



Dave Yost • Auditor of State

**HUDSON LIBRARY AND HISTORICAL SOCIETY
SUMMIT COUNTY
DECEMBER 31, 2017 AND 2016**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Statement of Financial Position - Year Ended December 31, 2017	3
Statement of Activities – Year Ended December 31, 2017	4
Statement of Cash Flows – Year Ended December 31, 2017	5
Notes to the Financial Statements – Year Ended December 31, 2017	7
Statement of Financial Position - Year Ended December 31, 2016.....	13
Statement of Activities – Year Ended December 31, 2016.....	14
Statement of Cash Flows – Year Ended December 31, 2016	15
Notes to the Financial Statements – Year Ended December 31, 2016	17
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	23

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of Hudson Library and Historical Society, Summit County, Ohio (the Library), (a not-for-profit corporation), which comprise the statement of financial position, the related statement of activities, and the statement of cash flows, as of and for the years ended December 31, 2017 and 2016, 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 Library'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 Library'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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of Hudson Library and Historical Society, Summit County, Ohio, as of December 31, 2017 and 2016, and the respective changes in modified cash financial position and cash flows thereof for the years 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2018, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

November 15, 2018

Hudson Library and Historical Society
Summit County
Statement of Financial Position
Year Ended December 31, 2017

	<u>2017</u>
Assets:	
Cash and Cash Equivalents	\$641,595
Investments, at Cost	<u>3,847,594</u>
Total Assets	<u><u>\$4,489,189</u></u>
Net Assets:	
Unrestricted	3,720,750
Temporarily Restircted	526,686
Permanently Restircted	<u>241,753</u>
Total Net Assets	<u><u>\$4,489,189</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, 2017

	<u>Unrestricted</u>	<u>Restricted Funds</u>		<u>Total</u>
		<u>Temporary</u>	<u>Permanent</u>	
Support and Receipts:				
Property and Other Local Taxes	\$2,255,900	\$0	\$0	\$2,255,900
Intergovernmental Revenue	231,172	9,998	0	241,170
Public Library Fund	1,120,639	0	0	1,120,639
Patron Fines and Fees	58,775	0	0	58,775
Services Provided to Other Entities	44,805	0	0	44,805
Donations	19,227	113,348	0	132,575
Earnings on Investments	44,406	7,702	0	52,108
Other	9,520	0	0	9,520
Total Support and Receipts	<u>3,784,444</u>	<u>131,048</u>	<u>0</u>	<u>3,915,492</u>
Assets Released from Restrictions	<u>92,403</u>	<u>(92,403)</u>	<u>0</u>	<u>0</u>
Disbursements:				
Salaries	1,531,719	0	0	1,531,719
Employee Fringe Benefits	473,345	0	0	473,345
Purchased and Contracted Services	582,820	0	0	582,820
Library Materials and Information	634,506	0	0	634,506
Supplies	70,045	0	0	70,045
Other	6,020	0	0	6,020
Capital Outlay	312,460	0	0	312,460
Total Disbursements	<u>3,610,915</u>	<u>0</u>	<u>0</u>	<u>3,610,915</u>
Excess of Support and Receipts Over (Under) Disbursements	265,932	38,645	0	304,577
Net Assets, January 1, 2017	<u>3,454,818</u>	<u>488,041</u>	<u>241,753</u>	<u>4,184,612</u>
Net Assets, December 31, 2017	<u>\$3,720,750</u>	<u>\$526,686</u>	<u>\$241,753</u>	<u>\$4,489,189</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, 2017**

	2017
Cash flows from Operating Activities:	
Change in Net Assets	\$304,577
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Earnings on investments	(52,108)
Net cash (provided) by operating activities	252,469
Adjustments to reconcile change in net assets to net cash used by investing activities:	
Purchase of investments	(2,822,234)
Sale of investments	595,356
Interest reinvested	(4,460)
Earnings on investments	52,108
Net cash (used) by investing activities	(2,179,230)
Net increase (decrease) in cash and cash equivalents	(1,926,761)
Cash and Cash Equivalents as of Beginning of the Year	2,568,356
Cash and Cash Equivalents as of End of the Year	\$641,595

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

This Page Intentionally Left Blank.

**Hudson Library and Historical Society
Summit County
Notes to the Financial Statements
Year Ended December 31, 2017**

1. DESCRIPTION OF THE LIBRARY AND REPORTING ENTITY

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

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

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

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

The 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ACCOUNTING BASIS

The Library's financial statements are prepared using the cash basis of accounting; consequently, certain revenues are recognized when received rather than when earned and certain expenses and purchases are recognized when cash is disbursed rather than when the obligation is incurred. As a result of this cash basis of accounting, certain assets and their related revenues (such as accounts receivables and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

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

Hudson Library and Historical Society
Summit County
Notes to the Financial Statements
Year Ended December 31, 2017
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. DEPOSITS 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 2016, the Library's investment portfolio managed by Key Bank, was converted to cash equivalents. In 2017, the portfolio was transferred to Northwest Savings Bank and converted to Exchange Traded Funds. The value of the portfolio at December 31, 2017 was \$2,373,316.

At December 31, 2017, the Library had \$379,126 invested in STAR Ohio. STAR Ohio is an investment pool managed by the State Treasurer's Office that 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.

The Library had \$1,566,651 in Certificates of Deposits as of December 31, 2017.

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.

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 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 6 and 7, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**Hudson Library and Historical Society
Summit County
Notes to the Financial Statements
Year Ended December 31, 2017
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. 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 another financing source nor a capital outlay expenditure is reported at inception. Lease payments are reported when paid.

I. NET ASSETS

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

- 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 by passage of time or fulfillment and removal by actions of the Library pursuant to donor-imposed stipulations.
- Permanently restricted net assets have legal or donor-imposed restrictions which do not expire.

Net assets were released from donor restrictions during 2017 by incurring expenses satisfying the restricted purposes. The Library's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

3. PUBLIC LIBRARY FUND

The primary source of revenue for Ohio public libraries is the Public Library Fund (PLF). The PLF was enacted in January 2008 by the State of Ohio, replacing the Library and Local Government Support Fund (LLGSF). The PLF was initially funded by 2.22% of all state tax income, which was distributed to each county monthly through the same equalization formula as the LLGSF. Due to the economic downturn in the state, the Ohio State Legislature temporarily reduced this percentage to 1.97% with the enactment of the 2009-2011 budgets. With the continued decline of the state economy during 2011, the PLF was set at 95% of the amount received in fiscal year 2011 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.

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.

4. 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 2017 for real and public utility property taxes represents collections of the 2016 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
Summit County
Notes to the Financial Statements
Year Ended December 31, 2017
(Continued)

5. 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. The Library maintains comprehensive insurance coverage with private carriers for real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 100% insured.

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.

6. DEFINED BENEFIT PENSION PLAN

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 in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, by calling (614) 222-7377 or (800) 222-7377 or visiting <https://www.opers.org/investments/cafr.shtml>.

The Ohio Revised Code provides statutory authority for member and employer contributions. For year ended December 31, 2017, member and employer contribution rates were consistent across all three plans. The member contribution rates were 10.00% of covered payroll for members in state and local classifications. The employer contribution rate was 14.00% of covered payroll. Total required employer contributions for all plans are equal to 100% of employer charges and should be extracted from the employer's records.

The Library's required contributions for pension obligations to the Traditional Pension and Combined Plans for the year ended December 31, 2017 was \$214,426. The Library contributed 100 percent of the required contribution for the year.

7. POSTEMPLOYMENT BENEFITS

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

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

**Hudson Library and Historical Society
Summit County
Notes to the Financial Statements
Year Ended December 31, 2017
(Continued)**

7. POSTEMPLOYMENT BENEFITS (Continued)

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

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

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

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

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

The post-employment healthcare plan was established under, and is administrated in accordance with, Internal Revenue Code Section 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0% during calendar year 2017.

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 year ended December 31, 2017, was \$15,310. The Library contributed 100 percent for 2017.

8. NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions during 2017 by incurring expenses satisfying the restricted purposes.

9. 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 Bond 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.

Hudson Library and Historical Society
Summit County
Notes to the Financial Statements
Year Ended December 31, 2017
(Continued)

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 \$8,067 to pay lease costs for the year ended December 31, 2017. Future minimum lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2018	\$ 5,412
2019	5,412
2020	5,412
2021	<u>2,706</u>
Total	<u>\$18,942</u>

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 \$136,781 for services in 2017.

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. 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 2017 is subject to examination by the IRS, generally for three years after it is filed.

**Hudson Library and Historical Society
Summit County
Statement of Financial Position
Year Ended December 31, 2016**

	<u>2016</u>
Assets:	
Cash and Cash Equivalents	\$2,568,356
Investments, at Cost	<u>1,616,256</u>
Total Assets	<u><u>\$4,184,612</u></u>
Net Assets:	
Unrestricted	3,454,818
Temporarily Restircted	488,041
Permanently Restircted	<u>241,753</u>
Total Net Assets	<u><u>\$4,184,612</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, 2016

	<u>Unrestricted</u>	<u>Restricted Funds</u>		<u>Total</u>
		<u>Temporary</u>	<u>Permanent</u>	
Support and Receipts:				
Property and Other Local Taxes	\$1,725,868	\$0	\$0	\$1,725,868
Intergovernmental Revenue	225,326	5,599	0	230,925
Public Library Fund	1,083,875	0	0	1,083,875
Patron Fines and Fees	63,714	0	0	63,714
Services Provided to Other Entities	42,986	0	0	42,986
Donations	48,811	55,723	0	104,534
Earnings on Investments	328,800	65,645	0	394,445
Other	6,279	0	0	6,279
	<u>3,525,659</u>	<u>126,967</u>	<u>0</u>	<u>3,652,626</u>
Total Support and Receipts				
Assets Released from Restrictions	56,288	(56,288)	0	0
	<u>56,288</u>	<u>(56,288)</u>	<u>0</u>	<u>0</u>
Disbursements:				
Salaries	1,477,807	0	0	1,477,807
Employee Fringe Benefits	454,756	0	0	454,756
Purchased and Contracted Services	698,710	0	0	698,710
Library Materials and Information	589,248	0	0	589,248
Supplies	80,548	0	0	80,548
Other	6,148	0	0	6,148
Capital Outlay	761,556	0	0	761,556
	<u>4,068,773</u>	<u>0</u>	<u>0</u>	<u>4,068,773</u>
Total Disbursements				
Excess of Support and Receipts Over (Under) Disbursements	(486,826)	70,679	0	(416,147)
Net Assets, January 1, 2016 (restated)	3,941,644	417,362	241,753	4,600,759
	<u>3,941,644</u>	<u>417,362</u>	<u>241,753</u>	<u>4,600,759</u>
Net Assets, December 31, 2016	\$3,454,818	\$488,041	\$241,753	\$4,184,612
	<u>\$3,454,818</u>	<u>\$488,041</u>	<u>\$241,753</u>	<u>\$4,184,612</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
Year Ended December 31, 2016**

	2016
Cash flows from Operating Activities:	
Change in Net Assets	(\$416,147)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Earnings on investments	(394,445)
Net cash (used) by operating activities	(810,592)
Adjustments to reconcile change in net assets to net cash used by investing activities:	
Purchase of investments	(90,000)
Sale of investments	2,201,176
Interest reinvested	(15,883)
Earnings on investments	394,445
Net cash (provided) by investing activities	2,489,738
Net increase (decrease) in cash and cash equivalents	1,679,146
Cash and Cash Equivalents as of Beginning of the Year	889,210
Cash and Cash Equivalents as of End of the Year	\$2,568,356

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

This Page Intentionally Left Blank.

**Hudson Library and Historical Society
Summit County
Notes to the Financial Statements
Year Ended December 31, 2016**

1. DESCRIPTION OF THE LIBRARY AND REPORTING ENTITY

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

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

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

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

The 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ACCOUNTING BASIS

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

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

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

Hudson Library and Historical Society
Summit County
Notes to the Financial Statements
Year Ended December 31, 2016
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. DEPOSITS 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 2016, the Library's consolidated investment portfolio managed by Key Bank, was converted to cash equivalents. The value of the portfolio at December 31, 2016 was \$2,378,937.

At December 31, 2016, the Library had \$24,968 invested in STAR Ohio. STAR Ohio is an investment pool managed by the State Treasurer's Office that 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 Rule2a7 of the Investment Company Act of 1940.

The Library had \$1,674,191 in Certificates of Deposits as of December 31, 2016.

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.

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 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.

**Hudson Library and Historical Society
Summit County
Notes to the Financial Statements
Year Ended December 31, 2016
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. 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 another financing source nor a capital outlay expenditure is reported at inception. Lease payments are reported when paid.

I. NET ASSETS

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

- 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 by passage of time or fulfillment and removal by actions of the Library pursuant to donor-imposed stipulations.
- Permanently restricted net assets have legal or donor-imposed restrictions which do not expire.

Net assets were released from donor restrictions during 2016 by incurring expenses satisfying the restricted purposes. 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. RESTATEMENT OF NET ASSETS

A net asset restatement is required in order to properly present restrictions in keeping with FASB 117. After further review, a portion of the library's net assets are temporarily restricted and not all permanently restricted. The net assets as of January 1, 2016 have been restated as follows:

	<u>Unrestricted</u>	<u>Restricted Funds</u>		<u>Total</u>
		<u>Temporary</u>	<u>Permanent</u>	
Net assets, as previously reported	\$3,941,644	\$0	\$659,115	\$4,600,759
Adjustment	<u>0</u>	<u>417,362</u>	<u>(417,362)</u>	<u>0</u>
Restated net assets at January 1, 2016	<u>\$3,941,644</u>	<u>\$417,362</u>	<u>\$241,753</u>	<u>\$4,600,759</u>

4. PUBLIC LIBRARY FUND

The primary source of revenue for Ohio public libraries is the Public Library Fund (PLF). The PLF was enacted in January 2008 by the State of Ohio, replacing the Library and Local Government Support Fund (LLGSF). The PLF was initially funded by 2.22% of all state tax income, which was distributed to each county monthly through the same equalization formula as the LLGSF. Due to the economic downturn in the state, the Ohio State Legislature temporarily reduced this percentage to 1.97% with the enactment of the 2009-2011 budgets. With the continued decline of the state economy during 2011, the PLF was set at 95% of the amount received in fiscal year 2011 and finally set to 1.66% of all state tax income in 2013. The Summit County Budget Commission allocates these funds to the Library based on a formula developed by the Library Trustees Council of Summit County. Factors included in the formula are: population of a library's service area, size of a library, number of library branches, circulation and per capita income.

Hudson Library and Historical Society
Summit County
Notes to the Financial Statements
Year Ended December 31, 2016
(Continued)

5. PROPERTY TAXES

In May of 2011, the voters of the City of Hudson approved a 2.3 mill levy for Library operations. The levy was expected to generate approximately \$1.9 million in tax receipts each year. The levy was for five years and expired at the end of 2016. 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 2016 for real and public utility property taxes represent collections of the 2015 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.

6. RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Library maintains comprehensive insurance coverage with private carriers for real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 100% insured.

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.

7. DEFINED BENEFIT PENSION PLAN

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 in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, by calling (614) 222-7377 or (800) 222-7377 or visiting <https://www.opers.org/investments/cafr.shtml>.

The Ohio Revised Code provides statutory authority for member and employer contributions. For year ended December 31, 2016, member and employer contribution rates were consistent across all three plans. The member contribution rates were 10.00% of covered payroll for members in state and local classifications. The employer contribution rate was 14.00% of covered payroll. Total required employer contributions for all plans are equal to 100% of employer charges and should be extracted from the employer's records.

The Library's required contributions for pension obligations to the Traditional Pension and Combined Plans for the year ended December 31, 2016 was \$207,215. The Library contributed 100 percent of the required contribution for the year.

**Hudson Library and Historical Society
Summit County
Notes to the Financial Statements
Year Ended December 31, 2016
(Continued)**

8. POSTEMPLOYMENT BENEFITS

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

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

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

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

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

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

The post-employment healthcare plan was established under, and is administrated in accordance with, Internal Revenue Code Section 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan and Combined Plan was 2% during calendar year 2016.

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 year ended December 31, 2016, was \$29,590. The Library contributed 100 percent for the year.

9. NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions during 2016 by incurring expenses satisfying the restricted purposes.

**Hudson Library and Historical Society
Summit County
Notes to the Financial Statements
Year Ended December 31, 2016
(Continued)**

10. 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.

11. 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 \$11,167 to pay lease costs for the year ended December 31, 2016. Future minimum lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2017	<u>\$ 6,776</u>
Total	<u><u>\$ 6,776</u></u>

12. 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 \$141,698 for services in 2016.

13. 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.

14. 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 2016 is subject to examination by the IRS, generally for three years after it is filed.



Dave Yost • Auditor of State

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 Library Street
Hudson, Ohio 44236

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the Hudson Library and Historical Society, Summit County, (the Library) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements and have issued our report thereon dated November 15, 2018, wherein we noted the Library uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Library'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 Library'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 Library'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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, 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 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 Library's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Library's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

November 15, 2018



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
DECEMBER 11, 2018