

**TOWN OF THORNTON,  
NEW HAMPSHIRE**

**ANNUAL FINANCIAL REPORT**

**AS OF AND FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 2017**

**TOWN OF THORNTON, NEW HAMPSHIRE**  
**ANNUAL FINANCIAL REPORT**  
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# PLODZIK & SANDERSON

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## ***INDEPENDENT AUDITOR'S REPORT***

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

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, 2017, 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 unmodified and adverse opinions.

### ***Summary of Opinions***

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Adverse
General Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

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

As discussed in Note 12 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.

***Town of Thornton  
Independent Auditor's Report***

***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, 2017, 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, 2017, and the respective changes in financial position and the respective budgetary comparison for the general fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

**Required Supplementary Information** – Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, 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.

July 26, 2018

*Plodzik & Sanderson  
Professional Association*

**TOWN OF THORNTON, NEW HAMPSHIRE  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
YEAR ENDING DECEMBER 31, 2017**

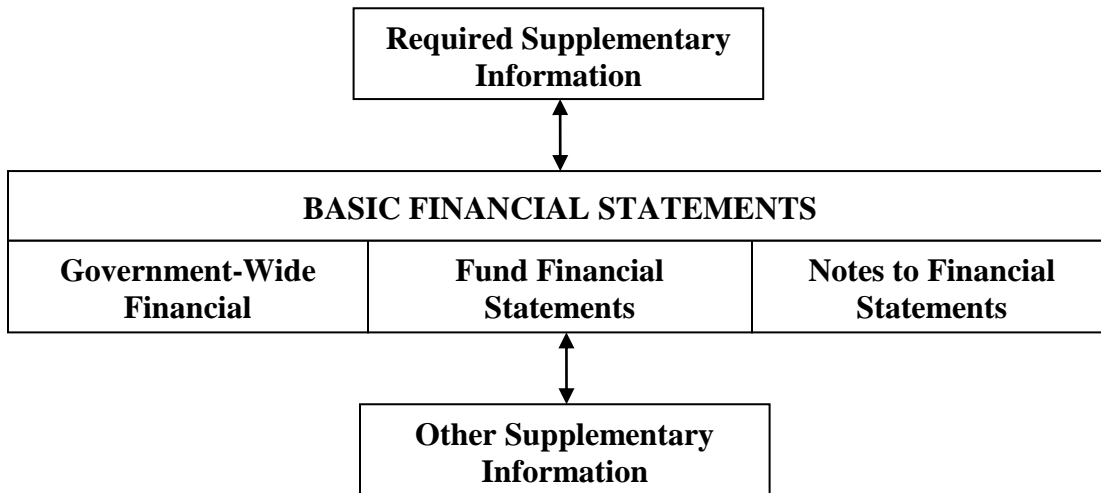
The following is a discussion and analysis of the activities of the Town of Thornton, New Hampshire (the “Town”) for the year ending December 31, 2017. Readers are encouraged to consider the information presented here in conjunction with the Town’s financial statements.

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.

**TOWN OF THORNTON, NEW HAMPSHIRE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDING DECEMBER 31, 2017**

(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 governmental fund financial statements report using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted into cash. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between the governmental activities statement of net position and statement of activities.

**Fiduciary Funds:** These are used to account for resources held for the benefit of parties outside of the Town government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the Town's own programs. The Town's fiduciary funds include capital reserve funds held for the Thornton School District and a private purpose trust fund held for the Hubbard Brook Foundation.

### **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

**TOWN OF THORNTON, NEW HAMPSHIRE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDING DECEMBER 31, 2017**

(continued)

budgetary purposes and the activity as presented in the governmental fund financial statements (Exhibit C-3). The Town's only major governmental fund for 2017 is the General Fund.

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

	Government-Wide	Fund Statements	
		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.	

**TOWN OF THORNTON, NEW HAMPSHIRE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDING DECEMBER 31, 2017**

(continued)

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Statement of Net Position**

The Town's net position totaled \$3,140,202 at the end of 2017, an increase of \$57,443 or 2% when compared to the end of the previous year. This change is primarily due to increases in asset accounts consisting of investments in the amount of \$539,396, net taxes receivable in the amount of \$48,238, accounts receivable in the amount of \$16,383 and intergovernmental receivable in the amount of \$24,568. These increases in assets were offset by decreases in cash and cash equivalents in the amount of (\$95,647). Additionally, there were increases in intergovernmental payable in the amount of \$294,702 and deferred inflows of resources of \$170,279 which were partially offset by a decrease in amounts related to pensions in the amount of (\$107,319), accounts payable of (\$40,293) and net pension liability in the amount of (\$64,182).

	<b>Governmental Activities - 2016</b>	<b>Governmental Activities - 2017</b>	<b>Change</b>
	<u>2016</u>	<u>2017</u>	<u>Change</u>
Current assets	\$ 4,494,686	\$ 5,029,211	\$ 534,525
Restricted assets	5,038	-	(5,038)
Capital assets	<u>1,877,041</u>	<u>1,877,651</u>	<u>610</u>
Total assets	<u>6,376,765</u>	<u>6,906,862</u>	<u>530,097</u>
Deferred outflow of resources	<u>350,327</u>	<u>243,008</u>	<u>(107,319)</u>
Current liabilities	2,305,530	2,559,891	254,361
Long-term liabilities	<u>1,273,253</u>	<u>1,213,948</u>	<u>(59,305)</u>
Total liabilities	<u>3,578,783</u>	<u>3,773,839</u>	<u>195,056</u>
Deferred inflow of resources	<u>65,550</u>	<u>235,829</u>	<u>170,279</u>
Net position:			
Net investment in			
capital assets	1,877,041	1,877,651	610
Restricted	249,324	258,757	9,433
Unrestricted	<u>956,394</u>	<u>1,003,794</u>	<u>47,400</u>
Total net position	<u>\$ 3,082,759</u>	<u>\$ 3,140,202</u>	<u>\$ 57,443</u>

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



**TOWN OF THORNTON, NEW HAMPSHIRE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDING DECEMBER 31, 2017**

(continued)

**Statement of Activities**

During the current year the Town's net position increased by \$57,443. Total revenues of \$2,898,147 exceeded expenses of \$2,840,704.

Property and other taxes generated \$1,589,163 in revenues for the Town. Motor vehicle, permit fees, licenses and other fees generated \$523,714 in revenues. Other revenues consisted of charges for services, grants, contributions and miscellaneous revenues.

Changes in net position for the year ending December 31, 2017 are as follows:

	<b>Governmental Activities - 2016</b>	<b>Governmental Activities - 2017</b>	<b>Change</b>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 345,228	\$ 379,508	\$ 34,280
Operating grants and contributions	103,538	104,312	774
Capital grants and contributions	170,797	2,242	(168,555)
General revenues:			
Property and other taxes	1,533,146	1,589,163	56,017
Licenses and permits	504,029	523,714	19,685
Grants and contributions	130,360	148,923	18,563
Miscellaneous	50,002	150,285	100,283
Total revenues	2,837,100	2,898,147	61,047
<b>Expenditures:</b>			
General government	718,134	570,664	(147,470)
Public safety	1,070,598	1,015,229	(55,369)
Highways and streets	461,337	636,383	175,046
Sanitation	407,367	461,787	54,420
Health and welfare	78,987	78,371	(616)
Culture and recreation	73,987	78,270	4,283
Total expenditures	2,810,410	2,840,704	30,294
Increase in net position	26,690	57,443	30,753
Net position, beginning of year	3,056,069	3,082,759	26,690
Net position, end of year	\$ 3,082,759	\$ 3,140,202	\$ 57,443

The Town's expenses cover a range of services. The largest expenses were for public safety (35.74%), highway and streets (22.40%), general government (20.09%) and sanitation (16.26%), which accounted for 94.49% of total expenditures.

**TOWN OF THORNTON, NEW HAMPSHIRE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDING DECEMBER 31, 2017**

(continued)

**FINANCIAL ANALYSIS OF THE TOWN'S FUNDS**

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

Governmental Funds

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

General Fund

The General Fund is the operating fund of the Town. At the end of the current fiscal year, the General Fund had an unassigned fund balance of \$1,036,366 while total General Fund equity was \$1,980,135. The total fund equity includes nonspendable, restricted, committed, assigned and unassigned fund balances at year-end. The General Fund unassigned fund balance decreased by \$52,733 from December 31, 2016.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Actual revenues on the budgetary basis were over the budgeted amount by \$47,157. This is primarily due to increased revenues from the following budgeted sources: \$24,733 from other miscellaneous income, \$29,508 from charges for services, \$13,797 from property taxes and \$20,547 from intergovernmental state other. These higher than budgeted revenues were partially offset by \$40,784 due to decreased revenue from sale of municipal property.

The Town under expended its budget by \$118,366. This is primarily due to savings realized in election and registration of \$8,509, financial administration of \$13,415, legal of \$16,386, planning and zoning of \$25,666, public safety \$32,175, sanitation – administration \$20,645, welfare – direct assistance of \$12,996, interest on tax anticipation notes of \$1,500 and capital outlay of \$23,263. These savings were slightly offset by over expending the budget in executive of \$6,853, general government buildings by \$11,357, highways and streets of \$24,813.

**OTHER FINANCIAL HIGHLIGHTS**

Monies that were encumbered in 2016 in the amount of \$2,490 for various operating commitments were expended or released to the unassigned fund balance. \$18,217 of the remaining 2017 appropriations were encumbered to offset 2018 expenditures for various operating commitments.

**TOWN OF THORNTON, NEW HAMPSHIRE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDING DECEMBER 31, 2017**

(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, 2017 amounts to \$2,941,532 with \$1,063,881 in accumulated depreciation. The net book value of capital assets for governmental activities is \$1,877,651 as of December 31, 2017. This investment in capital assets includes vehicles and equipment, building and building improvements and land and land improvements. See Note 6 of the Notes to the Basic Financial Statements for a summary of all capital assets.

**Long-Term Obligations**

During 2017, the Town made long-term obligation additions in the amount of \$5,897 and payments totaling \$65,202. See Note 10 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 2017.

**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, 2017**

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 3,170,528
Investments	1,084,568
Taxes receivables (net)	691,854
Account receivables	16,383
Intergovernmental receivable	24,568
Tax dedeed property, subject to resale	41,310
Capital assets:	
Land and construction in progress	154,045
Other capital assets, net of depreciation	1,723,606
Total assets	6,906,862
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Amounts related to pensions	243,008
<b>LIABILITIES</b>	
Accounts payable	53,360
Accrued salaries and benefits	51,894
Intergovernmental payable	2,448,543
Escrow and performance deposits	5,074
Long-term liabilities:	
Due within one year	1,020
Due in more than one year	1,213,948
Total liabilities	3,773,839
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Amounts related to pensions	53,678
Unavailable revenue - Property taxes	92,989
Unavailable revenue - Highway block grant	89,162
Total deferred inflows of resources	235,829
<b>NET POSITION</b>	
Net investment in capital assets	1,877,651
Restricted	258,757
Unrestricted	1,003,794
Total net position	\$ 3,140,202

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

**EXHIBIT B**  
**TOWN OF THORNTON, NEW HAMPSHIRE**  
**Statement of Activities**  
**For the Fiscal Year Ended December 31, 2017**

	Expenses	Program Revenues			Net (Expense) Revenue and Change In Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
General government	\$ 570,664	\$ -	\$ -	\$ -	\$ (570,664)
Public safety	1,015,229	69,778	-	2,242	(943,209)
Highways and streets	636,383	-	104,312	-	(532,071)
Sanitation	461,787	309,730	-	-	(152,057)
Health	65,608	-	-	-	(65,608)
Welfare	12,763	-	-	-	(12,763)
Culture and recreation	78,270	-	-	-	(78,270)
Total governmental activities	<u>\$ 2,840,704</u>	<u>\$ 379,508</u>	<u>\$ 104,312</u>	<u>\$ 2,242</u>	<u>(2,354,642)</u>
General revenues:					
Taxes:					
Property					1,447,139
Other					142,024
Motor vehicle permit fees					509,596
Licenses and other fees					14,118
Grants and contributions not restricted to specific programs					148,923
Miscellaneous					150,285
Total general revenues					<u>2,412,085</u>
Change in net position					57,443
Net position, beginning					3,082,759
Net position, ending					<u>\$ 3,140,202</u>

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

**EXHIBIT C-1**  
**TOWN OF THORNTON, NEW HAMPSHIRE**  
**Governmental Funds**  
**Balance Sheet**  
**December 31, 2017**

	General	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,070,834	\$ 94,654	\$ 3,165,488
Investments	880,426	204,142	1,084,568
Taxes receivable	756,854	-	756,854
Accounts receivable	16,383	-	16,383
Intergovernmental receivable	24,568	-	24,568
Interfund receivable	38,606	2,767	41,373
Voluntary tax liens	17,825	-	17,825
Voluntary tax liens reserved until collected	(17,825)	-	(17,825)
Tax deeded property, subject to resale	41,310	-	41,310
Restricted assets:			
Cash and cash equivalents	5,040	-	5,040
Total assets	<u>\$ 4,834,021</u>	<u>\$ 301,563</u>	<u>\$ 5,135,584</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 53,360	\$ -	\$ 53,360
Accrued salaries and benefits	51,894	-	51,894
Intergovernmental payable	2,448,543	-	2,448,543
Interfund payable	2,767	38,606	41,373
Escrow and performance deposits	5,074	-	5,074
Total liabilities	<u>2,561,638</u>	<u>38,606</u>	<u>2,600,244</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - Property taxes	203,086	-	203,086
Unavailable revenue - Highway block grant	89,162	-	89,162
Total deferred inflows of resources	<u>292,248</u>	<u>-</u>	<u>292,248</u>
<b>FUND BALANCES</b>			
Nonspendable	41,310	253,294	294,604
Restricted	4,634	829	5,463
Committed	879,608	8,834	888,442
Assigned	18,217	-	18,217
Unassigned	1,036,366	-	1,036,366
Total fund balances	<u>1,980,135</u>	<u>262,957</u>	<u>2,243,092</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,834,021</u>	<u>\$ 301,563</u>	<u>\$ 5,135,584</u>

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

**EXHIBIT C-2**  
**TOWN OF THORNTON, NEW HAMPSHIRE**  
**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position**  
**December 31, 2017**

Amounts reported for governmental activities in the Statement of Net Position are different because:		
Total fund balances of governmental funds (Exhibit C-1)	\$	2,243,092
Capital assets used in governmental activities are not financial resources, therefore, are not reported in the funds.		
Cost	\$	2,941,532
Less accumulated depreciation		<u>(1,063,881)</u>
		1,877,651
Certain items 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	\$	243,008
Deferred inflows of resources related to pensions		<u>(53,678)</u>
		189,330
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$	(41,373)
Payables		<u>41,373</u>
		-
Property taxes are recognized on an accrual basis in the Statement of Net Position and on a modified accrual basis in the governmental funds.		
Deferred inflows of resources - property taxes	\$	110,097
Allowance for uncollectible property taxes		<u>(65,000)</u>
		45,097
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the funds.		
Compensated absences	\$	11,285
Accrued landfill postclosure care costs		9,180
Net pension liability		<u>1,194,503</u>
		<u>(1,214,968)</u>
Net position of governmental activities (Exhibit A)	\$	<u><u>3,140,202</u></u>

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



**EXHIBIT C-3**  
**TOWN OF THORNTON, NEW HAMPSHIRE**  
**Governmental Funds**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Fiscal Year Ended December 31, 2017**

	General	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 1,597,382	\$ 112	\$ 1,597,494
Licenses and permits	523,714	-	523,714
Intergovernmental	255,477	-	255,477
Charges for services	379,508	-	379,508
Miscellaneous	145,483	4,802	150,285
Total revenues	<u>2,901,564</u>	<u>4,914</u>	<u>2,906,478</u>
<b>EXPENDITURES</b>			
Current:			
General government	552,737	-	552,737
Public safety	939,310	-	939,310
Highways and streets	542,989	-	542,989
Sanitation	425,939	-	425,939
Health	65,608	-	65,608
Welfare	12,763	-	12,763
Culture and recreation	76,963	-	76,963
Capital outlay	170,923	-	170,923
Total expenditures	<u>2,787,232</u>	<u>-</u>	<u>2,787,232</u>
Net change in fund balances	114,332	4,914	119,246
Fund balances, beginning	1,865,803	258,043	2,123,846
Fund balances, ending	<u>\$ 1,980,135</u>	<u>\$ 262,957</u>	<u>\$ 2,243,092</u>

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

**EXHIBIT C-4**  
**TOWN OF THORNTON, NEW HAMPSHIRE**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances of Governmental Funds to the Statement of Activities**  
**For the Fiscal Year Ended December 31, 2017**

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Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances of governmental funds (Exhibit C-3)		\$ 119,246
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	\$ 118,498	
Depreciation expense	<u>(117,888)</u>	610
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 property tax revenue	\$ (3,331)	
Change in allowance for uncollectible property taxes	<u>(5,000)</u>	(8,331)
Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.		
Increase in compensated absences payable	\$ (5,897)	
Decrease in accrued landfill postclosure care costs	1,020	
Change in net pension liability and deferred outflows and inflows related to pensions	<u>(49,205)</u>	<u>(54,082)</u>
Changes in net position of governmental activities (Exhibit B)		<u><u>\$ 57,443</u></u>

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

**EXHIBIT D**  
**TOWN OF THORNTON, NEW HAMPSHIRE**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance*  
*Budget and Actual (Non-GAAP Budgetary Basis)*  
**General Fund**  
**For the Fiscal Year Ended December 31, 2017**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ 1,583,364	\$ 1,589,051	\$ 5,687
Licenses and permits	519,600	523,714	4,114
Intergovernmental	234,932	255,477	20,545
Charges for services	350,000	379,508	29,508
Miscellaneous	118,250	105,553	(12,697)
Total revenues	<u>2,806,146</u>	<u>2,853,303</u>	<u>47,157</u>
<b>EXPENDITURES</b>			
Current:			
General government	619,007	568,464	50,543
Public safety	971,485	939,310	32,175
Highways and streets	518,176	542,989	(24,813)
Sanitation	447,108	425,939	21,169
Health	65,793	65,608	185
Welfare	25,975	12,763	13,212
Culture and recreation	48,874	47,792	1,082
Conservation	50	-	50
Debt service:			
Interest	1,500	-	1,500
Capital outlay	33,000	9,737	23,263
Total expenditures	<u>2,730,968</u>	<u>2,612,602</u>	<u>118,366</u>
Excess of revenues over expenditures	<u>75,178</u>	<u>240,701</u>	<u>165,523</u>
<b>OTHER FINANCING USES</b>			
Transfers out	<u>(300,178)</u>	<u>(300,178)</u>	<u>-</u>
Net change in fund balances	<u>\$ (225,000)</u>	<u>(59,477)</u>	<u>\$ 165,523</u>
Increase in nonspendable fund balance		(1,587)	
Unassigned fund balance, beginning		<u>1,142,527</u>	
Unassigned fund balance, ending		<u>\$ 1,081,463</u>	

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

**EXHIBIT E-1**  
**TOWN OF THORNTON, NEW HAMPSHIRE**  
**Fiduciary Funds**  
**Statement of Net Position**  
**December 31, 2017**

	Private Purpose Trust	Agency
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,528	\$ 1,112
<b>LIABILITIES</b>		
Intergovernmental payable	-	1,112
<b>NET POSITION</b>		
Held in trust for specific purposes	<u>\$ 1,528</u>	<u>\$ -</u>

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

**EXHIBIT E-2**  
**TOWN OF THORNTON, NEW HAMPSHIRE**  
**Fiduciary Funds**  
**Statement of Changes in Net Position**  
**For the Fiscal Year Ended December 31, 2017**

	Private Purpose Trust
<b>ADDITIONS</b>	
New funds	\$ 1,500
<b>DEDUCTIONS</b>	
Scholarships	750
Change in net position	750
Net position, beginning	778
Net position, ending	\$ 1,528

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

**TOWN OF THORNTON, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2017**

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**TOWN OF THORNTON, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

***1-A Reporting Entity***

The Town of Thornton is a municipal corporation governed by an elected 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.

***1-B Basis of Accounting, and Measurement Focus***

The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

***Government-wide Financial Statements*** – The Town’s government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental activities for the Town accompanied by a total column. Fiduciary activities of the Town are not included in these statements.

These statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the Town’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position, with the exception of long-term healthcare and obligations for other postemployment benefits that have been omitted because the liability and expense have not been determined. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. As in the Statement of Net Position on the Town has not recorded other postemployment expense in this statement. The types of transactions reported as program revenues for the Town are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated.

***Governmental Fund Financial Statements*** – Include a balance sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds and nonmajor funds aggregated. An accompanying statement is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements. The Town has presented all major funds that met those qualifications.

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, with the exception of reimbursement based grants, which use a period of one year. 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. Only the portion of special

**TOWN OF THORNTON, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current 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.

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 except 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.

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.

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

**Fiduciary Fund Financial Statements** – Include a Statement of Net Position and a Statement of Changes in Net Position. The Town’s fiduciary funds are Private Purpose Trust and Agency Funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. These funds are accounted for on a spending or “economic resources” measurement focus and the accrual basis of accounting.

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.

### ***1-C 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.

### ***1-D Restricted Assets***

Certain Town assets are classified as restricted assets because their use is restricted by statutory limitations.



**TOWN OF THORNTON, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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***1-E Investments***

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

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

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

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

**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. 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.

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.

**Investments in Certain External Investment Pools** – In accordance with GASB Statement No. 79, the Town held investments with the New Hampshire Public Deposit Investment Pool (NHPDIP) are categorized as Level 2. The NHPDIP 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 NHPDIP's Information Statement.

***1-F Receivables***

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

**TOWN OF THORNTON, NEW HAMPSHIRE**  
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***1-G Capital Assets***

Capital assets include property, plant, and equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items) which are reported in the applicable governmental activities column in the government-wide financial statements. 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. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of one year. Such assets are carried at historical cost or estimated historical cost. When the cost of the capital assets cannot be determined from available records, estimated historical cost is used. Donated capital assets received on or prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value.

The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

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

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

***1-H 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.

***1-I 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 15 and November 2, and due on July 1 and December 8. Interest accrues at a rate of 12% on bills outstanding after the due date and 18% on tax liens outstanding.

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

The Town net assessed valuation as of April 1, 2017 utilized in the setting of the tax rate was as follows:

For the New Hampshire education tax	\$ 360,693,777
For all other taxes	\$ 368,013,477

**TOWN OF THORNTON, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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The tax rates and amounts assessed for the year ended December 31, 2017 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$4.15	\$ 1,526,702
School portion:		
State of New Hampshire	\$2.11	762,445
Local	\$11.48	4,225,026
County portion	\$1.80	661,366
Precinct	\$15.79	299,741
Total		\$ 7,475,280

***1-J Accounts Payable***

Accounts payable represent the gross amount of expenditures or expenses incurred as a result of normal operations, but for which no actual payment has yet been issued to vendors/providers as of December 31, 2017.

***1-K Deferred Outflows/Inflows of Resources***

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

***1-L Long-term Obligations***

In the government-wide financial statements, other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position.

***1-M 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.

***1-N 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.

**TOWN OF THORNTON, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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***1-O Net Position/Fund Balances***

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

- a) *Net investment in capital assets* – Consists of capital assets, including restricted 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 deeded 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.

***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 government’s policy to utilize the most restricted balances first, then the next most restricted balance as needed. When components of unrestricted fund balance are used, committed fund balance is depleted first followed by assigned fund balance. Unassigned fund balance is applied last.

The Board of Selectman 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-P 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.

**TOWN OF THORNTON, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**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 2017, \$225,000 of the beginning general fund unassigned fund balance was applied for this purpose.

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

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

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

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

Revenues:	
Per Exhibit D (budgetary basis)	\$ 2,853,303
Adjustment:	
Basis difference:	
GASB Statement No. 54:	
To record miscellaneous income of the blended funds	39,930
Change in deferred tax revenue relating to 60-day revenue recognition recognized as revenue on the GAAP basis, but not on the budgetary basis	3,331
Change in allowance for uncollectible property taxes	5,000
Per Exhibit C-3 (GAAP basis)	<u>\$ 2,901,564</u>
Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 2,912,780
Adjustment:	
Basis differences:	
Encumbrances, beginning	2,490
Encumbrances, ending	(18,217)
GASB Statement No. 54:	
To record expenditures of the blended funds during the year	190,357
To eliminate transfers between general and blended funds	(300,178)
Per Exhibit C-3 (GAAP basis)	<u>\$ 2,787,232</u>

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**DETAILED NOTES ON ALL FUNDS**

**NOTE 3 – CASH AND CASH EQUIVALENTS**

At December 31, 2017, the reported amount of the Town’s deposits was \$3,173,168 and the bank balance was \$3,462,375. Of the bank balance \$3,275,566 was covered by federal depository insurance or by collateral held by the pledging bank in the Town’s name, and \$186,809 was uninsured and uncollateralized.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 3,170,528
Cash per Statement of Net Position - Fiduciary Fund (Exhibit E-1)	2,640
Total cash and cash equivalents	<u>\$ 3,173,168</u>

**NOTE 4 – INVESTMENTS**

Note 1-E 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 and maturities as of December 31, 2017:

	Valuation Measurement	Fair Value	1-5 Years	Total
	Method			
Investments type:				
Certificates of deposit	Level 1	\$ -	\$ 177,912	\$ 177,912
Equity mutual funds	Level 1	26,230	-	26,230
New Hampshire Public Deposit Investment Pool	Level 2	880,426	-	880,426
Total fair value		<u>\$ 906,656</u>	<u>\$ 177,912</u>	<u>\$ 1,084,568</u>

**Interest Rate Risk** – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates.

**Concentration of Credit Risk** – The Town places no limit on the amount it may invest in any one issuer. More than 5% of the Town’s investments are in certificates of deposit at Woodsville Guaranty Savings Bank. These investments are 16% of the Town’s total investments.

**NOTE 5 – TAXES RECEIVABLE**

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of December 31, 2017. The amount has been reduced by an allowance for an estimated uncollectible amount of \$65,000. Taxes receivable by year are as follows:

	As reported on:	
	Exhibit A	Exhibit C-1
Property:		
Levy of 2017	\$ 524,788	\$ 524,788
Unredeemed (under tax lien):		
Levy of 2016	135,248	135,248
Levy of 2015	63,616	63,616
Levies of 2014 and prior	28,485	28,485
Yield	1,346	1,346
Land use change	3,371	3,371
Less: allowance for estimated uncollectible taxes	(65,000) *	-
Net taxes receivable	<u>\$ 691,854</u>	<u>\$ 756,854</u>

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

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**NOTE 6 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2017 is as follows:

	Balance, beginning	Additions	Deletions	Balance, ending
At cost:				
Not being depreciated:				
Land	\$ 154,045	\$ -	\$ -	\$ 154,045
Being depreciated:				
Land improvements	357,832	-	-	357,832
Buildings and building improvements	911,989	-	-	911,989
Equipment and vehicles	942,339	118,498	-	1,060,837
Infrastructure	456,829	-	-	456,829
Total capital assets being depreciated	<u>2,668,989</u>	<u>118,498</u>	<u>-</u>	<u>2,787,487</u>
Total all capital assets	<u>2,823,034</u>	<u>118,498</u>	<u>-</u>	<u>2,941,532</u>
Less accumulated depreciation:				
Land improvements	(219,350)	(12,208)	-	(231,558)
Buildings and building improvements	(164,587)	(16,184)	-	(180,771)
Equipment and vehicles	(522,471)	(66,655)	-	(589,126)
Infrastructure	(39,585)	(22,841)	-	(62,426)
Total accumulated depreciation	<u>(945,993)</u>	<u>(117,888)</u>	<u>-</u>	<u>(1,063,881)</u>
Net book value, capital assets being depreciated	<u>1,722,996</u>	<u>610</u>	<u>-</u>	<u>1,723,606</u>
Net book value, all governmental activities capital assets	<u>\$ 1,877,041</u>	<u>\$ 610</u>	<u>\$ -</u>	<u>\$ 1,877,651</u>

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

General government	\$ 9,208
Public safety	41,627
Highways and streets	35,561
Sanitation	31,492
Total depreciation expense	<u>\$ 117,888</u>

**NOTE 7 – INTERFUND BALANCES**

The composition of interfund balances as of December 31, 2017 is as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor	\$ 38,606
Nonmajor	General	<u>2,767</u>
		<u>\$ 41,373</u>

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

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**NOTE 8 – INTERGOVERNMENTAL PAYABLES**

Amounts due to other governments of \$2,449,655 at December 31, 2017 consist of the following:

General fund:	
Balance of the 2017-2018 assessment due to the Thornton School District	\$ 1,602,355
Balance of the 2017-2018 assessment due to the Pemi-Baker School District	748,187
Assessment due to the Waterville Estates Village District	79,924
Balance due to the State of New Hampshire	18,077
Total general fund	<u>2,448,543</u>
Agency fund:	
Balance due to the Thornton School District	1,112
Total intergovernmental payables due	<u>\$ 2,449,655</u>

**NOTE 9 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

Deferred outflows of resources of \$243,008 in the governmental activities at December 31, 2017 consists of amounts related to pensions, see Note 11.

Deferred inflows of resources are as follows:

	Government-wide Activities	General Fund
Property taxes not collected within 60 days of fiscal year-end	\$ -	\$ 110,097
Property taxes collected in advance of warrant	92,989	92,989
Unspent portion of SB 38 Highway Block Grant	89,162	89,162
Amounts related to pensions, see Note 11	53,678	-
Total deferred inflows of resources	<u>\$ 235,829</u>	<u>\$ 292,248</u>

**NOTE 10 – LONG-TERM LIABILITIES**

Changes in the Town’s long-term liabilities consisted of the following for the year ended December 31, 2017:

	Balance January 1, 2017	Additions	Reductions	Balance December 31, 2017	Due Within One Year
Compensated absences	\$ 5,388	\$ 5,897	\$ -	\$ 11,285	\$ -
Accrued landfill postclosure care costs	10,200	-	(1,020)	9,180	1,020
Pension related liability	1,258,685	-	(64,182)	1,194,503	-
Total long-term liabilities	<u>\$ 1,274,273</u>	<u>\$ 5,897</u>	<u>\$ (65,202)</u>	<u>\$ 1,214,968</u>	<u>\$ 1,020</u>

**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 the year. The estimated liability for landfill postclosure care costs has a balance of \$9,180 as of December 31, 2017. 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, 2017. 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 11 – 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



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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 except police officers and firefighters are required to contribute 7% of earnable compensation. The contribution rates were 11.55% for police officers and 11.80% for firefighters. For fiscal year 2017, the Town contributed the following amounts:

Period	Police	Fire	All Other Employees
January 1, 2017 thru June 30,2017	26.38%	29.16%	11.17%
July 1, 2017 thru December 31, 2017	29.43%	31.89%	11.38%

The contribution requirements for the fiscal years 2015, 2016, and 2017 were \$84,202, \$97,209, and \$111,922, respectively, which were paid in full in each year.

**Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions:** At December 31, 2017 the Town reported a liability of \$1,194,503 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2017, the Town’s proportion was 0.02428842% which was an increase of 0.00061823% from its proportion measured as of June 30, 2016.

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For the year ended December 31, 2017, the Town recognized pension expense of \$143,922. At December 31, 2017 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
Changes in proportion	\$ 67,889	\$ 23,263
Changes in assumptions	119,944	-
Net difference between projected and actual investment earnings on pension plan investments	-	15,212
Differences between expected and actual experience	2,709	15,203
Contributions subsequent to the measurement date	52,466	-
Total	\$ 243,008	\$ 53,678

The \$52,466 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, 2018. 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,	
2018	\$ 39,202
2019	63,129
2020	48,148
2021	(13,615)
Totals	\$ 136,864

**Actuarial Assumptions:** The collective total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2016, using the following actuarial assumptions which, accordingly apply to 2017 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, 2016 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.

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Following is a table presenting target allocations and long-term rates of return for 2017:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return <u>2017</u>
Large Cap Equities	22.50%	4.25%
Small/Mid Cap Equities	7.50%	4.50%
Total domestic equity	<u>30.00%</u>	
Int'l Equities (unhedged)	13.00%	4.50%
Emerging Int'l Equities	7.00%	6.25%
Total international equity	<u>20.00%</u>	
Core Bonds	5.00%	0.75%
Short Duration	2.00%	(0.25%)
Global Multi-Sector Fixed Income	11.00%	2.11%
Absolute Return Fixed Income	7.00%	1.26%
Total fixed income	<u>25.00%</u>	
Private equity	5.00%	6.25%
Private debt	5.00%	4.75%
Opportunistic	5.00%	2.84%
Total alternative investments	<u>15.00%</u>	
Real estate	10.00%	3.25%
Total	<u><u>100.00%</u></u>	

**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 Date	1% Decrease 6.25%	Current Single Rate Assumption 7.25%	1% Increase 8.25%
June 30, 2017	\$ 1,573,697	\$ 1,194,503	\$ 883,767
June 30, 2016	\$ 1,617,324	\$ 1,258,685	\$ 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.

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**NOTE 12 – 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 of providing health insurance for currently enrolled retirees are recognized in general fund of the funds financial statements as payments are made.

The Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, 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, 2017 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 13 – GOVERNMENTAL ACTIVITIES NET POSITION**

Governmental activities net position reported on the government-wide Statement of Net Position at December 31, 2017 include the following:

Net investment in capital assets:	
Net book value, all governmental activities capital assets	<u>\$ 1,877,651</u>
Restricted net position:	
Restricted for library	4,634
Restricted for permanent fund	<u>254,123</u>
Total restricted net position	<u>258,757</u>
Unrestricted	<u>1,003,794</u>
Total net position	<u><u>\$ 3,140,202</u></u>

**NOTE 14 – GOVERNMENTAL FUND BALANCES**

Governmental fund balances reported on the fund financial statements at December 31, 2017 include the following:

	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<b>Nonspendable:</b>			
Tax deeded property	\$ 41,310	\$ -	\$ 41,310
Permanent fund - principal balance	-	253,294	253,294
Total nonspendable fund balance	<u>41,310</u>	<u>253,294</u>	<u>294,604</u>
<b>Restricted:</b>			
Library	4,634	-	4,634
Permanent - income balance	-	829	829
Total restricted fund balance	<u>4,634</u>	<u>829</u>	<u>5,463</u>
<b>Committed:</b>			
Expendable trust	879,608	-	879,608
Conservation commission	-	8,834	8,834
Total committed fund balance	<u>879,608</u>	<u>8,834</u>	<u>888,442</u>
<b>Assigned:</b>			
Encumbrances	18,217	-	18,217
<b>Unassigned</b>	<u>1,036,366</u>	-	<u>1,036,366</u>
Total governmental fund balances	<u><u>\$ 1,980,135</u></u>	<u><u>\$ 262,957</u></u>	<u><u>\$ 2,243,092</u></u>

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**NOTE 15 – RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2017, 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 pool, 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, 2017 to December 31, 2017 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 billed and paid for the year ended December 31, 2017 was \$19,151 for workers' compensation and \$26,553 for property/liability.

**NOTE 16 – 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 July 26, 2018, the date the December 31, 2017 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, 2017*

Fiscal Year End	Valuation Date	Town's Proportion of Net Pension Liability	Proportionate Share of Net Pension Liability	Covered Payroll	Town Proportionate Share of Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
December 31, 2017	June 30, 2017	0.02428842%	\$ 1,194,503	\$ 655,994	182.09%	62.66%
December 31, 2016	June 30, 2016	0.02367019%	\$ 1,258,685	\$ 564,736	222.88%	58.30%
December 31, 2015	June 30, 2015	0.02272142%	\$ 900,115	\$ 558,717	161.10%	65.47%
December 31, 2014	June 30, 2014	0.02391192%	\$ 897,554	\$ 568,957	157.75%	66.32%
December 31, 2013	June 30, 2013	0.02217313%	\$ 954,284	\$ 510,618	186.89%	59.81%

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

**EXHIBIT G**  
**TOWN OF THORNTON, NEW HAMPSHIRE**  
*Schedule of Town Contributions*  
*New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan*  
*For the Fiscal Year Ended December 31, 2017*

Fiscal Year End	Valuation Date	Contractually Required Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
December 31, 2017	June 30, 2017	\$ 88,979	\$ 88,979	\$ -	\$ 655,994	13.56%
December 31, 2016	June 30, 2016	\$ 84,758	\$ 84,758	\$ -	\$ 564,736	15.01%
December 31, 2015	June 30, 2015	\$ 76,228	\$ 76,228	\$ -	\$ 558,717	13.64%
December 31, 2014	June 30, 2014	\$ 77,576	\$ 77,576	\$ -	\$ 568,957	13.63%
December 31, 2013	June 30, 2013	\$ 55,134	\$ 55,134	\$ -	\$ 510,618	10.80%

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



**TOWN OF THORNTON, NEW HAMPSHIRE**  
**NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED**  
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***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, 2017, and preceding four years.

**Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year 2017:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	22 Years beginning July 1, 2017 (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	3.56% 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.
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These schedules are presented to show information for 10 years. However, information is only presented for years which information is available.

***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, 2017**

	Estimated	Actual	Variance Positive (Negative)
<b>Taxes:</b>			
Property	\$ 1,433,342	\$ 1,447,139	\$ 13,797
Land use change	11,000	9,300	(1,700)
Yield	7,000	6,950	(50)
Excavation	1,000	964	(36)
Payment in lieu of taxes	40,722	40,722	-
Interest and penalties on taxes	90,000	83,976	(6,024)
Other taxes	300	-	(300)
Total from taxes	<u>1,583,364</u>	<u>1,589,051</u>	<u>5,687</u>
<b>Licenses, permits, and fees:</b>			
Business licenses, permits, and fees	400	375	(25)
Motor vehicle permit fees	510,000	509,596	(404)
Building permits	2,700	3,675	975
Other	6,500	10,068	3,568
Total from licenses, permits, and fees	<u>519,600</u>	<u>523,714</u>	<u>4,114</u>
<b>Intergovernmental:</b>			
State:			
Meals and rooms distribution	130,518	130,518	-
Highway block grant	104,314	104,312	(2)
Other	100	20,647	20,547
Total from intergovernmental	<u>234,932</u>	<u>255,477</u>	<u>20,545</u>
<b>Charges for services:</b>			
Income from departments	<u>350,000</u>	<u>379,508</u>	<u>29,508</u>
<b>Miscellaneous:</b>			
Sale of municipal property	58,000	17,216	(40,784)
Interest on investments	250	3,604	3,354
Other	60,000	84,733	24,733
Total from miscellaneous	<u>118,250</u>	<u>105,553</u>	<u>(12,697)</u>
Total revenues	2,806,146	<u>\$ 2,853,303</u>	<u>\$ 47,157</u>
Unassigned fund balance used to reduce tax rate	225,000		
Total revenues and use of fund balance	<u>\$ 3,031,146</u>		

**SCHEDULE 2**  
**TOWN OF THORNTON, NEW HAMPSHIRE**  
**Major General Fund**  
*Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)*  
**For the Fiscal Year Ended December 31, 2017**

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 260,346	\$ 267,199	\$ -	\$ (6,853)
Election and registration	-	44,657	36,148	-	8,509
Financial administration	2,490	83,715	72,790	-	13,415
Revaluation of property	-	30,318	30,443	-	(125)
Legal	-	27,000	10,614	-	16,386
Personnel administration	-	5,400	4,207	-	1,193
Planning and zoning	-	56,215	30,549	-	25,666
General government buildings	-	30,801	23,941	18,217	(11,357)
Cemeteries	-	25,700	25,545	-	155
Insurance, not otherwise allocated	-	48,852	49,836	-	(984)
Advertising and regional associations	-	2	-	-	2
Other	-	6,001	1,465	-	4,536
Total general government	<u>2,490</u>	<u>619,007</u>	<u>552,737</u>	<u>18,217</u>	<u>50,543</u>
Public safety:					
Police	-	651,813	623,244	-	28,569
Fire	-	313,420	312,919	-	501
Building inspection	-	2,752	310	-	2,442
Emergency management	-	3,500	2,837	-	663
Total public safety	<u>-</u>	<u>971,485</u>	<u>939,310</u>	<u>-</u>	<u>32,175</u>
Highways and streets:					
Highways and streets	<u>-</u>	<u>518,176</u>	<u>542,989</u>	<u>-</u>	<u>(24,813)</u>
Sanitation:					
Administration	-	226,558	205,913	-	20,645
Solid waste collection	-	100	100	-	-
Solid waste disposal	-	217,001	217,097	-	(96)
Solid waste clean-up	-	1,300	680	-	620
Other	-	2,149	2,149	-	-
Total sanitation	<u>-</u>	<u>447,108</u>	<u>425,939</u>	<u>-</u>	<u>21,169</u>
Health:					
Administration	-	1,186	1,001	-	185
Health agencies	-	64,607	64,607	-	-
Total health	<u>-</u>	<u>65,793</u>	<u>65,608</u>	<u>-</u>	<u>185</u>
Welfare:					
Administration	-	5,975	5,759	-	216
Direct assistance	-	20,000	7,004	-	12,996
Total welfare	<u>-</u>	<u>25,975</u>	<u>12,763</u>	<u>-</u>	<u>13,212</u>
Culture and recreation:					
Parks and recreation	-	2	-	-	2
Library	-	48,372	47,553	-	819
Patriotic purposes	-	500	239	-	261
Total culture and recreation	<u>-</u>	<u>48,874</u>	<u>47,792</u>	<u>-</u>	<u>1,082</u>
Conservation	<u>-</u>	<u>50</u>	<u>-</u>	<u>-</u>	<u>50</u>

*(Continued)*

**SCHEDULE 2 (Continued)**  
**TOWN OF THORNTON, NEW HAMPSHIRE**  
**Major General Fund**  
*Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)*  
**For the Fiscal Year Ended December 31, 2017**

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Debt service:					
Interest on tax anticipation notes	-	1,500	-	-	1,500
Capital outlay	-	33,000	9,737	-	23,263
Other financing uses:					
Transfers out	-	300,178	300,178	-	-
Total appropriations, expenditures, other financing uses, and encumbrances	\$ 2,490	\$ 3,031,146	\$ 2,897,053	\$ 18,217	\$ 118,366

**SCHEDULE 3**  
**TOWN OF THORNTON, NEW HAMPSHIRE**  
**Major General Fund**  
**Schedule of Changes in Unassigned Fund Balance**  
**For the Fiscal Year Ended December 31, 2017**

Unassigned fund balance, beginning (Non-GAAP Budgetary Basis)		\$ 1,142,527
Changes:		
Unassigned fund balance used to reduce 2017 tax rate		(225,000)
2017 Budget summary:		
Revenue surplus (Schedule 1)	\$ 47,157	
Unexpended balance of appropriations (Schedule 2)	<u>118,366</u>	
2017 Budget surplus		165,523
Increase in nonspendable fund balance		<u>(1,587)</u>
Unassigned fund balance, ending (Non-GAAP Budgetary Basis)		1,081,463
<b>Reconciliation on Non-GAAP Budgetary Basis to GAAP Basis</b>		
To record deferred property taxes not collected within 60 days of the fiscal year-end, not recognized on a budgetary basis		(110,097)
To remove allowance for uncollectible property taxes, recognized on a budgetary basis, but not on a GAAP basis		<u>65,000</u>
Unassigned fund balance, ending, GAAP basis (Exhibit C-1)		<u><u>\$ 1,036,366</u></u>

**SCHEDULE 4**  
**TOWN OF THORNTON, NEW HAMPSHIRE**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**December 31, 2017**

	Special Revenue Fund		Total
	Conservation Commission	Permanent Fund	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 6,067	\$ 88,587	\$ 94,654
Investments	-	204,142	204,142
Interfund receivable	2,767	-	2,767
Total assets	<u>\$ 8,834</u>	<u>\$ 292,729</u>	<u>\$ 301,563</u>
<b>LIABILITIES</b>			
Interfund payable	\$ -	\$ 38,606	\$ 38,606
<b>FUND BALANCES</b>			
Nonspendable	-	253,294	253,294
Restricted	-	829	829
Committed	8,834	-	8,834
Total fund balances	<u>8,834</u>	<u>254,123</u>	<u>262,957</u>
Total liabilities and fund balances	<u>\$ 8,834</u>	<u>\$ 292,729</u>	<u>\$ 301,563</u>

**SCHEDULE 5**  
**TOWN OF THORNTON, NEW HAMPSHIRE**  
*Nonmajor Governmental Funds*  
**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Fiscal Year Ended December 31, 2017**

	Special Revenue Fund		Total
	Conservation Commission	Permanent Fund	
	Fund	Fund	
<b>Revenues:</b>			
Taxes	\$ 112	\$ -	\$ 112
Miscellaneous	3	4,799	4,802
Total revenues	115	4,799	4,914
Net change in fund balances	115	4,799	4,914
Fund balances, beginning	8,719	249,324	258,043
Fund balances, ending	\$ 8,834	\$ 254,123	\$ 262,957