

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF JUSTICE**

**FINANCIAL AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**



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To The Fiscal Committee Of The General Court:

We have audited the financial statement of the New Hampshire Department of Justice for the fiscal year ended June 30, 2024 and have issued our report thereon dated October 1, 2025.

This financial audit report presents information related to our audit in two sections; a management letter section and a financial section. The management letter section, prepared by the auditors, is a byproduct of the audit of the New Hampshire Department of Justice for the fiscal year ended June 30, 2024 and contains our Independent Auditor's Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards*, and related audit findings. The current status of prior audit findings, beginning on page 13, provides a summary of the status of observations presented in the New Hampshire Department of Justice Financial Audit Report for the nine months ended March 31, 2014.

The financial section of this report, with the exception of the Independent Auditor's Report on the New Hampshire Department of Justice's financial statement, was prepared by the management of the New Hampshire Department of Justice, with assistance from the Department of Administrative Services, Bureau of Financial Reporting. In addition to the Independent Auditor's Report, the financial section of the report includes the financial statement and notes to the financial statement.

This report can be accessed in its entirety on-line at:

<https://gc.nh.gov/lba/auditreports/financialreports.aspx>

Office of Legislative Budget Assistant

Office of Legislative Budget Assistant

October 1, 2025

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**STATE OF NEW HAMPSHIRE
DEPARTMENT OF JUSTICE
FINANCIAL AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

MANAGEMENT LETTER SECTION

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ABBREVIATIONS USED

ADME	Assistant Deputy Medical Examiner
Department	New Hampshire Department of Justice
MOU	Memorandum of Understanding
YDC	Youth Development Center



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Independent Auditor's Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards*

To The Fiscal Committee Of The General Court:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of the New Hampshire Department of Justice which comprise the Statement of Revenues and Expenditures – General Fund and Education Trust Fund for the fiscal year ended June 30, 2024, and the related notes to the financial statement, which collectively comprise the New Hampshire Department of Justice's financial statement, and have issued our report thereon dated October 1, 2025. Our report on the financial statement was modified as the Statement of Revenues and Expenditures – General Fund and Education Trust Fund does not purport to and does not constitute a complete financial presentation of the New Hampshire Department of Justice in the General Fund and Education Trust Fund in conformity with accounting principles generally accepted in the United States of America.

Report On Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the New Hampshire Department of Justice's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the New Hampshire Department of Justice's internal control. Accordingly, we do not express an opinion on the effectiveness of the New Hampshire Department of Justice's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of

deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in Observations No. 1 through No. 3, that we consider to be significant deficiencies.

Report On Compliance And Other Matters

As part of obtaining reasonable assurance about whether the New Hampshire Department of Justice's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in Observations No. 4 and No. 5.

New Hampshire Department of Justice's Responses To Findings

Government Auditing Standards requires the auditor to perform limited procedures on the New Hampshire Department of Justice's response to the findings identified in our audit and described in the accompanying observations. The New Hampshire Department of Justice's response was not subjected to the other auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on the response.

Purpose Of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the New Hampshire Department of Justice's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the New Hampshire Department of Justice's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Office of Legislative Budget Assistant

October 1, 2025

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF JUSTICE**

RECOMMENDATION SUMMARY

Observation Number	Page	Legislative Action May Be Required	Recommendations	Agency Response
1	4	Yes	Establish formal, written policies and procedures for the administration of the installment payment process pertaining to Youth Development Center Settlement Fund claims. The Department should consider seeking to amend RSA 21-M:11-a to require the adoption of administrative rules for the payment of installments of Settlement Fund claims.	Concur In Part
2	6	No	For the areas or activities of the Department that do not currently have a formal risk assessment process in place, establish and document a formal process for identifying, assessing, and responding to risks that could affect financial accounting, reporting, and compliance objectives. Regularly review financial and operational activities for indicators of risk exposure. Establish and monitor controls to address risks. A periodic, documented review of the risk assessment by management should be incorporated into the process.	Concur
3	7	No	Establish, and keep current, disaster recovery and business continuity plans. Formally document and distribute plans to employees with plan roles and responsibilities. Regularly test the plans.	Concur
4	9	Yes	Adopt statutorily required administrative rules in a timely manner. If certain rules are not deemed necessary, seek appropriate statutory revision.	Concur
5	10	Yes	File statutorily required reports timely. If the filing of certain statutorily required reports is no longer necessary, seek appropriate statutory revision.	Concur

INTERNAL CONTROL COMMENTS
SIGNIFICANT DEFICIENCIES

Observation No. 1

Establish Policies And Procedures For Youth Development Center Settlement Fund Installment Payment Process

The Department has not established formal, written policies and procedures for the administration of the installment payment process pertaining to Youth Development Center (YDC) Settlement Fund claims.

RSA 21-M:11-a, II, established the YDC Claims Administration and Settlement Fund (Settlement Fund) on May 27, 2022, to administer claims with a focus on developing an alternative resolution process to litigation for victims of abuse at New Hampshire’s YDC facilities. The Department is responsible for the payment of YDC claims settled, including future installment payments.

According to the most recent Quarterly Report of the YDC Claims Administration and Settlement Fund, as of June 30, 2025, more than \$80 million is to be paid by the State from FY 2026 – FY 2034, excluding unresolved claims. The Department is required to make annual installment payments with accrued interest, which are generally made to the claimant’s attorney. The payment process requires at least 12 but not more than 13 months elapse between installment payments. Payments are manually tracked in spreadsheets, which can be prone to errors, omissions, or data integrity issues without corresponding controls. Consequently, untimely or missing payments could occur, thereby negatively impacting interest accruals and compliance with State law.

RSA 21-M:11-a, XII(d) states:

Should the state default on any payment owed pursuant to a final decision by the administrator, whether entered pursuant to agreement of the parties or pursuant to a decision of the administrator, and whether the payment owed is a lump sum or periodic payments, ***the administrator's final decision shall convert into a final judgment enforceable in any superior court of New Hampshire***, unless the state cures the default by making such installment or lump payment in full within 30 days. Such final judgment shall be the total amount owed by the state to the claimant, less any partial payments made by the state. Claimant shall also be entitled to reimbursement for any reasonable attorneys' fees and costs incurred to enforce such a judgment. [emphasis added]

Payment obligations supported by policies and procedures help to ensure consistency, compliance with legal agreements and State law, and avoidance of late payment penalties or reputational risk. Procedures for the handling of funds when payment cannot be made as intended, including where undistributed funds should be kept – e.g. with claimants’ attorneys, at the Department, or elsewhere — would clarify roles and responsibilities over the payment process and promote accountability and transparency.

Recommendation:

We recommend the Department establish formal, written policies and procedures for the administration of the installment payment process pertaining to YDC Settlement Fund claims. This process should include:

- **monitoring controls over claim data quality and reliability;**
- **tracking of payment amounts and due dates by claim;**
- **assigned staff responsibilities for monitoring and processing payments;**
- **controls over payment verification, approval, and disbursement;**
- **use of automated or system-based reminders to ensure timely payment;**
- **procedures to ensure attorneys and claimants are paid in accordance with settlement agreements;**
- **protocol for handling of funds if payment cannot be made for any reason; and**
- **regular review to ensure compliance with settlement agreements.**

The Department should consider seeking to amend RSA 21-M:11-a to require the adoption of administrative rules for the payment of installments of YDC Settlement Fund claims.

Auditee Response:

We concur in part.

The Department concurs in part with this observation. The changes to the YDC Settlement Fund statute (RSA 21-M:11-a) creating installment payments were signed into law by then-Governor Sununu on June 14, 2024 and went into effect at that time. While the passage of that law is technically within the scope of review of this audit, in practical terms, it had no effect on operations because the Administrator's office had already announced on May 24, 2024 that it was pausing all operations and later confirmed on June 20, 2024 that all claims operations would remain paused until August 31, 2024, meaning no awards or payments would issue. The 16 days between the passage of the law and the end of Fiscal Year 2024, which included ten days in which all operations ceased, were insufficient to allow such policies to be written. This is particularly true given that, since this was the first time an installment payment had ever been contemplated, additional time was needed to consult with all appropriate stakeholders to determine appropriate workflows and be able to develop a policy that accurately captures the complexity of each stage of the process. The Department concurs that a policy is required for when payment plans begin in the second half of October 2025, and in fact, has a draft policy that will be a final policy once payments begin.

The first installment plan awards were issued in October 2024. Thus, the second year of installment payments will begin in October 2025, which has yet to occur. To make a policy practical and effective, the Department of Justice, in conjunction with the YDC Claims Administration and the Department of Administrative Services (DAS), need to have the second-year payments begin to properly evaluate internal controls.

DAS is currently in the process of upgrading New Hampshire's accounting system, NH FIRST, and those updates may provide better functionality to both track and process installment payments. The Department of Justice has been informed that it will be given priority once the system goes live in late 2025 or early 2026. Although installment payments are currently tracked in Excel, they are reconciled on a regular basis to both DOJ records (in the Claims Unit and Business Office) and YDC Claims Administration's records, which provides a check and balance to ensure that payments are both made on time and for the correct amount.

Throughout this past fiscal year, we have continued discussions with relevant stakeholders to develop a policy relating to installment payments, and the Department continues to make progress on ensuring strong internal controls for all payment processing of YDC Settlement Fund claims. We also note that the recent YDC Claim Fund review, dated June 6, 2025, made no notes related to this subject.

Observation No. 2

Establish A Formal Risk Assessment Process

The Department did not have a formal risk assessment process in place for its financial accounting, reporting, and compliance functions that were unrelated to state and federal grant activities. According to the Department, risks for non-grant related activities are identified and responded to on an ad hoc basis.

Risk assessment is the process of identifying, assessing, and responding to risks related to the achievement of the entity's objectives and is one of the five generally accepted components of internal control. An effective and documented risk assessment process is an ongoing process that is foundational to the development and implementation of controls intended to identify and eliminate, mitigate, or otherwise manage identified risks. As risks change over time due to changes in processes, information technology, and environment, controls intended to mitigate risk may become inefficient and ineffective.

Without an ongoing and formal risk assessment process throughout the organization, the identification and response to risk often occurs in a reactive mode, after a risk has been realized and a loss incurred.

A similar comment was noted during our 2014 audit of the Department.

Recommendation:

For the areas or activities of the Department that do not currently have a formal risk assessment process in place, we recommend the Department perform the following:

- **establish and document a formal risk assessment process for identifying, assessing, and responding to risks that could affect its ability to achieve its financial accounting, reporting, and compliance objectives; and**

- **regularly review its financial and operational activities for indicators of risk exposure and establish and monitor controls to address those risks. A periodic, documented review of the risk assessment by management should be incorporated into the process.**

Auditee Response:

We concur.

Approximately 45% of the Department's budget is comprised of state and federal grant funds. There is a complete formal risk assessment for the grants unit which is updated by January of each calendar year.

The Department does concur that the remaining Divisions/Bureaus in the Department have not performed risk assessments. The Department has received a risk assessment template and will add remaining areas to document a comprehensive risk assessment plan by June 30, 2026. A review of this plan will be performed annually thereafter in July.

Observation No. 3

Plans Critical To Financial Accounting And Reporting Processes Should Be Established And Kept Current

The Department has not established, or kept current, plans that are critical to its financial accounting and reporting processes. These include:

1. Disaster Recovery Plan – the purpose of a disaster recovery plan is to document plans and procedures in the event of a disaster, including disaster recovery strategies, essential resources, and procedures necessary to implement a recovery process.
2. Business Continuity Plan – the purpose of a business continuity plan is to document plans and procedures in the event of a significant change in the way a business conducts its daily business functions.

The Department reported they follow Department of Administrative Services and Department of Information Technology disaster recovery guidelines and plans. The Department has a business continuity plan containing some aspects of a disaster recovery plan, but has not established a disaster recovery plan specific to the Department.

While the Department reported the business continuity plan was last reviewed in July 2022, there was no evidence of the plan being reviewed in 2022. We also noted many references included in the plan were outdated. For example, some Department employees cited in the plan were no longer employed by the Department, having terminated their employment many years ago sometime between the years of 2014 through 2018. The plan also referenced GHRS, the State's Government

Human Resources System, and included language stating "...at some time in the future may be NH FIRST". GHRS was replaced by the NH FIRST payroll module in 2012.

Recommendation:

We recommend the Department establish, and keep current, disaster recovery and business continuity plans to document procedures specific to the Department's functions and to minimize business interruptions in the event of an unforeseen occurrence. The plans should be formally documented and distributed to employees with plan roles and responsibilities, and those employees should be appropriately trained. The Department should regularly test the plans to ensure the plans remain relevant and effective, and employees are practiced in implementing the plans.

Auditee Response:

We concur.

The Department concurs that a formal agency-only disaster recovery process, within Department of Administrative Services and Department of Information Technology guidelines, should be created. This disaster recovery plan will address functions, within the Department's control, and will be completed by June 30, 2026 and updated annually thereafter in July.

The Department concurs that its existing business continuity plan needs review. This plan was last reviewed and found current by General Counsel on July 1, 2022 but is nonetheless currently outdated. The Department will perform a thorough review of the plan by June 30, 2026 and will update it annually in July thereafter.

COMPLIANCE COMMENTS

Observation No. 4

Administrative Rules Should Be Adopted

The Department has not adopted, or kept current, certain administrative rules required by statute as noted in the table below.

Statute	Description of Required Rule	Administrative Rule Cite	Status
RSA 7:6-b, III	Demands for Information from Communications Common Carriers	Jus 1500	Expired
RSA 21-M:8-d	Standardized Rape Protocol and Kit and Domestic Violence Protocol	Not Applicable	Not Adopted
RSA 357-D:9	Rulemaking (New Motor Vehicles)	Jus 1000	Expired
RSA 358-I:6-a	Rulemaking for Health Clubs	Not Applicable	Not Adopted
RSA 358-S:7	Rulemaking for Martial Arts Schools	Not Applicable	Not Adopted
RSA 361-D:28	Rulemaking for Motor Vehicle Leasing	Not Applicable	Not Adopted
RSA 541-A:16, I	Rules and Filing Required for Formal and Informal Procedures	Jus 100 Jus 200	Reserved but Not Adopted
RSA 541-D:9	Rulemaking for Tobacco Product Manufacturers' Compliance	Not Applicable	Not Adopted

A similar comment was noted during our 2014 audit of the Department.

Recommendation:

We recommend the Department adopt statutorily required administrative rules in a timely manner. If the Department determines certain rules are not necessary, the Department should seek appropriate statutory revision.

Auditee Response:

We concur.

The Department recognizes the need to keep current on statutorily required administrative rules, and has begun the work to address its unadopted/expired rules. The Attorney General has directed the Bureau/Unit Chiefs responsible for the unadopted or expired rules to review the rules in question and make recommendations as to whether the rules should be adopted/renewed or whether repeal should be requested. Requests will be made to the Legislature to remove

unnecessary rules from statute via legislation or legislative amendment during the 2026 legislative session. Necessary rules will be, at a minimum, in the submittal stage to the Joint Legislative Committee on Administrative Rules by February 1, 2026. Should the Legislature decline to repeal any rules for which the Attorney General’s Office seeks repeal during the 2026 legislative session, those rules will be, at a minimum, in the submittal stage to the Joint Legislative Committee on Administrative Rules by October 1, 2026.

Observation No. 5

Statutory Reports Should Be Filed As Required

The Department was not in full compliance with statutes requiring the filing of reports during the fiscal year ended June 30, 2024. Two of thirteen reports required to be filed in accordance with statutes had not been filed and two additional reports were filed late as described below:

Statute	Report Description	Due Date	Description of Noncompliance
RSA 7:37	Report of Attorney General	December 1, 2023	Not filed since 2014
RSA 20:7, I	Biennial Report of Department Operations	October 1, 2023	Not filed since 2014
RSA 21-M:5, VI	Report of Litigation Expenditures	August 30, 2023	Report filed 103 days late in FY 2024
RSA 21-M:8-m, V	Cold Case Unit Report	December 1, 2023	Report filed 167 days late in FY 2024

A similar comment was noted during our 2014 audit of the Department.

Recommendation:

We recommend the Department file statutorily required reports timely. If the Department determines the filing of certain statutorily required reports is no longer necessary, the Department should seek appropriate statutory revision.

Auditee Response:

We concur.

With respect to RSA 7:37, Report of the Attorney General, the Department notes that the statute is ambiguous as to whether this report is required or discretionary, as RSA 7:37 states that the Attorney General shall file a report with certain information that “as in his judgment the public good requires.” While the Department believes this language could be read to mean that this report is discretionary and not mandatory, the Attorney General has concluded that this report should be filed going forward. Therefore, this report will be compiled every odd numbered year

no later than October 15th, and submitted no later than the last Governor and Executive Council Meeting in November to comply with the December 1st deadline.

With respect to RSA 20:7, I, Biennial Report of Department Operations, the Department notes that a previous administration at the Department determined that the Department was not required to file this report. This may be because the Department is required to file a number of other reports on various topics. After further review of this issue, the Attorney General agrees that this report should be filed going forward. The 2024-2025 biennium report was posted to the TransparentNH website on September 24, 2025.

With respect to RSA 21-M:5, VI, Report of Litigation Expenditures, please note that the Department has reported the litigation expense informational item for every fiscal year. Since 2014, the Department has missed three deadlines. One deadline was due to revising the report with more detail, which took multiple revisions and resources. Two fiscal years were on the same fiscal item and lateness was due to personnel resource issues. Going forward, a process has been put in place to review fiscal year litigation expense data no later than July 31 annually. This data will be submitted to the Fiscal Committee of the General Court for the September meeting in order to meet the statutory deadline.

With respect to RSA 21-M:8-m, V, Cold Case Unit Report, the Department notes that there are practical challenges with the December 1st deadline contained in the statute and the language of this statute generally. Unlike most statutory reports, there is no defined time period which the report must cover; there is only an annual December 1st deadline. To maximize usefulness of the report, the Department has thus treated the relevant reporting period as December 1st through November 30th. A December 1st deadline, which is the day after the end of a reporting period, therefore presents practical challenges as there is no time to prepare the report after the close of the reporting period. The Department will therefore consider seeking a legislative amendment to clarify the reporting period dates and deadline. Nonetheless, unless and until any such legislative amendment is adopted, the Department will work with the Department of Safety to compile data by September 30 to review and report no later than December 1 annually.

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CURRENT STATUS OF PRIOR AUDIT FINDINGS

The following is a summary of the status, as of October 1, 2025, of the observations contained in the financial audit of the New Hampshire Department of Justice for the nine months ended March 31, 2014. This report can be accessed at the Office of Legislative Budget Assistant website: <https://gc.nh.gov/lba/auditreports/financialreports.aspx>

<i>Internal Control Comments</i>	<u>Status</u>
<i>Significant Deficiencies</i>	
<p>1. Establish Risk Assessment Policies And Procedures <i>Establish a formal risk assessment process, supported by policies and procedures, for recognizing and responding to risks potentially affecting the Department's operations. (See current Observation No. 2)</i></p>	<p>● ○</p>
<p>2. Establish Accounts And Policies And Procedures For Financial Transactions <i>Perform a thorough review of financial activities and the chart of accounts to ensure an appropriate chart of account structure, and policies and procedures, to accurately account for and report financial activity. Request additional accounts and establish policies and procedures as appropriate. Review the use of revolving accounts for financial activity that could be accounted for in other budgeted State accounts. Excess revenues should lapse at the close of the fiscal year, unless there is a statutory basis for carrying the funds forward. .</i></p>	<p>● ●</p>
<p>3. Settlement Money Should Not Be Held For Indefinite Periods In Revolving Accounts <i>Unspent settlement money should not be held for indefinite periods in revolving accounts. Settlements that are not subject to a specific plan for use should be deposited as agency income revenue in the Consumer Protection Bureau with unencumbered balances lapsing at the close of the fiscal year.</i></p>	<p>● ●</p>
<p>4. Review Checking Account Reconciliations <i>Strengthen controls over checking account activity by establishing a policy and procedure for a supervisory review and approval process for account reconciliations.</i></p>	<p>● ●</p>
<p>5. Establish Policies And Procedures To Promote Compliance With RSA 15-A <i>Establish policies and procedures to promote compliance with RSA 15-A. Policies and procedures should include processes for: filing and maintaining current Department organization charts with the Secretary of State; monitoring and requesting appropriate updates to the list of Department filers on the Secretary of State's website; and periodically reviewing the compliance of employees and others associated with the Department, and sending timely reminders to those required to file.</i></p>	<p>● ●</p>

	<u>Status</u>
<p>6. Improve Timeliness Of Charitable Trust Filing Information <i>Review and resolve the causes of delays in processing charitable trust organizations' annual report filings to promote accurate information on the Department's charitable trust registry. Refunds should be processed to organizations that made duplicate payments.</i></p>	● ●
<p>7. Perform Debt Collection Retention Calculation Annually <i>Annually, in consultation with the Commissioner of Administrative Services, perform the calculation to determine the percentage of each debt collected by the Department to be retained for the purpose of funding the debt collection costs incurred by the Department. The calculated retainage rate should be applied to debts collected by the Department, as directed by statute.</i></p>	● ●
<p>8. Improve Controls Over Currency Held As Evidence <i>Consider the increased risk of holding currency in evidence storage and either implement appropriate controls to mitigate the risks associated with holding currency for indeterminate periods of time or develop a process that would allow for the deposit of the currency in an appropriate account pending final disposition without compromising its possible evidentiary value.</i></p>	● ●
<p>9. Strengthen Financial And Operational Controls Over Assistant Deputy Medical Examiners (ADMEs) <i>Strengthen financial and operational controls over ADMEs. Agreements for ADME services that meet Manual of Procedures criteria should be submitted to Governor and Council for approval. Monitor Memorandums of Understanding (MOUs) with ADMEs to ensure current MOUs are in place for all ADMEs providing services. Employees who perform ADME functions should do so as Department employees. Department employees performing ADME functions after hours should be compensated by compensatory time or overtime pay as appropriate. The Department should take more responsibility for the allocation of ADME work and ensure ADME work is reasonably distributed among ADMEs to lessen the risks from overreliance on a single contractor.</i></p>	● ●
<p>10. Improve Assistant Deputy Medical Examiner Payment Controls <i>Improve control processes over ADME payments. Establish policies and procedures to ensure the Forensic Investigator's review of ADME invoices is documented. Ensure ADME invoices prepared by the Forensic Investigator are subject to a documented supervisory review prior to submission to the Department's business office. Revise the ADME invoice form to include a more detailed description of travel incurred by case. Identify the reasons ADMEs are not invoicing for services performed and determine whether improvements in ADME invoicing practices should be made.</i></p>	● ●

<i>State Compliance Comments</i>	<u>Status</u>
<p>11. Adopt Required Administrative Rules <i>Adopt and keep current statutorily-required administrative rules. If the Department determines certain rules are not necessary, a timely and appropriate change in statute should be pursued. (See current Observation No. 4)</i></p>	<p>● ○</p>
<p>12. Charge Statutory Fee <i>Charge statutory fees for services as provided in RSA 325-A:18 [Cremation of Human Remains]. If the Department determines the statutory fees should be waived, the Department should request an appropriate amendment to the statute.</i></p>	<p>○ ○</p>
<p>13. File Required Reports <i>Statutorily required reports should be filed timely. If the Department determines the filing of certain statutorily required reports is no longer necessary, the Department should seek to have the statutes requiring the filing of those reports amended or repealed. (See current Observation No. 5)</i></p>	<p>● ○</p>

<u>Status Key</u>	<u>Status</u>	<u>Count</u>
Resolved	● ●	9
Remediation In Process (Action beyond meeting and discussion)	● ○	3
Unresolved	○ ○	1

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**STATE OF NEW HAMPSHIRE
DEPARTMENT OF JUSTICE**

**AUDITED FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

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STATE OF NEW HAMPSHIRE
DEPARTMENT OF JUSTICE

AUDITED FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

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FINANCIAL SECTION



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Independent Auditor's Report

To The Fiscal Committee Of The General Court:

Report on the Audit of the Financial Statement

Qualified Opinions

We have audited the financial statement of the New Hampshire Department of Justice, which comprises the Statement of Revenues and Expenditures – General Fund and Education Trust Fund, for the fiscal year ended June 30, 2024, and the related notes to the financial statement, which collectively comprise the New Hampshire Department of Justice's basic financial statement.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinions on the General Fund and Education Trust Fund section of the auditor's report, the accompanying financial statement referred to above presents fairly, in all material respects, the respective revenues and expenditures of the New Hampshire Department of Justice's portion of the State of New Hampshire's General Fund and Education Trust Fund, for the fiscal year ended June 30, 2024, in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinions on the General Fund and Education Trust Fund

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 Statement section of our report. We are required to be independent of the New Hampshire Department of Justice 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 qualified opinions.

Matter Giving Rise to Qualified Opinions on the General Fund and Education Trust Fund

The Statement of Revenues and Expenditures – General Fund and Education Trust Fund referred to above does not purport to, and does not, constitute a complete financial statement presentation

of the New Hampshire Department of Justice in the General Fund and Education Trust Fund in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Reporting Entity

As discussed in Note 1, the Statement of Revenues and Expenditures – General Fund and Education Trust Fund referred to above reports certain financial activity of the New Hampshire Department of Justice. It does not purport to, and does not, present fairly the financial activity of the State of New Hampshire in the General Fund and Education Trust Fund for the fiscal year ended June 30, 2024, in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the management’s discussion and analysis information and the budget to actual schedules for the General Fund and Education Trust Fund that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the financial statement are not affected by this missing information.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statement in accordance with accounting principles generally accepted in the United States of America, 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the New Hampshire Department of Justice’s ability to continue as a going concern for one year after the date the financial statements are issued.

Auditor’s 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 auditor's report that includes our opinions. 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 Department of Justice'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.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the New Hampshire Department of Justice's ability to continue as a going concern for a reasonable period of time.

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2025 on our consideration of the New Hampshire Department of Justice's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the New Hampshire Department of Justice'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 Department of Justice's internal control over financial reporting and compliance.



Office of Legislative Budget Assistant

October 1, 2025

**State of New Hampshire
Department of Justice
Statement of Revenues and Expenditures – General Fund and Education Trust Fund
For the Fiscal Year Ended June 30, 2024**

<u>Revenues</u>	<u>General Fund</u>	<u>Education Trust Fund</u>	<u>Total Governmental Funds</u>
Unrestricted Revenues			
Fees	\$ 87,050	\$ -0-	\$ 87,050
Fines and Penalties	8,900	-0-	8,900
Tobacco Settlement (Note 3)	-0-	39,771,693	39,771,693
Total Unrestricted Revenues	95,950	39,771,693	39,867,643
Restricted Revenues			
Federal Revenues	11,542,152	-0-	11,542,152
Penalty Assessments	9,250,320	-0-	9,250,320
Agency Income	4,161,694	-0-	4,161,694
Interagency Revenues	1,894,500	-0-	1,894,500
Other	1,614,473	-0-	1,614,473
Total Restricted Revenues	28,463,139	-0-	28,463,139
Total Revenues	28,559,089	39,771,693	68,330,782
<u>Expenditures</u>			
YDC Settlement Fund (Note 4)	74,923,770	-0-	74,923,770
Grants Management	15,445,025	-0-	15,445,025
Division of Public Protection	13,985,523	-0-	13,985,523
MTBE (Note 5)	11,065,385	-0-	11,065,385
Attorney General	10,422,831	-0-	10,422,831
Division of Legal Counsel	6,778,067	-0-	6,778,067
Opioid Abatement Disbursement Fund	5,322,811	-0-	5,322,811
Medical Examiner	3,733,467	-0-	3,733,467
Other	1,080,521	-0-	1,080,521
Total Expenditures	142,757,400	-0-	142,757,400
Excess (Deficiency) Of Revenues Over (Under) Expenditures	(114,198,311)	39,771,693	(74,426,618)
Other Financing Sources (Uses)			
Net Appropriations (Note 2)	114,294,261	-0-	114,294,261
Total Other Financing Sources (Uses)	114,294,261	-0-	114,294,261
Excess (Deficiency) Of Revenues And Other Financing Sources Over (Under) Expenditures And Other Financing Uses	\$ 95,950	\$ 39,771,693	\$ 39,867,643

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

**State of New Hampshire
Department of Justice
Notes to the Financial Statement
For the Fiscal Year Ended June 30, 2024**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statement of the New Hampshire Department of Justice (Department) has been prepared with the assistance of the Department of Administrative Services in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and as prescribed by the Governmental Accounting Standards Board (GASB), which is the standard-setting body for establishing governmental accounting and financial reporting principles.

A. REPORTING ENTITY

The financial activity of the Department is accounted for and reported in the State's General Fund and Education Trust Fund in the State's Annual Comprehensive Financial Report (ACFR). Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balances are reported by fund for the State as a whole in the ACFR. The Department, as an organization of the primary government, accounts for only a portion of the General Fund and Education Trust Fund and those assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balances as reported in the ACFR that are attributable to the Department cannot be determined. Accordingly, the accompanying Statement of Revenues and Expenditures - General Fund and Education Trust Fund financial statement is not intended to show and does not report the financial position or fund balances of the Department in those respective funds.

B. FINANCIAL STATEMENT PRESENTATION

The State of New Hampshire and the Department use funds to report on their financial position and results of their operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. The Department reports its financial activity in the funds described below:

Major Governmental Funds

General Fund: The General Fund is the State's primary operating fund and accounts for all financial transactions not specifically accounted for in any other fund. All revenues of governmental funds, other than certain designated revenues, are credited to the General Fund. Annual expenditures that are not allocated by law to the other funds are charged to the General Fund.

Education Trust Fund: The Education Trust Fund was created in accordance with Chapter 17:41, Laws of 1999. The Fund is non-lapsing and is used to distribute adequate education grants to school districts.

C. REPORTING PERIOD

The State's and the Department's fiscal year is the 12 months ended June 30. The accompanying financial statement of the Department is presented for the fiscal year ended June 30, 2024.

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Under this method, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State generally considers revenues to be available if they are collected within 60 days after year end. Receivables not expected to be collected within 60 days are offset by deferred inflows of resources. An exception to this policy is federal grant revenue, which generally is considered to be available if collection is expected within 12 months after year end. Taxes, grants, licenses, and fees associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period when available.

Expenditures generally are recorded when the related fund liability is incurred, except for principal and interest on general long-term liabilities, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured.

E. REVENUES AND EXPENDITURES

In the governmental fund financial statements, revenues are reported by source. For budgetary control purposes, revenues are further classified as either "unrestricted" (general purpose) or "restricted". Unrestricted revenues are credited directly to the General Fund or other fund balance upon recording in the State's accounting system. Pursuant to the State's operating budget, unrestricted revenues collected by an agency are not used as a direct source of funding for agency operations but are available to fund any activity accounted for in the fund. The recording of unrestricted revenues has no effect on an agency's authorization to expend funds.

Restricted revenues are either by State law or by outside restriction (e.g. federal grants), available only for specified purposes and are credited to the agency's accounting unit to which the restricted revenue is budgeted upon recording in the State's accounting system. Restricted revenues recorded by an agency are direct sources of funding for budgeted agency operations (appropriations).

Unused restricted revenues at year end are either lapsed or generally recorded as committed or assigned fund balance. When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, it is the State's general policy to use restricted resources first. In the governmental funds, when expenditures are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the State's general policy to spend committed resources first followed by assigned and unassigned resources, respectively.

Other Financing Sources – these additions to resources in the governmental fund financial statement result from financing provided by net appropriations.

In the governmental fund financial statements, expenditures are reported by function.

F. BUDGET CONTROL AND REPORTING

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

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

In addition to the enacted biennial operating budget, state departments may submit to the Legislature and Governor and Council, as required, supplemental budget requests necessary to meet expenditures during the current biennium. Appropriation transfers can be made within a department with the appropriate approvals; therefore, the legal level of budgetary control is generally at the expenditure class level within each accounting unit within each department.

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

Unexpended balances of appropriations at year end will generally lapse to assigned or unassigned fund balance and be available for future appropriations unless they have been encumbered or legally defined as non-lapsing, which means the balances are reported as restricted, committed, or assigned fund balance. The balance of unexpended encumbrances is brought forward into the next fiscal year.

G. USE OF ESTIMATES

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

2. NET GENERAL FUND APPROPRIATIONS

Net appropriations reflect appropriations for expenditures in excess of restricted revenues.

3. TOBACCO SETTLEMENT

In 1998, 52 state and territory attorneys general signed the Master Settlement Agreement (MSA) with the four largest tobacco companies in the United States to settle dozens of state lawsuits brought to recover billions of dollars in health care costs associated with treating smoking-related illnesses. Under the MSA, tobacco manufacturers are obligated to make annual payments to the settling states in perpetuity, so long as cigarettes are sold in the United States by companies that have settled with the States. The National Association of Attorneys General Center for Tobacco and Public Health makes certain payments are made from the tobacco companies.

Pursuant to RSA 198:39, the first \$40 million in tobacco settlement funds received in any given year is deposited into the Education Trust Fund and any remaining funds are deposited into the General Fund. The State of New Hampshire received approximately \$39.8 million in tobacco settlement revenue during fiscal year 2024, all of which was recorded in the Education Trust Fund.

4. YOUTH DEVELOPMENT CENTER (YDC) SETTLEMENT FUND

RSA 21-M:11-a, II, established the YDC Claims Administration and Settlement Fund (Settlement Fund) on May 27, 2022 to administer claims with a focus on developing an alternative resolution process to litigation for victims of abuse at New Hampshire's YDC facilities. The Department is responsible for the payment of the YDC claims settled, including future installment payments. During fiscal year 2024, disbursements made to claimants from the Settlement Fund totaled approximately \$74.9 million, all of which were paid in lump sum awards.

Chapter 92, Laws of 2024, effective June 14, 2024, amended RSA 21-M:11-a, XI, to provide the administrator, rather than the claimants, with the sole discretion to choose a lump sum award or installment payment for settled claims. In October 2024, the first annual installment payments were processed by the Department and recorded in the YDC Settlement Fund.

5. MTBE (METHYL TERTIARY BUTYL ETHER) SETTLEMENT

The State received settlement funds related to litigation against various defendants associated with the use of MTBE as a gasoline additive. Settlement funds are maintained in the Drinking Water and Groundwater Trust Fund (Trust Fund) established by RSA 6-D:1 on March 31, 2016. As the State administrative agency for the settlement funds received, the Department provides subgrants to other New Hampshire state agencies, including the Department of Environmental Services, for remediation of water contaminated by MTBE. During fiscal year 2024, disbursements from the Trust Fund totaled approximately \$11.1 million.

6. RISK MANAGEMENT AND INSURANCE

The State and the Department are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; and natural disasters. As a general operating rule, the State self-insures against all damages, losses, and expenses except to the extent that provisions of law require the purchase of commercial insurance. In addition, the State may elect to purchase commercial insurance if a risk assessment indicates it would be economical and beneficial to the State or the general public. There are approximately 25 such commercial insurance programs in effect. These include, but are not limited to, state owned real property insurance, fleet automobile liability, watercraft insurance, foster parent liability, ski area liability for Cannon Mountain, and a fidelity and faithful performance bond. In general, claims settled in the past three years under the insurance programs have not exceeded commercial insurance coverage. As of June 30, 2024, there were no claims that are expected to reach the policy coverage limits. The State's exposure per claimant is limited by law to a total of \$475 thousand under RSA 541-B:14 and the State's current fleet policy coverage is \$250 thousand per claimant.

7. EMPLOYEE BENEFIT PLANS

NEW HAMPSHIRE RETIREMENT SYSTEM

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

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

Members in service with 10 or more years creditable service who are between age 50 and 60 or members in service with at least 20 or more years of service, whose combination of age and service

is 70 or more, are entitled to a retirement allowance with appropriate graduated reduction based on years of creditable service.

Group II members who are age 60, or members who are at least age 45 with a minimum of 20 years of creditable service (age 50 with a minimum of 25 years of creditable service or age 60 for members beginning service on or after July 1, 2011) can receive a retirement allowance at a rate of 2.5% of AFC for each year of service not to exceed 40 years (2% of AFC times creditable service up to 42.5 years for members beginning service on or after July 1, 2011). A member who began service on or after July 1, 2011 shall not receive a service retirement allowance until attaining age 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service. However, the allowance will be reduced by $\frac{1}{4}$ of one percent for each month prior to age 52.5 that the member receives the allowance.

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

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

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

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

Funding Policy: NHRS is financed by contributions from the members, the State and local employers, and investment earnings. By statute, Group I members contributed 7.0% of gross earnings. Group II firefighter members contributed 11.80% of gross earnings and group II police officers contributed 11.55% of gross earnings. Employer contributions required to cover that amount of cost not met by the members' contributions are determined by a biennial actuarial valuation by the NHRS actuary using the entry age normal funding method and are expressed as a percentage of gross payroll. The State contributed 13.85% of gross payroll for Group I members, 30.35% of gross payroll for Group II firefighter members, and 31.28% of gross payroll for Group II police officer members.

The Department's required and actual contributions for the fiscal year ended June 30, 2024 were \$1,799,534, which included an amount for other postemployment benefits of \$75,360.

OTHER POSTEMPLOYMENT BENEFITS

The State also participates in two other postemployment benefit (OPEB) plans, a funded plan administered by NHRS, hereafter referred to as the Trusted OPEB Plan, and a nonfunded plan,

hereafter referred to as the Non Trusted OPEB Plan. The actuarial liabilities and expenses of the OPEB plans do not flow to the Department of Justice's agency level financial statement.

General Information about the Trusted OPEB Plan

Plan Description: Pursuant to RSA 100-A:52, RSA 100-A:52-a, and RSA 100-A:52-b, NHRS administers a cost-sharing multiple employer defined benefit postemployment medical subsidy healthcare plan designated in statute by membership type. This plan has been previously defined as the Trusted OPEB plan but is also commonly referred to as "medical subsidy plan". The membership groups are Group II Police Officers and Firefighters and Group I State Employees.

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

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

Contributions: Pursuant to RSA 100-A:16, III, and the biennial actuarial valuation, funding for the medical subsidy payment is via the employer contribution rates set forth by NHRS. Employer contributions required to cover that amount of cost not met by the members' contributions are determined by a biennial actuarial valuation by the NHRS actuary using the entry age normal funding method and are expressed as a percentage of gross payroll. The State contributed .58% of gross payroll for Group I members, 2.6% of gross payroll for Group II firefighter members, and 2.6% of gross payroll for Group II police officer members. Employees are not required to contribute to the Trusted OPEB Plan.

The State Legislature has the authority to establish, amend, and discontinue the contribution requirements of the medical subsidy plan. Employer contributions made by the State to NHRS for the medical subsidy component amounted to \$75,360.

General Information about the Non Trusted OPEB Plan

Plan Description: RSA 21-I:30 specifies that the State provide certain health care benefits for retired employees and their spouses through a single employer (primary government with component units) defined postemployment benefit plan, previously defined as the Non Trusted OPEB Plan. These benefits include group hospitalization, hospital medical care, surgical care, and other medical care. Substantially all of the State's employees who were hired on or before June 30, 2003 and have 10 years of service may become eligible for these benefits if they reach normal

retirement age while working for the State and receive their pensions on a periodic basis rather than a lump sum. During fiscal year 2004, legislation was passed that requires State Group I employees hired on or after July 1, 2003 to have 20 years of state service in order to qualify for health benefits. During fiscal year 2011, legislation was passed that requires Group II employees to have 20 years of State service to qualify for retiree health benefits. Additionally, during fiscal year 2012, legislation was passed requiring Group I employees hired after July 1, 2011 to have 25 years of state service and increased the normal retirement age for Group I and Group II employees hired after July 1, 2011. These and similar benefits for active employees and retirees are authorized by RSA 21-I:30 and provided through the Employee and Retiree Benefit Risk Management Fund, a single-employer group health fund, which is the State's self-insurance internal service fund for active state employees and retirees. The Fund covers the cost of medical and prescription drug claims by charging actuarially developed working rates to self-funded State agencies for participating employees, retirees, and eligible spouses. The remainder of the Plan's cost is paid by the General Fund. As the Department is not self-funded, there are no contributions to report.

8. LITIGATION

New Hampshire Youth Movement v. David M. Scanlan; Coalition for Open Democracy, et al. v. Scanlan.

Two separate plaintiff groups have filed suit in federal court challenging the constitutionality of HB 1569, which changes voter registration requirements and requires all voters to provide documentary proof of identity when seeking to vote, without exception. The Attorney General is named as a defendant in his official capacity. The defendants moved to dismiss each matter, and the court denied those motions in substantial part. The matters are now consolidated into a single action. Discovery is ongoing. Trial is scheduled for February 2026. Although the plaintiffs do not seek monetary damages, the plaintiffs may be awarded attorney's fees under federal law if they prevail. Based on the claims presented, an attorney's fee award could exceed \$1.4 million. It is not possible to predict the outcome of this case at this time.

NEA-NH, et al. v. Formella, et al.

Several institutional and individual plaintiffs have filed suit challenging provisions enacted through 2025 HB 2 related to Diversity, Equity, and Inclusion. The plaintiffs bring challenges under the First Amendment, Fourteenth Amendment, and preemption doctrine. The plaintiff moved for a preliminary injunction, which the parties briefed on an expedited schedule. The Attorney General is named as a defendant in his official capacity. On September 4, 2025, the district court issued a temporary restraining order enjoining enforcement of a portion of the challenged laws for a two-week period as it considered the preliminary injunction motion. The case is not yet structured, and discovery has not commenced. Though the plaintiffs don't seek monetary relief, it is possible that an attorney's fee award could exceed \$1.4 million if the plaintiffs prevail on the merits. It is not possible to predict the outcome of this case at this time.

Local 8027, AFT-New Hampshire, et al. v. Edelblut, et al; Mejia, et al v. Edelblut, et al.

The plaintiffs in these consolidated cases challenge antidiscrimination laws enacted in 2021 on vagueness and overbreadth grounds. The Attorney General is named as a defendant in his official capacity. The defendants moved to dismiss both complaints. An oral argument was held in mid-September 2022. In December 2022, the court granted the defendants' motion to dismiss in part with respect to the plaintiffs' First Amendment claim and denied it in full with respect to the plaintiffs' vagueness claim. Following discovery, the parties filed cross-motions for summary judgment. The federal district court granted the plaintiffs' motion for summary judgment, finding the provisions unconstitutionally vague. The defendants timely appealed to the First Circuit, and the matter is fully briefed and argued and pending decision. Though there is no claim for monetary damages in this case, it is possible that an award of attorney's fees to the plaintiffs, if they prevail on appeal, could exceed \$1.4 million. It is not possible to predict the outcome of this litigation at this time.