

**TOWN OF THORNTON,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019**

TOWN OF THORNTON, NEW HAMPSHIRE
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

TABLE OF CONTENTS

	<u>PAGES</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 9
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
A Statement of Net Position	10
B Statement of Activities	11
Fund Financial Statements	
<i>Governmental Funds</i>	
C-1 Balance Sheet	12
C-2 Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position.....	13
C-3 Statement of Revenues, Expenditures, and Changes in Fund Balances.....	14
C-4 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	15
<i>Budgetary Comparison Information</i>	
D Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund	16
<i>Fiduciary Funds</i>	
E-1 Statement of Fiduciary Net Position	17
E-2 Statement of Changes in Fiduciary Net Position	18
NOTES TO THE BASIC FINANCIAL STATEMENTS	19 - 39
REQUIRED SUPPLEMENTARY INFORMATION	
F Schedule of the Town's Proportionate Share of Net Pension Liability	40
G Schedule of Town Contributions – Pensions	41
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY	42
H Schedule of the Town's Proportionate Share of Net Other Postemployment Benefits Liability	43
I Schedule of Town Contributions – Other Postemployment Benefits	44
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION - OTHER POSTEMPLOYMENT BENEFITS LIABILITY	45
COMBINING AND INDIVIDUAL FUND SCHEDULES	
Governmental Funds	
<i>Major General Fund</i>	
1 Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis).....	46
2 Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)	47
3 Schedule of Changes in Unassigned Fund Balance.....	48
<i>Nonmajor Governmental Funds</i>	
4 Combining Balance Sheet	49
5 Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances.....	50
<i>Custodial Funds</i>	
6 Combining Schedule of Fiduciary Net Position	51
7 Combining Schedule of Changes in Fiduciary Net Position	52



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

193 North Main Street • Concord • New Hampshire • 03301-5063 • 603-225-6996 • FAX 603-224-1380

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, major fund, and aggregate remaining fund information of the Town of Thornton as of and for the year ended December 31, 2019, 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
Permanent Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Basis for Adverse Opinion on Governmental Activities

As discussed in Note 13-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 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, 2019, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the major fund and aggregate remaining fund information of the Town of Thornton as of December 31, 2019, 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 2019 the Town adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information – Accounting principles generally accepted in the United States of America require that the 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.

*Plodzik & Sanderson
Professional Association*

August 10, 2020

**TOWN OF THORNTON, NEW HAMPSHIRE
MANAGEMENT’S DISCUSSION AND ANALYSIS
YEAR ENDING DECEMBER 31, 2019**

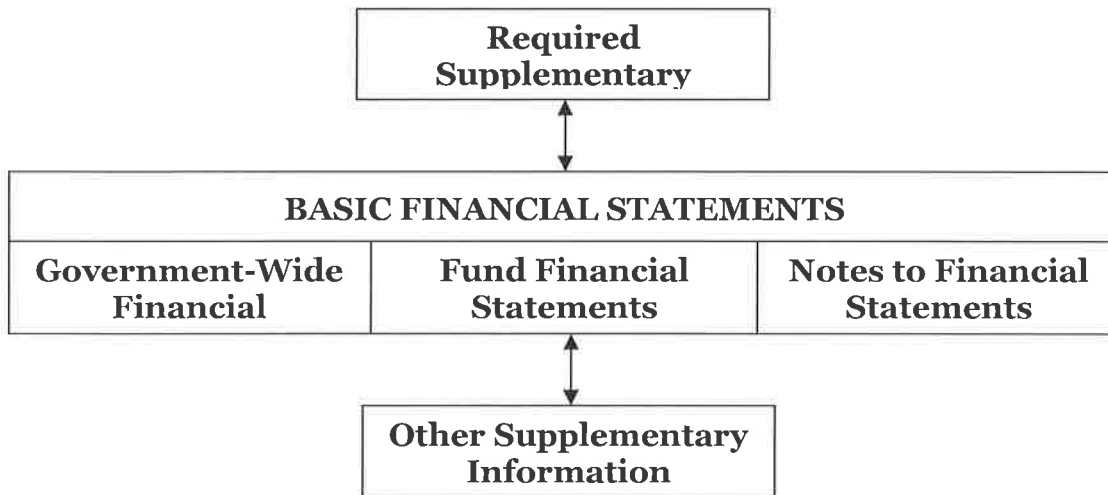
The following is a discussion and analysis of the activities of the Town of Thornton, New Hampshire (the “Town”) for the year ending December 31, 2019. Readers are encouraged to consider the information presented here in conjunction with the Town’s financial statements.

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, Pensions, 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.

**TOWN OF THORNTON, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDING DECEMBER 31, 2019**

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

Fund Financial Statements

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

Governmental Funds: Most of the basic services provided by the Town are financed through governmental funds. Unlike the government-wide financial statements, the governmental fund financial statements report using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted into cash. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs.

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

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements.

Budgetary Comparison Information

The basic financial statements include required budgetary comparison information in Exhibit D. This exhibit includes a budgetary comparison schedule for the Town's major governmental fund and includes a reconciliation between the reported activity of the revenues, expenditures and operating transfers for budgetary purposes and the activity as presented in the governmental fund financial statements (Exhibit C-3). The Town's major governmental fund for 2019 is the General Fund.

**TOWN OF THORNTON, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDING DECEMBER 31, 2019**

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 INFORMATION OF 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 INFORMATION OF 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, 2019**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

The Town's net position totaled \$3,756,558 at the end of 2019, a decrease of \$265,339 or 7% when compared to the end of the previous year. This change is primarily due to decreases in asset accounts consisting of cash in the amount of (\$2,599,173), intergovernmental receivable in the amount of (\$245,001) and accounts receivable by (\$11,789). These decreases in assets were partially offset by increases in investments by \$69,664, taxes receivable, net of uncollectible in the amount of \$80,082 and net investment in capital assets by \$21,874. Deferred outflows of resources related to pensions and other postemployment benefits decreased by (\$112,885). Additionally, there were decreases in retainage payable of (\$42,591) and intergovernmental payable in the amount of (\$2,562,974), which were partially offset by an increases in accounts payable by \$58,057 and accrued landfill postclosure care costs by the amount of \$22,440.

	Governmental Activities - 2018 (Restated)	Governmental Activities - 2019	Change
Current assets	\$ 5,293,833	\$ 2,584,601	\$ (2,709,232)
Restricted assets	-	5,045	5,045
Capital assets	2,670,999	2,692,873	21,874
Total assets	<u>7,964,832</u>	<u>5,282,519</u>	<u>(2,682,313)</u>
Deferred outflow of resources	<u>367,092</u>	<u>254,207</u>	<u>(112,885)</u>
Current liabilities	2,729,519	184,677	(2,544,842)
Long-term liabilities	1,509,760	1,527,514	17,754
Total liabilities	<u>4,239,279</u>	<u>1,712,191</u>	<u>(2,527,088)</u>
Deferred inflow of resources	<u>70,748</u>	<u>67,977</u>	<u>(2,771)</u>
Net position:			
Net investment in capital assets	2,670,999	2,692,873	21,874
Restricted	269,625	259,678	(9,947)
Unrestricted	1,081,273	804,007	(277,266)
Total net position	<u>\$ 4,021,897</u>	<u>\$ 3,756,558</u>	<u>\$ (265,339)</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, 2019**

Statement of Activities

During the current year the Town's net position decreased by \$265,339. Total revenues of \$3,220,399 were exceeded by expenses of 3,485,738.

Property and other taxes generated \$1,672,713 in revenues for the Town. Motor vehicle, permit fees, licenses and other fees generated \$592,879 in revenues. Operating grants and contributions and capital grants and contributions had \$420,429 and \$33,738 in revenue, respectively. Additionally, charges for services generated revenues of \$183,930. Other general revenues consisted of grants, contributions and miscellaneous revenues.

Changes in net position for the year ending December 31, 2019 are as follows:

	<u>Governmental Activities - 2018 (Restated)</u>	<u>Governmental Activities - 2019</u>	<u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 442,196	\$ 183,930	\$ (258,266)
Operating grants and contributions	655,933	420,429	(235,504)
Capital grants and contributions	274,249	33,738	(240,511)
General revenues:			
Property and other taxes	1,677,205	1,672,713	(4,492)
Licenses and permits	555,806	592,879	37,073
Grants and contributions	112,515	175,608	63,093
Unrestricted investment earnings	-	11,034	11,034
Miscellaneous	129,411	130,068	657
Total revenues	<u>3,847,315</u>	<u>3,220,399</u>	<u>(626,916)</u>
Expenditures:			
General government	759,229	770,605	11,376
Public safety	1,101,121	1,227,770	126,649
Highways and streets	491,984	783,464	291,480
Sanitation	481,952	534,488	52,536
Health and welfare	74,525	76,844	2,319
Culture and recreation	92,342	92,127	(215)
Conservation	-	440	440
Total expenditures	<u>3,001,153</u>	<u>3,485,738</u>	<u>484,585</u>
Increase in net position	846,162	(265,339)	(1,111,501)
Net position, beginning of year	3,175,735	4,021,897	846,162
Net position, end of year	<u>\$ 4,021,897</u>	<u>\$ 3,756,558</u>	<u>\$ (265,339)</u>

The Town's expenses cover a range of services. The largest expenses were for public safety (35.22%), highway and streets (22.48%), general government (22.11%), and sanitation (15.33%), which accounted for 95.14% of total expenditures.

**TOWN OF THORNTON, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDING DECEMBER 31, 2019**

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 \$1,267,341 while total General Fund equity was \$2,073,563. The total fund equity includes nonspendable, restricted, committed and unassigned fund balances at year-end. The General Fund unassigned fund balance decreased by \$14,102 from December 31, 2018.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues on the budgetary basis were over the budgeted amount by \$133,507. This is primarily due to increased revenues from the following budgeted sources: \$18,580 from property and other taxes, \$37,429 from licenses, permits, and fees, \$54,387 from intergovernmental, \$2,930 from charges for services and \$18,716 from miscellaneous.

The Town under expended its budget by \$140,747. This is primarily due to savings realized in financial administration of \$13,480, planning and zoning of \$18,555, general government buildings of \$3,727, executive of \$3,544, public safety of \$35,202, highway and streets of \$61,246, sanitation in the amount of \$11,308, welfare – direct assistance of \$9,838, interest on tax anticipation notes of \$1,700, and other of \$5,001. These savings were partially offset from increased legal expenditures of (\$21,576).

OTHER FINANCIAL HIGHLIGHTS

Monies that were encumbered in 2018 in the amount of \$69,912 for various operating commitments were expended or released to the unassigned fund balance. None of the 2019 appropriations were remaining or encumbered to offset 2020 expenditures.

The Town implemented Governmental Accounting Standards Board Statement No. 84, Fiduciary Activities, during fiscal year 2019. The beginning net position for fiduciary funds was restated by \$1,112 to retroactively report the impact of this change in accounting principle as of January 1, 2019.

**TOWN OF THORNTON, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDING DECEMBER 31, 2019**

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, 2019 amounts to \$4,064,804 with \$1,371,931 in accumulated depreciation. The net book value of capital assets for governmental activities is \$2,692,873 as of December 31, 2019. This investment in capital assets includes vehicles and equipment, building and building improvements and land and land improvements. See Note 7 of the Notes to the Basic Financial Statements for a summary of all capital assets.

Long-Term Obligations

During 2019, the Town made long-term obligation additions in the amount of \$26,185 and payments totaling \$8,431. See Note 11 of the Notes to the Basic Financial Statements for a summary of all outstanding long-term obligations. GASB #34 requires that these liabilities be reflected as a reduction in net position.

ECONOMIC CONDITIONS

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

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

The Town is continuing to actively pursue the use of capital reserve accounts to save monies incrementally that will be used toward the payment of future purchases. Several new capital reserves were requested and approved in 2019.

On March 11, 2020, the World Health Organization declared, the outbreak of a coronavirus (COVID-19), a pandemic. In response to the pandemic, the State of New Hampshire's Governor issued an order declaring a state of emergency on March 13, 2020. It is anticipated that the impact of the pandemic will continue for the foreseeable future. As a result, economic uncertainties have arisen which could have a financial impact on the Town though such potential impact is unknown at this time.

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, 2019

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 465,000
Investments	1,118,303
Taxes receivables (net)	742,067
Intergovernmental receivable	222,759
Tax dedeed property, subject to resale	36,472
Restricted assets:	
Cash and cash equivalents	5,045
Capital assets:	
Land and construction in progress	202,968
Other capital assets, net of depreciation	2,489,905
Total assets	5,282,519
DEFERRED OUTFLOWS OF RESOURCES	
Amounts related to pensions	248,225
Amounts related to other postemployment benefits	5,982
Total deferred outflows of resources	254,207
LIABILITIES	
Accounts payable	105,994
Accrued salaries and benefits	59,723
Intergovernmental payable	17,940
Long-term liabilities:	
Due within one year	1,020
Due in more than one year	1,527,514
Total liabilities	1,712,191
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	13,324
Unavailable revenue - donations	9,685
Amounts related to pensions	44,620
Amounts related to other postemployment benefits	348
Total deferred inflows of resources	67,977
NET POSITION	
Net investment in capital assets	2,692,873
Restricted	259,678
Unrestricted	804,007
Total net position	\$ 3,756,558

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, 2019

	Expenses	Program Revenues			Net (Expense) Revenue and Change In Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
General government	\$ 770,605	\$ 226	\$ -	\$ -	\$ (770,379)
Public safety	1,227,770	80,585	-	33,738	(1,113,447)
Highways and streets	783,464	-	141,890	-	(641,574)
Sanitation	534,488	103,119	278,539	-	(152,830)
Health	65,609	-	-	-	(65,609)
Welfare	11,235	-	-	-	(11,235)
Culture and recreation	92,127	-	-	-	(92,127)
Conservation	440	-	-	-	(440)
Total governmental activities	<u>\$ 3,485,738</u>	<u>\$ 183,930</u>	<u>\$ 420,429</u>	<u>\$ 33,738</u>	<u>(2,847,641)</u>
General revenues:					
Taxes:					
Property					1,534,088
Other					138,625
Motor vehicle permit fees					576,738
Licenses and other fees					16,141
Grants and contributions not restricted to specific programs					175,608
Unrestricted investment earnings					11,034
Miscellaneous					130,068
Total general revenues					<u>2,582,302</u>
Change in net position					(265,339)
Net position, beginning, as restated (see Note 16)					<u>4,021,897</u>
Net position, ending					<u>\$ 3,756,558</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, 2019

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 371,403	\$ 93,597	\$ 465,000
Investments	946,149	172,154	1,118,303
Taxes receivable	807,067	-	807,067
Intergovernmental receivable	222,759	-	222,759
Interfund receivable	-	5,767	5,767
Tax dedeed property, subject to resale	36,472	-	36,472
Restricted assets:			
Cash and cash equivalents	5,045	-	5,045
Total assets	<u>\$ 2,388,895</u>	<u>\$ 271,518</u>	<u>\$ 2,660,413</u>
LIABILITIES			
Accounts payable	\$ 105,994	\$ -	\$ 105,994
Accrued salaries and benefits	59,723	-	59,723
Intergovernmental payable	17,940	-	17,940
Interfund payable	5,767	-	5,767
Total liabilities	<u>189,424</u>	<u>-</u>	<u>189,424</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	116,223	-	116,223
Unavailable revenue - donations	9,685	-	9,685
Total deferred inflows of resources	<u>125,908</u>	<u>-</u>	<u>125,908</u>
FUND BALANCES			
Nonspendable	36,472	259,105	295,577
Restricted	905	573	1,478
Committed	768,845	11,840	780,685
Unassigned	1,267,341	-	1,267,341
Total fund balances	<u>2,073,563</u>	<u>271,518</u>	<u>2,345,081</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,388,895</u>	<u>\$ 271,518</u>	<u>\$ 2,660,413</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, 2019

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

Total fund balances of governmental funds (Exhibit C-1)		\$ 2,345,081
Capital assets used in governmental activities are not current financial resources, therefore, are not reported in the governmental funds.		
Cost	\$ 4,064,804	
Less accumulated depreciation	<u>(1,371,931)</u>	
		2,692,873
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	\$ 248,225	
Deferred inflows of resources related to pensions	(44,620)	
Deferred outflows of resources related to OPEB	5,982	
Deferred inflows of resources related to OPEB	<u>(348)</u>	
		209,239
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (5,767)	
Payables	<u>5,767</u>	
		-
Long-term revenues (taxes) is not available to pay current period expenditures and therefore, is deferred in governmental funds.		102,899
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	\$ 11,481	
Accrued landfill postclosure care costs	30,600	
Net pension liability	1,364,679	
Other postemployment benefits	<u>121,774</u>	
		<u>(1,528,534)</u>
Net position of governmental activities (Exhibit A)		<u><u>\$ 3,756,558</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, 2019

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 1,681,903	\$ 1,500	\$ 1,683,403
Licenses and permits	592,879	-	592,879
Intergovernmental	563,395	34,091	597,486
Charges for services	183,930	-	183,930
Miscellaneous	133,351	7,751	141,102
Total revenues	<u>3,155,458</u>	<u>43,342</u>	<u>3,198,800</u>
EXPENDITURES			
Current:			
General government	749,913	-	749,913
Public safety	1,170,582	-	1,170,582
Highways and streets	711,302	-	711,302
Sanitation	490,088	-	490,088
Health	65,609	-	65,609
Welfare	11,235	-	11,235
Culture and recreation	89,895	-	89,895
Conservation	440	-	440
Capital outlay	24,648	42,614	67,262
Total expenditures	<u>3,313,712</u>	<u>42,614</u>	<u>3,356,326</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(158,254)</u>	<u>728</u>	<u>(157,526)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	1,465	8,523	9,988
Transfers out	(8,523)	(1,465)	(9,988)
Total other financing sources (uses)	<u>(7,058)</u>	<u>7,058</u>	<u>-</u>
Net change in fund balances	(165,312)	7,786	(157,526)
Fund balances, beginning, as restated (see Note 16)	2,238,875	263,732	2,502,607
Fund balances, ending	<u>\$ 2,073,563</u>	<u>\$ 271,518</u>	<u>\$ 2,345,081</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, 2019

Net change in fund balances of governmental funds (Exhibit C-3)		\$ (157,526)
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	\$ 208,015	
Depreciation expense	<u>(186,141)</u>	
		21,874
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (9,988)	
Transfers out	<u>9,988</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		(10,690)
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	\$ 3,460	
Decrease in accrued landfill postclosure care costs	(22,440)	
Net change in net pension liability, and deferred outflows and inflows of resources related to pensions	(91,944)	
Net change in net other postemployment benefits liability and deferred outflows and inflows of resources related to other postemployment benefits	<u>(8,073)</u>	
		<u>(118,997)</u>
Changes in net position of governmental activities (Exhibit B)		<u><u>\$ (265,339)</u></u>

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, 2019

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes	\$ 1,652,633	\$ 1,671,213	\$ 18,580
Licenses and permits	555,450	592,879	37,429
Intergovernmental receivable	509,008	563,395	54,387
Charges for services	181,000	183,930	2,930
Miscellaneous	125,000	143,716	18,716
Total revenues	<u>3,023,091</u>	<u>3,155,133</u>	<u>132,042</u>
EXPENDITURES			
Current:			
General government	607,198	579,906	27,292
Public safety	1,058,510	1,023,308	35,202
Highways and streets	631,183	569,937	61,246
Sanitation	484,762	473,454	11,308
Health	65,704	65,609	95
Welfare	21,073	11,235	9,838
Culture and recreation	86,562	88,807	(2,245)
Conservation	725	440	285
Debt service:			
Interest	1,700	-	1,700
Capital outlay	20,674	24,648	(3,974)
Total expenditures	<u>2,978,091</u>	<u>2,837,344</u>	<u>140,747</u>
Excess of revenues over expenditures	<u>45,000</u>	<u>317,789</u>	<u>272,789</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	1,465	1,465
Transfers out	(270,000)	(270,000)	-
Total other financing sources (uses)	<u>(270,000)</u>	<u>(268,535)</u>	<u>1,465</u>
Net change in fund balances	<u>\$ (225,000)</u>	49,254	<u>\$ 274,254</u>
Decrease in nonspendable fund balance		3,015	
Unassigned fund balance, beginning, as restated (see Note 16)		<u>1,252,971</u>	
Unassigned fund balance, ending		<u>\$ 1,305,240</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 Fiduciary Net Position
December 31, 2019

	Private Purpose Trust Funds	All Custodial Funds
ASSETS		
Cash and cash equivalents	\$ 3,029	\$ 1,571,690
Investments	-	1,271,162
Total assets	<u>3,029</u>	<u>2,842,852</u>
LIABILITIES		
Intergovernmental payables:		
School	-	2,637,821
Village District	-	203,919
Total liabilities	<u>-</u>	<u>2,841,740</u>
NET POSITION		
Restricted	<u>\$ 3,029</u>	<u>\$ 1,112</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 Fiduciary Net Position
For the Fiscal Year Ended December 31, 2019

	Private Purpose Trust Funds	All Custodial Funds
ADDITIONS		
Tax collections for other governments	\$ -	\$ 6,808,546
DEDUCTIONS		
Payments of taxes to other governments	-	6,808,546
Change in net position	-	-
Net position, beginning, as restated (see Note 16)	3,029	1,112
Net position, ending	\$ 3,029	\$ 1,112

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, 2019

	<u>NOTE</u>
Summary of Significant Accounting Policies	1
Reporting Entity	1-A
Basis of Accounting, and Measurement Focus	1-B
Cash and Cash Equivalents	1-C
Restricted Assets	1-D
Investments	1-E
Receivables	1-F
Capital Assets	1-G
Interfund Activities	1-H
Property Taxes	1-I
Accounts Payable	1-J
Deferred Outflows/Inflows of Resources	1-K
Long-term Obligations	1-L
Compensated Absences	1-M
Defined Benefit Pension Plan	1-N
Postemployment Benefits Other Than Pensions	1-O
Net Position/Fund Balances	1-P
Use of Estimates	1-Q
 Stewardship, Compliance, and Accountability	 2
Budgetary Information	2-A
Budgetary Reconciliation to GAAP Basis	2-B
Accounting Change	2-C

DETAILED NOTES ON ALL FUNDS

Cash and Cash Equivalents	3
Investments	4
Taxes Receivable	5
Other Receivables	6
Capital Assets	7
Interfund Balances and Transfers	8
Intergovernmental Payables	9
Deferred Outflows/Inflows of Resources	10
Long-term Liabilities	11
Defined Benefit Pension Plan	12
Postemployment Benefits Other Than Pensions	13
New Hampshire Retirement System (NHRS)	13-A
Town of Thornton Retiree Health Benefit Program	13-B
Governmental Activities Net Position	14
Governmental Fund Balances	15
Prior Period Adjustments	16
Risk Management	17
Contingent Liabilities	18
Tax Abatements	19
Subsequent Events	20

TOWN OF THORNTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

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 2019 the Town implemented GASB Statement No. 84, *Fiduciary Activities*, which changed the way fiduciary activities are recorded. See Note 2-C 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.

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 the long-term costs of retirement healthcare and obligations for other postemployment benefits of the Town’s single employer plan have been omitted because the liability and expense have not been determined. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. As in the Statement of Net Position 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 taxes, licenses and permits, intergovernmental revenue, and interest associated with the current fiscal period are all considered to

TOWN OF THORNTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

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 fund:

General Fund – is the Town’s primary operating fund. The general fund accounts for all financial resources except those required to be accounted for in another fund. The primary revenue sources include property taxes, State grants and motor vehicle permit fees. The primary expenditures are for general government, public safety, highways and streets, sanitation, culture and recreation, debt service 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.

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. The Town reports three nonmajor governmental funds.

Fiduciary Fund Financial Statements – Include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. The Town’s fiduciary funds are private purpose trust and custodial funds, which are custodial in nature. 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.

Custodial Fund – are custodial in nature and do not belong to the primary government. A custodial fund is used to account for assets held on behalf of outside parties, including other governments.

1-C Cash and Cash Equivalents

The Town considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Deposits with financial institutions consist primarily of demand deposits, and savings accounts.

The treasurer is required to deposit such moneys in solvent banks in state or the Public Deposit Investment Pool pursuant to New Hampshire RSA 383:22. Funds may be deposited in banks outside of the state if such banks pledge and deliver to a third party custodial bank or the Federal Reserve Bank, collateral security for such deposits, United States government or government agency obligations or obligations to the State of New Hampshire in value at least equal to the amount of the deposit in each case.

1-D Restricted Assets

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

TOWN OF THORNTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

- Savings bank deposits,
- Certificates of deposit and repurchase agreements of banks incorporated under the laws of the State of New Hampshire or in banks recognized by the State treasurer.

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

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

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

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

Level 3 – Inputs are significant unobservable inputs.

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

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

Investments in Certain External Investment Pools – In accordance with GASB Statement No. 79, *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.

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.

TOWN OF THORNTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

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 activities are reported as follows:

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

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

1-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 14, 2019 and November 6, 2019, and due on July 1, 2019 and December 9, 2019. Interest accrues at a rate of 12% (from January 1, 2019 through March 31, 2019) and 8% (after April 1, 2019) on bills outstanding after the due date and 18% (from January 1, 2019 through March 31, 2019) and 14% (after April 1, 2019) on tax liens outstanding. The Town placed a lien on all outstanding taxes from 2018 on May 16, 2019.

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 Village District, and Grafton County, which are remitted to these entities as required by law.

The Town net assessed valuation as of April 1, 2019 utilized in the setting of the tax rate was as follows:

For the New Hampshire education tax	\$ 424,846,632
For all other taxes	\$ 433,457,132

TOWN OF THORNTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

The tax rates and amounts assessed for the year ended December 31, 2019 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$ 3.77	\$ 1,633,996
School portion:		
State of New Hampshire	1.76	749,417
Local	11.49	4,980,642
County portion	1.66	717,769
Precinct portion	13.51	360,718
Total	\$ 32.19	\$ 8,442,542

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, 2019.

1-K Deferred Outflows/Inflows of Resources

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

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

1-L Long-term Obligations

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

1-M Compensated Absences

Vacation - The Town’s policy allows certain employees to earn varying amounts of vacation based on the employee’s length of employment. Upon separation from service, employees are paid in full for any accrued leave earned as set forth by the Town’s 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 when, upon separation from service, no monetary obligation exists.

1-N Defined Benefit Pension Plan

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* and GASB Statement No. 82 *Pension Issues – an amendment of GASB Statement No. 67, No. 68 and No. 73* requires participating employers to recognize their proportionate share of collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense, and schedules have been prepared to provide employers with their calculated proportionate share of these amounts. The collective amounts have been allocated based on employer contributions during the respective fiscal years. Contributions from employers are recognized when legally due, based on statutory requirements.

The schedules 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.

TOWN OF THORNTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

1-O Postemployment Benefits Other Than Pensions

The Town maintains two separate other postemployment benefit plans (OPEB), as follows:

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 Statement 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, 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.

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.

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.

TOWN OF THORNTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

The Board of Selectmen have adopted a fund balance policy with regards to maintaining an appropriate level of unassigned fund balance following the guidelines established by the NH Government Finance Officers Association (NHGFOA), which are as follows:

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

1-Q Use of Estimates

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

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

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

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 2019, \$225,000 of the beginning general fund unassigned fund balance was applied for this purpose.

2-B Budgetary Reconciliation to GAAP Basis

While the Town reports financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual is presented for the major general fund which had a budget. Differences between the budgetary basis and GAAP basis of accounting are as follows:

Revenues and other financing sources:	
Per Exhibit D (budgetary basis)	\$ 3,156,598
Adjustment:	
Basis difference:	
GASB Statement No. 54:	
To record miscellaneous income of the blended funds	(10,365)
Change in deferred tax revenue relating to 60-day revenue recognition recognized as revenue on the GAAP basis, but not on the budgetary basis	10,690
Per Exhibit C-3 (GAAP basis)	\$ 3,156,923

(Continued)

TOWN OF THORNTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

Budgetary reconciliation to GAAP basis continued:

Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 3,107,344
Adjustment:	
Basis differences:	
Encumbrances, beginning	69,912
Encumbrances, ending	-
GASB Statement No. 54:	
To record expenditures of the blended funds during the year	406,456
To eliminate transfers between general and blended funds	<u>(261,477)</u>
Per Exhibit C-3 (GAAP basis)	<u>\$ 3,322,235</u>

2-C Accounting Change

Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, was implemented during fiscal year 2019. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust of equivalent arrangement that meet specific criteria. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or other condition is required to be taken or met by the beneficiary to release the assets. Beginning net position for the fiduciary funds was restated to retroactively report the change in accounting principle, see Note 16.

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

At December 31, 2019, the reported amount of the Town’s deposits was \$2,039,719 and the bank balance was \$2,029,713. Of the bank balance \$1,991,877 was covered by federal depository insurance or by collateral held by the pledging bank in the Town’s name, and \$37,836 was uninsured and uncollateralized.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 465,000
Cash per Statement of Net Position - Fiduciary Funds (Exhibit E-1)	<u>1,574,719</u>
Total cash and cash equivalents	<u>\$ 2,039,719</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.

TOWN OF THORNTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

The Town has the following recurring fair value measurements and maturities as of December 31, 2019:

	Valuation Measurement Method	Reported Balance	1-5 Years	Exempt from Disclosure
Investments type:				
Certificates of deposit	Level 1	\$ 146,674	\$ 146,674	\$ -
Fixed income mutual funds	Level 2	25,480	-	25,480
New Hampshire Public Deposit Investment Pool	Level 2	2,217,311	-	2,217,311
Total fair value		<u>\$ 2,389,465</u>	<u>\$ 146,674</u>	<u>\$ 2,242,791</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. The Board of Selectmen investment policy states that investment of assets held in the common cash fund and any other investments shall be diversified to eliminate the risk of loss resulting from over-concentration of assets in a specific maturity. The Trustees of Trust Funds investment policy does not directly address this risk.

Credit Risk -- The Board of Selectmen investment policy manages credit risk by investing in obligations of the U.S. government, such as U.S. Treasury securities maturing in less than one year and short-term obligations of the U.S. Government agencies approved for investment purposes by the State of New Hampshire. The Trustees of Trust Funds investment policy states that assets shall be invested only in such instruments as may be specifically authorize by the Revised Statues Annotated by the State of New Hampshire. The Town's investment pool had the following credit risk structure:

Investments Type	Reported Balance	Exempt from Disclosure
Certificates of deposit	\$ 146,674	\$ 146,674
Fixed income mutual funds	25,480	25,480
New Hampshire Public Deposit Investment Pool	2,217,311	2,217,311
Total	<u>\$ 2,389,465</u>	<u>\$ 2,389,465</u>

Custodial Credit Risk -- This is the risk that in the event of the failure of the counterparty (e.g., broker/dealer) to honor a transaction, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Board of Selectmen investment policy states that some form of collateral must secure funds on deposit, in excess of FDIC limits, witnessed by a written agreement and held at an independent third-party institution in the name of the municipality. The Trustees of Trust Funds investment policy does not directly address this risk.

Concentration of Credit Risk -- Both the Board of Selectmen and Trustees of Trust Funds investment policies place no limit on the amount it may invest in any one issuer. More than 5% of the Town's investments are in Woodsville Guaranty Savings Bank. These investments are 6% of the Town's total investments.

Investment reconciliation:

Investments per Statement of Net Position (Exhibit A)	\$ 1,118,303
Investments per Statement of Net Position - Fiduciary Funds (Exhibit E-1)	1,271,162
Total investments	<u>\$ 2,389,465</u>

TOWN OF THORNTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

NOTE 5 – TAXES RECEIVABLE

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of December 31, 2019. 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 2019	\$ 583,077	\$ 583,077
Unredeemed (under tax lien):		
Levy of 2018	118,945	118,945
Levy of 2017	54,698	54,698
Levies of 2016 and prior	39,275	39,275
Timber yield	5,622	5,622
Land use change	5,450	5,450
Less: allowance for estimated uncollectible taxes	(65,000) *	-
Net taxes receivable	<u>\$ 742,067</u>	<u>\$ 807,067</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).

NOTE 6 – OTHER RECEIVABLES

Receivables at December 31, 2019, consisted of accounts (billings for other user charges) and intergovernmental amounts arising from grants. Receivables are recorded on the Town's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019 is as follows:

	Balance, beginning	Additions	Deletions	Balance, ending
At cost:				
Not being depreciated:				
Land	\$ 154,045	\$ -	\$ -	\$ 154,045
Construction in progress	734,173	48,923	(734,173)	48,923
Total capital assets not being depreciated	<u>888,218</u>	<u>48,923</u>	<u>(734,173)</u>	<u>202,968</u>
Being depreciated:				
Land improvements	357,832	-	-	357,832
Buildings and building improvements	911,989	-	-	911,989
Machinery, vehicles, and equipment	1,075,752	116,478	-	1,192,230
Infrastructure	622,998	776,787	-	1,399,785
Total capital assets being depreciated	<u>2,968,571</u>	<u>893,265</u>	<u>-</u>	<u>3,861,836</u>
Total all capital assets	<u>3,856,789</u>	<u>942,188</u>	<u>(734,173)</u>	<u>4,064,804</u>

(Continued)

TOWN OF THORNTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

Capital assets continued:

	Balance, beginning	Additions	Deletions	Balance, ending
Less accumulated depreciation:				
Land improvements	(243,764)	(12,208)	-	(255,972)
Buildings and building improvements	(196,955)	(16,184)	-	(213,139)
Machinery, vehicles, and equipment	(659,801)	(87,760)	-	(747,561)
Infrastructure	(85,270)	(69,989)	-	(155,259)
Total accumulated depreciation	(1,185,790)	(186,141)	-	(1,371,931)
Net book value, capital assets being depreciated	1,782,781	707,124	-	2,489,905
Net book value, all governmental activities capital assets	<u>\$ 2,670,999</u>	<u>\$ 756,047</u>	<u>\$ (734,173)</u>	<u>\$ 2,692,873</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	48,396
Highways and streets	99,806
Sanitation	28,631
Total depreciation expense	<u>\$ 186,141</u>

NOTE 8 – INTERFUND BALANCES AND TRANSFERS

Interfund Balances - The composition of interfund balances as of December 31, 2019 is as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor	<u>\$ 5,767</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.

Interfund Transfers - The composition of interfund transfers for the year ended December 31, 2019 is as follows:

	Transfers In:		
	General Fund	Other Governmental Fund	Total
Transfers out:			
General fund	\$ -	\$ 8,523	\$ 8,523
Permanent fund	1,465	-	1,465
Total	<u>\$ 1,465</u>	<u>\$ 8,523</u>	<u>\$ 9,988</u>

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.

TOWN OF THORNTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

NOTE 9 – INTERGOVERNMENTAL PAYABLES

Amounts due to other governments at December 31, 2019 consist of the following:

	General Fund	Fidciary Funds
Miscellaneous fees due to the State of New Hampshire	\$ 17,940	\$ -
Taxes due to the Pemi-Baker Regional School District	-	805,773
Taxes due to the Thornton School District	-	1,832,048
Taxes due to the Waterville Estates Village District	-	203,919
Total intergovernmental pay ables due	<u>\$ 17,940</u>	<u>\$ 2,841,740</u>

NOTE 10 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources of at December 31, 2019 consist of amounts related to pensions totaling \$248,225 and amounts related to OPEB totaling \$5,982. For further discussion on these amounts, see Note 12 and 13 respectively.

Deferred inflows of resources are as follows:

	Government- wide	General Fund
Deferred property taxes not collected within 60 days of fiscal year-end	\$ -	\$ 102,899
Property taxes collected in advance of warrant	13,324	13,324
Unavailable revenue - other	9,685	9,685
Amounts related to pensions, see Note 12	44,620	-
Amounts related to OPEB, see Note 13	348	-
Total deferred inflows of resources	<u>\$ 67,977</u>	<u>\$ 125,908</u>

NOTE 11 – LONG-TERM LIABILITIES

Changes in the Town’s long-term liabilities consisted of the following for the year ended December 31, 2019:

	Balance			Balance		Due Within
	January 1, 2019	Additions	Reductions	December 31, 2019	One Year	
Compensated absences	\$ 14,941	\$ -	\$ (3,460)	\$ 11,481	\$ -	
Accrued landfill postclosure care costs	8,160	22,440	-	30,600	1,020	
Net pension liability	1,360,934	3,745	-	1,364,679	-	
Net other postemployment benefits	126,745	-	(4,971)	121,774	-	
Total long-term liabilities	<u>\$ 1,510,780</u>	<u>\$ 26,185</u>	<u>\$ (8,431)</u>	<u>\$ 1,528,534</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 estimated liability for landfill postclosure care costs has a balance of \$30,600 as of December 31, 2019, which 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, 2019. However, the actual cost of postclosure care may be higher or lower due to inflation, changes in technology, or changes in landfill laws and regulations.

NOTE 12 – DEFINED BENEFIT PENSION PLAN

Plan Description – The New Hampshire Retirement System (NHRS or the System) is a public employee retirement system that administers a 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

TOWN OF THORNTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

beneficiaries. Substantially all full-time State employees, public school teachers and administrators, permanent firefighters and permanent police officers within the State are eligible and required to participate in the Pension Plan. The System issues a publicly available financial report that may be obtained by writing the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301.

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

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

Group II members who are age 60, or members who are at least age 45 with at least 20 years of creditable service, can receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years. Members commencing service on or after July 1, 2011 or members who have nonvested status as of January 1, 2012 can receive a retirement allowance at age 52.5 with 25 years of service or age 60. The benefit shall be equal to 2% of AFC times creditable service up to 42.5 years. However, a member who commenced service on or after July 1, 2011 shall not receive a retirement allowance until attaining the age of 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service where the allowance shall be reduced, for each month by which the member attains 52.5 years of age by ¼ of 1% or age 60.

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

Contributions - The System is financed by contributions from both the employees and the Town. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. Group I (employee and teacher) members are required to contribute 7% of earnable compensation and Group II (police and fire) members contribute 11.55% and 11.80% respectively. For fiscal year 2019, the Town contributed 25.33% for police, 27.79% for fire and 11.08% for other employees through June 30, 2019. From July 1, 2019 through December 31, 2019 the Town contributed 24.77% for police, 26.43% for fire and 10.88% for other employees. The contribution requirement for the fiscal year 2019 was \$117,919, which was paid in full.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At December 31, 2019 the Town reported a liability of \$1,364,679 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2019, the Town’s proportion was .02836195% which was an increase of .00009866% from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the Town recognized pension expense of \$219,896. At December 31, 2019 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	\$ 127,897	\$ 4,127
Changes in assumptions	48,964	-
Net difference between projected and actual investment earnings on pension plan investments	-	11,148
Differences between expected and actual experience	7,546	29,345
Contributions subsequent to the measurement date	63,818	-
Total	\$ 248,225	\$ 44,620

TOWN OF THORNTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

The \$63,818 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, 2020. 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,		
2020	\$	90,479
2021		18,958
2022		26,532
2023		3,818
2024		-
Thereafter		-
Totals	\$	<u>139,787</u>

Actuarial Assumptions – The collective total pension liability was based on the following assumptions:

Inflation:	2.5%
Salary increases:	5.6% average, including inflation
Wage inflation	3.25% (3.00% for teachers)
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, 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, 2019 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010 – June 30, 2015.

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

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%	

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

DECEMBER 31, 2019

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, 2019	\$ 1,827,362	\$ 1,364,679	\$ 982,276

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

NOTE 13 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

13-A New Hampshire Retirement System (NHRS)

Plan Description – The New Hampshire Retirement System (NHRS or the System) is a public employee retirement system which administers a cost-sharing multiple-employer other postemployment benefit (OPEB) plan. For additional system information, please refer to the 2019 Comprehensive Annual Financial Report, which can be found on the system’s website at www.nhrs.org.

Benefits Provided - 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 2019 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.

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

DECEMBER 31, 2019

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 2019, the Town contributed 4.10% for police and fire, and 0.30% for other employees through June 30, 2019. From July 1, 2019 through December 31, 2019 the Town contributed 3.66% for police and fire, and 0.29% for other employees. The contribution requirement for the fiscal year 2019 was \$117,919, which was paid in full.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – At December 31, 2019, the Town reported a liability of \$121,774 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, 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, 2019, the Town’s proportion was .02777634% which was an increase of .00009337% from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the Town recognized OPEB expense of \$20,539. At December 31, 2019, 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	\$ 46	\$ -
Net difference between projected and actual investment earnings on OPEB plan investments	-	137
Changes in assumptions	-	-
Differences between expected and actual experience	-	211
Contributions subsequent to the measurement date	5,936	-
Total	\$ 5,982	\$ 348

The \$5,936 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, 2020. 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,	
2020	\$ (257)
2021	(91)
2022	9
2023	36
2024	-
Thereafter	-
Totals	\$ (303)

Actuarial Assumptions – The collective total OPEB liability was based on the following actuarial assumptions:

Inflation:	2.5 %
Wage inflation:	3.25 % (3.00%) for teachers
Salary increases:	5.6 % average, including inflation
Investment rate of return:	7.25 % net of OPEB plan investment expense, including inflation for determining solvency contributions

TOWN OF THORNTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

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, 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.

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. Following is a table presenting target allocations and geometric real rates of return for each asset class:

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 total OPEB liability as of June 30, 2019 was 7.25%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made under the current statutes RSA 100-A:16 and 100-A:53. 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, 2019	\$ 132,083	\$ 121,774	\$ 112,817

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

DECEMBER 31, 2019

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.

13-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, 2019 or contracted with an actuarial firm to assist in evaluating the impact of this 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 are unknown.

NOTE 14 – GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the Statement of Net Position at December 31, 2019 include the following:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>
Net investment in capital assets:		
Net book value, all capital assets	\$ 2,692,873	\$ -
Restricted net position:		
Permanent fund principal	259,105	-
Permanent fund income	573	-
Individuals, organizations and other governments	-	4,141
Total restricted net position	<u>259,678</u>	<u>4,141</u>
Unrestricted	<u>804,007</u>	<u>-</u>
Total net position	<u>\$ 3,756,558</u>	<u>\$ 4,141</u>

NOTE 15 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at December 31, 2019 include the following:

	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:			
Tax deeded property	\$ 36,472	\$ -	\$ 36,472
Permanent fund - principal balance	-	259,105	259,105
Total nonspendable fund balance	<u>36,472</u>	<u>259,105</u>	<u>295,577</u>
Restricted:			
Library	905	-	905
Permanent - income balance	-	573	573
Total restricted fund balance	<u>905</u>	<u>573</u>	<u>1,478</u>

(Continued)

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

DECEMBER 31, 2019

Governmental fund balances continued:

	General Fund	Nonmajor Funds	Total Governmental Funds
Committed:			
Expendable trust	768,845	-	768,845
Conservation commission	-	11,840	11,840
Total committed fund balance	768,845	11,840	780,685
Unassigned	1,267,341	-	1,267,341
Total governmental fund balances	\$ 2,073,563	\$ 271,518	\$ 2,345,081

NOTE 16 – PRIOR PERIOD ADJUSTMENTS

Net position/fund balance at January 1, 2019 was restated to give retroactive effect to the following prior period adjustments:

	Government-wide Statements	General Fund (Exhibit C-3)	General Fund (Exhibit D)	Permanent Fund	Fiduciary Funds
To restate for interfund balance not previously reported	\$ -	\$ 16,230	\$ -	\$ (16,230)	\$ -
To restate for cash balance not previously reported	29,436	-	-	29,436	-
To restate for prior year expenditures that should have been reported on the budgetary basis	-	-	(77,061)	-	-
To restate for the cumulative changes related to implementation of GASB Statement No. 84	-	-	-	-	1,112
Net position/fund balance, as previously reported	3,992,461	2,222,645	1,330,032	240,189	-
Net position/fund balance, as restated	\$ 4,021,897	\$ 2,238,875	\$ 1,252,971	\$ 253,395	\$ 1,112

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 2019, 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, 2019 to December 31, 2019 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. In 2019 the Town paid \$23,774 and \$19,847 respectively, to Primex for property, liability and worker's compensation. 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.

TOWN OF THORNTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

NOTE 18 – CONTINGENT LIABILITIES

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

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

NOTE 19 – TAX ABATEMENTS

Governmental Accounting Standards Board Statement No. 77, *Tax Abatement Disclosures*, defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments. No such tax abatement programs requiring disclosure were identified.

NOTE 20 – 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 August 10, 2020, the date the December 31, 2019 financial statements were available to be issued, and the following event occurred that require recognition or disclosure:

On March 11, 2020, the World Health Organization declared, the outbreak of a coronavirus (COVID-19), a pandemic. In response to the pandemic, the State of New Hampshire's Governor issued an order declaring a state of emergency on March 13, 2020. It is anticipated that the impact of the pandemic will continue for some time. As a result, economic uncertainties have arisen which could have a financial impact on the Town though such potential impact is unknown at this time.

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, 2019

	December 31,						
	2013	2014	2015	2016	2017	2018	2019
Town's proportion of the net pension liability	0.02%	0.02%	0.02%	0.02%	0.02%	0.03%	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	\$ 1,364,679
Town's covered payroll	\$ 510,618	\$ 568,957	\$ 558,717	\$ 564,736	\$ 655,994	\$ 739,311	\$ 801,504
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%	170.26%
Plan fiduciary net position as a percentage of the total pension liability	59.81%	66.32%	65.47%	58.30%	62.66%	64.73%	65.59%

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, 2019

	December 31,						
	2013	2014	2015	2016	2017	2018	2019
Contractually required contribution	\$ 55,134	\$ 77,576	\$ 76,228	\$ 84,758	\$ 88,979	\$119,457	\$123,426
Contributions in relation to the contractually required contributions	55,134	77,576	76,228	84,758	88,979	119,457	123,426
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 510,618	\$568,957	\$ 558,717	\$ 564,736	\$ 655,994	\$ 739,311	\$ 801,504
Contributions as a percentage of covered payroll	10.80%	13.63%	13.64%	15.01%	13.56%	16.16%	15.40%

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, 2019

***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, 2019. 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 2019:

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	3.13% 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 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.

Other Information:

Notes Contribution rates for fiscal year 2019 were determined based on the benefit changes adopted under House Bill No. 2 as amended by 011-2513-CofC.

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, 2019

	December 31,			
	2016	2017	2018	2019
Town's proportion of the net OPEB liability	0.02%	0.02%	0.03%	0.03%
Town's proportionate share of the net OPEB liability (asset)	\$ 73,775	\$ 69,306	\$ 126,745	\$ 121,774
Town's covered payroll	\$ 564,736	\$ 655,994	\$ 739,311	\$ 801,504
Town's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	13.06%	10.57%	17.14%	15.19%
Plan fiduciary net position as a percentage of the total OPEB liability	5.21%	7.91%	7.53%	7.75%

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, 2019

	December 31,			
	2016	2017	2018	2019
Contractually required contribution	\$ 8,855	\$ 8,984	\$ 12,245	\$ 12,676
Contributions in relation to the contractually required contribution	8,855	8,984	12,245	12,676
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 564,736	\$ 655,994	\$ 739,311	\$ 801,504
Contributions as a percentage of covered payroll	1.57%	1.37%	1.66%	1.58%

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, 2019

***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, 2019. 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.

There were no changes to benefit terms or assumptions in the current actuarial valuation report.

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	3.13% 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, 2019

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 1,519,637	\$ 1,534,088	\$ 14,451
Land use change	3,000	6,810	3,810
Yield	11,000	10,483	(517)
Other	500	-	(500)
Excavation	1,000	1,042	42
Payment in lieu of taxes	42,496	42,496	-
Interest and penalties on taxes	75,000	76,294	1,294
Total from taxes	<u>1,652,633</u>	<u>1,671,213</u>	<u>18,580</u>
Licenses, permits, and fees:			
Business licenses, permits, and fees	450	555	105
Motor vehicle permit fees	540,000	576,738	36,738
Building permits	6,000	8,225	2,225
Other	9,000	7,361	(1,639)
Total from licenses, permits, and fees	<u>555,450</u>	<u>592,879</u>	<u>37,429</u>
Intergovernmental:			
State:			
Shared revenues	44,537	44,537	-
Meals and rooms distribution	131,071	131,071	-
Highway block grant	107,961	107,799	(162)
Other	5,439	33,738	28,299
Other governments	220,000	246,250	26,250
Total from intergovernmental	<u>509,008</u>	<u>563,395</u>	<u>54,387</u>
Charges for services:			
Income from departments	181,000	183,930	2,930
Miscellaneous:			
Sale of municipal property	50,000	59,993	9,993
Interest on investments	10,000	17,509	7,509
Other	65,000	66,214	1,214
Total from miscellaneous	<u>125,000</u>	<u>143,716</u>	<u>18,716</u>
Other financing sources:			
Transfers in	-	1,465	1,465
Total revenues and other financing sources	3,023,091	<u>\$ 3,156,598</u>	<u>\$ 133,507</u>
Unassigned fund balance used to reduce tax rate	225,000		
Total revenues, other financing sources, and use of fund balance	<u>\$ 3,248,091</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, 2019

	Encumbered from Prior Year	Appropriations	Expenditures	Variance Positive (Negative)
Current:				
General government:				
Executive	\$ -	\$ 277,034	\$ 273,490	\$ 3,544
Election and registration	-	37,182	35,233	1,949
Financial administration	-	87,821	74,341	13,480
Revaluation of property	-	15,843	15,842	1
Legal	-	22,001	43,577	(21,576)
Personnel administration	-	9,900	8,447	1,453
Planning and zoning	-	51,953	33,398	18,555
General government buildings	-	37,545	33,818	3,727
Cemeteries	-	26,000	25,882	118
Insurance, not otherwise allocated	-	35,718	34,678	1,040
Other	-	6,201	1,200	5,001
Total general government	-	607,198	579,906	27,292
Public safety:				
Police	-	692,877	663,057	29,820
Fire	-	355,500	356,512	(1,012)
Building inspection	-	5,452	60	5,392
Emergency management	-	4,681	3,679	1,002
Total public safety	-	1,058,510	1,023,308	35,202
Highways and streets	69,912	631,183	639,849	61,246
Sanitation:				
Administration	-	236,561	230,223	6,338
Solid waste collection	-	100	-	100
Solid waste disposal	-	245,001	238,687	6,314
Solid waste clean-up	-	700	2,230	(1,530)
Other	-	2,400	2,314	86
Total sanitation	-	484,762	473,454	11,308
Health:				
Administration	-	1,133	1,038	95
Health agencies	-	64,571	64,571	-
Total health	-	65,704	65,609	95
Welfare:				
Administration and direct assistance	-	21,073	11,235	9,838
Culture and recreation:				
Parks and recreation	-	1,200	1,177	23
Library	-	85,012	87,630	(2,618)
Patriotic purposes	-	350	-	350
Total culture and recreation	-	86,562	88,807	(2,245)
Conservation	-	725	440	285
Debt service:				
Interest on tax anticipation notes	-	1,700	-	1,700
Capital outlay	-	20,674	24,648	(3,974)
Other financing uses:				
Transfers out	-	270,000	270,000	-
Total appropriations, expenditures, other financing uses, and encumbrances	\$ 69,912	\$ 3,248,091	\$ 3,177,256	\$ 140,747

SCHEDULE 3
TOWN OF THORNTON, NEW HAMPSHIRE
Major General Fund
Schedule of Changes in Unassigned Fund Balance
For the Fiscal Year Ended December 31, 2019

Unassigned fund balance, beginning (Non-GAAP Budgetary Basis), as restated (see Note 16)		\$ 1,252,971
Changes:		
Unassigned fund balance used to reduce 2019 tax rate		(225,000)
2019 Budget summary:		
Revenue surplus (Schedule 1)	\$ 133,507	
Unexpended balance of appropriations (Schedule 2)	<u>140,747</u>	
2019 Budget surplus		274,254
Decrease in nonspendable fund balance		<u>3,015</u>
Unassigned fund balance, ending (Non-GAAP Budgetary Basis)		1,305,240
Reconciliation on Non-GAAP Budgetary Basis to GAAP Basis		
To record deferred property taxes not collected within 60 days of the fiscal year-end, not recognized on a budgetary basis		(102,899)
Elimination of the allowance for uncollectible taxes		<u>65,000</u>
Unassigned fund balance, ending, GAAP basis (Exhibit C-1)		<u>\$ 1,267,341</u>

SCHEDULE 4
TOWN OF THORNTON, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2019

	Special Revenue Fund <u>Conservation Commission</u>	Bridge Capital Project Fund	Permanent Fund	Total
ASSETS				
Cash and cash equivalents	\$ 6,073	\$ -	\$ 87,524	\$ 93,597
Investments	-	-	172,154	172,154
Interfund receivable	<u>5,767</u>	<u>-</u>	<u>-</u>	<u>5,767</u>
Total assets	<u>\$ 11,840</u>	<u>\$ -</u>	<u>\$ 259,678</u>	<u>\$ 271,518</u>
FUND BALANCES				
Nonspendable	\$ -	\$ -	\$ 259,105	\$ 259,105
Restricted	-	-	573	573
Committed	<u>11,840</u>	<u>-</u>	<u>-</u>	<u>11,840</u>
Total fund balances	<u>\$ 11,840</u>	<u>\$ -</u>	<u>\$ 259,678</u>	<u>\$ 271,518</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, 2019

	Special Revenue Fund <u>Conservation Commission</u>	Bridge Capital Project Fund	Permanent Fund	Total
REVENUES				
Taxes	\$ 1,500	\$ -	\$ -	\$ 1,500
Intergovernmental	-	34,091	-	34,091
Miscellaneous	3	-	7,748	7,751
Total revenues	<u>1,503</u>	<u>34,091</u>	<u>7,748</u>	<u>43,342</u>
EXPENDITURES				
Capital outlay	-	42,614	-	42,614
Excess (deficiency) of revenues over (under) expenditures	<u>1,503</u>	<u>(8,523)</u>	<u>7,748</u>	<u>728</u>
OTHER FINANCING (SOURCES) USES				
Transfers in	-	8,523	-	8,523
Transfers out	-	-	(1,465)	(1,465)
Total other financing sources (uses)	<u>-</u>	<u>8,523</u>	<u>(1,465)</u>	<u>7,058</u>
Net change in fund balances	1,503	-	6,283	7,786
Fund balances, beginning, as restated (see Note 16)	<u>10,337</u>	<u>-</u>	<u>253,395</u>	<u>263,732</u>
Fund balances, ending	<u>\$ 11,840</u>	<u>\$ -</u>	<u>\$ 259,678</u>	<u>\$ 271,518</u>

SCHEDULE 6
TOWN OF THORNTON, NEW HAMPSHIRE
Custodial Funds
Combining Schedule of Fiduciary Net Position
December 31, 2019

	Custodial Funds		Total
	Taxes	Trust Funds	
ASSETS			
Cash and cash equivalents	\$ 1,570,578	\$ 1,112	\$ 1,571,690
Investments	1,271,162	-	1,271,162
Total assets	<u>\$ 2,841,740</u>	<u>\$ 1,112</u>	<u>\$ 2,842,852</u>
LIABILITIES			
Intergovernmental payables:			
School Districts	\$ 2,637,821	\$ -	\$ 2,637,821
Village District	203,919	-	203,919
Total liabilities	<u>2,841,740</u>	<u>-</u>	<u>2,841,740</u>
NET POSITION			
Restricted	-	1,112	1,112
Total liabilities and net position	<u>\$ 2,841,740</u>	<u>\$ 1,112</u>	<u>\$ 2,842,852</u>

SCHEDULE 7
TOWN OF THORNTON, NEW HAMPSHIRE
Custodial Funds
Combining Schedule of Changes in Fiduciary Net Position
For the Fiscal Year Ended December 31, 2019

	Custodial Funds		Total
	Taxes	Trust Funds	
ADDITIONS			
Tax collections for other governments	\$ 6,808,546	\$ -	\$ 6,808,546
DEDUCTIONS			
Payments of taxes to other governments	6,808,546	-	6,808,546
Change in net position	-	-	-
Net position, beginning, as restated (see Note 16)	-	1,112	1,112
Net position, ending	\$ -	\$ 1,112	\$ 1,112