

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

***AUDIT REPORT***

***FOR THE YEARS ENDED DECEMBER 31, 2003 & 2002***

***Charles E. Harris and Associates, Inc.***  
**Certified Public Accountants**





**Auditor of State  
Betty Montgomery**

Board of Trustees  
Hudson Library and Historical Society  
22 Aurora Street  
Hudson, Ohio 44236

We have reviewed the Independent Auditor's Report of the Hudson Library and Historical Society, Summit County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2002 through December 31, 2003. 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.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

October 28, 2004

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**HUDSON LIBRARY AND HISTORICAL SOCIETY  
SUMMIT COUNTY, OHIO  
Audit Report  
For the Years Ended December 31, 2003 & 2002**

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

**REPORT OF INDEPENDENT ACCOUNTANTS**

**The Hudson Library and Historical Society  
Hudson, Ohio**

We have audited the accompanying financial statements of the Hudson Library and Historical Society, Summit County, (the Library), as of and for the years ended December 31, 2003 and 2002, as listed in the table of contents. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 discussed in Note 1, the Library prepares its financial statements on a basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash, investments and fund cash balances of the Library, as of December 31, 2003 and 2002, and the combined receipts, disbursements, and changes in fund cash balances for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 29, 2004 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

This report is intended solely for the information and use of management, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code and is not intended to be and should not be used by anyone other than these specified parties.

*Charles E. Harris & Associates, Inc.*  
September 29, 2004

**HUDSON LIBRARY AND HISTORICAL SOCIETY  
SUMMIT COUNTY, OHIO  
COMBINED STATEMENT OF CASH, INVESTMENTS AND FUND  
CASH BALANCES - ALL FUND TYPES  
As of December 31, 2003 & 2002**

	<u>2003 Balance</u>	<u>2002 Balance</u>
Cash and Cash Equivalents	\$ <u>375,452</u>	\$ <u>170,275</u>
	\$ <u><u>375,452</u></u>	\$ <u><u>170,275</u></u>

**CASH BALANCES BY FUND CLASS**

**Governmental Fund Types:**

General Fund	\$ 374,530	\$ 169,257
Capital Projects Funds	<u>922</u>	<u>1,018</u>
Total	\$ <u><u>375,452</u></u>	\$ <u><u>170,275</u></u>

See accompanying Notes to the Financial Statements.

**HUDSON LIBRARY AND HISTORICAL SOCIETY  
SUMMIT COUNTY, OHIO  
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
All Governmental Fund Types  
For the Year Ended December 31, 2003**

	Governmental Fund Types		Total Memorandum Only
	General	Capital Projects	
<b>Receipts:</b>			
Property and Other Local Taxes	\$ 752,858	\$ 166,820	\$ 919,678
Other Government Grants-In-Aid	954,824	-	954,824
Intergovernmental receipts	-	6,244	6,244
Patron Fines and Fees	50,658	-	50,658
Earnings on Investments	4,000	24	4,024
Insurance Proceeds	38,045	-	38,045
Miscellaneous Revenue	512	-	512
<b>Total Receipts</b>	<b>1,800,897</b>	<b>173,088</b>	<b>1,973,985</b>
<b>Disbursements:</b>			
<b>Current:</b>			
Salaries and Benefits	1,051,424	240	1,051,664
Purchased and Contracted Services	167,179	166,940	334,119
Supplies	25,859	-	25,859
Library Materials and Information	280,239	-	280,239
Other Objects	3,929	-	3,929
Capital Outlay	66,994	6,004	72,998
<b>Total Disbursements</b>	<b>1,595,624</b>	<b>173,184</b>	<b>1,768,808</b>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<b>205,273</b>	<b>(96)</b>	<b>205,177</b>
<b>Fund Cash Balance, January 1</b>	<b>169,257</b>	<b>1,018</b>	<b>170,275</b>
<b>Fund Cash Balance, December 31</b>	<b>\$ 374,530</b>	<b>\$ 922</b>	<b>\$ 375,452</b>

See accompanying Notes to the Financial Statements.



**HUDSON LIBRARY AND HISTORICAL SOCIETY  
SUMMIT COUNTY, OHIO  
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
All Governmental Fund Types  
For the Year Ended December 31, 2002**

	Governmental Fund Types		Total Memorandum Only
	General	Capital Projects	
<b>Receipts:</b>			
Property and Other Local Taxes	\$ 360,511	\$ 377,848	\$ 738,359
Other Government Grants-In-Aid	929,760	-	929,760
Patron Fines and Fees	41,796	-	41,796
Earnings on Investments	4,571	134	4,705
Miscellaneous Revenue	9,888	-	9,888
<b>Total Receipts</b>	<b>1,346,526</b>	<b>377,982</b>	<b>1,724,508</b>
<b>Disbursements:</b>			
<b>Current:</b>			
Salaries and Benefits	983,334	-	983,334
Purchased and Contracted Services	130,203	370,985	501,188
Supplies	21,799	-	21,799
Library Materials and Information	238,155	-	238,155
Other Objects	3,951	7,000	10,951
Capital Outlay	46,442	-	46,442
<b>Total Disbursements</b>	<b>1,423,884</b>	<b>377,985</b>	<b>1,801,869</b>
<b>Total Cash Receipts Over/(Under)</b>			
Cash Disbursements	(77,358)	(3)	(77,361)
<b>Fund Cash Balance, January 1</b>	<b>246,615</b>	<b>1,021</b>	<b>247,636</b>
<b>Fund Cash Balance, December 31</b>	<b>\$ 169,257</b>	<b>\$ 1,018</b>	<b>\$ 170,275</b>

See accompanying Notes to the Financial Statements.

**HUDSON LIBRARY AND HISTORICAL SOCIETY  
SUMMIT COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended December 31, 2003 and 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. DESCRIPTION OF THE ENTITY**

Hudson Library and Historical Society, Summit County, Ohio, (the Library) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Library is directed by a twelve-member Board of Trustees. The Library provides the community with various educational and literary resources.

A private historical society is associated with the Library. Since the private historical society's tax exemption is independent of the Library, its financial statements are not included in this report.

The Library's management believes these financial statements present all activities for which the Library is financially accountable, except debt service funds maintained by the City of Hudson as described in Note 5 to the financial statements.

**B. REPORTING ENTITY**

In evaluating how to define the Library for financial reporting purposes, management has considered all agencies, departments and organizations making up Hudson Library and Historical Society (the primary government) and its potential component units consistent with Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity." There were no significant changes in the reporting entity related to the implementation of this statement for the current audit period.

Component units are legally separate organizations for which the Library, as the primary government, is financially accountable. The Library is financially accountable for an organization if the Library appoints a voting majority of the organization's governing board and 1) the Library is able to significantly influence the programs or services performed or provided by the organization; or 2) the Library is legally entitled to or can otherwise access the organization's resources; the Library is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Library is obligated for the debt of the organization. Component units may also include organizations for which the Library approves the budget, the issuance of debt, or the levying of taxes.

Based on the above definitions, the Library has determined that there were no component units required to be included the financial statements.

**C. BASIS OF ACCOUNTING**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursement basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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.)

The statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**HUDSON LIBRARY AND HISTORICAL SOCIETY  
SUMMIT COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended December 31, 2003 and 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

D. CASH AND INVESTMENTS

Investments are included in the fund cash balances. 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 disbursements, respectively.

The investment in Star Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

E. FUND ACCOUNTING

The Library maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Fund Types:

General Fund: The General Fund is the general operating fund of the Library. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

Capital Projects Funds: To account for the proceeds of specific revenue sources that are restricted for the acquisition or construction of major capital projects. The Library's major capital project fund is the New Library Fund which receives levy proceeds from the City of Hudson for the construction of a new Library facility.

F. BUDGETARY PROCESS

The Board must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year-end. Budgetary expenditures, that is, disbursements and encumbrances, may not exceed appropriations at the fund, function, and object level of control.

G. PROPERTY, PLANT AND EQUIPMENT

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

H. UNPAID VACATION AND SICK LEAVE

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused vacation and sick leave. Unpaid vacation and sick leave are not reflected as liabilities on the accompanying financial statements.

**HUDSON LIBRARY AND HISTORICAL SOCIETY  
SUMMIT COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended December 31, 2003 and 2002**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)**

I. **TOTAL COLUMNS ON FINANCIAL STATEMENTS**

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

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

The Library maintains a cash and investment pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of the Library's cash and investments are as follows:

	2003	2002
Demand deposits	\$ 80,897	\$ 17,525
Change drawer	500	500
Total deposits	81,397	18,025
Star Ohio	294,055	152,250
Total deposits and investments	\$ 375,452	\$ 170,275

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation.

**Investments:** Investments in Star Ohio are not evidenced by securities that exist in physical or book-entry form.

3. **BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2003 and 2002 follows:

2003 Appropriations vs. Actual Expenditures			
Fund Type	Appropriations	Actual Expenditures	Variance
General	\$ 1,970,252	\$ 1,595,624	\$ 374,628
Capital Projects	174,107	173,184	923
Total	\$ 2,144,359	\$ 1,768,808	\$ 375,551

**HUDSON LIBRARY AND HISTORICAL SOCIETY  
SUMMIT COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended December 31, 2003 and 2002**

2002 Appropriations vs. Actual Expenditures			
Fund Type	Appropriations	Actual Expenditures	Variance
General	\$ 1,593,141	\$ 1,423,884	\$ 169,257
Capital Projects	379,004	377,985	1,019
Total	<u>\$ 1,972,145</u>	<u>\$ 1,801,869</u>	<u>\$ 170,276</u>

**4. RISK MANAGEMENT**

The Library has obtained commercial insurance for the following risks:

- Comprehensive property and general liability.
- Vehicles.
- Errors and omissions.

**5. PENSION AND RETIREMENT PLANS**

The employees of the Hudson Library and Historical Society are covered by the Ohio Public Employees Retirement System (OPERS). The State of Ohio accounts for the activities of the retirement systems and the amounts of these funds are not reflected in the accompanying financial statements.

**Ohio Public Employees Retirement System (OPERS)**

The Ohio Public Employees Retirement System (OPERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the Ohio Public Employees Retirement Board. OPERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rates are 8.5% of their gross salaries. For local government employer units, the rate was 13.55% of covered payroll for 2003 and 2002. The contribution rates are determined actuarially. The Library has paid all contributions required through December 31, 2003.

**6. CONTINGENT LIABILITIES**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

The Library may be a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Legal Counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the Library.

**HUDSON LIBRARY AND HISTORICAL SOCIETY  
SUMMIT COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended December 31, 2003 and 2002**

**7. GRANTS-IN-AID AND TAX RECEIPTS**

The primary source of revenue for Ohio public libraries is the State Library and Local Government Support Fund (LLGSF). The LLGSF is allocated to each county based on the county's prior intangibles tax of LLGSF revenues, and its population. The County Budget Commission allocates these funds to the Library based on its needs, such as for the construction of new buildings, improvements, operation, maintenance, or other expenses. The Budget Commission cannot reduce its allocation of these funds to the Library based upon any additional revenues the Library receives.

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the taxing authority of the subdivision to whose jurisdiction the Library is subject. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Other Governments Grants-In-Aid. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the taxing district.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Library.

**8. DEBT**

The voters of the City of Hudson passed a levy in 2000 to issue bonds on behalf of the Library. The City of Hudson handles all tax collections and payments for the bonds. The Library received the money from the City on an as needed basis for the construction costs of the new library facility.

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*Certified Public Accountants*

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**The Board of Trustees  
Hudson Library and Historical Society  
Hudson, Ohio**

We have audited the financial statements of the Hudson Library and Historical Society, Summit County, Ohio, (the Library) as and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated September 29, 2004. 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.

**Internal Controls Over Financial Reporting**

In planning and performing our audit, we considered the Library's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance**

As part of obtaining reasonable assurance about whether the Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our test disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

*Charles E. Harris & Associates, Inc.*  
September 29, 2004

**STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS**

**The prior audit report, as of December 31, 2001 and 2000, did not include material citations or recommendations.**





**Auditor of State  
Betty Montgomery**

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**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  
NOVEMBER 16, 2004**