

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

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

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**Financial Report  
with Supplemental Information  
September 30, 2017**

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

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December 14, 2017

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

State law requires, within six months of the close of each fiscal year, a complete set of financial statements 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 ("the OPC", also referred to as "the Commission" in the financial statements) for the fiscal year ended September 30, 2017.

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, 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 the OPC's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the OPC's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements are free of material misstatement. As management, we assert to the best of our knowledge and belief this financial report is complete and reliable in all material respects.

The OPC's financial statements have been audited by Plante & Moran, PLLC, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the OPC for the fiscal year ended September 30, 2017 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and the significant estimates made by management; and evaluating the overall presentation of the financial statements. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the OPC's financial statements for the fiscal year ended September 30, 2017 are fairly presented in conformity with GAAP. The independent auditor's report is presented in this report.

### **Profile of the OPC**

#### ***History/Mission***

Originating as a service within the Rochester Avon Recreation Authority (RARA), the OPC was created as an independent commission in 1983, through the signing of an Interlocal Agreement between the City of Rochester, Michigan and Avon Township, predecessor of the City of Rochester Hills, Michigan, and 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

#### **OPC Governing Board**

Stuart Bikson • Michael Baily • John Dalton • Jim Kubicina  
William Jandeska • Stephanie Morita • Micheline Sommers • Lucy Strand

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

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

The OPC Mission is to:

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

The OPC Vision is to:

*Continue to be the premier community resource for adults 50 and over.*

### **Governance Structure**

The OPC is guided by an eight-member Board appointed by the city councils of Rochester and Rochester Hills and the board of trustees for Oakland Township. Based upon the level of tax contribution and population, Rochester Hills has four representatives, two council members and two senior appointees; Rochester has two representatives, one council member and one senior appointee; and Oakland Township has two 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; has the authority to set policies and rules for the OPC; 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 on approximately June 1 of the fiscal year prior to its implementation. The budget presented is a line-item budget which records revenues 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, fitness and aquatics, programs and art, nutrition, transportation, newsletter, senior resources, café, volunteers, recreation, charity 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 fitness and aquatics 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 days a week, with the help of a professional kitchen staff and the assistance of volunteers who package and deliver the meals. In FY 2017, the OPC delivered 100,314 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 16,300 hours in packing and delivering the meals.

In addition to the home-delivered meals, the OPC provides full lunches at five different sites across northeast Oakland County, included the OPC facility itself. Individuals 60 years of age or older are asked for a \$3.50 donation; individuals under 60 years of age are charged \$4.50. In FY 2017, the OPC prepared and served 21,354 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. For fiscal year 2017, the OPC provided 53,258 trips covering over 398,728 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 and 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. For the last year, the Senior Resources staff answered 2,325 telephone service requests; enrolled 576 in the commodity food program and 1,032 seniors in the Focus Hope food program; helped 69 seniors with fall leaf raking and snow removal; completed 19 home repairs; delivered 160 holiday baskets; and loaned out 727 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 1,339 individuals attending monthly support groups for Caregivers, Grief, Stroke, Visually Impaired, and Parkinson's.

Enrichment and Fine Arts and Crafts - As stated above, Life is in Full Swing at the OPC. The Enrichment and Fine Arts and 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, bridge, and Military History Clubs; dance and music classes; lifelong learning partnership with Oakland University; and special events including a Senior Picnic. In FY 2017, almost 25,000 individuals attended the Enrichment and Fine Arts programs participating in 85,700 hours of programming. (Note - the management's discussion and analysis and the financial statements refer to this activity as programs and activities).

Fitness and Aquatics - Realizing one of the cornerstones of a happy and productive life is health maintenance, the OPC offers a complete health and wellness experience for 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 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 annual participation was over 143,400 attendees who utilized the facilities and programs for over 1.1 million hours.

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, and 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 the last year, over 1,600 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" which semi-annually presents 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. Furthermore, 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 mill 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 2017 at .2440 mills in Rochester, .2352 mills in Rochester Hills, and .2250 mills in Oakland Township.

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

The OPC conducts a number of fundraising and development activities during the year. These efforts support specific and general operations and supplement the taxpayer funding. Many of these fundraising activities support the OPC nutrition home-delivered meals program, 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 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. These include an annual giving campaign conducted each December through mailings to all residents of the three participating communities as well as OPC members who live outside the three communities; sponsorship opportunities where local organizations and businesses can sponsor a specific program or event; and opportunities to place informational posters (advertising) in the OPC for a fee.

The OPC also frequently receives donations from individuals and organization to support the building program, general operations, and specific operations or events. Donations have ranged from \$5 to \$10,000. Specifically, this includes a \$3.00 donation requested from individuals receiving lunch at a congregate meal site, and a \$3.50 donation 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 Fitness and Aquatics 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, fitness and aquatics, and performing arts), will be sufficient to cover the cost of these operation. The goal is not to have taxpayer money support the activities.

Furthermore, the OPC instituted a new \$2.00 per ride fee for the transportation service. This new fee will be discussed later in the Transmittal Letter. Finally, any individual under 60 years old may eat lunch at the OPC's congregate site for a \$4.00 fee.

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.

Furthermore, the OPC receives federal and state funding to support the transportation program. These federal and state funds are supplied through the Southeast Michigan Area Regional Transit (SMART). One source of SMART funding is a program entitled "municipal credits" where each community in the three county SMART service 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 fiscal operations are the responsibility of the Financial Office, directed by a full-time Financial Director, a full-time Financial Coordinator, and five 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 of 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. Please note that beginning in FY 2018, the OPC will implement direct electronic payments to vendors. As with the production of vendor checks, vendor electronic payments will include dual verification and appropriate segregation of duties between the Financial Director and the Financial Coordinator.

Payroll is processed electronically via a professional services contract with DM Payroll of Troy, Michigan and its timekeeping partners, Cincinnati Time, Inc. Hourly employees enter time daily on an electronic format provided by Cincinnati time by "punching-in" on their work computers at the beginning of their work shift and "punching-out" at the end of their work shift. The timekeeping system automatically records the hours worked. 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. It is important to note that the processing of payroll electronically through DM Payroll has reduced the payroll processing time for the Financial Office from three days to two hours per pay period.

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 checks the OPC's online banking system also 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 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 (and all vendors beginning in FY 2018); 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 OPC's fiscal year is October 1 through September 30.

### ***Fiscal Year (FY) 2017 Performance***

(Note: The MD&A provides a detailed discussion of the OPC's FY 2017 fiscal operations; please refer to that section of the report.)

During FY 2017, the OPC continued to experience growth in both membership and program offerings. In the fiscal period from October 1, 2016 through September 30, 2017, 1,854 new individuals joined the OPC as members. The total member list stands at 12,251. Services were rendered to 350,223 individuals through the various events, programs, services, and activities offered by the OPC.

Based on the OPC fundraising study conducted by the firm Richner & Richner in the summer of 2016, the OPC contracted for a full-time Marketing and Development Director to lead all fundraising efforts. The contracted individual has been particularly successful in developing sponsorship and other giving/support opportunities for individuals and organizations. Specifically, sponsorship opportunities have been developed for individual event and special engagements. Almost all presentations and programs provided by professionals not employed by the OPC are now supported by sponsorship donations.

Also, in order to expand the OPC's outreach to its members and potential members (and general members of the participating communities), the OPC has hired a part-time customer service and social media coordinator. This individual not only greets members as they enter the facility, but will now coordinate the OPC webpage as well as e-blasts and other social media formats. In particular, website activity increased during FY 2017, making it an important medium to contact members and potential members. Various improvements were made to the website to make it more user friendly and meaningful.

One fundamental change initiated in FY 2017 involved changing the payment method for transportation services. Prior to July 2017, individuals who received rides on the OPC's transportation system were asked to donate \$3.00 per ride. Although a number of individuals consistently donated, the level of donations was not enough to support the transportation program, even including the receipts of millage funds and grant money. As a result, other activities were affected by the need to support the crucial transportation function.

The OPC Administration surveyed other public transportation providers in the region to ascertain how they fund their systems. One difference between the OPC and other regional providers was the fact that the other regional providers did not ask for donations for rides, but actually charged a set fee for rides. These charges varied from provider to provider from \$1.00 per ride to upwards of \$5.00 per ride (private providers charged \$100 plus to provide rides to handicapped individuals). With this information, and after thoughtful discussion within the OPC and with the Board, a new policy was adopted to charge individuals who ride the OPC transportation system \$2.00 per ride. This amount is less than the amount of the prior requested donation and is also less than the vast majority of other public transportation systems in the region.

In order to make the process of paying a fee easier for the transportation riders, ride tokens were developed and provided to riders. Each token cost \$2.00, with a package of 11 tokens purchased for \$20.00. Individuals can purchase tokens in the facility at the cashier desk, can have the tokens sent to their home, or purchase the tokens from their bus drivers. The \$2.00 fee and use of the tokens has been widely accepted by the riders and has generated more revenue to cover the cost of the transportation system.

Furthermore, 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 set for early 2018.

Finally, the OPC Financial Office took steps to increase the productivity of the investment opportunities available to the organization as well as secure OPC funds by diversifying investments. Specifically the OPC joined two local government investment pools. These are tools which combine the investment resources of a number of local governments to improve returns. The two investment pools are the Oakland County Treasurer's Local Government Investment Pool (LGIP) and the Michigan Cooperative Liquid Assets Securities Systems (M-CLASS). Both pools are experiencing returns 10 to 20 basis points above local banks.

In addition, in fall 2016, the City of Rochester Hills, Michigan issued an RFP for banking services. The OPC joined this effort and, as a result, changed banks in January 2017 from Bank of America to Huntington National Bank. Among other benefits, this change brought reduced banking fees, improved credit card processing, and increased investment income on the funds sitting in the OPC checking account.

### ***Fiscal Year (FY 2018) Initiatives***

The OPC Board and Administration are planning a number of new initiatives for FY 2018, all of which should enhance the positive experience for our members and improve the overall efficiency and effectiveness of our operation.

The OPC plans to implement an online registration and payments system for select activities at the center. This process is anticipated to begin in January 2018. 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 2018, the OPC will work to develop plans for the use of the land and historic barn donated by Par Pharmaceuticals. An engineering firm has been selected, through competitive bid, to develop preliminary engineering plans for the site. 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 2018.

As stated previously, the Financial Office will begin electronic payments to all vendors (payroll is already deposited electronically). This change will save staff time and money and provide vendors with payment for their services at a much quicker pace.

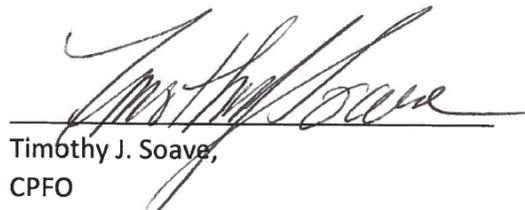
The OPC is pleased to present the annual financial report. We wish to thank the Governing Board for its guidance of the operation; the Rochester and Rochester Hills City Councils as well as the Oakland Township Board for their continued support; and the dedicated and caring staff of the OPC for making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

Respectively submitted:



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Renee Cortright  
Executive Director



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Timothy J. Soave,  
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 year ended September 30, 2017 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, 2017 and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**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 13-25 and 40, 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 the purpose 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 14, 2017

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

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## **Management's Discussion and Analysis**

Our discussion and analysis of Rochester Hills-Oakland-Rochester Older Persons' Commission's (the "Commission" or OPC) financial performance provides an overview of the Commission's financial activities for the fiscal year ended September 30, 2017. 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 remained relatively unchanged during fiscal year 2017 being reduced by \$10,710 (0.1 percent) to \$15,939,866.
- The Commission's General Fund (the Commission's only fund) reported an ending fund balance of \$2,034,111, of which \$280,415 is prepaid and the remainder is unassigned. This amount is an increase of \$362,785 (21.7 percent) from the previous fiscal year primarily reflecting increased donations due to concerted fundraising efforts and increased program fees due to changes in transportation fees.
- Net capital assets decreased by \$348,633 to \$13,974,135, reflecting an overall increase in depreciation expense offsetting new asset additions.
- The only long-term debt is a liability account for employee compensated absences which has a balance of \$68,380, an increase of \$13,856, 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.
- 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.

# Rochester Hills-Oakland-Rochester Older Persons' Commission

## Management's Discussion and Analysis (Continued)

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.

### Commission as a Whole

The following table shows the net position of the governmental activities in a condensed format as of September 30, 2017 in comparison to the prior two years (in thousands of dollars):

	2015	2016	2017	Change from Prior Year	
				Dollars	Percent
<b>Assets</b>					
Cash and investments	\$ 1,106	\$ 1,839	\$ 2,164	\$ 325	17.7
Other current assets	165	209	451	242	115.8
Capital assets	14,416	14,323	13,974	(349)	(2.4)
Total assets	15,687	16,371	16,589	218	1.3
<b>Liabilities</b>					
Unearned revenue	87	175	370	195	111.4
Accounts payable and other	134	191	211	20	10.5
Noncurrent liabilities	48	54	68	14	25.9
Total liabilities	269	420	649	229	54.5
<b>Net Position</b>					
Net investment in capital assets	14,416	14,323	13,974	(349)	(2.4)
Restricted	-	-	-	-	-
Unrestricted	1,003	1,628	1,966	338	20.8
Total net position	<u>\$ 15,419</u>	<u>\$ 15,951</u>	<u>\$ 15,940</u>	<u>\$ (11)</u>	(0.1)

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

## **Management's Discussion and Analysis (Continued)**

The Commission's combined net position experienced a 0.1 percent reduction from the previous fiscal year, decreasing \$10,710 from \$15,590,576 to \$15,939,866. Of this amount, total assets increased \$217,988 (1.3 percent); total liabilities increased \$228,698 (54.5 percent); net investment in capital assets fell \$348,633 (2.4 percent); and unrestricted net position increased \$337,923 (20.8 percent).

The decrease in net position somewhat reflects the carry over effect of the Commission changing its fiscal year on October 1, 2016. The previous reporting period (fiscal period 2016) reflected nine months of activity as opposed to the 12-month fiscal year 2017. Fiscal year 2017 expenses essentially increased by 25 percent simply because of timing; in addition, the Commission's maintenance and capital outlay expenses increased in a greater amount due to the refurbishing of the Commission's facility. However, due to timing of the contributions from member communities (e.g., most of the contributions were received in the nine-month fiscal period 2016), revenue did not experience the "automatic" 25 percent increase that expenses experienced.

The overall increase in total assets is comprised of a \$324,845 (17.7 percent) increase in cash and investments from the previous fiscal year, which reflects increased revenue in the form of program fees as the Commission instituted a \$2.00 fee for transportation (one-way ride) and an increase in the number of programs offered; an increase in donations as the Commission engaged in a concerted effort to elicit sponsors for its various programs and activities; and increased investment income due to participation in local government investment pools and establishment of an interest-bearing checking account. Furthermore, other current assets increased \$241,776 (115.8 percent) primarily reflecting increases in prepaid expenses related to leisure travel trips scheduled for fiscal year 2018 but paid in fiscal year 2017 (\$213,421), as well as increased due for other governments representing grant revenue due for work already performed (\$17,163).

As noted above, the increase in cash and investments and other current assets was partially offset by a net reduction of \$348,633 (2.4 percent) in capital assets related to the removal of fully depreciated capital assets from the Commission's records.

Liabilities increased by \$228,698 (54.4 percent) primarily representing an increase in unearned revenue of \$194,737 (111.4 percent). Unearned revenue is leisure travel fees payments in fiscal year 2017 for trips which will be made in fiscal year 2018, specifically a several-week cruise to Hawaii.

Regarding net position, the reduction in the net investment in capital assets, discussed above, was offset by an increase of \$337,923 (20.8 percent) in unrestricted net position. This change in unrestricted net position reflects the increase in unassigned General Fund balance resulting from higher collection of General Fund revenue and reduced General Fund expenditures (when the change for fiscal year is taken into account). Unrestricted net position (the portion of net position that can be used to finance day-to-day operations) stands at \$1,965,731 as of September 30, 2017. This amount is approximately 47.0 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, 2017 to the prior two years (in thousands of dollars):

	2015	2016*	2017	Change from Prior Year	
				Dollars	Percent
<b>Revenue</b>					
Member government contributions	\$ 1,515	\$ 1,590	\$ 1,711	\$ 121	7.6
Nonresident member fees	86	69	102	33	47.8
Grants and donations	1,216	1,095	1,057	(38)	(3.5)
Program fees	1,374	1,091	1,451	360	33.0
Investment income	4	3	9	6	200.0
Other	228	160	167	7	4.4
Total revenue	4,423	4,008	4,497	489	12.2
<b>Expenses</b>					
Salaries and fringes	2,307	1,692	2,231	539	31.9
Professional services	833	597	644	47	7.9
Operating supplies	479	408	506	98	24.0
Maintenance, insurance, capital outlay, and other	476	364	605	241	66.2
Depreciation	581	415	524	109	26.3
Total expenses	4,676	3,476	4,510	1,034	29.7
<b>Gain on Disposal of Assets</b>	-	-	2	2	-
<b>Change in Net Position</b>	<b>\$ (253)</b>	<b>\$ 532</b>	<b>\$ (11)</b>	<b>\$ (543)</b>	(102.1)

\*Represents stub period activity from the nine-month period beginning January 1, 2016 and ending September 30, 2016 resulting from the change in fiscal year-end dates from December 31 to September 30.

### Governmental Activities - Revenue

The Commission's total governmental revenue was \$4,496,659. The three largest revenue items represent 93.9 percent of all governmental activities revenue, as follows:

- Member government contributions at \$1,711,138; 38.1 percent of revenue
- Program fees, including activity fees and cafeteria sales, \$1,450,963 or 32.3 percent of revenue
- Grant and donations which total \$1,056,867; 23.5 percent of revenue
- The remaining \$277,691 (6.1 percent) reflects nonresident members, investment income, and other sources.

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

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## **Management's Discussion and Analysis (Continued)**

In fiscal year 2017, total revenue increased by \$487,523, or 12.2 percent, compared to the prior fiscal period. The overall revenue increase primarily reflects the carryover effect of the creation of the nine-month fiscal period (January 1 - September 30, 2016) generated by the Commission changing its fiscal year on October 1, 2016. Generally, three months' less revenue was collected in fiscal period 2016 as opposed to fiscal year 2017, with the exception of member government contributions. It is important to note that the amount collected in fiscal year 2017 (\$4,496,659) was 1.7 percent more than the amount collected in fiscal year 2015, the last 12-month reporting period, reflecting the carry forward effect of the fiscal year change.

The one exception is member government contributions, which did increase by \$121,030 (7.6 percent) during the 12-month period. Member contributions represent payments from the City of Rochester Hills, Michigan, the Charter Township of Oakland, and the City of Rochester, Michigan from property taxes levied for commission operations (.25 mills as rolled back per the Michigan constitution), as well as property taxes levied for transportation operations (.1 mill in the City of Rochester Hills, Michigan and Oakland Township - the City of Rochester, Michigan provides transportation support from a General Fund appropriation equal to .1 mill). This additional revenue reflects increased property tax values experienced by the three member communities as well as a .01 mill increase granted for transportation support.

The Commission collected \$1,450,963 in program fees during fiscal year 2017, \$359,065 (33 percent) more than fiscal period 2016. When the change in fiscal year (as discussed above) is accounted for, program fees grew by \$76,182 (5.6 percent) over the last 12-month period (fiscal year 2015). In May 2017, the Commission authorized a change in how participants of the transportation service supported the transportation operations. Prior to that month, riders were asked to make a \$3.00 donation for each one-way ride. Since "donations" are not required, not all riders contributed for the service; unfortunately the level of donations was not sufficient to support the transportation effort. The Commission therefore changed the \$3.00 per ride donation to a \$2.00 per ride required fee. This change increased the program fee revenue substantially, pushing the transportation program to a more "break-even" operation (when all revenue sources are considered). In addition, fitness and aquatics program income increased due to increased member participation.

The Commission received \$1,056,867 in grants and donations during fiscal year 2017. This amount is \$37,502 (3.5 percent) less than fiscal period 2016. This reduction is not the result of less grant or donation revenue; rather it reflects the changing of transportation income from donations to program fees, as well as the elimination of the one-time donation of 2.87 acres of land from Par Pharmaceutical Company, worth \$300,000, which was completed in fiscal period 2016. Since that donation was not repeated in fiscal year 2017, the level of donations fell from one fiscal year to the next.

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

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## **Management's Discussion and Analysis (Continued)**

Investment income increased by \$5,611 (200 percent) during fiscal year 2017. Although this is not a substantial amount, the increase was a result of changes in commission operations, specifically the Commission's decision to invest in the Oakland County Treasurer's Local Government Investment Pool (LGIP) and the Michigan Cooperative Liquid Assets Securities System (MCLASS). Both these organization are investment pools recognized by the State of Michigan Treasurer to invest for Michigan municipal governments. Typically these investment pools generate income several basis points above other types of investments (CDs, etc.) for pool participants. Furthermore, in January 2017, the Commission engaged the services of Huntington National Bank to provide all banking services. Included in these services was an interest-earning checking account, which increased the Commission's investment income.

Finally, "other" revenue increased by \$39,319 or 52.2 percent from fiscal period 2016 amounts. This change reflects an increase in nonresident memberships, due to a concentrated effort by the Commission to identify nonresident members, partially offset by reductions in insurance reimbursements from the Michigan Municipal Risk Management Authority. The level of annual reimbursement from the Management Authority is dependent upon the level of resources available in the state fund to support reimbursement; the amount of resources available for reimbursement was reduced in fiscal year 2017.

### **Governmental Activities - Expenses**

The Commission's total governmental expenses were \$4,509,369 during fiscal year 2017.

- Salaries, wages, and fringe benefits are the largest expense of the Commission, totaling \$2,231,428 representing 49.5 percent of the Commission's total expenses. Of the approximately 120 commission employees, 17 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, were the second largest expense category at \$643,618 (14.3 percent) of the Commission's total expenses.
- Maintenance, insurance, capital outlay, and other comprise \$603,789 of the Commission's fiscal year 2017 expenses (13.4 percent).
- Depreciation expense was \$524,323 during fiscal year 2017, which represents 11.6 percent of commission expenses.
- Operating supplies comprised \$506,211, or 11.2 percent of commission expenses.

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

## **Management's Discussion and Analysis (Continued)**

Overall, expenses for fiscal year 2017 increased by \$1,031,927 from fiscal period 2016 amounts; this equates to 29.7 percent. As with the revenue collections experienced in fiscal year 2017, the increase in expenses reflects the carry over effect of the nine-month fiscal reporting period (generally 25 percent more expenditures in fiscal year 2017). It is important to note that in several expense categories, expenses actually decreased from fiscal year 2015, the last full 12-month reporting period.

Salary, wages, and fringe benefits (personnel expenses) for fiscal year 2017 were reported at \$2,231,428, \$539,172 (31.9 percent) more than the fiscal period 2016 amount. This increase reflects having 12 months of personnel expenses as opposed to nine months in the previous fiscal period. In fact, if the fiscal year 2017 expenses are compared to the last full 12-month experience of fiscal year 2015, salaries, wages, and fringe benefits were \$75,399 (3.3 percent) less. The comparable reduction in personnel expenses is attributed to staff turnover particularly in the nutrition, transportation, and building maintenance program areas. In all cases, duties were reassigned to cover the vacant positions; in nutrition and building maintenance, the reassignments were built into cost-saving reorganizations.

Professional services expenses increased by \$44,650, or 7.5 percent, over the fiscal period 2016 level. In addition to the carryover of the fiscal year change, this increase in expense also reflects a full year cost of the marketing coordinator activity (contractor was engaged in August 2016). As with the personnel expenses discussed above, when comparing fiscal year 2017 to fiscal year 2015 (the last full 12-month reporting period), professional services expenses fell \$189,326, or 22.7 percent. In particular, legal expenses fell as fiscal year 2016 experienced a larger than normal use of legal counsel involving land donation and redrafting of various human resources policies. These activities were not repeated in fiscal year 2017.

Maintenance, insurance, capital outlay, and other expenses experienced a \$239,798 increase during fiscal year 2017 (65.9 percent) from fiscal period 2016 to \$603,789. Included in this increase is the completion of a number of capital projects to refurbish the facility, specifically installation of new carpeting and hardwood flooring in the first floor and the repainting of the first floor halls, lobby, dining room, and classrooms. In addition, the gradual replacement of the Commission's computers began in fiscal year 2017 with replacement of the clerical, central office, and financial office computers, as well as the replacement of two servers.

Fiscal year 2017 expenses for depreciation (\$524,323, 26.3 percent increase) and for operating supplies (\$506,211, 24 percent increase) reflects the carryover of the fiscal year change.

In addition, the Commission sold \$2,000 in miscellaneous athletic equipment.

# Rochester Hills-Oakland-Rochester Older Persons' Commission

## Management's Discussion and Analysis (Continued)

### The General Fund

Our analysis of the Commission's General Fund (the Commission's only fund) is included on pages 26 and 27 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).

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	
	2013	2014	2015	2016*	2017	Dollars	Percent
<b>Revenue</b>							
Member government contributions	\$ 1,494	\$ 1,525	\$ 1,515	\$ 1,590	\$ 1,711	\$ 121	7.6
Nonresident member fees	74	73	86	69	102	33	47.8
Grants and donations	1,115	1,168	1,216	785	1,066	281	35.8
Program fees	1,295	1,142	1,375	1,089	1,452	363	33.3
Investment income	6	4	4	3	9	6	200.0
Other	128	153	228	160	167	7	4.4
Total revenue	4,112	4,065	4,424	3,696	4,507	811	21.9
<b>Expenditures</b>							
Salaries and fringes	2,270	2,360	2,311	1,678	2,217	539	32.1
Professional services	631	585	833	597	644	47	7.9
Operating supplies	505	483	479	408	506	98	24.0
Maintenance, insurance, capital outlay, and other	758	1,589	547	386	779	393	101.8
Total expenditures	4,164	5,017	4,170	3,069	4,146	1,077	35.1
<b>Other Financing Sources - Sale of assets</b>	11	-	-	-	2	2	-
<b>Net Change in Fund Balance</b>	(41)	(952)	254	627	363	(264)	(42.1)
<b>Fund Balance</b>							
Beginning of period	1,783	1,742	790	1,044	1,671	627	60.1
End of period	<b>\$ 1,742</b>	<b>\$ 790</b>	<b>\$ 1,044</b>	<b>\$ 1,671</b>	<b>\$ 2,034</b>	<b>\$ 363</b>	21.7

\*Represents stub period activity from the nine-month period beginning January 1, 2016 and ending September 30, 2016 resulting from the change in fiscal year-end dates from December 31 to September 30.

The Commission's General Fund balance for the fiscal year ended September 30, 2017 was \$2,034,111, an increase of \$362,785 (21.7 percent) over the fund balance reported for the year ended September 30, 2016. The fund balance as of September 30, 2017 represents 48.1 percent of budgeted fiscal year 2018 expenditures.

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

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## **Management's Discussion and Analysis (Continued)**

The increase in General Fund balance can be attributed to overall increases in revenue and general expenditure reductions (when accounting for the impact of the fiscal year change) during the course of the fiscal year. General Fund revenue increased by \$809,537 or 21.9 percent. A majority of this increase reflects the carryover effect of changing the Commission's fiscal year on October 1, 2016, as the Commission recorded three more months of revenue in fiscal year 2017 over fiscal period 2016. As is explained under the governmental activities - revenue section of this management's discussion and analysis, revenue increase beyond the fiscal year change can be attributed to the increase in property values experienced by the three member communities of the Commission; the approval of additional millage support for the transportation program; the establishment of a transportation fee for individuals using the Commission's transportation system; increased member participation in all programs; increases in nonresident memberships; and participation in two local government investment pools.

Overall General Fund expenditures also increased by \$1,076,316 or 35.1 percent. Similar to revenue, a majority of this increase reflects the recording the three additional months of expenditures resulting from the change in the Commission's fiscal year. Comparing fiscal year 2017 with fiscal year 2015, the last 12-month reporting period, General Fund expenditures fell by \$23,242.

After taking into account the fiscal year change (comparing fiscal year 2017 with fiscal year 2015), only the maintenance, insurance, capital outlay, and other expense category (change of \$231,690, 42.3 percent) and the operating supplies category (change of \$27,272, 5.7 percent) experienced an increase over the full 12-month period. As explained under governmental activities - expenses portion of this management's discussion and analysis, capital outlay expenditures increased due to completion of a number of capital projects which refurbished the facility and the implementation of a multiyear plan to replace the Commission's computers. Please note that personnel expenditures and professional services expenditures were reduced due to staff turnover and reduced need for legal counsel.

### **General Fund Budgetary Highlights**

The original fiscal year 2017 General Fund budget, adopted by the Commission in July 2016, remained in effect all fiscal year. There were no amendments made to the original fiscal year 2017 General Fund budget.

General Fund revenue exceeded the Commission's amended budget by \$348,167 (8.4 percent). Administration revenue exceeded budget by \$123,823 (8.8 percent) primarily reflecting increased fees for administrative services performed by commission staff (\$33,836); increased member government contributions (\$31,411) due to rising property values; increased refunds and rebates due to pursuit of rebate opportunities through DTE energy and other sources; and increased nonresident membership fees due to concentrated effort to verify member residency status.

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

## **Management's Discussion and Analysis (Continued)**

Nutrition revenue exceeded budget by \$61,010 (8.0 percent) due to an increased number of meals being served, which generated additional federal reimbursement from the Area Agency on Aging I-B, as well as additional catering provided by the Commission's nutrition staff for various community functions.

Sponsorship of the Commission's annual charity event exceeded the adopted fiscal year 2017 budget by \$46,544 (42.3 percent), reflecting a concerted effort by the Commission's contracted marketing coordinator to solicit and expand sponsorship of this annual event, as well as an increase in ticket sales and raffle ticket sales. Transportation generated \$46,186 (6.8 percent) in revenue above budget reflecting increased member government contribution (\$16,628) due to increased property values and additional .1 mill levy, and additional fees (\$10,791) due to changing transportation support to a \$2.00 per ride required fee. Both health and wellness (\$37,151, 9.0 percent) and programs and activities (\$33,233, 21.0 percent) revenue exceeded budget due to increased membership participation.

Only leisure travel revenue fell short of the budgeted amount by \$48,446, or 13.8 percent. This variance reflects the shifting of certain trips originally budgeted in fiscal year 2017 to fiscal year 2018. Please note that because of the shifting of the trips, leisure travel expenditures were also below budget.

General Fund expenditures were \$14,618 (0.4 percent) below the Commission's adopted budget. The general favorability is a result of not using the \$50,855 budgeted contingency account. Leisure travel also spent \$106,562 (33.0 percent) less than budgeted as several extended stay trips were moved to fiscal year 2018. In addition, reduced personnel expenditures due to staff turnover provided savings compared to adopted budget in adult day service (\$9,630, 9.6 percent); performing arts (\$3,260, 8.1 percent); fitness and aquatics (\$21,056, 5.0 percent); newsletter/vintage view (\$762, 3.1 percent); volunteers (\$2,283, 4.6 percent); and the signature event (\$1,352, 2.1 percent).

Nine program areas exceed their adopted expenditure budgets during fiscal period 2017. The administration program area exceeded budget by \$79,006 (9.2 percent - when the contingency account is removed) primarily reflecting full implementation of the marketing and fundraising plan, which commenced after fiscal year 2017 budget adoption, and increased capital expenditures required to meet unexpected demands. It is important to note that the marketing and fundraising contract generated revenue above budget in an amount greater than the expenditure variance.

The facility management program area exceeded the adopted budget by \$33,378 (5.4 percent). This variance reflects completion of several large capital projects which were begun in fiscal period 2016, primarily refurbishing of the facility and purchase of replacement technology equipment. The program and arts department exceeded budget by \$19,421 (13.5 percent) reflecting increased expenditures across the board required to meet the increasing demand for services and activities. As with the marketing and fundraising effort, it is important to note that the revenue generated from the increased program and arts member activity offsets the increased expenditures.

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

## **Management's Discussion and Analysis (Continued)**

The nutrition program exceeded budget by \$195 (.03 percent). The variance reflects the increased cost of food related to additional meals being served. Note the revenue generated by these additional meals exceeded the expenditure variance. Transportation expenditures exceeded the adopted budget by \$29,997 (4.3 percent). The increased expenditures reflect the increased number of rides requested by members and large number of miles driven during fiscal year 2017. Both personnel expenditures (\$22,000 above budget) and vehicle maintenance (\$16,914 above budget) were affected. Please note that revenue still exceeded expenditures for this program area.

Senior resources exceeded budget by \$2,959 (7.9 percent) due to increased staff time required to meet expanded demands for services. The Corner Café exceeded the adopted expenditure budget by \$3,355 (8.1 percent) as the cost of food exceeded anticipation due to increased customer demand. As with other program areas that exceeded the expenditure budget, the café revenue exceeded the revenue budget in an amount greater than the expenditure variance.

The recreation program exceeded its expenditure budget by \$11,031 (16.6 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 offsets this expenditure variance. Finally, the act of kindness activity's expenditures exceeded the amended budget by \$1,760 due to increased repair activity.

### **Capital Assets and Debt Administration**

At the end of fiscal year 2017 (September 30, 2017), the Commission reports \$13,974,135 invested in a broad range of capital assets, including buildings, furniture, and vehicles. This reflects a decrease of \$348,631 in net assets (2.4 percent) from those assets reported as of September 30, 2016. Of this total:

- \$3,090,244 reflects capital assets not being depreciated (land).
- \$18,110,861 reflects capital assets being depreciated, of which buildings and improvements represent \$14,000,103 or 77.3 percent of this category.
- \$7,226,970 in depreciation

In fiscal year 2017, the Commission acquired \$175,692 in new capital assets. These new assets include \$76,467 in building improvements related to the refurbishing of the Commission's facility, specifically new flooring and carpeting for the first floor of the facility as well as newly painted walls in the lobby, reception area, hallways, classrooms, and dining room, and a sliding glass door for the fitness and aquatics entrance. In addition, \$99,223 in new machinery and equipment was acquired during fiscal year 2017 including two new network servers; upgrades to the technology switch equipment; eight new computer workstations for the administration, clerical, and financial area; three recumbent bikes and a new table tennis table for the fitness area; and a ultraviolet pool cleaning unit and pool cleaning robot for the aquatics area.

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

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## **Management's Discussion and Analysis (Continued)**

The Commission also disposed of \$409,409 in equipment during fiscal year 2017. All of the equipment disposed of was fully depreciated and had no remaining book value. Furthermore, many of the assets disposed of should not have originally been included on the list of capital assets due to the fact that their value was well under capital thresholds and they did not possess a long useful life. Of the disposed items, \$305,981 reflects disposed equipment including kitchen equipment (pots, pans, etc.), exercise equipment (balls, etc.), and computer workstations. The smaller items were replaced by new expendable equipment, and the larger items (workstations) were replaced over the last few years. In addition, \$103,428 in vehicles were disposed of, specifically transportation vans and buses. These vehicles were replaced by newer models.

The net additions discussed above were offset by a \$524,323 increase in depreciation expense for the depreciable assets.

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 \$68,380 as of September 30, 2017. This amount is a net increase of \$13,856 from the previous fiscal year (25.4 percent), reflecting an increased amount of unused vacation days accumulated by eligible employees. Of this amount, \$55,388 would be due in one year should the eligible employees leave commission service.

### **Economic Factors**

Thanks to continued growth in the three member communities and efficient administrative operations, the Commission remains on solid financial footing. However, due to the changing demographics of the communities serviced by the Commission, specifically the increasing senior population, demand for commission services continues to rise. These increasing demands will drive operational and capital 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. 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, thus improving member government contribution 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 the implementation of a strategic and tactical fundraising plan, directed by a contracted marketing and fundraising coordinator. 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. The Commission has contracted with an engineering/architectural firm to develop plans for a new parking structure. 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.

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

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## **Management's Discussion and Analysis (Continued)**

### **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, 2017

	Modified Accrual Basis	Adjustments (Note 2)	Statement of Net Position
	General Fund		
<b>Assets</b>			
Cash and cash equivalents (Note 3)	\$ 1,412,627	\$ -	\$ 1,412,627
Investments (Note 3)	751,051	-	751,051
Receivables:			
Accounts receivable	59,729	-	59,729
Accrued interest receivable	1,349	-	1,349
Due from other governmental units	109,518	-	109,518
Prepaid expenses and other assets	280,415	-	280,415
Capital assets (Note 4):			
Assets not subject to depreciation	-	3,090,244	3,090,244
Assets subject to depreciation	-	10,883,891	10,883,891
Total assets	<b>\$ 2,614,689</b>	13,974,135	16,588,824
<b>Liabilities</b>			
Accounts payable	\$ 127,233	-	127,233
Accrued liabilities and other	83,778	-	83,778
Unearned revenue	369,567	-	369,567
Compensated absences (Note 5):			
Due within one year	-	55,388	55,388
Due in more than one year	-	12,992	12,992
Total liabilities	580,578	68,380	648,958
<b>Equity</b>			
Fund balance:			
Nonspendable - Prepays	280,415	(280,415)	-
Unassigned	1,753,696	(1,753,696)	-
Total fund balance	2,034,111	(2,034,111)	-
Total liabilities, deferred inflows of resources, and fund balance	<b>\$ 2,614,689</b>		
<b>Net position:</b>			
Net investment in capital assets		13,974,135	13,974,135
Unrestricted		1,965,731	1,965,731
Total net position		<b>\$ 15,939,866</b>	<b>\$ 15,939,866</b>

# Rochester Hills-Oakland-Rochester Older Persons' Commission

## Statement of Activities/Governmental Fund Revenue, Expenditures, and Changes in Fund Balance Year Ended September 30, 2017

	General Fund	Adjustments (Note 2)	Statement of Activities
<b>Revenue</b>			
Member government contributions	\$ 1,711,138	\$ -	\$ 1,711,138
Nonresident member fees	101,847	-	101,847
Federal sources	514,844	-	514,844
State sources	5,166	-	5,166
SMART	128,961	(5,901)	123,060
Private donations	417,547	(3,750)	413,797
Reimbursements and other miscellaneous revenue	166,754	-	166,754
Program fees and sales	1,452,320	(1,357)	1,450,963
Investment earnings	9,090	-	9,090
Total revenue	4,507,667	(11,008)	4,496,659
<b>Expenditures/Expenses</b>			
Salaries and wages	1,887,990	-	1,887,990
Fringe benefits	329,582	13,856	343,438
Professional services	643,618	-	643,618
Operating supplies	506,211	-	506,211
Equipment maintenance and replacement	253,604	-	253,604
Capital outlay	175,692	(175,692)	-
Insurance and utilities	193,977	-	193,977
Other expenses	156,208	-	156,208
Depreciation	-	524,323	524,323
Total expenditures/expenses	4,146,882	362,487	4,509,369
<b>Other Financing Sources - Sale of fixed assets</b>	2,000	-	2,000
<b>Net Change in Fund Balances/Net Position</b>	362,785	(373,495)	(10,710)
<b>Fund Balances/Net Position - Beginning of year</b>	1,671,326	14,279,250	15,950,576
<b>Fund Balances/Net Position - End of year</b>	<u>\$ 2,034,111</u>	<u>\$ 13,905,755</u>	<u>\$ 15,939,866</u>

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

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**Notes to Financial Statements  
September 30, 2017**

## **Note I - 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 (64 percent), Oakland Township (24 percent), and the City of Rochester, Michigan (12 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.

### **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**

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**Notes to Financial Statements  
September 30, 2017**

## **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, 2017

### Note I - 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 \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

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

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.

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 does not have any items that qualify for reporting in this category.

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

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**Notes to Financial Statements  
September 30, 2017**

## **Note 1 - Summary of Significant Accounting Policies (Continued)**

### **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. Furthermore, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

### **Fund Balance Policies**

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

The 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.

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

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**Notes to Financial Statements  
September 30, 2017**

## **Note I - Summary of Significant Accounting Policies (Continued)**

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.

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

# Rochester Hills-Oakland-Rochester Older Persons' Commission

## Notes to Financial Statements September 30, 2017

### 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:

<b>Fund Balance Reported in Governmental Funds</b>	\$ 2,034,111
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	13,974,135
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>(68,380)</u>
<b>Net Position of Governmental Activities</b>	<u>\$ 15,939,866</u>

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:

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$ 362,785
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	175,692
Depreciation expense	(524,323)
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	(11,008)
Increase 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>(13,856)</u>
<b>Change in Net Position of Governmental Activities</b>	<u>\$ (10,710)</u>

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

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**Notes to Financial Statements  
September 30, 2017**

## **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 several types of risk, which are examined in more detail below:

**Custodial Credit Risk of Bank Deposits** - 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 \$1,663,382 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The Commission believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Commission evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

# Rochester Hills-Oakland-Rochester Older Persons' Commission

## Notes to Financial Statements September 30, 2017

### Note 3 - Deposits and Investments (Continued)

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

Investment	Fair Value	Rating	Rating Organization
<b>Primary Government</b>			
Michigan CLASS Investment Pool	\$ 251,500	AAAm	S&P
Oakland County Government Investment Pool	<u>251,418</u>	AAA	S&P
Total	<u>\$ 502,918</u>		

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

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

#### Investments in Entities that Calculate Net Asset Value per Share

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

At September 30, 2017, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Michigan CLASS Investment Pool	\$ 251,500	\$ -	-	-
Oakland County Government Investment Pool	<u>251,418</u>	<u>-</u>	-	-
Total investments measured at NAV	<u>\$ 502,918</u>	<u>\$ -</u>		

# Rochester Hills-Oakland-Rochester Older Persons' Commission

## Notes to Financial Statements September 30, 2017

### Note 3 - Deposits and Investments (Continued)

The Michigan CLASS investment pool invests in U.S. Treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated 'A 1' or better), collateralized bank deposits, repurchase agreements (collateralized at 102 percent by treasuries and agencies), and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

The Oakland County Government Investment Pool is a portfolio combining investments in U.S. government securities, certificates of deposit, and cash equivalents. These investments are made in conformance with PA 20 of 1943 and the Oakland County Investment Policy. This investment policy demands three standards for investing: safety of principal, liquidity of investment, and return on investment.

Excluded from the tables above is a certificate of deposit of \$248,133 at September 30, 2017 which is valued at cost and is included in investments on the statement of financial position.

### Note 4 - Capital Assets

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

Governmental Activities	Balance	Reclassifications	Additions	Disposals	Balance
	October 1, 2016				September 30, 2017
Capital assets not being depreciated - Land	\$ 3,090,244	\$ -	\$ -	\$ -	\$ 3,090,244
Capital assets being depreciated:					
Buildings and improvements	13,921,045	2,591	76,467	-	14,000,103
Machinery and equipment	2,147,682	(2,591)	99,225	(305,981)	1,938,335
Vehicles	1,218,603	-	-	(103,428)	1,115,175
Land improvements	1,057,248	-	-	-	1,057,248
Subtotal	18,344,578	-	175,692	(409,409)	18,110,861
Accumulated depreciation:					
Buildings and improvements	3,959,130	2,158	289,632	-	4,250,920
Machinery and equipment	1,860,204	(2,158)	74,246	(305,981)	1,626,311
Vehicles	1,103,025	-	90,726	(103,428)	1,090,323
Land improvements	189,697	-	69,719	-	259,416
Subtotal	7,112,056	-	524,323	(409,409)	7,226,970
Net capital assets being depreciated	11,232,522	-	(348,631)	-	10,883,891
Net capital assets	\$ 14,322,766	\$ -	\$ (348,631)	\$ -	\$ 13,974,135

# Rochester Hills-Oakland-Rochester Older Persons' Commission

## Notes to Financial Statements September 30, 2017

### 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	\$ 54,524	\$ 13,856	\$ -	\$ 68,380	\$ 55,388

### 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.

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

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**Notes to Financial Statements  
September 30, 2017**

## **Note 7 - Defined Contribution Pension Plan (Continued)**

The Commission's total payroll during the current period was \$1,887,990. The current period contribution was calculated based on covered payroll for approximately 16 full-time employees, resulting in an employer contribution of \$42,604 and employee contributions of \$21,254.

## **Required Supplemental Information**

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# Rochester Hills-Oakland-Rochester Older Persons' Commission

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended September 30, 2017

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Administration	\$ 1,409,400	\$ 1,409,400	\$ 1,533,223	\$ 123,823
Leisure travel	350,000	350,000	301,554	(48,446)
Adult day services	100,000	100,000	107,817	7,817
Performing arts	33,000	33,000	38,263	5,263
Health and wellness	413,000	413,000	450,151	37,151
Programs and activities	158,000	158,000	191,233	33,233
Meals - Nutrition	766,500	766,500	827,510	61,010
Transportation	682,200	682,200	728,386	46,186
Newsletter	18,000	18,000	24,176	6,176
Senior resources	100	100	9,463	9,363
Corner Café	55,000	55,000	60,834	5,834
Recreation program	66,300	66,300	77,113	10,813
Sponsor fee - Signature event	110,000	110,000	156,544	46,544
Act of kindness	-	-	3,400	3,400
<b>Total revenue</b>	<b>4,161,500</b>	<b>4,161,500</b>	<b>4,509,667</b>	<b>348,167</b>
<b>Expenditures</b>				
Administration	853,934	853,934	882,085	(28,151)
Facilities management	616,386	616,386	649,764	(33,378)
Leisure travel	322,986	322,986	216,424	106,562
Adult day services	99,997	99,997	90,367	9,630
Performing arts	40,257	40,257	36,997	3,260
Health and wellness land	420,665	420,665	399,649	21,016
Programs and activities	143,699	143,699	163,120	(19,421)
Meals - Nutrition	680,170	680,170	680,365	(195)
Transportation	701,335	701,335	731,332	(29,997)
Newsletter/Vintage View	24,500	24,500	23,738	762
Senior resources	37,537	37,537	40,496	(2,959)
Corner Café	41,219	41,219	44,574	(3,355)
Volunteers	49,358	49,358	47,075	2,283
Recreation programs	66,457	66,457	77,488	(11,031)
Signature event	63,000	63,000	61,648	1,352
Act of kindness	-	-	1,760	(1,760)
<b>Total expenditures</b>	<b>4,161,500</b>	<b>4,161,500</b>	<b>4,146,882</b>	<b>14,618</b>
<b>Excess of Revenue Over Expenditures</b>	<b>-</b>	<b>-</b>	<b>362,785</b>	<b>362,785</b>
<b>Fund Balances - Beginning of year</b>	<b>1,671,326</b>	<b>1,671,326</b>	<b>1,671,326</b>	<b>-</b>
<b>Fund Balances - End of year</b>	<b>\$ 1,671,326</b>	<b>\$ 1,671,326</b>	<b>\$ 2,034,111</b>	<b>\$ 362,785</b>

# Rochester Hills-Oakland-Rochester Older Persons' Commission

## Note to Required Supplemental Information Year Ended September 30, 2017

**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>
Administration	\$ 853,934	\$ 882,085	\$ (28,151)
Facilities management	616,386	649,764	(33,378)
Programs and activities	143,699	163,120	(19,421)
Meals - Nutrition	680,170	680,365	(195)
Transportation	701,335	731,332	(29,997)
Senior Resources	37,537	40,496	(2,959)
Corner Café	41,219	44,574	(3,355)
Recreation programs	66,457	77,488	(11,031)
Act of kindness	-	1,760	(1,760)