

TOWN OF THORNTON,  
NEW HAMPSHIRE  
ANNUAL FINANCIAL REPORT  
AS OF AND FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 2016

**TOWN OF THORNTON, NEW HAMPSHIRE**

**ANNUAL FINANCIAL REPORT**

**AS OF AND FOR THE FISCAL YEAR ENDED**

**DECEMBER 31, 2016**

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**PLODZIK & SANDERSON**

*Professional Association/Accountants & Auditors*

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## **INDEPENDENT AUDITOR'S REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, major fund, and aggregate remaining fund information of the Town of Thornton as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

### **Basis for Adverse Opinion on Governmental Activities**

As discussed in Note 13 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, 2016, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Unmodified Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the major fund and aggregate remaining fund information of the Town of Thornton as of December 31, 2016, and the respective changes in financial position and the respective budgetary comparison for the general fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 1-F to the basic financial statements, effective January 1, 2016, the Town adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement, and Application*. As a result of the implementation of GASB Statement No. 72, the Town disclosed its investments in accordance with fair value hierarchy. Our opinion is not modified with respect to this matter.

**Other Matters**

**Required Supplementary Information** - Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Town's Proportionate Share of Net Pension Liability, and the Schedule of 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 them 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 11, 2017

*Bloddy & Sanderson  
Professional Association*

**TOWN OF THORNTON, NEW HAMPSHIRE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDING DECEMBER 31, 2016**

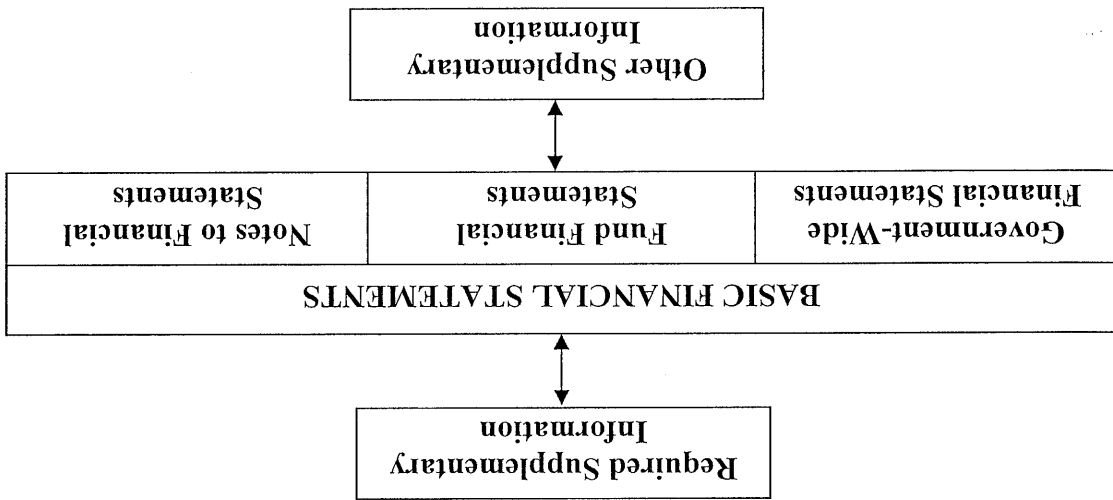
The following is a discussion and analysis of the activities of the Town of Thornton, New Hampshire (the "Town") for the year ending December 31, 2016. Readers are encouraged to consider the information presented here in conjunction with the Town's financial statements.

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.

(continued)

The **Statement of Activities** presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future periods (such as uncollected taxes and earned but unused vacation leave). The governmental activities of the Town include general government, public safety, highways and streets, sanitation, health, welfare, culture and recreation and conservation.

### Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and fiduciary funds.

**Governmental Funds:** Most of the basic services provided by the Town are financed through governmental funds. Unlike the government-wide financial statements, the government 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 2016 is the General Fund.

**TOWN OF THORNTON, NEW HAMPSHIRE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDING DECEMBER 31, 2016**

(continued)

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

Fund Statements		Governmental		Fiduciary	
Government-Wide		Governmental		Fiduciary	
<b>SCOPE</b>	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.		
<b>REQUIRED FINANCIAL STATEMENTS</b>	Statement of Net Position	Balance Sheet	Statement of Fiduciary Net Position		
	Statement of Activities	Statement of Revenues, Expenditures and Changes in Fund Balances			
<b>ACCOUNTING BASIS</b>	Accrual	Modified Accrual	Accrual		
<b>MEASUREMENT FOCUS</b>	Economic Resources	Current Financial Resources	Economic Resources		
<b>TYPE OF INFORMATION ASSETS AND LIABILITIES</b>	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.		
<b>TYPE OF INFORMATION REVENUES, EXPENSES, AND EXPENDITURES</b>	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.			

A large portion of the Town's net position reflects its investment in capital assets such as land, buildings, and equipment, less any related outstanding debt used to acquire those assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of any related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	2015	2016	Change
<b>Governmental Activities -</b>			
Current assets	\$ 4,725,532	\$ 4,494,686	\$ (230,846)
Restricted assets	10,080	5,038	(5,042)
Capital assets	1,663,463	1,877,041	213,578
Total assets	6,399,075	6,376,765	(22,310)
Deferred outflow of resources	88,914	350,327	261,413
Current liabilities	2,414,333	2,305,530	(108,803)
Long-term liabilities	919,672	1,273,253	353,581
Total liabilities	3,334,005	3,578,783	244,778
Deferred inflow of resources	97,915	65,550	(32,365)
<b>Net position:</b>			
Net investment in capital assets	1,663,463	1,877,041	213,578
Restricted	243,671	249,324	5,653
Unrestricted	1,148,935	956,394	(192,541)
Total net position	\$ 3,056,069	\$ 3,082,759	\$ 26,690

The Town's net position totaled \$3,082,759 at the end of 2016, an increase of \$26,690 or 1% 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 \$218,345, investments in the amount of \$63,299 and net capital assets in the amount of \$213,578. These increases in assets were offset by decreases in net taxes receivable in the amount of (\$406,182), intergovernmental receivable in the amount of (\$59,020) and tax dedeed property in the amount of (\$47,288). Additionally, there were decreases in intergovernmental payable in the amount of (\$132,536) and deferred inflows of resources of (\$32,365) which were partially offset by an increases in amounts related to pensions in the amount of \$261,413, accounts payable of \$32,102 and net pension liability in the amount of \$358,570.

**Statement of Net Position**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

(continued)

**TOWN OF THORNTON, NEW HAMPSHIRE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDING DECEMBER 31, 2016**



**TOWN OF THORNTON, NEW HAMPSHIRE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDING DECEMBER 31, 2016**

(continued)

Statement of Activities

During the current year the Town's net position increased by \$26,690. Total revenues of \$2,837,100 exceeded expenses of \$2,810,410.

Property and other taxes generated \$1,533,146 in revenues for the Town. Motor vehicle, permit fees, licenses and other fees generated \$504,029 in revenues. Other revenues consisted of charges for services, grants, contributions and miscellaneous revenues.

Changes in net position for the year ending December 31, 2016 are as follows:

	2015	2016	Change
	Governmental Activities -	Governmental Activities -	
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 331,059	\$ 345,228	\$ 14,169
Operating grants and contributions	178,163	103,538	(74,625)
Capital grants and contributions	-	170,797	170,797
General revenues:			
Property and other taxes	1,372,346	1,533,146	160,800
Licenses and permits	462,476	504,029	41,553
Grants and contributions	121,640	130,360	8,720
Interest and investment earnings	-	-	-
Miscellaneous	173,396	50,002	(123,394)
Total revenues	2,639,080	2,837,100	198,020
<b>Expenditures:</b>			
General government	791,073	718,134	(72,939)
Public safety	714,575	1,070,598	356,023
Highways and streets	332,542	461,337	128,795
Sanitation	384,779	407,367	22,588
Health and welfare	81,127	78,987	(2,140)
Culture and recreation	78,754	73,987	(4,767)
Conservation efforts	270	-	(270)
Total expenditures	2,383,120	2,810,410	427,290
Increase in net position	255,960	26,690	(229,270)
Net position, beginning of year	2,800,109	3,056,069	255,960
Net position, end of year	\$ 3,056,069	\$ 3,082,759	\$ 26,690

Monies that were encumbered in 2015 in the amount of \$29,776 for various operating commitments were expended or released to the unassigned fund balance. \$2,490 of the remaining 2016 appropriations were encumbered to offset 2017 expenditures for various operating commitments.

### OTHER FINANCIAL HIGHLIGHTS

The Town under expended its budget by \$175,202. This is primarily due to savings realized in executive of \$9,015, election and registration of \$5,636, financial administration of \$10,088, planning and zoning of \$29,187, unallocated insurance of \$14,173, public safety \$33,251, highway and streets of \$35,668, sanitation – solid waste disposal of \$46,386, health and welfare of \$14,822, culture and recreation of \$4,547, interest on tax anticipation notes of \$2,500 and capital outlay of \$3,001. These savings were slightly offset by over expending the budget in legal by \$36,485.

Actual revenues on the budgetary basis were under the budgeted amount by \$10,135. This is primarily due to lower revenues from the following budgeted sources: \$40,716 from other income, \$32,572 from charges for services and \$17,365 from sale of municipal property. These lower than budgeted revenues were partially offset by \$52,855 due to increased revenue from taxes and \$27,729 from licenses, permits and fees.

### GENERAL FUND BUDGETARY HIGHLIGHTS

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 \$1,089,099 while total General Fund equity was \$1,865,803. The total fund equity includes nonspendable, restricted, committed, assigned and unassigned fund balances at year-end. The General Fund unassigned fund balance decreased by \$33,971 from December 31, 2015.

#### General Fund

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.

#### Governmental Funds

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

### FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

The Town's expenses cover a range of services. The largest expenses were for public safety (38.09%), general government (25.55%), highway and streets (16.42%) and sanitation (14.49%), which accounted for 94.56% of total expenditures.

(continued)

TOWN OF THORNTON, NEW HAMPSHIRE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDING DECEMBER 31, 2016

(continued)

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.

The Town's gross investment in capital assets for its governmental activities as of December 31, 2016 amounts to \$2,823,034 with \$945,993 in accumulated depreciation. The net book value of capital assets for governmental activities is \$1,877,041 as of December 31, 2016. This investment in capital assets includes vehicles and equipment, building and building improvements and land and land improvements. See Note 7 of the Notes to the Basic Financial Statements for a summary of all capital assets.

Long-Term Obligations

During 2016, the Town made long-term obligation additions in the amount of \$358,570 and payments totaling \$4,989. See Note 11 of the Notes to the Basic Financial Statements for a summary of all outstanding long-term obligations. GASB #34 requires that these liabilities be reflected as a reduction in net 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 2016.

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, 2016*

Governmental Activities	\$ 3,266,175 545,172 643,616 39,723 5,038 154,045 1,722,996 6,376,765 <hr/> 350,327
<b>ASSETS</b>	
Cash and cash equivalents Investments Taxes receivable (net) Tax decided property, subject to resale Restricted assets: Cash and cash equivalents Capital assets: Land and construction in progress Other capital assets, net of depreciation Total assets	350,327 51,530 2,153,841 5,486 1,020 1,273,253 3,578,783 <hr/> 17,940 47,610 65,550
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Amounts related to pensions Accounts payable Accrued salaries and benefits Intergovernmental payable Escrow and performance bonds Long-term liabilities: Due within one year Due in more than one year Total liabilities	
<b>LIABILITIES</b>	
Unavailable revenue - Property taxes Amounts related to pensions Total deferred inflows of resources	
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Net investment in capital assets Restricted Unrestricted Total net position	
1,877,041 249,324 956,394 <hr/> \$ 3,082,759	1,877,041 249,324 956,394 <hr/> \$ 3,082,759

**EXHIBIT B**  
**TOWN OF THORNTON, NEW HAMPSHIRE**  
**Statement of Activities**  
**For the Fiscal Year Ended December 31, 2016**

Program Revenues		Operating		Charges		for		Services		Contributions		Grants and		Contributions		Change In		Revenue and		Net Position	
Net (Expense)		Capital		Revenue		Capital		Revenue		Net Position		Change In		Revenue and		Net Position		Change In		Revenue and	
General government	\$ 718,134	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	1,070,598	76,598	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Highways and streets	461,337	103,538	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sanitation	407,367	268,630	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health	64,738	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Welfare	14,249	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Culture and recreation	73,987	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total governmental activities	\$ 2,810,410	\$ 345,228	\$ 103,538	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
General revenues:																					
Taxes:																					
Property	1,358,837																				
Other	174,309																				
Motor vehicle permit fees	494,644																				
Licenses and other fees	9,385																				
Grants and contributions not restricted to specific programs	130,360																				
Miscellaneous	50,002																				
Total general revenues	2,217,537																				
Change in net position	26,690																				
Net position, beginning	3,056,069																				
Net position, ending	\$ 3,082,759																				

**EXHIBIT C-1**  
**TOWN OF THORNTON, NEW HAMPSHIRE**  
**Governmental Funds**  
**Balance Sheet**  
**December 31, 2016**

	Total	Governmental	Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,206,917	\$ 59,258	\$ 3,266,175
Investments	345,436	199,736	545,172
Taxes receivable	703,616	-	703,616
Interfund receivable	3,606	2,655	6,261
Voluntary tax liens	20,345	-	20,345
Voluntary tax liens reserved until collected	(20,345)	-	(20,345)
Tax deced property, subject to resale	39,723	-	39,723
Restricted assets:			
Cash and cash equivalents	5,038	-	5,038
Total assets	\$ 4,304,336	\$ 261,649	\$ 4,565,985
<b>LIABILITIES</b>			
Accounts payable	93,653	-	93,653
Accrued salaries and benefits	51,530	-	51,530
Intergovernmental payable	2,153,841	-	2,153,841
Interfund payable	2,655	3,606	6,261
Escrow and performance deposits	5,486	-	5,486
Total liabilities	2,307,165	3,606	2,310,771
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - Property taxes	131,368	-	131,368
<b>FUND BALANCES</b>			
Nonspendable	39,723	248,494	288,217
Restricted	2,614	830	3,444
Committed	731,877	8,719	740,596
Assigned	2,490	-	2,490
Unassigned	1,089,099	-	1,089,099
Total fund balances	1,865,803	258,043	2,123,846
Total liabilities, deferred inflows of resources, and fund balances	\$ 4,304,336	\$ 261,649	\$ 4,565,985

**EXHIBIT C-2**  
**TOWN OF THORNTON, NEW HAMPSHIRE**  
*Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position*  
*December 31, 2016*

	Total fund balances of governmental funds (Exhibit C-1)
	\$ 2,123,846
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	\$ 2,823,034
Less accumulated depreciation	(945,993)
	1,877,041
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	\$ 350,327
Deferred inflows of resources related to pensions	(47,610)
	302,717
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.	
Receivables	\$ (6,261)
Payables	6,261
	-
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	\$ 113,428
Allowance for uncollectible property taxes	(60,000)
	53,428
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the funds.	
Compensated absences	\$ 5,388
Accrued landfill postclosure care costs	10,200
Net pension liability	1,258,685
	(1,274,273)
Net position of governmental activities (Exhibit A)	\$ 3,082,759



**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, 2016*

	Total Governmental Funds	Other Governmental Funds	General
<b>REVENUES</b>			
Taxes	\$ 1,536,820	\$ 505	\$ 1,536,315
Licenses and permits	504,029	-	504,029
Intergovernmental	404,695	-	404,695
Charges for services	345,228	-	345,228
Miscellaneous	50,002	7,282	42,720
Total revenues	2,840,774	7,787	2,832,987
<b>EXPENDITURES</b>			
Current:			
General government	612,593	1,626	610,967
Public safety	853,926	-	853,926
Highways and streets	503,831	-	503,831
Sanitation	378,505	-	378,505
Health	64,738	-	64,738
Welfare	14,249	-	14,249
Culture and recreation	73,987	-	73,987
Capital outlay	467,250	-	467,250
Total expenditures	2,969,079	1,626	2,967,453
Net change in fund balances	(128,305)	6,161	(134,466)
Fund balances, beginning	2,252,151	251,882	2,000,269
Fund balances, ending	\$ 2,123,846	\$ 258,043	\$ 1,865,803

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, 2016

	Net change in fund balances of governmental funds (Exhibit C-3)
	\$ (128,305)
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 Depreciation expense \$ 346,027 (125,083)
220,944	
The net effect of various miscellaneous transactions involving capital assets (i.e. sales and donations) is to increase net assets.	
(7,366)	
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 Change in allowance for uncollectible property taxes	\$ 1,326 (5,000)
(3,674)	
Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.	
Decrease in compensated absences payable Decrease in accrued landfill postclosure care costs Changes in GASB Statement No. 68 pension related balances	\$ 3,969 1,020 (59,898)
(54,909)	
\$ 26,690	Changes in net position of governmental activities (Exhibit B)

**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, 2016**

Variance	Budgeted Amounts		
	Original	Final	Actual
Positive			
(Negative)			
	\$ 1,479,786	\$ 1,479,786	\$ 1,532,641
	476,300	476,300	504,029
	483,998	404,795	404,695
	127,800	377,800	345,228
	97,750	97,750	39,703
	2,665,634	2,836,431	2,826,296
<b>EXPENDITURES</b>			
Taxes			
Licenses and permits			
Intergovernmental			
Charges for services			
Miscellaneous			
Total revenues	2,665,634	2,836,431	2,826,296
<b>REVENUES</b>			
Current:			
General government	637,133	637,133	602,156
Public safety	837,177	887,177	853,926
Highways and streets	521,024	521,024	485,356
Sanitation	424,891	424,891	378,505
Health	65,018	65,018	64,738
Welfare	28,791	28,791	14,249
Culture and recreation	79,050	49,972	45,425
Conservation	50	50	-
Debt service:			
Interest	2,500	2,500	-
Capital outlay	50,000	470,251	467,250
Total expenditures	2,645,634	3,086,807	2,911,605
Excess (deficiency) of revenues over (under) expenditures	20,000	(250,376)	(85,309)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	299,454	299,454
Transfers out	(270,000)	(299,078)	(299,078)
Total other financing sources (uses)	(270,000)	376	376
Net change in fund balances	\$ (250,000)	\$ (250,000)	(84,933)
Unassigned fund balance, beginning			1,180,172
Unassigned fund balance, ending			\$ 1,142,527

**EXHIBIT E-1**  
**TOWN OF THORNTON, NEW HAMPSHIRE**  
*Fiduciary Funds*  
*Statement of Net Position*  
*December 31, 2016*

	Private	Purpose	Trust	Agency	
<b>ASSETS</b>					
	Cash and cash equivalents	\$ 778	\$ 1,112		
<b>LIABILITIES</b>					
	Intergovernmental payable	-	1,112		
<b>NET POSITION</b>					
	Held in trust for specific purposes	\$ 778	\$ -		

**EXHIBIT E-2**  
**TOWN OF THORNTON, NEW HAMPSHIRE**  
*Fiduciary Funds*  
*Statement of Changes in Net Position*  
*For the Fiscal Year Ended December 31, 2016*

<table border="0"> <tr> <td style="width: 50%;"></td> <td style="width: 50%; text-align: right;">Private</td> </tr> <tr> <td></td> <td style="text-align: right;">Purpose</td> </tr> <tr> <td></td> <td style="text-align: right;">Trust</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>\$ 1,500</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>2</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>1,502</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>2,250</u></td> </tr> <tr> <td></td> <td style="text-align: right;">(748)</td> </tr> <tr> <td></td> <td style="text-align: right;">1,526</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>\$ 778</u></td> </tr> </table>		Private		Purpose		Trust		<u>\$ 1,500</u>		<u>2</u>		<u>1,502</u>		<u>2,250</u>		(748)		1,526		<u>\$ 778</u>	<table border="0"> <tr> <td style="width: 50%;"></td> <td style="width: 50%; text-align: right;">ADDITIONS</td> </tr> <tr> <td></td> <td style="text-align: right;">New funds</td> </tr> <tr> <td></td> <td style="text-align: right;">Interest</td> </tr> <tr> <td></td> <td style="text-align: right;">Total revenue</td> </tr> <tr> <td></td> <td style="text-align: right;">DEDUCTIONS</td> </tr> <tr> <td></td> <td style="text-align: right;">Scholarships</td> </tr> <tr> <td></td> <td style="text-align: right;">Change in net position</td> </tr> <tr> <td></td> <td style="text-align: right;">Net position, beginning</td> </tr> <tr> <td></td> <td style="text-align: right;">Net position, ending</td> </tr> </table>		ADDITIONS		New funds		Interest		Total revenue		DEDUCTIONS		Scholarships		Change in net position		Net position, beginning		Net position, ending
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**TOWN OF THORNTON, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2016**

**NOTE**

1	Summary of Significant Accounting Policies .....
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**TOWN OF THORNTON, NEW HAMPSHIRE**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**AS OF AND FOR THE FISCAL YEAR ENDED**

**DECEMBER 31, 2016**

**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.

In 2016 the Town implemented GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which establishes the order of priority of pronouncements and other sources of accounting and financial reporting guidance that a government should apply.

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

***I-A Reporting Entity***

The Town of Thornton is a municipal corporation governed by an elected 5-member Board of Selectmen. In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by the GASB. The Town has no component units to include in its reporting entity.

***I-B Government-wide and Fund Financial Statements***

***Government-wide Financial Statements*** - The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the primary government. Generally, the effect of interfund activity has been eliminated from these statements. Governmental activities normally are supported through taxes and intergovernmental revenues.

The ***Statement of Net Position*** presents the financial position of the Town at year-end. This statement includes all of the Town's non-fiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position, with the exception of the long-term costs of retirement, health care, and obligations for other postemployment benefits have also been omitted because the liability and expense have not been determined.

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

***Fund Financial Statements*** - 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.

In the governmental fund financial statements, expenditures are reported by character: current, debt service or capital outlay. Current expenditures are subclassified by function and are for items such as salaries, grants, supplies, and services. Debt service includes both interest and principal outlays related to bonds. Capital outlay includes expenditures for equipment, real property, or infrastructure.

**Other Financing Sources (Uses)** - these additions to and reductions from resources in governmental fund financial statements normally result from transfers from/to other funds and financing provided by bond proceeds. Transfers are reported when incurred as "transfers in" by the receiving fund and as "transfers out" by the disbursing fund.

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

***Measurement Focus and Basis of Accounting*** - 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.

**TOWN OF THORNTON, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2016**

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 Town generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. 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. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

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.

**Financial Statement Presentation** - A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to report financial position and the results of operations, to demonstrate legal compliance, and to aid financial management by segregating transactions related to certain government functions or activities.

The Town reports the following major governmental fund:

**General Fund** - is the Town's primary operating fund. The general fund accounts for all financial resources expect those required to be accounted for in another fund. The primary revenue sources include property taxes, State grants and motor vehicle permit fees. The primary expenditures are for general government, public safety, highways and streets, sanitation, culture and recreation, and capital outlay. Under GASB Statement No. 54 guidance the library and expendable trust funds are consolidated in the general fund.

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 Trust Fund** - are used to report trust arrangements, other than pension and investment trusts, under which principal and income benefit individuals, private organizations, or other governments.

**Agency Fund** - are custodial in nature and do not involve the measurement of operating results. An agency fund is used to account for assets held on behalf of outside parties, including other governments.

**I-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 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.

**I-E Restricted Assets**

Restricted assets occur when statutory limitation is placed on the use of the assets as they are earmarked for a specific purpose and are unavailable for general use.



**TOWN OF THORNTON, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2016**

***I-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 are reported at fair value. The Town discloses the fair value of its investments in a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy is as follows:

**Level 1** – Inputs that reflect quoted prices (unadjusted) in active markets for identical assets and liabilities that the Town has the ability to access at the measurement date. Most of the Town's directly held marketable equity securities would be examples of Level 1 investments.

**Level 2** – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly, including inputs in markets that are not considered to be active. Because they most often are priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held fixed income securities are categorized in Level 2. All of the Town's holdings in U.S. government obligations and corporate bonds would be examples of Level 2 investments.

**Level 3** – Unobservable inputs based on the best information available, using assumptions in determining the fair value of investments and derivative financial instruments.

In determining fair value, the Town utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

***I-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.

***I-H Capital Assets***

Capital assets are defined by the Town as assets with an initial individual cost of \$10,000 or more and an estimated life in excess of one year. Capital assets include property, plant, and equipment, infrastructure assets (e.g. roads, bridges, sidewalks, drainage, and similar items) and are reported in the governmental activities.

The accounting and reporting treatment applied to capital assets associated with a fund are determined by the fund's measurement focus. General capital assets are assets of the Town as a whole. When purchased, such assets are recorded as expenditures in a governmental fund and capitalized as assets in the governmental activities column of the government-wide Statement of Net Position. When cost of general capital assets cannot be determined from available records, estimated historical cost is used.

Additionally, improvements, and other capital outlay that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend lives are not capitalized. In the government-wide financial statements the cost of property sold or retired, together with the related accumulated depreciation, is removed and any resulting gain or loss is included in income.

**TOWN OF THORNTON, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2016**

Capital assets or the Town are depreciated or amortized using the straight-line method over the following estimated useful lives:

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

**I-I 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.

**I-J 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 May 16, 2016 and October 24, 2016, and due on July 1, 2016 and December 1, 2016. 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, Penni-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, 2016 utilized in the setting of the tax rate was as follows:

For the New Hampshire education tax	\$ 358,294,677
For all other taxes	\$ 365,514,877

The tax rates and amounts assessed for the year ended December 31, 2016 were as follows:

Property Taxes Assessed	Per \$1,000 of Assessed Valuation	Assessed
Municipal portion	\$3.91	\$ 1,431,332
School portion:		
State of New Hampshire	\$2.17	776,862
Local	\$11.66	4,260,263
County portion	\$1.65	603,208
Precinct portions:		
Waterville Estates Village District	\$15.54	290,944
Total		\$ 7,362,609

**I-K Accounts Payable**

Accounts payable represent the gross amount of expenditures or expenses incurred as a result of normal operations, but which no actual payment has yet been issued to vendors/providers as of December 31, 2016.

**I-L Deferred Outflows/Inflows of Resources**

*Deferred outflows of resources*, a separate financial statement element, represents a consumption of net position or fund that applies to a future period(s) and thus will not be recognized as an outflow of resources (expenses) until then.

*Deferred inflows of resources*, a separate financial statement element, represents an acquisition of net position or fund that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

**TOWN OF THORNTON, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2016**

***I-M Long-term Obligations***

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

***I-N 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.

***I-O Defined Benefit Pension Plan***

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* and GASB Statement No. 82 *Pension Issues - an amendment of GASB Statement No. 67, No. 68 and No. 73* 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 are prepared by New Hampshire Retirement System, and are audited by the plan's independent auditors.

***I-P Net Position/Fund Balances***

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*** - GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, provides more clearly defined fund balance categories to make sure the nature and extent of the constraints placed on a government's fund balances are more transparent. The following classifications describe the relative strength of the spending constraints:

***Nonspendable*** - This classification includes amounts that cannot be spent because they are either (a) not in spendable form (such as prepaid items, inventory or tax dedeed property subject to resale); 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.

**TOWN OF THORNTON, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2016**

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

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

**Unassigned** – This classification includes the amounts that are available for any purpose. Positive amounts are reported only in 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 Association (NHGFOA), which are as follows:

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

**1-Q Use of Estimates**

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the period reported. These estimates include assessing the collectability of accounts receivable, and the useful lives of capital assets, among others. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from estimates.

**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 2016, \$250,000 of the beginning general fund unassigned fund balance was applied for this purpose.

**TOWN OF THORNTON, NEW HAMPSHIRE**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**2-B Budgetary Reconciliation to GAAP Basis**

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

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

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

	Revenues and other financing sources:
	Per Exhibit D (budgetary basis)
	Adjustment:
	Basis difference:
	GASB Statement No. 54:
3,017	To record revenue of the blended funds
(299,454)	To eliminate transfers between blended funds
(1,326)	Change in property tax revenue relating to 60-day revenue recognition
5,000	Change in allowance for uncollectible property taxes
<u>\$ 2,832,987</u>	Per Exhibit C-3 (GAAP basis)
	Expenditures and other financing uses:
	Per Exhibit D (budgetary basis)
	Adjustment:
	Basis differences:
	Encumbrances, beginning
29,776	Encumbrances, ending
(2,490)	GASB Statement No. 54:
28,562	To record expenditures of the blended funds
(299,078)	To eliminate transfers between blended funds
<u>\$ 2,967,453</u>	Per Exhibit C-3 (GAAP basis)

**NOTE 3 – CASH AND CASH EQUIVALENTS**

At December 31, 2016, the reported amount of the Town's deposits was \$3,273,103 and the bank balance was \$3,310,383. Of the bank balance \$3,231,117 was covered by federal depository insurance or by collateral held by the Town's agent in the Town's name, and \$79,266 was uninsured and uncollateralized.

Cash and cash equivalents reconciliation:

	Cash per Statement of Net Position (Exhibit A)
\$ 3,271,213	Cash per Statement of Net Position - Fiduciary Funds (Exhibit E-1)
1,890	Total cash and cash equivalents
<u>\$ 3,273,103</u>	

**NOTE 4 – RESTRICTED CASH**

Cash in the amount of \$5,038 has been classified as restricted at December 31, 2016 as its use has been earmarked specifically for the payment of escrow accounts.

**TOWN OF THORNTON, NEW HAMPSHIRE**

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**NOTE 5 – INVESTMENTS**

Note I-F describes statutory requirements covering the investment of the Town funds. The Town holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the Town's mission, the Town determines that the disclosures related to these investments only need to be disaggregated by major type. The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Town has the following recurring fair value measurements as of December 31, 2016:

Valuation Method		Fair Value		1-5 Years		Total
Investments type:						
Certificates of Deposit	Level 1	\$ -	\$ 176,687	\$ -	\$ 176,687	
New Hampshire Public Deposit Investment Pool	Level 2	345,435	-	-	345,435	
Equity mutual funds	Level 1	23,050	-	-	23,050	
Total fair value		\$ 368,485	\$ 176,687	\$ -	\$ 545,172	

**Fair Value Measurements of Investments** – In accordance with GASB Statement No. 72 *Fair Value Measurement and Application*, except for investments measured using net asset value (NAV) as a practical expedient to estimate fair value, the Town categorizes the fair value measurements of its investments within the fair value hierarchy established by US GAAP. The fair value hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

**Level 1** inputs reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the Town has the ability to access at the measurement date. Most of the Town's directly held marketable equity securities would be examples of Level 1 investments.

**Level 2** inputs are other than quoted prices that are observable for the assets or liabilities, either directly or indirectly, including inputs in markets that are not considered to be active. Because they most often are priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held fixed income securities are categorized in Level 2.

**Level 3** inputs are significant unobservable inputs.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In certain instances, where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, is the level in the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement. Investments are reported at fair value. If an investment is held directly by the Town and an active market with quoted prices exists, such as for domestic equity securities, the market price of an identical security is used to report fair value and is classified in Level 1. Corporate fixed income securities and certain governmental securities utilize pricing that may involve estimation using similar securities or trade dates and are classified in Level 2. Fair values for shares in registered mutual funds and exchange-traded funds are based on published share prices and classified in Level 1.

**Investments in Certain External Investment Pools** – In accordance with GASB Statement No. 79, Town held investments with the New Hampshire Public Deposit Investment Pool (NHPPDIP) are categorized as Level 2. The NHPPDIP measures all of its investments at amortized cost. There are no redemption restrictions and shares may be redeemed by the Town in accordance with the NHPPDIP's Information Statement.

**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 held in certificates of deposit with Woodsville Guaranty Savings Bank. These investments represent 37% of the Town's total investments.

**TOWN OF THORNTON, NEW HAMPSHIRE**  
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**NOTE 6 – TAXES RECEIVABLE**

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of December 31, 2016. The amount has been reduced by an allowance for an estimated uncollectible amount of \$60,000. Taxes receivable by year are as follows:

Property:	Levy of 2016	Levy of 2015	Levy of 2014	Levy of 2013 and prior	Yield	Less: allowance for estimated uncollectible taxes	Net taxes receivable
Unredeemed (under tax lien):	\$ 492,661	\$ 492,661	130,940	130,940	1,736	(60,000) *	\$ 643,616
Levy of 2015		130,940	50,324	27,955	1,736		\$ 703,616
Levy of 2014		50,324	27,955	1,736			-
Levy of 2013 and prior		27,955	1,736				-
Property:	\$ 492,661	\$ 492,661	\$ 492,661	\$ 492,661	\$ 492,661	\$ 492,661	\$ 492,661

As reported on:

Exhibit A	Exhibit C-1
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**NOTE 7 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2016 is as follows:

At cost:	Balance, beginning	Additions	Disposals	Balance, ending
Not being depreciated:	\$ 154,045	-	-	\$ 154,045
Land				
Being depreciated:	357,832	58,882	-	357,832
Land improvements				
Buildings and building improvements	853,107	188,540	(51,536)	942,339
Equipment and vehicles	358,224	98,605	-	456,829
Infrastructure	2,374,498	346,027	(51,536)	2,668,989
Total capital assets being depreciated	2,528,543	346,027	(51,536)	2,823,034
Total all capital assets	2,682,588	346,027	(51,536)	3,077,079
Less accumulated depreciation:	(207,142)	(12,208)	-	(219,350)
Land improvements				
Buildings and building improvements	(148,991)	(15,596)	-	(164,587)
Equipment and vehicles	(489,738)	(76,903)	44,170	(522,471)
Infrastructure	(19,209)	(20,376)	-	(39,585)
Total accumulated depreciation	(865,080)	(125,083)	44,170	(945,993)
Net book value, capital assets being depreciated	1,509,418	220,944	(7,366)	1,722,996
Net book value, all capital assets	1,663,463	220,944	(7,366)	1,877,041

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	\$ 8,389
Public safety	30,614
Highways and streets	54,587
Culture and recreation	31,493
Total depreciation expense	\$ 125,083

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**NOTE 8 – INTERFUND BALANCES**

The composition of interfund balances as of December 31, 2016 is as follows:

	Receivable Fund	Nonmajor General	Payable Fund
General	\$ 3,606	2,655	\$ 6,261
Nonmajor	-	-	-
Amount	\$ 3,606	2,655	\$ 6,261

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.

**NOTE 9 – INTERGOVERNMENTAL PAYABLES**

Amounts due to other governments of \$2,154,953 at December 31, 2016 consist of the following:

General fund:		
Balance of the 2016-2017 district assessment due to the Thornton School District		\$ 1,305,429
Balance of the 2016-2017 district assessment due to the Pemi-Baker Regional School District		691,675
Assessment due to the Waterville Estates Village District		154,915
Fees due to the State of New Hampshire		1,822
Total general fund		2,153,841
Agency fund:		
Balance due to the Thornton School District		1,112
Total intergovernmental payables due		\$ 2,154,953

**NOTE 10 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

Deferred outflows of resources of \$350,327 in the governmental activities at December 31, 2016 consists of amounts related to pensions, see Note 12.

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

	Governmental	Activities	Fund
Property taxes not collected within 60 days of fiscal year-end	\$ -	-	\$ 113,428
Property taxes collected in advance of billing	17,940	-	17,940
Amounts related to pensions, see Note 12	47,610	-	-
Total deferred inflows of resources	\$ 65,550	-	\$ 131,368

**NOTE 11 – LONG-TERM LIABILITIES**

Changes in the Town's long-term liabilities consisted of the following for the year ended December 31, 2016:

	Balance, January 1, 2016	Additions	Reductions	Balance, December 31, 2016	
Compensated absences	\$ 9,357	-	\$ (3,969)	\$ 5,388	-
Accrued landfill postclosure care costs	11,220	-	(1,020)	10,200	1,020
Net pension liability	900,115	358,570	-	1,258,685	-
Total long-term liabilities	\$ 920,692	\$ 358,570	\$ (4,989)	\$ 1,274,273	\$ 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 recognition of these landfill postclosure care costs is based on the amount of the landfill used through the end of



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the year. The estimated liability for landfill postclosure care costs has a balance of \$10,200 as of December 31, 2016. 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, 2016. However, the actual cost of postclosure care may be higher or lower due to inflation, changes in technology, or changes in landfill laws and regulations.

**NOTE 12 – 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 publicly 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 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 ¼ 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. All employees are required to contribute 7% of earnable compensation. For fiscal year 2016, the Town contributed 26.38% for police, 29.16% for fire fighters, and 11.17% for all other employees. The contribution requirements for the fiscal years 2014, 2015, and 2016 were \$88,126, \$84,202, and \$97,209, 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, 2016 the Town reported a liability of \$1,258,685 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2016, the Town's proportion was .02367019% which was an increase of .00094877% from its proportion measured as of June 30, 2015.

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For the year ended December 31, 2016, the Town recognized pension expense of \$150,614. At December 31, 2016 the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources	Deferred Inflows of Resources		Total
\$ 66,447	\$ 31,716	Changes in proportion	
154,904	-	Changes in assumptions	
3,498	15,894	Differences between expected and actual experience	
78,750	-	Net difference between projected and actual investment earnings on pension plan investments	
46,728	-	Contributions subsequent to the measurement date	
<u>\$ 350,327</u>	<u>\$ 47,610</u>		

The \$46,728 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 June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending December 31,	2017	2018	2019	2020	2021	Totals
	\$ 55,197	55,197	78,381	63,719	3,495	<u>\$ 255,989</u>

**Actuarial Assumptions:** The collective total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2015, using the following actuarial assumptions which, accordingly apply to 2016 measurements:

- Inflation: 2.5%
- Salary increases: 5.6% average, including inflation
- Investment rate of return: 7.25% net of pension plan investment expense, including inflation
- Mortality rates were based on the RP-2014 employee generational mortality tables for males and females, adjusted for mortality improvements using Scale MP-2015, based on last experience study.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010 – June 30, 2015.

**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.

TOWN OF THORNTON, NEW HAMPSHIRE

NOTES TO THE BASIC FINANCIAL STATEMENTS

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Following is a table presenting target allocations and long-term rates of return for 2016:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return 2016
Large Cap Equities	22.50%	4.25%
Small/Mid Cap Equities	7.50%	4.50%
Total domestic equity	30.00%	
Int'l Equities (unhedged)	13.00%	4.75%
Emerging Int'l Equities	7.00%	6.25%
Total international equity	20.00%	
Core Bonds	5.00%	(0.64%)
Short Duration	2.00%	(0.25%)
Global Multi-Sector Fixed Income	11.00%	(1.71%)
Absolute Return Fixed Income	7.00%	1.08%
Total fixed income	25.00%	
Private equity	5.00%	6.25%
Private debt	5.00%	4.75%
Opportunistic	5.00%	3.68%
Total alternative investments	15.00%	
Real estate	10.00%	3.25%
Total	100.00%	

**Discount Rate:** The discount rate used to measure the collective total pension liability was 7.25%. 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.

**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 7.25% 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 (6.25%) or 1-percentage point higher (8.25%) than the current rate:

Actuarial Valuation	Current Single Rate Assumption	1% Decrease	1% Increase
June 30, 2016	7.25%	6.25%	8.25%
\$ 1,617,324	\$ 1,258,685	\$ 1,617,324	\$ 961,250

**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 13 – 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.

**TOWN OF THORNTON, NEW HAMPSHIRE**

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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, 2016 or contracted with an actuarial firm to assist in evaluating the impact of this 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 14 – GOVERNMENTAL ACTIVITIES NET POSITION**

Governmental activities net position reported on the government-wide Statement of Net Position at December 31, 2016 include the following:

Net investment in capital assets:	
Net property, buildings, equipment, and vehicles	\$ 1,877,041
Restricted:	
Permanent fund - principal balance	248,494
Permanent fund - income balance	830
Total restricted	<u>249,324</u>
Unrestricted	956,394
Total net position	<u>\$ 3,082,759</u>

**NOTE 15 – GOVERNMENTAL FUND BALANCES**

Governmental fund balances reported on the fund financial statements at December 31, 2016 include the following:

<b>Nonspendable:</b>		
Major fund:		
General:		
Tax dedeed property, subject to resale	\$ 39,723	
Nonmajor fund:		
Permanent - principal balance	248,494	
Total nonspendable fund balance	<u>\$ 288,217</u>	
<b>Restricted:</b>		
Major fund:		
General:		
Library	\$ 2,614	
Nonmajor fund:		
Permanent - income balance	830	
Total restricted fund balance	<u>3,444</u>	
<b>Committed:</b>		
Major fund:		
General:		
Expendable trust	\$ 731,877	
Nonmajor fund:		
Conservation commission	8,719	
Total committed fund balance	<u>740,596</u>	
<b>Assigned:</b>		
Major fund:		
General:		
Encumbrances	2,490	
<b>Unassigned:</b>		
Major fund:		
General:		
Total governmental fund balances	<u>1,089,099</u>	
		<u>\$ 2,123,846</u>

**TOWN OF THORNTON, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE 16 – 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 2016, the Town was a member of the New Hampshire Public Risk Management Exchange (Primex<sup>3</sup>) 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 (Primex<sup>3</sup>) Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from January 1, 2016 to December 31, 2016 by Primex<sup>3</sup>, 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, 2016 was \$19,151 for workers' compensation and \$27,344 for property/liability.

**NOTE 17 – CONTINGENT LIABILITIES**

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.

**NOTE 18 – 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 11, 2017, the date the December 31, 2016 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, 2016*

Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	Town Proportionate Share of Net Pension Liability as a Percentage of Covered Payroll	Proportionate Share of Net Pension Liability	Town's Proportion of Net Pension Liability	Valuation Date
58.30%	222.88%	\$ 564,736	\$ 1,258,685	June 30, 2016
65.47%	161.10%	\$ 558,717	\$ 900,115	June 30, 2015
66.32%	157.75%	\$ 568,957	\$ 897,554	June 30, 2014
59.81%	186.89%	\$ 510,618	\$ 954,284	June 30, 2013

Valuation Date	Contractually Required Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2016	\$ 84,758	\$ 84,758	\$ -	\$ 564,736	15.01%
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%

**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, 2016*



**TOWN OF THORNTON, NEW HAMPSHIRE**

**NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION**

**FOR THE FISCAL YEAR ENDED**

**DECEMBER 31, 2016**

***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, 2016.

**Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year 2016:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	23 Years beginning July 1, 2016 (30 years beginning July 1, 2009)
Asset Valuation Method	5-Year smooth market for funding purposes
Price Inflation	2.5% per year
Wage Inflation	3.25% per year
Salary Increases	5.6% Average, including inflation
Municipal Bond Rate	2.85% per year
Investment Rate of Return	7.25% per year
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2015.
Mortality	RP-2014 Employee generational mortality tables for males and females, adjusted for mortality improvements using Scale MP-2015, based on the last experience study.

**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, 2016**

	Estimated	Actual	Variance Positive (Negative)
<b>Taxes:</b>			
Property	\$ 1,306,351	\$ 1,358,837	\$ 52,486
Land use change	3,000	235	(2,765)
Yield	8,000	5,846	(2,154)
Excavation	1,500	1,514	14
Payment in lieu of taxes	39,835	39,835	-
Interest and penalties on taxes	120,000	126,374	6,374
Other	1,100	-	(1,100)
Total from taxes	1,479,786	1,532,641	52,855
<b>Licenses, permits, and fees:</b>			
Business licenses, permits, and fees	300	300	-
Motor vehicle permit fees	468,000	494,644	26,644
Building permits	2,000	2,425	425
Other	6,000	6,660	660
Total from licenses, permits, and fees	476,300	504,029	27,729
<b>Intergovernmental:</b>			
State:			
Meals and rooms distribution	130,360	130,360	-
Highway block grant	103,538	103,538	-
Other	170,897	170,797	(100)
Total from intergovernmental	404,795	404,695	(100)
<b>Charges for services:</b>			
Income from departments	377,800	345,228	(32,572)
Miscellaneous:			
Sale of municipal property	30,000	12,635	(17,365)
Interest on investments	210	244	34
Other	67,540	26,824	(40,716)
Total from miscellaneous	97,750	39,703	(58,047)
<b>Other financing sources:</b>			
Transfers in	299,454	299,454	-
<b>Total revenues and other financing sources</b>	<b>3,135,885</b>	<b>\$ 3,125,750</b>	<b>\$ (10,135)</b>
Unassigned fund balance used to reduce tax rate	250,000		
Total revenues, other financing sources, and use of fund balance	\$ 3,385,885		

**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, 2016**

Current:	General government:	Executive	Encumbered		Encumbered		Variance
			Year	from Prior	Year	to Subsequent	
			Appropriations	Expenditures	Year	(Negative)	
		\$ 3,700	\$ 242,165	\$ 236,850	\$ -	\$ -	\$ 9,015
	Election and registration	3,229	53,061	50,654	-	-	5,636
	Financial administration	-	110,384	97,806	2,490	10,088	(1,220)
	Revaluation of property	-	29,318	30,538	-	-	(36,485)
	Legal	-	27,000	63,485	-	-	500
	Personnel administration	-	500	-	-	-	29,187
	Planning and zoning	-	54,109	24,922	-	-	1,959
	General government buildings	4,372	36,501	38,914	-	-	245
	Cemeteries	-	24,950	24,705	-	-	14,173
	Insurance, not otherwise allocated	-	53,142	38,969	-	-	2
	Advertising and regional associations	-	2	-	-	-	1,877
	Other	-	6,001	4,124	-	-	34,977
	Total general government	11,301	637,133	610,967	2,490		
	Public safety:						
	Police	-	578,994	550,029	-	-	28,965
	Fire	-	302,202	301,701	-	-	501
	Building inspection	-	3,951	216	-	-	3,735
	Emergency management	-	2,030	1,980	-	-	50
	Total public safety	-	887,177	853,926	-	-	33,251
	Highways and streets	18,475	521,024	503,831	-	-	35,668
	Sanitation:						
	Solid waste collection	-	196,213	175,974	-	-	20,239
	Solid waste disposal	-	225,001	198,863	-	-	26,138
	Solid waste clean-up	-	1,300	1,292	-	-	8
	Other	-	2,377	2,376	-	-	1
	Total sanitation	-	424,891	378,505	-	-	46,386
	Health:						
	Administration	-	1,257	977	-	-	280
	Health agencies	-	63,761	63,761	-	-	-
	Total health	-	65,018	64,738	-	-	280
	Welfare:						
	Administration	-	5,791	5,632	-	-	159
	Direct assistance	-	23,000	8,617	-	-	14,383
	Total welfare	-	28,791	14,249	-	-	14,542
	Culture and recreation:						
	Parks and recreation	-	2	-	-	-	2
	Library	-	49,470	45,102	-	-	4,368
	Patriotic purposes	-	500	323	-	-	177
	Total culture and recreation	-	49,972	45,425	-	-	4,547
	Conservation	-	50	-	-	-	50
	Debt service:						
	Interest on tax anticipation notes	-	2,500	-	-	-	2,500

(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, 2016*

Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
-	470,251	467,250	-	3,001
-	299,078	299,078	-	-
\$ 29,776	\$ 3,385,885	\$ 3,237,969	\$ 2,490	\$ 175,202

Capital outlay  
Other financing uses:  
Transfers out  
Total appropriations, expenditures,  
other financing uses, and encumbrances

**SCHEDULE 3**  
**TOWN OF THORNTON, NEW HAMPSHIRE**  
*Major General Fund*  
*Schedule of Changes in Unassigned Fund Balance*  
*For the Fiscal Year Ended December 31, 2016*

	Unassigned fund balance, beginning (Non-GAAP Budgetary Basis)	\$ 1,180,172
Changes:		
	Unassigned fund balance used to reduce 2016 tax rate	(250,000)
2016 Budget summary:		
	Revenue shortfall (Schedule 1)	\$ (10,135)
	Unexpended balance of appropriations (Schedule 2)	175,202
	2016 Budget surplus	165,067
	Decrease in nonspendable fund balance	47,288
	Unassigned fund balance, ending (Non-GAAP Budgetary Basis, Exhibit D)	1,142,527
<i>Reconciliation on 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	(113,428)
	To remove allowance for uncollectible property taxes, recognized on a budgetary basis, but not on a GAAP basis	60,000
	Unassigned fund balance, ending (GAAP basis, Exhibit C-1)	\$ 1,089,099

**SCHEDULE 4**  
**TOWN OF THORNTON, NEW HAMPSHIRE**  
*Nonmajor Governmental Funds*  
*Combining Balance Sheet*  
*December 31, 2016*

Special Revenue Fund	Conservation Fund	Permanent Fund	Total
Cash and cash equivalents	\$ 6,064	\$ 53,194	\$ 59,258
Investments	-	199,736	199,736
Interfund receivable	2,655	-	2,655
Total assets	\$ 8,719	\$ 252,930	\$ 261,649
<b>LIABILITIES</b>			
Interfund payable	-	\$ 3,606	\$ 3,606
<b>FUND BALANCES</b>			
Nonspendable	-	248,494	248,494
Restricted	-	830	830
Committed	8,719	-	8,719
Total fund balances	8,719	249,324	258,043
Total liabilities and fund balances	\$ 8,719	\$ 252,930	\$ 261,649

REVENUES		EXPENDITURES		General government	
Taxes	Miscellaneous	Total revenues	Net change in fund balances	Fund balances, beginning	Fund balances, ending
\$ 505	3	508	508	8,211	\$ 8,719
-	7,279	7,279	1,626	243,671	\$ 249,324
\$ 505	7,282	7,787	1,626	6,161	\$ 258,043
Commission					
Conservation					
Fund					
Revenue					
Special					
Permanent					
Fund					
Total					

**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, 2016*