

**HUDSON LIBRARY AND HISTORICAL SOCIETY
SUMMIT COUNTY
Regular Audit
For the Years Ended December 31, 2011 and 2010**

Perry & Associates
Certified Public Accountants, A.C.



Dave Yost • Auditor of State

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

We have reviewed the *Independent Accountants' 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, 2010 through December 31, 2011. 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

November 16, 2012

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**HUDSON LIBRARY AND HISTORICAL SOCIETY
SUMMIT COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

July 20, 2012

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

To the Board of Trustees:

We have audited the accompanying financial statements of the **Hudson Library and Historical Society**, Summit County, Ohio, (the Library) a not-for-profit corporation, as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described in Note 2, these financial statements were prepared on the cash basis of accounting, which is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America (GAAP).

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of the Hudson Library and Historical Society, Summit County, Ohio as of December 31, 2011 and 2010, and its support, receipts and disbursements – cash basis for the years then ended on the accounting basis Note 2 describes.

Hudson Library and Historical Society
Summit County
Independent Accountants' Report
Page 2

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2012, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

Perry and Associates
Certified Public Accountants, A.C.

HUDSON LIBRARY AND HISTORICAL SOCIETY
SUMMIT COUNTY

STATEMENTS OF ASSETS AND NET ASSETS - CASH BASIS
DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and Cash Equivalents	\$ 1,630,648	\$ 1,539,922
Investments, at Cost	<u>1,385,203</u>	<u>1,347,091</u>
Total Assets	<u><u>\$ 3,015,851</u></u>	<u><u>\$ 2,887,013</u></u>
NET ASSETS		
Unrestricted	\$ 2,625,248	\$ 2,502,074
Temporarily Restricted	42,101	36,437
Permanently Restricted	<u>348,502</u>	<u>348,502</u>
Total Net Assets	<u><u>\$ 3,015,851</u></u>	<u><u>\$ 2,887,013</u></u>

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

HUDSON LIBRARY AND HISTORICAL SOCIETY
SUMMIT COUNTY

COMBINED STATEMENT OF SUPPORT AND RECEIPTS, DISBURSEMENTS,
AND CHANGES IN NET ASSETS - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Unrestricted	Restricted Funds		Total
		Temporary	Permanent	
SUPPORT AND RECEIPTS:				
Property and Other Local Taxes	\$ 1,368,235	\$ -	\$ -	\$ 1,368,235
Public Library Fund	918,373	-	-	918,373
Patron Fines and Fees	65,665	-	-	65,665
Services Provided to Other Entities	31,844	-	-	31,844
Donations	1,840	53,231	-	55,071
Earnings on Investments	61,520	39,444	-	100,964
Other	148	-	-	148
Total Support and Receipts	2,447,625	92,675	-	2,540,300
Assets Released from Restrictions	87,011	(87,011)	-	-
DISBURSEMENTS:				
Salaries	1,122,348	-	-	1,122,348
Employee Fringe Benefits	302,549	-	-	302,549
Purchased and Contracted Services	401,161	-	-	401,161
Library Materials and Information	356,172	-	-	356,172
Supplies	59,638	-	-	59,638
Other	24,985	-	-	24,985
Capital Outlay	144,609	-	-	144,609
Total Disbursements	2,411,462	-	-	2,411,462
Excess of Support and Receipts Over (Under) Disbursements	123,174	5,664	-	128,838
Net Assets, January 1, 2011	2,502,074	36,437	348,502	2,887,013
Net Assets, December 31, 2011	<u>\$ 2,625,248</u>	<u>\$ 42,101</u>	<u>\$ 348,502</u>	<u>\$ 3,015,851</u>

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

HUDSON LIBRARY AND HISTORICAL SOCIETY
SUMMIT COUNTY

COMBINED STATEMENT OF SUPPORT AND RECEIPTS, DISBURSEMENTS,
AND CHANGES IN NET ASSETS - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Unrestricted	Restricted Funds		Total
		Temporary	Permanent	
SUPPORT AND RECEIPTS:				
Property and Other Local Taxes	\$ 1,415,325	\$ -	\$ -	\$ 1,415,325
Public Library Fund	869,633	-	-	869,633
Patron Fines and Fees	65,648	-	-	65,648
Services Provided to Other Entities	31,128	-	-	31,128
Donations	56,055	40,330	-	96,385
Earnings on Investments	42,941	6,209	-	49,150
Other	737	-	-	737
Total Support and Receipts	2,481,467	46,539	-	2,528,006
Assets Released from Restrictions	63,610	(63,610)	-	-
DISBURSEMENTS:				
Salaries	1,145,754	-	-	1,145,754
Employee Fringe Benefits	305,280	-	-	305,280
Purchased and Contracted Services	399,162	-	-	399,162
Library Materials and Information	293,247	-	-	293,247
Supplies	57,071	-	-	57,071
Other	21,405	-	-	21,405
Capital Outlay	105,588	-	-	105,588
Total Disbursements	2,327,507	-	-	2,327,507
Excess of Support and Receipts Over (Under) Disbursements	217,570	(17,071)	-	200,499
Net Assets, January 1, 2010 (As Restated; See Note 10)	2,284,504	53,508	348,502	2,686,514
Net Assets, December 31, 2010	\$ 2,502,074	\$ 36,437	\$ 348,502	\$ 2,887,013

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, 2011 AND 2010

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 Directors of nine members who are elected by the members of the association. Members are all citizens of Hudson, Ohio over the age of 18 who have a library card. Appointments are for three-year terms and members serve without compensation. Under Ohio statues, 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. **CASH AND CASH EQUIVALENTS**

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, 2011 AND 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. CASH AND CASH EQUIVALENTS (Continued)

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.

Excluding cash equivalents of \$81,188 and \$88,980, the Library had \$1,385,203 and \$1,347,091 at December 31, 2011 and 2010, 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. Excluding cash equivalents, the fair value of the investment portfolio at December 31, 2011 and 2010 was \$1,544,455 and \$1,720,634, respectively.

For the years ended December 31, 2011 and 2010, the Library recognized gross realized gains of \$66,547 and \$24,323, respectively, and gross realized losses of \$24,918 and \$25,610, respectively from investment sales.

At December 31, 2011 and 2010, the Library had \$247,951 and \$247,794, 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, 2011 and 2010.

The Library had \$403,506 and \$402,200 invested in a Certificate of Deposit Account Registry Service (CDARS) account at December 31, 2011 and 2010, 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.

B. 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.

C. 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, 2011 AND 2010

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 postretirement 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 and a further forecasted decline in the state economy for the 2012-2013 budgets, the PLF was set at 95% of the amount received in the prior year. 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, 2011 AND 2010

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 2011 and 2010 the Library contracted for various types of insurance coverage as follows:

Period	Company	Type of Coverage	Coverage		
January 2010 - June 2010	The Ohio Plan	Commercial Property	\$15,500,000		
		General Liability	3,000,000/ 5,000,000		
		Employee Dishonesty	25,000		
		Valuable Papers	5,055,000		
		Vehicle	3,000,000		
		Umbrella	1,000,000		
		Public Officials Liability	3,000,000/ 5,000,000		
		Electronic Data Processing	200,000		
		Flood	2,000,000		
		Cincinnati Insurance Company	Notary Errors and Omissions	10,000	
		July 2010 - June 2011	The Ohio Plan	Commercial Property	15,965,000
				General Liability	3,000,000/ 5,000,000
				Employee Dishonesty	25,000
Valuable Papers	5,055,000				
Vehicle	3,000,000				
Umbrella	1,000,000				
Public Officials Liability	3,000,000/ 5,000,000				
Electronic Data Processing	200,000				
Flood	2,000,000				
Western Surety Company	Notary Errors and Omissions			10,000	
Period	Company			Type of Coverage	Coverage
June 2011 - December 2011	The Ohio Plan			Commercial Property	\$16,443,950
				General Liability	3,000,000/ 5,000,000
		Employee Dishonesty	25,000		
		Valuable Papers	5,055,000		
		Vehicle	3,000,000		
		Umbrella	1,000,000		
		Public Officials Liability	3,000,000/ 5,000,000		
		Electronic Data Processing	200,000		
		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, 2011 AND 2010

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 for the benefit of the member equally over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, 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>.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll. For the years ended December 31, 2011 and 2010, members in state and local classifications contributed 10 percent of covered payroll. Members in the state and local divisions may participate in all three plans. For 2011 and 2010, member and employer contribution rates were consistent across all three plans.

The Library's 2011 and 2010 contribution rate was 14.0 percent. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 4.0 percent for 2011, 5.5 percent from January 1 through February 28, 2010 and 5.0 percent from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan for 2011 was 4.0 percent, 4.73 percent from January 1 through February 28, 2010 and 4.23 percent from March 1 through December 31, 2010. Employer contribution rates are actuarially determined.

The Library's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2011, 2010 and 2009 were \$157,372, \$159,756 and \$162,460, respectively. The Library contributed 100 percent of the required contribution for each of the three years.

HUDSON LIBRARY AND HISTORICAL SOCIETY
SUMMIT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

6. POSTEMPLOYMENT BENEFITS

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

Plan Description - 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. 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, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The post-employment healthcare plan was established under, and is administrated in accordance with, Internal Revenue Code Section 401(h). State statute requires that public employers fund post-employment healthcare through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2011 and 2010, library employers contributed 14.00% of covered payroll. Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 4.0 percent for 2011, 5.5 percent from January 1 through February 28, 2010 and 5.0 percent from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan for 2011 was 4.0 percent, 4.73 percent from January 1 through February 28, 2010 and 4.23 percent from March 1 through December 31, 2010.

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, 2011, 2010, and 2009 were \$44,963, \$57,978, and \$68,116, respectively. The Library contributed 100 percent for each of the three years.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 of each year from 2006 to 2008. These rate increases allowed additional funds to be allocated to the health care plan.

HUDSON LIBRARY AND HISTORICAL SOCIETY
SUMMIT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

7. NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions during 2011 and 2010 by incurring expenses satisfying the restricted purposes. These expenses were program expenses.

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 2012, 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 from 2012 to 2016.

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 \$15,322 and \$15,381 to pay lease costs for the years ended December 31, 2011 and 2010, respectively. Future minimum lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2012	\$ 15,322
2013	5,160
Total	<u>\$ 20,482</u>

10. PRIOR PERIOD ADJUSTMENTS

Restatement of Net Assets:

	<u>Unrestricted</u>	<u>Restricted</u>		<u>Total</u>
		<u>Temporary</u>	<u>Permanent</u>	
Balance - December 31, 2009	\$2,187,314	\$ 53,508	\$ 115,878	\$2,356,700
Memorial contributions designated as permanently restricted by the donors	(232,624)	-	232,624	-
Reversal of entry that erroneously reduced investments and fund balance	325,000	-	-	325,000
Net timing difference in recognizing earnings on investments	4,814	-	-	4,814
Restated Balance – December 31, 2009	<u>\$2,284,504</u>	<u>\$ 53,508</u>	<u>\$ 348,502</u>	<u>\$2,686,514</u>

HUDSON LIBRARY AND HISTORICAL SOCIETY
SUMMIT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

11. 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.

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 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.

13. RELATED PARTY TRANSACTIONS

The Library paid dues to CLEVNET in the amount of \$77,141 for services in 2011 and \$74,836 in 2010.

14. SUBSEQUENT EVENTS

Management has considered all subsequent events through July 20, 2012, the date the financial statements were available to be issued.

Perry & Associates
Certified Public Accountants, A.C.
www.perrycpas.com

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

July 20, 2012

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

To the Board of Trustees:

We have audited the financial statements of the **Hudson Library and Historical Society**, Summit County, Ohio (the Library) as of and for the years ended December 31, 2011 and 2010, which collectively comprise the Library's basic financial statements and have issued our report thereon dated July 20, 2012, wherein we noted the Library uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Library's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Library's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of audit findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness and another deficiency we consider a significant deficiency.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Library's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-001 described in the accompanying schedule of audit findings to be a material weakness.

Internal Control Over Financial Reporting (continued)

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. We consider finding 2011-002 described in the accompanying schedule of audit findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Library's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which are described in the accompanying schedule of audit findings as item 2011-001.

We also noted certain matters not requiring inclusion in this report that we reported to the Library's management in a separate letter dated July 20, 2012.

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

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.

**HUDSON LIBRARY AND HISTORICAL SOCIETY
SUMMIT COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2011-001

Noncompliance/Material Weakness

Ohio Rev. Code §117.38 states, in part, cash-basis entities must file annual reports with the Auditor of State within 60 days of the fiscal year end. The Auditor of State may prescribe by rule or guidelines the forms for these reports. However, if the Auditor of State has not prescribed a reporting form, the public office shall submit its report on the form used by the public office. The report shall contain the amount of: (A) receipts, and amounts due from each source; (B) expenditures for each purpose; (C) income of any public service industry that the entity owns or operates, as well as the costs of ownership or operation; and (D) public debt of each taxing district, the purpose of the debt, and how the debt will be repaid. Also, the public office must publish notice in a local newspaper stating the financial report is available for public inspection at the office of the chief fiscal officer.

The Library filed the Annual Financial Report with the Auditor of State's office but the amounts in the report did not agree with the amounts on the Library's accounting system in all instances. The Statements of Assets and Net Assets (Financial Position) do not balance for either year. December 31, 2010 is out of balance by \$1,040,735 and December 31, 2011 is out of balance by \$1,008,922. Additionally, some errors were due to inaccurate balances carried forward from the prior year's financial statements.

The accompanying financial statements reflect all reclassifications and audit adjustments.

We recommend the Annual Financial Report be compiled from the Library's accounting system and reconciled upon completion. In addition, the Library should publish notice in a local newspaper that the financial report is available for public inspection.

Management's Response - The Library will adopt the auditor's recommendations set forth in this Finding 2011-01.

FINDING NUMBER 2011-002

Significant Deficiency

Cash and Investment Reconciliations

A necessary step in the internal control over financial reporting is to prove both the balance of cash and investments in the bank and the balance of cash and investments in the accounting records. This process involves reconciling the bank balance to the cash and investment balance.

For January 1, 2010 through December 31, 2011, the Library did not prepare reconciliations of the investment portfolio for 2010 or 2011. The preparation of timely reconciliations of the balance of investments per the bank to the Library's accounting records would have disclosed the unrecorded net realized gains and losses for both 2010 and 2011. Not recording realized security gains and losses is contrary to the Library's Summary of Significant Accounting Policies footnote disclosure to the financial statements.

We recommend the Fiscal Officer reconcile the end of the month bank cash and investment balances to the Library's end of the month cash and investment balances per the Library's accounting records.

Management's Response - The Library will adopt the auditor's recommendation set forth in this Finding 2011-02.



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
NOVEMBER 29, 2012