

**HUDSON LIBRARY AND HISTORICAL SOCIETY
SUMMIT COUNTY
Regular Audit
For the Years Ended December 31, 2013 and 2012**

Perry & Associates
Certified Public Accountants, A.C.



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Hudson Library and Historical Society, Summit County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2012 through December 31, 2013. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

July 8, 2014

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**HUDSON LIBRARY AND HISTORICAL SOCIETY
SUMMIT COUNTY**

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Independent Auditor's Report

June 5, 2014

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of **Hudson Library and Historical Society**, Summit County, Ohio ("the Library"), which comprise the statements of financial position – cash basis arising from cash transactions as of December 31, 2013 and 2012, and the related statements of activities – cash basis for support and revenue collected and expenses paid for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 2; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express 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 financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and net assets arising from cash transactions of Hudson Library and Historical Society as of December 31, 2013 and 2012, and its support and revenue collected and expenses paid during the years then ended in accordance with the cash basis of accounting described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

HUDSON LIBRARY AND HISTORICAL SOCIETY
SUMMIT COUNTY

STATEMENTS OF FINANCIAL POSITION - CASH BASIS
DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and Cash Equivalents	\$ 2,365,318	\$ 2,065,161
Investments, at Cost	<u>1,736,421</u>	<u>1,507,344</u>
Total Assets	<u>\$ 4,101,739</u>	<u>\$ 3,572,505</u>
NET ASSETS		
Unrestricted	\$ 3,505,507	\$ 3,176,566
Temporarily Restricted	67,244	47,437
Permanently Restricted	<u>528,988</u>	<u>348,502</u>
Total Net Assets	<u>\$ 4,101,739</u>	<u>\$ 3,572,505</u>

The notes to the financial statements are an integral part of these statements

HUDSON LIBRARY AND HISTORICAL SOCIETY
SUMMIT COUNTY

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Unrestricted	Restricted Funds		Total
		Temporary	Permanent	
SUPPORT AND RECEIPTS:				
Property and Other Local Taxes	\$ 1,934,588	\$ -	\$ -	\$ 1,934,588
Public Library Fund	911,324	-	-	911,324
Patron Fines and Fees	69,832	-	-	69,832
Services Provided to Other Entities	33,639	-	-	33,639
Donations	-	72,785	180,486	253,271
Earnings on Investments	115,625	8,474	-	124,099
Other	3,309	-	-	3,309
Total Support and Receipts	3,068,317	81,259	180,486	3,330,062
Assets Released from Restrictions	61,452	(61,452)	-	-
DISBURSEMENTS:				
Salaries	1,269,289	-	-	1,269,289
Employee Fringe Benefits	336,609	-	-	336,609
Purchased and Contracted Services	440,535	-	-	440,535
Library Materials and Information	431,526	-	-	431,526
Supplies	74,339	-	-	74,339
Other	45,260	-	-	45,260
Capital Outlay	203,270	-	-	203,270
Total Disbursements	2,800,828	-	-	2,800,828
Excess of Support and Receipts Over (Under) Disbursements	328,941	19,807	180,486	529,234
Net Assets, January 1, 2013	3,176,566	47,437	348,502	3,572,505
Net Assets, December 31, 2013	\$ 3,505,507	\$ 67,244	\$ 528,988	\$ 4,101,739

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

HUDSON LIBRARY AND HISTORICAL SOCIETY
SUMMIT COUNTY

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Unrestricted	Restricted Funds		Total
		Temporary	Permanent	
SUPPORT AND RECEIPTS:				
Property and Other Local Taxes	\$ 1,914,541	\$ -	\$ -	\$ 1,914,541
Public Library Fund	869,354	-	-	869,354
Patron Fines and Fees	67,455	-	-	67,455
Services Provided to Other Entities	33,562	-	-	33,562
Donations	-	49,627	-	49,627
Earnings on Investments	287,935	7,256	-	295,191
Other	696	-	-	696
Total Support and Receipts	3,173,543	56,883	-	3,230,426
Assets Released from Restrictions	51,547	(51,547)	-	-
DISBURSEMENTS:				
Salaries	1,232,912	-	-	1,232,912
Employee Fringe Benefits	331,429	-	-	331,429
Purchased and Contracted Services	383,640	-	-	383,640
Library Materials and Information	442,968	-	-	442,968
Supplies	71,840	-	-	71,840
Other	35,004	-	-	35,004
Capital Outlay	175,979	-	-	175,979
Total Disbursements	2,673,772	-	-	2,673,772
Excess of Support and Receipts Over (Under) Disbursements	551,318	5,336	-	556,654
Net Assets, January 1, 2012	2,625,248	42,101	348,502	3,015,851
Net Assets, December 31, 2012	\$ 3,176,566	\$ 47,437	\$ 348,502	\$ 3,572,505

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

HUDSON LIBRARY AND HISTORICAL SOCIETY
SUMMIT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

1. **DESCRIPTION OF THE LIBRARY AND REPORTING ENTITY**

The Hudson Library and Historical Society (the "Library"), was organized as an association library in 1910 under the laws of the State of Ohio. The Library has its own Board of Trustees 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 that of the Fiscal Officer.

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 Trustees. 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. Under the cash basis of accounting, the Library does not report assets for equity interests in joint ventures. The Library belongs to CLEVNET, a joint venture 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.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. **ACCOUNTING BASIS**

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 received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP).

HUDSON LIBRARY AND HISTORICAL SOCIETY
SUMMIT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

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

B. **DEPOSITS AND INVESTMENTS**

All investments that have 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 and investments in equity securities are reported as investments.

Investments are reported as assets at the Library's cost basis. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Realized gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

Including cash equivalents of \$144,064 and \$133,133, the Library had \$1,880,485 and \$1,640,477 at December 31, 2013 and 2012, respectively, in a consolidated investment portfolio managed by Key Bank. The portfolio consists primarily of equity securities, debt and fixed income investments and cash equivalents. Including cash equivalents, the fair value of the investment portfolio at December 31, 2013 and 2012 was \$2,284,704 and \$1,886,842, respectively.

At December 31, 2013 and 2012, the Library had \$248,244 and \$248,148, respectively, invested in STAR Ohio. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within Ohio to pool their funds for investment purposes. STAR Ohio is not registered with the Securities and Exchange Commission 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, 2013 and 2012.

The Library had \$405,725 and \$403,908 invested in a Certificate of Deposit Account Registry Service (CDARS) account at December 31, 2013 and 2012, respectively.

CDARS accounts are time deposits in depository institutions whose accounts are insured by the Federal Deposit Insurance Corporation (FDIC). Through an arrangement with the Promontory Interfinancial Network, LLC, funds are placed in time deposits issued by insured depository Institutions through Promontory's CDARS program in principal amounts when aggregated with interest to accrue over the term of the CD, will not exceed the Standard Maximum Deposit Insurance Amount for deposits of the one depositor at any one insured depository institution (currently \$250,000). This is done to safeguard larger amounts of public funds under the Federal Insurance Deposit Corporation.

C. **RESTRICTED ASSETS**

Cash, cash equivalents, and investments are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

D. **INVENTORY AND PREPAID ITEMS**

The Library reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

HUDSON LIBRARY AND HISTORICAL SOCIETY
SUMMIT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

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

D. **CAPITAL ASSETS**

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

E. **ACCUMULATED LEAVE**

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the cash basis of accounting.

F. **EMPLOYER CONTRIBUTIONS TO COST-SHARING PENSION PLANS**

The Library recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 5 and 6, the employer contributions include portions for pension benefits and for postemployment health care benefits.

G. **LONG-TERM OBLIGATIONS**

The Library's cash basis financial statements do not report liabilities for long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure is reported at inception. Lease payments are reported when paid.

H. **NET ASSETS**

The financial statements presentation follows the requirements of the Financial Accounting Standards Board in its Financial Accounting Standards Codification (FASB ASC) No. 958-205. Under FASB ASC No. 958-205 defined not-for-profit organizations are required to report information regarding 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 legal or donor-imposed restrictions.
- Temporarily restricted net assets have legal or donor-imposed restrictions that will expire in the future.
- Permanently restricted net assets have legal or donor-imposed restrictions which do not expire.

The Library's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

3. **PUBLIC LIBRARY FUND**

The primary source of revenue for Ohio public libraries is the Public Library Fund (PLF). The PLF was enacted in January 2008 by the State of Ohio, replacing the Library and Local Government Support Fund (LLGSF). The PLF was initially funded by 2.22% of all state tax income, which was distributed to each county monthly through the same equalization formula as the LLGSF. Due to the economic downturn in the state, the Ohio State Legislature temporarily reduced this percentage to 1.97% with the enactment of the 2009-2011 budgets. With the continued decline of the state economy during 2011, the PLF was set at 95% of the amount received in fiscal year 2011 for 2012 and 2013. The Summit County Budget Commission allocates these funds to the Library based on a formula developed by the Library Trustees Council of Summit County. Factors included in the formula are: population of a library's service area, size of a library, number of library branches, circulation and per capita income.

HUDSON LIBRARY AND HISTORICAL SOCIETY
SUMMIT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

4. 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 2013 and 2012 the Library contracted for various types of insurance coverage as follows:

Period	Company	Type of Coverage	Coverage	
January 2012 - June 2012	The Ohio Plan	Commercial Property	\$16,443,950	
		General Liability	3,000,000/ 5,000,000	
		Employee Dishonesty	25,000	
		Valuable Papers/Library		
		Materials	5,527,000	
		Vehicle	3,000,000	
		Public Officials Liability	3,000,000/ 5,000,000	
		Electronic Data Processing	500,000	
		Flood	2,000,000	
		Western Surety Company	Notary Errors and Omissions	10,000
		July 2012 - June 2013	The Ohio Plan	Commercial Property
General Liability	3,000,000/ 5,000,000			
Employee Dishonesty	25,000			
Valuable Papers/Library				
Materials	5,692,810			
Vehicle	3,000,000			
Public Officials Liability	3,000,000/ 5,000,000			
Electronic Data Processing	500,000			
Flood	2,000,000			
Western Surety Company	Notary Errors and Omissions			10,000
July 2013 - December 2013	The Ohio Plan			Commercial Property
		General Liability	3,000,000/ 5,000,000	
		Employee Dishonesty	25,000	
		Valuable Papers/Library		
		Materials	5,863,594	
		Vehicle	3,000,000	
		Public Officials Liability	3,000,000/ 5,000,000	
		Electronic Data Processing	500,000	
		Flood	2,000,000	
		Western Surety Company	Notary Errors and Omissions	10,000

HUDSON LIBRARY AND HISTORICAL SOCIETY
SUMMIT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

4. **RISK MANAGEMENT** (Continued)

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. The rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

5. **DEFINED BENEFIT PENSION PLAN**

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

Plan Description - The Library participates in the Ohio Public Library Employees System (OPERS).

OPERS administers three separate pension plans. The Traditional Pension 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% 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, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, 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 Pension 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, by calling (614) 222-7377 or (800) 222-7377 or visiting <https://www.opers.org/investments/cafr.shtml>.

The Ohio Revised Code provides statutory authority for member and employer contributions. For years ended December 31, 2013 and 2012, member and employer contribution rates were consistent across all three plans. The member contribution rates were 10.00% of covered payroll for members in state and local classifications. The employer contribution rate was 14.00% of covered payroll. Total required employer contributions for all plans are equal to 100% of employer charges and should be extracted from the employer's records.

The Library's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2013, 2012 and 2011 were \$175,968, \$170,652 and \$155,691, respectively. The Library contributed 100 percent of the required contribution for each of the three years.

6. **POSTEMPLOYMENT BENEFITS**

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Plan Description – OPERS administers three separate pension plans. The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

HUDSON LIBRARY AND HISTORICAL SOCIETY
SUMMIT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

6. POSTEMPLOYMENT BENEFITS (Continued)

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employee Benefit (OPEB) as defined in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care coverage through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care coverage.

The post-employment healthcare plan was established under, and is administrated in accordance with, Internal Revenue Code Section 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 1.0% during calendar years 2013 and 2012. The portion for employer contributions allocated to health care for members in the Combined Plan was 1% during calendar years 2013 and 2012.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment healthcare plan.

The Library's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2013, 2012, and 2011 were \$12,564, \$48,755, and \$44,481, respectively. The Library contributed 100 percent for each of the three years.

7. NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions during 2013 and 2012 by incurring expenses satisfying the restricted purposes.

HUDSON LIBRARY AND HISTORICAL SOCIETY
SUMMIT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

8. CONSTRUCTION AND IMPROVEMENT OF FACILITIES

In 1999, the Board of Library Trustees 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. Upon voter approval of the Library Construction Bonds the City of Hudson handled the issuance of the bonds and is handling the repayment. Because the bonds are general obligations of the City of Hudson, the long-term obligation is excluded from the general long-term debt obligations of the Library. The receipt and expenditure of the proceeds from the property tax levy for the retirement of the debt is reflected in the City of Hudson's financial reports.

In May of 2011, the voters of the City of Hudson approved a 2.3 mil levy for Library operations. The levy is expected to generate approximately \$1.9 million in tax receipts each year. The levy is for five years.

9. LEASES

The Library can lease buildings, vehicles and other equipment under noncancellable leases. Currently the Library only leases copier machines and printers. The Library disbursed \$11,149 and \$15,322 to pay lease costs for the years ended December 31, 2013 and 2012, respectively. Future minimum lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2014	\$ 6,750
2015	6,750
2016	6,750
2017	3,375
Total	<u>\$ 23,625</u>

10. JOINTLY GOVERNED ORGANIZATIONS

CLEVNET is a consortium of several Northeast Ohio 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 periodic meetings for sharing and coordinating direction and governing CLEVNET. The Library paid dues to CLEVNET in the amount of \$94,940 for services in 2013 and \$85,686 in 2012.

11. 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.

12. TAX STATUS

The Library is subject to routine audits by taxing jurisdictions, however, there are currently no audits for any tax periods in progress. The Library's Federal Return of Organization Exempt from Income Tax (federal Form 990) for fiscal years ending in 2010, 2011 and 2012 are subject to examination by the IRS, generally for three years after they were filed.

HUDSON LIBRARY AND HISTORICAL SOCIETY
SUMMIT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

13. SUBSEQUENT EVENTS

Management has considered all subsequent events through June 5, 2014, the date the financial statements were available to be issued.

Perry & Associates
Certified Public Accountants, A.C.

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**Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards***

June 5, 2014

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

To the Board of Trustees:

We have audited 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, the financial statements of **Hudson Library and Historical Society**, Summit County, Ohio (the "Library"), which comprise the statements of financial position – cash basis as of December 31, 2013 and 2012, and the related statements of activities – cash basis for the years then ended, and the related notes to the financial statements and have issued our report thereon dated June 5, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Library's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Library's financial statements are free from 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 tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**HUDSON LIBRARY AND HISTORICAL SOCIETY
SUMMIT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2011-001	Ohio Revised Code Section 117.38	Yes	Not applicable
2011-002	Cash and Investment Reconciliation	Yes	Not applicable

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Dave Yost • 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
JULY 22, 2014