

Annual Report City of Nashua New Hampshire



*For the Fiscal Year Ended
June 30, 2015*

Prepared by the Office of the City Clerk

162nd MUNICIPAL GOVERNMENT REPORT

For the Fiscal Year ending June 30, 2015

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- Report of Library Trustees
- Report of Conservation Commission
- Report of Public Works Commissioners

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For The Fiscal Year Ended
June 30, 2015



New four-faced clock on Main Street, Downtown Nashua

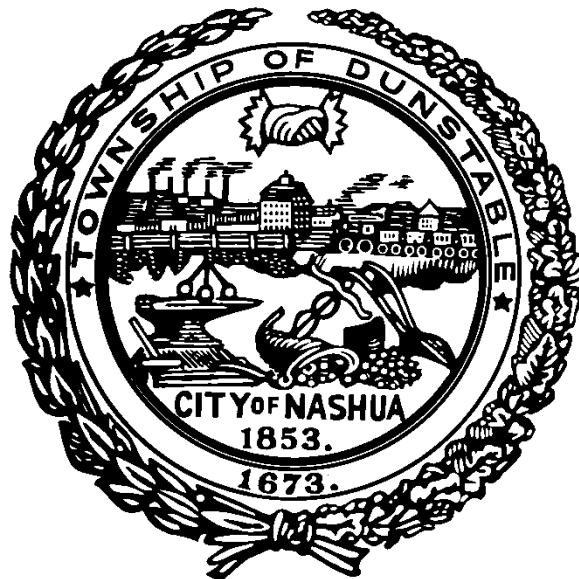
Photo Credit: Paul Shea, Great American Downtown

CITY OF NASHUA, NEW HAMPSHIRE

CITY OF NASHUA NEW HAMPSHIRE

Comprehensive Annual Financial Report

**For The Fiscal Year Ended
June 30, 2015**



**Prepared by:
The Financial Services Division**

**John L. Griffin
CFO/Comptroller**

City of Nashua, New Hampshire
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2015

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City of Nashua

Office of the Chief Financial Officer
229 Main Street - Nashua, NH 03060

(603) 589-3171
Fax (603) 589-3168

December 30, 2015

To the Citizens of the City of Nashua and the Board of Aldermen:

It is our pleasure to present the Comprehensive Annual Financial Report (CAFR) for the City of Nashua, New Hampshire, for the fiscal year ended June 30, 2015. Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the report accurately presents the City's financial position and the results of operations in all material respects in accordance with the most current generally accepted accounting principles (GAAP). All disclosures necessary to enable the reader to gain an accurate understanding of the City's financial activities have been included. This letter of transmittal is intended to complement and should be read in conjunction with Management's Discussion and Analysis (MD&A).

This CAFR presents the City's financial statements as required by the *Governmental Accounting Standards Board (GASB) Statement No. 34*, which established a new financial reporting model for state and local governments. It also complies with *GASB Statement No. 44*, which "identified the specific information required by the statistical section standards and set forth the overarching objectives of statistical section information. The statistical section provides crucial data to many different kinds of consumers of governmental financial information, ranging from municipal credit analysts to state legislators, municipal governing bodies, oversight bodies, and citizen and taxpayer organizations." (www.gasb.org/news) The CAFR covers all funds that, by law or other fiduciary obligation, the City administers. These include, but are not limited to, funds for the City of Nashua, the Nashua School District, and the component units, Pennichuck Corporation and Nashua Airport Authority.

History and Government

The City of Nashua encompasses an area of thirty-two square miles in Hillsborough County along the Merrimack River in Southern New Hampshire. It is approximately thirty-four miles northwest of Boston, Massachusetts, and eighteen miles south of Manchester, New Hampshire. Nashua was part of the settlement of Dunstable, Massachusetts, until the division line between Massachusetts and New Hampshire was settled in 1741. It was then known as Dunstable, New Hampshire, until its name was changed to Nashua in 1836.

Originating from England, the pioneers of Dunstable arrived in the 1600s to settle on grants of land. The livelihood of the community at that time was farming and mercantile/commercial trade. The settlement period continued into the 1700s as sawmills and gristmills were established to harness the many streams and brooks throughout the town. The late-1700s

were a significant period for the region due to construction of the 27.75 mile-long Middlesex Canal System linking the Merrimack River to Charlestown-Boston. Direct water access to Boston markets immensely increased trade opportunities.

During the 1800s, two massive cotton textile mills were established by harnessing water-power with canal systems. Metal manufacturing, iron industries and other heavy industries were established as ancillary and support businesses to the mills. Railroads built throughout the region in the mid-1800s dramatically reduced the general expense of travel and transportation of goods, allowing Nashua's manufacturing and retail sectors, along with its population, to grow and diversify.

The *City Charter* was issued by the State of New Hampshire and signed by Governor Noah Martin on June 28, 1853. It was not until a new charter was written in 1913 that the current form of government was adopted. (The Nashua History Committee 1978: *The Nashua Experience*. Canaan, New Hampshire: Phoenix Publishing.) The Mayor and fifteen-member Board of Aldermen, as the chief executive and legislative officers of the City, are responsible for the prudent administration of the City's affairs in accordance with laws set forth in the *City Charter*.

Municipal Services

The City provides services such as police and fire protection; refuse disposal; sewer services and highway, street, and sidewalk maintenance. It maintains forty-nine athletic fields, four ice skating rinks, three outdoor swimming pool complexes, and twenty-two tennis courts. The City also preserves 965 acres of park sites including Holman Stadium, a 4,500-seat open-air stadium. The stadium is used for sports, concerts, recreational activities and other City sponsored events.

Nashua is fortunate to have a municipal airport, Boire Field. It is located in the northwest corner of the city on 396 acres of land that the Nashua Airport Authority leases from the City. The Authority was created by State Statute in 1961 and is "tasked with setting policy and procedures to operate the airport for the City of Nashua in conjunction with the rules and regulations of the Federal Aviation Administration (FAA) and New Hampshire Department of Transportation, Division of Aeronautics." (www.nashuaairport.com)

The City is responsible for providing education to its citizens in compliance with requirements established by the State of New Hampshire. Public education is offered for grades kindergarten through twelve, providing a comprehensive program of general education, business, and college preparatory courses. An elected nine-member School Board manages the school district's affairs with fiscal autonomy on certain matters; however, the School Board does not represent an autonomous governmental unit independent from the City of Nashua. Financial management and reporting, as well as the issuance of debt obligations, are the City's responsibility.

Financial Structure and Management

In accordance with the *City Charter and Code of Ordinances*, the Financial Services Division is responsible for establishing an accounting and internal control structure designed to ensure that the City's assets are protected from loss, theft, and misuse, and to ensure that adequate accounting information is maintained and reported in conformity with GAAP. The internal

control structure is designed to provide reasonable, but not absolute, assurances that these objectives are attained. In providing these reasonable assurances, it is recognized that the expenses related to the cost of control should not exceed the benefits and the valuation of costs and benefits requires management's judgment.

Budget Control Charter Amendment

The City's budget must adhere to the Budget Control Charter Amendment passed by voters in 1993 that limits the budget to an increase of no more than the average annual consumer price index (CPI-U) over the past three years. It allows exemptions voted upon annually by the Board of Aldermen. In fiscal year 2008, the Board of Aldermen approved changing the CPI measurement from the national average to the Northeast region average. The fiscal year 2015 budget was under the spending cap of 2.1% by approximately \$761,000.

Beginning in fiscal year 2016, the index was changed by the voters to the three year average of the Implicit Price Deflator for State and Local Governments (S&L IPD). The fiscal year 2016 budget adopted in June 2015 also came in under the spending cap of 1.5% by approximately \$50,000.

The Board of Aldermen is the Appropriating Authority for the City of Nashua. From a budgetary control perspective, management cannot overspend its approved and authorized budget without gaining approval from the Board of Aldermen. In addition, the Board of Aldermen must approve all interdepartmental transfers as well as the transfer of appropriated funds within departments from non-salary accounts to salary accounts. The City also maintains a system of encumbrance accounting to further control budgetary expenses.

Minimum Unassigned Fund Balance

The City has an ordinance stating that it's policy to maintain a minimum unassigned general fund balance of 10% of the fiscal year appropriations. If a portion of unassigned general fund balance is used to offset property taxes in any given fiscal year, it is the policy of the Board to replenish it to the 10% level within a three-year period.

Single Audit

As a recipient of federal and state funds, the City is required to undergo a yearly single audit in conformance with the provisions of the *Single Audit Act Amendments of 1996* and U.S. Government Office of Management and Budget's Circular A-133, *Audits of States and Local Governments and Non-Profit Organizations*. The City is also responsible for implementing an adequate internal control structure to ensure compliance with the rules and regulations of these funds. This internal control structure is subject to ongoing and/or periodic evaluation by management and the external audit firm retained by the City for this purpose. Information related to this single audit including a Schedule of Expenditures of Federal Awards; findings and recommendations; and auditor's reports on the internal control structure and compliance with applicable laws and regulations is available in a separately issued single audit report. The single audit for the fiscal year ended June 30, 2015 is in progress and management does not anticipate that there will be any instances of material weakness in the City's internal control structure.

Enterprise Operations

The City's enterprise operations are comprised of both a Wastewater Fund and a Solid Waste Fund. Wastewater is fully self-supported by user fees. Combined Sewer Overflow (CSO)

Consent Decree projects and mandated operational costs are expected to be approximately \$70 million with approximately \$68.65 million of the total spent by the end of fiscal year 2015. Certain components of the CSO projects have been eligible for a New Hampshire Department of Environmental Services (NHDES) 20% grant, however, due to state budget reductions in fiscal year 2009, grant payments for certain projects included in the Wastewater budget have been deferred until further notice. The City updates the wastewater rate study on an annual basis. The most recent rate study was presented to the Board of Aldermen in November 2013 and a 15% increase in the wastewater user fee rates effective January 1, 2014 was approved.

During fiscal year 2015, the Solid Waste Fund received a transfer of approximately \$3.7 million from the general fund to cover a portion of the cost of residential solid waste collection and disposal. This transfer is funded by property taxes and supplements the cost of collection and disposal of residential solid waste.

Long Term Financial Planning

The City uses a multi-year model to plan for future budget periods. This exercise is designed to provide the city's financial planners the ability to project the magnitude and timing of certain fiscal decisions as they relate to programs and services. The City also manages its capital budget process looking out over a six-year time horizon. The capital budget submittals are updated annually. As part of this planning process, the participating departments project their respective capital expenditure needs over the next six-year period and submit the necessary documentation for review by the members of the Capital Improvements Committee (CIC). The CIC reviews the requests and ranks them based on several factors including the scope of the proposed project, service, facility or equipment; the needs criteria such as a legal mandate, scheduled replacement, improved working environment, increased public health and safety improved coordination and/or more cost effective; conformance with the City's Master Plan; and other factors such as anticipated future revenues and expenses. The City has also developed and implemented a capital equipment replacement program, which has been designed to replace equipment on an established schedule. This ten-year plan allows for the timely replacement of the equipment at a time when the useful life of the equipment has expired and the associated cost of maintenance and repair is not exorbitant relative to the remaining value. The capital equipment replacement program has been designed to be financed with a combination of internal cash and the issuance of debt.

Debt Administration

The City has \$152.6 million of authorized unissued debt. This amount includes \$69.4 million related to the City's acquisition of Pennichuck Corporation in 2012, \$20.0 million of refunding bonds, and \$63.2 million in other capital project related bond authorizations. There is approximately \$70.9 million of general obligation debt outstanding for the school district and \$57.3 million for the City, and \$140.7 million for the acquisition of Pennichuck Corporation. The school bonds are eligible for grant reimbursement payments equal to 30% of project costs, payable annually over the life of bonds issued for this purpose. In addition, there is \$56.8 million in debt outstanding for the City's enterprise funds.

\$27.2 million in new debt was issued in fiscal year 2015 for Citywide Capital improvements and Wastewater projects. Debt limitations are discussed in MD&A and in the statistical section.

Credit Rating

During FY2015, the City's credit rating was reaffirmed at AAA by Fitch Ratings and AA+ (Positive Outlook) by Standard & Poor's Rating Services in connection with the issuance of general obligation bonds for the purposes noted above.

In reaffirming its AAA rating, Fitch cited the City's:

- Strong financial management
- Diverse and expanding economic base
- Above average socioeconomic factors
- Low debt levels
- Manageable future retiree costs

In reaffirming its AA+ (Positive Outlook) rating, Standard & Poor's noted the City's:

- Strong economy
- Very strong budgetary flexibility
- Strong budgetary performance
- Very strong liquidity
- Very strong management
- Strong debt and contingent liability profile

Cash Management

General fund and enterprise fund cash is invested at several New Hampshire banking institutions and the New Hampshire Deposit Investment Pool in accordance with the directives set forth in the City's adopted investment policy. This policy is reviewed and approved by the Board of Aldermen. The policy has several objectives which include, but are not limited to, risk, liquidity, income, maturity and diversification. The City requires collateral on all investments in the form of U.S. government obligations at no less than 102% in excess of the face value of the investment unless funds are marked to market. Commercial insurance coverage for amounts in excess of FDIC limits in the form of surety bonds issued by approved insurance corporations may be considered. The average yield for general fund investments during fiscal year 2015 was 0.40%, compared to 0.53% earned in the prior fiscal year.

The City's trust funds must be invested pursuant to the provisions in the *State of New Hampshire's Revised Statutes Annotated Section 31:25*. The objective of the investment policy is to receive a return that is sufficient to meet the obligations of the fund while remaining within those guidelines.

Benefits Cost Planning and Management

The City has been successful in mitigating the escalating costs of healthcare benefits over the past several years. The appropriations for benefits costs have been relatively flat since FY2009, averaging approximately \$26 million per year. This has been accomplished by increasing the percentage share that each employee subscriber contributes toward the cost of healthcare as well as introducing consumer driven strategies such as increasing co-pays and adding deductibles. In addition, many employees have selected a high deductible plan with a companion Health Savings Account (HSA). HSAs are a great way for the employee subscriber to manage their healthcare costs with the potential to save for future healthcare expenses.

Summary of Financial Position and Operations-General Fund

The City's most significant sources of revenue continue to be property taxes, followed by the State Adequate Education Grant and motor vehicle revenues. Property tax collections remain strong overall; however investment income continues to experience declines due to the historically low interest rates. Tax collections stated as a percent of the current levy were 99.1%, consistent with the prior fiscal year. The City continues to negotiate payment plans for taxpayers unable to meet their property tax obligations, believing that, particularly in more challenging economic times, this strategy will benefit both the City and taxpayers. A ten-year comparison of property tax collection data is available in the statistical section.

During FY2015, the City received funding of \$35.9 million in State Adequate Education Grant Funds. Motor vehicle revenue received during fiscal year 2015 came in at \$13.2 million, an increase of \$800,000 over the prior fiscal year. This particular revenue source has rebounded from the downward trend that began in early 2008 and continues to get stronger.

In 2005, the City of Nashua challenged the state formula for distributing education funding to schools from the statewide education tax (NH Laws 2005, *Chapter 257*). The Superior Court found in favor of Nashua in March 2006 and the State of New Hampshire appealed to the New Hampshire Supreme Court, which consolidated the case with similar claims filed by a coalition of 21 school districts. The Supreme Court stayed all cases pending legislative action and also remanded the Nashua case to the Superior Court for factual findings regarding damages. In 2007 and 2008 the legislature adopted a number of laws addressing the concerns raised before the Supreme Court. (*See*, NH Laws 2007, Chapter 262; NH Laws 2007, Chapter 263:35; NH Laws 2008, Chapter 173; and NH Laws 2008, Chapter 173.) The remanded Nashua case was settled by agreement of the parties on August 14, 2008 for a payment of \$125,000.

The City's unassigned general fund balance position at the end of fiscal year 2015 was \$27.7 million, an increase of \$400,000 from the prior fiscal year.

Major Initiatives

Nashua Government Innovation (NGIN) Project

In 2010, the City launched a \$7.5 million multi-year modernization project to update many of the internal systems and provide a unified set of technologies, business processes and management. This project was identified as the Nashua Government Innovation (NGIN) project.

To date, the City has implemented phase one of the initiative which includes the replacement of the core financial applications, the purchasing module, payroll processing which includes electronic time recording, and the Human Resource system. Currently underway are projects to replace the City's property tax system and the implementation of an electronic document management system.

The NGIN project has and will continue to incorporate business process improvement and best practices for each phase of the project. These systems will promote and support electronic sharing of information and government transparency.

Broad Street Parkway Project

In 2009, the City authorized \$37.6 million of debt issuance towards its portion of the construction of the Broad Street Parkway, with the balance of \$30.5 million funded by the Federal Department of Transportation. The total budget for the project is \$68.1 million. The 1.8 mile parkway provides a second bridge crossing over the Nashua River and will connect downtown Nashua, the Millyard, and other key redevelopment sites with Broad Street (near the exit 6 interchange). The Broad Street Parkway officially opened with a dedication on Saturday, December 19, 2015.

Local Economy

The City of Nashua, ranked among the top twenty best affordable suburbs in the Northeast by Business Week magazine, continues to grow, reinvent and reinvigorate itself in response to changing economic trends and challenges. Nashua remains a regional retail hub—the second largest concentration of retail space in New England. In addition, Nashua is a regional center for healthcare services. Nashua maintains growing clusters within the high tech manufacturing, software development, optics, radar systems, electronics, telecommunications, robotics and medical device manufacturing.

The City adopted its most recent City-wide Master Plan in 2001 and has a current Downtown Master Plan, East Hollis Street Master Plan, Economic Development Strategic Plan and a Consolidated Plan. These and other plans form the basis for public and private development decisions, budgetary decisions and future investment.

There is little land available in the City for new development; therefore, redevelopment and rehabilitation of existing sites has become and the focus, keeping Nashua on the forefront of economic, technological and social change. The City is undertaking ambitious redevelopment strategies for long-dormant Brownfields sites near the center of Nashua. The recently opened Broad Street Parkway is already stimulating redevelopment of the Nashua Millyard and downtown Nashua as these areas now have superior access to the F.E. Everett Turnpike. The recent occupancy of 109 units of mixed income housing at The Apartments at Cotton Mill was fully leased just 9 months after its opening in 2013. Another mill conversion project, Lofts 34 will bring another 168 units on line in 2016 and will continue the reemergence of downtown Nashua. On the eastern edge of the downtown, the East Hollis Street Gateway Project has begun. This project features the Bridge Street Waterfront Redevelopment Project, which has an approved plan for up to 228 units of housing within the first phase. Across the street, the City of Nashua was awarded \$3.505 million from NH Department of Transportation to construct major traffic improvements which will improve circulation and provide critical access to the Bridge Street site. All of these development initiatives will reinvigorate downtown Nashua with people-intensive uses.

In South Nashua, a key redevelopment site is Gateway Hills, a 400-acre mixed-use development that will provide crucial expansion capacity for Nashua's high tech cluster. An existing 750,000 sq. ft. high tech campus has been joined by 540 units of new construction, 40,000 sq. ft. of retail space and a newly opened 120 room hotel. Nearby, along Daniel Webster Highway, the Pheasant Lane Mall recently underwent the \$20 million renovation project.

The City actively pursues all available funding opportunities and has been a successful recipient of federal funding from EPA Brownfield awards, Federal Transportation and Administration Grants, and Community Development Block Grants.

Transportation is essential to the viability of a community and the quality of life of its citizens. The City continues to make significant investments and plays an active role in supporting infrastructure improvements, extensions, expansions and transit. The transit system has been a proven success for over 25 years and continues to expand its service routes. An extension of the MBTA commuter line from the Lowell/Boston area to Nashua and potentially further north to Manchester and Concord, remains under consideration at Federal, State, and local levels. Commuter bus service between Nashua and Boston began in February 2007 and has developed a steady local ridership base which has exceeded projections. During 2013, the City acquired a site for a future Park & Ride facility and a potential downtown rail station.

All of the aforementioned factors have contributed to a solid, strong, and diverse fiscal and economic atmosphere for the City and its citizens.

Financial Reporting Awards

The City of Nashua has received a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association of the United States and Canada (GFOA) for its CAFR for the last ten fiscal years. In order to receive this prestigious award the report must be easily readable and efficiently organized, the contents must conform to program standards, and it must satisfy both generally accepted accounting principles and applicable legal requirements. The award is presented to government units and public employee retirement systems whose CAFRs achieve the highest standards in government accounting and financial reporting.

The Certificate of Achievement is valid for a period of one year only. We believe that this CAFR conforms to the standards required for the certificate and will be submitting it to the GFOA for review.

Acknowledgements

The preparation and publication of this CAFR would not have been possible without the dedication and hard work of members of the Financial Services Division team. This accomplishment also required contributions and cooperation from many departments throughout the City and we appreciate their efforts as well. We would also like to thank the Board of Aldermen for their continued support of the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,



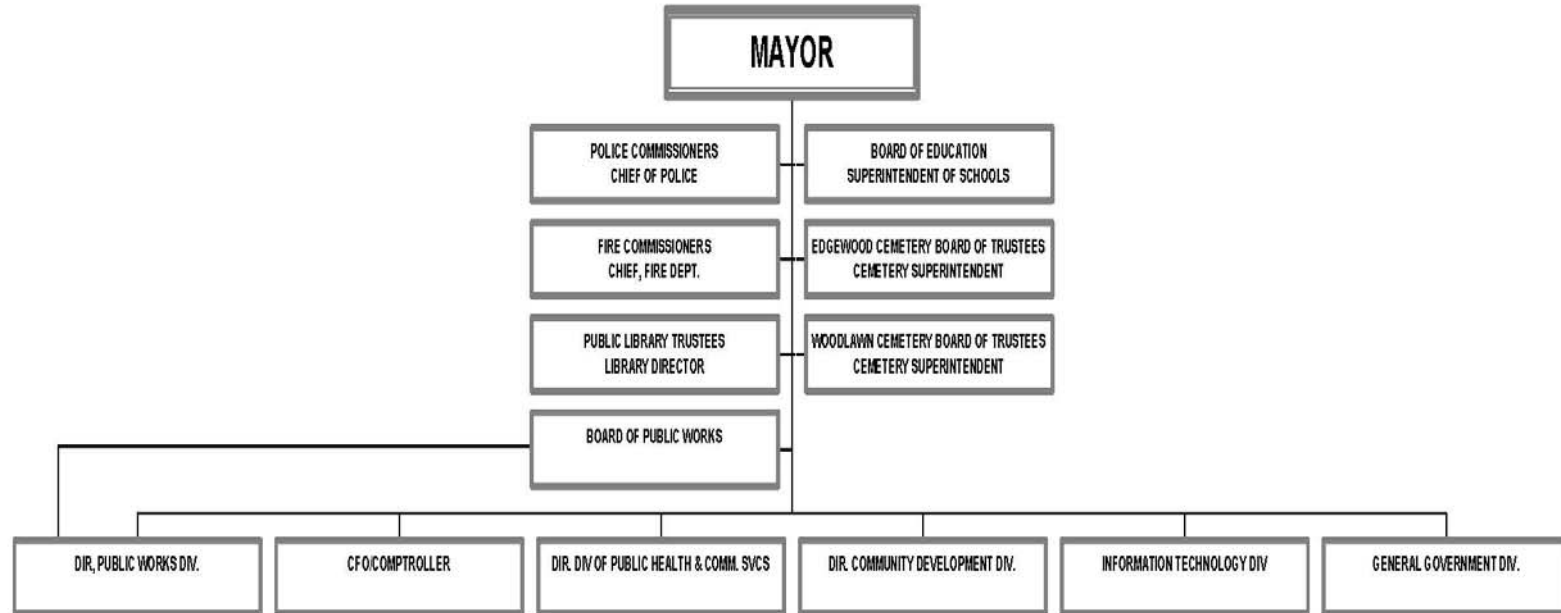
Donnalee Lozeau
Mayor



John L. Griffin
Chief Financial Officer

CITY OF NASHUA

ADMINISTRATIVE/EXECUTIVE STRUCTURE



**CITY OF NASHUA, NEW HAMPSHIRE
LIST OF PRINCIPAL OFFICIALS
FISCAL YEAR 2015**

MAYOR

Donnalee Lozeau

ALDERMEN AT LARGE

David W. Deane, President
Brian S. McCarthy, Vice President
Jim Donchess
Daniel T. Moriarty
Mark S. Cookson
Lori Wilshire

WARD ALDERMEN

Sean M. McGuinness	Ward 1
Richard A. Dowd	Ward 2
David Schoneman	Ward 3
Pamela T. Brown	Ward 4
Michael Soucy	Ward 5
Paul M. Chasse, Jr.	Ward 6
June M. Caron	Ward 7
Mary Ann Melizzi-Golja.....	Ward 8
Kenneth Siegel	Ward 9

**CITY OF NASHUA, NEW HAMPSHIRE
DIVISION AND DEPARTMENT HEADS
FISCAL YEAR 2015**

LEGAL

Corporation Counsel	Stephen Bennett, Esquire
Deputy Corporation Counsel	Dorothy Clarke, Esquire

BOARD OF ALDERMEN

Aldermanic Legislative Manager	Susan Lovering
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OFFICE OF THE CITY CLERK

City Clerk	Paul R. Bergeron
------------	------------------

HUMAN RESOURCES

Human Resources Director	Larry Budreau
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OFFICE OF ECONOMIC DEVELOPMENT

Economic Development Director	Thomas Galligani, Jr.
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INFORMATION TECHNOLOGY

Chief Information Officer/IT Division Director	Bruce Codagnone
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FINANCIAL SERVICES DIVISION

Chief Financial Officer/Comptroller	John L. Griffin
Treasurer/Tax Collector	David G. Fredette
Deputy Treasurer/Deputy Tax Collector	Ruth Raswyck
Accounting/Compliance Manager	Rosemarie Evans
Compensation Manager	Doreen Beaulieu
Purchasing Manager	Daniel Kookan
Risk Manager	Jennifer Deshaies
Chief Assessor/GIS Manager	Angelo Marino

POLICE DEPARTMENT

Chief	Andrew Lavoie
Deputy Chief	Michael Carignan
Deputy Chief	Denis Linehan

FIRE DEPARTMENT

Chief
Assistant Fire Chief

Steven Galipeau
Brian Rhodes

DIVISION OF PUBLIC HEALTH AND COMMUNITY SERVICES

Director
Manager, Community Health
Manager, Environmental Health
Welfare Officer

Kerran Vigroux
Jacqueline Aguilar
Heidi Peek
Robert Mack

PUBLIC WORKS DIVISION

Director
City Engineer
Superintendent, Parks/Recreation
Superintendent, Streets
Superintendent, Solid Waste
Superintendent, Wastewater Treatment

Lisa Fauteux
Stephen Dookran
Nicholas Caggiano
Eric Ryder
Jeffrey Lafleur
David Simmons

COMMUNITY DEVELOPMENT DIVISION

Director
Manager, Planning Department
Manager, Urban Programs
Building Department Manager
Code Enforcement Department Manager
Transportation Department Manager

Sarah Marchant
Roger Houston
Carrie Johnson Schena
William McKinney
Nelson Ortega
Christopher Clow

PUBLIC LIBRARIES

Director
Assistant Director, Library

Jennifer McCormack
Jennifer Hosking

SCHOOL DEPARTMENT

Superintendent
Chief Operating Officer

Mark Conrad
Daniel Donovan

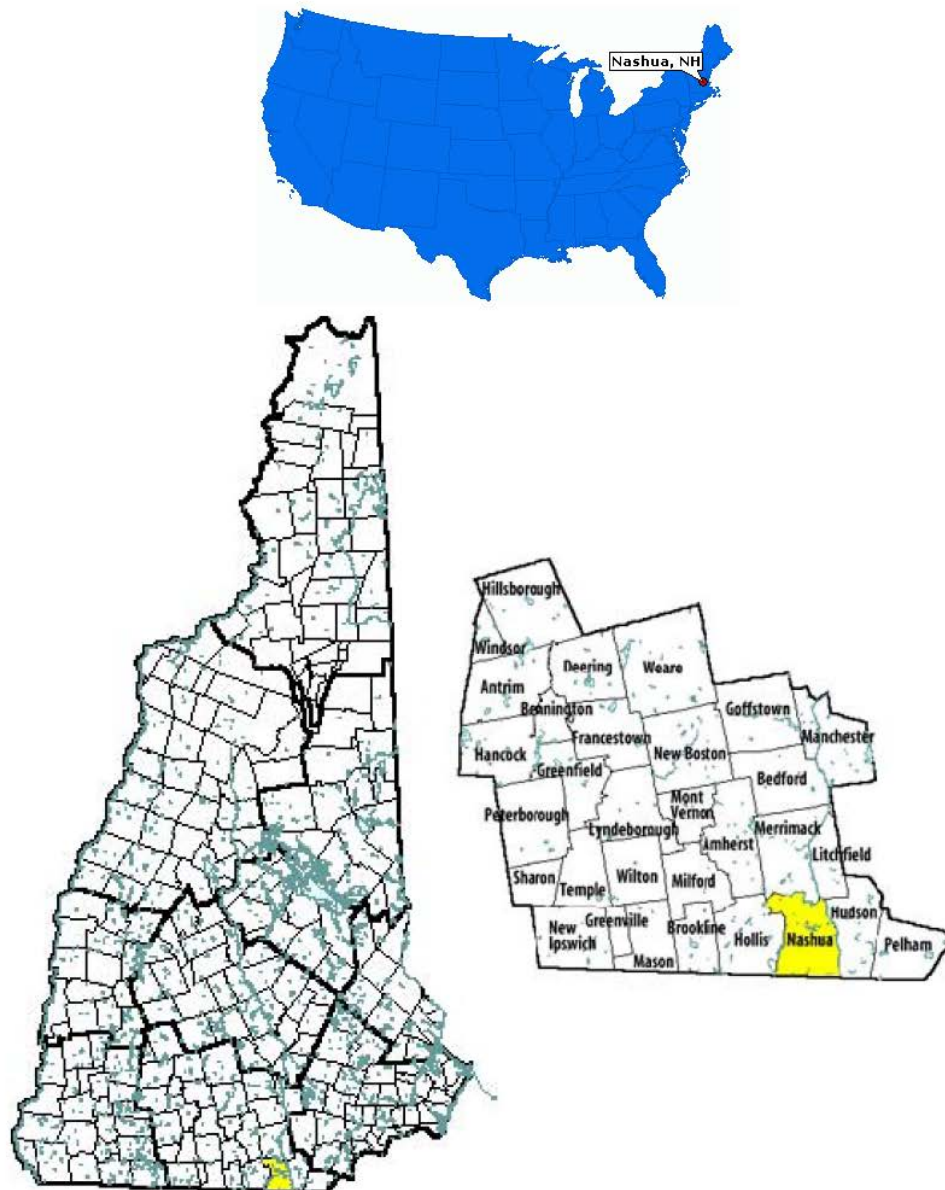
CEMETERIES

Superintendent – Edgewood and Suburban
Superintendent – Woodlawn and Pinewood

Jeffrey Snow
Paul (Len) Fournier, Jr.

City of Nashua, NH

Geographic Location





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Nashua
New Hampshire**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

A handwritten signature in black ink, reading "Jeffrey R. Egan". The signature is fluid and cursive.

Executive Director/CEO

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Board of Aldermen
City of Nashua, New Hampshire

Additional Offices:
Andover, MA
Greenfield, MA
Manchester, NH
Ellsworth, ME

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units (except Nashua Airport Authority), each major fund, and the aggregate remaining fund information of the City of Nashua, New Hampshire, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

The City's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Nashua Airport Authority, which represents 8.1 percent, 52.7 percent, and 1.3 percent, respectively, of the assets, net position and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Nashua Airport Authority is based solely on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial

statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Nashua, New Hampshire, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Schedule of Funding Progress, the Schedule of Proportionate Share of Net Pension Liability, the Schedule of Contributions, the Schedule of Changes in Net Pension Liability, and the Schedules of Net Pension Liability, Contributions, and Investment Returns be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary information appearing on pages 140 through 160 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Introductory and the Statistical Sections are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2015 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 City's internal control over financial reporting and compliance.

Melanson Heath

December 30, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Nashua, we offer readers of the City of Nashua's financial statements this narrative overview and analysis of the financial activities of the City of Nashua for the fiscal year ended June 30, 2015. **All amounts, unless otherwise indicated, are expressed in thousands of dollars.**

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an explanation of the basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. This report also contains supplementary information in addition to the basic financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Nashua's finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all the City of Nashua's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both government-wide financial statements distinguish functions of the City of Nashua that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Nashua include general government, public safety, public works, education, health and human services, culture and recreation, community development and communications. The business-type activities of the City of Nashua include Wastewater and Solid Waste activities.

The government-wide financial statements include not only the City of Nashua itself (known as the primary government), but also legally separate entities for which the primary government is financially accountable (known as component units). Pennichuck Corporation and the Nashua Airport Authority are reported as a discretely presented governmental component units. Financial information for Pennichuck Corporation and the Nashua Airport Authority are reported separately from the financial information presented for the primary government.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Nashua, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Nashua can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Nashua maintains 26 individual governmental fund types. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund. Data from all the other governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Nashua adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds

The City of Nashua maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Nashua uses enterprise funds to account for its Wastewater and Solid Waste operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Nashua's various functions. The City of Nashua uses an internal service fund to account for its self-insured programs. Because this service predominantly benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide sepa-

rate information for the Wastewater and Solid Waste operations, both of which are considered to be major funds of the City of Nashua.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government (i.e., Public Works Pension Funds, Scholarship Funds, etc.). Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Nashua's progress in funding its obligation to provide pension benefits to its employees.

FINANCIAL HIGHLIGHTS

- During the fiscal year, the City implemented the requirements of Governmental Accounting Standard Board (GASB) Statement No. 68 – *Accounting and Financial Reporting for Pensions*. Compliance with GASB68 requires that the City's net pension liability be recorded on the Statement of Net Position, which reduces unrestricted net position, and, in the City's case, creates a negative unrestricted net position. The City's net pension liability as of June 30, 2015 is \$191.8 million, of which, \$184.9 million represents the City's proportionate share of the New Hampshire Retirement System, and \$6.9 million represents the City's full share of the Public Works Employees' Retirement System.
- The assets of the City of Nashua exceeded its liabilities at the close of the most recent fiscal year by \$141,153 (net position). The City's total net position increased by \$22,210 in comparison to the prior year. This change is comprised of increases of \$21,997 and \$213 in Governmental and Business-Type Activities, respectively.
- As of the close of the current fiscal year, the City of Nashua's governmental funds reported combined ending fund balances of \$104,607, an increase of \$5,237 over the prior year. Approximately 25.3% or \$26,425 constitutes unassigned fund balance which is available for spending at the City's discretion. (This increase is discussed in Financial Analysis of the Government's Funds).
- The City issued \$27.2 million of new general obligation debt.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current and prior fiscal year. All amounts are presented in thousands.

NET POSITION AT JUNE 30, 2015 AND 2014

	Governmental Activities		Business-Type Activities		Total	
	2015⁽¹⁾	2014	2015	2014	2015	2014
Current assets	\$ 256,744	\$ 253,961	\$ 25,854	\$ 28,246	282,598	\$ 282,207
Capital assets	284,975	258,448	158,667	153,827	443,642	412,275
Noncurrent assets	140,650	143,930	-	-	140,650	143,930
Deferred outflows of resources	24,274	1,169	575	-	24,849	1,169
Total assets	<u>706,643</u>	<u>657,508</u>	<u>185,096</u>	<u>182,073</u>	\$ 891,739	839,581
Current liabilities	58,108	62,303	20,017	18,815	78,125	81,118
Noncurrent liabilities	487,807	290,334	62,858	58,828	550,665	349,162
Deferred inflows of resources	121,334	93,223	462	-	121,796	93,223
Total liabilities	<u>667,249</u>	<u>445,860</u>	<u>83,337</u>	<u>77,643</u>	<u>750,586</u>	<u>523,503</u>
Net position:						
Invested in capital assets, net	158,393	139,619	94,937	93,304	253,330	232,923
Restricted	35,755	43,985	4,474	4,473	40,229	48,458
Unrestricted	<u>(154,754)</u>	<u>28,044</u>	<u>2,348</u>	<u>6,653</u>	<u>(152,406)</u>	<u>34,697</u>
Total net position	<u>\$ 39,394</u>	<u>\$ 211,648</u>	<u>\$ 101,759</u>	<u>\$ 104,430</u>	<u>\$ 141,153</u>	<u>\$ 316,078</u>

In FY2015, the City implemented the requirements of Governmental Accounting Standards Board (GASB) Statement 68,
⁽¹⁾ *Accounting and Financial Reporting for Pensions*.

As depicted in the table above, the largest portion of the City of Nashua's net position, \$253,330, reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related outstanding debt used to acquire those assets. The City of Nashua uses its capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Nashua's net position, \$40,229, represents resources that are subject to external restrictions on how they may be used (i.e., grants, capital projects, contributions, etc.). The remaining balance of net position (\$152,406) is considered unrestricted and represents the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, while the City's unrestricted net position reflects a negative balance due to the impact of GASB68, the City is able to report a positive net position for the government as a whole, as well as for its separate Wastewater activities. The same situation held true for the prior fiscal year.

The restricted portion of net position \$4,474 reported within the City of Nashua's business-type activities primarily represent the regulatory funds set-aside for the closure of the Nashua Four Hills Lined Landfill.

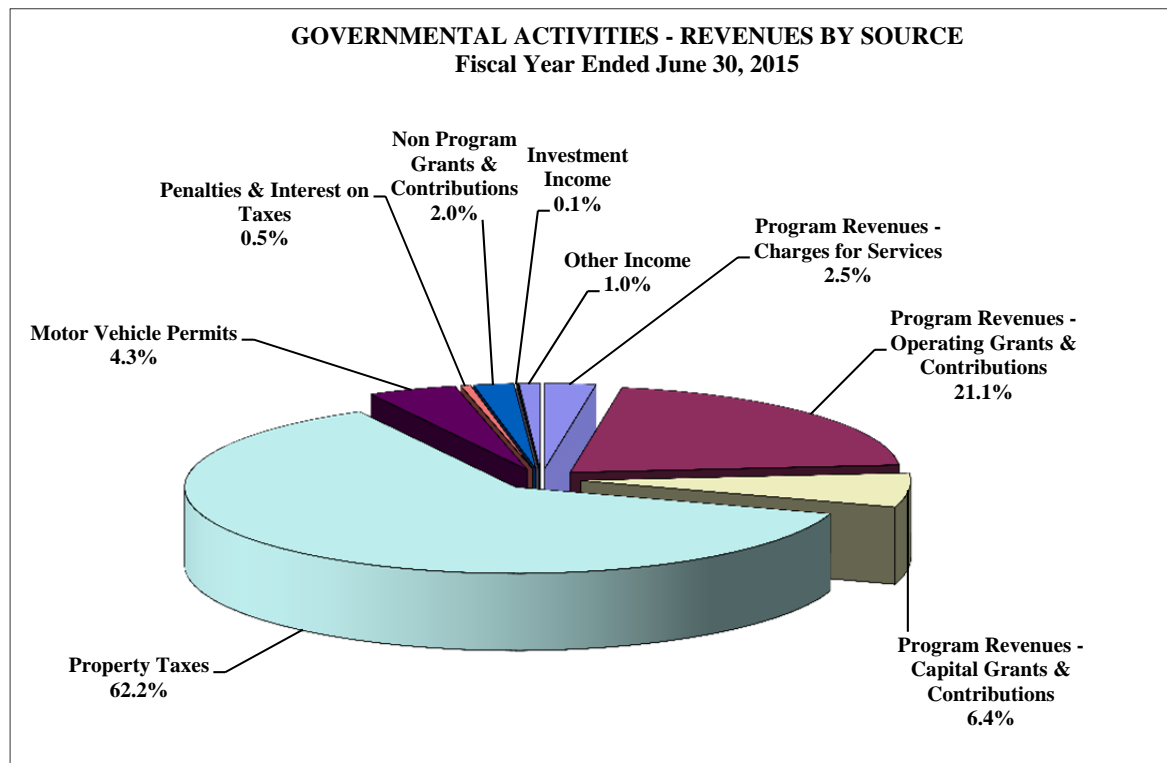
The following table indicates the changes in net position for governmental and business-type activities:

<u>CHANGES IN NET POSITION</u>							
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>		
	<u>2015⁽¹⁾</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>		<u>2014</u>
Revenues:							
Program revenues:							
Charges for services	\$ 7,652	\$ 10,642	\$ 14,605	\$ 13,482	\$ 22,257	\$	24,124
Operating grants and contributions	64,217	63,496	-	-	64,217		63,496
Capital grants and contributions	19,443	15,562	460	526	19,903		16,088
General revenues:							
Property taxes	189,295	183,227	-	-	189,295		183,227
Motor vehicle	13,158	12,352	-	-	13,158		12,352
Investment income	178	1,356	5	15	183		1,371
Penalties and interest on taxes	1,467	1,556	-	-	1,467		1,556
Grants and contributions not restricted to specific programs	5,957	4,891	540	582	6,497		5,473
Other	3,098	2,233	-	-	3,098		2,233
Total revenues	304,465	295,315	15,610	14,605	320,075		309,920
Expenses:							
General government	25,054	24,633	-	-	25,054		24,633
Police	30,449	28,778	-	-	30,449		28,778
Fire	22,657	21,098	-	-	22,657		21,098
Water fire protection services	2,607	2,577	-	-	2,607		2,577
Education	153,500	153,294	-	-	153,500		153,294
Public works	11,816	11,331	-	-	11,816		11,331
Health and human services	3,272	3,235	-	-	3,272		3,235
Culture and recreation	7,123	7,166	-	-	7,123		7,166
Community development	7,581	10,180	-	-	7,581		10,180
Communications	526	630	-	-	526		630
Interest and costs	13,651	13,233	-	-	13,651		13,233
Wastewater services	-	-	12,931	11,548	12,931		11,548
Solid waste services	-	-	6,766	6,024	6,766		6,024
Total expenses	278,236	276,155	19,697	17,572	297,933		293,727
Increase\((decrease) in net position before transfers and permanent fund contributions	26,229	19,160	(4,087)	(2,967)	22,142		16,193
Amortization of investment	-	-	-	-	-		-
Transfers	(4,300)	(4,149)	4,300	4,149	-		-
Permanent fund contributions	68	71	-	-	68		71
Increase in net position	21,997	15,082	213	1,182	22,210		16,264
Net position - beginning of year	17,398	196,566	101,545	103,248	118,943		299,814
Net position - end of year	\$ 39,395	\$ 211,648	\$ 101,758	\$ 104,430	\$ 141,153	\$	316,078
In FY2015, the City implemented the requirements of Governmental Accounting Standards Board (GASB) Statement 68, <i>Accounting and Financial Reporting for Pensions</i> .							

Governmental activities. Governmental activities for the year resulted in an increase in net position of \$ 21,997 or 8.2%. Key elements of this change are as follows:

General fund excess of revenues over expenditures	\$ 970
General fund transfers to Solid Waste fund	(4,355)
Capital assets from current revenue	22,624
Increase in net OPEB obligation	(2,224)
Decrease in net pension liability, net of deferrals	3,911
Decrease in compensated absences	602
Other	469
Total	<u>\$ 21,997</u>

The chart below identifies revenues by source for governmental activities.



As reflected in the above chart, the City's largest sources of revenue are from property taxes (62.2%) and operating grants and contributions (21.1%). The cost of all governmental activities this year was \$278,237. This reflects a \$2.1 million increase over the fiscal year 2014 total of \$276,155. However, as shown in the Statement of Activities on page 35, the amount that our taxpayers ultimately financed for these activities through City property taxes was \$189,295 because some of the cost was paid by those who directly benefited from the programs through charges for services or by other governments and organizations that subsidized certain programs with capital and operating grants and contributions. The City supports the remaining portion of the governmental

activities with other general revenues such as motor vehicle registrations, investment income, unrestricted grants and contributions, and miscellaneous other revenues.

The table below presents the cost of each of the City's programs as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the amount that must be supported by property taxes and other general revenues.

**Governmental Activities
(In Millions)**

	Total Cost of Services		Net Cost of Services	
	2015	2014	2015	2014
General Government	\$ 34,133	\$ 33,571	\$ 24,498	\$ 21,339
Police	30,562	28,915	29,132	27,426
Fire	22,823	21,297	21,499	21,116
Water Fire Protection Services	2,607	2,577	2,607	2,577
Education	156,427	156,439	100,732	100,498
Public Works	12,711	11,665	(3,610)	3,701
Health and Human Services	3,272	3,235	2,043	2,086
Culture and Recreation	7,226	7,281	6,710	6,426
Community Development	7,736	10,369	2,573	584
Communications	740	806	740	702
	<u>\$ 278,237</u>	<u>\$ 276,155</u>	<u>\$ 186,924</u>	<u>\$ 186,455</u>

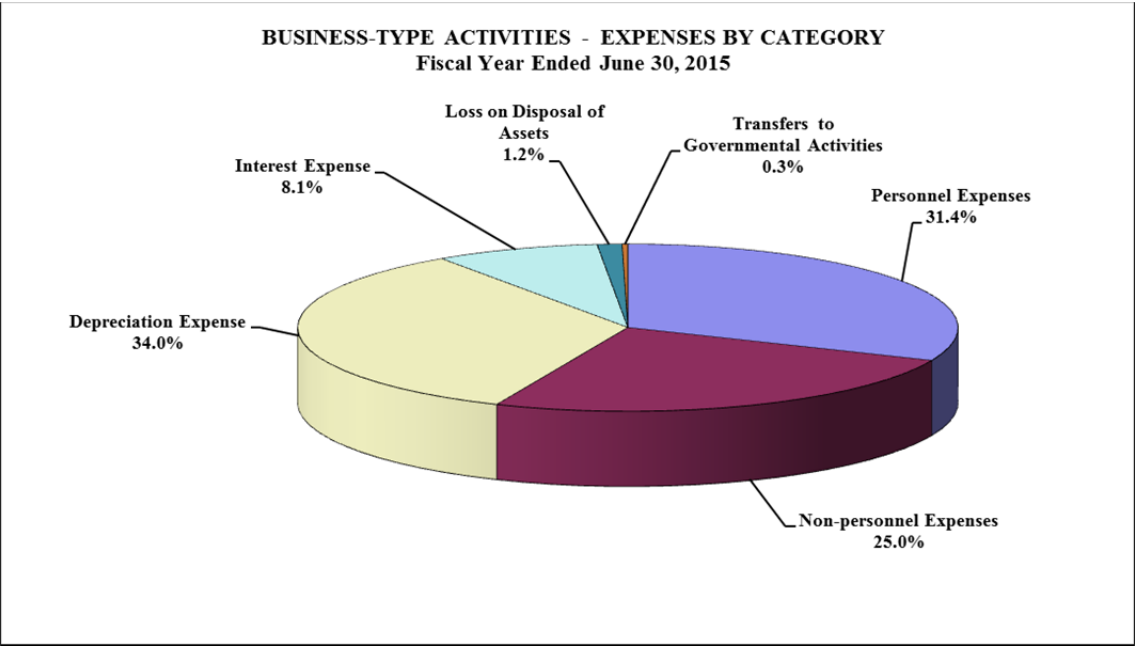
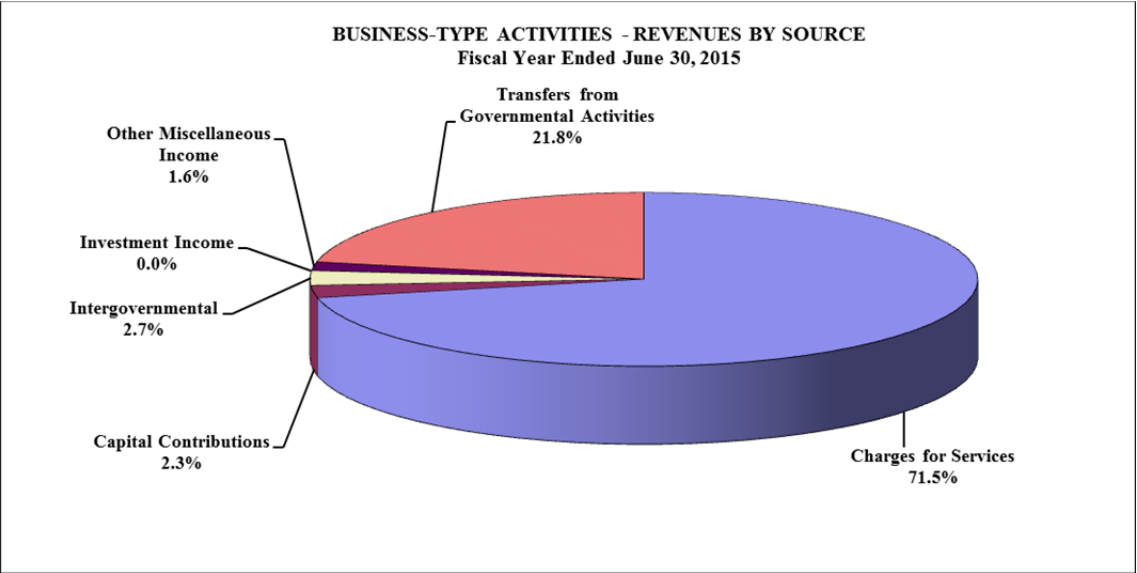
Business-type activities. Overall, business-type activities increased the City's net position by \$213.

Key elements of this change are as follows:

- The Wastewater Fund's total net position decreased by \$386. This decrease is predominantly due to increased operating and interest costs. The City continues to annually update its wastewater rate study model in order to ensure that rates are sufficient to cover the operating and capital costs of the wastewater system. A user fee rate increase of 15% was put into effect in January of 2014 with another increase planned for early calendar year 2016.
- The Solid Waste Disposal Fund increased its total net position by \$599. This increase is largely due to an inter-fund transfer from the General Fund Capital Equipment Reserve Fund for capital equipment purchases. Solid waste operating activities continue to operate at a deficit with the City continuing to supplement the Solid Waste operations through property taxation for the residential costs of collection and disposal. There is currently no separate fee charged to the City's residential population.
- The Solid Waste Disposal Fund negative net position of (\$1,606) is primarily due to the fund's high percentage of non-capital (landfill closure costs) related debt, as well as the GAAP (generally accepted accounting principles) requirement to

record closure and post closure care liability (the amount the City would be required to spend should the landfill cease operations).

The following charts depict revenues and expenses for business type activities:



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental funds. The focus of the City of Nashua's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

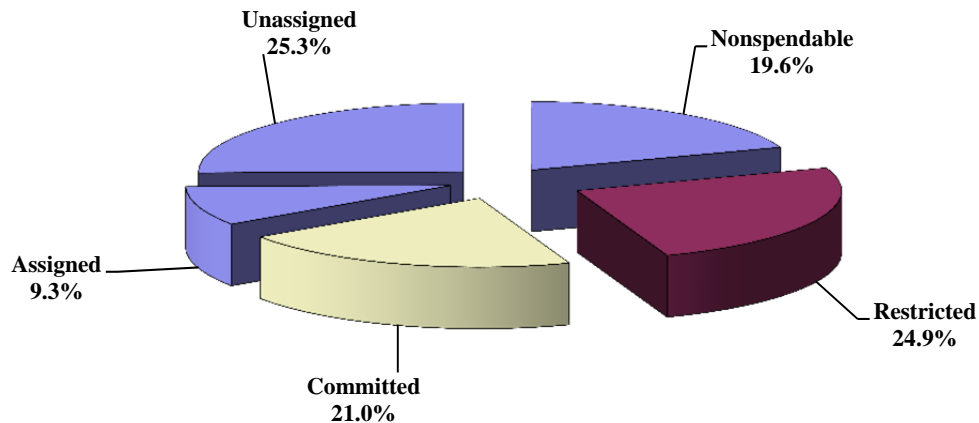
As of the end of the current fiscal year, the City of Nashua's governmental funds reported combined ending fund balances of \$104,607 an increase of \$5,237 over the prior year and can be summarized as follows:

General fund excess of revenues over expenditures	\$	970
General fund transfers to Solid Waste fund		(4,355)
Special Revenue Funds revenues exceeding expenditures		1,689
Capital Project Funds revenues and other financing sources exceeding expenditures (excluding transfers)		7,183
Permanent Fund expenditures exceeding revenues		(289)
Other		39
Total	\$	<u>5,237</u>

\$26,425, approximately 25.3%, of the total combined ending fund balances constitutes unassigned fund balance. The remaining components of fund balance, \$78,182, are not available for new spending and are classified into the following categories:

Nonspendable	\$	20,496
Restricted		26,042
Committed		21,967
Assigned		<u>9,677</u>
Total:	\$	<u>78,182</u>

**GOVERNMENTAL FUNDS
FUND BALANCES
Fiscal Year Ended June 30, 2015**



The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$27,730 compared to \$27,350 last year, while total general fund balance was \$46,651 compared to \$50,917 last year. As a measure of the general fund's change in financial position, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures over time. Unassigned fund balance, represents 11% of total general fund expenditures compared to 11.3% with the prior year, while total fund balance represents 18.5% compared to 21% last year.

Proprietary funds. The City of Nashua's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unlike governmental funds, proprietary funds utilize the accrual basis of accounting. Therefore, no reconciliation is needed between the government-wide financial statements and the proprietary fund financial statements.

Factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

The following reconciles the City's adopted budget with the "original budget" columns of the Budget and Actual Financial Statements on page 40 and the Budget and Actual Detail Schedule on pages 153 - 154.

Total Adopted Budget	\$ 240,757
Plus: Hillsborough County appropriation	10,383
Plus: Appropriation to Solid Waste Fund	3,731
Plus: Supplemental Appropriation for Police Equipment	440
Plus: Supplemental Appropriation to the Jackson Mills Dam ETF	240
Total Original Budget, per Financial Statements/Schedules	<u>\$ 255,551</u>

The difference between the original and final amended budget resulted in an overall increase in appropriations of \$1,115 and is summarized as follows:

Total Original Budget, per budgetary financial statements/schedules	\$ 255,551
Plus: Transfers in from Retirement Trust and Reserve Funds	<u>1,115</u>
Total Final Budget, per Financial Statements/Schedules	<u>\$ 256,666</u>

The combined difference between the final amended budget and actual results reflects an overall surplus of \$4,779.

Actual revenues, transfers and other financing sources on a budgetary basis were \$259,708 which represents a \$3,042 surplus over the final revenue budget. Significant revenue surpluses are summarized as follows:

- \$1,551 in Motor Vehicle Registrations.
- \$ 222 in Intergovernmental Medicaid reimbursements.
- \$ 135 in Building Permits.
- \$ 127 in Cable TV Franchise Fees.
- \$ 165 in Bond Premiums
- \$ 179 in Sale of Property and Equipment.

Actual expenditures, transfers and other financing uses on a budgetary basis were \$254,929 resulting in a \$1,737 surplus below the final expenditure budget. Highlights in expenditure variances include the following:

- \$1,005 in City-wide pension costs.
- \$ 732 across all other Departments primarily due to salary attrition and savings realized through effective budget maintenance.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2015 amounted to \$443,642, net of accumulated depreciation, an increase of \$31,367 over the prior fiscal year. This investment in capital assets includes land, buildings, vehicles, equipment, and infrastructure.

CAPITAL ASSETS AS OF JUNE 30, 2015 AND 2014

(net of accumulated depreciation)

	Governmental Activities		Business-Type Activities		Total	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land and improvements	\$ 29,141	\$ 29,121	\$ 9,969	\$ 10,512	\$ 39,110	\$ 39,633
Buildings and systems	149,685	155,485	40,658	42,065	190,343	197,550
Machinery and equipment	27,947	25,908	23,095	17,289	51,042	43,197
Infrastructure	27,833	23,370	80,454	64,274	108,287	87,644
Construction in progress	50,369	24,564	4,491	19,687	54,860	44,251
Total	\$ <u>284,975</u>	\$ <u>258,448</u>	\$ <u>158,667</u>	\$ <u>153,827</u>	\$ <u>443,642</u>	\$ <u>412,275</u>

Major capital asset additions during the current fiscal year included the following:

Governmental Activities

Broad Street Parkway Construction	\$ 16,986
Broad Street Elementary School Improvements	8,404
Citywide Communication Upgrades	3,347
Loop Traffic Signal Construction	2,307
Manchester Street Bridge Reconstruction	2,252
School Technology-Software & Hardware Upgrades	1,291
Citywide Street Paving Improvements	1,266
Pierce Arrow Fire Truck	1,087
Sunset Heights Elementary School HVAC Improvements	820
Fire-Mobile Training Simulator	499
Dr. Crisp Elementary School Roof Replacement	479
Self-Contained Breathing Apparatus Equipment	398

Business-type Activities

Wastewater Screening and Disinfection Facility Improvements	\$ 3,911
Sewer Infrastructure Improvements	1,399
Wastewater Secondary Clarifier Rehabilitation	982
Landfill Caterpillar Compactor	802
Landfill Caterpillar Dozer	355

Additional information concerning the City of Nashua's capital assets can be found in Note 7 on pages 62 - 63.

Long-term debt. At the end of the current fiscal year, the City of Nashua had total debt outstanding of \$325,692 compared to \$319,678 in the prior year. Of this amount, \$325,692 represents general obligation debt, which is backed by the full faith and credit of the government.

OUTSTANDING DEBT AS OF JUNE 30, 2015 AND 2014

	Governmental Activities		Business-Type Activities		Total	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Bonds and notes	\$ 268,874	\$ 263,666	\$ 56,818	\$ 56,012	\$ 325,692	\$ 319,678
Capital leases	-	-	-	-	-	-
Total	<u>\$ 268,874</u>	<u>\$ 263,666</u>	<u>\$ 56,818</u>	<u>\$ 56,012</u>	<u>\$ 325,692</u>	<u>\$ 319,678</u>

During the fiscal year, the City issued \$27,165 of new debt and retired \$21,151 of outstanding debt through scheduled principal payments. New debt was issued for the following capital improvements:

Governmental Activities:

Broad Street School Improvements	\$ 7,989
Broad Street Parkway Construction	7,278
Radio Communications Upgrade	5,196
Fire Aerial Tower Truck	976
Enterprise Resource Planning (ERP) System	450

Business Type Activities:

Harbor Avenue Sewer Separation Project	\$ 4,600
Landfill Compactor	676

State statutes limit the amount of general obligation debt a governmental entity may issue to 3% of its total assessed valuation for the City or 7% of its total assessed valuation for the School. The City of Nashua has imposed more restrictive limits for City and School respectively of 2% for and 6% of total assessed valuation. The current debt limitation for the City and School combined is \$694,042, which is significantly in excess of the current outstanding general obligation debt of \$268,874. Additionally, principal outstanding on qualified school debt receives a 30% state building aid reimbursement. Wastewater and Solid Waste debt of \$56,818 is not subject to these limitations.

During FY2015, the City's credit rating was reaffirmed at AAA by Fitch Ratings and AA+ by Standard & Poor's Rating Services in connection with the \$22.6 million issuance of general obligation bonds for capital equipment and improvements.

Additional information on the City of Nashua's long-term debt can be found in Note 11 on pages 65 - 71.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City continues to see signs of local revenue growth, specifically in motor vehicle registration fees and building permit fees. As the national, state, and local economies continue to strengthen, Nashua has experienced increased development activity throughout the City's commercial and residential zones. Likewise, the City continues to invest in capital equipment replacement, capital improvements for buildings and city-related infra-

structure, traffic mitigation, and other initiatives that promote economic growth and vibrancy. As noted by Fitch Ratings, the City has strong financial management, a diverse and expanding economic base, above-average socioeconomic factors, and a manageable debt burden.

Similar to many communities throughout the United States, Nashua continues to face significant cost pressures with regards to state pension costs and healthcare costs. In fiscal year 2016, employer pension rates increased as a result of the most recent actuarial valuation. The City has proactively set aside funds that can be used to smooth any future increases in employer rates. Additionally, during the past several years, the City has effectively implemented different strategies in an effort to mitigate rising health care costs. The City raised the employee contribution from 10% to 20% of the monthly premium, and introduced plan design changes to include higher co-payments and deductibles.

All of these factors were considered in preparing the City of Nashua's budget for fiscal year 2016.

The City adopted a fiscal year 2016 General Fund operating budget of \$259,736 (inclusive of the transfer to solid waste and Hillsborough County appropriation), compared to an adopted budget of \$255,551 for fiscal year 2015. The budget reflects an overall increase of 1.7% over the prior year and did not require any service level reductions.

\$5.1 million of assigned fund balance is planned to be used as a funding source towards the fiscal year 2016 tax rate.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Nashua's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Financial Reporting
City of Nashua
229 Main Street
Nashua, New Hampshire 03061

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CITY OF NASHUA, NEW HAMPSHIRE

STATEMENT OF NET POSITION

JUNE 30, 2015

(Except for Pennichuck Corporation Component Unit, which is as of December 31, 2014)

	Primary Government			
	Governmental Activities	Business- Type Activities	Government Wide Total	Component Units
ASSETS				
Current:				
Cash and short-term investments	\$ 160,134,167	\$ 23,250,138	\$ 183,384,305	\$ 3,057,784
Investments	65,013,737	-	65,013,737	67,914
Restricted cash and investments	-	-	-	45,836,000
Receivables, net of allowance for uncollectibles:				
Property taxes	18,457,771	-	18,457,771	-
User fees	-	3,452,149	3,452,149	4,647,218
Departmental and other	301,408	-	301,408	-
Intergovernmental	9,609,293	700,551	10,309,844	509,452
Loans	625,073	-	625,073	-
Internal balances	1,548,427	(1,548,427)	-	-
Due from external parties - fiduciary funds	336,292	-	336,292	-
Other assets	717,508	-	717,508	2,390,000
Total current assets	256,743,676	25,854,411	282,598,087	56,508,368
Noncurrent:				
Capital assets being depreciated, net of accumulated depreciation	205,464,673	153,944,338	359,409,011	196,121,058
Capital assets not being depreciated	79,510,262	4,722,737	84,232,999	4,637,632
Acquisition premium	-	-	-	78,885,000
Equity interest in Pennichuck	140,650,000	-	140,650,000	-
Other assets	-	-	-	13,446,000
Total non-current assets	425,624,935	158,667,075	584,292,010	293,089,690
DEFERRED OUTFLOWS OF RESOURCES	24,274,232	574,448	24,848,680	2,368,394
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	706,642,843	185,095,934	891,738,777	351,966,452
LIABILITIES				
Current:				
Accounts payable	17,620,636	104	17,620,740	2,338,069
Retainage payable	1,228,943	-	1,228,943	221,000
Accrued liabilities	19,204,294	1,208,008	20,412,302	682,000
Notes payable	-	13,913,542	13,913,542	-
Other	980,029	-	980,029	-
Current portion of long-term liabilities:				
Bonds and notes payable	14,040,107	4,838,165	18,878,272	26,275,000
Acquisition bonds payable	3,320,000	-	3,320,000	-
Compensated absences	1,713,587	57,569	1,771,156	-
Total current liabilities	58,107,596	20,017,388	78,124,984	29,516,069
Noncurrent:				
Bonds and notes payable	121,904,771	53,385,975	175,290,746	200,363,000
Acquisition bonds payable	137,330,000	-	137,330,000	-
Compensated absences	17,326,270	582,084	17,908,354	13,200
Net OPEB obligation	22,458,215	524,125	22,982,340	2,016,000
Net pension liability - State of NH	184,879,108	-	184,879,108	269,731
Net pension liability - Board of Public Works	3,908,531	2,972,686	6,881,217	-
Other	-	5,392,950	5,392,950	46,678,000
Total non-current liabilities	487,806,895	62,857,820	550,664,715	249,339,931
DEFERRED INFLOWS OF RESOURCES	121,333,636	462,169	121,795,805	21,159,381
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	667,248,127	83,337,377	750,585,504	300,015,381
NET POSITION				
Net investment of capital assets	158,392,742	94,936,719	253,329,461	28,612,690
Restricted for:				
Pennichuck corporation	-	-	-	23,369,000
Grants and other statutory restrictions	6,982,277	-	6,982,277	-
Capital projects	7,233,862	4,473,789	11,707,651	-
Permanent funds:				
Expendable	1,235,658	-	1,235,658	-
Nonexpendable	20,304,609	-	20,304,609	-
Unrestricted	(154,754,432)	2,348,049	(152,406,383)	(30,619)
TOTAL NET POSITION	\$ 39,394,716	\$ 101,758,557	\$ 141,153,273	\$ 51,951,071

The accompanying notes are an integral part of these financial statements.

CITY OF NASHUA, NEW HAMPSHIRE

STATEMENT OF ACTIVITIES

FOR FISCAL YEAR ENDED JUNE 30, 2015

(Except for Pennichuck Corporation Component Unit, which is as of December 31, 2014)

	Expenses	Indirect Cost Allocation	Program Revenues			Net (Expenses) Revenue
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government						
Governmental Activities:						
General government	\$ 25,054,260	\$ 9,078,835	\$ 685,849	\$ 8,949,241	\$ -	\$ (24,498,005)
Police	30,448,888	111,849	1,026,770	401,854	-	(29,132,113)
Fire	22,657,301	166,098	105,110	1,219,531	-	(21,498,758)
Water fire protection services	2,607,342	-	-	-	-	(2,607,342)
Education	153,499,901	2,926,716	3,180,186	52,514,324	-	(100,732,107)
Public works	11,816,177	895,363	480,655	36,111	15,805,146	3,610,372
Health and human services	3,271,988	-	161,729	1,066,868	-	(2,043,391)
Culture and recreation	7,123,288	102,477	486,871	29,204	-	(6,709,690)
Community development	7,580,687	155,221	1,525,076	-	3,638,052	(2,572,780)
Communications	526,204	214,124	-	-	-	(740,328)
Interest and costs	13,650,683	(13,650,683)	-	-	-	-
Total Governmental Activities	278,236,719	-	7,652,246	64,217,133	19,443,198	(186,924,142)
Business-Type Activities:						
Wastewater services	12,931,195	-	11,804,073	-	460,422	(666,700)
Solid waste services	6,766,342	-	2,800,729	-	-	(3,965,613)
Total Business-Type Activities	19,697,537	-	14,604,802	-	460,422	(4,632,313)
Total primary government	\$ 297,934,256	\$ -	\$ 22,257,048	\$ 64,217,133	\$ 19,903,620	\$ (191,556,455)
Component units:						
Pennichuck Corporation	\$ 40,039,000	\$ -	\$ 38,815,000	\$ -	\$ -	\$ (1,224,000)
Nashua Airport Authority	1,964,170	-	524,673	-	1,056,339	(383,158)
Total component units	\$ 42,003,170	\$ -	\$ 39,339,673	\$ -	\$ 1,056,339	\$ (1,607,158)

The accompanying notes are an integral part of these financial statements.

(continued)

CITY OF NASHUA, NEW HAMPSHIRE

STATEMENT OF ACTIVITIES

FOR FISCAL YEAR ENDED JUNE 30, 2015

(Except for Pennichuck Corporation Component Unit, which is as of December 31, 2014)

(continued)

	Governmental Activities	Business- Type Activities	Total	Component Units
Change in Net Position:				
Net (Expenses) Revenue from previous page	\$ (186,924,142)	\$ (4,632,313)	\$ (191,556,455)	\$ (1,607,158)
General Revenues, permanent fund contributions and transfers:				
Property taxes	189,294,796	-	189,294,796	-
Auto permits	13,157,966	-	13,157,966	-
Penalties, interest and other taxes	1,466,734	-	1,466,734	-
Grants and contributions not restricted to specific programs	5,957,113	540,023	6,497,136	-
Investment income	177,712	5,349	183,061	1,861
Miscellaneous	3,098,340	-	3,098,340	-
Permanent fund contributions	68,585	-	68,585	-
Transfers in (out)	(4,300,133)	4,300,133	-	-
Other Pennichuck adjustments	-	-	-	(946,000)
Total general revenues, contributions and transfers	<u>208,921,113</u>	<u>4,845,505</u>	<u>213,766,618</u>	<u>(944,139)</u>
Change in Net Position	21,996,971	213,192	22,210,163	(2,551,297)
Net Position:				
Beginning of year, as restated	<u>17,397,745</u>	<u>101,545,365</u>	<u>118,943,110</u>	<u>54,502,368</u>
End of year	<u>\$ 39,394,716</u>	<u>\$ 101,758,557</u>	<u>\$ 141,153,273</u>	<u>\$ 51,951,071</u>

CITY OF NASHUA, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2015

	<u>General</u>	<u>Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and short-term investments	\$ 157,194,811	\$ -	\$ 2,939,356	\$ 160,134,167
Investments	42,069,816	-	22,943,921	65,013,737
Receivables, net of allowance for uncollectibles:				
Property taxes	18,457,771	-	-	18,457,771
Departmental and other	132,368	-	169,040	301,408
Intergovernmental	3,500	-	9,605,793	9,609,293
Loans	-	-	625,073	625,073
Due from other funds	<u>20,762,034</u>	<u>4,312,424</u>	<u>21,749,114</u>	<u>46,823,572</u>
TOTAL ASSETS	<u>\$ 238,620,300</u>	<u>\$ 4,312,424</u>	<u>\$ 58,032,297</u>	<u>\$ 300,965,021</u>
LIABILITIES				
Accounts payable	\$ 17,620,636	\$ -	\$ 990	\$ 17,621,626
Accrued liabilities	7,863,284	-	413,893	8,277,177
Due to other funds	66,949,240	-	3,701,624	70,650,864
Other liabilities	<u>229,854</u>	<u>-</u>	<u>-</u>	<u>229,854</u>
TOTAL LIABILITIES	92,663,014	-	4,116,507	96,779,521
DEFERRED INFLOWS OF RESOURCES	99,306,735	-	271,579	99,578,314
FUND BALANCES				
Nonspendable	191,877	-	20,304,610	20,496,487
Restricted	-	4,312,424	21,729,261	26,041,685
Committed	9,051,500	-	12,915,004	21,966,504
Assigned	9,677,264	-	-	9,677,264
Unassigned	<u>27,729,910</u>	<u>-</u>	<u>(1,304,664)</u>	<u>26,425,246</u>
TOTAL FUND BALANCES	<u>46,650,551</u>	<u>4,312,424</u>	<u>53,644,211</u>	<u>104,607,186</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 238,620,300</u>	<u>\$ 4,312,424</u>	<u>\$ 58,032,297</u>	<u>\$ 300,965,021</u>

The accompanying notes are an integral part of these financial statements.

CITY OF NASHUA, NEW HAMPSHIRE

RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET ASSETS OF GOVERNMENTAL
ACTIVITIES IN THE STATEMENT OF NET POSITION

JUNE 30, 2015

Total governmental fund balances	\$ 104,607,186
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	284,974,935
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	3,373,755
• To record investment in Pennichuck Waterworks.	140,650,000
• Deferred outflows of resources related to losses on prior year bond refundings.	1,011,914
• Deferred outflows of resources related to pensions resulting from:	
Differences between expected and actual experience	41,440
Net difference between projected and actual investment earnings	713,852
Changes in proportion and differences between contributions and proportionate share of contributions	3,074,353
Contributions subsequent to the measurement date	19,432,673
• Deferred inflows of resources related to gains on current year bond refundings.	(315,000)
• Deferred inflows of resources related to pensions resulting from:	
Net difference between projected and actual investment earnings	(23,655,436)
Changes in assumptions	(607,667)
Changes in proportion and differences between contributions and proportionate share of contributions	(550,974)
• Internal service funds are used by management to account for health insurance and workers' compensation activities. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position.	17,638,072
• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(4,113,798)
• Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Bonds payable	(135,944,878)
Acquisition bonds payable	(140,650,000)
Compensated absences	(19,039,857)
Net OPEB obligation	(22,458,215)
Net pension liability - State of NH	(184,879,108)
Net pension liability - Board of Public Works	(3,908,531)
Net position of governmental activities	<u><u>\$ 39,394,716</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF NASHUA, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR FISCAL YEAR ENDED JUNE 30, 2015

	<u>General</u>	<u>Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property taxes	\$ 189,042,677	\$ -	\$ 327,334	\$ 189,370,011
Auto permits	12,457,966	-	700,000	13,157,966
Penalties, interest and other taxes	1,100,240	-	366,494	1,466,734
Charges for services	1,087,212	-	4,784,906	5,872,118
Intergovernmental	45,176,606	-	33,519,082	78,695,688
Licenses and permits	1,380,174	-	-	1,380,174
Interest earnings	472,974	-	(218,290)	254,684
Miscellaneous	2,373,632	-	996,973	3,370,605
Contributions	-	8,763,122	708,629	9,471,751
Total Revenues	253,091,481	8,763,122	41,185,128	303,039,731
Expenditures:				
Current:				
General government	13,435,903	-	889,955	14,325,858
Police	29,200,580	-	1,805,788	31,006,368
Fire	21,920,727	-	2,486,022	24,406,749
Water fire protection services	2,607,342	-	-	2,607,342
Education	133,194,372	-	22,198,898	155,393,270
Public works	12,210,895	-	19,792,010	32,002,905
Health and human services	2,192,487	-	1,108,127	3,300,614
Culture and recreation	6,596,462	-	368,807	6,965,269
Community development	2,116,217	-	4,860,347	6,976,564
Communications	299,615	-	3,381,160	3,680,775
Debt service				
Principal	13,025,778	3,280,000	60,000	16,365,778
Interest and issuance cost	4,938,213	5,483,122	28,854	10,450,189
Intergovernmental	10,383,051	-	-	10,383,051
Total Expenditures	252,121,642	8,763,122	56,979,968	317,864,732
Excess (deficiency) of revenues over expenditures	969,839	-	(15,794,840)	(14,825,001)
Other Financing Sources (Uses):				
Issuance of bonds	-	-	21,888,749	21,888,749
Issuance of refunding bonds	4,760,000	-	-	4,760,000
Bond premiums	-	-	2,488,519	2,488,519
Bond premiums on refunding bonds	610,993	-	-	610,993
Payment to refunded escrow agent	(5,386,403)	-	-	(5,386,403)
Transfers in	655,147	-	1,601,408	2,256,555
Transfers out	(5,876,209)	-	(680,479)	(6,556,688)
Total Other Financing Sources (Uses)	(5,236,472)	-	25,298,197	20,061,725
Change in fund balance	(4,266,633)	-	9,503,357	5,236,724
Fund Balance, July 1, 2014	50,917,184	4,312,424	44,140,854	99,370,462
Fund Balance, June 30, 2015	\$ 46,650,551	\$ 4,312,424	\$ 53,644,211	\$ 104,607,186

The accompanying notes are an integral part of these financial statements.

CITY OF NASHUA, NEW HAMPSHIRE

RECONCILIATION OF THE STATEMENT OF REVENUES
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

Net changes in fund balances - Total governmental funds	\$ 5,236,724																										
<ul style="list-style-type: none"> Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table> <tr> <td>Capital outlay purchases, net of disposals</td><td>40,073,184</td></tr> <tr> <td>Depreciation</td><td>(13,294,477)</td></tr> <tr> <td>Loss on disposal of capital assets</td><td>(252,330)</td></tr> </table> Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue. (255,821) The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <table> <tr> <td>Issuance of general obligation bonds</td><td>(21,888,749)</td></tr> <tr> <td>Issuance of refunding bonds</td><td>(4,760,000)</td></tr> <tr> <td>Repayments of debt</td><td>16,365,781</td></tr> <tr> <td>Refunded debt</td><td>5,075,000</td></tr> <tr> <td>Bond premiums</td><td>(2,307,771)</td></tr> <tr> <td>Gain on refunding bonds</td><td>(315,000)</td></tr> </table> To record amortization of Equity Interest in Pennichuck. (3,280,000) In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. 71,498 Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds: <table> <tr> <td>Decrease in compensated absences liability</td><td>601,643</td></tr> <tr> <td>Increase in net OPEB obligation</td><td>(2,223,575)</td></tr> <tr> <td>Decrease in net pension liability, and related deferred inflows and outflows</td><td>3,910,915</td></tr> <tr> <td>Other</td><td>(157,333)</td></tr> </table> Internal service funds are used by management to account for health insurance and workers' compensation activities. The net activity of internal service funds is reported with Governmental Activities. (602,718) 	Capital outlay purchases, net of disposals	40,073,184	Depreciation	(13,294,477)	Loss on disposal of capital assets	(252,330)	Issuance of general obligation bonds	(21,888,749)	Issuance of refunding bonds	(4,760,000)	Repayments of debt	16,365,781	Refunded debt	5,075,000	Bond premiums	(2,307,771)	Gain on refunding bonds	(315,000)	Decrease in compensated absences liability	601,643	Increase in net OPEB obligation	(2,223,575)	Decrease in net pension liability, and related deferred inflows and outflows	3,910,915	Other	(157,333)	
Capital outlay purchases, net of disposals	40,073,184																										
Depreciation	(13,294,477)																										
Loss on disposal of capital assets	(252,330)																										
Issuance of general obligation bonds	(21,888,749)																										
Issuance of refunding bonds	(4,760,000)																										
Repayments of debt	16,365,781																										
Refunded debt	5,075,000																										
Bond premiums	(2,307,771)																										
Gain on refunding bonds	(315,000)																										
Decrease in compensated absences liability	601,643																										
Increase in net OPEB obligation	(2,223,575)																										
Decrease in net pension liability, and related deferred inflows and outflows	3,910,915																										
Other	(157,333)																										
Change in net position of governmental activities	\$ 21,996,971																										

The accompanying notes are an integral part of these financial statements.

CITY OF NASHUA, NEW HAMPSHIRE

GENERAL FUND

STATEMENT OF REVENUES AND OTHER SOURCES, AND EXPENDITURES AND OTHER USES -
BUDGET AND ACTUAL

FISCAL YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	
Revenues and Other Sources:				
Taxes	\$ 188,644,284	\$ 188,644,284	\$ 188,644,284	\$ -
Auto permits	10,907,000	10,907,000	12,457,967	1,550,967
Penalties, interest and other taxes	1,058,000	1,058,000	1,100,240	42,240
Charges for services	1,017,034	1,017,034	1,235,108	218,074
Intergovernmental	44,880,559	44,880,559	45,119,462	238,903
Licenses and permits	1,162,050	1,162,050	1,382,224	220,174
Interest earnings	400,000	400,000	446,507	46,507
Miscellaneous	1,522,498	1,522,498	2,098,495	575,997
Transfers in	619,587	1,734,911	1,718,362	(16,549)
Other sources	<u>5,340,000</u>	<u>5,340,000</u>	<u>5,505,585</u>	<u>165,585</u>
Total Revenues and Other Sources	255,551,012	256,666,336	259,708,234	3,041,898
Expenditures and Other Uses:				
General government	14,471,080	15,485,036	14,180,161	1,304,875
Police	27,752,915	28,497,744	28,328,074	169,670
Fire	21,336,559	21,573,001	21,564,983	8,018
Water fire protection services	2,634,760	2,634,760	2,632,342	2,418
Education	133,799,926	132,765,375	132,730,608	34,767
Public works	9,108,980	9,318,861	9,305,305	13,556
Health and human services	2,441,011	2,422,709	2,336,760	85,949
Culture and recreation	6,157,594	6,153,085	6,081,581	71,504
Community development	2,464,864	2,433,135	2,414,031	19,104
Communications	334,153	333,460	309,587	23,873
Debt service	18,072,688	18,072,688	18,068,991	3,697
Intergovernmental	10,383,051	10,383,051	10,383,051	-
Transfers out	<u>6,593,431</u>	<u>6,593,431</u>	<u>6,593,431</u>	<u>-</u>
Total Expenditures and Other Uses	<u>255,551,012</u>	<u>256,666,336</u>	<u>254,928,905</u>	<u>1,737,431</u>
Excess of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>4,779,329</u>	\$ <u>4,779,329</u>

The accompanying notes are an integral part of these financial statements.

CITY OF NASHUA, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2015

	Business-Type Activities Enterprise Funds			Governmental Activities
	Waste Water Fund	Solid Waste Fund	Total	Internal Service Funds
<u>ASSETS</u>				
Current:				
Cash and short-term investments	\$ 18,669,156	\$ 4,580,982	\$ 23,250,138	\$ -
User fees, net of allowance for uncollectibles	3,179,698	272,451	3,452,149	-
Intergovernmental receivable	700,551	-	700,551	-
Due from other funds	-	85,402	85,402	25,712,011
Other assets	-	-	-	717,508
Total current assets	22,549,405	4,938,835	27,488,240	26,429,519
Noncurrent:				
Capital assets being depreciated, net	139,209,539	14,734,799	153,944,338	-
Capital assets not being depreciated	4,491,032	231,705	4,722,737	-
Total noncurrent assets	143,700,571	14,966,504	158,667,075	-
DEFERRED OUTFLOWS OF RESOURCES	323,127	251,321	574,448	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	166,573,103	20,156,660	186,729,763	26,429,519
<u>LIABILITIES</u>				
Current:				
Accounts payable	-	104	104	-
Due to other funds	1,633,829	-	1,633,829	-
Accrued liabilities	949,502	258,506	1,208,008	8,041,272
Notes payable	13,913,542	-	13,913,542	-
Other liabilities	-	-	-	750,175
Current portion of long-term liabilities:				
Bonds and notes payable	3,022,541	1,815,624	4,838,165	-
Compensated absences	28,843	28,726	57,569	-
Total current liabilities	19,548,257	2,102,960	21,651,217	8,791,447
Noncurrent:				
Bonds and notes payable	41,167,518	12,218,457	53,385,975	-
Compensated absences	291,637	290,447	582,084	-
Net OPEB obligations	268,515	255,610	524,125	-
Net pension liability - Board of Public Works	1,672,136	1,300,550	2,972,686	-
Landfill closure and post closure	-	5,392,950	5,392,950	-
Total noncurrent liabilities	43,399,806	19,458,014	62,857,820	-
DEFERRED INFLOWS OF RESOURCES	259,970	202,199	462,169	-
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	63,208,033	21,763,173	84,971,206	8,791,447
<u>NET POSITION</u>				
Net investment in capital assets	88,956,896	5,979,823	94,936,719	-
Restricted for capital projects	-	4,473,789	4,473,789	-
Unrestricted	14,408,174	(12,060,125)	2,348,049	17,638,072
TOTAL NET POSITION	\$ 103,365,070	\$ (1,606,513)	\$ 101,758,557	\$ 17,638,072

The accompanying notes are an integral part of these financial statements.

CITY OF NASHUA, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

FOR FISCAL YEAR ENDED JUNE 30, 2015

	Business-Type Activities Enterprise Funds			Governmental Activities
	Waste Water Fund	Solid Waste Fund	Total	Internal Service Fund
Operating Revenues:				
Charges for services	\$ 11,727,364	\$ 2,557,071	\$ 14,284,435	\$ -
Employer contributions	-	-	-	28,573,972
Employee and retiree contributions	-	-	-	10,884,670
Other	76,709	243,658	320,367	1,743,873
Total Operating Revenues	11,804,073	2,800,729	14,604,802	41,202,515
Operating Expenses:				
Personnel expenses	3,531,514	2,680,642	6,212,156	-
Non-personnel expenses	3,170,060	1,774,267	4,944,327	41,811,273
Depreciation	4,993,740	1,714,096	6,707,836	-
Total Operating Expenses	11,695,314	6,169,005	17,864,319	41,811,273
Operating Income (Loss)	108,759	(3,368,276)	(3,259,517)	(608,758)
Nonoperating Revenues (Expenses):				
Intergovernmental	331,785	208,238	540,023	-
Investment income	4,134	1,215	5,349	6,040
Loss on disposal of capital assets	-	(239,703)	(239,703)	-
Interest expense	(1,235,881)	(357,634)	(1,593,515)	-
Total Nonoperating Revenues (Expenses), Net	(899,962)	(387,884)	(1,287,846)	6,040
Income (Loss) Before Transfers and Contributions	(791,203)	(3,756,160)	(4,547,363)	(602,718)
Capital contributions	460,422	-	460,422	-
Transfers in	-	4,355,133	4,355,133	-
Transfers out	(55,000)	-	(55,000)	-
Change in Net Position	(385,781)	598,973	213,192	(602,718)
Net Position at Beginning of Year	103,750,851	(2,205,486)	101,545,365	18,240,790
Net Position at End of Year	\$ 103,365,070	\$ (1,606,513)	\$ 101,758,557	\$ 17,638,072

The accompanying notes are an integral part of these financial statements.

CITY OF NASHUA, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR FISCAL YEAR ENDED JUNE 30, 2015

	Business-Type Activities Enterprise Funds			Governmental Activities Internal Service Fund
	Waste Water Fund	Solid Waste Fund	Total	
<u>Cash Flows From Operating Activities:</u>				
Receipts from customers and users	\$ 11,636,706	\$ 2,656,165	\$ 14,292,871	\$ 12,628,543
Receipts from interfund services provided	-	-	-	28,573,972
Payments to vendors	(3,524,217)	(1,277,053)	(4,801,270)	(42,711,722)
Payments to employees	(3,136,419)	(2,674,788)	(5,811,207)	-
Net Cash Provided By (Used for) Operating Activities	4,976,070	(1,295,676)	3,680,394	(1,509,207)
<u>Cash Flows From Noncapital Financing Activities:</u>				
Proceeds from interfund loan agreements	-	54,948	54,948	-
Payments under interfund loan agreements	(1,561,259)	-	(1,561,259)	1,503,167
Transfers	(55,000)	4,355,133	4,300,133	-
Intergovernmental subsidy	331,785	208,238	540,023	-
Net Cash Provided By (Used for) Noncapital Financing Activities	(1,284,474)	4,618,319	3,333,845	1,503,167
<u>Cash Flows From Capital and Related Financing Activities:</u>				
Acquisition and construction of capital assets	(9,815,887)	(1,971,964)	(11,787,851)	-
Contributions	245,411	-	245,411	-
Proceeds from bonds and notes	17,796,388	747,000	18,543,388	-
Principal payments on bonds and leases	(7,313,220)	(1,757,215)	(9,070,435)	-
Interest expense	(976,675)	(387,759)	(1,364,434)	-
Net Cash Provided By (Used For) Capital and Related Financing Activities	(63,983)	(3,369,938)	(3,433,921)	-
<u>Cash Flows From Investing Activities:</u>				
Investment income	4,134	1,215	5,349	6,040
Net Change in Cash and Short-Term Investments	3,631,747	(46,080)	3,585,667	-
Cash and Short-Term Investments, Beginning of Year	15,037,409	4,627,062	19,664,471	-
Cash and Short-Term Investments, End of Year	\$ 18,669,156	\$ 4,580,982	\$ 23,250,138	\$ -
<u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u>				
Operating income (loss)	\$ 108,759	\$ (3,368,276)	\$ (3,259,517)	\$ (608,758)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	4,993,740	1,714,096	6,707,836	-
Changes in assets and liabilities:				
User fees	(170,934)	(140,264)	(311,198)	-
Deferred outflows of resources	(323,127)	(251,321)	(574,448)	-
Other assets	-	-	-	3,174
Accounts payable	-	(1,345)	(1,345)	-
Accrued liabilities	21,384	7,822	29,206	(922,600)
Net OPEB obligation	36,847	30,578	67,425	-
Net pension liability	49,431	38,446	87,877	-
Landfill closure and postclosure	-	472,389	472,389	-
Other liabilities	-	-	-	18,977
Deferred inflows of resources	259,970	202,199	462,169	-
Net Cash Provided By (Used for) Operating Activities	\$ 4,976,070	\$ (1,295,676)	\$ 3,680,394	\$ (1,509,207)

The accompanying notes are an integral part of these financial statements.

CITY OF NASHUA, NEW HAMPSHIRE

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2015

	Pension Trust	Private Purpose Trust Funds	Agency Funds
<u>ASSETS</u>			
Cash and short-term investments	\$ 426,621	\$ 245,945	\$ 260,290
Investments			
Fixed income securities	7,536,599	1,802,246	-
Equities	23,333,267	3,179,129	-
Mutual funds	<u>6,465,030</u>	<u>370,307</u>	<u>-</u>
Total Investments	<u>37,334,896</u>	<u>5,351,682</u>	<u>-</u>
Total Assets	<u>\$ 37,761,517</u>	<u>\$ 5,597,627</u>	<u>\$ 260,290</u>
<u>LIABILITIES</u>			
Accrued liabilities	\$ 44,734	\$ -	\$ -
Other liabilities	-	-	259,990
Due to external parties - governmental funds	<u>204,640</u>	<u>131,352</u>	<u>300</u>
Total Liabilities	249,374	131,352	260,290
<u>NET POSITION</u>			
Total net position restricted for pensions and other purposes	<u>37,512,143</u>	<u>5,466,275</u>	<u>-</u>
Total Liabilities and Net Position	<u>\$ 37,761,517</u>	<u>\$ 5,597,627</u>	<u>\$ 260,290</u>

The accompanying notes are an integral part of these financial statements.

CITY OF NASHUA, NEW HAMPSHIRE

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR FISCAL YEAR ENDED JUNE 30, 2015

	Pension <u>Trust Fund</u>	Private Purpose Trust <u>Funds</u>
Additions:		
Contributions:		
Employers	\$ 772,343	\$ -
Plan members	772,343	-
Other	<u>2,226</u>	<u>8,552</u>
Total contributions	1,546,912	8,552
Investment Income:		
Dividend, interest and investment income	1,308,368	252,734
Less: management fees	<u>(186,901)</u>	<u>-</u>
Total Investment income	<u>1,121,467</u>	<u>252,734</u>
Total additions	2,668,379	261,286
Deductions:		
Benefit payments to plan members and beneficiaries	2,526,991	134,220
Administrative expenses	<u>20,360</u>	<u>39,475</u>
Total deductions	<u>2,547,351</u>	<u>173,695</u>
Net increase	121,028	87,591
Net position held in trust:		
Beginning of year	<u>37,391,115</u>	<u>5,378,684</u>
End of year	<u>\$ 37,512,143</u>	<u>\$ 5,466,275</u>

The accompanying notes are an integral part of these financial statements.

CITY OF NASHUA, NEW HAMPSHIRE
Statement of Net Position
Component Units
June 30, 2015
(Except for Pennichuck Corporation Component Unit, which is as of December 31, 2014)

	Pennichuck Corporation	Nashua Airport Authority	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,987,000	\$ 70,784	\$ 3,057,784
Investments	-	67,914	67,914
Restricted cash and investments	45,836,000	-	45,836,000
Receivables, net of allowance for uncollectibles:			
User fees	4,631,000	16,218	4,647,218
Intergovernmental	-	509,452	509,452
Inventory	802,000	-	802,000
Prepaid expenses	<u>1,588,000</u>	<u>-</u>	<u>1,588,000</u>
Total current assets	55,844,000	664,368	56,508,368
Noncurrent assets:			
Non-depreciable capital assets	-	4,637,632	4,637,632
Depreciable capital assets, net	173,287,000	22,834,058	196,121,058
Other noncurrent assets	13,342,000	-	13,342,000
Acquisition premium	78,885,000	-	78,885,000
Investment in real estate partnership	<u>104,000</u>	<u>-</u>	<u>104,000</u>
Total noncurrent assets	<u>265,618,000</u>	<u>27,471,690</u>	<u>293,089,690</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>2,345,000</u>	<u>23,394</u>	<u>2,368,394</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	323,807,000	28,159,452	351,966,452
LIABILITIES			
Current liabilities:			
Accounts payable and other liabilities	1,980,000	358,069	2,338,069
Accrued payroll	221,000	-	221,000
Accrued interest payable	682,000	-	682,000
Current portion of long-term liabilities:			
Bonds, notes payable and other obligations	<u>26,275,000</u>	<u>-</u>	<u>26,275,000</u>
Total current liabilities	29,158,000	358,069	29,516,069
Noncurrent liabilities:			
Regulatory liability	803,000	-	803,000
Bonds, notes payable and other obligations	200,363,000	-	200,363,000
Compensated absences	-	13,200	13,200
Post-employment benefits obligations	2,016,000	-	2,016,000
Accrued pension liability	8,017,000	-	8,017,000
Net pension liability	-	269,731	269,731
Liability for derivative instruments	583,000	-	583,000
Contributions in aid of construction	36,532,000	-	36,532,000
Other noncurrent liabilities	<u>743,000</u>	<u>-</u>	<u>743,000</u>
Total noncurrent liabilities	249,057,000	282,931	249,339,931
DEFERRED INFLOWS OF RESOURCES	<u>21,002,000</u>	<u>157,381</u>	<u>21,159,381</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	299,217,000	798,381	300,015,381
NET POSITION			
Net investment in capital assets	1,221,000	27,391,690	28,612,690
Restricted for:			
Pennichuck corporation	23,369,000	-	23,369,000
Unrestricted	<u>-</u>	<u>(30,619)</u>	<u>(30,619)</u>
Total net position	<u>\$ 24,590,000</u>	<u>\$ 27,361,071</u>	<u>\$ 51,951,071</u>

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

CITY OF NASHUA, NEW HAMPSHIRE
Statement of Revenues, Expenses and Changes in Net Position
Component Units
Fiscal Year Ending June 30, 2015
(Except for Pennichuck Corporation Component Unit, which is as of December 31, 2014)

	<u>Pennichuck Corporation</u>	<u>Nashua Airport Authority</u>	<u>Total</u>
Operating Revenues:			
Charges for services	\$ 38,815,000	\$ 475,137	\$ 39,290,137
Other	<u>-</u>	<u>49,536</u>	<u>49,536</u>
Total Operating Revenues	38,815,000	524,673	39,339,673
Operating Expenses:			
Cost of services	18,221,000	514,329	18,735,329
Taxes other than income taxes	5,541,000	-	5,541,000
Depreciation	<u>6,148,000</u>	<u>1,324,496</u>	<u>7,472,496</u>
Total Operating Expenses	<u>29,910,000</u>	<u>1,838,825</u>	<u>31,748,825</u>
Operating Income (Loss)	8,905,000	(1,314,152)	7,590,848
Nonoperating Revenues (Expenses):			
Interest income	-	1,861	1,861
Interest expense	(10,156,000)	(2,963)	(10,158,963)
Other nonoperating revenues (expenses)	<u>27,000</u>	<u>(122,382)</u>	<u>(95,382)</u>
Nonoperating Revenues (Expenses), Net	<u>(10,129,000)</u>	<u>(123,484)</u>	<u>(10,252,484)</u>
Income (Loss) Before Contributions	(1,224,000)	(1,437,636)	(2,661,636)
Capital contributions	-	1,056,339	1,056,339
(Provision for) Benefit from income taxes	(551,000)	-	(551,000)
Other	<u>(395,000)</u>	<u>-</u>	<u>(395,000)</u>
Change in net position	(2,170,000)	(381,297)	(2,551,297)
Stockholders' equity/Net position, beginning, as restated	<u>26,760,000</u>	<u>27,742,368</u>	<u>54,502,368</u>
Stockholders' equity/Net position, ending	<u><u>\$ 24,590,000</u></u>	<u><u>\$ 27,361,071</u></u>	<u><u>\$ 51,951,071</u></u>

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

CITY OF NASHUA, NEW HAMPSHIRE

Notes to Financial Statements

1. **Summary of Significant Accounting Policies**

The accounting policies of the City of Nashua (the City) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

A. *Reporting Entity*

The City is a municipal corporation governed by an elected Mayor and Board of Aldermen. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable.

Blended Component Unit

The Board of Public Works Retirement System (the System) was established to provide retirement benefits exclusive to regular employees of the Board of Public Works (the Board). The System is governed by a board of five trustees, comprised of one member of the Board of Public Works, two representatives of the public works employees, one member of the Board of Aldermen, and one member appointed by the Mayor. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary fund financial statements. The System met the required GASB 14 (as amended) criteria of a blended component unit as the benefits provided are exclusively or almost exclusively to the City or its employees.

Discretely Presented Component Units

In fiscal year 2015, it was determined that the Pennichuck Corporation and Nashua Airport Authority met the required GASB 14 (as amended) criteria of discretely presented component units.

Pennichuck Corporation (Pennichuck) is a holding company headquartered in Merrimack, New Hampshire with five wholly owned operating subsidiaries. Pennichuck Water Works, Inc., Pennichuck East Utility, Inc., and Pittsfield Aqueduct Company, Inc. are involved in regulated water supply and distribution to customers in New Hampshire. Pennichuck Water Service Corporation conducts non-regulated water-related services, while the Southwood Corporation owns several parcels of undeveloped land. On January 25, 2012, the City purchased all of the outstanding shares acquiring control of Pennichuck's assets, liabilities, and businesses. Pennichuck remains an independent corporation with the City as its sole shareholder. Pennichuck meets the criteria as a discretely presented component unit as the City owns a majority of the equity interest in Pennichuck, and the intent of the acquisition was to enhance the control of water resources and watershed, along with providing stability in water rates.

The Nashua Airport Authority (the Authority) was established on August 27, 1961 by legislative act as a separate legal entity. The Authority is located at Boire Field in Nashua, New Hampshire and provides general airport operations as well as airplane tie-down rentals. The Authority is governed by a five member board, to be appointed by the Mayor and confirmed by the Board of Aldermen. The Authority meets the criteria as a discretely presented component unit as the City can appoint a voting majority of the Authority's governing board and can impose a financial burden as the City can guarantee the principal and interest of any bonds issued by the Authority.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund (other than Agency funds which have no measurement focus) financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are

levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers property tax and intergovernmental revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The government reports the following major governmental funds:

- The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Debt Service Fund* is used to account for resources and debt service payments associated with the bond issuance for the acquisition of Pennichuck Corporation.

Proprietary funds (which include both enterprise and internal service funds) distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The government reports the following major proprietary funds:

- *Wastewater enterprise fund* that accounts for the resources and cost associated with the City's wastewater treatment.

- *Solid Waste enterprise fund* that accounts for the resources and costs associated with the City's landfills.

The City's self-insured programs are reported as an internal service fund in the accompanying financial statements.

The *Pension Trust fund* accounts for the activities of the Board of Public Works Employees Contributory Retirement System, which accumulates resources for pension benefit payments to qualified employees. No separate issue financial statement is available.

The *Private-Purpose Trust fund* is used to account for trust arrangements, other than those properly reported in the pension trust fund or permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

The *Agency funds* include escrow deposits and performance bonds. These funds are custodial in nature and do not involve measurement of results of operations.

D. Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, with the exception of such cash necessary to maintain adequate liquidity, and interest earnings are recognized in the General Fund. Certain special revenue, proprietary, and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments". The interest earnings attributable to each fund type are included under investment income.

For purpose of the statement of cash flows, the proprietary funds consider investments with original maturities of three months or less to be short-term investments.

E. Investments

State and local statutes, as well as the City's investment policy, place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

Investments for the Trust Funds consist of marketable securities, bonds and short-term money market investments. Investments are carried at fair value.

F. Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due from/to other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans).

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate the portion not available for appropriation and not available as expendable financial resources.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

The government-wide Statement of Activities eliminates transfers as reported within the segregated governmental and business-type activities columns. Only transfers between these two columns appear in this statement.

G. Loans

The Economic Development Office administers loan programs that provides for working capital and capital asset financing for start-up and existing businesses in the Nashua area. The City records a receivable for the principal amount of the loan issued.

H. Inventories

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. No significant inventory balances were on hand in governmental funds.

I. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$15,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20 - 40
Infrastructure	7 - 60
Vehicles	3 - 8
Machinery and equipment	5 - 20
Computer equipment	3 - 5

J. Equity Interest in Pennichuck

The City’s equity interest in Pennichuck Corporation represents, through the acquisition of all outstanding shares, the control of all of Pennichuck’s assets, liabilities and businesses, including land comprising the watershed of the Pennichuck Brook and the three regulated water utilities owned by Pennichuck. Taking into account all of the assumed liabilities of the company and its businesses, the acquisition was valued at approximately \$200 million. Pennichuck remains an independent corporation with an independent Board of Directors with the City of Nashua as its sole shareholder.

The City accounts for this asset in accordance with GASB Statement 61 – The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34. The equity interest represents an asset to offset the related acquisition bonds in the governmental funds, and is adjusted accordingly by the related debt service.

K. Compensated Absences

It is the City’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

L. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position.

M. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance”. Fund equity for all other reporting is classified as “Net Position”.

Fund Balance - Generally, fund balance represents the difference between the current assets and current liabilities. The City reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

The City’s fund balance classification policies and procedures are as follows:

- 1) Nonspendable funds are either unspendable in the current form (i.e., inventory or prepaid items) or can never be spent (i.e., perpetual care).
- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.
- 3) Committed funds are reported as a result of resolutions passed by the highest decision making authority in the City, the Board of Aldermen. The same action is required to modify or rescind the commitment.
- 4) Assigned funds are used for specific purposes as established by management. These funds have been assigned for specific goods and services ordered but not yet paid for. This account also includes fund balance voted to be used in the subsequent fiscal year. The City’s Revised Ordinances (NRO) permits the Chief Financial Officer and Controller to make assignments.
- 5) Unassigned funds are available to be spent in future periods.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the City uses the following order to liquidate liabilities: restricted, committed, assigned and unassigned.

Net Position - Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net position invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net position is reported as unrestricted.

N. Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

The Mayor presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by the Board of Aldermen, establishes the legal level of control and projects the particular revenues that will fund certain appropriations. The original budget may be amended, by supplemental appropriations or transfers, during the fiscal year at Board of Aldermen meetings as required by changing conditions. The Financial Services Department may transfer appropriations between operating categories within departmental budgets at the request of department heads, but expenditures may not legally exceed budgeted appropriations in total.

Formal budgetary integration is employed as a management control device during the year for the General Fund and Proprietary Funds. Effective budgetary control is achieved for all other funds through provisions of the New Hampshire statutes.

At year-end, appropriation balances lapse, except for multi-year grants, certain unexpended capital items, and encumbrances which will be honored during the subsequent year.

B. Budgetary Basis

The General Fund final appropriation appearing on the “Budget and Actual” page of the fund financial statements represents the final amended budget after all reserve fund transfers and supplemental appropriations.

C. Budget/GAAP Reconciliation

The budgetary data for the general and proprietary funds is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison to budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP Basis)	\$ 253,091,481	\$ 252,121,642
Other financing sources/uses (GAAP Basis)	<u>6,026,140</u>	<u>11,262,612</u>
Subtotal (GAAP Basis)	259,117,621	263,384,254
Adjust tax revenue to accrual basis	(398,393)	-
Reverse effect of activity appropriated in prior year	-	(1,358,993)
Add end-of-year appropriation carryforwards from expenditures	-	1,643,507
Add use of fund balance	5,340,000	-
Reverse non-budgeted refunding activity	(5,386,403)	(5,386,403)
Reverse non-budgeted revenues and expenditures	<u>1,035,409</u>	<u>(3,353,460)</u>
Budgetary Basis	<u>\$ 259,708,234</u>	<u>\$ 254,928,905</u>

In addition, adjustments were made to the enterprise funds to conform to the budgetary basis, primarily for the omission of depreciation expense which is not budgeted, and the inclusion of principal debt service and capital expenses which are budgeted expenses.

D. Deficit Fund Equity

The following funds had a total fund balance/net position deficit at June 30, 2015:

<u>Nonmajor Governmental Funds:</u>	
Public Works Projects	\$ (33,220)
School Department Projects	(1,271,444)
<u>Proprietary Funds:</u>	
Solid Waste	<u>(1,606,513)</u>
	<u>\$ (2,911,177)</u>

The City will be funding the deficits in the Nonmajor governmental funds with future grant revenues or bond proceeds.

The Proprietary Fund deficit is primarily due to the Solid Waste fund's high percentage of non-capital related debt for landfill closure costs.

3. Cash and Investments

A. Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the deposits may not be returned. The custodial credit risk for investments is the risk that, in the event of a failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. RSA 48:16 states that "deposits in any one bank shall not at any time exceed the sum of its paid-up capital and surplus, except that a City with a population in excess of 50,000 is authorized to deposit funds in a solvent bank in excess of the paid-up capital surplus of said bank." The City does not have policies for custodial credit risk. The City's deposit policy for custodial credit risk is to be fully insured.

As of June 30, 2015, the City's entire bank balance was fully insured and collateralized.

Custodial Credit Risk - Investments. Custodial credit risk for investments is the risk that in the event of a failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of the investment or collateral securities that are in the possession of another party. The City limits its exposure to custodial credit risk by requiring that all security transactions entered into by the City be conducted on a delivery-versus-payment basis. Securities are held by a third-party custodian.

The City's investments are exposed to custodial risk. The City manages this risk with the Securities Investor Protection Corporation, Excess Securities Investor Protection Corporation and by holding the assets in separately identifiable trust accounts.

Investments at June 30, 2015 included the following (in thousands):

U.S. Treasury Obligations	\$ 8,768
U.S. Government Agencies	17,514
Corporate Bonds	6,190
Common Equities	44,326
Mutual Funds	8,586
Long-term Certificates of Deposit	<u>22,316</u>
Total	<u>\$ 107,700</u>

B. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law employs the prudent person rule whereby investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments. The City's Investment Policy is to minimize credit risk by limiting investments to the safest types of securities, pre-qualifying institutions and diversifying the portfolio.

C. Concentration of Credit Risk

The City places no limit on the amount the City may invest in any one issuer. The City does not have an investment in one issuer, other than U.S. Treasury bonds and notes, greater than 5% of total investments.

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City's current investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information regarding the quality and maturity dates of fixed income securities is as follows (in thousands):

	<u>Total</u>	<u>Average Duration</u>	<u>Average Rating</u>
Corporate Bonds	\$ 6,190	5.08	A2

E. Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The City's current investment policy does not address foreign currency risk.

4. Taxes Receivable

The City bills property taxes semi-annually, in May and November. Property tax revenues are recognized in the fiscal year for which taxes have been levied to the extent that they become available, i.e., due or receivable within the current fiscal year and collected within the current period or within 60 days of year-end.

Property taxes billed and collected in advance of the year for which they are levied, and are recorded as a prepaid tax liability.

Property taxes are due in July and December. Taxes paid after the due, date accrue interest at 12% per annum. In April of the following calendar year, the Tax Collector executes tax liens on properties that have unpaid taxes. The lien is recorded on the delinquent taxpayer's property at the Registry of Deeds. The tax liens accrue interest at 18% per annum. If the lien is not redeemed within a two-year redemption period, the property may be conveyed to the City by deed.

Taxes receivable at June 30, 2015 consist of the following (in thousands):

<u>Unredeemed Taxes:</u>	<u>Gross Amount</u>	<u>Allowance for Doubtful</u>	<u>Net Amount</u>
Levy of 2015	\$ 14,890	\$ -	\$ 14,890
Prior levies	16	-	16
Tax liens	5,859	(2,499)	3,360
Tax deeded property	<u>192</u>	<u>-</u>	<u>192</u>
Total	<u>\$ 20,957</u>	<u>\$ (2,499)</u>	<u>\$ 18,458</u>

5. Intergovernmental Receivables

This balance represents reimbursements requested from Federal, State, and Local agencies for expenditures incurred in fiscal 2015.

6. Interfund Fund Receivables/Payables and Transfers In/Out

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

The following is an analysis of the June 30, 2015 balances in interfund receivable and payable accounts:

Funds:	Due From Other Funds	Due To Other Funds
General Fund	\$ 20,762,034	\$ 66,949,240
Debt Service Fund	4,312,424	-
Nonmajor Governmental Funds:		
Police grants	-	38,202
Fire grants	-	20,510
Community health and services grants	-	275,489
Parks and recreation grants	1,871	-
Transit grants	-	185,076
Community Development Block grants/Home grants	-	259,412
Community Development division grants	-	160,307
Homeland security grants	-	146,120
Other city grants	6,562	-
Food services	339,400	-
School grants	-	2,407,916
City revolving funds	6,136,519	-
School revolving funds	1,079,162	-
Other trust funds	136,622	-
Fire projects	7,828	-
Public works projects	9,328,152	-
School department projects	826,875	-
Technology projects	1,116,029	-
City building projects	69,268	-
City-wide communications projects	2,700,826	-
Cemetery permanent funds	-	188,722
Library permanent funds	-	17,819
Other permanent funds	-	2,051
Enterprise funds:		
Waste Water	-	1,633,829
Solid Waste	85,402	-
Internal service fund:		
Employee benefits fund	20,317,384	-
Property and casualty fund	5,394,627	-
Fiduciary fund types:		
Pension trust	-	204,640
Private purpose	-	131,352
Agency	-	300
Total	\$ <u>72,620,985</u>	\$ <u>72,620,985</u>

The City reports interfund transfers between many of its funds. The City's routine transfers include transfers made to move (1) unrestricted revenues or balances that have been collected or accumulated in the general fund to other funds based on budgetary authorization, and (2) revenues from a fund that by statute or budgetary authority must collect them to funds that are required by statute or budgetary authority to

expend them. The sum of all transfers presented in the table agrees with the sum of interfund transfers presented in the governmental fund financial statements.

The following is an analysis of interfund transfers made in fiscal year 2015.

Funds:	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 655,147	\$ 5,876,209
Nonmajor Governmental Funds:		
Police grants	51,622	20,243
Fire grants	96,487	-
Transit grants	415,460	-
Other city grants	-	13,296
City revolving funds	8,205	63,743
Other trust funds	20,332	200,250
Fire projects	110,139	-
Public works projects	155,000	788
School department projects	650,000	53,445
City building projects	94,163	-
Cemetery permanent funds	-	326,663
Other permanent funds	-	2,051
Enterprise funds:		
Waste water	-	55,000
Solid waste - operations	3,731,019	-
Solid waste - capital	624,114	-
Total	<u>\$ 6,611,688</u>	<u>\$ 6,611,688</u>

The following is a detailed analysis of general fund transfers made in fiscal year 2015:

General Fund Transfers In:

Income Transfer from Cemetery Trust funds	\$ 308,384
Transfer from School Impact Fees Fund	200,000
Surplus Transfer from Police Outside Detail Fund	56,350
Transfer of Unspent funds from School Capital Project Funds	53,445
Transfer of Unspent Matching Funds from Police Grants Fund	20,243
Public Works Grants Fund	13,296
Surplus Transfer from Engineering Services Fund	2,393
Engineering Capital Project Fund	788
Transfer from Expendable Trust Funds	248
	<u>\$ 655,147</u>

General Fund Transfers Out:

Solid Waste Operating Subsidy	\$ 3,731,019
School Gym Floor Replacements Capital Project Fund	650,000
Solid Waste Vehicle Purchases	624,114
Nashua Transit Grants - Matching Funds	410,460
Fire Stations Lighting Upgrades Capital Project Fund	110,139
Fire Capital Grants - Matching Funds	96,487
Parking Garage Upgrades Capital Project Fund	94,164
Yudicky Farm Access Road Improvements Capital Project Fund	60,000
Police Grant - Matching Funds	51,622
East Hollis Street Gateway Improvements Capital Project Fund	40,000
Retirement Trust Fund Transfer to Parking Violation Fund	8,204
	<u>\$ 5,876,209</u>

7. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows (in thousands):

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 255,065	\$ 605	\$ -	\$ 255,670
Infrastructure	58,124	6,579	-	64,703
Machinery and equipment	<u>55,594</u>	<u>6,839</u>	<u>(1,389)</u>	<u>61,044</u>
Total capital assets, being depreciated	368,783	14,023	(1,389)	381,417
Less accumulated depreciation for:				
Buildings and improvements	(99,580)	(6,405)	-	(105,985)
Infrastructure	(34,754)	(2,116)	-	(36,870)
Machinery and equipment	<u>(29,686)</u>	<u>(4,773)</u>	<u>1,362</u>	<u>(33,097)</u>
Total accumulated depreciation	<u>(164,020)</u>	<u>(13,294)</u>	<u>1,362</u>	<u>(175,952)</u>
Total capital assets, being depreciated, net	204,763	729	(27)	205,465
Capital assets, not being depreciated:				
Land	29,121	246	(226)	29,141
Construction in progress	<u>24,564</u>	<u>30,390</u>	<u>(4,585)</u>	<u>50,369</u>
Total capital assets, not being depreciated	<u>53,685</u>	<u>30,636</u>	<u>(4,811)</u>	<u>79,510</u>
Governmental activities capital assets, net	<u>\$ 258,448</u>	<u>\$ 31,365</u>	<u>\$ (4,838)</u>	<u>\$ 284,975</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings	\$ 79,875	\$ 124	\$ -	\$ 79,999
Land improvements	17,853	359	-	18,212
Infrastructure	102,619	18,441	-	121,060
Machinery and equipment	<u>38,808</u>	<u>8,060</u>	<u>(1,278)</u>	<u>45,590</u>
Total capital assets, being depreciated	239,155	26,984	(1,278)	264,861
Less accumulated depreciation for:				
Buildings	(37,810)	(1,531)	-	(39,341)
Land improvements	(7,573)	(902)	-	(8,475)
Infrastructure	(38,345)	(2,261)	-	(40,606)
Machinery and equipment	<u>(21,519)</u>	<u>(2,014)</u>	<u>1,038</u>	<u>(22,495)</u>
Total accumulated depreciation	<u>(105,247)</u>	<u>(6,708)</u>	<u>1,038</u>	<u>(110,917)</u>
Total capital assets, being depreciated, net	133,908	20,276	(240)	153,944
Capital assets, not being depreciated:				
Land	232	-	-	232
Construction in progress	<u>19,687</u>	<u>8,519</u>	<u>(23,715)</u>	<u>4,491</u>
Total capital assets, not being depreciated	<u>19,919</u>	<u>8,519</u>	<u>(23,715)</u>	<u>4,723</u>
Business-type activities capital assets, net	<u>\$ 153,827</u>	<u>\$ 28,795</u>	<u>\$ (23,955)</u>	<u>\$ 158,667</u>

Depreciation expense was charged to functions of the City as follows (in thousands):

Governmental Activities:

General government	\$ 1,143
Police	689
Fire	870
Education	6,261
Public works	2,506
Culture and recreation	660
Health and human services	6
Community development	885
Communications	<u>274</u>
Total depreciation expense - governmental activities	<u>\$ 13,294</u>

Business-Type Activities:

Waste water	\$ 4,994
Solid waste	<u>1,714</u>
Total depreciation expense - business-type activities	<u>\$ 6,708</u>

8. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net assets by the City that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets.

The following is a summary of deferred outflow of resources balances as of June 30, 2015 (in thousands):

	<u>Entity-wide Basis</u>		<u>Fund Basis</u>	
	<u>Governmental</u>	<u>Business-type</u>	<u>Proprietary Funds</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Wastewater</u>	<u>Solid Waste</u>
Loss on refunding	\$ 1,012	\$ -	\$ -	\$ -
Differences between expected and actual pension experience	41	31	18	13
Net difference between projected and actual pension investment earnings	714	543	305	238
Changes in proportion and differences between contributions and proportionate share of pension contributions	3,074	-	-	-
Pension contributions subsequent to the measurement date	19,433	-	-	-
Total	<u>\$ 24,274</u>	<u>\$ 574</u>	<u>\$ 323</u>	<u>\$ 251</u>

9. Accounts Payable

Accounts payable represent 2015 expenditures paid after June 30, 2015.

10. Anticipation Notes Payable

The City had the following notes outstanding at June 30, 2015:

	<u>Interest</u>	<u>Issue</u>		<u>Balance</u>
	<u>Rate</u>	<u>Date</u>	<u>Maturity</u>	<u>6/30/15</u>
Screening and Disinfection Facility SRF Loan	1.0%	07/11/12	upon completed construction	<u>\$ 13,913,542</u>

The following summarizes activity in notes payable during fiscal year 2015:

	<u>Balance</u>			<u>Balance</u>
	<u>Beginning</u>	<u>New</u>		<u>End of</u>
	<u>of Year</u>	<u>Issues</u>	<u>Maturities</u>	<u>Year</u>
Harbor Avenue Sewer Separation Project SRF Loan	\$ 4,394,700	\$ 205,377	\$ (4,600,077)	\$ -
Screening and Disinfection Facility SRF Loan	8,932,906	4,980,636	-	13,913,542
Total	<u>\$ 13,327,606</u>	<u>\$ 5,186,013</u>	<u>\$ (4,600,077)</u>	<u>\$ 13,913,542</u>

11. Long-Term Debt

A. General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds and notes currently outstanding are as follows:

	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 6/30/15
<u>Governmental Activities:</u>			
Refunding for Dr. Crisp School & Bicentennial School	11/16	2.0 - 4.0%	\$ 1,206,120
Refunding for Fairgrounds Middle School	11/16	2.0 - 4.0%	1,795,500
Refunding for New Searles School	11/16	2.0 - 4.0%	256,780
Refunding for Fairgrounds Middle School	11/16	2.0 - 4.0%	666,600
Refunding for Ridge Road Bridge	11/16	2.0 - 4.0%	640,038
Refunding for Amherst Street School	11/16	2.0 - 4.0%	10,001
Refunding for School Land Acquisition	11/16	2.0 - 4.0%	10,001
Refunding for Athletic Field at Yudicky Farm	11/16	2.0 - 4.0%	614,959
Refunding for Southwest Quadrant Land Acquisition	11/16	2.0 - 4.0%	10,001
Refunding for Lake Street Fire Station	7/18	3.72%	1,200,000
Refunding for Citywide Communication System	7/18	3.72%	14,676,525
Refunding for Citywide Communication Towers	7/20	3.78%	507,500
Refunding for Library Automation	7/20	3.78%	13,852,500
Refunding for Police Headquarters Additions and Renovations	7/20	3.78%	610,600
Refunding for Police Computer Aided Dispatch (CAD) System	7/20	3.78%	590,600
Refunding for Highway and Sidewalk Construction	7/20	3.78%	1,515,000
Refunding for Holman Stadium Series A	7/21	3.97%	152,000
Refunding for High School Athletic Field	7/20	3.78%	1,215,000
Refunding for High School Construction	7/20	3.78%	760,000
Refunding for High School Planning	7/20	3.78%	327,775
Refunding for High School Construction Series A	7/21	3.86%	2,157,500
Nashua Senior Center Renovation & Expansion	7/26	3.95%	250,000
Police HVAC System Replacement	7/26	3.93%	30,000
Police HVAC System Replacement	7/26	3.96%	60,000
Land Acquisition for East Hollis Street Fire Station	7/26	3.95%	50,000
East Hollis Street Fire Station Construction	7/26	3.98%	370,000
Nashua Riverwalk Construction	7/26	3.95%	120,000
Nashua Bus Garage Construction	7/26	3.98%	200,000
Nashua Enterprise Resource Planning (ERP) System	8/16	1.39%	830,000
Broad Street Parkway Construction	7/31	3.00%	1,760,000
Elm Street Garage Renovation	7/31	3.00%	435,000
High Street Garage Renovation	7/31	3.00%	575,000
Broad Street Parkway Construction	10/31	3.04%	2,125,000
Nashua Enterprise Resource Planning (ERP) System	10/17	3.04%	1,245,000
Hunt Memorial Building Renovation	10/31	3.04%	850,000

(continued)

(continued)

<u>Governmental Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/15</u>
Nashua City Hall Renovation	10/31	3.04%	425,000
Refunding for High School Construction	3/24	2.04%	19,065,000
Ledge Street School HVAC System Replacement	10/31	3.04%	3,570,000
Fairgrounds School HVAC System Replacement	10/31	3.04%	1,310,000
Elm Street Middle School Roof Replacement	10/31	3.04%	340,000
Elm Street Middle School Capital Equipment	10/21	2.06%	245,000
Elm Street Middle School Fire Alarm	10/21	2.06%	315,000
Pennichuck Corporation Acquisition Bonds	1/42	4.09%	140,650,000
Broad Street Parkway Construction	4/33	2.79%	1,463,500
Nashua Enterprise Resource Planning (ERP) System	4/19	0.88%	590,000
City Buildings Renovation	4/33	2.79%	430,000
Charlotte Avenue School HVAC System Replacement	4/33	2.79%	1,761,500
Fire Ladder Truck	4/33	2.79%	735,000
Fire Pumper Truck	4/28	2.20%	370,000
Citywide Communication System Upgrade	4/23	1.54%	790,000
Broad Street Parkway Construction	5/34	3.29%	15,075,000
Nashua Enterprise Resource Planning (ERP) System	5/20	1.26%	800,000
Nashua School Access Control System	5/24	2.34%	1,840,000
Public Safety Portable Radios	5/24	2.30%	775,000
Refunding for Senior Center	7/25	1.80%	1,049,200
Refunding for Police Remodeling 1	7/25	1.78%	124,000
Refunding for Land Acquisition	7/26	1.92%	184,600
Refunding for Riverwalk	7/25	1.79%	493,000
Refunding for Fire Station	7/26	1.96%	1,732,200
Refunding for Police Remodeling 2	7/25	1.78%	254,000
Refunding for Land Acquisition & Redevelopment	7/26	1.96%	923,000
Broad Street Parkway Construction	7/34	3.07%	7,278,500
Nashua Enterprise Resource Planning (ERP) System	7/34	3.03%	449,500
Aerial Tower Truck	7/34	3.07%	976,500
Radio Communications Upgrade	7/34	1.91%	5,195,750
Broad Street School Improvements	7/34	3.07%	7,988,500
Total Governmental Activities:			<u>\$ 268,873,750</u>

<u>Business-Type Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/15</u>
Solid Waste Disposal Fund:			
Lined Landfill Expansion II	4/24	2.89%	\$ 3,853,000
Landfill Compactor	4/19	2.20%	322,000
Landfill Compactor	7/24	1.65%	676,250
Landfill Expansion and Closure	8/17	0.85%	536,865
Landfill Expansion and Closure	8/20	1.19%	2,556,843
Multisite Landfill - Old Nashua	8/22	1.53%	185,950
Multisite Landfill - Atherton Park	8/22	1.53%	35,379
Multisite Landfill - Roussel/Gardner	8/22	1.53%	599,250
Multisite Landfill - Shady Lane	8/22	1.53%	90,935
Multisite - Lincoln Park	8/24	1.87%	776,010
Multisite - Engineering	8/24	1.87%	516,751
Landfill Closure	8/24	1.87%	<u>3,743,482</u>
Total Solid Waste Disposal Fund			13,892,715
Waste Water Treatment Fund:			
Nashua Storage Tank Facility	4/33	2.63%	4,644,915
Dewatering Equipment Replacement	4/33	2.63%	2,577,530
Aeration Blower Upgrade	4/33	2.63%	3,352,555
Dewatering Equipment Replacement	5/34	3.04%	2,090,000
Sludge Digester	8/20	1.19%	2,767,623
Haines Street Sewer Project	3/31	2.62%	530,450
Net Metering Project	12/21	1.36%	173,714
Wet Weather SRF Loan	11/29	2.58%	22,188,550
Harbor Avenue SRF Loan	8/34	2.86%	<u>4,600,077</u>
Total Waste Water Treatment Fund			<u>42,925,414</u>
Total Enterprise Fund Bonds and Notes Payable			<u>\$ 56,818,129</u>

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2015 are as follows:

<u>City and School</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 13,233,750	\$ 4,816,128	\$ 18,049,878
2017	12,225,000	4,553,558	16,778,558
2018	11,530,000	4,062,681	15,592,681
2019	10,925,000	3,609,790	14,534,790
2020	10,650,000	3,164,852	13,814,852
2021 - 2025	40,655,000	9,812,796	50,467,796
2026 - 2030	17,085,000	4,036,959	21,121,959
2031 - 2035	<u>11,920,000</u>	<u>1,085,650</u>	<u>13,005,650</u>
City and School Total	<u>\$ 128,223,750</u>	<u>\$ 35,142,414</u>	<u>\$ 163,366,164</u>

<u>Pennichuck</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 3,320,000	\$ 5,445,729	\$ 8,765,729
2017	3,370,000	5,395,863	8,765,863
2018	3,430,000	5,335,809	8,765,809
2019	3,505,000	5,261,756	8,766,756
2020	3,590,000	5,175,568	8,765,568
2021 - 2025	19,600,000	24,226,355	43,826,355
2026 - 2030	23,315,000	20,505,062	43,820,062
2031 - 2035	28,625,000	15,193,655	43,818,655
Thereafter	<u>51,895,000</u>	<u>9,472,727</u>	<u>61,367,727</u>
Pennichuck Total	<u>\$ 140,650,000</u>	<u>\$ 96,012,524</u>	<u>\$ 236,662,524</u>

<u>Total Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 16,553,750	\$ 10,261,857	\$ 26,815,607
2017	15,595,000	9,949,421	25,544,421
2018	14,960,000	9,398,490	24,358,490
2019	14,430,000	8,871,546	23,301,546
2020	14,240,000	8,340,420	22,580,420
2021 - 2025	60,255,000	34,039,151	94,294,151
2026 - 2030	40,400,000	24,542,021	64,942,021
2031 - 2035	40,545,000	16,279,305	56,824,305
Thereafter	<u>51,895,000</u>	<u>9,472,727</u>	<u>61,367,727</u>
Combined Total	<u>\$ 268,873,750</u>	<u>\$ 131,154,938</u>	<u>\$ 400,028,688</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 4,727,390	\$ 1,554,139	\$ 6,281,529
2017	4,731,139	1,455,293	6,186,432
2018	4,731,141	1,336,234	6,067,375
2019	4,547,184	1,217,175	5,764,359
2020	4,472,186	1,099,790	5,571,976
2021 - 2025	18,043,960	3,783,372	21,827,332
2026 - 2030	12,186,970	1,568,703	13,755,673
2031 - 2035	<u>3,378,159</u>	<u>248,981</u>	<u>3,627,140</u>
Total	<u>\$ 56,818,129</u>	<u>\$ 12,263,687</u>	<u>\$ 69,081,816</u>

C. Bond Authorizations

Long-term debt authorizations which have not been issued or rescinded as of June 30, 2015 are as follows:

<u>Purpose</u>	<u>Amount</u>
Pennichuck Corporation Stock and Asset Acquisition	\$ 69,430,000
Wastewater Wet Weather Facility and Disinfection Facility	20,024,923
Refunding of Prior Year Capital Improvement Bonds	18,695,000
Sunset Heights Elementary School HVAC Improvements	9,000,000
Broad Street Parkway Project	8,588,100
Pump Stations Upgrade Project	8,500,000 *
Refunding of Solid Waste and Wastewater State Revolving Loan Funds	4,077,060
Headworks Upgrade Project	3,800,000 *
Storage Tank Facility, Aeration Blower, and Sludge Dewatering Upgrade	1,538,453
School Roof Replacements	1,500,000
Sunset Heights Elementary School Roof	1,300,000 *
City Building Improvements	1,253,000
Radio Communications Upgrade	1,009,250
Haines Street Sewer Separation Project	873,975
Broad Street Elementary School HVAC and Building Improvements	801,750
Amherst Street Road and Traffic Improvements	550,000
School Access Control System	323,900
Net Metering Project at Wastewater Treatment Facility	250,000
Fire Trucks	230,800
Charlotte Avenue Elementary School HVAC Improvements	228,300
Aerial Tower Truck	223,500
Enterprise Resource Planning Modernization	198,300
Public Safety Portable Radios	127,500
Caterpillar Landfill Compactor	70,750
Total	<u>\$ 152,594,561</u>

* Authorized subsequent to June 30, 2015

D. Changes in General Long-Term Liabilities

During the year ended June 30, 2015, the following changes occurred in long-term liabilities (in thousands):

	Total Balance <u>7/1/14</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>6/30/15</u>	Less Current Portion <u>6/30/15</u>	Equals Long-Term Portion <u>6/30/15</u>
<u>Governmental Activities</u>						
Bonds and notes payable	\$ 119,736	\$ 21,889	\$ (13,401)	\$ 128,224	\$ (13,234)	\$ 114,990
Unamortized bond premiums	5,413	3,099	(791)	7,721	(806)	6,915
Acquisition bonds payable	<u>143,930</u>	<u>-</u>	<u>(3,280)</u>	<u>140,650</u>	<u>(3,320)</u>	<u>137,330</u>
Total bonds and notes payable	269,079	24,988	(17,472)	276,595	(17,360)	259,235
Compensated absences ⁽¹⁾	19,641	1,167	(1,768)	19,040	(1,714)	17,326
Net OPEB obligation ⁽¹⁾	20,235	4,075	(1,852)	22,458	-	22,458
Net pension liability ⁽¹⁾	<u>212,701</u>	<u>-</u>	<u>(23,913)</u>	<u>188,788</u>	<u>-</u>	<u>188,788</u>
Totals	<u>\$ 521,656</u>	<u>\$ 30,230</u>	<u>\$ (45,005)</u>	<u>\$ 506,881</u>	<u>\$ (19,074)</u>	<u>\$ 487,807</u>

⁽¹⁾The City typically uses the General Fund to liquidate governmental activities liabilities.

	Total Balance <u>7/1/14</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>6/30/15</u>	Less Current Portion <u>6/30/15</u>	Equals Long-Term Portion <u>6/30/15</u>
<u>Business-Type Activities</u>						
Bonds and notes payable	\$ 56,012	\$ 5,276	\$ (4,470)	\$ 56,818	\$ (4,727)	\$ 52,091
Unamortized bond premiums	<u>1,446</u>	<u>71</u>	<u>(111)</u>	<u>1,406</u>	<u>(111)</u>	<u>1,295</u>
Total bonds and notes payable	57,458	5,347	(4,581)	58,224	(4,838)	53,386
Compensated absences ⁽²⁾	623	73	(56)	640	(58)	582
Net OPEB obligation ⁽²⁾	457	123	(56)	524	-	524
Net pension liability ⁽²⁾	<u>2,885</u>	<u>88</u>	<u>-</u>	<u>2,973</u>	<u>-</u>	<u>2,973</u>
Other:						
Landfill closure and post-closure	<u>4,920</u>	<u>473</u>	<u>-</u>	<u>5,393</u>	<u>-</u>	<u>5,393</u>
Totals	<u>\$ 66,343</u>	<u>\$ 6,104</u>	<u>\$ (4,693)</u>	<u>\$ 67,754</u>	<u>\$ (4,896)</u>	<u>\$ 62,858</u>

⁽²⁾The City typically uses the Wastewater and Solid Waste funds to liquidate their respective business-type liabilities.

E. Advance Refundings

On April 23, 2015, the City issued general obligation bonds in the amount of \$27,325,000 with 4% coupons for a TIC of 2.53%. \$4,760,000 of the \$27,325,000 issued was used to advance refund \$5,075,000 of bonds originally issued on December 15, 2006. The average coupon of the refunded bonds was 4.12%. The general obligation refunding bonds had a TIC of 1.74% and after paying issuance costs of \$45,202, the net proceeds were \$5,370,993. The net proceeds from the issuance of the general obligation refunding bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds are called

on July 15, 2016. The advance refunding met the requirements of an in-substance debt defeasance and the bonds were removed from the City's financial statements.

As a result of the advance refunding, the City reduced its total debt service cash flow requirements by \$512,219, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$439,118.

Defeased debt still outstanding at June 30, 2015 is \$5,075,000.

12. Landfill Closure and Postclosure Care Costs

State and Federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and postclosure care costs as a liability in the financial statements in each period based on landfill capacity used as of each balance sheet date.

The \$5,392,950 reported as landfill closure and postclosure care liability at June 30, 2015 is comprised of \$1,107,700 of post closure care cost for the Nashua Four Hills unlined landfill, and \$4,285,250 in closure, and post closure costs for the Nashua Four Hills Phase I and Phase II lined expansion landfills. The recognition of these costs is based on annual statutorily required engineering estimates. Waste filling operations in the Phase II lined expansion landfill began in November 2009. The combined landfills are conservatively estimated to have an operational life of twelve years and remaining capacity is estimated to be 39%. The City will recognize the remaining estimated cost of closure and post closure care of the lined landfill as the remaining capacity is filled. The actual life of the landfill may be longer due to recycling efforts and actual costs may be higher due to inflation, changes in technology or changes in landfill laws and regulations.

The City is required by State and Federal laws and regulations to make annual contributions to an account held by the City to finance closure and post closure costs of the municipal solid waste landfill. As of June 30, 2015, the City has cash on deposit with a balance of \$4,473,789 restricted for closure and post closure costs.

13. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net assets by the City that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities.

The following is a summary of deferred inflow of resources balances as of June 30, 2015 (in thousands):

	Entity-wide Basis		Fund Basis			
	Governmental	Business-type	Governmental Funds		Proprietary Funds	
	<u>Activities</u>	<u>Activities</u>	<u>General Fund</u>	<u>Nonmajor</u>	<u>Wastewater</u>	<u>Solid Waste</u>
Unavailable revenues	\$ -	\$ -	\$ 3,102	\$ 272	\$ -	\$ -
Taxes levied in advance	96,205	-	96,205	-	-	-
Gain on refunding	315	-	-	-	-	-
Net difference between projected and actual pension investment earnings	23,655	-	-	-	-	-
Changes in pension assumptions	608	462	-	-	260	202
Changes in proportion and differences between contributions and proportionate share of pension contributions	551	-	-	-	-	-
Total	<u>\$ 121,334</u>	<u>\$ 462</u>	<u>\$ 99,307</u>	<u>\$ 272</u>	<u>\$ 260</u>	<u>\$ 202</u>

14. **Restricted Net Position**

The accompanying entity-wide financial statements report restricted net position when external constraints from grantors or contributors are placed on net position.

Permanent fund restricted net position are segregated between nonexpendable and expendable. The nonexpendable portion represents the original restricted principal contribution, and the expendable represents accumulated earnings which are available to be spent based on donor restrictions.

15. **Governmental Funds – Fund Balances**

Fund balances are segregated to account for resources that are either not available for expenditure in the future or are legally set aside for a specific future use.

The City implemented GASB Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions. The following types of fund balances are reported at June 30, 2015:

Nonspendable - Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance classification includes general fund reserves for prepaid expenditures and nonmajor governmental fund reserves for the principal portion of permanent trust funds.

Restricted - Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes general fund encumbrances

funded by bond issuances, various special revenue funds, and the income portion of permanent trust funds.

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by resolution of the City's Board of Aldermen. The City Charter designated the Board of Aldermen as its appropriating authority. This fund balance classification includes general fund escrows for non-lapsing, special article appropriations approved by the Board of Alderman, capital reserve funds set aside by the Board of Alderman vote for future capital acquisitions and improvements (now reported as part of the general fund per GASB 54), and various special revenue funds. A similar action is needed to modify or rescind a commitment.

Assigned - Represents amounts that are constrained by the City's intent to use these resources for a specific purpose. In addition, this fund balance classification includes general fund encumbrances that have been established by various City departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period. The City's Revised Ordinances (NRO) permits the Chief Financial Officer and Controller to make assignments.

Unassigned - Represents amounts that are available to be spent in future periods.

Following is a breakdown of the City's fund balances at June 30, 2015:

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Reserved for tax deeds	\$ 191,877	\$ -	\$ -	\$ 191,877
Nonexpendable cemetery permanent funds	-	-	16,050,672	16,050,672
Nonexpendable library permanent funds	-	-	4,094,256	4,094,256
Nonexpendable other permanent funds	-	-	159,682	159,682
Total Nonspendable	191,877	-	20,304,610	20,496,487
Restricted				
For future debt service	-	4,312,424	-	4,312,424
Police grants	-	-	29,534	29,534
Fire grants	-	-	4,112	4,112
Community health & services grants	-	-	3,452	3,452
Parks & recreation grants	-	-	1,871	1,871
Transit grants	-	-	92,785	92,785
Community Development division grants	-	-	38,486	38,486
Homeland security grants	-	-	5,778	5,778
Other City grants	-	-	6,562	6,562
Food services	-	-	549,743	549,743
School grants	-	-	565	565
Fire projects	-	-	4,427	4,427
Public works projects	-	-	14,484,613	14,484,613
School department projects	-	-	1,448,169	1,448,169
Technology projects	-	-	1,116,029	1,116,029
City building projects	-	-	6,652	6,652
City-wide communications projects	-	-	2,700,826	2,700,826
Cemetery expendable permanent funds	-	-	656,793	656,793
Library expendable permanent funds	-	-	569,579	569,579
Other expendable permanent funds	-	-	9,285	9,285
Total Restricted	-	4,312,424	21,729,261	26,041,685

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	General <u>Fund</u>	Debt Service <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Committed				
For continuing appropriations	2,365,688	-	-	2,365,688
School capital funds	2,389,363	-	-	2,389,363
City capital funds	4,296,449	-	-	4,296,449
City revolving funds	-	-	6,828,680	6,828,680
School revolving funds	-	-	1,026,544	1,026,544
Other trust funds	-	-	4,268,828	4,268,828
Fire projects	-	-	3,401	3,401
Public works projects	-	-	74,935	74,935
School department projects	-	-	650,000	650,000
City building projects	-	-	62,616	62,616
Total Committed	9,051,500	-	12,915,004	21,966,504
Assigned				
For next year's tax rate	5,100,000	-	-	5,100,000
For encumbrances	847,264	-	-	847,264
For overlay contingency	1,500,000	-	-	1,500,000
For unfunded liabilities	2,230,000	-	-	2,230,000
Total Assigned	9,677,264	-	-	9,677,264
Unassigned	27,729,910	-	(1,304,664)	26,425,246
Total Fund Balance	\$ 46,650,551	\$ 4,312,424	\$ 53,644,211	\$ 104,607,186

16. Commitments and Contingencies

Outstanding Legal Issues - There are several pending legal issues in which the City is involved. The City's management is of the opinion that the potential future settlement of such claims would not materially affect its financial statements taken as a whole.

Abatements - There are several cases pending before the Board of Tax and Land Appeals and Superior Court in regard to alleged discrepancies in property assessments. According to the City's counsel, the probable outcome of these cases at the present time is indeterminable.

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

17. Post-Employment Healthcare Benefits

GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather

than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statement of Activities when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Position over time.

The \$22,982,340 OPEB liability, as calculated below, represents the implementation of Governmental Accounting Standards Board (GASB) Statement No. 45. The purpose of the statement is to reflect the liability of healthcare or other post-employment benefits provided to separated or retired employees. With the exception of one group of retirees described below, the City of Nashua does not pay a direct subsidy towards their retiree's health insurance premiums. In accordance with RSA 100-A:50, retired employees shall be deemed to be part of the same group as active employees for health insurance premium purposes, thereby resulting in a so-called "blended rate". The blended rate decreases the cost of insurance premiums for retirees and increases the cost for active employees, thereby resulting in the City paying an Implicit Subsidy.

The City's Explicit Subsidy pertains to only one group of retirees. Teachers who have retired after June 30, 1991 who have at least 20 years of service with the Nashua School District and who are actually receiving retirements benefits under the New Hampshire Retirement System, will have a portion of their health insurance premiums paid according to a set schedule based on the years of service at retirement. The subsidy ranges from 20% for a teacher retiree with 20 years of service at retirement to 50% for a teacher with 30+ years of service at retirement. The City's Explicit Subsidy associated with each eligible teacher retiree ends when the retiree is eligible for Medicare.

The City's most recent GASB Valuation was for the fiscal year ending June 30, 2014. The valuation calculated the City's total OPEB liability of approximately \$39.4 million. The liability was further broken down for current and future retirees.

The table below shows the Explicit and Implicit liability amounts:

	<u>Explicit</u>	<u>Implicit</u>	<u>Totals</u>
Current Retirees	\$ 0.4 million	\$ 10.0 million	\$ 10.4 million
Future Retirees	<u>2.8 million</u>	<u>26.2 million</u>	<u>29.0 million</u>
Totals	<u>\$ 3.2 million</u>	<u>\$ 36.2 million</u>	<u>\$ 39.4 million</u>

The Explicit Subsidy of \$3.2 million shown above represents only 8.1% of the total OPEB liability of \$39.4 million.

A. Plan Description

In addition to providing the pension benefits described, the City provides post-employment healthcare and life insurance benefits for retired employees through the City's plan. The benefits, benefit levels, employee contributions and employer contributions are governed by RSA 100-A:50. As of July 1, 2013, the actuarial valuation date, approximately 1,076 retirees and 2,631 active employees meet the eligibility requirements. The Single Employer plan does not issue a separate financial report.

B. Benefits Provided

The City provides medical insurance to retirees and their covered dependents. All active employees who retire from the City and meet the eligibility criteria will receive these benefits.

C. Funding Policy

In general, retirees and their spouses pay 100% of coverage.

D. Annual OPEB Costs and Net OPEB Obligation

The City's fiscal 2015 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the City's annual OPEB cost for the year ending June 30, 2015, the amount actually contributed to the plan, and the change in the City's net OPEB obligation based on an actuarial valuation as of July 1, 2013.

Annual Required Contribution (ARC)	\$ 4,510,124
Interest on net OPEB obligation	1,034,567
NOO amortization adjustment to the ARC	<u>(1,346,001)</u>
Annual OPEB cost	4,198,690
Contributions made	<u>(1,907,690)</u>
Increase in net OPEB obligation	2,291,000
Net OPEB obligation - beginning of year	<u>20,691,340</u>
Net OPEB obligation - end of year	<u><u>\$ 22,982,340</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2015	\$ 4,198,690	45.4%	\$ 22,982,340
2014	\$ 4,355,261	44.8%	\$ 20,691,340
2013	\$ 5,032,829	44.8%	\$ 18,086,253
2012	\$ 5,078,422	40.4%	\$ 15,307,591
2011	\$ 5,631,575	40.7%	\$ 12,278,412
2010	\$ 5,038,535	41.3%	\$ 8,937,822
2009	\$ 4,597,000	37.6%	\$ 5,982,000
2008	\$ 4,597,000	32.2%	\$ 3,115,000

E. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2013, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 39,415,168
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	\$ 39,415,168
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 123,880,502
UAAL as a percentage of covered payroll	31.8%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the Notes to the Financial Statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

F. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan as understood by the City and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the City and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce

short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2013 actuarial valuation the Entry Age Normal method was used. The actuarial value of assets was not determined as the City has not advanced its obligation. The actuarial assumptions included a 3.00% inflation rate, 5.00% investment rate of return, and an initial annual healthcare cost trend rate of 9.00% which decreases to a 5.00% long-term rate for all healthcare benefits in 2023. The amortization costs for the initial UAAL is a level dollar method for a period of 30 years, on an open group. This has been calculated assuming the amortization payment increases at a rate of 3.00%.

18. Retirement System

New Hampshire Retirement System

The City follows the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, with respect to the State of New Hampshire Retirement System (NHRS).

A. Plan Description

Full-time employees participate in the New Hampshire Retirement System (NHRS), a cost sharing, multiple-employer defined benefit contributory pension plan and trust established in 1967 by RSA 100-A:2 and qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The plan is a contributory, defined benefit plan providing service, disability, death, and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters, and permanent police officers within the State of New Hampshire are eligible and required to participate in the system. Full-time employees of political subdivisions, including counties, municipalities, and school districts, are also eligible to participate as a group if the governing body of the political subdivision has elected participation.

The New Hampshire Retirement System, a Public Employees Retirement System (PERS), is divided into two membership groups. State or local employees and teachers belong to *Group I*. Police officers and firefighters belong to *Group II*. All assets are held in a single trust and are available to each group. Additional information is disclosed in the NHRS annual report publicly available from the New Hampshire Retirement System located at 54 Regional Drive, Concord, New Hampshire 03301-8507.

B. Benefits Provided

Group I members at age 60 or 65 (for members who commence service after July 1, 2011) qualify for a normal service retirement allowance based on years of creditable service and average final salary for the highest of either three or five

years, depending on when their service commenced. The yearly pension amount is 1/60 or 1.667% of average final compensation (AFC), multiplied by years of creditable service. At age 65, the yearly pension amount is recalculated at 1/66 or 1.515% of AFC multiplied by years of creditable service.

Group II members who are age 60, or members who are at least age 45 with at least 20 years of creditable service, can receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years. Members commencing service on or after July 1, 2011 or members who have a non-vested status as of January 1, 2012 can receive a retirement allowance at age 52.5 with 25 years of service or age 60. The benefit shall be equal to 2% of AFC times creditable service up to 42.5 years. However, a member who commenced service on or after July 1, 2011 shall not receive a retirement allowance until attaining the age of 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service where the allowance shall be reduced, for each month by which the benefit commencement date precedes the month after which the member attains 52.5 years of age by $\frac{1}{4}$ of 1% or age 60.

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 earned compensation and/or service.

C. Contributions

Plan members are required to contribute a percentage of their gross earnings to the pension plan, which the contribution rates are 7% for employees and teachers 11.55% for police and 11.80% for fire. The City makes annual contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A:16, and range from 10.77% to 27.74% of covered compensation. The City's contributions to NHRS for the year ended June 30, 2015 was \$19,432,673, which was equal to its annual required contribution.

D. Summary of Significant Accounting Policies

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

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

At June 30, 2015, the City reported a liability of \$184,879,108 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013. The City's

proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2013, the City's proportion was 4.8540%. At the most recent measurement date of June 30, 2014, the City's proportion was 4.9254%, which was an increase of 0.0714% from the previous year.

For the year ended June 30, 2015, the City recognized pension expense of \$13,082,742. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 23,655,436
Changes in proportion and differences between contributions and proportionate share of contributions	3,074,353	550,974
Contributions subsequent to the measurement date	19,432,673	-
Total	<u>\$ 22,507,026</u>	<u>\$ 24,206,410</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources
2016	\$ 20,201,262	\$ 6,051,602
2017	768,588	6,051,602
2018	768,588	6,051,602
2019	768,588	6,051,604
Total	<u>\$ 22,507,026</u>	<u>\$ 24,206,410</u>

Actuarial assumptions: The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	July 1, 2013 rolled forward to July 1, 2014
Actuarial cost method	Entry-Age Normal
Inflation	3.00%
Projected salary increases	3.75 - 5.80% average, including inflation
Investment rate of return	7.75 %, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 mortality table, projected to 2020 with Scale AA. The table includes a margin of 15% for men and 17% for woman for mortality improvements.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2005 – June 30, 2010.

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

Asset Class	Target Allocation Percentage	Weighted Average Average Long- Term Expected Real Rate of Return
Large Cap Equities	22.50 %	3.25%
Small/Mid Cap Equities	7.50	3.25%
Total domestic equities	30.00	
Int'l Equities (unhedged)	13.00	4.25%
Emerging Int'l Equities	7.00	6.50%
Total international equities	20.00	
Core Bonds	18.00	-0.47%
High-Yield Bonds	1.50	1.50%
Global Bonds (unhedged)	5.00	-1.75%
Emerging Market Debt (external)	0.50	2.00%
Total fixed income	25.00	
Private equity	5.00	5.75%
Private debt	5.00	5.00%
Real estate	10.00	3.25%
Opportunistic	5.00	2.50%
Total alternative investments	25.00	
Total	100.00 %	

Discount rate: The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the pension plan's actuarial funding policy and as required by RSA 100-A:16. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate: The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.75%) or 1 percentage-point higher (8.75%) than the current rate:

<u>Fiscal Year Ended</u>	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
June 30, 2014	\$ 243,515,864	\$ 184,879,108	\$ 135,410,221

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued NHRS financial report.

Public Works Employees' Retirement System

The City follows the provisions of GASB Statement No. 67 *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25* and GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, with respect to the employees' retirement funds.

A. Plan Description

All Public Works employees of the City are members of the Public Works Employees' Retirement System (the System), a single employer-defined benefit PERS. Eligible employees must participate in the System. The pension plan provides pension benefits and death and disability benefits to employees reaching age 60, provided they have accumulated 10 years of service. A City ordinance passed in 1947 established the System which is administered by a five-member Board of Trustees. Amendments to benefit provisions are made by the Board of Trustees with the concurrence of the Board of Aldermen. The Public Works

Employees' Retirement System does not issue independent financial statements. Administrative costs are financed by Trust earnings.

Membership of each plan consisted of the following at July 1, 2014, the date of the latest actuarial valuation:

Inactive plan members or beneficiaries receiving benefits	95
Inactive plan members entitled to but not yet receiving benefits	1
Active plan members	<u>160</u>
Total	<u><u>256</u></u>

B. Benefits Provided

The System provides for retirement and death benefits. The retirement allowance benefit is up to a maximum 65% of final compensation reduced proportionately for creditable services less than 25 years (30 if hired after July 1, 2010). Benefit payments are based upon a member's age and length of creditable service. Members become fully vested after 10 years of creditable service. A retirement allowance may be received upon reaching age 60 with 10 years of credited service or upon attaining 25 years (30 years if hired after July 1, 2010) of continuous service with the Board of Public Works. The plan also provides for early retirement for 65% of final compensation reduced by 0.555% for each month between age 60 and the member's early retirement date. In addition, the System provides for disability retirement allowance if age 60 or older with a minimum of 10 years of creditable service, 65% (60% if under age 60) of final compensation reduced proportionately for creditable service less than 25 years (30 years if hired after July 1, 2010).

The death allowance benefits are based upon creditable service and classification. Members become vested after 10 years of creditable service. Employee contributions must be left in the plan for the deferred vested benefit to be payable. Pre-retirement spouse benefits are paid at 50% of the benefit to which the member would have been entitled had the member retired on the date of death, when accidental death benefits are not payable, and if the member has 10 or more years of service.

Post-Retirement benefits of \$3,000 are paid to beneficiaries of retired members upon the death of the retired member. Accidental death benefits are 65% of final compensation to spouse until death or remarriage, or dependent child to age 18, or dependent parent for life.

C. Contributions

The City employees each contribute 9.15% of their base salary, as specified by ordinance. The City's contribution is determined by the actuarial valuation. The

City's contribution to the System for the year ended June 30, 2015 was \$772,343, which was equal to its annual required contribution.

D. Summary of Significant Accounting Policies

The accounting policies of the System as reflected in the accompanying financial statements for the year ended June 30, 2015 conform to generally accepted accounting principles for public employee retirement systems (PERS). The more significant accounting policies of the System are summarized below:

Basis of accounting: Contributory retirement system financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized as revenue in the period in which the members provide services to the employer. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Investment policy: Investments are reported at fair value in accordance with requirements. System assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan.

Rate of return: For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 2.9888%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

E. Net Pension Liability of Participating Employers

The components of the net pension liability of the participating employers at June 30, 2015 were as follows (in thousands):

Total pension liability	\$ 44,393
Plan fiduciary net position	<u>(37,512)</u>
Employers' net pension liability	<u>\$ 6,881</u>
Plan fiduciary net position as a percentage of total pension liability	84.50%

Actuarial assumptions: A summary of the actuarial assumptions as of the latest actuarial valuation is shown below:

Valuation Date	July 1, 2014 rolled forward to July 1, 2015
Actuarial cost method	Entry-Age Actuarial Cost
Inflation rate	3.00%
Projected salary increases	Inflation of 3.00%, plus merit increases ranging from 2.00% to 0.05%, based on age
Investment rate of return	7.25%, net of investment-related and administrative expenses

Actuarial valuation of the ongoing System involves estimates of the reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The actuarial assumptions used in the June 30, 2014 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2005 – June 30, 2014.

Mortality rates in the June 30, 2014 valuation for non-disabled individuals reflects the RP-2014 Mortality Table, with blue collar adjustment, projected to the valuation date with Scale MP-2014. This changed from the June 30, 2013 valuation, which reflected the RP-2000 Blue Collar Mortality Table with separate male and female rates projected to the valuation date with Scale AA.

Mortality rates in the June 30, 2014 valuation for disabled individuals reflects the RP-2014 Mortality Table, with blue collar adjustment, projected to the valuation date with Scale MP-2014, setback 10 years. This changed from the June 30, 2013 valuation, which reflected the RP-2000 Disabled Life Mortality Tables, with separate male and female tables.

Mortality improvement rates in the June 30, 2014 valuation for disabled and non-disabled individuals are based on projections to the date of decrement using Scale MP-2014 (generational mortality). This changed from the June 30, 2013 valuation, which projected rates for non-disabled individuals using Scale AA for 10 years after the valuation date, and no projections were made for disabled individuals.

The long-term expected rate of return on pension plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range (expected returns, net of pension plan investment expense and inflation) is calculated separately for each asset

class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Real Return Arithmetic Basis</u>	<u>Long-term Expected Real Rate of Return</u>
Intermediate Bond	40.00%	2.00%	0.80%
US Large Cap Equity	30.00%	6.50%	1.95%
US Small Cap Equity	10.00%	8.00%	0.80%
International Equity	20.00%	6.20%	1.24%
Total	<u>100.00%</u>		4.79%
Inflation			<u>3.00%</u>
Expected arithmetic nominal return			<u>7.79%</u>

Discount rate: The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the the net pension liability to changes in the discount rate: The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.25%) or 1 percentage-point higher (8.25%) than the current rate:

<u>Fiscal Year Ended</u>	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
June 30, 2015	\$ 11,850,571	\$ 6,881,217	\$ 2,651,766

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

At June 30, 2015, the City reported a liability of \$6,881,217 for its net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014. The City's net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

For the year ended June 30, 2015, the City recognized pension expense of \$715,859. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 72,958	\$ -
Changes of assumptions	-	1,069,837
Net difference between projected and actual earnings on pension plan investments	1,256,781	-
Total	<u>\$ 1,329,739</u>	<u>\$ 1,069,837</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources
2016	\$ 325,249	\$ 162,097
2017	325,249	162,097
2018	325,249	162,097
2019	325,250	162,097
2020	11,054	162,097
Thereafter	17,688	259,352
Total	<u>\$ 1,329,739</u>	<u>\$ 1,069,837</u>

19. Self-Insurance

The City self-insures against claims for workers compensation, general liability, property, long-term disability, and employee health coverage. Annual estimated requirements for claims are provided in the City's annual operating budget.

Health Insurance

The City contracts with insurance carriers for claims processing. Under the terms of the insurance coverage, the employee is only liable for the cost sharing premiums and co-pays. The City retains the risk to \$250,000 and maintains excess insurance for claims that exceed \$250,000. The claims liability represents an estimate of claims incurred but unpaid at year-end, based on past historical costs and claims paid subsequent to year-end.

General Liability/Workers' Compensation

The City is self-administered for claims processing of the City's workers' compensation, property, and casualty programs. The workers' compensation, property, and casualty liabilities represent an estimate of future costs based on historical analysis of similar claims.

Changes in the aggregate liability for claims for the year ended June 30, 2015 are as follows:

	Year Ended <u>June 30, 2015</u>	Year Ended <u>June 30, 2014</u>
Claims liability, beginning of year	\$ 8,963,872	\$ 9,553,764
Claims incurred/recognized	41,811,273	40,023,611
Claims paid	<u>(42,733,873)</u>	<u>(40,613,503)</u>
Claims liability, end of year	\$ <u>8,041,272</u> *	\$ <u>8,963,872</u> *

* This liability is considered to be all current.

The \$8,041,272 estimated liability for claims incurred, but not reported, includes only an estimate for known loss events expected to later be presented as claims. The City is unable to estimate the amount of unknown loss events expected to become claims and expected future developments on claims already reported.

20. Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

21. Beginning Net Position Restatement

In fiscal year 2015, the City's beginning net position as of July 1, 2014 was restated for the implementation of the new standard – Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Accordingly, the following reconciliation is provided:

	Government- Wide Financial Statements	Business-Type Activities		
		Fund Basis Financial Statements		
		Waste Water Fund	Solid Waste Fund	Business-Type Total
As previously reported	\$ 211,648,058	\$ 105,373,556	\$ (943,382)	\$ 104,430,174
GASB 68 implementation for net pension liability	<u>(194,250,313)</u>	<u>(1,622,705)</u>	<u>(1,262,104)</u>	<u>(2,884,809)</u>
As restated	<u>\$ 17,397,745</u>	<u>\$ 103,750,851</u>	<u>\$ (2,205,486)</u>	<u>\$ 101,545,365</u>

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Pennichuck Corporation and Subsidiaries
Notes to Financial Statements

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PENNICHUCK CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Description of Business and Summary of Significant Accounting Policies

Description of Business:

Pennichuck Corporation (our “Company,” “we,” or “our”) is a holding company headquartered in Merrimack, New Hampshire with five wholly owned operating subsidiaries: Pennichuck Water Works, Inc., (“Pennichuck Water”) Pennichuck East Utility, Inc., (“Pennichuck East”) and Pittsfield Aqueduct Company, Inc. (“PAC”) (collectively referred to as our Company’s “utility subsidiaries”), which are involved in regulated water supply and distribution to customers in New Hampshire; Pennichuck Water Service Corporation (“Service Corporation”) which conducts non-regulated water-related services; and The Southwood Corporation (“Southwood”) which owns several parcels of undeveloped land.

Our Company’s utility subsidiaries are engaged principally in the collection, storage, treatment and distribution of potable water to approximately 35,400 customers throughout the State of New Hampshire. The utility subsidiaries, which are regulated by the New Hampshire Public Utilities Commission (the “NHPUC”), are subject to the provisions of Accounting Standards Codification (“ASC”) Topic 980 “*Regulated Operations*.”

Summary of Significant Accounting Policies:

Basis of Presentation

The accompanying consolidated financial statements include the accounts of our Company and its wholly owned subsidiaries. All significant intercompany transactions have been eliminated in consolidation.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property, Plant and Equipment

Property, plant and equipment, which includes principally the water utility assets of our Company’s utility subsidiaries, is recorded at cost plus an allowance for funds used during construction on major, long-term projects and includes property funded with contributions in aid of construction.

Maintenance, repairs and minor improvements are charged to expense as incurred. Improvements which significantly increase the value of property, plant and equipment are capitalized.

Cash and Cash Equivalents

Cash and cash equivalents generally consist of cash, money market funds and other short-term liquid investments with original maturities of three months or less.

Restricted Cash - RSF

This restricted cash balance consists of funds maintained for the Rate Stabilization Fund ("RSF"), which was established in conformity with the requirements of New Hampshire Public Utilities Commission ("NHPUC") Order 25,292, as explained more fully in Note 11 of these financial statements. The RSF is an imprest fund of \$5,000,000, which is subject to funding above or below the imprest fund balance, reflecting actual revenue performance as it relates to prescribed revenue levels supported by the RSF. Of the approximately \$5.3 million in restricted cash as of December 31, 2014 and in compliance with the rules governing the use of the RSF, approximately \$263,000 is reserved as a potential return to rate payers as a component of the new water rates set as a result of the next promulgated rate case before the NHPUC, for which that timing and occurrence is yet to be determined.

Restricted Cash – 2014 Bond Project Fund

This restricted cash balance consists of funds that resulted from the issuance of the Series 2014A tax-exempt bonds in December of 2014, as notated and fully described in Note 9 of these audited financial statements. The new money proceeds, as described in Note 9, from that bond issuance are maintained in a separate restricted cash account, and are subject to withdrawal as a reimbursement of eligible capital project expenditures for the years 2014 through 2016, as defined by the indenture and issuance documents associated with the offering. This fund was initially funded at a level of \$19.5 million, at the time the bonds were issued. In December of 2014, the first reimbursement withdrawal was processed from this fund, in the amount of approximately \$2.7 million, as a reimbursement of qualifying capital projects completed and "used and useful" during 2014, resulting in the December 31, 2014 balance in the fund of approximately \$16.8 million.

Restricted Cash – Bond Refund Escrow

This restricted cash balance also consists of funds that resulted from the issuance of the Series 2014A tax-exempt bonds in December of 2014, as notated and fully described in Note 9 of these audited financial statements. The refinance money proceeds, as described in Note 9, from that bond issuance are maintained in a separate restricted cash account, pending the completion of the refinance of existing tax-exempt bonds on January 20, 2015, the date at which the required 30-day notice period to bondholders has expired from the date of notification after the close of the December 15, 2014 bond closing. As of January 20, 2015, the entire balance in this account, which included \$23,350,000 of principal due on the bonds being refunded, as well as approximately \$375,000 of accrued interest due on these bonds, was paid out to the holders of those debt instruments.

Concentration of Credit Risks

Financial instruments that subject our Company to credit risk consist primarily of cash and accounts receivable. Our cash balances are invested in a financial institution insured to statutory limit by the Federal Deposit Insurance Corporation (“FDIC”). Our accounts receivable balances primarily represent amounts due from the residential, commercial and industrial customers of our regulated water utility operations as well as receivables from our Service Corporation customers.

Accounts Receivable - Billed

Accounts receivable are recorded at the invoiced amounts. The allowance for doubtful accounts is our best estimate of the amount of probable credit losses in our existing accounts receivable, and is determined based on historical write-off experience and the aging of account balances. We review the allowance for doubtful accounts quarterly. Account balances are written off against the allowance when it is probable the receivable will not be recovered.

Accounts Receivable - Unbilled

We read our customer meters on a monthly basis and record revenues based on meter reading results. Information from the last meter reading date is used to estimate the value of unbilled revenues through the end of the accounting period. Estimates of water utility revenues for water delivered to customers but not yet billed are accrued at the end of each accounting period. Actual results could differ from those estimates.

Inventory

Inventory is stated at the lower of cost, using the average cost method, or market.

Deferred Land Costs

Included in deferred land costs is our Company’s original basis in its undeveloped land-holdings and any land improvement costs, which are stated at the lower of cost or market. All costs associated with real estate and land projects are capitalized and allocated to the project to which the costs relate. Administrative labor and the related fringe benefit costs attributable to the acquisition, active development and construction of land parcels are capitalized as deferred land costs. No labor and benefits were capitalized for the years ended December 31, 2014 and 2013.

Deferred Charges and Other Assets

Deferred charges include certain regulatory assets and costs of obtaining debt financing. Regulatory assets are amortized over the periods they are recovered through NHPUC-authorized water rates. Deferred financing costs are amortized over the term of the related bonds and notes. Our Company’s utility subsidiaries have recorded certain regulatory assets in cases where the NHPUC has permitted, or is expected to permit, recovery of these costs

over future periods. Currently, the regulatory assets are being amortized over periods ranging from 3 to 25 years.

Contributions in Aid of Construction (“CIAC”)

Under construction contracts with real estate developers and others, our Company’s utility subsidiaries may receive non-refundable advances for the cost of installing new water mains. These advances are recorded as CIAC. The utility subsidiaries also record to plant and CIAC the fair market value of developer installed mains and any excess of fair market value over the cost of community water systems purchased from developers. CIAC are amortized over the life of the property.

Revenues

Standard charges for water utility services to customers are recorded as revenue, based upon meter readings and contract service, as services are provided. The majority of our Company’s water revenues are based on rates approved by the NHPUC. Estimates of unbilled service revenues are recorded in the period the services are provided. Provision is made in the financial statements for estimated uncollectible accounts.

Non-regulated water management services include contract operations and maintenance, and water testing and billing services to municipalities and small, privately owned community water systems. Contract revenues are billed and recognized on a monthly recurring basis in accordance with agreed-upon contract rates. Revenues from unplanned additional work are based upon time and materials incurred in connection with activities not specifically identified in the contract, or for which work levels exceed contracted amounts.

Revenues from real estate operations, other than undistributed earnings or losses from equity method joint ventures, are recorded upon completion of a sale of real property. Our Company’s real estate holdings outside of our regulated utilities are comprised primarily of undeveloped land.

Investment in Joint Venture

Southwood uses the equity method of accounting for its investment in a joint venture in which it does not have a controlling interest. Under this method, Southwood records its proportionate share of losses under “Other, net” in the accompanying Consolidated Statements of Income with a corresponding decrease in the carrying value of the investment.

Income Taxes

Income taxes are recorded using the accrual method and the provision for federal and state income taxes is based on income reported in the consolidated financial statements, adjusted for items not recognized for income tax purposes. Provisions for deferred income taxes are recognized for accelerated depreciation and other temporary differences. A valuation allowance is provided to offset any net deferred tax assets if, based upon available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

Investment tax credits previously realized for income tax purposes are amortized for financial statement purposes over the life of the property, giving rise to the credit.

Recently Issued Accounting Standards

We do not expect the adoption of any recently issued accounting pronouncements to have a material impact on our financial condition or results of operations.

Note 2 – Property, Plant and Equipment

The components of property, plant and equipment as of December 31, 2014 and 2013 were as follows:

(in thousands)	<u>2014</u>	<u>2013</u>	<u>Useful Lives (in years)</u>
Utility Property:			
Land and land rights	\$ 2,939	\$ 2,927	-
Source of supply	51,489	50,399	3 - 75
Pumping and purification	30,115	29,775	14 - 64
Transmission and distribution, including services, meters and hydrants	130,983	124,024	15 - 91
General and other equipment	11,358	10,142	7 - 75
Intangible plant	770	768	20
Construction work in progress	<u>2,677</u>	<u>2,524</u>	
Total utility property	230,331	220,559	
Total non-utility property	<u>5</u>	<u>5</u>	5 - 10
Total property, plant and equipment	230,336	220,564	
Less accumulated depreciation	<u>(57,049)</u>	<u>(52,853)</u>	
Property, plant and equipment, net	<u>\$ 173,287</u>	<u>\$ 167,711</u>	

The provision for depreciation is computed on the straight-line method over the estimated useful lives of the assets which range from 3 to 91 years. The weighted average composite depreciation rate was 2.54% and 2.45% in 2014 and 2013, respectively.

Note 3 – Accounts Receivable

Accounts receivable consisted of the following at December 31, 2014 and 2013:

(in thousands)	<u>2014</u>	<u>2013</u>
Accounts receivable - billed	\$ 2,240	\$ 2,345
Less allowance for doubtful accounts	<u>(51)</u>	<u>(44)</u>
Accounts Receivable - billed, net	<u>\$ 2,189</u>	<u>\$ 2,301</u>
Accounts receivable - unbilled	\$ 2,399	\$ 2,102
Less allowance for doubtful accounts	<u>-</u>	<u>-</u>
Accounts Receivable - unbilled, net	<u>\$ 2,399</u>	<u>\$ 2,102</u>

Note 4 – Deferred Charges and Other Assets

Deferred charges and other assets as of December 31, 2014 and 2013 consisted of the following:

(in thousands)	<u>2014</u>	<u>2013</u>	<u>Recovery Period (in years)</u>
Regulatory assets:			
Source development charges	\$ 708	\$ 764	5 - 25
Miscellaneous studies	1,080	852	3 - 25
Unrecovered pension and post-retirement benefits expense	<u>6,483</u>	<u>3,342</u>	(1)
Total regulatory assets	8,271	4,958	
Supplemental executive retirement plan asset	<u>649</u>	<u>625</u>	
Subtotal	8,920	5,583	
Debt issuance expenses	<u>4,422</u>	<u>3,406</u>	(1)
Total deferred charges and other assets	<u>\$ 13,342</u>	<u>\$ 8,989</u>	

(1) We expect to recover these amounts consistent with the anticipated expense recognition of these assets.

Note 5 – Post-retirement Benefit Plans

Pension Plan and Other Post-retirement Benefits

We have a non-contributory, defined benefit pension plan (the “DB Plan”) that covers substantially all employees. The benefits are based on years of service and participant compensation levels. Our funding policy is to contribute annual amounts that meet the requirements for

funding under the U.S. Department of Labor's Pension Protection Act. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future.

We provide post-retirement medical benefits for eligible retired employees through one of two plans (collectively referred to as our "OPEB Plans"). For employees who retire on or after the normal retirement age of 65, benefits are provided through a post-retirement plan (the "Post-65 Plan"). For eligible non-union employees who retire prior to their normal retirement age and who have met certain age and service requirements, benefits are provided through a post-employment medical plan (the "Post-employment Plan"). Future benefits under the Post-65 Plan increase annually based on the actual percentage of wage and salary increases earned from the plan inception date to the normal retirement date. The benefits under the Post-employment Plan allow for the continuity of medical benefits coverage at group rates from the employee's retirement date until the employee becomes eligible for Medicare. The OPEB Plans are funded from the general assets of our Company.

Upon retirement, if a qualifying employee elects to receive medical benefits under one of our OPEB Plans, we pay up to a maximum monthly benefit of \$322 based on years of service.

The following table sets forth information regarding our DB Plan and our OPEB Plans as of December 31, 2014 and for the year then ended:

(in thousands)	DB Plan	OPEB Plans
Projected benefit obligations	\$ 21,512	\$ 3,000
Employer contribution	986	-
Benefits paid, excluding expenses	(429)	(34)
Fair value of plan assets	13,495	962
Accumulated benefit obligation	19,374	-
Funded status	(8,017)	(2,038)
Net periodic benefit cost	893	130
Amount of the funded status recognized in the Consolidated Balance Sheet consisted of:		
Current liability	\$ -	\$ (22)
Non-current liability	(8,017)	(2,016)
Total	<u>\$ (8,017)</u>	<u>\$ (2,038)</u>

The following table sets forth information regarding our DB Plan and our OPEB Plans as of December 31, 2013 for the year then ended:

(in thousands)	DB Plan	OPEB Plans
Projected benefit obligations	\$ 17,501	\$ 2,809
Employer contribution	911	22
Benefits paid, excluding expenses	(410)	(36)
Fair value of plan assets	12,244	944
Accumulated benefit obligation	15,665	-
Funded status	(5,257)	(1,879)
Net periodic benefit cost	1,372	204

Amount of the funded status recognized in the

Consolidated Balance Sheet consisted of:

Current liability	\$ -	\$ (21)
Non-current liability	<u>(5,257)</u>	<u>(1,858)</u>
Total	<u>\$ (5,257)</u>	<u>\$ (1,879)</u>

Changes in plan assets and benefit obligations recognized in regulatory assets, for the year ended December 31, 2014, were as follows:

(in thousands)	DB Plan	OPEB Plans
Regulatory asset balance, beginning of period	\$ 3,815	\$ (473)
Net actuarial loss incurred during the period	2,986	299
Prior service cost incurred during the period	-	(51)
Recognized net actuarial (gain)/loss	<u>(133)</u>	<u>40</u>
Regulatory asset balance, end of period	<u>\$ 6,668</u>	<u>\$ (185)</u>

Changes in plan assets and benefit obligations recognized in regulatory assets, for the year ended December 31, 2013, were as follows:

(in thousands)	DB Plan	OPEB Plans
Regulatory asset balance, beginning of period	\$ 7,874	\$ 222
Net actuarial gain incurred during the period	(3,641)	(699)
Recognized net actuarial (gain)/loss	<u>(418)</u>	<u>4</u>
Regulatory asset balance, end of period	<u>\$ 3,815</u>	<u>\$ (473)</u>

Amounts recognized in regulatory assets for the DB and OPEB Plans that have not yet been recognized as components of net periodic benefit cost of the following as of December 31, 2014:

(in thousands)	DB Plan	OPEB Plans
Net actuarial (gain)/loss	\$ 6,668	\$ 28
Prior service cost	-	(213)
Regulatory asset	<u>\$ 6,668</u>	<u>\$ (185)</u>

Amounts recognized in regulatory assets for the DB and OPEB Plans that have not yet been recognized as components of net periodic benefit cost of the following as of December 31, 2013:

(in thousands)	DB Plan	OPEB Plans
Net actuarial (gain)/loss	\$ 3,815	\$ (311)
Prior service cost	-	(162)
Regulatory asset	<u>\$ 3,815</u>	<u>\$ (473)</u>

The key assumptions used to value benefit obligations and calculate net periodic benefit cost for our DB and OPEB Plans include the following:

	2014	2013
Discount rate for net periodic benefit cost, beginning of year	4.84%	4.00%
Discount rate for benefit obligations, end of year (a)	3.85%	4.84%
Expected return on plan assets for the period (net of investment expenses)	7.50%	7.50%
Rate of compensation increase, beginning of year	2.75%	2.75%
Healthcare cost trend rate (applicable only to OPEB Plans)	9.00%	9.50%

(a) An increase or decrease in the discount rate of 0.5% would result in a change in the funded status as of December 31, 2014, for the DB Plan and the OPEB Plans of approximately \$1.59 million and \$242 thousand, respectively.

The estimated net actuarial loss for our DB Plan that will be amortized in 2015 from the regulatory assets into net periodic benefit costs is \$332,000. The estimated net actuarial gain and prior service cost for our OPEB Plans that will be amortized in 2015 from the regulatory assets into net periodic benefit costs are \$(2,000), and \$(87,000), respectively.

In establishing its investment policy, our Company has considered the fact that the DB Plan is a major retirement vehicle for its employees and the basic goal underlying the establishment of the policy is to provide that the assets of the Plan are invested in accordance with the asset allocation range targets to achieve our expected return on Plan assets. Our Company's investment strategy applies to its OPEB Plans as well as the DB Plan. Our expected long-term rate of return on DB Plan and OPEB Plan assets is based on the Plans' expected asset allocation, expected returns on various classes of Plan assets as well as historical returns.

The assets of our Post-65 Plan are held in two separate Voluntary Employee Beneficiary Association (“VEBA”) trusts. We maintain our VEBA plan assets in directed trust accounts at a commercial bank.

The investment strategy for our DB Plan and our OPEB Plans utilizes several different asset classes with varying risk/return characteristics. The following table indicates the asset allocation percentages of the fair value of the DB Plan and OPEB Plans’ assets for each major type of plan asset as of December 31, 2014, as well as the targeted allocation range:

	DB Plan		OPEB Plans	
		Asset Allocation Range		Asset Allocation Range
Equities	61%	30% - 100%	71%	30% - 100%
Fixed income	39%	20% - 70%	28%	0% - 50%
Cash and cash equivalents	0%	0% - 15%	1%	0% - 15%
Total	<u>100%</u>		<u>100%</u>	

The following table indicates the asset allocation percentages of the fair value of the DB Plan and OPEB Plans’ assets for each major type of plan asset as of December 31, 2013, as well as the targeted allocation range:

	DB Plan		OPEB Plans	
		Asset Allocation Range		Asset Allocation Range
Equities	64%	30% - 100%	70%	30% - 100%
Fixed income	36%	20% - 70%	28%	0% - 50%
Cash and cash equivalents	0%	0% - 15%	2%	0% - 15%
Total	<u>100%</u>		<u>100%</u>	

Management uses its best judgment in estimating the fair value of its financial instruments. However, there are inherent weaknesses in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates herein are not necessarily indicative of the amounts that we could have realized in a sales transaction for these instruments. The estimated fair value amounts have been measured as of year-end and have not been reevaluated or updated for purposes of these financial statements subsequent to those respective dates.

Investments in mutual funds are stated at fair value by reference to quoted market prices. Money market funds are valued utilizing the Net Asset Value per unit based on the fair value of the underlying assets as determined by the directed trustee.

The DB Plan also holds assets under an immediate participation guarantee group annuity contract with a life insurance company. The assets under the contract are invested in pooled separate accounts and in a general investment account. The pooled separate accounts are valued based on net asset value per unit of participation in the fund and have no unfunded commitments or significant redemption restrictions at year-end. The value of these units is determined by the trustee based on the current market values of the underlying assets of the pooled separate accounts. Therefore, the value of the pooled separate accounts is deemed to be at estimated fair value.

The general investment account is not actively traded and significant other observable inputs are not available. The fair value of the general investment account is calculated by discounting the related cash flows based on current yields of similar instruments with comparable durations.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plans' management believes the valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain investments could result in a different fair value measurement at the reporting date.

We use a fair value hierarchy which prioritizes the inputs to valuation methods used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The fair value of DB Plan and OPEB Plan assets by levels within the fair value hierarchy used as of December 31, 2014 was as follows:

(in thousands)	<u>Totals</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
DB Plan:				
Equities:				
Pooled separate accounts	\$ 8,204	\$ -	\$ 8,204	\$ -
Fixed Income:				
General investment account	2,625	-	-	2,625
Pooled separate accounts	<u>2,666</u>	<u>-</u>	<u>2,666</u>	<u>-</u>
Total Pension Plan	<u>\$ 13,495</u>	<u>\$ -</u>	<u>\$ 10,870</u>	<u>\$ 2,625</u>

(in thousands)	<u>Totals</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
OPEB Plans:				
Mutual funds:				
Balanced/hybrid funds	\$ 173	\$ 173	\$ -	\$ -
U.S. equity securities funds	447	447	-	-
International equity funds	66	66	-	-
Fixed income funds	269	269	-	-
Cash and cash equivalents:				
Money market funds	<u>7</u>	<u>-</u>	<u>7</u>	<u>-</u>
Total Post-retirement Plans	\$ <u>962</u>	\$ <u>955</u>	\$ <u>7</u>	\$ <u>-</u>
Totals	\$ <u>14,457</u>	\$ <u>955</u>	\$ <u>10,877</u>	\$ <u>2,625</u>

The fair value of DB Plan and OPEB Plan assets by levels within the fair value hierarchy used as of December 31, 2013 was as follows:

(in thousands)	<u>Totals</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
DB Plan:				
Equities:				
Pooled separate accounts	\$ 7,895	\$ -	\$ 7,895	\$ -
Fixed Income:				
General investment account	2,940	-	-	2,940
Pooled separate accounts	<u>1,409</u>	<u>-</u>	<u>1,409</u>	<u>-</u>
Total Pension Plan	\$ <u>12,244</u>	\$ <u>-</u>	\$ <u>9,304</u>	\$ <u>2,940</u>
OPEB Plans:				
Mutual funds:				
Balanced/hybrid funds	\$ 168	\$ 168	\$ -	\$ -
U.S. equity securities funds	416	416	-	-
International equity funds	76	76	-	-
Fixed income funds	261	261	-	-
Cash and cash equivalents:				
Money market funds	<u>23</u>	<u>-</u>	<u>23</u>	<u>-</u>
Total Post-retirement Plans	\$ <u>944</u>	\$ <u>921</u>	\$ <u>23</u>	\$ <u>-</u>
Totals	\$ <u>13,188</u>	\$ <u>921</u>	\$ <u>9,327</u>	\$ <u>2,940</u>

Level 1: Based on quoted prices in active markets for identical assets.

Level 2: Based on significant observable inputs.

Level 3: Based on significant unobservable inputs.

The following table presents a period-end reconciliation of DB Plan assets measured and recorded at fair value on a recurring basis, using significant unobservable inputs (Level 3):

(in thousands)	<u>2014</u>	<u>2013</u>
Balance, beginning of year	\$ 2,940	\$ 1,704
Plan transfers	(494)	864
Contributions	537	729
Benefits paid	(438)	(410)
Return on plan assets (net of investment expenses)	<u>80</u>	<u>53</u>
Balance, end of year	<u>\$ 2,625</u>	<u>\$ 2,940</u>

In order to satisfy the minimum funding requirements of the Employee Retirement Income Security Act of 1974, applicable to defined benefit pension plans, we anticipate that we will contribute approximately \$1.2 million to the DB Plan in 2015.

The following maximum benefit payments, which reflect expected future service, as appropriate, are expected to be paid in the years indicated:

(in thousands)	<u>DB Plan</u>	<u>OPEB Plans</u>
2015	\$ 586	\$ 64
2016	686	70
2017	743	75
2018	829	91
2019	962	116
2020 - 2024	<u>5,965</u>	<u>645</u>
Total	<u>\$ 9,771</u>	<u>\$ 1,061</u>

Because we are subject to regulation in the state in which we operate, we are required to maintain our accounts in accordance with the regulatory authority's rules and regulations. In those instances, we follow the guidance of ASC 980 ("Regulated Operations"). Based on prior regulatory practice, we recorded underfunded DB Plan and OPEB Plan obligations as a regulatory asset and we expect to recover those costs in rates charged to customers.

Defined Contribution Plan

In addition to the defined benefit plan, we have a defined contribution plan covering substantially all employees. Under this plan, our Company matches 100% of the first 3% of each participating employee's salary contributed to the plan. The matching employer's contributions, recorded as operating expenses, were approximately \$207,000 and \$197,000 for the years ended December 31, 2014 and 2013, respectively.

Note 6 - Commitments and Contingencies

Operating Leases

We lease our corporate office space as well as certain office equipment under operating lease agreements. Total rent expense was approximately \$315,000 and \$305,000 for the years ended December 31, 2014 and 2013, respectively.

Our remaining non-cancelable lease commitments for our corporate office space and leased equipment as of December 31, 2014 were as follows:

(in thousands)	<u>Amount</u>
2015	\$ 277
2016	271
2017	159
2018	<u>2</u>
Total	<u>\$ 709</u>

Note 7 – Financial Measurement and Fair Value of Financial Instruments

Management uses its best judgment in estimating the fair value of its financial instruments. However, there are inherent weaknesses in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates herein are not necessarily indicative of the amounts that we could have realized in a sales transaction for these instruments. The estimated fair value amounts have been measured as of the period end and have not been reevaluated or updated for purposes of these financial statements subsequent to those respective dates.

We use a fair value hierarchy which prioritizes the inputs to valuation methods used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are as follows:

Level 1: Based on quoted prices in active markets for identical assets.

Level 2: Based on significant observable inputs.

Level 3: Based on significant unobservable inputs.

An asset or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

For assets and liabilities measured at fair value on a recurring basis, the fair value measurement by levels within the fair value hierarchy used as of December 31, 2014 and 2013 were as follows:

(in thousands)	December 31, 2014			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Interest rate swap	\$ <u>(583)</u>	\$ <u>-</u>	\$ <u>(583)</u>	\$ <u>-</u>

(in thousands)	December 31, 2013			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Interest rate swap	\$ <u>(386)</u>	\$ <u>-</u>	\$ <u>(386)</u>	\$ <u>-</u>

The carrying value of certain financial instruments included in the accompanying Consolidated Balance Sheets, along with the related fair value, as of December 31, 2014 and 2013 was as follows:

(in thousands)	2014		2013	
	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Liabilities:				
Long-term debt	\$ (224,307)	\$ (270,191)	\$ (177,396)	\$ (197,797)
Interest rate swap liability	(583)	(583)	(386)	(386)

The fair value of long-term debt has been determined by discounting the future cash flows using current market interest rates for similar financial instruments of the same duration. The fair value for long-term debt shown above does not purport to represent the amounts at which those debt obligations would be settled. The fair market value of our interest rate swap represents the estimated cost to terminate this agreement as of December 31, 2014 and 2013 based upon the then-current interest rates and the related credit risk.

The carrying values of our Cash and Cash Equivalents, Accounts Receivable and Accounts Payable approximate their fair values because of their short maturity dates. The carrying value of our CIAC approximates its fair value because it is expected that this is the amount that will be recovered in future rates.

Note 8 – Income Taxes

The components of the federal and state income tax provision (benefit) as of December 31, 2014 and 2013 were as follows:

(in thousands)	<u>2014</u>	<u>2013</u>
Federal	\$ 343	\$ (623)
State	241	(192)
Amortization of investment tax credits	<u>(33)</u>	<u>(33)</u>
Total	<u>\$ 551</u>	<u>\$ (848)</u>
Current	\$ (33)	\$ -
Deferred	<u>584</u>	<u>(848)</u>
Total	<u>\$ 551</u>	<u>\$ (848)</u>

The following is a reconciliation between the statutory federal income tax rate and the effective income tax rate for 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Statutory federal rate	34.0%	34.0%
State tax rate, net of federal benefits	5.6%	5.6%
Permanent differences	-87.3%	5.6%
Amortization of investment tax credits	<u>2.7%</u>	<u>1.8%</u>
Effective tax rate	<u>-45.0%</u>	<u>47.0%</u>

The temporary items that give rise to the net deferred tax liability as of December 31, 2014 and 2013 were as follows:

(in thousands)	<u>2014</u>	<u>2013</u>
Liabilities:		
Property-related, net	\$ 25,626	\$ 24,735
Pension deferred asset	2,641	1,511
Other	<u>1,061</u>	<u>705</u>
Total liabilities	<u>29,328</u>	<u>26,951</u>
Assets:		
Pension accrued liability	3,176	2,082
Net operating loss carryforward	2,399	2,053
Alternative minimum tax credit	476	384
NH Business Enterprise Tax credits	369	250
Other	<u>2,574</u>	<u>2,375</u>
Total assets	<u>8,994</u>	<u>7,144</u>
Net non-current deferred income tax liability	<u>\$ 20,334</u>	<u>\$ 19,807</u>

We had a federal net operating loss in 2014 and 2013 in the amounts of approximately \$1.8 million and \$319,000, respectively. The federal tax benefit of the cumulative net operating loss is approximately \$2.1 million which begins to expire in 2032, and is included in deferred income taxes in the consolidated balance sheet as of December 31, 2014.

As of December 31, 2014 and 2013, we estimated approximately \$476,000 and \$384,000 of cumulative federal alternative minimum tax credits that may be carried forward indefinitely as a credit against our regular tax liability.

As of December 31, 2014 and 2013, we had New Hampshire Business Enterprise Tax (“NHBET”) credits of approximately \$369,000 and \$250,000, respectively. NHBET credits begin to expire in 2017. We anticipate that we will fully utilize these NHBET credits before they expire; therefore we have not recorded a valuation allowance related to these credits.

Investment tax credits resulting from utility plant additions are deferred and amortized. The unamortized investment tax credits are being amortized through the year 2033.

We had a regulatory liability related to income taxes of approximately \$803,000 and \$825,000 as of December 31, 2014 and 2013, respectively. This represents the estimated future reduction in revenues associated with deferred taxes which were collected at rates higher than the currently enacted rates and the amortization of deferred investment tax credits.

We made a review of our portfolio of uncertain tax positions. In this regard, an uncertain tax position represents our expected treatment of a tax position taken in a filed tax return, or planned to be taken in a future tax return, that has not been reflected in measuring income tax expense for financial reporting purposes. As a result of this review, we determined that we had no material uncertain tax positions. We will use tax planning strategies, if required, and when possible, to avoid the expiration of any future net operating loss and/or tax credits.

We file income tax returns in the U.S. federal jurisdiction, the State of New Hampshire and the Commonwealth of Massachusetts. Our 2010 through 2013 tax years remain subject to examination by the Internal Revenue Service. Our tax year 2009 was audited by the Internal Revenue Service and the year was closed with no changes. Our 2008 through 2013 tax years remain subject to examination by one or more state jurisdictions.

Our practice is to recognize interest and/or penalties related to income tax matters in “Other, Net” in the Consolidated Statements of Income. We incurred no interest or penalties during the years ended December 31, 2014 and 2013.

Note 9 – Debt

Long-term debt as of December 31, 2014 and 2013 consisted of the following:

(in thousands)	<u>2014</u>	<u>2013</u>
Unsecured note payable to City of Nashua, 5.75%, due 12/25/2041	\$ 114,651	\$ 116,336
Unsecured senior note payable due to an insurance company 7.40%, due March 1, 2021	4,800	5,200
Unsecured Business Finance Authority:		
Revenue Bonds (Series 2014A), interest rates from 3.00% to 4.125%, due January 1, 2016 through January 1, 2045	41,885	-
Revenue Bonds (Series 2014B), 4.50%, due January 1, 2045	5,300	-
Revenue Bond (2005 Series BC-4), 5.375%, due October 1, 2035	12,125	12,125
Revenue Bond (2005 Series BC-3), 5.00%, due April 1, 2018	7,475	7,475
Revenue Bond (2005 Series A), 4.70%, due October 1, 2035	12,100	12,125
Revenue Bond (Series 2005A), 4.70%, due January 1, 2035	1,765	1,785
Revenue Bond (Series 2005B), 4.60%, due January 1, 2030	2,310	2,320
Revenue Bond (Series 2005C), 4.50%, due January 1, 2025	1,175	1,175
Revenue Bond, 1997, 6.30%, due May 1, 2022	2,600	2,800
Unsecured notes payable to bank, floating-rate, due March 1, 2030	3,708	3,886
Unsecured notes payable to bank, 3.62%, due June 20, 2023	1,633	1,694
Unsecured notes payable to bank, 4.25%, due June 20, 2033	880	910
Unsecured New Hampshire State Revolving Fund (“SRF”) notes (1)	12,152	9,829
Total long-term debt	224,559	177,660
Less current portion	(26,275)	(2,965)
Less original issue discount	(252)	(264)
Total long-term debt, net of current portion	<u>\$ 198,032</u>	<u>\$ 174,431</u>

(1) SRF notes are due through 2035 at interest rates ranging from 1% to 4.488%. These notes are payable in 120 to 240 consecutive monthly installments of principal and interest. The 1% rate applies to construction projects still in process until the earlier of (i) the date of substantial completion of the improvements, or (ii) various dates specified in the note (such earlier date being the interest rate change date). Commencing on the interest rate change date, the interest rate changes to the lower of (i) the rate as stated in the note or (ii) 80% of the established 11 General Obligations Bond Index published during the specified time period before the interest rate change date.

The aggregate principal payment requirements subsequent to December 31, 2014 are as follows:

(in thousands)	<u>Amount</u>
2015	\$ 26,275
2016	4,116
2017	4,313
2018	4,504
2019	4,714
2020 and thereafter	<u>180,637</u>
Total	<u>\$ 224,559</u>

Several of Pennichuck Water's loan agreements contain a covenant that prevents Pennichuck Water from declaring dividends if Pennichuck Water does not maintain a minimum net worth of \$4.5 million. As of December 31, 2014 and 2013, Pennichuck Water's net worth was \$127.8 and \$125.6 million, respectively. Pennichuck Water Works also has debt issuance covenants whereby they must also maintain a maximum total debt to capital ratio of 65%, a maximum funded debt to net property, plant and equipment ratio of 60%, and an interest coverage ratio of at least 1.5; at December 31, 2014 and 2013 the total debt to capital ratio was 37% and 29%, respectively, the funded debt to net property, plant and equipment ratio was 55% and 38%, respectively, and the interest coverage ratio was 2.81 and 2.62, respectively.

On December 15, 2014, Pennichuck Water issued tax-exempt Series 2014A (AMT) bonds and taxable Series 2014B bonds, in the amounts of \$41,885,000 and \$5,300,000, respectively. The Series 2014A bonds, which were issued at a premium of approximately \$1.9 million, include money raised to finance capital projects for the years 2014 through 2016 in the amount of \$19.5 million, the refinance and refunding of the Series 2005C, Series BC-3, Series BC-4 and 1997 bonds (collectively the "refinanced bonds") included in the table above in the amount of \$23.375 million, and the cost of issuance associated with this new series of debt obligations. The refinanced bonds are offset in total by the amount of cash held in the Restricted Cash – Bond Refund Escrow account, as fully described in Note 1 to these financial statements. The associated bond premium for the Series 2014A bonds is being amortized over the lives of the underlying bond obligations. The Series 2014 bonds, which were issued at par, includes \$5.1 million to reimburse Pennichuck Water for capital projects completed in calendar year 2013 and January 2014, and originally funded from working capital or line of credit borrowings from the Company's bank, as well as the associated cost of issuance for this series of bonds. The cost of issuance associated with both the Series 2014A and Series 2014B bonds is being amortized over the 30-year life of the debt obligations.

These bonds were issued under a new bond indenture and loan and trust agreement, which contains certain covenant obligations upon Pennichuck Water, which are as follows:

Debt to Capital Covenant - Pennichuck Water cannot create, issue, incur, assume or guarantee any short-term debt if (1) the sum of the short-term debt plus its funded debt ("Debt") shall exceed 85% of the sum of its short-term debt, funded debt and capital stock plus surplus accounts ("Capital"), unless the short-term debt issued in excess of the 85% is subordinated to the Series 2014 bonds. Thereby, the ratio of Debt to Capital must be equal to or less than 1.0. As of December 31, 2014, Pennichuck Water Works has a Debt to Capital Coverage ratio of 0.4.

All Bonds Test - Additionally, Pennichuck Water cannot create, issue, incur, assume or guarantee any new funded debt, if the total outstanding funded debt ("Total Funded Debt") will exceed the sum of MARA (as defined in Note 11 of these audited financial statements) and 85% of its Net Capital Properties ("MARA and Capital Properties"), and unless net revenues or EBITDA (earnings before interest, taxes, depreciation and amortization) shall equal or exceed for at least 12 consecutive months out of the 15 months preceding the issuance of the new funded debt by 1.1 times the maximum amount for which Pennichuck Water will be obligated to pay

in any future year (“Max Amount Due”), as a result of the new funded debt being incurred. Thereby, the ratio of Total Funded Debt to MARA and Capital Properties must be equal to or less than 1.0; as of December 31, 2014, this coverage ratio was 0.5. Also the ratio of EBITDA to the Max Amount Due must be equal to or greater than 1.1; as of December 31, 2014, this ratio was 4.0.

Rate Covenant Test - If during any fiscal year, the EBITDA of Pennichuck Water shall not equal at least 1.1 times all amounts paid or required to be paid during that year (“Amounts Paid”), then the Company shall undertake reasonable efforts to initiate a rate-making proceeding with the NH Public Utilities Commission, to rectify this coverage requirement in the succeeding fiscal years. Thereby, the ratio of EBITA to Amounts Paid must be equal to or greater than 1.1; as of December 31, 2014, the Rate Covenant coverage ratio was 3.52.

Pennichuck East’s loan agreement for its unsecured notes payable to a bank of \$3.7 million and \$3.9 million at December 31, 2014 and 2013, respectively, contains a minimum debt service coverage ratio requirement of 1.25. At December 31, 2014 and 2013 this ratio was 1.83 and 1.42, respectively. Also, Pennichuck East is required to maintain a maximum ratio of total debt to total capitalization of 65%; at December 31, 2014 and 2013 this ratio was 44% and 41%, respectively.

The Company’s revolving credit loan facility with TD Bank contains a covenant that requires the Company to maintain a minimum fixed charge coverage ratio of at least 1.0; at December 31, 2014 and 2013 the fixed charge coverage ratio was 1.12 and 1.08, respectively. The Company is also required to maintain an equity capitalization ratio of not less than 35%; at December 31, 2014 and 2013, the equity capitalization ratio was 41% and 50%, respectively. Under this agreement the Company is also precluded from declaring or paying dividends, or making any other payment or distribution of its equity without the bank’s prior written consent, except for: (1) its obligations under Rate Order No. 25,292 as it pertains to the Company’s specific obligations under the City Bond Fixed Revenue Requirement (“CBFRR”) which provides for payments of approximately \$707,000 per month of the note payable to the City of Nashua (the “City”), and quarterly dividends to the City for the remainder of this annual obligation, as defined by the order; and (2) a specific allowance, under Rate Order No. 25,292, whereby the Company is allowed to make distributions to the City from current earnings and profits in excess of the CBFRR, to provide funds to allow the City to reimburse itself for the costs incurred by the City relating to its efforts in pursuing the eminent domain proceedings from January 2002 through August 2009, provided however that such amount shall not exceed \$500,000 in any fiscal year, or \$5,000,000 in the aggregate, of all such distributions. During the year ended December 31, 2013, a special dividend of \$500,000 was approved and paid relating to this. No special dividend was declared or paid in 2014.

Our short-term borrowing activity under this revolving credit loan facility for the years ended December 31, 2014 and 2013 was:

(in thousands)	<u>2014</u>	<u>2013</u>
Established line as of December 31,	\$ 10,000	\$ 10,000
Maximum amount outstanding during period	5,446	1,966
Average amount outstanding during period	2,833	137
Amount outstanding as of December 31,	-	1,966
Weighted average interest rate during period	0.10%	1.06%
Interest rate as of December 31,	1.981%	2.665%

As of December 31, 2014 and 2013, we had a \$3.7 million and \$3.9 million, respectively, interest rate swap which qualifies as a derivative. This financial derivative is designated as a cash flow hedge. This financial instrument is used to mitigate interest rate risk associated with our outstanding \$3.7 million loan which has a floating interest rate based on the three-month London Interbank Offered Rate (“LIBOR”) plus 1.75% as of December 31, 2014. The combined effect of the LIBOR-based borrowing formula and the swap produces an “all-in fixed borrowing cost” equal to 5.95%. The fair value of the financial derivative, as of December 31, 2014 and 2013, included in our Consolidated Balance Sheets under “Deferred credits and other reserves” as “Other liabilities” was \$583,000 and \$386,000, respectively. Changes in the fair value of this derivative were deferred in accumulated other comprehensive income (loss).

Swap settlements are recorded in the statement of income with the hedged item as interest expense. During the years ended December 31, 2014 and 2013 \$152,000 and \$156,000 was reclassified pre-tax from accumulated other comprehensive income (loss) to interest expense as a result of swap settlements. We expect to reclassify approximately \$143,000, pre-tax, from accumulated other comprehensive income (loss) to interest expense as a result of swap settlements, over the next twelve months.

Note 10 – Accumulated Other Comprehensive Income

The following table presents changes in accumulated other comprehensive income by component for the year ended December 31, 2014:

	<u>Interest Rate Contract</u>
Beginning balance	\$ 298
Other comprehensive income before reclassifications	(209)
Amounts reclassified from accumulated other comprehensive income	<u>91</u>
Net current period other comprehensive income	<u>(118)</u>
Ending balance	<u><u>\$ 180</u></u>

The following table presents reclassifications out of accumulated other comprehensive income for the year ended December 31, 2014:

<u>Details about Accumulated Other Comprehensive Income Components</u>	<u>Amount Reclassified from Accumulated Other Comprehensive Income</u>	<u>Affected Line Item in the Statement Where Net Income is Presented</u>
Gain (loss) on cash flow hedges		
Interest rate contracts	\$ 152	Interest expense
	<u>(61)</u>	Tax expense
Amounts reclassified from accumulated other comprehensive income	\$ <u>91</u>	Net of tax

Note 11 – Transaction with the City of Nashua

On January 25, 2012, in full settlement of an ongoing Eminent Domain lawsuit filed by the City of Nashua (“City”) and with the approval of the New Hampshire Public Utilities Commission (“NHPUC”), the City acquired all of the outstanding shares of Pennichuck Corporation (“Pennichuck”) and, thereby, indirect acquisition of its regulated subsidiaries. The total amount of the acquisition was \$150.6 million (“Acquisition Price”) of which \$138.4 million was for the purchase of the outstanding shares, \$5.0 million for the establishment of a Rate Stabilization Fund, \$2.6 million for legal and due diligence costs, \$2.3 million for severance costs, \$1.3 million for underwriting fees, and \$1.0 million for bond discount and issue costs. The entire purchase of \$150.6 million was funded by General Obligation Bonds (“Bonds”) issued by the City of Nashua. Pennichuck is not a party to the

Bonds and has not guaranteed nor is obligated in any manner for the repayment of the Bonds. Pennichuck remains an independent corporation with an independent Board of Directors with the City of Nashua as its sole shareholder.

Pennichuck Water Works, Inc. (“PWW”), Pennichuck East Utility, Inc. (“PEU”), Pittsfield Aqueduct Company, Inc. (“PAC”), Pennichuck Water Service Corporation, and The Southwood Corporation will continue as subsidiaries of Pennichuck Corporation and PWW, PEU and PAC will continue as regulated companies under the jurisdiction of the New Hampshire Public Utilities Commission. The terms of the merger and the requisite accounting and rate-setting mechanisms were agreed to in the NHPUC Order 25,292 (“PUC Order”) dated November 23, 2011.

Transactions with Related Party – City of Nashua

Pennichuck issued a promissory note to the City of Nashua in the amount of approximately \$120 million to be repaid over a thirty (30) year period with monthly payments of approximately \$707,000, including interest at 5.75%. Pennichuck recorded an additional amount of approximately \$30.6 million as contributed capital. The remaining outstanding balance of the note payable to the City at December 31, 2014 and December 31, 2013 was approximately \$114.7 million and \$116.3 million, respectively, as disclosed in Note 9 to these consolidated financial statements. During 2014 and 2013, dividends of approximately \$277,000 and \$777,000, respectively, were declared and paid to the City. The dividends paid to the City during 2014 comprised approximately \$277,000 of regular quarterly dividends declared and paid; and no special dividend was declared or paid in 2014. The dividends paid to the City during 2013 comprised approximately \$277,000 of regular quarterly dividends declared and paid, and a special dividend of \$500,000 declared and paid in October 2013, as resolved and authorized by the Board of Directors in their August 23, 2013 meeting.

Additional ongoing transactions occur in the normal course of business, between the Company and the City, related to municipal water usage, fire protection and sewer billing support services, and property taxes related to real property owned by the Company within the City of Nashua. For the years ended December 31, 2014 and 2013, respectively, approximately \$3.3 million and \$3.1 million were paid to the Company by the City for municipal water consumption, fire protection charges, and sewer billing support services. Conversely, the Company paid property taxes to the City of Nashua of approximately \$2.5 million for the year ended December 31, 2014, and approximately \$2.4 million for the year ended December 31, 2013.

Rate Stabilization Fund – Restricted Cash

As a part of the acquisition, Pennichuck agreed to contribute \$5,000,000 of the proceeds from the settlement transaction to PWW, which was used to establish a Rate Stabilization Fund (“RSF”), allowing for the maintenance of stable water utility rates and providing a mechanism to ensure the Company’s continued ability to meet its obligations under the promissory note to the City, in the event of adverse revenue developments. Restricted cash consists of amounts set aside in the RSF account, and is adjusted monthly as required in the PUC Order, as discussed in Note 1 of these financial statements.

Municipal Acquisition Regulatory Asset (“MARA”)

Pursuant to the PUC Order, Pennichuck established a new Regulatory asset (MARA) which represents the amount that the Acquisition Price exceeded the net book assets of Pennichuck’s regulated subsidiaries (PWW, PEU, and PAC) at December 31, 2011. The initial amount of the MARA was approximately \$89 million for the regulated companies, offset by a non-regulated amount of approximately \$4.8 million. The MARA is to be amortized over a thirty (30) year period in the same manner as the repayment of debt service for the City’s acquisition bonds. The balance in the MARA at December 31, 2014 was approximately \$83.5 million, reduced by the non-regulated credit of approximately \$4.6 million.

Aggregate amortization expense for the years ended December 31, 2014 and 2013, totaled approximately \$1,835,000 and \$2,542,000, respectively. During the year ended December 31, 2012, the amortization of the MARA was calculated based upon the amortization of principal for the Company’s unsecured note payable to the City of Nashua (see Note 9). However, during 2013 the Company realized that the amortization of the MARA, as authorized by NHPUC Order 25,292, dated November 23, 2011, was supposed to be calculated based upon the principal repayment schedule of the bonds issued by the City, in support of their acquisition of the Company in January 2012. As such, the Company made a one-time adjustment to “true up” the amortization of the MARA during 2013, and as such, approximately \$716,000 of the amortization expense recorded in 2013 relates to amounts that would have been booked in 2012, had the correct basis been applied initially. The amortization amount for 2013 would have been approximately \$1,826,000 after giving consideration for this one-time correction.

The following table represents the total estimated amortization of MARA for the five succeeding years:

	Estimated Amortization Expense
(in thousands)	
2015	\$ (1,857)
2016	(1,884)
2017	(1,917)
2018	(1,958)
2019	(2,006)

Note 12 – Sale of Conservation Easement

In July 2013, the Company completed the sale of a conservation easement to the Society for the Protection of New Hampshire Forests, with respect to a portion of its non-regulated land holdings in Merrimack, New Hampshire, as approved by the Board of Directors in their April 26, 2013 meeting. The transaction included gross proceeds for the value of the easement of approximately \$991,000, netted by approximately \$100,000 of legal, surveying, and professional fees. The net proceeds of approximately \$891,000 from this transaction are included in “Other, Net” on the Consolidated Statements of Income herein.

Note 13 – Segment Reporting

The Company is comprised of Pennichuck Corporation and its five wholly-owned subsidiaries, as described in Note 1 to these audited financial statements. For the years ended December 31, 2014 and 2013, and as of those dates, the following financial results were generated by the segments of the Company:

	2014	2013
<u>Operating Revenues:</u>		
Pennichuck Water Works, Inc.	\$ 28,193	\$ 27,755
Pennichuck East Utility, Inc.	6,992	6,354
Pittsfield Aqueduct Company, Inc.	766	690
Subtotal Regulated Segment	35,951	34,799
Water Management Services	2,854	2,885
Other	10	10
Total Operating Revenues	<u>\$ 38,815</u>	<u>\$ 37,694</u>
<u>Depreciation and Amortization Expense:</u>		
Pennichuck Water Works, Inc.	\$ 5,210	\$ 5,687
Pennichuck East Utility, Inc.	928	994
Pittsfield Aqueduct Company, Inc.	117	130
Subtotal Regulated Segment	6,255	6,811
Water Management Services	-	-
Other	(107)	(150)
Total Depreciation and Amortization Expense	<u>\$ 6,148</u>	<u>\$ 6,661</u>
<u>Operating Income:</u>		
Pennichuck Water Works, Inc.	\$ 7,410	\$ 6,837
Pennichuck East Utility, Inc.	1,081	438
Pittsfield Aqueduct Company, Inc.	178	16
Subtotal Regulated Segment	8,669	7,291
Water Management Services	189	55
Other	47	92
Total Operating Income	<u>\$ 8,905</u>	<u>\$ 7,438</u>

	2014	2013
<u>Interest Expense:</u>		
Pennichuck Water Works, Inc.	\$ 2,814	\$ 2,775
Pennichuck East Utility, Inc.	502	503
Pittsfield Aqueduct Company, Inc.	57	56
Subtotal Regulated Segment	3,373	3,334
Water Management Services	-	-
Other	6,783	6,794
Total Interest Expense	<u>\$ 10,156</u>	<u>\$ 10,128</u>
<u>Income Taxes Provision (Benefit):</u>		
Pennichuck Water Works, Inc.	\$ 2,474	\$ 2,513
Pennichuck East Utility, Inc.	309	87
Pittsfield Aqueduct Company, Inc.	60	1
Subtotal Regulated Segment	2,843	2,601
Water Management Services	79	21
Other	(2,371)	(3,470)
Total Income Taxes Provision (Benefit)	<u>\$ 551</u>	<u>\$ (848)</u>
<u>Net Income (Loss):</u>		
Pennichuck Water Works, Inc.	\$ 2,139	\$ 1,535
Pennichuck East Utility, Inc.	277	(138)
Pittsfield Aqueduct Company, Inc.	60	(42)
Subtotal Regulated Segment	2,476	1,355
Water Management Services	119	33
Other	(4,370)	(2,344)
Total Net Income (Loss)	<u>\$ (1,775)</u>	<u>\$ (956)</u>
<u>Total Assets:</u>		
Pennichuck Water Works, Inc.	\$288,349	\$231,121
Pennichuck East Utility, Inc.	42,521	41,377
Pittsfield Aqueduct Company, Inc.	4,418	4,526
Subtotal Regulated Segment	335,288	277,024
Water Management Services	286	201
Other	(11,767)	(4,025)
Total Net Assets	<u>\$323,807</u>	<u>\$273,200</u>

	2014	2013
<u>Total Liabilities:</u>		
Pennichuck Water Works, Inc.	\$ 160,535	\$ 105,485
Pennichuck East Utility, Inc.	28,391	26,594
Pittsfield Aqueduct Company, Inc.	2,107	2,130
Subtotal Regulated Segment	<u>191,033</u>	<u>134,209</u>
Water Management Services	56	58
Other	108,128	112,173
Total Liabilities	<u>\$ 299,217</u>	<u>\$ 246,440</u>
<u>Total Long-Term Debt (including current portion):</u>		
Pennichuck Water Works, Inc.	\$ 97,895	\$ 50,312
Pennichuck East Utility, Inc.	11,761	10,748
Pittsfield Aqueduct Company, Inc.	-	-
Subtotal Regulated Segment	<u>109,656</u>	<u>61,060</u>
Water Management Services	-	-
Other	114,651	116,336
Total Long-Term Debt	<u>\$ 224,307</u>	<u>\$ 177,396</u>

Note 14 – Subsequent Events

The Company has evaluated the events and transactions that have occurred through March 18, 2015, the date that these financial statements were available for issuance.

On March 4, 2015, Pennichuck East completed a financing transaction with CoBank in the amount of \$625,000, for a term of 25 years at an interest rate of 4.9%. This debt is repayable in monthly installments of \$3,647, for principal and interest. This financing was completed as a reimbursement for working capital funds used during 2014 for the completion or initiation of capital projects during that year.

Additionally, on March 16, 2015, Pennichuck East completed a financing transaction with the NHDES, under their State Revolving Fund program, in the amount of \$510,000. This financing was completed for a specified capital project to be completed in 2015. This obligation will accrue interest at 1% during the construction phase of the project, and then be subject to repayment over a 20-year term, with a rate of interest of 2.72%, with monthly principal and interest payments.

Also, as referenced in Notes 1 and 9 of these audited financial statements, as of January 20, 2015, the entire balance in “Restricted Cash – Bond Refund Escrow” account, which included \$23,350,000 of principal due of the “refinanced bonds”, as well as approximately \$375,000 of accrued interest due on these bonds, was paid out to the holders of those debt instruments.

No other items requiring an adjustment to the financial statement or additional disclosure were noted.

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NASHUA AIRPORT AUTHORITY NOTES

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NASHUA AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Nashua Airport Authority (“the Authority”) conform to accounting principles generally accepted in the United States of America for local governmental units, except as indicated hereinafter. The following is a summary of significant accounting policies.

Financial Reporting Entity

The Authority was established on August 27, 1961 by legislative act as a separate legal entity. The Authority is located at Boire Field in Nashua, New Hampshire and provides general airport operations as well as airplane tie-down rentals. The Authority meets the criteria as a component unit of the City of Nashua, New Hampshire (“the City”). Such criteria includes appointment of the board of directors by the Mayor of the City, debt service guarantees by the City, inclusion of the Authority’s employees in the City’s retirement system (New Hampshire Retirement System) and budgetary appropriations from the City.

Basis of Accounting

The financial statements are presented on the accrual basis of accounting, wherein revenues are recognized when earned and expenses are recognized when incurred.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates. Significant estimates include depreciation expense.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates. Significant estimates include depreciation expense.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

Cash and Cash Equivalents – For the purpose of the Statements of Cash Flows, cash and cash equivalents are comprised of demand deposits and cash on hand.

Investments - Investments are recorded at their fair value. Certificates of deposit with a maturity of greater than ninety days from the date of issuance are included in investments.

Accounts Receivable - At June 30, 2015, accounts receivable includes unpaid tie-down fees and land lease rental fees. An allowance for estimated uncollected receivables is not deemed necessary as of June 30, 2015.

Capital Assets – Capital assets are recorded at cost and updated for additions and retirements during the year. Donated capital assets are recorded at their estimated fair values as of the date received. Improvements are capitalized; costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction phase of capital assets is also capitalized. All reported capital assets except for land and construction in progress are depreciated. Depreciation is recorded using the straight-line method over the estimated useful lives of the related assets. Estimate useful lives are as follows:

	<u>Years</u>
Land improvements	5-25
Buildings and improvements	10-39
Equipment	3-30

Compensated Absences - Employees earn vacation and sick leave as they provide services. Employees earn 1.25 sick days per month. Employees hired prior to July 1, 1995, may accumulate up to a maximum of 90 days of sick leave and upon retirement will be paid out 100% of unused sick time at current rates of pay. Employees hired after July 1, 1995, may accumulate an unlimited number of sick days and upon retirement will be paid out 20% of unused sick time at current rates of pay. Vacation amounts accrue according to length of employment. Employees may carry forward vacation days into the next year up to two times their annual accrual rate.

Other Post-employment Benefits - Other post-employment benefit liabilities that are required to be reported by Governmental Accounting Standard Board (GASB) Statement 45 are not material to these financial statements.

Pensions – During the year ended June 30, 2015, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 68 – *Accounting and Financial Reporting for Pensions*. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Hampshire Retirement System (NHRS) and additions to/deductions from NHRS' fiduciary net position have been determined on the same basis as they are reported by NHRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Net Position - Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. The net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by any outstanding

balances of bonds, notes or other borrowings used for the acquisition, construction or improvement of those assets. Net Position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

The Authority's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Revenues and Expenses

Operating Revenues and Expenses - Operating revenues and expenses for the Authority are those that result from providing services and producing and delivering goods in connection with its principal ongoing operations. Operating expenses, which include depreciation on capital assets, are necessary costs incurred to provide the services that are the primary activities of the Authority. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Capital Contributions - Funds received from other governments for the purpose of constructing assets are recorded as capital contributions.

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits and investments as of June 30, 2015 are classified in the accompanying financial statements as follows:

	<u>2015</u>
Statement of Net Position:	
Cash and cash equivalents	\$ 70,784
Investments	<u>67,914</u>
Total deposits and investments	<u>\$ 138,698</u>

Deposits and investments at June 30, 2015 consist of the following:

	<u>2015</u>
Cash on hand	\$ 1,266
Deposits with financial institutions	<u>137,432</u>
Total deposits and investments	<u>\$ 138,698</u>

The Authority's investment policy requires that deposits and investments be made in New Hampshire based financial institutions that are participants in one of the federal depository insurance programs. The Authority limits its investments to demand deposits, money market accounts, and certificates of deposit.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a formal investment policy for assurance against custodial credit risk; however, the Authority has an agreement with its primary bank to collateralize deposits in excess of the FDIC insurance limits.

NOTE 3 - DUE FROM OTHER GOVERNMENTS

Receivables from other governments consist of balances due from federal and state funding for the various airport improvement projects. All receivables are considered collectible in full and will be received within one year. A summary of the principal items of intergovernmental receivables as of June 30, 2015 is as follows:

State and Federal share of Federal Aviation Grants -	
AIP Project SBG#-12-04-2010	\$ 30,355
AIP Project SBG#-12-06-2010	21,368
AIP Project SBG#-12-12-2014	35,923
AIP Project SBG#-12-13-2014	26,154
AIP Project SBG#-12-14-2014	94,424
AIP Project SBG#-12-15-2015	<u>301,228</u>
	<u>\$ 509,452</u>

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets during the years ended June 30, 2015:

	Balance <u>7/1/14</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>6/30/15</u>
Capital assets not being depreciated:				
Land	\$ 3,227,508	\$ -	\$ -	\$ 3,227,508
Construction in progress	<u>447,750</u>	<u>1,084,756</u>	<u>(122,382)</u>	<u>1,410,124</u>
Total capital assets not being depreciated	<u>3,675,258</u>	<u>1,084,756</u>	<u>(122,382)</u>	<u>4,637,632</u>
Other capital assets:				
Land improvements	27,903,490	-	-	27,903,490
Buildings and improvements	1,525,306	-	-	1,525,306
Equipment	<u>2,023,409</u>	<u>-</u>	<u>-</u>	<u>2,023,409</u>
Total other capital assets at historical cost	<u>31,452,205</u>	<u>-</u>	<u>-</u>	<u>31,452,205</u>
Less accumulated depreciation for:				
Land improvements	(5,680,492)	(1,205,502)	-	(6,885,994)
Buildings and improvements	(848,149)	(42,285)	-	(890,434)
Equipment	<u>(765,010)</u>	<u>(76,709)</u>	<u>-</u>	<u>(841,719)</u>
Total accumulated depreciation	<u>(7,293,651)</u>	<u>(1,324,496)</u>	<u>-</u>	<u>(8,618,147)</u>
Total other capital assets, net	<u>24,158,554</u>	<u>(1,324,496)</u>	<u>-</u>	<u>22,834,058</u>
Total capital assets, net	<u>\$ 27,833,812</u>	<u>\$ (239,740)</u>	<u>\$ (122,382)</u>	<u>\$ 27,471,690</u>

NOTE 5 - PENSION PLAN

Plan Description

The Authority contributes to the New Hampshire Retirement System (NHRS), a public employee retirement system that administers a single cost-sharing, multiple-employer defined benefit pension plan as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans* – an amendment of GASB Statement No. 25. The plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to plan members and beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters and permanent police officers within the State of New Hampshire are eligible and required to participate in the Pension Plan.

The NHRS issues a publicly available financial report that includes financial statements and required supplementary information for NHRS. That report may be obtained by writing to New Hampshire Retirement System, 54 Regional Drive, Concord, New Hampshire 03301.

Benefits Provided

Benefit provisions are established and may be amended by the New Hampshire State legislature. The Pension Plan is divided into two membership groups. State and local employees and teachers belong to Group I. Permanent police and firefighters belong to Group II.

Group I members at age 60 or 65 (for members who commence service after July 1, 2011) qualify for a normal service retirement allowance based on years of creditable service and average final salary for the highest of either three or five years, depending on when their service commenced. The yearly pension amount is $\frac{1}{60}$ or 1.667% of average final compensation (AFC), multiplied by years of creditable service. At age 65, the yearly pension amount is recalculated at $\frac{1}{66}$ or 1.525% of AFC multiplied by years of creditable service.

Group II members who are age 60, or members who are at least age 45 with at least 20 years of creditable service, can receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years. Members commencing service on or after July 1, 2011 or members who have a nonvested status as of January 1, 2012 can receive a retirement allowance at age 52.5 with 25 years of service or age 60. The benefit shall be equal to 2% of AFC times creditable service up to 42.5 years. However, a member who commenced service on or after July 1, 2011 shall not receive a retirement allowance until attaining the age of 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service where the allowance shall be reduced, for each month by which the benefit commencement date precedes the month after which the member attains 52.5 years of age by $\frac{1}{4}$ of 1% or age 60.

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 and/or service.

Funding Policy

Plan members are required to contribute 7.0% of their covered salary and the Authority is required to contribute at an actuarially determined rate. Per RSA-100:16, plan member contribution rates are established and may be amended by the New Hampshire State legislature, and employer contribution rates are determined by the NHRS Board of Trustees based on an actuarial valuation. The Authority's contribution rates for the year ended June 30, 2015 was 10.77%. The Authority contributes 100% of the employer cost for its employees. The Authority's contributions to the pension plan for the year ended June 30, 2015 were \$24,507.

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

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013. The roll-forward of the net pension liability from June 30, 2013 to June 30, 2014 reflects expected service cost and interest reduced by actual benefit payments, refunds, and administrative expenses for the plan year. At June 30, 2015, the Authority reported a liability of \$269,731 for its proportionate share of the net pension liability. The Authority's proportion was approximately 0.00719% at June 30, 2015, which was a decrease of 0.0034% from its proportion measured as of June 30, 2013. The Authority's proportion of the net pension liability was based on actual contributions by the Authority relative to the actual contributions of all participating plan members, excluding contributions to separate finance-specific liabilities of individual employers or the NHRS.

For the year ended June 30, 2015, the Authority recognized pension revenue of \$7,704. At June 30, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 34,512
Changes in proportion and differences between Authority contributions and proportionate share of contributions	-	119,761
Authority contributions subsequent to the measurement date	<u>23,394</u>	<u>-</u>
Total	<u>\$ 23,394</u>	<u>\$ 154,273</u>

The net amount of deferred outflows of resources and deferred inflows of resources related to pensions is reflected as a decrease to unrestricted net position in the amount of \$130,879. The Authority reported \$23,394 as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2015	\$ (34,620)
2016	(34,620)
2017	(34,620)
2018	(34,620)
2019	<u>(15,793)</u>
Total	<u>\$ (154,273)</u>

Actuarial Assumptions

The total pension liability in the June 30, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Wage inflation	3.75 percent
Salary increases	5.8 percent, average, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 mortality table projected to 2020 with Scale AA. The table includes a margin of 15% for men and 17% for women for mortality improvements.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2010.

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

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Weighted Average Long-term Expected Real Rate of Return</u>
Fixed income	25%	(1.75) - 2.00%
Domestic equity	30%	3.25%
International equity	20%	4.25 - 6.5%
Real estate	10%	3.25%
Private equity	5%	5.75%
Private debt	5%	5.00%
Opportunistic	<u>5%</u>	2.50%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the collective pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are projected based on the expected payroll of current members only. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the collective pension liability.

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point greater or one-percentage-point lower than the current single discount rate:

NOTE 6 – LONG-TERM OBLIGATIONS

Changes in Long-Term Obligations

The changes in the Authority's long-term obligations for the year ended June 30, 2015 are as follows:

Type	Balance 7/1/14	Additions	Reductions	Balance 6/30/15	Amounts Due Within One Year
Compensated absences	\$ 49,339	\$ 1,600	\$ 37,739	\$ 13,200	\$ -

NOTE 7 – SHORT-TERM OBLIGATIONS

During September 2014, the Authority secured a loan with a local bank in the amount of \$200,000 with a maturity date of March 2015. The purpose of the loan was for the acquisition of property around the airport runway approaches. Interest on the loan is calculated at the Wall Street Journal Prime Rate plus 0.75 percentage points, 4.0% at June 30, 2015.

Repayment of the note payable is funded through federal reimbursement grants. The Authority renegotiated repayment terms with the local bank to include interest only for an unspecified period of time, with the principal portion to be repaid upon receipt of grant reimbursement. During the year ended June 30, 2015, the Authority made principal payments of \$120,000 toward the note payable. At June 30, 2015 the note has a balance of \$80,000 and is expected to be repaid within the next fiscal year.

NOTE 8 - OPERATING LEASE

The Authority leases land from the City of Nashua, New Hampshire under a master lease commencing October 8, 1974. The lease expires December 31, 2047. The rent for the term of the lease is \$1.

The Authority subleases a portion of this land pursuant to twenty year operating leases. The base rent is adjusted biannually by the consumer price index. For the year ended June 30, 2015, yearly lease income was \$310,362.

The Authority also leases the control tower under terms of a lease, which expires August 13, 2020. The rent for the term of the lease is \$1.

NOTE 9 - CONTINGENCIES

Litigation

There may be various claims and suits pending against the Authority, which arise in the normal course of the Authority's activities. In the opinion of Authority management, the potential claims against the Authority, which are not covered by insurance, are immaterial and would not affect the financial position of the Authority.

Federal Grants

The Authority participates in a number of federally assisted grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The amounts, if any, of expenses which may be disallowed by the granting agency cannot be determined at this time, although the Authority expects such amounts, if any, to be immaterial.

NOTE 10 – RESTATEMENT OF NET POSITION

During the year ended June 30, 2015, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 68 – *Accounting and Financial Reporting for Pensions*. This new standard requires employers participating in a pension plan provided to employees of state and local governmental employers that are administered through a trust to recognize their proportionate share of the collective net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense. The impact of the restatement on beginning net position is as follows:

Net Position - June 30, 2015 (as previously reported)	\$ 28,174,076
Amount of restatement due to:	
Net Pension Liability (NPL) as of June 30, 2013	(455,021)
Recognition of deferred outflow of resources for contributions subsequent to NPL measurement date	<u>23,313</u>
Net Position - June 30, 2014, as restated	<u><u>\$ 27,742,368</u></u>

**CITY OF NASHUA, NEW HAMPSHIRE
SCHEDULE OF FUNDING PROGRESS
REQUIRED SUPPLEMENTARY INFORMATION**

June 30, 2015

(Unaudited)

Other Post-Employment Benefits						
Actuarial Valuation <u>Date</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) - Entry Age <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percent- age of Covered Payroll <u>[(b-a)/c]</u>
07/01/13	\$ -	\$ 39,415,168	\$ 39,415,168	0.0%	\$ 123,880,502	31.8%
07/01/11	\$ -	\$ 43,075,476	\$ 43,075,476	0.0%	\$ 120,292,886	35.8%
07/01/09	\$ -	\$ 42,017,700	\$ 42,017,700	0.0%	\$ 118,962,778	35.3%
07/01/08	\$ -	\$ 42,699,000	\$ 42,699,000	0.0%	\$ 102,640,996	41.6%
07/01/07	\$ -	\$ 42,699,000	\$ 42,699,000	0.0%	\$ 102,640,996	41.6%

CITY OF NASHUA, NEW HAMPSHIRE
SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2015
(Unaudited)

<u>New Hampshire Retirement System:</u>	<u>2015</u>
Proportion of the net pension liability for the most recent measurement date	4.925%
Proportionate share of the net pension liability for the most recent measurement date	\$ 184,879,108
Covered-employee payroll for the most recent measurement date	\$ 102,555,267
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	180.27%
Plan fiduciary net position as a percentage of the total pension liability	66.32%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available

See Independent Auditors' Report.

CITY OF NASHUA, NEW HAMPSHIRE
SCHEDULE OF CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2015
(Unaudited)

<u>New Hampshire Retirement System:</u>	<u>2015</u>
Contractually required contribution for the current fiscal year	\$ 19,432,673
Contributions in relation to the contractually required contribution	<u>(19,432,673)</u>
Contribution deficiency (excess)	\$ <u><u>-</u></u>
Covered-employee payroll for the current fiscal year	102,555,267
Contributions as a percentage of covered-employee payroll	18.95%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available

See Independent Auditors' Report.

**CITY OF NASHUA, NEW HAMPSHIRE
BOARD OF PUBLIC WORKS' RETIREMENT SYSTEM**

Schedule of Changes in the Net Pension Liability

(Unaudited)

	<u>2015</u>
Total pension liability	
Service cost	\$ 833,083
Interest on unfunded liability - time value of \$	3,165,454
Changes of benefit terms	-
Differences between expected and actual experience	84,012
Changes of assumptions	(1,231,934)
Benefit payments, including refunds of member contributions	<u>(2,526,991)</u>
Net change in total pension liability	323,624
Total pension liability - beginning	<u>44,069,736</u>
Total pension liability - ending (a)	<u><u>\$ 44,393,360</u></u>
Plan fiduciary net position	
Contributions - employer	\$ 772,343
Contributions - member	772,343
Net investment income	1,104,870
Benefit payments, including refunds of member contributions	(2,526,991)
Administrative expense	<u>(2,359)</u>
Net change in plan fiduciary net position	120,206
Plan fiduciary net position - beginning	<u>37,391,937</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 37,512,143</u></u>
Net pension liability (asset) - ending (a-b)	<u><u>\$ 6,881,217</u></u>

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See notes to the City's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report.

**CITY OF NASHUA, NEW HAMPSHIRE
BOARD OF PUBLIC WORKS' RETIREMENT SYSTEM**

Schedules of Net Pension Liability, Contributions, and Investment Returns

(Unaudited)

Schedule of Net Pension Liability

	<u>2015</u>
Total pension liability	\$ 44,393,360
Plan fiduciary net position	<u>37,512,143</u>
Net pension liability (asset)	<u>\$ 6,881,217</u>
 Plan fiduciary net position as a percentage of the total pension liability	 84.50%
Covered employee payroll	\$ 8,448,146
Participating employer net pension liability (asset) as a percentage of covered employee payroll	 81.45%

Schedule of Contributions

	<u>2015</u>
Actuarially determined contribution	\$ 772,343
Contributions in relation to the actuarially determined contribution	<u>772,343</u>
Contribution deficiency (excess)	<u>\$ -</u>
 Covered employee payroll	 \$ 8,448,146
Contributions as a percentage of covered employee payroll	9.14%

Schedule of Investment Returns

Year Ended June 30

	<u>2015</u>
Annual money weighted rate of return, net of investment expense	2.9888%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report.

Combining Financial Statements

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are established to account for resources obtained and expended for specified purposes and restricted by law or local action.

Special Revenue Funds are established for the following purposes:

- Police Grants: to account for federal and State grants for the Police Department.
- Fire Grants: to account for federal and State grants for the Fire Department.
- Community Health and Services Grants: to account for federal and State health and human services grants.
- Parks and Recreation Grants: to account for federal and State parks and recreation grants.
- Transit Grants: to account for federal and State transportation grants.
- CDBG/Home Grants: to account for the Community Development Block and HOME grants.
- Community Development Division Grants: to account for the federal and State grants for the Community Development Department.
- Other Public Safety Grants: to account for federal and state public safety grants.
- Other City Grants: to account for all other City grants.
- Food Services: to account for the School Department's Food Service Program.
- School Grants: to account for the School Department's federal, State and local grants.
- City Revolving Funds: to account for the City's revolving funds.
- School Revolving Funds: to account for the School Department's revolving funds, other than Food Service.
- Other Trust Funds: to account for other City's Trust Funds.

CAPITAL PROJECT FUNDS

Capital Project Funds are established to account for resources obtained and expended for the acquisition of major capital facilities or equipment other than those employed in the delivery of services accounted for in Enterprise Funds.

The current funds were established for the following purposes:

- Fire Projects: to account for Fire Department Capital Projects.
- Public Works Projects: to account for Public Works Department Capital Projects.
- Community Development Projects: to account for Community Development Department Capital Projects.
- School Department Projects: to account for School Department Capital Projects.
- Technology Projects: to account for Technology projects.
- City Building Projects: to account for capital projects related to City facilities.
- City-wide Communication Projects: to account for capital projects related to city-wide communication issues.

PERMANENT FUNDS

Permanent Funds are established to account for certain assets held by the City in a fiduciary capacity as trustee. The following is a description of City Permanent Funds:

- Cemetery Permanent Funds: to account for the City's Cemetery Funds.
- Library Permanent Funds: to account for the City's Library Funds.
- Other Permanent Funds: to account for Other Nonexpendable Funds.

CITY OF NASHUA, NEW HAMPSHIRE

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2015

	Special Revenue Funds			
	Police Grants	Fire Grants	Community Health & Services Grants	Parks & Recreation Grants
<u>ASSETS</u>				
Cash and short term investments	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-
Departmental and other receivables	-	-	-	-
Intergovernmental receivables	71,447	24,622	283,579	-
Loans receivable	-	-	-	-
Due from other funds	-	-	-	1,871
Total Assets	<u>\$ 71,447</u>	<u>\$ 24,622</u>	<u>\$ 283,579</u>	<u>\$ 1,871</u>
<u>LIABILITIES</u>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	3,711	-	4,638	-
Due to other funds	<u>38,202</u>	<u>20,510</u>	<u>275,489</u>	<u>-</u>
Total Liabilities	41,913	20,510	280,127	-
DEFERRED INFLOWS OF RESOURCES	-	-	-	-
<u>FUND BALANCES</u>				
Nonspendable	-	-	-	-
Restricted	29,534	4,112	3,452	1,871
Committed	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balance	<u>29,534</u>	<u>4,112</u>	<u>3,452</u>	<u>1,871</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 71,447</u>	<u>\$ 24,622</u>	<u>\$ 283,579</u>	<u>\$ 1,871</u>

Special Revenue Funds

<u>Transit Grants</u>	<u>CDBG/Home Grants</u>	<u>Community Development Division Grants</u>	<u>Other Public Safety Grants</u>	<u>Other City Grants</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
288,855	267,642	198,873	162,505	-
-	-	-	-	-
-	-	-	-	6,562
<u>\$ 288,855</u>	<u>\$ 267,642</u>	<u>\$ 198,873</u>	<u>\$ 162,505</u>	<u>\$ 6,562</u>
\$ -	\$ 990	\$ -	\$ -	\$ -
10,994	7,240	80	10,607	-
<u>185,076</u>	<u>259,412</u>	<u>160,307</u>	<u>146,120</u>	<u>-</u>
196,070	267,642	160,387	156,727	-
-	-	-	-	-
-	-	-	-	-
92,785	-	38,486	5,778	6,562
-	-	-	-	-
-	-	-	-	-
<u>92,785</u>	<u>-</u>	<u>38,486</u>	<u>5,778</u>	<u>6,562</u>
<u>\$ 288,855</u>	<u>\$ 267,642</u>	<u>\$ 198,873</u>	<u>\$ 162,505</u>	<u>\$ 6,562</u>

(continued)

(continued)

	Special Revenue Funds			
	Food Services	School Grants	City Revolving Funds	School Revolving Funds
<u>ASSETS</u>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-
Departmental and other receivables	-	-	152,965	16,075
Intergovernmental receivables	213,629	2,894,633	-	1,832
Loans receivable	-	-	625,073	-
Due from other funds	<u>339,400</u>	<u>-</u>	<u>6,136,519</u>	<u>1,079,162</u>
Total Assets	<u>\$ 553,029</u>	<u>\$ 2,894,633</u>	<u>\$ 6,914,557</u>	<u>\$ 1,097,069</u>
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	3,286	322,497	45,308	3,170
Due to other funds	<u>-</u>	<u>2,407,916</u>	<u>-</u>	<u>-</u>
Total Liabilities	3,286	2,730,413	45,308	3,170
DEFERRED INFLOWS OF RESOURCES	-	163,655	40,569	67,355
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	549,743	565	-	-
Committed	-	-	6,828,680	1,026,544
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balance	<u>549,743</u>	<u>565</u>	<u>6,828,680</u>	<u>1,026,544</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 553,029</u>	<u>\$ 2,894,633</u>	<u>\$ 6,914,557</u>	<u>\$ 1,097,069</u>

Special Revenue Funds		Capital Project Funds		
Other Trust Funds	Subtotal	Fire Projects	Public Works Projects	Community Development Projects
\$ 1,867,354	\$ 1,867,354	\$ -	\$ -	\$ -
2,267,064	2,267,064	-	-	-
-	169,040	-	-	-
-	4,407,617	-	5,198,176	-
-	625,073	-	-	-
136,622	7,700,136	7,828	9,328,152	-
<u>\$ 4,271,040</u>	<u>\$ 17,036,284</u>	<u>\$ 7,828</u>	<u>\$ 14,526,328</u>	<u>\$ -</u>
\$ -	\$ 990	\$ -	\$ -	\$ -
2,212	413,743	-	-	-
-	3,493,032	-	-	-
<u>2,212</u>	<u>3,907,765</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	271,579	-	-	-
-	-	-	-	-
-	732,888	4,427	14,484,613	-
4,268,828	12,124,052	3,401	74,935	-
-	-	-	(33,220)	-
<u>4,268,828</u>	<u>12,856,940</u>	<u>7,828</u>	<u>14,526,328</u>	<u>-</u>
<u>\$ 4,271,040</u>	<u>\$ 17,036,284</u>	<u>\$ 7,828</u>	<u>\$ 14,526,328</u>	<u>\$ -</u>

(continued)

(continued)

	Capital Project Funds				
	School Department Projects	Technology Projects	City Building Projects	City-wide Communications Projects	Subtotal
<u>ASSETS</u>					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-
Departmental and other receivables	-	-	-	-	-
Intergovernmental receivables	-	-	-	-	5,198,176
Loans receivable	-	-	-	-	-
Due from other funds	<u>826,875</u>	<u>1,116,029</u>	<u>69,268</u>	<u>2,700,826</u>	<u>14,048,978</u>
Total Assets	<u>\$ 826,875</u>	<u>\$ 1,116,029</u>	<u>\$ 69,268</u>	<u>\$ 2,700,826</u>	<u>\$ 19,247,154</u>
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	150	-	-	-	150
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	150	-	-	-	150
DEFERRED INFLOWS OF RESOURCES	-	-	-	-	-
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	1,448,169	1,116,029	6,652	2,700,826	19,760,716
Committed	650,000	-	62,616	-	790,952
Unassigned	<u>(1,271,444)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,304,664)</u>
Total Fund Balance	<u>826,725</u>	<u>1,116,029</u>	<u>69,268</u>	<u>2,700,826</u>	<u>19,247,004</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 826,875</u>	<u>\$ 1,116,029</u>	<u>\$ 69,268</u>	<u>\$ 2,700,826</u>	<u>\$ 19,247,154</u>

Permanent Funds				Total Nonmajor Governmental Funds
Cemetery Permanent Funds	Library Permanent Funds	Other Permanent Funds	Subtotal	
\$ 797,403	\$ 261,497	\$ 13,102	\$ 1,072,002	\$ 2,939,356
16,098,784	4,420,157	157,916	20,676,857	22,943,921
-	-	-	-	169,040
-	-	-	-	9,605,793
-	-	-	-	625,073
-	-	-	-	21,749,114
<u>\$ 16,896,187</u>	<u>\$ 4,681,654</u>	<u>\$ 171,018</u>	<u>\$ 21,748,859</u>	<u>\$ 58,032,297</u>
\$ -	\$ -	\$ -	\$ -	\$ 990
-	-	-	-	413,893
<u>188,722</u>	<u>17,819</u>	<u>2,051</u>	<u>208,592</u>	<u>3,701,624</u>
188,722	17,819	2,051	208,592	4,116,507
-	-	-	-	271,579
16,050,672	4,094,256	159,682	20,304,610	20,304,610
656,793	569,579	9,285	1,235,657	21,729,261
-	-	-	-	12,915,004
-	-	-	-	(1,304,664)
<u>16,707,465</u>	<u>4,663,835</u>	<u>168,967</u>	<u>21,540,267</u>	<u>53,644,211</u>
<u>\$ 16,896,187</u>	<u>\$ 4,681,654</u>	<u>\$ 171,018</u>	<u>\$ 21,748,859</u>	<u>\$ 58,032,297</u>

CITY OF NASHUA, NEW HAMPSHIRE

**Combining Statement of Revenues, Expenditures,
and Changes in Fund Equity**

Nonmajor Governmental Funds

For Fiscal Year Ended June 30, 2015

	Special Revenue Funds			
	Police <u>Grants</u>	Fire <u>Grants</u>	Community Health & Services <u>Grants</u>	Parks & Recreation <u>Grants</u>
Revenues:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Auto permits	-	-	-	-
Penalties, interest and other taxes	-	-	-	-
Charges for services	-	-	-	-
Intergovernmental	234,117	1,001,103	1,070,776	-
Investment income	-	-	-	-
Miscellaneous	-	-	24,000	-
Contributions	<u>69,346</u>	<u>-</u>	<u>(3,909)</u>	<u>2,000</u>
Total Revenues	303,463	1,001,103	1,090,867	2,000
Expenditures:				
Current:				
General government	-	-	-	-
Police	347,125	-	-	-
Fire	-	1,093,478	-	-
Education	-	-	-	-
Public works	-	-	-	-
Health and human services	-	-	1,103,858	-
Culture and recreation	-	-	-	259
Community development	-	-	-	-
Communications	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>347,125</u>	<u>1,093,478</u>	<u>1,103,858</u>	<u>259</u>
Excess (deficiency) of revenues over expenditures	(43,662)	(92,375)	(12,991)	1,741
Other Financing Sources (Uses):				
Issuance of bonds	-	-	-	-
Bond premiums	-	-	-	-
Transfers in	51,622	96,487	-	-
Transfers out	<u>(20,243)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>31,379</u>	<u>96,487</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(12,283)	4,112	(12,991)	1,741
Fund Balance, beginning of year	<u>41,817</u>	<u>-</u>	<u>16,443</u>	<u>130</u>
Fund Balance, end of year	<u>\$ 29,534</u>	<u>\$ 4,112</u>	<u>\$ 3,452</u>	<u>\$ 1,871</u>

Special Revenue Funds

<u>Transit Grants</u>	<u>CDBG/Home Grants</u>	<u>Community Development Division Grants</u>	<u>Other Public Safety Grants</u>	<u>Other City Grants</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
617,114	-	-	-	-
1,551,132	1,742,172	344,748	175,323	890
-	-	-	-	-
125,480	-	-	-	-
-	-	-	6,000	495
<u>2,293,726</u>	<u>1,742,172</u>	<u>344,748</u>	<u>181,323</u>	<u>1,385</u>
-	-	-	-	515
-	-	-	-	-
-	-	-	178,249	-
-	-	-	-	-
-	-	-	-	2,431
-	-	-	-	-
-	-	-	-	3,323
2,654,769	1,742,172	411,238	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>2,654,769</u>	<u>1,742,172</u>	<u>411,238</u>	<u>178,249</u>	<u>6,269</u>
(361,043)	-	(66,490)	3,074	(4,884)
-	-	-	-	-
-	-	-	-	-
415,460	-	-	-	-
-	-	-	-	(13,296)
<u>415,460</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,296)</u>
54,417	-	(66,490)	3,074	(18,180)
<u>38,368</u>	<u>-</u>	<u>104,976</u>	<u>2,704</u>	<u>24,742</u>
<u>\$ 92,785</u>	<u>\$ -</u>	<u>\$ 38,486</u>	<u>\$ 5,778</u>	<u>\$ 6,562</u>

(continued)

(continued)

	Special Revenue Funds			
	Food <u>Services</u>	School <u>Grants</u>	City Revolving <u>Funds</u>	School Revolving <u>Funds</u>
Revenues:				
Property taxes	\$ -	\$ -	\$ 327,334	\$ -
Auto permits	-	-	700,000	-
Penalties, interest and other taxes	-	-	366,494	-
Charges for services	1,939,414	-	1,226,967	942,043
Intergovernmental	3,039,442	8,196,171	1,475,435	33,174
Investment income	55	-	23,033	-
Miscellaneous	-	-	576,517	8,633
Contributions	-	-	34,591	-
Total Revenues	4,978,911	8,196,171	4,730,371	983,850
Expenditures:				
Current:				
General government	-	-	339,185	-
Police	-	-	1,457,185	-
Fire	-	-	13,955	-
Education	4,876,212	8,199,497	-	1,345,301
Public works	-	-	257,854	-
Health and human services	-	-	3,562	-
Culture and recreation	-	-	219,478	-
Community development	-	-	52,168	-
Communications	-	-	-	-
Debt services				
Principal	-	-	60,000	-
Interest	-	-	28,854	-
Total Expenditures	4,876,212	8,199,497	2,432,241	1,345,301
Excess (deficiency) of revenues over expenditures	102,699	(3,326)	2,298,130	(361,451)
Other Financing Sources (Uses):				
Issuance of bonds	-	-	-	-
Bond premiums	-	-	-	-
Transfers in	-	-	8,205	-
Transfers out	-	-	(63,743)	-
Total Other Financing Sources (Uses)	-	-	(55,538)	-
Net change in fund balance	102,699	(3,326)	2,242,592	(361,451)
Fund Balance, beginning of year	447,044	3,891	4,586,088	1,387,995
Fund Balance, end of year	\$ 549,743	\$ 565	\$ 6,828,680	\$ 1,026,544

Special Revenue Funds		Capital Project Funds		
Other <u>Trust Funds</u>	<u>Subtotal</u>	Fire <u>Projects</u>	Public Works <u>Projects</u>	Community Development <u>Projects</u>
\$ -	\$ 327,334	\$ -	\$ -	\$ -
-	700,000	-	-	-
-	366,494	-	-	-
59,368	4,784,906	-	-	-
-	18,864,483	-	14,654,599	-
(52,191)	(29,103)	-	-	-
7,200	741,830	-	255,135	-
<u>525,433</u>	<u>633,956</u>	<u>-</u>	<u>-</u>	<u>-</u>
539,810	26,389,900	-	14,909,734	-
149,627	489,327	-	-	-
1,478	1,805,788	-	-	-
6,583	1,292,265	1,193,757	-	-
69,606	14,490,616	-	-	-
40,820	301,105	-	19,324,391	-
450	1,107,870	-	-	-
42,029	265,089	-	2,850	-
-	4,860,347	-	-	-
-	-	-	-	-
-	60,000	-	-	-
-	28,854	-	-	-
<u>310,593</u>	<u>24,701,261</u>	<u>1,193,757</u>	<u>19,327,241</u>	<u>-</u>
229,217	1,688,639	(1,193,757)	(4,417,507)	-
-	-	976,500	7,278,499	-
-	-	110,519	721,500	-
20,332	592,106	110,139	155,000	-
<u>(200,250)</u>	<u>(297,532)</u>	<u>-</u>	<u>(788)</u>	<u>-</u>
<u>(179,918)</u>	<u>294,574</u>	<u>1,197,158</u>	<u>8,154,211</u>	<u>-</u>
49,299	1,983,213	3,401	3,736,704	-
<u>4,219,529</u>	<u>10,873,727</u>	<u>4,427</u>	<u>10,789,624</u>	<u>-</u>
<u>\$ 4,268,828</u>	<u>\$ 12,856,940</u>	<u>\$ 7,828</u>	<u>\$ 14,526,328</u>	<u>\$ -</u>

(continued)

(continued)

	Capital Project Funds				
	School Department <u>Projects</u>	Technology <u>Projects</u>	City Building <u>Projects</u>	City-wide Communications <u>Projects</u>	<u>Subtotal</u>
Revenues:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Auto permits	-	-	-	-	-
Penalties, interest and other taxes	-	-	-	-	-
Charges for services	-	-	-	-	-
Intergovernmental	-	-	-	-	14,654,599
Investment income	-	-	-	-	-
Miscellaneous	-	-	-	-	255,135
Contributions	-	-	-	-	-
Total Revenues	-	-	-	-	14,909,734
Expenditures:					
Current:					
General government	-	292,141	34,921	-	327,062
Police	-	-	-	-	-
Fire	-	-	-	-	1,193,757
Education	7,708,282	-	-	-	7,708,282
Public works	-	-	166,514	-	19,490,905
Health and human services	-	-	-	-	-
Culture and recreation	-	-	-	-	2,850
Community development	-	-	-	-	-
Communications	-	-	-	3,381,160	3,381,160
Debt services					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total Expenditures	7,708,282	292,141	201,435	3,381,160	32,104,016
Excess (deficiency) of revenues over expenditures	(7,708,282)	(292,141)	(201,435)	(3,381,160)	(17,194,282)
Other Financing Sources (Uses):					
Issuance of bonds	7,988,500	449,500	-	5,195,750	21,888,749
Bond premiums	801,750	50,500	-	804,250	2,488,519
Transfers in	650,000	-	94,163	-	1,009,302
Transfers out	(53,445)	-	-	-	(54,233)
Total Other Financing Sources (Uses)	9,386,805	500,000	94,163	6,000,000	25,332,337
Net change in fund balance	1,678,523	207,859	(107,272)	2,618,840	8,138,055
Fund Equity, beginning	(851,798)	908,170	176,540	81,986	11,108,949
Fund Equity, ending	\$ 826,725	\$ 1,116,029	\$ 69,268	\$ 2,700,826	\$ 19,247,004

Permanent Funds				Total Nonmajor Governmental Funds
Cemetery Permanent Funds	Library Permanent Funds	Other Permanent Funds	Subtotal	
\$ -	\$ -	\$ -	\$ -	\$ 327,334
-	-	-	-	700,000
-	-	-	-	366,494
-	-	-	-	4,784,906
-	-	-	-	33,519,082
(361,484)	164,436	7,861	(189,187)	(218,290)
-	3	5	8	996,973
<u>74,673</u>	<u>-</u>	<u>-</u>	<u>74,673</u>	<u>708,629</u>
(286,811)	164,439	7,866	(114,506)	41,185,128
72,731	-	835	73,566	889,955
-	-	-	-	1,805,788
-	-	-	-	2,486,022
-	-	-	-	22,198,898
-	-	-	-	19,792,010
-	-	257	257	1,108,127
-	100,868	-	100,868	368,807
-	-	-	-	4,860,347
-	-	-	-	3,381,160
-	-	-	-	60,000
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,854</u>
<u>72,731</u>	<u>100,868</u>	<u>1,092</u>	<u>174,691</u>	<u>56,979,968</u>
(359,542)	63,571	6,774	(289,197)	(15,794,840)
-	-	-	-	21,888,749
-	-	-	-	2,488,519
-	-	-	-	1,601,408
<u>(326,663)</u>	<u>-</u>	<u>(2,051)</u>	<u>(328,714)</u>	<u>(680,479)</u>
<u>(326,663)</u>	<u>-</u>	<u>(2,051)</u>	<u>(328,714)</u>	<u>25,298,197</u>
(686,205)	63,571	4,723	(617,911)	9,503,357
<u>17,393,670</u>	<u>4,600,264</u>	<u>164,244</u>	<u>22,158,178</u>	<u>44,140,854</u>
<u>\$ 16,707,465</u>	<u>\$ 4,663,835</u>	<u>\$ 168,967</u>	<u>\$ 21,540,267</u>	<u>\$ 53,644,211</u>

**Detail and Combining Budget
and Actual Schedules**

CITY OF NASHUA, NEW HAMPSHIRE

Detail Schedule of Revenues and Other Financing Sources -
Budget and Actual - General Fund

For the Year Ended June 30, 2015

	Original Budget	Final Budget	Adjusted Actual	Variance With Final Budget
Property Tax	\$ 188,644,284	\$ 188,644,284	\$ 188,644,284	\$ -
Auto permits	10,907,000	10,907,000	12,457,967	1,550,967
Penalties, interest and other taxes:				
Interest and cost on redemption	385,000	385,000	452,997	67,997
Payments in lieu of taxes	320,000	320,000	325,289	5,289
Interest on taxes	350,000	350,000	321,954	(28,046)
Other	<u>3,000</u>	<u>3,000</u>	<u>-</u>	<u>(3,000)</u>
Total Penalties, interest and other taxes	1,058,000	1,058,000	1,100,240	42,240
Charges for services:				
Income from departments	<u>1,017,034</u>	<u>1,017,034</u>	<u>1,235,108</u>	<u>218,074</u>
Total Charges for services	1,017,034	1,017,034	1,235,108	218,074
Intergovernmental:				
State catastrophic aid	395,116	395,116	390,159	(4,957)
State adequacy grant	35,944,077	35,944,077	35,943,297	(780)
State aid - buildings	2,557,795	2,557,795	2,557,795	-
Vocational education	150,000	150,000.00	171,755.00	21,755
Medicaid	1,600,000	1,600,000	1,822,206	222,206
Meals and room tax	4,183,061	4,183,061	4,183,061	-
Other	<u>50,510</u>	<u>50,510</u>	<u>51,189</u>	<u>679</u>
Total Intergovernmental	44,880,559	44,880,559	45,119,462	238,903
Licenses and permits:				
Building permits	430,500	430,500	565,039	134,539
Business licenses and permits	151,600	151,600	173,644	22,044
Other licenses and permits	<u>579,950</u>	<u>579,950</u>	<u>643,541</u>	<u>63,591</u>
Total Licenses and permits	1,162,050	1,162,050	1,382,224	220,174
Interest and dividends	400,000	400,000	446,507	46,507
Miscellaneous:				
Cable TV franchise	850,000	850,000	977,091	127,091
Fines and forfeits	25,000	25,000	22,994	(2,006)
Sale of property	1,000	1,000	180,027	179,027
Rental of property	607,362	607,362	766,985	159,623
Reimbursements and other	<u>39,136</u>	<u>39,136</u>	<u>151,398</u>	<u>112,262</u>
Total Miscellaneous	1,522,498	1,522,498	2,098,495	575,997
Transfers In:				
Transfers from other funds	<u>619,587</u>	<u>1,734,911</u>	<u>1,718,362</u>	<u>(16,549)</u>
Total Transfers In	619,587	1,734,911	1,718,362	(16,549)
Other Financing Sources:				
Bond premiums	-	-	165,585	165,585
Use of fund balance	<u>5,340,000</u>	<u>5,340,000</u>	<u>5,340,000</u>	<u>-</u>
Total Other Financing Sources	5,340,000	5,340,000	5,505,585	165,585
Total	<u>\$ 255,551,012</u>	<u>\$ 256,666,336</u>	<u>\$ 259,708,234</u>	<u>\$ 3,041,898</u>

CITY OF NASHUA, NEW HAMPSHIRE

Detail Schedule of Expenditures and Other Financing Uses
Budget and Actual - General Fund

For the Year Ended June 30, 2015

	Original Budget	Final Budget	Adjusted Actual	Variance With Final Budget
General Government:				
Mayor	\$ 414,879	\$ 411,848	\$ 402,214	\$ 9,634
Board of Aldermen	220,803	217,809	217,650	159
Legal	546,613	543,383	534,352	9,031
City Clerk	531,845	548,276	546,479	1,797
Civic and Comm. activities	936,060	971,060	962,648	8,412
Human resources	290,555	310,646	291,601	19,045
Insurance - Benefits	150,000	150,000	121,615	28,385
Pensions	1,000	1,005,645	600	1,005,045
Telecommunications	156,000	156,000	135,666	20,334
Information technology	2,380,645	2,394,853	2,343,089	51,764
Financial services	2,177,649	2,201,547	2,141,018	60,529
Risk Management	3,271,735	3,271,735	3,271,735	-
Building maintenance	413,597	413,543	413,506	37
Purchasing	412,891	376,134	345,965	30,169
Hunt building	20,877	20,493	17,150	3,343
Assessors	736,402	735,517	735,445	72
GIS	139,886	139,524	133,083	6,441
Cemeteries	691,655	689,035	653,414	35,621
Contingencies	302,988	252,988	237,931	15,057
Capital	675,000	675,000	675,000	-
Total General Government	14,471,080	15,485,036	14,180,161	1,304,875
Police	27,752,915	28,497,744	28,328,074	169,670
Fire	21,336,559	21,573,001	21,564,983	8,018
Water fire protection	2,634,760	2,634,760	2,632,342	2,418
Education	133,799,926	132,765,375	132,730,608	34,767
Public Works:				
PW Division and Engineering	1,264,732	1,261,364	1,260,602	762
Street department	6,792,968	6,984,307	6,983,571	736
Street lighting	779,800	779,800	771,862	7,938
Parking lots	271,480	293,390	289,270	4,120
Total Public Works	9,108,980	9,318,861	9,305,305	13,556
Health and Human Services:				
Community services	336,903	330,978	296,579	34,399
Community health	490,558	485,345	453,781	31,564
Environmental health	460,809	457,409	449,461	7,948
Welfare administration	492,741	488,977	479,045	9,932
Welfare costs	660,000	660,000	657,894	2,106
Total Health and Human Services	2,441,011	2,422,709	2,336,760	85,949
Culture and recreation:				
Parks and recreation	3,045,172	3,072,458	3,063,749	8,709
Public libraries	3,112,422	3,080,627	3,017,832	62,795
Total Culture and Recreation	6,157,594	6,153,085	6,081,581	71,504
Community Development	2,464,864	2,433,135	2,414,031	19,104
Communications	334,153	333,460	309,587	23,873
Debt Service:				
Principal	12,944,680	13,029,680	13,025,778	3,902
Interest and cost	5,128,008	5,043,008	5,043,213	(205)
Total Debt Service	18,072,688	18,072,688	18,068,991	3,697
Intergovernmental	10,383,051	10,383,051	10,383,051	-
Interfund Transfers:				
Transfer to Solid Waste Fund	3,731,019	3,731,019	3,731,019	-
Transfers to Other Funds	2,862,412	2,862,412	2,862,412	-
	6,593,431	6,593,431	6,593,431	-
Total	\$ 255,551,012	\$ 256,666,336	\$ 254,928,905	\$ 1,737,431

Proprietary Fund Types

Internal Service Funds

Internal Service Funds are proprietary fund types established for the City's self-insurance programs.

The City of Nashua has the following Internal Service Funds:

Employee Benefits Fund: To account for the operation of the City's self-insurance program for employees' healthcare.

Property and Casualty Fund: To account for the operation of the City's self-insurance program for general property and casualty insurance.

CITY OF NASHUA, NEW HAMPSHIRE
INTERNAL SERVICE FUND
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities Internal Service Fund		
	Employee Benefits Fund	Property & Casualty Fund	Total
<u>ASSETS</u>			
Current:			
Due from other funds	\$ 20,317,384	\$ 5,394,627	\$ 25,712,011
Other assets	<u>717,508</u>	<u>-</u>	<u>717,508</u>
TOTAL ASSETS	21,034,892	5,394,627	26,429,519
<u>LIABILITIES</u>			
Current:			
Accrued liabilities	3,601,487	4,439,785	8,041,272
Other liabilities	<u>750,175</u>	<u>-</u>	<u>750,175</u>
TOTAL LIABILITIES	4,351,662	4,439,785	8,791,447
<u>NET POSITION</u>			
Unrestricted	<u>16,683,230</u>	<u>954,842</u>	<u>17,638,072</u>
TOTAL NET POSITION	<u>\$ 16,683,230</u>	<u>\$ 954,842</u>	<u>\$ 17,638,072</u>

See notes to financial statements.

CITY OF NASHUA, NEW HAMPSHIRE

INTERNAL SERVICE FUND

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

FOR FISCAL YEAR ENDED JUNE 30, 2015

	Governmental Activities Internal Service Fund		
	Employee Benefits Fund	Property & Casualty Fund	Total
Operating Revenues:			
Employer contributions	\$ 25,302,237	\$ 3,271,735	\$ 28,573,972
Employee and retiree contributions	10,884,670	-	10,884,670
Other	<u>1,429,540</u>	<u>314,333</u>	<u>1,743,873</u>
Total Operating Revenues	37,616,447	3,586,068	41,202,515
Operating Expenses:			
Non-personnel expenses	<u>38,365,298</u>	<u>3,445,975</u>	<u>41,811,273</u>
Total Operating Expenses	<u>38,365,298</u>	<u>3,445,975</u>	<u>41,811,273</u>
Operating Income (Loss)	(748,851)	140,093	(608,758)
Nonoperating Revenues:			
Investment income	<u>4,769</u>	<u>1,271</u>	<u>6,040</u>
Total Nonoperating Revenues, Net	<u>4,769</u>	<u>1,271</u>	<u>6,040</u>
Change in Net Position	(744,082)	141,364	(602,718)
Net Position at Beginning of Year	<u>17,427,312</u>	<u>813,478</u>	<u>18,240,790</u>
Net Position at End of Year	<u>\$ 16,683,230</u>	<u>\$ 954,842</u>	<u>\$ 17,638,072</u>

See notes to financial statements.

CITY OF NASHUA, NEW HAMPSHIRE
INTERNAL SERVICE FUND
COMBINING STATEMENT OF CASH FLOWS
FOR FISCAL YEAR ENDED JUNE 30, 2015

	Governmental Activities Internal Service Fund		
	Employee Benefits Fund	Property & Casualty Fund	Total
<u>Cash Flows From Operating Activities:</u>			
Receipts from customers and users	\$ 12,314,210	\$ 314,333	\$ 12,628,543
Receipts from interfund services provided	25,302,237	3,271,735	28,573,972
Payments to vendors	<u>(39,009,277)</u>	<u>(3,702,445)</u>	<u>(42,711,722)</u>
Net Cash (Used for) Operating Activities	(1,392,830)	(116,377)	(1,509,207)
<u>Cash Flows From Noncapital Financing Activities:</u>			
Payments from interfund loan agreements	<u>1,388,061</u>	<u>115,106</u>	<u>1,503,167</u>
Net Cash Provided By Noncapital Financing Activities	1,388,061	115,106	1,503,167
<u>Cash Flows From Investing Activities:</u>			
Investment income	<u>4,769</u>	<u>1,271</u>	<u>6,040</u>
Net Change in Cash and Short-Term Investments	-	-	-
Cash and Short-Term Investments, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Cash and Short-Term Investments, End of Year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
<u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u>			
Operating income (loss)	\$ (748,851)	\$ 140,093	\$ (608,758)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Changes in assets and liabilities:			
Other assets	1,800	1,374	3,174
Accrued liabilities	(664,756)	(257,844)	(922,600)
Other liabilities	<u>18,977</u>	<u>-</u>	<u>18,977</u>
Net Cash (Used for) Operating Activities	<u><u>\$ (1,392,830)</u></u>	<u><u>\$ (116,377)</u></u>	<u><u>\$ (1,509,207)</u></u>

See notes to financial statements.

FIDUCIARY FUNDS

AGENCY FUND

Agency Funds are established to account for fiduciary assets held by the City in a custodial capacity as an agent on behalf of others.

Agency Funds represent monies held in escrow from developers in the City.

CITY OF NASHUA, NEW HAMPSHIRE

Combining Statement of Changes in Assets and Liabilities

Agency Fund

For the Year Ended June 30, 2015

	Balance July 1, <u>2014</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2015</u>
<u>Developer Escrows</u>				
Assets - cash and short-term investments	\$ 313,953	\$ 2,827	\$ (56,490)	\$ 260,290
Assets - due from external parties	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 313,953</u>	<u>\$ 2,827</u>	<u>\$ (56,490)</u>	<u>\$ 260,290</u>
Liabilities - other liabilities	\$ 306,956	\$ 89,811	\$ (136,777)	\$ 259,990
Liabilities - due to external parties	<u>6,997</u>	<u>143,849</u>	<u>(150,546)</u>	<u>300</u>
Total Liabilities	<u>\$ 313,953</u>	<u>\$ 233,660</u>	<u>\$ (287,323)</u>	<u>\$ 260,290</u>

CITY OF NASHUA, NEW HAMPSHIRE

STATISTICAL SECTION

The City of Nashua comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

	<u>Page</u>
<i>Financial Trends</i>	
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	162
<i>Revenue Capacity</i>	
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	168
<i>Debt Capacity</i>	
These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	174
<i>Demographic and Economic Information</i>	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	177
<i>Operating Information</i>	
These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the service the government provides and the activities it performs.	179

City of Nashua, New Hampshire

Net Position by Component

Last Ten Fiscal Years⁽¹⁾

(accrual basis of accounting)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015 ⁽²⁾
Governmental Activities										
Net investment in capital assets	\$ 71,330,362	\$ 75,371,785	\$ 82,615,430	\$ 91,043,817	\$ 103,436,163	\$ 111,077,357	\$ 119,796,245	\$ 133,385,506	\$ 139,619,179	\$ 158,392,742
Restricted	30,981,554	33,679,170	29,126,492	21,686,588	21,611,710	24,687,379	24,925,380	32,456,683	43,985,208	35,756,406
Unrestricted	34,217,644	46,055,519	55,983,443	48,672,885	43,639,686	35,368,271	41,041,536	30,724,278	28,043,671	(154,754,432)
Total governmental activities net position	136,529,560	155,106,474	167,725,365	161,403,290	168,687,559	171,133,007	185,763,161	196,566,467	211,648,058	39,394,716
Business-type activities										
Net investment in capital assets	81,467,773	94,270,446	109,669,910	115,532,890	99,864,775	102,157,830	105,608,828	105,525,905	93,304,028	94,936,719
Restricted	1,732,999	2,336,365	2,913,041	3,612,918	3,773,376	3,972,974	3,863,829	4,270,548	4,472,662	4,473,789
Unrestricted	11,181,863	40,245	(13,599,364)	(21,136,265)	(5,306,300)	(6,555,882)	(8,272,538)	(6,549,015)	6,653,484	2,348,049
Total business-type activities net position	94,382,635	96,647,056	98,983,587	98,009,543	98,331,851	99,574,922	101,200,119	103,247,438	104,430,174	101,758,557
Primary government										
Net investment in capital assets	152,798,135	169,642,231	192,285,340	206,576,707	203,300,938	213,235,187	225,405,073	238,911,411	232,923,207	253,329,461
Restricted	32,714,553	36,015,535	32,039,533	25,299,506	25,385,086	28,660,353	28,789,209	36,727,231	48,457,870	40,230,195
Unrestricted	45,399,507	46,095,764	42,384,079	27,536,620	38,333,386	28,812,389	32,768,998	24,175,263	34,697,155	(152,406,383)
Total primary government net position	\$ 230,912,195	\$ 251,753,530	\$ 266,708,952	\$ 259,412,833	\$ 267,019,410	\$ 270,707,929	\$ 286,963,280	\$ 299,813,905	\$ 316,078,232	\$ 141,153,273

Data Source:

Audited Financial Statements

Notes:

⁽¹⁾ Roads and sidewalks retroactive to 1980 were reported in FY2006 (compliant with GASB 34 requirements).

⁽²⁾ In FY2015, the City's beginning net position as of July 1, 2014 was restated for the implementation of Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions*.

City of Nashua, New Hampshire

Change in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental activities:										
General government ⁽²⁾	\$ 11,147,538	\$ 10,634,275	\$ 24,124,526	\$ 20,301,156	\$ 20,288,378	\$ 22,129,077	\$ 22,497,654	\$ 22,777,079	\$ 24,632,593	\$ 25,054,260
Police	23,070,949	22,210,688	24,713,982	26,257,722	27,426,675	28,223,669	27,563,038	27,321,535	28,778,248	30,448,888
Fire	19,193,738	17,918,642	17,965,927	21,093,703	21,026,095	22,111,191	21,696,948	21,094,654	21,098,266	22,657,301
Water Fire Protection Services	1,634,047	1,781,355	2,205,303	2,234,921	2,152,983	2,471,096	2,611,535	2,591,814	2,576,767	2,607,342
Education	127,629,646	125,136,253	132,479,339	140,999,742	143,489,872	150,017,895	146,755,939	149,765,273	153,294,183	153,499,901
Public Works	10,893,022	9,968,194	11,408,120	11,542,212	10,030,585	10,792,781	11,378,882	10,644,976	11,330,904	11,816,177
Health and Human Services	3,454,063	3,959,298	4,217,761	4,340,447	4,065,289	3,964,857	3,217,342	3,137,470	3,235,196	3,271,988
Culture and Recreation	7,605,481	6,671,417	6,972,660	7,918,634	7,929,703	8,156,558	7,593,302	7,181,489	7,166,496	7,123,288
Community Development	5,935,757	6,316,105	6,798,877	7,287,986	9,156,255	7,375,291	7,165,410	9,266,113	10,179,583	7,580,687
Communications	1,003,608	1,031,116	1,037,747	-	1,114,063	1,152,961	1,170,742	515,783	630,134	526,204
Interest, costs and amortization ⁽⁶⁾	7,702,676	6,611,817	6,651,921	6,096,780	5,612,006	5,220,526	5,279,022	13,927,637	13,232,729	13,650,683
Intergovernmental ⁽³⁾	9,233,128	9,241,763	-	-	-	-	-	-	-	-
Total governmental activities expenses	228,503,653	221,480,923	238,576,163	248,073,303	252,291,904	261,615,902	256,929,814	268,223,823	276,155,099	278,236,719
Business-type activities:										
Wastewater services	10,776,209	9,431,492	9,563,755	10,396,778	10,770,142	11,082,780	10,840,594	10,897,541	11,548,040	12,931,195
Solid waste services	5,836,163	5,444,335	6,383,897	5,950,822	6,177,791	5,277,700	5,554,950	6,730,422	6,023,797	6,766,342
Total business-type activities expenses	16,612,372	14,875,827	15,947,652	16,347,600	16,947,933	16,360,480	16,395,544	17,627,963	17,571,837	19,697,537
Total primary government expenses	\$ 245,116,025	\$ 236,356,750	\$ 254,523,815	\$ 264,420,903	\$ 269,239,837	\$ 277,976,382	\$ 273,325,358	\$ 285,851,786	\$ 293,726,936	\$ 297,934,256
Program Revenues										
Governmental activities:										
Charges for services ⁽¹⁾										
General government ⁽⁴⁾	\$ 1,021,847	\$ 904,182	\$ 754,146	\$ (6,297)	\$ 3,153,839	\$ 5,585,985	\$ 1,822,436	\$ 2,478,975	\$ 3,112,192	\$ 685,849
Police	2,675,975	1,417,615	1,153,325	824,514	1,096,769	1,399,425	931,703	747,150	1,050,173	1,026,770
Fire	806,487	41,571	168,004	94,589	85,145	98,393	95,041	131,744	114,823	105,110
Education	7,912,683	3,982,594	5,048,693	4,151,332	3,962,169	4,277,635	3,860,116	3,529,902	3,206,524	3,180,186
Public Works	1,173,293	853,065	866,151	763,471	797,022	732,071	841,118	927,491	499,116	480,655
Health and Human Services	437,627	257,735	236,922	211,484	189,391	188,295	188,493	165,273	170,721	161,729
Culture and Recreation ⁽⁵⁾	955,609	608,880	601,723	80,052	632,545	904,781	580,426	685,656	783,194	486,871
Community Development	1,342,026	1,225,355	1,250,864	1,155,276	1,068,159	1,118,703	1,389,901	1,467,693	1,705,084	1,525,076
Total charges for services	16,325,547	9,290,997	10,079,828	7,274,421	10,985,039	14,303,288	9,709,234	9,733,884	10,641,827	7,652,246
Operating grants and contributions	45,251,496	46,220,633	52,854,392	48,769,370	65,039,056	63,121,867	61,098,263	63,830,475	63,496,397	64,217,133
Capital grants and contributions	7,105,541	8,486,039	6,067,839	4,775,411	5,823,681	4,278,212	8,473,140	9,255,920	15,561,488	19,443,198
Total governmental activities program revenues	68,682,584	63,997,669	69,002,059	60,819,202	81,847,776	81,703,367	79,280,637	82,820,279	89,699,712	91,312,577
Business-type activities:										
Wastewater services	8,696,732	8,355,360	8,449,653	8,251,735	8,969,303	8,762,187	10,182,311	10,208,509	10,849,984	11,804,073
Solid Waste services	4,463,357	3,540,753	3,422,189	2,782,627	2,588,522	2,640,001	2,393,635	2,744,245	2,632,259	2,800,729
Total charges for services	13,160,089	11,896,113	11,871,842	11,034,362	11,557,825	11,402,188	12,575,946	12,952,754	13,482,243	14,604,802
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions ⁽²⁾	3,189,482	848,793	2,263,301	814,289	1,458,288	776,358	1,255,104	696,256	526,173	460,422
Total business-type activities program revenues	16,349,571	12,744,906	14,135,143	11,848,651	13,016,113	12,178,546	13,831,050	13,649,010	14,008,416	15,065,224
Total primary government program revenues	\$ 85,032,155	\$ 76,742,575	\$ 83,137,202	\$ 72,667,853	\$ 94,863,889	\$ 93,881,913	\$ 93,111,687	\$ 96,469,289	\$ 103,708,128	\$ 106,377,801
Net (Expenses)/Revenue										
Governmental activities	\$ (159,821,069)	\$ (157,483,254)	\$ (169,574,104)	\$ (188,381,457)	\$ (170,444,128)	\$ (179,912,535)	\$ (177,649,177)	\$ (185,403,544)	\$ (186,455,387)	\$ (186,924,142)
Business-type activities	(262,801)	(2,130,921)	(1,812,509)	(4,498,949)	(3,931,820)	(4,181,934)	(2,564,494)	(3,978,953)	(3,563,421)	(4,632,313)
Total Primary government net expense	\$ (160,083,870)	\$ (159,614,175)	\$ (171,386,613)	\$ (192,880,406)	\$ (174,375,948)	\$ (184,094,469)	\$ (180,213,671)	\$ (189,382,497)	\$ (190,018,808)	\$ (191,556,455)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property tax	\$ 146,928,299	\$ 154,449,099	\$ 158,896,532	\$ 161,979,688	\$ 163,353,082	\$ 169,333,116	\$ 174,911,173	\$ 179,660,929	\$ 183,226,901	\$ 189,294,796
Auto Permits	12,078,138	11,642,585	11,528,023	10,836,895	10,427,551	10,347,555	11,077,345	11,422,224	12,352,468	13,157,966
Penalties, interest and other taxes	1,032,775	865,462	1,594,935	1,418,455	1,512,934	1,535,805	1,425,762	1,660,906	1,555,955	1,466,734
Grants and contributions not restricted to specific programs	5,696,471	6,173,967	6,297,569	6,237,452	3,971,032	4,720,761	5,599,971	5,453,477	4,890,823	5,957,113
Investment income	5,093,220	4,335,585	5,600,182	2,935,434	1,262,208	422,349	1,297,950	1,042,839	1,356,452	1,777,712
Miscellaneous	1,393,811	995,117	950,109	1,232,553	1,067,955	1,023,290	1,410,241	2,273,681	2,233,187	3,098,340
Transfers, net	(1,388,652)	(2,500,000)	(2,697,663)	(2,690,322)	(3,975,592)	(5,177,336)	(3,543,251)	(5,385,555)	(4,149,363)	(4,300,133)
Permanent fund contributions	6,825	98,353	23,308	109,227	109,227	152,443	100,140	78,349	70,555	68,585
Total governmental activities	170,840,887	176,060,168	182,192,995	182,059,382	177,728,397	182,357,983	192,279,331	196,206,850	201,536,978	208,921,113
Business-type activities:										
Grants and contributions not restricted to specific programs ⁽⁴⁾	-	784,155	1,059,579	826,769	230,507	214,895	610,336	618,567	581,824	540,023
Investment income	1,134,149	1,111,187	391,798	7,814	48,029	32,774	36,104	22,150	14,970	5,349
Transfers, net	1,388,652	2,500,000	2,697,663	2,690,322	3,975,592	5,177,336	3,543,251	5,385,555	4,149,363	4,300,133
Total business-type activities	2,522,801	4,395,342	4,149,040	3,524,905	4,254,128	5,425,005	4,189,691	6,026,272	4,746,157	4,845,505
Total primary government	\$ 173,363,688	\$ 180,455,510	\$ 186,342,035	\$ 185,584,287	\$ 181,982,525	\$ 187,782,988	\$ 196,469,022	\$ 202,233,122	\$ 206,283,135	\$ 213,766,618
Change in Net Position										
Governmental activities	\$ 11,019,818	\$ 18,576,914	\$ 12,618,891	\$ (6,322,075)	\$ 7,284,269	\$ 2,445,448	\$ 14,630,154	\$ 10,803,306	\$ 15,081,591	\$ 21,996,971
Business-type activities	2,260,000	2,264,421	2,336,531	(974,044)	322,308	1,243,071	1,625,197	2,047,319	1,182,736	213,192
Total primary government	\$ 13,279,818	\$ 20,841,335	\$ 14,955,422	\$ (7,296,119)	\$ 7,606,577	\$ 3,688,519	\$ 16,255,351	\$ 12,850,625	\$ 16,264,327	\$ 22,210,163

Data Source:

Audited Financial Statements

Notes:

⁽¹⁾ In FY05 and FY06, "Charges for Services" includes employee benefit withholdings. Beginning in FY07, employee benefit withholdings are netted against the appropriate function's expenses rather than included with "Charges for Services".

⁽²⁾ Beginning in FY07, State Aid Grants were reclassified from Program Revenues to General Revenues, per GFOA recommendation.

⁽³⁾ Beginning in FY08, Intergovernmental expenses were reclassified to General Government expenses, per GFOA recommendation.

⁽⁴⁾ Negative charges for services in FY09 is due to the loss in the market value of investments of the cemetery permanent funds.

⁽⁵⁾ Decrease in charges for services in FY09 is due to the loss in the market value of investments of the library permanent funds.

⁽⁶⁾ Beginning in FY13, Interest, costs and amortization includes the amortization of the investment in Pennichuck Corporation.

City of Nashua, New Hampshire

Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund										
Reserved ⁽¹⁾	\$ 4,526,670	\$ 6,808,655	\$ 5,040,391	\$ 5,163,134	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved ⁽²⁾	27,241,589	28,037,193	33,293,567	33,249,976	-	-	-	-	-	-
Nonspendable ⁽⁴⁾	-	-	-	-	184,062	225,671	226,123	214,361	214,361	191,877
Committed ⁽⁴⁾	-	-	-	-	16,685,057	13,851,725	13,352,749	11,834,058	12,342,869	9,051,500
Assigned ⁽⁴⁾	-	-	-	-	6,550,000	5,950,000	9,738,926	8,907,711	11,009,824	9,677,264
Unassigned ⁽⁴⁾	-	-	-	-	26,560,824	25,540,287	25,940,691	26,570,103	27,350,130	27,729,910
Total General Fund	\$ 31,768,259	\$ 34,845,848	\$ 38,333,958	\$ 38,413,110	\$ 49,979,943	\$ 45,567,683	\$ 49,258,489	\$ 47,526,233	\$ 50,917,184	\$ 46,650,551
Other Governmental Funds										
Reserved ⁽³⁾	\$ 21,388,586	\$ 18,311,928	\$ 17,162,438	\$ 15,639,501	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved:										
Special Revenue Funds	23,410,292	24,692,996	25,947,458	19,994,384	-	-	-	-	-	-
Capital Project Funds	(12,114,644)	3,134,217	3,161,390	2,558,311	-	-	-	-	-	-
Permanent Funds	590,337	710,518	903,422	960,742	-	-	-	-	-	-
Nonspendable ⁽⁴⁾	-	-	-	-	14,429,616	17,497,014	16,380,114	16,751,522	18,477,710	20,304,610
Restricted ⁽⁴⁾	-	-	-	-	3,899,609	5,106,464	11,785,274	12,327,951	20,633,754	26,041,685
Committed ⁽⁴⁾	-	-	-	-	8,733,406	7,740,332	9,063,280	10,160,993	10,193,612	12,915,004
Unassigned ⁽⁴⁾	-	-	-	-	(1,728,518)	(491,584)	(947,259)	(224)	(851,798)	(1,304,664)
Total Other Governmental Funds	\$ 33,274,571	\$ 46,849,659	\$ 47,174,708	\$ 39,152,938	\$ 25,334,113	\$ 29,852,226	\$ 36,281,409	\$ 39,240,242	\$ 48,453,278	\$ 57,956,635

Data Source:

Audited Financial Statements

Notes:

⁽¹⁾ FY2005 - \$8 million is reserved for School Capital Reserve Fund.

⁽²⁾ FY2005 - \$11 million is designated for FY06 tax rate; \$4 million for FY07/08 School bonded debt .

⁽³⁾ FY2006 - Reclassified \$7,821,553 in School Capital Reserve Funds from Reserved Fund Balance into Unreserved Fund Balance, Special Revenue Funds.

⁽⁴⁾ FY2010 - Fund balances reflect implementation of GASB 54

City of Nashua, New Hampshire

Change in Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
Taxes	\$ 146,864,377	\$ 154,488,154	\$ 158,353,188	\$ 160,881,410	\$ 162,964,723	\$ 169,105,924	\$ 174,375,557	\$ 179,815,669	\$ 183,788,788	\$ 189,370,011
Licenses and Permits ⁽¹⁾	13,234,555	12,846,500	12,311,950	11,558,473	11,311,752	11,200,038	11,805,705	12,794,538	13,867,699	14,538,140
Penalties, interest and other taxes	1,357,033	1,250,253	1,594,935	1,418,455	1,447,191	1,471,786	1,425,762	1,660,906	1,555,955	1,466,734
Charges for services	6,846,669	6,914,168	7,024,328	7,289,468	7,324,028	7,888,220	7,813,660	5,973,297	6,022,688	5,872,118
Intergovernmental	54,956,875	57,917,495	64,085,098	66,192,430	74,194,941	71,166,117	66,239,007	67,730,460	73,373,088	78,695,688
Interest earnings	4,153,022	7,745,663	4,793,461	(303,680)	2,833,498	4,168,180	1,812,632	2,769,585	4,192,046	254,684
Miscellaneous	1,282,935	1,173,971	1,921,409	1,882,909	1,500,780	1,599,369	2,136,516	2,443,340	2,499,563	3,370,605
Contributions	1,149,442	539,057	96,002	354,065	510,942	460,903	7,068,853	9,323,019	9,364,136	9,471,751
Total revenues	229,844,908	242,875,261	250,180,371	249,273,530	262,087,855	267,060,537	272,677,692	282,510,814	294,663,963	303,039,731
Expenditures by Function										
General Government ⁽²⁾	47,642,841	51,202,587	54,841,257	53,859,718	55,969,477	60,784,069	63,115,094	62,840,355	14,444,055	14,325,858
Public safety	37,722,214	30,897,525	32,191,601	35,887,184	35,144,492	37,093,411	34,474,733	34,242,016	48,920,203	55,413,117
Water supply/hydrants	1,634,047	1,781,355	2,205,303	2,234,921	2,152,983	2,471,096	2,611,535	2,591,814	2,576,767	2,607,342
Education	98,086,304	96,233,019	100,296,133	110,099,584	110,680,934	113,933,265	118,234,670	114,855,962	150,005,656	155,393,270
Public Works	9,536,606	8,689,653	9,540,761	10,452,441	11,766,925	10,100,177	11,822,833	15,807,593	24,212,322	32,002,905
Health and human services	2,687,438	3,373,460	3,516,881	3,693,028	3,328,537	3,141,990	2,595,897	2,601,117	3,191,206	3,300,614
Culture and recreation	5,436,393	5,121,466	5,898,670	5,923,548	5,357,914	5,725,091	5,581,693	5,400,579	6,753,340	6,965,269
Community development	11,396,347	9,168,047	6,396,239	6,004,281	9,495,558	7,942,209	6,607,068	7,610,838	11,429,576	6,976,564
Communications	246,026	228,044	237,896	280,361	285,390	289,648	364,299	1,980,823	1,454,151	3,680,775
Debt service										
Principal	12,073,570	12,118,441	12,111,061	12,300,467	12,221,828	11,924,348	12,259,833	16,364,611	16,496,389	16,365,778
Interest	7,779,830	6,222,224	7,052,893	6,243,971	5,892,249	5,455,421	5,796,412	10,308,650	10,209,365	10,450,189
Intergovernmental	9,233,129	9,241,763	9,489,137	9,546,322	9,367,968	9,416,623	9,569,306	9,420,187	9,763,895	10,383,051
Total expenditures	243,474,745	234,277,584	243,777,832	256,525,826	261,664,255	268,277,348	273,033,373	284,024,545	299,456,925	317,864,732
Excess of revenues										
Over (under) expenditures	(13,629,837)	8,597,677	6,402,539	(7,252,296)	423,600	(1,216,811)	(355,681)	(1,513,731)	(4,792,962)	(14,825,001)
Other Financing Sources (Uses)										
Issuance of bonds	-	10,555,000	-	-	-	6,000,000	164,030,000	7,136,000	19,480,000	21,888,749
Issuance of refunding bonds	-	-	-	-	-	-	-	-	-	4,760,000
Pennichuck acquisition	-	-	-	-	-	-	(150,011,079)	-	-	-
Bond premiums	-	-	-	-	-	-	-	1,054,848	2,068,011	2,488,519
Bond premiums on refunding bonds	-	-	-	-	-	-	-	-	-	610,993
Payment to refunded escrow agent	-	-	-	-	-	-	-	-	-	(5,386,403)
Capital lease proceeds	-	-	108,285	-	-	-	-	-	-	-
Transfers in	15,512,898	4,482,821	7,454,175	10,584,784	6,045,974	3,907,733	2,649,793	4,087,955	1,041,003	2,256,555
Transfers out	(16,901,550)	(6,982,821)	(10,151,838)	(11,275,106)	(8,721,566)	(8,585,069)	(6,193,044)	(9,538,495)	(5,192,065)	(6,556,688)
Total other financing sources (uses)	(1,388,652)	8,055,000	(2,589,378)	(690,322)	(2,675,592)	1,322,664	10,475,670	2,740,308	17,396,949	20,061,725
Net Change in fund balances	\$ (15,018,489)	\$ 16,652,677	\$ 3,813,161	\$ (7,942,618)	\$ (2,251,992)	\$ 105,853	\$ 10,119,989	\$ 1,226,577	\$ 12,603,987	\$ 5,236,724
Debt Service as a percentage of non-capital outlay expenditures	8.84%	8.13%	8.09%	7.45%	7.24%	6.80%	7.12%	10.07%	9.83%	9.65%
Data Source: Audited Financial Statements										
Notes:										
⁽¹⁾ Includes Auto Permits.										
⁽²⁾ Includes City-wide employee health and pension benefits through FY13. Beginning in FY14 employee health and pension benefits are allocated from General Government to applicable departments/divisions.										

City of Nashua, New Hampshire

Expenditures and Other Financing Uses by Department and Budget Category, General Fund

Last Ten Fiscal Years

(modified accrual basis of accounting)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenditures and Other Financing										
Uses by Department										
Financial Services	\$ 1,322,705	\$ 1,236,659	\$ 1,469,502	\$ 2,727,354	\$ 2,878,399	\$ 3,771,283	\$ 2,785,087	\$ 2,767,961	\$ 3,622,100	\$ 3,891,072
Administrative Services ⁽¹⁾	2,788,574	1,991,401	2,131,361	-	-	-	-	-	-	-
Information Technology ⁽²⁾	-	784,969	1,102,648	1,237,701	1,230,025	1,459,019	1,534,232	2,031,718	2,334,058	2,441,848
General Government ⁽³⁾	43,233,659	47,080,238	49,114,240	48,839,886	49,966,148	51,667,255	54,103,026	54,753,971	7,261,566	7,102,983
Police	15,062,015	14,920,270	16,918,427	18,551,324	18,343,212	19,165,600	17,753,964	17,954,600	26,394,497	29,200,580
Fire	13,876,296	13,068,849	13,122,412	15,670,602	15,211,313	16,203,772	14,148,512	14,312,925	20,534,919	21,920,727
Water Supply/Hydrants	1,634,047	1,781,355	2,205,303	2,234,921	2,152,983	2,471,096	2,611,535	2,591,814	2,576,767	2,607,342
Community Health and Welfare	2,301,368	2,149,131	2,188,388	2,437,681	1,966,721	1,894,004	1,673,763	1,755,105	2,178,171	2,192,487
Street Department	5,156,101	4,923,751	6,051,230	6,736,230	7,278,181	6,856,012	6,891,075	8,556,496	8,262,774	9,985,150
Parks and Recreation	2,672,691	2,539,850	2,545,439	2,944,658	2,741,007	3,015,085	2,767,434	2,862,915	3,373,369	3,681,695
Other Public Works	3,140,497	3,203,179	2,413,679	2,410,901	2,406,616	2,515,392	2,340,871	1,847,306	2,163,812	2,225,745
Community Development Division	1,432,102	1,322,027	1,327,753	1,416,773	1,461,688	1,445,969	1,545,458	1,416,358	1,993,206	2,116,217
Public Libraries	2,249,446	2,040,754	2,225,556	2,439,439	2,293,340	2,295,731	2,320,114	2,195,853	2,959,337	2,914,767
Communications	246,026	228,044	237,896	280,361	285,390	289,648	280,075	425,232	302,102	299,615
Transfers Out	11,696,153	4,337,325	6,028,358	4,185,445	5,916,468	6,301,394	4,231,574	6,450,979	4,685,182	5,226,209
Total City Departments	106,811,680	101,607,803	109,082,192	112,113,276	114,131,491	119,351,260	114,986,720	119,923,233	88,641,860	95,806,437
Education (includes transfers out)	82,965,529	81,504,499	85,575,583	94,120,678	92,619,046	93,588,224	93,475,962	97,637,607	130,325,123	133,844,372
Debt service										
Principal	12,073,570	12,118,441	12,051,061	12,240,467	12,161,828	11,864,348	12,199,833	12,914,611	13,186,389	13,025,778
Interest	7,779,830	6,222,224	7,003,835	6,200,867	5,851,245	5,416,517	5,200,837	4,897,909	4,664,660	4,938,213
Total Debt Service	19,853,400	18,340,665	19,054,896	18,441,334	18,013,073	17,280,865	17,400,670	17,812,520	17,851,049	17,963,991
Intergovernmental	9,233,129	9,241,763	9,489,137	9,546,322	9,367,968	9,416,623	9,569,306	9,420,187	9,763,895	10,383,051
Total expenditures (includes transfers out)	\$ 218,863,738	\$ 210,694,730	\$ 223,201,808	\$ 234,221,610	\$ 234,131,578	\$ 239,636,972	\$ 235,432,659	\$ 244,793,547	\$ 246,581,927	\$ 257,997,851
Expenditures as a percentage of total										
City Departments	48.8%	48.2%	48.9%	47.9%	48.7%	49.8%	48.8%	49.0%	35.9%	37.1%
Education	37.9%	38.7%	38.3%	40.2%	39.6%	39.1%	39.7%	39.9%	52.9%	51.9%
Debt service	9.1%	8.7%	8.5%	7.9%	7.7%	7.2%	7.4%	7.3%	7.2%	7.0%
Intergovernmental	4.2%	4.4%	4.3%	4.1%	4.0%	3.9%	4.1%	3.8%	4.0%	4.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Expenditure Percentage Change										
City Departments	15.5%	-4.9%	7.4%	10.3%	4.6%	6.5%	0.7%	0.5%	-22.9%	-20.1%
Education	1.0%	-1.8%	5.0%	15.5%	8.2%	-0.6%	0.9%	4.3%	39.4%	37.1%
Debt service	1.9%	-7.6%	3.9%	0.5%	-5.5%	-6.3%	-3.4%	3.1%	2.6%	0.9%
Intergovernmental	0.6%	0.1%	2.7%	3.3%	-1.3%	-1.4%	2.1%	0.0%	2.0%	10.2%
Total	7.7%	-3.7%	5.9%	11.2%	4.9%	2.3%	0.6%	2.2%	4.7%	5.4%

Data Source:

Audited Internal City of Nashua Financial Statements and Audited Financial Statements

Notes:

⁽¹⁾ FY09 - Departments within the Administrative Services Division were reassigned to the Financial Services Division and Miscellaneous General Government functions.

⁽²⁾ Information Technology separated from Administrative Services division in FY07.

⁽³⁾ Includes City-wide employee health and pension benefits through FY13. Beginning in FY14 employee health and pension benefits are allocated from General Government to applicable departments/divisions.

City of Nashua, New Hampshire

Combined Enterprise Funds Revenue, Expenditures, Other Financing Sources and Uses and Change in Total Net Position

Last Ten Fiscal Years

Fiscal Year	Revenue and Other Financing Sources					Expenses & Other Financing Uses					Increase (Decrease) Total Net Position ⁽³⁾	Contributed Capital	Total Net Position
	Intergovernmental	Charges for Services	Other	Transfers In	Total	Operations & Maintenance	Depreciation	Interest Expense	Transfers Out	Total			
2015	\$ 540,023	\$ 14,284,435	\$ 325,716	\$ 4,355,133	\$ 19,505,307	\$ 11,396,186	\$ 6,707,836	\$ 1,593,515	\$ -	\$ 19,752,537	\$ (3,132,039)	\$ 460,422	\$ 101,758,557
2014	581,824	13,246,142	251,071	4,149,363	18,228,400	10,243,280	6,211,677	1,116,880	-	17,571,837	656,563	526,173	104,430,174
2013	618,567	12,732,254	242,650	5,385,555	18,979,026	10,134,405	6,258,987	1,234,571	-	17,627,963	1,351,063	696,256	103,247,438
2012	809,505	12,343,860	268,190	3,543,251	16,964,806	9,112,439	5,846,516	1,436,589	-	16,395,544	569,262	1,055,935	101,200,119
2011	764,434	11,031,678	403,284	5,177,336	17,376,732	9,043,390	5,677,492	1,639,598	-	16,360,480	1,016,252	226,819	99,574,922
2010	1,394,420	11,310,759	295,095	3,985,092	16,985,366	9,902,650	5,874,516	1,170,767	-	16,957,433	27,933	294,375	98,331,851
2009	826,769	10,800,223	241,953	2,690,322	14,559,267	9,899,937	5,363,027	1,084,636	-	16,347,600	(1,788,333)	814,289	98,009,543
2008	1,059,579	11,642,137	621,503	2,697,663	16,020,882	10,187,447	4,631,222	1,128,983	-	15,947,652	73,230	2,263,301	98,983,587
2007	784,155	11,748,817	2,107,276	2,500,000	17,140,248	9,188,126	4,429,469	1,258,232	-	14,875,827	2,264,421	-	96,647,056
2006	2,813,045	13,050,184	1,620,491	1,400,652	18,884,372	10,609,849	4,607,965	1,394,558	-	16,612,372	2,260,000	-	94,382,635

Includes Wastewater and Solid Waste funds

Wastewater Fund Revenue, Expenditures, Other Financing Sources and Uses and Change in Fund Equity

Last Ten Fiscal Years

Fiscal Year	Revenue and Other Financing Sources					Expenses & Other Financing Uses					Increase (Decrease) Total Net Position ⁽³⁾	Contributed Capital	Total Net Position
	Intergovernmental	Charges for Services	Other	Transfers In	Total	Operations & Maintenance	Depreciation	Interest Expense	Transfers Out	Total			
2015	\$ 331,785	\$ 11,727,364	\$ 80,843	\$ -	\$ 12,139,992	\$ 6,701,574	\$ 4,993,740	\$ 1,235,881	\$ 55,000	\$ 12,986,195	\$ (2,468,908)	\$ 460,422	\$ 103,365,070
2014	373,201	10,849,064	4,112	-	11,226,377	6,300,878	4,468,223	778,939	-	11,548,040	(321,663)	526,173	105,373,556
2013	190,843	10,197,610	14,089	-	10,402,542	5,734,690	4,562,988	599,863	-	10,897,571	(494,999)	677,133	105,169,046
2012	199,169	10,161,716	31,258	-	10,392,143	5,697,549	4,401,079	741,966	-	10,840,594	(448,451)	930,935	104,986,912
2011	549,539	8,762,187	12,170	10,550	9,334,446	5,881,704	4,319,104	881,972	-	11,082,780	(1,748,334)	226,819	104,504,428
2010	1,163,913	8,969,303	18,992	-	10,152,208	5,987,223	4,438,309	344,610	9,500	10,779,642	(627,434)	294,375	106,025,943
2009	595,705	8,251,735	(10,990)	-	8,836,450	5,920,909	4,111,586	364,283	-	10,396,778	(1,560,328)	814,289	106,359,002
2008	540,960	8,449,653	292,271	-	9,282,884	5,558,151	3,592,752	412,852	-	9,563,755	(280,871)	2,263,301	107,105,041
2007	611,891	8,354,834	1,785,550	-	10,752,275	5,561,226	3,409,069	461,197	-	9,431,492	1,320,783	-	105,122,611
2006 ⁽¹⁾	2,756,730	8,650,837	1,352,495	-	12,760,062	6,661,219	3,605,550	509,440	6,000	10,782,209	1,977,853	-	103,801,828

Solid Waste Fund Revenue, Expenditures, Other Financing Sources and Uses and Change in Fund Equity

Last Ten Fiscal Years

Fiscal Year	Revenue and Other Financing Sources					Expenses & Other Financing Uses					Increase (Decrease) Total Net Position ⁽³⁾	Contributed Capital	Total Net Position
	Intergovernmental	Charges for Services	Other	Transfers In	Total	Operations & Maintenance	Depreciation	Interest Expense	Transfers Out	Total			
2015	\$ 208,238	\$ 2,557,071	\$ 244,873	\$ 4,355,133	\$ 7,365,315	\$ 4,694,612	\$ 1,714,096	\$ 357,634	\$ -	\$ 6,766,342	\$ (663,131)	\$ -	\$ (1,606,513)
2014	208,623	2,397,078	246,959	4,149,363	7,002,023	3,942,402	1,743,454	337,941	-	6,023,797	978,226	-	(943,382)
2013	427,724	2,534,644	228,561	5,385,555	8,576,484	4,399,715	1,695,999	634,708	-	6,730,422	1,846,062	19,123	(1,921,608)
2012	610,336	2,182,144	236,932	3,543,251	6,572,663	3,414,890	1,445,437	694,623	-	5,554,950	1,017,713	125,000	(3,786,793)
2011	214,895	2,269,491	391,114	5,166,786	8,042,286	3,161,686	1,358,388	757,626	-	5,277,700	2,764,586	-	(4,929,506)
2010	230,507	2,341,456	276,103	3,985,092	6,833,158	3,915,427	1,436,207	826,157	-	6,177,791	655,367	-	(7,694,092)
2009	231,064	2,548,488	252,943	2,690,322	5,722,817	3,979,028	1,251,441	720,353	-	5,950,822	(228,005)	-	(8,349,459)
2008 ⁽²⁾	518,619	3,192,484	329,232	2,697,663	6,737,998	4,629,296	1,038,470	716,131	-	6,383,897	354,101	-	(8,121,454)
2007	172,264	3,393,983	321,726	2,500,000	6,387,973	3,626,900	1,020,400	797,035	-	5,444,335	943,638	-	(8,475,555)
2006	56,315	4,399,347	267,996	1,400,652	6,124,310	3,948,630	1,002,415	885,118	6,000	5,842,163	282,147	-	(9,419,193)

Data Source:
Audited Financial Statements

Notes:

⁽¹⁾ Operations & Maintenance expenses include a one-time charge of \$1,017,225 for asbestos contaminated soil removal.

⁽²⁾ Operations & Maintenance expenses include \$1.2 million in current year and prior year (previously understated) landfill closure costs.

⁽³⁾ Due to the implementation of GASB 68, the restatement of Net Position is not applied to FY2014, but rather to the Total Net Position Increase/(Decrease) in FY2015.

City of Nashua, New Hampshire

General Government Tax Revenues by Source Last Ten Fiscal Years

Fiscal Year	Property Taxes	Current Use Penalties	Railroad Tax	Boat Tax	Yield Tax	Payment in Lieu of Tax	Excavation Tax	Tax Interest & Penalties	Total
2015	\$ 189,118,341	\$ 251,000	\$ 3,500	\$ -	\$ 670	\$ 325,289	\$ -	\$ 774,951	\$ 190,473,751
2014	183,735,667	48,000	6,409	-	5,121	234,523	-	914,147	184,943,867
2013	179,452,907	372,500	407	-	2,032	429,355	-	836,626	181,093,827
2012	174,426,233	770	4,096	-	4,651	119,273	389	843,508	175,398,919
2011	169,572,998	92,890	7,172	-	2,654	130,243	1,041	787,463	170,594,460
2010	163,664,814	45,000	12,175	-	2,052	111,386	115	771,023	164,606,565
2009	161,465,821	73,130	2,389	-	1,257	118,117	139	731,810	162,392,663
2008	158,565,422	762,870	-	-	5,571	138,605	203	624,141	160,096,812
2007	155,452,947	238,430	7,731	-	13,535	116,182	1,037	488,548	156,318,410
2006	147,765,609	417,880	7,786	-	11,506	121,350	-	416,798	148,740,929

Data Source:
Audited Internal Financial Statements

City of Nashua, New Hampshire

Property Tax Levies and Collections

Last Ten Fiscal Years

Fiscal Year	Property Tax Levied for		Collected within the Fiscal Year of the Levy			Lien Amount Balance at Fiscal Year End of Levy Year		Subsequent Tax lien Collections	Balance at end of Current Fiscal year		Total Collections to Date		Number of Parcels		
	Fiscal Year		Amount	% of Levy							Amount	% of Levy	in Levy	Liened	% Liened
2015	\$	191,893,860	\$ 189,619,825	98.8	%	\$	2,274,035	\$	461,585	\$	1,812,450	\$	190,081,410	99.1	%
2014		185,563,420	183,499,092	98.9			2,064,328		312,751		1,751,577		183,811,843	99.1	
2013		181,191,086	178,655,327	98.6			2,535,759		350,811		2,184,948		179,006,138	98.8	
2012		180,052,101	177,497,774	98.6			2,554,327		376,603		2,177,724		177,874,377	98.8	
2011		170,706,403	168,303,403	98.6			2,403,272		539,882		1,863,350		168,843,413	98.9	
2010		165,010,958	162,496,172	98.5			2,514,786		359,829		2,154,957		162,856,001	98.7	
2009		162,492,774	160,152,238	98.6			2,340,536		337,289		2,003,247		160,489,527	98.8	
2008		160,045,795	157,811,037	98.6			2,234,758		289,153		1,945,605		158,100,190	98.8	
2007		156,687,784	154,976,500	98.9			1,711,284		236,234		1,475,050		155,212,734	99.1	
2006		148,834,769	147,558,424	99.1			1,276,345		754,988		521,357		148,313,412	99.6	

Data Source:

Audited Internal Financial Statements, Property Tax Warrants and Reports of Tax Lien Executions

Notes:

Once a lien is executed a taxpayer has 2 years and 1 day to redeem the taxes before a deed may be executed.

City of Nashua, New Hampshire

Assessed and Estimated Full Value of Real Property
Last Ten Fiscal Years

Fiscal Year	Local Assessed Value ⁽¹⁾				Less Exemptions to Assessed Value ⁽¹⁾	Total Taxable Assessed Value ⁽¹⁾	Total Direct Tax Rate per \$1,000 of Assessed Value	Estimated Full Value ⁽²⁾	Ratio of Total Assessed Value to Total Estimated Full Value
	Residential	Commercial/ Industrial	Utilities	Total Assessed Value					
2015	\$ 5,232,018,998	\$ 2,650,084,562	\$ 267,676,980	\$ 8,149,780,540	\$ 129,962,577	\$ 8,019,817,963	\$ 22.76	\$ 8,684,907,808	93.8 %
2014	5,203,931,164	2,655,590,811	263,764,280	8,123,286,255	134,185,527	7,989,100,728	22.28	8,386,760,928	96.9
2013	5,737,764,215	2,647,698,426	259,493,680	8,644,956,321	147,079,600	8,497,876,721	20.38	7,949,863,821	108.7
2012	5,724,498,363	2,665,435,268	247,580,080	8,637,513,711	139,825,150	8,497,688,561	19.84	8,248,187,902	104.7
2011	5,716,945,366	2,637,335,441	233,956,480	8,588,237,287	146,159,148	8,442,078,139	19.28	8,519,356,326	100.8
2010	5,696,232,358	2,626,290,983	214,500,880	8,537,024,221	147,658,598	8,389,365,623	18.70	8,575,136,081	99.6
2009	6,578,232,904	2,727,069,006	205,170,480	9,510,472,390	157,178,400	9,353,293,990	16.54	9,018,506,088	105.5
2008	6,553,746,660	2,715,276,344	182,868,180	9,451,891,184	170,666,650	9,281,224,534	16.39	9,358,505,782	101.0
2007	6,520,190,304	2,651,715,145	174,690,180	9,346,595,629	175,974,650	9,170,620,979	16.21	9,714,255,257	96.2
2006	6,472,850,667	2,666,131,229	173,339,680	9,312,321,576	158,734,700	9,153,586,876	15.33	9,297,862,943	100.2

Data Sources:

⁽¹⁾ State MS-1 Report of Assessed Values, and NHDRA website to conform with final residential values.

⁽²⁾ NH Department of Revenue Administration's annual Equalization Survey including utilities and railroad.

Notes:

Residential values include value of land in current use.

City of Nashua, New Hampshire

Principal Taxpayers Current Year and Ten Years Ago

Taxpayer	Type of Business	Fiscal Year 2015		Percentage of		Fiscal Year 2006		Percentage of	
		Assessed	Rank	Total Assessed		Assessed	Rank	Total Assessed	
		Value		Value		Value		Value	
Pheasant Lane Realty Trust	Shopping Mall	\$ 142,785,496	1	1.78 %		\$ 145,731,096	1	1.59 %	
Pennichuck Water Works Inc	Water Distributor	104,161,500	2	1.30		65,920,986	4	0.72	
Public Service Co of NH	Utility	97,147,800	3	1.21		69,499,000	3	0.76	
Aimco Royal Crest-Nashua LLC	Apartment Complex	83,203,000	4	1.04		79,587,500	2	0.87	
Flatley, John J Company	Office/Land/Apts/Retail	64,156,800	5	0.80		39,221,300	7	0.43	
St. Joseph Hospital and Trauma Center	Hospital	58,564,900	6	0.73		-		-	
Energy North Natural Gas d/b/a Liberty Utilities	Utility	56,281,400	7	0.70		38,047,700	8	0.42	
Southern New Hampshire Hospital	Hospital	55,988,100	8	0.70		37,822,100	10	0.41	
BAE Systems Info & Elec System	Electronics Manufacturer	43,151,200	9	0.54		45,943,100	6	0.50	
Nashua Oxford-Bay Associates	Real Estate	38,807,800.00	10	0.48		37,854,800	9	0.41	
Compaq Computer Corporation ⁽¹⁾	Computer Hardware	-		-		49,914,500	5	0.55	
Total Principal Taxpayers		744,247,996		9.28 %		609,542,082		6.66 %	
Total Net Assessed Taxable Value		<u>\$ 8,019,817,963</u>				<u>\$ 9,153,586,876</u>			

Data Source:
City of Nashua Assessing Records and State MS-1 Report

Notes:

⁽¹⁾Previously identified as Digital Equipment Corp.

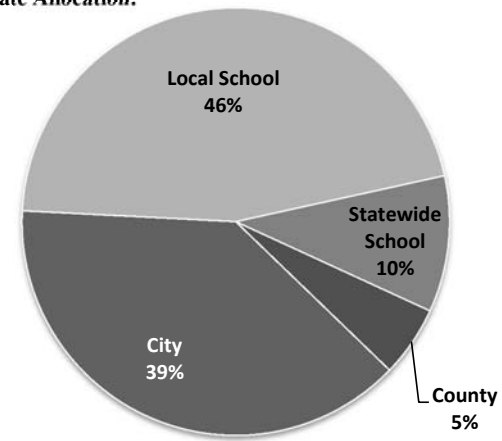
City of Nashua, New Hampshire

Property Tax Rates per \$ 1,000 of Assessed Value Direct and Overlapping Governments Last Ten Fiscal Years

Fiscal Year	City Direct Rates					Overlapping Rate		Estimated Full Value Rate
	City	Local School	State School	Total School	Total Direct	County	Total	
2015	\$ 9.28	\$ 11.00	\$ 2.48	\$ 13.48	\$ 22.76	\$ 1.29	\$ 24.05	\$ 22.13
2014	9.01	10.72	2.55	13.27	22.28	1.22	23.50	22.31
2013	8.56	9.39	2.43	11.82	20.38	1.11	21.49	22.89
2012	8.30	9.16	2.38	11.54	19.84	1.13	20.97	21.53
2011	7.87	9.03	2.38	11.41	19.28	1.12	20.40	20.15
2010	7.91	8.37	2.42	10.79	18.70	1.12	19.82	19.33
2009	6.50	7.79	2.25	10.04	16.54	1.01	17.55	18.15
2008	6.73	7.39	2.27	9.66	16.39	1.01	17.40	17.21
2007	6.17	7.70	2.34	10.04	16.21	0.99	17.20	16.20
2006	5.06	7.77	2.50	10.27	15.33	0.99	16.32	16.02

Data Source:
NH State Department of Revenue Administration

FY2015 Tax Rate Allocation:



City of Nashua, New Hampshire

Nashua's Share of the Hillsborough County Tax Apportionment

Last Ten Fiscal Years

(based on percentage of equalized value)

Total Equalized Values			
Fiscal Year	Nashua	County	Nashua's %
2015	\$ 8,684,907,808	\$ 40,242,829,534	21.581 %
2014	8,386,760,928	38,831,207,211	21.598
2013	7,949,863,821	37,627,191,420	21.128
2012	8,248,187,902	38,621,608,517	21.356
2011	8,519,356,326	39,269,708,789	21.694
2010	8,575,136,081	40,168,096,310	21.348
2009	9,018,506,088	43,052,141,297	20.948
2008	9,358,505,782	44,735,255,285	20.920
2007	9,714,255,257	45,453,407,212	21.372
2006	9,297,862,943	44,045,516,136	21.110

Apportionment of County Tax Levy					
Fiscal Year	County Tax Levy	Nashua's Share %	Nashua's Share \$	Nashua's Share \$ Change	Nashua's Share % Change
2015	\$ 48,074,150	21.598%	\$ 10,383,051	\$ 619,156	0.06 %
2014	46,213,110	21.128%	9,763,895	343,708	0.04
2013	44,109,420	21.356%	9,420,187	(149,119)	(0.02)
2012	44,109,421	21.694%	9,569,306	152,683	0.02
2011	44,109,838	21.348%	9,416,623	48,655	0.01
2010	44,720,387	20.948%	9,367,968	(178,354)	(0.02)
2009	45,633,047	20.920%	9,546,322	57,185	0.01
2008	44,400,065	21.372%	9,489,137	247,374	0.03
2007	43,779,760	21.110%	9,241,763	8,635	0.00
2006	43,487,679	21.232%	9,233,128	55,681	0.01

Data Source:

NH Department of Revenue Administration

City of Nashua, New Hampshire

Ratios of Long Term Debt Outstanding and Legal Debt Limits Last Ten Fiscal Years

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt at June 30										
General Obligation Debt										
City Depts. (includes unamortized bond premium)	\$ 24,334,746	\$ 33,897,537	\$ 31,361,558	\$ 28,811,689	\$ 26,300,733	\$ 30,123,644	\$ 33,709,247	\$ 35,856,708	\$ 50,161,880	\$ 60,724,460
School Dept. (includes unamortized bond premium)	140,641,187	133,514,959	123,391,873	113,176,096	103,171,230	93,590,969	88,662,534	81,345,462	74,986,901	75,220,291
Pennichuck Acquisition	-	-	-	-	-	-	150,570,000	147,180,000	143,930,000	140,650,000
Total Governmental Activities	164,975,933	167,412,496	154,753,431	141,987,785	129,471,963	123,714,613	272,941,781	264,382,170	269,078,781	276,594,751
Solid Waste Fund										
General Obligation Debt (includes unamortized bond premium)	205,391	177,336	149,818	7,523,890	6,977,332	6,431,222	5,885,555	5,341,304	4,796,886	4,992,616
State Revolving Loan Funds	20,400,320	19,154,055	17,907,784	16,661,514	15,415,257	14,168,989	12,922,713	11,676,455	10,264,126	9,041,467
Wastewater Fund										
General Obligation Debt (includes unamortized bond premium)	3,167,677	2,584,171	2,007,752	1,445,326	883,710	514,167	144,667	13,068,529	14,738,336	13,929,634
State Revolving Loan Funds	6,919,056	6,457,788	5,996,515	5,535,245	19,773,978	18,577,707	18,023,657	17,018,570	27,658,815	30,260,415
Total Business-Type Activities	30,692,444	28,373,350	26,061,869	31,165,975	43,050,277	39,692,085	36,976,592	47,104,858	57,458,163	58,224,132
Total Debt at June 30	\$ 195,668,377	\$ 195,785,846	\$ 180,815,300	\$ 173,153,760	\$ 172,522,240	\$ 163,406,698	\$ 309,918,373	\$ 311,487,028	\$ 326,536,944	\$ 334,818,883
Base Value for Debt Limits										
	\$ 9,438,642,749	\$ 9,861,998,165	\$ 9,497,984,632	\$ 9,150,834,250	\$ 8,574,513,075	\$ 8,519,004,742	\$ 8,247,999,918	\$ 7,947,891,505	\$ 8,377,389,979	\$ 8,675,523,269
Legal Debt Limits (% of Base Value)										
City - 2% ⁽¹⁾	188,772,855	197,239,963	189,959,693	183,016,685	171,490,262	170,380,095	164,959,998	158,957,830	167,547,800	173,510,465
School - 6% ⁽¹⁾	566,318,565	591,719,890	569,879,078	549,050,055	514,470,785	511,140,285	494,879,995	476,873,490	502,643,399	520,531,396
Debt Against Legal Debt Limits										
City Depts.	24,334,746	33,897,537	31,361,558	28,811,689	26,300,733	30,123,644	33,709,247	35,856,708	50,161,880	60,724,460
School Dept.	140,641,187	133,514,959	123,391,873	113,176,096	103,171,230	93,590,969	88,662,534	81,345,462	74,986,901	75,220,291
Exempt from Legal Debt Limits	30,692,444	28,373,350	26,061,869	31,165,975	43,050,277	39,692,085	187,546,592	194,284,858	201,388,163	198,874,132
Total Debt at June 30	\$ 195,668,377	\$ 195,785,846	\$ 180,815,300	\$ 173,153,760	\$ 172,522,240	\$ 163,406,698	\$ 309,918,373	\$ 311,487,028	\$ 326,536,944	\$ 334,818,883
Unused Capacity of Legal Debt Limits										
City Depts.	\$ 164,438,109	\$ 163,342,426	\$ 158,598,134	\$ 154,204,996	\$ 145,189,528	\$ 140,256,451	\$ 131,250,751	\$ 123,101,122	\$ 117,385,920	\$ 112,786,006
School Dept.	425,677,378	458,204,931	446,487,205	435,873,959	411,299,555	417,549,316	406,217,461	395,528,028	427,656,497	445,311,105
% of Legal Debt Limits Used										
City Depts.	12.9%	17.2%	16.5%	15.7%	15.3%	17.7%	20.4%	22.6%	29.9%	35.0%
School Dept.	24.8%	22.6%	21.7%	20.6%	20.1%	18.3%	17.9%	17.1%	14.9%	14.5%

Data Source:
Audited Financial Statements
N.H. Department of Revenue Administration

Notes:

⁽¹⁾ City has imposed more restrictive limits (2% City; 6% School) than state statute allows (3% City; 7% School).

Ratios of Outstanding Debt by Debt Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities - General Obligation Debt						% of Net Debt to Assessed Value		Tax Supported Debt per capita
	City Departments	Pennichuck Acquisition	School Department	Total	Less Est. State School Aid	Tax Supported Debt			
2015	\$ 57,275,606	\$ 140,650,000	\$ 70,948,145	\$ 268,873,751	\$ 21,284,444	\$ 247,589,308	3.1 %	\$	2,845
2014	50,161,880	143,930,000	74,986,901	269,078,781	22,496,070	246,582,711	3.1		2,842
2013	35,856,708	147,180,000	81,345,462	264,382,170	24,403,639	239,978,531	2.8		2,784
2012	32,874,310	150,570,000	86,466,471	269,910,781	25,939,941	243,970,840	2.9		2,825
2011	29,310,621	-	91,064,992	120,375,613	27,319,498	93,056,115	1.1		1,075
2010	25,644,190	-	100,595,773	126,239,963	30,178,732	96,061,231	1.1		1,097
2009	28,096,205	-	110,365,580	138,461,785	33,109,674	105,352,111	1.1		1,209
2008	30,544,656	-	120,177,775	150,722,431	36,053,333	114,669,099	1.2		1,316
2007	32,970,385	-	129,863,111	162,833,496	38,958,933	123,874,563	1.4		1,414
2006	23,901,230	-	138,135,705	162,036,935	41,440,712	120,596,224	1.3		1,371

Fiscal Year	Business-Type Activities - General Obligation Debt and State Revolving Loan Funds					Net debt per capita	% of Personal Income
	Solid Waste Fund	Wastewater Fund	Total	Less Est. State Aid ⁽¹⁾	Net Debt		
2015	\$ 13,892,717	\$ 42,925,415	\$ 56,818,132	\$ -	\$ 56,818,132	\$ 653	1.9 %
2014	15,061,012	42,397,151	57,458,163	-	57,458,163	662	2.2
2013	17,017,759	30,087,099	47,104,858	2,873,041	44,231,817	513	1.6
2012	18,702,268	18,168,324	36,870,592	3,246,099	33,624,493	389	1.3
2011	20,484,211	19,091,874	39,576,085	3,644,814	35,931,271	415	1.2
2010	22,266,589	20,657,688	42,924,277	4,057,901	38,866,376	444	1.4
2009	24,049,404	6,980,571	31,029,975	4,849,748	26,180,227	301	0.9
2008	18,057,602	8,004,267	26,061,869	5,676,163	20,385,706	234	0.8
2007	19,331,391	9,041,959	28,373,350	6,488,707	21,884,643	250	0.8
2006	20,605,711	10,086,733	30,692,444	7,314,277	23,378,167	266	0.9

Fiscal Year	Total Primary Government	Less State Aid	Net Debt	% of Net Debt to Assessed Value	Net Debt per capita	% of Personal Income
2015	\$ 325,691,883	\$ 21,284,444	\$ 304,407,440	3.8 %	\$ 3,498	10.2 %
2014	326,536,944	22,496,070	304,040,874	3.8	3,504	11.5
2013	311,487,028	27,276,680	284,210,348	3.3	3,297	10.2
2012	306,781,373	29,186,040	277,595,333	3.3	3,214	10.4
2011	159,951,698	30,964,312	128,987,386	1.5	1,490	4.3
2010	169,164,240	34,236,633	134,927,607	1.6	1,541	4.8
2009	169,491,760	37,959,422	131,532,338	1.4	1,510	4.6
2008	176,784,300	41,729,496	135,054,805	1.5	1,550	5.0
2007	191,206,846	45,447,640	145,759,206	1.6	1,664	5.5
2006	192,729,379	48,754,989	143,974,391	1.6	1,636	5.0

Data Source:
Audited Financial Statements
U.S. Census Bureau
Assessors Department MS-1 Report

Notes:

⁽¹⁾ The State of NH has suspended the State Aid Grant (SAG) program relating to debt issued after 7/1/2008 for business type activities

City of Nashua, New Hampshire

Computation of Overlapping Debt Hillsborough County Long Term Debt Last Ten Fiscal Years

End of Fiscal Year	Net General Obligation Debt Outstanding ⁽¹⁾	Percentage Applicable to Government ⁽²⁾	Amount Applicable to Government
2015	-	21.598%	-
2014	-	21.128%	-
2013	-	21.356%	-
2012	-	21.694%	-
2011	-	21.348%	-
2010	-	20.948%	-
2009	-	20.920%	-
2008	-	21.372%	-
2007	-	21.110%	-
2006	-	21.232%	-

Data Sources:

⁽¹⁾ Hillsborough County Audited Financial Statements at fiscal year end including interest, does not include leases.

⁽²⁾ NH Department of Revenue Administration.

City of Nashua, New Hampshire

Demographic Statistics

Last Ten Fiscal Years

Fiscal Year	Population ⁽¹⁾	Median Family Income ⁽²⁾	Personal Income	Per Capita Income ⁽²⁾	City ⁽³⁾		Unemployment Rates						
					Unemployed	Labor Force	State						
							City ⁽³⁾	of NH ⁽³⁾	US ⁽³⁾				
2015	87,029	\$ 77,923	\$ 2,981,613,540	\$ 34,260	2,470	48,850	5.1	%	4.3	%	6.2	%	
2014	86,766	77,441	2,639,074,656	30,416	2,950	50,140	5.9		5.3		7.4		
2013	86,211	81,905	2,794,184,721	32,411	3,030	50,030	6.1		5.5		8.1		
2012	86,366	76,612	2,671,904,942	30,937	3,040	49,370	6.1		5.5		8.9		
2011	86,543	75,999	2,993,262,741	34,587	3,340	49,750	6.7		6.2		9.6		
2010	87,566	74,807	2,789,940,326	31,861	3,430	49,380	7.0		6.2		9.3		
2009	87,111	82,489	2,870,133,228	32,948	2,020	49,310	4.1		3.9		5.8		
2008	87,150	75,413	2,702,608,650	31,011	1,870	49,500	3.8		3.5		4.6		
2007	87,605	76,345	2,628,588,025	30,005	1,990	49,390	4.0		3.5		4.6		
2006	87,986	70,419	2,531,269,234	28,769	2,010	49,280	4.1		3.6		5.1		

Data Sources:

⁽¹⁾ Population Estimates - New Hampshire Office of Energy and Planning (2004-2014 calendar year data), <http://www.nh.gov/oep/data-center/population-estimates.htm>

⁽²⁾ U.S. Census Bureau, American Community Survey (2005-2014 calendar year data), DP03, 1-year estimates, <http://factfinder2.census.gov/faces/nav/jsf/pages/searchresults.xhtml?refresh=t>

⁽³⁾ New Hampshire Employment Security, Economic & Labor Market Information Bureau (2004-2014 calendar year data), www.nhes.nh.gov/elmi/statistics/laus-arch.htm

City of Nashua, New Hampshire

Principal Employers

Current Year and Ten Years Ago

Employer	Type of Business	2015			2006		
		Employee	Rank	Percentage of Total City Employment	Employee	Rank	Percentage of Total City Employment
BAE Systems ⁽¹⁾	Aerospace/Electronics	3,100	1	6.35 %	2,850	1	5.78 %
Southern New Hampshire Medical Center	Hospital	2,217	2	4.54	1,921	3	3.90
Nashua School District	Schools	1,679	3	3.44	2,001	2	4.06
St. Joseph Hospital and Trauma Center	Hospital	1,675	4	3.43	1,893	4	3.84
City of Nashua	City Government	808	5	1.65	794	6	1.61
Oracle Corporation	Software	620	6	1.27	418	10	0.85
Federal Aviation Administration	Air Traffic Control	490	7	1.00	500	8	1.01
Amphenol ⁽²⁾	Backplane Connection Systems	439	8	0.90	580	7	1.18
Benchmark Electronics	Hi-tech manufacturing	400	9	0.82	-	-	-
US Post Office	Postal Service	385	10	0.79	486	9	0.99
Hewlett Packard ⁽³⁾	Computer Software/Hardware	-	-	-	1,500	5	3.04
Total Principal Employers		11,813		24.18 %	12,943		26.26 %
Total City Employment		48,850			49,280		

Data Source:

Various Human Resources Departments; NHES Top Employer List

Notes:

(1) Previously identified as Sanders, a Lockheed Martin Company.

(2) Previously identified as Teradyne Connection Systems Inc. (TER).

(3) Previously identified as Digital Equipment Corporation; Compaq Computer Corporation.

City of Nashua, New Hampshire

Operating Indicators by Function Last Ten Fiscal Years

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Finance										
Taxable property parcels assessed	27,151	27,446	27,094	27,968	27,983	27,992	28,010	28,072	28,082	28,173
Property transfers processed ⁽¹⁾	2,200	2,379	1,918	2,087	2,351	1,946	1,943	2,192	2,310	2,288
Motor vehicles registered	90,503	87,985	87,999	82,324	85,379	83,606	87,575	87,932	89,364	90,924
Planning - Inspection Division										
Building inspections	8,405	7837	6,475	6,057	5,300	6,571	6,329	6,442	7,571	8,362
Estimated construction value in millions	125	164	84	54.7	123	101	61	98	112	88
Police ⁽²⁾										
Physical arrests	4,519	4,111	4,411	4,157	4,335	4,731	4,616	4,511	4,473	3,247
Traffic violations	23,473	18,391	31,727	32,275	32,786	35,518	31,596	31,616	28,430	19,244
Parking violations	34,257	28,170	25,509	24,612	24,217	22,528	21,799	20,899	22,205	18,565
Fire and Rescue ⁽³⁾										
Calls answered	7,801	7,691	7,744	8,312	9,318	9,847	10,662	10,724	10,855	30,061
Emergency responses	3,777	3,940	4,019	4,053	4,503	5,678	5,914	6,052	5,985	8,927
Fires extinguished	300	317	370	450	540	648	778	934	1,121	1,983
Number of inspections conducted	66	104	149	519	1,612	1,634	1,848	2,050	2,103	1,556
Emergency medical responses	2,875	3,025	3,086	3,974	4,503	4,781	5,100	5,079	5,338	4,186
Public Works										
Refuse collected (tons) ⁽⁴⁾	54,475	59,325	58,315	57,111	53,762	50,534	50,456	52,440	52,098	51,230
Recycling (tons) ⁽⁵⁾	11,200	9,106	12,301	17,884	17,490	11,451	12,578	12,122	12,103	12,375
Streets resurfaced (miles)	7.9	10.2	4.2	3.3	5.9	5.0	9.9	7.7	4.5	7.8
Potholes repaired	717	1,024	1,178	1,077	1,385	1,412	853	945	1,310	1,151
Wastewater System										
Daily average treatment (millions of gallons)	14.2	12.1	11.7	12.2	11.9	10.3	11.2	10.8	10.5	10.9
Public Library										
Items in collection	243,724	240,496	263,974	269,427	262,929	263,462	254,104	243,281	230,321	201,678
Items circulated	692,939	731,274	798,704	810,573	817,953	769,606	709,322	640,353	599,881	519,346
Public Health-Environmental Health										
Food service establishment inspections	*	*	1,506	1,357	1,619	1,565	1,395	1,732	1,692	1,145
Residential inspections	*	*	117	26	31	17	248	115	390	363
Pools/spas sampled	*	*	254	114	147	141	81	108	84	46
Public Health-Welfare/Assistance										
General assistance	1,281,992	1,044,358	1,281,992	1,192,483	857,843	693,291	602,989	620,190	605,677	559,665
Number of contacts	12,066	11,268	11,410	13,257	11,440	11,373	10,146	9,181	8,490	8,115
Applicants	5,206	2,232	2,137	1,329	2,160	2,084	1,857	1,695	1,540	1,371
Interviews	5,206	5,182	4,336	4,839	3,906	3,572	3,111	2,888	2,673	2,362
Assisted cases	3,693	3,427	2,937	3,371	2,600	2,260	1,996	1,868	1,641	1,385
Public Health-Community Health/Clinic Services										
Childhood immunizations	*	*	499	418	1,401	507	1,971	2,116	1,741	1,900
Adult influenza vaccinations	*	*	1,365	1,770	1,917	1,407	768	1,370	1,523	978
Outreach clients	*	*	326	523	503	502	133	182	182	262
Clinic counseling and testing	*	*	1,091	1,045	910	922	101	58	112	312

Data Source:
Various city departments

Notes:

⁽¹⁾ Based on an estimate per the City of Nashua, Assessing Department.

⁽²⁾ Police data is based on a calendar year. The current year's data is for January through September 22, 2015.

⁽³⁾ In FY2015, Nashua Fire Rescue began counting all calls for service, prior year numbers counted only "red light" incidents.

⁽⁴⁾ Refuse consists of residential, commercial, and industrial municipal solid waste (MSW) by calendar year; 2005 data is year-to-date through October.

⁽⁵⁾ Recycling consists of mixed paper, mixed containers, scrap metal, soft yard waste, auto tires and batteries by calendar year; 2005 data is year-to-date through October.

* Data unavailable for these years.

City of Nashua, New Hampshire

Capital Asset Statistics by Function Last Ten Fiscal Years

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Police										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of patrol units ⁽¹⁾	23	23	23	23	25	25	25	25	25	25
Fire and Rescue										
Number of stations	7	7	7	7	7	7	7	7	7	7
Number of ladder trucks	4	4	4	4	4	4	4	4	4	4
Number of pumpers	8	8	8	8	8	8	8	8	8	8
Number of support vehicles	25	25	25	25	25	25	25	25	25	25
Public Works										
Miles of streets	322	322	323	343	344	344	344	344	344	344
Miles of storm drains	130.8	131.0	131.1	133.0	133.6	133.9	135.41	135.41	135.00	135.00
Number of traffic lights	84	85	87	92	92	92	92	92	91	94
Number of bridges	19	19	19	19	19	19	19	19	19	19
Culture and Recreation										
Number of Parks	49	49	50	51	52	52	53	53	53	53
Park acreage	632	632	688	930	931	931	932	932	932	1,200
Playgrounds	24	24	24	24	24	24	25	25	25	25
Baseball fields	27	27	27	27	27	27	27	27	27	27
Softball fields	12	12	12	12	12	12	12	12	12	12
Football fields	3	3	3	3	3	3	3	1	1	2
Soccer fields	14	14	14	14	14	14	14	14	14	14
Swimming pools	3	3	3	3	3	3	3	3	3	3
Tennis courts	17	17	17	17	17	17	17	17	17	15
Sewage System										
Miles of sanitary sewers	285.3	285.7	285.7	285.7	285.7	285.7	285.7	285.7	285.7	285.7
Number of treatment plants	1	1	1	1	1	1	1	1	1	1
Number of service connections	22,408	22,669	22,782	22,955	22,993	23,074	23,107	23,117	23,246	23,311
Average Daily Flow (MGD)	14.2	12.1	11.7	12.2	11.9	10.3	11.2	10.8	10.5	10.9
Maximum daily capacity of treatment (MGD) dry weather	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0
Maximum daily capacity of treatment (MGD) wet weather	50.0	50.0	50.0	110.0	110.0	110.0	110.0	110.0	110.0	110.0
Education										
Elementary School Buildings	12	12	12	12	12	12	12	12	12	12
Middle School Buildings	4	4	4	4	4	3	3	3	3	3
High School Buildings	2	2	2	2	2	2	2	2	2	2

Data Source:
Various city departments

Notes:

⁽¹⁾ Updated FY2006-FY2015 based on description of "Patrol" as sourced from:

Gauthier, Stephen J. "Appendix E, Illustrative Accounts, Classifications, and Descriptions." Governmental Accounting, Auditing, and Financial Reporting. Chicago, IL: Government Finance Officers Association, 2005. 657. Print.

City of Nashua, New Hampshire

City Government Employees by Division - Full Time Equivalents Last Ten Fiscal Years

Division	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Government Division										
Mayor's Office	5.0	5.0	5.0	4.0	6.0	6.0	6.0	6.0	5.8	5.0
Legal	4.9	4.9	4.9	5.0	4.9	5.0	5.0	5.0	5.0	5.0
Board of Aldermen	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.7
Citista ⁽¹⁾	-	-	-	2.0	2.0	2.0	2.0	2.0	2.0	-
Employee Benefits	-	-	-	1.8	2.8	3.2	3.2	3.2	3.2	3.2
Office of the City Clerk	7.0	7.0	7.0	7.0	7.0	6.0	6.0	6.0	6.0	6.0
Human Resources	3.9	3.9	3.9	4.1	4.1	3.7	3.7	3.4	3.5	3.4
Government & Education Access Channel ⁽²⁾	-	1.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Total General Government	22.6	23.6	24.6	27.6	30.6	29.6	29.6	29.3	29.2	26.2
Financial Services Division										
Finance	30.6	31.4	31.4	31.3	31.0	32.0	32.0	30.4	30.5	32.7
Risk Management	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Purchasing	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Building Maintenance	5.6	5.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6
Hunt Building	-	-	-	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Assessing	11.0	11.0	10.0	10.0	10.0	10.0	9.0	10.0	10.0	10.0
Total Financial Services	56.2	57.0	55.0	55.4	55.1	56.1	55.1	54.5	54.7	56.8
Administrative Services Division⁽³⁾										
	1.9	1.9	1.9	-	-	-	-	-	-	-
Information Technology Division⁽⁴⁾										
	9.0	13.0	12.0	13.0	12.0	13.0	13.0	13.0	13.0	13.0
Public Safety Division										
Police	244.0	252.0	252.1	252.6	240.9	245.9	245.9	245.9	247.7	247.7
Fire	176.0	174.0	176.0	176.0	175.0	175.0	175.0	175.0	176.0	176.0
Emergency Management	-	-	-	-	-	-	1.0	1.0	1.0	1.0
Communications	-	-	-	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Total Public Safety	420.0	426.0	428.1	430.4	417.7	422.7	423.7	423.7	426.5	426.5
Public Health & Community Services Division										
Community Services	7.8	7.8	8.0	8.3	6.9	6.1	6.1	7.2	7.2	7.4
Community Health	8.6	10.4	10.3	10.3	9.7	8.9	8.9	8.3	8.3	8.0
Environmental Health	6.0	7.0	7.0	7.0	6.0	6.0	6.0	6.0	6.0	6.0
Welfare	6.9	7.9	7.9	7.4	7.4	7.0	7.0	7.0	7.0	7.0
Total Health & Comm. Services	29.3	33.1	33.2	32.9	29.9	28.0	28.0	28.5	28.5	28.4
Public Works Division										
Admin/Engineering	16.0	17.0	14.0	14.0	14.0	14.0	14.0	15.3	13.6	13.6
Parks & Recreation	29.0	27.0	28.0	36.0	28.0	27.0	27.0	27.0	25.0	25.0
Streets	56.0	59.5	58.0	57.5	56.5	55.5	55.5	59.8	60.8	60.7
Traffic ⁽⁵⁾	10.0	10.0	10.0	10.0	9.5	9.5	9.5	-	-	-
Parking	1.0	1.0	1.0	1.0	2.5	3.1	3.1	3.1	3.1	3.1
Wastewater	35.0	31.0	35.0	35.0	35.0	35.0	35.0	37.0	40.5	40.3
Solid Waste	33.0	31.5	31.5	31.5	30.5	30.0	30.0	30.0	32.3	33.5
Total Public Works	180.0	177.0	177.5	185.0	176.0	174.1	174.1	172.1	175.2	176.2
Community Development Division										
Community Development	2.3	2.3	2.0	2.0	2.0	2.2	2.2	2.2	2.5	2.5
Planning	7.6	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
Office of Economic Development	1.4	1.4	1.4	1.5	1.5	1.5	1.5	2.0	2.0	2.0
Urban Programs	6.0	7.0	11.0	11.0	10.0	3.5	3.5	6.0	6.8	6.9
Building	10.0	10.0	10.0	9.3	9.3	8.2	8.2	8.2	7.8	7.8
Code Enforcement	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Total Community Development	30.3	31.7	35.4	34.8	33.8	26.4	26.4	29.4	30.0	30.2
Public Services										
Edgewood Cemetery	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Woodlawn Cemetery	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Total Public Services	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
Library Department										
	45.8	45.8	45.8	45.2	44.5	41.5	41.5	43.0	43.0	42.9
School Department										
Teachers	821.0	824.0	830.0	834.0	800.0	793.0	798.0	797.3	801.7	803.9
Other staff	856.0	850.0	862.0	817.2	811.0	903.6	864.2	865.7	870.3	875.4
Total School Department	1,693.0	1,674.0	1,692.0	1,651.2	1,611.0	1,696.6	1,662.2	1,663.0	1,672.0	1,679.3
Total All Functions	2,496.1	2,491.1	2,513.5	2,483.5	2,418.5	2,495.9	2,461.5	2,464.4	2,480.0	2,487.4
Percent of Total										
General Government Division	0.9%	0.9%	1.0%	1.1%	1.3%	1.2%	1.2%	1.2%	1.2%	1.1%
Financial Services Division	2.3%	2.3%	2.2%	2.2%	2.3%	2.2%	2.2%	2.2%	2.2%	2.3%
Administrative Services Division	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Information Technology Division	0.4%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Public Safety Division	16.8%	17.1%	17.0%	17.3%	17.3%	16.9%	17.2%	17.2%	17.2%	17.1%
Public Health & Community Services Division	1.2%	1.3%	1.3%	1.3%	1.2%	1.1%	1.1%	1.2%	1.1%	1.1%
Public Works Division	7.2%	7.1%	7.1%	7.4%	7.3%	7.0%	7.1%	7.0%	7.1%	7.1%
Community Development Division	1.2%	1.3%	1.4%	1.4%	1.4%	1.1%	1.1%	1.2%	1.2%	1.2%
Public Services Division	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Library Department	1.8%	1.8%	1.8%	1.8%	1.8%	1.7%	1.7%	1.7%	1.7%	1.7%
School Department	67.8%	67.2%	67.3%	66.5%	66.6%	68.0%	67.5%	67.5%	67.4%	67.5%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Data Source

City of Nashua Budget. Full time equivalent based on 40 hours per week.

Notes:

⁽¹⁾ CitiStat was dissolved in FY2015 with departmental functions reassigned to the Financial Services Division.

⁽²⁾ New addition to FY2015 CAFR.

⁽³⁾ The Administrative Services Division was dissolved in FY2009 with departmental functions reassigned to the Financial Services and General Government Divisions.

⁽⁴⁾ Information Technology was established as a new Division during FY2007.

⁽⁵⁾ Traffic Department was merged with the Street Department in FY2013.

City of Nashua, New Hampshire

Student/Teacher Statistical Information

Last Ten Fiscal Years

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Student Enrollment:										
Elementary	5,469	5,378	5,486	5,592	5,632	5,633	5,587	5,644	5,433	5,335
Middle School	3,240	3,076	2,768	2,632	2,575	2,646	2,557	2,508	2,425	2,435
High School	4,274	4,258	4,261	4,122	4,178	3,887	3,752	3,750	3,642	3,598
Total	12,983	12,712	12,515	12,346	12,385	12,166	11,896	11,902	11,500	11,368
Teacher FTEs:⁽¹⁾										
Elementary	339	340	345	331	317	317	327	326	329	344
Middle School	214	214	213	212	200	193	193	193	194	193
High School	230	230	232	259	250	250	243	243	244	215
District-wide	38	40	40	32	33	33	35	35	35	51
Total	821	824	830	834	800	793	798	797	802	803

Data Source:

Nashua School District

Notes:

⁽¹⁾ The distribution among teachers by grade level is an estimate.

City of Nashua, New Hampshire

**School Department Operating Statistics
Last Ten Fiscal Years**

Fiscal Year	Operating Budget⁽¹⁾	Debt Service	Total Budget	Enrollment	Cost per Pupil	Percentage Change	Teaching Staff	Pupil/ Teacher Ratio
2015	\$ 132,760,058	\$ 11,776,596	\$ 144,536,654	11,368	\$ 12,714	2.9 %	804	14.1
2014 ⁽²⁾	129,733,916	12,401,961	142,135,877	11,500	12,360	35.3	802	14.3
2013	95,871,330	13,090,777	108,718,824	11,902	9,135	1.0	797	14.9
2012	94,478,076	13,274,475	107,752,551	11,896	9,041	2.6	798	14.9
2011	93,425,591	13,729,516	107,155,107	12,166	8,808	6.9	793	15.3
2010	87,630,820	14,384,073	102,014,893	12,385	8,237	0.8	800	15.5
2009	86,025,543	14,818,757	100,844,300	12,346	8,168	3.4	834	14.8
2008	83,554,436	15,273,288	98,827,724	12,515	7,897	3.3	830	15.1
2007	80,791,428	16,377,196	97,168,624	12,712	7,644	-0.6	824	15.4
2006	83,101,595	16,776,199	99,877,794	12,983	7,693	4.3	821	15.8

Data Source:

Budget information from City Adopted Budget and enrollment/teaching staff information provided by the School Department.

Notes:

⁽¹⁾ Budget is for the General Fund only and excludes special revenue funds and grants

⁽²⁾ Beginning in FY2014, employee health and pension costs previously budgeted in General Government are allocated to the School operating budget.

<p>NASHUA PUBLIC LIBRARY Fiscal Year ended June 30, 2015</p>
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Report of the Trustees and Director

Nashua Public Library

JULY 1, 2014–JUNE 30, 2015

The Honorable Donnalee Lozeau,
President Ex-Officio
President of the Board of Aldermen Brian McCarthy,
Trustee Ex-Officio

BOARD OF TRUSTEES

Arthur L. Barrett Jr., Chairman
David K. Pinsonneault, Secretary
Maurice L. Arel
Pauline Desautels
Linda Laflamme
Kathleen Veracco

DIRECTOR

Jennifer McCormack

ASSISTANT DIRECTOR

Jennifer Hosking

Staff of the Nashua Public Library FY2015

Administration

Jennifer McCormack, Director
Jennifer Hosking, Assistant Director
Angela Smith, Exec. Asst. /Office Mgr.
Mary H. Greene, Admin. Asst.
Paul R. Lacroix, Library Technology Technician

Collection Management

Linda Walker, Page Coordinator

Community/Outreach Services

Carol L. Eyman, Librarian

Children's

Kathy E. Bolton, Librarian
Susan M. Willmore, Assistant Librarian
Lindsey K. Jackson, Library Assistant
Kristin Murphy, Library Assistant

Circulation

Loren H. Rosson, Librarian
Lea L. Touchette, Assistant Librarian
Karen Beaver, Assistant Librarian
Christina H. Lozeau, Library Assistant
John C. Milton, Library Assistant
Julie M. Andrews, Library Assistant
Ingrid Cullen, Library Assistant
Julianne Franzek, Library Assistant
Santhi V. Ramaswamy, Library Assistant
Mark King, Library Assistant

Exhibits/Media Services

Bruce J. Marks, Coordinator

General Adult Services

Linda N. Taggart, Librarian
Katie Sherman-Pires, Reference Librarian
Courtney Caisse, Reference Librarian
Kersten Matera, Reference Librarian
Megan Thompson, Reference Librarian

Teen Services

Sophie Smith, Librarian
Ashlee Lykansion, Library Assistant

Maintenance

Larry R. Case, Supervisor
Thomas Oczykowski, Janitor

Security

Bryant McNamara, Security Guard
Robert Little, Security Guard

Technical Services

Margaret L. Gleeson, Librarian
Caroline Allen, Reference Librarian
Amanda Darah, Library Assistant
Holly A. Sullivan, Library Assistant
Steven E. Lowe, Library Assistant

The Mission, Purposes, and Activities of the Nashua Public Library

Our Vision

The Library is a forum for ideas and a source of information for the enrichment of the entire Nashua community.

Municipal Government Report

Our Mission

The Library serves our community by providing access to resources for information, inspiration and enrichment.

Our Values

The Library—its Board of Trustees, staff and volunteers—is committed to the following values:

We value the library as a public forum: it is a community facility for open communication of ideas and information; its collection, displays, programs and services reflect an array of opinions and viewpoints.

We value the community by actively participating in it and endeavoring to enhance the quality of its life.

We value full and equal access to information, the building, its services and its programs.

We value the collection of and accessibility to information in up-to-date, existing and emerging formats: print, electronic, audio and video.

We value our customers by responding to them with equal, respectful, accurate and friendly service in a safe environment.

We value the many contributions we receive each year from Friends, volunteers and donors and we endeavor to respect the wishes of all who leave bequests.

We value reading and learning and promote both for all ages.

We value the privacy of our users by keeping their transactions strictly confidential.

Adopted by the Board of Trustees, October 2, 2007

Director's Report:

During this year the library Director and staff made changes that improve both customer service and staffing efficiency.

- All circulation functions were moved to the main desk, this streamlines our operations and offers a more consistent experience for customers.
- The Page Coordinator position was created, this new position supervises all of our pages allowing them to be used throughout the building as they are needed instead of being specialized in one department.

In response to customer feedback and industry developments the library launched Enterprise, a new discovery layer for our online catalog that improves search results and allows customers to directly place holds and create lists.

Digital magazines are now available through Overdrive, there are 80 titles for customers to access on their PC or mobile device. Unlike eBooks these magazines are available for simultaneous use by customers and once a customer downloads a magazine it does not expire.

Using funds from the Stearns Trust the library digitized our microfilm copies of historic issues of the Nashua Telegraph. These older issues are now available for searching and printing online.

The Library joined the city's rebranding initiative, beginning with a redesign of our logo and signing a contract with MESH to redesign the library's website.

A complete inventory of the library's collection was completed in June, the first full inventory in more than 5 years.

Total cost of operations FY2015

Appropriated budget:

Salary	\$1,822,650
Benefits	\$ 728,812
Operating costs	\$ 612,376

Total appropriated budget: \$3,112,422

Fines: overdue, lost and damaged

Income:	\$ 59,856
Expenditures	\$ 40,505

Trust funds expenditures: 142,629

Total expenditures, all sources: 3,295,556

FY2015 Statistics:

	<i>FY2014</i>	<i>FY2015</i>
Items circulated	566614	519,346
Digital items circulated	31646	39,185
Library visits	331712	318,690
Number of programs (all ages)	1045	1091
Attendance at programs	32125	27,916
Reference questions answered	46073	43091
Meeting room usage by community groups	1257	1,460
Museum pass usage	1699	1,882
Public computer usage	55089	48,793

CONSERVATION COMMISSION
Fiscal Year Ended June 30, 2015

Nashua Conservation Commission: Annual Report FY 2015

Commission Members:

Chair	Michael Gallagher
Vice Chair	Cynthia Overby
Clerk	Richard Gillespie
Treasurer	Nicholas Frasca
Member	Peggy Trivilino
Member	Carol Gorelick
Member (Alternate)	Sherry Dutzy
Member (Alternate)	Donald Cederquist
Aldermanic Liaison	Michael Soucy
Aldermanic Liaison (Alt)	Kathy Vitale

Revenue & Expenses

The Conservation Fund has received 251,000 from the development for the Land Use Change Tax.

Site Walks

- 1) Tinker Road pertaining to the utilization of an existing 48inch culvert that runs beneath the road from nearby Tinker Pond.
- 2) 341 Main Dunstable Road pertaining to building a house near a wetlands buffer.
- 3) Salmon Brook at Allds Street near Main Street pertaining to relocating a pipeline which will disturb vegetation in the wetlands buffer.
- 4) Pennichuck Corporation pertaining to the removal of approximately 12 trees which were deemed dangerous to local traffic.
- S) 7 Harris Road pertaining to increasing impervious surface to improve traffic flow through car wash.

Summary & Project Highlights

The Nashua Conservation Commission met thirteen times last year. The commission reviewed eleven applications. Several of those projects involved significant wetland impacts. The largest projects involved properties owned by Pennichuck Waterworks, impacts of the Broad Street parkway and the building of the 275' pedestrian boardwalk on the southeast side of Mill Pond in Mine Falls Park.

The commission held various work sessions and site walks in which the following were discussed: The Southwest trails, the management plan for the Terrell Homestead Conservation Area (THCA)

DIVISION OF PUBLIC WORKS
Fiscal Year Ended June 30, 2015

The Division of Public works provides the leadership and framework necessary to build and maintain a safe and sustainable City infrastructure that will be utilized by many future generations of Nashua residents.

SERVICES AND FUNCTIONS

The Division of Public Works is comprised of six departments; Administration, Engineering, Street, Park & Recreation, Solid Waste and Wastewater.

Administration provides the overall management of the Division including policy development and fiscal administration. Engineering ensures compliance to the intent of the City standards and ordinances of any use or construction in the City right of way. Engineering provides project management of various capital improvement projects including sewer improvement projects and the street paving program. Design and supervision of construction of drainage, roadway, and sidewalk projects are provided by the department.

The Street Department maintains 1,300 City streets through such projects as building and widening roads; constructing curbs; gutters; improving sidewalks; construction and repair of sidewalks; pothole repair and street sweeping. Additionally, the Department is responsible for winter snow removal and controlling ice during inclement winter weather.

The Parks & Recreation Department maintains over 900 acres of parks throughout the City. Parks & Recreation strives to provide a variety of quality, self-supporting recreational and leisure programs for all ages of people in the Nashua.

The Solid Waste Department provides safe and efficient services for residents and businesses of Nashua in the areas of recycling, solid waste and hazardous waste.

The Wastewater Department is dedicated to collection and treating wastewater that flows into our facility from Nashua and Hudson and delivering a clean, clear effluent into the Merrimack River. Wastewater also maintains 440 miles of sanitary lines, 13 pump stations and stormwater collections systems.

FY14 Accomplishments:

Engineering Department:

- Broad Street Parkway (continuing work)
- Manchester St. Bridge (cost shared with Merrimack and NHDOT)
- Sewer Rehab Program

Municipal Government Report

- Route 101-A Widening & Reconstruction (continuing work)
- Main Street Sidewalk (continuing work)
- Paving Program
- Loop Traffic Signal Program

Parks & Recreation Department

- Summerfun Program
 - o 63 camps – Net revenue \$32,917

Solid Waste Department

- Phase II Lined Landfill expansion (ongoing)
- Gas Expansion (ongoing)

Wastewater Department

- Sludge Dewatering
- Screening and Disinfecting Facility
- Harbor Ave Sewer Separation
- Sec Clarified Aeration Blower
- Headworks Project
- Scum Tank Drain Upgrades
- Pump Station Upgrades

FY15 Projects

- Broad Street Parkway (continuing work)
- CMAQ Traffic Signal Project
- Main Street Sidewalk (continuing work)
- Paving Program