

Oakland County Art Institute Authority

Financial Report
with Supplemental Information
November 30, 2014

Oakland County Art Institute Authority

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Independent Auditor's Report

To the Board Members
Oakland County Art Institute Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the General Fund and governmental activities of the Oakland County Art Institute Authority (the "Authority") as of and for the year ended November 30, 2014 and the related notes to the financial statements, which collectively comprise the Oakland County Art Institute Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

To the Board Members
Oakland County Art Institute Authority

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the General Fund and governmental activities of the Oakland County Art Institute Authority as of November 30, 2014 and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison schedule be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing 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.

Plante & Moran, PLLC

June 23, 2015

Oakland County Art Institute Authority

Management's Discussion and Analysis

Our discussion and analysis of the Oakland County Art Institute Authority's (the "Authority") financial performance provides an overview of the Authority's financial activities for the fiscal year ended November 30, 2014. Please read it in conjunction with the Authority's financial statements.

Using this Annual Report

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements, and required supplemental information.

The financial statements focus on the financial resources of the Authority and provide a detailed view about the accountability of the Authority's sources and uses of funds.

The statement of net position and statement of activities are prepared under the full accrual method. For the governmental activities, there are no reconciling items between this method of accounting and the fund-based balance sheet, which is to be presented under the modified accrual method. Therefore, separate presentation of the fund-based balance sheet is excluded from the basic financial statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplemental information that further explains and supports the information in the financial statements.

The Authority as a Whole

- The Authority was created by resolution of the Oakland County Board of Commissioners on May 24, 2012 and received its taxing authority as the result of a referendum in August 2012. The Authority's primary source of revenue is from the collection of property taxes from the local units of government in Oakland County (the "County"). The Authority is authorized to levy a tax of not more than 0.2 mill on real and personal property in Oakland County to provide revenue for the continuation of art services to benefit the residents of the County. The taxes were levied on December 1, 2013 and raised \$9,782,356 of property tax revenue.
- All revenue is distributed back to the Detroit Institute of Arts with the exception of amounts withheld to pay for operating expenditures. The primary benefit to be received by the residents of Oakland County is the Detroit Institute of Arts' continued performance of its obligations under the Operating Agreement. The Detroit Institute of Arts will also provide the residents of Oakland County with additional benefits and privileges as identified in the Service Agreement with the Oakland County Art Institute Authority.
- The Authority's budget is prepared and approved by the Authority's board.

Oakland County Art Institute Authority

Management's Discussion and Analysis (Continued)

Governmental Activities/General Fund

The following table shows, in a condensed format, fund balance/net position as of November 30, 2014 and 2013 and the changes in fund balance/net position for the fiscal years ended November 30, 2014 and 2013:

	2014	2013
Assets		
Deposits held at Oakland County	\$ 46,910	\$ 45,765
Accrued interest receivable	23	17
Total assets	46,933	45,782
Liabilities - Due to Detroit Institute of Arts	46,933	45,782
Fund Balance/Net Position - Unassigned/Unrestricted	<u>\$ -</u>	<u>\$ -</u>
Revenue		
Property taxes	\$ 9,782,356	\$ 9,738,499
Interest income	17,608	5,858
Total revenue	9,799,964	9,744,357
Expenditures		
Distributions to Detroit Institute of Arts	9,779,635	9,736,537
Legal	3,579	5,320
Audit	5,900	-
Accounting and other professional	10,850	2,500
Total expenditures	9,799,964	9,744,357
Excess of Revenue Over Expenditures	-	-
Fund Balance/Net Position - Beginning of year	-	-
Fund Balance/Net Position - End of year	<u>\$ -</u>	<u>\$ -</u>

The Authority distributed all of its revenue to the Detroit Institute of Arts with the exception of \$44,500, which was withheld at the beginning of the year to pay administrative costs. At the end of the year, all cash on hand is reimbursed to the Detroit Institute of Arts.

Contacting the Authority's Management

This financial report is intended solely to provide a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Authority's administration.

Oakland County Art Institute Authority

Governmental Fund Balance Sheet/Statement of Net Position November 30, 2014

	General Fund/ Statement of Net Position
Assets	
Deposits held at Oakland County (Note 2)	\$ 46,910
Accrued interest receivable	23
Total assets	<u>\$ 46,933</u>
Liabilities - Due to Detroit Institute of Arts	\$ 46,933
Fund Balance - Unassigned/Net position - Unrestricted	<u>-</u>
Total Liabilities and Fund Balance/Net Position	<u>\$ 46,933</u>

Note: The statement of net position is prepared under the full accrual method. For the governmental activities, there are no reconciling items between this method of accounting and the General Fund balance sheet, which is presented under the modified accrual method.

Oakland County Art Institute Authority

Statement of Governmental Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended November 30, 2014

	General Fund/ Statement of Activities
Revenue	
Property taxes	\$ 9,782,356
Interest income	17,608
Total revenue	9,799,964
Expenditures	
Distributions to Detroit Institute of Arts	9,779,635
Legal	3,579
Audit	5,900
Accounting and other professional	10,850
Total expenditures	9,799,964
Excess of Revenue Over Expenditures	-
Fund Balance/Net Position - Beginning of year	-
Fund Balance/Net Position - End of year	\$ -

Note: The statement of activities is prepared under the full accrual method. There are no reconciling items between this method of accounting and the General Fund statement of governmental revenue, expenditures, and changes in fund balance, which is presented under the modified accrual method.

Oakland County Art Institute Authority

Notes to Financial Statements November 30, 2014

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Oakland County Art Institute Authority (the "Authority") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity

The Authority was established based on a resolution adopted on May 24, 2012 and is maintained by the appointed members of the board. Based on the significance of any operational or financial relationships with the Authority, there are no component units to be included in the Authority's financial report.

All of the activities of the Authority are accounted for in a single governmental fund:

Governmental Fund - The financial activities of the General Fund are generally limited to the collection of amounts that are subsequently returned to third parties; however, the General Fund is also responsible for the payment of various operating expenses of the Authority, and is therefore classified as a governmental fund.

Basis of Accounting and Report Presentation

The government-wide financial statements (i.e., the statement of net position and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Revenue is recognized in the accounting period in which it becomes susceptible to accrual - that is, when it becomes both measurable and available to finance expenditures of the fiscal period. Property taxes and interest income associated with the current fiscal period are considered to be susceptible to accrual, and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the Authority.

Oakland County Art Institute Authority

Notes to Financial Statements November 30, 2014

Note 1 - Summary of Significant Accounting Policies (Continued)

Specific Balances and Transactions

Bank Deposits and Investments - Cash and cash equivalents include demand deposits and short-term investments. Investments are recorded at fair value, based on quoted market prices.

Property Taxes - The Authority is authorized to levy a tax of not more than 0.2 mill on real and personal property in Oakland County for a period of 10 years, 2012 through 2021. The related property taxes are billed by the cities, villages, and townships (CVTs) of Oakland County on December 1. The CVTs remit the appropriate tax collections to Oakland County, which in turn remits the taxes collected on the 0.2 mill to the Detroit Institute of Arts.

The 2013 taxable valuation of Oakland County totaled \$49,145,625,366, on which ad valorem taxes levied consisted of 0.2 mill for the Authority. The ad valorem taxes levied raised approximately \$9,782,000 of property tax revenue for the Authority.

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

Note 2 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Authority is allowed to invest in the following: bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Authority's deposits are managed by Oakland County and deposited into the County's pooled cash account. Oakland County's pooled cash account only uses federal and state-chartered banks and savings institutions that are members of the FDIC and have a location in the state of Michigan. All deposits and investments in the pool are held in the County's name and tax ID number.

Oakland County Art Institute Authority

Notes to Financial Statements November 30, 2014

Note 2 - Deposits and Investments (Continued)

The Authority's cash and investments are subject to custodial credit risk, which is examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. As discussed above, the Authority's cash is pooled with Oakland County; therefore, the amount that was uninsured and uncollateralized cannot be determined.

Note 3 - Authority Operations

Based on the authorization of the electors of Oakland County at the August 7, 2012 primary election, the Authority is authorized to levy a tax of not more than 0.2 mill on real and personal property for a period of 10 years, 2012 through 2021, to provide revenue for the continuation of art services to benefit the residents of Oakland County. All property tax collections received by the Authority are remitted to the Detroit Institute of Arts, with the exception of amounts withheld to pay for operating expenditures.

The primary benefit to be received by the residents of Oakland County is the Detroit Institute of Arts' continued performance of its obligations under the Operating Agreement. The Detroit Institute of Arts will also provide the residents of Oakland County with additional benefits and privileges as identified in the Service Agreement with the Oakland County Art Institute Authority.

Note 4 - Budget Information

The annual budget for the Authority is prepared and adopted by the Authority's board in November for the following fiscal year; subsequent amendments are approved by the board. During the current year, there were no amendments to the budget. During the current year, the Authority's budget was prepared and adopted by the board subsequent to November 30, 2014.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America, except that property tax revenue of \$9,782,356 was budgeted net of distributions to the Detroit Institute of Arts of \$9,737,856. The budget has been adopted on a line-item basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of the budget with statements of actual revenue and expenditures, including budget variances, for the Authority is presented as required supplemental information.

Required Supplemental Information

Oakland County Art Institute Authority

Required Supplemental Information Budgetary Comparison Schedule Year Ended November 30, 2014

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 9,782,356	\$ 9,782,356	\$ 9,782,356	\$ -
Distributions to the Detroit Institute of Arts	(9,737,856)	(9,737,856)	(9,779,635)	(41,779)
Net property taxes in excess of distributions withheld for administrative expenses	44,500	44,500	2,721	(41,779)
Interest income	-	-	17,608	17,608
Total revenue	44,500	44,500	20,329	(24,171)
Expenditures				
Audit	6,000	6,000	5,900	100
Accounting	3,000	3,000	2,500	500
Legal	12,000	12,000	3,579	8,421
Meeting and professional	14,500	14,500	8,350	6,150
Publishing	4,500	4,500	-	4,500
Miscellaneous	4,500	4,500	-	4,500
Total expenditures	44,500	44,500	20,329	24,171
Excess of Revenue Over Expenditures	\$ -	\$ -	\$ -	\$ -

June 23, 2015

To the Board Members
Oakland County Art Institute Authority

We have audited the financial statements of the Oakland County Art Institute Authority (the "Authority") as of and for the year ended November 30, 2014 and have issued our report thereon dated June 23, 2015. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated January 5, 2015, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of the Authority. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our letter about planning matters dated January 5, 2015.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Authority are described in Note I to the financial statements.

No new accounting policies were adopted and the application of existing policies was not changed during 2014.

We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant balances, amounts, or disclosures in the financial statements based on sensitive management estimates.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We did not detect any misstatements as a result of audit procedures.

Significant Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Authority, and business plans and strategies that may affect the risks of material misstatement with management each year prior to our retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 23, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Authority’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

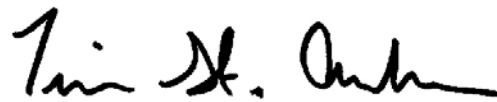
This information is intended solely for the use of the board members and management of the Oakland County Art Institute Authority and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink, appearing to read "W. Brickey", with a stylized, sweeping flourish at the end.

William E. Brickey

A handwritten signature in black ink, appearing to read "Tim St. Andrew", with a stylized, sweeping flourish at the end.

Timothy St. Andrew