# STATE OF NEW HAMPSHIRE'S
# ANNUAL REPORT
# with respect to
# STATE OF NEW HAMPSHIRE
# TURNPIKE SYSTEM REVENUE BONDS
**February 25, 2005**

This Annual Report dated February 25, 2005 (the "Annual Report") of the State of New Hampshire (the "State") is prepared and submitted in accordance with the requirements of the Continuing Disclosure Certificates, dated February 11, 1999, January 3, 2002 and August 7, 2003 (collectively, the "Continuing Disclosure Certificates") executed by the State for the benefit of the owners of the $96,770,000 State of New Hampshire Turnpike System Revenue Bonds, 1999 Series A and 1999 Refunding Series B, $84,865,000 State of New Hampshire Turnpike System Revenue Bonds, 2002 Refunding Series and $94,125,000 State of New Hampshire Turnpike System Revenue Bonds, 2003 Refunding Series (collectively, the "Bonds"). Exhibit A hereto, setting forth the State's audited financial statements for the fiscal year ended June 30, 2004 and comparative information for fiscal year 2003, prepared in accordance with generally accepted accounting principles, with a report thereon by KPMG LLP, independent public accountants, is included as part of this Annual Report.

Questions may be directed to Paul Anctil, Finance Manager at the State of New Hampshire Department of Transportation at (603) 271-1579.

## Annual Report

This Annual Report is submitted pursuant to the Continuing Disclosure Certificates and updates certain information contained in the State's most recent Official Statement dated July 10, 2003 (the "Official Statement") which contains certain information pertaining to the State's Turnpike System. This Annual Report does not constitute an offer to sell or the solicitation of an offer to buy the Bonds.

Pursuant to the Continuing Disclosure Certificates, the State hereby updates the information requested in Section 4 of the Continuing Disclosure Certificates as follows (the headings and page numbers refer to the applicable portions of the Official Statement):

- THE TURNPIKE SYSTEM – General Description, with respect to the first paragraph on page 24:

  No changes.

- THE TURNPIKE SYSTEM – Maintenance of the Turnpike System, with respect to the table captioned "Renewal and Replacement Expenditures" on page 28:

| Fiscal Year | Expenditures |
|---|---|
| 2003 | $ 7,279,741 |
| 2004 | 5,106,611 |
| 2005 | 3,090,000* |

* Budgeted funds and funds carried forward including prior year encumbrances and Performance Based Budgeting transfers. Actual expenditures may be less than shown.

- THE TURNPIKE SYSTEM – Toll Collection, Rates and Schedules, with respect to the table captioned "Current Toll Rate Schedule" on page 35:

  No changes.

- THE TURNPIKE SYSTEM – Turnpike System – Historical Revenues and Expenditures, with respect to the table captioned "Statement of Revenues, Expenses and Changes in Retained Earnings" on page 37: (see page 3)

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
### New Hampshire Turnpike System

| | Fiscal Year Ending June 30, 2003 | Fiscal Year Ending June 30, 2004 |
|---|---|---|
| Operating Revenues: | | |
| Tolls | $65,389,281 | $65,292,637 |
| Operating Expenses: | | |
| Depreciation | 11,061,211 | 11,727,863 |
| Personnel Services | 8,684,924 | 9,749,203 |
| Enforcement | 3,831,036 | 3,917,547 |
| Payroll Benefits | 3,529,089 | 3,993,123 |
| Renewal and Replacement | 7,057,647 | 4,973,111 |
| Repairs | 1,251,440 | 1,505,697 |
| Other | 6,489,513 | 5,593,549 |
| Total Operating Expenses | 41,904,860 | 41,460,093 |
| Operating Income | 23,484,421 | 23,832,544 |
| Non-operating Income (expenses) | | |
| Investment Income | 1,195,760 | 337,529 |
| Interest expense | (15,914,659) | (15,140,558) |
| Gain (loss) on sale of land/equipment | 140,996 | (23,439) |
| Miscellaneous | (125,381) | 83,535 |
| Amortization of bond issuance costs | (260,362) | (214,884) |
| Total Non-operating expenses, net | (14,963,646) | (14,957,817) |
| Net Income | 8,520,775 | 8,874,727 |
| Add back: | | |
| Depreciation on fixed assets acquired by grants and entitlements externally restricted for capital acquisitions and construction that reduces contributed capital | 863,965 | 922,451 |
| Increase in retained earnings | 9,384,740 | 9,797,178 |
| Retained earnings at beginning of year (July 1) | 221,252,315 | 230,637,055 |
| Retained earnings at end of year (June 30) | $230,637,055 | $240,434,233 |

Note: The State of New Hampshire's CAFR indicates Retained Earnings end of year balance of $279,971,216 rather than the $240,434,233 shown above. The difference is due to the State's CAFR including $39,536,983 of Contributed Capital not included in the Turnpike's Financial Statements above. The State's CAFR is available on the State's website at http://admin.state.nh.us/accounting/reports.asp#PAFR Pages 35 - 38 detail the Turnpike's financial results.

- THE TURNPIKE SYSTEM – Management Discussion of Historical Revenues and Expenditures (only with respect to the preceding fiscal year) on page 38:

  *Fiscal Year 2004*

  Gross revenues available for operating expenses, debt service, reserves and improvement projects totaled $65,713,001, a 1.5% decrease from Fiscal Year 2003. Toll revenues in this period were $65,292,637, a decrease of .15% from 2003. Interest income was less by $858,231, which includes a decrease of $374,231 in fair market value of investments.

  Operating expenses (excluding depreciation and funds for renewal and replacement) in Fiscal Year 2004 were $24,759,119, an increase of 4.0% over the prior year. This was mainly due to the employee benefits rate rising and increases in personnel services.

  During Fiscal Year 2004, Capital Improvement Program expenditures totaled $26,775,644 including $7,338,054 from the State and Federal highway sources and $19,437,590 from proceeds of the 2002 Series Bonds.

- TURNPIKE SYSTEM INDEBTEDNESS, with respect to the table captioned "Turnpike System Debt Service" on page 43:

  No changes.

- CAPITAL IMPROVEMENT PROGRAM, with respect to the table captioned "Project Descriptions" on pages 46 through 47, inclusive:

**Project Descriptions**

| Central Turnpike | Description | Estimated Cost | Projected Completion Date | |
|---|---|---|---|---|
| Project A1 | Preliminary engineering and right-of-way acquisition for Exits 8 and 11, including ramp toll facilities (Merrimack/Nashua). | $ 1.330 million | **Dec-89** | (1) |
| Project A2 | Construction of new interchange at Exit 8 to relieve traffic congestion at Interchange 7 (Nashua). | $ 10.054 million | **Jun-88** | (1) |
| Project A3 | Preliminary engineering and right-of-way acquisition for Exits 1 and 2 (Nashua). | *$ 26.181 million* | **Jun-01** | (1) |
| Project A4 | Reconstruction of Exit 11 and construction of northbound "off" and southbound "on" ramp toll facilities (Merrimack). | $ 11.000 million | **Jul-93** | (1) |
| Project A5 | Engineering, right-of-way, and construction of new mainline toll plaza (Bedford). | $ 5.363 million | **Jan-89** | (1) |
| Project A6 | Engineering, right-of-way, and construction of a new interchange two miles south of Exit 11 (formerly Exit 8). Merrimack Industrial Park Interchange includes "off" and southbound "on" toll facilities (Merrimack) | $ 21.637 million | **Oct-90** | (1) |
| Project A7 | Engineering, right-of-way acquisition and construction of Camp Sargeant Road bypass. Project will interconnect Amherst St. in Nashua with the new interchange Project A6 (Merrimack). | $ 8.182 million | **Dec-94** | (1) |
| Project A8 | Preliminary engineering and right-of-way acquisition for widening the Central Turnpike between Exits 3 and 7 (Nashua). | *$ 22.818 million* | ***Apr-02*** | (1) |
| Project A10 | Engineering, right-of-way, and construction of the southern segment of circumferential highway around Nashua including toll facilities. | *$ 42.301 million* | **Jul-01** | (2) |
| Project A11 | Engineering, right-of-way acquisition, and construction of the northern segment of the circumferential highway including toll facilities (Nashua/Hudson/Litchfield). | *$ 32.057 million* | *Jun-05* | |
| Project A12 | Reconstruction of Exits 1 and 2 and | *$ 59.418 million* | ***Aug-02*** | (1) |

| | | | | |
|---|---|---|---|---|
| | construction of connector to the circumferential highway (Nashua). | | | |
| Project A13 | Widening and reconstruction of Central Turnpike between Exits 3 and 7 (Nashua). | *$ 84.720 million* | ***May-02*** | (1) |
| Project A14 | Engineering, right-of-way acquisition, and construction of Bedford Road Interchange including toll facilities (Merrimack). | $ 6.856 million | **Nov-90** | (1) |
| Project A15 | Widening of Central Turnpike in Manchester between Route 101 and the Amoskeag Bridge Interchange (Bedford/Manchester). | *$ 19.716 million* | *June-05* | *(5)* |
| Project A16 | Study of feasibility of widening Central Turnpike between I-89 Interchange and Interchange I-393 (Bow/Concord). | $ 0.149 million | **Aug-92** | (1) |
| Project A17 | Construction of southbound only toll facilities of Central Turnpike and southbound on-ramp at Exit 1 (Nashua). | $ 0.364 million | ** | (3) |
| Project A18 | Engineering and construction of replaced bridge over the Souhegan River in Merrimack. | *$ 6.354 million* | *Oct-07* | |
| Project A19 | Engineering, right-of-way acquisition, and construction of Bedford toll expansion. | *$ 6.745 million* | *Nov-04* | |
| Project A20 | Engineering, right-of-way acquisition, and construction of US Rte 3 bridge over the F.E. Everett Turnpike in Bedford | *$ .013 million* | *** | |

**Spaulding Turnpike**

| | | | | |
|---|---|---|---|---|
| Project B1 | Engineering, right-of-way acquisition and reconstruction of the Gosling Rd Interchange (Newington/Portsmouth). | $ 13.404 million | **Nov-93** | (1) |
| Project B2 | Safety improvements on the Spaulding Turnpike to include median guard rail and safety improvements (Dover/Rochester). | *$ 6.595 million* | ***Jun-02*** | *(1)* |
| Project B3 | Expansion of Dover Toll Plaza (Dover). | *$ 1.502 million* | *** | |
| Project B4 | Right-of-way acquisition in median of Spaulding Turnpike (Newington). | $ 2.657 million | **Mar-93** | (1) |
| Project B5 | Engineering of by-pass around North Conway. | $ 0.124 million | **Dec-90** | (1) |
| Project B6 | Dover/Somersworth Weeks traffic circle. | $ 1.000 million | **Dec-94** | (1) |
| Project B7 | Engineering, right-of-way acquisitions for | $ 2.966 million | *Jun-05* | |

| | | | | | |
|---|---|---|---|---|---|
| | Exit 10 on the Spaulding Turnpike (Dover). | | | | |
| Project B8 | Construction of Exit 10 on the Spaulding Turnpike (Dover). | - | *million* | *Future Project* | |
| Project B9 | Reconstruction and right-of-way for Exit 6W/US Rte 4 (Scammell Bridge) (Dover). | $ 1.000 | million | **Nov-97** | (1) |
| Project B10 | Engineering, right-of-way, and construction of Exits 11 through 16 (Rochester). | *$ 19.311* | *million* | *Jun-06* | |
| Project B11 | Engineering, right-of-way, and construction of NH 16/US 4 widening including Little Bay Bridges (Newington/Dover). | *$ 9.693* | *million* | *Jun-06* | *(5)* |

**Blue Star (Route I-95) Turnpike**

| | | | | | |
|---|---|---|---|---|---|
| Project C1 | Expansion of Hampton Toll Plaza (Hampton/North Hampton). | $ 2.379 | million | Jun-04 | |
| *Project C2* | *Engineering and Construction of roadway widening of the approaches to the Hampton Main line plaza (Hampton)* | *$ 2.544* | *million* | *Jun-03* | |
| *Project C3* | *Engineering and Construction for the widening of the Hampton Ramp toll plaza approaches (Hampton)* | *$ 6.568* | *million* | *Jun-06* | |
| **Total** | | *$ 492.114* | *million (4)* | | |

(1) Actual Completion Date

(2) The segment between Route 3A and the Central Turnpike is complete; the portion from Route 3A to Route 111 has been deferred.

(3) The Legislative authority to build the Nashua toll facilities was repealed in Fiscal Year 2001.

*(4) Other projects included in the total of $492.114 million are for Administrative costs ($37.144 million), consultant fees ($3.631 million), and computer equipment ($16.338 million). Numbers may not add due to rounding.*

*(5) Not included in the above projects is the Federal Funding portion; Project A15 = $31.40 million, Project B11 = $115.18 million, and computer equipment for EZ Pass = $12.671 million.*

**** - Projects have been placed "On-Shelf" until further notice.*

Changes = *Italicized*

- CAPITAL IMPROVEMENT PROGRAM, with respect to the table captioned "Capital Improvement Program Expenditures" on page 48:

**ACTUAL AND PROJECTED CAPITAL IMPROVEMENT PROGRAM EXPENDITURES FISCAL YEARS 1986 THROUGH 2007**
(on a cash basis)

| Fiscal Year Ending June 30 | Capital Expenditures |
|---|---|
| 1986 | $ 3,703,014 |
| 1987 | 12,846,330 |
| 1988 | 15,092,609 |
| 1989 | 34,183,782 |
| 1990 | 31,457,483 |
| 1991 | 25,308,194 |
| 1992 | 29,988,101 |
| 1993 | 33,941,502 |
| 1994 | 30,665,402 |
| 1995 | 40,452,057 |
| 1996 | 29,198,433 |
| 1997 | 24,917,835 |
| 1998 | 26,260,770 |
| 1999 | 30,544,034 |
| 2000 | 19,719,168 |
| 2001 | 10,148,747 |
| 2002 | 6,469,689 |
| 2003 | 10,242,505 |
| 2004 | *19,437,590* |
| 2005 | *28,020,000** |
| 2006 | *13,720,000*** |
| 2007 | *2,120,000*** |
| Total | *$478,437,245* |

*Budgeted Funds.
**Estimated.
Changes = *Italicized*

This Annual Report has been executed and delivered on behalf of the State pursuant to the Continuing Disclosure Certificates.

STATE OF NEW HAMPSHIRE

By: _____
Commissioner of Department of Transportation

**EXHIBIT A**

Attached hereto as Exhibit A are pages 35 to 38 of the State of New Hampshire Comprehensive Annual Financial Report for the Fiscal Year 2004 (the "CAFR") which set forth certain information relative to the Turnpike System under the heading "Turnpike System" on page 35 and under the columns headed "Turnpike System" on pages 36 through 38. The complete CAFR, including the State of New Hampshire Audited Financial Statements for Fiscal Year 2004, has been filed with each nationally recognized municipal securities information repository and is available on the State of New Hampshire Department of Administrative Services website at: http://admin.state.nh.us/accounting/reports.asp#PAFR.

# Proprietary-Enterprise Fund Financial Statements

***Turnpike System:*** *The state constructs, maintains, and operates transportation toll facilities. The Legislature has established a 10-year state highway construction and reconstruction plan and authorized major expansion and improvement projects as part of a Capital Improvement Program. These include a partial circumferential highway around the City of Nashua and other projects that will provide major improvements to the Central Turnpike from Bedford to Nashua and include new interchanges, widening, and a toll plaza. Additional projects are planned that will provide safety improvements to the existing Turnpike System and increase the Turnpike System's capacity.*

***Liquor Commission:*** *Receipts from operations of the Liquor Commission are transferred to the General Fund on a daily basis. The General Fund advances cash to the Liquor Commission for the purchase of liquor inventory. By statute, all liquor and beer sold in the state must be sold through a sales and distribution system operated by the state Liquor Commission, comprising three members appointed by the Governor with the consent of the Executive Council. The Commission makes all liquor purchases directly from the manufacturers and importers and operates state liquor stores in cities and towns that accept the provisions of the local option law. The Commission is authorized to lease and equip stores, warehouses, and other merchandising facilities for liquor sales, to supervise the construction of state-owned liquor stores at various locations in the state, and to sell liquor through retail outlets as well as direct sales to restaurants, hotels, and other organizations. The Commission also charges permit and license fees for the sale of beverages through private distributors and retailers and an additional fee of 30 cents per gallon on beverages sold by such retailers.*

***Lottery Commission:*** *The state sells lottery games through some 1,350 agents, including state liquor stores, licensed racetracks, and private retail outlets. Through the sale of lottery tickets, revenue is generated for prize payments and commission expenses, with the net income used for aid to education. This net income is transferred to the Education Fund and then transferred to the local school districts.*

***New Hampshire Unemployment Trust Fund:*** *receives contributions from employers and provides benefits to eligible unemployed workers.*

***Internal Service Fund:*** *The employee benefit risk management fund, established in October 2003, reports the health related fringe benefit services for the state. The fund was created to manage the state's new self-insurance program and to pool all resources to pay for the cost associated with providing these benefits to active employees and retirees.*

**STATE OF NEW HAMPSHIRE**
**STATEMENT OF NET ASSETS**
**PROPRIETARY-ENTERPRISE FUNDS**
**JUNE 30, 2004**
**(Expressed in Thousands)**

| | Business-Type Activities - Enterprise Funds | | | | | Governmental Activities |
|---|---|---|---|---|---|---|
| | Turnpike System | Liquor Commission | Lottery Commission | Unemployment Compensation | Total | Internal Service Fund |
| **ASSETS** | | | | | | |
| **Current Assets:** | | | | | | |
| Cash and Cash Equivalents | $ 29,731 | $ 656 | $ 4,472 | $ 239,402 | $ 274,261 | $ 3,244 |
| Cash and Cash Equivalents-Restricted | 18,010 | | | | 18,010 | |
| Receivables (Net of Allowances for Uncollectibles) | 1,073 | 5,793 | 1,166 | 18,980 | 27,012 | |
| Due from Other Funds | | 797 | | | 797 | |
| Inventories | 388 | 25,030 | 585 | | 26,003 | |
| Other Current Assets | | | 56 | | 56 | |
| Total Current Assets | 49,202 | 32,276 | 6,279 | 258,382 | 346,139 | 3,244 |
| **Noncurrent Assets:** | | | | | | |
| Investments and Deposits-Restricted | 34,101 | | 2,334 | | 36,435 | |
| Bond Issue Costs | 3,451 | | | | 3,451 | |
| Capital Assets: | | | | | | |
| Land | 99,934 | 2,355 | | | 102,289 | |
| Land Improvements | | 877 | | | 877 | |
| Buildings | 4,828 | 12,233 | | | 17,061 | |
| Building Improvements | | 5,672 | | | 5,672 | |
| Equipment & Computere Software | 23,733 | 9,141 | 503 | | 33,377 | |
| Construction in Progress | 36,382 | | | | 36,382 | |
| Infrastructure | 533,611 | | | | 533,611 | |
| Less: Allowance for Depreciation and Amortization | (174,189) | (16,251) | (384) | | (190,824) | |
| Net Capital Assets | 524,299 | 14,027 | 119 | | 538,445 | |
| Total Noncurrent Assets | 561,851 | 14,027 | 2,453 | | 578,331 | |
| Total Assets | 611,053 | 46,303 | 8,732 | 258,382 | 924,470 | 3,244 |
| **LIABILITIES** | | | | | | |
| **Current Liabilities:** | | | | | | |
| Accounts Payable | $ 1,887 | $ 26,113 | $ 841 | | $ 28,841 | |
| Accrued Payroll | 696 | 1,013 | 124 | | 1,833 | |
| Due to Other Funds | | | 2,244 | | 2,244 | |
| Deferred Revenue | | 2,022 | 838 | | 2,860 | |
| Unclaimed Prizes | | | 1,927 | | 1,927 | |
| General Obligation Bonds Payable | 3,521 | | | | 3,521 | |
| Revenue Bonds Payable-Restricted | 11,385 | | | | 11,385 | |
| Accrued Interest Payable-Restricted | 4,512 | | | | 4,512 | |
| Claims & Compensated Absences Payable | 1,700 | 931 | 107 | | 2,738 | 15,375 |
| Other Liabilities | 605 | | | $ 5,080 | 5,685 | |
| Total Current Liabilities | 24,306 | 30,079 | 6,081 | 5,080 | 65,546 | 15,375 |
| **Noncurrent Liabilities:** | | | | | | |
| General Obligation Bonds Payable | 10,841 | | | | 10,841 | |
| Revenue Bonds Payable | 294,472 | | | | 294,472 | |
| Claims & Compensated Absences Payable | 1,463 | 2,197 | 317 | | 3,977 | |
| Other Noncurrent Liabilities | | 1,120 | | | 1,120 | |
| Total Noncurrent Liabilities | 306,776 | 3,317 | 317 | | 310,410 | |
| Total Liabilities | 331,082 | 33,396 | 6,398 | 5,080 | 375,956 | 15,375 |
| **NET ASSETS** | | | | | | |
| Invested in Capital Assets, net of related debt | 199,682 | 12,907 | 119 | | 212,708 | |
| Restricted for Debt Repayments | 42,602 | | | | 42,602 | |
| Restricted for Prize Awards - MUSL | | | 2,334 | | 2,334 | |
| Restricted for Unemployment Benefits | | | | 253,302 | 253,302 | |
| Unrestricted Net Assets (Deficit) | 37,687 | | (119) | | 37,568 | (12,131) |
| Total Net Assets (Deficit) | $ 279,971 | $ 12,907 | $ 2,334 | $ 253,302 | $ 548,514 | $ (12,131) |

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

**STATE OF NEW HAMPSHIRE**
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN PROPRIETARY-ENTERPRISE FUNDS**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2004**
**(Expressed in Thousands)**

| | Business-Type Activities - Enterprise Funds | | | | | Governmental Activities |
|---|---|---|---|---|---|---|
| | Turnpike System | Liquor Commission | Lottery Commission | Unemployment Compensation | Total | Internal Service Fund |
| **OPERATING REVENUES** | | | | | | |
| Charges for Sales and Services | | $ 369,673 | $ 239,083 | $ 95,942 | $ 704,698 | $ 118,759 |
| Toll Revenue Pledged for Repaying Revenue Bonds | $ 65,293 | | | | 65,293 | |
| Total Operating Revenue | 65,293 | 369,673 | 239,083 | 95,942 | 769,991 | 118,759 |
| **OPERATING EXPENSES** | | | | | | |
| Cost of Sales and Services | | 268,427 | 21,204 | | 289,631 | |
| Lottery Prize Awards | | | 137,148 | | 137,148 | |
| Unemployment Insurance Benefits | | | | 116,802 | 116,802 | |
| Insurance Claims | | | | | | 124,547 |
| Administration | 29,732 | 25,758 | 7,110 | | 62,600 | 6,343 |
| Depreciation | 11,728 | 1,613 | 70 | | 13,411 | |
| Total Operating Expenses | 41,460 | 295,798 | 165,532 | 116,802 | 619,592 | 130,890 |
| Operating Income (Loss) | 23,833 | 73,875 | 73,551 | (20,860) | 150,399 | (12,131) |
| **NONOPERATING REVENUES (EXPENSES)** | | | | | | |
| Licenses | | 3,209 | | | 3,209 | |
| Beer Taxes | | 12,240 | | | 12,240 | |
| Investment Income | 338 | | 547 | 13,685 | 14,570 | |
| Miscellaneous | 60 | 2,093 | | | 2,153 | |
| Interest on Bonds | (15,141) | | | | (15,141) | |
| Grant Contributions | 7,338 | | | | 7,338 | |
| Amortization of Bond Issuance Costs | (215) | | | | (215) | |
| Total Nonoperating Revenues (Expenses) | (7,620) | 17,542 | 547 | 13,685 | 24,154 | |
| Income (Loss) Before Operating Transfers | 16,213 | 91,417 | 74,098 | (7,175) | 174,553 | (12,131) |
| Transfers Out to Governmental Funds | | (92,075) | (73,745) | | (165,820) | |
| Change in Net Assets | 16,213 | (658) | 353 | (7,175) | 8,733 | (12,131) |
| Net Assets - July 1 (Restated Lottery Commission-Note 15) | 263,758 | 13,565 | 1,981 | 260,477 | 539,781 | |
| Net Assets (Deficit) - June 30 | $ 279,971 | $ 12,907 | $ 2,334 | $ 253,302 | $ 548,514 | $ (12,131) |

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

**STATE OF NEW HAMPSHIRE**
**STATEMENT OF CASH FLOWS**
**PROPRIETARY-ENTERPRISE FUNDS**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2004**
**(Expressed in Thousands)**

| | Business-Type Activities - Enterprise Funds | | | | | Governmental Activities |
|---|---|---|---|---|---|---|
| | Turnpike System | Liquor Commission | Lottery Commission | Unemployment Compensation | Total | Internal Service Fund |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | | |
| Receipts from federal and local agencies | | | | $ 13,366 | $ 13,366 | |
| Receipts from customers | $ 65,160 | $ 368,181 | $ 248,345 | 79,141 | 760,827 | $ 10,294 |
| Receipts from interfund charges | | | | | | 108,465 |
| Payments to employees | (10,481) | (16,083) | (1,889) | | (28,453) | |
| Payments to suppliers | (15,470) | (281,370) | (11,309) | | (308,149) | (6,343) |
| Payments to prize winners | | | (160,132) | | (160,132) | |
| Payments for Insurance Claims | | | | (125,534) | (125,534) | (109,172) |
| Payments for Interfund Services | (2,679) | (2,866) | (545) | | (6,090) | |
| Net cash provided (used) by operating activities | 36,530 | 67,862 | 74,470 | (33,027) | 145,835 | 3,244 |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | | | | | | |
| Transfers to Other Funds | | (88,965) | (72,069) | | (161,034) | |
| Proceeds from Collection of Licenses and Beer Tax | | 15,449 | | | 15,449 | |
| Net Cash Used for Noncapital and Related Financing Activities | | (73,516) | (72,069) | | (145,585) | |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | | | | | | |
| Acquisition, Disposal and Construction of Capital Assets | (28,191) | (658) | 5 | | (28,844) | |
| Grant Contributions | 7,338 | | | | 7,338 | |
| Interest Paid on Revenue and General Obligation Bonds | (16,688) | | | | (16,688) | |
| Principal Paid on Bonds | (12,481) | | | | (12,481) | |
| Payments on Bond Issuance/Refunding | (3,869) | | | | (3,869) | |
| Contributions from Other Funds | | 658 | | | 658 | |
| Net Cash Provided (Used) for Capital and Related Financing Activities | (53,891) | | 5 | | (53,886) | |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | | |
| Sale of Investments | 35,247 | | | | 35,247 | |
| Purchase of Investments | (17,413) | | | | (17,413) | |
| Proceeds from Maturities of Investments | 4,998 | | | | 4,998 | |
| Interest and Other Income | 1,864 | 2,753 | 542 | 13,685 | 18,844 | |
| Net Cash Provided by Investing Activities | 24,696 | 2,753 | 542 | 13,685 | 41,676 | - |
| Net Increase (Decrease) in Cash and Cash Equivalents | 7,335 | (2,901) | 2,948 | (19,342) | (11,960) | 3,244 |
| Cash and Cash Equivalents - July 1 | 40,406 | 3,557 | 1,524 | 258,744 | 304,231 | |
| Cash and Cash Equivalents -June 30 | $ 47,741 | $ 656 | $ 4,472 | $ 239,402 | $ 292,271 | $ 3,244 |
| **Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:** | | | | | | |
| Operating Income (Loss) | $ 23,833 | $ 73,875 | $ 73,551 | $ (20,860) | $ 150,399 | $ (12,131) |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | | | | | |
| Depreciation | 11,728 | 1,615 | 69 | | 13,412 | |
| Change in Operating Assets and Liabilities: | | | | | | |
| (Increase) Decrease in Receivables | (132) | (1,689) | 2,181 | (8,167) | (7,807) | |
| (Increase) Decrease in Inventories | (126) | (3,226) | 105 | | (3,247) | |
| (Increase) Decrease in Other Current Assets | | | 58 | | 58 | |
| (Increase) Decrease in Restricted Deposits-MUSL | | | (353) | | (353) | |
| Increase (Decrease) in Accounts Payable and other Accruals | 1,227 | (2,910) | (1,026) | (4,000) | (6,709) | |
| Increase (Decrease) in Claims Payable | | | | | | 15,375 |
| Increase (Decrease) in Deferred Revenue | | 197 | (115) | | 82 | |
| Net Cash Provided (Used) by Operating Activities | $ 36,530 | $ 67,862 | $ 74,470 | $ (33,027) | $ 145,835 | $ 3,244 |

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