



**Auditor of State  
Betty Montgomery**



**MONTGOMERY ARTS AND CULTURAL DISTRICT  
MONTGOMERY COUNTY**

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**Auditor of State  
Betty Montgomery**

Montgomery County Arts and Cultural District  
Montgomery County  
126 North Main Street  
Dayton, Ohio 45402

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your District to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

November 7, 2005

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Montgomery County Arts and Cultural District  
Montgomery County  
126 North Main Street  
Dayton, Ohio 45402

To the Board of Trustees:

We have audited the accompanying financial statements of Montgomery County Arts and Cultural District, Montgomery County, (the District), as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 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 audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the District has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the District to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. While the District does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require District to reformat their statements. The District has elected not to reformat its statements. Since this District does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the Montgomery County Arts and Cultural District, Montgomery County, as of December 31, 2004 and 2003, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the District to include Management's Discussion and Analysis for the year ended December 31, 2004. The District has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2005, on our consideration of the District'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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Betty Montgomery**  
Auditor of State

November 7, 2005



**MONTGOMERY COUNTY ARTS AND CULTURAL DISTRICT  
MONTGOMERY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGE IN FUND CASH BALANCE  
GOVERNMENTAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>General</u>
<b>Cash Receipts:</b>	
Intergovernmental	\$1,191,800
Earnings on Investments	5,458
Miscellaneous	<u>25,336</u>
Total Cash Receipts	<u>1,222,594</u>
<b>Cash Disbursements:</b>	
Arts & Cultural Grants	1,316,833
Administration	54,044
Contract-Services	<u>121,160</u>
Total Cash Disbursements	<u>1,492,037</u>
Total Receipts Over/(Under) Disbursements	<u>(269,443)</u>
Fund Cash Balance, January 1	<u>618,518</u>
<b>Fund Cash Balance, December 31</b>	<b><u><u>\$349,075</u></u></b>

*The notes to the financial statements are an integral part of this statement.*

**MONTGOMERY COUNTY ARTS AND CULTURAL DISTRICT  
MONTGOMERY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGE IN FUND CASH BALANCE  
GOVERNMENTAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>General</u>
<b>Cash Receipts:</b>	
Intergovernmental	\$2,020,000
Earnings on Investments	6,529
Miscellaneous	<u>508</u>
Total Cash Receipts	<u>2,027,037</u>
<b>Cash Disbursements:</b>	
Arts & Cultural Grants	1,763,330
Administration	54,957
Contract-Services	<u>134,000</u>
Total Cash Disbursements	<u>1,952,287</u>
Total Receipts Over/(Under) Disbursements	<u>74,750</u>
Fund Cash Balance, January 1	<u>543,768</u>
<b>Fund Cash Balance, December 31</b>	<b><u><u>\$618,518</u></u></b>

*The notes to the financial statements are an integral part of this statement.*

**MONTGOMERY COUNTY ARTS AND CULTURAL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Montgomery County Arts and Cultural District, (the District) was established to exercise the rights and privileges conveyed to it by the constitution and by laws of the State of Ohio. The District is directed by a Board of Trustees consisting of fifteen members appointed by the Montgomery County Board of Commissioners. The District receives an annual allocation from Montgomery County for its operation. The District provides support and enhances arts and cultural resources within its boundaries.

The District's management believes these financial statements present all activities for which the District is financially accountable.

**B. Basis of Accounting**

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This accounting basis is similar to the cash receipts and disbursements basis. The District recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Cash and Investments**

The District's accounting basis includes investments as assets. Accordingly, the District does not record investment purchases as disbursements or investment sales as receipts. The District records gains or losses at the time of sale as receipts or disbursements, respectively.

**D. Fund Accounting**

The District uses fund accounting to segregate cash and investments that are restricted as to use. The District classifies its fund as follows:

**1. General Fund**

The General Fund accounts for all financial resources except those required to be accounted for in another fund.

**E. Budgetary Process**

The District (taxing authority) does not levy a tax, and thus is not required to adopt a tax budget pursuant to ORC 5705.28(A). Instead, on or before the fifteenth day of July each year, the District is to adopt an operating budget for the ensuing fiscal year.

**MONTGOMERY COUNTY ARTS AND CULTURAL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the function level of control and appropriations may not exceed estimated resources. The Board annually approves an appropriation measure and any subsequent amendments. Appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1.

**3. Encumbrances**

The District reserves (encumbers) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be appropriated.

A summary of 2004 and 2003 budgetary activity appears in Note 2.

**F. Property, Plant, and Equipment**

The District records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

The District maintains a cash and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at December 31 follows:

	<b>2004</b>	<b>2003</b>
Demand deposits	\$349,075	\$396,733
Investments: Sweep Accounts		221,785
Total deposits and investments	\$349,075	\$618,518

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation and/or collateralized by the financial institution's public entity deposit pool.

**Investments:** The Council invested in sweep accounts in fiscal year 2003. The District's financial institution transfers securities to the District's agent to collateralize repurchase agreements. The securities are not in the District's name.

**MONTGOMERY COUNTY ARTS AND CULTURAL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

<b>2004 Budgeted vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$1,196,800	\$1,222,594	\$25,794

<b>2004 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$1,815,317	\$1,492,037	\$323,280

<b>2003 Budgeted vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$2,028,500	\$2,027,037	(\$1,463)

<b>2003 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$2,572,268	\$1,952,287	\$619,981

**4. RISK MANAGEMENT**

The District has obtained commercial comprehensive property and general liability insurance.

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## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Montgomery County Arts and Cultural District  
Montgomery County  
126 North Main Street  
Dayton, Ohio 45402

To the Board of Trustees:

We have audited the financial statements of the Montgomery County Arts and Cultural District, Montgomery County, (the District), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated November 7, 2005, wherein we noted the District follows accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the District's management dated November 7, 2005, we reported other matters related to noncompliance we deemed immaterial.

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Montgomery County Arts and Cultural District  
Independent Accountant's Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

We intend this report solely for the information and use of the audit committee, management, and the Board of Trustees. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

November 7, 2005





**Auditor of State  
Betty Montgomery**

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800-282-0370  
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**MONTGOMERY COUNTY ARTS AND CULTURAL DISTRICT**

**MONTGOMERY COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 6, 2005**