



Mary Taylor, CPA
Auditor of State

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

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Statement of Cash Receipts, Cash Disbursements, and Change in Fund Cash Balance – Governmental Fund - For the Year Ended December 31, 2006.....	5
Statement of Cash Receipts, Cash Disbursements, and Change in Fund Cash Balance – Governmental Fund - For the Year Ended December 31, 2005.....	6
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	9

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Mary Taylor, CPA

Auditor of State

Montgomery County Arts and Cultural District
Montgomery County
451 W. Third Street
10th Floor
Dayton, OH 45422

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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

June 28, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Montgomery County Arts and Cultural District
451 W. Third Street
10th Floor
Dayton, OH 45422

To the Board of Trustees:

We have audited the accompanying financial statements of Montgomery County Arts and Cultural District, (the District) as of and for the years ended December 31, 2006 and 2005. 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 the Comptroller General of the United States' *Government Auditing Standards*. 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 years ended December 31, 2006 and 2005. 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 Districts 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 years ended December 31, 2006 and 2005 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, 2006, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balance of Montgomery County Arts and Cultural District, Montgomery County as of December 31, 2006 and 2005, 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 years ended December 31, 2006 and 2005. 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 June 28, 2007, 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.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

June 28, 2007

**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, 2006**

	General
Cash Receipts:	
Intergovernmental	\$991,800
Earnings on Investment	1,367
Total Cash Receipts	993,167
 Cash Disbursements:	
Current:	
Arts and Cultural Grants	905,130
Administration	38,208
Contract Services	68,000
Total Cash Disbursements	1,011,338
Total Cash Receipts Under Cash Disbursements	(18,171)
Fund Cash Balance, January 1	122,425
Fund Cash Balance, December 31	\$104,254

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, 2005**

	General
Cash Receipts:	
Intergovernmental	\$991,800
Earnings on Investments	8,355
Total Cash Receipts	1,000,155
 Cash Disbursements:	
Current:	
Arts and Cultural Grants	1,082,250
Administration	47,835
Contract Services	96,720
Total Cash Disbursements	1,226,805
Total Cash Receipts Under Cash Disbursements	(226,650)
Fund Cash Balance, January 1	349,075
Fund Cash Balance, December 31	\$122,425

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, 2006 AND 2005**

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. The District had no investments in 2006 and 2005.

D. Fund Accounting

The District uses fund accounting to segregate cash and deposits that are restricted as to use. The District has one fund.

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.

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.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2006 and 2005 budgetary activity appears in Note 3.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2006	2005
Total demand deposits	\$104,254	\$122,425

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$997,800	\$993,167	(\$4,633)

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,120,225	\$1,011,338	\$108,887

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$995,800	\$1,000,155	\$4,355

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,344,875	\$1,226,805	\$118,070

4. RISK MANAGEMENT

Commercial Insurance

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



Mary Taylor, CPA

Auditor of State

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
451 W. Third Street
10th Floor
Dayton, OH 45422

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 then ended December 31, 2006 and 2005, and have issued our report thereon dated June 28, 2007, wherein we noted the District follows the 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted a certain matter that we reported to the District's management in a separate letter dated June 28, 2007.

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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 test disclosed no instances of noncompliance or other matters we must report under *Government Accounting Standards*.

We did note certain noncompliance or other matters that we reported to the District's management in a separate letter dated June 28, 2007.

We intend this report solely for the information and use of the finance committee, management, and the Board of Trustees. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

June 28, 2007



Mary Taylor, CPA
Auditor of State

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
AUGUST 14, 2007**