State of New Hampshire
Department of Environmental Services
Water Division

ANNUAL FINANCIAL REPORT
STATE REVOLVING FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

STATE OF NEW HAMPSHIRE

Governor
Margaret Wood Hassan

Executive Council
Joseph D. Kenney
Colin Van Ostern
Christopher C. Pappas
David K. Wheeler
Christopher T. Sununu

NEW HAMPSHIRE DEPARTMENT OF ENVIRONMENTAL SERVICES

Commissioner
Thomas S. Burack

Assistant Commissioner
Clark Freise

Water Division Director
Eugene Forbes

Chief Operations Officer
Susan A. Carlson

Drinking Water & Groundwater Bureau Administrator
Sarah Pillsbury

Wastewater Engineering Bureau Administrator
Tracy Wood

SRF Funds - Business Administrator
Abigail May

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The State of New Hampshire
Department of Environmental Services

Thomas S. Burack, Commissioner

TRANSMITTAL LETTER

January 15, 2016

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

We are pleased to submit the Annual Financial Report of the New Hampshire Department of Environmental Services, State Revolving Fund, as of and for the Fiscal Year Ended June 30, 2015.

This report was prepared by the Department of Environmental Services and responsibility for both the accuracy of the data presented and completeness and fairness of the presentation, including all disclosures, rests with the management of the Department. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to present fairly the financial position, results of operations and cash flows of the State Revolving Fund. All disclosures necessary to enable the reader to gain an understanding of the State Revolving Fund's financial activities have been included.

Governmental Accounting Standards Board Statement No. 34 requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is intended to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the independent auditor's report.

The State Revolving Fund (SRF) is reported in the State's Comprehensive Annual Financial Report as a proprietary fund, reporting only the balances and financial activity for the Clean Water and Drinking Water Revolving Fund programs contained within the SRF.

For further information, please visit our website at: http://des.nh.gov/.

Respectfully Submitted,

Thomas S. Burack

Thomas S. Burack, Commissioner
Department of Environmental Services

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Independent Auditor's Report

To The Fiscal Committee Of The General Court:

Report On The Financial Statements

We have audited the accompanying financial statements of the New Hampshire State Revolving Fund which comprise the Statement of Net Position as of June 30, 2015, and the related Statements of Revenues, Expenses, and Changes in Net Position and Cash Flows for the fiscal year then ended, and the related notes to the financial statements, which collectively comprise the New Hampshire State Revolving Fund's basic financial statements.

Management's Responsibility For The Financial Statements

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 an opinion on these financial statements based on our audit. 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the New Hampshire State Revolving Fund, as of June 30, 2015, and the changes in its net position, and its cash flows for the fiscal year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis Of Matters

Adoption Of New Accounting Pronouncement

As discussed in Notes 1 and 8 to the financial statements, during the fiscal year ended June 30, 2015, the New Hampshire State Revolving Fund adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 7 through 10 and the Schedules of the State Revolving Fund's Proportionate Share of the Net Pension Liability and the State Revolving Fund Contributions on page 31 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 sufficient evidence to express an opinion or provide any assurance.

Supplementary And Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the New Hampshire State Revolving Fund's basic financial statements. The Transmittal Letter and Supplemental Combining Schedules of Net Position and Revenues, Expenses, and Changes in Net Position included in the Other Supplementary Information section of this report on pages 32 and 33 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental Combining Schedules of Net Position and Revenues, Expenses, and Changes in Net Position are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental Combining Schedules of Net Position and Revenues, Expenses, and Changes in Net Position are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Transmittal Letter 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 January 15, 2016 on our consideration of the New Hampshire State Revolving Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the New Hampshire State Revolving Fund's internal control over financial reporting and compliance.

Office of Legislative Budget Assistant

Office Of Legislative Budget Assistant

January 15, 2016

New Hampshire Department of Environmental Services
State Revolving Fund
For the Fiscal Year Ended June 30, 2015
Management's Discussion and Analysis (Unaudited)

The following Management's Discussion and Analysis (MD&A) of the New Hampshire Department of Environmental Services, State Revolving Fund's financial performance provides an overview of financial activities for the Fiscal Year Ended June 30, 2015. This section should be read in conjunction with the State Revolving Fund (SRF) financial statements, which follow this section.

Using This Report

The SRF Program is accounted for as a proprietary fund, reporting all the SRF financial activity, assets and liabilities using the accrual basis of accounting much like a private entity. As such, this annual report consists of the MD&A, financial statements, along with explanatory notes to the financial statements and other required supplementary information, and supporting schedules. The Statement of Net Position on page 11 and the Statement of Revenues, Expenses and Changes in Net Position on page 12, report the SRF Program's net position and changes in net position. The Statement of Cash Flows on page 13 outlines the cash and noncash activity of the State Revolving Fund.

Financial Highlights

The State Revolving Fund is comprised of two programs, the Clean Water State Revolving Fund Program (CWSRF) which deals with wastewater systems, and the Drinking Water State Revolving Fund Program (DWSRF) which deals with drinking water systems. These two programs provide low interest loans to communities and private water systems for the upgrade and improvement of wastewater and drinking water systems. The Loan programs are funded through a combination of federal grants, state matching funds and loan repayment funds. Under federal regulations, the State is generally required to provide 20% matching funds to the federal dollars.

The CWSRF Program was created in 1987 under the federal Clean Water Act. Federal funding for this program allocates 4% of each grant award to administration and 96% to loans. As of June 30, 2015, the CWSRF Program has issued 272 loans totaling $808 million. A total of 6 new loans with a value of approximately $15.8 million were issued in Fiscal Year 2015. Ten loans were finalized for completed projects. As of June 30, 2015, the CWSRF Program had a net position of $459.9 million.

The DWSRF Program was created in 1996 as an amendment to the Safe Drinking Water Act. Federal funding for this program allocates 69% of each grant award to loans and 31% to set-asides. The set-asides cover administration, small systems technical assistance, state program management, and local source water protection grants. As of June 30, 2015, the DWSRF Program has issued 232 loans totaling $259 million. A total of 28 new loans with a value of approximately $32 million were issued in Fiscal Year 2015. As of June 30, 2015, the DWSRF Program had a net position of $150.9 million.

The following is a condensed statement of net position as of June 30, 2014 and June 30, 2015 *(amounts shown in thousands)*.

		2014		2015
Assets:				
Cash & Cash Equivalents	$	247,149	$	257,867
Other Receivables		4,072		4,579
Loan Receivables - Short Term		38,515		23,574
Loan Receivables - Long Term		312,425		346,479
Total Assets		602,161		632,499
Deferred Outflows of Resources		-0-		420
Liabilities:				
Current Liabilities		5,711		3,943
Match Bonds Payable - Long Term		14,410		12,135
Comp. Absences & Pension Liability		-0-		5,324
Total Liabilities		20,121		21,402
Deferred Inflows of Resources		-0-		647
Net Position:				
Restricted		582,040		610,870
Total Net Position	$	582,040	$	610,870

Total assets for Fiscal Year 2015 increased by $30.3 million (5%) over Fiscal Year 2014 primarily as a result of increases in cash and cash equivalents of $10.7 million and long term loan receivables of $34.1 million. These increases were offset by a decrease in short term loan receivables of $14.9 million.

During Fiscal Year 2015, the SRF Program issued $47.8 million in new loans to communities, which were partially offset by one community that paid off $12.8 million in loans early. The payoff of the loans was a significant reason for the increase in cash and cash equivalents.

During Fiscal Year 2014, the State issued $18.9 million in bonds to finance the 20% match requirement for the 2012-2015 federal capitalization grants. These bonds will be repaid using accumulated investment and interest earnings in the SRF Program.

Additionally, during Fiscal Year 2015, the SRF Program recognized for the first time a liability for compensated absences and future pension expenses. With the adoption of Governmental Accounting Standards Board (GASB) Statement No. 68, a restatement was made to the July 1, 2014 net position to recognize an accrued liability for future pension expenses. The SRF Program also recognized for the first time, in accordance with GASB Statement No. 71, deferred inflows and outflows of resources, as related to pensions.

The following is a condensed statement of revenues and expenses for Fiscal Years 2014 and 2015 *(amounts shown in thousands).*

	2014	2015
Revenues		
Federal Grants	$ 38,613	$ 46,986
Other Contributions	7,877	-
Management Fees	5,470	5,784
Loan Interest	3,530	3,451
Investment Earnings	160	371
Total Revenues	55,650	56,592
Expenses		
Administrative Expenses	5,902	7,064
Other Set-Asides	2,265	2,209
Principal Forgiveness	13,374	6,621
Other Contributions	-	6,738
Interest Expense	109	331
Total Expenses	21,650	22,963
Change in Net Position	$ 34,000	$ 33,629
Net Position - July 1	548,040	582,040
Restatement for Pension Liability	-	(4,799)
Net Position - June 30	$ 582,040	$ 610,870

SRF Program revenues for Fiscal Year 2015 increased by $942,000 which primarily consists of an increase in federal grants of $8.4 million offset by a decrease of state contributions of $7.9 million. Other contributions are comprised of disbursement of state contribution funds that had been received in the prior Fiscal Year. During Fiscal Year 2015, the SRF Program issued over $47.8 million in new loans. Those loans resulted in a significant increase in disbursements through the federal loan accounts. Management fees and loan interest income remained relatively stable for Fiscal Year 2015 with only a $235,000 increase (2.6%). Investment earnings increased as the SRF Program had more funds available for investment.

Principal forgiveness decreased by $6.7 million as the SRF Program closed three ARRA loans in Fiscal Year 2014, each with principal forgiveness recognized of over $1 million and one loan with principal forgiveness recognized of over $3 million, which contributed to the large dollar amount of principal forgiveness recognized in Fiscal Year 2014. Principal forgiveness is recognized when loan repayments are received. The net increase in administrative, set-asides and interest expenses was $1.3 million and is reflective of annual salary and benefit cost increases as well as a full year of debt service payments.

Economic Conditions and Outlook

In 2015, the SRF Program issued approximately $47.8 million in new Clean Water and Drinking Water loans to communities and private small drinking water systems. The higher level of financing reflects the ongoing need for continuing infrastructure improvements as local wastewater and drinking water systems age. Various reports have identified over $2 billion in system upgrade needs over the next 10 to 20 years. The SRF Program continues to be a low cost source of funding for communities to finance the growing demand for upgrades.

Contacts

This financial report is designed to provide an overview of the Fiscal Year 2015 financial activity of the SRF Program to New Hampshire citizens, the Legislature and the Executive Branch of government, as well as other interested parties. Questions concerning any information provided in this report or requests for additional information should be addressed to the NH Department of Environmental Services, Administrative Services Unit, 29 Hazen Drive, PO Box 95, Concord, NH 03302-0095.

NEW HAMPSHIRE DEPARTMENT OF ENVIRONMENTAL SERVICES
STATE REVOLVING FUND
STATEMENT OF NET POSITION
JUNE 30, 2015

ASSETS	
CURRENT ASSETS - Restricted	
Cash and Cash Equivalents	$ 257,867,030
Loan Interest and Management Fee Receivable	4,579,432
Current Portion of Loans Receivable	
Federal - Wastewater/Drinking Water	12,956,830
Federal - Landfills	1,872,952
Repayment Loans	8,743,993
Total Current Portion of Loans Receivable	23,573,775
Total Current Receivables	28,153,207
Total Current Assets	286,020,237
NONCURRENT ASSETS - Restricted	
Loans Receivable, net of current portion	
Federal - Wastewater/Drinking Water	218,768,175
Federal - Landfills	10,227,904
Repayment Loans	117,482,634
Total Noncurrent Assets	346,478,713
TOTAL ASSETS - Restricted	**$ 632,498,950**
DEFERRED OUTFLOWS OF RESOURCES	**$ 420,000**
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable (Due to Other Funds)	$ 1,041,655
Current Portion of Match Bonds Payable	2,275,000
Accrued Payroll & Compensated Absenses	618,900
Advanced Collection	7,004
Total Current Liabilities	3,942,559
NONCURRENT LIABILITIES	
Match Bonds Payable	12,135,000
Compensated Absences Payable	888,980
Net Pension Liability	4,435,000
Total Noncurrent Liabilities	17,458,980
TOTAL LIABILITIES	**$ 21,401,539**
DEFERRED INFLOWS OF RESOURCES	**$ 647,000**
NET POSITION	
Restricted for Loans	604,229,772
Restricted for SRF Program	6,640,639
TOTAL NET POSITION	**$ 610,870,411**

See accompanying notes to the financial statements

NEW HAMPSHIRE DEPARTMENT OF ENVIRONMENTAL SERVICES
STATE REVOLVING FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2015

OPERATING REVENUES	
Loan Interest	$ 3,192,622
Capitalized Loan Interest	258,147
Management Fees	5,783,996
Total Operating Revenues	9,234,765
OPERATING EXPENSES	
Administrative Set-Aside Costs	7,063,618
Small System Set-Aside Costs	163,941
State Program Management Costs	942,632
Local Assistance Set-Aside Costs	1,101,846
Principal Forgiveness	6,620,642
Total Operating Expenses	15,892,679
TOTAL OPERATING INCOME (LOSS)	**$ (6,657,914)**
NONOPERATING REVENUES	
Federal Grants	$ 46,985,802
Investment Earnings	370,599
Total NonOperating Revenues	47,356,401
NONOPERATING EXPENSES	
Other Contributions	6,738,055
Match Bond Interest Expense	331,309
Total NonOperating Expenses	7,069,364
TOTAL NONOPERATING INCOME (LOSS)	**$ 40,287,037**
Change in Net Position	33,629,123
Net Position, July 1 - Restated (Note 8)	577,241,288
NET POSITION, JUNE 30	**$ 610,870,411**

See accompanying notes to the financial statements

NEW HAMPSHIRE DEPARTMENT OF ENVIRONMENTAL SERVICES
STATE REVOLVING FUND
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Management Fees	$ 5,374,708
Payments for Program Administration	(1,916,979)
Payments for State Program Management	(587,183)
Payments for Technical Assistance	(130,098)
Payments for Local Assistance	(717,555)
Payments to Suppliers and Employees	(3,533,951)
Net Payments to/from Other Funds	(1,009,792)
Net Cash Provided by (Used for) Operating Activities	(2,520,850)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Environmental Protection Agency	46,985,802
Match Bond Principal	(2,275,000)
Match Bond Interest	(331,309)
Other Contributions	(6,738,055)
Net Cash Provided by (Used for) Noncapital Financing Activities	37,641,438
CASH FLOWS FROM INVESTING ACTIVITIES	
Principal Repayments Received from Borrowers	36,949,067
Interest Payments Received from Borrowers	3,090,243
Loan Advances to Borrowers	(64,812,368)
Interest on Investments	370,599
Net Cash Provided by (Used for) Investing Activities	(24,402,459)
Net Increase/(Decrease) in Cash and Cash Equivalents	10,718,129
Cash and Cash Equivalents, July 1	247,148,901
Cash and Cash Equivalents, June 30	**$ 257,867,030**
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:	
Operating Income (Loss)	$ (6,657,914)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:	
Principal Forgiveness	6,620,642
Interest Income on Loans	(3,090,244)
Change in Operating Assets and Liabilities:	
(Increase) Decrease in Current Receivables	1,623,389
Increase (Decrease) in Accounts Payable and Other Accruals	(879,723)
Change in Net Pension Liability, Net of Deferrals	(137,000)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**$ (2,520,850)**
SRF Non-Cash Investing Activities:	
Principal Forgiveness	$ 6,620,642

See accompanying notes to the financial statements

NEW HAMPSHIRE DEPARTMENT OF ENVIRONMENTAL SERVICES
STATE REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

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1. Summary of Significant Accounting Policies

A. Reporting Entity

The New Hampshire State Revolving Fund Program (the SRF Program) is a combination of the Clean Water State Revolving Fund which was established pursuant to Title VI of the Federal Water Quality Act of 1987 (the Act) and the Drinking Water State Revolving Fund which was established pursuant to section 1452(a) of the Safe Drinking Water Act amendments of 1996 and RSA 486:14.

The Federal Water Quality Act established the Clean Water State Revolving Fund (CWSRF) program to replace the construction grants program. The purpose of the CWSRF is to provide low interest loans to local governments for the purpose of constructing wastewater treatment facilities, and implementing non-point source management plans and estuary management plans.

The 1996 amendment to the Safe Drinking Water Act (SDWA) established the Drinking Water State Revolving Fund (DWSRF) program. The purpose of the DWSRF is to provide low interest loans to assist public water systems to finance the costs of infrastructure needed to ensure safe drinking water. The SDWA also allows the State to “set-aside” up to 31% of the annual capitalization grant. The set-aside programs are Administration (up to 4%), supplemental funding (augmentation) of the State’s Public Water Systems Supervision program (State Program Management) (up to 10%), Technical Assistance to small water systems (up to 2%), and other Technical or Financial Assistance including capacity development of/to public water systems (Source Water Protection) (up to 15%).

Loan repayment periods typically range from five to twenty years, and all repayments, including interest and principal, must be credited to the SRF Program. The SRF Program also charges loan recipients a two percent annual management fee on the outstanding principal loan balance.

The SRF Program is administered by the State of New Hampshire’s Department of Environmental Services (NHDES), and consists of a loan fund to record loan and related activity and an administrative fund (Management) that collects fees and pays some of the operating costs of the program, and is collectively referred to as the SRF Program. The Department’s primary responsibilities for the SRF Program include obtaining capitalization grants from the Environmental Protection Agency (EPA), soliciting potential interested parties for loans, negotiating loan agreements with local communities and private entities, reviewing and approving payment requests from loan recipients, monitoring the loan repayments, and conducting inspection and engineering reviews to ensure compliance with all applicable laws, regulations, and program requirements.

The SRF Program is funded by a series of capitalization grant awards from the EPA. Grant conditions require States to provide twenty percent (20%) matching funds to the federal capitalization grant. The EPA awarded American Recovery and Reinvestment Act (ARRA) grant funding to the SRF Program at the end of Fiscal Year 2009, of which the 20 percent matching requirement did not apply.

The SRF Program has 67 full time employees. All time spent on SRF Program activities by employees are charged to the SRF Program and the SRF Program gets reimbursed for such costs quarterly. The charges include the salaries and benefits of employees, as well as indirect costs allocated to the SRF Program. Employees are covered by the benefits available to State of New Hampshire employees.

For financial reporting purposes, the SRF Program is reported as an enterprise fund of the State of New Hampshire and is included in the Comprehensive Annual Financial Report of the State. The State of New Hampshire's Comprehensive Annual Financial Report can be accessed online at: www.admin.state.nh.us/accounting.

B. Measurement Focus and Basis of Accounting

The accompanying financial statements of the SRF Program have been prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP) and as prescribed by the Governmental Accounting Standards Board (GASB), which is the primary standard-setting body for establishing governmental accounting and financial reporting principles. The SRF Program accounts for the operations as a single enterprise fund and accordingly uses the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recognized when the related liability is incurred. The SRF Program operations are accounted for using the economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of the SRF Program are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position present increases (e.g., revenues) and decreases (e.g., expenses) in total net position. The SRF Program applies all applicable GASB pronouncements.

The accompanying financial statements of the SRF Program are presented as of June 30, 2015, and for the Fiscal Year then ended.

C. Cash and Cash Equivalents

All monies of the SRF Program are deposited with the New Hampshire State Treasury Department, which is responsible for maintaining these deposits in accordance with New Hampshire State law. The SRF Program considers all such deposits to be cash. The SRF Program, on a monthly basis, receives investment interest earnings on these deposits. According to State law, the Treasurer is responsible for maintaining the cash balances and investing excess cash of the SRF Program, as further discussed in Note 2. The Statement of Cash Flows considers all funds deposited with the Treasurer to be cash or cash equivalents. Cash equivalents represent short-term investments with maturity dates within three months of the date acquired and are recorded at cost.

D. Loans Receivable

Loans are funded by capitalization grants from the EPA, state matching funds, and funds generated from repayments and investment earnings. Loan funds are disbursed to borrowers on a cost reimbursement basis, and interest begins accruing when funds are disbursed. After construction is completed, the borrower can elect to add the construction period interest to the loan amount, or they can pay it in total with the first loan repayment. Loans are typically repaid over periods of five, ten, fifteen or twenty years, and repayment of the loans must begin within one year of construction completion. There is no provision for uncollectible accounts, as all repayments are current, and management believes all loans will be repaid according to the loan terms.

E. Contributed Capital

In accordance with GAAP, funds received from the EPA for the capitalization of the SRF Program are reported in the Statement of Revenues, Expenses, and Changes in Net Position after operating revenues and expenses.

F. Principal Forgiveness

Under federal regulations, a portion of each federal grant award is required to be provided as additional subsidy to borrowers. This additional subsidy comes in the form of principal forgiveness and ranges from 12% for CWSRF federal loans to a range of between 20 to 30% for DWSRF federal loans. Borrowers must meet select criteria to be eligible for the additional subsidy. Principal forgiveness eligibility and amount is calculated when the loan is finalized and goes into repayment status. For CWSRF loans, principal forgiveness is recognized with the first loan repayment. For DWSRF loans, principal forgiveness is recognized on a payment by payment basis. If a borrower were to default on a CWSRF or DWSRF loan, the total amount unpaid would be deemed owed. To date, no such defaults have occurred.

G. Revenues and Expenses

Revenues and expenses are classified as operating or nonoperating. Operating revenues and expenses generally result from management fees, interest earnings, administration and principal forgiveness. Generally all other revenues and expenses are reported as nonoperating. Nonoperating revenue results from federal grants and investment earnings. Nonoperating expenses are a result of bond interest and state contribution expenses.

H. Compensated Absences

All full-time employees in classified service earn annual and sick leave. At the end of each Fiscal Year, additional leave (bonus days) may be awarded based on the amount of sick leave taken during the year. Accrued compensatory time, earned for overtime worked, should generally be taken within one year or in accordance with applicable collective bargaining agreements.

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

I. Deferred Outflows and Inflows of Resources

Deferred outflows of resources are defined as a consumption of net assets by the entity that is applicable to future reporting periods. Deferred inflows of resources are defined as an acquisition of net assets by the entity that is applicable to future reporting periods. Deferred outflows of resources increase net position, similar to assets, and deferred inflows of resources decrease net position, similar to liabilities. At June 30, 2015, the SRF Program reported deferred outflows of resources and deferred inflows of resources as related to pensions.

J. 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 New Hampshire State Retirement System, and additions to/deductions from its fiduciary net position have been determined on the same basis as they are reported by the Public Employee Retirement System (the Plan). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms, and investments are reported at fair value. This is reflected as unrestricted net position.

K. Net Position

GASB Statement No. 34, as amended by GASB Statement No. 63, provides for three components of net position: invested in capital assets (net of related debt), restricted, and unrestricted. As of June 30, 2015, the SRF Program reports a restricted net position on the face of the Statement of Net Position. Restricted net position includes funds that are used to make loans as well as funds that are used for administration of the SRF Program. The SRF Program makes loans to public water systems and local governments for wastewater treatment facilities and safe drinking water systems, funded by programs under the EPA. Constraints are placed on the funds received directly from the EPA and on funds received from the repayment of loans, thereby restricting the net assets of the SRF Program. The funds are to be used by the SRF Program for the payment of obligations incurred by the SRF Program in carrying out its statutory powers and duties and are to remain in the SRF Program.

L. Use of Estimates

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

M. Adoption of New Accounting Pronouncements

During the Fiscal Year Ended June 30, 2015, the SRF Program adopted the following new accounting standards issued by the GASB:

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, was issued as an amendment to GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, was issued as an amendment to GASB Statement No. 68. The new standards significantly change how governments measure and report the long-term obligations and annual costs associated with the pension benefits they provide through pension plans administered through trusts or equivalent arrangements. The implementation of GASB Statement No. 68 resulted in a restatement of the July 1, 2014 net position (Note 8). In addition, Note 9 describes the SRF Program's proportionate share of total pension expense, plan liabilities and assets, and deferred outflows of resources and inflows of resources related to pensions, along with other descriptive information about the pension plan.

2. Cash and Cash Equivalents

The SRF Program cash and cash equivalents, as reported on the Statement of Net Position as of June 30, 2015, consists of the following:

Pooled Cash held by State Treasurer	$ 10,813,998
Municipal Checking with Interest/Demand Deposit Accounts	233,083,226
Money Markets	13,969,806
Total	$ 257,867,030

The State Treasury pools cash except for separate cash and investment accounts maintained in accordance with legal restrictions. The SRF Program share of total pooled cash is included on the Statement of Net Position.

A. Deposits

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

New Hampshire statute RSA 6:7 establishes the policies the State Treasurer must adhere to when depositing public monies. Operating funds are invested per investment policies that further define appropriate investment choices and constraints as they apply to those investment types.

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

Custodial credit risk is managed in a variety of ways. Although State law does not require deposits to be collateralized, the Treasurer does utilize such arrangements where prudent and/or cost effective. All banks where the State has deposits and/or active accounts are monitored as to their financial health through the services of Veribanc, Inc., a bank rating firm. In addition, ongoing reviews with officials of depository institutions are used to allow for frequent monitoring of custodial credit risk.

All depositories used by the State must be approved at least annually by the Governor and Executive Council (G&C). All commercial paper must be from issuers having an A1/P1 rating or better and an AA- or better long-term debt rating from one or more of the nationally recognized rating agencies. Certificates of deposit must be with the state or federally chartered banking institutions that have a branch in New Hampshire. The institution must have the highest rating as measured by Veribanc, Inc.

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

As of June 30, 2015, the SRF Program bank balances were exposed to custodial credit risk as follows:

Type	Insured	Collateralized & Held in State's Name	Total
Pooled Cash held by State Treasurer	10,813,998	-	10,813,998
Municipal Checking with Interest/ Demand Deposit Accounts	-	248,620,340	248,620,340
Money Markets	15,199,602	-	15,199,602
Totals	$ 26,013,600	$ 248,620,340	274,633,940

3. Loans Receivable

The SRF Program makes loans to qualified municipalities and private entities at interest rates ranging from .1525 percent to 4.128 percent. Interest rates are initially set in the original loan agreement, and then, when the project is completed, a supplemental loan agreement fixes the final interest rate to be charged at the lower of the original loan agreement or prevailing market rate, according to the following formula:

Loan Term	Charge Rate (Includes Loan Interest and Management Fee)
5 years	25% of market
10 years	50% of market
15 years	75% of market
20 years	80% of market

At June 30, 2015, the unpaid balance on all loans receivable outstanding amounted to $370,052,488.

Estimated maturities of the loans receivable at June 30, 2015, are as follows:

Year Ending June 30,	Principal Amount
2016	$ 23,573,775
2017	26,363,863
2018	26,503,702
2019	25,888,539
2020	25,687,601
2021-2025	110,739,713
2026-2030	78,090,143
2031-2035	35,303,652
2036-2040	17,901,500
	$ 370,052,488

A. Details of Loans Receivable by Category

The SRF Program has three categories of loans receivable: Federal – Wastewater/Drinking Water, Federal - Landfill loans and Repayment loans. The Federal - Wastewater loans are for sewer and wastewater treatment projects, the Drinking Water loans are for drinking water infrastructure projects. The Landfill loans provide financial assistance for municipalities to close unlined landfills as well as the construction of transfer stations and recycling facilities directly related to the specific landfill closure projects. The Clean Water, Drinking Water and Landfill projects are made using SRF capitalization grant funds and state match funds. As of June 30, 2015, the amount of loan funds committed from the 2009 ARRA grant was $56,417,344 and those federal funds are categorized under the Clean Water/Drinking Water projects category. The Repayment account loans are loans made from revolving funds for either Clean Water, Drinking Water or Landfill closure loans. The balances of these loan categories as of June 30, 2015, are as follows:

Federal - Wastewater/Drinking Water	$ 231,725,005
Federal - Landfills	12,100,856
Repayment Loans	126,226,627
Total	$ 370,052,488

The SRF Program has loaned approximately $8,321,517 at June 30, 2015, which, upon continued repayment by the borrower, could be forgiven at some future point. For purposes of the financial statements, the program recognizes the principal forgiveness expense within these funds as the related loans are repaid. The total amount forgiven under these programs in Fiscal Year 2015 was $6,620,642.

The SRF Program has made loans to the following major local borrowers. The aggregate outstanding loan balances for each of these agencies exceeds 5 percent of total loans receivable. The combined outstanding loan balances at June 30, 2015, of these major local agencies represent approximately 36 percent of the total loans receivable and are as follows:

Borrower	Total Obligation	Outstanding Receivables	Percent of Total Loans Receivable
Nashua, City of	$ 89,048,449	$ 52,974,394	14%
Manchester, City of	163,397,950	46,690,520	13%
Portsmouth, City of	73,964,000	32,706,260	9%
Total Loans To Major Borrowers	326,410,399	132,371,174	36%
Total of All Other Loans	741,336,530	237,681,314	64%
Total Loans Receivable 6/30/15	$ 1,067,746,929	$ 370,052,488	100%

B. Authorized Projects

Authorized projects are G&C approved loans which have been authorized for disbursement but not yet finalized for repayment. As of June 30, 2015, there was $126,379,974 remaining to be disbursed on authorized projects.

4. Contributed Capital

The SRF Program is capitalized by annual grants through the EPA. The State of New Hampshire must also contribute an amount equal to 20 percent of the federal capitalization amount. New Hampshire's matching contribution has been provided through the appropriation of State general fund resources. For the Fiscal Years 2012-2014 capitalization grant State match, New Hampshire's matching share was funded by debt to be repaid by the SRF Program. As of June 30, 2015, EPA has awarded capitalization grants of $563,726,266 to the State, of which $534,427,770 has been drawn for loans and administrative expenses. The amount awarded includes the 2009 ARRA grant award of $58,663,900, which does not require the State to provide any match funds. The State has provided match funds of $101,044,474, of which $94,642,293 has been disbursed.

The following summarizes the capitalization grant award, amounts drawn on each grant as of the balance sheet date, and balances available for future loans and administrative expenses:

Federal Grant Year	Grant Amount	Total Draws as of June 30, 2014	2015 Draws	Total Draws as of June 30, 2015	Grant Funds Available June 30, 2015
1989-2010	$ 413,170,366	$ 412,597,198	$ 573,168	$ 413,170,366	$ -
2011	24,175,000	14,622,253	9,552,747	24,175,000	-
2012	23,098,000	1,558,617	21,108,392	22,667,009	430,991
2013	21,763,000	-	14,087,249	14,087,249	7,675,751
2014	22,856,000	-	1,664,246	1,664,246	21,191,754
	$ 505,062,366	$ 428,778,068	$ 46,985,802	$ 475,763,870	$ 29,298,496
2009 ARRA	58,663,900	58,663,900	-	58,663,900	-
	$ 563,726,266	$ 487,441,968	$ 46,985,802	$ 534,427,770	$ 29,298,496

2009 ARRA Grant – Contributed Capital

On April 14, 2009, the EPA awarded an American Recovery and Reinvestment Act of 2009 capitalization grant to the State of New Hampshire, in the amount of $58,663,900. This was a one time grant and the State was not required to provide any match funds for this grant. As of June 30, 2015, $58,663,900 had been drawn down for loans and administrative set-aside expenses. New Hampshire is providing one hundred percent principal forgiveness to recipients of ARRA loans.

Loans receivable and net position at June 30, 2015, include $3,548,720 in ARRA funds that have been disbursed but the associated principal forgiveness has not yet been recognized. The loan receivable and net position balance will be reduced by this amount, considered to be principal forgiveness, and recognized as loans are repaid, over the next twenty years.

5. Administrative Costs and Management Fee Revenue

The SRF Program provides for States to use up to four percent of the capitalization grants toward SRF Program administrative costs. The SRF Program charges local agencies an annual management fee of up to 2% on the outstanding principal loan balance. These fees are deposited into the SRF Program and are used to pay for the administrative costs of the SRF Program as well as related water quality control costs. During the year ended June 30, 2015, fees of $5,783,996 were earned.

6. Operating and Capital Leases

The SRF Program had no significant operating or capital leases during Fiscal Year 2015.

7. Noncurrent Liabilities

A. Bond Issue

On December 17, 2013, the State issued $18,965,000 of General Obligation Capital Improvement Bonds, 2013 Series C. The interest rate on this bond is 2%, and the maturity date is April 1, 2023. The proceeds are being used by the SRF Program to provide the state match for capitalization grants. The SRF Program is using loan and investment interest earnings to repay the bond. The table below shows the remaining annual principal payments and total debt service payments related to the bonds.

	Bond Debt Schedule		
Payable June 30,	Principal	Interest	Total Payment
2016	$ 2,275,000	$ 285,810	$ 2,560,810
2017	2,275,000	269,885	2,544,885
2018	2,275,000	244,177	2,519,177
2019	1,520,000	206,412	1,726,412
2020	1,520,000	175,100	1,695,100
2021-2023	4,545,000	288,608	4,833,608
Total	$ 14,410,000	$ 1,469,992	$ 15,879,992

B. Changes in Noncurrent Liabilities

The following is a summary of the changes in the noncurrent liabilities as reported by the SRF Program during the Fiscal Year.

(shown in thousands)	Beginning Balance 7/1/2014	Increases	Decreases	Ending Balance 6/30/2015	Current	Long Term
Match Bonds Payable	$ 16,685	$ -	$ (2,275)	$ 14,410	$ 2,275	$ 12,135
Compensated Absences Payable	-	1,170	-	1,170	281	889
Net Pension Liability	5,182	-	(747)	4,435	-	4,435
Totals	$ 21,867	$ 1,170	$ (3,022)	$ 20,015	$ 2,556	$ 17,459

C. Bonds Authorized and Unissued

Bonds authorized and unissued amounted to $5,651,525 at June 30, 2015. The proceeds of the bonds will be considered state match applicable to the following authorizations when issued:

FY 12/13 Authorization	$	22,646,172
FY 14/15 Authorization		1,970,353
Total		24,616,525
Bonds Issued		(18,965,000)
Authorized and Unissued	$	5,651,525

8. Accounting Standards Changes

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

The SRF Program adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Implementation of this accounting standard required the SRF Program to recognize its proportionate share of the net pension liability and any deferred outflows and inflows of resources. Accordingly, beginning net position for the Fiscal Year Ended June 30, 2015, has been reduced as shown below.

(amounts shown in thousands)		State Revolving Fund
Net Position, as previously reported	$	582,040
Less: GASB 68 Beginning Balance Adjustment		(4,799)
Net Position, as restated	$	577,241

9. Employee Benefit Plans

A. New Hampshire Retirement System Plan Description

The New Hampshire Retirement System is the administrator of a cost-sharing multiple-employer Public Employee Retirement System (the Plan) established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401 (a) and 501 (a) of the Internal Revenue Code. The Plan is a contributory defined benefit plan providing service, disability, death, and vested retirement benefits to members and beneficiaries. The Plan covers substantially all full-time State employees, public school teachers and administrators, permanent firefighters, and police officers within the State of New Hampshire.

Full-time employees of political subdivisions, including counties, municipalities, and school districts, are also eligible to participate as a group if the governing body of the political subdivision has elected participation. The Plan is divided into two membership groups. Group I consists of State and local employees and teachers. Group II consists of firefighters and police officers. All assets are in a single trust and are available to pay retirement benefits to its members and beneficiaries.

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

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

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

All employees of the SRF Program are members of Group I.

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

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

The New Hampshire Retirement System issues publicly available financial reports which can be obtained by writing to them at 54 Regional Drive, Concord, NH 03301-8507 or from their web site at http://www.nhrs.org.

B. Funding Policy

The Plan is financed by contributions from the members, the State and local employers, and investment earnings. In Fiscal Year 2015, as required by statute, Group I members contributed 7.0% of their gross earnings. Employer contributions required to cover that amount of cost not met by the members' contributions are determined by a biennial actuarial valuation by the system's actuary using the entry age normal funding method and are expressed as a percentage of gross payroll. The SRF Program's share represents 100% of the employer cost for all SRF Program employees. For Fiscal Year 2015, the SRF Program's normal contribution rate was 12.13% of the covered payroll for Group I employees.

C. Health Care Benefits for Retired Group I Employees

In addition to providing pension benefits, State law RSA 21-I:30 specifies that the State provide certain health benefits for retired employees and their spouses. These benefits include group hospitalization, hospital medical care, surgical care, and other medical care. The State's employees may become eligible for these benefits if they meet eligibility criteria and receive their pensions on a periodic basis rather than a lump sum.

Retirees whose service began prior to July 1, 2003, with at least 10 years of creditable state service, are eligible for these benefits at age 60. Retirees whose service began on or after July 1, 2003, but before July 1, 2011, with at least 20 years of creditable state service, are also eligible for these benefits at age 60. Retirees whose service began on or after July 1, 2011, with at least 20 years of creditable state service and are age 60 at the time of retirement, are eligible for these benefits at age 65. In addition, retirees whose service began prior to July 1, 2011, are eligible for these benefits at any age with at least 30 years of creditable state service. Eligibility for retiree health benefits can also be established if the criteria are met for a vested deferred retirement, disability retirement, or retirement due to death.

These and similar benefits for active employees are authorized by State law RSA 21-I:30 and provided through the Employee and Retiree Benefit Risk Management Fund, a single-employer group health plan (Plan), which is the State's self-insurance internal service fund implemented in October 2003 for active State employees and retirees. The plan funds the cost of medical claims by charging actuarially-developed working rates to State agencies for participating employees, retirees, and eligible spouses.

The State's long-term cost of retirement health care and Other Post-Employment Benefits (OPEB) are determined actuarially on a statewide basis as required under GASB Statement No. 45. The most recent actuarial valuation was performed as of June 30, 2013. Disclosure of the annual OPEB cost, funding status, net OPEB obligation, and the components of cost and other information concerning the plan are provided in the State of New Hampshire Comprehensive Annual Financial Report.

D. Pension Liabilities, Pension Expenses, and Deferred Outflows and Inflows of Resources Related to Pensions

As of June 30, 2015, the SRF Program reported a liability of $4,435,000 for its proportionate share of the net pension liability of the Plan. This net pension liability is 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, with update procedures used to roll the total pension liability forward to June 30, 2014. The State's proportion of the net pension liability was based on the State's share of contributions to the Plan relative to the contributions of all participating employers, actuarially determined. The SRF Program's net pension liability and pension expense, along with related deferred outflows of resources and deferred inflows of resources was calculated using an allocated proportion among the State's governmental and business-type activities, based on percentage of pension plan contributions. For the year ended June 30, 2015, the SRF Program recognized total pension expense of $283,374, which is included within administrative set-aside costs.

As of June 30, 2015, the SRF Program reported deferred outflows and inflows of resources related to pensions from the following sources:

(amounts shown in thousands)	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ -	$ 568
Changes in employer proportion	-	79
Contributions subsequent to the measurement date	420	-
Total	$ 420	$ 647

Amounts reported as deferred outflows of resources related to pensions, resulting from employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the Fiscal Year Ended June 30, 2016. Amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount (shown in thousands)
2016	$ 159
2017	159
2018	159
2019	159
2020	11
Total	$ 647

E. Actuarial Assumptions

The Plan total pension liability, measured as of June 30, 2014, was determined by a roll forward of the actuarial valuation as of June 30, 2013, using the following actuarial assumptions:

Inflation	3.0%
Salary increases	3.75-5.8% 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 women for mortality improvements.

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

F. Long-Term Rates of Return

The long-term expected rate of return on pension plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and long-term rates of return for 2014:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Geometric Real Rate of Return 2014
Large Cap Equities	22.50%	3.25%
Small/Mid Cap Equities	7.50%	3.25%
Total Domestic Equity	30.00%	
International Equities (unhedged)	13.00%	4.25%
Emerging International Equities	7.00%	6.50%
Total International Equity	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%	

G. Discount Rate

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

The following table illustrates the sensitivity of the SRF Program's proportionate share of the Plan's net pension liability to changes in the discount rate. In particular, the table presents the SRF Program's proportionate share of the Plan's net pension liability measured at June 30, 2014, assuming it was calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the single discount rate (in thousands):

1% Decrease to 6.75%	Current single rate assumption 7.75%	1% Increase to 8.75%
$5,841	$4,435	$3,248

10. Risk Management – Employee and Retiree Health Benefits

During Fiscal Year 2004, the State established an Employee Benefit Risk Management Fund, an internal service fund, to account for its uninsured risks of loss related to employee and retiree health benefits. Currently, the State retains all of the risk associated with these benefits, and utilizes an actuarially-established IBNR (incurred but not reported) claims reserve. In addition, State law prescribes the retention of a reserve comprising 5% of annual claims and administrative costs, for unexpected costs. Rates are established annually, by actuaries, based on an analysis of past claims, state and other medical trend, and annual projected plan claims and administrative expenses. The process used in estimating claim liabilities may not result in an exact payout amount due to variables such as medical inflation, or changes in law, enrollment or plan design.

11. Contingencies and Related Parties

A. Contingencies

The SRF Program is exposed to various risks of loss related to torts, thefts of assets, errors or omissions, injuries to State employees while performing SRF Program business, or natural disasters. The State maintains insurance for all risks of loss, which is included in the indirect costs allocated to the SRF Program.

According to NHDES management and legal counsel, there are no other loss contingencies which require disclosure or accrual under the Financial Accounting Standards Board, Accounting Standards Codification 450, Contingencies.

B. Related Parties

The Winnipesaukee River Basin (WRB), a State owned regional wastewater treatment system, is run by the Department of Environmental Service's staff. The WRB is supported solely through assessments to the 10 member communities of the region and qualifies for loans under the CWSRF program. Currently the WRB is repaying three loans with outstanding principal balances at June 30, 2015, totaling $5.0 million at interest rates of 1.06% to 3.78% over the next 5 to 20 years. The WRB also has three loans in active status, that total $10.1 million in loan commitments. These loans, once closed, will be paid back over 5 to 20 years at interest rates of between 2.72% to 3.16 %. All loans were issued with the same standard terms as loans to communities and are treated as an arm's length transaction.

INFORMATION ABOUT THE NEW HAMPSHIRE RETIREMENT SYSTEM

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

(dollars in thousands)	**June 30, 2015**
SRF's Proportion of the Net Pension Liability	0.12%
SRF's Proportionate Share of the Net Pension Liability	$4,435
SRF's Covered-Employee Payroll	$3,226
SRF's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	137.48%
NHRS Fiduciary Net Position as a Percentage of the Total Pension Liability	66.32%

Note: The amounts presented were determined as of and for the period ended June 30, 2014

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

Schedule of SRF's Contributions

(dollars in thousands)	**June 30, 2015**	**June 30, 2014**
Required SRF Contribution	$420	$383
Actual SRF Contributions	$420	$383
Excess/(Deficiency) of SRF Contributions	-	-
SRF's Covered-Employee Payroll	$3,402	$3,226
SRF Contribution as a Percentage of its Covered-Employee Payroll	12.35%	11.87%

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

See accompanying independent auditor’s report

NEW HAMPSHIRE DEPARTMENT OF ENVIRONMENTAL SERVICES
STATE REVOLVING FUND
COMBINING SCHEDULE OF NET POSITION
June 30, 2015

	CLEAN WATER	DRINKING WATER	TOTAL
Assets			
Current Assets - Restricted:			
Cash and Cash Equivalents	$ 212,031,379	$ 45,835,651	$ 257,867,030
Current Receivables			
Loan Interest and Management Fee Receivable	3,275,059	1,304,373	4,579,432
Current Portion of Loans Receivable			
Federal - Wastewater/Drinking Water	8,801,336	4,155,494	12,956,830
Federal - Landfills	1,872,952	-	1,872,952
Repayment Loans	7,258,443	1,485,550	8,743,993
Total Current Portion of Loans Receivable	17,932,731	5,641,044	23,573,775
Total Current Receivables	21,207,790	6,945,417	28,153,207
Total Current Assets	233,239,169	52,781,068	286,020,237
Noncurrent Assets - Restricted:			
Loans Receivable, Net of Current Portion			
Federal - Wastewater/Drinking Water	137,638,220	81,129,955	218,768,175
Federal - Landfills	10,227,904	-	10,227,904
Repayment Loans	91,820,232	25,662,402	117,482,634
Total Noncurrent Assets	239,686,356	106,792,357	346,478,713
Total Assets - Restricted	472,925,525	159,573,425	632,498,950
DEFERRED OUTFLOWS OF RESOURCES	210,057	209,943	420,000
Liabilities			
Current Liabilities:			
Accounts Payable (Due to Other Funds)	$ 225,519	$ 816,136	$ 1,041,655
Advanced Collection	301	6,703	7,004
Match Bonds Payable	1,504,844	770,156	2,275,000
Accrued Payroll	171,188	166,982	338,170
Compensated Absences Payable	166,192	114,538	280,730
Total Current Liabilities	2,068,044	1,874,515	3,942,559
Noncurrent Liabilities:			
Match Bonds Payable	8,026,939	4,108,061	12,135,000
Compensated Absences Payable	526,276	362,704	888,980
Net Pension Liability	2,218,101	2,216,899	4,435,000
Total Noncurrent Liabilities	10,771,316	6,687,664	17,458,980
Total Liabilities	12,839,360	8,562,179	21,401,539
DEFERRED INFLOWS OF RESOURCES	323,588	323,412	647,000
NET POSITION			
Restricted for Loans	454,558,816	149,670,956	604,229,772
Restricted for SRF Program	5,413,818	1,226,821	6,640,639
Total Net Position	$ 459,972,634	$ 150,897,777	$ 610,870,411

See accompanying independent auditor's report

NEW HAMPSHIRE DEPARTMENT OF ENVIRONMENTAL SERVICES
STATE REVOLVING FUND
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2015

	CLEAN WATER	DRINKING WATER	TOTAL
OPERATING REVENUES			
Loan Interest	$ 2,151,889	$ 1,040,733	$ 3,192,622
Capitalized Loan Interest	258,147	-	258,147
Management Fees	3,937,737	1,846,259	5,783,996
Total Operating Revenues	6,347,773	2,886,992	9,234,765
OPERATING EXPENSES			
Administrative Set-Aside Costs	4,528,344	2,535,274	7,063,618
Small System Set-Aside Costs	-	163,941	163,941
State Program Management Costs	-	942,632	942,632
Local Assistance Set-Aside Costs	-	1,101,846	1,101,846
Principal Forgiveness	5,753,734	866,908	6,620,642
Total Operating Expenses	10,282,078	5,610,601	15,892,679
TOTAL OPERATING INCOME (LOSS)	(3,934,305)	(2,723,609)	(6,657,914)
NONOPERATING REVENUES			
Capital Contributions			
Federal Grants	31,267,257	15,718,545	46,985,802
Total Capital Contributions	31,267,257	15,718,545	46,985,802
Investment Earnings	314,353	56,246	370,599
Total Nonoperating Revenues	31,581,610	15,774,791	47,356,401
NONOPERATING EXPENSES			
Match Bond Interest Expense	219,151	112,158	331,309
Other Contributions	6,030,588	707,467	6,738,055
Total Nonoperating Expenses	6,249,739	819,625	7,069,364
TOTAL NONOPERATING INCOME (LOSS)	25,331,871	14,955,166	40,287,037
Change in Net Position	21,397,566	12,231,557	33,629,123
Net Position, July 1 - Restated (Note 8)	438,575,068	138,666,220	577,241,288
NET POSITION, JUNE 30	**$ 459,972,634**	**$ 150,897,777**	**$ 610,870,411**

See accompanying independent auditor's report