

***HUDSON LIBRARY AND HISTORICAL SOCIETY
SUMMIT COUNTY, OHIO***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA
Auditor of State

Board of Directors
Hudson Library and Historical Society
96 Library Street
Hudson, Ohio 44236

We have reviewed the *Report of Independent Accountants* of the Hudson Library and Historical Society, Summit County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2004 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Hudson Library and Historical Society is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 7, 2008

This Page is Intentionally Left Blank.

HUDSON LIBRARY AND HISTORICAL SOCIETY
SUMMIT COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2005 and 2004

TABLE OF CONTENTS

<u>Title</u>	<u>Page</u>
Report of Independent Accountants	1 - 2
Statement of Assets and Net Assets – Cash Basis For the Years Ended December 31, 2004 and 2005	3
Statement of Support and Receipts, Disbursements and Changes in Net Assets – Cash Basis - For the Year Ended December 31, 2004	4
Statement of Support and Receipts, Disbursements and Changes in Net Assets – Cash Basis - For the Year Ended December 31, 2005	5
Statement of Cash Flows – Cash Basis For the Years Ended December 31, 2004 and 2005	6
Notes to the Basic Financial Statements	7 - 13
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Required by <i>Government Auditing Standards</i>	14-15
Status of Prior Audit’s Citations and Recommendations	16

This Page is Intentionally Left Blank.

Rockefeller Building
614 West Superior Avenue #1242
Cleveland, OH 44113-1306
Office Phone - (216) 575-1630
Fax - (216) 436-2411

Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

The Hudson Library and Historical Society
Summit County
96 Library Street
Hudson, OH 44236

To the Board of Directors:

We have audited the accompanying statements of the assets and net assets-cash basis of the Hudson Library and Historical Society, Summit County (the Library), as of December 31, 2004 and 2005 and the related statements of support and receipts, disbursements and changes in net assets and the statement of cash flows for the years then ended. These financial statements are the responsibility of the Library'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 that our audit provides a reasonable basis for our opinion.

As described more fully in Note 2, the Library has prepared these financial statements using the cash basis of accounting. These practices differ from accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and net assets of the Library, as of December 31, 2004 and 2005, and its support and receipts, disbursements and changes in net assets and the statement of cash flows for the years then ended on the accounting basis Note 2 describes.

For the year ended December 31, 2004, the Library revised its financial presentation comparable to the requirements of Financial Accounting Standards Board Statement No. 117, *Financial Statements of Not-for Profit Organizations*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2007, on our consideration of the Library'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 do not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal controls 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.

Charles E. Harris & Associates, Inc.

December 15, 2007

Hudson Library and Historical Society, Summit County
Statement of Net Assets - Cash Basis
December 31, 2004 and 2005

	2004	2005
Assets		
Cash and Cash Equivalents	\$3,074,748	\$2,567,952
<i>Total Assets</i>	\$3,074,748	\$2,567,952
Net Assets		
Unrestricted	\$2,339,778	\$1,654,580
Temporarily Restricted	630,899	804,301
Permanently Restricted	104,071	109,071
<i>Total Net Assets</i>	\$3,074,748	\$2,567,952

The accompanying notes are an integral part of these financial statements

Hudson Library and Historical Society, Summit County
Statement of Support and Receipts, Disbursements and Changes in Net Assets - Cash Basis
For the Year Ended December 31, 2004

	<u>Unrestricted</u>	<u>Resticted Funds</u>		<u>Total</u>
		<u>Temporary</u>	<u>Permanent</u>	
Support and Receipts				
Property and Other Local Taxes	\$ 749,239			\$ 749,239
Library and Local Government Support	955,293			955,293
Patron Fines and Fees	48,113			48,113
Services Provided to Other Entities	7,916			7,916
Donations	4,100	122,231	1,065	127,396
Earnings on Investments	66,275	39,950		106,225
Miscellaneous	706	11,200		11,906
<i>Total Support and Receipts</i>	1,831,642	173,381	1,065	2,006,088
Assets released from restrictions	5,506,012	(5,506,012)		-
Disbursements				
Salaries	854,425			854,425
Employee Fringe Benefits	230,568			230,568
Purchased and Contract Services	1,175,094			1,175,094
Library Materials and Information	298,440			298,440
Supplies	25,644			25,644
Other	48,260			48,260
Capital Outlay	4,534,107			4,534,107
Debt Service:				
Interest and Fiscal Charges	19,078			19,078
<i>Total Disbursements</i>	7,185,616	-	-	7,185,616
<i>Excess of Support and Receipts Over (Under) Disbursements</i>	152,038	(5,332,631)	1,065	(5,179,528)
Other Financing Sources (Uses)				
Sale of Capital Assets	130,338			130,338
Bonds Issued by City of Hudson		5,961,935		5,961,935
<i>Total Other Financing Sources (Uses)</i>	130,338	5,961,935		6,092,273
<i>Change in Net Assets</i>	282,376	629,304	1,065	912,745
<i>Net Assets, Beginning of Year-Restated</i>	2,057,402	1,595	103,006	2,162,003
<i>Net Assets, End of Year</i>	\$ 2,339,778	\$ 630,899	\$ 104,071	\$ 3,074,748

The accompanying notes are an integral part of these financial statements

Hudson Library and Historical Society, Summit County
Statement of Support and Receipts, Disbursements and Changes in Net Assets - Cash Basis
For the Year Ended December 31, 2005

	<u>Unrestricted</u>	<u>Resticted Funds</u>		<u>Total</u>
		<u>Temporary</u>	<u>Permanent</u>	
Support and Receipts				
Property and Other Local Taxes	\$ 761,244			\$ 761,244
Library and Local Government Support	954,399			954,399
Patron Fines and Fees	64,471			64,471
Donations		160,580	5,000	165,580
Earnings on Investments	218,414	15,489		233,903
Miscellaneous	15,397			15,397
<i>Total Support and Receipts</i>	<u>2,013,925</u>	<u>176,069</u>	<u>5,000</u>	<u>2,194,994</u>
Assets released from restrictions	5,022,307	(5,022,307)		-
Disbursements				
Salaries	954,310			954,310
Employee Fringe Benefits	238,276			238,276
Purchased and Contract Services	862,341			862,341
Library Materials and Information	309,575			309,575
Supplies	43,944			43,944
Other	14,702			14,702
Capital Outlay	5,414,556			5,414,556
Debt Service:				
Interest and Fiscal Charges	13,726			13,726
<i>Total Disbursements</i>	<u>7,851,430</u>	<u>-</u>	<u>-</u>	<u>7,851,430</u>
<i>Excess of Support and Receipts Over (Under) Disbursements</i>	<u>(815,198)</u>	<u>(4,846,238)</u>	<u>5,000</u>	<u>(5,656,436)</u>
Other Financing Sources (Uses)				
Sale of Capital Assets		941,588		941,588
Loan on Investments	130,000			130,000
Bonds Issued by City of Hudson		4,078,052		4,078,052
<i>Total Other Financing Sources (Uses)</i>	<u>130,000</u>	<u>5,019,640</u>		<u>5,149,640</u>
<i>Change in Net Assets</i>	<u>(685,198)</u>	<u>173,402</u>	<u>5,000</u>	<u>(506,796)</u>
<i>Net Assets, Beginning of Year</i>	<u>2,339,778</u>	<u>630,899</u>	<u>104,071</u>	<u>3,074,748</u>
<i>Net Assets, End of Year</i>	<u>\$ 1,654,580</u>	<u>\$ 804,301</u>	<u>\$ 109,071</u>	<u>\$ 2,567,952</u>

The accompanying notes are an integral part of these financial statements

Hudson Library and Historical Society, Summit County
Statement of Cash Flows - Cash Basis
For the Year Ended December 31, 2004 and 2005

	2004	2005
Cash Flows From Operating Activities		
Increase/(Decrease) in Cash and Cash Equivalents	\$ 912,745	\$ (506,796)
Cash and Cash Equivalents at Beginning of Year	2,162,003	3,074,748
Cash and Cash Equivalents at End of Year	\$ 3,074,748	\$ 2,567,952

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

Hudson Library and Historical Society
Summit County, Ohio

Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 1 – Description of the Library and Reporting Entity

The Hudson Library and Historical Society was organized as an association library in 1910 under the laws of the State of Ohio. The Library has its own Board of Directors of nine members who are elected by the members of the association. Members are all citizens of Hudson, Ohio over the age of 18 who have a library card. Appointments are for three-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, holding, possessing, and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library was organized under section 1702 of the Ohio Revised Code. The Library is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. The Library determines and operates under its own budget. Control and management of the Library is governed with the administration of the day-to-day operations of the Library being the responsibility of the Executive Director and financial accountability being solely that of the Clerk-Treasurer.

The Library is fiscally independent of the City of Hudson, although the City of Hudson serves in a ministerial capacity as the taxing authority for the Library. The determination to request approval of a tax levy, the role and purpose(s) of the levy, are discretionary decisions made solely by the Board of Library Directors. Once those decisions are made, the City of Hudson approves the legislation and puts the levy on the ballot. There is no potential for the Library to provide a financial benefit to or impose a financial burden on the City of Hudson.

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. The Library participates on the Cleveland Area Metropolitan Library System (CAMLs) a jointly governed organization. See Note 13 to the financial statements for additional information for this entity. Under the cash basis of accounting, the Library does not report assets for equity interests in joint ventures. The Library also belongs to Clevnet, which is a consortium of Northern Ohio area libraries providing cataloging, circulation systems, data bases, purchasing software and shipment of material between the members.

The Friends of the Hudson Library, Inc. is a not-for-profit organization with a self-appointing board. The Library is not financially accountable for the organization, nor does the Library approve the budget or the issuance of debt of the organization. Therefore, this organization has been excluded from the reporting entity of the Library.

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

Note 2 - Summary of Significant Accounting Policies

A. Basis of Accounting

The Library's financial statements are prepared using the cash basis of accounting; consequently, certain revenues are recognized when received rather than when earned, and certain expenses and purchases are recognized when cash is disbursed rather than when the obligation is incurred.

As a result of this cash basis of accounting, certain assets and their related revenues (such as accounts receivables and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Hudson Library and Historical Society
Summit County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004

B. Cash and Cash Equivalents

All investments final maturities of one year or less at the time they are purchased and investments of the cash management pool are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than one year are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

At December 31, 2005 and 2004, the carrying amount of the Library's deposits were \$152,885 and \$265,208, respectively.

At December 31, 2005 and 2004, the Library had \$2,108,761 and \$2,511,949 invested in a consolidated portfolio run by Mellon Investments and a money market account. The portfolio consists of various debt and equity securities, and fixed income investments and cash or cash equivalents.

At December 31, 2005 and 2004, the Library had \$306,306 and \$297,591, respectively, invested in STAR Ohio.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2004 and 2005.

C. Net Assets

The financial statement presentation follows the requirements of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS No. 117, *Financial Statements of Not-for-Profit Organizations*). Under SFAS No. 117, the Library is required to report information regarding its financial position and activities according to three classes of net assets. A description of the three net asset categories follows:

- Unrestricted net assets have no donor-imposed restrictions.
- Temporarily restricted net assets have donor-imposed restrictions that will expire in the future.
- Permanently restricted net assets have donor-imposed restrictions which do not expire.

Note 3 – Change in Accounting Principles

For fiscal years 2005 and 2004, the Library has implemented FASB No. 117, "*Financial Statements of Not-for-Profit Organizations*".

Last year the Library reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Library has implemented the presentation of accounting described in Note 2. The Statement of Support, Receipts and Disbursements presents its financial position and activities according to three classes of net assets described in Note 2.

Hudson Library and Historical Society
Summit County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 4 - Property Taxes

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City of Hudson. Property tax revenue received during 2005 for real and public utility property taxes represents collections of the 2004 taxes. Property tax payments received during 2005 for tangible personal property (other than public utility property) are for 2005 taxes.

2005 real property taxes are levied after October 1, 2005, on the assessed value as of January 1, 2005, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2005 real property taxes are collected in and intended to finance 2006.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2005 public utility property taxes became a lien December 31, 2004, are levied after October 1, 2005, and are collected in 2006 with real property taxes.

2005 tangible personal property taxes are levied after October 1, 2004, on the value as of December 31, 2004. Collections are made in 2005. Tangible personal property assessments are 25 percent of true value for capital assets and 23 percent of true value for inventories.

Real property taxes are payable semi-annually to Summit County. As the taxes are collected, the County Fiscal Officer forwards the monies to the City of Hudson, the taxing authority for the Library. The City's Fiscal office then forwards the money to the Library.

The full tax rate for all Library operations for the year ended December 31, 2005 and 2004, was \$1 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 and 2004 property tax receipts were based are as follows:

	2004	2005
Real Property		
Residential/ Agriculture	\$657,992,180	\$665,698,010
Other Real Value	92,413,380	95,212,500
Public Utility Property		
Personal	14,221,560	13,966,120
Tangible Personal Property	48,164,887	47,072,272
Total Assessed Value	\$812,792,007	\$821,948,902

Note 5 – Library and Local Government Support

The primary source of revenue for Ohio public libraries is the State Library and Local Government Support Fund (LLGSF). The LLGSF was enacted by the State of Ohio seeking to incorporate the intangible tax into the State's personal income tax. Originally the LLGSF was funded with 5.7% of the receipts of personal income tax and is distributed to each county monthly through an equalization formula. Because of the economic downturn in the State, the State Legislature has frozen or reduced this amount over the last few years. The Summit County Budget Commission allocates these funds to the Library based on formula which incorporates square footage, population, affluence factors, number of facilities and circulation. The Budget Commission cannot reduce its allocation of these funds to the Library based on any additional revenues the Library receives.

Hudson Library and Historical Society
Summit County, Ohio

Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 6 - Risk Management

The Library 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. During 2004 and 2005, the Library contracted for various types of insurance coverage as follows:

Company	Type of Coverage	2004	2005
		Coverage	Coverage
Cincinnati Insurance Co	Commercial Property	\$1,800,000	\$11,000,000
	General Liability	1,000,000	2,000,000
	Commercial Crime	25,000	25,000
	Valuable Papers	3,811,600	4,042,700
	Vehicle	500,000	1,000,000
	Umbrella	1,000,000	1,000,000
	Directors & Officers	10,000,000	10,000,000
	Builders Risk	11,000,000	11,000,000

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

The Library pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

Note 7 - Defined Benefit Pension Plan

A. Ohio Public Employees Retirement System

The Library participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the years ended December 31, 2005 and 2004, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2005 and 2004 were 13.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

Hudson Library and Historical Society
Summit County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004

The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004 and 2003 were \$127,806, \$115,899 and \$134,850, respectively, 100 percent has been contributed for all three years.

Note 8 - Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State Statute. The 2005 and 2004 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 376,109. Actual employer contributions for 2005 and 2004 which were used to fund postemployment benefits were \$85,119 and \$79,230, respectively. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$25.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

Note 9 – Debt

The City of Hudson serves as the taxing authority in a ministerial function, and can issue tax related debt on behalf of the Library. The determination to request approval of a tax levy, the rate and the purpose are discretionary decisions made solely by the Library Board of Directors.

Hudson Library and Historical Society
Summit County, Ohio

Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004

In 1999, the Library Board approved for the City of Hudson to place on the ballot, Library Construction Bonds in the amount of \$9.9 million for the construction of the current Library. The City of Hudson handled the issuance of the bonds and is handling the repayment. The outstanding debt can be found in the City of Hudson financial reports.

During 2005, the Library has \$130,000 of a loan on its own investments from Mellon Investments. This amount was used for construction payments during the year.

Note 10 – Leases

The Library leases buildings, vehicles and other equipment under noncancelable leases. The Library disbursed \$14,653 and \$10,630 to pay lease costs for the year ended December 31, 2005 and 2004, respectively. Future lease payments are as follows:

Year	Amount
2006	\$14,653
2007	14,153
2008	14,153
2009	14,153
Total	<u>\$57,112</u>

Note 11 – Construction and Contractual Commitments

The Library had outstanding the following amount for completion of the new library building as of 2005:

Metro Window and Glass	\$ 7,559
Imperial Heating and Cooling	76,536
Marous Brothers Construction	128,361
Kalkreuth Roofing and Sheet Metal	43,453
Inland Electric Company	97,008
Middleton Corporation	22,676
Giorgi Interior Systems	178,194
Mr. Excavator, Inc	112,340
Giambrone Construction, Inc	4,875
Architectural Floors of Cleveland	26,403
Central Business Group	9,923
Herman Miller Workplace	277,507
Total	<u>\$984,835</u>

Note 12 – Contingent Liabilities

The Library may be a defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, they believe the resolution of these matters will not materially adversely affect the Library's financial condition.

Hudson Library and Historical Society
Summit County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 13 – Jointly Governed Organizations

The Cleveland Area Metropolitan Library System (CAMLS) is an area service organization created and governed according to the provisions of Section 3375.90 of the Ohio Revised Code. CAMLS is comprised of sixty-four public, academic, special and school libraries. The purpose of CAMLS is to provide an effective and efficient sharing of information, resources and expertise. CAMLS's Board of Trustees consists of thirteen full members with voting privileges elected by, from, and among the Advisory Council. The Advisory Council is comprised of a representative from each member library system. The Executive Director serves as an ex-officio, non-voting member. The Hudson Library and Historical Society's control over the budgeting and financing of CAMLS is limited to its voting authority and its representation on the Board of Trustees.

CLEVNET is a consortium of several Northeast Ohio thirty-one library systems. Created in 1982 it was to provide economy of scale for sharing of cataloging systems, database resources, technology services, tech processing standardization between systems and sharing of materials. Each library sends a representative to periodical meeting for sharing and coordinating direction and governing CLEVNET.

Note 14 – Related Organizations

The Library has a Friends of the Hudson Library organization, which raises money for support of the Library. It is an independent organization and the Library does not place any members on its Board of Trustees or direct the group in any way. The Friends Group does not supply the Library with a major source of revenue.

Note 15 – Related Party Transactions

The Library paid dues for 2004 in the amount of \$1,433 to CAMLS and \$84,907 for services to CLEVNET. In 2005, the Library paid dues in the amount of \$1,983 to CAMLS and \$75,575 for services to CLEVNET.

Note 16 – Subsequent Events

Due to the declining support from the State of Ohio and the increase in costs for utilities and maintenance, the Board of Directors has decided to put an increase in the operating levy on the ballot in November 2006. The current levy is for 1 mil and after careful analysis and projection of future needs a decision was made to put before the voters a renewal of the 1 mil with an additional .6 mil. The levy passed in November of 2006. The total levy receipts for 2007 are expected to be approximately \$1,400,000. With passage, the Library should meet its needs and be able to transfer to a Capital and Maintenance fund \$90,000 for future repairs.

Rockefeller Building
614 W Superior Ave Ste1242
Cleveland OH 44113-1306
Phone - (216) 575-1630
Fax - (216) 436-2411

Charles E. Harris & Associates, Inc.
Certified Public Accountants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Hudson Library and Historical Society
Summit County
96 Library Street
Hudson, Ohio 44236

To the Board of Directors:

We have audited the statements of assets and net assets, the statements of support and receipts, disbursements and changes in net assets and cash flows of the Hudson Library and Historical Society, Summit County, Ohio, (the Library) as of December 31, 2004 and 2005, and have issued our report thereon dated December 15, 2007, wherein we noted the Library revised its financial statement presentation comparable to the requirements of Financial Accounting Standards Board Statement No. 117 and followed the cash basis of accounting. 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 Library's internal control over financial reporting to determine our auditing procedures in order to express our opinions 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 Library'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*.

We intend this report solely for the information and use of the Audit/Finance Committee, management, and the Board of Directors. It is not intended for anyone other than these specified parties.

Charles E. Harris & Associates, Inc.

December 15, 2007

STATUS OF PRIOR YEAR'S CITATIONS AND RECOMMENDATIONS

The prior audit report, for the 2 years ending December 31, 2003, reported no material citations or recommendations.



Mary Taylor, CPA
Auditor of State

HUDSON LIBRARY AND HISTORICAL SOCIETY

SUMMIT 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
MARCH 20, 2008**