TOWN OF THORNTON,
NEW HAMPSHIRE

ANNUAL FINANCIAL REPORT

AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2011

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Selectmen
Town of Thornton
Thornton, New Hampshire

We have audited the accompanying financial statements of the governmental activities, major fund, and the aggregate remaining fund information of the Town of Thornton as of and for the year ended December 31, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Thornton's management. Our responsibility is to express opinions 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 16 to the financial statements, management has not recorded the long-term costs of retirement health care and obligations for other postemployment benefits in governmental activities. Accounting principles generally accepted in the United States of America require that those costs be recorded, which would increase the liabilities and expenses of the governmental activities. The amount by which this departure would affect the liabilities, net assets, and expenses of the governmental activities is not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the government-wide financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities of the Town of Thornton as of December 31, 2011, or the changes in financial position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the major fund and aggregate remaining fund information of the Town of Thornton as of December 31, 2011, and the respective changes in financial position thereof for the year then ended and the respective budgetary comparison for the general fund in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 2 through 8) 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Thornton's basic financial statements. The individual fund financial schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The individual fund financial schedules are the responsibility of management and were derived from and relate 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 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 financial schedules 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 basic financial statements as a whole.

Plodzik & Sanderson
Professional Association

September 5, 2012

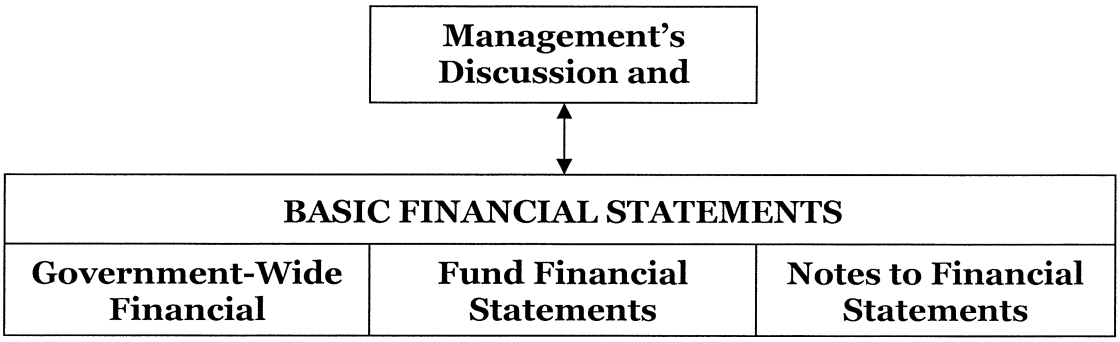
The following is a discussion and analysis of the activities of the Town of Thornton, New Hampshire (the "Town") for the year ending December 31, 2011. Readers are encouraged to consider the information presented here in conjunction with the Town's financial statements.

Responsibility for both the accuracy of the data, and the completeness and fairness of this presentation (including all disclosures) rests with the Board of Selectmen. To the best of our knowledge and belief, the data contained herein is accurate in all material respects. This data is reported in a manner designed to fairly present the Town's financial position, and the results of operations of the various funds of the Town. All disclosures necessary to enable the reader to gain an accurate understanding of the Town's financial activities have been included.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements include three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes 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 Town's finances, in a manner similar to most private-sector companies.

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

The **Statement of Activities** presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets 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 not result in cash flows until future periods (such as uncollected taxes and earned but unused vacation leave).

The governmental activities of the Town include general government, public safety, highways and streets, sanitation, health, welfare, culture and recreation and conservation.

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 Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds: Most of the basic services provided by the Town are financed through governmental funds. Unlike the government-wide financial statements, the governmental fund financial statements report using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted into cash. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs.

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 statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between the governmental activities statement of net assets and statement of activities.

Fiduciary Funds: These are used to account for resources held for the benefit of parities outside of the Town government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the Town's own programs. The Town's fiduciary funds include capital reserve funds held for the Thornton School District.

Notes to the Basic Financial Statements

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

Budgetary Comparison Information

The basic financial statements include required budgetary comparison information in Exhibit D. This exhibit includes a budgetary comparison schedule for the Town's major governmental fund and includes a reconciliation between the reported activity of the revenues, expenditures and operating transfers for budgetary purposes and the activity as presented in the governmental fund financial statements (Exhibit C-3). The Town's only major governmental funds for 2011 are the General Fund and the Expendable Trust Fund.

The following exhibit summarizes the major features of the Town's financial statements.

	Government-Wide	Fund Statements	
		Governmental	Fiduciary
SCOPE	Entire District government (except fiduciary funds)	All activities of the Town that are not proprietary or fiduciary	Instances in which the Town is the trustee or agent for someone else's resources.
REQUIRED FINANCIAL STATEMENTS	Statement of Net Assets	Balance Sheet	Statement of Fiduciary Assets
	Statement of Activities	Statement of Revenues, Expenditures and Changes in Fund Balances	Statement of Changes in Fiduciary Net Assets
ACCOUNTING BASIS	Accrual	Modified Accrual	Accrual
MEASUREMENT FOCUS	Economic Resources	Current Financial Resources	Economic Resources
TYPE OF INFORMATION ASSETS AND LIABILITIES	All assets and liabilities, both financial and capital, short-term and long- term.	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included.	All assets and liabilities, both short-term and long-term.
TYPE OF INFORMATION REVENUES, EXPENSES, AND EXPENDITURES	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year, expenditures when good or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during the year, regardless of when cash is received or paid.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets

The Town's net assets totaled $3,038,640 at the end of 2011, an increase of $226,907 or 8% when compared to the end of the previous year. This change is primarily due to increases in asset accounts consisting of investments in the amount of $171,900, other receivables of $134,999 and tax deeded property held for sale of $81,244. These increases in assets were partially offset by decreases in cash and cash equivalents in the amount of ($56,898) and the intergovernmental receivable asset account in the amount of ($17,787). Additionally, there were increases in accounts payable in the amount of $53,021 and intergovernmental payable of $54,223, which were partially offset by decreases in accrued salaries and benefits of ($40,309), long-term bonds payable of ($15,000) and accrued landfill postclosure care costs of ($29,350).

	Governmental Activities - 2010 (Restated)	Governmental Activities - 2011	Change
Current assets	$ 4,085,668	$ 4,399,126	$ 313,458
Capital assets	1,059,461	983,653	(75,808)
Total assets	5,145,129	5,382,779	237,650
Current liabilities	2,253,784	2,311,388	57,604
Long-term liabilities	79,612	32,751	(46,861)
Total liabilities	2,333,396	2,344,139	10,743
Net assets:			
Invested in capital assets, net of related debt	1,108,786	968,653	(140,133)
Restricted for perpetual care	231,990	368,859	136,869
Unrestricted	1,470,957	1,701,128	230,171
Total net assets	$ 2,811,733	$ 3,038,640	$ 226,907

A large portion of the Town's net assets reflects its investment in capital assets such as land, buildings, and equipment less any related outstanding debt used to acquire those assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of any 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.

Statement of Activities

During the current year the Town's net assets increased by $226,907. Total revenues of $2,435,469 exceeded expenses of $2,208,562.

Property and other taxes generated $1,446,702 in revenues for the Town. Motor vehicle, permit fees, licenses and other fees generated $384,222 in revenues. Other revenues consisted of charges for services, grants, contributions, interest and investment earnings and miscellaneous revenues.

Changes in net assets for the year ending December 31, 2011 are as follows:

	Governmental Activities - 2010 (Restated)	Governmental Activities - 2011	Change
Revenues:			
Program revenues:			
Charges for services	$ 314,271	$ 306,169	$ (8,102)
Operating grants and contributions	99,708	121,365	21,657
General revenues:			
Property and other taxes	1,705,235	1,446,702	(258,533)
Licenses and permits	392,231	384,222	(8,009)
Grants and contributions	106,653	111,207	4,554
Interest and investment earnings	5,011	659	(4,352)
Miscellaneous	67,309	65,145	(2,164)
Total revenues	2,690,418	2,435,469	(254,949)
Expenditures:			
General government	640,711	641,761	1,050
Public safety	620,900	594,083	(26,817)
Highways and streets	470,433	497,781	27,348
Sanitation	268,011	346,774	78,763
Health and welfare	69,284	78,586	9,302
Culture and recreation	52,260	48,137	(4,123)
Conservation efforts	230	326	96
Interest on long-term debt	574	614	40
Capital outlay	200	500	300
Total expenditures	2,122,603	2,208,562	85,959
Increase in net assets	642,091	226,907	(415,184)
Net assets, beginning of year	2,169,642	2,811,733	642,091
Net assets, end of year	$ 2,811,733	$ 3,038,640	$ 226,907

The Town's expenses cover a range of services. The largest expenses were for general government (29.06%), public safety (26.90%), highways and streets (22.54%), and sanitation (15.70%), which accounted for 94.20% of total expenditures.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds

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

General Fund

The General Fund is the operating fund of the Town. At the end of the current fiscal year, the General Fund had an unassigned fund balance of $1,130,892 while total General Fund equity was $1,868,504. The total fund equity includes nonspendable, restricted, committed, assigned, and unassigned fund balances at year-end. The General Fund unassigned fund balance decreased by $15,694 from December 31, 2010.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues on the budgetary basis exceeded the budgeted amount by $77,372. This is primarily due to higher revenues from the following budgeted sources: $58,741 from taxes, $6,158 from licenses, permits and fees, $16,213 from Intergovernmental - FEMA, $8,568 in charges for services – income from departments and $17,843 from other financing sources. These revenue increases were partially offset by lower revenues from the following budgeted sources: $4,819 from intergovernmental state – other, $11,438 from charges for services – intergovernmental agreement and $16,082 in miscellaneous – sale of municipal property.

The Town under expended its budget by $112,178. This is primarily due to savings realized in personnel administration of $42,235, public safety – police of $33,317, public safety – building inspection of $9,516, sanitation – solid waste collection of $5,385, sanitation – solid waste disposal of $14,253 and health and welfare of $8,386.

OTHER FINANCIAL HIGHLIGHTS

Monies that were encumbered in 2010 in the amount of $10,350 for various operating commitments were expended or released to the unassigned fund balance. $4,284 of the remaining 2011 appropriations were encumbered to offset 2012 expenditures.

CAPITAL ASSET AND LONG-TERM OBLIGATIONS

Capital Assets

The Town considers a capital asset to be an asset whose cost exceeds $10,000 and has a useful life of greater than three years. Capital assets are depreciated using the straight-line method over the course of the assets useful life.

The Town's gross investment in capital assets for its governmental activities as of December 31, 2011 amounts to $1,519,737 with $536,084 in accumulated depreciation. The net book value of capital assets for governmental activities is $983,653 as of December 31, 2011. This investment in capital assets includes vehicles and equipment, building and building improvements and land and land improvements. See Note 8 of the Notes to the Basic Financial Statements for a summary of all capital assets.

Long-Term Obligations

During 2011, the Town made long-term obligation payments totaling $17,511. See Note 11 of the Notes to the Basic Financial Statements for a summary of all outstanding long-term obligations. GASB #34 requires that these liabilities be reflected as a reduction in net assets.

ECONOMIC CONDITIONS

The Town is currently planning for expansion in future years of the town hall and police department offices.

The Town is not considering any major changes in staffing levels at this time.

The Town is continuing to actively pursue the use of capital reserve accounts to save monies incrementally that will be used toward the payment of future purchases. Several new capital reserves were requested and approved in 2011.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town's finances for all of Thornton citizens, taxpayers, and creditors. This financial report seeks to demonstrate the Town's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for

EXHIBIT C-4
TOWN OF THORNTON, NEW HAMPSHIRE
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended December 31, 2011

Net change in fund balances of governmental funds (Exhibit C-3)		$ 252,543
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. In the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		(65,419)
The Statement of Activities reports losses arising from the disposal of existing capital assets. Conversely, governmental funds do not report any gain or loss on disposals of capital assets.		
Loss on disposition of capital asset		(10,389)
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	$ (8)	
Transfers out	8	
		-
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but has no effect on net assets.		
Repayment of bond principal		15,000
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 governmental funds.		
Decrease in accrued interest expense	$ 561	
Decrease in compensated absences payable	2,511	
Decease in accrued landfill postclosure care costs	32,100	
		35,172
Changes in net assets of governmental activities (Exhibit B)		$ 226,907

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

EXHIBIT D
TOWN OF THORNTON, NEW HAMPSHIRE
Statement of Revenues, Expenditures, and Change in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended December 31, 2011

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Taxes	$ 1,387,960	$ 1,446,701	$ 58,741
Licenses and permits	378,063	384,221	6,158
Intergovernmental	217,397	228,791	11,394
Charges for services	310,723	307,853	(2,870)
Miscellaneous	70,954	57,060	(13,894)
Total revenues	2,365,097	2,424,626	59,529
Expenditures:			
Current:			
General government	683,619	628,097	55,522
Public safety	610,043	566,010	44,033
Highways and streets	450,219	467,571	(17,352)
Sanitation	385,072	364,769	20,303
Health	51,638	51,736	(98)
Welfare	35,334	26,850	8,484
Culture and recreation	2,001	1,693	308
Conservation	700	326	374
Debt service:			
Principal	15,000	15,000	-
Interest	4,171	1,175	2,996
Capital outlay	500	500	-
Total expenditures	2,238,297	2,123,727	114,570
Excess of revenues over expenditures	126,800	300,899	174,099
Other financing sources (uses):			
Transfers in	-	17,843	17,843
Transfers out	(250,800)	(253,192)	(2,392)
Total other financing sources and uses	(250,800)	(235,349)	15,451
Net change in fund balance	$ (124,000)	65,550	$ 189,550
Increase in nonspendable fund balance		(81,244)	
Unassigned fund balance, beginning, as restated (see Note 14)		1,146,586	
Unassigned fund balance, ending		$ 1,130,892	

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

EXHIBIT E
TOWN OF THORNTON, NEW HAMPSHIRE
Fiduciary Fund
Statement of Fiduciary Net Assets
December 31, 2011

	Agency
ASSETS	
Investments	$ 1,133
LIABILITIES	
Due to other governmental units	$ 1,133

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

TOWN OF THORNTON, NEW HAMPSHIRE

NOTES TO THE BASIC FINANCIAL STATEMENTS

AS OF AND FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Town of Thornton, New Hampshire (the Town), are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

The more significant of the Town's accounting policies are described below.

1-A Reporting Entity

The Town of Thornton is a municipal corporation governed by an elected 3-member Board of Selectmen. The reporting entity is comprised of the primary government and any other organizations *(component units)* that are included to ensure that the financial statements are not misleading.

Component units are legally separate organizations for which the Town is financially accountable. The Town is financially accountable for an organization if the Town appoints a voting majority of the organization's governing board, and (1) the Town is able to significantly influence the programs or services performed or provided by the organizations; or (2) the Town is legally entitled to or can otherwise access the organization's resources; (3) the Town is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the Town is obligated for the debt of the organization. Based on the foregoing criteria, no other organizations are included in the Town's financial reporting entity.

1-B Basis of Presentation

Government-wide Financial Statements – The government-wide financial statements display information about the Town as a whole. These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. The effect of interfund activity has been eliminated from these statements.

The Statement of Net Assets presents the financial position of the governmental activities of the Town at year-end. This statement includes all of the Town's assets, liabilities, and net assets, with the exception of the long-term costs of retirement, health care, and obligations for other postemployment benefits, which have been omitted because the liability and expense have not been determined. Net assets are reported as one of three categories: invested in capital assets, net of related debt; restricted; or unrestricted.

The Statement of Activities presents a comparison between direct expenses and program revenues for the different functions of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function, and therefore, are clearly identifiable to a particular function. Program revenues include (1) charges to customers or applicants for goods received, services rendered or privileges provided, and (2) grants and contributions that are restricted to meeting operational requirements of a particular function. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements – The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Financial statements of the Town are organized into funds, each of which is considered to be a separate accounting entity. Each fund has a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized as major funds or nonmajor funds within the governmental statements, with an emphasis placed on the major funds within the governmental category. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

(a) Total assets, liabilities, revenues or expenditures of that individual governmental fund are at least 10% of the corresponding total for all funds of that category or type;

(b) Total assets, liabilities, revenues or expenditures of the individual governmental fund are at least 5% of the corresponding total for all governmental funds combined; and

(c) In addition, any other governmental fund that the Town believes is particularly important to the financial statement users may be reported as a major fund.

Governmental Activities – Governmental funds are identified as general and permanent funds, based upon the following guidelines:

General Fund – is the primary operating fund of the Town and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Permanent Funds – are used to account for resources legally held in trust. All resources of the fund, including earnings on invested resources, may be used to support the Town.

Fiduciary Fund Types – These funds account for assets held by the Town as a trustee or agent for individuals, private organizations, and other units of governments. Fiduciary fund types are not part of the reporting entity in the government-wide financial statements, but are reported in a separate Statement of Fiduciary Net Assets. These funds are as follows:

Agency Funds – are used to account for resources held by the Town in a purely custodial capacity, for individuals, private organizations, and/or governmental units.

Major Fund – The Town reports the following major governmental fund:

General Fund – all general revenues and other receipts that are not allocated by law or contracted agreement to another fund are accounted for in this fund. This fund accounts for general operating expenditures, fixed charges, and the capital improvement costs that are not reported in other funds.

Nonmajor Fund – The Town also reports one nonmajor governmental fund, the permanent fund.

1-C Measurement Focus

Government-wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus. Under this concept, revenues and expenses are matched using the accrual basis of accounting. 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.

Governmental 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 susceptible to accrual, that is, when they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues (except property taxes mentioned below) to be available if they are collected within 60 days of the end of the current period. Property taxes, grants and contracts, and interest associated with the current period are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Town. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

Revenues – Exchange Transactions – Revenue resulting from exchange transactions in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. On the modified accrual basis revenue is recorded when the exchange takes place in the fiscal year in which the resources are measurable and become available.

Revenues – Nonexchange Transactions – Nonexchange transactions in which the Town receives value without directly giving equal value in return include property taxes, certain fees, grants, and donations. Revenue from grants and donations is recognized in the fiscal year in which all grantor imposed eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Town must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions also must be available before it can be recognized (Interpretation No. 1, as modified, 60-day rule), with the exception of property taxes which are committed and recognized as revenue in order to offset the liability due the school district to be paid in monthly installments over the next six months. This practice is consistent with the previous years.

1-D Cash and Cash Equivalents

The Town considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts.

New Hampshire statutes require that the Town Treasurer have custody of all money belonging to the Town and pay out the same only upon orders of the Board of Selectmen. The treasurer shall deposit all such moneys in participation units in the public deposit investment pool established pursuant to New Hampshire RSA 383:22 or in solvent banks in the state. Funds may be deposited in banks outside the state if such banks pledge and deliver to a third party custodial bank or the Federal Reserve Bank, collateral security for such deposits, United States government or government agency obligations or obligations of the State of New Hampshire in value at least equal to the amount of the deposit in each case.

1-E Restricted Assets

Certain cash and investment accounts are classified as restricted assets on the balance sheet because their use is legally restricted for specified purposes through law and/or enabling legislation.

1-F Investments

State statutes place certain limitations on the nature of deposits and investments available as follows:

New Hampshire law authorizes the Town to invest in the following type of obligations:

- Obligations of the United States government,
- The public deposit investment pool established pursuant to RSA 383:22,
- Savings bank deposits,
- Certificates of deposit and repurchase agreements of banks incorporated under the laws of the State of New Hampshire or in banks recognized by the state treasurer.

Any person who directly or indirectly receives any such funds or moneys for deposit or for investment in securities of any kind shall

1-P Interfund Activities

Interfund activities are reported as follows:

Interfund Receivables and Payables - Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Interfund receivables and payables between funds are eliminated in the Statement of Net Assets.

Interfund Transfers – Interfund transfers represent flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making the transfers and other financing sources in the funds receiving the transfers. In the government-wide financial statements, all interfund transfers between individual governmental funds have been eliminated.

1-Q Use of Estimates

The preparation of the 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 and disclosures in the financial statements. Actual results could differ from those estimates and the differences could be material.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the Town's operations. At its annual meeting, the Town adopts a budget for the current year for the general fund. Except as reconciled below, the budget was adopted on a basis consistent with US generally accepted accounting principles.

Management may transfer appropriations between operating categories as deemed necessary, but expenditures may not legally exceed budgeted appropriations in total. All annual appropriations lapse at year-end unless encumbered.

Encumbrance accounting, under which purchase orders, contracts, and continuing appropriations (certain projects and specific items not fully expended at year-end) are recognized, is employed in the governmental funds. Encumbrances are not the equivalent of expenditures, and are therefore, reported as part of the assigned fund balance at year-end, and are carried forward to supplement appropriations of the subsequent year.

State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. In the fiscal year 2011, $124,000 of the beginning general fund unassigned fund balance was applied for this purpose.

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2-B Budgetary Reconciliation to GAAP Basis

The following reconciles the general fund budgetary basis to the GAAP basis:

Revenues and other financing sources:	
Per Exhibit D (budgetary basis)	$ 2,442,469
Adjustment:	
Basis difference:	
GASB Statement No. 54:	
To record income earned in the library fund during the year	702
To record transfer between the library and permanent funds	8
To record income earned in the expendable trust funds during the year	343
To eliminate transfers between the general and expendable trust funds	(17,843)
To record income earned in the conservation commission fund during the year	7
On-behalf retirement contributions made by the State of New Hampshire recognized as revenue on the GAAP basis, but not on the budgetary basis	6,289
Per Exhibit C-3 (GAAP basis)	$ 2,431,975
Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	$ 2,376,919
Adjustment:	
Basis differences:	
Encumbrances, beginning	10,350
Encumbrances, ending	(4,284)
GASB Statement No. 54:	
To eliminate transfer between the general and library funds	(49,392)
To record expenditures incurred in the library fund during the year	46,444
To eliminate transfers between the general and expendable trust funds	(200,800)
To eliminate transfer between the general and conservation commission funds	(3,000)
On-behalf retirement contributions made by the State of New Hampshire recognized as an expenditure on the GAAP basis, but not on the budgetary basis	6,289
Per Exhibit C-3 (GAAP basis)	$ 2,182,526

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CUSTODIAL CREDIT RISK

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of December 31, 2011, none of the Town's bank balances of $2,358,331 was exposed to custodial credit risk as uninsured and uncollateralized.

NOTE 4 – INVESTMENTS

The Town maintains a portfolio of short-term maturity investments, including money market investments, which are reported at amortized cost. The Town also maintains a portfolio of intermediate maturity investments that are reported at fair value, based on quoted market prices. The Town's fiscal agent or custodian provides the fair value of all intermediate maturity investments. As of December 31, 2011, the Town had the following investments:

Certificate of deposit	$ 175,163
New Hampshire Public Deposit Investment Pool	625,584
Mutual funds	19,814
	$ 820,561

Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in values of investment securities will occur in the near term and that change could materially affect the amounts reported in the Statement of Net Assets.

Investment reconciliation:

Investment per Statement of Net Assets (Exhibit A)	$ 819,428
Investment per Statement of Fiduciary Net Assets (Exhibit E)	1,133
Total investments	$ 820,561

NOTE 5 – TAXES RECEIVABLE

The property tax year is from April 1 to March 31 and all property taxes are assessed on the inventory taken in April of that year. The net assessed valuation as of April 1, 2011, upon which the 2011 property tax levy was based is:

For the New Hampshire education tax	$ 366,300,143
For all other taxes	$ 371,873,743

The Town subscribes to the semi-annual method of tax collection as provided for by RSA 76:15-a. Taxes were levied on May 20 and November 9, with payments due on July 1 and December 12. Interest accrues at a rate of 12% on bills outstanding after the due dates. The first billing is considered an estimate only and is one half of the previous year's tax billing. The remaining balance of taxes due is billed in the fall after the New Hampshire Department of Revenue Administration has calculated and approved the Town's tax rate for the fiscal year.

In connection with the setting of the tax rate, Town officials, with the approval of the Department of Revenue Administration, establish and raise through taxation an amount for abatements and refunds of property taxes, known as overlay. This amount is reported as a reduction in tax revenue and is adjusted by management for any tax allowance at year-end. The property taxes collected by the Town include taxes levied for the State of New Hampshire, Pemi-Baker Regional School District, Thornton School District, Waterville Estates Village District, and Grafton County, which are remitted as required by law. The ultimate responsibility for the collection of taxes rests with the Town.

The tax rates and amounts assessed for the year ended December 31, 2011 were as follows:

	Per $1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	$3.64	$ 1,351,518
School portion:		
State of New Hampshire	$2.35	862,315
Local	$9.93	3,692,430
County portion	$1.39	517,773
Waterville Estates Village District	$12.65	239,580
Total		$ 6,663,616

During the current fiscal year, the tax collector executed a lien on September 14 for all uncollected 2010 property taxes.

Taxes receivable at December 31, 2011, are as follows:

Property:	
Levy of 2011	$ 832,232
Unredeemed (under tax lien):	
Levy of 2010	243,550
Levy of 2009	66,161
Levies of 2008 and prior	16,772
Yield	3,053
Land use change	120
Less: allowance for estimated uncollectible taxes	(40,000)
Net taxes receivable	$ 1,121,888

NOTE 6 – OTHER RECEIVABLES

Receivables at December 31, 2011, consisted of accounts and intergovernmental amounts arising from the transfer station agreement and the school's portion of library expenditures. Receivables are recorded on the Town's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

NOTE 7 – RESTRICTED ASSETS

Certain Town cash and investments in the general fund for fund belonging to the conservation commission, Public library, and the expendable trust funds in accordance with the requirements of GASB Statement No. 54 are as follows:

Cash and cash equivalents:	
Conservation commission	$ 3,041
Public library	(132)
Expendable trusts	6,151
Total cash and cash equivalents	9,060
Investments:	
Expendable trusts	587,361
Total restricted assets	$ 596,421

NOTE 8 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011 consisted of the following:

	Balance, beginning, (as restated)	Additions	Disposals	Balance, ending
At cost:				
Not being depreciated:				
Land	$ 168,945	$ -	$ -	$ 168,945
Being depreciated:				
Land improvements	341,032	-	-	341,032
Buildings and building improvements	474,337	-	-	474,337
Equipment and vehicles	563,501	-	(28,078)	535,423
Total capital assets being depreciated	1,378,870	-	(28,078)	1,350,792
Total all capital assets	1,547,815	-	(28,078)	1,519,737
Less accumulated depreciation:				
Land improvements	(147,782)	(11,368)	-	(159,150)
Buildings and building improvements	(102,788)	(6,769)	-	(109,557)
Equipment and vehicles	(237,784)	(47,282)	17,689	(267,377)
Total accumulated depreciation	(488,354)	(65,419)	17,689	(536,084)
Net book value, capital assets being depreciated	890,516	(65,419)	(10,389)	814,708
Net book value, all capital assets	$ 1,059,461	$ (65,419)	$ (10,389)	$ 983,653

Depreciation expense was charged to functions of the Town based on their usage of the related assets. The amounts allocated to each function are as follows:

General government	$ 6,226
Public safety	12,390
Highways and streets	31,877
Sanitation	14,926
Total	$ 65,419

NOTE 9 – INTERFUND BALANCES AND TRANSFERS

Interfund receivable and payable balances consisting of a budgetary transfer at December 31, 2011, are as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor	$ 8

The interfund transfer during the year ended December 31, 2011 consisted of an $8 transfer from the nonmajor governmental permanent fund to the general fund.

Transfers are used to move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them.

NOTE 10 – INTERGOVERNMENTAL PAYABLES

Amounts due of $2,214,243 to other governments at December 31, 2011, consist of the following:

Balance of 2011-2012 district assessment due to the Thornton School District	$ 1,445,923
Balance of 2011-2012 district assessment due to the Pemi-Baker Regional School District	733,891
Assessment due to the Waterville Estates Village District	17,509
Fees due to the New Hampshire Retirement System	13,401
Fees due to the State of New Hampshire	3,519
Total	$ 2,214,243

NOTE 11 – LONG-TERM LIABILITIES

Changes in the Town's long-term obligations consisted of the following for the year ended December 31, 2011:

	General Obligation Bond Payable	Compensated Absences Payable	Accrued Landfill Postclosure Care Costs Payable	Total
Balance, beginning	$ 30,000	$ 10,612	$ 57,600	$ 98,212
Reductions	(15,000)	(2,511)	(32,100)	(49,611)
Balance, ending	$ 15,000	$ 8,101	$ 25,500	$ 48,601

Long-term liabilities payable are comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2011	Current Portion
General obligation bond payable:						
Highway garage	$ 150,000	2002	2012	4.46	$ 15,000	$ 15,000
Compensated absences payable:						
Accrued vacation leave					8,101	-
Accrued landfill postclosure care costs payable					25,500	850
Total					$ 48,601	$ 15,850

The final payment on the bond payable is due in 2012 and consists of $15,000 principal and $502 interest, for a total of $15,502.

All debt is general obligation debt of the Town, which is backed by its full faith and credit, and will be repaid from general governmental revenues.

Accrued Landfill Postclosure Care Costs

Federal and State laws and regulations require that the Town perform certain maintenance and monitoring functions at the landfill site after closure. A liability is being recognized based on the future postclosure care costs that will be incurred. The estimated total current cost of the landfill postclosure care ($25,500) is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of December 31, 2011. However, the actual cost of postclosure care may be higher or lower due to inflation, changes in technology, or changes in landfill laws and regulations. The Town expects to finance the postclosure care costs by an annual appropriation.

NOTE 12 – GOVERNMENTAL ACTIVITIES NET ASSETS

Governmental activities net assets reported on the government-wide Statement of Net Assets at December 31, 2011 include the following:

Invested in capital assets, net of related debt:	
Capital assets, net of accumulated depreciation	$ 983,653
Less:	
[redacted]	[redacted]

NOTE 18 – CONTINGENT LIABILITIES

There are various legal claims and suits pending against the Town which arose in the normal course of the Town's activities. In the opinion of management, the ultimate disposition of these various claims and suits will not have a material effect on the financial position of the Town.

The Town has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could result in a request for reimbursement from the grantor agency for costs disallowed under terms of the grant. Based on prior experience, the Town believes such disallowances, if any, will be immaterial.

NOTE 19 – JOINT VENTURES

The Town is a participant in the following joint ventures:

Campton-Thornton Intergovernmental Fire Service Agreement

The Towns of Campton, Thornton, and Ellsworth entered into an agreement to provide fire protection and emergency medical services. The agreement was renewed on December 5, 2011 to cover the period from January 1, 2012 to December 31, 2015. The Campton-Thornton Fire Department is governed by a joint Board of Commissioners who adopts an annual budget.

Each Town's rate of assessment is as follows:

Operating Budget	
Campton	58%
Ellsworth	4%
Thornton	38%

Capital Budget	
Campton	60%
Thornton	40%

The Town of Thornton effectively owns 40% net equity in the Department's operation, which is not material to the Town of Campton's financial statements at December 31, 2011. The Department has a special audit report issued independently, which may be obtained by contacting the Department at 196 NH Route 49, Campton, NH 03223; (603) 726-3300.

Intergovernmental Agreement for Disposal of Solid Waste

The Towns of Campton, Thornton, and Ellsworth entered into an agreement to provide solid waste disposal and related services. The agreement was renewed on January 1, 2009 to cover the period from January 1, 2009 to December 31, 2011. The Town of Thornton pays the bills and requests reimbursement six times a year from the other two communities. Operating costs are assessed as follows:

Campton	64%
Ellsworth	2%
Thornton	34%

The Town budgets revenue and expenditures annually on a gross basis for these activities.

NOTE 20 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

In March 2009 the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The requirements of Statement No. 54 are mandatory for the Town for fiscal year ended December 31, 2011 and accordingly have been implemented, with the exception of adoption of a formal fund balance policy. GASB Statement No. 60 through No. 64 were issued during 2010 and 2011 and are not effective for financial statements until the subsequent years.

NOTE 21 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through September 5, 2012, the date the December 31, 2011 financial statements were issued, and no events occurred that require recognition or disclosure.

INDIVIDUAL FUND SCHEDULES

SCHEDULE 1
TOWN OF THORNTON, NEW HAMPSHIRE
Major General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2011

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	$ 1,230,379	$ 1,238,280	$ 7,901
Land use change	120	-	(120)
Timber	20,638	29,938	9,300
Excavation	792	792	-
Payment in lieu of taxes	39,276	37,776	(1,500)
Interest and penalties on taxes	96,755	139,915	43,160
Total from taxes	1,387,960	1,446,701	58,741
Licenses, permits, and fees:			
Business licenses, permits, and fees	360	360	-
Motor vehicle permit fees	367,271	374,279	7,008
Building permits	1,850	1,850	-
Other	8,582	7,732	(850)
Total from licenses, permits, and fees	378,063	384,221	6,158
Intergovernmental:			
State:			
Meals and rooms distribution	111,207	111,207	-
Highway block grant	98,863	98,863	-
Other	7,327	2,508	(4,819)
Federal:			
FEMA	-	16,213	16,213
Total from intergovernmental	217,397	228,791	11,394
Charges for services:			
Intergovernmental agreement	194,471	183,033	(11,438)
Income from departments	116,252	124,820	8,568
Total charges for services	310,723	307,853	(2,870)
Miscellaneous:			
Sale of municipal property	20,533	4,451	(16,082)
Interest on investments	636	659	23
Other	49,785	51,950	2,165
Total from miscellaneous	70,954	57,060	(13,894)
Other financing sources:			
Transfers in	-	17,843	17,843
Total revenues and other financing sources	2,365,097	$ 2,442,469	$ 77,372
Unassigned fund balance used to reduce tax rate	124,000		
Total revenues, other financing sources, and use of fund balance	$ 2,489,097		

SCHEDULE 2
TOWN OF THORNTON, NEW HAMPSHIRE
Major General Fund
Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2011

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	$ -	$ 147,577	$ 145,268	$ -	$ 2,309
Election and registration	475	73,744	71,069	-	3,150
Financial administration	175	47,055	45,431	-	1,799
Revaluation of property	-	27,444	34,654	-	(7,210)
Legal	-	16,000	17,579	-	(1,579)
Personnel administration	-	264,259	222,024	-	42,235
Planning and zoning	3,200	8,750	8,031	-	3,919
General government buildings	6,000	24,701	24,745	-	5,956
Cemeteries	-	24,000	24,153	-	(153)
Insurance, not otherwise allocated	-	41,940	43,336	-	(1,396)
Advertising and regional associations	-	658	657	-	1
Other	-	7,491	500	500	6,491
Total general government	9,850	683,619	637,447	500	55,522
Public safety:					
Police	250	323,386	290,319	-	33,317
Fire	-	269,656	269,103	-	553
Building inspection	-	15,001	5,485	-	9,516
Emergency management	-	1,500	1,080	-	420
Other	-	500	273	-	227
Total public safety	250	610,043	566,260	-	44,033
Highways and streets	125	450,219	463,912	3,784	(17,352)
Sanitation:					
Solid waste collection	125	144,197	138,937	-	5,385
Solid waste disposal	-	237,875	223,622	-	14,253
Solid waste clean-up	-	3,000	2,335	-	665
Total sanitation	125	385,072	364,894	-	20,303
Health:					
Administration	-	1,098	-	-	1,098
Health agencies	-	50,540	51,736	-	(1,196)
Total health	-	51,638	51,736	-	(98)
Welfare	-	35,334	26,850	-	8,484
Culture and recreation:					
Parks and recreation	-	1,501	1,500	-	1
Patriotic purposes	-	500	193	-	307
Total culture and recreation	-	2,001	1,693	-	308
Conservation	-	700	326	-	374
Debt service:					
Principal of long-term debt	-	15,000	15,000	-	-
Interest on long-term debt	-	1,171	1,175	-	(4)
Interest on tax anticipation notes	-	3,000	-	-	3,000
Total debt service	-	19,171	16,175	-	2,996

(Continued)

SCHEDULE 2 (Continued)
TOWN OF THORNTON, NEW HAMPSHIRE
Major General Fund
Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2011

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Capital outlay	-	500	500	-	-
Other financing uses:					
Transfers out	-	250,800	253,192	-	(2,392)
Total appropriations, expenditures, other financing uses, and encumbrances	$ 10,350	$ 2,489,097	$ 2,382,985	$ 4,284	$ 112,178

SCHEDULE 3
TOWN OF THORNTON, NEW HAMPSHIRE
Major General Fund
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2011

Unassigned fund balance, beginning, as restated (see Note 14)		$ 1,146,586
Changes:		
Unassigned fund balance used to reduce 2011 tax rate		(124,000)
2011 Budget summary:		
Revenue surplus (Schedule 1)	$ 77,372	
Unexpended balance of appropriations (Schedule 2)	112,178	
2011 Budget surplus		189,550
Increase in nonspendable fund balance		(81,244)
Unassigned fund balance, ending		$ 1,130,892