

Auditing Procedures Report

Issued under Public Act 2 of 1968, as amended.

Local Unit Basic Information

County:	OAKLAND	Type:	Authority	Local Unit Name:	Oakland County Art Institute Authority
Municode:	63-7-613	FY Ending:	2016	Year End Month:	11
Form ID: 12744			Submission successful on Mar 27 2017 9:25AM Confirmation #: 12744		

Questions:

Enter Opinion Date:

Governmental activities:

Business-type activities:

Aggregate discretely presented component units:

Major fund(s):

Aggregate remaining fund information:

Aggregate discretely presented component units and remaining fund information:

Has the local unit complied with generally accepted accounting principles (GAAP)?

Are all required component units/funds/significant others of the local unit included in the financial statements and disclosed in the reporting entity notes to the financial statements when applicable?

Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?

Nothing came to my attention that caused me to believe that the local unit failed to comply with guidance issued by the Local Government Financial Services Division (ie., Uniform Reporting Format, Accounting Manual, Audit Manual, Budget Manual, Numbered Letters, MCGAA Statements). If nothing came to your attention, mark yes.

Nothing came to my attention that caused me to believe that the local unit failed to comply with charters or ordinances. If nothing came to your attention, mark yes.

Responses:

03/10/2017

Unmodified

N/A

N/A

Unmodified

N/A

N/A

Yes

Yes

Yes

Yes

Yes

Does the local unit have a court ordered judgment tax levy or judgment bond?	No
Has the local unit distributed tax revenues that were collected for another taxing unit timely as required by the general property tax act?	NA
Has the current year pension actuarially determined contribution been paid by the unit required by the State Constitution Article 9, Section 24?	NA
Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the manual for Audits of Local Units of Government in Michigan, as revised (see Appendix H of manual)?	Yes
Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of the audit that have not been previously communicated to the Local Government Financial Services Division?	Yes
Does the audit report identify violations of other statutes not described in above?	No
Does the local unit have a negative fund balance in any of its unrestricted (unassigned, assigned and committed) fund balances/unrestricted fund net position (not government-wide statements)?	No
Is the local unit in compliance with Public Act 34 of 2001, Revised Municipal Finance Act (ie., authorized borrowing, annual filing of a qualifying statement, filing of a security report within 15 days of any issuance)?	Yes
Is the local unit in compliance with orders issued under Public Act 243 of 1980, Emergency Municipal Loan Act?	NA
Did the local unit adopt a budget for all required funds (MCL 141.436)?	Yes
Was a public hearing on the budget held in accordance with State statute?	Yes
Were the local unit's actual expenditures within the amounts authorized in the budget?	No
Are there any individual expenditures or other financing uses that exceed 10% of total expenditures?	No
Has the board or council approved all disbursements prior to payment as required by charter or statute?	Yes
Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?	Yes

To your knowledge, were the bank reconciliations performed timely? **Yes**

Are there any reported deficiencies other than segregation of duties and/or the preparation of financial statements? **No**

General Fund Revenue: **\$10,353,729.00**

General Fund Expenditure (Must be positive): **\$10,353,729.00**

General Fund Other financing net sources/(uses) (Can be positive or negative): **\$0.00**

General Fund Beginning Balance: **\$0.00**

General Fund Ending Balance: **\$0.00**

Calculated General Fund Ending Balance: **\$0.00**

Governmental net position: **\$0.00**

Business type net position: **\$0.00**

Component units total net position: **\$0.00**

Governmental Activities Long-Term Debt: **\$0.00**

Major Fund Deficit Amount: **\$0.00**

Were there any reported deficiencies including those that would be related to internal controls, statutory compliance, or other areas of concern? **No**

Attachments:

Please attach Audit Report 103975 Oakland County Art Institute Authority - 1116 - Final.pdf

Certification:

We affirm that we are certified public accountants licensed to practice in Michigan. **CHECKED**

We affirm that all answers are correct to the best of our knowledge. **CHECKED**

We further affirm that all material weaknesses, significant deficiencies, and statutory noncompliance violations as well as all budget violations that were reported to the auditee are reported to the Michigan Department of Treasury. **CHECKED**

CPA Name: **William Brickey**

Ten Digit License Number: **1101026449**

Please provide a primary email address for the local unit contact: **defoej@oakgov.com**

Oakland County Art Institute Authority

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

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 Oakland County Art Institute Authority (the "Authority") as of and for the year ended November 30, 2016, and the related notes to the financial statements, which collectively comprise 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.

To the Board Members
Oakland County Art Institute Authority

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

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 Oakland County Art Institute Authority as of November 30, 2016, 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

March 10, 2017

Oakland County Art Institute Authority

Management's Discussion and Analysis

Our discussion and analysis of 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, 2016. 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, 2015 and raised \$10,342,900 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 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, 2016 and 2015 and the changes in fund balance/net position for the fiscal years ended November 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Assets		
Deposits held at Oakland County	\$ 45,381	\$ 37,551
Accrued interest receivable	33	17
Total assets	45,414	37,568
Liabilities - Due to Detroit Institute of Arts	45,414	37,568
Fund Balance/Net Position - Unassigned/Unrestricted	<u>\$ -</u>	<u>\$ -</u>
Revenue		
Property taxes	\$ 10,342,900	\$ 9,983,455
Interest income	10,829	8,153
Total revenue	10,353,729	9,991,608
Expenditures		
Distributions to Detroit Institute of Arts	10,338,779	9,976,056
Legal	-	702
Audit	6,300	6,100
Accounting and other professional	8,650	8,750
Total expenditures	10,353,729	9,991,608
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, 2016

	<u>General Fund/ Statement of Net Position</u>
Assets	
Deposits held at Oakland County (Note 2)	\$ 45,381
Accrued interest receivable	<u>33</u>
Total assets	<u>\$ 45,414</u>
Liabilities - Due to Detroit Institute of Arts	\$ 45,414
Fund Balance - Unassigned/Net position - Unrestricted	<u>-</u>
Total Liabilities and Fund Balance/Net Position	<u>\$ 45,414</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, 2016

	General Fund/ Statement of Activities
Revenue	
Property taxes	\$ 10,342,900
Interest income	10,829
Total revenue	10,353,729
Expenditures	
Distributions to Detroit Institute of Arts	10,338,779
Audit	6,300
Accounting and other professional	8,650
Total expenditures	10,353,729
Excess of Revenue Over Expenditures	-
Fund Balance/Net Position - Beginning of year	-
Fund Balance/Net Position - End of year	<u>\$ -</u>

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, 2016

Note 1 - Summary of Significant Accounting Policies

The accounting policies of 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, 2016

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 millage to the Detroit Institute of Arts.

The 2015 taxable valuation of Oakland County totaled \$51,803,169,207, on which ad valorem taxes levied consisted of 0.1996 mill for the Authority. The ad valorem taxes levied raised approximately \$10,343,000 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, 2016

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.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America, except that property tax revenue of \$10,342,900 was budgeted net of distributions to the Detroit Institute of Arts of \$10,298,400. 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, 2016

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 10,342,900	\$ 10,342,900	\$ 10,342,900	\$ -
Distributions to the Detroit Institute of Arts	(10,298,400)	(10,298,400)	(10,338,779)	(40,379)
Net property taxes in excess of distributions withheld for administrative expenses	44,500	44,500	4,121	(40,379)
Interest income	-	-	10,829	10,829
Total revenue	44,500	44,500	14,950	(29,550)
Expenditures				
Audit	6,000	6,000	6,300	(300)
Accounting	3,000	3,000	2,500	500
Legal	12,000	12,000	-	12,000
Meeting and professional	14,500	14,500	6,150	8,350
Publishing	4,500	4,500	-	4,500
Miscellaneous	4,500	4,500	-	4,500
Total expenditures	44,500	44,500	14,950	29,550
Excess of Revenue Over Expenditures	\$ -	\$ -	\$ -	\$ -

Note to Required Supplemental Information

The Authority had a minor unfavorable variance in the audit line item of \$300.