

Tri-County Aging Consortium

Year Ended
September 30,
2016

Financial
Statements and
Single Audit Act
Compliance

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TRI-COUNTY AGING CONSORTIUM

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INDEPENDENT AUDITORS' REPORT

March 30, 2017

Board of Directors
Tri-County Aging Consortium
Lansing, Michigan**Report on the Financial Statements**

We have audited the accompanying basic financial statements of the governmental activities, each major fund and the remaining fund information of the *Tri-County Aging Consortium* (the "Consortium"), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Consortium'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.

Independent Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Tri-County Aging Consortium as of September 30, 2016, and the respective changes in financial position and budgetary comparison for the general fund and the major special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules for the pension and other postemployment benefits plans, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who 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 supplementary 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 the Consortium's basic financial statements. The schedule of revenues, expenditures, and changes in fund balance - grants special revenue fund - by program and the schedule of funding service categories by source are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of revenues, expenditures, and changes in fund balance - grants special revenue fund - by program is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of revenues, expenditures, and changes in fund balance - grants special revenue fund - by program is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedule of funded service categories by source 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2017, on our consideration of the Consortium's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Consortium's internal control over financial reporting and compliance.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

TRI-COUNTY AGING CONSORTIUM

Management's Discussion and Analysis

As management of Tri-County Aging Consortium (the "Consortium"), we offer our readers of the financial statements this narrative overview and analysis of the financial activities of the Consortium for the fiscal year ended September 30, 2016.

Financial Highlights

· Total net position	\$ 5,426,137
· Change in total net position	(1,628,537)
· Fund balances, governmental funds	5,343,182
· Change in fund balances, governmental funds	(1,703,677)
· Unassigned fund balance, general fund	562,484
· Change in fund balance, general fund	77,832

Overview of the Financial Statements

This discussion and analysis is intended to provide a basis of understanding the Consortium's basic financial statements. These statements comprise three components: (1) government-wide financial statements (2) fund financial statements, and (3) notes to the financial statements. Supplementary information is also provided for additional informational purposes.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Consortium's finances, in a manner similar to a private sector business.

The *statement of net position* presents information on all of the Consortium's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as *net position*. Over time, increases or decreases in net position may serve as an indicator of the Consortium's overall fiscal position.

The *statement of activities* presents information showing how the Consortium's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in past or future fiscal periods (for instance, depreciation expense associated with capital assets).

The statement of activities reports the costs of the services that the Consortium provides which are principally supported by state and federal grant revenues. The governmental activities of the Consortium include regional planning, coordination, contracting, and direct provision of services for clients through various programs that promote and preserve the independence and dignity of the aging population.

The government-wide financial statements include only the Consortium itself. The Consortium has no legally separate component units for which the Consortium is financially accountable.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Consortium, like other units of state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The activities of the Consortium are accounted for in governmental funds.

TRI-COUNTY AGING CONSORTIUM

Management's Discussion and Analysis

Governmental funds. *Governmental funds* are used to account for essentially the same function reported in the government-wide financial statements. However, unlike the government-wide financial statements, fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statement's it is useful to compare the information presented for the governmental funds with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the *governmental funds* and the government-wide statements.

The general fund and grants special revenue fund are considered to be major funds for financial reporting purposes.

The Consortium adopts an annual appropriated budget for its funds. Budgetary comparison statements have been provided herein for the general fund and grants special revenue fund to demonstrate compliance with those budgets.

The Consortium does not maintain any proprietary or fiduciary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the Consortium's financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This is limited to management discussion and analysis and certain information for pension and other postemployment benefits.

TRI-COUNTY AGING CONSORTIUM

Management's Discussion and Analysis

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Consortium, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$5,426,137 at the close of the most recent fiscal year.

	Net Position	
	2016	2015
Assets		
Current assets	\$ 7,961,806	\$ 9,138,205
Capital assets, net	135,998	88,666
Total assets	<u>8,097,804</u>	<u>9,226,871</u>
Deferred outflows of resources	<u>1,193,429</u>	<u>314,030</u>
Liabilities		
Other liabilities	3,653,795	2,344,426
Long-term liabilities	149,397	141,801
Total liabilities	<u>3,803,192</u>	<u>2,486,227</u>
Deferred inflows of resources	<u>61,904</u>	<u>-</u>
Net position		
Investment in capital assets	135,998	88,666
Restricted	68,755	68,205
Unrestricted	5,221,384	6,897,803
Total net position	<u>\$ 5,426,137</u>	<u>\$ 7,054,674</u>

TRI-COUNTY AGING CONSORTIUM

Management's Discussion and Analysis

	Change in Net Position	
	2016	2015
Revenues		
Program revenues:		
Charges for services	\$ 889,695	\$ 757,131
Operating grants and contributions	24,945,694	25,726,409
General revenues:		
Municipal appropriations	260,611	235,631
Investment earnings	33,247	38,540
Total revenue	26,129,247	26,757,711
Expenses		
Health and welfare	27,757,784	25,835,226
Change in net position	(1,628,537)	922,485
Net position, beginning of year, as previously stated	7,054,674	6,087,184
Restatement	-	45,005
Net position, end of year	\$ 5,426,137	\$ 7,054,674

The change in net position is due primarily to the increased cost of providing services to clients enrolled in the Waiver program. The State of Michigan, beginning in fiscal year 2014, uses a Capitated rate payment structure to provide Waiver agencies with their funding of the Waiver program. The rates are based on historical cost assembled 2 years ago. As such, there is a gap/lag to when costs are incurred and rates are adjusted accordingly. It is expected our Capitated rates will increase in future years as higher costs will be reported and used to set next years rate structure.

The Consortium's reconciling items between modified accrual and full accrual accounting for government-wide reporting are minimal. As a result, the analysis of the Consortium's funds in the following section also serves as the government-wide financial analysis.

Financial Analysis of the Consortium's Funds

The general fund had a slight increase in revenues over budgeted amounts and expenses were slightly under the amounts budgeted for fiscal year 2016. The Nutrition program had revenue that exceeded expenses for the first time in a number of years which resulted in less burden on the general fund. Additionally, the general fund supported the Care Transitions Program in the amount of \$16,764.

In fiscal year 2016 there was an increase in federal and state funding for the nutrition program in the amount of \$86,053. The Nutrition program staff targeted new assessment measures for analyzing food insecurity, resulting in less second meals. This targeted assessment successfully maintained a no wait list for nutrition services. The grant from the Michigan Health Endowment Fund continued for fiscal 2016 and achieved all the goals established for the programs it funded. These programs were designed to support clients with diabetes education and fall prevention classes.

TRI-COUNTY AGING CONSORTIUM

Management's Discussion and Analysis

The Consortium received an increase from the Michigan Department of Health and Human Services for the Waiver program in the amount of \$615,405 to bring the fiscal year total contract amount to \$20,065,378. While there were prior year adjustments made and recorded in fiscal year 2016 that resulted in additional revenue for the Waiver program, the expenses incurred to provide services to Waiver clients exceeded total revenues. The Waiver program's fund balance was used to make up the shortfall in revenue. It is important to emphasize that the Waiver is a managed care program with a full risk contract. Reimbursement is based on a capitated basis encompassing six rate cells developed by an actuarial entity. Due to these factors, revenues can exceed expenses for the year, as well as, expenses exceeding revenues as is the nature of a managed care system. Consortium management is involved in dialog with officials at the Department of Health and Human Services regarding the capitated rate setting process. Overall, actual revenues and expenses were slightly higher than budgeted for the Waiver Program in fiscal year 2016.

The Consortium and the Michigan Department of Health and Human Services are still in the process of reconciling fiscal years 2014, 2015, and 2016. The Consortium is monitoring the open issues with each of these fiscal years to ensure so that when a final settlement is proposed we are confident that the proposal is adequate and complete to our satisfaction.

Capital Assets

The Consortium's net investment in capital assets increased during the year by \$47,332 which is summarized below:

	Capital Assets (Net of Depreciation)	
	2016	2015
Capital assets being depreciated		
Vehicles	\$ 43,561	\$ 23,837
Equipment	92,437	64,829
Total capital assets being depreciated	\$ 135,998	\$ 88,666

For additional information on the Consortium's capital assets, see Note 4 in the notes to the financial statements.

Long-term Debt

The Consortium's long-term debt consists of unused vacation time. For additional information on the Consortium's long-term debt, see Note 6 in the notes to the financial statements.

Economic Factors and Future Budgets

Funding is determined at the federal and state levels and at this time looks promising. However, federal and state cuts in our funding could be made at any time and that would have a significant effect on the Consortium's financial position or operations.

Requests for Information

This financial report is designed to provide a general overview of the Tri-County Aging Consortium's finances for all those with an interest in the Consortium's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, Tri-County Aging Consortium, 5303 S. Cedar St., Suite 1, Lansing, MI 48911.

BASIC FINANCIAL STATEMENTS

TRI-COUNTY AGING CONSORTIUM

Statement of Net Position

September 30, 2016

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 5,694,745
Restricted cash and cash equivalents	93,777
Investments	899,458
Accounts receivable	81,488
Due from other governments	1,176,348
Prepaid items	15,990
Capital assets being depreciated, net	135,998
Total assets	<u>8,097,804</u>
Deferred outflows of resources	
Deferred pension amounts	<u>1,193,429</u>
Liabilities	
Accounts payable	2,119,297
Accrued payroll	87,570
Unearned revenue	19,056
Long-term debt:	
Due within one year	59,759
Due in more than one year	89,638
Other noncurrent liabilities:	
Net pension liability	1,398,997
Net other postemployment benefits obligation	28,875
Total liabilities	<u>3,803,192</u>
Deferred inflows of resources	
Deferred pension amounts	<u>61,904</u>
Net position	
Investment in capital assets	135,998
Restricted for:	
Permanent corpus	68,755
Unrestricted	5,221,384
Total net position	<u>\$ 5,426,137</u>

The accompanying notes are an integral part of these basic financial statements.

TRI-COUNTY AGING CONSORTIUM

Statement of Activities

For the Year Ended September 30, 2016

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Health and welfare	<u>\$ 27,757,784</u>	<u>\$ 889,695</u>	<u>\$ 24,945,694</u>	<u>\$ (1,922,395)</u>
General revenues				
Unrestricted municipal appropriations				260,611
Unrestricted investment earnings				<u>33,247</u>
Total general revenues				<u>293,858</u>
Change in net position				(1,628,537)
Net position, beginning of year				<u>7,054,674</u>
Net position, end of year				<u>\$ 5,426,137</u>

The accompanying notes are an integral part of these basic financial statements.

TRI-COUNTY AGING CONSORTIUM

Balance Sheet

Governmental Funds
September 30, 2016

	General Fund	Grants Special Revenue Fund	Nonmajor Capital Projects Fund	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 274,135	\$ 5,381,040	\$ 39,570	\$ 5,694,745
Restricted cash and cash equivalents	-	-	93,777	93,777
Investments	690,542	-	208,916	899,458
Accounts receivable	893	80,595	-	81,488
Due from other funds	-	90,076	4,453	94,529
Due from other governments	30,109	1,146,239	-	1,176,348
Prepaid items	15,290	700	-	15,990
Total assets	\$ 1,010,969	\$ 6,698,650	\$ 346,716	\$ 8,056,335
Liabilities				
Accounts payable	\$ 6,728	\$ 2,112,569	\$ -	\$ 2,119,297
Due to other funds	94,529	-	-	94,529
Accrued payroll	17,264	70,306	-	87,570
Unearned revenue	15,008	4,048	-	19,056
Total liabilities	133,529	2,186,923	-	2,320,452
Deferred inflows of resources				
Unavailable waiver revenue	-	392,701	-	392,701
Fund balances				
Nonspendable	15,290	700	68,755	84,745
Committed	-	4,118,326	-	4,118,326
Assigned	299,666	-	277,961	577,627
Unassigned	562,484	-	-	562,484
Total fund balances	877,440	4,119,026	346,716	5,343,182
Total liabilities, deferred inflows of resources and fund balances	\$ 1,010,969	\$ 6,698,650	\$ 346,716	\$ 8,056,335

The accompanying notes are an integral part of these basic financial statements.

TRI-COUNTY AGING CONSORTIUM

Reconciliation

Fund Balances for Governmental Funds
to Net Position of Governmental Activities
September 30, 2016

Fund balances - total governmental funds	\$ 5,343,182
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the fund financial statements. Capital assets being depreciated, net	135,998
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred inflows of resources in the governmental funds, and thus are not included in fund balance. Unavailable waiver revenue	392,701
Certain liabilities are not due and payable in the current period, and therefore are not reported in the fund financial statements. Net pension liability Deferred outflows related to the net pension liability Deferred inflows related to the net pension liability Net other postemployment benefits obligation Compensated absences	(1,398,997) 1,193,429 (61,904) (28,875) <u>(149,397)</u>
Net position of governmental activities	<u>\$ 5,426,137</u>

The accompanying notes are an integral part of these basic financial statements.

TRI-COUNTY AGING CONSORTIUM

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended September 30, 2016

	General Fund	Grants Special Revenue Fund	Nonmajor Capital Projects Fund	Total Governmental Funds
Revenues				
Intergovernmental:				
Federal	\$ -	\$ 1,834,638	\$ -	\$ 1,834,638
State	-	1,259,538	-	1,259,538
Medicaid waiver program	-	20,328,813	-	20,328,813
Local grants	314,423	542,751	-	857,174
Municipal appropriations	260,611	-	-	260,611
Contributions	74,573	282,360	-	356,933
Program revenues	-	889,695	-	889,695
Interest	25,821	-	7,426	33,247
Total revenues	675,428	25,137,795	7,426	25,820,649
Expenditures				
Health and welfare	410,794	27,069,456	44,076	27,524,326
Revenues over (under) expenditures	264,634	(1,931,661)	(36,650)	(1,703,677)
Other financing sources (uses)				
Transfers in	5,106	191,908	-	197,014
Transfers out	(191,908)	(5,106)	-	(197,014)
Total other financing sources (uses)	(186,802)	186,802	-	-
Net change in fund balances	77,832	(1,744,859)	(36,650)	(1,703,677)
Fund balances, beginning of year	799,608	5,863,885	383,366	7,046,859
Fund balances, end of year	\$ 877,440	\$ 4,119,026	\$ 346,716	\$ 5,343,182

The accompanying notes are an integral part of these basic financial statements.

TRI-COUNTY AGING CONSORTIUM

Reconciliation

Net Changes in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
For the Year Ended September 30, 2016

Net change in fund balances - total governmental funds	\$ (1,703,677)
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Acquisition of capital assets	66,736
Depreciation expense	(19,404)
Revenues in the statement of activities that do not provide current resources are not reported as revenues in funds, but rather deferred to subsequent fiscal years.	
Change in unavailable waiver revenue	308,598
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Change in the accrual for compensated absences	(7,596)
Change in net pension liability and related deferred amounts	(273,247)
Change in net other postemployment benefits obligation	53
Change in net position of governmental activities	<u>\$ (1,628,537)</u>

The accompanying notes are an integral part of these basic financial statements.

TRI-COUNTY AGING CONSORTIUM

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended September 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local grants	\$ 374,582	\$ 377,582	\$ 314,423	\$ (63,159)
Municipal appropriations:				
City of Lansing	75,000	75,000	85,000	10,000
City of East Lansing	14,758	14,758	14,758	-
Ingham County	61,833	61,833	61,833	-
Clinton County	36,498	36,498	44,825	8,327
Eaton County	54,195	54,195	54,195	-
Contributions	-	-	74,573	74,573
Interest	17,900	16,400	25,821	9,421
Total revenues	634,766	636,266	675,428	39,162
Expenditures				
Health and welfare:				
Salaries and wages	131,489	131,489	137,210	5,721
Fringe benefits	34,296	42,321	54,603	12,282
Operating expenditures	252,957	245,902	177,400	(68,502)
Professional services	40,500	39,450	40,595	1,145
Travel and training	5,100	2,600	986	(1,614)
Total expenditures	464,342	461,762	410,794	(50,968)
Revenues over expenditures	170,424	174,504	264,634	90,130
Other financing sources (uses)				
Transfers in	11,000	-	5,106	5,106
Transfers out	-	(10,740)	(191,908)	(181,168)
Total other financing sources (uses)	11,000	(10,740)	(186,802)	(176,062)
Net change in fund balance	181,424	163,764	77,832	(85,932)
Fund balance, beginning of year	799,608	799,608	799,608	-
Fund balance, end of year	\$ 981,032	\$ 963,372	\$ 877,440	\$ (85,932)

The accompanying notes are an integral part of these basic financial statements.

TRI-COUNTY AGING CONSORTIUM

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Grants Special Revenue Fund

For the Year Ended September 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental:				
Federal revenue	\$ 1,420,517	\$ 1,458,791	\$ 1,834,638	\$ 375,847
State revenue	1,320,473	1,350,787	1,259,538	(91,249)
Medicaid	19,958,958	20,281,291	20,328,813	47,522
Local grants	556,044	636,079	542,751	(93,328)
Contributions	45,100	37,000	282,360	245,360
Program revenues	825,886	696,587	889,695	193,108
Interest	561,160	547,316	-	(547,316)
Total revenues	24,688,138	25,007,851	25,137,795	129,944
Expenditures				
Health and welfare:				
Salaries and wages	3,550,259	3,558,996	3,622,749	63,753
Fringe benefits	1,292,661	1,295,132	1,287,814	(7,318)
Operating expenditures	2,359,793	2,102,301	2,002,893	(99,408)
Professional services	62,709	35,500	125,041	89,541
Subcontractor expenditures	16,957,050	19,813,846	19,893,310	79,464
Travel and training	165,100	158,040	137,649	(20,391)
Total expenditures	24,387,572	26,963,815	27,069,456	105,641
Revenues over (under) expenditures	300,566	(1,955,964)	(1,931,661)	24,303
Other financing sources (uses)				
Transfers in	-	10,740	191,908	181,168
Transfers out	(11,000)	-	(5,106)	(5,106)
Total other financing sources (uses)	(11,000)	10,740	186,802	176,062
Net change in fund balance	289,566	(1,945,224)	(1,744,859)	200,365
Fund balance, beginning of year	5,863,885	5,863,885	5,863,885	-
Fund balance, end of year	\$ 6,153,451	\$ 3,918,661	\$ 4,119,026	\$ 200,365

The accompanying notes are an integral part of these basic financial statements.

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NOTES TO FINANCIAL STATEMENTS

TRI-COUNTY AGING CONSORTIUM

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the *Tri-County Aging Consortium* (the "Consortium"), conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies.

The Tri-County Aging Consortium is the designated Area Agency on Aging (AAA) for Region VI of Michigan (Ingham, Clinton and Eaton Counties). As an AAA, the Consortium is responsible for regional planning and coordination of services for older people. This designation dates back to April 1974, when the first Area Plan for this region was approved by the State of Michigan Office of Services to the Aging.

The Consortium began in 1972 when a grant from the State Commission on Aging was awarded to the Lansing Planning Department to conduct a needs survey for Lansing elderly. As a result of this research, the Lansing City Council created a Senior Citizens Department in January 1974. Later that year, the Department secured the necessary two thirds approval of the Boards of Commissioners of Ingham, Clinton and Eaton Counties to apply for designation as an Area Agency on Aging under the Older Americans Act.

The Consortium Board, the policy-making body for the agency, was established under the Urban Cooperation Act of 1967. The Consortium's twelve-member Board features the combined input and representation from the Lansing Mayor's Office, Lansing City Council, East Lansing City Council, and the Boards of Commissioners of Ingham, Clinton and Eaton Counties. Each of the governmental bodies contributes local funds which finance a portion of the Consortium's activities. The Consortium then pursues other funding sources to bring tax dollars back into the region for the purpose of providing services to senior citizens.

Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements are exclusive presentations of the financial condition and results of operations of the Tri-County Aging Consortium. The Consortium has determined that no entities should be consolidated in the financial statements as component units. The criteria for including a component unit include significant operational or financial relationships with the government.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government. Governmental activities are supported by charges for services and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Internally dedicated resources are reported as *general revenues* rather than as program revenues.

TRI-COUNTY AGING CONSORTIUM

Notes to Financial Statements

Separate financial statements are provided for the governmental funds. Major funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period except for expenditure-driven grants which must be collected within one year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences not expected to be paid in the current year and claims and judgments, are recorded only when payment is due.

State and federal grant revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Consortium reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all the financial resources of the general government, except those accounted for and reported in another fund.

The *grants special revenue fund* reports grant program revenues and expenditures of federal and state grant monies primarily passed through the Offices on Services to the Aging (OSA).

Additionally, the Consortium reports the following fund types:

The *capital projects fund* accounts for the acquisition of capital assets or construction of major capital projects.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Equity

Deposits and Investments

The Consortium's cash and cash equivalents include amounts in demand deposit accounts, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are stated at fair value.

TRI-COUNTY AGING CONSORTIUM

Notes to Financial Statements

In addition, the Consortium's restricted cash and cash equivalents represents amounts held in an endowment at the Capital Region Community Foundation. These funds may be requested by the Consortium at any time, except for the permanent corpus portion of the funds. The fund balance for that portion of the endowment has been appropriately reported as nonspendable.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

Amounts due from other governments include amounts due from grantors for specific programs. Program grants and capital grants for capital assets are recorded as receivables and revenues at the time reimbursable project costs are incurred. Revenues received in advance of project costs being incurred are reported as "unearned".

Prepaid Items

Payments made to vendors for services that will benefit future periods are recorded as prepaid items.

Capital Assets

Capital assets, which include leasehold improvements, vehicles, and equipment, are reported in the government-wide statements. Capital assets are defined by the Consortium as assets with an initial, individual cost of more than \$5,000 with an estimated life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition cost at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation is recorded over the estimated useful lives (ranging from six to fifteen years) of the assets, using the straight-line method, as follows:

Assets	Years
Leasehold improvement	15
Vehicles	6
Equipment	10

Deferred Outflows of Resources

In addition to assets, the statement of financial position 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 one or more future periods and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The Consortium reports deferred outflows of resources for changes in expected and actual investment returns, assumptions, and benefits provided in its pension plans, and for contributions to the plan subsequent to the plan measurement date.

TRI-COUNTY AGING CONSORTIUM

Notes to Financial Statements

Compensated Absences

It is the Consortium's policy to permit employees to accumulate earned but unused vacation time, subject to varying amounts based on length of service. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Deferred Inflows of Resources

The Consortium reports certain receivables in governmental funds that are not due and collectible soon enough to meet the criteria for revenue recognition under the current financial resources method of accounting. These amounts have been reported as "deferred inflows of resources" in the fund financial statements, but are recognized when earned, regardless of the timing of collection, in the government-wide statements. In addition, the Consortium reports deferred inflows of resources for the difference between expected and actual experience on the investments within its pension plan.

Fund Balances

Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of the resources by grantors, contributors, or laws or regulations of other governments. *Committed fund balance* is reported for amounts that can be used for specific purposes pursuant to constraints imposed by formal action if the government's highest level of decision making authority, the Consortium Board. A formal resolution of the Consortium Board is required to establish, modify or rescind a fund balance commitment. The Consortium reports *assigned fund balance* for amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. The Consortium Board has delegated the authority to assign fund balance to the Finance Director or his/her designee. Unassigned fund balance is the residual classification for the general fund.

When the Consortium incurs an expenditure for purposes for which various fund balance classifications can be used, it is the Consortium's policy to use restricted fund balance first, then committed, assigned, and finally unassigned fund balance, if any.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

TRI-COUNTY AGING CONSORTIUM

Notes to Financial Statements

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

All governmental funds are under formal budgetary control. Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles (GAAP), which is the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget approved or as amended by the Consortium Board. Budgets for the general and special revenue fund are adopted on a functional basis.

Excess of Expenditures over Budget

Expenditures in the statements of revenues, expenditures, and changes in fund balance - budget to actual have been presented at a level of detail greater than the level of legal budgetary control.

During the year ended September 30, 2016, the Consortium incurred expenditures in certain budgetary funds which were in excess of the amounts budgeted, as follows:

	Final Budget	Actual Expenditures	Budget Variance
General fund			
Transfers out	\$ 10,740	\$ 191,908	\$ (181,168)
Grants special revenue fund			
Health and welfare	26,963,815	27,069,456	(105,641)
Transfers out	-	5,106	(5,106)

3. DEPOSITS AND INVESTMENTS

A reconciliation of cash and investments as shown on the statement of net position follows:

Statement of net position	
Cash and cash equivalents	\$ 5,694,745
Restricted cash and cash equivalents	93,777
Investments	899,458
	<hr/>
Total	\$ 6,687,980
	<hr/> <hr/>
Deposits and investments	
Bank deposits (checking accounts and savings accounts)	\$ 5,694,445
Money market funds	47,075
Endowment	93,777
Investments	852,383
Cash on hand	300
	<hr/>
Total	\$ 6,687,980
	<hr/> <hr/>

TRI-COUNTY AGING CONSORTIUM

Notes to Financial Statements

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Consortium's deposits may not be returned. State law does not require and the Consortium does not have a policy for deposit custodial credit risk. As of year end, \$5,744,014 of the Consortium's bank balance of \$5,994,014 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk - Investments. Following is a summary of the Consortium's investments as of September 30, 2016:

U.S. agencies	\$ 178,397
U.S. treasury notes	<u>673,986</u>
Total	<u>\$ 852,383</u>

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Consortium will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Consortium does not have a policy for investment custodial credit risk. None of the Consortium's investments were exposed to custodial credit risk at year end.

Credit Risk. As of September 30, 2016, all of the Consortium's investments in securities of U.S. agencies and U.S. treasuries were rated Aaa by Moody's. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments in the accounting policies. The Consortium's investment policy does not have specific limits in excess of state law on investment credit risk.

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the accounting policies. The Consortium's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. As the September 30, 2016 maturities for the Consortium's investments in the debt securities were as follows:

	Fair Value	Investment Maturities (fair value by years)			
		Less Than 1	1-5	6-10	More Than 10
U.S. agencies	\$ 178,397	\$ 40,663	\$ 100,286	\$ -	\$ 37,448
U.S. treasury notes	673,986	31,388	360,497	282,101	-
	<u>\$ 852,383</u>	<u>\$ 72,051</u>	<u>\$ 460,783</u>	<u>\$ 282,101</u>	<u>\$ 37,448</u>

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments in the accounting policies. The Consortium's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above.

TRI-COUNTY AGING CONSORTIUM

Notes to Financial Statements

Fair Value. The Consortium 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. These levels are determined by the Consortium's investment manager, and are determined at the fund level based on a review of the investment's class, structure, and what kind of securities are held in the funds. The investment manager will request the information from the fund manager, if necessary.

The Consortium's recurring fair value measurements as of September 30, 2016 were related to its investments in U.S. agency funds and U.S. treasury notes. The U.S. agency funds are valued using significant other observable inputs of the underlying securities and bonds (Level 2 inputs), and the U.S. treasury notes are valued using quoted prices in active markets for identical assets (Level 1 inputs).

4. CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2016 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets being depreciated:				
Leasehold improvements	\$ 142,677	\$ -	\$ -	\$ 142,677
Vehicles	147,000	28,286	(38,852)	136,434
Equipment	350,009	38,450	-	388,459
Total capital assets being depreciated	<u>639,686</u>	<u>66,736</u>	<u>(38,852)</u>	<u>667,570</u>
Less accumulated depreciation:				
Leasehold improvements	(142,677)	-	-	(142,677)
Vehicles	(123,163)	(8,562)	38,852	(92,873)
Equipment	(285,180)	(10,842)	-	(296,022)
Total accumulated depreciation	<u>(551,020)</u>	<u>(19,404)</u>	<u>38,852</u>	<u>(531,572)</u>
Total capital assets being depreciated, net	<u>\$ 88,666</u>	<u>\$ 47,332</u>	<u>\$ -</u>	<u>\$ 135,998</u>

5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

At September 30, 2016, interfund receivables and payables consisted of the following:

	Due from Other Funds	Due to Other Funds
General fund	\$ -	\$ 94,529
Grants special revenue fund	90,076	-
Nonmajor capital projects fund	4,453	-
	<u>\$ 94,529</u>	<u>\$ 94,529</u>

These interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

TRI-COUNTY AGING CONSORTIUM

Notes to Financial Statements

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated. For the year ending September 30, 2016, interfund transfers consisted of the following:

Transfer out	Transfers In		
	General Fund	Grants Special Revenue Fund	Total
General fund	\$ -	\$ 191,908	\$ 191,908
Grants special revenue fund	5,106	-	5,106
Total	\$ 5,106	\$ 191,908	\$ 197,014

6. LONG-TERM DEBT

The following is a summary of the changes in long-term debt of the Consortium for the year ended September 30, 2016:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Compensated absences	\$ 141,801	\$ 64,316	\$ (56,720)	\$ 149,397	\$ 59,759

7. PENSION PLAN

General Information About the Plan

Plan Description. The Consortium participates in the Municipal Employees' Retirement System (MERS) of Michigan, a defined benefit pension plan providing certain retirement, disability and death benefits to plan members and beneficiaries. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. Public Act 427 of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com.

Benefits Provided. Pension benefits are calculated as final average compensation (based on a 5 year period) with a multiplier of 2%. Participants are considered to be fully vested in the plan after 10 years. Normal retirement age is 60 with early retirement at age 55 with 25 years of service. The employer may establish contribution rates to be paid by its covered employees. Currently, active members are not required to contribute to the plan.

Contributions. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employer contributions were \$246,191 for the year ended September 30, 2016.

TRI-COUNTY AGING CONSORTIUM

Notes to Financial Statements

Net Pension Liability. The Consortium's net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	3.75% in the long-term
Investment rate of return	7.75%, net of investment expense and including inflation

Although no specific price inflation assumptions are needed for the valuation, the 2.5% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%.

Mortality rates used were based on the RP-2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend.

The actuarial assumptions used in the valuation were based on the results of the most recent actuarial experience study of 2009-2013. The main assumption and method changes in the most recent actuarial valuation included an adjustment to the mortality table to reflect longer lifetimes, the assumed annual rate of return, net of all expenses was lowered from 8.0% to 7.75%, and the asset smoothing was changed from 10 to 5 years.

Employees Covered by Benefit Terms. At December 31, 2015, plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	49
Inactive employees entitled to but not yet receiving benefits	19
Active employees	<u>100</u>
Total membership	<u><u>168</u></u>

TRI-COUNTY AGING CONSORTIUM

Notes to Financial Statements

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Global equity	57.50%	5.02%	2.89%
Global fixed income	20.00%	2.18%	0.43%
Real assets	12.50%	4.23%	0.53%
Diversifying strategies	<u>10.00%</u>	6.56%	0.65%
	<u>100.00%</u>		
Inflation			3.50%
Administrative expenses netted above			<u>0.25%</u>
Investment rate of return			<u><u>8.25%</u></u>

Discount Rate. The discount rate used to measure the total pension liability was 8.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TRI-COUNTY AGING CONSORTIUM

Notes to Financial Statements

Changes in Net Pension Liability

The components of the change in the net pension liability are summarized as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at December 31, 2014	\$ 7,614,628	\$ 7,306,373	\$ 308,255
Changes for the year:			
Service cost	283,247	-	283,247
Interest	625,436	-	625,436
Differences between expected and actual experience	(77,380)	-	(77,380)
Changes in assumptions	450,517	-	450,517
Employer contributions	-	283,411	(283,411)
Employee contributions	-	35,531	(35,531)
Net investment loss	-	(111,727)	111,727
Benefit payments, including refunds of employee contributions	(350,399)	(350,399)	-
Administrative expense	-	(16,137)	16,137
Net changes	<u>931,421</u>	<u>(159,321)</u>	<u>1,090,742</u>
Balances at December 31, 2015	<u>\$ 8,546,049</u>	<u>\$ 7,147,052</u>	<u>\$ 1,398,997</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the Consortium, calculated using the discount rate of 8.25%, as well as what the Consortium's net pension liability would be if it were calculated using a discount rate that is 1% lower (7.25%) or 1% higher (9.25%) than the current rate:

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
Consortium's net pension liability	\$ 2,396,426	\$ 1,398,997	\$ 552,156

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Plan financial statements.

TRI-COUNTY AGING CONSORTIUM

Notes to Financial Statements

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2016, the Consortium recognized pension expense of \$531,572. The Consortium reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows of Resources
Difference between expected and actual experience	\$ -	\$ 61,904	\$ (61,904)
Changes in assumptions	360,414	-	360,414
Net difference between projected and actual earnings on pension plan investments	647,916	-	647,916
	<u>1,008,330</u>	<u>61,904</u>	<u>946,426</u>
Contributions subsequent to measurement date	185,099	-	185,099
Total	<u><u>\$ 1,193,429</u></u>	<u><u>\$ 61,904</u></u>	<u><u>\$ 1,131,525</u></u>

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended September 30,	Amount
2017	\$ 243,096
2018	243,096
2019	243,096
2020	<u>217,138</u>
Total	<u><u>\$ 946,426</u></u>

8. POSTEMPLOYMENT HEALTH CARE BENEFITS

Plan description. In addition to providing pension benefits, the Consortium makes medical, prescription, and dental coverage available to certain retired employees. Retirees are responsible for paying 100% of the related premiums. Substantially all of the Consortium's employees are eligible for these benefits if they meet the vesting requirement of ten (10) years of service. While these benefits do not represent a direct cost to the Consortium, the benefits are available to retired employees at the same rates as current employees, therefore an implicit rate subsidy is being provided. This benefit is provided under authority of the Board of Directors of the Tri-County Aging Consortium. Any changes to the obligations of plan members or the employer would require approval of the Board of Directors.

TRI-COUNTY AGING CONSORTIUM

Notes to Financial Statements

Membership of the Plan consisted of the following at September 30, 2015, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	10
Active plan members	<u>92</u>
Total	<u><u>102</u></u>

In the September 30, 2015 actuarial valuation, the most recent available, the projected unit credit cost method was used. The unfunded actuarial accrued liabilities are being amortized as a level dollar on a closed basis. The actuarial assumptions included a 4.0 percent rate of investment return (net of administrative expenses), which is the expected long-term investment return on plan assets (if any), and an annual cost increase for benefits of 9.0 percent graded down to 5.0 percent in 2019. The remaining amortization period at September 30, 2016, was eight (8) years.

Funding policy. The Consortium's annual other postemployment benefits (OPEB) cost is calculated based on the annual required contribution of the employer (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The Consortium has no obligation to make contributions in advance of when the premiums are due for payment (i.e., may be financed on a "pay-as-you-go" basis). The only current contributions being made are to pay the actual current premiums of the retirees. Administrative costs of the plan are paid for by the Consortium.

Funding progress. For the year ended September 30, 2016, the Consortium has determined an estimated cost of providing postemployment benefits as of September 30, 2015. This cost, referred to as the annual required contribution, which represents a level of funding that if paid on an ongoing basis is projected to cover normal cost each year and to cover the amortization of any unfunded actuarial liabilities from the past, over a period not to exceed 30 years.

The Consortium's computed contribution and actual funding is summarized as follows:

Annual required contribution (ARC)	\$ 8,501
Interest on net OPEB obligation	1,350
Adjustment to annual required contribution	<u>(4,819)</u>
Annual OPEB cost	5,032
Contributions made	<u>5,085</u>
Change in net OPEB obligation	(53)
Net OPEB obligation, beginning of year	<u>28,928</u>
Net OPEB obligation, end of year	<u><u>\$ 28,875</u></u>

TRI-COUNTY AGING CONSORTIUM

Notes to Financial Statements

The Consortium's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the current year and the two preceding years were as follows:

Three-Year Trend Information			
Years Ended September	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2014	\$ 14,508	129%	\$ 28,746
2015	5,000	96%	28,928
2016	5,032	96%	28,875

The schedule of employer contributions, presented as required supplementary information (RSI) following the notes to the financial statements, presents trend information about the amounts contributed to the plan by employers in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Funded Status and Funding Progress. As of September 30, 2015, the most recent actuarial valuation date, the Plan was not pre-funded. The actuarial accrued liability for benefits and unfunded actuarial accrued liability was \$32,284.

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

TRI-COUNTY AGING CONSORTIUM

Notes to Financial Statements

9. FUND BALANCES - GOVERNMENTAL FUNDS

The Consortium classifies fund balances primarily to the extent of which it is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Detailed information on fund balances of governmental funds is as follows:

	General Fund	Grant Special Revenue Fund	Nonmajor Capital Projects Fund	Total
Nonspendable:				
Prepaid items	\$ 15,290	\$ 700	\$ -	\$ 15,990
Permanent corpus	-	-	68,755	68,755
Total nonspendable	15,290	700	68,755	84,745
Committed for:				
HBCS waiver	-	3,934,449	-	3,934,449
Crisis management	-	4,395	-	4,395
Medicaid/Medicare assistance	-	63,553	-	63,553
Kitchen equipment	-	32,651	-	32,651
Care management	-	54,084	-	54,084
Other	-	29,194	-	29,194
Total committed	-	4,118,326	-	4,118,326
Assigned for:				
Friends of independence	269,666	-	-	269,666
Capital outlay	30,000	-	-	30,000
Capital campaign	-	-	277,961	277,961
Total assigned	299,666	-	277,961	577,627
Unassigned	562,484	-	-	562,484
Total fund balances	\$ 877,440	\$ 4,119,026	\$ 346,716	\$ 5,343,182

TRI-COUNTY AGING CONSORTIUM

Notes to Financial Statements

10. OPERATING LEASES

In prior years, the Consortium entered into a 20 year, non-cancelable long-term lease for the administration building requiring monthly payments of \$13,605 through December 2017. In addition to the minimum monthly payments, the lease calls for reimbursement to the lessor of monthly operating expenses which is recomputed each year based on actual costs, currently \$14,395 to \$16,595 per month. The following is a schedule of future minimum lease payments required under this lease as of September 30, 2016:

Year Ending September 30,	Amount
2017	\$ 163,260
2018	<u>40,815</u>
	<u>\$ 204,075</u>

11. CONTINGENT LIABILITIES

The Consortium participates in a number of federal and state assisted grant programs which are subject to compliance audits. The periodic program compliance audits of many of the State programs have not yet been completed or final resolution has not been received. Accordingly, the Consortium's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Consortium expects such amounts, if any, to be immaterial.

12. RISK MANAGEMENT

The Consortium is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which they carry commercial insurance. The Consortium has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three years.



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REQUIRED SUPPLEMENTARY INFORMATION

TRI-COUNTY AGING CONSORTIUM

Required Supplementary Information

MERS Agent Multiple-Employer Defined Benefit Pension Plan

Schedule of Changes in Consortium's Net Pension Liability and Related Ratios

	Year Ended September 30,	
	2016	2015
Total pension liability		
Service cost	\$ 283,247	\$ 293,888
Interest	625,436	581,328
Differences between expected and actual experience	(77,380)	-
Changes of assumptions	450,517	-
Benefit payments, including refunds of employee contributions	(350,399)	(320,094)
Net change in total pension liability	<u>931,421</u>	<u>555,122</u>
Total pension liability, beginning of year	<u>7,614,628</u>	<u>7,059,506</u>
Total pension liability, end of year	<u>8,546,049</u>	<u>7,614,628</u>
Plan fiduciary net position		
Employer contributions	283,411	263,114
Employee contributions	35,531	23,334
Net investment income (loss)	(111,727)	438,821
Benefit payments, including refunds of employee contributions	(350,399)	(320,094)
Administrative expense	(16,137)	(16,148)
Net change in plan fiduciary net position	<u>(159,321)</u>	<u>389,027</u>
Plan fiduciary net position, beginning of year	<u>7,306,373</u>	<u>6,917,346</u>
Plan fiduciary net position, end of year	<u>7,147,052</u>	<u>7,306,373</u>
Consortium's net pension liability	<u>\$ 1,398,997</u>	<u>\$ 308,255</u>
Plan fiduciary net position as a percentage of total pension liability	83.6%	96.0%
Covered-employee payroll	\$ 3,480,095	\$ 3,612,252
Consortium's net pension liability as a percentage of covered-employee payroll	40.2%	8.5%

Notes:

The amounts presented for each fiscal year were determined as of December 31 of the preceding year.

Changes in assumptions. In 2016, amounts reported as changes of assumptions resulted primarily from adjustments to the mortality table to reflect longer lifetimes, decreases in the assumed rate of return, and changes in asset smoothing.

GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

TRI-COUNTY AGING CONSORTIUM

Required Supplementary Information MERS Agent Multiple-Employer Defined Benefit Pension Plan

Schedule of the Net Pension Liability

Fiscal Year Ended September 30,	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as Percentage of Total Pension Liability	Covered-Employee Payroll	Net Pension Liability as Percentage of Covered Payroll
2015	\$ 7,614,628	\$ 7,306,373	\$ 308,255	96.0%	\$ 3,612,252	8.5%
2016	8,546,049	7,147,052	1,398,997	83.6%	3,480,095	40.2%

The amounts presented for each fiscal year were determined as of December 31 of the preceding year.

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

TRI-COUNTY AGING CONSORTIUM

Required Supplementary Information

MERS Agent Multiple-Employer Defined Benefit Pension Plan

Schedule of Contributions

Fiscal Year Ending September 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as Percentage of Covered-Employee Payroll
2015	\$ 286,134	\$ 286,134	\$ -	\$ 3,599,973	7.9%
2016	246,191	246,191	-	3,740,817	6.6%

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Notes to Schedule of Contributions

Valuation Date Actuarially determined contribution rates are calculated as of the December 31 that is 21 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal
Amortization method	Level percent of payroll, closed
Remaining amortization period	23 years
Asset valuation method	10-year smooth market
Inflation	2.50%
Salary increases	3.75% in the long-term
Investment rate of return	7.75%, net of investment and administrative expense including inflation
Retirement age	Age-based table of rates that are specific to the type of eligibility condition. The Normal Retirement rates were first used for the December 31, 2015 actuarial valuations. The Early Retirement rates were first used for the December 31, 2015 actuarial valuations.
Mortality	Mortality rates used were based on the RP-2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend.

TRI-COUNTY AGING CONSORTIUM

Required Supplementary Information Other Postemployment Benefits

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll	UAAL as a % of Covered Payroll
9/30/2009	\$ -	\$ 107,158	\$ 107,158	0.0%	N/A	N/A
9/30/2012	-	78,701	78,701	0.0%	N/A	N/A
9/30/2015	-	32,284	32,284	0.0%	N/A	N/A

Schedule of Employer Contributions		
Year Ended September 30	Annual Required Contribution	Percentage Contributed
2014	\$ 17,097	109.6%
2015	7,567	63.7%
2016	8,501	59.8%

TRI-COUNTY AGING CONSORTIUM

Schedule of Revenues, Expenditures, and Changes in Fund Balances

Grants Special Revenue Fund - By Program

For the Year Ended September 30, 2016

	Title III Administrative	Title III B Services	Title III C-1 Nutrition
Revenues			
Intergovernmental:			
Federal	\$ 135,274	\$ 357,923	\$ 409,254
State	23,290	-	8,906
Medicaid waiver program	-	-	-
Local grants	-	-	643
Contributions	-	-	-
Program revenues	-	1,325	116,826
Total revenues	158,564	359,248	535,629
Expenses			
Health and welfare:			
Salaries and wages	100,414	61,128	155,269
Fringe benefits	39,256	18,833	72,964
Operating expenditures	18,652	83	297,074
Professional services	-	1,762	4,552
Subcontractor expenditures	-	249,046	-
Travel and training	242	521	2,361
Total expenditures	158,564	331,373	532,220
Revenues over (under) expenditures	-	27,875	3,409
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	-	(27,875)	-
Total other financing sources (uses)	-	(27,875)	-
Net change in fund balances	-	-	3,409
Fund balances (deficit), beginning of year	(20)	-	5
Fund balances (deficit), end of year	\$ (20)	\$ -	\$ 3,414

Title III C-2 State Home Delivers Meals	Title III C-2 Supplemental Nutrition	Title III D Services	Crisis Management	Elder Abuse Prevention	HCBS Waiver
\$ 660,352	\$ -	\$ 24,441	\$ -	\$ -	\$ -
390,540	-	-	-	-	-
-	-	-	-	-	20,328,813
137,328	317,316	-	-	-	16,820
282,043	-	-	150	-	-
226,492	-	4,604	-	-	521,696
<u>1,696,755</u>	<u>317,316</u>	<u>29,045</u>	<u>150</u>	<u>-</u>	<u>20,867,329</u>
577,139	33,869	-	-	-	2,355,463
214,574	13,046	-	-	-	820,814
1,041,963	191,216	-	10	-	372,245
16,396	-	-	-	-	83,935
-	-	29,045	62,434	-	18,869,466
75,951	-	-	-	-	52,242
<u>1,926,023</u>	<u>238,131</u>	<u>29,045</u>	<u>62,444</u>	<u>-</u>	<u>22,554,165</u>
<u>(229,268)</u>	<u>79,185</u>	<u>-</u>	<u>(62,294)</u>	<u>-</u>	<u>(1,686,836)</u>
161,991	-	-	62,284	1	-
-	-	-	-	-	(55,031)
<u>161,991</u>	<u>-</u>	<u>-</u>	<u>62,284</u>	<u>1</u>	<u>(55,031)</u>
(67,277)	79,185	-	(10)	1	(1,741,867)
<u>(170,207)</u>	<u>190,950</u>	<u>1,566</u>	<u>4,405</u>	<u>(1)</u>	<u>5,676,316</u>
<u>\$ (237,484)</u>	<u>\$ 270,135</u>	<u>\$ 1,566</u>	<u>\$ 4,395</u>	<u>\$ -</u>	<u>\$ 3,934,449</u>

continued...

TRI-COUNTY AGING CONSORTIUM

Schedule of Revenues, Expenditures, and Changes in Fund Balances

Grants Special Revenue Fund - By Program
For the Year Ended September 30, 2016

	Alternative Care	Care Management	Respite
Revenues			
Intergovernmental:			
Federal	\$ -	\$ -	\$ -
State	132,810	215,913	74,611
Medicaid waiver program	-	-	-
Local grants	-	-	-
Contributions	-	-	-
Program revenues	-	-	17,695
Total revenues	132,810	215,913	92,306
Expenses			
Health and welfare:			
Salaries and wages	-	117,159	-
Fringe benefits	-	38,659	-
Operating expenditures	-	31,139	-
Professional services	-	4,794	-
Subcontractor expenditures	132,810	74,381	92,283
Travel and training	-	3,000	-
Total expenditures	132,810	269,132	92,283
Revenues over (under) expenditures	-	(53,219)	23
Other financing sources (uses)			
Transfers in	-	51,417	-
Transfers out	-	-	-
Total other financing sources (uses)	-	51,417	-
Net change in fund balances	-	(1,802)	23
Fund balances (deficit), beginning of year	-	55,886	-
Fund balances (deficit), end of year	\$ -	\$ 54,084	\$ 23

Medicare/ Medicaid Assistance	Title III-E Services	State In-Home Care	State Access Services	SAVVY Caregiver	Title VII-A Services
\$ 84,556	\$ 145,911	\$ -	\$ -	\$ -	\$ 10,865
-	-	208,183	26,583	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>84,556</u>	<u>145,911</u>	<u>208,183</u>	<u>26,583</u>	<u>-</u>	<u>10,865</u>
32,145	75,161	-	18,841	-	-
11,864	22,846	-	7,623	-	-
31,626	47	-	7	-	-
1,992	-	-	-	-	-
-	47,491	192,883	-	-	10,865
530	272	-	154	111	-
<u>78,157</u>	<u>145,817</u>	<u>192,883</u>	<u>26,625</u>	<u>111</u>	<u>10,865</u>
6,399	94	15,300	(42)	(111)	-
-	-	-	-	-	-
-	-	(15,300)	-	-	-
-	-	(15,300)	-	-	-
6,399	94	-	(42)	(111)	-
57,154	4,520	-	-	(89)	-
<u>\$ 63,553</u>	<u>\$ 4,614</u>	<u>\$ -</u>	<u>\$ (42)</u>	<u>\$ (200)</u>	<u>\$ -</u>

continued...

TRI-COUNTY AGING CONSORTIUM

Schedule of Revenues, Expenditures, and Changes in Fund Balances

Grants Special Revenue Fund - By Program

For the Year Ended September 30, 2016

	Title VII Elder Abuse	Michigan Health Endowment	Merit Award Respite
Revenues			
Intergovernmental:			
Federal	\$ 6,062	\$ -	\$ -
State	-	-	123,431
Medicaid waiver program	-	-	-
Local grants	-	70,644	-
Contributions	-	167	-
Program revenues	-	765	292
Total revenues	6,062	71,576	123,723
Expenses			
Health and welfare:			
Salaries and wages	-	58,724	-
Fringe benefits	-	14,353	-
Operating expenditures	-	7,788	10,996
Professional services	-	11,610	-
Subcontractor expenditures	6,062	-	111,470
Travel and training	-	1,804	-
Total expenditures	6,062	94,279	122,466
Revenues over (under) expenditures	-	(22,703)	1,257
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	-	(22,703)	1,257
Fund balances (deficit), beginning of year	309	38,669	-
Fund balances (deficit), end of year	\$ 309	\$ 15,966	\$ 1,257

State Aging Network	Information Referral FFI	State Caregiver	Other	Eliminations	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,834,638
41,454	-	13,817	-	-	1,259,538
-	-	-	-	-	20,328,813
-	-	-	-	-	542,751
-	-	-	-	-	282,360
-	-	-	-	-	889,695
<u>41,454</u>	<u>-</u>	<u>13,817</u>	<u>-</u>	<u>-</u>	<u>25,137,795</u>
31,632	5,805	-	-	-	3,622,749
9,319	3,663	-	-	-	1,287,814
42	5	-	-	-	2,002,893
-	-	-	-	-	125,041
-	-	15,074	-	-	19,893,310
461	-	-	-	-	137,649
<u>41,454</u>	<u>9,473</u>	<u>15,074</u>	<u>-</u>	<u>-</u>	<u>27,069,456</u>
-	(9,473)	(1,257)	-	-	(1,931,661)
-	9,315	-	-	(93,100)	191,908
-	-	-	-	93,100	(5,106)
-	9,315	-	-	-	186,802
-	(158)	(1,257)	-	-	(1,744,859)
-	481	-	3,941	-	5,863,885
<u>\$ -</u>	<u>\$ 323</u>	<u>\$ (1,257)</u>	<u>\$ 3,941</u>	<u>\$ -</u>	<u>\$ 4,119,026</u>

concluded.

TRI-COUNTY AGING CONSORTIUM

Schedule of Funded Service Categories by Source

Year Ended September 30, 2016

Service category	Part B	Part C1	Part C2	Part D	Part E
Care Management	\$ -	\$ -	\$ -	\$ -	\$ -
Personal Care	52,806	-	-	-	-
Homemaker	71,350	-	-	-	-
Home Delivered Meals	-	-	360,739	-	-
In Home Respite	-	-	-	-	37,709
Case Coordinator & Support	4,086	-	-	-	-
Congregate Meals	-	334,351	-	-	-
Kinship Respite Care	-	-	-	-	9,782
Transportation	4,673	-	-	-	-
Legal Assistance	24,875	-	-	-	-
Information & Referral	80,670	-	-	-	-
Adult Day Care	-	-	-	-	-
Elder Abuse Prevention	-	-	-	-	-
Volunteer Respite Care	-	-	-	-	-
Assistive Devices & Tech	-	-	-	-	-
Outreach	-	-	-	-	-
Caregiver Information & Asst	-	-	-	-	25,615
Caregiver Outreach	-	-	-	-	24,338
Caregiver Training	6,883	-	-	-	-
Disease Prev/Health	7,286	-	-	24,441	-
Program Development	68,657	-	-	-	-
Crisis Services Information & Asst	27,875	-	-	-	-
Ombudsman	6,061	-	-	-	-
NHD/CLP Options Counseling	2,701	-	-	-	48,467
Administration (AAA)	41,935	75,753	-	-	17,586
Total expended	\$ 399,858	\$ 410,104	\$ 360,739	\$ 24,441	\$ 163,497

Part EAP	Part VII-A	NSIP	State Access	State In-Home	State Cong Meals	State Home Del Meals	State NHO
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	192,883	-	-	-
-	-	-	-	-	-	-	-
-	-	299,613	-	-	-	390,540	-
-	-	-	-	-	-	-	-
-	-	74,903	-	-	8,906	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
6,062	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	15,300	-	-	-
-	-	-	26,583	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	10,865	-	-	-	-	-	18,678
-	-	-	-	-	-	-	-
-	-	-	-	-	-	17,467	-
<u>\$ 6,062</u>	<u>\$ 10,865</u>	<u>\$ 374,516</u>	<u>\$ 26,583</u>	<u>\$ 208,183</u>	<u>\$ 8,906</u>	<u>\$ 408,007</u>	<u>\$ 18,678</u>

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TRI-COUNTY AGING CONSORTIUM

Schedule of Funded Service Categories by Source

Year Ended September 30, 2016

Service category	State Alt Care	State MSO	State Caregiver Support	State Care Mgmt	State Merit Award
Care Management	\$ -	\$ -	\$ -	\$ 215,913	\$ -
Personal Care	-	-	-	-	-
Homemaker	104,647	-	-	-	-
Home Delivered Meals	-	-	-	-	-
In Home Respite	-	-	15,074	-	42,552
Case Coordinator & Support	-	-	-	-	-
Congregate Meals	-	-	-	-	-
Kinship Respite Care	-	-	-	-	-
Transportation	-	-	-	-	-
Legal Assistance	-	-	-	-	-
Information & Referral	-	-	-	-	-
Adult Day Care	-	-	-	-	68,626
Elder Abuse Prevention	-	-	-	-	-
Volunteer Respite Care	-	-	-	-	-
Assistive Devices & Tech	-	-	-	-	-
Outreach	-	-	-	-	-
Caregiver Information & Asst	-	-	-	-	-
Caregiver Outreach	-	-	-	-	-
Caregiver Training	-	-	-	-	-
Disease Prev/Health	-	-	-	-	-
Program Development	-	-	-	-	-
Crisis Services Information & Asst	-	-	-	-	-
Ombudsman	-	9,485	-	-	-
NHD/CLP Options Counseling	-	-	-	-	-
Administration (AAA)	5,823	-	15,074	-	10,995
Total expended	\$ 110,470	\$ 9,485	\$ 30,148	\$ 215,913	\$ 122,173



State Respite Care	State Aging Nt Serv	Program Income	Cash Match	In-kind Match	Total
\$ -	\$ -	\$ -	\$ 23,990	\$ -	\$ 239,903
-	-	-	-	27,298	272,987
-	-	-	-	19,555	195,552
-	-	225,651	-	97,713	1,374,256
21,979	-	-	-	11,360	128,674
-	15,301	-	-	2,154	21,541
-	-	114,384	-	34,010	566,554
-	-	-	-	809	10,591
-	-	-	-	346	5,019
-	-	1,325	2,299	-	28,499
-	26,153	-	-	11,869	118,692
37,667	-	17,695	-	23,021	147,009
-	-	-	-	-	6,062
14,965	-	-	-	977	15,942
-	-	-	-	1,700	17,000
-	-	-	-	2,954	29,537
-	-	-	-	2,846	28,461
-	-	-	-	2,704	27,042
-	-	-	-	765	7,648
-	-	4,604	300	3,993	40,624
-	-	-	-	7,629	76,286
-	-	-	-	3,190	31,065
-	-	-	300	-	45,389
-	-	-	-	5,685	56,853
-	-	-	-	-	184,633
<u>\$ 74,611</u>	<u>\$ 41,454</u>	<u>\$ 363,659</u>	<u>\$ 26,889</u>	<u>\$ 260,578</u>	<u>\$ 3,675,819</u>

concluded.

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SINGLE AUDIT ACT COMPLIANCE

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**INDEPENDENT AUDITORS' REPORT ON THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**

March 30, 2017

Board of Directors
Tri-County Aging Consortium
Lansing, Michigan

We have audited the financial statements of the governmental activities, each major fund and the remaining fund information of the *Tri-County Aging Consortium* (the "Consortium"), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Consortium's basic financial statements. We have issued our report thereon dated March 30, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



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TRI-COUNTY AGING CONSORTIUM

Schedule of Federal Expenditures and Awards

For the Year Ended September 30, 2016

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Health and Human Services				
Title VII Elder Abuse Prevention	93.041	MDHHS	20161842	\$ 6,062
Title VII-A Long Term Care - Ombudsman Services for Older Individual	93.042	MDHHS	20161842	10,865
Title III-D In-Home Services	93.043	MDHHS	20161842	24,441
Aging Cluster:				
Title III-B Special Programs for the Aging:				
Administration	93.044	MDHHS	20161842	41,935
Regular	93.044	MDHHS	20161842	357,923
Title III-C Special Programs for the Aging:				
Administration	93.045	MDHHS	20161842	75,753
Nutrition (Congregate)	93.045	MDHHS	20161842	334,351
Nutrition Home (Delivered Meals)	93.045	MDHHS	20161842	360,739
Title III Nutrition Services Incentive Program:				
Congregate Meals	93.053	MDHHS	20161842	74,903
Home Delivered Meals	93.053	MDHHS	20161842	299,613
Total Aging Cluster				1,545,217
Demonstrations and Evaluations (HCFA Research):				
Senior Medicare Patrol Grant (SMP) - 2015	93.048	MMAP	90MPO218-01-01	8,468
Senior Medicare Patrol Grant (SMP) - 2016	93.048	MMAP	90SA0027-01-00	1,159
				9,627
Title III-E Special Programs for the Aging:				
Administration	93.052	MDHHS	20161842	17,586
National Family Caregiver Support	93.052	MDHHS	20161842	145,911
				163,497
Medicare Improvements for Patients and Providers Act	93.071	MMAP	13AAMIMAAA	6,400
Michigan Medicare/Medicaid Assistance Program	93.071	MMAP	20161866	34,000
				40,400
Demonstrations and Evaluations (HCFA Research) -				
Centers for Medicare and Medicaid Services	93.324	MMAP	90SA0027-02-00	33,804
State Health Insurance Assistance Program	93.324	MMAP	90SO0008-01-00	725
				34,529
Total Expenditures of Federal Awards				\$ 1,834,638

The accompanying notes are an integral part of this schedule.

TRI-COUNTY AGING CONSORTIUM

Notes to Schedule of Expenditures of Federal Awards

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Tri-County Aging Consortium (the "Consortium") under programs of the federal government for the year ended September 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Consortium, it is not intended to and does not present the financial position or changes in net position of the Consortium.

2. SUMMARY OF SIGNIFICANT POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

For purposes of charging indirect costs to federal awards, the Consortium has not elected to use the 10 percent de minimis cost rate as permitted by §200.414 of the Uniform Guidance.

3. PASS-THROUGH AGENCIES

The Consortium receives certain federal grants as subawards from non-federal entities. Pass-through entities, where applicable, have been identified in the Schedule with an acronym, defined as follows:

Acronym	Pass-through Agency Name
MDHHS	Michigan Department of Health and Human Services
MMAP	Michigan Medicare/Medicaid Assistance Program



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

March 30, 2017

Board of Directors
Tri-County Aging Consortium
Lansing, Michigan

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the remaining fund information of the *Tri-County Aging Consortium* (the "Consortium"), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Consortium's basic financial statements, and have issued our report thereon dated March 30, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Consortium's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Consortium's internal control. Accordingly, we do not express an opinion on the effectiveness of the Consortium's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2016-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Consortium's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Consortium's Response to the Finding

The Consortium's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Consortium's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Lehmann Lobson LLC". The signature is written in a cursive, flowing style.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

March 30, 2017

Board of Directors
Tri-County Aging Consortium
Lansing, Michigan

Report on Compliance for the Major Federal Program

We have audited the compliance of the *Tri-County Aging Consortium* (the "Consortium") with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Consortium's major federal program for the year ended September 30, 2016. The Consortium's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Independent Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Consortium's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the requirement of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Consortium's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Consortium's compliance.

Opinion on the Major Federal Program

In our opinion, the Consortium complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2016.

Report on Internal Control Over Compliance

Management of the Consortium is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Consortium's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Consortium's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Rehmann Johnson LLC

TRI-COUNTY AGING CONSORTIUM

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2016

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified? X yes no

Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? yes X none reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes X no

Identification of major programs and type of auditors' report issued on compliance for each major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Type of Report</u>
93.044, 93.045 and 93.053	Aging Cluster	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X yes no

TRI-COUNTY AGING CONSORTIUM

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2016

SECTION II - FINANCIAL STATEMENT FINDINGS

2016-001 - Material Audit Adjustment

Finding Type. Material weakness in internal controls over financial reporting.

Criteria. Management is responsible for maintaining its accounting records in accordance with generally accepted accounting principles (GAAP).

Condition. During our audit, we identified and proposed several material adjustments (which were approved and posted by management) to adjust the Consortium's general ledger to the appropriate balances. Grant revenue, medicaid waiver revenues, and due from other governments were overstated by approximately \$1,200,000.

Cause. Internal controls did not detect all adjustments necessary to properly record or adjust year-end balances.

Effect. As a result of this condition, the Consortium's accounting records were initially misstated by amounts material to the financial statements.

Recommendation. The necessary adjustments have been made in the accounting records and appropriately presented in the financial statements. Accordingly, no further corrective action is required at this time.

View of Responsible Officials. The Consortium's Finance Director will complete a thorough analysis of all accounting records prior to submitting to audit firm for review annually. In addition, quarterly analysis will be performed in order to identify any accounting adjustments that need to be made in order to minimize any yearend adjustments. Emphasis will be placed on all grant related revenue and expenditures. Also, the Finance Director will be following an improvement plan with ongoing support. The Consortium's management believes that the above procedures will prevent any future findings in this area.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.



TRI-COUNTY AGING CONSORTIUM

Summary Schedule of Prior Audit Findings

For the Year Ended September 30, 2016

None reported.



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