

Audited Financial Statements
and Other Supplementary Information

Rochester Hills-Oakland-Rochester
Older Persons' Commission
(a component unit of City of Rochester Hills, MI)

*Year Ended September 30, 2022
with Independent Auditor's Report*

Rochester Hills-Oakland-Rochester
Older Persons' Commission

Audited Financial Statements
and Other Supplementary Information

Year Ended September 30, 2022

Contents

Letter of Transmittal.....	1
Independent Auditor's Report.....	13
Management's Discussion and Analysis.....	16
Basic Financial Statements	
Statement of Net Position/Governmental Fund Balance Sheet.....	32
Statement of Activities/Statement of Revenue, Expenditures, and Changes in Fund Balance.....	33
Notes to Financial Statements.....	34
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund – Budgetary Basis.....	45
Note to Required Supplementary Information.....	46



February 27, 2023

To: The Older Persons' Commission Governing Board and Citizens of the City of Rochester Hills, the City of Rochester, and the Charter Township of Oakland

State law requires, within six months of the close of each fiscal year, a complete set of financial statements be prepared by the Older Persons' Commission in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards (GAAS) by a firm of licensed certified public accountants. Pursuant to those requirements, we hereby issue the financial statements of the Older Persons' Commission of Rochester Hills – Oakland – Rochester (OPC, also referred to as "the Commission" in the financial statements) for the fiscal year ending September 30, 2022.

This report consists of management's representations concerning the finances of the OPC. Consequently, management assumes full responsibility for the completeness and reliability of the financial information presented in this report. To provide a reasonable basis for making these representations, the management of the OPC has established a comprehensive internal control framework designed to protect OPC assets from loss, theft, and misuse and to compile sufficient and reliable information for the preparation of OPC's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, OPC's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements are free of material misstatement. As management, we assert to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The OPC's financial statements have been audited by Andrews Hooper Pavlik, PLC, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the OPC for the fiscal year ending September 30, 2022 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and the significant estimates made by management; and evaluating the overall presentation of the financial statements. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the OPC's financial statements for the fiscal year ending September 30, 2022, are fairly presented in conformity with GAAP. The independent auditor's report is presented in this report.

Profile of the OPC

History / Mission

Originating as a service within the Rochester Avon Recreation Authority (RARA), the OPC was created as an independent commission in 1983, through the signing of an Interlocal Agreement between the City of Rochester and Avon Township, predecessor of the City of Rochester Hills, the Charter Township of Oakland, was included in subsequent years, as an organization that provided basic transportation services and a place for older individuals to gather; the OPC has now expanded into a full-service organization. Membership is open to any resident of Rochester, Rochester Hills and Oakland Township who is 50 years

of age or older. Membership is free of charge to the residents of these communities due to the fact that all three communities levy a millage to support OPC operations. (Note: there is a \$6.00 charge for a required membership identification card). Individuals who are 50 years of age or older, who are not residents of the three participating communities, may join the OPC for an annual fee.

In addition to being a governmental authority authorized by the three participating communities, the OPC formed an IRS code 501(c) (3) corporation in 2001. This has allowed the OPC to expand its use of donation revenue as well as its services. However, at the core the OPC remains a governmental authority, therefore it accounts and reports its financial activity as a government.

OPC Mission:

Providing innovative programs and high quality services that stimulate and advance healthy living for the 50+ community.

OPC Vision:

To continue to be the premier community resource for adults 50 and over.

Governance Structure

The OPC is guided by an eight-member Board appointed by the city councils of Rochester and Rochester Hills and the board of trustees for Oakland Township. Based upon the level of tax contribution and population, the City of Rochester Hills has four (4) representatives, two council members and two senior appointees; the City of Rochester has two (2) representatives, one council member and one senior appointee; and Oakland Township has two (2) representatives, one board member and one senior appointee. The Board annually elects a Chairperson, Vice-Chairperson, Secretary, and Treasurer from its members. These individuals comprise the Executive Committee (which also serves as Personnel Committee). In addition the Board is organized into two standing committees – the Finance Committee and the Facilities Committee. A majority vote of all members (at least 5 votes) is required for approval of any motion or resolution.

Per the Interlocal Agreement, the Governing Board has dominion over its name, property, land and buildings; has the authority to set policies and rules for the OPC; approves an annual budget which is submitted to the participating communities; and hires an Executive Director. The Board meets the first Thursday of each month. The Executive Director is empowered to operate the facility and programs, within the policies developed by the Board, and to hire and supervise staff as required, within the budget parameters as adopted by the Board.

The OPC Administration presents a recommended annual budget to the Governing Board by approximately June 1 of the fiscal year prior to its implementation. The budget is presented on a line-item basis which records revenues by category (donations/sponsorships, fees, grants, miscellaneous revenues, Rochester tax contribution, Rochester Hills tax contribution, Oakland Township tax contribution, reimbursements, and sales); expenditures are recorded by program area (administration, facilities management, leisure travel, adult day services, performing arts, fitness & aquatics, enrichment & fine arts including the gift shop, nutrition, transportation, newsletter, senior support services, café). The Interlocal Agreement requires the Governing Board to submit their budget to the respective council/trustees of the participating communities by August 1. The communities usually conduct budget hearings in August and September. The Interlocal Agreement states “The governing bodies of each of the parties (*communities*) hereto shall review and either approve as presented or as modified, an identical budget, no later than October 1 of

each year.”

Services

The OPC provides a wide variety of services and activities to enhance the life of local older persons. The OPC core services provide aid to at-risk seniors, particularly in the form of nutrition, transportation, adult day services, and senior support services; assisting them to remain in their homes and communities. In addition, the OPC provides a full selection of fitness & aquatics activities, enrichment & fine arts activities, travel, social and intellectual programming and performances to help older adults to remain active. There’s never a dull moment at the OPC.

Many of the services and programs provided by the OPC were limited during FY 2021 due to the lingering effects of the COVID pandemics, although those “essential services” required to maintain the health and safety of the most at-risk clients, including nutrition, transportation, and senior support services, continued unabated. During FY 2022 activity and program participation increased significantly, but not entirely to the pre-pandemic levels. As with FY 2021, all essential services were maintained throughout FY 2022.

Nutrition Services – This includes home delivered meals seven (7) days a week (hot meals five days a week, heatable meals two days a week), with the help of a professional kitchen staff and the assistance of volunteers who package and deliver the meals. The program is designed for seniors unable to shop and/or prepare meals. The service allows a senior to “age in place”, encouraging independence for those who wish to remain in their home, for as long as possible. In FY 2022, the OPC delivered 80,689 meals to seniors living in Rochester, Rochester Hills, Oakland Township, Lake Orion, Oxford, Independence Township, Auburn Hills, Addison Township and Brandon Township. This was accomplished through the help of volunteers who contributed 18,720 hours in packing and delivering the meals.

In addition to the home delivered meals, the OPC provides full lunches at five (5) different sites across northeast Oakland County, included the OPC facility itself. Individuals 60 years of age or older are asked for a \$3.00 suggested donation per meal; individuals under 60 years of age are charged \$4.00 per meal. Participation in the dining (“congregate”) meal was limited as some individuals struggled with being comfortable venturing out of their homes and participating in group activities. During FY 2022 16,645 congregate meals were served.

Transportation – The OPC provides door-to-door service for seniors 60 years old or older, and disabled adults under 60 years of age, residing in Rochester, Rochester Hills, and Oakland Township. Transportation is provided anywhere in the three communities for medical and personal appointments, shopping or activities at the OPC as well as Oakland University and the Beaumont health centers. During FY 2022 daily activities increased as more doctor’s offices and business reopened and as individuals began to feel more comfortable venturing to activities. In addition the increasing price of gasoline limited families and caregivers abilities to transport their older loved ones to these appointments. Accordingly, the demand for OPC transportation services increased dramatically resulting in longer lead times required to secure a ride. For FY 2022 the OPC provided 33,009 trips covering over 335,122 miles.

Adult Day Services – The OPC provides socialization and peer support services for older persons who are experiencing physical, emotional, and/or cognitive functioning issues. The activities provided maintain and enhance those functionalities, help renew old interest and learn new

skills. These services also provide respite for the caregiver and an opportunity to prevent premature or inappropriate nursing home placement. During FY 2022 9,188 individual days in the ADS room were recorded as participation slowly increased as families felt more comfortable bringing their loved ones back into a social setting. New staff were hired, new programming was developed and the program expanded from being opened three days a week to four days a week.

Senior Support Services - This unit provides a variety of direct assistance as well as referrals to appropriate social service agencies and individuals, covering areas of concern experienced by older individuals. As one of the “essential services” senior resource staff continued to provide the referral and phone services including welfare calls and coordinating two commodity food programs; arranged for seniors to benefit from fall leaf raking and snow removal; coordinated home repairs, coordinated donations and delivered holiday baskets, and loaned medical equipment on a temporary basis to assist in seniors’ mobility. During FY 2022 2,731 individual appointments and referrals were made. In addition, the Senior Support Services staff arranges for monthly “Ask the Attorney” sessions where members benefit from a legal consult, and monthly “Medicare / Medicaid Counseling” sessions where members obtained pertinent Medicare advice. The Senior Support Services Department also coordinates monthly support groups for Caregivers, Grief, Visually Impaired, and Parkinson’s. Individual counseling and informational programs were also provided. 4,044 individuals participated in these support activities.

Volunteer Services – Volunteers support OPC programs and services daily. While the majority of OPC volunteers are members, help is also provided through local businesses, places of worship and schools. In FY 2022 over 450 individuals volunteered over 8,700 times helping with everything from facility tours to delivering meals for the Meals on Wheels program. In total, over 25,851 hours of volunteer service was provided to the OPC representing \$737,787 in service (based on the Independent Sector’s estimate of \$28.54 per hour of value for volunteer service).

Enrichment & Fine Arts – The Enrichment & Fine Arts Department produces a number of events, classes, lectures, and hands-on activities, which provides life enhancing opportunities, social interaction and just plain fun. A small example includes, a full range of computer classes, such as internet, Facebook and tech help; a fully functioning woodshop where individuals can work on personal projects; fine arts classes in drawing, painting, pottery, etc.; international language programs and clubs; card, games, and specialty clubs such as euchre, bridge, pinochle, Mah-Jong; dance and music classes; a lifelong learning partnership with Oakland University; and special events including a Senior Picnic. During FY 2022 41,279 individuals attended the Enrichment & Fine Arts programs not counting those clients who participated in virtual events.

Fitness & Aquatics – Realizing one of the cornerstones of a happy and productive life is health maintenance; the OPC offers a complete health and wellness experience for 50+ individuals. This includes a full gym which is used for team and individual sports such as basketball, Pickleball, badminton and volleyball, as well as, an elevated walking/running track; complete cardio room which includes stationary bikes, rowing machines, spinning bikes, elliptical and treadmills; complete weight room; fitness classes and personal training; specialty classes such as ballet, boxing and kick boxing, plus two pools – a full lap pool and a therapy pool where an

individual can simply swim or take a water aerobics, aqua Zumba or an aqua tai chi class. Total annual participation during FY 2022 was 115,879 attendees who utilized the fitness & aquatics facilities and programs for over 621,200 hours.

OPC's wellness partner, Ascension Providence Rochester (APR) Hospital, provides a Wellness Center at the OPC. The Wellness Center provides blood pressure checks; bone density, cholesterol, glucose testing; educational classes; health seminars; and "ask a nurse" opportunities. In addition, the OPC also houses the APR physical therapy clinic where members can receive therapy on site while in the facility for other activities and events. Frequently members who complete APR physical therapy will then participate in OPC fitness and aquatics personal training program to continue their health routine.

Leisure Travel – Open to all members of the public, aged 50 and older, the OPC provides a variety of group travel experiences. These include day and extended trips to such places as the Detroit Symphony, the Detroit Institute of Arts, Eastern Market, the Detroit Opera House, fall color tours in northern Michigan; travel across the United States and Canada to such places as Nashville and the Rockies; and international travel to places such as France, Italy, Greece, Ireland and Cuba. Trips continues during FY 2022, after the FY 2021 COVID shut downs, and were generally local. Overseas trips will be conducted in FY 2023 to Switzerland and Italy.

Performing Arts – The OPC facility has a performance auditorium with a full stage and dressing rooms, with a complete sound and lighting system. The facility hosts the "650 Club" who semi-annually present music, dance, comedy, etc. The "650 Players" produce a spring and fall musical as well as a variety of other one-night performances. In addition, other musical acts and organizations perform at the OPC, including dancers, comedy shows and various school and community choir groups.

Intergenerational / Community Partnership Programs – Understanding the importance of total community involvement, the OPC provides a number of intergenerational programs, including 5K Run/Walk, Holiday Baskets, the Annual Indoor Triathlon, participating in the Rochester Community Christmas Parade and cultural programs such as the Celtic Dancers. Further, the OPC partners with the Oakland County Health Division and annual hosts flu shot clinics as well as a COVID vaccine clinic. In addition the OPC facility houses the main office of the Michigan Senior Olympics and a mini-branch of the Rochester Hills Public Library.

Funding

The OPC has multiple funding sources because it is a governmental authority with non-profit IRS status. As a governmental authority, the OPC receives taxpayer money to support its operations. As an IRS non-profit, the OPC also receives funding from its fundraising activities and through donations and sponsorships provided by individuals and organizations. Further, as both a governmental authority and an IRS non-profit, the OPC sells certain products and charges fees for certain classes and services. The OPC also receives public and private grants to enhance the operations of its core services.

It is important to understand how the funding interacts with the services provided and the residents who receive those services. As previously stated, the core mission of the OPC is to provide services to the most at-risk residents of Rochester, Rochester Hills and Oakland Township; through specific services that will assist them to stay in their homes and to live a quality life. Since this is essentially a governmental function,

those funds raised through the taxes levied by the participating communities are first used for those services that effect the most at-risk – transportation, nutrition, senior support services and adult day services.

In addition, taxpayer funds are used to support the operations of the OPC facility itself; utilities, maintenance, etc.

Generally, taxpayer money alone is not sufficient to support services to the at-risk residents, let alone other programs offered by the OPC. This is where fundraising, donations and sponsorship efforts are used to supplement taxpayer funds so there are no waiting lists for services and to support the development of additional programs to meet residents' needs. The OPC also seeks grants to support services to at-risk residents. Finally those residents who can pay for specific services they wish to enjoy, which is beyond services to the at-risk residents, are asked to do so.

As stated in the *Management's Discussion and Analysis* (MD&A) section of this report, the primary source of funding for the OPC are the millages levied by Rochester, Rochester Hills and Oakland Township. In 2020 the voters of the three communities approved a .32 mill levy, for a ten-year period, on real and personal property in the communities, to support OPC operations. This levy represents a slight increase from the .25 mills approved in 2010. These levies have experienced rollbacks in accordance with the Headlee Amendment to the Michigan Constitution, and stand in 2022 at .3164 mills in Rochester, .3128 mills in Rochester Hills, and .3119 mills in Oakland Township.

In addition to the operating millage, both Rochester Hills and Oakland Township levy a separate millage to support the OPC transportation program. Residents of the City of Rochester Hills have approved a .10 mill levy through calendar year 2026. The residents of Oakland Township have approved a .09 mill levy also through calendar year 2026; Township appropriations will cover the remaining .01 mill amount. The City of Rochester currently provides a general fund appropriation, equal to .10 mills, to the OPC to fund transportation.

The OPC conducts a number of fundraising and development activities throughout the year. These efforts support specific and general operations and supplement the taxpayer funding. Many of these fundraising activities support the OPC nutrition home delivered meals program. During FY 2022 the following fund-raising activities were provided:

Charity Event – This event is a strolling party through the OPC gardens located in the back of the facility. The summer evening event, which included a catered dinner and live music, raised \$46,100 for meals on wheels.

5K Run/Walk for Meals – This event is held in person, along the Paint Creek Trail located south of the OPC facility, or as a virtual experience. In total the live and virtual run / walk, raised over \$28,000 for meals on wheels.

Other fundraising activities conducted to support OPC general operations includes an annual giving campaign conducted each December, through mailings to all residents of the three participating communities as well as OPC members who live outside the three communities. Sponsorship opportunities are also available where local organizations and businesses can support a specific program or event as well as place information brochures and board advertising in the OPC for a fee.

The OPC also frequently receives donations from individuals and organization to support the building program, general operations, and specific programs or events. Donations have ranged from \$2 to \$50,000. Specifically this includes a \$3.00 suggested donation requested from individuals receiving lunch at a congregate meal site, and \$3.50 suggested donation is requested from individuals who receive home delivered meals. Because many of the individuals that benefit from these services may not have the means to support those operations, it is important to note that these are true donations. Per home delivered meal grant requirements no records are kept as to who donates and who does not.

In addition to the above revenue sources, the OPC also charges clients who participate in various activities and programs. Fees are charged for all fitness & aquatics activities as well as all enrichment & art classes, performances and travel opportunities. The fee structures are designed so that the fees charged for participation, along with donations received by these operations (especially travel, fitness & aquatics, and performing arts), will be sufficient to cover the cost of these operations. The goal is not to have taxpayer money support the activities. Further, the OPC charges \$2.00 per ride fee for the transportation service as well as charging any individual under 60 years of age a \$4.00 fee to eat at an OPC congregate site.

The OPC operates a Café which serves breakfast and lunch four days a week. Proceeds from the café sales cover the cost of café operations; any additional proceeds support the home delivered meal program. The OPC also operates a small gift shop, staffed by volunteers. Proceeds from gift shop sales covers gift shop operations and supports enrichment & arts activities.

It is important to emphasize that when the OPC charges a fee or sells items in the café and gift shop, the proceeds first go to cover the cost of those operations. As with all non-profits, should the proceeds exceed the cost; the excess proceeds are used to support those OPC activities that cannot cover their cost, usually those servicing the most at-risk residents. Since many of the services to the at-risk population are supported by taxpayer money, the presence of fee/sale proceeds above cost means a reduced burden on taxpayers supporting the core services.

Finally, the OPC receives various grants to support its operations. Specifically, the nutrition program is supported by a \$530,000 federal grant through the Area Agency on Aging 1-B (AAA 1-B). This grant pays the OPC, on a per meal basis, for both home delivered meals (\$4.48 per meal) and congregates site meals (\$4.25 per meal). In addition, the OPC receives \$.67 per meal for all meals served through the federal supplemental incentive program (NSIP).

Further, the OPC receives federal and state funding to support the transportation program. These federal and state funds are supplied through the Southeast Michigan Area Regional Transit (SMART). One source of SMART funding is a program entitled “municipal credits” where each community in the three county SMART service areas receive funding to support local transportation needs. By agreement, Rochester, Rochester Hills and Oakland Township pass along their municipal credits to the OPC to operate the transportation system. In addition, the OPC received a SMART Specialized Services to support transportation for individuals 60 years of age or older and/or who are disabled (over 18 years old). The OPC has also received, from time to time, specific grants from SMART for new buses, owned by SMART and operated and maintained by the OPC, and other operating equipment. In addition OPC received specific COVID related federal grant monies through SMART which was used to disinfect the OPC buses and vans as well as making improvements to the OPC bus garage.

Fiscal Operations

The daily OPC fiscal operations are the responsibility of the financial office, directed by a full-time Financial Manager, a part-time Account Clerk and five (5) part-time cashiers. The Financial Manager is responsible for supervising the cashiers; verifying daily cash receipt batches and deposits; processing payroll, invoices and p-card receipts; completing journal entries; entering financial data into the OPC BS&A accounting and financial reporting system; and completing the nutrition and transportation grant reports. The Account Clerk supports the Financial Manager in accounting, bookkeeping and record keeping functions. Cashiers are responsible for selling tickets to classes, activities, and programs; cash receipting; and producing reports for programs and grants.

The Financial Office falls under the direction of the Administrative Director who is responsible for the overall administrative operations of the OPC (financial, human resources, information technology, facilities, volunteers, transportation); as well as the primary fiscal responsibilities of producing and monitoring the OPC budget; financial forecasting; investing; retirement; security of the financial system; and functioning as the staff liaison to the Governing Board's Finance Committee, the Governing Board for financial matters and the independent auditors.

The release of OPC funds for the payment of goods and services procured by the OPC staff requires a detailed invoice or receipt (for p-card purchases), approved by the purchaser and authorized by the purchaser's department manager. Request for payment is submitted to the financial office where the Financial Manager (with the assistance of the account clerk) reviews the invoice/receipt for accuracy, the absence of sales tax, and the appropriate account numbers. Once verified, the Financial Manager begins the payment processing by entering the pertinent information into the OPC's BS&A accounts payable (A/P) component. Using the A/P function allows the financial office to verify all accounting and vendor information. The A/P process includes the production of a check which is provided to the Administrative Director who reviews all applicable paperwork and approvals, and signs the payment checks. The signed checks are then submitted back to the Financial Manager who completes the payment process by posting the appropriate payments and distributing those payments to the appropriate vendors. The OPC also provides direct electronic payments to vendors. As with the production of vendor checks, vendor electronic payments will include dual verification and appropriate segregation of duties between the Administrative Director and the Financial Manager.

Payroll is processed electronically through the BS&A financial system with timekeeping operating through NovaTime. Hourly employees enter time daily on an electronic format provided through NovaTime by "punching-in" on their work computers at the beginning of their work shift and "punching-out" at the end of their work shift. The timekeeping system automatically records the hours worked. Salaried employees are not required to punch in or out, the timekeeping system automatically records these individuals as present, unless they record a vacation day, personal time office, or an approved holiday. At the end of the biweekly pay period, supervisors electronically approve their employees' hours worked. Once all time is approved, the financial office imports the NovaTime file to BS&A to complete payroll processing including employee payments, tax payments, and journal entries for pay, benefits, and taxes.

The OPC financial office receipts for all payments made to the OPC. Each payment is individually entered into the My Senior Center (MSC) OPC database by payer, amount, and revenue account to be credited. At the end of each business day actual cash, checks, and credit card slips are counted and balanced against the daily activity report generated by the OPC's data base system. These balances are verified by the Financial Manager, who then completes a bank deposit slip. Receipts are deposited periodically

(depending on volume) by the financial office staff. The OPC's on-line banking system is then checked every day to verify that the previous day's deposits were received, credited to the OPC account and matched to the MSC daily report. On a weekly basis, the Financial Manager enters the receipts into the BS&A system via a journal entry.

The only exception to the above involves the on-line payment system for classes and events. This system operates through the My Active Center (MAC), a component of MSC and is tied into the OPC's PayPal account. When a client registers for a class or event on-line, their credit card is charged directly through PayPal; PayPal subsequently sends the payment to the OPC's bank account at Huntington National Bank. Periodically (depending on volume) the Financial Manager and/or account clerk reconcile the on-line bank deposits with the PayPal report.

The OPC financial office also provides the treasury function for the organization. This includes nightly bank deposits, verifying bank deposits on a daily basis, recording when checks clear, authorizes automated clearing house (ACH) releases for the p-card and vendor payments, payroll, nutrition food and supply purchases and defined contribution pension payments. These functions are segregated between the Administrative Director, the Financial Manager, and the Account Clerk. In addition the Administrative Director manages and monitors the limited OPC investment portfolio. Finally, bank reconciliations are performed by the Account Clerk.

The OPC's fiscal year is October 1 through September 30.

Fiscal Year (FY) 2022 Review

Note: The MD&A provides a detailed discussion of the OPC's FY 2022 fiscal operations; please refer to that section of the report.

During FY 2022 OPC activities and services generally recovered from some of the impacts experienced during the COVID – 19 pandemic and shutdowns. Although there was still some reduced participation in certain activities, the OPC facility remained fully open during the entire fiscal year.

One area where participation increased was transportation. During most of FY 2021 the number of rides and riders was low due to clients' COVID health and safety concerns as well as business closures due to COVID shut down restrictions. However, FY 2022 saw an increase in transportation demands as business reopened and/or extended services and as riders became more comfortable venturing out. In addition, increased gasoline prices led individuals to seek other forms of transportation rather than their personal vehicles. The increase in gasoline prices particularly affected the OPC's member base. Not only did increase gasoline prices make it difficult for individuals on fixed incomes to drive, many members relied on family and friends to transport them to doctor's appointments and other errands. These family members found it difficult to continue this support due to the price of gasoline, leaving the members more dependent upon public transportation such as the OPC. Accordingly where a two- or three-day lead time was required to reserve an OPC ride, this requirement increased to five days or more. Unfortunately there was an increasing number of individuals for whom the OPC could not provide rides. (As discussed below, a new Oakland County initiative could assist with this issue during FY 2023).

FY 2022 included a number of improvements to the facility which enhanced the members' experience; in particular the fitness and aquatics area on the lower level of the facility was improved to allow for safer and more effective use of space, enhancing the members' workouts. Specifically the separate cardio and

weight training rooms were moved, consolidated and expanded. Not only are members now able to participate in a complete cardio (bikes, treadmills, etc.) and weight work out (HUR equipment and free weights) in one area, more space was added between the pieces of equipment making a safer workout space. In addition 10 new pieces of HUR exercise / weight equipment were installed with improved technology allowing the members to have a more efficient and complete workout. The use of HUR pneumatic equipment has been very popular with members and this new equipment will provide an even better experience.

The moving and combining of the previously separate cardio and weight rooms allowed for the improvement to the two exercise classrooms. The two exercise rooms are now located side by side, with an equipment room in the middle; this change gets the equipment out of the hallway and exercise rooms provided more space and a safer environment for participants. New flooring, which is specifically designed for exercise rooms, was installed in each room enhancing the workout experience for members.

The gift shop located on the main floor of the facility also received a physical upgrade as well as an improved operating model. Previously the gift shop solely sold items purchased through supply vendors including crafts, small gifts, cards, etc. During FY 2022 a majority of the gift shop was converted into an artisans' market which, in addition to a supply of vendor items, sells items produced by members who participate in the enrichment and fine arts classes and programs. This arrangement will not only benefit the OPC by bringing in additional resources which can be used to support programs for at-risk members, but will allow enrichment and art members an outlet for their creativity as well as additional income.

Additional sponsorship opportunities were started in FY 2022. The Beaumont Health Corporation provided a \$10,000 annual sponsorship to the OPC transportation program in recognition of the program's dependable and on-going service transporting client residents of Rochester Hills, Oakland Township, and Rochester to the various Beaumont medical facilities for dialysis and medical treatments. The OPC transportation program is literally a life-saving service to older individuals and disabled individuals and is deserving of this recognition and sponsorship. In addition, a new paver block patio installed at the end of FY 2021 provided members, beginning in FY 2022, the opportunity to honor and memorialize a friend or a loved one with an engraved brick. This permanent recognition will remain as a tribute in the lovely and serene surroundings of the Stone Garden Cottage.

Finally, staffing issues surfaced during FY 2022. As was the case with most business and organizations, the OPC experienced staffing challenges. Although some positions were eliminated as result of reorganizations and efficiencies learned during the COVID shutdowns, a number of budgeted positions remained vacant during most or all of the fiscal year. Turnover of employees (leaving for other opportunities, retiring, etc.) was heavy within the part-time employee group particularly with lifeguards and bus drivers. These staff shortages caused stress on the remaining staff to keep the programs and activities going. However, also during FY 2022 the Administration conducted an anonymous survey of OPC employees measuring job satisfaction among a number of criteria. Pleasantly the survey showed that over 90% of the employees enjoy working at the OPC, they find meaning in the work, feel comfortable with their coworkers and feel appreciated by their managers and supervisors.

Fiscal Year (FY) 2023 Initiatives

Several important initiatives are planned during FY 2023. One of the most impactful is the decision reached by the OPC Board and Administration to rebrand the facility and operation. This effort will not change the legal name of the organization, but will create a new brand which more accurately reflects all the

opportunities and activities within the facility and sponsored by the organization. The original name (the current name) "Older Persons' Commission (OPC)" was created by the attorney who assisted the participating communities in creating the organization. Unable to agree upon a name, the attorney suggested that the name reflect the federal legislation which authorized creation of the older persons' commission.

During FY 2022, the Board hired an outside consultant to survey OPC members, community partners, local organizations and simply members of the three communities regarding their feelings for the organization name. Over 95% of the feedback received through these surveys, as well as targeted focus groups implemented by the consultant, indicated a strong desire to change the name (brand). Feedback focused on the belief that the name hindered people, particularly in the younger age groups, from exploring the facility and programs. Potential members did not view themselves as "older persons." Further, the name does not reflect the variety of activities and programs available to the membership. If people come into the facility they are positively impressed and willing to join and participate. Work will be completed during FY 2023 to identify the new brand and implement its use.

The second impactful initiative scheduled for FY 2023 is one that was not initiated by the OPC, but by actions of Oakland County. Specifically, on November 8, 2022 a county-wide transportation millage was adopted by Oakland County voters. The millage is designed to develop and expand public transit across the county. The OPC operates a successful transportation program, funded via millages and appropriations levied by the three participating communities as well as rider fees and grants. Adoption of this millage will provide the OPC a \$1.0 million annual appropriation to operate the current transportation program. How this appropriation will be used, how the OPC transportation program fits in the new county system, and what happens to the local OPC transportation millage are issues that need to be decided during FY 2023. The potential of expanding OPC transportation services is also something that must be considered. Also related to transportation, the OPC received a grant in November 2022 from the Southeast Michigan Council of Governments (SEMCOG) to purchase two electric vans with charging stations. This new venture will test the viability of electric vans for use by the OPC transportation program.

Capital improvements are also planned for FY 2023. These initiatives include improvements to the community vegetable garden, located south of the facility. The gardens have been in use for over a decade providing members a place to grow vegetables and flowers for their own use as well as for the Meals on Wheels program. Improvements are needed to the area for a healthy growth environment and to maintain the safety of the members who garden there. Grant funds are being pursued and, if not available, OPC funds will be used to add raised planter beds, improve the walking paths in the garden, and the addition of a fence around the garden area to keep the wildlife out.

Additional capital improvements include work to repair and resurface sections of the north and south parking lots. Both parking lots receive heavy use and between the environmental / weather conditions and the presence of underground water, cracks and uneven pavement develop which is a hazard to members and guests. The south parking lot, leading to the fitness and aquatics area, will be striped and refinished in November 2022. The north parking lot, leading to the main entrance, will have the cracks repaired, uneven concrete reworked, and the entire lot seal coated, in the spring of 2023.

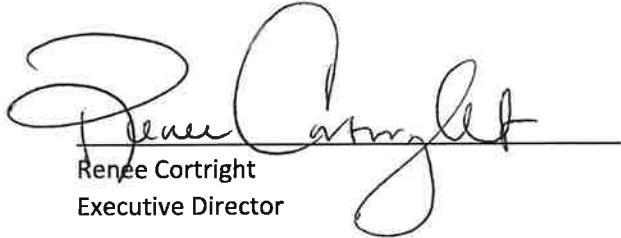
The OPC Administration and Board are also planning to lay a new roof on the entire facility, and replace the HVAC units on the roof, over a three-year period beginning in FY 2025. In order to cover the cost of these efforts, funding is being set aside in a Capital Improvement fund balance from fundraising efforts and annual savings from operations. Note, per the Interlocal Agreement which established the organization, the OPC is

not allowed to issue debt or borrow for these projects. Also, as a result of the COVID shutdowns and other supply change issues, the OPC has been informed that it may take several years to obtain new HVAC units; accordingly plans are being made to order (and purchase) the needed HVAC units during FY 2023 so that they may be ready to install in FY 2025.

Making certain that the facility and organization is properly staffed will be another challenge during FY 2023. As previously mentioned there are a number of vacancies within the organization affecting the ability to provide the requested services. Further recent analysis shows that 89% of OPC employees are over the age of 50, succession planning must become a priority in the next several years.

FY 2022 was a very productive year for the OPC, and the OPC Board, Administration, staff and volunteers look to continue to provide programs and services enhancing the life of those individuals aged 50+ in the Rochester, Oakland Township and Rochester Hills area.

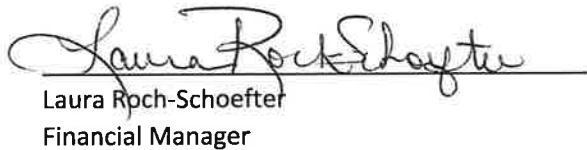
Respectively submitted:



Renee Cortright
Executive Director



Timothy J. Spave, CPFO
Administrative Director



Laura Roch-Schoeffer
Financial Manager

Report of Independent Auditors

To the Governing Board
Rochester Hills-Oakland-Rochester
Older Persons' Commission

Opinions

We have audited the accompanying financial statements of the governmental activities and the General Fund of Rochester Hills-Oakland-Rochester Older Persons' Commission, a component unit of the City of Rochester Hills, Michigan, as of and for the year ended September 30, 2022 and the related notes to the financial statements, which collectively comprise Rochester Hills-Oakland-Rochester Older Persons' Commission's basic financial statements, as listed in the table of contents.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the General Fund of Rochester Hills-Oakland-Rochester Older Persons' Commission as of September 30, 2022 and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Rochester Hills-Oakland-Rochester Older Persons' Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Rochester Hills-Oakland-Rochester Older Persons' Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Rochester Hills-Oakland-Rochester Older Persons’ Commission’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Rochester Hills-Oakland-Rochester Older Persons’ Commission’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and the General Fund budgetary comparison, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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 supplemental 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

Management is responsible for the other information included in the annual report. The other information comprises the letter of transmittal but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Andrew Hoopu Paulik PLC

Bloomfield Hills, Michigan
February 27, 2023

Rochester Hills-Oakland-Rochester Older Persons' Commission

Management's Discussion and Analysis

September 30, 2022

Our discussion and analysis of Rochester Hills-Oakland-Rochester Older Persons' Commission (Commission) financial performance provides an overview of the Commission's financial activities for the fiscal year ending September 30, 2022. Please read it in conjunction with the Commission's financial statements.

Financial Highlights

- On an entity-wide, full accrual accounting basis, the Commission's financial position improved during fiscal year 2022, increasing by \$357,767 (2%) to \$17,898,949.
- The Commission's General Fund (the Commission's only operating fund) reported an ending fund balance of \$5,107,896, of which \$4,928,621 is unassigned. This amount is an increase of \$510,121 (10%) from the previous fiscal year. The increase reflects additional program fees and sales as the Commission returned to a more normal level of activity after several years of COVID-related reductions, as well as additional member government contributions reflecting increased property values in the three communities served by the Commission.
- Net capital assets decreased by \$126,026 to \$12,819,124 (1%), reflecting the disposal of a number of older pieces of equipment, offsetting new asset additions.
- The only long-term debt is a liability account for employee compensated absences, which has a balance of \$81,938, an increase of \$11,715 (14%).

Using This Annual Report

This annual report consists of two parts: management's discussion and analysis (this section) and the basic financial statements. The basic financial statements include information that presents two different views of the Commission:

- The first column of the financial statements includes information on the Commission's General Fund under the modified accrual method. This fund financial statement focuses on current financial resources and provides a more detailed view about the accountability of the Commission's sources and uses of funds.
- The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full accrual method of accounting.

Rochester Hills-Oakland-Rochester Older Persons' Commission

Management's Discussion and Analysis

September 30, 2022

- The third column presents the Commission's operations on a full accrual basis, which provides both long-term and short-term information about the Commission's overall financial status. The statement of net position and the statement of activities provide information about the activities of the Commission on a whole and present a longer-term view of the Commission's finances.

The impact of transitioning from modified accrual to full accrual accounting can be summarized as follows:

- Capital outlay spending results in capital assets on the full accrual statements but is reported as expenditures on the Commission's General Fund financial statements.
- Capital assets used in governmental activities (depreciation) are reported on the full accrual statements but are not reported on the Commission's General Fund statement since there is no claim on current financial resources.
- Revenue is recorded when earned on the full accrual statements but is reported on the General Fund statement only when received or received in time to pay the expenses of the current period (within 60 days of the end of the fiscal year).
- Employee compensated absences are reported as a liability on the full accrual statements but are not recorded on the Commission's General Fund statements since there is no claim on current financial resources.

Rochester Hills-Oakland-Rochester Older Persons' Commission

Management's Discussion and Analysis

September 30, 2022

The Commission as a Whole

The following table shows the net position of the governmental activities in a condensed format as of September 30, 2022 in comparison to the prior two years.

The Commission's Net Position

	Governmental Activities				Percent Change
	2020	2021	2022	Change	
Assets					
Current and other assets:					
Cash and investments	\$ 3,271,347	\$ 4,562,751	\$ 5,367,743	\$ 804,992	18%
Receivables	228,924	254,719	245,119	(9,600)	(4)%
Other assets	23,604	56,006	172,602	116,596	208%
Capital assets	13,076,354	12,945,150	12,819,124	(126,026)	(1)%
Total assets	16,600,229	17,818,626	18,604,588	785,962	4%
Liabilities					
Current liabilities:					
Accounts payable	50,018	130,542	143,961	13,419	10%
Accrued liabilities and other	18,956	32,073	50,283	18,210	57%
Unearned revenue	9,284	44,606	429,457	384,851	863%
Noncurrent liabilities	69,221	70,223	81,938	11,715	17%
Total liabilities	147,479	277,444	705,639	428,195	154%
Net Position					
Net investment in capital					
assets	13,076,354	12,945,150	12,819,124	(126,026)	(1)%
Restricted	6,787	7,964	6,673	(1,291)	(16)%
Unrestricted	3,369,609	4,588,068	5,073,152	485,084	11%
Total net position	\$ 16,452,750	\$ 17,541,182	\$ 17,898,949	\$ 357,767	2%

The Commission's combined net position experienced a 2% increase from the previous fiscal year, adding \$357,767 in value from \$17,541,182 to \$17,898,949. Of this amount, total assets increased \$785,962 (4%), total liabilities increased \$428,195 (154%), net investment in capital assets fell \$126,026 (1%), and unrestricted net position increased \$485,084 (11%).

Rochester Hills-Oakland-Rochester Older Persons' Commission

Management's Discussion and Analysis

September 30, 2022

The increase in total assets is composed of a \$804,992 (18%) increase in cash and investments from the previous fiscal year, which reflects additional tax contributions from the participating communities due to a voter-approved millage increase, which took effect in December 2020, and increasing local property values, coupled with increases in program fees and sales; as well as an increase in other assets of \$116,506 (208%) primarily related to prepaid expenses related to advanced payments for overseas trips scheduled for early fiscal year 2023. This increase was partially offset by a reduction of \$126,026 (1%) decrease in capital assets related to the disposal of older equipment and a \$9,600 (4%) reduction in receivables due to improved collections.

Liabilities increased by \$428,195 (154%). This overall increase includes \$384,851 (863%) additional in unearned revenue, which reflects advance payments received for several upcoming leisure travel trips occurring after the fiscal year end. Activity during fiscal year 2022 returned to pre-pandemic levels which also increased other liabilities.

Regarding net position, net investment in capital assets is \$12,819,124; restricted net fund balance is \$6,673, representing donation funds held for the Commission by the Community Foundation of Greater Rochester; and \$5,073,152 is unrestricted fund balance (the portion of fund balance that can be used to finance day to day operations). The amount of unrestricted fund balance is approximately 98% of budgeted fiscal year 2023 expenses.

The following table shows the comparison of changes in net position of the governmental activities during the year ended September 30, 2022 to the prior two years.

Rochester Hills-Oakland-Rochester Older Persons' Commission

Management's Discussion and Analysis

September 30, 2022

The Commission's Changes in Net Position

	Governmental Activities				Percent Change
	2020	2021	2022	Change	
Revenue					
Member government contributions	\$ 1,889,508	\$ 2,538,369	\$ 2,582,656	\$ 44,287	2%
Nonresident member fees	55,950	49,385	68,162	18,777	38%
Intergovernmental	735,657	892,946	671,909	(221,037)	(25)%
Program fees and sales	892,780	549,626	1,034,445	484,819	88%
Private donations	375,364	311,736	453,501	141,765	46%
Other revenue	103,837	63,500	84,483	20,983	33%
Total revenue	4,053,096	4,405,562	4,895,156	489,594	11%
Expenditures					
Salaries and wages	1,522,887	1,420,572	1,928,497	507,925	36%
Fringe benefits	276,136	257,081	401,704	144,623	56%
Professional services	651,967	341,879	649,161	307,282	90%
Operating supplies	396,554	376,817	480,848	104,031	28%
Equipment maintenance and replacement	222,574	191,633	225,525	33,892	18%
Insurance and utilities	222,975	192,950	231,027	38,077	20%
Other expenses	127,113	104,222	213,865	109,643	105%
Depreciation	440,280	432,776	406,762	(26,014)	(6)%
Total expenditures	3,860,486	3,317,930	4,537,389	1,219,459	37%
Excess of Revenue Over Expenditures	192,610	1,087,632	357,767	(729,865)	(67)%
Other Financing Sources – Sale of Assets	3,300	800	-	(800)	(100)%
Net Change in Net Position	\$ 195,910	\$ 1,088,432	\$ 357,767	\$ (730,665)	(67)%
Net Position at beginning of year	16,256,840	16,452,750	17,541,182	1,088,432	7%
Net Position at end of year	\$ 16,452,750	\$ 17,541,182	\$17,898,949	\$ 357,767	2%

Rochester Hills-Oakland-Rochester Older Persons' Commission

Management's Discussion and Analysis

September 30, 2022

Governmental Activities – Revenue

The Commission's total governmental revenue in fiscal year 2022 was \$4,895,156. The three largest revenue items represent 88% of all governmental activities revenue as follows:

- Member government contributions totaled \$2,582,656, or 53% of revenue.
- Program fees, including activity fees and store, performing arts, cafeteria, and leisure travel trip sales totaled \$1,034,445 or 21% of revenue.
- Intergovernmental revenue, which reflects federal and state grants, totaled \$671,909, or 14% of revenue.
- In addition, private donations totaled \$453,501 (9%); the remaining \$152,645 (3%) reflects nonresident members, investment income, and other sources.

In fiscal year 2022, total revenue increased by \$489,594 to \$4,895,156, or 11%, compared to the prior fiscal year. The primary reason for the increase in revenue involves increased program fees and sales of \$484,819 (88%) to \$1,034,445 resulting from resumption of most Commission activities, programs, events, and services from COVID imposed restrictions. Virtually all Commission program areas experienced increased participation and thus increased program fees and sales. In particular:

- Fitness and aquatic fees increased \$167,335 as members came back to the facility cardio/weight workouts, lap, and therapy pool swimming, exercise and fitness classes, and pickleball;
- Enrichment and arts generated \$111,417 in revenue above the previous fiscal year, reflecting new classes and several sponsored special events;
- Building rental fees increased \$42,311 from fiscal year 2021, reflecting renegotiated facility rental contracts with the Michigan Senior Olympics (office space) and Accession Providence Rochester medical group (physical therapy and clinic space), as well as non-profit groups renting the facility for Commission approved special events;
- Adult day service expanded the number of days which members were served, which were limited by COVID restrictions, generating \$36,634 in additional revenue;
- Performing arts booked \$35,660 in additional revenue, reflecting the return of multiple shows and events; and
- Senior resource area generated \$32,362 more revenue in fiscal year 2022, reflecting additional financial consulting and mental health care support.

In addition, private donations during fiscal year 2022 were \$453,501, \$141,765 (46%) above the amount donated during fiscal year 2021. This change reflects a general increase in donations from a variety of private individuals and organizations who support the Commission's mission, particularly nutrition donations increased as well as donations to the Act of Kindness program which provides home improvements to individual's residences. Further, sponsorships increased as the Commission conducted more sponsored events.

Rochester Hills-Oakland-Rochester Older Persons' Commission

Management's Discussion and Analysis

September 30, 2022

Member government contributions were \$2,582,656, which is a \$44,287 (2%) increase during the 12-month period. Member contributions are payments from the City of Rochester Hills, the Charter Township of Oakland, and the City of Rochester, generated by a .32 property tax levy (reduced by the Headlee amendment to the Michigan constitution) for OPC operations on property in Rochester, Rochester Hills, and Oakland Township, and a .1 property tax levy for transportation on property in Rochester Hills, and the equivalent in tax levy and general fund appropriations in Rochester and Oakland Township. The increase reflects increased taxable property values in all three communities, specifically a 5.87% increase in Rochester Hills, a 5.66% increase in Oakland Township, and a 4.46% increase in Rochester.

Other revenues, which includes investment income and various refunds and rebates, increased to \$84,483, a \$20,983 (33%) increase from the previous fiscal year. This level of increase reflects additional insurance rebates due to the Commission's outstanding safety record as well as increased investment income related to improved market conditions.

Finally, the Commission received \$671,909 in intergovernmental revenue during fiscal year 2022. This amount is \$221,037 (25%) less than fiscal year 2021. This decrease reflects the prior year one-time receipt of federal and state funds to offset the effects of the COVID-19 pandemic.

Governmental Activities – Expenses

The Commission's total governmental expenses were \$4,537,389 during fiscal year 2022, an increase of \$1,219,459 (37%) from fiscal year 2021.

- Salaries, wages, and fringe benefits are the largest expense of the Commission, totaling \$2,330,201, representing 51% of the Commission's total expenses. Of the approximately 95 commission employees, 13 are considered full time and receive benefits such as health insurance, health savings accounts, life and accident insurance, and disability insurance, as well as the standard FICA, workers' compensation, and unemployment insurance. The remaining 82 employees are all part time (maximum 29 hours per week) and are covered by FICA, workers' compensation, and unemployment insurance.
- Professional services, which include all outside contractors such as fitness and aquatics instructors, enrichment and art instructors, information technology support services, health services, social services support, audit services, and legal support, were the second largest expense category at \$649,161, representing 14% of the Commission's total expenses.
- Operating supplies, which include everything from food purchased by the nutrition and café program areas to custodial supplies, fuel for the Commission's buses, art supplies for the enrichment and arts program area, and general office supplies, is the third largest expense for the Commission. A total of \$480,848 was spent under this category during fiscal year 2022, which represents 11% of total expenses.
- Maintenance, insurance, utilities, and other expenses compose \$670,417 of the Commission's fiscal year 2022 expenses (15%). The majority of these expenses are related to the cost of utilities within the facility, as well as insurance for the facility and staff.

Rochester Hills-Oakland-Rochester Older Persons' Commission

Management's Discussion and Analysis

September 30, 2022

- Depreciation expense was \$406,762 during fiscal year 2022, which represents 9% of Commission expenses.

Overall, expenses for fiscal year 2022 increased by \$1,219,459 (37%) from fiscal year 2021 amounts; again, reflecting the Commission's programs, activities, events, and services to pre-COVID levels.

Salary, wages, and fringe benefits (personnel expenses) for fiscal year 2022 were \$652,548, (39%) above the fiscal year 2021 amount. Salaries and wages were \$507,925 (36%) above the fiscal year 2021 amount while fringe benefits were \$144,623 (56%) above the previous fiscal year. As with other aspects of the Commission's expenses, the increase reflects the recovery from COVID restrictions in place during fiscal years 2020 and 2021. Although no new positions were added, a number of positions that were vacant during fiscal year 2021, including lifeguards, bus drivers, and programmers were filled during fiscal year 2022. In addition in order to compensate for impacts of inflation, two general wage increases were authorized by the Commission, a 3 % in October 2021 and a 5 to 6% (depending upon where the employee was in the salary range) in April 2022. The fringe benefit increase reflects rate adjustments for the Commission's hospitalization, health, dental, and optical care (only provided to full-time employees), as well as several new full-time employees beginning participation in the Commission's 401(a) retirement plan, which the Commission contributes 6% of the employee's salary (the employee contributes 3%).

Professional services expenses increased by \$307,282 (90%) from the fiscal year 2021 level, to \$649,161. As stated previously, participation in Commission activities, programs, events, and services increased to pre-COVID levels during fiscal year 2022 which drove the increase in professional services expenses. Most of the Commission's professional service activities involve payment for contracted instructors who teach both the fitness and aquatics (aerobics, swimming, tai chi, Pickleball, etc.) classes and the enrichment and fine arts classes (painting, wood working, crafts, etc.). The increase in the number of classes and participates increased the contracted hours for these professional instructors.

In addition, professional services expenses also increased for the leisure travel program area as the lifting of COVID restrictions allowed for the resumption of overseas and extended travel for Commission members. Specifically, two trips to Switzerland were conducted in early fiscal year 2022; the Commission contracts with a private travel company for travel arrangements and tour support.

Further, professional services expenses for the facility program area increased, which resulted from additional contract work conducted during the fiscal year which was supported by remaining COVID grant funded. Finally, it should be noted that professional services expenses related to payroll processing decreased during the previous 12 months as this function was moved "in-house" with the purchase of the BS&A financial system, eliminating the need to contract with a private firm for payroll processing.

Other expenses were \$213,865 in fiscal year 2022, a \$109,643 (105%) increase from the previous fiscal year. As with other areas of the Commission's operations, fiscal year 2022 expenses increased as programs, activities, events, and services returned to pre-COVID levels. Of particular note is fuel cost, representing diesel and gasoline purchases for the transportation program, increased by \$71,043 (117%) as the number of rides and riders increased as business and other services began to reopen on a full-time basis. In addition, credit card fees increased \$18,003 (199%) as members returning to programs, activities, events, and services paid with credit cards.

Rochester Hills-Oakland-Rochester Older Persons' Commission

Management's Discussion and Analysis

September 30, 2022

Operating supplies expenses were \$480,848 in fiscal year 2022, a \$104,031 (28%) increase from fiscal year 2021. This increase primarily reflects the increase in the number and level of participation in enrichment and fine arts programs and activities due to the elimination of State-ordered participation limitations as well as the reopening of the gift shop and the café for a majority of the fiscal year for the same issue.

Equipment maintenance and replacement, as well as insurance and utilities, experienced an increase of \$71,969 (19%) from the fiscal year 2021 amounts. As activity at the Commission's facility increased, additional equipment was needed to meet the program and activity needs, particularly since most of the Commission's furniture and equipment was older and some was beyond repair. Expendable equipment purchases increased \$27,760 as new office furniture was received in various areas. In addition, equipment rental expense increased \$24,827, reflecting the rental/lease of new HUR exercise equipment for the fitness and aquatics cardio/weight room. Further, vehicle maintenance expense increased by \$15,781 as the Commission's buses experienced additional mileage requiring more preventative maintenance. Utility costs also increased as the programs, activities, events, and services returned to pre-COVID levels.

Fiscal year 2022 depreciation expense decreased by \$26,014 (6%) from the fiscal year 2021 levels due to a reduced amount of new purchases and amount of current capital assets achieving full depreciation during fiscal year 2022.

The General Fund

Our analysis of the Commission's General Fund (the Commission's only operating fund) is included in the first column of the respective statements. The fund column provides detailed information about the General Fund using a modified accrual method. The most significant differences result from the reporting of capital assets. On the modified accrual basis, the cost of capital assets is reported at the time they are purchased rather than over time as they are used up (as depreciation expense). Please note that, since the General Fund is the Commission's only operating fund, the changes experienced during fiscal year 2022 mirror the explanations provided in the explanation for the governmental activity's revenue and expenses.

Rochester Hills-Oakland-Rochester Older Persons' Commission

Management's Discussion and Analysis

September 30, 2022

The following is a three-year analysis of the General Fund's operations:

	September 30			Change from Prior Year	
	2020	2021	2022	Dollars	Percent
Revenue					
Member government contributions	\$ 1,889,508	\$ 2,538,369	\$ 2,582,656	\$ 44,287	2%
Nonresident member fees	55,950	49,385	68,162	18,777	38%
Grants	755,494	882,182	677,101	(205,081)	(23)%
Donations	357,051	324,784	456,759	131,975	41%
Program fees	894,658	537,112	1,040,608	503,496	94%
Investment earnings	25,247	8,113	15,169	7,056	87%
Other	78,470	55,507	69,314	13,807	25%
Total revenue	4,056,378	4,395,452	4,909,769	514,317	12%
Expenditures					
Salaries and wages	1,522,887	1,420,572	1,928,497	507,925	36%
Fringe benefits	272,408	256,080	389,989	133,909	52%
Professional services	651,967	341,879	649,161	307,282	90%
Operating supplies	396,554	376,817	480,848	104,031	28%
Equipment maintenance	222,574	191,633	225,525	33,892	18%
Capital outlay	133,217	301,572	280,736	(20,836)	(7)%
Insurance and utilities	222,975	192,950	231,027	38,077	20%
Other expenses	127,113	104,222	213,865	109,643	105%
Total expenditures	3,549,695	3,185,725	4,399,648	1,213,923	38%
Other Financing Sources –					
Sale of capital assets	3,300	800	-	(800)	(100)%
Net change in fund balance	509,983	1,210,527	510,121	(700,406)	(58)%
Fund balance at beginning of year					
	2,877,265	3,387,248	4,597,775	1,210,527	36%
Fund balance at end of year	\$ 3,387,248	\$ 4,597,775	\$ 5,107,896	\$ 510,121	11%

Rochester Hills-Oakland-Rochester Older Persons' Commission

Management's Discussion and Analysis

September 30, 2022

The Commission's General Fund balance for the fiscal year ended September 30, 2022 was \$5,107,896, an increase of \$510,121 (11%) over the fund balance reported for the year ended September 30, 2021. The fund balance as of September 30, 2022 represents 98% of budgeted fiscal year 2023 General Fund expenditures.

General Fund revenue received for fiscal year 2022 was \$4,909,769, an increase of \$514,317 (12%) from the previous fiscal year. As was discussed in the *Governmental Activities – Revenue* section of this *Management's Discussion and Analysis*, the largest revenue source is the \$2,582,656 received from member government contributions. This amount is a \$44,287 (2%) increase above the fiscal year 2021 amount and reflects increased property values experienced by the three communities that participate in the Commission.

The second largest source of revenue received in fiscal year 2022 came from fees from programs, activities and sales, generating \$1,040,608; this amount was \$503,496 (94%) above the amount collected during the previous fiscal year. This increase reflects the return of most programs, activities, and sales to pre-COVID levels both in terms of participants and the number of these programs and activities. All areas of the Commission's operations experienced increased participation.

Grants represents the third largest source of revenue received in fiscal year 2022 with \$677,101 in grant revenue collected, a decrease from fiscal year 2021 of \$205,081 (23%). This decrease reflects the completion of some of COVID mitigation grants received by the Commission in fiscal years 2020 and 2021 (several however continue into fiscal year 2022). These grants were primarily federal money received from Oakland County, Area Agency on Aging 1-B, SMART, Meals on Wheels America, and other private institutions.

A total of \$456,759 in donation revenue was received in fiscal year 2022, an increase of \$131,975 (41%) from the previous fiscal year. The change reflects a general increase in donations and sponsorships from various private organizations and individuals who support the Commission's mission. More specifically, the number of special events increased during fiscal year 2022 which increased the number of sponsorship donations. Further, nutrition donations increased as more individuals participated in Meals on Wheels fund raising activities as well as more meals received over the previous fiscal year.

"Other" revenue was recorded at \$69,314 during fiscal year 2022, an increase of \$13,807 (25%) from fiscal year 2021. This increase reflects additional insurance rebates due to the Commission's outstanding safety record and efforts implemented to improve facility safety.

Non-resident member fees generated \$68,162 in fiscal year 2022, an \$18,777 (38%) increase from the previous fiscal year, reflecting increased participation from individuals who live outside Rochester Hills, Oakland Township, and Rochester, as COVID restrictions were eliminated. Individuals who live outside the footprint communities can join the Commission as full members by paying a \$175 annual individual fee or a \$250 annual married couple fee.

Finally, \$15,169 in investment earnings was received in fiscal year 2022, a \$7,056 (87%) increase over the previous year reflecting significantly increased interest rates earned for the Commission's investments which resulted from the market recovery from the COVID restrictions.

Rochester Hills-Oakland-Rochester Older Persons' Commission

Management's Discussion and Analysis

September 30, 2022

The General Fund expended \$4,399,648 in fiscal year 2022, an increase of \$1,213,923 (38%) from fiscal year 2021. Salaries, wages, and benefits remained the largest expenditure category for the Commission, equaling \$2,318,486 in fiscal year 2022. This amount was an increase of \$641,834 (38%) from the fiscal year 2021 amount. As stated previously in the *Government Activities – Expenses* section of this *Management's Discussion and Analysis*, the increase reflects the filling of positions which were vacated as a result of COVID restrictions limiting the number of and the participation in Commission's programs, activities, events, and services. In addition to counter rising inflation, the Commission authorized general wage increases of 3% in October 2021 and 5-6% in April 2022.

The Commission spent \$649,161 in fiscal year 2022 for contracted professional services, an amount which was \$307,282 (90%) more than the amount spent in the prior fiscal year. As with other General Fund expenditure categories, the increase reflects the uptick in Commission's programs, activities, events, and services, after the elimination of COVID restrictions, which increased the use of contracted instructors in the fitness & aquatics and enrichment and fine arts program areas. In addition, the lifting of COVID restrictions allowed for the resumption of overseas and extended trips through the leisure program office, increasing the required support from contracted travel vendors.

Operating supply expenditures were \$480,848 during fiscal year 2022, which was a \$104,031 (28%) increase from the fiscal year 2021 amount, reflecting increased number of class offerings and the number of participants in the enrichment and fine arts program area as activity picked up after the end of COVID restrictions.

During fiscal year 2022, the Commission expended \$280,736 in capital outlay; this figure is \$20,836 (7%) less than the amount spent in the previous fiscal year. The figure reflects the fact that fiscal year 2021 included a larger number of capital purchases which were supported by COVID mitigation grant funds and not repeated in fiscal year 2022.

The Commission expended \$231,027 for insurance and utilities during fiscal year 2022, \$38,077 (20%) more than the previous fiscal year, reflecting the full reopening of the Commission's facilities and services which increase utility cost. Equipment maintenance and replacement expenditures were \$225,525 during fiscal year 2022, a \$33,892 (18%) increase from fiscal year 2021 reflecting the purchase of (non-capital equipment) to meet the increasing demand for the Commission's programs and activities as well as increased vehicle maintenance as the Commission's transportation program somewhat returned to pre-COVID levels.

Finally, "other" expenditures totaled \$213,865 during fiscal year 2022, a \$109,643 (105%) increase from the previous fiscal year. This change reflects increased use of diesel and gasoline fuel for the Commission's transportation program as the number of rides and riders increased after the lifting of COVID restrictions as well as increases in credit card fees due to increased participation in the Commission's programs, activities, events, and services paid for by members' credit cards.

Rochester Hills-Oakland-Rochester Older Persons' Commission

Management's Discussion and Analysis

September 30, 2022

General Fund Budgetary Highlights

The original fiscal year 2022 General Fund budget, adopted by the Commission in July 2021, remained in effect all fiscal year. There were no amendments made to the original fiscal year 2022 General Fund budget. Please see the required supplemental information later in the financial statements for a budget-to-actual schedule.

General Fund revenue was budgeted at \$4,753,900; actual revenue received by the Commission during fiscal year 2022 was \$155,869 (3%) above the approved budget; seven revenue categories exceeded their approved budgets during fiscal year 2022.

Contributions from the three Commission communities, based upon millage's levied to support the general operation and the transportation program of the Commission equaled \$2,582,656, exceeding budget by \$84,156 (3%). The positive variance primarily reflects the impact on the voter-approved millage increase as well as increasing property values recorded by the participating communities. Grants exceeded their fiscal year 2022 budget by \$26,101 (4%) receiving \$677,101. This increase reflects the continued receipt of federal grant funds to mitigate the effects of the COVID pandemic. The grants, although less than previous years, were not planned nor budgeted. Donations in the amount of \$456,759 were received in fiscal year 2022, which is \$37,759 (9%) over budget due to increased sponsorships of several events, which were suspended in fiscal year 2021 and reinstated in that last 12 months. Other revenues were \$20,483 (32%) above the \$64,000 budget reflecting additional refunds and rebates compared 2021.

One revenue category received revenue less than budgeted during fiscal year 2022. The amount of revenue received for trips, performance, café, and gift shop was \$94,145 during fiscal year 2022. This amount was \$203,855 (68%) under budget. This primarily reflects timing of revenue collected for leisure travel trips which was originally budgeted for fiscal year 2022; however a large trip was moved to fiscal year 2023. The revenue collected for that trip was booked in the future fiscal year.

General Fund expenditures were \$4,399,648 during fiscal year 2022, \$354,252 (7%) below the Commission's adopted budget that fiscal year. Although general fund expenditures increased substantially from fiscal year 2021, the fiscal year 2022 general fund budget assumed additional activities which, for a variety of reasons, were held off until the end of fiscal year 2022 or to fiscal year 2023. All expenditure categories except insurance, maintenance and utilities, and other expenditures, were below budget.

Wages and benefits expenditures were below budget in fiscal year 2022 by \$97,910 (4%). The budget savings reflects the fact that the Commission budgets for full employment, which realistically does not happen. The vast majority of the Commission's employees are part-time; when they miss work due to vacation or personal time, they are not paid, leading to budget favorability. In addition, the turnover of full-time staff, through retirement or resignation, also leads to budget favorability.

Professional service expenditures were \$220,203 (24%) under budget. Most of this budget favorability resulted from two primary areas: a number of budgeted building improvement projects were postponed until later years, limiting the need for contractors to work on those projects and professional services related to marketing and branding as well as legal assistance was also less than anticipated as several items were extended into fiscal year 2023.

Rochester Hills-Oakland-Rochester Older Persons' Commission

Management's Discussion and Analysis

September 30, 2022

Operating supplies were underspent by \$179,952 (27%). One primary reason is expenditures for the annual charity event were reduced as the Commission changed the format of the event to be more casual. The event was actually held on the Commission's grounds rather than an event center, reducing the expense.

During fiscal year 2022, the Commission expended \$30,371 (9%) less in capital outlay than anticipated in the fiscal year 2022 budget. The presence of grant funding during fiscal year 2022 shifted priorities in this area (funds had to be spent within a certain time frame). Therefore, some larger budgeted capital projects were postponed until fiscal year 2023.

Two expenditure categories exceeded their budget allocations during fiscal year 2022. Expenditures for insurance, maintenance, and utilities were \$87,248 more than the approved budget (20%) related to the full-time opening of the Commission's facility, necessitating additional maintenance and utility costs. Also, other expenditures were \$84,711 (120%) more than the approved budget, primarily related to increased fuel costs as the number of rides and riders participated in the Commission's transportation program. In addition, the various fees paid by the Commission related to financial transactions and other requirements increased reflecting the rejuvenation of the Commission's programs, activities, events, and services to pre-COVID levels.

Finally, only one expenditure cost center (division) exceed the expenditure budget during fiscal year 2022. The enrichment and arts division overspent the approved budget by \$33,635 (14%), related to the increased number of classes offered and the participants in each class, which increased costs for contracted instructors and supplies. It should be noted, however, that the additional revenue generated from these classes exceeded the additional cost.

Capital Assets and Debt Administration

As of September 30, 2022, the Commission reports \$12,819,124 invested in a broad range of capital assets, including buildings, furniture, and vehicles. This reflects a decrease of \$126,026 in net assets (1%) from those assets reported as of September 30, 2021. Of this total:

- \$3,090,244 reflects capital assets not being depreciated (land)
- \$17,243,519 reflects capital assets being depreciated, of which buildings and improvements represent \$14,544,821 or 84% of this category
- \$406,762 in depreciation

In fiscal year 2022, the Commission acquired \$280,736 in new capital assets. Of these new assets, \$205,404 were in buildings and improvements specifically \$73,500 for the refurbishing of the lower level flooring and building of a new wall in the administration/finance area to increase accounting privacy; \$49,257 to replace the brick pavers in the courtyard area of the Commission's facility; \$28,675 for concrete paving around the Stone Cottage in the rear of the Commission's property, as well as grading of the pool wall; \$14,514 to install new modular carpet planks throughout the Commission's facility; \$12,170 for a glass wall in the fitness/exercise room; \$9,545 for new countertops for the cashier and volunteer desk

Rochester Hills-Oakland-Rochester Older Persons' Commission

Management's Discussion and Analysis

September 30, 2022

counters; \$7,793 for new carpeting in the library, gift shop, and travel offices; \$5,950 for a new concrete garden bed and tile in the atrium; and \$4,000 for a new mural painting in the atrium.

In addition, the Commission added \$75,332 in machinery and equipment, specifically \$26,044 for new ovens in the Commission's industrial kitchen, which provides meals on wheels and in-house dining for northeast Oakland County; \$14,494 for a new HUR leg press machine in the fitness cardio/weight room; \$12,207 for a John Deere gator to be used by the facility staff to move equipment and other resources; \$10,523 for a new super server rack enhancing the Commission's technology functions; \$6,489 for new flat screen televisions placed in the upgraded fitness cardio/weight room; and \$5,120 for a ballet barre mounted in a fitness/exercise room.

In addition, \$168,162 of assets, entirely machinery and equipment, were officially removed from the capital asset list (disposed) due to the fact that they were fully depreciated.

There was a \$26,014 net decrease in depreciation expense (6%) during fiscal year 2022. This change includes increased depreciation for the new equipment purchases during the fiscal year as well as on-going depreciation expense for existing capital assets (\$406,762). These increases were offset by the disposal of the fully depreciated assets (\$168,162).

See Note 4 to the financial statements for more information on capital assets.

The only debt held by the Commission is a noncurrent liability for employee compensated absences. The ending balance of this liability was \$81,938 as of September 30, 2022. This amount is a net increase of \$11,715 from the previous fiscal year (17%), reflecting additional accumulated vacation time for the full-time benefit eligible staff. Of this amount, \$66,370 would be due in one year should the eligible employees leave Commission service.

Economic Factors

As the enclosed financial statements show, the Commission is on solid financial grounds, for the near and midterm future at least. Through prudent planning and active management, expenses have been kept within budget, while revenue has exceeded budget. The Commission's staff has also aggressively pursued additional revenues through grants, fundraising, and donations.

Of course, there are always challenges to be encountered. The Southeast Michigan Council of Governments (SEMCOG) estimates that the population of individuals age 60 and older will increase by 35% in the Commission's footprint by 2030. Such an increase will add to the demands for Commission services. Further, the Commission's facility, although being adequately maintained and improved, is aging, being in service for 20 years.

Rochester Hills-Oakland-Rochester Older Persons' Commission

Management's Discussion and Analysis

September 30, 2022

To this point, major repairs to the daily systems such as heating and cooling have been avoided; that situation cannot last forever. The Commission's capital improvement plan includes provisions for replacements of major systems over the next ten years. Unfortunately, under the Interlocal Agreement which created the Commission, the Commission is prohibited from issuing debt; therefore, the cost of system replacement must be borne from the Commission's operating budget and fund balance. Future financial planning includes provisions to make the necessary replacements and repairs to keep the Commission's facility in operating order.

The Commission is also faced with a major expansion in its transportation program brought about by the adoption, on November 8, 2022, of a county-wide transportation millage. The millage is designed to develop and expand public transit across the county. The Commission will receive \$1.9 million in 2023 (pre-millage budget was \$840,000) to improve and expand services for Rochester Hills, Oakland Township, and Rochester residents, including expanding hours of service and additional routes outside the three communities for medical appointments. Funding is sufficient to hire additional full- and part-time transportation staff and increase the transportation fleet. The adoption of the County millage will allow the Commission to suspend the local transportation millage levied by the three participating communities. Expansion of the transportation system, and full use of the County millage is still its infancy and will be fleshed out during 2023 and subsequent years.

Requests for Further Information

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Commission's administration, specifically the financial office.

Rochester Hills-Oakland-Rochester Older Person's Commission

Statement of Net Position/Governmental Fund Balance Sheet

September 30, 2022

	General Fund - Modified Accrual Basis	Adjustments (Note 2)	Statement of Net Position
Assets			
Current assets:			
Cash and cash equivalents	\$ 4,125,104	\$ -	\$ 4,125,104
Investments	1,242,639	-	1,242,639
Receivables:			
Accounts receivable	76,363	-	76,363
Due from other governmental units	168,756	-	168,756
Prepaid expenses and other assets	172,602	-	172,602
Capital assets:			
Assets not subject to depreciation	-	3,090,244	3,090,244
Assets subject to depreciation - net	-	9,728,880	9,728,880
Total assets	<u>\$ 5,785,464</u>	<u>\$ 12,819,124</u>	<u>\$ 18,604,588</u>
Liabilities			
Current liabilities:			
Accounts payable	\$ 143,961	\$ -	\$ 143,961
Accrued liabilities and other	50,283	-	50,283
Unearned revenue	429,457	-	429,457
Compensated absences			
Due within one year	-	66,370	66,370
Due in more than one year	-	15,568	15,568
Total liabilities	<u>623,701</u>	<u>81,938</u>	<u>705,639</u>
Deferred Inflows of Resources – Unavailable revenue	53,867	(53,867)	-
Equity			
Fund balance:			
Nonspendable – Prepaids	172,602	(172,602)	-
Restricted – Permanent endowment – Expendable	6,673	(6,673)	-
Unassigned	4,928,621	(4,928,621)	-
Total fund balance	<u>5,107,896</u>	<u>(5,107,896)</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 5,785,464</u>		
Net position:			
Net investment in capital assets		12,819,124	12,819,124
Restricted – Permanent endowment – Expendable		6,673	6,673
Unrestricted		5,073,152	5,073,152
Total net position		<u>\$ 17,898,949</u>	<u>\$ 17,898,949</u>

Rochester Hills-Oakland-Rochester Older Persons' Commission

Statement of Activities/Statement of Revenue, Expenditures, and Changes in Fund Balance

September 30, 2022

	General Fund - Modified Accrual Basis	Adjustments (Note 2)	Statement of Activities
Revenue			
Member government contributions	\$ 2,582,656	\$ -	\$ 2,582,656
Nonresident member fees	68,162	-	68,162
Intergovernmental:			
Federal sources	531,699	-	531,699
SMART	145,402	(5,192)	140,210
Program fees and sales	1,040,608	(6,163)	1,034,445
Private donations	456,759	(3,258)	453,501
Other revenue:			
Investment earnings	15,169	-	15,169
Reimbursements and other miscellaneous revenue	69,314	-	69,314
Total revenue	<u>4,909,769</u>	<u>(14,613)</u>	<u>4,895,156</u>
Expenditures and Expenses			
Salaries and wages	1,928,497	-	1,928,497
Fringe benefits	389,989	11,715	401,704
Professional services	649,161	-	649,161
Operating supplies	480,848	-	480,848
Equipment maintenance and replacement	225,525	-	225,525
Capital outlay	280,736	(280,736)	-
Insurance and utilities	231,027	-	231,027
Other expenses	213,865	-	213,865
Depreciation	-	406,762	406,762
Total expenditures and expenses	<u>4,399,648</u>	<u>137,741</u>	<u>4,537,389</u>
Net Change in Fund Balance/Net Position	510,121	(152,354)	357,767
Fund Balance/Net Position at beginning of year	<u>4,597,775</u>	<u>12,943,407</u>	<u>17,541,182</u>
Fund Balance/Net Position at end of year	<u>\$ 5,107,896</u>	<u>\$ 12,791,053</u>	<u>\$ 17,898,949</u>

Rochester Hills-Oakland-Rochester Older Persons' Commission

Notes to Financial Statements

September 30, 2022

1. Significant Accounting Policies

Reporting Entity

Rochester Hills-Oakland-Rochester Older Persons' Commission (Commission) was organized in 1983 for the purpose of providing activities and services for older persons (those 50 years of age or older) residing within the jurisdiction of the participating governmental organizations. The activities and services provided include the joint operations of the older persons' activity center, transportation, and initiatives directed toward improvement of the social, legal, health, housing, educational, emotional, nutritional, recreational, and mobility status of older persons. The City of Rochester Hills, Michigan (64%); Oakland Township (24%); and the City of Rochester, Michigan (12%) are member units of the Commission.

Rochester Hills-Oakland-Rochester Older Persons' Commission is governed by an appointed eight-member board, composed of two City of Rochester Hills, Michigan City Council members; two council-appointed older persons (50 plus) from the City of Rochester Hills, Michigan; one City of Rochester, Michigan City Council member; one council-appointed older person (50 plus) from the City of Rochester Hills, Michigan; one board member; and one board-appointed older person (50 plus) from Oakland Township. The Commission is reported as a discretely presented component unit in the basic financial statements of the City of Rochester Hills, Michigan (City) because of its financial relationship with the City. There are no additional component units to be included in these financial statements.

Tax Status

The Commission is a governmental entity under Internal Revenue Code Section 115(1) and is not subject to income tax. In addition, the Commission is qualified as a 501(c)(3) organization, although it is not subject to annual Form 990 filings.

Basis of Accounting

The General Fund uses the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the Commission has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Rochester Hills-Oakland-Rochester Older Persons' Commission

Notes to Financial Statements

September 30, 2022

1. Significant Accounting Policies (continued)

Basis of Accounting (continued)

Revenue is not recognized until it is collected or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the Commission considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: federal, local, and SMART grant awards. Recreation and trip program revenue received prior to year end for programs in the next year are reported as unearned revenue.

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives – the government-wide perspective and the fund-based perspective. The individual fund columns present their activities on the modified accrual basis of accounting, as discussed above, which demonstrates accountability for how the current resources have been spent. The government-wide columns are presented on the economic resources measurement focus and the full accrual basis of accounting in order to measure the cost of providing government services and the extent to which constituents have paid the full cost of government services.

On the full accrual basis of accounting, revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Specific Balances and Transactions

Bank Deposits and Investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

All receivables are reported net of any appropriate allowance for uncollectible amounts.

Prepaid Items

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Rochester Hills-Oakland-Rochester Older Persons' Commission

Notes to Financial Statements

September 30, 2022

1. Significant Accounting Policies (continued)

Specific Balances and Transactions (continued)

Capital Assets

Capital assets, which include property, buildings, and equipment, are reported in the government-wide perspective column. Capital assets are defined by the Commission as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

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

	<u>Depreciable Life – Years</u>
Buildings	50
Building improvements	30
Land improvements	30
Vehicles	5 – 15
Machinery and equipment	3 – 20

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then. The Commission does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The Commission has one item that qualifies for reporting in this category, which is unavailable revenue in the General Fund.

Rochester Hills-Oakland-Rochester Older Persons' Commission

Notes to Financial Statements

September 30, 2022

1. Significant Accounting Policies (continued)

Specific Balances and Transactions (continued)

Net Position Flow Assumption

The Commission will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements (as applicable), a flow assumption must be made about the order in which the resources are considered to be applied. It is the Commission's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions

The Commission will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Commission's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Commission itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The non-spendable fund balance component represents amounts that are not in spendable form or are legally or contractually required to be maintained intact.

Restricted fund balance represents amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Commission's highest level of decision-making authority. The governing board is the highest level of decision-making authority for the Commission that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once passed, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Rochester Hills-Oakland-Rochester Older Persons' Commission

Notes to Financial Statements

September 30, 2022

1. Significant Accounting Policies (continued)

Specific Balances and Transactions (continued)

Fund Balance Policies (continued)

Amounts in the assigned fund balance classification are intended to be used by the Commission's board of directors for specific purposes but do not meet the criteria to be classified and committed.

Unassigned fund balance includes amounts that do not fall into any other category. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been committed, restricted, or assigned to specific purposes in the General Fund.

Member Government Contributions

The interlocal agreement that created the Commission includes a provision for the three parties (City of Rochester Hills, Michigan; Oakland Township, Michigan; and City of Rochester, Michigan) to fund the Commission and its programs and activities on a pro rata basis determined on the taxable values of each community. This is an imposed nonexchange revenue; the assets and revenue are both recognized when there is an enforceable legal claim or when the resources are received, whichever is earlier.

Compensated Absences (Vacation and Sick Leave)

It is the Commission's policy to permit employees to accumulate earned but unused vacation-pay benefits. There is no liability for unpaid accumulated sick leave since the Commission does not have a policy to pay any amounts when employees separate from service with the Commission. All vacation pay is accrued when incurred in the government-wide perspective column. A liability for these amounts is reported in the General Fund only for employee terminations as of year-end.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Rochester Hills-Oakland-Rochester Older Persons' Commission

Notes to Financial Statements

September 30, 2022

1. Significant Accounting Policies (continued)

Risk and Uncertainties

Impact of COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has had a worldwide impact. In response, many countries have implemented measures to combat the outbreak that have impacted global business operations. During the current fiscal year, the Commission slowly began returning to normal operations as allowed by executive orders. By the summer of 2021, operations had largely returned to normal, with the exception of domestic and international trips, which resumed during 2022. No impairments were recorded as of the statement of net position/governmental fund balance sheet date, as no triggering events or changes in circumstances had occurred as of year-end; however, due to significant uncertainty surrounding the situation, management's judgment regarding this could change in the future.

2. Reconciliation of Individual Fund Column of the Statement of Net Position/Statement of Activities

Net position reported in the statement of net position column is different than the fund balance reported in the individual fund column because of the different measurement focus and basis of accounting, as discussed in Note 1. Below is a reconciliation of the differences:

Fund Balance Reported in Government Funds	\$ 5,107,896
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	12,819,124
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	53,867
Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities	<u>(81,938)</u>
Net Position of Governmental Activities	<u>\$ 17,898,949</u>

Rochester Hills-Oakland-Rochester Older Persons' Commission

Notes to Financial Statements

September 30, 2022

2. Reconciliation of Individual Fund Column of the Statement of Net Position/Statement of Activities (continued)

The change in net position reported in the statement of activities column is different than the change in fund balance reported in the individual fund column because of the different measurement focus and basis of accounting, as discussed in Note 1. Below is a reconciliation of the differences:

Net Change in Fund Balance Reported in Governmental Funds \$ 510,121

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

Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Capital outlay	280,736
Depreciation expense	(406,762)

Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	(14,613)
--	----------

Changes in accumulated employee sick and vacation pay do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	<u>(11,715)</u>
--	-----------------

Change in Net Position of Governmental Activities	<u><u>\$ 357,767</u></u>
--	--------------------------

3. Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; banker's acceptances of United States banks; commercial paper rated within the two highest classifications that matures no more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Rochester Hills-Oakland-Rochester Older Persons' Commission

Notes to Financial Statements

September 30, 2022

3. Deposits and Investments (continued)

The Commission has designated five banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs but not the remainder of state statutory authority, as listed above. The Commission's deposits and investments are in accordance with statutory authority.

The Commission's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial risk is the risk that, in the event of a bank failure, the Commission's deposits may not be returned to it. The Commission does not have a deposit policy for custodial credit risk. At year end, the Commission had \$5,126,780 of bank deposits (money market, checking, and savings accounts) that were uninsured and uncollateralized. The Commission believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Commission evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Commission has no investment policy that would further limit its investment choices. As of September 30, 2022, the credit quality ratings of debt securities (other than the U.S. Government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Michigan CLASS Investment Pool	\$ 620,176	AAAm	S&P
Oakland County Local Government Investment Pool	622,463	Unrated	N/A
Total	<u>\$ 1,242,639</u>		

Fair Value Measurements

The Commission categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

Rochester Hills-Oakland-Rochester Older Persons' Commission

Notes to Financial Statements

September 30, 2022

3. Deposits and Investments (continued)

Fair Value Measurements (continued)

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Commission's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Investments in Entities that Calculate Net Asset Value per Share

The Commission holds shares or interests in investment companies whereby the fair value of the investments is measured on a recurring basis using net asset value per share.

As of September 30, 2022, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency, if Eligible</u>	<u>Redemption Period Notice</u>
Michigan CLASS investment pool	\$ 620,176	-	No limitations	None
Oakland County Local Government Investment Pool	622,463	-	No limitations	None
Total investments measured at NAV	<u>\$ 1,242,639</u>	<u>-</u>		

The Michigan CLASS investment pool invest in U.S. Treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated "A1" or better), collateralized bank deposits, repurchase agreements (collateralized at 102% by treasuries and agencies), and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

The Oakland County Local Government Investment Pool (LGIP) is not registered with the Securities and Exchange Commission and does not issue a separate report. The pool does not meet the requirements under GASB 79 to report its value for financial reporting purposes at amortized costs. Accordingly, the investment is reported at fair value. The fair value of the position in the pool is not the same as the value of the pool shares because the pool redeems shares at \$1 per share, regardless of current fair value.

Rochester Hills-Oakland-Rochester Older Persons' Commission

Notes to Financial Statements

September 30, 2022

4. Capital Assets

Capital asset activity of the Commission's governmental activities was as follows:

Governmental Activities

	Balance October 1, 2021	Additions	Disposals	Balance September 30, 2022
Capital assets not being depreciated				
– Land	\$ 3,090,244	\$ -	\$ -	\$ 3,090,244
Capital assets being depreciated:				
Buildings and improvements	14,339,417	205,404	-	14,544,821
Machinery and equipment	862,548	75,332	(168,162)	769,718
Vehicles	871,732	-	-	871,732
Land improvements	1,057,248	-	-	1,057,248
Subtotal	17,130,945	280,736	(168,162)	17,243,519
Accumulated depreciation:				
Buildings and improvements	5,425,767	312,778	-	5,738,545
Machinery and equipment	515,905	36,580	(168,162)	384,323
Vehicles	804,696	22,163	-	826,859
Land improvements	529,671	35,241	-	564,912
Subtotal	7,276,039	406,762	(168,162)	7,514,639
Net capital assets being depreciated	9,854,906	(126,026)	-	9,728,880
Net governmental activities capital assets	\$ 12,945,150	\$ (126,026)	\$ -	\$ 12,819,124

Rochester Hills-Oakland-Rochester Older Persons' Commission

Notes to Financial Statements

September 30, 2022

5. Compensated Absences

The noncurrent liabilities consist solely of employee compensated absences. The changes during the year can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Compensated absences	\$ 70,223	\$ 11,715	\$ -	\$ 81,938	\$ 66,370

6. Risk Management

The Commission is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to full-time employees (40 hours or more). The Commission has purchased commercial insurance for workers' compensation and medical benefits claims and participates in the Michigan Municipal Risk Management Authority (Authority) risk pool for claims relating to general liability, motor vehicles, and comprehensive property damage. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Lease risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The Michigan Municipal Risk Management Authority risk pool program operates as a claims servicing pool for amounts up to member retention limits and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority, which the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the Commission.

7. Defined Contribution Pension Plan

The Commission provides pension benefits to all of its full-time employees through a defined contribution plan administered by TransAmerica. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Full-time employees are eligible to participate from the date of employment. As established by the pension contract, the Commission contributes 6% of employees' gross earnings, and employee contributions for each employee plus interest allocated to the employees' accounts are fully vested after five years of service. Full-time employees contribute 3% of their wages, and the Commission contributes the 6% match.

The Commission's total payroll during the current period was \$1,928,497. The current period contribution was calculated based on covered payroll for approximately 11 full-time employees, resulting in an employer contribution of \$58,075 and employee contributions of \$29,037.

Required Supplementary Information

Rochester Hills-Oakland-Rochester Older Persons' Commission

Budgetary Comparison Schedule - General Fund - Budgetary Basis

September 30, 2022

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Donations	\$ 419,000	\$ 419,000	\$ 456,759	\$ 37,759
Fees	823,400	823,400	1,014,625	191,225
Grants	651,000	651,000	677,101	26,101
Trips, performance, cafe, and gift shop	298,000	298,000	94,145	(203,855)
City of Rochester Hills, Michigan – Millage	1,597,000	1,597,000	1,633,925	36,925
City of Rochester, Michigan – Millage	313,000	313,000	313,018	18
Oakland Township, Michigan – Millage	588,500	588,500	635,713	47,213
Other Revenue	64,000	64,000	84,483	20,483
Total Revenue	\$ 4,753,900	\$ 4,753,900	\$ 4,909,769	\$ 155,869
Expenditures				
Administration	1,116,400	1,116,400	1,028,905	(87,495)
Facilities management	550,800	550,800	542,352	(8,448)
Leisure travel	225,700	225,700	180,234	(45,466)
Adult day services	94,000	94,000	65,004	(28,996)
Performing arts	21,600	21,600	3,849	(17,751)
Health and wellness	499,000	499,000	455,154	(43,846)
Enrichment and arts	246,600	246,600	280,235	33,635
Nutrition	637,600	637,600	612,395	(25,205)
Transportation	831,300	831,300	785,070	(46,230)
Newsletter – Vintage View	38,000	38,000	9,206	(28,794)
Senior resources	43,300	43,300	43,167	(133)
Corner Café	71,900	71,900	65,643	(6,257)
Volunteers	38,700	38,700	19,805	(18,895)
Capital outlay	339,000	339,000	308,629	(30,371)
Total expenditures	4,753,900	4,753,900	4,399,648	(354,252)
Net Change in Fund Balance	-	-	510,121	510,121
Fund Balance at beginning of year	4,597,775	4,597,775	4,597,775	-
Fund Balance at end of year	\$ 4,597,775	\$ 4,597,775	\$ 5,107,896	\$ 510,121

Rochester Hills-Oakland-Rochester Older Persons' Commission

Note to Required Supplementary Information

September 30, 2022

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principals for the General Fund except for the recognition of other financing sources and uses. All annual appropriations lapse at fiscal year-end. The annual budget is prepared by the Commission and approved by the governing board. Subsequent amendments are approved by the governing board.

The budget document presents information by activity, which is the accounting structure used in adoption of the budget. The legal level of budgetary control adopted by the governing body is the activity level (i.e., the level at which expenditures may not legally exceed appropriation).

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services are rendered.

Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, Rochester Hills-Oakland-Rochester Older Persons' Commission incurred expenditures that were in excess of the amounts budgeted due to unforeseen events as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Enrichment and arts	\$ 246,600	\$ 280,235	\$ (33,635)