

**Rochester Hills-Oakland-Rochester
Older Persons' Commission**

**(a component unit of the City of
Rochester Hills, Michigan)**

**Financial Report
with Supplemental Information
September 30, 2016**

Rochester Hills-Oakland-Rochester Older Persons' Commission

Contents

Letter of Transmittal	1-12
Report Letter	13-14
Management's Discussion and Analysis	15-27
Basic Financial Statements	
Statement of Net Position/Governmental Funds Balance Sheet	28
Statement of Activities/Governmental Fund Revenue, Expenditures, and Changes in Fund Balance	29
Notes to Financial Statements	30-40
Required Supplemental Information	41
Budgetary Comparison Schedule - General Fund	42
Note to Required Supplemental Information	43



December 22, 2016

To: The Older Persons' Commission Governing Board and Citizens of the City of Rochester, the City of Rochester Hills, 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 to 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 period ending September 30, 2016. (Note: the term "fiscal period" is used due to the fact that the report period of this audit is a nine-month period, January 1 through September 30, 2016, as the OPC Board adopted an October-September fiscal year beginning October 1, 2016).

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 the 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 that, 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 Plante & Moran, PLLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the OPC for the fiscal period ended September 30, 2016 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 period ended September 30, 2016 are fairly presented in conformity with GAAP. The independent auditor's report is presented in this report.

OPC Governing Board

Stuart Bikson • Michael Baily • John Dalton • Dale Hetrick
William Jandeska • Stephanie Morita • Micheline Sommers • Lucy Strand

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, as is described below. 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. 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.

The OPC Mission is to:

Provide high quality programs and services that stimulate and advance active and healthy living for all ages of older persons.

The OPC Vision is to:

Be the premier community resource for the changing needs of older adults and those who love and care for them.

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, Rochester Hills has four (4) representatives, two council members and two senior appointees; 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 five 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 and has the authority to set policies and rules for the OPC, to approve an annual budget and submit it to the participating communities, and to hire 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 approximately June 1 of the fiscal year prior to its implementation. The budget presented is a line-item budget which records revenue by category (donations, fees, grants, miscellaneous, Rochester millage, Rochester Hills millage, Oakland Township millage, reimbursements, and sales); expenditures are recorded by program area (administration, leisure travel, adult day services, performing arts, health and wellness, programs and art, nutrition, transportation, newsletter, senior resources, café, volunteers, recreation, signature event). The Interlocal Agreement requires the Governing Board to submit its budget to the respective council/board 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 core OPC services provide aid to vulnerable seniors, particularly in the form of nutrition, transportation, adult day services, and senior resources, assisting them to remain in their homes and communities. In addition, the OPC provides a full selection of health and wellness activities, art and crafts activities, social and intellectual programming, and performances to help older adults to remain active. Life is in full swing at the OPC.

The services/activities provided include:

Nutrition Services - This includes hot, home-delivered meals seven (7) days a week, with the help of a professional kitchen staff and the assistance of volunteers who package and deliver the meals. In the 12-month period (10/1/15-9/30/16), the OPC delivered **94,038** 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 **14,500 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, including the OPC facility itself. Individuals 60 years of age or older are asked for a \$3.00 donation; individuals under 60 years of age are charged \$4.00. In the 12-month period (10/1/15-9/30/16), the OPC prepared and served **23,921** meals on site.

Transportation - The OPC provides door-to-door service for seniors 60 years old or older and disabled adults 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 Troy Beaumont Medical Facility. Rides are even provided for church services on Sundays. In the 12-month period of 10/1/15-9/30/16, the OPC provided **56,291 trips** covering over **382,503** miles.

Dennis White 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. Approximately 40 families took advantage of the Adult Day Service program and 30 volunteers (in addition to OPC staff) provided services to the clients, including 50 field trips and 15 specialty trips.

Senior Resources - This unit provides a variety of direct counseling and assistance as well as referrals to appropriate social service agencies and individuals, covering areas of concern experienced by older individuals. In 2016, the Senior Resources staff answered **1,929** telephone service requests; enrolled **144** in the commodity food program and **86** seniors in the Focus Hope food program; helped **38** seniors with fall leaf raking and **52** seniors with snow removal; completed **18** home repairs; delivered **160** holiday baskets; and loaned out **432** pieces of medical equipment on a temporary basis to assist in seniors' mobility. In addition, the Senior Resource staff arranges for monthly "Ask the Attorney" sessions where members can obtain a free legal review of items and monthly "Financial Counseling" sessions where members can obtain pertinent financial advice. Finally, Senior Resources hosts monthly Parkinson's Support Group meetings, attended by upwards of 70 individuals.

Enrichment and Fine Arts & Crafts - As stated above, life is in full swing at the OPC. The Enrichment and Fine Arts & Crafts Department produces a number of events, classes, lectures, and hands-on activities, which provide life-enhancing opportunities, social interaction, and just plain fun. A few examples include: 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 and specialty clubs such as euchre and bridge; Military History Clubs; dance and music classes; lifelong learning partnership with Oakland University; and special events, including a senior picnic. In 2016, over **23,600** individuals attended the Enrichment and Fine Arts programs. (Note – the Management's Discussion and Analysis and the financial statements refer to this activity as Programs and Activities.)

Health and Wellness - Realizing one of the cornerstones of a happy and productive life is health maintenance, the OPC offers a complete health and wellness experience for older individuals. This includes a full gym, which is used for team sports such as basketball, pickleball, badminton, and volleyball, as well as an elevated walking/running track; complete cardio room, which includes stationary bikes, stair climbers, ellipticals, and treadmills; complete weight room; fitness classes and personal training; specialty classes such as ballet and introduction to scuba diving; 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. The OPC also sponsors hockey and softball teams as well as a swim team.

In addition, the OPC partners with Crittenton Hospital to provide the Crittenton Wellness Center at the OPC. At the Wellness Center an older individual can be tested for blood pressure, bone density, cholesterol, and glucose, attend educational classes and health seminars, ask a nurse any questions, and receive physical therapy.

Total participation in 2016 was over **135,000** attendees.

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, and Cuba. In 2016, over **1,300 individuals** traveled with the OPC.

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 annually present music, dance, comedy, etc. The “650 Players” produce a spring and fall musical. Over **2,300 individuals** attended these performances in 2016. Finally, the OPC hosts “Movie Mondays”, providing a monthly evening movie night for free (small donation requested).

Intergenerational Programs - Understanding the importance of total community involvement, the OPC provides a number of intergenerational programs, including participating in the Rochester Community Christmas Parade; Swim with Santa; Snowball Christmas; and the Annual Indoor Triathlon.

Funding

The OPC is a unique organization in a funding/fiscal sense, due to the fact that it is both a governmental authority and a nonprofit agency. As a governmental authority, the OPC receives taxpayer money to support its operations. As a nonprofit corporation, the OPC also receives funding from its fundraising activities and through donations provided by individuals and organizations. Further, as both a governmental authority and a nonprofit corporation, 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 of the OPC is to provide services to the most vulnerable 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 vulnerable - transportation, nutrition, 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 vulnerable residents, let alone other programs offered by the OPC. This is where fundraising and donation efforts are used to supplement taxpayer funds so that there are no waiting lists for services and so additional programs can be developed to meet additional residents’ needs. The OPC also seeks grants to support services to vulnerable residents. Finally, those residents who can pay for specific services they wish to enjoy, which are beyond services to the vulnerable 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 is the millages levied by Rochester, Rochester Hills, and Oakland Township. In 2010, the voters of the three communities approved a .25 mills levy for a 10-year period on real and personal property in the communities to support OPC operations. Those millages have experienced rollbacks in accordance with the Headlee Amendment to the Michigan Constitution, and stand in 2016 at .2440 mills in Rochester, .2403 mills in Rochester Hills, and .2342 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. In November 2015, residents of the City of Rochester Hills approved a .10 mill levy for transportation services through calendar year 2026. In August 2016, the residents of Oakland Township approved a .09 mill levy for transportation services also through 2026 and an additional General Fund appropriation equal to .01 mills. The City of Rochester currently provides a General Fund appropriation, equal to .09 mills, to the OPC to fund transportation. It is anticipated that the General Fund appropriation will be increased to equal .10 mills with their next budget cycle (July 2017).

The OPC conducts a number of fundraising activities during the year. Fundraising efforts support specific and general operations and supplement the taxpayer efforts. Many of these fundraising activities support the OPC nutrition home-delivered meals program, including:

Charity Event - The OPC conducts an annual charity event each spring at the Royal Park Hotel in Rochester. Dinner and entertainment are provided, which are supported by community sponsors. Community sponsors also provide items for a silent auction. Ticket sales generate funds for the home-delivered meal program.

5K/Walk for Meals - Annually in June, the OPC conducts a 5K run/walk for meals along the Paint Creek Trail just south of the OPC facility. Community sponsors support the event's operational cost and registration fees generate funds for the home-delivered meal program.

Apple Pie Sales - Rochester's Annual Arts and Apples Festival, located in the Rochester Municipal Park the weekend after Labor Day, is a premier community event in the greater Rochester area. In conjunction with this event, the OPC bakes and sells apple pies in the park and in front of the OPC facility. The pies are baked by community volunteers, including the Rochester fire department, the Chrysler Corporation, and various school groups. OPC staff and clients volunteer to sell the pies from the Tuesday after Labor Day through the Arts and Apples Festival. Proceeds from pie sales support home-bound meals as well as programs and activities.

In addition to the fundraising conducted for home-delivered meals, the OPC also raises funds to support its general operations. An annual giving campaign is conducted each December, through mailings to all residents of the three participating communities as well as OPC members who live outside the three communities. In addition, organizations and businesses have the opportunity to place informational posters (advertising) in the OPC for a fee.

The OPC frequently receives donations from individuals and organizations to support the building program, general operations, and specific operations or events. Donations have ranged from \$5 to \$10,000. Donations are requested from those individuals who benefit from the core services of transportation and nutrition. A \$3.00 donation is requested for a one-way bus ride, a \$3.00 donation is requested from individuals receiving lunch at a congregate meal site, and a \$3.50 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 - no records are kept as to who donates and who does not.

Beyond the “governmental” tax revenue and the “nonprofit” donations, the OPC charges residents who participate in various activities and programs. Fees are charged for all health and wellness activities as well as all program and art classes, all performances, and all travel opportunities. The fee structures are designed so that the fees charged for participation, along with donations received by these operations (especially travel, health and wellness, and performing arts), will be sufficient to cover the cost of these operations. The goal is not to have taxpayer money support the activities.

In addition, the OPC operates a café which serves breakfast and lunch five 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 cover gift shop operations and support programs and activities.

It is important to note 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 nonprofits, 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 vulnerable residents. Since many of the services to the vulnerable 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 **\$470,000** 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 (\$3.83 per meal) and congregates site meals (\$3.00 per meal). In addition, the OPC receives \$.56 per meal for all meals served through the federal supplemental incentive program (NSIP). The OPC also participates in a federal waiver program providing meals to low-income individuals.

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 Rapid Transit (SMART). One source of SMART funding is a program entitled “municipal credits” where each community in the three county SMART service area received 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 receives a Special Services grant directly from SMART 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 and other operating equipment.

Fiscal Operations

The OPC's fiscal operations underwent a significant change beginning January 1, 2016 (the start of the fiscal period). Prior to this date, the financial accounting and reporting, payroll and benefits, as well as the treasury functions for the OPC were administered by the City of Rochester Hills, the largest of the three communities that comprise the OPC. Although all original work, such as payroll timekeeping, review of invoices, verification of goods and services received, and receipt of cash/check/credit card payments, was processed by OPC financial office staff, all official accounting, financial reporting, and invoice payments were conducted by Rochester Hills staff. Beginning with the fiscal period of this audit, those functions were absorbed by OPC financial office staff.

The OPC fiscal operations are the responsibility of the financial office, directed by a full-time Financial Director, a full-time Financial Coordinator, and four (4) part-time cashiers. The Financial Director is responsible for the overall fiscal operations of the OPC; producing and monitoring the OPC budget; functioning as the staff liaison to the Governing Board's Finance Committee and the Governing Board for fiscal matters; liaison with the independent auditors; financial forecasting; and the primary treasury functions. The Financial Coordinator is responsible for supervising the cashiers; verifying the daily cash receipt batches and deposits; processing payroll, invoices, and p-card receipts; completing journal entries and entering financial data into the OPC Blackbaud Financial Edge (FE) accounting and financial reporting system; and completing the nutrition and transportation grant reports. Cashiers are responsible for selling tickets to classes, activities, and programs; cash receipting; and producing reports for programs and grants.

The release of OPC funds for the payment of goods and services procured by the OPC requires a detailed invoice or receipt (for p-card purchases), approved by the purchaser and authorized by the purchaser's department head. Request for payment is submitted to the financial office where the Financial Coordinator reviews the invoice/receipt for accuracy, the absence of sales tax, and that the account numbers assigned are accurate. Once verified, the Financial Coordinator begins the payment processing by entering the pertinent information into the OPC's Financial Edge (FE) 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 Financial Director. The Financial Director reviews all applicable paperwork and approvals and signs the payment checks. The signed checks are then submitted back to the Financial Coordinator who completes the payment process by posting the appropriate payments and distributing those payments to the appropriate vendors.

Payroll is processed electronically via a professional services contract with DM Payroll of Troy, Michigan and its timekeeping partner, Cincinnati Time, Inc. Hourly employees enter time daily on an electronic format provided by Cincinnati Time, Inc. by "punching-in" on their work computers or smart phones 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. Salary employees are not required to punch in or out; the timekeeping system automatically records these individuals as present unless they record a vacation day or approved holiday. At the end of the biweekly pay period, supervisors electronically approve their employees' time. Once all time is approved, the financial office reviews the time and electronically processes time through DM Payroll. All OPC employees are required to have direct deposit; no payroll checks are written. DM processes all payroll and pays all appropriate taxes.

The OPC financial office receipts for all payments made to the OPC. Each payment is individually entered into My Senior Center (MSC), the 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 database system. Two cashiers are always present; each balances their own batch report with the funds on hand and then cross verifies each other's report and cash. The twice-verified receipts are then checked a third time by the Financial Coordinator, who then completes a bank deposit slip. Receipts are deposited every business day by the Financial Director. The Financial Director also checks the OPC's online banking system every day to verify that the previous day's deposits were received and credited to the OPC account and that the deposits match the MSC daily report. On a weekly basis, the Financial Coordinator enters the daily receipts into the FE system via a journal entry.

The OPC financial office also provides the treasury function for the organization. In addition to nightly bank deposits, the Financial Director verifies bank deposits on a daily basis, records when checks are cleared, authorizes automated clearing house (ACH) releases for the p-card, nutrition food, and supply purchases and defined contribution pension payments. The Financial Director also manages and monitors the limited OPC investment portfolio, along with the City of Rochester Hills Treasurer. Finally, bank reconciliations are performed by the Financial Coordinator.

The current fiscal period is from January 1 through September 30, 2016. By action of the OPC Board, beginning October 1, 2016, the OPC's fiscal year will be October 1 through September 30.

FP 2016 Performance (January - September)

(Note: The MD&A provides a detailed discussion of the OPC's FP 2016 fiscal operations; please refer to that section of the report.)

The nine-month period reflected in this audit and report was very busy and very successful for the OPC; this includes successful administrative changes reflecting in new operating and management systems; improvements to the OPC facility, which increased the life of the facility and enhanced the experience for members; successful voter millages and grant acceptances; and increased emphasis on fundraising and sponsorships, which has increased the OPC's assets and ability to provide services.

Program year 2016 saw the full implementation of a number of new administrative and operating systems in the OPC, all of which improved administrative efficiency and increased the OPC's ability to expand services and increase reporting capabilities. This includes the full use of the My Senior Citizen (MSC) database, which provides detailed tracking and reporting of all activities of the center, including membership tracking, building and class scheduling, online class and program registration, kiosk capabilities, nutrition tracking and reporting, group and individual electronic communications, cash receipting, and other services.

Also, after extensive review and a competitive bid process, the OPC purchased the Financial Edge (FE) system also by Blackbaud in September 2015, which was implemented January 4, 2016. Financial Edge is a cloud-based system which is not housed on the OPC file server. It is therefore not an asset owned by OPC, but a service purchased by the OPC. The system includes accounts payable, accounts receivable, budgeting, accounting, financial reporting, and fixed assets. Beginning in January 2016, all financial reports have been produced by Financial Edge.

In addition to the purchase of FE, the OPC also outsourced its timekeeping and payroll processing, previously produced by the City of Rochester Hills. As with the financial software purchase, the OPC engaged in a competitive bid process which resulted in a three-year contract with DM Payroll, Inc. of Troy, Michigan. A portion of the DM contract also includes the use of the NOVA timekeeping system produced by Cincinnati Time. The NOVA system allows employees to electronically “punch-in” and “punch-out” on any electronic device, including mobile devices. Supervisors also approve time electronically. This addition allows for more accurate timekeeping, elimination of paper time cards, and more efficient processing of payroll by the financial office. The DM Payroll system also provides a variety of analytical reports which are becoming a valuable tool in the tracking of the OPC’s largest cost item. Use of the DM/NOVA system began on December 28, 2015 (first pay period of 2016).

In late 2015, the OPC was the recipient of a Federal Section 5310 capital transportation grant to purchase transportation scheduling software. Previously, scheduling of the approximately 150 daily rides was completed by OPC staff on a manual basis. This was understandably a large daily project, moving the clients while attempting to maximize the efficient use of the buses. The PC Trans system was purchased and implemented in August 2016 and provides the ability not only to schedule rides, but to maximize bus usage, track driver time, and produce usage reports which are required as part of the OPC’s agreement with SMART.

A number of facility improvements were completed during the 2016 fiscal period. These include having the main floor of the facility receive new paint, carpeting, vinyl flooring, and reupholstered furniture; installation of LED lighting in the gym, pool, and front stairway which led to a successful energy efficiency audit and receipt of \$9,600 in DTE grant awards related to the improved energy efficiency; additional alarm and camera security system for the facility; updates to the pool area including cylinder sand and pipe replacement, pool grates, and ceramic tile power washing and complete steam cleaning; repairs to the HVAC systems; and overhaul of irrigation system. In addition, the records retention system was reworked and was moved to a smaller space within the facility. This allowed for the expansion of the pottery room.

The OPC transportation program is partially funded by millages approved by the residents of the City of Rochester Hills and Oakland Township as well as a General Fund appropriation from the City of Rochester which equates to the millage passed by the other communities. In November 2015, residents of the City or Rochester Hills approved a .10 mill levy for transportation services through calendar year 2026. In November 2016, the residents of Oakland Township renewed the .09 mill levy for transportation services also through 2026, an approved a General Fund appropriation equal to .01 mills to total an amount equal to .01 mills to support the transportation program.

The OPC was also the recipient of additional Federal Section 5310 capital transportation grant funds to obtain four new handicap-accessible buses. Delivery of three of the buses is scheduled before the end of calendar year 2016.

Finally, OPC Administration and Board realize that donations are a significant resource supporting OPC operations and services. In the 2016 fiscal period, approximately 15 percent of OPC resources came from donations. Donations, however, are not a guaranteed source of income. In fact they are a volatile source of income, shifting with the financial fortunes of the donors, as well as the competing donation requests generated by other worthy organizations. As described above, the OPC engages in a number of fundraising events, many of which have been used for a number of years, all of which achieve various levels of success. However, there is little understanding regarding if these activities are as successful as they could be. Is the OPC maximizing these efforts? Are there other activities which can generate more revenue?

During the 2016 fiscal period, the OPC engaged the firm of Richner & Richner to conduct an analysis of the OPC's fundraising efforts and to recommend a fundraising plan which would maximize those efforts. Richner & Richner engaged in an extensive process of interviewing members of the community, OPC members, staff, locally elected officials and business leaders ascertaining how the OPC is viewed by these constituent groups and what methods could be used to enhance fundraising efforts. Drawing from these interviews and their own expertise in developing fundraising strategies for various nonprofit organizations, Richner & Richner produced a comprehensive fundraising plan for the OPC to implement.

One recommendation included in the Richner & Richner plan was to establish a director equivalent position to lead the fundraising and sponsorship efforts. This was completed in September 2016 when the OPC contracted with an experienced individual to lead its fundraising program. Positive results have already been seen from this move as several new sponsors have agreed to support a number of ongoing OPC activities.

Finally, a particularly special gift was donated to the OPC in June 2016. Par Pharmaceutical Company, whose property abuts to the OPC from the east, donated the 2.87 acres of land which directly touches the OPC property, to the OPC. The land donated has a market value of \$300,000. This donation is in line with Par's and its predecessor Parke Davis' commitment to the communities they house their facilities in. In addition to the land, Parr also donated a historic barn, used by Parke Davis to test tetanus and diphtheria vaccines on horses. Although there are no immediate plans for the land, the OPC is anticipating expanding the parking lot on to the new land as well as utilizing the barn as a special events venue.

FY 2017 Initiatives

The OPC Board and Administration are planning a number of new initiatives for FY 2017, all of which should enhance the positive experience for our members and improve the overall efficiency and effectiveness of our operation.

In January 2017, the OPC will engage in a strategic planning process, updating the plan approved by the OPC Board in January 2009. The plan, developed with the assistance of staff from the Southeast Michigan Council of Governments (SEMCOG), will involve OPC staff, Board, and members as well as individuals from local government and the business community. Included in this plan will be an expanded marketing strategy developed from the Richner & Richer analysis. It is anticipated that the output of this effort will provide a blueprint to guide OPC efforts for the foreseeable future.

Additionally, the OPC plans to implement an online registration and payments system for select activities at the center. This process is anticipated to begin in December 2016/January 2017. Most of the new OPC members are tech savvy and in fact prefer to conduct business online, at their place and time of choosing. This effort should also relieve some of the congestion currently being experienced at the OPC cashier window and allow for timelier returning of phone calls, which has been an issue due to increased cashier window activity.

Coinciding with the new online registration and payment system, the OPC plans to enhance the members' experience by adding a recognizable welcome desk to the front entrance and staffing the desk with a customer service representative. Currently welcome activities are "shared" between the volunteer desk and the cashier's window. This leads to some confusion as members enter the facility. A designated welcome desk will enhance the members' experience.

Also during FY 2017, the OPC will work to develop plans for the use of the land and historic barn donated by Par Pharmaceuticals. Although actual development of the land and barn may not take place for several years, developing a plan for use is one of the priorities for FY 2017.

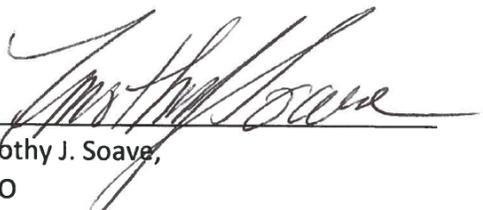
Finally, there are a number of administrative initiatives which will be engaged in during FY 2017. These include a review of the Board's bi-laws, updating the employee manual, and a number of procedures to document the use of the new technology systems.

The OPC is pleased to present the annual financial report. We wish to thank the Governing Board for their guidance of the operation; the Rochester and Rochester Hills City Councils as well as the Oakland Township Board for their continued support; and the dedicated and caring staff of the OPC for making us the premier senior activity center in the state.

Respectively submitted:



Renee Cortright
Executive Director



Timothy J. Soava,
CPFO
Financial Director

Independent Auditor's Report

To the Board of Directors
Rochester Hills-Oakland-Rochester
Older Persons' Commission

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the General Fund of Rochester Hills-Oakland-Rochester Older Persons' Commission (the "Commission"), a component unit of the City of Rochester Hills, Michigan, as of and for the nine months ended September 30, 2016 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Directors
Rochester Hills-Oakland-Rochester
Older Persons' Commission

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the General Fund of Rochester Hills-Oakland-Rochester Older Persons' Commission as of September 30, 2016 and the changes in its financial position for the nine months then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental 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 schedule on pages 15-27 and 42, respectively, 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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Rochester Hills-Oakland-Rochester Older Persons' Commission's basic financial statements. The letter of transmittal is presented for purposes of additional analysis and is not a required part of the basic financial statements. The letter of transmittal has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Plante & Moran, PLLC

December 22, 2016

Rochester Hills-Oakland-Rochester Older Persons' Commission

Management's Discussion and Analysis

Our discussion and analysis of Rochester Hills-Oakland-Rochester Older Persons' Commission (the "Commission" or OPC) financial performance provides an overview of the Commission's financial activities for the fiscal period ended September 30, 2016. 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 period 2016 by \$531,694 to \$15,950,576 (3.4 percent). This change reflects the impact of changing the Commission's fiscal year from January-December to October-September, rendering a nine-month reporting period, as well as a land donation received by the Commission.
- The Commission's General Fund (the Commission's only fund) reported an ending fund balance of \$1,671,326, of which \$66,994 is prepaid and the remainder is unassigned. This amount is an increase of \$627,564 (60.1 percent) from the previous fiscal year, again primarily reflecting the change in fiscal reporting period.
- Net capital assets decreased by \$92,827 to \$14,322,768, reflecting the normal depreciation of long-term assets as well as the completion of depreciation on a number of assets. This amount was partially offset by receipt of a land donation.
- The only long-term debt is a liability account for employee compensated absences which has a balance of \$54,524, an increase of \$6,823, reflecting increased employee vacation accumulation.

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 (Continued)

- The third column presents the Commission's operations on a full accrual basis, which provides both long- 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 as 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 only reported on the General Fund statement 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 (Continued)

Commission as a Whole

The following table shows the net position of the governmental activities in a condensed format as of September 30, 2016 in comparison to the prior two years (in thousands of dollars):

	2014	2015	2016	Change from Prior Year	
				Dollars	Percent
Assets					
Cash and investments	\$ 913	\$ 1,106	\$ 1,839	\$ 733	66.3
Other current assets	312	165	209	44	26.7
Capital assets	14,925	14,416	14,323	(93)	(0.6)
Total assets	16,150	15,687	16,371	684	4.4
Liabilities					
Unearned revenue	247	87	175	88	101.1
Accounts payable and other	180	133	191	58	43.6
Noncurrent liabilities	51	48	54	6	12.5
Total liabilities	478	268	420	152	56.7
Net Position					
Net investment in capital assets	14,925	14,416	14,323	(93)	(0.6)
Restricted	5	-	-	-	-
Unrestricted	742	1,003	1,628	625	62.3
Total net position	<u>\$ 15,672</u>	<u>\$ 15,419</u>	<u>\$ 15,951</u>	<u>\$ 532</u>	3.4

The Commission's combined net position improved by 3.4 percent from the previous fiscal year; increasing \$531,694 from \$15,418,882 to \$15,590,576. Of this amount, total assets increased \$683,440 (4.4 percent); total liabilities increased \$151,746 (56.6 percent); net investment in capital assets fell \$92,827 (0.6 percent) and unrestricted net position increased \$624,521 (62.3 percent).

The primary reason for the increase in net position is the impact of the Commission's decision to change its fiscal year from a January-December format to an October-September format beginning October 1, 2016. This generated a nine-month fiscal reporting period for this financial report, January 1 - September 30, 2016, which because of the timing of the Commission's revenue and expenses, increased the Commission's net position. While the Commission's expense pattern is relatively consistent throughout the calendar year, the revenue inflow, specifically local government contributions, are heavily weighted in the January-March timeframe. Therefore, the shorting of the 2016 fiscal reporting period generated 12 months of some large revenue (assets) and only nine months of expenses.

Rochester Hills-Oakland-Rochester Older Persons' Commission

Management's Discussion and Analysis (Continued)

The increase in total assets is comprised of a \$732,489 (66.3 percent) increase in cash and investments from the previous fiscal year, which reflects the Commission receiving 12 months' tax allocation from the City of Rochester Hills, Michigan and the Charter Township of Oakland (the largest contributors to the Commission), over the nine-month fiscal period while spending approximately three-quarters of these resources during the nine-month 2016 fiscal reporting period. In addition, other current assets increased \$43,778 (26.7 percent) primarily in prepaid expenses, also directly relating to the change in fiscal year.

(It should be noted that the increase in net position also reflects general increases in revenue and general expenditure reductions across commission operations, beyond the impact of the fiscal year change. These other impacts are discussed later in this management's discussion and analysis.)

The increase in cash and investments and other current assets was partially offset by a net reduction of \$92,827 (0.6 percent) in capital assets. The reduce value reflects additional depreciation expense of \$414,612 which represents normal depreciation as well as a number of Commission assets coming off the books due to reaching full depreciation. This reduced value was offset by \$321,785 in asset additions, including a land donation discussed further in this management's discussion and analysis.

The reduction in the net investment in capital assets was offset by an increase of \$624,521 in unrestricted net assets. This increase in unrestricted net assets reflects the fiscal year change as well as operational savings, both of which are discussed later in this document. Unrestricted net position (the portion of net position that can be used to finance day-to-day operations) stands at \$1,627,808 as of September 30, 2016. This amount is approximately 39.0 percent of anticipated annual expenses.

Rochester Hills-Oakland-Rochester Older Persons' Commission

Management's Discussion and Analysis (Continued)

The following table shows the comparison of changes of the net position of the governmental activities during the fiscal period ended September 30, 2016 to the prior two years (in thousands of dollars):

	2014	2015	2016	Change from Prior Year	
				Dollars	Percent
Revenue					
Member government contributions	\$ 1,525	\$ 1,515	\$ 1,590	\$ 75	5.0
Nonresident member fees	73	86	69	(17)	(19.8)
Grants and donations	1,207	1,216	1,095	(121)	(10.0)
Program fees	1,142	1,374	1,091	(283)	(20.6)
Investment income	4	4	3	(1)	(25.0)
Other	152	228	160	(68)	(29.8)
Total revenue	4,103	4,423	4,008	(415)	(9.4)
Expenses					
Salaries and fringes	2,357	2,307	1,692	(615)	(26.7)
Professional services	585	833	597	(236)	(28.3)
Operating supplies	483	479	408	(71)	(14.8)
Maintenance, insurance, capital outlay, and other	561	476	364	(112)	(23.5)
Depreciation	579	581	415	(166)	(28.6)
Total expenses	4,565	4,676	3,476	(1,200)	(25.7)
Gain on Disposal of Assets	-	-	-	-	-
Change in Net Position	\$ (462)	\$ (253)	\$ 532	\$ 785	(310.3)

Governmental Activities - Revenue

The Commission's total governmental revenue was \$4,007,663. The three largest revenue items represent 94.2 percent of all governmental activities revenue as follows:

- Member government contributions at \$1,590,108; 39.7 percent of revenue
- Grant and donations which totals \$1,094,369; 27.3 percent of the revenue
- Program fees, including activity fees and cafeteria sales, \$1,090,425, or 27.2 percent of revenue
- The remaining \$232,761 (5.8 percent) reflects nonresident members, investment income, and other sources.

Rochester Hills-Oakland-Rochester Older Persons' Commission

Management's Discussion and Analysis (Continued)

In fiscal period 2016, total revenue decreased by \$415,705, or 9.4 percent, compared to the prior fiscal year. The overall revenue decrease primarily reflects the shifting of the fiscal year which created a nine-month fiscal reporting period. Generally, three months' less revenue was collected in fiscal period 2016 as opposed to fiscal year 2015, with the exception of member government contributions. Both the City of Rochester Hills, Michigan and the Charter Township of Oakland provide their tax revenue to the Commission in the January-March time frame. Thus, 12 months of collection (\$1,072,575 from Rochester Hills and \$381,251 from Oakland Township) was recorded in the nine-month 2016 fiscal period. The City of Rochester Hills, Michigan and the Charter Township of Oakland comprise 96.3 percent of the tax revenue received by the Commission.

The remaining revenue sources, which tend to be collected on a consistent basis across the calendar year, were affected by the fiscal year change. With the fiscal period reduced by three months, collections for the remaining program areas were less than reported for fiscal year 2015. However, it is important to note that when the amounts collected in fiscal period 2016 are mathematically annualized, the result indicates a higher rate of collection than fiscal year 2015.

The Commission received \$1,094,369 in grants and donations during fiscal period 2016. This amount is \$121,160 (10.0 percent) less than fiscal year 2015. However, since 25 percent of the business year is missing from fiscal period 2016, program income increased on an annualized basis (assuming consistent collections). Furthermore, this reduction masks the fact that the Commission received a donation of land from Par Pharmaceuticals Company (Par), the Commission's neighbor to the east. In June 2016, Par donated 2.87 acres of land to the Commission, worth \$300,000. Included in this donation is not simply the acreage, but a historical barn as well. The Commission is developing plans for use of the land and barn, including possibly rehabilitating the barn as an event venue and adding parking for commission members. Furthermore, the Commission received an additional grant of \$5,901 from SMART to purchase a new transportation dispatch system.

The Commission collected \$1,090,425 in program fees during fiscal period 2016, \$284,356 (20.7 percent) less than fiscal year 2015. As was experienced with grants and donation, since 25.0 percent of the business year is missing during fiscal period 2016, program income increased on an annualized basis (assuming consistent collections). In particular, Health and Wellness activities experienced increased participation and thus fee collections. In addition, new life enhancement program activities began during fiscal period 2016, which increased fee collections.

Rochester Hills-Oakland-Rochester Older Persons' Commission

Management's Discussion and Analysis (Continued)

Furthermore, "other" revenue decreased by \$68,471, or 29.8 percent, from fiscal year 2015 amounts. As with the other revenue sources, this reduction reflects nine months of collections rather than actual reduced activity. In particular, nonresident memberships increased during fiscal period 2016; however, due to the shortened reporting period, nonresident fee revenue fell by \$16,601, or 19.8 percent, from fiscal year 2015. In addition, reimbursement received by the Commission from their liability insurance carrier, Michigan Municipal Risk Management Authority (\$96,824), although much higher than budgeted, was below the record reimbursement recorded in fiscal year 2015.

Governmental Activities - Expenses

The Commission's total governmental expenses were \$3,475,969 during fiscal period 2016.

- Salaries, wages, and fringe benefits are the largest expense of the Commission, totaling \$1,692,256, representing 48.7 percent of the Commission's total expenses. Of the approximately 120 Commission employees, 18 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 100 employees are all part-time (maximum 28 hours per week) and are covered by FICA, workers' compensation, and unemployment insurance.
- Professional services, which include all outside contractors, such as health and wellness instructors, programs and art instructors, information technology support services, health services, social services support, audit services, and legal support, was the second largest expense category at \$597,495 (17.2 percent) of the Commission's total expenses.
- Depreciation expense was \$414,612 during fiscal period 2016, which represents 11.9 percent of commission expenses.
- The remaining expenses are equally divided between operating supplies (\$407,615, 11.7 percent) and maintenance, insurance, and other (\$363,991, 10.5 percent).

Overall, expenses for fiscal period 2016 decreased by \$1,200,260 from fiscal year 2015 amounts; this equates to 25.7 percent. As with the revenue collections experienced in fiscal period 2016, the reduction in expenses reflects the effect of the nine-month fiscal reporting period. However, it is important to note that several expense items reported a larger reduction than would have been anticipated simply by removing three months of activity from the reporting period.

Rochester Hills-Oakland-Rochester Older Persons' Commission

Management's Discussion and Analysis (Continued)

Salary, wages, and fringe benefits for fiscal period 2016 we reported at \$1,692,256, \$614,571 (26.7 percent) less than the fiscal year 2015 amount. In addition to the shortened reporting period, this reduction reflects the elimination of one director level position as the marketing and sponsor development function was reallocated to a contract position. Normal turnover experienced during the course of the year period also contributed to the reduction in this expense category.

Professional services expenses decreased by \$235,449, or 28.3 percent, over the fiscal year 2015 level. In addition to the fiscal year change, this reduction in expense also reflects reworking of the health and wellness professional services contracts to develop a more consistent pay schedule.

Fiscal period 2016 expenses for operating supplies, maintenance, insurance and utilities, and other expenses were \$183,813 (19.2 percent) less than the amount expended, in fiscal year 2015. This decrease, which primarily reflects the absence of three months' activity, was partially offset by increased expenses related to improvements to the facility - specifically new flooring and paint throughout the first floor of the facility

The General Fund

Our analysis of the Commission's General Fund (the Commission's only fund) is included on pages 28 and 29 in the first column of the respective statements. The fund column provides detailed information about the General Fund on 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).

Rochester Hills-Oakland-Rochester Older Persons' Commission

Management's Discussion and Analysis (Continued)

The following is a five-year analysis of the General Fund's operations (in thousands of dollars):

	December 31				September 30		Change from Prior Year	
	2012	2013	2014	2015	2016	Dollars	Percent	
Revenue								
Member government contributions	\$ 1,528	\$ 1,494	\$ 1,525	\$ 1,515	\$ 1,590	\$ 75	5.0	
Nonresident member fees	71	74	73	86	69	(17)	(19.8)	
Grants and donations	1,513	1,115	1,168	1,216	785	(431)	(35.4)	
Program fees	1,177	1,295	1,142	1,375	1,089	(286)	(20.8)	
Investment income	8	6	4	4	3	(1)	(25.0)	
Other	160	128	153	228	160	(68)	(29.8)	
Total revenue	4,457	4,112	4,065	4,424	3,696	(728)	(16.5)	
Expenditures								
Salaries and fringes	2,155	2,270	2,360	2,311	1,678	(633)	(27.4)	
Professional services	591	631	585	833	597	(236)	(28.3)	
Operating supplies	499	505	483	479	408	(71)	(14.8)	
Maintenance, insurance, capital outlay, and other	1,057	758	1,589	547	386	(161)	(29.4)	
Total expenditures	4,302	4,164	5,017	4,170	3,069	(1,101)	(26.4)	
Other Financing Sources - Sale of assets	11	11	-	-	-	-	-	
Net Change in Fund Balance	166	(41)	(952)	254	627	373	146.9	
Fund Balance								
Beginning of period	1,617	1,783	1,742	790	1,044	254	32.2	
End of period	<u>\$ 1,783</u>	<u>\$ 1,742</u>	<u>\$ 790</u>	<u>\$ 1,044</u>	<u>\$ 1,671</u>	<u>\$ 627</u>	60.1	

The Commission's General Fund balance for the fiscal period ended September 30, 2016 was \$1,671,326, which was an increase of \$627,564 (60.1 percent) over the fund balance reported for the year ended December 31, 2015. The fund balance as of September 30, 2016 represents 40.8 percent of annualized expenditures.

As explained earlier in the governmental activities section of this management's discussion and analysis, the increase in fund balance primarily reflects the Commission's changing of the fiscal year beginning October 1, 2016; rendering a nine-month fiscal reporting period. In particular, the Commission received a full 12 month allotment of property tax revenue from the City of Rochester Hills, Michigan and the Charter Township of Oakland (recorded as member government contributions in the above chart), however expended nine months of these resources.

Beyond the fiscal year change, however, the increase in General Fund balance can be attributed to overall expenditure reductions. Although there was 25.0 percent less activity time reported in fiscal period 2016 as opposed to fiscal year 2015, the Commission expended 26.4 less in fiscal year 2016 as opposed to fiscal year 2015. This represents an additional 1.4 percent reduction in expenditures than can be attributed to the fiscal year change. As explained earlier in the management's discussion and analysis, salaries and fringes as well as professional services recorded reduced expenditures due to staff turnover and the reworking of professional services contracts.

Rochester Hills-Oakland-Rochester Older Persons' Commission

Management's Discussion and Analysis (Continued)

Further, General Fund maintenance, insurance, capital outlay, and other cost fell 29.4 percent below fiscal year 2015 levels; 4.4 percent more than that which can be attributed to the fiscal year change. The primary reason for this level of reduced expenditures relates to the use of LED lighting in the gym and pool areas, which reduced commission utility expenses substantially.

General Fund Budgetary Highlights

The original fiscal year 2016 budget assumed a 12-month operating period, January 1, 2016 through December 31, 2016. In May 2016, the Commission changed the fiscal year to an October 1 - September 30 period, beginning October 1, 2016. As previously discussed, this move generated a nine-month fiscal reporting period for 2016, rendering the 12-original 2016 budget unrepresentative of 2016 activities. Accordingly, in July 2016, along with approving the fiscal year 2017, 2018, and 2019 annual budget, the Commission amended the fiscal period 2016 budget to reflect the nine-month activity period.

The required supplemental information section of this financial report shows the details of the original budget, amended budget, actual amounts, and variance from amended budget. The Commission's fiscal period 2016 amendment reduced both General Fund revenue and expenditures by \$646,846 (15.3 percent). As is indicated by the total amendment amount, the amended budget did not simply reflect a 25.0 percent reduction based upon losing 25.0 percent of the activity year; rather, the Commission's amended budget accounted for the actual pace of revenue collections and anticipated expenditures experienced from January 1, 2016 through September 30, 2016. Because of the upfront property tax distribution received from the City of Rochester Hills, Michigan and the Charter Township of Oakland, the Commission's amended budget assumed that \$435,213 in resources would not be spent during the fiscal period; this amount was budgeted under a contingency account in OPC administration.

General Fund revenue exceeded the Commission's amended budget by \$122,017 (3.4 percent). Nutrition revenue exceeded budget by \$76,219 (13.7 percent) due to an increased number of meals being served, which increased federal reimbursement from the Area Agency on Aging I-B as well as an increase in the federal supplementary incentive (NSIP) reimbursement rate from \$0.56 to \$0.66 per meal in March 2016. Further, sponsorship revenue for the Commission's charity event exceeded the amended budget by \$32,727 (30.4 percent) due to more aggressive efforts to identify event sponsors. Administrative revenue exceeded budget by \$29,021 (2.1 percent) due to higher insurance rebates than anticipated as well as increased nonresident memberships. Health and wellness revenue was \$26,698 higher than the Commission's amended budget (8.7 percent) due to increased fee income reflected new class offerings and increased class participation.

Rochester Hills-Oakland-Rochester Older Persons' Commission

Management's Discussion and Analysis (Continued)

The above positive revenue variances (compared to the amended budget) were partially offset by transportation revenue falling \$54,761 below the Commission's amended budget (8.8 percent). This variance is reflected of the fact that City of Rochester, Michigan's transportation appropriation was budgeted to be received in fiscal period 2016, but was actually received in fiscal year 2017. The fiscal period 2016 amended budget was incorrect and should not have assumed receipt of these funds during the 2016 fiscal period. In addition, leisure travel revenue was \$16,159 below the amended budget (6.1 percent) due to a portion of revenue collected during fiscal period 2016 actually reflecting fiscal year 2017 travel, thus accrued into fiscal year 2017. The Commission's budget incorrectly assumed the revenue in question was fiscal period 2016 revenue.

General Fund expenditures were \$505,547 (14.1 percent) below the Commission's amended budget. The vast majority of this amount, 86.1 percent (\$435,213), reflects the anticipated unspent funds which were budgeted under the contingency account in the OPC administration program area. Additionally, facilities management spent \$88,113 less in fiscal period 2016 (20.1 percent) than budgeted. The positive expenditure variance reflects less salaries and benefits expenditures due to staff turnover, reduced public utilities expenditures due to improved utility efficiencies, and certain capital improvements which were moved to fiscal year 2017. The transportation program areas also underspent the Commission's amended budget by \$57,135 (10.6 percent). This variance primarily reflects reduced fuel cost as fuel prices fell during fiscal period 2016 as well as reduced maintenance expenses as the Commission utilized the less expensive SMART service for maintenance.

Eight program areas exceed their amended expenditures budgets during fiscal period 2016. As with some of the negative revenue variance discussed above, many of these departments exceeded the Commission's amended expenditure budget due to the fact that the amended budget did not appropriately anticipate the fiscal period 2016 experience; some variances are the result of inappropriate budgeting rather than altered activity.

Senior resources exceeded budget by \$32,261 (122.0 percent) due to a reorganization adding an additional position to this program area (transferred from other areas), which was not properly recognized in the amended budget. Further, leisure travel activity exceeded the amended expenditure budget by \$28,223 (12.0 percent) and programs and activities exceeded the amended budget by \$1,378 (1.2 percent) due to the fact that the amended budget did not properly account for the anticipated professional service expenditures.

Rochester Hills-Oakland-Rochester Older Persons' Commission

Management's Discussion and Analysis (Continued)

The performing arts program area exceeded the amended expenditure budget by \$22,939 (81.9 percent) due to the fact that the performing arts director's position was charged 100.0 percent to this program area; however, the amended budget anticipated that 50.0 percent of the position would be charged to OPC administration. Further, the corner café exceeded the amended expenditure budget by \$3,204 (10.2 percent) as the amended budget did not fully account for the anticipated wage expenditures. The newsletter/vintage view program area exceeded the amended budget by \$1,625 (7.7 percent) as a part-time clerical position was charged 100.0 percent to this unit while the Commission's amended budget anticipated that 50.0 percent would be charged to OPC administration. It should be noted that operating expenditures for the newsletter activity partially offset this budgeting error, with these expenditures being approximately \$5,400 below the amended budget.

The act of kindness activity's expenditures exceeded the amended budget by \$719 (10.6 percent) due to increased repair activity. Finally, the recreation program exceeded its expenditure budget by \$7,478 (15.3 percent). This figure represents cost related to the activities of the Michigan Senior Olympics (MSO), a separate organization. MSO fully reimburses the Commission for these costs, so revenue again offset this expenditure variance.

Capital Assets and Debt Administration

At the end of fiscal period 2016 (September 30, 2016), the Commission reports \$14,322,768 invested in a broad range of capital assets, including buildings, furniture, and vehicles. This reflects a decrease of \$92,827 in net assets (0.65 percent) from those assets reported as of December 31, 2015. Of this total:

- \$3,090,244 reflects capital assets not being depreciated (land).
- \$18,344,578 in capital assets being depreciated, of which buildings and improvements represents \$13,921,045 or 75.9 percent of this category
- \$7,112,054 in depreciation

Fiscal period 2016 acquisitions include \$300,000 of value, representing 2.87 acres of land and a historical barn donated by Par Pharmaceuticals to the Commission; \$8,386 in building improvements, including a new heater/boiler for the lap pool and a new building shed for the garden; and \$13,399 in new machinery and equipment including three indoor spinning bikes, an upper body exercise machine, five smart televisions and a drinking fountain for the health and wellness area, four eight-foot rectangular tables for the facility, and 250 meal transport bags for the meals on wheels program.

The Commission did not dispose of any equipment during fiscal period 2016.

The net additions discussed above were offset by a \$414,612 increased depreciation expense for the depreciable assets.

Rochester Hills-Oakland-Rochester Older Persons' Commission

Management's Discussion and Analysis (Continued)

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 is \$54,524 as of September 30, 2016. This amount is a net increase of \$6,823 from the previous fiscal year, reflecting an increased amount of unused vacation days accumulated by eligible employees. Of this amount, \$44,164 would be due in one year should the eligible employees leave commission service.

Economic Factors

Changing demographics of the communities serviced by the Commission will drive operational decisions for years to come. According to the Southeast Michigan Council of Governments (SEMCOG), Oakland County has more senior citizen residents than school age children, and the senior population in the Commission's three participating communities will increase by 27 percent by 2025. Such a demographic change will increase the demand for commission services. The Commission must continue to obtain new resources in order to meet this increasing demand. The improved local economy has resulted in increased property values, and thus improving tax revenue; however, that resource alone will not be enough to meet the demand. The Commission has engaged in a concerted effort to increase its fundraising capacity, including contracting with a professional firm to develop a strategic and tactical fundraising plan. In addition, the land donated by Par Pharmaceuticals to the Commission should allow the Commission to expand facility parking to meet the needs of increasing number of members. Furthermore, the Commission is contemplating converting the donated historical barn to a venue/event site which can be used to host commission events and used as a revenue generator through the renting of the facility for specific outside events.

Contacting the Commission's Management

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 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 Persons' Commission

Statement of Net Position/Governmental Funds Balance Sheet September 30, 2016

	Modified Accrual Basis		Adjustments (Note 2)		Statement of Net Position
	General Fund				
Assets					
Cash and cash equivalents (Note 3)	\$ 1,093,734	\$ -		\$ 1,093,734	
Investments (Note 3)	745,099	-		745,099	
Receivables:					
Accounts receivable	47,304	-		47,304	
Accrued interest receivable	2,582	-		2,582	
Due from other governmental units	92,355	-		92,355	
Prepaid expenses and other assets	66,994	-		66,994	
Capital assets (Note 4):					
Assets not subject to depreciation	-	3,090,244		3,090,244	
Assets subject to depreciation	-	11,232,524		11,232,524	
Total assets	\$ 2,048,068	14,322,768		16,370,836	
Liabilities					
Accounts payable	\$ 108,094	-		108,094	
Accrued liabilities and other	82,812	-		82,812	
Unearned revenue	174,830	-		174,830	
Compensated absences (Note 5):					
Due within one year	-	44,164		44,164	
Due in more than one year	-	10,360		10,360	
Total liabilities	365,736	54,524		420,260	
Deferred Inflows of Resources - Unavailable revenue	11,006	(11,006)		-	
Equity					
Fund balance:					
Nonspendable - Prepays	66,994	(66,994)		-	
Unassigned	1,604,332	(1,604,332)		-	
Total fund balance	1,671,326	(1,671,326)		-	
Total liabilities, deferred inflows of resources, and fund balance	\$ 2,048,068				
Net position:					
Net investment in capital assets		14,322,768		14,322,768	
Unrestricted		1,627,808		1,627,808	
Total net position		\$ 15,950,576		\$ 15,950,576	

Rochester Hills-Oakland-Rochester Older Persons' Commission

Statement of Activities/Governmental Fund Revenue, Expenditures, and Changes in Fund Balance Nine Months Ended September 30, 2016

	General Fund	Adjustments (Note 2)	Statement of Activities
Revenue			
Member government contributions	\$ 1,590,108	\$ -	\$ 1,590,108
Nonresident member fees	69,411	-	69,411
Federal sources	406,908	-	406,908
State sources	2,052	-	2,052
SMART	91,963	5,901	97,864
Private donations	283,795	303,750	587,545
Reimbursements and other miscellaneous revenue	159,871	-	159,871
Program fees and sales	1,090,543	1,355	1,091,898
Investment earnings	3,479	-	3,479
	<u>3,698,130</u>	<u>311,006</u>	<u>4,009,136</u>
Expenditures/Expenses			
Salaries and wages	1,432,219	-	1,432,219
Fringe benefits	245,988	14,049	260,037
Professional services	598,968	-	598,968
Operating supplies	407,615	-	407,615
Equipment maintenance and replacement	116,696	-	116,696
Capital outlay	21,785	(21,785)	-
Insurance and utilities	169,011	-	169,011
Other expenses	78,284	-	78,284
Depreciation	-	414,612	414,612
	<u>3,070,566</u>	<u>406,876</u>	<u>3,477,442</u>
Net Change in Fund Balances/Net Position	627,564	(95,870)	531,694
Fund Balances/Net Position - Beginning of period	<u>1,043,762</u>	<u>14,375,120</u>	<u>15,418,882</u>
Fund Balances/Net Position - End of period	<u>\$ 1,671,326</u>	<u>\$ 14,279,250</u>	<u>\$ 15,950,576</u>

Rochester Hills-Oakland-Rochester Older Persons' Commission

**Notes to Financial Statements
September 30, 2016**

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Rochester Hills-Oakland-Rochester Older Persons' Commission (the "Commission") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Rochester Hills-Oakland-Rochester Older Persons' Commission:

Reporting Entity

The 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 (67 percent), Oakland Township (24 percent), and the City of Rochester, Michigan (9 percent) are member units of the Commission.

Rochester Hills-Oakland-Rochester Older Persons' Commission is governed by an appointed eight-member board, comprised of two Rochester Hills City Council members, two council-appointed older persons (50 plus) from the City of Rochester Hills, Michigan, one Rochester City Council member, one council-appointed older person (50 plus) from the City of Rochester, 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 (the "City") because of its financial relationship with the City. There are no additional component units to be included in these financial statements.

Effective January 1, 2016, the Commission changed its fiscal year end from December 31 to September 30. As a result, these financial statements include the nine-month period from January 1, 2016 through September 30, 2016.

Tax Status

The Commission is a governmental entity under Internal Revenue Code Section 115(1) and is not subject to tax on its income. 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.

Rochester Hills-Oakland-Rochester Older Persons' Commission

**Notes to Financial Statements
September 30, 2016**

Note I - Summary of Significant Accounting Policies (Continued)

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 pension and retiree healthcare-related costs, or 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.

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, state, 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.

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.

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

Rochester Hills-Oakland-Rochester Older Persons' Commission

Notes to Financial Statements September 30, 2016

Note 1 - Summary of Significant Accounting Policies (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 \$1,000 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:

Capital Asset Class	Lives (Years)
Buildings	50
Building improvements	30
Land improvements	30
Vehicles	5 to 15
Machinery and equipment	3 to 20

Long-term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position/governmental funds balance sheet. The General Fund is generally used to liquidate governmental long-term debt.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position/governmental funds 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 a future period and so 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.

Rochester Hills-Oakland-Rochester Older Persons' Commission

**Notes to Financial Statements
September 30, 2016**

Note 1 - Summary of Significant Accounting Policies (Continued)

In addition to liabilities, the statement of net position/governmental funds 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 a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Commission has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the statement of net position/governmental funds balance sheet. The governmental funds report unavailable revenue for amounts due from customers, member governments, and other governments not received within the period of availability. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position Flow Assumption

Sometimes the Commission will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide 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 net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumption

Sometimes the Commission will 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. Further, 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).

Rochester Hills-Oakland-Rochester Older Persons' Commission

**Notes to Financial Statements
September 30, 2016**

Note 1 - Summary of Significant Accounting Policies (Continued)

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 Commission's board of directors 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 adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

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 as committed.

Nonspendable amounts are not in a spendable form or are legally or contractually required to be maintained intact.

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

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, 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 the 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.

Rochester Hills-Oakland-Rochester Older Persons' Commission

Notes to Financial Statements September 30, 2016

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

Note 2 - Reconciliation of Individual Fund Columns 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 columns 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 Governmental Funds	\$ 1,671,326
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 fund	14,322,768
Receivables that are collected after year end, such that they are not available to pay bills outstanding as of year end, are not recognized in the fund	11,006
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>(54,524)</u>
Net Position of Governmental Activities	<u>\$ 15,950,576</u>

Rochester Hills-Oakland-Rochester Older Persons' Commission

Notes to Financial Statements September 30, 2016

Note 2 - Reconciliation of Individual Fund Columns 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 columns 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 Balances - Total Governmental Funds	\$ 627,564
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	21,785
Depreciation expense	(414,612)
Donations of capital assets do not provide financial resources and are not reported as revenue in the General Fund	300,000
Revenue is recorded in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end	11,006
Decrease in accumulated employee sick and vacation pay and other similar expenses reported in the statement of activities do not require the use of current resources and therefore are not reported in the fund statements until they come due for payment	<u>(14,049)</u>
Change in Net Position of Governmental Activities	<u>\$ 531,694</u>

Rochester Hills-Oakland-Rochester Older Persons' Commission

**Notes to Financial Statements
September 30, 2016**

Note 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; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which 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.

The Commission has designated two 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 investment policies are in accordance with statutory authority.

The Commission's cash and investments are subject to custodial credit risk. Custodial credit 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 \$1,091,063 of bank deposits (checking and savings accounts) that was 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.

Rochester Hills-Oakland-Rochester Older Persons' Commission

Notes to Financial Statements September 30, 2016

Note 4 - Capital Assets

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

Governmental Activities	Balance January 1, 2016	Additions	Disposals	Balance September 30, 2016
Capital assets not being depreciated - Land	\$ 2,790,244	\$ 300,000	\$ -	\$ 3,090,244
Capital assets being depreciated:				
Buildings and improvements	13,912,659	8,386	-	13,921,045
Machinery and equipment	2,134,283	13,399	-	2,147,682
Vehicles	1,218,603	-	-	1,218,603
Land improvements	1,057,248	-	-	1,057,248
Subtotal	18,322,793	21,785	-	18,344,578
Accumulated depreciation:				
Buildings and improvements	3,743,779	215,351	-	3,959,130
Machinery and equipment	1,803,484	56,718	-	1,860,202
Vehicles	1,012,770	90,255	-	1,103,025
Land improvements	137,409	52,288	-	189,697
Subtotal	6,697,442	414,612	-	7,112,054
Net capital assets being depreciated	11,625,351	(392,827)	-	11,232,524
Net capital assets	<u>\$ 14,415,595</u>	<u>\$ (92,827)</u>	<u>\$ -</u>	<u>\$ 14,322,768</u>

Note 5 - Long-term Debt

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
Employee compensated absences	\$ 47,701	\$ 6,823	\$ -	\$ 54,524	\$ 44,164

Rochester Hills-Oakland-Rochester Older Persons' Commission

**Notes to Financial Statements
September 30, 2016**

Note 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 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 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 League 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 (the "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 that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the Commission.

Note 7 - Defined Contribution Pension Plan

The Commission provides pension benefits to all of its full-time employees through a defined contribution plan. 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 percent of employees' gross earnings, and employee contributions for each employee plus interest allocated to the employee's account are fully vested after five years of service. Full-time employees contribute 3 percent of their wages and the Commission contributes this 6 percent match.

The Commission's total payroll during the current period was \$1,432,219. The current period contribution was calculated based on covered payroll for approximately 16 full-time employees, resulting in an employer contribution of \$35,034 and employee contributions of \$17,517.

Rochester Hills-Oakland-Rochester Older Persons' Commission

**Notes to Financial Statements
September 30, 2016**

Note 8 - Tax Abatements

The Commission receives reduced property tax revenue as a result of Low Income Housing programs (PA 346 of 1966) and Industrial Facilities Tax exemptions (PA 198 of 1974) granted by the City of Rochester Hills, Michigan. Qualified low-income housing is exempt from property taxes, but pays a fee in lieu of taxes, based on a percentage of their rents. Industrial Facility exemptions are intended to promote construction of new industrial facilities or to rehabilitate historical facilities. For the nine months ended September 30, 2016, the Commission's property tax revenue was reduced by \$3,272 under these programs. There are no tax abatements made by the Commission.

Required Supplemental Information

Rochester Hills-Oakland-Rochester Older Persons' Commission

Required Supplemental Information Budgetary Comparison Schedule - General Fund Nine Months Ended September 30, 2016

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Administration	\$ 1,445,570	\$ 1,387,799	\$ 1,416,820	\$ 29,021
Leisure travel	350,000	263,000	246,841	(16,159)
Adult day services	100,000	75,150	80,700	5,550
Performing arts	38,000	26,700	21,901	(4,799)
Health and wellness	393,700	308,200	334,898	26,698
Programs and activities	160,000	116,500	130,660	14,160
Meals - Nutrition	801,500	557,512	633,731	76,219
Transportation	677,501	621,914	567,153	(54,761)
Newsletter	15,000	18,000	20,606	2,606
Senior resources	100	2,350	7,420	5,070
Corner Café	53,000	41,300	40,358	(942)
Recreation program	65,588	49,500	56,348	6,848
Sponsor fee - Signature event	121,000	107,667	140,394	32,727
Act of kindness	2,000	521	300	(221)
Total revenue	4,222,959	3,576,113	3,698,130	122,017
Expenditures				
Administration	774,975	1,093,213	677,233	415,980
Facilities management	559,862	439,400	351,287	88,113
Leisure travel	332,637	234,500	262,723	(28,223)
Adult day services	99,184	74,900	63,969	10,931
Performing arts	40,653	28,000	50,939	(22,939)
Health and wellness land	410,974	317,200	298,178	19,022
Programs and activities	203,723	112,400	113,778	(1,378)
Meals - Nutrition	765,494	514,200	513,380	820
Transportation	719,451	539,300	482,165	57,135
Newsletter/Vintage View	26,299	20,900	22,525	(1,625)
Senior resources	35,140	26,400	58,661	(32,261)
Corner Café	41,709	31,300	34,504	(3,204)
Volunteers	47,753	33,000	23,277	9,723
Recreation programs	63,861	48,800	56,278	(7,478)
Signature event	86,381	55,800	54,150	1,650
Act of kindness	14,863	6,800	7,519	(719)
Total expenditures	4,222,959	3,576,113	3,070,566	505,547
Excess of Revenue Over Expenditures	-	-	627,564	627,564
Fund Balances - Beginning of period	1,043,762	1,043,762	1,043,762	-
Fund Balances - End of period	<u>\$ 1,043,762</u>	<u>\$ 1,043,762</u>	<u>\$ 1,671,326</u>	<u>\$ 627,564</u>

Rochester Hills-Oakland-Rochester Older Persons' Commission

Note to Required Supplemental Information Nine Months Ended September 30, 2016

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles 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 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>
Leisure travel	\$ 234,500	\$ 262,723	\$ (28,223)
Performing arts	28,000	50,939	(22,939)
Programs and activities	112,400	113,778	(1,378)
Newsletter/Vintage View	20,900	22,525	(1,625)
Senior resources	26,400	58,661	(32,261)
Corner Café	31,300	34,504	(3,204)
Recreation programs	48,800	56,278	(7,478)
Act of kindness	6,800	7,519	(719)