

**UPPER VALLEY LAKE SUNAPEE
REGIONAL PLANNING COMMISSION**

Annual Financial Statements

For the Year Ended June 30, 2011

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Assets	7
Statement of Activities	8
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	9
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities in the Statement of Net Assets	10
Statement of Revenues, Expenditures, and Changes in Fund Balances	11
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	12
Notes to Financial Statements	13



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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Upper Valley Lake Sunapee Regional Planning Commission
Lebanon, New Hampshire

We have audited the accompanying financial statements of the governmental activities and the major fund of Upper Valley Lake Sunapee Regional Planning Commission, as of and for the year ended June 30, 2011, which comprise the Commission's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Upper Valley Lake Sunapee Regional Planning Commission's management. Our responsibility is to express an opinion 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major fund of Upper Valley Lake Sunapee Regional Planning Commission, as of June 30, 2011, and the changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, appearing on the following pages, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of

Additional Offices:

Andover, MA • Greenfield, MA • Ellsworth, ME • Manchester, NH

inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Commission's financial statements for the year ended June 30, 2010.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 10, 2011 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Melanson, Heath + Company P.C.

Nashua, New Hampshire
October 10, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Upper Valley Lake Sunapee Regional Planning Commission's (the "Commission") annual financial report, management provides a narrative discussion and analysis of the financial activities for the year ended June 30, 2011. The Commission's performance is discussed and analyzed with the context of the accompanying financial statements and disclosures following this section.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements.

The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of our finances in a manner similar to a private-sector business.

The statement of net assets presents information on all assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position is improving or deteriorating.

The statement of activities presents information showing how the Commission's net assets changed during the most recent fiscal year. All changes in net assets 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 only result in cash flows in future fiscal periods (e.g. earned but unused vacation leave).

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. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. The accounts of the Commission are reported as governmental funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows

of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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 governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$ 269,424 (i.e., net assets), an increase of \$ 16,679 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 190,298, an increase of \$ 22,889 in comparison with the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current and prior fiscal years.

	<u>2011</u>	<u>2010</u>
Current assets	\$ 297,064	\$ 325,095
Noncurrent assets	<u>92,505</u>	<u>101,236</u>
Total assets	389,569	426,331
Current liabilities	<u>120,145</u>	<u>173,586</u>
Total liabilities	120,145	173,586
Net assets:		
Invested in capital assets	92,505	101,236
Restricted	<u>176,919</u>	<u>151,509</u>
Total net assets	<u>\$ 269,424</u>	<u>\$ 252,745</u>

CHANGES IN NET ASSETS

	<u>2011</u>	<u>2010</u>
Revenues:		
Program revenues		
Operating grants and contributions	\$ 803,874	\$ 920,599
General revenues:		
Investment income	503	1,708
Miscellaneous	<u>4,873</u>	<u>10,123</u>
Total revenues	809,250	932,430
Expenses:		
Advertising	1,770	1,763
Depreciation	10,922	9,222
Dues and subscriptions	4,938	4,255
Employee benefits and taxes	109,997	97,514
Equipment, rentals, maintenance and support	6,936	7,794
Household hazardous waste disposal	37,722	35,025
Insurance	3,537	3,308
Legal and professional	11,352	10,880
Meetings	110	-
Miscellaneous	3,375	11,003
Office expense	26,630	27,911
Postage	3,233	4,301
Printing and reproduction	2,750	2,933
Rent	31,984	32,821
Salaries and wages	430,204	431,756
Technical and professional services	77,777	217,429
Telephone	2,069	4,081
Training	7,843	4,226
Travel	13,197	14,776
Truck	<u>6,225</u>	<u>2,365</u>
Total expenses	792,571	923,363
Change in net assets	<u>16,679</u>	<u>9,067</u>
Net assets - beginning of year	<u>252,745</u>	<u>243,678</u>
Net assets - end of year	<u>\$ 269,424</u>	<u>\$ 252,745</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net assets were \$ 269,424, an increase of \$ 16,679 from the prior year.

D. CAPITAL ASSET ADMINISTRATION

Total investment in capital assets amounted to \$ 92,505 (net of accumulated depreciations), a decrease of \$ (8,731) from the prior year. This investment in capital assets includes furniture and equipment.

Additional information on capital assets can be found in the notes to financial statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Upper Valley Lake Sunapee Regional Planning Commission's finances for all those with an interest in the Commission's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Upper Valley Lake Sunapee Regional Planning Commission

10 Water Street

Lebanon, New Hampshire 03766

UPPER VALLEY LAKE SUNAPEE REGIONAL PLANNING COMMISSION

GOVERNMENTAL ACTIVITIES

STATEMENT OF NET ASSETS

JUNE 30, 2011

(With Comparative Totals as of June 30, 2010)

	<u>2011</u>	<u>2010</u>
ASSETS		
Current:		
Cash and short-term investments	\$ 184,256	\$ 202,720
Accounts receivable, net of allowance of \$ 1,000	112,808	122,375
Noncurrent:		
Capital assets, net of accumulated depreciation	<u>92,505</u>	<u>101,236</u>
TOTAL ASSETS	389,569	426,331
LIABILITIES		
Current:		
Accounts payable	11,601	38,728
Accrued payroll and related liabilities	8,159	5,885
Accrued liability to federal agency (see footnote #5)	27,351	51,560
Deferred revenue	59,391	60,181
Other liabilities	264	1,332
Compensated absences	<u>13,379</u>	<u>15,900</u>
TOTAL LIABILITIES	120,145	173,586
NET ASSETS		
Invested in capital assets	92,505	101,236
Restricted	<u>176,919</u>	<u>151,509</u>
TOTAL NET ASSETS	<u>\$ 269,424</u>	<u>\$ 252,745</u>

See notes to financial statements.

UPPER VALLEY LAKE SUNAPEE REGIONAL PLANNING COMMISSION

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2011

(With Comparative Totals as of June 30, 2010)

	<u>General Fund</u>	
	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and short-term investments	\$ 184,256	\$ 202,720
Accounts receivable, net of allowance of \$ 1,000	<u>112,808</u>	<u>122,375</u>
TOTAL ASSETS	<u>\$ 297,064</u>	<u>\$ 325,095</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 11,601	\$ 38,728
Accrued payroll and related liabilities	8,159	5,885
Accrued liability to federal agency (see footnote #5)	27,351	51,560
Deferred revenue	59,391	60,181
Other liabilities	<u>264</u>	<u>1,332</u>
TOTAL LIABILITIES	106,766	157,686
Restricted Fund Balance	<u>190,298</u>	<u>167,409</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 297,064</u>	<u>\$ 325,095</u>

See notes to financial statements.

UPPER VALLEY LAKE SUNAPEE REGIONAL PLANNING COMMISSION

RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET ASSETS OF GOVERNMENTAL
ACTIVITIES IN THE STATEMENT OF NET ASSETS

JUNE 30, 2011

TOTAL GOVERNMENTAL FUND BALANCES	\$ 190,298
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	92,505
<ul style="list-style-type: none">• Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(13,379)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 269,424</u></u>

See notes to financial statements.

UPPER VALLEY LAKE SUNAPEE REGIONAL PLANNING COMMISSION

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2011

(With Comparative Totals for the Year Ended June 30, 2010)

	<u>General Fund</u>	
	<u>2011</u>	<u>2010</u>
Program revenues:		
Contract revenue	\$ 702,433	\$ 820,780
Membership dues	101,441	99,819
Investment income	503	1,708
Miscellaneous income	4,873	13,702
Total Revenues	<u>809,250</u>	<u>936,009</u>
Expenditures:		
Current:		
Advertising	1,770	1,763
Dues and subscriptions	4,938	4,255
Employee benefits and taxes	109,997	97,514
Equipment, rentals, maintenance and support	9,127	104,150
Household hazardous waste disposal	37,722	35,025
Insurance	3,537	3,308
Legal and professional	11,352	10,880
Meetings	110	-
Miscellaneous	3,375	11,003
Office expense	26,630	27,911
Postage	3,233	4,301
Printing and reproduction	2,750	2,933
Rent	31,984	32,821
Salaries and wages	432,725	428,161
Technical and professional services	77,777	217,429
Telephone	2,069	4,081
Training	7,843	4,226
Travel	13,197	14,776
Truck	6,225	2,365
Total Expenditures	<u>786,361</u>	<u>1,006,902</u>
Excess (deficiency) of revenues over expenditures before refund to federal agency	22,889	(70,893)
Fund Equity, Beginning of Year	<u>167,409</u>	<u>238,302</u>
Fund Equity, End of Year	<u>\$ 190,298</u>	<u>\$ 167,409</u>

See notes to financial statements.

UPPER VALLEY LAKE SUNAPEE REGIONAL PLANNING COMMISSION

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 22,889
<ul style="list-style-type: none">Governmental funds report capital purchases as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Purchase of fixed assets, net of disposals	2,191
Depreciation	(10,922)
<ul style="list-style-type: none">Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources, and therefore, are not reported as expenditures in the governmental funds.	
	<u>2,521</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 16,679</u>

See notes to financial statements.

UPPER VALLEY LAKE SUNAPEE REGIONAL PLANNING COMMISSION

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Upper Valley Lake Sunapee Regional Planning Commission (the "Commission") conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

A. Reporting Entity

The Upper Valley Lake Sunapee Regional Planning Commission is a special-purpose entity, a public agency, established pursuant to New Hampshire RSA 36:45-53, governed by a member elected Board of Commissioners. Its purpose is (1) to provide regional planning services in order to prepare and maintain a coordinated plan for development of the region (taking into account present and future needs) with a view toward encouraging the most appropriate use of land, and (2) to provide technical planning assistance to local governments.

On May 20, 2000, the State of New Hampshire enacted Chapter Law 200:1 (codified in RSA 36) entitled "Regional Planning Commissions" with an effective date of July 29, 2000. The new law specifically re-enacts the status of Regional Planning Commissions as "political subdivisions" of the State of New Hampshire. The new law also: amends the purpose therein (RSA 36:45); amends the formation and representative of its members (RSA 36: 46); and specifically defined its finances (RSA 36:49).

In fiscal year 2011, it was determined that no entities met the GASB 39 criteria of component units.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

Fund Financial Statements

Separate financial statements are provided for governmental funds.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Amounts reported as *program revenues* include operating grants and contributions.

Fund Financial Statements

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. 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.

D. Cash and Short-Term Investments

Deposits with financial institutions consist of deposits in checking accounts and certificates of deposits.

E. Capital Assets

Capital assets include furniture and equipment. Capital assets are defined by the Commission as assets with an initial individual cost of more than \$ 1,000. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Furniture and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Type</u>	<u>Years</u>
Furniture and equipment	3 - 7

F. Compensated Absences

It is the Commission's policy to permit employees to accumulate earned but unused vacation benefits. All vested vacation pay is accrued when incurred in the government-wide financial statements.

G. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net assets".

Fund Balance - Generally, fund balance represents the difference between the current assets and current liabilities. The Commission reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

The Commission's fund balance classification policies and procedures are as follows:

- 1) Nonspendable funds are either unspendable in current form (i.e. prepaid items) or can never be spent.
- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.
- 3) Committed funds are reported and expended as a result of motions passed by the highest decision making authority in the government (i.e., the Board of Commissioners)
- 4) Assigned funds are used for specific purposes established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for. This account also includes fund balance voted to be used in the subsequent fiscal year.
- 5) Unassigned funds are available to be spent in future periods.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the Commission uses the following order to liquidate liabilities: restricted, committed, assigned and unassigned.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Commission or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net assets are reported as unrestricted.

H. Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

I. Reclassifications

The accompanying financial statements reflect various changes in classifications from the prior year.

2. Cash and Short-Term Investments

The carrying amount of the Commission's deposits in their cash accounts and certificate of deposit at June 30, 2011 was \$ 184,256. The bank balance, which does not include items such as deposits in transit and outstanding checks was fully insured.

3. Accounts Receivable

Receivables are primarily comprised of amounts due from federal, state, and local governments for contractual services, as well as local dues from members.

4. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Furniture and equipment	\$ 150,851	\$ 2,191	\$ -	\$ 153,042
Less accumulated depreciation				
Total accumulated depreciation	<u>(49,615)</u>	<u>(10,922)</u>	<u>-</u>	<u>(60,537)</u>
Total capital assets, being depreciated, net	<u>\$ 101,236</u>	<u>\$ (8,731)</u>	<u>\$ -</u>	<u>\$ 92,505</u>

5. Accrued Liability to Federal Agency

The New Hampshire Department of Transportation (NHDOT) has required that all regional planning commissions recalculate their indirect rates and recompute all invoices for the period July 1, 2007 through June 30, 2009. In addition, the Commission has calculated the liability related to fiscal year 2011. UVLSRPC has recomputed its invoices and accrued a potential liability for repayment to NHDOT of \$ 27,351 as of June 30, 2011.

6. Deferred Revenue

Deferred revenue consists of advance receipts for local dues and contracts from member towns, municipalities and other agencies for the subsequent fiscal year.

7. Operating Leases

In January 2010, the Commission entered into a five year agreement to rent office space at an annual rate of \$ 24,863. In addition to the base rent, the Commission has to pay their proportionate share of all the Landlord's operating costs and expenses and utilities. The Commission has an option to renew this lease for an additional five-year term.

The Commission is also party to a three-year operating lease for a vehicle. Monthly payments of \$ 363 are expected through April, 2013.

8. Unsecured Line of Credit

At June 30, 2011, the Commission had available a \$ 25,000 unsecured line of credit with Lake Sunapee Bank. The line of credit, which was not used during the fiscal year, is currently due to mature on August 15, 2013. The interest rate on the line of credit is 5.250%

9. Restricted Net Assets

The accompanying entity-wide financial statements report restricted net assets when external constraints from grantors or contributors are placed on net assets.

10. Commitments and Contingencies

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds.

11. Retirement System

Beginning October 1, 2008, all permanent employees of the Upper Valley Lake Sunapee Regional Planning Commission were eligible to participate in the Commission's retirement plan. The retirement plan is a Simple IRA as defined and regulated by the Internal Revenue Service. Participation in the Simple-IRA Plan is voluntary. Under this plan, an employee may make salary reduction contributions, not to exceed a statutorily limited percentage. The Commission matches the employee's contribution subject to a maximum of three percent (3%) of the employee's gross compensation. The Commission funds placed in the Simple IRA are in addition to the employee's salary, are considered an employer contribution, and are not taxable to the employee unless withdrawn prematurely from the Simple-IRA. The Commission's matching contribution charged to expense for all plans during the year ended June 30, 2011 and 2010 was \$ 11,233 and \$ 10,066, respectively.

12. Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

13. Post-Employment Healthcare Insurance Benefits

The Commission is required to implement GASB Statement 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions. Statement 45 requires government entities to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of

an actuarially required contribution as an expense on the statement of revenues, expenses, and changes in net assets when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Assets over time. However, since the Commission does not provide post-employment benefits to retirees, GASB Statement 45 is not applicable.