



**STATE OF NEW HAMPSHIRE
DEPARTMENT OF TRANSPORTATION
TURNPIKE SYSTEM**

ANNUAL FINANCIAL REPORT

**For the Fiscal Year Ended
June 30, 2024**



ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended
June 30, 2024

Prepared by the State of New Hampshire
Department of Transportation
Division of Finance

Danielle M. Chandonnet, Director of Finance
Wayne A. Gardner, Financial Reporting Administrator II
Laura J. Guimont, Administrator III
Samantha L. Fauteux, Turnpikes Business Administrator
Cherie M. Sirrianna, Financial Analyst

This document and related information can be accessed at:

<https://www.dot.nh.gov/navigating-nh/highways-and-toll-roads/turnpikes-projects/turnpikes-traffic-and-financial-reports>

ORGANIZATIONAL LISTING
STATE OF NEW HAMPSHIRE

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Christopher T. Sununu

Executive Council

Theodore L. Gatsas

Joseph D. Kenney

Janet L. Stevens

Cinde Warmington

David K. Wheeler

State Treasurer

Monica I. Mezzapelle

Secretary of State

David M. Scanlan

Attorney General

John M. Formella

NEW HAMPSHIRE DEPARTMENT OF TRANSPORTATION

Commissioner

William J. Cass, P.E.

Assistant Commissioner & Chief Engineer

David M. Rodrigue, P.E.

Deputy Commissioner

Andre J. Briere, Colonel, USAF (RET)

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Susan M. Klasen, P.E.

Director of Finance

Danielle M. Chandonnet

Financial Reporting Administrator

Wayne A. Gardner

Turnpike System Administrator

John W. Corcoran, P.E.

Turnpike System Assistant Administrator

Matthew R. Blixt

Project Manager

Sam B. Newsom

Business Administrator

Samantha L. Fauteux

Maintenance Superintendent

Dix E. Bailey

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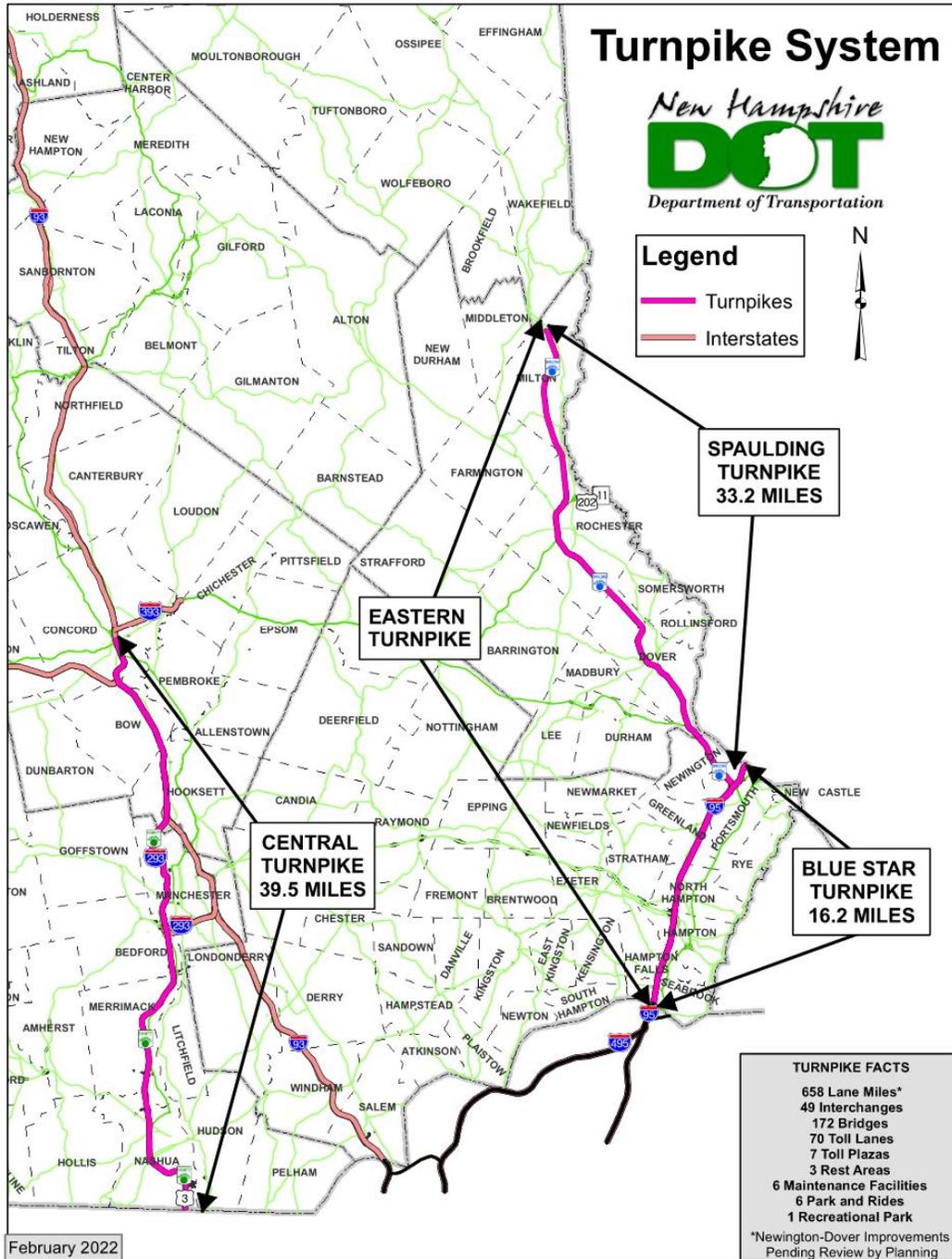
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INTRODUCTORY SECTION

(Unaudited)

This section includes the Turnpike System map and a letter addressed to the citizens, the Governor of the State of New Hampshire, and the Honorable Council.





**THE STATE OF NEW HAMPSHIRE
DEPARTMENT OF TRANSPORTATION**



*William Cass, P.E.
Commissioner*

*David Rodrigue, P.E.
Assistant Commissioner*

*Andre Briere, Colonel,
USAF (RET)
Deputy Commissioner*

December 23, 2024

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

We are pleased to submit the Annual Financial Report of the New Hampshire Department of Transportation Turnpike System for the fiscal year ended June 30, 2024. The Department of Transportation, Division of Finance, prepared this report. Responsibility for both the accuracy of the financial data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the Department. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to present fairly the financial position, results of operations, and cash flows of the Turnpike System. All disclosures necessary to enable the reader to gain an understanding of the Turnpike System’s financial activities are included herein.

This report reflects NHDOT’s commitment to transparency and accountability, and demonstrates the effective use and application of toll user fees. While the Turnpike System continues to feel the effects of evolving commuting patterns, volume steadily improved during this reporting period. The Department also implemented fiscal and operational efficiencies which compensated for acutely increased material and labor costs. NHDOT personnel continue to innovate and provide our Turnpike system with unsurpassed oversight, improvement, and stewardship, preserving this engine of economic activity for all Granite Staters. We are proud to be NHDOT!

For further information, news, and online publications, please visit us at our website
<http://www.nh.gov/dot>.

Respectfully submitted,

William J. Cass, P.E.

Commissioner

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FINANCIAL SECTION

This section includes the independent auditors' report, the financial statements for the fiscal year ended June 30, 2024, and the accompanying notes to the financial statements.



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

Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the New Hampshire Turnpike System, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the New Hampshire Turnpike System's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the New Hampshire Turnpike System, as of June 30, 2024, and the respective changes in financial position and, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller general of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the New Hampshire Turnpike System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter – Reporting Entity

As discussed in Note 1(a), the basic financial statements of the New Hampshire Turnpike System are intended to present the financial position, the changes in financial position, and, where applicable, cash flows of only that portion of the business-type activities and each major fund of the State of New Hampshire that is attributable to the transactions of the New Hampshire Turnpike System. They do not purport to, and do not, present fairly the financial position of the State of New Hampshire, as of June 30, 2024, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for 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' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 New Hampshire Turnpike System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis and the required supplementary information section listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and other supplementary information sections as listed in the table of contents but does not include the basic financial statements and our auditors' report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.



In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also included our report dated December 23, 2024 on our consideration of the New Hampshire Turnpike System’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 with the results of that testing, and not to provide an opinion on the effectiveness of the New Hampshire Turnpike System’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 New Hampshire Turnpike system’s internal control over financial reporting and compliance.

KPMG LLP

Boston, Massachusetts
December 23, 2024

New Hampshire Turnpike System
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2024
(Unaudited)

The Management's Discussion and Analysis of the Turnpike System's financial performance provides an overview of financial activities for the fiscal year ended June 30, 2024, with comparative information presented for the fiscal year ended June 30, 2023. This section should be read in conjunction with the Turnpike System financial statements which follow this section.

Financial Highlights

Total Revenue increased by \$5.9 million, or 4.1%, over FY 2023. Traffic increased by 4.4 million vehicles traveled which resulted in a \$2.3 million, or 1.9%, increase in toll revenue over last fiscal year. Leisure travel continued to rebound while commuter traffic volume remained flat.

Total Operating Expenses increased \$2.6 million, or 2.6% over FY 2023, below the national average inflation rate of 3.3% for the same period.

Several large capital projects increased Turnpike System assets by \$83.7 million in equipment and infrastructure. These projects include the conversion to All-Electronic Tolling (AET) on the Spaulding Turnpike; the first phase of the F.E. Everett Turnpike expansion to 3 lanes and the installation of the Intelligent Traffic System (ITS) on the Blue Star Turnpike (I-95) bridge over the Piscataqua River.

Using this Report

The Turnpike System is accounted for as an enterprise fund, reporting all the Turnpike System's financial activity, assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, much like a private business entity. As such, this annual report consists of financial statements, along with explanatory notes to the financial statements. The Statement of Net Position on page 19 and the Statement of Revenues, Expenses and Changes in Net Position on page 20 report the Turnpike's net position and change in net position. The Statement of Cash Flows on page 21 outlines the cash inflows and outflows and non-cash capital and related financing activities related to the activity of the Turnpike System.

New Hampshire Turnpike System
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2024
(Unaudited)

(I) Summary of Net Position (Dollars in thousands)

Type	FY 2024	FY 2023	\$ Change	% Change
Assets & Deferred Outflows				
Current Assets	\$ 245,994	\$ 231,736	\$ 14,258	6.2%
Non-Current Assets	968,969	952,160	16,809	1.8%
Deferred Outflows of Resources	6,590	9,009	(2,419)	-26.9%
Total Assets & Deferred Outflows	1,221,553	1,192,905	28,648	2.4%
Liabilities & Deferred Inflows				
Current Liabilities	64,118	58,686	5,432	9.3%
Non-Current Liabilities	230,694	257,659	(26,965)	-10.5%
Deferred Inflows of Resources	26,171	23,006	3,165	13.8%
Total Liabilities & Deferred Inflows	320,983	339,351	(18,368)	-5.4%
Net Position:				
Net Investment in Capital Assets	736,192	707,555	28,637	4.0%
Restricted for Debt Repayments	42,598	32,602	9,996	30.7%
Restricted for Uninsured Risks	5,440	4,080	1,360	33.3%
Restricted for Facility Sustainment and Reinvestment Reserve	1,129	1,129	--	0.0%
Restricted for Loan Receivable & Ground Lease	14,660	14,768	(108)	-0.7%
Unrestricted	100,551	93,420	7,131	7.6%
Total Net Position	\$ 900,570	\$ 853,554	\$ 47,016	5.5%

Total Assets increased \$28.6 million, or 2.4% to \$1.2 billion. Current Assets increased \$14.3 million or 6.2% while Non-Current Assets increased \$16.8 million or 1.8%. Current Asset performance against FY 2023 is noted in the chart below. Highlights are as follows:

- Investments – Restricted increased by \$4.5 million, or 14.9%, largely due to more aggressive investing in a favorable interest rate environment.
- Accounts Receivable increased \$4.8 million, or 21.5%, due largely to increases in toll and fee billing – a result of increased cash-less toll segments on the Turnpike System.
- Inventories increased \$2.1 million, or 70.1%, due to the continuing transition to All-Electronic Tolling (AET). The volume of spare parts on hand for potential repairs to the system has increased as more electronic components have come online.

(II) Current Assets (Dollars in thousands)

Type	FY 2024	FY 2023	\$ Change	% Change
Cash and Cash Equivalents	\$ 163,975	\$ 159,351	\$ 4,624	2.9%
Cash and Cash Equivalents – Restricted	14,250	15,333	(1,083)	-7.1%
Investments – Restricted	34,917	30,399	4,518	14.9%
Accounts Receivable (Net of Allowances)	27,449	22,595	4,854	21.5%
Loan Receivable – Restricted & Ground Lease	112	108	4	3.7%
Due from Other Funds	140	895	(755)	-84.4%
Inventories	5,085	2,990	2,095	70.1%
Prepaid Assets	66	65	1	1.5%
Total Current Assets	\$ 245,994	\$ 231,736	\$ 14,258	6.2%

New Hampshire Turnpike System
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2024
(Unaudited)

Non-Current assets increased \$16.8 million, or 1.8%, as shown below due to the completion and ongoing construction of several projects, resulting in an increase in overall Turnpike assets. These projects primarily include the All-Electronic Tolling (AET) conversion at the Dover and Rochester toll plazas, the widening of the F.E. Everett Turnpike between Nashua and Bedford, installation of the Intelligent Traffic System (ITS) on the Piscataqua River Bridge/I-95, and the construction of the Newington maintenance facility. Accumulated depreciation expense offsets the increases in capital assets by \$31.9 million. See Note 4 Capital Assets for details on capital asset activity and Note 11(b) Capital Improvement Program for more information.

(III) Non-Current Assets

(Dollars in thousands)

Type	FY 2024	FY 2023	\$ Change	% Change
Loan Receivable Long-Term – Restricted & Ground Lease	\$ 14,548	\$ 14,660	\$ (112)	-0.8%
Net Capital Assets	954,421	937,500	16,921	1.8%
Total Non-Current Assets	\$ 968,969	\$ 952,160	\$ 16,809	1.8%

Current Liabilities, shown below, consisting primarily of accrued operating expenses, unearned revenue, and the current portion of revenue bonds, increased \$5.4 million, or 9.3%, in FY 2024.

The overall increase was driven mostly by an increase in amounts due to other funds. This is a result of timing of payables processed through the system versus the transfer of cash to satisfy that liability. The increase in Revenue Bonds Payable is driven by the bond payment schedules. See Notes 2 and 3 for more details on investments.

(IV) Current Liabilities

(Dollars in thousands)

Type	FY 2024	FY 2023	\$ Change	% Change
Accounts Payable	\$ 14,320	\$ 20,336	\$ (6,016)	-29.6%
Accrued Payroll	72	121	(49)	-40.5%
Due to Other Funds	11,038	1,868	9,170	490.9%
Unearned Revenue	16,910	16,942	(32)	-0.2%
Revenue Bonds Payable	17,575	14,965	2,610	17.4%
Accrued Interest Payable	2,694	2,922	(228)	-7.8%
Claims and Compensated Absences Payable	643	791	(148)	-18.7%
Other Liabilities	866	741	125	16.9%
Total Current Liabilities	\$ 64,118	\$ 58,686	\$ 5,432	9.3%

Non-Current Liabilities decreased \$27.0 million, or 10.5%, from the prior fiscal year due to favorable changes in Pension, Other Post-Employment Benefits, and Claims and Compensated Absences Payable. These changes are driven by actuarial calculations. See Note 9 for details on the computations of these values.

(V) Non-Current Liabilities

(Dollars in thousands)

Type	FY 2024	FY 2023	\$ Change	% Change
Revenue Bonds Payable	\$ 199,488	\$ 218,510	\$ (19,022)	-8.7%
Pension	10,271	11,185	(914)	-8.2%
Other Postemployment Benefits	13,278	20,855	(7,577)	-36.3%
Claims and Compensated Absences Payable	3,386	2,877	509	17.7%
Other Non-current Liabilities	4,271	4,232	39	0.9%
Total Non-Current Liabilities	\$ 230,694	\$ 257,659	\$ (26,965)	-10.5%

New Hampshire Turnpike System
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2024
(Unaudited)

The Turnpike System’s primary revenues are generated from toll collections. Operating revenues increased \$5.9 million over FY 2023 to \$148.5 million. The combined toll operating revenue for FY 2024 totaled \$127.1 million. Of this amount, the Blue Star Turnpike generated \$66.3 million, the Central Turnpike \$43.5 million, and the Spaulding Turnpike \$17.3 million. Toll revenues continue to recover in a post-COVID environment; however, while leisure travel has increased, commuter traffic levels held steady. See Turnpike System Revenue and Traffic Trends below.

Total Operating Expenses increased by \$2.6 million, or 2.6%, to \$102.3 million primarily due to the following:

- Personnel costs increased by \$.7 million due in part by an unbudgeted 10% across-the-board pay rate increase was effective as of July 1, 2023, offset partially by open positions.
- Increased E-ZPass processing fees associated with additional tolls and violations billing for non-transponder vehicles resulted in \$2.5 million, or 17.3%, increase over the prior year. This trend is expected to continue as the Turnpikes continues the transition to AET.
- Depreciation expense increased by \$3.0 million as \$83.7 million in completed equipment and infrastructure projects were added to capital assets this year.

Total Non-Operating Expenses decreased by \$3.1 million, or 127.6%, primarily due to:

- An \$2.6 million increase in interest earned on all various cash and investment accounts, due to higher interest rates.
- A \$1.0 million decrease in Local Non-Operating because of work on the I-95 High Level Bridge ITS reaching conclusion during FY 2024 with lower project expense and billing as compared to FY 2023.
- Interest paid on bonds and notes decreased by \$0.5 million based on the revenue bond payment schedule.

(VI) Summary of Revenues, Expenses, and Changes in Net Position

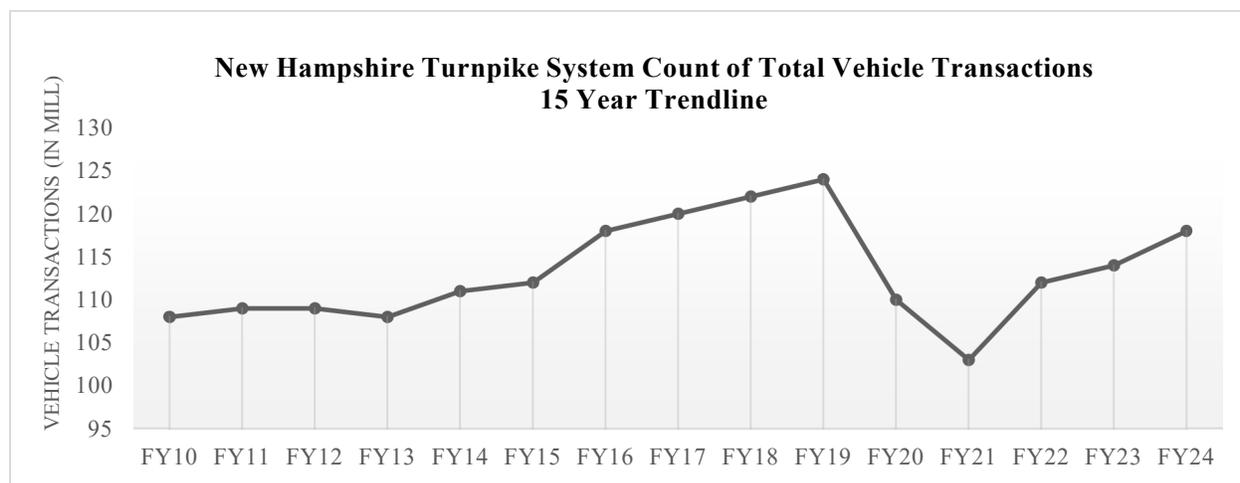
(Dollars in thousands)

Type	FY 2024	FY 2023	\$ Change	% Change
Operating Revenues	\$ 148,510	\$ 142,644	\$ 5,866	4.1%
Operating Expenses	(102,275)	(99,636)	(2,639)	2.6%
Operating Income	46,235	43,008	3,227	7.5%
Non-Operating Revenues (Expenses)	671	(2,429)	3,100	127.6%
Change in Net Position Before Capital Contributions	46,906	40,579	6,327	15.6%
Capital Contributions	110	34	76	223.5%
Change in Net Position	47,016	40,613	6,403	15.8%
Net Position - July 1	853,554	812,941	40,613	5.0%
Net Position – June 30	\$ 900,570	\$ 853,554	\$ 47,016	5.5%

New Hampshire Turnpike System
 Management Discussion and Analysis
 For the Fiscal Year Ended June 30, 2024
 (Unaudited)

Turnpike System Revenue and Traffic Trends

During the twelve months ended June 30, 2024, the number of traffic transactions processed through the E-ZPass system accounted for 90.4% of total toll transactions, an increase of 1.6% over FY 2023. Overall, the Turnpike System experienced an increase in traffic transactions of 4.4 million, or 3.9%, over the previous year attributed primarily to leisure travel. The system continues to recover from sharp traffic declines due to the COVID-19 emergency that impacted fiscal years 2020 & 2021. Traffic levels remain below pre-pandemic levels primarily due to reduced levels of commuter travel. See chart below.



Maintenance of the Turnpike System

The Turnpike System is maintained and repaired by the Bureau of Turnpikes, within the Operations Division at the Department of Transportation. All maintenance and repair costs have been funded from Turnpike operating revenues since the beginning of the Turnpike System in 1950. In addition, the State law RSA 237:15 authorizes the Turnpike System to set up an account to finance extension studies, maintenance, construction, reconstruction, and extensions of the Turnpike System wherever located, interest on bonded indebtedness or retirement of bonded indebtedness or other costs which may be properly charged against these accounts or to the New Hampshire Turnpike System.

The contracted independent engineering consultant, HNTB Corporation (HNTB), completed a review and assessment of the Renewal & Replacement Program in November 2022. These assessments are typically updated every 5 years and provide recommendations on program funding levels and insight on the condition of the Turnpike infrastructure. The Turnpike facilities were deemed in overall “good” condition and the current R&R program funding meets both bond covenants and the demands of the system. Prioritization recommendations included bridge preservation/rehabilitation, culvert and drainage needs, repair and rehabilitation of the remaining toll plazas, and the construction of replacement storage facilities in Merrimack and Hooksett. The assessment also recommended funding levels of \$115.4 million for the Renewal & Replacement Program for fiscal years 2023 through 2028.

For FY 2024 and FY 2023, the Turnpike System’s operating expenses for Renewal & Replacement were \$15.1 million and \$14.4 million, respectively. Renewal & Replacement capitalized expenses for fiscal years 2024 and 2023 were

New Hampshire Turnpike System
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2024
(Unaudited)

\$5.5 million and \$6.0 million, respectively. For fiscal year 2025, the budget for Renewal & Replacement is \$24.9 million. See Note 8(d) Revenue Bond Resolutions for additional information.

Appropriations for Renewal & Replacement expenditures do not lapse and are carried forward and made available in subsequent years. The carryforward balance on June 30, 2024, including commitments is \$12.7 million.

Changes in Key Personnel

Effective November 17, 2023, *Laura Guimont* was promoted to Administrator for Financial Analysis, Audit, and Reporting (Administrator III). Prior to this role, Ms. Guimont held various positions within the Bureau of Finance & Contracts, most recently as the Turnpike System Financial Analyst. She received her Bachelor of Commerce with a major in Finance from Rider University and has over 30 years of varied accounting experience in the private and non-profit sectors.

Effective January 12, 2024, *Cherie Sirrianna* assumed the Turnpike System Financial Analyst position. Prior to this role, Ms. Sirrianna held various positions within State government, most recently serving as Business Administrator III at the Department of Education, where she oversaw and managed grant budgets for several bureaus. She earned her Bachelor's degree in Accounting with concentration in Finance from Southern New Hampshire University (SNHU) and has over 21 years of experience working for the State.

Budget and Appropriation Process

The Legislature meets in session annually and adopts its budget every other year on a biennial basis. Prior to the beginning of each biennium, all departments of the State, including the Department of Transportation, are required by law to transmit to the Commissioner of the Department of Administrative Services requests for capital expenditures, as well as estimates of their administration, operation, and maintenance expenditure requirements for each fiscal year of the ensuing biennium.

The Turnpike System, a Bureau of the State of New Hampshire Department of Transportation, is included in the State of New Hampshire's biennial operating budget. The Turnpike System's official budget, as adopted by the Legislature, is prepared principally on a modified cash basis, and consists primarily of salaries and benefits, maintenance, and expenses relative to snow removal and debt service.

The Commissioner of the Department of Administrative Services, who submits the summary to the Governor, summarizes capital expenditure requests. After holding public hearings and requesting further evaluation of selected projects by the Commissioner of the Department of Transportation, the Governor prepares a capital budget for submission to the Legislature.

In conjunction with the receipt of operating budget estimates, the Commissioner of the Department of Administrative Services prepares an estimate of the total income of the State for each fiscal year of the ensuing biennium. Based upon the expenditure estimates the Commissioner has received and the revenue projections the Commissioner has made, the Commissioner prepares a tentative budget for the ensuing biennium, which is transmitted to the Governor. The Governor then holds public hearings on the tentative operating budget and prepares the final budget proposal for submission to the Legislature setting forth the Governor's financial program for the upcoming two fiscal years.

Once the budget becomes law, it represents the authorization for spending levels of each department of the State during the next two fiscal years.

New Hampshire Turnpike System
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2024
(Unaudited)

Capital Improvement Program

Under the provisions of State law, New Hampshire Revised Statutes Annotated (RSA) 240, as amended by the Legislature established a ten-year highway construction and reconstruction plan and authorized major expansion and improvement projects as part of a Capital Improvement Program. State law RSA 237-A:2 authorized the issuance of \$766.0 million of revenue bonds to fund these projects.

The ten-year capital improvement program, adopted by the Legislature in 1986 and amended through 2023, includes specific components relating to the Turnpike System. This program is intended to improve the safety of the Turnpike System and increase its capacity. It is updated every two years to address changing priorities. Depending on the scheduling of projects and availability of funding (e.g., excess toll revenues, bond proceeds), the Turnpike System capital improvement program expenditures during the ten-year plan period of 2025 – 2034 is \$624.1 million.

The Turnpike System's bond credit ratings as of June 30, 2024, were as follows: Fitch Ratings A+, outlook stable, Moody's Investors Service Aa3, outlook stable, and Standard & Poor's AA, outlook stable.

Contacting the Turnpike System's Financial Management

This financial report is designed to provide New Hampshire citizens, the Legislature, and the Executive Branch of government, as well as other interested parties, a general overview of the Turnpike System's financial activity for FY 2024 and to demonstrate the Turnpike System's accountability for the revenue it received from toll collections. If there are questions about this report or the need for additional information, please contact the New Hampshire Department of Transportation, Division of Finance, John O. Morton Building, 7 Hazen Drive, Concord, NH 03302-0483.

BASIC FINANCIAL STATEMENTS

New Hampshire Turnpike System
Statement of Revenues, Expenses, and Changes in Net Position
June 30, 2024

ASSETS and DEFERRED OUTFLOWS of RESOURCES

	(Dollars in Thousands)
Current Assets:	
Cash and Cash Equivalents	\$ 163,975
Cash and Cash Equivalents – Restricted	14,250
Investments – Restricted	34,917
Accounts Receivable (Net of Allowances)	27,449
Loan Receivable – Restricted & Ground Lease	112
Due from Other Funds	140
Inventories	5,085
Prepaid Assets	66
Total Current Assets	245,994
Non-Current Assets:	
Loan Receivable Long-Term – Restricted & Ground Lease	14,548
Capital Assets:	
Land	101,261
Land Improvements	2,003
Buildings	18,779
Equipment and Computer Software	96,879
Work in Progress – Computer Software	971
Construction in Progress	71,477
Infrastructure	1,225,493
Less: Accumulated Depreciation	(562,442)
Net Capital Assets	954,421
Total Non-Current Assets	968,969
Total Assets	1,214,963
Deferred Outflows of Resources:	
Pension and Other Postemployment Benefits (OPEB)	4,690
Loss on Refunding	1,900
Total Assets and Deferred Outflows of Resources	1,221,553

LIABILITIES and DEFERRED INFLOWS of RESOURCES

Current Liabilities:	
Accounts Payable	14,320
Accrued Payroll	72
Due to Other Funds	11,038
Unearned Revenue	16,910
Revenue Bonds Payable	17,575
Accrued Interest Payable	2,694
Claims and Compensated Absences Payable	643
Other Liabilities	866
Total Current Liabilities	64,118
Non-Current Liabilities:	
Revenue Bonds Payable	199,488
Pension	10,271
Other Postemployment Benefits	13,278
Claims and Compensated Absences Payable	3,386
Other Non-current Liabilities	4,271
Total Non-current Liabilities	230,694
Total Liabilities	294,812
Deferred Inflows of Resources:	
Pension, OPEB and Ground Lease	26,171
Total Liabilities and Deferred Inflows of Resources	320,983

NET POSITION

Net Investment in Capital Assets	736,192
Restricted for Debt Repayments	42,598
Restricted for Uninsured Risks	5,440
Restricted for Facility Sustainment and Reinvestment Reserve	1,129
Restricted for Loan & Ground Lease Receivable	14,660
Unrestricted	100,551
Total Net Position	\$ 900,570

See accompanying notes to financial statements.

New Hampshire Turnpike System
Statement of Revenues, Expenses, and Changes in Net Position
June 30, 2024

<u>OPERATING REVENUES</u>	(Dollars in Thousands)
Toll Revenue – Cash	\$ 11,686
Toll Revenue – E-ZPass	115,380
Other Toll Operating Revenue	20,772
Transponder Revenue	672
Total Operating Revenues	148,510
<u>OPERATING EXPENSES</u>	
Personnel Services	8,823
Payroll Benefits	3,244
Enforcement	9,135
Renewal & Replacement	15,087
Supplies, Materials and Other	1,244
Equipment and Repairs	5,098
Indirect Costs	2,641
Welcome Centers	1,094
Heat, Light and Power	1,073
Bank and Credit Card Fees	3,741
Rentals	1,366
E-ZPass Processing Fees	17,094
Transponder Expense	692
Depreciation and Amortization	31,943
Total Operating Expenses	102,275
Operating Income	46,235
<u>NON-OPERATING REVENUES (EXPENSES)</u>	
Investment Income	5,941
Facilities Rental and Concession Revenue	2,197
Build America Bonds Subsidy	1,589
Miscellaneous Income	2,446
Gain on Sale of Other Capital Assets	3
Interest on Bonds	(9,198)
Miscellaneous Expense	(69)
Local Non-Operating Expense	(2,238)
Total Non-operating Revenues (Expenses)	671
Change in Net Position Before Capital Contributions	46,906
Capital Contributions	110
Change in Net Position	47,016
<i>Net Position - July 1</i>	853,554
<i>Net Position - June 30</i>	\$ 900,570

See accompanying notes to financial statements.

New Hampshire Turnpike System
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2024

	(Dollars in Thousands)
Cash Flows from Operating Activities	
Receipts from Customers	\$ 143,741
Payments to Employees	(14,319)
Payments to Suppliers	(52,976)
Net Cash Provided by Operating Activities	<u>76,446</u>
Cash Flows from Non-Capital Financing Activities	
Receipts from Municipalities	2,148
Welcome Center Rental Income	1,837
Facility Sustainment Reserve Fund Receipt	(112)
Private Local Receipts	110
Net Cash Provided by Non-Capital Financing Activities	<u>3,983</u>
Cash Flows from Capital and Related Financing Activities	
Acquisition and Construction of Capital Assets	(52,425)
Interest Paid on Revenue Bonds	(10,852)
Principal Paid	(14,965)
Costs of Issuances	(69)
Build America Bonds Subsidy Interfund Posting	(836)
Build America Bonds Subsidy Receipt	836
Net Cash Used by Capital and Related Financing Activities	<u>(78,311)</u>
Cash Flows from Investing Activities	
Purchase of Investments	(70,732)
Proceeds from Sales and Maturities of Investments	66,214
Investment Income	5,941
Net Cash Provided by Investing Activities	<u>1,423</u>
Net Increase in Cash and Cash Equivalents	3,541
Total Cash and Cash Equivalents - July 1	<u>174,684</u>
Total Cash and Cash Equivalents - June 30	<u><u>178,225</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	46,235
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities:	
Depreciation and Amortization	31,943
Miscellaneous Income	208
Change in Operating Assets and Liabilities:	
Receivables	(4,854)
Inventories	(2,095)
Net Pension Liability (Net of Deferred Amounts)	(232)
Net Other Postemployment Benefits Liability (Net of Deferred Amounts)	(1,971)
Accounts Payable and Other Accruals	7,335
Deferred Revenue	(123)
Net Cash Provided by Operating Activities	<u>\$ 76,446</u>
Turnpike Non-Cash Capital and Related Financing Activities	
Capital Contributions	110
Non-Cash Capital Acquisition	2,647

See accompanying notes to financial statements.

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New Hampshire Turnpike System
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 1) Summary of Significant Accounting Policies

The accompanying financial statements of the New Hampshire Turnpike System (the “Turnpike System”) have been prepared in accordance with U.S. Generally Accepted Accounting Principles (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) Financial Reporting Entity

The Turnpike System is a Bureau within the Division of Operations of the State of New Hampshire Department of Transportation. The Turnpike System is reported as an enterprise fund of the State of New Hampshire (“the State”) and is included in the Annual Comprehensive Financial Report (ACFR) of the State. These financial statements are only of the Turnpike Fund and are not intended to present the net position, changes in net position, or, where applicable, cash flows of the State or the State of New Hampshire Department of Transportation. The Turnpike System constructs, maintains, and operates toll roads, including bridges over those roads and transaction facilities and issues revenue bonds, which are repaid from tolls and other revenues. State law New Hampshire Revised Statutes Annotated (RSA) 240, as amended, established a ten-year highway construction and reconstruction plan and authorized major expansion and improvement projects as part of a Capital Improvement Program. State law RSA 237-A:2 authorized the issuance of \$766.0 million of revenue bonds to fund these projects as more fully described in Note 8.

(b) Measurement Focus and Basis of Accounting

The accounting policies of the Turnpike System conform to GAAP as applicable to government enterprise funds and, as such, the activities of the Turnpike System are reported using the economic resources measurement focus and accrual basis of accounting.

(c) Restricted Assets

The proceeds of the Turnpike System Revenue Bonds, as well as certain resources set aside for their repayment (Revenue Bond Debt Service Reserve, Debt Service Reserve – Investment, Principal Debt Service, Interest Debt Service and Insurance Reserve - Investment) are classified as restricted assets on the Statement of Net Position because their use is limited by a bond resolution. Additionally, assets in the Facility Sustainment and Reinvestment Reserve Fund are restricted per contract with the 3rd party operator of the Hooksett Welcome Centers. See Note 7(c) - Ground Lease Contract – Facility Sustainment and Reinvestment Reserve for further information.

(d) Accounts Receivable (Net of Allowances)

Accounts Receivable primarily consist of outstanding E-ZPass reciprocity and violation tolls and fees as detailed in the table below. The balance as of June 30, 2024 is shown net of allowances. Accounts Receivable for violations and fees amounted to \$168.3 million with an uncollectible reserve of \$151.9 million.

**New Hampshire Turnpike System
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2024**

(Dollars in thousands)

Accounts Receivable	Amount
E-ZPass Reciprocity	\$ 6,517
Toll Revenue in Transit	981
Violation Tolls and Fees Receivable (Net of Allowances)	16,444
Interest Receivable	1,031
Welcome Center Rent	1,287
Credit Card Equity Fees	289
Property Damage	46
Miscellaneous	854
Total Accounts Receivable	\$ 27,449

(e) Cash Equivalents

Cash equivalents represent short-term investments with maturity dates within three months of the date acquired and recorded at cost.

(f) Capital Assets

Capital assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date donated. Capital assets purchased or constructed by other funding sources are recorded at cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized but expensed. Capital assets also include certain identified Renewal & Replacement costs. Depreciation is computed using the straight-line method over the estimated useful lives of the capital assets:

Asset	Thresholds	Depreciable Life	Annual Depreciation Rate
Infrastructure	All bridges and roads	50	2.0%
Buildings	>= \$100,000	40	2.5%
Building Improvements & Land Improvements	>= \$100,000	20	5.0%
Toll Equipment	>= \$ 10,000	10	10.0%
Equipment	>= \$ 10,000	5	20.0%
Computer Software (Amortized)	>= \$500,000	5	20.0%

(g) Adoption of New Accounting Pronouncements

During the fiscal year ended June 30, 2024, the Turnpike System implemented the following new accounting standards:

GASB Statement No. 99: Omnibus 2022. The objectives of this Statement are to improve the consistency of the requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63. These were effective upon issuance but do not affect the Turnpike system. Requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for State fiscal year 2024 but do not affect the Turnpike system. Requirements related to leases, PPPs, and SBITAs were effective in State fiscal year 2023 and adopted by the Turnpike system at that time.

New Hampshire Turnpike System
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2024

GASB Statement No. 100: Accounting Changes and Error Corrections – An Amendment of GASB Statement No.62. The objective of this standard is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. GASB 100 defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity. GASB 100 prescribes accounting and financial reporting for each type of accounting change and error corrections. This Statement also addresses the required note disclosures and how information that is affected by an accounting change or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). The Turnpike System has applied the accounting and financial reporting requirements under GASB 100.

(h) *Compensated Absences*

All full-time State employees in classified service earn annual and sick leave. Accrued compensatory time, earned for overtime worked, generally must be taken within one year. The State's compensated absences liability represents the total liability for the cumulative balance of employees' annual, bonus, compensatory, and sick leave based on years of service rendered along with the State's share of Social Security, Medicare and retirement contributions. The current portion of the liability is calculated based on the characteristics of the type of leave and on a LIFO (last in first out) basis, which assumes employees use their most recent earned leave first. The accrued liability for annual leave does not exceed the maximum cumulative balance allowed which ranges from 32 to 50 days based on years of service. The accrual for sick leave is made to the extent that it is probable that the benefits will result in termination payments rather than be taken as absences due to illness.

(i) *Deferred Outflows of Resources and Deferred Inflows of Resources*

Deferred outflows of resources are defined as a consumption of net assets 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.

(j) *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) and 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. The Turnpike System's employees participate in the NHRS retirement plan and the Trusted and Non-Trusted OPEB plans (see Note 9-Employee Benefit Plans for activity related to these plans). The Turnpike's participation in the Trusted OPEB plan and its corresponding liability is immaterial to the financial statements.

For purposes of measuring the total/net postemployment liabilities, deferred outflows of resources and deferred inflows of resources and related postemployment expenses related to each plan, information about the fiduciary net position and additions to/deductions from fiduciary net position has been determined on the same basis as it is reported by each plan, if applicable. For this purpose, benefit payments are recognized when due and payable in accordance with each plans' benefit terms, and plan investments are reported at fair value.

(k) *Revenues and Expenses*

Revenues and expenses are classified on the Statement of Revenues, Expenditures and Changes in Net Position as operating or non-operating. Operating revenues and expenses are a direct result of Turnpike operations and include toll and violation toll and fee collections, transponder sales, reimbursements due for eligible operating expenses, costs to operate and maintain the Turnpike System as well as administrative and depreciation expenses. Non-

New Hampshire Turnpike System
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

operating revenue includes interest earned on investments, interest subsidies, rental incomes, and sales on concession, vending machine, land, and equipment.

(l) E-ZPass Program

Upon enrolling in the E-ZPass program, participants establish pre-paid toll accounts. These pre-paid toll receipts are collected by a third-party vendor on behalf of the Turnpike System and recorded by the Turnpike System as unearned revenue until the customer completes a toll transaction. Once this occurs, revenue is recorded, and the customer's account is charged. Vehicle transponders, which serve to identify the vehicles passing through the toll plazas, are purchased by the Turnpike System and sold and shipped to customers by the vendor. The sale price a customer is charged for a transponder is the same approximate cost to the Turnpike System.

(m) Inventory

Inventories for aggregates, supplies, and materials are valued using the weighted average method. Included in the inventory amount are the value of aggregates (salt, sand, asphalt, etc.), E-ZPass transponders, and toll equipment replacement parts. Aggregates such as salt are stored at various salt shed locations along the Turnpike System. Transponders are received and stored by the vendor at the E-ZPass Customer Service Center located in Concord, New Hampshire and at walk-in E-ZPass Service Centers located in Nashua and Portsmouth, New Hampshire. Toll equipment replacement parts are stored at Turnpike and vendor warehouses throughout the State for expedient replacement as needed.

(n) Capital Contributions

The Turnpike System receives Federal Highway Administration (FHWA) grants through the State's Highway Fund for capital improvements, exclusive of Renewal & Replacement expenses and payments made by private entities. These are classified as Capital Contributions.

(o) Estimates

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

(p) Unearned Revenue

In the Turnpike System financial statements, unearned revenue is recognized when cash is received prior to being earned.

(q) Investments

GASB Statement No. 72, *Fair Value Measurement and Application*, requires that investments be reported at fair value except for certain investments which are reported using the amortized cost method of valuation. The Turnpike System discloses the fair value of its investments in a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The hierarchy is as follows:

Level 1 – Quoted or published prices (unadjusted) in active markets for identical assets and liabilities that are accessible at the measurement date.

Level 2 – Inputs other than quoted or published prices that are observable for the asset or liability, either directly or indirectly, including inputs in markets that are not considered to be active because they most often are priced based on transactions involving similar but not identical securities or do not trade with sufficient frequency.

Level 3 – Unobservable inputs for the asset or liability.

New Hampshire Turnpike System
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2024

In determining fair value, the Turnpike System 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. 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.

As of June 30, 2024, the Turnpike System's investments totaled \$34.9 million.

Note 2) Cash and Cash Equivalents and Investments

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

- State law RSA 6:7 established 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.

General Reserve Account: On June 30, 2024, the balance of cash and cash equivalents in the General Reserve Account was approximately \$124.5 million. These funds are intended to be used for capital construction projects.

Debt Securities: The State Treasury invests in U.S. Treasury instruments and Money Market Mutual Funds. On June 30, 2024, the Turnpike System's holding of U.S. Treasury Bonds and Notes was \$18.1 million, and holdings of Money Market Mutual Funds was \$16.8 million. Concentration risk is the risk of loss attributed to the magnitude of an investment in a single issuer.

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

Custodial credit risk is managed in a variety of ways. Although State law does not require deposits to be collateralized, the State 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, examples which are collateralized are per RSA 383-B:3-301(e)(2); Ban 1450 Collateralization of Public Deposits. 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 a minimum rating of green and one star as assigned by Veribanc, Inc.

**New Hampshire Turnpike System
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2024**

As of June 30, 2024, the Turnpike System's bank balances exposed to custodial credit risk for cash and cash equivalents are as follows:

(Dollars in thousands)

Type	Collateralized and Held in State's Name	Uncollateralized	Federal Deposit Insurance Corporation	Total
Demand Deposits & Cash	\$ 170,467	\$ 7,431	\$ 250	\$ 178,148
Total	\$ 170,467	\$ 7,431	\$ 250	\$ 178,148

Whereas all payments made to the State are to be in U.S. dollars, foreign currency risk is essentially nonexistent on State deposits.

In addition to \$178.1 million in bank balances shown above, the Turnpike System also reported \$77.5 thousand in change at the toll plazas for a total Cash & Cash Equivalents as of June 30, 2024 amount of \$178.2 million.

Investments: On June 30, 2024, the value of investments totaled \$34.9 million.

Certificates of deposits must be with state or federally chartered banking institutions with a branch in New Hampshire. The institution must have a minimum rating of green and one star as assigned by Veribanc, Inc.

The State Treasury has adopted policies to ensure reasonable rates of return on investments while minimizing risk factors. Approved investments are defined in statute RSA 6:8. Additionally, investment guidelines exist for operating funds as well as trust and custodial funds. All investments will be denominated in U.S. dollars.

The Turnpike System categorizes its fair value measurements within the fair value hierarchy established in accordance with U.S. GAAP. See Note 1(q) - Investments for fair value hierarchy leveling.

The following table summarizes the Turnpike System's investments measured at fair value and net asset value, by type, as of June 30, 2024.

(Dollars in thousands)

Investments Classified in the Fair Market Value and Net Asset Value Hierarchy				
	Level 1	Level 2	NAV	Total
U.S. Government Obligations	\$ -	\$ 18,070	\$ -	\$ 18,070
Money Market Mutual Fund	16,847	-	-	16,847
Total	\$ 16,847	\$ 18,070	\$ -	\$ 34,917

Credit risk is the risk that the issuer or other counterparty will not fulfill its obligations. The State may invest in 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. Government-sponsored Enterprise securities, considered high-quality, income-generating investments offering relatively safe, predictable income and competitive returns over Treasuries, have the implied backing of the U.S. Government but are not

**New Hampshire Turnpike System
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2024**

explicitly guaranteed and are exposed to potential credit risk. Money market funds to be considered and utilized are those funds invested in the U.S. Treasury, Agency or other securities commonly referred to as being "within first tier categories" and/or which have the highest rating available from at least one nationally recognized rating agency.

Interest rate risk is 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 investments or weighted average maturity (WAM) of a group of investments. The 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 objectives and are defined in the investment guidelines associated with those funds. The WAM on June 30, 2024 for the Turnpike System's investments is 0.33 years.

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. The State's selection criteria are aimed at investing in only high-quality institutions where default is extremely unlikely. The Turnpike System's investments are held by its custodian in the name of the Turnpike System.

Note 3) Restricted Assets

The resolutions of the Turnpike System revenue bonds require the Turnpike System to maintain certain accounts (below). The Turnpike System deposits all revenues into a Turnpike System revenue account, which are then applied first to the payment of operating expenses and then to fund accounts required by the resolutions.

Restricted Assets at fair value amounted to \$49.2 million with \$14.3 million designated as Cash and Cash Equivalents – Restricted and \$34.9 million designated as Investments – Restricted. Restricted assets are separated into the following accounts as of June 30, 2024:

Restricted Assets	(Dollars in thousands)
	Amount
Revenue Bond Debt Service Reserve Account	\$ 18,070
Revenue Bond Principal Debt Service Account	13,646
Revenue Bond Interest Debt Service Account	3,201
Total Investments – Restricted	34,917
Revenue Bond Insurance Reserve Account	5,440
Revenue Bond Debt Service Reserve Account	7,681
Facility Sustainment and Reinvestment Reserve Account	1,129
Total Cash & Cash Equivalents – Restricted	14,250
Total Restricted Assets	\$ 49,167

The Revenue Bond Debt Service Reserve Account is used to report resources set aside to make up potential future deficiencies in the Revenue Bond Interest Debt Service Account and Revenue Bond Principal Debt Service Account. The Revenue Bond Principal Debt Service Account and Revenue Bond Interest Debt Service Account are used to segregate resources accumulated for debt service payments on given maturity dates. See Note 8(c), Bonds - Debt Maturity. A Revenue Bond Special Redemption Account is used to report any monies not otherwise required by the bond resolution to be deposited or applied, including excess proceeds after the completion of a project. In addition to the above accounts, the Revenue Bond Insurance Reserve Account is established to report the amount that is available to insure against risks that would not otherwise be covered by policies of insurance. A Revenue Bond Rebate Account also would be used to report any excess of interest earned on non-purpose investments (as defined in section 148 of the Internal Revenue Code of 1986, as amended). Both the Revenue Bond Special Redemption

**New Hampshire Turnpike System
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2024**

Account and the Revenue Bond Rebate Account had zero balances as of June 30, 2024. The Facility Sustainment and Reinvestment Reserve Account is established to provide funding for facility maintenance, repair, and capital improvement projects of the Hooksett Welcome Centers (Welcome Centers) should the operator fail to meet physical facility performance standards. The account's funding, spending, and cap limits are subject to the terms and conditions of the Ground Lease Contract between the Turnpike System and the operator.

Note 4) Capital Assets

Capital Asset activity for the fiscal year ended June 30, 2024 was as follows:

Type	(Dollars in thousands)				
	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital Assets not Being Depreciated:					
Land	\$ 101,241	\$ 30	\$ (10)	\$ --	\$ 101,261
Work in Progress – Computer Software	1,294	913	--	(1,236)	971
Construction in Progress	106,835	47,231	--	(82,589)	71,477
Total Capital Assets not being Depreciated:	209,370	48,174	(10)	(83,825)	173,709
Other Capital Assets:					
Equipment and Computer Software	61,774	1,006	(1,156)	35,255	96,879
Buildings and Building Improvements	19,459	8	(688)	--	18,779
Depreciable Land Improvements	2,003	--	--	--	2,003
Infrastructure	1,177,032	--	--	48,461	1,225,493
Subtotal Other Capital Assets	1,260,268	1,014	(1,844)	83,716	1,343,154
Total Capital Assets	1,469,638	49,188	(1,854)	(109)	1,516,863
Less Accumulated Depreciation and Amortization for:					
Equipment and Computer Software	(53,066)	(7,859)	1,120	--	(59,805)
Buildings and Building Improvements	(5,335)	(509)	519	--	(5,325)
Depreciable Land Improvements	(899)	(100)	--	--	(999)
Infrastructure	(472,838)	(23,475)	--	--	(496,313)
Total Accumulated Depreciation	(532,138)	(31,943)	1,639	--	(562,442)
Net Capital Assets	\$ 937,500	17,245	\$ (215)	\$ (109)	\$ 954,421

On June 30, 2024, the Turnpike System had contractual commitments for capital Turnpike System improvement projects of \$25.4 million.

The Turnpike System's capital assets also include intangible assets as per GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This standard characterizes an intangible asset as an asset that lacks physical substance, is non-financial in nature, and has an initial useful life extending beyond a single reporting period. Intangible assets for the Turnpike System include both land easements and computer software.

Easements with an indefinite useful life are classified as land assets. Temporary easements, which expire when a project is closed, are considered a project cost. If the project is capitalized, then the cost becomes a part of

**New Hampshire Turnpike System
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2024**

Infrastructure and is amortized over 50 years. If the project is expensed, the easement cost will be expensed in the same period.

Computer software acquisitions that the Department owns the license to or requires extensive customization from the licensee for Department use is considered an intangible asset. If the software is capitalized, the cost will be amortized over 5 years. If the software is expensed, the software cost will be expensed in the same period.

Also included in the capitalization of assets, per GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre- November 30, 1989 FASB and AICPA Pronouncements*, interest is capitalized as part of the historical cost of acquiring certain qualifying assets. However, beginning in fiscal year 2021, the New Hampshire Turnpike System adopted GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (GASB 89) which supersedes GASB Statement No. 62 (see Note 1(g)). Interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. Prior interest cost capitalized remains in the total cost of assets. Capitalized interest remaining in Construction in Process (CIP) at June 30, 2024 totals \$2.6 million.

Note 5) Inter-fund Activity

In FY 2024, expenses were incurred due to work performed by other State agencies on behalf of the Turnpike System. Enforcement expenses of \$9.1 million were incurred for services provided by the New Hampshire Department of Safety. Services provided by the Department of Information Technology and the Department of Transportation, Division of Operations' Bureaus including Bridge Maintenance, Traffic, Transportation Systems, Management & Operations (TSMO), and Mechanical Services resulted in \$2.9 million of expenses and account for most of the remaining inter-fund activity. New Hampshire Department of Business and Economic Affairs, Division of Travel and Tourism operations of the Seabrook and Hooksett Welcome Centers amounted to \$1.1 million.

Note 6) Unearned Revenue

Unearned Revenue primarily consists of prepaid toll monies received from customers on their transponder accounts. Revenue is recognized when a customer uses the E-ZPass toll system on the Turnpike. In FY 2024, Unearned Revenue included approximately \$16.1 million in pre-paid tolls as well as \$0.8 million from municipalities and developers to support their share of construction improvements.

Note 7) Leases

The Turnpike System is a lessee for various noncancellable leases of buildings and equipment. In accordance with the State thresholds, a lease liability and an intangible right-to-use lease asset is recognized when annual payments of \$50,000 or more are contracted or incurred at any time during the lease term. During FY 2024, no lessee lease met this threshold.

The Turnpike System is a lessor for a ground lease contract with Granite State Hospitality, LLC (GSH). GSH was formed in 2013 to develop, operate, and maintain both northbound and southbound rest areas on I-93 in the Town of Hooksett. The rest areas are full-service welcome centers with concession and fuel sales, visitor centers, and State Liquor and Wine Outlet Stores. The ground lease contract was evaluated under GASB 60 Service Concession Agreements, GASB 87 Leases, and GASB 94 Public-Private Partnership pronouncements. The agreement is reported under GASB 87. This agreement does not meet the GASB 60 Service Concession Agreement requirements as the Turnpike System does not set pricing and has limited control over the business.

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Notes to the Financial Statements
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For calculation and reporting purposes, the ground lease term was determined to include the remaining non-cancellable period of the lease plus the additional lease extension of 5 years approved by Governor & Council on May 31, 2023. The discount rate of 3.0% used to determine present value of the lease aligns with the percentage rate increase in the ground lease contract. In accordance with GASB 87, the Turnpike System recognized a lease receivable and deferred inflow of resources for this lease to be amortized over the term of the lease using the straight-line basis.

(a) Ground Lease Contract – Current

Under the terms of the Ground Lease contract, the Turnpike System receives minimum guaranteed rent, with tiered rent payments based on the sale of gasoline and tiered percentage rent based on gross concession sales. In FY 2024, the guaranteed minimum rent payment was \$0.6 million. In addition to the minimum rent, the Turnpike System receives additional rental income if fuel or concession sales exceed contractual thresholds. For FY 2024, the Turnpike System recorded \$1.8 million in total rental receipts. Per GASB 87, an annual portion of the Deferred Inflows of Resources is amortized over the remaining term of the lease. For FY 2024, \$0.4 million was received as lease amortization interest.

(Dollars in thousands)	
Hooksett Welcome Center Rent	Amount
Guaranteed Minimum Rent	\$ 550
Fuel Sales	230
Concession Sales	1,057
Subtotal	1,837
Lease Amortization Interest Income	360
Total Hooksett Welcome Center	\$ 2,197

(b) Ground Lease Contract – Long Term (guaranteed rent)

In the Ground Lease contract, the Turnpike System will receive future minimum guaranteed rent of \$23.0 million over the remainder of the 35-year term, plus the 5-year extension. On June 30, 2024, the projected future guaranteed minimum lease revenue and interest is approximately \$23.0 million as shown below:

(Dollars in thousands)			
Fiscal Year	Principal	Interest	Total
2025	\$ 112	\$ 438	\$ 550
2026	115	435	550
2027	119	431	550
2028	122	428	550
2029	126	424	550
2030-2034	1,044	2,056	3,100
2035-2039	2,744	1,756	4,500
2040-2044	3,187	1,313	4,500
2045-2049	3,702	798	4,500
2050-2053	3,389	211	3,600
Total	\$ 14,660	\$ 8,290	\$ 22,950

**New Hampshire Turnpike System
Notes to the Financial Statements
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(c) Ground Lease Contract – Facility Sustainment and Reinvestment Reserve

In addition, the Turnpike System also maintains a Facility Sustainment and Reinvestment Reserve Account funded by the operator which provides funding for facility maintenance, repair, and capital improvement projects should the Developer/Operator fail to meet established, contractual performance standards. This account is currently capped at \$1.1 million and is subject to periodic adjustments every 5 years based on the consumer price index in accordance with the terms of the ground lease contract. On June 30, 2024, the Facility Sustainment and Reinvestment Reserve Account had a balance of approximately \$1.1 million.

Note 8) Non-current Liabilities

(a) Bonds Authorized and Unissued

Bonds authorized and un-issued amounted to \$50.2 million of revenue bonds on June 30, 2024. 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 Governor and Executive Council to issue up to \$766.0 million of bonds to support this plan. As of June 30, 2024, the State had issued \$715.8 million of revenue bonds for this plan.

Turnpike System Bond Ratings

Bond ratings assigned to the Turnpike System are as follows:

- Fitch Ratings ~ A+ (stable)
- Moody’s Investors Service ~ Aa3 (stable)
- Standards & Poor’s ~ AA- (stable)

(b) Changes in Non-current Liabilities

The following is a summary of the changes in liabilities for bonds, pension, other postemployment benefits, compensated absences, uninsured claims, and pollution remediation during FY 2024:

(Dollars in thousands)

Type	Beginning Balance	Increases	Decreases	Ending Balance	Current	Long-Term
Revenue Bonds	\$ 233,475	\$ 17,575	\$ 33,987	\$ 217,063	\$ 17,575	\$ 199,488
Pension Liability	11,185	--	914	10,271	--	10,271
Net OPEB Liability	20,855	--	7,577	13,278	--	13,278
Claims and Compensated Absences Payable	3,668	528	167	4,029	643	3,386
Other: Pollution Remediation and Other	4,973	441	277	5,137	866	4,271
Total	\$ 274,156	\$ 18,544	\$ 42,922	\$ 249,778	\$ 19,084	\$ 230,694

**New Hampshire Turnpike System
Notes to the Financial Statements
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(c) Bonds - Debt Maturity

Bonds of the Turnpike System consist of revenue bonds (including ARRA Bonds). Interest rates on Turnpike System revenue bonds range from 4.00% to 6.01%. The annual maturities on a cash basis are as follows:

(Dollars in thousands)

Payable June 30,	Revenue Principal	Revenue Interest	Revenue Interest Rebate	Net Interest
2025	\$ 17,575	\$ 10,002	\$ (1,458)	\$ 8,544
2026	8,570	9,356	(1,368)	7,988
2027	11,415	8,888	(1,368)	7,520
2028	10,970	8,329	(1,368)	6,961
2029	12,010	7,754	(1,368)	6,386
2030 through 2034	50,575	30,526	(6,291)	24,235
2035 through 2039	60,340	15,363	(2,909)	12,454
2040 through 2044	30,670	2,078	(89)	1,989
Subtotal	202,125	92,296	(16,219)	76,077
Unamortized Premium	14,938	-	-	-
Total	\$ 217,063	\$ 92,296	\$ (16,219)	\$ 76,077

The Coronavirus Aid, Relief, and Economic Security (CARES ACT) did not include sequestration relief on reimbursements for direct-pay bonds (BABs) and it extended the sequestration through Federal fiscal year 2030. The reduction in funding because of sequestration is 5.7% beginning October 1, 2020. The revenue interest rebate has been reduced by 5.7% through 2030.

(d) Revenue Bond Resolutions

All 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 evidence 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 2024, the toll rate

**New Hampshire Turnpike System
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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.

The Turnpike System has complied with all its material financial bond covenants as set forth in the resolutions.

(Dollars in thousands)

Type	Expensed	Capitalized	Total
Renewal & Replacement	\$ 15,087	\$ 5,547	\$ 20,634

Note 9) Employee Benefit Plans

(a) New Hampshire Retirement System

Plan Description: The New Hampshire Retirement System (NHRS) is the administrator of a cost-sharing, multiple-employer Public Employee Retirement System established in 1967 by State law 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 consist of State and local employees and teachers. Group II consists of firefighters and police officers. All assets are in a single trust and are available to pay retirement benefits to its members and beneficiaries.

Group I members at age 60 (age 65 for members beginning service on or after July 1, 2011) qualify for a normal service retirement allowance based on years of creditable service and average final compensation (AFC). The yearly pension amount is 1/60 (1.67%) of average final compensation multiplied by years of creditable service (1/66 of AFC times creditable service for members beginning service on or after July 1, 2011). AFC is defined as the average of the three highest salary years for members vested prior to January 1, 2012, and five years for members not vested on January 1, 2012. At age 65, the yearly pension amount is recalculated at 1/66 (1.5%) of AFC multiplied by years of creditable service.

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

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

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

NHRS publicly issues 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. 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 Turnpike System contributed 14.6% of gross payroll for Group I members.

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions: As of June 30, 2024, the Turnpike System reported a liability of \$10.3 million for its proportionate share of the net pension liability of NHRS. This net pension liability is measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022 with update procedures used to roll the total pension liability forward to June 30, 2023. 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. The Turnpike System's net pension liability and pension expense, along with related deferred outflows of resources and deferred inflows of resources was calculated using an allocated proportion among the State's governmental and business-type activities (1.0%), based on the Turnpikes' share of the State's contributions to NHRS relative to the State's total contributions to NHRS. For the year ended June 30, 2024, the Turnpike System recognized pension expense of \$0.9 million.

As of June 30, 2024, the Turnpike System reported deferred outflows and inflows of resources relating to pensions from the following sources:

Deferred Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan	\$ 150	\$ --
Differences between expected and actual experience	262	(4)
Change in actuarial assumptions	270	--
Changes in employer proportion	154	(51)
Change in employer proportion (entity)	--	(1,002)
Contributions subsequent to the measurement date	1,111	--
Total	\$ 1,947	\$ (1,057)

(Dollars in thousands)

**New Hampshire Turnpike System
Notes to the Financial Statements
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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, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

(Dollars in thousands)

Fiscal Year Ended June 30,	Amortization of Deferred Amounts
2025	\$ (26)
2026	(474)
2027	388
2028	(110)
2029	--
Total	\$ (222)

Actuarial Assumptions: NHRS total pension liability, measured as of June 30, 2023, was determined by a roll forward of the actuarial valuation as of June 30, 2022, using the following actuarial assumptions:

Inflation	2.00%
Salary increases	5.40% average, including inflation
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the Pub-2010 Healthy Retiree Mortality tables with credibility adjustments for each group and projected fully generational mortality improvements using Scale MP-2019.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2015 - June 30, 2019.

**New Hampshire Turnpike System
Notes to the Financial Statements
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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 geometric real rates of return for each asset class:

Asset Class	Target Allocation (%)	30 Year Geometric Return (%)
Broad US Equity	30.00	5.40
Global US Equity	20.00	5.65
Total Public Equity	50.00	
Real Estate Equity	10.00	4.00
Private Equity	10.00	6.65
Total Private Market Equity	20.00	
Private Debt	5.00	5.05
Total Private Debt	5.00	
Core US Fixed Income	25.00	2.15
Total Fixed Income	25.00	
Total	100.00	

Discount Rate: The discount rate used to measure the collective total pension liability was 6.75%. 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. 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 the Plan’s actuarial funding policy and as required by RSA 100-A:16. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments to 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 total pension liability.

The following table illustrates the sensitivity of the Turnpike System’s proportionate share of NHRS’s net pension liability to changes in the discount rate. In particular, the table presents the Turnpike System’s proportionate share of NHRS’s net pension liability measured at June 30, 2023 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:

(Dollars in thousands)

Fiscal Year Ended	1% Decrease to 5.75%	Current Single Rate Assumption 6.75%	1% Increase to 7.75%
June 30, 2024	\$ 13,937	\$ 10,271	\$ 7,139

**New Hampshire Turnpike System
Notes to the Financial Statements
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(b) Other Postemployment Benefits (OPEB)

Plan Description: RSA 21-I:30 specifies that the State provide certain health care benefits for retirees 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, (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 \$0.10 million in fiscal year ended June 30, 2024 and \$0.11 million in fiscal year ended June 30, 2023. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The Turnpike System's contributions to the fund on behalf of Turnpike Retirees for fiscal years ended June 30, 2024 and June 30, 2023 were \$0.57 million and \$0.51 million, respectively.

Total OPEB Liability: The Turnpike System's proportionate share of the State's total Non-Trusted OPEB Plan liability is \$13.3 million, measured as of June 30, 2023, and was determined by an actuarial valuation as of December 31, 2022. The Turnpike System's proportionate share of the State's 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 Turnpike System's proportion was 1.28% which is a decrease of 0.01% in its proportion measured as of the previous measurement date.

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Actuarial Assumptions and Other Inputs: The total Non-Trusted OPEB Plan liability as of June 30, 2023 was measured by an actuarial valuation as of December 31, 2022, using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Inflation:	2.75%
Salary increases:	Group I employees: 14.75% decreasing over 12 years to an ultimate level of 3.25%.
Discount rate:	3.65% as of June 30, 2023 and 3.54% as of June 30, 2022.
Healthcare cost trend rates:	
Medical:	Non-Medicare: 7.5% decreasing by 0.25% each year to an ultimate level of 4.5% per year. Medicare: N/A through contract period, then 6.75% in 2026 decreasing by 0.25% per year to an ultimate level of 4.5%.
Prescription Drug:	Non-Medicare: 10.50% decreasing by 0.50% each year to an ultimate level of 4.5% per year. Medicare: N/A through contract period, then 6.75% decreasing by 0.25% each year to an ultimate level of 4.5% per year.
Administrative Expense:	3% per year.
Contributions:	Retiree contributions are expected to increase with a blended medical, prescription drug and administrative expense 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 (3.65% as of June 30, 2023 and 3.54% as of June 30, 2022). This determination is in accordance with GASB Statement No 75.

Pre-Retirement mortality rates were based on the PubG-2010 Headcount-Weighted Employee General Mortality Tables for Group I projected generationally for males and females with Scale MP-2019. Healthy Annuitant mortality rates were based on the PubG-2010 Headcount-Weighted Employee Healthy Retiree General Mortality Tables for Group I projected generationally for males and females with Scale MP-2019. Disabled Annuitant mortality rates were based on that PubNS-2010 Headcount-Weighted Non-Safety Disabled Retiree Mortality Tables for Group I.

The assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience study by New Hampshire Retirement System for the period July 1, 2015 through June 30, 2019.

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

Sensitivity of the Turnpike System Non-Trusted OPEB Plan liability to changes in the discount rate:

The following presents sensitivity of the Turnpike System's proportionate share of the total Non-Trusted OPEB Plan liability to changes in the discount rate. In particular, the table presents the Turnpike System's proportionate share of the Total OPEB liability measured at June 30, 2023 if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate:

(Dollars in thousands)

Fiscal Year Ended	1% Decrease to 2.65%	Current Discount Rate 3.65%	1% Increase to 4.65%
June 30, 2024	\$ 15,298	\$ 13,278	\$ 11,642

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Sensitivity of the Turnpike System OPEB liability to changes in the healthcare cost trend rates:

The following presents sensitivity of the Turnpike System'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 Turnpike System's proportionate share of total Non-Trusted OPEB Plan liability measured at June 30, 2023, 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:

(Dollars in thousands)

Fiscal Year Ended	1% Decrease	Current Trend Rate	1% Increase
June 30, 2024	\$ 11,286	\$ 13,278	\$ 15,820

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: For the year ended June 30, 2024, the Turnpike System recognized an OPEB expense of \$(1.9) million. As of June 30, 2024, the Turnpike System reported deferred outflows and inflows of resources on its financial statements related to the Non-Trusted OPEB Plan from the following sources:

(Dollars in thousands)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual	\$ --	\$ (871)
Changes in assumptions	2,213	(10,118)
Changes in employer proportion	146	(553)
Contributions subsequent to the measurement	384	--
Total	\$ 2,743	\$ (11,542)

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, 2024. 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:

(Dollars in thousands)

Year ended June 30,	Amount
2025	\$ (1,687)
2026	(2,711)
2027	(3,066)
2028	(1,720)
Total	\$ (9,184)

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Note 10) Risk Management and Insurance

(a) Principle of Self-Insurance

The Turnpike System is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. As a general operating rule, the State self-insures against all damages, losses, and expenses except to the extent that the provisions of law direct the purchase of commercial insurance. Should risk assessment indicate that commercial insurance is economical and beneficial for the State or general public the State may elect to purchase insurance. Settled claims, under the insurance program, have not exceeded insurance coverage in any of the last three fiscal years.

(b) Employee and Retiree Health Benefits

During fiscal year 2004, the State established an Employee and Retiree Benefit Risk Management Fund (the Fund), an internal service fund, to account for the cost of employee and retiree health benefits. As of January 2024, the State self-insures active employees' health and dental benefits as well as non-Medicare retirees' health benefits, and fully insures the Medicare-eligible retiree health benefits. By law, the State maintains an actuarially calculated Incurred But Not Reported (IBNR) claims reserve, and a statutory reserve equivalent to at least 3% of estimated annual claims and administrative expenses. The total IBNR for the Fund as of June 30, 2024 is \$30.9 million. The fiscal year 2024 statutory reserve equaled \$19.1 million. Health benefit rates are actuarially established annually based on analysis of past claims, industry claim trends, and annual projected plan claims and administrative expenses. The process used in estimating claims liabilities for rate development may not result in an exact claims payout due to variables including claims cost inflation, utilization shift, and changes in law, enrollment, or plan design. Fiscal year 2024 State contributions to the Fund for the Turnpike Fund totaled \$0.56 million for retired employees and \$2.7 million for active employees.

(c) 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 fiscal years' claims. The study also contains assumptions about loss development patterns, trends and other claim projections based upon the state's historical loss experience.

The following table presents the changes in Turnpike System workers' compensation claim liabilities in the State Employee Benefit Risk Management Fund during fiscal years ended June 30, 2023 and June 30, 2024:

(Dollars in thousands)

Total	6/30/2023 Balance	Increases	Decreases	6/30/2024 Balance	Current	Long-Term
	\$ 2,577	\$ 356	\$ 167	\$ 2,766	\$ 492	\$ 2,274

The workers' compensation claim expense is recorded in the Statement of Revenues, Expenses and Changes in Net Position under Payroll Benefits and the liability is recorded in the Statement of Net Position under Claims and Compensated Absences Payable.

**New Hampshire Turnpike System
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2024**

Note 11) Commitments

(a) E-ZPass Back Office System Contract

On October 7, 2015, the Turnpike System entered into a contract with Cubic Transportation Systems, Inc. in the amount of \$51.9 million for design, testing, installation and maintenance services for the operation of the NH E-ZPass back office (customer billings, collections and service) operations system for the Turnpike System through June 30, 2021 with an option to renew, at the sole discretion of the State, for up to three additional three-year optional operation periods up to, but not beyond June 30, 2030. This contract's first extension to June 30, 2024 was executed on June 2, 2021. The contract was amended on May 4, 2022 and again on May 30, 2024 to bring the current total of the contract to \$105.1 million.

(b) Capital Improvement Program

The ten-year transportation improvement plan, adopted by the Legislature in 1986 and amended through 2032, includes specific components relating to the Turnpike System. This program is intended to improve the safety of the Turnpike System and increase its capacity. It is updated every two fiscal years to address changing priorities and the most recent ten-year plan for the fiscal years 2023 – 2032 was signed into law July 22, 2022 (Chapter 335, Laws of 2022).

(c) Maintenance

The Turnpike System is maintained and repaired by the Bureau of Turnpikes' own forces or those of contracted vendors. With the exception of other insignificant proceeds, all maintenance and repair costs have been funded from Turnpike operating revenues since the beginning of the Turnpike System in 1950.

(d) Litigation

The Turnpike System is involved in certain other lawsuits, claims and grievances arising in the normal course of business, including claims for personal injury, property damage and disputes over eminent domain proceedings. In the opinion of the State Attorney General's Office, payment of claims by the Turnpike System for amounts not covered by insurance in the aggregate, are not expected to have a material adverse effect on the Turnpike's financial position.

**New Hampshire Turnpike System
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2024**

Note 12) Future Revenues that are Pledged or Sold

GASB Statement No. 48, *Disclosures Related to Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues* is a standard that makes a basic distinction between sales of receivables and future revenues on one hand and the pledging of receivables or future revenues to repay a borrowing (a collateralized borrowing). In accordance with revenue bond covenants, revenues received are pledged to secure the payment of the principal or redemption price of and interest on the bonds and the performance of the undertakings of the State in the General Bond Resolution, subject only to the application of revenues for the payment of operating expenses in accordance with the terms of the Resolution (see Note 8(d) - Revenue Bond Resolutions for further detail). The bonds are equally and ratably secured by the pledge, and the undertakings of the State in the Resolution are for the equal and proportional benefit of the Bondholders, except as otherwise expressly provided in the Resolution.

Note 13) Pollution Remediation Obligations

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations (PRO)* requires governments to reasonably determine potential polluted sites and provides guidance regarding when to recognize PRO as a liability. The Turnpike System currently has obligations to remediate four sites - Hampton Toll Plaza, Hudson site (formerly Benson's Animal Park), Newington Country Store, and the Taylor River Bridge in Hampton-Hampton Falls. No new sites were identified in FY 2024. Pollution liabilities reported on June 30, 2024 totaled \$4.5 million. Liability estimates are subject to change due to price increases or reductions, technology, or changes in applicable laws or regulations governing the remediation efforts.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

(Unaudited)

This section includes information on the Turnpike's proportionate share of net pension liability and proportionate share of total other post-employment benefits.

**New Hampshire Turnpike System
Required Supplementary Information
For the Fiscal Year Ended June 30, 2024
(Unaudited)**

State of New Hampshire Turnpike System Information on the Turnpike's Proportionate Share of Net Pension Liability For the Fiscal Year Ended June 30, 2024										
<u>Schedule of the Turnpike's Proportionate Share of the Net Pension Liability</u> (dollars in thousands)										
	2024	2023	2022	2021	June 30, 2020	2019	2018	2017	2016	2015
Turnpike's Proportion of the Net Pension Liability	0.18%	0.19%	0.20%	0.21%	0.22%	0.22%	0.28%	0.26%	0.25%	0.25%
Turnpike's Proportionate Share of the Net Pension Liability	\$10,271	\$11,185	\$8,776	\$13,490	\$10,559	\$10,719	\$13,875	\$13,757	\$10,100	\$9,369
Turnpike's Covered-Employee Payroll	6,803	6,917	6,967	7,218	7,253	7,268	8,357	7,472	6,974	6,792
Turnpike's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payrol	150.98%	161.70%	125.97%	186.89%	145.58%	147.48%	166.03%	184.11%	144.82%	137.94%
NHRS Fiduciary Net Position as a Percentage of the Total Pension Liability	67.18%	65.12%	72.22%	58.72%	65.59%	64.73%	62.66%	58.30%	65.47%	66.32%
Note: The amounts presented were determined as of and for the measurement periods ended June 30, 2021, 2020, 2019, 2018, 2017, 2016, 2015, 2014										
<u>Schedule of Turnpike Contributions</u> (dollars in thousands)										
(dollars in thousands)	2024	2023	2022	2021	June 30, 2020	2019	2018	2017	2016	2015
Required Turnpike Contribution	\$1,111	\$1,107	\$1,137	\$916	\$942	\$960	\$950	\$1,030	\$930	\$830
Actual Turnpike Contributions	1,111	1,107	1,137	916	942	960	950	1,030	930	830
Excess/(Deficiency) of Turnpike Contributions	-	-	-	-	-	-	-	-	-	-
Turnpike's Covered-Employee Payroll	7,623	7,347	7,071	7,345	7,450	7,507	8,555	7,807	6,963	7,154
Turnpike Contribution as a Percentage of its Covered-Employee Payroll	14.57%	15.07%	16.08%	12.47%	12.64%	12.79%	11.10%	13.19%	13.36%	11.60%

**New Hampshire Turnpike System
Required Supplementary Information
For the Fiscal Year Ended June 30, 2024
(Unaudited)**

**State of New Hampshire Turnpike System
Information on the Turnpike's Proportionate Share of Total Other Postemployment Benefits
For the Fiscal Year Ended June 30, 2024**

Schedule of the Turnpike's Proportionate Share of the Total Non-Trusted OPEB Plan Liability

(Dollars in thousands)

	June 30,							
	2024	2023	2022	2021	2020	2019	2018	2017
Turnpike's Proportion of the Total Non-Trusted OPEB Plan Liability	1.28%	1.29%	1.29%	1.33%	1.27%	1.45%	1.44%	1.42%
Turnpike's Proportionate Share of the Total Non-Trusted OPEB Plan Liability	\$13,278	\$20,855	\$26,422	\$29,651	\$22,734	\$27,661	\$32,186	\$40,694
Turnpike's Covered-Employee Payroll	6,803	6,917	6,967	7,218	7,253	7,268	8,357	7,472
Turnpike's Proportionate Share of the Total Non-Trusted OPEB Plan Liability as a Percentage of its Covered-Employee Payroll	195.10%	301.50%	379.25%	410.79%	313.44%	380.59%	385.14%	544.62%

Note: The amounts presented were determined as of and for the measurement periods ended June 30, 2022, 2021, 2020, 2019, 2018, and 2017.

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

Notes to the Required Supplementary Information:

There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay-related benefits.

Changes in assumptions reflect trend assumption revisions to reflect current experience and future expectations. The table below shows the historical discount rate.

	2023	2022	2021	2020	2019	2018	2017	2016
Discount Rate	3.65%	3.54%	2.16%	2.21%	3.50%	3.87%	3.58%	2.85%

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OTHER SUPPLEMENTARY INFORMATION SECTION
(UNAUDITED)

This section includes the budget to actual comparison and accompanying note.

**New Hampshire Turnpike System
Other Supplementary Information
For the Fiscal Year Ended June 30, 2024
(Unaudited)**

State of New Hampshire Turnpike System Budget to Actual (Non-GAAP Budgetary Basis) Revenue Schedule For the Fiscal Year Ended June 30, 2024 (Dollars in thousands)				
	Budgeted		Actual	Variance
	Original	Final	Budgetary Basis	Favorable (Unfavorable) with Final Budget
Revenues				
<i>Restricted</i>				
Bonds Interest Subsidy	\$ 1,610	\$ 1,610	\$ 1,672	\$ 62
Spaulding /Central/Blue Star (Private Local Funds)	--	--	2,238	2,238
Sponsorship Fees (009 Agency Income)	213	231	175	(56)
Transponder Sales	750	750	594	(156)
Total Restricted Revenue	2,573	2,591	4,679	2,088
<i>Unrestricted</i>				
Spaulding Cash Receipts	--	--	--	--
Blue Star Cash Receipts	7,521	7,521	5,930	(1,591)
Central Cash Receipts	6,300	6,300	5,756	(544)
E-ZPass Central Receipts	32,567	32,567	35,426	2,859
E-ZPass Blue Star Receipts	50,744	50,744	57,461	6,717
E-ZPass Spaulding Receipts	13,900	13,900	15,775	1,875
Misc ET C Revenue	10	10	--	(10)
VES Administration Fees	10,000	10,000	17,341	7,341
Administration Fees- Toll Collections	--	--	--	--
Violation Revenue Central	2,383	2,383	2,245	(138)
Violation Revenue Blue Star	2,551	2,551	2,595	44
Violation Revenue Spaulding	2,100	2,100	1,492	(608)
Cash Management Interest	300	300	1,611	1,311
General Reserve Interest	100	100	4,330	4,230
Insurance Reserve Interest	--	--	--	--
Sale Of Service	10	10	--	(10)
Facility Sustainment Reserve	100	100	--	(100)
Rental Income	1	1	21	20
Hooksett Rental Income	550	550	550	--
Fuel Sales	30	30	230	200
Concession Sales	800	800	1,057	257
ROW Property Sales	1	1	8	7
Property Damage	30	30	30	--
Prior Yr. Refund of Expense	--	--	--	--
Miscellaneous	400	400	475	75
Transponder Lease-to-own	50	50	78	28
Statement Fee Revenue	45	45	107	62
Total Unrestricted Revenue	130,493	130,493	152,518	22,025
Total Revenue	\$ 133,066	\$ 133,084	\$ 157,197	\$ 24,113

Note to Other Supplementary Information is an integral part of this schedule. See accompanying Independent Auditors' Report.

**New Hampshire Turnpike System
Other Supplementary Information
For the Fiscal Year Ended June 30, 2024
(Unaudited)**

State of New Hampshire Turnpike System Budget to Actual (Non-GAAP Budgetary Basis) Expense Schedule For the Fiscal Year Ended June 30, 2024 (Dollars in thousands)				
	Budgeted		Actual	Variance
	Original	Final	Budgetary Basis	Favorable (Unfavorable) with Final Budget
<u>Expenditures</u>				
Administration and Support	\$ 12,236	\$ 12,714	\$ 11,334	\$ 1,380
Renewal and Replacement	23,950	23,950	25,238	(1,288)
Central Operations	3,191	3,465	2,527	938
Central Maintenance	5,888	6,366	4,902	1,464
East NH Turnpike Blue Star Operations	2,591	2,798	2,199	599
East NH Turnpike Blue Star Maintenance	2,724	2,930	2,556	374
East NH Turnpike Spaulding Operations	1,206	1,206	27	1,179
East NH Turnpike Spaulding Maintenance	3,700	3,984	2,856	1,128
Toll Collection	27,057	35,916	24,810	11,106
Turnpike Debt Service	25,817	25,817	25,817	--
Transponder Inventory Fund	750	750	446	304
Retirees Health Insurance	607	607	565	42
Workers Compensation	531	577	580	(3)
Unemployment Compensation	5	6	6	--
Total Expenses before Capital Expenses	110,253	121,086	103,863	17,223
Capital Expenses				
RSA 237:2 I Blue Star Memorial	300	300	719	(419)
RSA 273:2 I Blue Star Memorial	--	--	--	--
RSA 273:2 VII Central NH Turnpike	12,163	12,163	23,288	(11,125)
RSA 237:2 VII Central NH Turnpike	--	--	--	--
Toll Collection Equipment	1,954	1,954	7,797	(5,843)
Toll Collection Equipment	--	--	--	--
L92C217 Spaulding Tpk Exit 10	850	850	--	850
L92C217 Spaulding Tpk Exit 10	--	--	--	--
Spaulding Turnpike/US 4/NH 16	2,343	2,343	11,598	(9,255)
Spaulding Turnpike/US 4/NH 16	--	--	--	--
Total Capital Expenses	17,610	17,610	43,402	(25,792)
Total Expenses	127,863	138,696	147,265	(8,569)
Excess (Deficiency) of Revenues Over Expenditures	\$ 5,203	\$ (5,612)	\$ 9,932	\$ 15,544

Note to Other Supplementary Information is an integral part of this schedule. See accompanying Independent Auditors' Report.

**New Hampshire Turnpike System
Other Supplementary Information
For the Fiscal Year Ended June 30, 2024
(Unaudited)**

Note 1) Budget Control

The Laws 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 two years, consists of three parts: Part I is the Governor's program for meeting all expenditure needs and estimating revenues; Part II is a detailed breakdown of the budget at the department level for appropriations to meet the expenditure needs of the government; and Part III consists of draft appropriation bills for the appropriations made in the proposed budget.

The Turnpike System biennial operating budget is prepared principally on a modified cash basis and adopted for enterprise funds, except for Capital Project appropriations. The Capital Projects 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 to Actual Non-GAAP Budgetary Basis Schedules.

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

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

Unexpended balances of appropriations at year end will lapse to undesignated Turnpike 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 reservation of fund balance. The balance of unexpended encumbrances is brought forward into the next fiscal year. The Capital Projects Fund unencumbered appropriations lapse in two years unless extended or designated as non-lapsing by law.