

**TOWN OF THORNTON,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2015**

TOWN OF THORNTON, NEW HAMPSHIRE
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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, 2015, 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 from material misstatement.

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

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

Basis for Adverse Opinion on Governmental Activities

As discussed in Note 18 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, 2015, or the changes in financial position thereof for the year then ended.

*Town of Thornton
Independent Auditor's Report*

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, 2015, and the respective changes in financial position and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1-Q to the financial statements, in 2015 the Town changed its method of accounting for pension reporting with the adoption of Governmental Accounting Standards Board Statement No. 68 *Accounting, and Financial Reporting for Pensions-an amendment of GASB Statement No. 27* and as amended by Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68*. Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information - Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of the Town's Proportionate Share of Net Pension Liability, and the Schedule of the Town Contributions 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 combining and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund 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 schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

October 20, 2016

*Blodzik & Sanderson
Professional Association*

**TOWN OF THORNTON, NEW HAMPSHIRE
MANAGEMENT’S DISCUSSION AND ANALYSIS
YEAR ENDING DECEMBER 31, 2015**

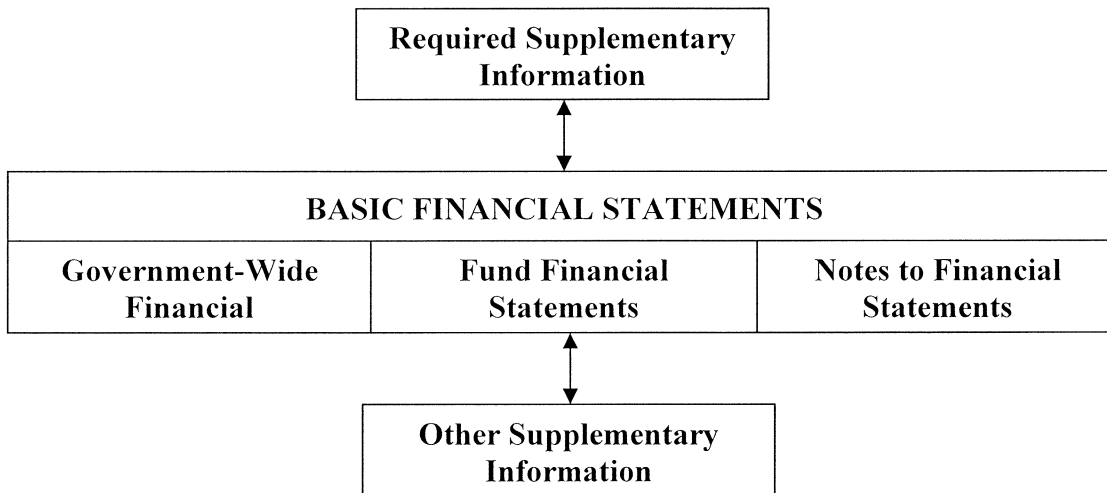
The following is a discussion and analysis of the activities of the Town of Thornton, New Hampshire (the “Town”) for the year ending December 31, 2015. Readers are encouraged to consider the information presented here in conjunction with the Town’s financial statements.

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 five components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements
4. Required supplementary information (Management’s Discussion and Analysis, Schedule of the Town’s Proportionate Share of Net Pension Liability and the Schedule of Town Contributions)
5. Other supplementary information



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, deferred outflow of resources, liabilities and deferred inflow of resources with the difference between the four 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

**TOWN OF THORNTON, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDING DECEMBER 31, 2015**

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 parties 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 2015 is the General Fund.

**TOWN OF THORNTON, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDING DECEMBER 31, 2015**

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.	

**TOWN OF THORNTON, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDING DECEMBER 31, 2015**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

The Town's net position totaled \$3,056,069 at the end of 2015, an increase of \$255,960 or 9% 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 \$219,176, taxes receivable in the amount of \$16,933 and net capital infrastructure improvements of \$117,948. These increases in assets were offset by decreases in investments in the amount of (\$20,888), intergovernmental receivable in the amount of (\$21,075) and tax deeded property in the amount of (\$14,592). Additionally, there were decreases in accounts payable in the amount of (\$10,851), amounts related to pensions of (\$13,901), accrued landfill postclosure care costs in the amount of (\$14,280) and deferred inflows of resources of (\$33,445) which were partially offset by an increase in intergovernmental payable of \$82,398, accrued wages and salaries in the amount of \$6,022.

As of December 31, 2015, the Town implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which requires the Town to report their proportionate share of the New Hampshire Retirement System's net pension liability based upon their plan contributions for the year. The New Hampshire Retirement System has a statutory funding schedule whose goal is to reach 100% plan funding by June 30, 2039.

	Governmental Activities - 2014 (Restated)	Governmental Activities - 2015	Change
Current assets	\$ 4,548,210	\$ 4,725,532	\$ 177,322
Restricted assets	-	10,080	10,080
Capital assets	1,545,515	1,663,463	117,948
Total assets	<u>6,093,725</u>	<u>6,399,075</u>	<u>305,350</u>
Deferred outflow of resources	<u>102,815</u>	<u>88,914</u>	<u>(13,901)</u>
Current liabilities	2,337,060	2,414,333	77,273
Long-term liabilities	928,011	919,672	(8,339)
Total liabilities	<u>3,265,071</u>	<u>3,334,005</u>	<u>68,934</u>
Deferred inflow of resources	<u>131,360</u>	<u>97,915</u>	<u>(33,445)</u>
Net position:			
Net investment in			
capital assets	1,545,515	1,663,463	117,948
Restricted	240,859	243,671	2,812
Unrestricted	1,013,735	1,148,935	135,200
Total net position	<u>\$ 2,800,109</u>	<u>\$ 3,056,069</u>	<u>\$ 255,960</u>

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

**TOWN OF THORNTON, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDING DECEMBER 31, 2015**

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 \$255,960. Total revenues of \$2,639,080 exceeded expenses of \$2,383,120.

Property and other taxes generated \$1,372,346 in revenues for the Town. Motor vehicle, permit fees, licenses and other fees generated \$462,476 in revenues. Other revenues consisted of charges for services, grants, contributions and miscellaneous revenues.

Changes in net position for the year ending December 31, 2015 are as follows:

	Governmental Activities - 2014 (Restated)	Governmental Activities - 2015	Change
<i>Revenues:</i>			
Program revenues:			
Charges for services	\$ 325,033	\$ 331,059	\$ 6,026
Operating grants and contributions	88,687	178,163	89,476
General revenues:			
Property and other taxes	1,447,370	1,372,346	(75,024)
Licenses and permits	455,977	462,476	6,499
Grants and contributions	121,443	121,640	197
Interest and investment earnings	-	-	-
Miscellaneous	131,137	173,396	42,259
Total revenues	<u>2,569,647</u>	<u>2,639,080</u>	<u>69,433</u>
<i>Expenditures:</i>			
General government	850,392	791,073	(59,319)
Public safety	678,870	714,575	35,705
Highways and streets	389,798	332,542	(57,256)
Sanitation	399,596	384,779	(14,817)
Health and welfare	84,395	81,127	(3,268)
Culture and recreation	70,335	78,754	8,419
Conservation efforts	245	270	25
Total expenditures	<u>2,473,631</u>	<u>2,383,120</u>	<u>(90,511)</u>
Increase in net position	96,016	255,960	159,944
Net position, beginning of year	2,704,093	2,800,109	96,016
Net position, end of year	<u>\$ 2,800,109</u>	<u>\$ 3,056,069</u>	<u>\$ 255,960</u>

**TOWN OF THORNTON, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDING DECEMBER 31, 2015**

The Town's expenses cover a range of services. The largest expenses were for general government (33.19%), public safety (29.98%), sanitation (16.15%) and highways and streets (13.95%), which accounted for 93.28% 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 \$1,123,070 while total General Fund equity was \$2,000,269. The total fund equity includes nonspendable, restricted, committed, assigned and unassigned fund balances at year-end. The General Fund unassigned fund balance increased by \$64,456 from December 31, 2014.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues on the budgetary basis were under the budgeted amount by \$20,147. This is primarily due to lower revenues from the following budgeted sources: \$27,510 from taxes and \$7,849 from miscellaneous sources. These lower than budgeted revenues were partially offset by \$10,076 due to increased revenue from licenses, permits and fees and \$4,077 from intergovernmental.

The Town under expended its budget by \$232,058. This is primarily due to savings realized in financial administration of \$9,360, personnel administration of \$53,648, planning and zoning of \$22,043, public safety \$46,254, highway and streets of \$69,872, sanitation – solid waste disposal of \$9,414, health and welfare of \$15,142, culture and recreation of \$8,858 and interest on tax anticipation notes of \$2,500. These savings were slightly offset by over expending the budget in legal by \$19,000.

OTHER FINANCIAL HIGHLIGHTS

There were no monies encumbered at the end of 2014. \$29,776 of the remaining 2015 appropriations were encumbered to offset 2016 expenditures for various operating commitments.

CAPITAL ASSET AND LONG-TERM OBLIGATIONS

Capital Assets

The Town considers a capital asset to be an asset whose cost exceeds \$10,000 and has an estimated minimum useful life in excess of one year. Capital assets are depreciated using the straight-line method over the course of the assets estimated useful life.

**TOWN OF THORNTON, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDING DECEMBER 31, 2015**

The Town's gross investment in capital assets for its governmental activities as of December 31, 2015 amounts to \$2,528,543 with \$865,080 in accumulated depreciation. The net book value of capital assets for governmental activities is \$1,663,463 as of December 31, 2015. This investment in capital assets includes vehicles and equipment, building and building improvements and land and land improvements. See Note 8 of the Notes to the Basic Financial Statements for a summary of all capital assets.

Long-Term Obligations

During 2015, the Town made long-term obligation additions in the amount of \$3,380 and payments totaling \$14,280. See Note 12 of the Notes to the Basic Financial Statements for a summary of all outstanding long-term obligations. GASB #34 requires that these liabilities be reflected as a reduction in net position.

ECONOMIC CONDITIONS

The Town is not planning any new building projects at this time.

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

The Town is continuing to actively pursue the use of capital reserve accounts to save monies incrementally that will be used toward the payment of future purchases. Several new capital reserves were requested and approved in 2015.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town's finances for all of Thornton citizens, taxpayers, and creditors. This financial report seeks to demonstrate the Town's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Town of Thornton, Selectmen's Office, 16 Merrill Access Road, Thornton, NH 03285.

BASIC FINANCIAL STATEMENTS

EXHIBIT A
TOWN OF THORNTON, NEW HAMPSHIRE
Statement of Net Position
December 31, 2015

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 3,047,830
Investments	481,873
Taxes receivable (net)	1,049,798
Intergovernmental receivable	59,020
Tax deeded property, subject to resale	87,011
Restricted assets:	
Cash and cash equivalents	10,080
Capital assets:	
Land and construction in progress	154,045
Other capital assets, net of depreciation	1,509,418
Total assets	6,399,075
DEFERRED OUTFLOWS OF RESOURCES	
Amounts related to pensions	88,914
LIABILITIES	
Accounts payable	61,550
Accrued salaries and benefits	54,858
Intergovernmental payable	2,286,377
Escrow and performance bonds	10,528
Long-term liabilities:	
Due within one year	1,020
Due in more than one year	19,557
Net pension liability	900,115
Total liabilities	3,334,005
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - Property taxes	13,046
Amounts related to pensions	84,869
Total deferred inflows of resources	97,915
NET POSITION	
Net investment in capital assets	1,663,463
Restricted	243,671
Unrestricted	1,148,935
Total net position	\$ 3,056,069

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

EXHIBIT B
TOWN OF THORNTON, NEW HAMPSHIRE
Statement of Activities
For the Fiscal Year Ended December 31, 2015

	Expenses	Program Revenues		Net (Expense) Revenue and Change In Net Position
		Charges for Services	Operating Grants and Contributions	
General government	\$ 791,073	\$ -	\$ -	\$ (791,073)
Public safety	714,575	56,224	-	(658,351)
Highways and streets	332,542	-	175,091	(157,451)
Sanitation	384,779	274,835	-	(109,944)
Health	65,617	-	-	(65,617)
Welfare	15,510	-	-	(15,510)
Culture and recreation	78,754	-	-	(78,754)
Conservation	270	-	3,072	2,802
Total governmental activities	<u>\$ 2,383,120</u>	<u>\$ 331,059</u>	<u>\$ 178,163</u>	<u>(1,873,898)</u>
General revenues:				
Taxes:				
Property				1,179,664
Other				192,682
Motor vehicle permit fees				453,429
Licenses and other fees				9,047
Grants and contributions not restricted to specific programs				121,640
Miscellaneous				173,396
Total general revenues				<u>2,129,858</u>
Change in net position				255,960
Net position, beginning, as restated (see Note 16)				2,800,109
Net position, ending				<u>\$ 3,056,069</u>

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

EXHIBIT C-1
TOWN OF THORNTON, NEW HAMPSHIRE
Governmental Funds
Balance Sheet
December 31, 2015

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 2,949,025	\$ 98,805	\$ 3,047,830
Investments	283,340	198,533	481,873
Taxes receivable	1,104,798	-	1,104,798
Intergovernmental receivable	59,020	-	59,020
Interfund receivable	47,606	2,150	49,756
Voluntary tax liens	19,303	-	19,303
Voluntary tax liens reserved until collected	(19,303)	-	(19,303)
Tax deeded property, subject to resale	87,011	-	87,011
Restricted assets:			
Cash and cash equivalents	10,080	-	10,080
Total assets	<u>\$ 4,540,880</u>	<u>\$ 299,488</u>	<u>\$ 4,840,368</u>
LIABILITIES			
Accounts payable	\$ 61,550	\$ -	\$ 61,550
Accrued salaries and benefits	54,858	-	54,858
Intergovernmental payable	2,286,377	-	2,286,377
Interfund payable	2,150	47,606	49,756
Escrow and performance deposits	10,528	-	10,528
Total liabilities	<u>2,415,463</u>	<u>47,606</u>	<u>2,463,069</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - Property taxes	125,148	-	125,148
FUND BALANCES			
Nonspendable	87,011	229,086	316,097
Restricted	1,392	14,585	15,977
Committed	759,020	8,211	767,231
Assigned	29,776	-	29,776
Unassigned	1,123,070	-	1,123,070
Total fund balances	<u>2,000,269</u>	<u>251,882</u>	<u>2,252,151</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,540,880</u>	<u>\$ 299,488</u>	<u>\$ 4,840,368</u>

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

EXHIBIT C-2
TOWN OF THORNTON, NEW HAMPSHIRE
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
December 31, 2015

Total fund balances of governmental funds (Exhibit C-1)	\$	2,252,151
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources, therefore, are not reported in the funds.		
Cost	\$	2,528,543
Less accumulated depreciation		<u>(865,080)</u>
		1,663,463
Certain resources are not current financial resources in the governmental funds, but instead are reported in the Statement of Net Position.		
Deferred outflows of resources related to pensions	\$	88,914
Deferred inflows of resources related to pensions		<u>(84,869)</u>
		4,045
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$	(49,756)
Payables		<u>49,756</u>
		-
Property taxes are recognized on an accrual basis in the Statement of Net Position and on a modified accrual basis in the governmental funds.		
Deferred inflows of resources - property taxes	\$	112,102
Allowance for uncollectible property taxes		<u>(55,000)</u>
		57,102
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the funds.		
Compensated absences	\$	9,357
Accrued landfill postclosure care costs		11,220
Net pension liability		<u>900,115</u>
		<u>(920,692)</u>
Net position of governmental activities (Exhibit A)	\$	<u><u>3,056,069</u></u>

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

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, 2015

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 1,444,486	\$ 2,150	\$ 1,446,636
Licenses and permits	462,476	-	462,476
Intergovernmental	299,803	-	299,803
Charges for services	331,059	-	331,059
Miscellaneous	113,128	4,581	117,709
Total revenues	<u>2,650,952</u>	<u>6,731</u>	<u>2,657,683</u>
EXPENDITURES			
Current:			
General government	781,451	-	781,451
Public safety	688,000	-	688,000
Highways and streets	391,834	-	391,834
Sanitation	363,747	-	363,747
Health	65,617	-	65,617
Welfare	15,510	-	15,510
Culture and recreation	78,761	-	78,761
Conservation	270	-	270
Capital outlay	84,603	-	84,603
Total expenditures	<u>2,469,793</u>	<u>-</u>	<u>2,469,793</u>
Excess of revenues over expenditures	<u>181,159</u>	<u>6,731</u>	<u>187,890</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	1,764	-	1,764
Transfers out	-	(1,764)	(1,764)
Total other financing sources (uses)	<u>1,764</u>	<u>(1,764)</u>	<u>-</u>
Net change in fund balances	182,923	4,967	187,890
Fund balances, beginning, as restated (see Note 16)	1,817,346	246,915	2,064,261
Fund balances, ending	<u>\$ 2,000,269</u>	<u>\$ 251,882</u>	<u>\$ 2,252,151</u>

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, 2015

Net change in fund balances of governmental funds (Exhibit C-3)		\$ 187,890
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	\$ 205,675	
Depreciation expense	<u>(99,937)</u>	
		105,738
The net effect of various miscellaneous transactions involving capital assets (i.e. sales and donations) is to increase net assets.		12,210
Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expenses.		
Contributions subsequent to the measurement date	\$ 40,770	
Net pension expense	<u>(27,258)</u>	
		13,512
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (1,764)	
Transfers out	<u>1,764</u>	
		-
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		(74,290)
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.		
Increase in compensated absences payable	\$ (3,380)	
Decrease in accrued landfill postclosure care costs	<u>14,280</u>	
		<u>10,900</u>
Changes in net position of governmental activities (Exhibit B)		<u>\$ 255,960</u>

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, 2015

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,397,706	\$ 1,397,706	\$ 1,370,196	\$ (27,510)
Licenses and permits	452,400	452,400	462,476	10,076
Intergovernmental	495,726	295,726	299,803	4,077
Charges for services	130,000	330,000	331,059	1,059
Miscellaneous	118,300	118,300	110,451	(7,849)
Total revenues	<u>2,594,132</u>	<u>2,594,132</u>	<u>2,573,985</u>	<u>(20,147)</u>
EXPENDITURES				
Current:				
General government	872,635	872,635	792,747	79,888
Public safety	734,254	734,254	688,000	46,254
Highways and streets	480,181	480,181	410,309	69,872
Sanitation	373,161	373,161	363,747	9,414
Health	65,933	65,933	65,617	316
Welfare	30,336	30,336	15,510	14,826
Culture and recreation	79,732	50,732	41,874	8,858
Conservation	400	400	270	130
Debt service:				
Interest	2,500	2,500	-	2,500
Capital outlay	-	84,603	84,603	-
Total expenditures	<u>2,639,132</u>	<u>2,694,735</u>	<u>2,462,677</u>	<u>232,058</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(45,000)</u>	<u>(100,603)</u>	<u>111,308</u>	<u>211,911</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	84,603	112,642	28,039
Transfers out	(205,000)	(234,000)	(234,000)	-
Total other financing sources (uses)	<u>(205,000)</u>	<u>(149,397)</u>	<u>(121,358)</u>	<u>28,039</u>
Net change in fund balances	<u>\$ (250,000)</u>	<u>\$ (250,000)</u>	(10,050)	<u>\$ 239,950</u>
Decrease in nonspendable fund balance			14,592	
Unassigned fund balance, beginning as restated (see Note 16)			1,175,630	
Unassigned fund balance, ending			<u>\$ 1,180,172</u>	

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 Net Position
December 31, 2015

	Private Purpose Trust	Agency
ASSETS		
Cash and cash equivalents	\$ 1,526	\$ 1,111
LIABILITIES		
Intergovernmental payable	-	1,111
NET POSITION		
Held in trust for specific purposes	\$ 1,526	\$ -

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 Net Position
For the Fiscal Year Ended December 31, 2015

	Private Purpose Trust
ADDITIONS	
Interest	\$ 2
DEDUCTIONS	
Scholarships	1,500
Change in net position	(1,498)
Net position, beginning	3,024
Net position, ending	\$ 1,526

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, 2015

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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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, deferred outflows of resources, liabilities, deferred inflows of resources, 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 expense of a given function is 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 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

TOWN OF THORNTON, NEW HAMPSHIRE
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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 reported amounts of assets, deferred inflows/outflows, and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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.

Fiduciary Funds – The Town also reports the following fiduciary funds:

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

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

TOWN OF THORNTON, NEW HAMPSHIRE
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1-E Restricted Assets

Certain cash balances are classified as restricted assets on the balance sheet because their use is designated for a specific purpose and therefore not available for immediate and general use by the Town.

1-F Investments

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

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

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

Any person who directly or indirectly receives any such funds or moneys for deposit or for investment in securities of any kind shall, 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-G 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-H 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-I 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 capital assets are recorded at their estimated fair value at the date of donation.

Land and construction in progress are not depreciated. The other property, plant, and equipment of the Town are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Capital Asset Classes:	
Land improvements	30
Buildings and building improvements	10-50
Equipment and vehicles	3-20
Infrastructure	20

TOWN OF THORNTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets are not capitalized and related depreciation is not reported in the fund financial statements.

1-J Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses) until then.

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(s) and so will not be recognized as an inflow of resources (revenue) until that time.

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. Warrants for the year were issued on April 20, 2015 and November 1, 2015. 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, 2015 utilized in the setting of the tax rate was as follows:

For the New Hampshire education tax	\$ 356,694,237
For all other taxes	\$ 363,694,237

The tax rates and amounts assessed for the year ended December 31, 2015 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$3.57	\$ 1,300,261
School portion:		
State of New Hampshire	\$2.60	927,902
Local	\$11.37	4,136,814
County portion	\$1.56	567,017
Precinct portions:		
Waterville Estates Village District	\$15.64	291,455
Total		\$ 7,223,449

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.

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

TOWN OF THORNTON, NEW HAMPSHIRE
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1-M Long-term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the governmental activities.

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 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* – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

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.

TOWN OF THORNTON, NEW HAMPSHIRE
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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 Town’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 Associated (NHGFOA), which are as follows:

- a. 5% to 15% of the regular general fund operating revenues, or
- b. 8% to 17% of regular general fund operating expenditures.

1-Q Defined Benefit Pension Plan

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* requires participating employers to recognize their proportionate share of collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense, and schedules have been prepared to provide employers with their calculated proportionate share of these amounts. The collective amounts have been allocated based on employer contributions during the respective fiscal years. Contributions from employers are recognized when legally due, based on statutory requirements.

The schedules prepared by New Hampshire Retirement System, and audited by the plan’s independent auditors, require management to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature and uncertainty of these estimates, actual results could differ, and the differences may be material.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

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

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

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

State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. For the fiscal year 2015, \$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.

TOWN OF THORNTON, NEW HAMPSHIRE
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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)	\$ 2,686,627
Adjustment:	
Basis difference:	
GASB Statement No. 54:	
To record revenue of the blended funds	2,677
To eliminate transfers between blended funds	(110,878)
Change in property tax revenue relating to 60-day revenue recognition	74,290
Per Exhibit C-3 (GAAP basis)	<u>\$ 2,652,716</u>
Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 2,696,677
Adjustment:	
Basis differences:	
Encumbrances, beginning	-
Encumbrances, ending	(29,776)
GASB Statement No. 54:	
To record expenditures of the blended funds	36,892
To eliminate transfers between blended funds	(234,000)
Per Exhibit C-3 (GAAP basis)	<u>\$ 2,469,793</u>

2-C Change in Accounting Principle

Effective July 1, 2014, the Town implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The requirements of this Statement change the way the School District calculates and reports the costs and obligations associated with pensions. As a result of implementing GASB Statement No. 68 the Town has restated the beginning net position in the government-wide Statement of Net Position, effectively decreasing net position as of January 1, 2015 by \$909,582 (see Note 16). The reduction accounts for the associated net position liability, deferred inflows of resources, and deferred outflows of resources related to pensions.

Also, the Town adopted GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68*. This Statement addresses and issue in Statement No. 68 concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employer and nonemployer contributing entities.

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

At December 31, 2015, the reported amount of the Town’s deposits was \$3,060,547 and the bank balance was \$3,060,033. All of the bank balance was covered by federal depository insurance or by collateral held by the Town’s agent in the Town’s name.

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Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 3,057,910
Cash per Statement of Net Position - Fiduciary Funds (Exhibit E-1)	<u>2,637</u>
Total cash and cash equivalents	<u><u>\$ 3,060,547</u></u>

NOTE 4 – RESTRICTED CASH

Cash in the amount of \$10,080 has been classified as restricted at December 31, 2015 as its use has been earmarked specifically for the payment of escrow accounts.

NOTE 5 – INVESTMENTS

Note 1-F 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, 2015, this Town had the following investments and maturities:

	<u>Fair Value</u>	<u>1-5 Years</u>	<u>Total</u>
Investments type:			
Certificates of Deposit	\$ -	\$ 177,567	\$ 177,567
New Hampshire Public Deposit Investment Pool	283,339	-	283,339
Equity mutual funds	20,967	-	20,967
Total fair value	<u>\$ 304,306</u>	<u>\$ 177,567</u>	<u>\$ 481,873</u>

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.

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 but are covered fully by federal depository insurance. These investments represent 37% of the Town’s total investments.

NOTE 6 – TAXES RECEIVABLE

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of December 31, 2015. The amount has been reduced by an allowance for an estimated uncollectible amount of \$55,000. Taxes receivable by year are as follows:

	<u>As reported on:</u>	
	<u>Exhibit A</u>	<u>Exhibit C-1</u>
Property:		
Levy of 2015	\$ 714,567	\$ 714,567
Unredeemed (under tax lien):		
Levy of 2014	221,943	221,943
Levy of 2013	143,600	143,600
Levies of 2012 and prior	24,688	24,688
Less: allowance for estimated uncollectible taxes	(55,000)	-
Net taxes receivable	<u>\$ 1,049,798</u>	<u>\$ 1,104,798</u>

*The allowance for uncollectible property taxes is not recognized under the modified accrual basis of accounting (Exhibit C-1 and C-3) due to the 60 day rule as explained in Note 1-C. However, the allowance is recognized under the full accrual basis of accounting (Exhibits A and B).

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NOTE 7 – OTHER RECEIVABLES

Receivables at December 31, 2015, consisted of accounts (billings for other user charges). Receivables are recorded on the Town's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

NOTE 8 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015 consisted of the following:

	Balance, beginning	Additions	Disposals	Balance, ending
At cost:				
Not being depreciated:				
Land	\$ 154,045	\$ -	\$ -	\$ 154,045
Being depreciated:				
Land improvements	357,832	-	-	357,832
Buildings and building improvements	853,107	-	-	853,107
Equipment and vehicles	701,997	121,838	(18,500)	805,335
Infrastructure	255,887	102,337	-	358,224
Total capital assets being depreciated	<u>2,168,823</u>	<u>224,175</u>	<u>(18,500)</u>	<u>2,374,498</u>
Total all capital assets	<u>2,322,868</u>	<u>224,175</u>	<u>(18,500)</u>	<u>2,528,543</u>
Less accumulated depreciation:				
Land improvements	(194,934)	(12,208)	-	(207,142)
Buildings and building improvements	(133,984)	(15,007)	-	(148,991)
Equipment and vehicles	(437,699)	(64,249)	12,210	(489,738)
Infrastructure	(10,736)	(8,473)	-	(19,209)
Total accumulated depreciation	<u>(777,353)</u>	<u>(99,937)</u>	<u>12,210</u>	<u>(865,080)</u>
Net book value, capital assets being depreciated	<u>1,391,470</u>	<u>124,238</u>	<u>(6,290)</u>	<u>1,509,418</u>
Net book value, all capital assets	<u>\$ 1,545,515</u>	<u>\$ 124,238</u>	<u>\$ (6,290)</u>	<u>\$ 1,663,463</u>

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	\$ 4,248
Public safety	23,942
Highways and streets	42,684
Culture and recreation	29,063
Total depreciation expense	<u>\$ 99,937</u>

NOTE 9 – INTERFUND BALANCES AND TRANSFERS

Interfund Balances - The composition of interfund balances as of December 31, 2015 is as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor	\$ 47,606
Nonmajor	General	2,150
		<u>\$ 49,756</u>

The outstanding balances among funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

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Interfund Transfers - The composition of interfund transfers for the year ended December 31, 2015 is as follows:

	Transfers In:
	General
	Fund
Transfers out:	
Nonmajor fund	\$ 1,764

During the year, transfers are used to (1) move revenues from the fund with collection authority to the fund responsible for expenditure and (2) move general fund resources to provide an annual subsidy.

NOTE 10 – INTERGOVERNMENTAL PAYABLES

General fund:	
Balance of the 2015-2016 district assessment due to the Thornton School District	\$ 1,367,138
Balance of the 2015-2016 district assessment due to the Pemi-Baker Regional School District	764,062
Assessment due to the Waterville Estates Village District	153,401
Fees due to the State of New Hampshire	1,776
Total general fund	2,286,377
Agency fund:	
Balance due to the Thornton School District	1,111
Total intergovernmental payables due	\$ 2,287,488

NOTE 11 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources of \$88,914 in the governmental activities at December 31, 2015 consists of amounts related to pensions, see Note 17.

Deferred inflows of resources reported in the governmental funds as unavailable revenue are as follows:

	Governmental Activities	General Fund
Property taxes not collected within 60 days of fiscal year-end	\$ -	\$ 112,102
Property taxes collected in advance of billing	13,046	13,046
Amounts related to pensions, see Note 17	84,869	-
Total deferred inflows of resources	\$ 97,915	\$ 125,148

NOTE 12 – LONG-TERM LIABILITIES

Changes in the Town's long-term liabilities consisted of the following for the year ended December 31, 2015:

	Balance, January 1, 2015	Additions	Reductions	Balance, December 31, 2015	Due Within One Year
Compensated absences	\$ 5,977	\$ 3,380	\$ -	\$ 9,357	\$ -
Accrued landfill postclosure care costs	25,500	-	(14,280)	11,220	1,020
Total long-term liabilities	\$ 31,477	\$ 3,380	\$ (14,280)	\$ 20,577	\$ 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 \$11,220 as of December 31, 2015. 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, 2015. 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.

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NOTE 13 – ENCUMBRANCES

Encumbrances outstanding at December 31, 2015 are as follows:

General fund:		
General government	\$	11,301
Highways and streets		18,475
Total encumbrances	\$	<u>29,776</u>

NOTE 14 – GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the government-wide Statement of Net Position at December 31, 2015 include the following:

Net investment in capital assets:		
Net property, buildings, and equipment	\$	<u>1,663,463</u>
Restricted:		
Permanent fund - principal balance		229,086
Permanent fund - income balance		14,585
Total restricted		<u>243,671</u>
Unrestricted		1,148,935
Total net position	\$	<u>3,056,069</u>

NOTE 15 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at December 31, 2015 include the following:

Nonspendable:		
Major fund:		
General:		
Tax deeded property, subject to resale	\$	87,011
Nonmajor fund:		
Permanent - principal balance	<u>229,086</u>	
Total nonspendable fund balance		\$ 316,097
Restricted:		
Major fund:		
General:		
Library	\$	1,392
Nonmajor fund:		
Permanent - income balance	<u>14,585</u>	
Total restricted fund balance		15,977
Committed:		
Major fund:		
General fund:		
Expendable trust	\$	759,020
Nonmajor fund:		
Conservation commission	<u>8,211</u>	
Total committed fund balance		767,231

(continued)

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Governmental fund balances continued:

Assigned:	
Major fund:	
General:	
Encumbrances	29,776
Unassigned:	
Major fund:	
General	1,123,070
Total governmental fund balances	<u><u>\$ 2,252,151</u></u>

NOTE 16 – PRIOR PERIOD ADJUSTMENTS

Net position/fund balance at January 1, 2015 was restated to give retroactive effect to the following prior period adjustments:

	<u>Governmental Activities</u>	<u>General Fund (GAAP Basis) (Exhibit C-3)</u>	<u>General Fund (Non-GAAP Budgetary Basis) (Exhibit D)</u>
To adjust beginning net position for net pension liability, deferred inflows of resources and deferred outflows of resources associated with the implementation of GASB Statements No. 68 and No. 71	\$ (909,582)	\$ -	\$ -
To adjust beginning fund balance of understatement of intergovernmental payable	(14,376)	(14,376)	(14,376)
Net position/fund balance, as previously reported	3,724,067	1,831,722	1,190,006
Net position/fund balance, as restated	<u><u>\$ 2,800,109</u></u>	<u><u>\$ 1,817,346</u></u>	<u><u>\$ 1,175,630</u></u>

NOTE 17 – DEFINED BENEFIT PENSION PLAN

Plan Description: The New Hampshire Retirement System (NHRS or the System) is a public employee retirement system that administers one cost-sharing multiple-employer defined benefit pension plan (Pension Plan), a component unit of the State of New Hampshire, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25. The Pension Plan was 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 Pension Plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters and permanent police officers with in the State are eligible and required to participate in the Pension Plan. The System issues a publically available financial report that may be obtained by writing the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301.

Benefits Provided: The Pension Plan is divided into two membership groups. State and local employees and teachers belong to Group I. Police and firefighters belong to Group II. All assets are held in a single trust and available to pay retirement benefits to all members.

Group I members at age 60 or 65 (for members who commence service after July 1, 2011) qualify for a normal service retirement allowance based on years of creditable service and average final salary for the highest of either three or five years, depending on when their service commenced. The yearly pension amount is 1/60 or 1.667% of average final compensation (AFC), multiplied by years of creditable service. At age 65, the yearly pension amount is recalculated at 1/66 or 1.515% of AFC multiplied by years of creditable service.

Group II members who are age 60, or members who are at least age 45 with at least 20 years of creditable service, can receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years. Members commencing service on or after July 1, 2011 or members who have nonvested status as of January 1, 2012 can receive a retirement allowance

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at age 52.5 with 25 years of service or age 60. The benefit shall be equal to 2% of AFC times creditable service up to 42.5 years. However, a member who commenced service on or after July 1, 2011 shall not receive a retirement allowance until attaining the age of 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service where the allowance shall be reduced, for each month by which the member attains 52.5 years of age by $\frac{1}{4}$ of 1% or age 60.

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

Contributions: 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 2015, all employees except police officers and firefighters were required to contribute 7% of earnable compensation. The contribution rates were 11.55% for police officers and 11.80% for firefighters. The Town's contribution rates for 2015 for pension and medical subsidy were as follows:

<u>Period</u>	<u>Police</u>	<u>Fire</u>	<u>All Other Employees</u>
January 1, 2015 thru June 30, 2015	25.30%	27.74%	10.77%
July 1, 2015 thru December 31, 2015	26.38%	29.16%	11.17%

The contribution requirements for the fiscal years 2013, 2014, and 2015 were \$74,095, \$88,126, and \$84,202, respectively, which were paid in full in each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At December 31, 2015 the Town reported a liability of \$900,115 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2015, the Town's proportion was .02272142% which was a decrease of .0011905% from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the Town recognized pension expense of \$58,159. At December 31, 2015 the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in proportion	\$ 48,144	\$ 41,060
Differences between expected and actual experience	-	19,752
Net difference between projected and actual investment earnings on pension plan investments	-	24,057
Contributions subsequent to the measurement date	40,770	-
Total	<u>\$ 88,914</u>	<u>\$ 84,869</u>

The \$40,770 reported as deferred outflows of resources related to pensions results from the Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending December 31,</u>	
2016	\$ (13,329)
2017	(13,329)
2018	(13,329)
2019	8,717
2020	(5,455)
Totals	<u>\$ (36,725)</u>

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Actuarial Assumptions: The collective total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2014, using the following actuarial assumptions which, accordingly apply to both 2015 and 2014 measurements:

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

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

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2005 – June 30, 2010.

Long-term Rates of Return: The long-term expected rate of return on pension plan investment was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and long-term rates of return for 2015:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted average long-term expected real rate of return 2015</u>
Large Cap Equities	22.50%	3.00%
Small/Mid Cap Equities	7.50%	3.00%
Total domestic equity	<u>30.00%</u>	
Int'l Equities (unhedged)	13.00%	4.00%
Emerging Int'l Equities	7.00%	6.00%
Total international equity	<u>20.00%</u>	
Core Bonds	4.50%	(0.70%)
Short Duration	2.50%	(1.00%)
Global Bonds (unhedged)	11.00%	(0.28%)
Unconstrained Fixed Income	7.00%	(0.16%)
High-Yield Bonds	0.00%	0.00%
Global Bonds (unhedged)	0.00%	0.00%
Emerging Market Debt (external)	0.00%	0.00%
Total fixed income	<u>25.00%</u>	
Private equity	5.00%	5.50%
Private debt	5.00%	4.50%
Real estate	10.00%	3.50%
Opportunistic	5.00%	2.75%
Total alternative investments	<u>25.00%</u>	
Total	<u>100.00%</u>	

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

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Sensitivity of the Town’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following table presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.75% as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.75%) or 1-percentage point higher (8.75%) than the current rate:

Actuarial Valuation Date	1% Decrease 6.75%	Current Single Rate Assumption 7.75%	1% Increase 8.75%
June 30, 2015	\$ 1,184,885	\$ 900,115	\$ 657,348
June 30, 2014	\$ 1,182,225	\$ 897,554	\$ 657,392
June 30, 2013	\$ 1,223,412	\$ 954,284	\$ 728,056

Pension Plan Fiduciary Net Position: Detailed information about the pension plan’s fiduciary net position is available in the separately issued New Hampshire Retirement System Cost-Sharing Multiple Employer Defined Benefit Pension Plan financial report.

NOTE 18 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The Town provides postemployment benefit options for health care to eligible retirees, terminated employees, and their dependents in accordance with the provisions of various employment contracts. The benefit levels, employee contributions, and employer contributions are governed by the Town’s contractual agreements. Expenses for the cost or providing health insurance for currently enrolled retirees are recognized in general fund of the funds financial statements as payments are made.

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, 2015 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 2015, the Town was a member of the New Hampshire Public Risk Management Exchange (Primex³) Workers’ Compensation and Property/Liability Programs. This entity is considered a public entity risk pools, currently operating as common risk management and insurance programs for member Towns and cities.

The New Hampshire Public Risk Management Exchange (Primex³) Workers’ Compensation and Property/Liability Programs is a pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from January 1, 2015 to December 31, 2015 by Primex³, 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, 2015 was \$17,962 for workers’ compensation and \$25,896 for property/liability.

NOTE 20 – CONTINGENCIES

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

The Town participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the government’s compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the government anticipates such amounts, if any, will be immaterial.

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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:

<u>Operating Budget</u>		<u>Capital Budget</u>	
Campton	58%	Campton	60%
Ellsworth	4%	Thornton	40%
Thornton	38%		

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, 2015. 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 December 8, 2014, to cover the period from January 1, 2015 to December 31, 2017. The Town of Thornton pays the bills and requests reimbursement two times a year from the other two communities. Operating costs are assessed as follows:

Campton	64%
Ellsworth	2%
Thornton	34%

NOTE 22 – RELATED PARTY TRANSACTIONS

One of the Town’s selectmen performs sanding and plowing of Town roads. Total payments made to him during the year were \$110. There were no amounts due to or from the company at December 31, 2015. In addition, the Town contracts with a surveying firm owned by another selectman to perform services and the total payments made to him were \$21,967. There were no amounts due to or from his firm at year-end.

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 20, 2016, the date the December 31, 2015 financial statements were available to be issued, and no events occurred that require recognition or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT F
TOWN OF THORNTON, NEW HAMPSHIRE
Schedule of the Town's Proportionate Share of Net Pension Liability
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2015

Valuation Date	Town's Proportion of Net Pension Liability	Proportionate Share of Net Pension Liability	Covered Payroll	Town Proportionate Share of Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2015	0.02272142%	\$ 900,115	\$ 558,717	161.10%	65.47%
June 30, 2014	0.02391192%	\$ 897,554	\$ 568,957	157.75%	66.32%
June 30, 2013	0.02217313%	\$ 954,284	\$ 510,618	186.89%	59.81%

The note to the required supplementary information is an integral part of this schedule.

EXHIBIT G
TOWN OF THORNTON, NEW HAMPSHIRE
Schedule of Town Contributions
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2015

Valuation Date	Contractually Required Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2015	\$ 76,228	\$ 76,228	\$ -	\$ 558,717	13.64%
June 30, 2014	\$ 77,576	\$ 77,576	\$ -	\$ 568,957	13.63%
June 30, 2013	\$ 55,134	\$ 55,134	\$ -	\$ 510,618	10.80%

The note to the required supplementary information is an integral part of this schedule.

TOWN OF THORNTON, NEW HAMPSHIRE
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2015

Schedule of the Town's Proportionate Share of Net Pension Liability & Schedule of Town Contributions

As required by GASB Statement No. 68, and as amended by GASB Statement No. 71, Exhibits F and G represent the actuarial determined costs associated with the Town's pension plan at December 31, 2015.

Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year 2014:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	25 Years beginning July 1, 2014
Asset Valuation Method	5-Year smooth market for funding purposes
Price Inflation	3.0% per year
Wage Inflation	3.75% per year
Salary Increases	5.8% Average, including inflation
Municipal Bond Rate	4.29% per year
Investment Rate of Return	7.75% per year
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2011 valuation pursuant to an experience study of the period 2005-2010.
Mortality	RP-2000 mortality table, projected to 2020 with Scale AA. The table includes a margin of 15% for men and 17% for women for mortality improvements.

Other Information:

Notes Contribution rates for Fiscal Year 2014 were determined based on the benefit changes adopted under House Bill No. 2 as amended by 011-2513-CofC.

COMBINING AND 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, 2015

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 1,199,061	\$ 1,179,664	\$ (19,397)
Land use change	18,500	17,178	(1,322)
Yield	6,000	15,120	9,120
Excavation	900	895	(5)
Payment in lieu of taxes	36,045	36,045	-
Interest and penalties on taxes	128,000	121,294	(6,706)
Other	9,200	-	(9,200)
Total from taxes	<u>1,397,706</u>	<u>1,370,196</u>	<u>(27,510)</u>
Licenses, permits, and fees:			
Business licenses, permits, and fees	200	150	(50)
Motor vehicle permit fees	445,000	453,429	8,429
Building permits	1,200	1,850	650
Other	6,000	7,047	1,047
Total from licenses, permits, and fees	<u>452,400</u>	<u>462,476</u>	<u>10,076</u>
Intergovernmental:			
State:			
Meals and rooms distribution	121,040	121,040	-
Highway block grant	94,686	95,503	817
State and federal forest land reimbursement	-	3,072	3,072
Other	80,000	80,188	188
Total from intergovernmental	<u>295,726</u>	<u>299,803</u>	<u>4,077</u>
Charges for services:			
Income from departments	<u>330,000</u>	<u>331,059</u>	<u>1,059</u>
Miscellaneous:			
Sale of municipal property	58,000	23,899	(34,101)
Interest on investments	300	238	(62)
Other	60,000	86,314	26,314
Total from miscellaneous	<u>118,300</u>	<u>110,451</u>	<u>(7,849)</u>
Other financing sources:			
Transfers in	<u>84,603</u>	<u>112,642</u>	<u>28,039</u>
Total revenues and other financing sources	2,678,735	<u>\$ 2,686,627</u>	<u>\$ 7,892</u>
Unassigned fund balance used to reduce tax rate	250,000		
Total revenues, other financing sources, and use of fund balance	<u>\$ 2,928,735</u>		

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, 2015

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Encumbered to Subsequent Year</u>	<u>Variance Positive (Negative)</u>
Current:				
General government:				
Executive	\$ 172,497	\$ 168,857	\$ 3,700	\$ (60)
Election and registration	39,150	36,897	3,229	(976)
Financial administration	103,250	93,890	-	9,360
Revaluation of property	30,441	30,886	-	(445)
Legal	25,000	44,000	-	(19,000)
Personnel administration	336,361	282,713	-	53,648
Planning and zoning	51,498	29,455	-	22,043
General government buildings	35,701	25,735	4,372	5,594
Cemeteries	24,500	24,248	-	252
Insurance, not otherwise allocated	47,440	40,473	-	6,967
Advertising and regional associations	796	-	-	796
Other	6,001	4,292	-	1,709
Total general government	<u>872,635</u>	<u>781,446</u>	<u>11,301</u>	<u>79,888</u>
Public safety:				
Police	389,235	345,370	-	43,865
Fire	340,767	340,267	-	500
Building inspection	2,752	863	-	1,889
Emergency management	1,500	1,500	-	-
Total public safety	<u>734,254</u>	<u>688,000</u>	<u>-</u>	<u>46,254</u>
Highways and streets	<u>480,181</u>	<u>391,834</u>	<u>18,475</u>	<u>69,872</u>
Sanitation:				
Administration	2,125	2,124	-	1
Solid waste collection	145,934	146,207	-	(273)
Solid waste disposal	225,001	215,316	-	9,685
Solid waste clean-up	1	-	-	1
Other	100	100	-	-
Total sanitation	<u>373,161</u>	<u>363,747</u>	<u>-</u>	<u>9,414</u>
Health:				
Administration	1,219	903	-	316
Health agencies	64,714	64,714	-	-
Total health	<u>65,933</u>	<u>65,617</u>	<u>-</u>	<u>316</u>
Welfare:				
Administration	30,336	5,500	-	24,836
Direct assistance	-	10,010	-	(10,010)
Total welfare	<u>30,336</u>	<u>15,510</u>	<u>-</u>	<u>14,826</u>
Culture and recreation:				
Parks and recreation	1,501	-	-	1,501
Library	48,731	41,189	-	7,542
Patriotic purposes	500	685	-	(185)
Total culture and recreation	<u>50,732</u>	<u>41,874</u>	<u>-</u>	<u>8,858</u>
Conservation	<u>400</u>	<u>270</u>	<u>-</u>	<u>130</u>
Debt service:				
Interest on tax anticipation notes	<u>2,500</u>	<u>-</u>	<u>-</u>	<u>2,500</u>

(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, 2015

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Encumbered to Subsequent Year</u>	<u>Variance Positive (Negative)</u>
Capital outlay	<u>84,603</u>	<u>84,603</u>	<u>-</u>	<u>-</u>
Other financing uses:				
Transfers out	<u>234,000</u>	<u>234,000</u>	<u>-</u>	<u>-</u>
Total appropriations, expenditures, other financing uses, and encumbrances	<u>\$ 2,928,735</u>	<u>\$ 2,666,901</u>	<u>\$ 29,776</u>	<u>\$ 232,058</u>

SCHEDULE 3
TOWN OF THORNTON, NEW HAMPSHIRE
Major General Fund
Schedule of Changes in Unassigned Fund Balance
For the Fiscal Year Ended December 31, 2015

Unassigned fund balance, beginning (Non-GAAP Budgetary Basis), as restated (see Note 16)		\$ 1,175,630
Changes:		
Unassigned fund balance used to reduce 2015 tax rate		(250,000)
2015 Budget summary:		
Revenue surplus (Schedule 1)	\$ 7,892	
Unexpended balance of appropriations (Schedule 2)	<u>232,058</u>	
2015 Budget surplus		239,950
Decrease in nonspendable fund balance		<u>14,592</u>
Unassigned fund balance, ending (Non-GAAP Budgetary Basis, Exhibit D)		1,180,172
<i>Reconciliation of Non-GAAP Budgetary Basis to GAAP Basis:</i>		
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		(112,102)
To remove allowance for uncollectible property taxes, recognized on a budgetary basis, but not on a GAAP basis		<u>55,000</u>
Unassigned fund balance, ending (GAAP basis, Exhibit C-1)		<u><u>\$ 1,123,070</u></u>

SCHEDULE 4
TOWN OF THORNTON, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2015

	Special Revenue Fund		Total
	Conservation Commission	Permanent Fund	
ASSETS			
Cash and cash equivalents	\$ 6,061	\$ 92,744	\$ 98,805
Investments	-	198,533	198,533
Interfund receivable	2,150	-	2,150
Total assets	<u>\$ 8,211</u>	<u>\$ 291,277</u>	<u>\$ 299,488</u>
LIABILITIES			
Interfund payable	<u>\$ -</u>	<u>\$ 47,606</u>	<u>\$ 47,606</u>
FUND BALANCES			
Nonspendable	-	229,086	229,086
Restricted	-	14,585	14,585
Committed	8,211	-	8,211
Total fund balances	<u>8,211</u>	<u>243,671</u>	<u>251,882</u>
Total liabilities and fund balances	<u>\$ 8,211</u>	<u>\$ 291,277</u>	<u>\$ 299,488</u>

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, 2015

	Special Revenue Fund		Total
	Conservation Commission	Permanent Fund	
	_____	_____	
REVENUES			
Taxes	\$ 2,150	\$ -	\$ 2,150
Miscellaneous	5	4,576	4,581
Total revenues	<u>2,155</u>	<u>4,576</u>	<u>6,731</u>
OTHER FINANCING USES			
Transfers out	-	(1,764)	(1,764)
Net change in fund balances	2,155	2,812	4,967
Fund balances, beginning	6,056	240,859	246,915
Fund balances, ending	<u>\$ 8,211</u>	<u>\$ 243,671</u>	<u>\$ 251,882</u>