

**TOWN OF THORNTON,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2018**

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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, each major fund, and aggregate remaining fund information of the Town of Thornton as of and for the year ended December 31, 2018, 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 unmodified and adverse audit opinions.

Summary of Opinions

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

Basis for Adverse Opinion on Governmental Activities

As discussed in Note 12-B to the financial statements, management has not recorded the long-term costs of retirement health care costs and obligations for other postemployment benefits for the Town’s single employer plan 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, 2018, 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 each major fund and aggregate remaining fund information of the Town of Thornton as of December 31, 2018, 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.

Change in Accounting Principle

As discussed in Note 2-C to the financial statements, in fiscal year 2018 the Town adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are modified with respect to this matter.

Other Matters

Required Supplementary Information – Accounting principles generally accepted in the United States of America require that the following be presented to supplement the basic financial statements:

- Management's Discussion and Analysis,
- Schedule of the Town's Proportionate Share of Net Pension Liability,
- Schedule of Town Contributions – Pensions,
- Schedule of the Town's Proportionate Share of the Net Other Postemployment Benefits Liability,
- Schedule of Town Contributions – Other Postemployment Benefits,
- Notes to the Required Supplementary Information

Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information – Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Thornton's basic financial statements. The combining and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Plodyk & Sanderson
Professional Association*

September 3, 2019

**TOWN OF THORNTON, NEW HAMPSHIRE
MANAGEMENT’S DISCUSSION AND ANALYSIS
YEAR ENDING DECEMBER 31, 2018**

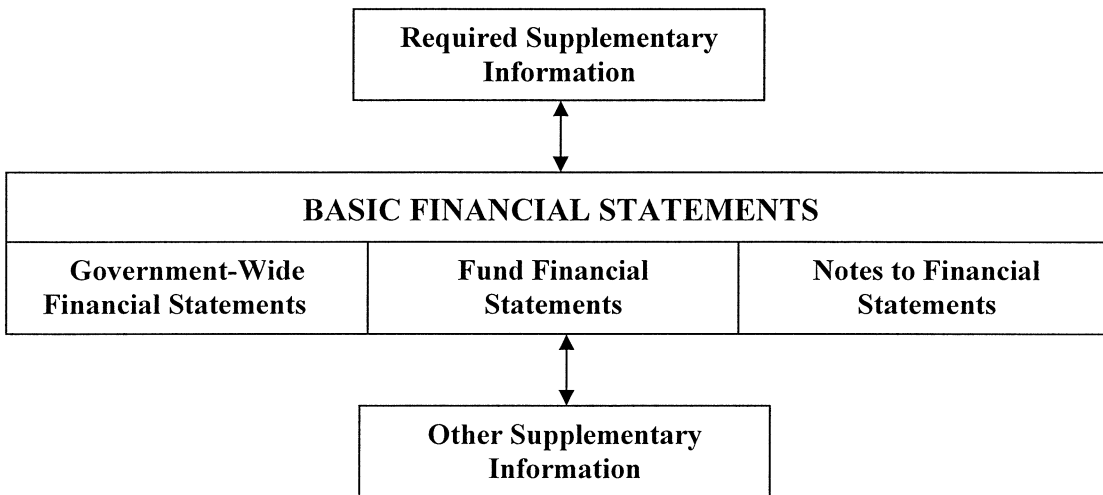
The following is a discussion and analysis of the activities of the Town of Thornton, New Hampshire (the “Town”) for the year ending December 31, 2018. Readers are encouraged to consider the information presented here in conjunction with the Town’s financial statements.

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, the Schedule of Town Contributions, the Schedule of the Town’s Proportionate Share of Net Other Postemployment Benefits Liability and the Schedule of Town Contributions – Other Postemployment Benefits)
5. Other supplementary information



Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town’s finances, in a manner similar to most private-sector companies.

The **Statement of Net Position** presents information on all of the Town’s assets, deferred outflow of resources, liabilities and deferred inflow of resources with the difference between the four reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The **Statement of Activities** presents information showing how the Town’s net position changed during 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.

**TOWN OF THORNTON, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDING DECEMBER 31, 2018**

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 budgetary purposes and the activity as presented in the governmental fund financial statements (Exhibit C-3). The Town's major governmental funds for 2018 are the General Fund and Capital Project Fund.

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**TOWN OF THORNTON, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDING DECEMBER 31, 2018**

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

	Government-Wide	Fund Statements	
		Governmental	Fiduciary
SCOPE	Entire Town government (except fiduciary funds)	All activities of the Town that are not proprietary or fiduciary	Instances in which the Town is the trustee or agent for someone else's resources.
REQUIRED FINANCIAL STATEMENTS	Statement of Net Position	Balance Sheet	Statement of Fiduciary Net Position
	Statement of Activities	Statement of Revenues, Expenditures and Changes in Fund Balances	
ACCOUNTING BASIS	Accrual	Modified Accrual	Accrual
MEASUREMENT FOCUS	Economic Resources	Current Financial Resources	Economic Resources
TYPE OF INFORMATION ASSETS AND LIABILITIES	All assets and liabilities, both financial and capital, short-term and long-term.	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included.	All assets and liabilities, both short-term and long-term.
TYPE OF INFORMATION REVENUES, EXPENSES, AND EXPENDITURES	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter.	

**TOWN OF THORNTON, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDING DECEMBER 31, 2018**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

The Town's net position totaled \$3,992,461 at the end of 2018, an increase of \$816,726 or 26% when compared to the end of the previous year. This change is primarily due to increases in asset accounts consisting of intergovernmental receivable in the amount of \$443,192, construction in progress in the amount of \$634,688 and infrastructure in the amount of \$166,169. These increases in assets were offset by decreases in cash and cash equivalents in the amount of (\$135,791), investments decreased by (\$35,929) and taxes receivable, net of uncollectible amounts of (\$29,869). Deferred outflows of resources related to pensions and other postemployment benefits increased by \$124,084. Additionally, there were increases in net pension liability of \$166,431, intergovernmental payable in the amount of \$132,371, other postemployment benefits of \$57,439 and retainage payable of \$42,591, which were partially offset by a decrease in deferred inflows of resources by the amount of (\$165,081).

	Governmental Activities - 2017 (Restated)	Governmental Activities - 2018	Change
Current assets	\$ 5,029,211	\$ 5,264,397	\$ 235,186
Restricted assets	-	-	-
Capital assets	1,977,136	2,670,999	693,863
Total assets	<u>7,006,347</u>	<u>7,935,396</u>	<u>929,049</u>
Deferred outflow of resources	<u>248,362</u>	<u>367,092</u>	<u>118,730</u>
Current liabilities	2,559,891	2,729,519	169,628
Long-term liabilities	1,283,254	1,509,760	226,506
Total liabilities	<u>3,843,145</u>	<u>4,239,279</u>	<u>396,134</u>
Deferred inflow of resources	<u>235,829</u>	<u>70,748</u>	<u>(165,081)</u>
Net position:			
Net investment in			
capital assets	1,877,651	2,670,999	793,348
Restricted	258,757	240,189	(18,568)
Unrestricted	1,039,327	1,081,273	41,946
Total net position	<u>\$ 3,175,735</u>	<u>\$ 3,992,461</u>	<u>\$ 816,726</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, 2018**

Statement of Activities

During the current year the Town's net position increased by \$816,726. Total revenues of \$3,817,879 exceeded expenses of \$3,001,153.

Property and other taxes generated \$1,677,205 in revenues for the Town. Motor vehicle, permit fees, licenses and other fees generated \$555,806 in revenues and charges for services had \$442,196 in revenue. Additionally, operating grants and contributions and capital grants and contributions generated revenues of \$655,933 and \$274,249, respectively. Other revenues consisted of grants, contributions and miscellaneous revenues.

Changes in net position for the year ending December 31, 2018 are as follows:

	Governmental Activities - 2017 (Restated)	Governmental Activities - 2018	Change
<i>Revenues:</i>			
Program revenues:			
Charges for services	\$ 379,508	\$ 442,196	\$ 62,688
Operating grants and contributions	104,312	655,933	551,621
Capital grants and contributions	2,242	274,249	272,007
General revenues:			
Property and other taxes	1,589,163	1,677,205	88,042
Licenses and permits	523,714	555,806	32,092
Grants and contributions	148,923	112,515	(36,408)
Miscellaneous	150,285	99,975	(50,310)
Total revenues	<u>2,898,147</u>	<u>3,817,879</u>	<u>919,732</u>
<i>Expenditures:</i>			
General government	583,876	759,229	175,353
Public safety	1,038,733	1,101,121	62,388
Highways and streets	551,631	491,984	(59,647)
Sanitation	472,478	481,952	9,474
Health and welfare	78,371	74,525	(3,846)
Culture and recreation	80,082	92,342	12,260
Total expenditures	<u>2,805,171</u>	<u>3,001,153</u>	<u>195,982</u>
Increase in net position	92,976	816,726	723,750
Net position, beginning of year	<u>3,082,759</u>	<u>3,175,735</u>	<u>92,976</u>
Net position, end of year	<u>\$ 3,175,735</u>	<u>\$ 3,992,461</u>	<u>\$ 816,726</u>

The Town's expenses cover a range of services. The largest expenses were for public safety (36.69%), general government (25.30%), highway and streets (16.39%), and sanitation (16.06%), which accounted for 94.44% of total expenditures.

**TOWN OF THORNTON, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDING DECEMBER 31, 2018**

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 \$1,281,443 while total General Fund equity was \$2,222,645. The total fund equity includes nonspendable, restricted, committed, assigned and unassigned fund balances at year-end. The General Fund unassigned fund balance increased by \$245,077 from December 31, 2017.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues on the budgetary basis were over the budgeted amount by \$338,823. This is primarily due to increased revenues from the following budgeted sources: \$286,922 from intergovernmental state other, \$43,531 from charges for services, \$32,406 from licenses, permits, and fees and \$15,572 from miscellaneous. These higher than budgeted revenues were partially offset by due to decreases revenue from property taxes in the amount of (\$24,421), land use change of (\$6,451) and interest and penalties on taxes in the amount of (\$7,088).

The Town under expended its budget by \$157,923. This is primarily due to savings realized in election and registration of \$8,535, planning and zoning of \$17,547, personnel administration of \$2,654, public safety of \$19,839, highway and streets of \$66,414, sanitation in the amount of \$2,192, welfare – direct assistance of \$12,596, interest on tax anticipation notes of \$2,500, capital outlay of \$15,305 and other of \$5,001.

OTHER FINANCIAL HIGHLIGHTS

Monies that were encumbered in 2017 in the amount of \$18,217 for various operating commitments were expended or released to the unassigned fund balance. \$69,912 of the remaining 2018 appropriations were encumbered to offset 2019 expenditures for various operating commitments.

The Town implemented Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB), during fiscal year 2018. The beginning net position for governmental activities was restated by \$63,952 for the OPEB provided by the New Hampshire Retirement System plan to retroactively report the increase in the net OPEB liability as of January 1, 2018. As a result of this restatement, OPEB expense for fiscal year 2017 was increased by \$69,306 and the initial balance of deferred outflows of resources decreased by (\$5,354) at December 31, 2017.

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, 2018 amounts to \$3,856,789 with \$1,185,790 in accumulated depreciation. The net book value of capital assets for governmental activities is \$2,670,999 as of December 31, 2018. 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.

**TOWN OF THORNTON, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDING DECEMBER 31, 2018**

Long-Term Obligations

During 2018, the Town made long-term obligation additions in the amount of \$227,529 and payments totaling \$1,020. 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 2018.

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, 2018

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 3,034,737
Investments	1,048,639
Taxes receivables (net)	661,985
Account receivables	11,789
Intergovernmental receivable	467,760
Tax dedeed property, subject to resale	39,487
Capital assets:	
Land and construction in progress	888,218
Other capital assets, net of depreciation	1,782,781
Total assets	7,935,396
DEFERRED OUTFLOWS OF RESOURCES	
Amounts related to pensions	348,011
Amounts related to other postemployment benefits	19,081
Total deferred outflows of resources	367,092
LIABILITIES	
Accounts payable	47,937
Accrued salaries and benefits	51,980
Contracts payable	42,591
Intergovernmental payable	2,580,914
Escrow and performance deposits	5,077
Long-term liabilities:	
Due within one year	1,020
Due in more than one year	1,509,760
Total liabilities	4,239,279
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	14,028
Unavailable revenue - donations	110
Amounts related to pensions	56,207
Amounts related to other postemployment benefits	403
Total deferred inflows of resources	70,748
NET POSITION	
Net investment in capital assets	2,670,999
Restricted	240,189
Unrestricted	1,081,273
Total net position	\$ 3,992,461

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, 2018

	Expenses	Program Revenues			Net (Expense) Revenue and Change In Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
General government	\$ 759,229	\$ -	\$ -	\$ -	\$ (759,229)
Public safety	1,101,121	104,999	812	274,249	(721,061)
Highways and streets	491,984	-	655,121	-	163,137
Sanitation	481,952	337,197	-	-	(144,755)
Health	65,110	-	-	-	(65,110)
Welfare	9,415	-	-	-	(9,415)
Culture and recreation	92,342	-	-	-	(92,342)
Total governmental activities	<u>\$ 3,001,153</u>	<u>\$ 442,196</u>	<u>\$ 655,933</u>	<u>\$ 274,249</u>	<u>(1,628,775)</u>
General revenues:					
Taxes:					
Property					1,549,818
Other					127,387
Motor vehicle permit fees					534,778
Licenses and other fees					21,028
Grants and contributions not restricted to specific programs					112,515
Miscellaneous					99,975
Total general revenues					<u>2,445,501</u>
Change in net position					816,726
Net position, beginning, as restated (see Note 16)					3,175,735
Net position, ending					<u>\$ 3,992,461</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, 2018

	General	Capital Project	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,953,858	\$ -	\$ 75,836	\$ 3,029,694
Investments	878,982	-	169,657	1,048,639
Receivables, net of allowance for uncollectible:				
Taxes	726,985	-	-	726,985
Accounts	11,789	-	-	11,789
Intergovernmental receivable	213,798	253,962	-	467,760
Interfund receivable	214,977	-	8,639	223,616
Tax deeded property, subject to resale	39,487	-	-	39,487
Restricted assets:				
Cash and cash equivalents	5,043	-	-	5,043
Total assets	<u>\$ 5,044,919</u>	<u>\$ 253,962</u>	<u>\$ 254,132</u>	<u>\$ 5,553,013</u>
LIABILITIES				
Accounts payable	\$ 47,937	\$ -	\$ -	\$ 47,937
Accrued salaries and benefits	51,980	-	-	51,980
Contracts payable	-	42,591	-	42,591
Intergovernmental payable	2,580,914	-	-	2,580,914
Interfund payable	8,639	211,371	3,606	223,616
Escrow and performance deposits	5,077	-	-	5,077
Total liabilities	<u>2,694,547</u>	<u>253,962</u>	<u>3,606</u>	<u>2,952,115</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	127,617	-	-	127,617
Unavailable revenue - donations	110	-	-	110
Total deferred inflows of resources	<u>127,727</u>	<u>-</u>	<u>-</u>	<u>127,727</u>
FUND BALANCES				
Nonspendable	39,487	-	234,987	274,474
Restricted	1,741	-	5,202	6,943
Committed	830,062	-	10,337	840,399
Assigned	69,912	-	-	69,912
Unassigned	1,281,443	-	-	1,281,443
Total fund balances	<u>2,222,645</u>	<u>-</u>	<u>250,526</u>	<u>2,473,171</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,044,919</u>	<u>\$ 253,962</u>	<u>\$ 254,132</u>	<u>\$ 5,553,013</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 - Governmental Funds to the Statement of Net Position
December 31, 2018

Amounts reported for governmental activities in the Statement of Net Position are different because:		
Total fund balances of governmental funds (Exhibit C-1)		\$ 2,473,171
Capital assets used in governmental activities are not current financial resources, therefore, are not reported in the governmental funds.		
Cost	\$ 3,856,789	
Less accumulated depreciation	<u>(1,185,790)</u>	
		2,670,999
Pension and other postemployment benefit (OPEB) related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year, and therefore, are not reported in the governmental funds as follows:		
Deferred outflows of resources related to pensions	\$ 348,011	
Deferred inflows of resources related to pensions	(56,207)	
Deferred outflows of resources related to OPEB	19,081	
Deferred inflows of resources related to OPEB	<u>(403)</u>	
		310,482
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (223,616)	
Payables	<u>223,616</u>	
		-
Long-term revenues (taxes) is not available to pay current period expenditures and therefore, is deferred in governmental funds.		113,589
Allowance for uncollectible property taxes that is recognized on the full accrual basis, but not on the modified accrual basis.		(65,000)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the governmental funds.		
Compensated absences	\$ 14,941	
Accrued landfill postclosure care costs	8,160	
Net pension liability	1,360,934	
Other postemployment benefits	<u>126,745</u>	
		<u>(1,510,780)</u>
Net position of governmental activities (Exhibit A)		<u><u>\$ 3,992,461</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, 2018

	General	Capital Project	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 1,672,213	\$ -	\$ 1,500	\$ 1,673,713
Licenses and permits	555,806	-	-	555,806
Intergovernmental receivable	822,033	459,684	-	1,281,717
Charges for services	203,531	-	-	203,531
Miscellaneous	113,551	-	(13,931)	99,620
Total revenues	<u>3,367,134</u>	<u>459,684</u>	<u>(12,431)</u>	<u>3,814,387</u>
EXPENDITURES				
Current:				
General government	731,723	-	-	731,723
Public safety	1,007,399	-	-	1,007,399
Highways and streets	661,194	-	-	661,194
Sanitation	444,795	-	-	444,795
Health	65,110	-	-	65,110
Welfare	9,415	-	-	9,415
Culture and recreation	89,821	-	-	89,821
Capital outlay	246	574,605	-	574,851
Total expenditures	<u>3,009,703</u>	<u>574,605</u>	<u>-</u>	<u>3,584,308</u>
Excess (deficiency) of revenues over (under) expenditures	<u>357,431</u>	<u>(114,921)</u>	<u>(12,431)</u>	<u>230,079</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	114,921	-	114,921
Transfers out	(114,921)	-	-	(114,921)
Total other financing sources (uses)	<u>(114,921)</u>	<u>114,921</u>	<u>-</u>	<u>-</u>
Net change in fund balances	242,510	-	(12,431)	230,079
Fund balances, beginning	1,980,135	-	262,957	2,243,092
Fund balances, ending	<u>\$ 2,222,645</u>	<u>\$ -</u>	<u>\$ 250,526</u>	<u>\$ 2,473,171</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 - Governmental Funds to the Statement of Activities
For the Fiscal Year Ended December 31, 2018

Net change in fund balances of governmental funds (Exhibit C-3)		\$ 230,079
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures, while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:		
Capitalized capital outlay	\$ 574,851	
Depreciation expense	<u>(121,909)</u>	452,942
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (114,921)	
Transfers out	<u>114,921</u>	-
Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the governmental funds.		
Change in deferred tax revenue		3,492
Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.		
Increase in compensated absences payable	\$ (3,656)	
Decrease in accrued landfill postclosure care costs	1,020	
Net change in net pension liability, and deferred outflows and inflows of resources related to pensions	63,957	
Net change in net other postemployment benefits liability and deferred outflows and inflows of resources related to other postemployment benefits	<u>68,892</u>	130,213
Changes in net position of governmental activities (Exhibit B)		<u><u>\$ 816,726</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, 2018

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,715,313	\$ 1,715,313	\$ 1,675,705	\$ (39,608)
Licenses and permits	523,400	523,400	555,806	32,406
Intergovernmental receivable	445,949	535,111	822,033	286,922
Charges for services	160,000	160,000	203,531	43,531
Miscellaneous	90,574	90,574	106,146	15,572
Total revenues	<u>2,935,236</u>	<u>3,024,398</u>	<u>3,363,221</u>	<u>338,823</u>
EXPENDITURES				
Current:				
General government	630,151	630,151	590,611	39,540
Public safety	1,027,238	1,027,238	1,007,399	19,839
Highways and streets	636,029	725,191	658,777	66,414
Sanitation	446,987	446,987	444,795	2,192
Health	65,080	65,080	65,110	(30)
Welfare	22,011	22,011	9,415	12,596
Culture and recreation	84,794	84,794	85,427	(633)
Conservation	200	200	-	200
Debt service:				
Interest	2,500	2,500	-	2,500
Capital outlay	15,551	15,551	246	15,305
Total expenditures	<u>2,930,541</u>	<u>3,019,703</u>	<u>2,861,780</u>	<u>157,923</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,695</u>	<u>4,695</u>	<u>501,441</u>	<u>496,746</u>
OTHER FINANCING USES				
Transfers out	<u>(254,695)</u>	<u>(254,695)</u>	<u>(254,695)</u>	<u>-</u>
Net change in fund balances	<u>\$ (250,000)</u>	<u>\$ (250,000)</u>	246,746	<u>\$ 496,746</u>
Decrease in nonspendable fund balance			1,823	
Unassigned fund balance, beginning			<u>1,081,463</u>	
Unassigned fund balance, ending			<u>\$ 1,330,032</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, 2018

	Private Purpose Trust	Agency
ASSETS		
Cash and cash equivalents	<u>\$ 3,029</u>	<u>\$ 1,112</u>
LIABILITIES		
Intergovernmental payable	<u>-</u>	<u>1,112</u>
NET POSITION		
Held in trust for specific purposes	<u><u>\$ 3,029</u></u>	<u><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, 2018

	Private Purpose Trust
ADDITIONS	
New funds	\$ 1,501
Net position, beginning	<u>1,528</u>
Net position, ending	<u><u>\$ 3,029</u></u>

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, 2018

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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 U.S. Generally Accepted Accounting Principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

In 2018 the Town implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which changed the way other postemployment benefit (OPEB) liabilities and related expenses are recorded. See Note 1-O for further information on this pronouncement.

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 costs of retirement healthcare and obligations for other postemployment benefits of the Town’s single employer plan have also 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 the Town has not recorded other postemployment benefit expense of the Town’s single employer plan 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

TOWN OF THORNTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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taxes, licenses and permits, intergovernmental revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Town reports the following major governmental funds:

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, *Fund Balance Reporting and Governmental Fund Type Definitions*, guidance the library and expendable trust funds are consolidated in the general fund.

Capital Project Fund – is used to account for the financial resources and activities relating to specific construction projects.

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 – are held in the custody of the Trustees of Trust Funds and are used to account for resources held in trust for use by the Town. These can include 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.

TOWN OF THORNTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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1-D Restricted Assets

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

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. All of the Town's holdings in New Hampshire Public Deposit Investment Pool (NHPDIP) would be examples of Level 2 investments.

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, *Certain External Investment Pools and Pool Participants*, 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.

TOWN OF THORNTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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1-F Receivables

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

1-G Capital Assets

Capital assets include property, plant, and equipment, infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), and intangible assets (i.e. easements) which are reported 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 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:

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

1-H Interfund Activities

Interfund Balances – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds.” Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

Interfund Transfers – Interfund transfers represent flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making the transfers and other financing sources in the funds receiving the transfers. In the government-wide financial statements, all interfund transfers between individual governmental funds have been eliminated.

1-I Property Taxes

Property tax billings occur semi-annually and are based on the assessed inventory values as of April 1 of each year in accordance with RSA 76:15-a, *Semi-Annual Collection of Taxes in certain Towns and Cities*. Warrants for the year were issued on May 8, 2018 and October 16, 2018, and due on July 1, 2018 and December 1, 2018. 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, Thornton School District, Pemi-Baker Regional School District, Waterville Estates, and Grafton County, which are remitted to these entities as required by law.

TOWN OF THORNTON, NEW HAMPSHIRE
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The Town net assessed valuation as of April 1, 2018 utilized in the setting of the tax rate was as follows:

For the New Hampshire education tax	\$ 364,650,942
For all other taxes	\$ 371,970,642

The tax rates and amounts assessed for the year ended December 31, 2018 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$ 4.48	\$ 1,666,188
School portion:		
State of New Hampshire	2.18	794,540
Local	12.04	4,478,764
County portion	1.78	662,510
Precinct portion	15.70	324,690
Total	<u>\$ 36.18</u>	<u>\$ 7,926,692</u>

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, 2018.

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. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year.

1-L Long-term Obligations

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

TOWN OF THORNTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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inflows of resources, and pension expense, and schedules have been prepared to provide employers with their calculated proportionate share of these amounts. The collective amounts have been allocated based on employer contributions during the respective fiscal years. Contributions from employers are recognized when legally due, based on statutory requirements.

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

1-O Postemployment Benefits Other Than Pensions

New Hampshire Retirement System Plan – For the purposes of measuring the total other postemployment benefit (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Hampshire Retirement System OPEB Plan (the plan) and additions to/deductions from the plan's fiduciary net position has been determined on the same basis as they are reported by the New Hampshire Retirement System. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Single Employer Plan – The Town maintains a single employer plan, but has not obtained an actuarial report calculating the other postemployment benefit liability, deferred outflows of resources, and deferred inflows of resources in accordance with Government Accounting Standards Board pronouncement No. 75.

1-P Net Position/Fund Balances

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

Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation.

Restricted net position – Results when constraints placed on net position use are either externally imposed by a third party (statutory, bond covenant, or granting agency) or are imposed by law through constitutional provisions or enabling legislation. The Town typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a further project.

Unrestricted net position – Consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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 – 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 – 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 – 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.

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Assigned – 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 – 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-Q Use of Estimates

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

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

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

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

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

State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. For the fiscal year 2018, \$250,000 of the beginning general fund unassigned fund balance was applied for this purpose.

2-B Budgetary Reconciliation to GAAP Basis

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

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

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

Revenues:	
Per Exhibit D (budgetary basis)	\$ 3,363,221
Adjustment:	
Basis difference:	
GASB Statement No. 54:	
To record miscellaneous income of the blended funds	7,405
Change in deferred tax revenue relating to 60-day revenue recognition recognized as revenue on the GAAP basis, but not on the budgetary basis	<u>(3,492)</u>
Per Exhibit C-3 (GAAP basis)	<u><u>\$ 3,367,134</u></u>
Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 3,116,475
Adjustment:	
Basis differences:	
Encumbrances, beginning	18,217
Encumbrances, ending	(69,912)
GASB Statement No. 54:	
To record expenditures of the blended funds during the year	199,618
To eliminate transfers between general and blended funds	<u>(139,774)</u>
Per Exhibit C-3 (GAAP basis)	<u><u>\$ 3,124,624</u></u>

2-C Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB), was implemented during fiscal year 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with OPEB benefits, including additional note disclosure and required supplementary information. In addition, GASB Statement No. 75 requires a state or local government employer to use the entry age normal actuarial cost method and requires deferred outflows of resources and deferred inflows of resources which arise from other types of events related to OPEB to be recognized. Beginning net position for governmental activities was restated to retroactively report the change in valuation of the beginning total OPEB liability, deferred inflows and outflows of resources, as follows:

	State
	<u>OPEB</u>
Change in total OPEB liability under current standards, January 1	\$ (69,306)
Initial balance of deferred outflows of resources	5,354
Cumulative restatement related to GASB No. 75 implementation (see Note 16)	<u><u>\$ (63,952)</u></u>

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

At December 31, 2018, the reported amount of the Town’s deposits was \$3,038,878 and the bank balance was \$3,041,959. Of the bank balance \$2,906,415 was covered by federal depository insurance or by collateral held by the pledging bank or pledging bank’s trust department in the Town’s name, and \$135,544 was uninsured and uncollateralized.

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Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 3,034,737
Cash per Statement of Net Position - Fiduciary Funds (Exhibit E-1)	<u>4,141</u>
Total cash and cash equivalents	<u><u>\$ 3,038,878</u></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, 2018:

	Valuation Measurement Method	Fair Value	1-5 Years
Investments type:			
Certificates of deposit	Level 1	\$ 147,694	\$ 147,694
Equity mutual funds	Level 1	21,963	-
Total fair value		<u>169,657</u>	<u>\$ 147,694</u>
Investments carried at amortized cost:			
New Hampshire Public Deposit Investment Pool		878,982	
Total investments		<u><u>\$ 1,048,639</u></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 14%, 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, 2018. 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 2018	\$ 526,645	\$ 526,645
Unredeemed (under tax lien):		
Levy of 2017	112,866	112,866
Levy of 2016	54,854	54,854
Levies of 2015 and prior	31,120	31,120
Land use change	1,500	1,500
Less: allowance for estimated uncollectible taxes	(65,000) *	-
Net taxes receivable	<u><u>\$ 661,985</u></u>	<u><u>\$ 726,985</u></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-B. 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, 2018 is as follows:

	Balance, beginning (as restated)	Additions	Balance, ending
At cost:			
Not being depreciated:			
Land	\$ 154,045	\$ -	\$ 154,045
Construction in progress	99,485	634,688	734,173
Total capital assets not being depreciated	<u>253,530</u>	<u>634,688</u>	<u>888,218</u>
Being depreciated:			
Land improvements	357,832	-	357,832
Buildings and building improvements	911,989	-	911,989
Machinery, vehicles, and equipment	1,060,837	14,915	1,075,752
Infrastructure	456,829	166,169	622,998
Total capital assets being depreciated	<u>2,787,487</u>	<u>181,084</u>	<u>2,968,571</u>
Total all capital assets	<u>3,041,017</u>	<u>815,772</u>	<u>3,856,789</u>
Less accumulated depreciation:			
Land improvements	(231,558)	(12,206)	(243,764)
Buildings and building improvements	(180,771)	(16,184)	(196,955)
Machinery, vehicles, and equipment	(589,126)	(70,675)	(659,801)
Infrastructure	(62,426)	(22,844)	(85,270)
Total accumulated depreciation	<u>(1,063,881)</u>	<u>(121,909)</u>	<u>(1,185,790)</u>
Net book value, capital assets being depreciated	<u>1,723,606</u>	<u>59,175</u>	<u>1,782,781</u>
Net book value, all governmental activities capital assets	<u>\$ 1,977,136</u>	<u>\$ 693,863</u>	<u>\$ 2,670,999</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	\$ 9,308
Public safety	39,809
Highways and streets	44,160
Sanitation	28,632
Total depreciation expense	<u>\$ 121,909</u>

NOTE 7 – INTERFUND BALANCES

Interfund Balances - The composition of interfund balances as of December 31, 2018 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Capital Project	\$ 211,371
	Nonmajor	3,606
Nonmajor	General	8,639
		<u>\$ 223,616</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.

	<u>Transfers In:</u>
	Capital Project
	<u>Fund</u>
Transfers out:	
General fund	<u>\$ 114,921</u>

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

NOTE 8 – INTERGOVERNMENTAL PAYABLES

Amounts due to other governments of \$2,582,026 at December 31, 2018 consist of the following:

General fund:	
Balance of the 2018-2019 assessment due to the Thornton School District	\$ 1,545,946
Balance of the 2018-2019 assessment due to the Pemi-Baker School District	840,282
Assessment due to the Waterville Estates Village District	171,277
Balance due to the State of New Hampshire	23,409
Total general fund	<u>2,580,914</u>
Agency fund:	
Balance due to the Thornton School District	1,112
Total intergovernmental payables due	<u>\$ 2,582,026</u>

NOTE 9 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources of \$348,011 and 19,081 in the governmental activities at December 31, 2018 consist of amounts related to pensions and other postemployment benefits (see Notes 11 and 12, respectively).

Deferred inflows of resources are as follows:

	Government- wide	General Fund
Deferred property taxes not collected within 60 days of fiscal year-end	\$ -	\$ 113,589
Property taxes collected in advance of warrant	14,028	14,028
Unavailable revenue - other	110	110
Amounts related to pensions, see Note 11	56,207	-
Amounts related to OPEB, see Note 12	403	-
Total deferred inflows of resources	<u>\$ 70,748</u>	<u>\$ 127,727</u>

NOTE 10 – LONG-TERM LIABILITIES

Changes in the Town's long-term liabilities consisted of the following for the year ended December 31, 2018:

	Balance January 1, 2018 (as restated)	Additions	Reductions	Balance December 31, 2018	Due Within One Year
Compensated absences	\$ 11,285	\$ 3,656	\$ -	\$ 14,941	\$ -
Accrued landfill postclosure care costs	9,180	-	1,020	8,160	1,020
Net pension liability	1,194,503	166,431	-	1,360,934	-
Net other postemployment benefits	69,306	57,439	-	126,745	-
Total long-term liabilities	<u>\$ 1,284,274</u>	<u>\$ 227,526</u>	<u>\$ 1,020</u>	<u>\$ 1,510,780</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 \$8,160 as of December 31, 2018. 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, 2018. However, the actual cost of postclosure care may be higher or lower due to inflation, changes in technology, or changes in landfill laws and regulations.

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NOTE 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 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 $\frac{1}{4}$ of 1% or age 60.

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

Contributions - The System is financed by contributions from both the employees and the Town. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. All employees are required to contribute 7% of earnable compensation. For fiscal year 2018, the Town contributed 25.33% for police, 27.79% for fire and 11.08% for other employees. The contribution requirement for the fiscal year 2018 was \$119,457, which was paid in full.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At December 31, 2018 the Town reported a liability of \$1,360,934 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2018, the Town's proportion was 0.03% which was an increase of 0.01% from its proportion measured as of June 30, 2017.

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For the year ended December 31, 2018, the Town recognized pension expense of \$190,239. At December 31, 2018 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	\$ 183,675	\$ 13,695
Changes in assumptions	94,184	-
Net difference between projected and actual investment earnings on pension plan investments	-	31,493
Differences between expected and actual experience	10,862	11,019
Contributions subsequent to the measurement date	59,290	-
Total	\$ 348,011	\$ 56,207

The \$59,290 reported as deferred outflows of resources related to pensions results from the Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. 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,	
2019	\$ 104,671
2020	87,639
2021	16,354
2022	23,850
2023	-
Thereafter	-
Totals	\$ 232,514

Actuarial Assumptions – The collective total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2017, using the following actuarial assumptions which, accordingly apply to 2018 measurements:

Inflation:	2.5%	
Salary increases:	5.6% average, including inflation	
Wage inflation	3.25%	
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, 2018 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010 – June 30, 2015.

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Long-term Rates of Return – The long-term expected rate of return on pension plan investment was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and long-term rates of return for 2018:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return 2018
Large Cap Equities	22.50%	4.25%
Small/Mid Cap Equities	7.50%	4.50%
Total domestic equity	30.00%	
Int'l Equities (unhedged)	13.00%	4.50%
Emerging Int'l Equities	7.00%	6.00%
Total international equity	20.00%	
Core Bonds	4.50%	0.50%
Short Duration	2.50%	(0.25%)
Global Multi-Sector Fixed Income	11.00%	1.80%
Absolute Return Fixed Income	7.00%	1.14%
Total fixed income	25.00%	
Private equity	5.00%	6.25%
Private debt	5.00%	4.25%
Opportunistic	5.00%	2.15%
Total alternative investments	15.00%	
Real estate	10.00%	3.25%
Total	100.00%	

Discount Rate – The discount rate used to measure the collective total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the Pension Plan’s actuarial funding policy as required by RSA 100-A:16. Based on those assumptions, the Pension Plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on Pension Plan investment was applied to all periods of projected benefit payments to determine the collective total pension liability.

Sensitivity of the Town’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following table presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.25% as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

Actuarial Valuation Date	1% Decrease 6.25%	Current Single Rate Assumption 7.25%	1% Increase 8.25%
June 30, 2018	\$ 1,810,735	\$ 1,360,934	\$ 983,989

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 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

12-A New Hampshire Retirement System (NHRS)

Plan Description – The New Hampshire Retirement System (NHRS or the System) administers a cost-sharing multiple-employer other postemployment benefit plan medical subsidy healthcare plan (OPEB Plan). For additional system information, please refer to the 2018 Comprehensive Annual Financial Report, which can be found on the system’s website at www.nhrs.org.

Benefits Provide - Benefit amounts and eligibility requirements for the OPEB Plan are set by state law (RSA 100-A:52, RSA 100-A:52-a and RSA 100-A:52-b), and members are designated in statute by type. The four membership types are Group II, Police Officers and Firefighters; Group I, Teachers; Group I, Political Subdivision Employees; and Group I, State Employees. The OPEB Plan provides a medical insurance subsidy to qualified retired members. The medical insurance subsidy is a payment made by NHRS to the former employer or its insurance administrator toward the cost of health insurance for a qualified retiree, his/her qualified spouse, and his/her certified dependent children with a disability who are living in the household and being cared for by the retiree. If the health insurance premium amount is less than the medical subsidy amount, then only the health insurance premium amount will be paid. If the health insurance premium amount exceeds the medical subsidy amount, then the retiree or other qualified person is responsible for paying any portion that the employer does not pay.

Group I benefits are based on creditable service, age and retirement date. Group II benefits are based on hire date, age and creditable service. The OPEB plan is closed to new entrants.

Maximum medical subsidy rates paid during fiscal year 2018 were as follows:

For qualified retirees not eligible for Medicare, the amounts were \$375.56 for a single-person plan and \$751.12 for a two-person plan.

For those qualified retirees eligible for Medicare, the amounts were \$236.84 for a single-person plan and \$473.68 for a two-person plan.

Contributions – The OPEB Plan is funded by allocating to the 401(h) subtrust the lesser of: 25% of all employer contributions made in accordance with RSA 100-A:16 or the percentage of employer contributions determined by the actuary to be the minimum rate necessary to maintain the benefits provided under RSA 100-A:53-b, RSA 100-A:53-c, and RSA 100-A:53-d. For fiscal year 2018, the minimum rates determined by the actuary to maintain benefits were the lesser of the two options and were used to determine the employer contributions due to the 401(h) subtrust. The State Legislature has the authority to establish, amend and discontinue the contribution requirements of the OPEB Plan. Administrative costs are allocated to the OPEB Plan based on fund balances. For fiscal year 2018, the Town contributed 4.10% for police and fire, and 0.30% for other employees. The contribution requirement for the fiscal year 2018 was \$12,245, which was paid in full.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – At December 31, 2018, the Town reported a liability of \$126,745 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Town’s proportion of the net OPEB liability was based on a projection of the Town’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2018, the Town’s proportion was 0.03% which was a decrease of 0.01% from its proportion measured as of June 30, 2017.

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For the year ended December 31, 2018, the Town recognized OPEB expense of \$56,815. At December 31, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 12,189	\$ -
Net difference between projected and actual investment earnings on OPEB plan investments	-	403
Differences between expected and actual experience	744	-
Contributions subsequent to the measurement date	6,148	-
Total	\$ 19,081	\$ 403

The \$6,148 reported as deferred outflows of resources related to OPEB results from the Town contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending December 31,	
2019	\$ 12,805
2020	(125)
2021	(125)
2022	(25)
2023	-
Thereafter	-
Totals	\$ 12,530

Actuarial Assumptions – The total OPEB liability in this report is based on an actuarial valuation performed as of June 30, 2018 and a measurement date of June 30, 2017. The total OPEB liability was determined using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Price inflation:	2.5 % per year
Wage inflation:	3.25 % per year
Salary increases:	5.6 % average, including inflation
Investment rate of return:	7.25 % net of OPEB plan investment expense, including inflation
Health care trend rate:	Not applicable, given that the benefits are fixed stipends

Mortality rates were based on the RP-2014 healthy annuitant and employee generational mortality tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015, based on last experience study.

The actuarial assumptions used in the June 30, 2017 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 OPEB plan investment was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation.

TOWN OF THORNTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2018

Following is a table presenting target allocations and long-term rates of return for 2018:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return <u>2018</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%	6.00%
Total international equity	<u>20.00%</u>	
Core Bonds	4.50%	0.50%
Short Duration	2.50%	(0.25%)
Global Multi-Sector Fixed Income	11.00%	1.80%
Absolute Return Fixed Income	7.00%	1.14%
Total fixed income	<u>25.00%</u>	
Private equity	5.00%	6.25%
Private debt	5.00%	4.25%
Opportunistic	5.00%	2.15%
Total alternative investments	<u>15.00%</u>	
Real estate	10.00%	3.25%
Total	<u>100.00%</u>	

Discount Rate – The discount rate used to measure the total OPEB liability as of June 30, 2018 was 7.25%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made under the current statute RSA 100-A:16 and that plan member contributions will be made under RSA 100-A:16. Based on those assumptions, the OPEB Plan’s fiduciary net position was projected to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the collective total OPEB liability.

Sensitivity of the Town’s Proportionate Share of the OPEB Liability to Changes in the Discount Rate – The following table presents the Town’s proportionate share of the OPEB liability calculated using the discount rate of 7.25% as well as what the Town’s proportionate share of the OPEB 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, 2018	\$ 131,917	\$ 126,745	\$ 112,258

Sensitivity of the Town’s Proportionate Share of the OPEB Liability to Changes in the Healthcare Cost Trend Assumption – GASB No. 75 requires the sensitivity of the OPEB liability to the healthcare cost trend assumption. Since the medical subsidy benefits are fixed stipends, there is no sensitivity to changes in the healthcare cost trend assumption.

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

TOWN OF THORNTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2018

12-B Town of Thornton Retiree Health Benefit Program

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.

The Governmental Accounting Standards Board (GASB) issued Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* in 2015. GASB Statement No. 75 requires state and local government employers to recognize the net OPEB liability and the OPEB expense on their financial statements, along with the related deferred outflows and inflows of resources. The Town has not fully implemented GASB Statement No. 75 at December 31, 2018, or contracted with an actuarial firm to assist in evaluating the impact of this new standard on the Town's single employer plan. The amounts that should be recorded as the net OPEB liability and the OPEB expense for the Town's single employer plan is unknown.

NOTE 13 – ENCUMBRANCES

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders/contracts that remain unperformed at December 31, 2018 are related to the Highway and street function, totaling \$69,912.

NOTE 14 – GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the Statement of Net Position at December 31, 2018 include the following:

	Governmental Activities
Net investment in capital assets:	
Net book value, all governmental activities capital assets	\$ 2,670,999
Restricted net position:	
Perpetual care - nonexpendable	234,987
Perpetual care - expendable	5,202
Total restricted net position	240,189
Unrestricted	1,081,273
Total net position	\$ 3,992,461

NOTE 15 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at December 31, 2018 include the following:

	General Fund	Capital Project Fund	Nonmajor Funds	Total Governmental Funds
Nonspendable:				
Tax deeded property	\$ 39,487	\$ -	\$ -	\$ 39,487
Permanent fund - principal balance	-	-	234,987	234,987
Total nonspendable fund balance	39,487	-	234,987	274,474
Restricted:				
Library	1,741	-	-	1,741
Permanent - income balance	-	-	5,202	5,202
Total restricted fund balance	1,741	-	5,202	6,943

(Continued)

TOWN OF THORNTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2018

Governmental fund balances continued:

	General Fund	Capital Project Fund	Nonmajor Funds	Total Governmental Funds
Committed:				
Expendable trust	830,062	-	-	830,062
Conservation commission	-	-	10,337	10,337
Total committed fund balance	<u>830,062</u>	<u>-</u>	<u>10,337</u>	<u>840,399</u>
Assigned:				
Encumbrances	69,912	-	-	69,912
Unassigned	<u>1,281,443</u>	<u>-</u>	<u>-</u>	<u>1,281,443</u>
Total governmental fund balances	<u>\$ 2,222,645</u>	<u>\$ -</u>	<u>\$ 250,526</u>	<u>\$ 2,473,171</u>

NOTE 16 – PRIOR PERIOD ADJUSTMENTS

Net position at January 1, 2018 was restated to give retroactive effect to the following prior period adjustments:

	Government-wide Statements
To restate for the cumulative changes related to implementation of GASB No. 75, see Note 2-C	\$ (63,952)
To record restatement for construction in progress not reported	99,485
Net position, as previously reported	3,140,202
Net position, as restated	<u>\$ 3,175,735</u>

NOTE 17 – 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 2018, the Town was a member of the New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs.

The New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from January 1, 2018 to December 31, 2018 by Primex³, which retained \$1,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The workers' compensation section of the self-insurance membership agreement permits Primex³ to make additional assessments to members should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. GASB Statement No. 10 requires members of a pool with a sharing risk to disclose if such an assessment is probable, and a reasonable estimate of the amount, if any. At this time, Primex³ foresees no likelihood of any additional assessment for this or any prior year.

The Town continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 18 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through September 3, 2019, the date the December 31, 2018 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, 2018

	December 31,					
	2013	2014	2015	2016	2017	2018
Town's proportion of the net pension liability	0.02%	0.02%	0.02%	0.02%	0.02%	0.03%
Town's proportionate share of the net pension liability	\$ 954,284	\$ 897,554	\$ 900,115	\$ 1,258,685	\$ 1,194,503	\$ 1,360,934
Town's covered payroll	\$ 510,618	\$ 568,957	\$ 558,717	\$ 564,736	\$ 655,994	\$ 739,311
Town's proportionate share of the net pension liability as a percentage of its covered payroll	186.89%	157.75%	161.10%	222.88%	182.09%	184.08%
Plan fiduciary net position as a percentage of the total pension liability	59.81%	66.32%	65.47%	58.30%	62.66%	64.73%

The Note to the Required Supplementary Information – Pension Liability is an integral part of this schedule.

EXHIBIT G
TOWN OF THORNTON, NEW HAMPSHIRE
Schedule of Town Contributions - Pensions
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2018

	December 31,					
	2013	2014	2015	2016	2017	2018
Contractually required contribution	\$ 55,134	\$ 77,576	\$ 76,228	\$ 84,758	\$ 88,979	\$ 119,457
Contributions in relation to the contractually required contributions	55,134	77,576	76,228	84,758	88,979	119,457
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 510,618	\$ 568,957	\$ 558,717	\$ 564,736	\$ 655,994	\$ 739,311
Contributions as a percentage of covered payroll	10.80%	13.63%	13.64%	15.01%	13.56%	16.16%

The Note to the Required Supplementary Information – Pension Liability is an integral part of this schedule.

TOWN OF THORNTON, NEW HAMPSHIRE

**NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION –
PENSION LIABILITY**

**FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2018**

***Schedule of the Town’s Proportionate Share of Net Pension Liability and
Schedule of Town Contributions - Pensions***

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, 2018. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year 2018:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	21 years beginning July 1, 2018 (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	3.62% per year
Investment Rate of Return	7.25% per year, net of investment expenses, including inflation
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 table for males and females, adjusted for mortality improvements using Scale MP -2015, based in the last experience study.

Other Information:

Notes	Contribution rates for fiscal year 2018 were determined based on the benefit changes adopted under House Bill No. 2 as amended by 011-2513-CofC.
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EXHIBIT H
TOWN OF THORNTON, NEW HAMPSHIRE
Schedule of the Town's Proportionate Share of the Net Other Postemployment Benefits Liability
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2018

	December 31,		
	2016	2017	2018
Town's proportion of the net OPEB liability	0.02%	0.02%	0.03%
Town's proportionate share of the net OPEB liability (asset)	\$ 73,775	\$ 69,306	\$ 126,745
Town's covered payroll	\$ 564,736	\$ 655,994	\$ 739,311
Town's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	13.06%	10.57%	17.14%
Plan fiduciary net position as a percentage of the total OPEB liability	5.21%	7.91%	7.53%

The Note to the Required Supplementary Information – Other Postemployment Benefit Liability is an integral part of this schedule.

EXHIBIT I
TOWN OF THORNTON, NEW HAMPSHIRE
Schedule of Town Contributions - Other Postemployment Benefits
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2018

	December 31,		
	2016	2017	2018
Contractually required contribution	\$ 8,855	\$ 8,984	\$ 12,245
Contributions in relation to the contractually required contribution	8,855	8,984	12,245
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Town's covered payroll	\$ 564,736	\$ 655,994	\$ 739,311
Contributions as a percentage of covered payroll	1.57%	1.37%	1.66%

The Note to the Required Supplementary Information – Other Postemployment Benefit Liability is an integral part of this schedule.

TOWN OF THORNTON, NEW HAMPSHIRE
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION –
OTHER POSTEMPLOYMENT BENEFIT LIABILITY
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2018

***Schedule of the Town’s Proportionate Share of Net Other Postemployment Benefits Liability and
Schedule of Town Contributions – Other Postemployment Benefits***

As required by GASB Statement No. 75, Exhibits H and I represent the actuarial determined costs associated with the Town’s other postemployment benefits at December 31, 2018. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

Methods and Assumptions:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	Not applicable under statutory funding
Asset Valuation Method	5-year smooth market: 20% corridor
Price Inflation	2.5% per year
Wage Inflation	3.25% per year
Salary Increases	5.6% Average, including inflation
Municipal Bond Rate	3.62% per year
Investment Rate of Return	7.25% per year, net of OPEB plan investment expense, including inflation for determining solvency contributions
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 Healthy Annuitant and Employee generational mortality tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015, based on the last experience study.

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, 2018

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 1,574,239	\$ 1,549,818	\$ (24,421)
Land use change	8,000	1,549	(6,451)
Yield	8,000	6,928	(1,072)
Other	500	-	(500)
Excavation	1,000	924	(76)
Payment in lieu of taxes	41,574	41,574	-
Interest and penalties on taxes	82,000	74,912	(7,088)
Total from taxes	<u>1,715,313</u>	<u>1,675,705</u>	<u>(39,608)</u>
Licenses, permits, and fees:			
Business licenses, permits, and fees	400	435	35
Motor vehicle permit fees	510,000	534,778	24,778
Building permits	3,000	10,200	7,200
Other	10,000	10,393	393
Total from licenses, permits, and fees	<u>523,400</u>	<u>555,806</u>	<u>32,406</u>
Intergovernmental:			
State:			
Meals and rooms distribution	130,919	130,919	-
Highway block grant	195,497	195,437	(60)
Federal:			
FEMA	2,242	274,249	272,007
Other	206,453	221,428	14,975
Total from intergovernmental	<u>535,111</u>	<u>822,033</u>	<u>286,922</u>
Charges for services:			
Income from departments	<u>160,000</u>	<u>203,531</u>	<u>43,531</u>
Miscellaneous:			
Sale of municipal property	30,000	27,077	(2,923)
Interest on investments	3,574	20,082	16,508
Other	57,000	58,987	1,987
Total from miscellaneous	<u>90,574</u>	<u>106,146</u>	<u>15,572</u>
Total revenues	3,024,398	<u>\$ 3,363,221</u>	<u>\$ 338,823</u>
Unassigned fund balance used to reduce tax rate	250,000		
Total revenues and use of fund balance	<u>\$ 3,274,398</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, 2018

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 268,137	\$ 267,352	\$ -	\$ 785
Election and registration	-	50,027	41,492	-	8,535
Financial administration	-	89,084	86,935	-	2,149
Revaluation of property	-	30,318	29,318	-	1,000
Legal	-	17,000	17,242	-	(242)
Personnel administration	-	15,328	12,674	-	2,654
Planning and zoning	-	44,960	27,413	-	17,547
General government buildings	18,217	34,360	50,729	-	1,848
Cemeteries	-	28,000	27,737	-	263
Insurance, not otherwise allocated	-	46,736	46,736	-	-
Other	-	6,201	1,200	-	5,001
Total general government	<u>18,217</u>	<u>630,151</u>	<u>608,828</u>	<u>-</u>	<u>39,540</u>
Public safety:					
Police	-	698,256	682,989	-	15,267
Fire	-	318,256	317,755	-	501
Building inspection	-	5,552	2,081	-	3,471
Emergency management	-	5,174	4,574	-	600
Total public safety	<u>-</u>	<u>1,027,238</u>	<u>1,007,399</u>	<u>-</u>	<u>19,839</u>
Highways and streets	<u>-</u>	<u>725,191</u>	<u>588,865</u>	<u>69,912</u>	<u>66,414</u>
Sanitation:					
Administration	-	225,086	213,184	-	11,902
Solid waste collection	-	100	100	-	-
Solid waste disposal	-	218,001	229,046	-	(11,045)
Solid waste clean-up	-	1,400	136	-	1,264
Other	-	2,400	2,329	-	71
Total sanitation	<u>-</u>	<u>446,987</u>	<u>444,795</u>	<u>-</u>	<u>2,192</u>
Health:					
Administration	-	1,155	1,185	-	(30)
Health agencies	-	63,925	63,925	-	-
Total health	<u>-</u>	<u>65,080</u>	<u>65,110</u>	<u>-</u>	<u>(30)</u>
Welfare:					
Administration and direct assistance	<u>-</u>	<u>22,011</u>	<u>9,415</u>	<u>-</u>	<u>12,596</u>
Culture and recreation:					
Library	-	84,444	85,427	-	(983)
Patriotic purposes	-	350	-	-	350
Total culture and recreation	<u>-</u>	<u>84,794</u>	<u>85,427</u>	<u>-</u>	<u>(633)</u>
Conservation	<u>-</u>	<u>200</u>	<u>-</u>	<u>-</u>	<u>200</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, 2018

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Debt service:					
Interest on tax anticipation notes	-	2,500	-	-	2,500
Capital outlay	-	15,551	246	-	15,305
Other financing uses:					
Transfers out	-	254,695	254,695	-	-
Total appropriations, expenditures, other financing uses, and encumbrances	<u>\$ 18,217</u>	<u>\$ 3,274,398</u>	<u>\$ 3,064,780</u>	<u>\$ 69,912</u>	<u>\$ 157,923</u>

SCHEDULE 3
TOWN OF THORNTON, NEW HAMPSHIRE
Major General Fund
Schedule of Changes in Unassigned Fund Balance
For the Fiscal Year Ended December 31, 2018

Unassigned fund balance, beginning (Non-GAAP Budgetary Basis)		\$ 1,081,463
Changes:		
Unassigned fund balance used to reduce 2018 tax rate		(250,000)
2018 Budget summary:		
Revenue surplus (Schedule 1)	\$ 338,823	
Unexpended balance of appropriations (Schedule 2)	157,923	
2018 Budget surplus		496,746
Decrease in nonspendable fund balance		1,823
Unassigned fund balance, ending (Non-GAAP Budgetary Basis)		1,330,032
<i>Reconciliation on Non-GAAP Budgetary Basis to GAAP Basis</i>		
To record deferred property taxes not collected within 60 days of the fiscal year-end, not recognized on a budgetary basis		(113,589)
Elimination of the allowance for uncollectible taxes		65,000
Unassigned fund balance, ending, GAAP basis (Exhibit C-1)		\$ 1,281,443

SCHEDULE 4
TOWN OF THORNTON, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2018

	Special Revenue Fund		Total
	Conservation Commission	Permanent Fund	
ASSETS			
Cash and cash equivalents	\$ 6,070	\$ 69,766	\$ 75,836
Investments	-	169,657	169,657
Interfund receivable	4,267	4,372	8,639
Total assets	<u>\$ 10,337</u>	<u>\$ 243,795</u>	<u>\$ 254,132</u>
LIABILITIES			
Interfund payable	<u>\$ -</u>	<u>\$ 3,606</u>	<u>\$ 3,606</u>
FUND BALANCES			
Nonspendable	-	234,987	234,987
Restricted	-	5,202	5,202
Committed	10,337	-	10,337
Total fund balances	<u>10,337</u>	<u>240,189</u>	<u>250,526</u>
Total liabilities and fund balances	<u>\$ 10,337</u>	<u>\$ 243,795</u>	<u>\$ 254,132</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, 2018

	Special Revenue Fund		Total
	Conservation Commission	Permanent Fund	
	_____	_____	
Revenues:			
Taxes	\$ 1,500	\$ -	\$ 1,500
Miscellaneous	3	(13,934)	(13,931)
Total revenues	<u>1,503</u>	<u>(13,934)</u>	<u>(12,431)</u>
Net change in fund balances	1,503	(13,934)	(12,431)
Fund balances, beginning	8,834	254,123	262,957
Fund balances, ending	<u>\$ 10,337</u>	<u>\$ 240,189</u>	<u>\$ 250,526</u>