TOWN OF THORNTON,
NEW HAMPSHIRE

ANNUAL FINANCIAL REPORT

AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2013

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ANNUAL FINANCIAL REPORT

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PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, major fund, and aggregate remaining fund information of the Town of Thornton as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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 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 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 adverse and unmodified audit opinions.

Basis for Adverse Opinion on Governmental Activities

As discussed in Note 1-B to the financial statements, management has not recorded the long-term costs of retirement health care costs and obligations for other postemployment benefits in the governmental activities. Accounting principles generally accepted in the United States of America require that those costs be recorded, which would increase the liabilities, decrease the net position and increase the expenses of the governmental activities. The amount by which this departure would affect the liabilities, net position, and expenses on the governmental activities is not readily determinable.

Adverse Opinion

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Governmental Activities" paragraph, the financial statements referred to above do not present fairly the financial position of the government-wide financial statements of the Town of Thornton, as of December 31, 2013, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

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, 2013, and the respective changes in financial position, and the respective budgetary comparison for the general fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information - Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 3 through 9) 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.

Other Information - 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 basic 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 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 individual fund financial schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Plodzik & Sanderson
Professional Association

October 27, 2014

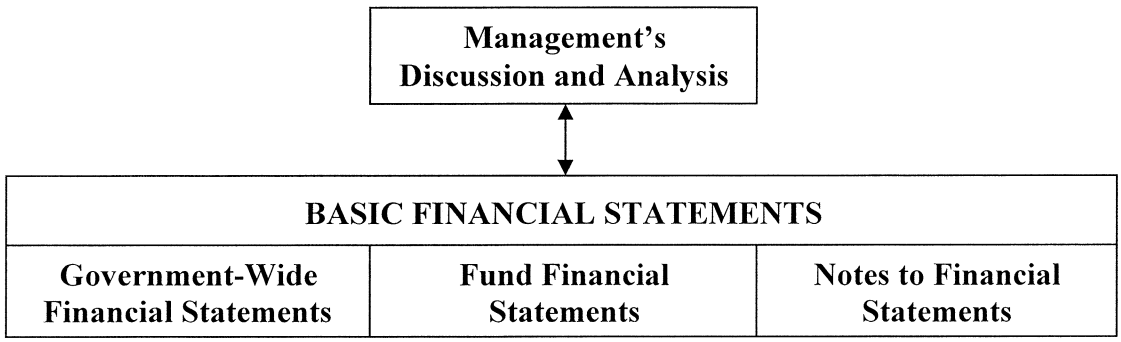
The following is a discussion and analysis of the activities of the Town of Thornton, New Hampshire (the "Town") for the year ending December 31, 2013. Readers are encouraged to consider the information presented here in conjunction with the Town's financial statements.

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 Position** presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position 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 position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will 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 position 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 fund for 2013 is the General Fund.

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

	Government-Wide	Fund Statements	
		Governmental	Fiduciary
SCOPE	Entire Town 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 Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures and Changes in Fund Balances	Statement of Fiduciary Net Position
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 goods or services have been received and payment is due during the year or soon thereafter.	

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

The Town's net position totaled $3,615,436 at the end of 2013, an increase of $237,411 or 7% when compared to the end of the previous year. This change is primarily due to decreases in liability accounts consisting of intergovernmental payable in the amount of ($213,089) and unearned revenue of ($25,592). These decreases in liabilities were partially offset by increases in accrued salaries and benefits in the amount of $48,960 and escrow and performance deposits liability account in the amount of $13,084. Total assets increased by $64,812 when compared to the end of the previous year. However, there were significant changes within the asset accounts consisting primarily of decreases in cash and cash equivalents of ($197,964) and investments in the amounts of ($125,941). These decreases were offset by increases in land and construction-in-progress in the amount of $300,966 (due to the expansion and renovations underway on the town hall and police department offices) and infrastructure in the amount of $89,244.

	Governmental Activities - 2012	Governmental Activities - 2013	Change
Current assets	$ 5,060,346	$ 4,750,586	$ (309,760)
Capital assets	989,336	1,363,908	374,572
Total assets	6,049,682	6,114,494	64,812
Current liabilities	2,634,845	2,466,326	(168,519)
Long-term liabilities	36,812	32,732	(4,080)
Total liabilities	2,671,657	2,499,058	(172,599)
Net position:			
Net investment in capital assets	989,336	1,363,908	374,572
Restricted	20,294	243,314	223,020
Unrestricted	2,368,395	2,008,214	(360,181)
Total net position	$ 3,378,025	$ 3,615,436	$ 237,411

A large portion of the Town's net position 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 position increased by $237,411. Total revenues of $2,555,069 exceeded expenses of $2,317,658.

Property and other taxes generated $1,507,177 in revenues for the Town. Motor vehicle, permit fees, licenses and other fees generated $409,037 in revenues. Other revenues consisted of charges for services, grants, contributions, interest and investment earnings and miscellaneous revenues.

Changes in net position for the year ending December 31, 2013 are as follows:

	Governmental Activities - 2012	Governmental Activities - 2013	Change
Revenues:			
Program revenues:			
Charges for services	$ 345,413	$ 301,428	$ (43,985)
Operating grants and contributions	92,976	97,996	5,020
General revenues:			
Property and other taxes	1,483,309	1,507,177	23,868
Licenses and permits	395,873	409,037	13,164
Grants and contributions	111,970	111,983	13
Interest and investment earnings	2,137	823	(1,314)
Miscellaneous	120,853	126,625	5,772
Total revenues	2,552,531	2,555,069	2,538
Expenditures:			
General government	702,894	737,269	34,375
Public safety	612,318	651,330	39,012
Highways and streets	377,442	392,096	14,654
Sanitation	388,651	372,534	(16,117)
Health and welfare	88,209	84,681	(3,528)
Culture and recreation	66,593	79,513	12,920
Conservation efforts	354	235	(119)
Interest on long-term debt	500	-	(500)
Capital outlay	9,370	-	(9,370)
Total expenditures	2,246,331	2,317,658	71,327
Increase in net position	306,200	237,411	(68,789)
Net position, beginning of year	3,071,825	3,378,025	306,200
Net position, end of year	$ 3,378,025	$ 3,615,436	$ 237,411

The Town's expenses cover a range of services. The largest expenses were for general government (31.81%), public safety (28.10%), highways and streets (16.92%), and sanitation (16.07%), which accounted for 92.90% 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 $236,187 while total General Fund equity was $1,081,574. The total fund equity includes nonspendable, restricted, committed, assigned and unassigned fund balances at year-end. The General Fund unassigned fund balance decreased by $829,435 from December 31, 2012.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues on the budgetary basis exceeded the budgeted amount by $45,534. This is primarily due to higher revenues from the following budgeted sources: $2,924 from taxes, $20,938 from licenses, permits and fees and $50,288 from miscellaneous sources. These higher than budgeted revenues were partially offset by a ($28,571) due to less revenue from charges for services.

EXHIBIT C-3
TOWN OF THORNTON, NEW HAMPSHIRE
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2013

	General	Other Governmental Fund (Permanent)	Total Governmental Funds
REVENUES			
Taxes	$ 1,581,623	$ -	$ 1,581,623
Licenses and permits	409,038	-	409,038
Intergovernmental	209,979	-	209,979
Charges for services	301,429	-	301,429
Investment earnings	823	-	823
Miscellaneous	117,791	8,834	126,625
Total revenues	2,620,683	8,834	2,629,517
EXPENDITURES			
Current:			
General government	731,254	99	731,353
Public safety	637,707	-	637,707
Highways and streets	385,601	-	385,601
Sanitation	351,238	-	351,238
Health	64,363	-	64,363
Welfare	20,318	-	20,318
Culture and recreation	79,503	-	79,503
Conservation	235	-	235
Capital outlay	425,992	-	425,992
Total expenditures	2,696,211	99	2,696,310
Excess (deficiency) of revenues over (under) expenditures	(75,528)	8,735	(66,793)
OTHER FINANCING SOURCES (USES)			
Transfers in	2,071	-	2,071
Transfers out	-	(2,071)	(2,071)
Total other financing sources (uses)	2,071	(2,071)	-
Net change in fund balances	(73,457)	6,664	(66,793)
Fund balances, beginning, as restated (see Note 16)	1,155,031	233,952	1,388,983
Fund balances, ending	$ 1,081,574	$ 240,616	$ 1,322,190

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

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, 2013

Net change in fund balances of governmental funds (Exhibit C-3)		$ (66,793)
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. This is the amount by which capitalized capital outlay exceeded depreciation expense in the current period.		
Capitalized capital outlay	$ 453,379	
Depreciation expense	(78,807)	
		374,572
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	$ (2,071)	
Transfers out	2,071	
		-
Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the governmental funds.		
Change in deferred tax revenue		(74,448)
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 compensated absences payable		4,080
Change in net position of governmental activities (Exhibit B)		$ 237,411

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 Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended December 31, 2013

	Budgeted Amounts			Variance Positive
	Original	Final	Actual	(Negative)
REVENUES				
Taxes	$ 1,504,251	$ 1,504,251	$ 1,507,175	$ 2,924
Licenses and permits	388,100	388,100	409,038	20,938
Intergovernmental	210,097	210,097	209,979	(118)
Charges for services	330,000	330,000	301,429	(28,571)
Investment earnings	750	750	823	73
Miscellaneous	70,000	70,000	120,288	50,288
Total revenues	2,503,198	2,503,198	2,548,732	45,534
EXPENDITURES				
Current:				
General government	760,077	760,077	733,304	26,773
Public safety	641,641	653,641	637,707	15,934
Highways and streets	463,907	463,907	385,601	78,306
Sanitation	378,658	379,133	351,238	27,895
Health	64,688	64,688	64,363	325
Welfare	35,285	35,285	20,318	14,967
Culture and recreation	75,718	49,268	46,785	2,483
Conservation	700	700	235	465
Debt service:				
Interest	3,000	3,000	-	3,000
Capital outlay	596,000	724,026	435,302	288,724
Total expenditures	3,019,674	3,133,725	2,674,853	458,872
Excess (deficiency) of revenues over (under) expenditures	(516,476)	(630,527)	(126,121)	504,406
OTHER FINANCING SOURCES (USES)				
Transfers in	149,000	289,501	142,450	(147,051)
Transfers out	-	(26,450)	(26,450)	-
Total other financing sources (uses)	149,000	263,051	116,000	(147,051)
Net change in fund balance	$ (367,476)	$ (367,476)	(10,121)	$ 357,355
Increase in nonspendable fund balance			(6,224)	
Decrease in restricted fund balance			150,000	
Unassigned fund balance, beginning			1,065,622	
Unassigned fund balance, ending			$ 1,199,277	

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 Position
December 31, 2013

	Agency
ASSETS	
Cash and cash equivalents	$ 1,145
LIABILITIES	
Due to other governmental units	$ 1,145

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, 2013

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Thornton, New Hampshire (the Town), have been prepared 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 Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The Statement of Net Position 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 position, 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.

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

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

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

1-C Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when 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.

The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

Governmental fund financial statements are reported using the *current financial resources* measurement focus and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the

1-J Deferred Inflows of Resources

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under the modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, this item, unavailable tax revenue, is reported only in the governmental funds balance sheet. The amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

1-K Property Taxes

Property tax billings occur semi-annually and are based on the assessed inventory values as of April 1 of each year. Billings for the year were on April 24 and November 12. Interest accrues at a rate of 12% on bills outstanding after the due date and 18% on tax liens outstanding.

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 tax abatement and refunds, known as overlay. This amount is reported as a reduction in tax revenue and is adjusted by management for any reserve for uncollectable 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 to these entities as required by law.

The Town net assessed valuation as of April 1, 2013 utilized in the setting of the tax rate was as follows:

For the New Hampshire education tax	$ 368,336,831
For all other taxes	$ 374,125,931

The tax rates and amounts assessed for the year ended December 31, 2013 were as follows:

	Per $1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	$3.80	$ 1,420,142
School portion:		
State of New Hampshire	$2.45	902,402
Local	$10.59	3,963,055
County portion	$1.50	561,688
Waterville Estates Village District	$14.79	289,582
Total		$ 7,136,869

1-L Compensated Absences

Vacation - The Town's policy allows certain employees to earn varying amounts of vacation based on the employee's length of employment. Upon separation from service, employees are paid in full for any accrued leave earned as set forth by personnel policy. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

Sick Leave - Accumulated sick leave lapses when employees leave the employ of the Town and, upon separation from service, no monetary obligation exists.

1-M Long-Term Obligations

Long-term obligations are reported as liabilities in the government-wide financial statements.

1-N Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. Claims and judgments are recorded in the government-wide financial statements as an expense when the related liabilities are incurred. There were no significant claims or judgments at year-end.

1-O 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 Position.

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-P Net Position/Fund Balance Reporting

Government-wide Statements – Equity is classified as net position and displayed in three components:

a) *Net investment in capital assets* – Consists of capital assets, net of accumulated depreciation.

b) *Restricted net position* – Consists of net position with constraints placed on use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

c) *Unrestricted net position* – Net position that does not meet the definition of "net investment in capital assets" or "restricted."

Fund Balance Classifications - The fund balance of governmental funds is reported in five categories based on the nature of any limitations requiring the use of resources for specific programs. The Town itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). The classifications used in the Town's governmental fund financial statements are as follows:

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form; or (b) are legally or contractually required to be maintained intact.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the legislative body (Town Meeting). These amounts cannot be used for any other purpose unless the legislative body removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification includes amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Selectmen through the budgetary process.

Unassigned – This classification includes the residual fund balance for the general fund.

When multiple net position/fund balance classifications are available for use, it is the government's practice to utilize the most restricted balances first, then the next most restricted balance as needed. When components of unrestricted fund balance are used, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

The Board of Selectmen has adopted a fund balance policy with regards to maintaining an appropriate level of unassigned fund balance following the guidelines established by the NH Government Finance Officers Association (NHGFOA), which are as follows:

a. 5% to 15% of regular general fund operating revenues, or

b. 8% to 17% of regular general fund operating expenditures.

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. For the fiscal year 2013, $367,476 of the beginning general fund unassigned fund balance was applied for this purpose.

2-B Budgetary Reconciliation to GAAP Basis

The Town employs certain accounting principles for budgetary reporting purposes that differ from a GAAP basis. The Statement of Revenues and Expenditures-Budgetary Basis presents the actual results to provide a comparison with the budget. The major difference between the budgetary basis and GAAP basis is as follows:

> Encumbrances outstanding at year-end do not represent GAAP expenditures or liabilities, but represent budgetary accounting controls. Governmental fund budgets are maintained on the modified accrual basis of accounting except that budgetary basis expenditures include purchase orders and commitments (encumbrances) for goods or services not received at year-end. Encumbrances are recorded to reserve a portion of fund balance in the governmental fund types for commitments for which no liability exists.

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

Revenues and other financing sources:	
Per Exhibit D (budgetary basis)	$ 2,691,182
Adjustment:	
Basis difference:	
GASB Statement No. 54:	
To record miscellaneous income in the blended funds	1,281
To eliminate transfer between the general and expendable trust funds	(144,280)
To recognize transfer between the permanent and library funds	123
Change in deferred tax revenue relating to 60-day revenue recognition	74,448
Per Exhibit C-3 (GAAP basis)	$ 2,622,754

(Continued)

Budgetary Reconciliation to the GAAP basis continued:

Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	$ 2,701,303
Adjustment:	
Basis differences:	
Encumbrances, beginning	50,500
Encumbrances, ending	(61,860)
GASB Statement No. 54:	
To record expenditures incurred in the library fund	32,718
To eliminate transfer between the general and library funds	(26,450)
Per Exhibit C-3 (GAAP basis)	$ 2,696,211

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

The Town's deposits are entirely covered by federal depository insurance (FDIC) or by collateral held by the Town's agent in the Town's name. The FDIC currently insures the first $250,000 of the Town's deposits at each financial institution, per case custodian. Deposit balances over $250,000 are insured by the collateral. As of year-end, the carrying amount of the Town's deposits was $2,684,268 and the bank balances totaled $2,777,057. Petty cash totaled $300.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	$ 2,683,123
Cash per Statement of Fiduciary Net Position (Exhibit E)	1,145
Total cash and cash equivalents	$ 2,684,268

NOTE 4 – INVESTMENTS

Note 1-F describes statutory requirements covering the investment of the Town's funds. The Town 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.

At December 31, 2013, this Town had the following investments and maturities:

	Fair Value
Investments type:	
Certificates of deposit	$ 176,746
New Hampshire Public Deposit Investment Pool	424,056
Mutual funds	23,775
Total investments	$ 624,577

Interest Rate Risk – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk – This is the risk that in the event of the failure of the counterparty (e.g. broker/dealer) to honor a transaction, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have custodial credit risk policies for investments.

The System is financed by contributions from both the employees and the Town. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. For fiscal year 2013, all employees except police officers were required to contribute 7% of earnable compensation. The contribution rate was 11.55% for police officers. The Town's contribution rates for 2013 for pension and medical subsidy were as follows:

Period	Police	All Other Employees
January 1, 2013 thru June 30,2013	19.95%	8.80%
July 1, 2013 thru December 31, 2013	25.30%	10.77%

The contribution requirements for the Town of Thornton for the fiscal years 2011, 2012, and 2013 were $64,170, $67,223, and $74,095, respectively, which were paid in full in each year.

NOTE 18 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

In addition to pension benefits described in preceding note, the Town provides postemployment benefit options for health care, life insurance, dental insurance, and disability income to eligible retirees, terminated employees, and their dependents. The benefits are provided in accordance with the Town's agreements, collective bargaining agreements, and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The criteria to determine eligibility include: years of service, employee age, and whether the employee has vested in the respective retirement plan. The Town funds the benefits on a pay-as-you-go basis. Eligible employees are required to pay set premiums for a portion of the cost with the Town subsidizing the remaining costs. Expenses for the postretirement health care benefits are recognized as eligible employee claims are paid.

The Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement No. 45, which was effective for the Town on January 1, 2009, requires that the long-term cost of retirement health care and obligations for other postemployment benefits (OPEB) be determined on an actuarial basis and reported on the financial statements. The Town has not implemented GASB Statement No. 45 at December 31, 2013 or contracted with an actuarial firm to assist in evaluating the impact of this new standard on the Town. The amounts that should be recorded as the annual required contribution/OPEB cost and the net OPEB obligation are unknown.

NOTE 19 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2013, the Town was a member of the Local Government Center Property-Liability Trust, LLC, and the New Hampshire Public Risk Management Exchange (Primex^3) Workers' Compensation Program. These entities are considered public entity risk pools, currently operating as common risk management and insurance programs for member Towns and cities.

The Local Government Center Property-Liability Trust, LLC, is a Trust organized to provide certain property and liability insurance coverages to member Towns, cities and other qualified political subdivisions of New Hampshire. As a member of the Local Government Center Property-Liability Trust, LLC, the Town shares in contributing to the cost of, and receiving benefits from, a self-insured pooled risk management program. The membership and coverage run from July 1 to June 30. The program maintains a self-insured retention above which it purchases reinsurance and excess insurance. This policy covers property, auto physical damage, crime, general liability, and public officials' liability subject to a $1,000 deductible.

Contributions paid in fiscal year ending December 31, 2013, to be recorded as an insurance expenditure totaled $19,948. There were no unpaid contributions for the year ended December 31, 2013.

The New Hampshire Public Risk Management Exchange (Primex^3) Workers' Compensation Program is a pooled risk management program under RSAs 5-B and 281-A. Coverage was provided from January 1, 2013 to December 31, 2013 by Primex^3, which retained $1,000,000 of each workers' compensation loss, $500,000 of each liability loss, and $200,000 of each property loss. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The estimated net contribution from the Town of Thornton billed and paid for the year ended December 31, 2013 was $17,794 for workers' compensation.

NOTE 20 – CONTINGENCIES

There are various legal claims and suits pending against the Town which arose in the normal course of the government'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.

NOTE 21 – 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 Thornton's financial statements at December 31, 2012. 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 the 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, 2012 to cover the period from January 1, 2012 to December 31, 2014. 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 22 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

The following GASB pronouncements were implemented by the Town for the fiscal year ended December 31, 2013. Only GASB Statement No. 65 impacted these financial statements:

GASB Statement No. 61, ***The Financial Reporting Entity: Omnibus and Amendments of GASB Statements No. 14 and No. 34***, issued November 2010. This Statement is intended to improve financial reporting for a governmental financial reporting entity by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity.

GASB Statement No. 65, ***Items Previously Reported as Assets and Liabilities***, issued March 2012. This Statement is intended to improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting.

GASB Statement No. 66, ***Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62***, issued March 2012. This Statement is intended to resolve conflicting accounting and financial report guidance that emerged from two recent standards, Statement No. 54 and Statement No. 62. These standards conflicted with existing guidance in Statement Nos. 10, 13, and 48.

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements:

GASB Statement No. 67, ***Financial Reporting for Pension Plans,*** issued in June 2012, will be effective for the Town beginning with its fiscal year ending December 31, 2014. The guidance contained in these two Statements will change how governments calculate and report the costs and obligations associated with pensions. They replace the requirements of Statements No. 27 and 50.

GASB Statement No. 68, ***Accounting and Financial Reporting for Pensions,*** issued in June 2012, will be effective for the Town beginning with its fiscal year ending December 31, 2015. The guidance contained in this Statement will change how governments calculate and report the costs and obligations associated with pensions in important ways. This replaces the requirements of Statements No. 27 and 50.

GASB Statement No. 69, ***Government Combinations and Disposals of Government Operations,*** issued in January 2013, will be effective for the Town beginning with its fiscal year ending December 31, 2014. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations that have been transferred or sold.

GASB Statement No. 70, ***Accounting and Financial Reporting for Nonexchange Financial Guarantees,*** issued in April 2013, will be effective for the Town beginning with the fiscal year ending December 31, 2014. The objective of this Statement is to improve accounting and financial reporting by governments that extend and receive nonexchange financial guarantees.

GASB Statement No. 71, ***Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68,*** issued in November 2013, will be effective for the Town beginning with its fiscal year ending December 31, 2015. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions,* and is required to be applied simultaneously with the provisions of that Statement.

NOTE 23 – 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 October 27, 2014, the date the December 31, 2013 financial statements were available to be 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, 2013

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	$ 1,318,120	$ 1,318,993	$ 873
Land use change	-	650	650
Yield	12,000	11,331	(669)
Excavation	1,500	1,463	(37)
Payment in lieu of taxes	37,631	37,631	-
Interest and penalties on taxes	135,000	137,107	2,107
Total from taxes	1,504,251	1,507,175	2,924
Licenses, permits, and fees:			
Business licenses, permits, and fees	600	630	30
Motor vehicle permit fees	380,000	401,807	21,807
Building permits	1,500	1,400	(100)
Other	6,000	5,201	(799)
Total from licenses, permits, and fees	388,100	409,038	20,938
Intergovernmental:			
State:			
Meals and rooms distribution	111,983	111,983	-
Highway block grant	87,614	87,396	(218)
Other	10,500	10,600	100
Total from intergovernmental	210,097	209,979	(118)
Charges for services:			
Income from departments	330,000	301,429	(28,571)
Miscellaneous:			
Sale of municipal property	15,000	10,871	(4,129)
Interest on investments	750	823	73
Other	55,000	109,417	54,417
Total from miscellaneous	70,750	121,111	50,361

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, 2013

Unassigned fund balance, beginning (non-GAAP budgetary basis)		$ 1,065,622
Changes:		
Unassigned fund balance used to reduce 2013 tax rate		(367,476)
2013 Budget summary:		
Revenue shortfall (Schedule 1)	$ (101,517)	
Unexpended balance of appropriations (Schedule 2)	458,872	
2013 Budget surplus		357,355
Increase in nonspendable fund balance		(6,224)
Decrease in restricted fund balance		150,000
Unassigned fund balance, ending (non-GAAP budgetary basis)		1,199,277
Reconciliation of Non-GAAP Budgetary Basis to GAAP Basis:		
To comply with generally accepted accounting principles by deferring property taxes not collected within 60 days of fiscal year-end		963,090
Unassigned fund balance, ending (GAAP basis Exhibit C-1)		$ 236,187