

***HUDSON LIBRARY AND HISTORICAL SOCIETY***

**SUMMIT COUNTY, OHIO**

**REGULAR AUDIT**

**For the Years Ended December 31, 2021 and 2020**







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Columbus, Ohio 43215  
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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 Charles E. Harris & Associates, Inc., for the audit period January 1, 2020 through December 31, 2021. 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.

Keith Faber  
Auditor of State  
Columbus, Ohio

August 31, 2022

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**HUDSON LIBRARY AND HISTORICAL SOCIETY  
SUMMIT COUNTY  
DECEMBER 31, 2021 AND 2020  
TABLE OF CONTENTS**

<b><u>Title</u></b>	<b><u>Page</u></b>
Independent Auditor's Report - 2021	1
Statement of Financial Position - Cash Basis December 31, 2021	4
Statement of Activities - Cash Basis For the Year Ended December 31, 2021	5
Statement of Functional Expenses - Cash Basis For the Year Ended December 31, 2021	6
Statement of Cash Flows - Cash Basis For the Year Ended December 31, 2021	7
Notes to the Financial Statements For the Year Ended December 31, 2021	8
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliances and Other Matters Required by <i>Government Auditing Standards</i> - 2021	17
Independent Auditor's Report - 2020	19
Statement of Financial Position - Cash Basis For the Year December 31, 2020	21
Statement of Activities - Cash Basis For the Year Ended December 31, 2020	22
Statement of Functional Expenses - Cash Basis For the Year Ended December 31, 2020	23
Statement of Cash Flows - Cash Basis For the Year Ended December 31, 2020	24
Notes to the Financial Statements For the Year Ended December 31, 2020	25
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliances and Other Matters Required by <i>Government Auditing Standards</i> - 2020	34

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**INDEPENDENT AUDITOR'S REPORT**

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

To the Board of Trustees:

**Report on the Audit of the Financial Statements**

***Opinion***

We have audited the financial statements of the Hudson Library and Historical Society, Summit County, Ohio (the HLHS), (a not-for-profit corporation), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities and changes in net assets, functional disbursements and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the HLHS, as of December 31, 2021, and the respective changes in cash financial position, and its cash flows, thereof for the year then ended in accordance with the accounting basis described in Note 2.

***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the HLHS, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Emphasis of Matter - Accounting Basis***

We draw attention to Note 2 of the financial statements, which describes the accounting basis, which differs from generally accepted accounting principles. Our opinion is not modified with respect to this matter.

***Emphasis of Matter***

As discussed in Note 15 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the HLHS. Our opinion is not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for preparation and fair presentation of the financial statements in accordance with the modified cash accounting basis described in Note 2 and for determining that the modified cash basis of accounting is an acceptable basis for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the HLHS's ability to continue as a going concern one year after the date that the financial statements are issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

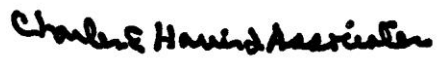
- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 HLHS's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the HLHS's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2022, on our consideration of the HLHS'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. The purpose of that report is solely 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 effectiveness of the HLHS's 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 HLHS's internal control over financial reporting and compliance



***Charles E. Harris & Associates, Inc.***  
July 29, 2022

**Hudson Library and Historical Society  
Summit County  
Statement of Financial Position  
December 31, 2021**

	<u>2021</u>
<b>Assets:</b>	
Cash and Cash Equivalents	\$ 2,554,744
Investments, at Cost	<u>4,076,268</u>
<b>Total Assets</b>	<u><u>\$ 6,631,012</u></u>
<b>Net Assets:</b>	
With Donor Restrictions	\$ 621,919
Without Donor Restrictions	<u>6,009,093</u>
<b>Total Net Assets:</b>	<u><u>\$ 6,631,012</u></u>

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

**Hudson Library and Historical Society  
Summit County  
Statement of Activities  
Year Ended December 31, 2021**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Support and Receipts:</b>			
Property and Other Local Taxes	\$ 2,415,754	\$ -	\$ 2,415,754
Intergovernmental Revenue	228,687	9,683	238,370
Public Library Fund	1,469,761	-	1,469,761
Patron Fines and Fees	8,091	-	8,091
Services Provided to Other Entities	4,164	-	4,164
Donations	26,468	76,207	102,675
Earnings on Investments	89,934	20,724	110,658
Other	2,398	-	2,398
	4,245,256	106,614	4,351,870
Total Support and Receipts			
Assets Released from Restrictions	181,015	(181,015)	-
<b>Disbursements:</b>			
Program Services	2,796,214	-	2,796,214
Management and General	893,364	-	893,364
Total Disbursements	3,689,578	-	3,689,578
Excess of Support and Receipts Over (Under) Disbursements	736,694	(74,401)	662,293
Net Assets, January 1, 2021	5,272,399	696,320	5,968,719
Net Assets, December 31, 2021	\$ 6,009,093	\$ 621,919	\$ 6,631,012

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

**Hudson Library and Historical Society  
Summit County  
Statement of Functional Expenses  
Year Ended December 31, 2021**

<b>Expenses</b>	<b>Program Services</b>	<b>Management and General</b>	<b>Total Disbursements</b>
Salaries	\$ 1,179,458	\$ 376,825	\$ 1,556,283
Employee Fringe Benefits	409,862	130,947	540,809
Purchased and Contracted Services	359,721	114,928	474,649
Library Materials and Information	627,363	200,437	827,800
Supplies	25,153	8,036	33,189
Other	6,589	2,105	8,694
Capital Outlay	188,067	60,086	248,153
 Total Disbursements	 <u>\$ 2,796,214</u>	 <u>\$ 893,364</u>	 <u>\$ 3,689,578</u>

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

**Hudson Library and Historical Society  
Summit County  
Statement of Cash Flows  
Years Ended December 31, 2021**

	<b>2021</b>
Cash flows from Operating Activities:	
Change in Net Assets	\$ 662,293
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Earnings on investments	(110,658)
Capital Outley	248,153
	799,788
Net cash (provided) by operating activities	799,788
Adjustments to reconcile change in net assets to net cash used by investing activities:	
Sale of investments	210,901
Interest reinvested	(53,194)
Earnings on investments	110,658
Purchase of investments	(90,000)
Capital outlay	(248,153)
	(69,788)
Net cash (used) by investing activities	(69,788)
Net increase (decrease) in cash and cash equivalents	730,000
Cash and Cash Equivalents as of Beginning of the Year	1,824,744
Cash and Cash Equivalents as of End of the Year	\$ 2,554,744

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

# Hudson Library and Historical Society

*Notes to the Financial Statements*

*Year Ended December 31, 2021*

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## **Note 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 modified 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 Hudson Library and Historical Society holds, owns, and preserves historical artifacts, including but not limited to legal documents, artwork, furniture, newspapers, and textiles. These items are held at the library for research by our patrons, as well as for the education of future generations on the history of the City of Hudson, as well as surrounding areas. Many items are put on display throughout the library for public examination and viewing.

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 modified 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.

## Hudson Library and Historical Society

*Notes to the Financial Statements*

*Year Ended December 31, 2021*

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### **Note 2 – Summary of Significant Accounting Policies (continued)**

As a result of this modified 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 modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP).

#### **B. Cash and Investments**

All investments that have maturities of three months 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 three months 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. The Library's investment portfolio is held at Wells Fargo in a diversified portfolio. The value of the portfolio at December 31, 2021 was \$2,597,413.

At December 31, 2021, the Library had \$1,105,885 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 and is recognized as an external investment pool by the Authority. The Authority measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides NAV per share that approximates fair value.

For the reporting period, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$250 million, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

The Library had \$1,599,415 in Certificates of Deposits as of December 31, 2021.

#### **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

Notes to the Financial Statements

Year Ended December 31, 2021

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### Note 2 – Summary of Significant Accounting Policies (continued)

#### E. 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.

#### F. 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 modified cash basis of accounting.

#### G. 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 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

#### H. Long-term Obligations

The Library's modified 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 another financing source nor a capital outlay expenditure is reported at inception. Lease payments are reported when paid.

#### I. Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets at the date of the financial statements and the reports amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### J. Net Assets

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-14, Not for Profits Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Organizations*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return.

Under ASU 2016-14 Not for Profits Entities (Topic 958), the Library is required to report information regarding its financial position and activities according to two classes of net assets. A description of the two net asset categories follows:

- **Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Library management and Board of Trustees.
- **Net assets with donor restrictions:** Net assets subject to stipulations by donor and grantors.



## Hudson Library and Historical Society

Notes to the Financial Statements

Year Ended December 31, 2021

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### **Note 3 – Liquidity and Availability of Financial Assets**

The following reflect the Library's financial assets as of December 31, 2021, reduced by the amounts not available for general use because of contractual or donor-imposed restrictions within one year.

	<u>2021</u>
Total Financial Assets, at year end	\$6,631,012
<b>Less amounts not available to be used within one year:</b>	
Purpose Restrictions:	
With Donor Restrictions	(621,918)
Financial Assets available to meet cash needs for general expenditures within one year	<u>\$6,009,094</u>

### **Note 4 – Public Library Fund**

A primary source of income 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 and then set to 1.66% of all state tax income in 2013. In 2017, the PLF was temporarily set at 1.68% of the state's General Revenue Fund (GRF) for the FY 18-19 biennium. In 2019, the PLF was temporarily set at 1.7% of the state's General Revenue Fund (GRF) for the FY 20-21 biennium and was held at 1.7% for the FY 22-23 biennium.

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.

### **Note 5 – Property Taxes**

In March of 2016, the voters of the City of Hudson approved a 2.9 mill, five-year levy for Library operations that will expire at the end of 2021. The levy is expected to generate over \$2.4 million in tax receipts each year. Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the City of Hudson. Property tax receipts received in 2021 for real and public utility property taxes represents collections of the 2020 taxes. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value.

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

## Hudson Library and Historical Society

Notes to the Financial Statements

Year Ended December 31, 2021

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### **Note 6 – Risk Management**

The Library belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

Effective November 1, 2010 (through October 31, 2017), the corridor is for losses paid is between 60% and 70% of casualty premiums earned in the first \$250,000. Effective November 1, 2016, the OPRM elected to participate in a property loss corridor deductible. The property corridor includes losses paid between 70% and 75%. In 2018, the casualty loss corridor was eliminated and the property corridor was adjusted to losses paid between 65% and 70%. Effective November 1, 2019, the property loss corridor was adjusted to losses between 60% and 67.5% and remain unchanged effective November 1, 2021 and November 1, 2020. OPRM had 769 members as of December 31, 2021.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2021.

Assets	\$ 21,777,439
Liabilities	( 15,037,383)
Members' Equity	<u>\$ 6,740,056</u>

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

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.

### **Note 7 – Defined Benefit Pension Plan**

#### ***Ohio Public Employees Retirement System***

Plan Description - The Library participates in the Ohio Public 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 and the combined plan is a cost-sharing, multiple-employer defined benefit /defined contribution pension plan. While members (e.g. Library employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

## Hudson Library and Historical Society

Notes to the Financial Statements

Year Ended December 31, 2021

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### **Note 7 – Defined Benefit Pension Plan (continued)**

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>.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS ACFR referenced above for additional information, including requirements for reduced and unreduced benefits):

<b>Group A</b>	<b>Group B</b>	<b>Group C</b>
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Formula:</b> 2.2 % of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career. Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2020, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for

## **Hudson Library and Historical Society**

*Notes to the Financial Statements*

*Year Ended December 31, 2021*

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### **Note 7 – Defined Benefit Pension Plan (continued)**

payment of the vested balance in their individual OPERS accounts. Options include the purchase of a monthly defined benefit annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

The Ohio Revised Code provides statutory authority for member and employer contributions. For year ended December 31, 2019, member and employer contribution rates were consistent across all three plans. The member contribution rates were 10.00% and employer contribution rate was 14.00%. Employer contributions are actuarially determined and are expressed as a percentage of covered payroll.

The Library' required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2021 was \$211,891.

### **Note 8 – Postemployment Benefits**

#### ***Ohio Public Employees Retirement System***

Plan Description – The Ohio Public Employees Retirement System (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.

OPERS maintains a cost-sharing, multiple-employer defined benefit postemployment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years 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 another Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS ACFR referenced below for additional information.

The Ohio Revised Code permits but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 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 postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2020, state and local employers contributed at a rate of 14.0 percent of earnable salary. This is the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

## Hudson Library and Historical Society

Notes to the Financial Statements

Year Ended December 31, 2021

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### **Note 8 – Postemployment Benefits (continued)**

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2021, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2021 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The Library's contractually required contribution was \$0 for year 2021.

### **Note 9 – Net Assets Released from Donor Restrictions**

Net assets of \$181,015 were released from donor restrictions during 2021 by incurring expenses satisfying the restricted purposes.

### **Note 10 – Leases**

The Library can lease buildings, vehicles and other equipment under non-cancellable leases. Currently the Library only leases copier machines and printers. The Library disbursed \$5,373 to pay lease costs for the year ended December 31, 2021. Future minimum lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2022	\$5,021
2023	5,106
2024	5,106
2025	4,255
	<u>\$19,488</u>

### **Note 11 – Joint Venture**

The Library belongs to CLEVNET, a joint venture consortium of Northern Ohio area libraries created in 1982 to provide economy of scale for sharing providing cataloging and circulation systems, database resources, purchasing software and sharing of materials. Each library sends a representative to periodic meetings for sharing and coordination direction and governing CLEVNET. The Library paid dues to CLEVNET in the amount of \$126,032 for services in 2021.

### **Note 12 – 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 direct the group in any way. The Friends organization does not supply the Library with a major source of revenue.

### **Note 13 – 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 year ending in 2021 is subject to examination by the IRS, generally for three years after it is filed.

## **Hudson Library and Historical Society**

*Notes to the Financial Statements*

*Year Ended December 31, 2021*

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### **Note 14 – Contingent Liabilities**

The Library has no known contingent liabilities.

### **Note 15 – COVID-19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Library. The Library's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the Library's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY GOVERNMENT AUDITING STANDARDS

Hudson Library and Historical Society  
Summit County  
96 Liberty Street  
Hudson, Ohio 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 the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the modified cash basis financial statements of the Hudson Library and Historical Society, Summit County, (HLHS) as of and for the year ended December 31, 2021 and the related notes to the financial statements, which collectively comprise the HLHS's basic financial statements and have issued our report thereon dated July 29, 2022, wherein we noted the HLHS uses a special purpose framework other than generally accepted accounting principles. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the HLHS.

***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the HLHS's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the HLHS's internal control. Accordingly, we do not express an opinion on the effectiveness of the HLHS'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 HLHS'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 or significant deficiencies may exist that were not identified.

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the HLHS'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 financial statements. 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 HLHS'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 HLHS's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



***Charles E. Harris & Associates, Inc.***  
July 29, 2022



**INDEPENDENT AUDITOR'S REPORT**

Hudson Library and Historical Society  
Summit County  
96 Liberty Street  
Hudson, Ohio 44264

To the Board of Trustees:

***Report on the Financial Statements***

We have audited the financial statements of the Hudson Library and Historical Society, Summit County, Ohio (the HLHS), (a not-for-profit corporation), which comprise the statement of financial position as of December 31, 2020 and the related statements of activities and changes in net assets, functional disbursements, and cash flows for the year then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the modified cash accounting basis Note 2 describes. This responsibility includes determining that the modified cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited 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 us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the HLHS's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the HLHS's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash financial position of the HLHS, as of December 31, 2020 and the changes in cash financial position and cash flows, thereof for the year then ended in accordance with the accounting basis described in Note 2.

**Accounting Basis**

We draw attention to Note 2 of the financial statements, which describes the accounting basis, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

**Emphasis of Matter**

As discussed in Note 15 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the HLHS. We did not modify our opinion regarding this matter.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report July 29, 2022, on our consideration of the HLHS's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our 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 HLHS's internal control over financial reporting and compliance.



**Charles E. Harris & Associates, Inc.**  
July 29, 2022

**Hudson Library and Historical Society  
Summit County  
Statement of Financial Position  
Year Ended December 31, 2020**

	<u>2020</u>
<b>Assets:</b>	
Cash and Cash Equivalents	\$ 1,824,745
Investments, at Cost	<u>4,143,974</u>
<b>Total Assets</b>	<u>\$ 5,968,719</u>
<b>Net Assets:</b>	
With Donor Restrictions	\$ 696,320
Without Donor Restrictions	<u>5,272,399</u>
<b>Total Net Assets:</b>	<u>\$ 5,968,719</u>

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

**Hudson Library and Historical Society  
Summit County  
Statement of Activities  
Year Ended December 31, 2020**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Support and Receipts:</b>			
Property and Other Local Taxes	\$ 2,300,886	\$ -	\$ 2,300,886
Intergovernmental Revenue	346,454	28,000	374,454
Public Library Fund	1,257,978	-	1,257,978
Patron Fines and Fees	7,799	-	7,799
Services Provided to Other Entities	10,657	-	10,657
Donations	15,195	69,728	84,923
Earnings on Investments	621,013	151,281	772,294
Other	16,655	-	16,655
	4,576,637	249,009	4,825,646
Total Support and Receipts			
Assets Released from Restrictions	241,585	(241,585)	-
<b>Disbursements:</b>			
Program Services	2,789,907	-	2,789,907
Management and General	853,071	-	853,071
	3,642,978	-	3,642,978
Total Disbursements			
Excess of Support and Receipts Over (Under) Disbursements	1,175,244	7,424	1,182,668
Net Assets, January 1, 2020	4,097,155	688,896	4,786,051
Net Assets, December 31, 2020	\$ 5,272,399	\$ 696,320	\$ 5,968,719

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

**Hudson Library and Historical Society  
Summit County  
Statement of Functional Expenses  
Year Ended December 31, 2020**

<b>Expenses</b>	<b>Program Services</b>	<b>Management and General</b>	<b>Total Disbursements</b>
Salaries	\$ 1,179,542	\$ 360,669	\$ 1,540,211
Employee Fringe Benefits	369,137	112,871	482,009
Purchased and Contracted Services	355,784	108,788	464,572
Library Materials and Information	611,267	186,907	798,174
Supplies	44,775	13,691	58,466
Other	7,986	2,442	10,428
Capital Outlay	221,416	67,702	289,118
 Total Disbursements	 <u>\$ 2,789,907</u>	 <u>\$ 853,071</u>	 <u>\$ 3,642,978</u>

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

**Hudson Library and Historical Society  
Summit County  
Statement of Cash Flows  
Years Ended December 31, 2020**

	<b>2020</b>
Cash flows from Operating Activities:	
Change in Net Assets	\$ 1,182,668
Adjustments to reconcile change in net assets to net cash used by operating	
Earnings on investments	(772,294)
Capital Outlay	289,118
Net cash (provided) by operating activities	699,492
Adjustments to reconcile change in net assets to net cash used by investing	
Sale of investments	1,962,600
Interest reinvested	(2,706,024)
Earnings on investments	772,294
Net cash (used) by investing activities	28,870
Net increase (decrease) in cash and cash equivalents	728,362
Cash and Cash Equivalents as of Beginning of the Year	1,096,383
Cash and Cash Equivalents as of End of the Year	\$ 1,824,745

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

# Hudson Library and Historical Society

*Notes to the Financial Statements*

*Year Ended December 31, 2020*

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## **Note 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 modified 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 Hudson Library and Historical Society holds, owns, and preserves historical artifacts, including but not limited to legal documents, artwork, furniture, newspapers, and textiles. These items are held at the library for research by our patrons, as well as for the education of future generations on the history of the City of Hudson, as well as surrounding areas. Many items are put on display throughout the library for public examination and viewing.

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 modified 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.

## Hudson Library and Historical Society

Notes to the Financial Statements

Year Ended December 31, 2020

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### **Note 2 – Summary of Significant Accounting Policies (continued)**

As a result of this modified 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 modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP).

#### **B. Cash and Investments**

All investments that have maturities of three months 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 three months 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.

In 2020, the Library's investment portfolio was transferred from Northwest Savings Bank to Wells Fargo with a new advisor and was diversified following an updated investment portfolio. The value of the portfolio at December 31, 2020 was \$2,746,124.

At December 31, 2020, the Library had \$1,104,982 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 and is recognized as an external investment pool by the Authority. The Authority measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides NAV per share that approximates fair value.

For the reporting period, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

The Library had \$1,499,442 in Certificates of Deposits as of December 31, 2020.

#### **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

Notes to the Financial Statements

Year Ended December 31, 2020

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### Note 2 – Summary of Significant Accounting Policies (continued)

#### E. 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.

#### F. 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 modified cash basis of accounting.

#### G. 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 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

#### H. Long-term Obligations

The Library's modified 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 another financing source nor a capital outlay expenditure is reported at inception. Lease payments are reported when paid.

#### I. Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets at the date of the financial statements and the reports amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### J. Net Assets

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-14, Not for Profits Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Organizations*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return.

Under ASU 2016-14 Not for Profits Entities (Topic 958), the Library is required to report information regarding its financial position and activities according to two classes of net assets. A description of the two net asset categories follows:

- **Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Library management and Board of Trustees.
- **Net assets with donor restrictions:** Net assets subject to stipulations by donor and grantors.

## Hudson Library and Historical Society

Notes to the Financial Statements

Year Ended December 31, 2020

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### **Note 3 – Liquidity and Availability of Financial Assets**

The following reflect the Library's financial assets as of December 31, 2020, reduced by the amounts not available for general use because of contractual or donor-imposed restrictions within one year.

	<u>2020</u>
Total Financial Assets, at year end	\$5,968,720
<b>Less amounts not available to be used within one year:</b>	
Purpose Restrictions:	
With Donor Restrictions	(696,320)
Financial Assets available to meet cash needs for general expenditures within one year	<u>\$5,272,400</u>

### **Note 4 – Public Library Fund**

A primary source of income 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 and then set to 1.66% of all state tax income in 2013. In 2017, the PLF was temporarily set at 1.68% of the state's General Revenue Fund (GRF) for the FY 18-19 biennium. In 2019, the PLF was temporarily set at 1.7% of the state's General Revenue Fund (GRF) for the FY 20-21 biennium.

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.

### **Note 5 – Property Taxes**

In March of 2016, the voters of the City of Hudson approved a 2.9 mill, five-year levy for Library operations that will expire at the end of 2021. The levy is expected to generate over \$2.4 million in tax receipts each year. Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the City of Hudson. Property tax receipts received in 2020 for real and public utility property taxes represents collections of the 2019 taxes. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value.

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

## Hudson Library and Historical Society

Notes to the Financial Statements

Year Ended December 31, 2020

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### **Note 6 – Risk Management**

The Library belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. The OPRM is also participated in a property primary excess of loss treaty. This treaty reimbursed the OPRM 30% for losses between \$200,000 and \$1,000,000. The reimbursement is based on the amount of loss between \$200,000 and \$1,000,000. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. Effective November 1, 2019, the OPRM's property retention increased from 30% to 33%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. Effective November 1, 2020, the OPRM's property retention increased from 33% to 55%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. OPRM had 771 members as of December 31, 2020.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2020.

Assets	\$ 18,826,974
Liabilities	<u>( 13,530,267)</u>
Members' Equity	<u>\$ 5,296,707</u>

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

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.

### **Note 7 – Defined Benefit Pension Plan**

#### ***Ohio Public Employees Retirement System***

Plan Description - The Library participates in the Ohio Public 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 and the combined plan is a cost-sharing, multiple-employer defined benefit /defined contribution pension plan. While members (e.g. Library employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

# Hudson Library and Historical Society

Notes to the Financial Statements

Year Ended December 31, 2020

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## **Note 7 – Defined Benefit Pension Plan (continued)**

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>.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS ACFR referenced above for additional information, including requirements for reduced and unreduced benefits):

<b>Group A</b>	<b>Group B</b>	<b>Group C</b>
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Formula:</b> 2.2 % of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career. Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2020, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for

## **Hudson Library and Historical Society**

*Notes to the Financial Statements*

*Year Ended December 31, 2020*

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### **Note 7 – Defined Benefit Pension Plan (continued)**

payment of the vested balance in their individual OPERS accounts. Options include the purchase of a monthly defined benefit annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

The Ohio Revised Code provides statutory authority for member and employer contributions. For year ended December 31, 2020, member and employer contribution rates were consistent across all three plans. The member contribution rates were 10.00% and employer contribution rate was 14.00%. Employer contributions are actuarially determined and are expressed as a percentage of covered payroll.

The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2020 was \$215,761.

### **Note 8 – Postemployment Benefits**

#### ***Ohio Public Employees Retirement System***

Plan Description – The Ohio Public Employees Retirement System (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.

OPERS maintains a cost-sharing, multiple-employer defined benefit postemployment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years 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 another Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS ACFR referenced below for additional information.

The Ohio Revised Code permits but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 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 postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health careplans.

## Hudson Library and Historical Society

Notes to the Financial Statements

Year Ended December 31, 2020

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### **Note 8 – Postemployment Benefits (continued)**

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2020, state and local employers contributed at a rate of 14.0 percent of earnable salary. This is the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2020, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2020 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The Library's contractually required contribution was \$0 for year 2020.

### **Note 9 – Net Assets Released from Donor Restrictions**

Net assets of \$241,585 were released from donor restrictions during 2020 by incurring expenses satisfying the restricted purposes.

### **Note 10 – Leases**

The Library can lease buildings, vehicles and other equipment under non-cancellable leases. Currently the Library only leases copier machines and printers. The Library disbursed \$5,412 to pay lease costs for the year ended December 31, 2020. Future minimum lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2021	<u>\$ 2,706</u>
Total	<u><u>\$ 2,706</u></u>

### **Note 11 – Joint Venture**

The Library belongs to CLEVNET, a joint venture consortium of Northern Ohio area libraries created in 1982 to provide economy of scale for sharing providing cataloging and circulation systems, database resources, purchasing software and sharing of materials. Each library sends a representative to periodic meetings for sharing and coordination direction and governing CLEVNET. The Library paid dues to CLEVNET in the amount of \$143,695 for services in 2020.

### **Note 12 – 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 direct the group in any way. The Friends organization does not supply the Library with a major source of revenue.

## **Hudson Library and Historical Society**

*Notes to the Financial Statements*

*Year Ended December 31, 2020*

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### **Note 13 – 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 year ending in 2020 is subject to examination by the IRS, generally for three years after it is filed.

### **Note 14 – Contingent Liabilities**

The Library has no known contingent liabilities.

### **Note 15 – COVID-19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Library. The Library's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the Library's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

During 2020, the Library received \$25,000 as an on-behalf of grant from another government. These amounts are recorded in the Coronavirus Relief Special Revenue Fund.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY GOVERNMENT AUDITING STANDARDS

Hudson Library and Historical Society  
Summit County  
96 Liberty Street  
Hudson, Ohio 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 the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the modified cash basis financial statements of the Hudson Library and Historical Society, Summit County, (HLHS) as of and for the year ended December 31, 2020 and the related notes to the financial statements, which collectively comprise the HLHS's basic financial statements and have issued our report thereon dated July 29, 2022, wherein we noted the HLHS uses a special purpose framework other than generally accepted accounting principles. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the HLHS.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the HLHS's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the HLHS's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the HLHS's financial statements. 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 were not identified.



***Compliance and Other Matters***

As part of reasonably assuring whether the HLHS'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, opining 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 that we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the HLHS's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the HLHS's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



***Charles E. Harris & Associates, Inc.***  
July 29, 2022

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# OHIO AUDITOR OF STATE KEITH FABER



**HUDSON LIBRARY AND HISTORICAL SOCIETY**

**SUMMIT COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 9/13/2022**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)