TOWN OF THORNTON,
NEW HAMPSHIRE

ANNUAL FINANCIAL REPORT

AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2014

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PLODZIK & SANDERSON

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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, 2014, 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 14 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, 2014, or the changes in financial position thereof for the year then ended.

Unmodified Opinion

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, 2014, 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

Management's Discussion and Analysis - 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.

Supplementary 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 combining and individual fund financial schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and 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 combining and 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

September 29, 2015

TOWN OF THORNTON, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDING DECEMBER 31, 2014

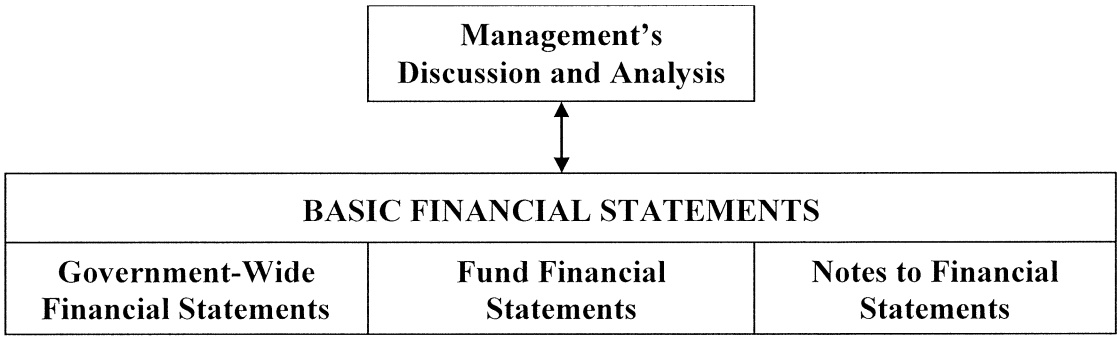
The following is a discussion and analysis of the activities of the Town of Thornton, New Hampshire (the "Town") for the year ending December 31, 2014. Readers are encouraged to consider the information presented here in conjunction with the Town's financial statements.

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, liabilities and deferred inflows of resources with the difference between the three 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 2014 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	Balance Sheet	Statement of Fiduciary Net Position
	Statement of Activities	Statement of Revenues, Expenditures and Changes in Fund Balances	
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 $3,724,067 at the end of 2014, an increase of $108,631 or 3% when compared to the end of the previous year. This change is primarily due to increases in asset accounts consisting of cash and cash equivalents in the amount of $145,531 and net capital infrastructure inprovements of $181,607. These increases in assets were offset by decreases in investments in the amount of ($121,816), taxes receivable in the amount of ($175,104), intergovernmental receivable in the amount of ($32,232) and tax deeded property in the amount of ($15,375). Additionally, there were decreases in accounts payable in the amount of ($11,062), retainage payable of ($12,247), intergovernmental payable of ($117,949), which were partially offset by an increase in deferred inflows of resources of $16,517.

	Governmental Activities - 2013	Governmental Activities - 2014	Change
Current assets	$ 4,750,586	$ 4,548,210	$ (202,376)
Capital assets	1,363,908	1,545,515	181,607
Total assets	6,114,494	6,093,725	(20,769)
Current liabilities	2,466,326	2,322,684	(143,642)
Long-term liabilities	32,732	30,457	(2,275)
Total liabilities	2,499,058	2,353,141	(145,917)
Deferred inflow of resources	-	16,517	16,517
Net position:			
Net investment in capital assets	1,363,908	1,545,515	181,607
Restricted	243,314	240,859	(2,455)
Unrestricted	2,008,214	1,937,693	(70,521)
Total net position	$ 3,615,436	$ 3,724,067	$ 108,631

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 $108,631. Total revenues of $2,569,647 exceeded expenses of $2,461,016.

Property and other taxes generated $1,447,370 in revenues for the Town. Motor vehicle, permit fees, licenses and other fees generated $455,977 in revenues. Other revenues consisted of charges for services, grants, contributions and miscellaneous revenues.

Changes in net position for the year ending December 31, 2014 are as follows:

	Governmental Activities - 2013	Governmental Activities - 2014	Change
Revenues:			
Program revenues:			
Charges for services	$ 301,428	$ 325,033	$ 23,605
Operating grants and contributions	97,996	88,687	(9,309)
General revenues:			
Property and other taxes	1,507,177	1,447,370	(59,807)
Licenses and permits	409,037	455,977	46,940
Grants and contributions	111,983	121,443	9,460
Interest and investment earnings	823	-	(823)
Miscellaneous	126,625	131,137	4,512
Total revenues	2,555,069	2,569,647	14,578
Expenditures:			
General government	737,269	837,777	100,508
Public safety	651,330	678,870	27,540
Highways and streets	392,096	389,798	(2,298)
Sanitation	372,534	399,596	27,062
Health and welfare	84,681	84,395	(286)
Culture and recreation	79,513	70,335	(9,178)
Conservation efforts	235	245	10
Total expenditures	2,317,658	2,461,016	143,358
Increase in net position	237,411	108,631	(128,780)
Net position, beginning of year	3,378,025	3,615,436	237,411
Net position, end of year	$ 3,615,436	$ 3,724,067	$ 108,631

The Town's expenses cover a range of services. The largest expenses were for general government (34.04%), public safety (27.58%), sanitation (16.24%) and highways and streets (15.84%), which accounted for 93.70% 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 $1,058,614 while total General Fund equity was $1,831,722. The total fund equity includes nonspendable, restricted, committed, assigned and unassigned fund balances at year-end. The General Fund unassigned fund balance increased by $822,427 from December 31, 2013.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues on the budgetary basis exceeded the budgeted amount by $55,153. This is primarily due to higher revenues from the following budgeted sources: $47,777 from licenses, permits and fees and $14,667 from miscellaneous sources. These higher than budgeted revenues were partially offset by ($4,643) due to less revenue from taxes.

The Town under expended its budget by $168,489. This is primarily due to savings realized in executive of $11,886, financial administration of $10,657, legal of $16,791, planning and zoning of $8,129, public

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, 2014

Net change in fund balances of governmental funds (Exhibit C-3)		$ (22,748)
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	$ 278,649	
Depreciation expense	(97,042)	
		181,607
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	$ (1,842)	
Transfers out	1,842	
		-
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 inflows of resources relating to tax revenue	$ (17,503)	
Change in allowance for uncollectible property taxes	(35,000)	
		(52,503)
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		2,275
Changes in net position of governmental activities (Exhibit B)		$ 108,631

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, 2014

	Budgeted Amounts			Variance Positive
	Original	Final	Actual	(Negative)
REVENUES				
Taxes	$ 1,452,013	$ 1,452,013	$ 1,447,370	$ (4,643)
Licenses and permits	408,200	408,200	455,977	47,777
Intergovernmental	412,811	212,811	210,130	(2,681)
Charges for services	125,000	325,000	325,033	33
Miscellaneous	107,600	107,600	122,267	14,667
Total revenues	2,505,624	2,505,624	2,560,777	55,153
EXPENDITURES				
Current:				
General government	796,532	880,332	826,774	53,558
Public safety	669,382	669,382	660,887	8,495
Highways and streets	478,361	478,361	406,992	71,369
Sanitation	381,971	381,971	372,159	9,812
Health	65,698	65,698	65,274	424
Welfare	32,052	32,052	19,121	12,931
Culture and recreation	79,732	50,315	44,597	5,718
Conservation	700	700	245	455
Debt service:				
Interest	3,000	3,000	-	3,000
Capital outlay	-	162,803	160,076	2,727
Total expenditures	2,507,428	2,724,614	2,556,125	168,489
Excess (deficiency) of revenues over (under) expenditures	(1,804)	(218,990)	4,652	223,642
OTHER FINANCING SOURCES (USES)				
Transfers in	-	246,603	248,315	1,712
Transfers out	(248,196)	(277,613)	(277,613)	-
Total other financing sources (uses)	(248,196)	(31,010)	(29,298)	1,712
Net change in fund balances	$ (250,000)	$ (250,000)	(24,646)	$ 225,354
Decrease in nonspendable fund balance			15,375	
Unassigned fund balance, beginning			1,199,277	
Unassigned fund balance, ending			$ 1,190,006	

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

EXHIBIT E-1
TOWN OF THORNTON, NEW HAMPSHIRE
Fiduciary Funds
Statement of Fiduciary Net Position
December 31, 2014

	Private Purpose Trust	Agency
ASSETS		
Cash and cash equivalents	$ 3,024	$ 1,108
LIABILITIES		
Due to other governmental units	-	1,108
NET POSITION		
Held in trust for specific purposes	$ 3,024	$ -

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

EXHIBIT E-2
TOWN OF THORNTON, NEW HAMPSHIRE
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended December 31, 2014

	Private Purpose Trust
ADDITIONS	
New funds	$ 1,500
Interest	2
Total revenue	1,502
DEDUCTIONS	
Scholarships	1,500
Change in net position	2
Net position, beginning	3,022
Net position, ending	$ 3,024

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, 2014

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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 long term costs of retirement, health care, and obligations for other postemployment benefits have also 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 are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *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 or capital 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 the 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*, as are the fiduciary fund financial statements, except for agency funds which do not have a measurement focus. 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.

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

current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for State shared revenue, reimbursement-based grants and interest which use one year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Property taxes, licenses and permits, intergovernmental revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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 a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the Town receives value without directly giving equal value in return, include property taxes, grants, entitlement, and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements, and donations is recognized in the year in which all 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 specific purpose, and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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.

All the governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements.

Additionally, the Town reports the following fund types:

Special Revenue Funds - are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Permanent Fund - is used to record activity of legal trusts for which the interest on the corpus provides funds for the Town's cemetery operations.

Agency Fund - used to account for assets held in a trustee or agency capacity on behalf of outside parties, including other governments.

Private Purpose Trusts – used to account for trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

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.

The treasurer is required to deposit such moneys in solvent banks in state or the Public Deposit Investment Pool pursuant to New Hampshire RSA 383:22. Funds may be deposited in banks outside of 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 to the State of New Hampshire in value at least equal to the amount of the deposit in each case.

1-E 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, prior to acceptance of such funds, make available at the time of such deposit or investment an option to have such funds secured by collateral having a value at least equal to the amount of such funds. Such collateral shall be segregated for the exclusive benefit of the Town. Only securities defined by the bank commissioner as provided by rules adopted pursuant to RSA 386:57 shall be eligible to be pledged as collateral.

Investments for the Town are reported at fair value generally based on quoted market prices.

1-F Receivables

Receivables recorded in the financial statements represent amounts due to the Town at December 31. They are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. They consist primarily of taxes, billing for charges, and other user fees.

1-G Interfund Balances

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Short-term Interfund loans are reported as "interfund receivables and payables." Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

1-H Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental column in the government-wide financial statements.

Capital assets are defined by the Town as assets with an initial, individual cost of more than $10,000 and an estimated minimum useful life in excess of one year. As the Town constructs or acquires additional capital assets each year, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated

When multiple net position/fund balance classifications are available for use, it is the government's policy 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 have 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 2014, $250,000 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, Expenditures, and Changes in Fund Balance – 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)	$ 2,809,092
Adjustment:	
Basis difference:	
GASB Statement No. 54:	
To record revenue of the blended funds	5,608
To eliminate transfers between blended funds	(246,473)
Change in property tax revenue relating to 60-day revenue recognition	17,503
Change in allowance for uncollectible property taxes	35,000
Per Exhibit C-3 (GAAP basis)	$ 2,620,730

(Continued)

Budgetary reconciliation to GAAP basis continued:

Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	$ 2,833,738
Adjustment:	
Basis differences:	
Encumbrances, beginning	61,860
GASB Statement No. 54:	
To record expenditures of the blended funds	25,742
To eliminate transfers between blended funds	(277,613)
Per Exhibit C-3 (GAAP basis)	$ 2,643,727

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 $2,832,786 and the bank balances totaled $2,863,160. Petty cash totaled $300.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	$ 2,828,654
Cash per Statement of Fiduciary Net Position (Exhibit E)	4,132
Total cash and cash equivalents	$ 2,832,786

NOTE 4 – INVESTMENTS

Note 1-E describes statutory requirements covering the investment of the Town funds. 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.

At December 31, 2014, this Town had the following investments and maturities:

	Fair Value	1-5 Years	Total
Investments type:			
Certificates of Deposit	$ -	$ 176,432	$ 176,432
New Hampshire Public Deposit Investment Pool	302,260	-	302,260
Equity mutual funds	16,848	-	16,848
Fixed income mutual funds	7,221	-	7,221
Total fair value	$ 326,329	$ 176,432	$ 502,761

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 has 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.

Concentration of Credit Risk – The Town places no limit on the amount it may invest in any one issuer. More than 5% of the Town's investments are in Woodsville Guaranty Savings Bank and New Hampshire Public Deposit Investment Pool. These investments are 35.1% and 60.1%, respectively, of the Town's total investments.

NOTE 5 – TAXES RECEIVABLE

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of December 31, 2014. The amount has been reduced by an allowance for an estimated uncollectible amount of $55,000. Taxes receivable by year are as follows:

	As reported on:	
	Exhibit A	Exhibit C-1
Property:		
Levy of 2014	$ 699,758	$ 699,758
Unredeemed (under tax lien):		
Levy of 2013	214,675	214,675
Levy of 2012	158,628	158,628
Levies of 2011 and prior	14,804	14,804
Less: allowance for estimated uncollectible taxes	(55,000)	-
Net taxes receivable	$ 1,032,865	$ 1,087,865

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014 consisted of the following:

	Balance, beginning	Additions	Disposals	Balance, ending
At cost:				
Not being depreciated:				
Land	$ 154,045	$ -	$ -	$ 154,045
Construction in progress	300,966	-	(300,966)	-
Total capital assets not being depreciated	455,011	-	(300,966)	154,045
Being depreciated:				
Land improvements	357,832	-	-	357,832
Buildings and building improvements	474,337	378,770	-	853,107
Equipment and vehicles	638,747	63,250	-	701,997
Infrastructure	118,292	137,595	-	255,887
Total capital assets being depreciated	1,589,208	579,615	-	2,168,823
Total all capital assets	2,044,219	579,615	(300,966)	2,322,868
Less accumulated depreciation:				
Land improvements	(182,726)	(12,208)	-	(194,934)
Buildings and building improvements	(123,096)	(10,888)	-	(133,984)
Equipment and vehicles	(373,107)	(64,592)	-	(437,699)
Infrastructure	(1,382)	(9,354)	-	(10,736)
Total accumulated depreciation	(680,311)	(97,042)	-	(777,353)
Net book value, capital assets being depreciated	908,897	482,573	-	1,391,470
Net book value, all capital assets	$ 1,363,908	$ 482,573	$ (300,966)	$ 1,545,515

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	$ 7,618
Public safety	19,847
Highways and streets	42,399
Culture and recreation	27,178
Total depreciation expense	$ 97,042

NOTE 7 – INTERGOVERNMENTAL PAYABLES

Amounts due to other governments of $2,190,711 at December 31, 2014 consisted of the following at December 31, 2014:

General fund:	
Balance of the 2014-2015 district assessment due to the Thornton School District	$ 1,441,967
Balance of the 2014-2015 district assessment due to the Pemi-Baker Regional School District	706,087
Assessment due to the Waterville Estates Village District	39,808
Fees due to the State of New Hampshire	1,741
Total general fund	2,189,603
Agency fund:	
Balance due to the Thornton School District	1,108
Total intergovernmental payables due	$ 2,190,711

NOTE 8 – DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources in the amount of $202,909 reported in the general fund at December 31, 2014 consisted of the following:

	General Fund
Property taxes not collected within 60 days of fiscal year-end	$ 186,392
Property taxes collected in advance of billing	16,517
Total deferred inflows of resources	$ 202,909

NOTE 9 – LONG-TERM LIABILITIES

Changes in the Town's long-term liabilities consisted of the following for the year ended December 31, 2014:

	Balance, January 1, 2014	Reductions	Balance, December 31, 2014	Due Within One Year
Compensated absences	$ 8,252	$ (2,275)	$ 5,977	$ -
Accrued landfill postclosure care costs	25,500	-	25,500	1,020
Total long-term liabilities	$ 33,752	$ (2,275)	$ 31,477	$ 1,020

Accrued Landfill Postclosure Care Costs – The Town ceased operating its landfill in prior years. Federal and State laws and regulations require that the Town place a final cover on its landfill when closed and 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 liability for landfill postclosure care costs has a balance of $25,500 as of December 31, 2014. The estimated total current cost of the landfill postclosure care is based on the amount that would be paid if all equipment, facilities, and services required to monitor, and maintain the landfill were acquired as of December 31, 2014. 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.

NOTE 10 – GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the government-wide Statement of Net Position at December 31, 2014 include the following:

Net investment in capital assets:	
Net property, buildings, and equipment	$ 1,545,515
Restricted:	
Nonexpendable permanent funds	240,032
Expendable permanent funds	827
Total restricted	240,859
Unrestricted	1,937,693
Total net position	$ 3,724,067

NOTE 11 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at December 31, 2014 include the following:

Nonspendable:		
Major fund:		
General:		
Tax deeded property, subject to resale	$ 101,603	
Nonmajor fund:		
Permanent fund - principal balance	240,032	
Total nonspendable fund balance		$ 341,635
Restricted:		
Major fund:		
General:		
Library	$ 7,551	
Nonmajor fund:		
Permanent - income balance	827	
Total restricted fund balance		8,378
Committed:		
Major fund:		
General fund:		
Expendable trust	$ 663,954	
Nonmajor fund:		
Conservation commission	6,056	
Total committed fund balance		670,010
Unassigned:		
Major fund:		
General		1,058,614
Total governmental fund balances		$ 2,078,637

NOTE 12 – PRIOR PERIOD ADJUSTMENTS

Fund balance at January 1, 2014 was restated to give retroactive effect to the following prior period adjustments:

	General Fund	Other Governmental Funds
To record change in calculation relating to property taxes not collected within 60 days of the fiscal year-end	$ 779,195	$ -
To remove the conservation commission from the general fund	(6,050)	6,050
Fund balance, as previously reported	1,081,574	240,616
Fund balance, as restated	$ 1,854,719	$ 246,666

NOTE 13 – EMPLOYEE RETIREMENT PLAN

The Town participates in the New Hampshire Retirement System (the System) which is the administrator of a cost-sharing multiple-employer contributory pension plan and trust established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Provision for benefits and contributions are established and can be amended by the New Hampshire Legislature. The System issues a publicly available financial report that may be obtained by writing the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301.

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 2014, all employees except police officers and firefighters were required to contribute 7% of earnable compensation. The contribution rate was 11.55% for police officers. The Town's contribution rates for 2014 for pension and medical subsidy were 25.30% for police officers and 10.77% for all other employees.

The contribution requirements for the Town of Thornton for the fiscal years 2012, 2013, and 2014 were $67,223, $74,095, and $88,126, respectively, which were paid in full in each year.

NOTE 14 – 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. There is one participant currently eligible. 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, 2014 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 15 – 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;

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, 2014

	Encumbered from Prior Year	Appropriations	Expenditures	Variance Positive (Negative)
Current:				
General government:				
Executive	$ -	$ 157,234	$ 145,348	$ 11,886
Election and registration	-	42,148	39,414	2,734
Financial administration	-	107,383	96,726	10,657
Revaluation of property	-	99,176	102,860	(3,684)
Legal	-	25,000	8,209	16,791
Personnel administration	-	287,055	284,290	2,765
Planning and zoning	-	50,790	42,661	8,129
General government buildings	2,550	33,001	30,631	4,920
Cemeteries	-	24,500	24,439	61
Insurance, not otherwise allocated	-	44,498	47,554	(3,056)
Advertising and regional associations	-	796	795	1
Other	-	8,751	6,397	2,354
Total general government	2,550	880,332	829,324	53,558
Public safety:				
Police	-	363,769	359,856	3,913
Fire	-	292,063	291,529	534
Building inspection	-	12,050	8,502	3,548
Emergency management	-	1,500	1,000	500
Total public safety	-	669,382	660,887	8,495
Highways and streets	-	478,361	406,992	71,369
Sanitation:				
Administration	-	2,098	2,098	-
Solid waste collection	-	147,273	151,002	(3,729)
Solid waste disposal	-	232,000	217,965	14,035
Solid waste clean-up	-	500	994	(494)
Other	-	100	100	-
Total sanitation	-	381,971	372,159	9,812
Health:				
Administration	-	1,305	881	424
Health agencies	-	64,393	64,393	-
Total health	-	65,698	65,274	424
Welfare:				
Administration	-	5,252	5,195	57
Direct assistance	-	26,800	13,926	12,874
Total welfare	-	32,052	19,121	12,931
Culture and recreation:				
Parks and recreation	-	1	-	1
Library	-	48,314	42,781	5,533
Patriotic purposes	-	500	316	184
Other	-	1,500	1,500	-
Total culture and recreation	-	50,315	44,597	5,718

(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, 2014

	Encumbered from Prior Year	Appropriations	Expenditures	Variance Positive (Negative)
Conservation	-	700	245	455
Debt service:				
Interest on tax anticipation notes	-	3,000	-	3,000
Capital outlay	59,310	162,803	219,386	2,727
Other financing uses:				
Transfers out	-	277,613	277,613	-
Total appropriations, expenditures, other financing uses, and encumbrances	$ 61,860	$ 3,002,227	$ 2,895,598	$ 168,489

SCHEDULE 3
TOWN OF THORNTON, NEW HAMPSHIRE
Major General Fund
Schedule of Changes in Unassigned Fund Balance
For the Fiscal Year Ended December 31, 2014

Unassigned fund balance, beginning (Non-GAAP Budgetary Basis)		$ 1,199,277
Changes:		
Unassigned fund balance used to reduce 2014 tax rate		(250,000)
2014 Budget summary:		
Revenue surplus (Schedule 1)	$ 56,865	
Unexpended balance of appropriations (Schedule 2)	168,489	
2014 Budget surplus		225,354
Decrease in nonspendable fund balance		15,375
Unassigned fund balance, ending (Non-GAAP Budgetary Basis, Exhibit D)		1,190,006
Reconciliation of Non-GAAP Budgetary Basis to GAAP Basis:		
To record deferred inflows of resources for property taxes not collected within 60 days of the fiscal year-end, not recognized on a budgetary basis		(186,392)
To remove allowance for uncollectible property taxes, recognized on a budgetary basis, but not on a GAAP basis		55,000
Unassigned fund balance, ending (GAAP basis, Exhibit C-1)		$ 1,058,614

SCHEDULE 4
TOWN OF THORNTON, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2014

	Special Revenue Fund Conservation Commission	Permanent Fund	Total
ASSETS			
Cash and cash equivalents	$ 6,056	$ 42,200	$ 48,256
Investments	-	200,501	200,501
Total assets	$ 6,056	$ 242,701	$ 248,757
LIABILITIES			
Interfund payable	$ -	$ 1,842	$ 1,842
FUND BALANCES			
Nonspendable	-	240,032	240,032
Restricted	-	827	827
Committed	6,056	-	6,056
Total fund balances	6,056	240,859	246,915
Total liabilities and fund balances	$ 6,056	$ 242,701	$ 248,757

SCHEDULE 5

TOWN OF THORNTON, NEW HAMPSHIRE

Nonmajor Governmental Funds

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances

For the Fiscal Year Ended December 31, 2014

	Special Revenue Fund		
	Conservation Commission	Permanent Fund	Total
REVENUES			
Miscellaneous	$ 6	$ 3,256	$ 3,262
EXPENDITURES			
Current:			
General government	-	1,171	1,171
Excess of revenues over expenditures	6	2,085	2,091
OTHER FINANCING USES			
Transfers out	-	(1,842)	(1,842)
Net change in fund balances	6	243	249
Fund balances, beginning, as restated (see Note 12)	6,050	240,616	246,666
Fund balances, ending	$ 6,056	$ 240,859	$ 246,915