

Rochester Hills – Oakland – Rochester Older Persons’ Commission

FINANCIAL POLICIES

PURPOSE

The Older Persons’ Commission (OPC) believes that sound financial management principles are essential for the effective provision of services to our members and to build the trust of the community and taxpayers that the resources provided are utilized to meet the promised goals of this organization. Implementation of the policies listed below will assure that the OPC remains financially sound so as to continue to support the residents of the three participating communities, aged 50+, to live healthy, fulfilling lives.

ACCOUNTING / FINANCIAL REPORTING

All accounting and financial reporting produced by the OPC will be done in accordance with Generally Accepted Accounting Principals of the United States (GAAP) as promulgated by the Government Accounting Standards Board (GASB); the Michigan Department of Treasury; and other recognized authoritative bodies. Further, best practices, as recommended by the above bodies as well as the Government Finance Officers Association of the United States and Canada (GFOA) and the Michigan Governmental Finance Officers Association (MGFOA) will be implemented as appropriate for the nature and the size of the organization.

The OPC will contract with an independent audit firm to prepare its annual financial statements as part of the annual audit services. The independent audit firm will also conduct the annual audit and submit same to the Michigan Department of Treasury as required by state law.

FUND BALANCE

The OPC believes that sound financial management principles require that sufficient funds be retained by the OPC to provide a stable financial base at all times. To retain this stable financial base, the organization needs to maintain a fund balance in the General Fund that is sufficient to fund all cash flows of the organization, to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature, and to provide funds for all existing encumbrances.

The OPC will maintain an unrestricted fund balance in the general fund equal to 25% of annual operating expenditures. Unrestricted fund balance in excess of the 25% minimum will be equally divided between two committed fund balance reserves:

- Budget Stabilization Committed Fund Balance may be used to support a shortfall in operating revenues, within a fiscal year;
- Capital Improvement / One-Time Expenditure Committed Fund Balance may be used to support the capital improvements to the facility and other required one-time expenditures.

Use of fund balance for any purpose required the advanced approval of the OPC Governing Board. If unrestricted fund balance falls below the goal or has a deficiency, the OPC Governing Board and Administration will take immediate steps to increase fund balance by either identification of additional revenue sources, expenditure reductions, or both.

BUDGET AND BUDGETARY COMPLIANCE

An annual operating budget, separately recommended for a period of three fiscal years, will be prepared for all operating funds consistent with GAAP and the State Department of Treasury uniform chart of accounts.

A Capital Improvement Plan, which includes all contemplated capital expenditures and resource for the triennial operating period, as well as five additional fiscal years, shall accompany the operating budget.

The minimum level of budgetary legal control will be the total financial resources of the OPC.

In accordance with MCL 141.411-415 and MCL 15.261-275, a public hearing on the budget will be held prior to formal adoption by the Older Persons' Commission (OPC) Governing Board.

Pursuant to the Interlocal Agreement, the budget will be formally adopted by the OPC Governing Board, and presented to the city councils of the City of Rochester Hills and the City of Rochester, as well as the Board of Trustees of the Charter Township of Oakland, by August 1 prior to the commencement of the fiscal year (October 1).

The budget will be amended by the Older Persons' Commission Governing Board as necessary, throughout the fiscal year. No budget amendments will be allowable after year end.

In no instance will the total estimated expenditures, including an accrued deficit, exceed the total revenues, including available unappropriated surplus.

The budgets will be posted to the OPC's website within 30 days of formal adoption.

Expenditures in excess of budget at the legal level of compliance will be disclosed in the annual audit.

Each Federal grant will have an award budget, which will be incorporated into the OPC operating budget.

Administration will review budget vs. actual reports on a monthly basis with the OPC Governing Board in order to identify inconsistencies.

Administration will provide any budgetary information and / or explanation that the OPC Board requests in order for the Board to fulfill their budgetary approval and oversight responsibilities.

CAPITAL ASSET MANAGEMENT

The OPC will capitalize individual assets other than Buildings, Building Improvements and Land Improvements, and Infrastructure that cost \$5,000 or more and have an estimated useful life of at least two (2) years.

The capitalization threshold for Buildings and Building Improvements shall be \$50,000 and for Land Improvements the capitalization threshold shall be \$25,000.

Individual assets that cost less than \$5,000, but that operate as part of a network system may be capitalized in the aggregate, using the group method, if the estimated average useful life of the individual asset is at least two years. A network is determined to be where individual components may be below \$5,000 but are interdependent and the overriding value to the OPC is on the entire network and not the individual assets (e.g. computer systems and telephone systems).

In accordance with generally accepted accounting principles, the OPC will value its capital assets at historical cost. Historical cost includes the cost or estimated cost at the time of acquisition, freight charges, installation and site preparation charges, and the cost of any subsequent additions or improvements, excluding repairs. If a capital asset is donated to the OPC, the asset will be valued based on the fair market value at the time the asset is donated.

The OPC will use the Straight-Line Method as its “basic approach” (standard approach) to depreciate capital assets.

Depreciation will be based upon the following calculation of “useful life”:

- Buildings 50 years
- Building Improvements 30 years
- Land Improvements 30 years
- Vehicles 5 to 15 years
- Machinery & Equipment 3 to 20 years

For OPC assets procured through resources other than grant resources, the disposal of these assets will be made in a manner and method most advantageous to the OPC as determined by the Executive Director and/or his/her designee. Methods include, but not limited to, private sale, public sale, internet sale, quid pro quo disposal with another organization or individual, destruction of the asset. The above may be based on the total asset or parts of the asset.

For assets procured through grant resources, the grant provisions regarding asset disposal will be followed. If no specific procedures are enumerated in the grant, the OPC will follow the process listed above.

INVESTMENTS

It is the policy of the Older Person's Commission (OPC) to invest its funds in a manner which will ensure the preservation of principal while providing the highest investment return with the maximum security, while meeting the daily cash flow needs of the OPC and comply with all state statutes governing the investment of public funds.

The funds of the OPC shall be invested in accordance with State of Michigan Public Act 20 of 1943, as amended. Authorized investments under this act include:

- Bonds, securities, and other obligations of the United States, or an agency, or instrumentality of the United States (does not include collateralized mortgage obligations).
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution with offices in the State of Michigan.
- Commercial paper rated at the time of purchase within the two highest classifications by not less than two standard rating services, and which matures not more than 270 days from the date of purchase.
- Repurchase agreements.
- Banker's acceptances of United States banks.
- Obligation of this state, or any of its political subdivisions, that at the time of purchase are rated as investment grade by not less than two standard rating services.
- Investment pools organized under the surplus funds investment pool act, 1982 PA 367, MCL 129.111 to 129.118.
- Investment pools organized under the local government investment pool act, 1984 PA 121, MCL 129.141 to 129.150
- Mutual Funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat.789, 15 U.S. 80a-1 to 70a-3 and 80a-4 to 80a-64 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

The primary objectives, in priority order of investment activities, shall be safety, liquidity, and return on investment:

- Safety of principal is the foremost objective of the OPC investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.
- The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.
- The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, considering the investment risk constraints and liquidity needs. Return on investment is of secondary importance, compared to the safety and liquidity objectives described above.

Investments shall be made with the judgment and care under circumstances then prevailing which a person of prudence, discretion and intelligence exercises in the management of their

own affairs, not for speculation, but for investment, considering the probable safety of their capital, as well as the probable income to be derived.

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the OPC.

The Administrative Director shall prepare a quarterly report that shows current value of all investments held, as well as detailing out the upcoming maturity dates and types of investments. This report will be prepared in a manner that will allow the OPC to ascertain whether investment activities during the reporting period have conformed to the investment policy.

PURCHASING

The Older Person's Commission (OPC), as a public entity which uses taxpayer funds, in the form of millage revenue and federal / state grants, to purchases goods and services in the operation of its facility and services; it is bound to conduct purchases in conformance with federal and state law, federal and state grant regulations, local laws and the Interlocal Agreement.

All solicitation bids and subsequent contracts require approval of the Executive Director prior to the release of the solicitation.

- Any purchase of a value of under \$7,000 will be considered a "small purchase." No bidding (formal or informal solicitation from prospective vendors) is required to make this purchase; however due diligence should be utilized to obtain the most reasonable price for the good or service.
- Any purchase of a value between \$7,000 and \$25,000 (inclusive) may be made through an Informal Bid solicitation. Under this solicitation method a formal request for quotation or proposal is not required, however it may be used. Pricing quotes shall be sought from at least three (3) qualified vendors and may be sought, and received, through any number of methods including phone call, e-mail, fax, and written correspondence.
- Any purchase of a value greater than \$25,000 shall be made through a Formal Bid solicitation. This form of solicitation requires contact with at least three (3) qualified vendors by posting on the OPC website, direct mail, and advertising in local newspaper (if applicable). The Formal bid solicitation may take two forms:

1. The Request of Quotation (RFQ) may be used for the purchase of a good or service, where the good or service can be defined in specific enough detail (e.g. size, type, number of items requested as well as brand name of state equivalent if available) so that a potential vendor may provide a price quote without generally having to request clarifications. If price is the sole determiner of vendor, a sealed bid should be considered.
2. A Request for Proposal (RFP) shall be used as formal bid for services when an RFQ is not appropriate.
 - The RFP shall include specification which defines the problem or specific need the OPC is attempting to meet, and provides competing vendors latitude in submitting a custom proposal on how they can satisfy the OPC's specific need in the most efficient and effective manner.
 - The RFP will also include the specific evaluation criteria to be used in rating vendors' proposals.
 - If a multi-year contract is proposed, the proposing vendor must provide an annual pricing for each year of the contract as well as a total price for the proposed contract period.

Except for a sealed bid, all other forms of purchase:

- Are subject to negotiation in the best interest of the OPC;
- The OPC is not required to purchase the lowest bid, however an explanation should be provided if the lowest vendor is not recommended (e.g. they are not the lowest *responsible* vendor).

Pursuant to the Interlocal Agreement, any purchase greater than \$3,000 requires the approval of the OPC Governing Board.

All service contractors, receiving awards as a result of these purchasing policies shall provide the following:

1. A W-9 form as well as proof of liability naming the OPC as an additional insured party, prior to beginning work on the contract.
2. Proof of Worker's Compensation Insurance (should services be provided at the OPC facility) naming the OPC as an additional insured party OR a Sole Proprietor Form AND State form explicitly indicating that the contractor is not required to have worker's compensation insurance, prior to beginning work on the contract.
3. A contractual clause releasing the OPC from the contract if service is not rendered properly within 30 days or less.

REFUNDS

The OPC provides a number of classes, events, travel opportunities, and activities (e.g. “activity”) for its members and (in some cases), the general public. Most of these activities require advanced registration and full payment of the appropriate fee at the time of registration. There are instances when a member, who has registered for an activity and paid the appropriate fee, cannot attend the registered activity. Further there are times when, for reasons within and beyond their control, the OPC must cancel an activity.

Should a member be unable to participate in a registered and paid activity the following refund policy shall be enforced:

1. Any request for a refund of a purchased activity must be submitted in writing (email or other means) to the OPC Financial Department at finance@opcseniorcenter.org .
2. Exclusions / Non-Refundable
 - Once the activity has begun no refunds will be granted
 - Refunds will not be granted for a short duration (one of two sessions) activity unless requested at least four (4) days prior to the activity.
 - Should the activity be cancelled due to circumstances outside the OPC control including inclement weather issues, power outages, facility closing required by appropriate governmental authorities, or any other “acts of God”, **efforts will be made to reschedule the activity. If the member cannot attend the rescheduled activity, a refund will not be granted.**

Travel Refunds - Cancellation or changes to a purchased trip reservation (including additional excursions, etc.) will be charged an administrative fee equal to \$10.00 or 5% of the activity cost, whichever is less; or other fee as specified in the newsletter for said activity.

No trip refund will be given for cancellations after the cancellation deadline; however if a traveler cancels a day trip after the cancellation deadline they may sell or give their ticket to another 50+ person as long as the cancelling traveler contacts the Leisure Travel Department with the personal information of the new traveler at least 48 hours prior to trip departure.

Refund Exceptions (does not apply to Travel)

- Medical exceptions may be granted upon review, with an accompanying doctor’s note.
 - The OPC suggests that a member consult with their doctor before starting any exercise class or other activity.
- Should the activity be cancelled due to circumstances within the control of the OPC, every effort will be made to reschedule the activity. If the member cannot attend the event on the rescheduled day and time, a full refund will be given.
- Should the activity be cancelled due to circumstances within the control of the OPC, and the OPC is unable to reschedule the activity, a full refund will be given.