,534	177,219
2021	56,982	7,386	15,000	8,110	87,478	2,123	2,072	24,145	115,818	\$44,451	6,383	153,886
2022	50,913	8,400	14,400	8,060	81,773	2,020	2,072	26,285	112,150	\$39,241	6,037	145,354
2023	43,488	7,534	14,790	7,199	73,011	1,815	2,072	21,650	98,548	\$33,931	5,471	127,008
2024-2028	161,992	29,836	46,610	33,775	272,213	8,047	2,340	70,520	353,120	\$110,260	17,906	445,474
2029-2033	74,322	8,866		13,017	96,205	6,326	1,669	57,695	161,895	\$49,450	7,648	203,697
2034-2038	27,071	4,358		2,552	33,981	3,000	1,002	60,020	98,003	\$21,127	3,681	115,449
2039-2043								45,500	45,500	\$3,994	349,806	(300,312)
Subtotal Unamortized (Discount) / Premium	\$547,603	\$84,030	\$118,720	\$95,160	\$845,513	\$27,562	\$15,382	\$362,965	\$1,251,422	\$410,145	\$410,118	\$1,251,449
	81,235		4,187		85,422			17,577	102,999			102,999
Total	\$628,838	\$84,030	\$122,907	\$95,160	\$930,935	\$27,562	\$15,382	\$380,542	\$1,354,421	\$410,145	\$410,118	\$1,354,448

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 2018, 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 2018 were \$8.7 million, of which \$8.1 million were recorded as current year expenses and \$0.6 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 \$479.3 million; capital lease obligations of \$8.9 million; deferred obligations interest swaps of \$18.3 million; accrued employee benefits and compensated absences of \$32.7 million; other postemployment benefits of \$89.7 million; and other liabilities of \$18.8 million (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance	Current	Long-Term
University System of NH	\$678,536	\$121,034	\$151,945	\$647,625	\$35,722	\$611,903

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
2019	\$21,053	\$16,581	\$37,634
2020	24,288	17,487	41,775
2021	25,400	16,772	42,172
2022	28,760	15,698	44,458
2023	23,902	14,737	38,639
2024-2028	106,690	60,144	166,834
2029-2033	100,250	40,396	140,646
2034-2038	83,695	19,640	103,335
2039-2043	24,550	7,592	32,142
2044-2048	19,280	1,816	21,096
Subtotal	457,868	210,863	668,731
Unamortized Discounts/Premium, net	30,319		30,319
Total	\$488,187	\$210,863	\$699,050

6. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES
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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, 2018 are as follows (expressed in thousands):

	Governmental Activities	Business-Type Activities	Primary Government
Deferred outflows of resources:			
Pension related amounts:			
New Hampshire Retirement System	\$189,887	\$11,928	\$201,815
New Hampshire Judicial Retirement Plan	8,125		8,125
Total pension related amounts	198,012	11,928	209,940
OPEB related amounts:			
Trusted OPEB Plan	9,537		9,537
Non Trusted OPEB Plan	46,285	3,709	49,994
Total OPEB related amounts	55,822	3,709	59,531
Loss on refunding of debt, net	13,264	880	14,144
Total deferred outflows of resources	\$267,098	\$16,517	\$283,615
Deferred inflows of resources:			
Pension related amounts:			
New Hampshire Retirement System	\$43,451	\$2,956	\$46,407
New Hampshire Judicial Retirement Plan	8,333		8,333
Total pension related amounts	51,784	2,956	54,740
OPEB related amounts:			
Trusted OPEB Plan	276		276
Non Trusted OPEB Plan	591,763	35,651	627,414
Total OPEB related amounts	592,039	35,651	627,690
Total deferred inflows of resources	\$643,823	\$38,607	\$682,430

The components of deferred inflows of resources related to the governmental funds at June 30, 2018 are as follows (expressed in thousands):

	General	Highway	Education	Total Governmental Funds
Deferred inflows of resources:				
Taxes considered unavailable	\$97,867		\$65,800	\$163,667
Local assistance	9,761			9,761
Other loans	1,584			1,584
Indigent representation advances	4,021			4,021
Banking assessments	957			957
Miscellaneous fees & fines	496	1,325		1,821
Total deferred inflows of resources	\$114,686	\$1,325	\$65,800	\$181,811

MAJOR COMPONENT UNIT

The University System of New Hampshire's deferred outflows and deferred inflows of resources at June 30, 2018 are as follows (expressed in thousands):

Deferred outflows of resources:		Deferred inflows of resources:	
Accumulated decrease in fair value of hedging derivatives	\$18,294	Accounting gain on debt financing, net	\$616
Accounting loss on debt refinancing, net	9,770	Annuities unconditional remainder interest	1,753
Changes of assumptions:		Changes of assumptions:	
Operating Staff Retirement Plan	179	Postretirement Medical Plan	4,343
Additional Retirement Contribution Program	22	Additional Retirement Contribution Program	4
Net Difference between projected and actual earnings:		Difference between expected and actual experience:	
Operating Staff Retirement Plan	74	Operating Staff Retirement Plan	4
Benefit payments subsequent to the measurement date:		Postretirement Medical Plan	1,351
Postretirement Medical Plan	3,097	Additional Retirement Contribution Program	629
Total deferred outflows of resources	\$31,436	Total deferred inflows of resources	\$8,700

7. RISK MANAGEMENT AND INSURANCE

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

Principle of Self-insurance

As a general operating rule, the State self-insures against all damages, losses and expenses except to the extent that provisions of law require the purchase of commercial insurance or a risk assessment has indicated that commercial insurance is economical and beneficial for the State or the general public. In such instances, the State may elect to purchase commercial insurance. There are approximately 26 such commercial insurance programs in effect. These include, but are not exclusive to, state owned real property insurance, fleet automobile liability, inland marine insurance, foster parent liability, ski area liability for Cannon Mountain, data security and privacy cyber liability insurance, 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, 2018, 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 (the 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 \$16.9 million as of June 30, 2018. 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 2018, this reserve equaled \$17.6 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 76% of the estimated annual claims and administrative expenses for the Trooper health plan account due to its small member size (approximately 805 members), which equaled \$3.0 million for fiscal year 2018. The Active (with Trooper), Retiree, and Dental reserves totaled \$12.7 million, \$4.5 million, and \$0.4 million, respectively. Outside of the Trooper component, the Active, Retiree, and Dental accounts maintained a reserve of 5%, 5%, 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 2018 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 \$30.3 million as of June 30, 2018.

The following table presents the changes in claim liabilities during the fiscal years ending June 30, 2017 and 2018 (expressed in thousands):

Governmental Activities	6/30/2016			6/30/2017			6/30/2018		
	Balance	Increases	Decreases	Balance	Increases	Decreases	Balance	Current	Long-Term
Workers Compensation Claims Payable	\$25,873	\$7,287	\$6,390	\$26,770	\$7,512	\$7,530	\$26,752	\$6,602	\$20,150
Health Claims Payable*	21,193	274,647	271,903	23,937	275,458	279,900	19,495	19,495	
Total	47,066	281,934	278,293	50,707	282,970	287,430	46,247	26,097	20,150
Business-Type Activities									
Turnpike System									
Workers Compensation Claims Payable	1,015		224	791	989	254	1,526	222	1,304
Total	1,015		224	791	989	254	1,526	222	1,304
Liquor Commission									
Workers Compensation Claims Payable	2,640	372	806	2,206	69	282	1,993	247	1,746
Total	2,640	372	806	2,206	69	282	1,993	247	1,746
Lottery Commission									
Workers Compensation Claims Payable	1			1	16	9	8	8	
Total	1			1	16	9	8	8	
Total Business-Type	\$3,656	\$372	\$1,030	\$2,998	\$1,074	\$545	\$3,527	\$477	\$3,050

* 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, 2018 (expressed in thousands):

RECEIVABLES / DUE FROM	AMOUNT	PAYABLES / DUE TO	AMOUNT
Highway Fund	\$319	Turnpike System	\$319
General Fund	2,998	Unemployment Compensation	2,998
General Fund	26,985	Non-Major Fund	26,985
Non-Major Fund	6,781	Liquor Commission	6,781
Liquor Commission	367	General Fund	367
Turnpike System	155	General Fund	155
Turnpike System	169	Highway Fund	169
Turnpike System	127	Liquor Commission	127
Education Fund	1,284	Lottery Commission	1,284
Lottery Commission	419	Liquor Commission	419
Total	\$39,604	Total	\$39,604

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 \$10.9 million from business-type activities represents the "internal balances" amount on the statement of net position. The \$28.0 million between governmental funds, and the \$0.7 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 Fund
	General Fund	Highway Fund	Education Fund	Non-Major Funds	
Governmental Funds					
General Fund					
Highway Fund	\$961			\$1,881	\$2,842
Non-Major Funds	3,550				3,550
Total Governmental Funds	* 4,511	* -	-	* 1,881	* 6,392
Proprietary - Enterprise Funds					
Liquor Commission	156,002				156,002
Lottery Commission			87,279		87,279
Unemployment Compensation	13,805				13,805
Total Proprietary - Enterprise Funds	\$169,807		\$87,279		\$257,086

* 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 \$87.3 million to fund education
- Transfer of Liquor Commission profits of \$149.2 million to the General Fund for government operations and \$6.8 million to the general fund pursuant to RSA 176:16, III for the Alcohol Abuse Prevention and Treatment Fund.

Pursuant to RSA 260:61, \$0.9 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, \$1.9 million of unrefunded gas tax in the Highway Fund was transferred on a 50/50 basis to the General Fund and Fish & Game Fund.

Transfer of Unemployment Compensation Contingency Fund of \$13.8 million to the General Fund.

10. CONTRACTUAL COMMITMENTS

Contractual Commitments: The State Department of Transportation has estimated its share of contractual obligations for construction contracts to be \$81.9 million at June 30, 2018. This represents total obligations of \$262.6 million less \$180.7 million in estimated federal aid.

Other Contractual Commitments: Encumbrances by fund for the State at June 30, 2018, excluding contractual commitments noted above, were as follows:

	Expressed in Millions
General Fund	\$59.3
Highway Fund	8.2
Non-Major Governmental Funds	0.2
	<u>\$67.7</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 11.08% of gross payroll for Group I members, 27.79% of gross payroll for Group II firefighter members, and 25.33% of gross payroll for Group II police officer members.

The State's required and actual contributions for the year ended June 30, 2018 were \$87.6 million, which included an amount for other postemployment benefits of \$9.4 million.

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

As of June 30, 2018, the State reported a liability of \$975.4 million for its proportionate share of the net pension liability of NHRS. This net pension liability is measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016, with update procedures used to roll the total pension liability forward to June 30, 2017. 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 19.83%, which was an increase of 36 basis points from its proportion measured as of the previous measurement date. For the year ended June 30, 2018, the State recognized total pension expense of \$102.6 million.

As of June 30, 2018, the State reported deferred outflows and inflows of resources on its government-wide financial statements related to pensions in the primary government of \$121.6 million (excluding \$78.3 million in contributions subsequent to the measurement date) and \$44.5 million, respectively, from the following sources:

<i>(in thousands)</i>	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments		\$12,423
Differences between expected and actual experience	\$2,212	12,415
Changes in assumptions	97,947	
Changes in employer proportion	21,420	19,613
Contributions subsequent to the measurement date	78,280	
Total	\$199,859	\$44,451

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, 2019. 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)
2019	\$17,038
2020	41,979
2021	31,295
2022	(13,184)
	<u>\$77,128</u>

Actuarial Assumptions: NHRS total pension liability, measured as of June 30, 2017, was determined by a roll forward of the actuarial valuation as of June 30, 2016, 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, 2016 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 2017:

Asset Class	Target Allocation	Weighted average long-term expected geometric real rate of return:
		2017
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%	4.50%
Emerging International Equities	7.00%	6.25%
Total international equity	20.00%	
Core Bonds	5.00%	0.75%
Short Duration	2.00%	(0.25%)
Global Multi-Sector Fixed Income	11.00%	2.11%
Absolute return fixed income	7.00%	1.26%
Total fixed income	25.00%	
Private equity	5.00%	6.25%
Private debt	5.00%	4.75%
Opportunistic	5.00%	2.84%
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, 2017 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%
\$1,285.1	\$975.4	\$721.7

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):

	Governmental Activities	Turnpike System	Liquor Commission	Lottery Commission	State Revolving Fund	Business-type Activities	Primary Government
Proportionate share of Statewide amount	94.89%	1.42%	2.61%	0.45%	0.63%	5.11%	100.00%
Net pension liability	\$925,633	\$13,875	\$25,425	\$4,402	\$6,111	\$49,813	\$975,446
Pension expense	96,859	1,870	2,733	392	701	5,696	\$102,555
Deferred outflows of resources representing contributions subsequent to the measurement date	74,470	950	2,030	330	500	3,810	78,280
Deferred outflows of resources representing the changes in employer proportion	20,347	289	552	98	134	1,073	21,420
Deferred outflows of resources representing changes in assumptions	92,966	1,303	2,604	467	607	4,981	97,947
Deferred outflows of resources representing the differences between expected and actual experience	2,099	29	59	11	14	113	2,212
Deferred inflows of resources representing the differences between expected and actual experience	11,803	159	317	58	78	612	12,415
Deferred inflows of resources representing the net difference between projected and actual earnings on pension plan investments	11,773	240	293	42	75	650	12,423
Deferred inflows of resources representing the changes in employer proportion	18,625	258	516	93	121	988	19,613
Deferred outflows of resources representing change in proportion within the entity	5	1,109	642	63	137	1,951	1,956
Deferred inflows of resources representing change in proportion within the entity	1,250	118	364	198	26	706	1,956
<i>Amortization of deferred amounts:</i>							
2019	15,766	477	593	52	150	1,272	17,038
2020	39,478	797	1,231	171	302	2,501	41,979
2021	29,322	693	946	125	209	1,973	31,295
2022	(12,600)	(12)	(403)	(100)	(69)	(584)	(13,184)
Total	71,966	1,955	2,367	248	592	5,162	77,128
<i>Sensitivity analysis:</i>							
Net pension liability at 6.25% discount rate	1,219,618	18,279	33,496	5,657	8,051	65,483	1,285,101
Net pension liability at 8.25% discount rate	684,842	10,265	18,811	3,257	4,521	36,854	721,696

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, 2017, the following members were covered by the benefit terms:

Inactive members or beneficiaries currently receiving benefits	66
Inactive members entitled to but not yet receiving benefits	1
Active or vested members	<u>58</u>
Total members	<u>125</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, 2018, State contributions to the NHJRP totaled \$6.3 million.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: As of June 30, 2018, the State reported a net pension liability of \$37.5 million for the NHJRP. The NHJRP's net pension liability was measured as of December 31, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018. Changes in the components of net pension liability for the measurement period ended December 31, 2017 are as follows (in thousands):

Changes in Net Pension Liability

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances as of December 31, 2016	\$97,242	\$50,172	\$47,070
Changes for the year:			
Service cost	3,513		3,513
Interest on total pension liability	6,826		6,826
Effect of differences between expected and actual experience	(10,003)		(10,003)
Effect of changes in actuarial assumptions	4,435		4,435
Benefit payments	(6,601)	(6,601)	
Employer contributions		6,346	(6,346)
Member contributions		745	(745)
Net investment income		7,497	(7,497)
Administrative expenses		(228)	228
Balances as of December 31, 2017	<u>\$95,412</u>	<u>\$57,931</u>	<u>\$37,481</u>

For the year ended June 30, 2018, the State recognized pension expense of \$7.5 million for the NHJRP. As of June 30, 2018, the State reported deferred outflows and inflows of resources on its government-wide financial statements related to the NHJRP of \$8.1 million and \$8.3 million, respectively, from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments		\$1,456
Net difference between expected and actual experience	\$871	6,877
Change in assumptions	3,928	
Contributions subsequent to the measurement date	3,326	
Total	\$8,125	\$8,333

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, 2019. Other 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)
2019	\$69
2020	(1,750)
2021	(1,058)
2022	(795)
	\$(3,534)

Actuarial Assumptions: The total pension liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.75%
Salary increases	1.50% for 2017, 6.78% for 2018, and 2.25% thereafter at 12/31/17
Investment rate of return	6.675%

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, 2018 valuation were not based on the results of a recent actuarial experience study. The Plan has not had a formal actuarial experience study performed since one performed 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 2017:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
Cash	2.575%	0.27%
Core Fixed Income	12.500%	2.29%
U.S. Government Bonds	9.275%	2.92%
U.S. REITs	1.475%	3.27%
Large Cap US Equities	39.075%	3.13%
Small Cap US Equities	5.900%	3.62%
International equity	19.200%	4.11%
Alternatives	10.000%	1.66%

Discount Rate: The single discount rate used to measure the collective total pension liability was 6.675%, which is 0.325 basis points below the 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 6.675%, 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 (5.675%) or 1 percentage point higher (7.675%) than the current discount rate (expressed in thousands):

1% Decrease 5.675%	Current Discount Rate 6.675%	1% Increase 7.675%
\$ 46,343	\$ 37,481	\$ 29,280

OTHER POSTEMPLOYMENT BENEFITS

General Information about the Trusted OPEB Plan

Plan Description: 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. This plan has been previously defined as the Trusted OPEB plan but is also commonly referred to as "medical subsidy plan". The membership groups are Group II Police Officers and Firefighters and Group I State Employees.

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>

Benefits Provided: The Trusted OPEB Plan provides a medical insurance subsidy to qualified retired members. 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 for a qualified retiree, spouse, and certifiably dependent children with a disability who is living in the household and being cared for by the retiree. Under specific conditions, the qualified beneficiaries of members who die while in service may also be eligible for the medical subsidy. The eligibility requirements for receiving Trusted OPEB Plan benefits differ for Group I and Group II members. Eligibility for the medical subsidy payment is determined by the relevant RSA's, however, the medical subsidy plan is closed to new entrants. The State is a recipient of these medical subsidy payments on behalf of its former employees.

Contributions: Pursuant to RSA 100-A:16, III, and the biennial actuarial valuation, funding for the medical subsidy payment is via the employer contribution rates set forth by NHRS. 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 1.07% of gross payroll for Group I members, 4.10% of gross payroll for Group II firefighter members, and 4.10% of gross payroll for Group II police officer members. Employees are not required to contribute to the Trusted OPEB Plan.

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 \$9.0 million in fiscal year 2018 and \$12.0 million in fiscal year 2017.

OPEB Liabilities, OPEB Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the State reported a liability of \$87.3 million for its proportionate share of the net Trusted OPEB Plan liability. The net Trusted OPEB Plan liability was measured as of June 30, 2017, and the total Trusted OPEB Plan liability used to calculate the net Trusted OPEB Plan liability was determined by an actuarial valuation as of June 30, 2016 and rolled forward to June 30, 2017. The roll-forward procedures increased the June 30, 2016 actuarial accrued liability with normal cost and interest and decreased it with actual benefit payments and administrative expenses paid. The State's proportion of the net Trusted OPEB Plan liability was based on the projection of the State's long-term share of contributions to the Trusted OPEB Plan relative to the projected contributions of all participating entities, actuarially determined. As of the measurement date, the State's proportionate share was 19.10 percent. For the year ended June 30, 2018, the State recognized OPEB expense of \$7.8 million.

As of June 30, 2018, The State reported deferred outflows and inflows of resources on its government-wide financial statements related to OPEB in the primary government of \$577 thousand (excluding \$9.0 million in contributions subsequent to the measurement date) and \$276 thousand, respectively, from the following sources.

<i>(in thousands)</i>	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments		\$276
Changes in employer proportion	\$577	
Contributions subsequent to the measurement date	8,960	
Total	\$9,537	\$276

Amounts reported as deferred outflows of resources related to the Trusted OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net Trusted OPEB Plan liability in the year ended June 30, 2019. Remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to Trusted OPEB Plan will be recognized in OPEB expense as follows:

Year ended June 30,	Amount (in thousands)
2019	\$508
2020	(69)
2021	(69)
2022	(69)
	<u>\$301</u>

Actuarial Assumptions: The total Trusted OPEB Plan liability, measured as of June 30, 2017, was determined by a roll forward of the actuarial valuation as of June 30, 2016, 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 OPEB plan investment expense, including inflation
Healthcare cost trend rates	N/A - benefits are fixed stipends

Mortality rates were based on the RP-2014 Healthy Annuitant Employee generational mortality tables for males and females with creditable adjustments, adjusted for fully generational mortality improvements using Scale MP-2015, based on the last experience study.

The actuarial assumptions used in the June 30, 2016 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 Trusted OPEB 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 2017:

Asset Class	Target Allocation	Weighted average long-term expected geometric real rate of return:
		2017
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%	4.50%
Emerging International Equities	7.00%	6.25%
Total international equity	20.00%	
Core Bonds	5.00%	0.75%
Short Duration	2.00%	(0.25%)
Global Multi-Sector Fixed Income	11.00%	2.11%
Absolute return fixed income	7.00%	1.26%
Total fixed income	25.00%	
Private equity	5.00%	6.25%
Private debt	5.00%	4.75%
Opportunistic	5.00%	2.84%
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 Trusted OPEB Plan 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 actuarial funding policy and as required by RSA 100-A:16. Based on those assumptions, the Trusted OPEB Plan'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 Trusted OPEB Plan liability.

The following table illustrates the sensitivity of the State's proportionate share of the net Trusted OPEB Plan liability to changes in the discount rate. In particular, the table presents the State's proportionate share of the Trusted OPEB Plan liability measured at June 30, 2017 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 thousands):

1% Decrease to 6.25%	Current single rate assumption 7.25%	1% Increase to 8.25%
\$95,027	\$87,317	\$80,637

General Information about the Non Trusted OPEB Plan

Plan Description: RSA 21-I:30 specifies that the State provide certain health care benefits for retired employees and their spouses through a single employer (primary government with component units) defined postemployment benefit plan, previously defined as the Non Trusted OPEB Plan. These benefits include group hospitalization, hospital medical care, surgical care and other medical care. Substantially all of the State's employees who were hired on or before June 30, 2003 and have 10 years of service, may become eligible for these benefits if they reach normal retirement age while working for the State and receive their pensions on a periodic basis rather than a lump sum. During fiscal year 2004, legislation was passed that requires State Group I employees hired on or after July 1, 2003 to have 20 years of state service in order to qualify for health benefits. During fiscal year 2011, legislation was passed that requires Group II employees to have 20 years of State service to qualify for retiree health benefits. Additionally, during fiscal year 2012, legislation was passed requiring Group I employees hired after July 1, 2011 to have 25 years of state service and increased the normal retirement age for Group I and Group II employees hired after July 1, 2011. These and similar benefits for active employees and retirees are authorized by RSA 21-I:30 and provided through the Employee and Retiree Benefit Risk Management Fund, previously defined as the Fund, a single-employer group health fund, which is the state's self-insurance internal service fund implemented in

October 2003 for active state employees and retirees. The Fund covers 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 medical subsidy payment described earlier, which totaled approximately \$12.0 million, \$12.3 million and \$12.8 million, respectively, for the fiscal years ended June 30, 2018, 2017 and 2016. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Employees covered by benefit terms: As of June 30, 2017 the following employees were covered by the benefit terms:

Retired members and beneficiaries currently receiving benefits	12,125
Retired employees entitled to but not yet receiving benefit payments	536
Active employees	10,367
	<u>23,028</u>

Total OPEB Liability

The primary government's proportionate share of the total Non Trusted OPEB Plan liability of \$2,110.5 million was measured as of June 30, 2017, and was determined by an actuarial valuation as of December 31, 2016, adjusted forward. The primary government's proportionate share of the total Non Trusted OPEB Plan liability is the ratio attributable to each fund/component unit based on each participant's calculated liability. As of the measurement date, the primary government's proportion was 94.67%, which was a decrease of 6 basis points from its proportion measured as of the previous measurement date. Subsequent to the measurement date, the State decided to implement a Medicare Advantage plan, effective January 1, 2019. It is estimated that this change will decrease the overall total Non Trusted OPEB Plan liability by \$170 million.

Changes in the total OPEB Liability: The total OPEB liability at June 30, 2018 is \$2,229.4 million of which the primary government's proportionate share is \$2,110.5 million.

(dollars in thousands)	<u>Total OPEB Liability</u>
Balance at 6/30/16	\$2,875,711
Changes for the year:	
Service cost	111,334
Interest	84,315
Differences between expected and actual experience	(7,886)
Changes in assumptions	(784,281)
Benefit payments	<u>(49,772)</u>
Net changes	<u>(646,290)</u>
Balance at 6/30/17	<u>\$2,229,421</u>

Actuarial Assumptions and other inputs: The total Non Trusted OPEB Plan liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.25%
Salary increases	Group I employees: 13.25% decreasing over 9 years to an ultimate level of 3.75% Group II employees: 25.25% decreasing over 8 years to an ultimate level of 4.25%
Discount rate	3.58% as of June 30, 2017 and 2.85% as of June 30, 2016
Healthcare cost trend rates	Medical: under 65, 7.4% for one year then 4.5% per year; over 65, 1.4% for one year then 4.5% per year Prescription Drug: under 65, 12.8% for one year then 9.0% decreasing by 0.5% each year to an ultimate level of 4.5% per year; over 65, (6.1)% for one year then 9.0% decreasing by 0.5% each year to an ultimate level of 4.5% per year Contributions: Retiree contributions are expected to increase with a blended medical and prescription drug trend

The discount rate was based on the yield or index rate for 20-year, tax exempt general obligation municipal bonds with an average rate of AA/Aa or higher as shown in the Bond Buyer 20-Bond General Obligation Index (2.85% as of June 30, 2016 and 3.58% as of June 30, 2017). This determination is in accordance with GASB Statement No 75.

Mortality rates were based on the RP-2014 Healthy Annuitant Mortality Table projected generationally for males and females with Scale MP-2015.

The assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study by New Hampshire Retirement System for the period July 1, 2010 through June 30, 2015.

Changes in assumptions reflect trend assumption revisions to reflect current experience and future expectations.

Sensitivity of the total Non Trusted OPEB Plan liability to changes in the discount rate:

The following presents sensitivity of the primary government's proportionate share of the total Non Trusted OPEB Plan liability to changes in the discount rate. In particular, the table presents the primary government's proportionate share of the Total Non Trusted OPEB Plan liability measured at June 30, 2017 if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate (in thousand):

1% Decrease to 2.58%	Current Discount Rate 3.58%	1% Increase to 4.58%
\$2,468,500	\$2,110,546	\$1,814,483

Sensitivity of the total Non Trusted OPEB Plan liability to changes in the healthcare cost trend rates:

The following presents sensitivity of the primary government's proportionate share of the total Non Trusted OPEB Plan liability to changes in the healthcare cost trend rates. In particular, the table presents the primary government's proportionate share of the total Non Trusted OPEB Plan liability measured at June 30, 2017, if it were calculated using healthcare cost trend rates that are one-percentage-point lower or one-percentage-point higher than the current healthcare trend cost rates (in thousands):

1% Decrease	Current Trend Rate	1% Increase
\$1,769,703	\$2,110,546	\$2,556,234

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the primary government recognized OPEB expense of \$59.98 million. As of June 30, 2018, the primary government reported deferred outflows and inflows of resources on its government-wide financial statements related to the Non Trusted OPEB Plan of \$1.1 million (excluding \$48.9 million in contributions subsequent to the measurement date) and \$627.4 million, respectively, from the following sources:

<i>(in thousands)</i>	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		\$6,222
Changes in assumptions		618,720
Changes in employer proportion	\$1,122	2,472
Contributions subsequent to the measurement date	48,872	
Total	\$49,994	\$627,414

Amounts reported as deferred outflows of resources related to the Non Trusted OPEB Plan resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the total Non Trusted OPEB Plan liability in the year ended June 30, 2019. Remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to the Non Trusted OPEB Plan will be recognized in OPEB expense as follows:

Year ended June 30,	Amount (in thousands)
2019	\$(125,258)
2020	(125,258)
2021	(125,258)
2022	(125,258)
2023	(125,260)
	<u>\$(626,292)</u>

OPEB Allocations: The Statewide amounts for the total Non Trusted OPEB Plan liability, deferred outflows or resources, deferred inflows of resources, and OPEB expense detailed above were allocated among governmental activities, business-type activities, and component units based on each reporting unit's share of the participants within the Non Trusted OPEB Plan. OPEB related amounts for each reporting unit are as follows (expressed in thousands):

	Governmental	Turnpike	Liquor	Lottery	State Revolving	Business-type	Primary
	Activities	System	Commission	Commission	Fund	Activities	Government
Proportionate share of Statewide amount	89.41%	1.44%	2.82%	0.72%	0.27%	5.26%	94.67%
Total OPEB liability	\$1,993,323	\$32,186	\$62,905	\$16,144	\$5,988	\$117,223	\$2,110,546
OPEB expense	56,602	1,056	1,627	441	233	3,357	\$59,959
Deferred outflows of resources representing contributions subsequent to the measurement date	46,158	745	1,456	374	139	2,714	48,872
Deferred inflows of resources representing changes in assumptions	584,355	9,436	18,441	4,733	1,755	34,365	618,720
Deferred inflows of resources representing the differences between expected and actual experience	5,876	95	185	48	18	346	6,222
Deferred outflows of resources representing change in proportion within the entity	127	686			309	995	1,122
Deferred inflows of resources representing change in proportion within the entity	1,532		841	99		940	2,472
<i>Amortization of deferred amounts:</i>							
2019	(118,327)	(1,769)	(3,893)	(976)	(293)	(6,931)	(125,258)
2020	(118,327)	(1,769)	(3,893)	(976)	(293)	(6,931)	(125,258)
2021	(118,327)	(1,769)	(3,893)	(976)	(293)	(6,931)	(125,258)
2022	(118,327)	(1,769)	(3,893)	(976)	(293)	(6,931)	(125,258)
2023	(118,328)	(1,769)	(3,895)	(976)	(292)	(6,932)	(125,260)
Total	(591,636)	(8,845)	(19,467)	(4,880)	(1,464)	(34,656)	(626,292)
<i>Sensitivity analysis:</i>							
Total OPEB liability at 2.58% discount rate	2,332,176	36,845	73,772	18,685	7,022	136,324	2,468,500
Total OPEB liability at 4.58% discount rate	1,713,174	28,132	54,077	14,029	5,071	101,309	1,814,483
Total OPEB liability at - 1% healthcare cost trend rates	1,670,463	27,216	53,307	13,934	4,783	99,240	1,769,703
Total OPEB liability at + 1% healthcare cost trend rates	2,415,656	38,631	75,353	18,978	7,616	140,578	2,556,234

Pease Development Authority	Community Development Finance Authority	Community College System of New Hampshire	Component Units	Total Government
0.35%	0.02%	4.97%	5.33%	100.00%
\$7,806	\$355	\$110,714	\$118,875	\$2,229,421
298	11	3,353	3,662	\$63,621
181	8	2,564	2,753	51,625
2,288	104	32,456	34,848	653,568
23	1	326	350	6,572
375	5	970	1,350	2,472
				2,472
(387)	(20)	(6,363)	(6,770)	(132,028)
(387)	(20)	(6,363)	(6,770)	(132,028)
(387)	(20)	(6,363)	(6,770)	(132,028)
(387)	(20)	(6,363)	(6,770)	(132,028)
(388)	(20)	(6,360)	(6,768)	(132,028)
(1,936)	(100)	(31,812)	(33,848)	(660,140)
8,899	414	126,795	136,108	2,604,608
6,816	306	96,978	104,100	1,918,583
6,520	302	95,264	102,086	1,871,789
9,476	422	130,459	140,357	2,696,591

Summary of Employee Benefit Plans:

(Expressed in Thousands)	Governmental Activities	State					University of New Hampshire	Non-Major Component Units	Component Units
		Turnpike System	Liquor Commission	Lottery Commission	Revolving Fund	Business-type Activities			
Pension									
New Hampshire Retirement System	\$925,633	\$13,875	\$25,425	\$4,402	\$6,111	\$49,813		\$67,938	\$67,938
New Hampshire Judicial Retirement Plan	37,481								
Net Pension Liability	\$963,114	\$13,875	\$25,425	\$4,402	\$6,111	\$49,813		\$67,938	\$67,938
OPEB									
Trusted OPEB Plan	\$87,317							\$5,896	\$5,896
Non Trusted OPEB Plan	1,993,323	32,186	62,905	16,144	5,988	117,223		118,875	118,875
Other *							\$83,975		83,975
Other Post Employment Benefits Payable	\$2,080,640	\$32,186	\$62,905	\$16,144	\$5,988	\$117,223	\$83,975	\$124,771	\$208,746

* Does not include short term portion of OPEB classified as other current liabilities on the Statement of Net Position

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 \$77.2 million of financial guarantees outstanding and statutory limits as of June 30, 2018 (expressed in thousands):

	RSA	Guarantee Limit	Remaining Capacity	June 30, 2018		
				Principal	Interest	Total
<i>Municipalities and Political Subdivisions</i>						
Water Pollution Bonds	485-A:7	\$50,000	\$50,000			
School Construction Bonds	195-C:2	95,000	69,626	\$19,982	\$5,392	\$25,374
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	1,738	21,738
Business Finance Authority (BFA) - Additional State Guarantee	162-A:13; 162-A:10; 162-A:13-a	45,000	**	27,445	324	27,769
Business Finance Authority (BFA) - Additional State Guarantee	162-l:9-b	5,000	**	2,340		2,340
Business Finance Authority (BFA) - Unified Contingent Credit Limit	162-A:22	115,000	* 67,555	49,785	2,062	51,847
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	\$276,391	\$69,767	\$7,454	\$77,221

* Plus Interest

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 2018 for governmental activities and business-type activities were approximately \$27.2 million and \$8.9 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, 2018 (expressed in thousands):

Payable June 30,	Governmental Activities	Business-Type Activities
2018	\$10,761	\$6,342
2019	9,173	5,700
2020	7,985	5,305
2021	7,269	5,024
2022	5,943	4,680
2023-2027	21,352	13,567
2028-2032	702	4,078
2033-2037		1,421
2038-2042		2
Total	\$63,185	\$46,119

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, 2018 are as follows (expressed in thousands):

Payable June 30,	Governmental Activities	Business-Type Activities
2019	\$1,661	\$125
2020	1,549	125
2021	1,546	104
2022	1,348	
2023	992	
2024-2028	4,140	
2029-2033	1,477	
Total	12,713	354
Amount Representing Interest	(3,269)	(100)
Present Value of Minimum Lease Payments	\$9,444	\$254

The assets acquired through capital leases and included in capital assets at June 30, 2018 include the following (expressed in thousands):

	Governmental Activities	Business-Type Activities
Equipment	\$4,710	
Buildings & Building Improvements	4,861	\$1,563
Total	9,571	1,563
Less: Accumulated Depreciation	(2,599)	(1,242)
Net	\$6,972	\$321

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 51 taxpayers and used to offset a tax liability on the New Hampshire BPT return, BET return, or both.

Tax returns filed in fiscal year 2018: The tax credit used against BPT, BET, or both totaled \$938,000. 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 58 taxpayers and used to offset a tax liability on the New Hampshire BET and BPT returns.

Tax returns filed in fiscal year 2018: The tax credit used against BPT, BET or both totaled \$381,000. 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)

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 fiscal year 2016 this resulted in approximately a \$17 million increase in the DSH payments owed to hospitals. 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. Oral argument at the First Circuit Court of Appeal occurred on January 9, 2018. The First Circuit affirmed the lower court decision on April 4, 2018. CMS has not filed an appeal to the Supreme Court of the United States. CMS has filed a motion for clarification which remains pending regarding the permanent injunction issued by the USDC, arguing it is inconsistent with the First Circuit order asking that it be modified to indicate that handling of third party payments is left to the state. While we do not anticipate any significant impact from this remaining motion, even if granted, it is not possible to predict the outcome of the matter at this time.

NHHA v. Centers for Medicare and Medicaid Services (Azar), 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. The response by CMS has been filed. The State filed a motion to intervene in support of CMS's authority to adopt the rule, which was granted. The case will be decided on summary judgment and the following briefing schedule was set: The Hospitals' opening brief, December 8, 2017; CMS opening brief, February 8, 2018, State's Brief in support of CMS, February 15, 2018; Hospitals' reply brief, February 22, 2018; CMS reply brief March 22, 2018 and any reply by the State or Plaintiffs to new facts or issues raised in the second briefs is due within 10 days of the date of the pleading. Oral argument was set for April 17, 2018.

Similar litigation has been brought against CMS in several other jurisdictions, On February 9, 2018, the Western District of Missouri issued a decision ruling against CMS on this issue and enjoining CMS from enforcing the Final Rule. On March 6, 2018, the D.C. District Court issued a decision which also found the rule exceeds the statutory authority and is invalid. In addition, the D.C. Court considered nationwide impact and vacated the rule. CMS has acknowledged that, while the D.C. decision stands, it cannot impose the rule anywhere. CMS has appealed both of the decisions. CMS has requested that oral argument and decision in the New Hampshire federal litigation go forward, but this remains pending at this time.

Unless a stay is obtained by CMS of the D.C. District Court order, the CMS rule will not apply at the time the MET and DSH are paid while this litigation remains pending. In May 2018 the Hospitals and the State entered a new seven year agreement regarding payment of MET and DSH, which included resolution of MET and DSH payments for 2018 and replaced the June 2014 agreement. As such, although this litigation remains pending, the settlement results in the total level of DSH or other payments generated from the MET tax no longer being dependent on the federal definition of uncompensated care. Therefore, while it is not possible to predict the outcome of this case at this time, it is unlikely that it could have a significant effect on state obligations while the settlement is in place.

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. In May 2018 the Hospitals and the State entered a new seven year agreement regarding payment of MET and DSH, which included resolution of MET and DSH payments for 2018 and replaced the June 2014 agreement. Therefore this litigation is completely closed.

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. In May 2018 the Hospitals and the State entered a new seven year agreement regarding payment of MET and DSH, which included resolution of MET and DSH payments for 2018 and replaced the June 2014 agreement. Therefore this litigation is completely closed.

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. In May 2017, the plaintiff filed another lawsuit in state court, alleging wrongful discharge, however, the new claims do not meet the level determined by the state for disclosure in the financial statements.

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 February 27, 2018, two of the four plaintiffs filed a voluntary nonsuit (D.C. both individually and on behalf of N.B.) with regard to its claims against DCYF, and filed a separate action as described below. In January 2018, following a period of discovery, the parties engaged in settlement negotiations and reached an agreement to settle this lawsuit for a total of \$3.375 million. In May 2018, the court approved the settlement. The State thereafter issued the settlement payment to the plaintiffs and, in June 2018, the parties submitted a stipulation for docket markings, thereby terminating the case. This expense has been recorded in the accompanying financial statements.

D.C. et al. v. State of New Hampshire, Department of Health and Human Services, DCYF et al.

As noted above, on or about February 27, 2018, this lawsuit was filed in New Hampshire state superior court by two plaintiffs, who are identified by the initials D.C. and N.B. D.C. is the biological grandparent and the adoptive parent of minor child, N.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 N.B. to have unsupervised visits with the biological parents which resulted in the sexual abuse of N.B. on multiple occasions.

As indicated above, the parties engaged in settlement negotiations and reached an agreement to settle this lawsuit for a total of \$3.375 million. In May 2018, the court approved the settlement. The State thereafter issued the settlement payment to the plaintiffs and, in June 2018, the parties

submitted a stipulation for docket markings, thereby terminating the case. This expense has been recorded in the accompanying financial statements.
William Boucher, Individually and as Administrator of the Estate of Brielle Gage v. DCYF.

In November 2017, the plaintiff filed a lawsuit for the wrongful death of Brielle Gage, as well as loss of consortium. Brielle was murdered by her mother in November 2014. The plaintiff (Brielle's biological father), claims that DCYF was negligent in handling her case, which caused her death. This case is currently in discovery. While this case would typically be subject to the statutory cap on damages—and the \$50,000 statutory cap for loss of consortium—the plaintiff alleges the Estate is entitled to damages for multiple incidents of harm. It is not possible to predict an outcome of this case at this time.

Christopher Willott, Individually and as Administrator of the Estate of Sadence Willott v. DCYF.

In August 2018, the plaintiff filed a lawsuit for the wrongful death of Sadence Willott, as well as loss of consortium. The plaintiff also alleges negligence stemming from incidents of assault prior to her death. Sadie was murdered by her mother in September 2015. The plaintiff (Sadie's biological father), claims that DCYF was negligent in handling her case, which caused her death in September 2015, as well as various injuries that predate her death. While this case would typically be subject to the statutory cap on damages—and the \$50,000 statutory cap for loss of consortium—the plaintiff alleges the Estate is entitled to damages for multiple incidents of harm. It is not possible to predict an outcome of this case at this time.

Confidential potential litigation against DCYF.

In or around July 2018, the State was placed on notice that the plaintiffs intend to bring suit against DCYF alleging violations of RSA 169-C; violations of the New Hampshire Constitution; violations of the U.S. Constitution pursuant to Section 1983; Fraudulent and Negligent Misrepresentation; Intentional Infliction of Emotional Distress; Negligence; Breach of Fiduciary Duty; False Imprisonment; and, Tortious Interference with Parent-Child Relationship, all stemming from the child's underlying case with DCYF. Plaintiff alleges that DCYF was negligent in failing to remove the child from home, resulting in an injury to the child caused by the biological parents. Plaintiff also alleges DCYF was negligent in placing the child in the home of other relatives, where a minor relative committed sexual assault. While this case would typically be subject to the statutory cap on damages the plaintiff alleges there is claim under Section 1983, which allows for damages above the cap. It is not possible to predict an outcome of this threatened litigation at this time.

Additional threatened litigation relating to the Department of Health and Human Services, DCYF.

DCYF 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, 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. It is not possible to predict the outcome of these threatened cases at this time.

John Doe, on behalf of himself and all others similarly situated v. Commissioner Jeffrey Myers, Southern New Hampshire Medical Center, and the New Hampshire Circuit Court District Division.

An individual, who was admitted to Southern New Hampshire Medical Center's Emergency Department after a suicide attempt, sued in the Federal District Court for the State of New Hampshire alleging habeas corpus relief, declaratory judgment, and appointment of a class for unconstitutional deprivation of liberty interests and lack of procedural due process based on an alleged systemic practice where individuals who may be experiencing mental health crises are involuntarily detained in hospital emergency rooms without the State providing them with due process, appointed counsel, or an opportunity to contest their "detention." This practice is sometimes referred to as "psychiatric boarding." Plaintiff is represented by the New Hampshire American Civil Liberties Union ("ACLU") who is also asking for class certification for similarly situated individuals in New Hampshire. The ACLU alleges that, as of October 31, 2018, approximately 46 adults and 4 minors were "boarded" in emergency rooms. The State will be defending both the Commissioner and the Circuit Court system.

The complaint includes 4 counts requesting relief: Count I, a class action claim alleging violations of the Fourteenth Amendment to the United States Constitution for deprivation of liberty; Count II, a class action procedural due process claim under the New Hampshire Constitution Part I, Article 15; Count III, a class action claim alleging violations of RSA 135-C:31, I; and Count IV, an individual claim on behalf of John Doe for habeas corpus relief. On November 13, 2018, Count IV was voluntarily dismissed by Plaintiff as he moved to a voluntary stay status at the hospital. The overall relief requested is declaratory judgments regarding the various counts and injunctions to discontinue the alleged violations. There is also an accompanying motion for class certification.

The State accepted service of the complaint and is in the process of negotiating the responsive pleading dates. Objections, a motion to dismiss, and other responsive pleadings are expected to be filed by late January 2019. It is not possible to predict an outcome of this case 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 FY 2014 and beyond. The parties have filed an agreed statement of facts and cross-motions for summary judgment. The hospitals filed an objection to the State's cross-motion for summary judgment in October 2013, and the State filed its reply in November 2013. On February 7, 2014, the trial court in the Northeast 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 remained of this litigation are CMS and Exeter's declaratory judgment claims, which are administratively closed pursuant to the 2014 global settlement agreement. Pursuant to the Agreement, CMS and Exeter's claims could only be revived if the legislature fails to appropriate the requested funds and precludes the State from complying with this Agreement. In May 2018 the Hospitals and the State entered a new seven year agreement regarding payment of MET and DSH, which included resolution of MET and DSH payments for 2018 and replaced the June 2014 agreement. Therefore this litigation is completely closed.

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 appealed, and filed its opening brief on August 7, 2018. The OTCs' brief is due October 9, 2018. Oral argument is scheduled for January 10, 2019.

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 and believes an additional recovery in the range of \$750,000 is possible in late 2018 or in 2019 with no further collections thereafter. Other creditors are also seeking the assets of Mr. Gill and Mortgage Specialists, Inc. The State is preparing to sell the attached Gill properties at auction and anticipates receiving \$750,000. This revenue has not been recorded in the accompanying financial statements.

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 November 14, 2017. On March 30, 2018, the New Hampshire Supreme Court reversed and remanded the case to the trial court with instructions to dismiss for lack of subject matter jurisdiction. On April 30, 2018, the trial court entered judgment for the State of New Hampshire. This matter is now closed.

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

Four female New Hampshire state inmates filed this class action lawsuit in state court seeking declaratory and injunctive relief to remedy claimed violations of their constitutional, statutory and judicially decreed right to facilities, conditions of confinement, programs, and services that are on parity with those that the State of New Hampshire provides to male New Hampshire prison inmates. The Plaintiffs claim that female inmates do not have access to vocational training, education, and other programs, services and facilities comparable to what is provided to male inmates, and claim that the Defendant has therefore violated (1) their rights under New Hampshire's Equal Rights Amendment, Part I, Article 2 of the State Constitution; (2) the Equal Protection Clause of the New Hampshire Constitution, Part I, Article 12; (3) RSA 622:33-a, III; and (4) RSA 21-H:11. The State filed an answer on November 2, 2012. Petitioners filed a motion for class certification in February 2013. The State filed an objection in March 2013 and the parties have agreed to stay the case as the Legislature has included a \$38 million capital budget appropriation for a new women's prison and transitional housing facility in the FY14/15 Capital Budget (Chapter 195 Laws 2013). The new women's prison is now complete and housing the women inmates, but the parties continue to discuss how the implementation of programs will be monitored going forward. Trial is scheduled for September 2019. It is not possible to predict the outcome of this case at this time.

Department of Safety***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 \$750,000 in exchange for a general release of all claims by the plaintiff. This expense has been recorded in the accompanying financial statements.

Estate of Champney v. Department of Safety.

There is the potential for litigation, brought on behalf of the estate of Jesse Champney, arising from an officer-involved fatal shooting. On December 24, 2017, Mr. Champney fled from State Police during a pursuit related to an alleged stolen vehicle. After Mr. Champney's vehicle came to a stop off the road, Trooper O'Toole attempted to take him into custody, and Mr. Champney fled on foot. Mr. Champney refused to surrender and threatened to shoot Trooper O'Toole. Trooper O'Toole shot him, and he died at the scene. It is not possible to predict the outcome of the case at this time.

Other Departments***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 FY 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 on summary judgment and the order requiring the payment of attorneys' fees to Bedford. On August 17, 2018, the New Hampshire Supreme Court reversed the trial court's award of attorney's fees. This litigation is now concluded.

Town of Hampton, New Hampshire v. State of New Hampshire, Dkt. No. 218-2018-CV-00174 (N.H. Superior Court Rockingham County).

In or about February 2018, the Town of Hampton filed this lawsuit against the State, seeking various forms of declaratory, injunctive, and monetary relief. According to the complaint, the lawsuit arises out of a 1933 deed in which a portion of Ocean Boulevard in Hampton was transferred from the Town to the State, as well as a series of "long standing issues affecting the Town from the presence of the [State's] property and operations occurring in Hampton." The Town sought "a determination of the respective rights and obligations of the Town and the State with respect to a number of aspects of the State's activities."

The Town's complaint contained five separate counts. Through those counts, the Town sought declarations and related injunctive relief that the State is liable for all maintenance of Ocean Boulevard, including maintenance for the sidewalks, crosswalks, and the "proper drainage of water that runs off of Ocean Boulevard and its sidewalks," the recovery of monetary damages from the State based on the State's collection of reve-

nues from certain paid parking spaces in the Town, monetary damages representing the fair value of various municipal services (including fire, police, and public works) provided by the Town, and monetary damages based on a “fair share of the revenues received over the last three years” from the State’s operation of business activities on the subject property. The Town also claimed, on equal protection grounds, that the State’s distribution to municipalities of Meals and Rooms Tax revenues pursuant to RSA chapter 78-A is unconstitutional as applied to the Town. The Town sought a declaration that it is entitled to a greater distribution based on the Town’s “large seasonal visitor population” as opposed to the Town’s smaller “year-round population.”

On May 1, 2018, the State filed a motion to dismiss the Town’s lawsuit in its entirety. The Town subsequently filed a motion to compel responses to certain discovery requests, which the Town contended were needed in order to adequately respond to the State’s motion to dismiss. In July 2018, the court denied the Town’s motion to compel. The Town thereafter filed a voluntary nonsuit without prejudice, and indicated that it intends re-file the lawsuit at a later date. It is not possible to predict the outcome of the threatened litigation at this time.

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 \$51,889,725. 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 has moved forward. The court held oral arguments on May 9, 2018 and on October 16, 2018, the New Hampshire Supreme court affirmed the trial court’s decision in favor of the Department of Transportation. Because the remaining lower court claims were nonsuited without prejudice, Conduent was required to bring those claims in Superior Court last month. As of this date, we are not aware that those claims have been brought, but it is possible that they could have been filed but not yet served.

Cianbro Corporation v. NHDOT and MDOT.

This matter is a contract dispute concerning the Sarah Mildred Long Bridge which connects Maine and New Hampshire over the Piscataqua River. Cianbro is the prime contractor on the bridge replacement project, and has brought a Request for Equitable Adjustment through the MDOT internal adjudication process. Cianbro has sought an additional \$16.9 million and 164 additional days to complete the work. Cianbro contends that the design plans were faulty, making it impossible to complete the project as specified within the time and cost constraints of the contract. The project has been plagued by time delays, additional costs, and substandard work, all of which the DOTs believe is attributable to Cianbro’s poor performance and mismanagement of time. Although MDOT has administered the project, both MDOT and NHDOT have split all costs 50/50. If Cianbro is successful in its Request for Equitable Adjustment, NHDOT will be responsible for half of the \$16.9 million bill, however, federal funds would be used to pay the claim. The timeframe for completing the administrative adjudication process is difficult to estimate. It will take at least one year for the claim to move through the internal process. After that time, there is a possibility of an appeal to the Maine Superior Court which could take one more year.

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.

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.

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 continues to work with the FHWA in 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, 2018 follows:

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

	Restricted	Committed	Assigned	Unassigned
General Fund:				
General Government	\$17,473	\$4,759	\$37,744	
Administration of Justice & Public Protection	45,180	18,172	11,963	
Resources Protection & Development	368,132	5,221	9,063	
Transportation	8,813		18,840	
Health & Human Services	81,758	5	15,967	
Education	25,918		6,256	
Other Purposes				\$184,395
Total	547,274	28,157	99,833	184,395
Highway Fund:				
General Government				
Administration of Justice & Public Protection	6,054			
Resources Protection & Development	1,011			
Transportation	115,612		13,900	
Total	122,677		13,900	
Education Trust Fund:				
Education			25,444	
Total			25,444	
Non-Major Governmental Funds:				
Resources Protection & Development	4,903	2,885	1,962	
Other Purposes	12,877			(32,640)
Total	\$17,780	\$2,885	\$1,962	\$(32,640)

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, \$40 million of unrestricted General fund and Education Trust fund excess revenues over plan 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. At the end of the 2016-2017 biennium, in accordance with Chapter 156 of the 2017 legislative session, an additional \$7.0 million was transferred to the Rainy Day Fund, bringing the balance as of June 30, 2017 to \$100.0 million. During the 2018 legislative session, Chapter 162 required that \$10 million of unrestricted General fund excess revenues over plan be transferred into the Rainy Day fund, bringing the balance as of June 30, 2018 to \$110 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, 2018, the Lottery recognized \$8.3 million of net income from Tri-State. At June 30, 2018 Tri-State reported total installment prize obligations owed to jackpot winners of \$24.2 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 \$1.6 million at June 30, 2018. 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 36 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, 2018, the Lottery recognized \$24.0 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 \$2.6 million at June 30, 2018. 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.

Hot Lotto has been offered since April 2002. MUSL allocates 50 percent of the weekly sales to the prize pool. At June 30, 2018 the MUSL Hot Lotto prize reserve fund was \$6.9 million with New Hampshire's share being \$307 thousand. Each participating member pays for a share of Hot Lotto operating expenses based upon the member's proportionate share of total Hot Lotto game sales. Hot Lotto sales ended in October, 2017 as the game was discontinued due to falling sales.

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 sixteen 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, 2018, 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, 2018 amounted to \$2.6 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 \$63,410,000 General Obligation Capital Improvement Bonds 2018 Series A through a competitive sale which priced on December 4, 2018 and is scheduled to close on December 18, 2018. These bonds were issued with an overall true-interest-cost (TIC) to the State of 3.01%, with coupons ranging from 3.25% to 5.00% and with a final maturity of 12/1/2038. The proceeds of this issue will be used to finance 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, 2018 through December 1, 2018, an additional \$19.5 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, 2018
(Expressed in Thousands)

	General Fund			
	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
General Property Taxes	\$398	\$398	\$273	\$(125)
Special Taxes	1,248,884	1,255,904	1,320,269	64,365
Personal Taxes	120,348	120,348	124,443	4,095
Business License Taxes	24,696	24,696	24,475	(221)
Non-Business License Taxes	122,089	122,101	114,629	(7,472)
Fees	184,009	193,674	184,553	(9,121)
Fines, Penalties and Interest	7,482	8,849	7,085	(1,764)
Grants from Federal Government	2,038,588	2,435,926	1,973,731	(462,195)
Grants from Private and Local Sources	175,124	172,182	168,066	(4,116)
Rents and Leases	5,373	6,163	1,367	(4,796)
Interest Premiums and Discounts	15,181	15,953	28,330	12,377
Sale of Commodities	15,918	20,339	15,221	(5,118)
Sale of Services	43,351	44,021	23,905	(20,116)
Assessments	85,179	85,398	70,607	(14,791)
Grants from Other Agencies	369,808	370,573	146,493	(224,080)
Miscellaneous	1,305,875	440,285	401,803	(38,482)
Total Revenue	5,762,303	5,316,810	4,605,250	(711,560)
EXPENDITURES				
GENERAL GOVERNMENT				
Legislative Branch	27,063	27,182	16,690	10,492
Executive	49,957	49,895	34,328	15,567
Information Technology	88,260	86,583	66,382	20,201
Executive Council	246	262	252	10
Administrative Services	158,467	170,582	148,191	22,391
Sec of State	10,114	13,483	9,305	4,178
Revenue Administration	19,163	19,227	16,987	2,240
State Treasury	99,132	102,783	90,033	12,750
NH Retirement System	8,057	8,062	7,109	953
Developmental Disabilities Council	665	695	414	281
Office of Professional Licensure and Certification	7,980	8,592	7,311	1,281
Boards and Commissions	948	948	900	48
Total	470,052	488,294	397,902	90,392
JUSTICE AND PUBLIC PROTECTION				
Judicial Branch	92,351	94,973	86,982	7,991
Adjutant General	33,994	39,067	25,077	13,990

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, 2018
(Expressed in Thousands)

	General Fund			
	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Agriculture	7,367	7,452	4,680	2,772
Justice Department	107,989	110,790	37,691	73,099
Bank Commission	6,340	6,340	5,140	1,200
Insurance	14,963	15,623	11,372	4,251
Labor	10,481	29,015	26,969	2,046
Public Utilities Commission	52,060	52,826	31,307	21,519
Safety	124,424	152,119	100,959	51,160
Corrections Department	124,044	129,143	119,210	9,933
Employment Security	83,246	83,246	28,632	54,614
Judicial Council	28,439	29,674	29,472	202
Human Rights Commission	690	678	590	88
Boards and Commissions	450	450	434	16
Total	686,838	751,396	508,515	242,881
RESOURCE PROTECTION AND DEVELOPMENT				
Natural and Cultural Resources	82,839	88,578	43,493	45,085
Business and Economic Development			21,454	(21,454)
Pease Development Authority	632	633	514	119
Environmental Services	134,738	176,134	84,270	91,864
Development Finance Authority	171	171	171	
Boards and Commissions	63	63	62	1
Total	218,443	265,579	149,964	115,615
TRANSPORTATION				
Transportation	69,542	90,685	41,128	49,557
Total	69,542	90,685	41,128	49,557
HEALTH AND SOCIAL SERVICES				
Health and Human Services Commissioner	144,998	167,741	116,400	51,341
Office of Health Management	118,504	122,917	79,811	43,106
Transitional Assistance	104,590	124,311	92,001	32,310
Office of Medicaid & Business Policy	1,633,900	1,960,581	1,830,941	129,640
Behavioral Health	70,830	71,663	60,762	10,901
Developmental Services	317,612	351,023	327,485	23,538
N H Hospital	75,728	76,657	69,320	7,337
Glenclyff Home	15,587	15,729	14,470	1,259
N H Veterans Home	35,664	35,664	31,099	4,565
Veterans Council	639	646	549	97

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, 2018
(Expressed in Thousands)

	General Fund			
	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Human Services	195,514	210,655	189,159	21,496
Elderly and Adult Services	47,022	47,111	23,505	23,606
Community Based Care Svc	18,131	18,131	3,807	14,324
Total	2,778,719	3,202,829	2,839,309	363,520
EDUCATION				
Department of Education	362,932	390,895	272,560	118,335
NH Comm. Tech. College System	46,475	46,475	46,475	
Police Standards and Training Council	3,630	3,663	3,285	378
University of New Hampshire	81,000	81,000	81,000	
Total	494,037	522,033	403,320	118,713
Debt Service	109,054	109,054	109,054	
Capital Outlays	28,479	28,479	28,479	
Total Expenditures	4,855,164	5,458,349	4,477,671	980,678
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	907,139	(141,539)	127,579	269,118
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In		961	961	
Transfers Out		(62,784)	(62,209)	575
Miscellaneous		(472)	(472)	
Total Other Financing Sources (Uses)		(62,295)	(61,720)	575
Excess (Deficiency) of Revenues and Other Sources Over (Under)	907,139	(203,834)	65,859	269,693
Expenditures and Other Uses				
Fund Balance - July 1	909,475	909,475	909,475	
Fund Balance - June 30	\$1,816,614	\$705,641	\$975,334	\$269,693

STATE OF NEW HAMPSHIRE
BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE (Unaudited)
HIGHWAY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Expressed in Thousands)

	Highway Fund			
	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget-Positive (Negative)
	Original	Final		
REVENUES				
Business License Taxes	\$185,825	\$185,825	\$182,760	\$(3,065)
Non-Business License Taxes	65,111	65,111	72,998	7,887
Fees	80,877	80,845	17,362	(63,483)
Fines, Penalties and Interest	6,507	6,506	6,098	(408)
Grants from Federal Government	589,229	589,141	169,754	(419,387)
Grants from Private and Local Sources	9,864	9,845	4,975	(4,870)
Rents and Leases	214	214	92	(122)
Sale of Commodities	6,098	6,098	2,679	(3,419)
Sale of Services	5,378	5,224	4,114	(1,110)
Grants from Other Agencies	14,151	16,352	16,633	281
Miscellaneous	76,410	79,172	31,121	(48,051)
Total Revenues	1,039,664	1,044,333	508,586	(535,747)
EXPENDITURES				
Justice and Public Protection	103,894	106,638	61,418	45,220
Resource Protection and Development	2,315	4,586	1,876	2,710
Transportation	919,225	861,064	449,482	411,582
Debt Service	33,706	33,706	33,706	
Capital Outlays	8,882	8,882	8,882	
Total Expenditures	1,068,022	1,014,876	555,364	459,512
Excess (Deficiency) of Revenues Over (Under) Expenditures	(28,358)	29,457	(46,778)	(76,235)
OTHER FINANCING SOURCES (USES)				
Transfers Out		(2,842)	(2,842)	
Transfers In		(88)		88
Miscellaneous		512	1,087	575
Total Other Financing Sources (Uses)		(2,418)	(1,755)	663
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(28,358)	27,039	(48,533)	(75,572)
Fund Balance - July 1	618,148	618,148	618,148	
Fund Balance - June 30	\$589,790	\$645,187	\$569,615	\$(75,572)

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, 2018
(Expressed in Thousands)

	Education Trust Fund			
	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget-Positive (Negative)
	Original	Final		
REVENUES				
General Property Taxes	\$405,999	\$405,999	\$408,312	\$2,313
Special Taxes	390,700	390,700	446,105	55,405
Personal Taxes	94,600	94,600	87,077	(7,523)
Fines, Penalties and Interest		1	3	2
Miscellaneous	35,000	35,000	40,000	5,000
Total Revenues	926,299	926,300	981,497	55,197
EXPENDITURES				
Education	961,566	961,200	959,919	1,281
Total Expenditures	961,566	961,200	959,919	1,281
Deficiency of Revenues Under Expenditures	(35,267)	(34,900)	21,578	56,478
OTHER FINANCING SOURCES (USES)				
Transfers In	62,159	62,159	62,159	
Total Other Financing Sources (Uses)	62,159	62,159	62,159	
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	26,892	27,259	83,737	56,478
Fund Balance - July 1	(55,643)	(55,643)	(55,643)	
Fund Balance - June 30	\$(28,751)	\$(28,384)	\$28,094	\$56,478

Note to the Required Supplementary Information - Budgetary Reporting (Unaudited) FOR THE FISCAL YEAR ENDED JUNE 30, 2018

The Budget To Actual (Non-GAAP Budgetary Basis) Schedules depict budgeted to actual expenditures using the same format, terminology and classification as in the statement of revenues, expenses and changes in fund balances with an additional expense level by department within each functional expense category.

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 2018, 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 (HB144) as of June 28, 2017 with an effective date of July 1, 2017, 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, 2018 rather than the amounts shown in the original budget, are reported. The final appropriations budget represents the original budget (HB144), plus HB517 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, 2018 (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)	\$65,859	\$(48,533)	\$83,737
Adjustments and Reclassifications:			
To record change in Accounts Payable and Accrued Payroll	14,854	(1,136)	(891)
To record change in Accounts Receivable	(208,582)	3,031	(87,279)
To record Other Financing Sources (Uses)	239,342	54,768	25,120
Excess/(Deficiency) of revenues and other financing sources over/(under) expenditures and other financing (uses) (GAAP Basis) including change in inventory	\$111,473	\$8,130	\$20,687

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

Required Supplementary Information (Unaudited)
INFORMATION ABOUT THE TRUSTED OTHER POSTEMPLOYMENT BENEFITS PLAN

Schedule of the State's Proportionate Share of the Net OPEB Liability (Trusted OPEB Plan)

(dollars in thousands)

	June 30, 2018
State's Proportion of the Net OPEB Liability	19.097%
State's Proportionate Share of the Net OPEB Liability	\$87,317
State's Covered Payroll	\$587,542
State's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	14.86%
Fiduciary Net Position as a Percentage of the Total OPEB Liability	7.91%

Note: The amounts presented were determined as of and for the measurement period ended June 30, 2017

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

Schedule of State Contributions

(dollars in thousands)

	2018	2017
Required State Contribution	\$8,960	\$11,996
Actual State Contributions	8,960	11,996
Excess/(Deficiency) of State Contributions		
State's Covered Payroll	\$601,426	\$587,542
State Contribution as a Percentage of its Covered Payroll	1.49%	2.04%

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

Notes to the Required Supplementary Information:

Changes in benefit terms: None

Changes in Assumptions: Payroll growth assumption for the Teacher group was reduced to 2.75% and future actuarial gains or losses on or after July 1, 2017 to be amortized for consecutive closed fixed periods of no longer than 20 years.

Required Supplementary Information (Unaudited)
INFORMATION ABOUT THE NON TRUSTED OTHER POSTEMPLOYMENT BENEFITS PLAN

	2018
Total OPEB Liability	
Service cost	111,334
Interest	84,315
Differences between expected and actual experience	(7,886)
Changes in assumptions	(784,281)
Benefit payments	(49,772)
Net change in total OPEB liability	(646,290)
Total OPEB liability - beginning	2,875,711
Total OPEB liability - ending	2,229,421
Covered payroll	587,542
Total OPEB liability as a percentage of covered payroll	379.45%

Notes to Schedule:

Changes in assumptions reflect trend assumption revisions to reflect current experience and future expectations, as well as, changes in the discount rate used in each period. The following are the discount rates used in each period.

2018	3.58%
2017	2.85%

Note: The amounts presented were determined as of and for the measurement periods ended June 30, 2017 and 2016

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 RETIREMENT SYSTEM

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

(dollars in thousands)	June 30,	June 30,	June 30,	June 30,
	2018	2017	2016	2015
State's Proportion of the Net Pension Liability	19.83%	19.47%	20.07%	19.60%
State's Proportionate Share of the Net Pension Liability	\$975,446	\$1,035,370	\$794,933	\$735,869
State's Covered Payroll	\$587,542	\$562,387	\$563,322	\$533,457
State's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	166.02%	184.10%	141.12%	137.94%
NHRS Fiduciary Net Position as a Percentage of the Total Pension Liability	62.66%	58.30%	65.47%	66.32%

Note: The amounts presented were determined as of and for the measurement periods ended June 30, 2017, 2016, 2015, and 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,				
	2018	2017	2016	2015	2014
Required State Contribution	\$78,280	\$72,680	\$69,700	\$67,450	\$63,621
Actual State Contributions	78,280	72,680	69,700	67,450	63,621
Excess/(Deficiency) of State Contributions					
State's Covered Payroll	\$601,426	\$587,542	\$562,387	\$563,322	\$533,457
State Contribution as a Percentage of its Covered Payroll	13.02%	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, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Total Pension Liability				
Service cost	\$3,513	\$3,248	\$2,693	\$2,351
Interest on total pension liability	6,826	6,568	5,642	5,648
Effect of differences between expected and actual experience	(10,003)	3,773		
Effect of changes in actuarial assumptions	4,435	3,806		
Benefit payments	(6,601)	(6,192)	(5,694)	(5,775)
Net change in total pension liability	(1,830)	11,203	2,641	2,224
Total pension liability, beginning	97,242	86,039	83,398	81,174
Total pension liability, ending (a)	\$95,412	\$97,242	\$86,039	\$83,398
Fiduciary Net Position				
Employer contributions	\$6,346	\$6,096	\$5,470	\$4,923
Member contributions	745	727	664	635
Investment income net of investment expenses	7,497	2,874	(249)	2,759
Benefit payments	(6,601)	(6,192)	(5,694)	(5,775)
Administrative expenses	(228)	(239)	(208)	(203)
Net change in plan fiduciary net position	7,759	3,266	(17)	2,339
Fiduciary net position, beginning	50,172	46,906	46,923	44,584
Fiduciary net position, ending (b)	57,931	50,172	46,906	46,923
Net pension liability, ending = (a) - (b)	\$37,481	\$47,070	\$39,133	\$36,475
Fiduciary net position as a % of total pension liability	60.72%	51.59%	54.52%	56.26%
Covered payroll	\$8,359	\$8,525	\$8,031	\$7,535
Net pension liability as a % of covered payroll	448.39%	552.14%	487.27%	484.07%

Note: The amounts presented above were determined as of and for the measurement period ended December 31, 2017, 2016, 2015 and 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,	2018	2017	2016	2015	2014
Actuarially Determined Contribution	\$6,592	\$6,151	\$5,678	\$5,100	\$4,666
Contributions in Relation to the Actuarially Determined Contribution Excess/(Deficiency) of State Contributions	6,592	6,151	5,678	5,100	4,666
Covered Payroll	\$8,825	\$8,686	\$8,209	\$7,944	\$7,348
Contribution as a Percentage of the Covered Payroll	74.70%	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	6.675%
Inflation	2.75%
Salary increases	1.5% for 2017, 6.78% for 2018, 2.25% thereafter
Cost of living adjustment	6.78% for 2018, 2.25% thereafter
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 22 years was used for the year ended December 31, 2017
Remaining amortization period	22 years
Asset valuation method	5-year non-asymptotic +/- 20%
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, 2018
(Expressed in Thousands)**

	Highway Construction			Highway Operating	Total Highway Fund
	Federal Highway Construction Trust	State Funded Construction	Total Highway Construction		
<u>ASSETS</u>					
Cash and Cash Equivalents	\$11,641	\$67,915	\$79,556	\$39,513	\$119,069
Cash and Cash Equivalents - Restricted	48		48		48
Receivables (Net of Allowances for Uncollectibles)	32,687	4,987	37,674	27,507	65,181
Due from Other Funds	1		1	318	319
Inventories				19,345	19,345
Total Assets	44,377	72,902	117,279	86,683	203,962
<u>LIABILITIES</u>					
Accounts Payable	18,041	8,343	26,384	7,644	34,028
Accrued Payroll	4		4	8,826	8,830
Due to Other Accounts	5,128		5,128	(4,959)	169
Unearned Revenue	3,567	47	3,614	74	3,688
Total Liabilities	26,740	8,390	35,130	11,585	46,715
				1,325	1,325
<u>DEFERRED INFLOWS OF RESOURCES</u>					
<u>FUND BALANCES</u>					
Nonspendable:					
Inventories				19,345	19,345
Restricted	17,637	64,512	82,149	40,528	122,677
Assigned				13,900	13,900
Total Fund Balances	17,637	64,512	82,149	73,773	155,922
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$44,377	\$72,902	\$117,279	\$86,683	\$203,962

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, 2018
(Expressed in Thousands)

	Highway Construction			Highway Operating	Total Highway Fund
	Federal Highway Construction Trust	State Funded Construction	Total Highway Construction		
REVENUES					
Unrestricted					
Business License Taxes (Road Toll)				\$126,009	\$126,009
Motor Vehicle Fees				90,228	90,228
Fines, Penalties and Interest				5,821	5,821
Sale of Commodities				202	202
Sale of Service				23	23
Miscellaneous				287	287
Subtotal Unrestricted Revenues				222,570	222,570
Restricted					
Business License Taxes (Road Toll - Betterment - Ch.17,L'2014)		57,162	57,162	1,715	58,877
Motor Vehicle Fees				232	232
Fines, Penalties and Interest				23,869	23,869
Grants from Federal Government	137,652	263	137,915	37,577	175,492
Grants from Private and Local Sources	2,783		2,783	1,386	4,169
Rents and Leases				92	92
Sale of Commodities (Motor Fuel, Hwy Inventory)				2,484	2,484
Sale of Service	451		451	3,640	4,091
Grants from Other Agencies				14,756	14,756
Miscellaneous	40	(1)	39	4,946	4,985
Subtotal Restricted Revenues	140,926	57,424	198,350	90,697	289,047
Total Revenue	140,926	57,424	198,350	313,267	511,617
EXPENDITURES					
Current:					
Administration of Justice and Public Protection				62,202	62,202
Resource Protection and Development				1,881	1,881
Transportation	64,436	45,186	109,622	218,322	327,944
Municipal Aid					
Debt Service-Safety					
Debt Service-Transportation	18,855	720	19,575	14,131	33,706
Capital Outlay Equipment - Safety					
Capital Outlay Equipment - Transportation					
Capital Outlay Infrastructure - Transportation	113,435	1,286	114,721	16,046	130,767
Capital Outlay Land and Buildings - Transportation					
Total Expenditures	196,726	47,192	243,918	312,582	556,500
Excess (Deficiency) of Revenues Over (Under) Expenditures	(55,800)	10,232	(45,568)	685	(44,883)
OTHER FINANCING SOURCES (USES)					
Transfers among accounts		300	300	(300)	
Transfers Out	(14)	(8)	(22)	(2,820)	(2,842)
Note Issuance	54,768		54,768		54,768
Total Other Financing Sources (Uses)	54,754	292	55,046	(3,120)	51,926
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(1,046)	10,524	9,478	(2,435)	7,043
Fund Balances - July 1	18,683	53,988	72,671	75,121	147,792
Change in Inventory				1,087	1,087
Fund Balances - June 30	\$17,637	\$64,512	\$82,149	\$73,773	\$155,922

See accompanying Independent Auditors' Report

Non-Major Governmental Funds

Special Revenue Fund:

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

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

Permanent Funds:

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

Land Conservation Endowment - The 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, 2018
(Expressed in Thousands)**

	Fish & Game	Capital	Permanent Funds			Total Permanent	Total Non-Major
			NH Hospital	Land Conservation Endowment	Other Permanent		
ASSETS							
Cash and Cash Equivalents	\$10,872		\$240		\$114	\$354	\$11,226
Investments			7,409	\$3,883	13,837	25,129	25,129
Receivables (Net)	1,550	\$4,207					5,757
Due from Other Funds		6,781					6,781
Inventories	635						635
Total Assets	13,057	10,988	7,649	3,883	13,951	25,483	49,528
LIABILITIES							
Accounts Payable	1,727	16,643					18,370
Accrued Payroll	945						945
Due to other funds		26,985					26,985
Total Liabilities	2,672	43,628					46,300
FUND BALANCES							
Nonspendable:							
Inventories	635						635
Permanent Fund Principal			458	2,390	9,758	12,606	12,606
Restricted	4,903		7,191	1,493	4,193	12,877	17,780
Committed	2,885						2,885
Assigned	1,962						1,962
Unassigned		(32,640)					(32,640)
Total Fund Balances	10,385	(32,640)	7,649	3,883	13,951	25,483	3,228
Total Liabilities and Fund Balances	\$13,057	\$10,988	\$7,649	\$3,883	\$13,951	\$25,483	\$49,528

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, 2018
(Expressed in Thousands)

	Fish & Game	Capital	NH Hospital	Land Conservation Endowment	Other Permanent	Total Permanent	Total Non-Major
REVENUES							
Non-Business License Taxes	\$10,350						\$10,350
Fees	6,452						6,452
Fines, Penalties and Interest	105						105
Grants from Federal Government	10,869	\$39,409					50,278
Grants from Private and Local Sources	812						812
Interest, Premiums and Discounts	148		\$181	\$68	\$226	\$475	623
Sale of Commodities	392						392
Grants from Other Agencies	95						95
Miscellaneous	1,073		332	343	1,457	2,132	3,205
Total Revenues	30,296	39,409	513	411	1,683	2,607	72,312
EXPENDITURES							
Current:							
General Government							
Administration of Justice & Public Protection					109	109	109
Resource Protection and Development	22,702			202	268	470	23,172
Health and Social Services			319		58	377	377
Debt Service	387						387
Capital Outlay	3,687	111,470					115,157
Total Expenditures	26,776	111,470	319	202	435	956	139,202
Excess (Deficiency) of Revenues							
Over (Under) Expenditures	3,520	(72,061)	194	209	1,248	1,651	(66,890)
OTHER FINANCING SOURCES (USES)							
Transfers In	1,881						1,881
Transfers Out	(3,550)						(3,550)
Miscellaneous		4,084					4,084
G.O. Bond Premium		9,282					9,282
G.O. Bond Issuance		61,478					61,478
Total Other Financing Sources (Uses)	(1,669)	74,844					73,175
Excess of Revenues & Other Sources							
Over Expenditures & Other Uses	1,851	2,783	194	209	1,248	1,651	6,285
Fund Balances (Deficits) - July 1	8,407	(35,423)	7,455	3,674	12,703	23,832	(3,184)
Change in Inventory	127						127
Fund Balances (Deficits) - June 30	\$10,385	\$(32,640)	\$7,649	\$3,883	\$13,951	\$25,483	\$3,228

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, 2018
(Expressed in Thousands)**

	Fish and Game Fund			
	Budgeted Amounts		Actual Amount (Budgetary Basis)	Variance with Final Budget-Positive (Negative)
	Original	Final		
REVENUES				
Non-Business License Taxes	\$11,989	\$12,029	\$10,350	\$(1,679)
Fees	2,925	3,028	1,602	(1,426)
Fines, Penalties and Interest	100	100	105	5
Grants from Federal Government	8,719	11,403	10,769	(634)
Grants from Private and Local Sources	988	1,179	822	(357)
Interest Premiums and Discounts	58	59	148	89
Sale of Commodities	613	613	679	66
Sale of Services	1,199	1,199	20	(1,179)
Grants from Other Agencies	6,972	7,122	5,924	(1,198)
Miscellaneous	2,842	2,948	1,054	(1,894)
Total Revenues	36,405	39,680	31,473	(8,207)
EXPENDITURES				
Resource Protection and Development	29,082	32,437	27,426	5,011
Debt Service	387	387	387	
Capital Outlays	3,687	3,687	3,687	
Total Expenditures	33,156	36,511	31,500	5,011
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,249	3,169	(27)	(3,196)
OTHER FINANCING SOURCES (USES)				
Transfers In		2,112	1,881	(231)
Transfers Out				
Miscellaneous		127	127	
Total Other Financing Sources (Uses)		2,239	2,008	(231)
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	3,249	5,408	1,981	(3,427)
Fund Balance - July 1	9,279	9,279	9,279	
Fund Balance - June 30	\$12,528	\$14,687	\$11,260	\$(3,427)

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
Deficiency of revenues and other financing sources under expenditures and other financing uses (Budgetary Basis)	\$1,981
Adjustments and Reclassifications: To record change in Accounts Payable and Accrued Payroll	4,724
To Record change in Accounts Receivable	(1,177)
To record Other Financing Sources (Uses)	(3,550)
Deficiency of revenues and other financing sources under expenditures and other financing uses (GAAP Basis) including change in inventory	\$1,978

See accompanying Independent Auditors' Report

State Revolving Fund

STATE OF NEW HAMPSHIRE
 COMBINING SCHEDULE OF NET POSITION
 STATE REVOLVING FUND
 JUNE 30, 2018
 (Expressed in Thousands)

	Clean Water	Drinking Water	Total SRF Fund
<u>ASSETS - (Restricted)</u>			
Current Assets:			
Cash and Cash Equivalents	\$80,560	\$21,756	\$102,316
Investments	58,550	16,035	74,585
Loans Receivable:			
Cap Grant - Wastewater/Regular	10,903	5,359	16,262
Cap Grant - Landfills	1,512		1,512
Repayment Loans	7,472	1,667	9,139
Total Loans Receivable	19,887	7,026	26,913
Other Current Assets	3,725	1,702	5,427
Total Current Assets	162,722	46,519	209,241
Noncurrent Assets:			
Investments	59,608	16,006	75,614
Loans Receivable:			
Cap Grant - Wastewater/Regular	133,740	88,005	221,745
Cap Grant - Landfills	5,100		5,100
Repayment Loans	156,094	36,098	192,192
Total Loans Receivable	294,934	124,103	419,037
Total Noncurrent Assets	354,542	140,109	494,651
Total Assets	517,264	186,628	703,892
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	883	957	1,840
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	859	530	1,389
Bonds Payable	1,563	515	2,078
Accrued Payroll	192	180	372
Compensated Absence - current	71	63	134
Advanced Collection	2	11	13
Total Current Liabilities	2,687	1,299	3,986
Noncurrent Liabilities:			
Bonds Payable	11,251	2,053	13,304
Compensated Absence - noncurrent	474	420	894
Other Post Employment Benefits Payable	2,783	3,205	5,988
Net Pension Liability	3,029	3,082	6,111
Total Noncurrent Liabilities	17,537	8,760	26,297
Total Liabilities	20,224	10,059	30,283
<u>DEFERRED INFLOWS OF RESOURCES</u>	982	1,091	2,073
<u>NET POSITION</u>			
Restricted for Environmental Loans	492,754	173,449	666,203
Restricted for SRF Programs	4,187	2,986	7,173
Total Net Position	\$496,941	\$176,435	\$673,376

STATE OF NEW HAMPSHIRE
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
STATE REVOLVING FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Expressed in Thousands)

	<u>Clean Water</u>	<u>Drinking Water</u>	<u>Total SRF Fund</u>
<u>OPERATING REVENUES</u>			
Loan Interest	\$5,082	\$1,078	\$6,160
Capitalized Loan Interest	74		74
Management Fees	1,183	2,700	3,883
Total Operating Revenue	<u>6,339</u>	<u>3,778</u>	<u>10,117</u>
<u>OPERATING EXPENSES</u>			
Principal Forgiveness	2,228	4,711	6,939
Small System Set-Aside Costs		69	69
State Program Management Costs		1,027	1,027
Local Assistance Set-Aside Costs		1,299	1,299
Administration	4,613	2,679	7,292
Total Operating Expenses	<u>6,841</u>	<u>9,785</u>	<u>16,626</u>
Operating Income (Loss)	<u>(502)</u>	<u>(6,007)</u>	<u>(6,509)</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>			
Investment Income	2,798	703	3,501
Federal Grant Revenue	20,421	8,035	28,456
State Contributions		1,420	1,420
Miscellaneous	(535)	(83)	(618)
Total Nonoperating Revenues	<u>22,684</u>	<u>10,075</u>	<u>32,759</u>
Change in Net Position	22,182	4,068	26,250
Net Position - July 1, restated	474,759	172,367	647,126
Net Position - June 30	<u>\$496,941</u>	<u>\$176,435</u>	<u>\$673,376</u>

Internal Service Fund

STATE OF NEW HAMPSHIRE
COMBINING SCHEDULE OF NET POSITION
EMPLOYEE BENEFIT RISK MANAGEMENT FUND
JUNE 30, 2018
(Expressed in Thousands)

ASSETS	Health			Dental	Total
	Active	Retirees	Total		
Current Assets:					
Cash and Cash Equivalents	\$31,832	\$15,322	\$47,154	\$1,443	\$48,597
Accounts Receivable	5,456	7,015	12,471	47	12,518
Total Assets	37,288	22,337	59,625	1,490	61,115
LIABILITIES					
Current Liabilities:					
Accounts Payable	672	(483)	189	30	219
Claims Payable	1,952	430	2,382	234	2,616
Incurred but not Reported (IBNR)	11,101	5,437	16,538	341	16,879
Total Liabilities	13,725	5,384	19,109	605	19,714
NET POSITION					
Unrestricted Net Position	\$23,563	\$16,953	\$40,516	\$885	\$41,401

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, 2018
(Expressed in Thousands)

	Active	Retirees	Total	Dental	Total
<u>OPERATING REVENUES</u>					
Contributions For Health Benefits					
State Contributions:					
Active Employees	\$168,847		\$168,847	\$11,018	\$179,865
Retired Judges & Constitutional Officers		\$722	722		722
Retired Employees		55,690	55,690		55,690
Non-State Contributions:					
Employee and Retiree Premiums	10,230	7,094	17,324	1,103	18,427
Other Employers	2,591		2,591	173	2,764
COBRA Participants	365		365	141	506
Legislator Participants	491	306	797	148	945
Retirement Subsidies & Deductions		11,983	11,983		11,983
Recoveries, Subsidies & Rebates	10,027	17,427	27,454	5	27,459
Total Contributions for Health Benefits	192,551	93,222	285,773	12,588	298,361
Total Charges for Sales and Services	192,551	93,222	285,773	12,588	298,361
<u>OPERATING EXPENSES</u>					
Health Care Expenses:					
Medical Payments	142,619	40,701	183,320	11,603	194,923
Pharmaceuticals	40,627	43,787	84,414		84,414
Ancillary Benefits	563		563		563
Total Health Care Expenses	183,809	84,488	268,297	11,603	279,900
Administrative Expenses	7,271	3,945	11,216	353	11,569
Total Operating Expenses	191,080	88,433	279,513	11,956	291,469
Operating Income	1,471	4,789	6,260	632	6,892
Change in Net Position	1,471	4,789	6,260	632	6,892
Net Position - July 1	22,092	12,164	34,256	253	34,509
Net Position - June 30	\$23,563	\$16,953	\$40,516	\$885	\$41,401

Non-Major Component Units

STATE OF NEW HAMPSHIRE
COMBINING STATEMENT OF NET POSITION
NON-MAJOR COMPONENT UNITS
JUNE 30, 2018
(Expressed in Thousands)

	Business Finance Authority	Community Development Finance Authority	Pease Development Authority	Community College System of New Hampshire	Total
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$8,651	\$7,961	\$6,134	\$14,286	\$37,032
Cash and Cash Equivalents-Restricted	18,669	4,394	489		23,552
Investments		870		8,789	9,659
Accounts Receivable	96	1,159	2,058	457	3,770
Other Receivables		1,192	1,153	1,304	3,649
Notes Receivable - Current Portion	7,414	1,294		237	8,945
Prepaid Expenses & Other	456	956	500	605	2,517
Total Current Assets	35,286	17,826	10,334	25,678	89,124
Noncurrent Assets:					
Investments				22,333	22,333
Notes & Other Receivables	11,371	6,525		1,986	19,882
Other Assets	6,007				6,007
Capital Assets:					
Land & Land Improvements			7,521	7,679	15,200
Building & Building Improvements			146,365	194,036	340,401
Equipment	34	184	14,710	18,767	33,695
Construction in Progress			2,027	1,191	3,218
Less: Accumulated Depreciation	(34)	(153)	(103,567)	(104,670)	(208,424)
Net Capital Assets		31	67,056	117,003	184,090
Total Noncurrent Assets	17,378	6,556	67,056	141,322	232,312
Total Assets	52,664	24,382	77,390	167,000	321,436
DEFERRED OUTFLOWS OF RESOURCES					
			1,753	16,177	17,930
LIABILITIES					
Current Liabilities:					
Accounts Payable	29	185	4,016	1,066	5,296
Accrued Salaries and Wages				6,961	6,961
Accrued Employee Benefits - Current	35				35
Other Payables & Accrued Expenses	67	6,904			6,971
Deposits and Unearned Revenues		919	681	1,201	2,801
Long Term Debt-Current Portion			207	2,152	2,359
Total Current Liabilities	131	8,008	4,904	11,380	24,423
Noncurrent Liabilities:					
Other Post Employment Benefits Payable		355	8,239	116,177	124,771
Net Pension Liabilities			4,986	62,952	67,938
Other Long Term Debt	27,108		828	19,683	47,619
Total Noncurrent Liabilities	27,108	355	14,053	198,812	240,328
Total Liabilities	27,239	8,363	18,957	210,192	264,751
DEFERRED INFLOWS OF RESOURCES					
	2,897		2,612	42,292	47,801
NET POSITION					
Net Investment in Capital Assets			64,400	99,115	163,515
Restricted for Specific Purpose	18,722	14,691	1,388	22,083	56,884
Unrestricted Net Position (Deficit)	3,806	1,328	(8,214)	(190,505)	(193,585)
Total Net Position (Deficit)	\$22,528	\$16,019	\$57,574	\$(69,307)	\$26,814

See accompanying Independent Auditors' Report

**STATE OF NEW HAMPSHIRE
COMBINING STATEMENT OF ACTIVITIES
NON-MAJOR COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Expressed in Thousands)**

	Business Finance Authority	Community Development Finance Authority	Pease Development Authority	Community College System of New Hampshire	Total
<u>EXPENSES</u>	\$2,218	\$9,291	\$18,455	\$128,897	\$158,861
<u>PROGRAM REVENUES:</u>					
Charges for Services:					
Tuition & Fees				67,583	67,583
Scholarship Allowances				(20,387)	(20,387)
Sales, Services, & Other Revenue	1,850	1,718	15,023	7,570	26,161
Operating Grants & Contributions		8,883	5,244	22,352	36,479
Capital Grants & Contributions				7,320	7,320
Total Program Revenues	1,850	10,601	20,267	84,438	117,156
Net Revenues (Expenses)	(368)	1,310	1,812	(44,459)	(41,705)
Interest & Investment Income	79	83	23	4,261	4,446
Payments from State of New Hampshire				46,475	46,475
Change in Net Position	(289)	1,393	1,835	6,277	9,216
Net Position - July 1, restated	22,817	14,626	55,739	(75,584)	17,598
Net Position - June 30	\$22,528	\$16,019	\$57,574	\$(69,307)	\$26,814

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, 2018
(Expressed in Thousands)

	NHRS			Total
	Pension Plan	OPEB	Judicial Retirement Plan	
ASSETS				
Cash & Cash Equivalents	\$290,203	\$1,076	\$848	\$292,127
Total Cash	290,203	1,076	848	292,127
Receivables:				
Due from Employers	45,846	4,784	425	51,055
Due from Plan Members	22,496		50	22,546
Due from Brokers for Securities Sold	17,326	64	5,183	22,573
Interest and Dividends	17,048	63	157	17,268
Other	4,465	17	27	4,509
Total Receivables	107,181	4,928	5,842	117,951
Investments				
Equity Investments				
Domestic	2,943,605	10,919	24,642	2,979,166
International	1,277,625	4,739	10,935	1,293,299
Fixed Income Investments				
Domestic	1,621,205	6,013	10,503	1,637,721
International	205,037	761		205,798
Commercial Real Estate	802,178	2,975		805,153
Alternative Investments	1,627,671	6,037	5,205	1,638,913
Total Investments	8,477,321	31,444	51,285	8,560,050
Other Assets	140	1		141
Total Assets	8,874,845	37,449	57,975	8,970,269
LIABILITIES				
Management Fees and Other Payables	9,924	37	44	10,005
Due to Brokers for Securities Purchased	28,054	104		28,158
Total Liabilities	37,978	141	44	38,163
NET POSITION				
Net Position Restricted for Pension and Other Postemployment Benefits (OPEB)	\$8,836,867	\$37,308	\$57,931	\$8,932,106

**STATE OF NEW HAMPSHIRE
COMBINING STATEMENT OF CHANGES IN PLAN NET POSITION
PENSION TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Expressed in Thousands)**

	NHRS			Total
	Pension Plan	OPEB	Judicial Retirement Plan	
ADDITIONS				
Contributions:				
Employers	\$422,659	\$44,194	\$6,346	\$473,199
Plan Members	217,572		745	218,317
Total Contributions	640,231	44,194	7,091	691,516
Investment Income:				
From Investing Activities:				
Net Appreciation (Depreciation) in Fair Value of Investments	557,164	2,448	6,741	566,353
Interest	54,379	231	859	55,469
Dividends	73,582	313		73,895
Alternative Investment Income	29,868	127		29,995
Net Real Estate Income	30,852	132		30,984
Total Income from Investing Activities	745,845	3,251	7,600	756,696
Less: Investment Activity Expenses:				
Investment Management Fees	26,450	112	60	26,622
Custodial Fees	630	3	43	676
Investment Administrative Expense	642	3		645
Investment Advisor Fees	747	3		750
Investment Professional Fees	287	1		288
Total Investment Activity Expenses	28,756	122	103	28,981
Total Net Income (loss) from Investing Activities	717,089	3,129	7,497	727,715
Total Net Investment Income (loss)	717,089	3,129	7,497	727,715
Total Additions	1,357,320	47,323	14,588	1,419,231
DEDUCTIONS				
Benefits/Distributions to Participants	741,753	49,251	6,601	797,605
Refunds of Contributions	24,010			24,010
Administrative Expense	7,767	33	228	8,028
Professional Fees	687	3		690
Other	224	1		225
Total Deductions	774,441	49,288	6,829	830,558
Change in Net Position	582,879	(1,965)	7,759	588,673
Net Position - July 1	8,253,988	39,273	50,172	8,343,433
Net Position - June 30	\$8,836,867	\$37,308	\$57,931	\$8,932,106

See accompanying Independent Auditors' Report

Private Purpose Trust Funds

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

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

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

Other: The other category consists of several accounts whose trust arrangements provide principal and income to benefit individuals, private organizations or other governments. They include: NH Veterans Home Funds, Prison Funds, Japanese Charitable Trust, Youth Development Center, YDC Other Funds, the Special Fund for Active Cases, Tip-Top House Fund, and NH Hospital Patient Banking.

STATE OF NEW HAMPSHIRE
 COMBINING STATEMENT OF NET POSITION
 PRIVATE PURPOSE TRUST FUNDS
 JUNE 30, 2018
 (Expressed in Thousands)

	Private Purpose Trust Funds				
	Special Fund for Second Injuries	EAP	College Savings	Other	Total Private Purpose
ASSETS					
Cash and Cash Equivalents	\$5,334	\$1,849	\$3,456	\$1,233	\$11,872
Investments			2,671	731	3,402
Total Assets	5,334	1,849	6,127	1,964	15,274
LIABILITIES					
Total Liabilities			3,801		3,801
Net Position Held in Trust for Benefits & Other Purposes	\$5,334	\$1,849	\$2,326	\$1,964	\$11,473

**STATE OF NEW HAMPSHIRE
 COMBINING STATEMENT OF CHANGES IN NET POSITION
 PRIVATE PURPOSE TRUST FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018
 (Expressed in Thousands)**

	Private Purpose Trust Funds				Total Private Purpose
	Special Fund for Second Injuries	EAP	College Savings	Other	
ADDITIONS					
Contributions:					
From Participants	\$22,562	\$1,283	\$14,697	\$3,605	\$42,147
Total Contributions	22,562	1,283	14,697	3,605	42,147
Interest Income	89	5	68	15	177
Other			11	101	112
Total Additions	22,651	1,288	14,776	3,721	42,436
DEDUCTIONS					
Benefits/Distributions to Participants	18,608	1,019	14,490	782	34,899
Other			439	2,514	2,953
Total Deductions	18,608	1,019	14,929	3,296	37,852
Change in Net Position	4,043	269	(153)	425	4,584
Net Position - July 1	1,291	1,580	2,479	1,539	6,889
Net Position - June 30	\$5,334	\$1,849	\$2,326	\$1,964	\$11,473

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, 2018
(Expressed in Thousands)

	Agency Funds					Total
	Unified Court System	Child Support Funds	Lifetime License Fund	Board of Tax and Land Appeals	Other Agency Funds	
ASSETS						
Cash and Cash Equivalents	\$4,015	\$3,340		\$661	\$3,334	\$11,350
Investments			\$1,838		275	2,113
Total Assets	4,015	3,340	1,838	661	3,609	13,463
LIABILITIES						
Custodial Funds Payable	4,015	3,340	1,838	661	3,609	13,463
Total Liabilities	\$4,015	\$3,340	\$1,838	\$661	\$3,609	\$13,463

STATE OF NEW HAMPSHIRE
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018
 (Expressed in Thousands)

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
<u>Unified Court System</u>				
<u>ASSETS</u>				
Cash and Cash Equivalents	\$4,384	\$10,653	\$11,022	\$4,015
<u>LIABILITIES</u>				
Custodial Funds Payable	\$4,384	\$10,653	\$11,022	\$4,015
<u>Child Support Funds</u>				
<u>ASSETS</u>				
Cash and Cash Equivalents	\$2,423	\$84,683	\$83,766	\$3,340
<u>LIABILITIES</u>				
Custodial Funds Payable	\$2,423	\$84,683	\$83,766	\$3,340
<u>Lifetime License Fund</u>				
<u>ASSETS</u>				
Investments	\$1,684	\$2,048	\$1,894	\$1,838
<u>LIABILITIES</u>				
Custodial Funds Payable	\$1,684	\$2,048	\$1,894	\$1,838
<u>Board of Tax and Land Appeals</u>				
<u>ASSETS</u>				
Cash and Cash Equivalents	\$874	\$31	\$244	\$661
<u>LIABILITIES</u>				
Custodial Funds Payable	\$874	\$31	\$244	\$661
<u>Other Agency Funds</u>				
<u>ASSETS</u>				
Cash and Cash Equivalents	\$3,034	\$11,951	\$11,651	\$3,334
Investments	270	5		275
Total Assets	\$3,304	\$11,956	\$11,651	\$3,609
<u>LIABILITIES</u>				
Custodial Funds Payable	\$3,304	\$11,956	\$11,651	\$3,609
<u>Totals - Agency Funds</u>				
<u>TOTAL ASSETS - AGENCY FUNDS</u>				
Cash and Cash Equivalents	\$10,715	\$107,318	\$106,683	\$11,350
Investments	1,954	2,053	1,894	2,113
Total Assets - Agency funds	\$12,669	\$109,371	\$108,577	\$13,463
<u>TOTAL LIABILITIES - AGENCY FUNDS</u>				
Custodial Funds Payable	12,669	109,371	108,577	13,463
Total Liabilities - Agency Funds	\$12,669	\$109,371	\$108,577	\$13,463

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	143
Schedule of Changes in Net Position	144
Schedule of Fund Balances, Governmental Funds	146
Schedule of Changes in Fund Balance, Governmental Funds	147
Schedule of Unrestricted Revenue - GAAP Basis - General Fund	148
Schedule of Statutory Unassigned - Other Fund Balance - General Fund	149
Schedule of Statutory Fund Balance - Education Fund	150
Schedule of Statutory Fund Balance - Highway Fund	151
Schedule of Statutory Fund Balance - Fish and Game Fund	152

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	153
Schedule of Statewide Property Tax For Top Ten Cities/Towns	155
Schedule of Sales by Top Ten State Liquor Retail Locations	157

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	157
Schedule of Ratios of General Bonded Debt Outstanding	158
Schedule of Pledged Revenue Coverage	158

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	159
Schedule of Building Permits for Housing Units	159
Schedule of Principal Employers	160

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	162
Schedule of State Employees by Function	166
Schedule of Capital Asset Balances by Function	167

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

	Fiscal Year			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Governmental Activities:				
Expenses				
General government	\$487,323	\$482,357	\$445,931	\$442,490
Administration of justice and public protection	529,684	516,377	469,263	528,840
Resource protection and development	178,862	177,032	156,899	156,795
Transportation	569,332	558,500	500,899	501,461
Health and social services	2,883,850	2,843,514	2,717,099	2,406,752
Education	1,356,013	1,361,946	1,358,215	1,346,431
Interest expense	33,754	33,437	54,748	41,877
Total expenses	<u>6,038,818</u>	<u>5,973,163</u>	<u>5,703,054</u>	<u>5,424,646</u>
Charges for services:				
General government	292,437	\$313,725	\$309,072	273,145
Administration of justice and public protection	377,270	397,049	401,255	358,571
Resource protection and development	100,984	95,579	89,441	86,294
Transportation	18,950	15,363	16,257	28,470
Health and social services	178,117	159,600	144,354	271,752
Education	1,458	2,020	2,170	5,024
Operating grants and contributions	2,267,221	2,164,704	2,137,529	1,895,332
Capital grants and contributions	190,813	188,237	169,643	197,400
Total program revenues	<u>3,427,250</u>	<u>3,336,277</u>	<u>3,269,721</u>	<u>3,115,988</u>
Total Governmental Activities Net Program Expense	<u>\$(2,611,568)</u>	<u>(2,636,886)</u>	<u>(2,433,333)</u>	<u>(2,308,658)</u>
General Revenues and Other Changes in Net Assets				
Taxes				
General property taxes	409,085	403,212	407,276	408,678
Business Income Taxes	774,512	662,400	693,691	564,562
Meals and Rental Tax	329,983	315,680	302,473	280,792
Special taxes	567,200	536,998	521,574	370,000
Personal taxes	211,319	218,833	226,803	221,501
Business license taxes	184,886	184,132	182,582	181,278
Interest and investment income	21,023	14,600	17,015	15,172
Miscellaneous	53,376	59,570	43,884	47,846
Special Item - Environmental Litigation Settlements			276,457	
Transfers/Contributions of assets to other entities				
Transfers	257,086	229,861	235,038	228,098
Total General Revenues and Other Changes in Net Position	<u>2,808,470</u>	<u>2,625,286</u>	<u>2,906,793</u>	<u>2,317,927</u>
Total Governmental Activities Change in Net Position	<u>\$196,902</u>	<u>\$(11,600)</u>	<u>\$473,460</u>	<u>\$9,269</u>
Business-type Activities:				
Expenses				
Turnpike System	97,530	\$99,475	\$88,091	\$116,372
Liquor Commission	554,195	549,260	531,064	497,091
Lottery Commission	250,510	228,168	229,488	210,254
SRF Fund	17,244	15,457	9,288	22,962
Unemployment Compensation	57,529	74,631	79,569	93,450
Total expenses	<u>977,008</u>	<u>966,991</u>	<u>937,500</u>	<u>940,129</u>
Revenues				
Charges for services:				
Turnpike System	139,474	137,270	135,588	127,781
Liquor Commission	710,214	703,136	688,374	649,154
Lottery Commission	337,896	304,322	308,570	287,453
SRF Fund	15,038	13,492	7,710	9,605
Unemployment Compensation	81,786	80,144	83,352	99,930
Operating grants and contributions	28,456	20,651	26,374	46,986
Capital grants and contributions	104	44	87	74
Total revenues	<u>1,312,968</u>	<u>1,259,059</u>	<u>1,250,055</u>	<u>1,220,983</u>
Total Business-type Activities Net Program Revenue	<u>335,960</u>	<u>292,068</u>	<u>312,555</u>	<u>280,854</u>
Other Changes in Net Position				
Transfer/Contribution of Capital Assets				
Transfers	(257,086)	(229,861)	(235,038)	(228,098)
Total Other Changes in Net Position	<u>(257,086)</u>	<u>(229,861)</u>	<u>(235,038)</u>	<u>(228,098)</u>
Total Business-type Activities Change in Net Position	<u>\$78,874</u>	<u>\$62,207</u>	<u>\$77,517</u>	<u>\$52,756</u>
Total Primary Government Change in Net Position	<u>\$275,776</u>	<u>\$50,607</u>	<u>\$550,977</u>	<u>\$62,025</u>

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

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							
	2018	2017	2016	2015	2014	2013	2012	2011
General fund								
Nonspendable:								
Inventories	\$4,729	\$5,122	\$4,680	\$5,145	\$4,712	\$5,092	\$5,892	\$6,649
Restricted	547,274	553,760	486,626	195,546	109,417	104,687	24,933	161,043
Committed	28,157	32,006	34,411	37,553	116,325	123,245	137,764	92,883
Assigned	99,833	62,027	24,962	26,631	35,765	25,509	24,984	27,356
Unassigned:								
Revenue Stabilization	110,000	100,000	93,043	22,326	9,312	9,312	9,312	9,312
Other	74,395		88,489	49,000	21,890	72,177	13,836	17,672
Total General Fund	\$864,388	\$752,915	\$732,211	\$336,201	\$297,421	\$340,022	\$216,721	\$314,915
All Other Governmental Funds								
Nonspendable:								
Inventories	\$19,980	\$18,766	\$18,493	\$17,791	\$14,965	\$12,063	\$13,147	\$12,401
Permanent Fund Principal	12,606	11,821	10,583	11,019	11,358	7,076	10,305	6,665
Restricted	140,457	131,669	124,272	199,114	212,518	174,174	193,102	115,448
Committed	2,885	2,481	2,028	1,733	1,304	14,048	15,397	1,469
Assigned	41,306	20,051	5,643	4,819	6,304	60,587	40,192	37,770
Unassigned	(32,640)	(35,423)						(33,577)
Total All Other Governmental Funds	184,594	149,365	161,019	234,476	246,449	267,948	272,143	140,176
Total Fund Balances - Governmental Funds	\$1,048,982	\$902,280	\$893,230	\$570,677	\$543,870	\$607,970	\$488,864	\$455,091

	Fiscal Year	
	2010	2009
General fund		
Reserved	\$305,243	\$291,901
Unreserved	65,681	
Total general fund	370,924	291,901
All other governmental funds		
Reserved	132,435	165,743
Unreserved, reported in:		
Special revenue funds	12,477	(50,281)
Capital projects fund	(63,519)	(132,927)
Total all other governmental funds	\$81,393	\$(17,465)

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									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenues										
General Property Taxes	\$408,585	\$405,412	\$406,677	\$404,579	\$399,519	\$397,162	\$396,316	\$396,272	\$393,296	\$392,951
Special Taxes	1,679,095	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
Personal Taxes	211,520	218,633	227,003	221,300	219,903	205,849	214,928	226,649	243,499	188,038
Business License Taxes	209,361	207,829	205,162	204,975	166,840	163,736	163,764	181,730	165,508	166,930
Non-Business License Taxes	215,439	221,990	217,595	210,697	187,642	186,839	174,103	199,550	216,878	183,974
Fees	186,989	187,067	187,965	182,947	186,173	176,781	177,570	190,902	194,331	155,528
Fines, Penalties and Interest	13,301	25,313	15,246	13,974	7,931	14,010	25,118	11,111	11,953	28,498
Grants from Federal Government	2,296,577	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
Grants from Private and Local Sources	182,422	171,624	167,032	171,660	173,202	192,422	171,043	122,179	112,077	160,365
Rents and Leases	1,460	1,437	149	1,226	156	2,396	2,784	3,030	10,350	1,574
Interest, Premiums and Discounts	27,393	16,777	18,390	16,668	17,783	14,542	12,279	14,917	12,289	19,774
Sale of Commodities	17,959	20,570	21,021	24,793	24,392	25,071	12,546	12,506	11,829	10,921
Sale of Service	27,854	33,803	29,316	32,320	25,163	73,665	78,010	90,458	93,667	76,489
Assessments	63,092	60,203	62,847	60,653	71,492	60,777	73,816	66,528	81,009	64,901
Grants from Other Agencies	71,042	78,452	72,213	70,968	68,978	60,672	58,429	54,972	118,206	18,130
Miscellaneous	262,723	246,386	254,370	341,740	367,854	314,515	293,237	201,903	219,431	157,950
Total Revenues	5,874,812	5,585,325	5,562,601	5,104,118	4,719,533	4,651,917	4,627,426	4,871,600	5,166,170	4,475,326
Expenditures										
General Government	376,799	348,287	340,644	323,673	328,895	328,506	334,636	393,429	420,360	380,799
Administration of Justice and Public Protection	530,367	498,489	503,700	475,601	460,844	466,423	444,209	377,865	416,073	374,532
Resource Protection and Development	162,384	161,802	147,250	147,858	133,801	142,550	139,204	236,392	239,175	153,204
Transportation *	369,641	317,129	307,377	347,018	310,751	293,679	435,391	524,108	536,552	452,209
Health and Social Services	2,907,112	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
Education	1,359,721	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
Debt Service										
Principal	98,129	93,146	97,834	97,513	89,859	76,657	80,104	33,612	69,321	65,832
Interest	42,053	46,551	51,318	54,749	47,692	48,124	52,332	43,167	42,428	41,803
Capital Outlay *	273,120	283,794	236,154	210,064	253,087	300,126	144,373	191,293	196,717	242,758
Total Expenditures	6,119,326	5,920,114	5,762,657	5,391,146	5,089,922	4,962,292	4,923,168	5,290,023	5,416,283	4,930,520
Revenues Over (Under) Expenditures	(244,514)	(334,789)	(200,056)	(287,028)	(370,389)	(310,375)	(295,742)	(418,423)	(250,113)	(455,194)
Other Financing Sources (Uses)										
Transfers In	6,392	70,354	30,994	81,683	104,882	126,966	143,943	128,259	43,244	58,458
Transfers In from Enterprise Funds	257,086	229,861	235,038	228,098	224,032	222,735	210,743	205,294	209,048	192,745
Transfers Out	(6,392)	(70,354)	(30,994)	(81,683)	(112,760)	(131,934)	(148,240)	(128,259)	(43,244)	(58,458)
Refunding Bond Issuance								45,036		
Bond Premiums	9,282	5,862		29,276	7,672	12,820	26,245	22,846	23,509	2,219
Bond/Note Issuance	116,246	157,492	9,685	147,956	65,793	85,625	201,770	230,000	282,599	179,380
Payments to Refunding Bond Escrow Agent	4,005	(55,082)		(108,875)				(49,967)	(168,608)	(30,255)
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	3,776	4,882	778	245	128	189	250	626	157	296
Total Other Financing Sources (Uses)	390,395	343,015	245,915	310,465	303,767	340,663	458,027	419,184	426,705	344,385
Special Item - Environmental Litigation Settlements			276,457			90,700				
Change in Inventory	821	824	237	3,370	2,522	(1,882)	(12)	2,013	274,436	3,011
Net Change in Fund Balances	\$146,702	\$9,050	\$322,553	\$26,807	\$(64,100)	\$119,106	\$162,273	\$2,774	\$451,028	\$(107,798)
Debt Service as a Percentage of Non-Capital Expenditure:	2.5%	2.5%	2.8%	3.0%	2.9%	2.8%	2.9%	1.5%	2.2%	2.4%

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

See accompanying Independent Auditors' Report

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

	Fiscal Year Ended June 30									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Beer Tax	\$12,828	\$12,678	\$12,850	\$12,299	\$12,656	\$12,689	\$12,885	\$12,900	\$13,065	\$12,695
Board and Care Revenue						26,439	24,487	22,519	22,072	21,338
Business Profits Tax	393,370	317,412	352,788	282,351	271,707	267,062	256,552	248,537	258,633	251,925
Business Enterprise Tax	87,849	83,588	91,304	71,898	73,009	78,293	68,459	63,003	71,744	61,889
Estate and Legacy Tax		7	29	8	43	(60)	7	92	48	(4)
Insurance Tax	115,019	121,865	123,448	114,621	95,028	95,405	84,990	84,902	86,804	94,144
Securities Revenue	43,364	44,598	43,703	42,534	40,612	38,137	37,591	37,025	34,231	34,680
Interest and Dividends Tax	105,826	94,287	89,265	96,861	79,811	92,974	83,536	76,597	84,866	97,126
Liquor	136,374	141,063	139,851	138,522	135,889	132,338	127,590	125,718	120,718	146,000
Meals and Rentals Tax	322,476	306,184	292,774	272,682	254,033	241,169	231,776	228,898	228,291	203,603
Dog Racing								329	334	385
Horse Racing								1,005	1,184	1,633
Gambling Winning Tax								3,188	2,933	
Games of Chance								1,136	1,181	
Real Estate Transfer Tax	99,433	94,497	89,665	78,784	67,093	62,322	52,792	53,987	55,994	53,539
Telephone/Communications Tax	43,448	47,087	52,449	57,308	59,281	57,350	79,320	76,500	80,965	80,243
Tobacco Tax	124,508	128,178	132,395	128,734	130,274	126,233	136,094	129,849	130,521	59,257
Tobacco Settlement	5,912	2,608	1,479	1,917	2,279	23,249	2,510	1,692	4,221	12,821
Utilities Tax	5,940	5,901	5,932	6,039	6,147	6,104	5,929	5,955	5,976	6,535
Courts Fines and Fees	12,956	13,673	13,473	13,375	13,637	12,898	13,853	13,737	13,022	29,295
Flexible Grant										
Other:										
Corporate Returns	667	646	665	675	710	683	575	754	712	647
Interstate Vehicle Registrations								2,157	1,132	1,231
Motor Boat Registrations										
Corporate Filing Fees	2,904	3,092	3,272	3,237	2,899	2,937	3,056	3,251	3,016	3,271
Interest on Surplus Funds	4,801	1,684	781	140	270	59	(41)	10	(545)	404
Reimbursement of Indirect Costs	11,816	10,006	12,906	9,497	10,390	8,915	9,836	10,800	8,340	7,214
Miscellaneous	62,084	65,266	60,710	59,529	61,835	71,016	63,682	59,444	78,862	74,031
Subtotal	1,591,575	1,494,320	1,519,739	1,391,011	1,317,603	1,356,212	1,295,479	1,263,985	1,308,320	1,253,902
Net Medicaid Enhancement Revenues (MER)										
Recoveries	4,098	8,870	9,061	6,662	4,739	11,324	6,309	27,758	19,854	21,827
Subtotal	1,595,673	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
Total Unrestricted Revenue	\$1,595,673	\$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

See accompanying Independent Auditors' Report

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

	Fiscal Year Ended June 30									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Balance, July 1 (Budgetary Method)	\$159,581	\$218,442	\$192,511	\$165,501	\$214,070	\$183,904	\$210,884	\$112,355	\$24,094	\$103,494
Additions:										
Unrestricted Revenue	1,595,673	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
Total Unrestricted Revenue	1,595,673	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
Transfer from Other Funds		1,158	783	760	2,589	793	1,952	38,333	9,576	865
Bonds Authorized and Unissued										
Other Credits	1,717	441					145	975	6,800	529
Total Additions	1,597,390	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
Deductions:										
Appropriations Net of Estimated Revenues:										
General Government	288,841	302,735	275,201	272,577	259,245	257,703	261,384	282,297	319,116	342,736
Administration of Justice and Public Protection	284,605	277,029	255,233	222,846	217,101	210,595	211,009	221,054	217,743	209,521
Resource Protection and Development	38,085	37,452	32,980	31,444	18,055	27,246	29,693	33,118	38,183	42,348
Transportation	21,085	37,824	975	976	1,077	919	917	1,071	573	1,155
Health and Social Services	745,993	686,866	641,842	586,310	606,356	660,317	660,712	691,787	663,458	678,334
Education	218,964	216,933	217,476	211,330	203,609	168,691	156,406	193,707	201,346	197,570
Liquor Commission										37,570
Total Appropriations Net of Estimated Revenues	1,597,573	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
Less: Lapses	(93,449)	(47,568)	(39,844)	(67,711)	(54,424)	(59,312)	(39,463)	(97,154)	(60,700)	(71,246)
Net Appropriations	1,504,124	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
Transfers to Other Funds	85,756	45,422	79,213	100,502	122,102	140,134	124,281	50	52,988	18,067
Other Debits			576	135	379	952	758	32	1,452	94
Designation or Reserve Accounts	10,000	6,957	40,000	13,014					(79,734)	
Total Deductions	1,599,880	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
Balance, June 30 (Budgetary Method)	157,091	159,581	218,442	192,511	165,501	214,070	183,904	210,884	112,355	24,094
Adjustments:										
Receivables	75,380	79,327	72,870	81,816	67,887	20,832	17,701	71,238	38,435	55,183
Accounts Payable and Accrued Liabilities	(158,076)	(153,152)	(174,771)	(146,699)	(109,457)	(41,401)	(47,685)	(140,427)	(116,599)	(100,100)
Transfer from General to Liquor Fund										(5,973)
Additional Transfers (to) from other Funds/Accounts		(32,660)								79,734
Total Adjustments	(82,696)	(106,485)	(101,901)	(64,883)	(41,570)	(20,569)	(29,984)	(69,189)	(78,164)	28,844
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)
Balance, June 30	\$74,395	\$88,489	\$49,000	\$21,890	\$72,177	\$13,836	\$17,672	\$65,681		

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 STATUTORY FUND BALANCE
EDUCATION TRUST FUND
FOR THE LAST TEN YEARS
(Expressed in Thousands)**

	Fiscal Year Ended June 30									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Balance July 1										
Additions										
Unrestricted Revenue										
Statewide Property Tax (2)	\$363,149	\$363,432	\$363,138	\$363,353	\$363,599	\$363,675	\$363,121	\$363,647	\$363,166	\$363,653
Utility Property Tax	45,166	41,755	43,256	41,044	35,771	33,249	33,067	32,319	29,929	28,972
BPT Increase	88,858	68,397	74,167	61,076	58,442	56,692	55,309	49,264	57,590	53,894
BET Increase	211,035	168,402	181,032	146,338	146,471	149,718	135,815	129,401	122,157	123,389
Meals & Rentals	9,207	8,557	8,525	8,546	7,697	7,232	7,559	6,643	4,235	6,107
Real Estate Tax Increase	49,726	47,198	44,877	38,799	33,700	31,099	29,196	27,975	28,832	27,736
Tobacco Tax Increase	87,077	90,472	94,658	92,575	89,753	79,631	78,843	96,805	113,004	128,796
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	87,279	76,120	79,185	77,277	75,414	77,708	70,263	63,460	67,584	69,619
Total Revenue	981,497	904,333	928,838	869,008	850,847	839,004	813,173	809,514	826,497	842,166
General Fund										
Budgeted Appropriations										
Other Credits	1,573									
Total Additions	983,070	904,333	928,838	869,008	850,847	839,004	813,173	809,514	826,497	842,166
Deductions										
Appropriations										
Adequate Education Grant (1)	563,972	570,584	570,121	572,711	572,465	577,792	578,204	482,725	336,852	526,707
Adequate Education Grant (2)	363,149	363,432	363,138	363,353	363,599	363,675	363,121	363,647	363,166	363,653
Total Grants	927,121	934,016	933,259	936,064	936,064	941,467	941,325	846,372	700,018	890,360
DRA-Property Tax Relief	1,850	2,150	2,150	2,900	2,887	2,706	1,246	3,300	5,210	5,390
DOE-Charter Schools	34,079	36,993	21,891	22,177	18,905	11,085	5,185	6,407	4,830	2,378
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	963,050	973,159	957,300	961,141	957,856	962,236	953,974	954,435	797,153	898,128
Less Lapses	(1,413)	(15,730)	(410)	(13,505)	(4,968)	(2,272)	(717)	(20,898)	(2,146)	(3,024)
Net Appropriations	961,637	957,429	956,890	947,636	952,888	959,964	953,257	933,537	795,007	895,104
Current Year Balance	\$21,433	\$(53,096)	\$(28,052)	\$(78,628)	\$(102,041)	\$(120,960)	\$(140,084)	\$(124,023)	\$31,490	\$(52,938)
End of Year										
Transfers From(To)										
General Fund										
FY 2009										52,938
FY 2010									(31,490)	
FY 2011								124,023		
FY 2012							140,084			
FY 2013						120,960				
FY 2014					102,041					
FY 2015				78,628						
FY 2016			28,052							
FY 2017		53,096								
FY 2018										
Balance, June 30	\$21,433									

(1) State Education Grant Disbursed by State

(2) State Education Grant Retained Locally by Cities & 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 STATUTORY FUND BALANCE
HIGHWAY FUND
FOR THE LAST TEN YEARS
(Expressed in Thousands)**

	Fiscal Year Ended June 30									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Balance (Deficit) July 1 (Budgetary Method)	\$521,084	\$545,585	\$338,578	\$350,618	\$360,926	\$347,198	\$205,152	\$271,881	\$(35,361)	\$(13,691)
Additions:										
Unrestricted Revenue:										
Gasoline Tax	125,838	124,478	123,791	125,849	124,670	123,337	123,168	124,967	123,741	132,125
Motor Vehicle Fees	97,665	96,009	91,645	117,129	113,831	113,428	112,234	132,132	150,158	99,312
Other	171	439	745	14,624	15,805	48,453	48,431	43,116	65,597	17,031
Total Unrestricted Revenue	223,674	220,926	216,181	257,602	254,306	285,218	283,833	300,215	339,496	248,468
Bonds/Notes Authorized and Unissued (1)			200,000				250,000		240,000	
Other Credits		14,500	750	2,722	2,800					
Total Additions	223,674	235,426	416,931	260,324	257,106	285,218	533,833	300,215	579,496	248,468
Deductions:										
Appropriations Net of Estimated Revenues	249,199	244,441	220,963	290,822	279,788	281,626	404,476	394,544	299,552	300,721
Less: Appropriation Adjustment ***								3,265	(19,770)	
Less: Lapses	(25,896)	(24,993)	(22,979)	(20,621)	(14,488)	(17,051)	(15,674)	(32,859)	(15,249)	(28,675)
Net Appropriations	223,303	219,448	197,984	270,201	265,300	264,575	388,802	364,950	264,533	272,046
Bonds/Notes Authorized and Unissued (1)	54,769	38,303	9,685							
Other Debits	1,756	2,176	2,255	2,163	2,114	6,915	2,985	1,994	7,721	(1,908)
Total Deductions	279,828	259,927	209,924	272,364	267,414	271,490	391,787	366,944	272,254	270,138
Balance, June 30 (Budgetary Method)	464,930	521,084	545,585	338,578	350,618	360,926	347,198	205,152	271,881	(35,361)
Adjustments:										
Receivables	629	3,180		1,628	2,612	3,300	1,340	2,588	3,911	3,645
Bonds/Notes Authorized and Unissued	(392,248)	(447,017)	(485,320)	(295,005)	(295,005)	(295,005)	(295,005)	(160,000)	(240,000)	
Accounts Payable and Accrued Liabilities	(29,083)	(28,830)	(24,865)	(29,004)	(25,042)	(22,882)	(18,741)	(27,407)	(26,896)	(23,146)
Total Adjustments	(420,702)	(472,667)	(510,185)	(322,381)	(317,435)	(314,587)	(312,406)	(184,819)	(262,985)	(19,501)
Balance (Deficit), June 30	\$44,228	\$48,417	\$35,400	\$16,197	\$33,183	\$46,339	\$34,792	\$20,333	\$8,896	\$(54,862)

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

	Fiscal Year Ended June 30									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Balance, July 1 (Budgetary Method)	\$2,898	\$2,326	\$1,541	\$2,187	\$2,352	\$3,203	\$4,238	\$5,031	\$5,845	\$5,406
Additions:										
Unrestricted Revenue	11,857	11,624	11,475	10,029	10,594	10,327	10,111	10,087	9,944	10,269
Other Credits	2,017	1,943	2,139	2,400	2,147	1,213	1,543	1,512	1,819	1,655
Total Additions	13,874	13,567	13,614	12,429	12,741	11,540	11,654	11,599	11,763	11,924
Deductions:										
Appropriations Net of Estimated Revenues	14,076	14,742	14,223	14,195	13,709	13,739	13,377	13,677	12,915	13,541
Less: Lapses	(1,210)	(1,747)	(1,394)	(1,120)	(803)	(1,523)	(792)	(1,389)	(838)	(2,252)
Net Appropriations	12,866	12,995	12,829	13,075	12,906	12,216	12,585	12,288	12,077	11,289
Other Debits						175	104	104	500	196
Total Deductions	12,866	12,995	12,829	13,075	12,906	12,391	12,689	12,392	12,577	11,485
Current Year Balance	1,008	572	785	(646)	(165)	(851)	(1,035)	(793)	(814)	439
Balance, June 30 (Budgetary Method)	3,906	2,898	2,326	1,541	2,187	2,352	3,203	4,238	5,031	5,845
Adjustments:										
Receivables	12	23	9	46	67	215	290	389	371	344
Accounts Payable and Accrued Liabilities	(1,251)	(1,169)	(1,261)	(1,186)	(1,019)	(942)	(1,260)	(1,808)	(1,821)	(1,608)
Total Adjustments	(1,239)	(1,146)	(1,252)	(1,140)	(952)	(727)	(970)	(1,419)	(1,450)	(1,264)
Balance, June 30	\$2,667	\$1,752	\$1,074	\$401	\$1,235	\$1,625	\$2,233	\$2,819	\$3,581	\$4,581

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

Taxes Paid Level	BUSINESS PROFITS TAX - BPT (1)				BUSINESS ENTERPRISE TAX - BET (2)			
	FISCAL YEAR 2018				FISCAL YEAR 2018			
	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	5,319	30%	\$368,736,813	95.8%	6,025	15%	\$200,060,627	83%
\$1,000 - \$4,999	5,518	31%	13,837,000	3.6%	15,223	39%	33,273,323	14%
Under \$1,000	6,808	39%	2,147,160	0.6%	18,088	46%	7,978,451	3%
	<u>17,645</u>	<u>100%</u>	<u>\$384,720,973</u>	<u>100%</u>	<u>39,336</u>	<u>100%</u>	<u>\$241,312,401</u>	<u>100%</u>

Taxes Paid Level	BUSINESS PROFITS TAX - BPT (1)				BUSINESS ENTERPRISE TAX - BET (2)			
	FISCAL YEAR 2017				FISCAL YEAR 2017			
	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	4,972	28%	\$368,895,110	95.8%	5,672	15%	\$180,647,746	82%
\$1,000 - \$4,999	5,602	31%	13,996,173	3.6%	14,690	38%	31,928,710	14%
Under \$1,000	7,251	41%	2,310,159	0.6%	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>

Taxes Paid Level	BUSINESS PROFITS TAX - BPT (1)				BUSINESS ENTERPRISE TAX - BET (2)			
	FISCAL YEAR 2016				FISCAL YEAR 2016			
	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	4,931	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>

Taxes Paid Level	BUSINESS PROFITS TAX - BPT (1)				BUSINESS ENTERPRISE TAX - BET (2)			
	FISCAL YEAR 2015				FISCAL YEAR 2015			
	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	4,411	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>

Taxes Paid Level	BUSINESS PROFITS TAX - BPT (1)				BUSINESS ENTERPRISE TAX - BET (2)			
	FISCAL YEAR 2014				FISCAL YEAR 2014			
	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
\$5,000 and higher	4,372	28%	\$271,994,585	95%	4,880	14%	\$149,798,466	81%
\$1,000 - \$4,999	4,774	30%	11,957,829	4%	12,746	36%	27,953,266	15%
Under \$1,000	6,719	42%	2,096,314	1%	17,574	50%	7,658,106	4%
	<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>

Source: New Hampshire Department of Revenue for returns filed in fiscal year 2018.

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 BUSINESS TAX FILERS AND LIABILITY BY TAX PAID LEVEL - CONTINUED**

Taxes Paid Level	BUSINESS PROFITS TAX - BPT (1)				BUSINESS ENTERPRISE TAX - BET (2)			
	FISCAL YEAR 2013				FISCAL YEAR 2013			
	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
\$5,000 and higher	3,887	28%	\$253,821,210	95%	4,280	13%	\$123,490,726	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>

Taxes Paid Level	BUSINESS PROFITS TAX - BPT (1)				BUSINESS ENTERPRISE TAX - BET (2)			
	FISCAL YEAR 2012				FISCAL YEAR 2012			
	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
\$5,000 and higher	3,387	29%	\$274,094,492	96%	4,192	14%	\$137,013,178	82%
\$1,000 - \$4,999	3,481	30%	8,654,992	3%	10,293	34%	22,629,897	14%
Under \$1,000	4,667	41%	1,468,084	1%	15,570	52%	6,793,835	4%
	<u>11,535</u>	<u>100%</u>	<u>\$284,217,568</u>	<u>100%</u>	<u>30,055</u>	<u>100%</u>	<u>\$166,436,910</u>	<u>100%</u>

Taxes Paid Level	BUSINESS PROFITS TAX - BPT (1)				BUSINESS ENTERPRISE TAX - BET (2)			
	FISCAL YEAR 2011				FISCAL YEAR 2011			
	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
\$5,000 and higher	3,098	27%	\$255,854,875	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	BUSINESS PROFITS TAX - BPT (1)				BUSINESS ENTERPRISE TAX - BET (2)			
	FISCAL YEAR 2010				FISCAL YEAR 2010			
	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
\$5,000 and higher	3,432	28%	\$222,632,541	95%	4,803	13%	\$147,567,184	81%
\$1,000 - \$4,999	3,904	31%	9,691,312	4%	12,428	34%	27,137,353	15%
Under \$1,000	5,133	41%	1,583,730	1%	19,105	53%	8,470,491	5%
	<u>12,469</u>	<u>100%</u>	<u>\$233,907,583</u>	<u>100%</u>	<u>36,336</u>	<u>100%</u>	<u>\$183,175,028</u>	<u>100%</u>

Taxes Paid Level	BUSINESS PROFITS TAX - BPT (1)				BUSINESS ENTERPRISE TAX - BET (2)			
	FISCAL YEAR 2009				FISCAL YEAR 2009			
	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
\$5,000 and higher	4,051	28%	\$263,820,090	95%	5,198	12%	\$146,943,763	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>

Source: New Hampshire Department of Revenue for returns filed in fiscal year 2018.

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

FISCAL YEAR 2018				FISCAL YEAR 2017			
City/Town	Rank	Equalized Value	Warrant Amount	City/Town	Rank	Equalized Value	Warrant Amount
Manchester	1	\$8,961,231	\$20,252	Manchester	1	\$8,507,370	\$19,950
Nashua	2	8,941,748	20,208	Nashua	2	8,479,052	19,883
Portsmouth	3	4,946,069	11,178	Portsmouth	3	4,721,069	11,071
Salem	4	4,378,738	9,896	Salem	4	4,392,768	10,301
Bedford	5	3,789,846	8,565	Bedford	5	3,533,420	8,286
Concord	6	3,575,793	8,081	Concord	6	3,504,068	8,217
Hampton	7	3,144,741	7,107	Merrimack	7	2,977,493	6,982
Merrimack	8	3,100,982	7,008	Hampton	8	2,954,791	6,929
Londonderry	9	3,079,137	6,959	Dover	9	2,918,672	6,844
Dover	10	3,050,547	6,894	Londonderry	10	2,891,077	6,780

FISCAL YEAR 2016				FISCAL YEAR 2015			
City/Town	Rank	Equalized Value	Warrant Amount	City/Town	Rank	Equalized Value	Warrant Amount
Manchester	1	\$8,249,264	\$19,963	Manchester	1	\$7,945,116	\$19,703
Nashua	2	8,199,653	19,843	Nashua	2	7,762,983	19,252
Portsmouth	3	4,332,376	10,484	Portsmouth	3	4,084,567	10,130
Salem	4	3,904,389	9,449	Salem	4	3,638,768	9,024
Concord	5	3,633,314	8,793	Concord	5	3,470,796	8,608
Bedford	6	3,365,822	8,145	Bedford	6	3,171,866	7,866
Merrimack	7	2,844,904	6,885	Merrimack	7	2,770,580	6,871
Moultonborough	8	2,835,839	6,863	Moultonborough	8	2,744,585	6,807
Dover	9	2,805,753	6,790	Hampton	9	2,720,904	6,748
Hampton	10	2,797,166	6,769	Dover	10	2,705,723	6,710

FISCAL YEAR 2014				FISCAL YEAR 2013			
City/Town	Rank	Equalized Value	Warrant Amount	City/Town	Rank	Equalized Value	Warrant Amount
Manchester	1	\$8,271,099	\$20,140	Nashua	1	\$8,359,563	\$19,979
Nashua	2	8,078,318	19,671	Manchester	2	8,318,781	19,882
Portsmouth	3	4,001,646	9,744	Portsmouth	3	3,916,815	9,361
Salem	4	3,773,697	9,189	Salem	4	3,804,887	9,094
Bedford	5	3,339,209	8,131	Concord	5	3,439,148	8,220
Concord	6	3,298,380	8,032	Bedford	6	3,220,569	7,697
Moultonborough	7	2,921,008	7,113	Moultonborough	7	2,887,538	6,901
Merrimack	8	2,732,089	6,653	Merrimack	8	2,827,160	6,757
Hampton	9	2,725,165	6,636	Hampton	9	2,774,185	6,630
Dover	10	2,683,306	6,534	Londonderry	10	2,753,614	6,581

Source: New Hampshire Department of Revenue, warrants for Tax Year 2018, 2017, 2016, 2015, 2014, 2013, 2012, 2011, 2010 and 2009

Notes: The rate per \$1,000 of equalized value for fiscal years 2018, 2017, 2016, 2015, 2014, 2013, 2012, 2011, 2010 and 2009 were \$2.26, \$2.34, \$2.42, \$2.48, \$2.44, \$2.325, \$2.19, \$2.135, \$2.14 and \$2.24 respectively

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

FISCAL YEAR 2012				FISCAL YEAR 2011			
City/Town	Rank	Equalized Value	Warrant Amount	City/Town	Rank	Equalized Value	Warrant Amount
Manchester	1	\$8,468,243	\$19,689	Manchester	1	\$9,494,627	\$20,793
Nashua	2	8,445,914	19,637	Nashua	2	8,918,557	19,532
Portsmouth	3	4,019,021	9,344	Salem	3	4,613,130	10,103
Salem	4	3,856,296	8,966	Portsmouth	4	4,127,075	9,038
Concord	5	3,595,843	8,360	Concord	5	3,867,377	8,470
Bedford	6	3,320,248	7,720	Bedford	6	3,470,959	7,601
Moultonborough	7	2,981,086	6,931	Merrimack	7	3,065,810	6,714
Merrimack	8	2,960,156	6,882	Londonderry	8	3,051,443	6,683
Hampton	9	2,853,982	6,636	Hampton	9	3,017,992	6,609
Dover	10	2,748,387	6,390	Dover	10	2,994,728	6,558

FISCAL YEAR 2010				FISCAL YEAR 2009			
City/Town	Rank	Equalized Value	Warrant Amount	City/Town	Rank	Equalized Value	Warrant Amount
Manchester	1	\$9,972,707	\$21,292	Manchester	1	\$10,183,639	\$21,793
Nashua	2	9,274,502	19,801	Nashua	2	9,633,372	20,615
Salem	3	4,571,586	9,760	Salem	3	4,635,936	9,921
Portsmouth	4	3,956,463	8,447	Portsmouth	4	4,051,242	8,670
Concord	5	3,939,198	8,410	Concord	5	3,801,508	8,135
Bedford	6	3,565,764	7,613	Bedford	6	3,497,190	7,484
Merrimack	7	3,200,777	6,834	Merrimack	7	3,270,597	6,999
Hampton	8	3,134,405	6,692	Hampton	8	3,146,653	6,734
Moultonborough	9	3,054,026	6,520	Derry	9	3,125,324	6,688
Londonderry	10	3,052,210	6,516	Londonderry	10	3,096,080	6,626

Source: New Hampshire Department of Revenue, warrants for Tax Year 2018, 2017, 2016, 2015, 2014, 2013, 2012, 2011, 2010 and 2009

Notes: The rate per \$1,000 of equalized value for fiscal years 2018, 2017, 2016, 2015, 2014, 2013, 2012, 2011, 2010 and 2009 were \$2.26, \$2.34, \$2.42, \$2.48, \$2.44, \$2.325, \$2.19, \$2.135, \$2.14 and \$2.24 respectively

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

Location	FISCAL YEAR									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Hampton - North	\$30.7	\$32.0	\$34.2	\$33.5	\$33.3	\$32.4	\$31.3	\$31.2	\$29.8	\$27.4
Salem	28.5	25.2	25.8	23.3	23.4	23.1	22.0	22.2	21.6	19.4
Nashua	28.3	26.5	18.5	18.3	18.9	19.0	18.3	19.4	17.8	15.9
Hampton - South	24.4	25.8	29.6	29.4	29.2	28.7	27.1	27.3	26.4	23.9
Portsmouth Traffic Circle	22.4	23.7	24.5	24.6	24.7	24.2	23.9	23.4	22.8	22.1
Nashua	21.4	16.9	16.9	18.0	18.0	17.9	16.8	14.2	14.1	13.2
Hooksett - North	19.4	20.3	21.2	19.7	18.1	19.1	18.9	18.7	17.8	16.4
Bedford	16.4	17.0								
Hooksett - South	16.0	16.4	17.5	17.5	16.2	16.0	14.8	14.9	14.2	12.9
Manchester	13.9									
Londonderry		15.4								
West Lebanon			14.2	13.7	13.1	12.6	11.5	11.3	11.2	10.9
Keene			14.8	11.9	11.0	10.6	10.1	9.7	9.7	9.9
Total	\$221.4	\$219.2	\$217.2	\$209.9	\$205.9	\$203.6	\$194.7	\$192.3	\$185.4	\$172.0

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
2018	\$808,028	\$122,907	\$102,757		\$9,444	\$42,943	\$380,542	\$254	\$1,466,875	1.7%	\$1,092
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

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		
2018	1,347	\$184,587,469	\$850,972	0.46	\$632
2017	1,343	182,759,870	867,342	0.47	646
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

Source: (1) U.S. Dept. of Commerce, Bureau of Census, reflects the most current available data for all years represented (2018 estimated).

(2) New Hampshire Department of Revenue Administration (2018 estimated). Equalization evaluation.

(3) Includes all General Obligation Bonds Payable of the Primary Government.

* 2013 debt balance restated for effects of accounting change.

**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 Coverage Ratio	G.O. Bond Debt Service Requirements		Renewal & Replacement	All Obligations Total Coverage Ratio	
			Revenue Bond Debt Service	Requirements		Requirements			Total	Coverage Ratio
2018	\$137,421	\$48,673 (1)	\$88,748	\$41,343 (2)	2.15		\$12,820	\$54,163	1.64 (3)	
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	

1. Fiscal years 2006 through 2018 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 2018, 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 2018. The revenue bond coverage ratio was satisfied at 2.15 for the 1.2 times test. The all obligations coverage ratio was satisfied at 1.64 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>2018</u>	<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>
Population (in thousands)	1,347	1,343	1,335	1,331	1,327	1,323	1,321	1,318	1,316	1,316
% Change	0.3%	0.6%	0.3%	0.3%	0.3%	0.2%	0.2%	0.2%	0.0%	0.0%
Total Personal Income (in millions)*	79,749	77,309	77,848	72,948	70,519	66,379	62,150	60,480	57,898	55,827
% Change	3.2%	-0.7%	6.7%	3.4%	6.2%	6.8%	2.8%	4.5%	3.7%	-4.0%
Per Capita Personal Income*	59,157	57,574	58,322	54,817	53,149	50,156	47,058	45,881	43,968	42,418
% Change	2.7%	-1.3%	6.4%	3.1%	6.0%	6.6%	2.6%	4.4%	3.7%	-4.0%
Unemployment Rate**	2.7%	2.9%	2.8%	3.8%	4.4%	5.1%	5.1%	4.9%	5.9%	6.8%

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 - October Issue

**STATE OF NEW HAMPSHIRE
SCHEDULE OF BUILDING PERMITS FOR HOUSING UNITS
FOR CALENDAR YEAR 2018**

**Building Permits Issued
By Number of Units**

<u>Calendar Year</u>	<u>Single Family</u>	<u>Multi- Family</u>	<u>Total</u>
2018	2,659	1,326	3,985
2017	2,888	881	3,769
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

Source: U.S. Department of Commerce, Bureau of the Census.

Current year data annualized on activity through October 2018

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

<u>Employer</u>	<u>2018</u>			<u>Employer</u>	<u>2017</u>		
	<u>Percentage of Total State</u>				<u>Percentage of Total State</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Employment</u>		<u>Employees</u>	<u>Rank</u>	<u>Employment</u>
1. State of New Hampshire	17,050	1	2.34%	1. State of New Hampshire	16,970	1	2.32%
2. Dartmouth-Hitchcock Medical Center	9,100	2	1.25%	2. Dartmouth-Hitchcock Medical Center	9,100	2	1.25%
3. Demoulas & Market Basket	9,000	3	1.24%	3. Demoulas & Market Basket	9,000	3	1.23%
4. Wal-Mart Stores Inc.	7,886	4	1.08%	4. Wal-Mart Stores Inc.	7,886	4	1.08%
5. University of New Hampshire	6,542	5	0.90%	5. University of New Hampshire	6,188	5	0.85%
6. Fidelity Investments	5,700	6	0.78%	6. Fidelity Investments	5,700	6	0.78%
7. BAE Systems	5,400	7	0.74%	7. Liberty Mutual-Northern N.E. Division	5,058	7	0.69%
8. Liberty Mutual-Northern N.E. Division	5,058	8	0.70%	8. BAE Systems	5,000	8	0.68%
9. Hannaford Brothers	4,900	9	0.67%	9. Hannaford Brothers	4,900	9	0.67%
10. Elliot Hospital	3,800	10	0.52%	10. Elliot Hospital	3,682	10	0.50%
Total	74,436		10.22%	Total	73,484		10.05%

<u>Employer</u>	<u>2016</u>			<u>Employer</u>	<u>2015</u>		
	<u>Percentage of Total State</u>				<u>Percentage of Total State</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Employment</u>		<u>Employees</u>	<u>Rank</u>	<u>Employment</u>
1. State of New Hampshire	17,071	1	2.38%	1. State of New Hampshire	17,756	1	2.50%
2. Dartmouth-Hitchcock Medical Center	9,100	2	1.27%	2. Demoulas & Market Basket	9,000	2	1.26%
3. Demoulas & Market Basket	9,000	3	1.25%	3. Dartmouth-Hitchcock Medical Center	8,852	3	1.24%
4. Wal-Mart Stores Inc.	7,886	4	1.10%	4. Wal-Mart Stores Inc.	7,886	4	1.11%
5. University of New Hampshire	6,284	5	0.88%	5. University of New Hampshire	6,256	5	0.88%
6. Fidelity Investments	5,400	6	0.75%	6. Fidelity Investments	5,400	6	0.76%
7. Liberty Mutual-Northern N.E. Division	4,924	7	0.69%	7. Hannaford Brothers	4,900	7	0.69%
8. Hannaford Brothers	4,900	8	0.68%	8. Liberty Mutual-Northern N.E. Division	4,700	8	0.66%
9. BAE Systems	4,500	9	0.63%	9. BAE Systems	4,500	9	0.63%
10. Elliot Hospital	3,724	10	0.52%	10. Elliot Hospital	4,000	10	0.56%
Total	72,789		10.15%	Total	73,250		10.29%

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

Source: New Hampshire Business Review/ Book of Lists 2018

Provided by USNH

Schedule of State Employees by Function (page 168)

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**

Employer	2012			Employer	2011		
	Percentage of Total State				Percentage of Total State		
	Employees	Rank	Employment		Employees	Rank	Employment
1. State of New Hampshire	17,867	1	2.54%	1. State of New Hampshire	17,820	1	2.52%
2. Wal-Mart Stores Inc.	8,166	2	1.16%	2. Wal-Mart Stores Inc.	8,421	2	1.19%
3. Dartmouth-Hitchcock Medical Center	6,654	3	1%	3. Dartmouth-Hitchcock Medical Center	7,073	3	1.00%
4. University of New Hampshire	6,159	4	0.88%	4. University of New Hampshire	6,081	4	0.86%
5. Demoulas & Market Basket	6,000	5	0.85%	5. Demoulas & Market Basket	6,000	5	0.85%
6. Hannaford Brothers	4,817	6	0.68%	6. BAE Systems	4,500	6	0.64%
7. Fidelity Investments	4,600	7	0.65%	7. Fidelity Investments	4,400	7	0.62%
8. BAE Systems	4,500	8	0.64%	8. Dartmouth College	4,250	8	0.60%
9. Dartmouth College	4,250	9	0.60%	9. Liberty Mutual-Northern N.E. Division	4,200	9	0.59%
10. Liberty Mutual-Northern N.E. Division	4,200	10	0.60%	10. Hannaford Brothers	3,894	10	0.55%
Total	67,213		9.60%	Total	66,639		9.42%

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

Source: New Hampshire Business Review/ Book of Lists 2018
 Provided by USNH
 Schedule of State Employees by Function (page 168)
 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**

	2018	2017	2016	2015	2014
General Government					
Secretary of State					
<i>Domestic Registrations:</i>					
Limited Liability Company	12,320	7,810	8,930	8,040	8,093
Trade Name	7,676	6,145	6,781	7,039	7,039
Corporation	962	550	843	881	957
Other	7,060	754	776	808	759
<i>Foreign Registrations:</i>					
Corporation	1,639	1,237	1,333	1,217	1,230
Limited Liability Company	1,696	1,162	1,273	1,044	1,111
Other	183	157	237	176	145
Administration of Justice & Public Protection					
Department of Safety					
Troop Station Personnel:					
Headquarters - Merrimack	244	251	375	300	294
Troop A - Rockingham/Strafford	43	41	46	47	49
Troop B - Hillsborough	39	39	37	39	52
Troop C - Cheshire/Sullivan	34	31	35	31	32
Troop D - Merrimack	42	36	39	43	42
Troop E - Belknap/Carroll	25	27	28	31	33
Troop F - Coos/Grafton	50	47	45	45	48
Troop G - Merrimack	54	45	48	50	56
Department of Corrections					
Number of Prison Inmates:					
NH State Prison/Men - Concord	1,378	1,468	1,416	1,487	1,531
NH Correctional Facility for Women - Concord	162	155	155	177	176
Lakes Region Facility - Laconia					
Northern NH Correctional Facility - Berlin	636	666	662	690	673
SPU/RTU & Transitional Housing	388	391	385	401	411
Resource Protection & Development					
Department of Natural and Cultural Resources					
Number of visitors at top 10 state parks:					
Seacoast Parking Meters	429,684	450,698	460,569	427,644	427,166
Franconia Notch State Park*	433,762	433,990	337,846	421,898	402,147
Hampton Beach South	107,508	120,011	156,770	158,447	107,979
Wallis Sands Beach	96,281	154,676	157,722	183,087	86,120
Monadnock	81,068	97,795	93,446	86,674	67,349
Wellington	52,529	49,897	54,908	54,679	45,081
Pawtuckaway	47,116	49,045	78,762	51,105	65,400
Mt. Sunapee Beach	39,771	39,177	45,099	49,513	39,015
Odiorne Point	37,281	35,641	35,249	NA	NA
Miller	28,461	NA	NA	NA	NA
Echo Lake - North Conway	NA	35,342	35,107	38,359	NA

Source: The State Departments of Secretary of State, Safety, Corrections, and Natural and Cultural Resources.

See accompanying Independent Auditors' Report

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

2013	2012	2011	2010	2009
7,300	7,022	6,543	6,052	6,833
6,463	6,929	6,987	7,323	7,728
893	1,019	1,000	1,093	1,028
677	325	250	267	273
1,265	1,297	1,293	1,458	1,350
1,024	969	860	879	793
184	54	43	57	46
246	228	228	220	195
44	40	39	43	47
38	43	48	52	51
30	29	30	33	38
39	39	36	41	41
29	28	33	34	34
41	45	48	47	46
56	58	62	67	73
1,485	1,439	1,361	1,467	1,407
165	140	108	120	147
				298
649	625	600	745	587
396	376	375	365	344
NA	NA	NA	NA	NA
NA	NA	NA	NA	NA
140,884	107,813	95,073	52,908	98,681
102,644	106,822	74,398	64,200	62,484
NA	NA	NA	NA	NA
41,643	46,426	40,143	29,974	42,179
88,076	69,808	82,566	82,247	88,403
50,059	68,486	43,766	34,555	28,718
26,554	22,173	17,626	18,173	18,109
NA	NA	NA	NA	NA
NA	NA	NA	NA	NA

Source: The State Departments of Secretary of State, Safety, Corrections, and Natural and Cultural Resources.

See accompanying Independent Auditors' Report

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

	2018	2017	2016	2015	2014
Department of Environmental Services					
Dollars disbursed by program:					
SRF - Clean water	\$62,020,770	\$44,638,628	\$31,743,515	\$41,037,753	\$32,505,870
SRF - Drinking water	13,995,591	15,096,193	20,348,204	14,023,139	9,067,835
SRF - Brownfields				480,000	
Landfills	658,248	776,245	792,116	886,850	1,080,206
Drinking Water Grants*	791,421	797,661	876,822	1,073,438	1,170,679
Water supply land					
Waste water	7,598,938	6,415,792	5,711,222	6,610,139	6,519,872
Aquatic weed	497,729	593,419	405,650	510,435	468,542
Household hazardous waste	194,790	154,436	190,786	193,371	180,894
Aquatic Resources Mitigation Grants	1,353,672	2,267,840	903,464	939,304	1,779,393
Transportation					
Department of Safety					
Number of motor vehicle registrations by county: (Monthly Average)					
Belknap	80,593	79,110	77,716	74,716	74,878
Carroll	70,773	69,642	68,102	65,765	66,197
Cheshire	84,001	82,895	82,282	80,043	81,040
Coos	38,287	37,752	37,635	36,572	37,448
Grafton	99,807	98,270	97,573	94,431	95,246
Hillsborough	429,970	424,865	418,637	402,662	404,672
Merrimack	175,722	172,738	170,436	164,776	165,341
Rockingham	370,467	362,933	357,608	344,888	344,681
Strafford	126,815	124,306	121,871	117,297	117,779
Sullivan	51,560	50,841	50,175	48,557	49,132
Other (Indeterminable)					
Health & Social Services					
Department of Health & Human Services					
Number of caseloads by program:					
Medical assistance - average monthly caseload	184,411	186,381	184,946	169,312	99,364
TANF Caseloads	3,233	2,351	2,466	2,862	3,146
Nursing services for elderly (excludes services in home)	4,100	4,112	4,222	4,241	4,350
Child & family services - DCYF Referrals	1,485	1,322	1,235	1,261	1,200
Food stamps - June monthly average	43,007	45,541	47,391	51,113	53,155
Developmental Service - Unduplicated Count	10,393	9,964	10,016	9,867	9,562
Education					
Community College System of New Hampshire					
Enrollment	10,451	11,152	11,503	12,650	11,119
University System of New Hampshire					
Enrollment	27,333	26,371	26,692	26,887	26,846

(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

2013	2012	2011	2010	2009
\$26,328,832	\$30,684,368	\$58,275,067	\$42,797,121	\$18,130,550
7,221,886	10,912,295	23,863,570	24,873,672	7,517,227
155,599		9,632	671,906	165,625
899,812	927,658	894,703	981,070	1,287,790
1,131,618	1,184,996	1,149,844	1,101,760	1,281,908
			113,167	571,655
3,327,666	5,199,986	5,902,524	6,463,894	9,003,767
408,127	355,444	245,440	205,616	285,554
172,735	144,638	193,979	162,623	153,155
1,193,010	942,458	702,036		
74,357	73,783	73,375	74,260	74,975
65,452	65,174	65,188	66,233	66,861
80,682	80,688	80,754	81,759	82,460
37,402	37,848	38,130	38,809	39,541
94,473	93,698	93,572	94,470	95,305
400,820	396,361	393,992	394,162	395,186
164,053	162,502	161,291	163,368	164,749
341,038	336,713	333,198	334,903	336,828
116,395	115,230	115,322	116,165	116,674
48,939	48,906	48,969	49,810	50,375
				219
84,200	77,952	77,378	75,751	70,176
3,453	4,422	5,117	5,335	5,034
4,323	4,400	4,268	4,357	4,334
1,177	1,189	1,140	1,113	
55,192	56,962	54,735	51,401	40,682
9,612	9,568	9,873		
11,150	11,141	11,129	11,782	10,659
26,597	26,906	26,732	26,843	26,485

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	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Government										
Department of Information Technology	325	326	300	304	318	327	326	337	353	388
Department of Administrative Services	292	271	277	278	283	276	281	304	312	312
Department of Revenue Administration	142	133	136	128	138	117	118	165	177	194
Legislative Services	129	128	128	127	125	126	130	136	142	144
All other	204	304	315	278	218	270	213	234	240	253
Administration of Justice and Public Protection										
Department of Safety	1,075	1,048	1,022	1,014	1,015	992	1,011	1,026	1,065	1,085
Department of Corrections	777	771	770	800	766	782	792	810	856	944
Judicial Branch	584	570	539	532	531	531	526	595	634	670
Department of Employment Security	230	238	251	269	272	276	283	374	357	312
Liquor Commission	329	316	308	306	301	310	286	286	301	302
Adjutant General	119	125	112	113	115	123	123	113	121	120
All other	448	445	439	450	449	434	440	471	480	484
Resource Protection and Development										
Department of Environmental Services	418	342	333	367	427	421	413	429	469	470
Department of Natural and Cultural Resources	574	211	221	205	205	202	205	187	192	193
Fish and Game	173	174	175	182	179	179	182	185	186	184
All other	60	5	5	5	6	7	6	6	13	13
Transportation										
Department of Transportation	1,567	1,546	1,540	1,500	1,493	1,537	1,560	1,632	1,677	1,623
Health and Social Services										
Department of Health and Human Services:										
New Hampshire Hospital	517	521	527	543	549	538	534	627	704	737
Office of Commissioner	379	356	366	351	307	303	565	564	565	617
Division of Children and Youth*					1		347	347	336	372
Human Services*	723	706	685	685	714	712				
Division of Transitional Assistance	406	417	409	429	419	380	332	334	318	337
New Hampshire Veteran's Home	317	327	329	324	308	320	325	319	323	326
Division of Juvenile Justice Services*					5	4	258	260	290	313
Office of Health Management	235	229	220	220	225	230	241	226	232	265
All other	402	397	398	422	449	454	399	407	410	422
Education										
Department of Education	229	244	247	235	234	243	250	256	263	267
All other	78	78	75	60	59	60	71	85	87	92
State Total	10,732	10,228	10,127	10,127	10,111	10,154	10,217	10,715	11,103	11,439
Part-Time and Temporary Employees										
General Government	909	910	902	807	780	794	720	708	726	718
Administration of Justice and Public Protection	4,118	4,145	4,203	4,260	4,358	4,197	4,206	3,915	3,971	4,005
Resource Protection and Development	753	1,138	1,201	1,696	1,559	1,932	1,790	1,477	1,697	1,465
Transportation	201	228	271	297	315	287	331	422	463	458
Health and Social Services	310	284	328	520	579	512	533	511	453	582
Education	27	37	39	49	52	45	70	72	74	68
State Total	6,318	6,742	6,944	7,629	7,643	7,767	7,650	7,105	7,384	7,296
Grand Total:	17,050	16,970	17,071	17,756	17,754	17,921	17,867	17,820	18,487	18,735

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)**

Function	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Land & Land Improvements										
General Government	8,302	\$8,298	\$7,981	\$7,981	\$7,750	\$7,426	\$7,146	\$7,146	\$7,146	\$5,885
Administration of Justice & Public Protection	51,511	50,841	46,528	40,259	36,674	35,569	33,699	32,428	27,751	28,951
Resource Protection & Development	297,083	295,721	292,252	280,161	272,770	264,721	257,174	246,188	238,131	236,391
Transportation	318,187	316,896	328,127	324,930	323,494	316,148	327,014	324,422	319,476	310,714
Health & Social Services	5,422	4,895	4,103	4,085	4,029	4,033	4,033	4,033	4,033	4,033
Education	126	126	126	126	126	143	143	4,658	4,194	4,185
Building & Building Improvements										
General Government	207,957	205,309	203,501	202,659	203,274	204,064	200,014	183,461	180,055	152,335
Administration of Justice & Public Protection	394,611	347,001	292,989	282,085	277,380	250,817	248,211	243,616	219,953	221,332
Resource Protection & Development	82,535	80,193	79,826	78,364	76,393	76,554	71,097	70,864	65,954	64,347
Transportation	85,597	80,907	74,149	73,716	74,867	73,119	71,987	68,833	69,589	65,360
Health & Social Services	147,990	145,339	145,374	140,569	139,964	129,965	126,442	125,948	119,742	119,157
Education	16,687	16,716	16,671	16,628	16,531	16,531	16,532	121,375	110,142	91,087
Equipment and Computer Software										
General Government	49,356	46,439	45,152	41,400	37,713	38,617	32,814	29,636	29,419	29,204
Administration of Justice & Public Protection	122,116	117,634	106,242	102,282	98,681	99,106	95,659	91,114	97,380	79,569
Resource Protection & Development	25,525	24,570	20,637	19,902	18,919	20,132	19,421	20,006	19,543	18,822
Transportation	135,620	134,952	124,954	116,791	112,012	111,654	105,003	91,472	77,851	76,653
Health & Social Services	121,866	103,146	98,033	82,471	79,855	69,170	57,043	55,441	55,286	55,066
Education	3,284	3,319	3,335	3,335	3,226	3,201	3,344	11,058	10,018	9,682
Infrastructure										
Transportation	3,854,870	3,756,810	3,678,096	3,524,721	3,438,817	3,350,208	3,199,307	3,032,547	3,036,174	3,048,728

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.

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The New Hampshire Correctional Facility for Women

In April 2018, the New Hampshire Department of Corrections opened a new, 101,000-square foot correctional facility for women, on the grounds of the men's correctional facility in Concord. The project began in 2014 and allowed the State to vacate the smaller, leased facility in Goffstown and provide female inmates with a facility, conditions of confinement, and programs and services on parity with those provided to male New Hampshire state prisoners.

Photos by Megan Booth Photography, courtesy of SMRT Architects





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<https://das.nh.gov/accounting/reports.asp>