

HUDSON LIBRARY AND HISTORICAL SOCIETY

SUMMIT COUNTY, OHIO

REGULAR AUDIT

For the year ended December 31, 2018





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Columbus, Ohio 43215
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(800) 282-0370

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

We have reviewed the *Independent Auditor's Report* of the Hudson Library and Historical Society, Summit County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2018 through December 31, 2018. 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 "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

August 13, 2020

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**HUDSON LIBRARY AND HISTORICAL SOCIETY
SUMMIT COUNTY**

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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 the Hudson Library and Historical Society, Summit County, Ohio (the "Library") (a not-for-profit corporation), which comprise the statement of financial position as of December 31, 2018, and the related statement of activities, statement of functional expenses, and the statement of cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the modified cash basis financial position of the Hudson Library and Historical Society, Summit County, as of December 31, 2018, and its changes in modified cash basis financial position, its functional expenses, and its cash flows, for the year then ended in accordance with the basis of accounting as described in Note 2.

Basis of Accounting

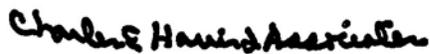
We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion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

Emphasis of Matter

As discussed in Note 3 to the financial statements, the Library adopted the Financial Accounting Standards Board's Accounting Standards Update 2016-14 (Topic 958), *Presentation of Financial Statements of Not-for-Profit Entities* and restated the beginning net assets. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 14, 2020, on our consideration of 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 Library's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.

July 14, 2020

Hudson Library and Historical Society, Summit County

Statement of Financial Position

As of December 31, 2018

	<u>2018</u>
Current Assets	
Cash and Cash Equivalents	\$ 838,979
Investments, at Cost	<u>3,778,711</u>
<i>Total Assets</i>	<u><u>4,617,690</u></u>
Net Assets	
With Donor Restrictions	723,433
Without Donor Restrictions	<u>3,894,257</u>
<i>Total Net Assets</i>	<u><u>\$ 4,617,690</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

For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Receipts			
Property and Other Local Taxes	\$ 2,292,811	\$ -	\$ 2,292,811
Intergovernmental Revenue	229,439	-	229,439
Public Library Fund	1,175,309	-	1,175,309
Patron Fines and Fees	36,330	-	36,330
Services Provided to Other Entities	42,334	-	42,334
Donations	44,815	93,916	138,731
Earnings on Investments	75,375	9,678	85,053
Other	191,269	-	191,269
<i>Total Support and Receipts</i>	<u>4,087,682</u>	<u>103,594</u>	<u>4,191,276</u>
Assets Released from Restrictions	138,602	(138,602)	-
Disbursements:			
Program Services	3,129,064	-	3,129,064
Management and General	933,711	-	933,711
<i>Total Disbursements</i>	<u>4,062,775</u>	<u>-</u>	<u>4,062,775</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	163,509	(35,008)	128,501
<i>Net Assets, January 1, 2018 (restated)</i>	<u>3,730,748</u>	<u>758,441</u>	<u>4,489,189</u>
<i>Net Assets, December 31, 2018</i>	<u>\$ 3,894,257</u>	<u>\$ 723,433</u>	<u>\$ 4,617,690</u>

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

Hudson Library and Historical Society, Summit County

*Statement of Functional Expenses
For the Year Ended December 31, 2018*

	<u>Program Services</u>	<u>Management and General</u>	<u>Total Disbursements</u>
Expenses			
Salaries	\$ 1,186,463	\$ 354,040	\$ 1,540,503
Employee Fringe Benefits	366,167	109,264	475,431
Purchased and Contracted Services	390,622	116,561	507,183
Library Materials and Information	553,300	165,105	718,405
Supplies	55,090	16,439	71,529
Other	4,777	1,425	6,202
Capital Outlay	572,645	170,877	743,522
	<u>3,129,064</u>	<u>933,711</u>	<u>4,062,775</u>
<i>Total Disbursements</i>			

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

Hudson Library and Historical Society, Summit County

Statement of Cash Flows

For The Year Ended December 31, 2018

	<u>2018</u>
Cash Flows From Operating Activities:	
Change in Net Assets	\$ 128,501
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Earnings on investments	(85,053)
Capital outlay	<u>743,522</u>
Net Cash (provided) by operating activities	<u>786,970</u>
Adjustments to reconcile change in net assets to net cash used by investing activities:	
Sale of investments	90,000
Interest reinvested	(21,117)
Earnings on investments	85,053
Capital outlay	<u>(743,522)</u>
Net cash (used) by investing activities	<u>(589,586)</u>
Net increase (decrease) in cash and cash equivalents	197,384
Cash and Cash Equivalents as of Beginning of the Year	<u>641,595</u>
Cash and Cash Equivalents as of End of the Year	<u>\$ 838,979</u>

Hudson Library & Historical Society

Summit County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2018

Note 1 – Description of the Library and Reporting Entity

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

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

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

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

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

The Library’s management believes these financial statements present all activities for which the Library is financially accountable.

Hudson Library & Historical Society

Summit County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2018

Note 2 - Summary of Significant Accounting Policies

A. Basis of Accounting

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

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

B. Cash and Investments

All investments that have maturities of three months or less at the time they are purchased and investments of the cash management pool are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months and investments in equity securities are reported as investments.

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

In 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, 2018 was \$2,294,259.

At December 31, 2018, the Library had \$635,273 invested in STAR Ohio. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company and is recognized as an external investment pool by the Authority. The Authority measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides NAV per share that approximates fair value.

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

The Library had \$1,497,768 in Certificates of Deposits as of December 31, 2018.

Hudson Library & Historical Society

Summit County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2018

Note 2 - Summary of Significant Accounting Policies (continued)

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 modified cash basis of accounting.

G. Employer Contributions to Cost-sharing Pension Plans

The Library recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

H. Long-term Obligations

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

I. Estimates

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

Hudson Library & Historical Society

Summit County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2018

Note 2 - Summary of Significant Accounting Policies (continued)

J. Net Assets

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-14 Not for Profit Entities (Topic 958) – *Presentation of Financial Statements of Not for Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Library has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

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

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

Note 3 – Restatement of Net Assets

A net asset restatement is required in order to properly present restrictions in keeping with ASU 2016-14 Not for Profit Entities (Topic 958). The net assets as of January 1, 2018 have been restated as follows:

	<u>Unrestricted</u>	<u>Temporary Restricted</u>	<u>Permanent Restricted</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>
Net assets, as previously reported	\$3,720,750	\$526,686	\$241,753	\$0	\$0
Adjustment	<u>(3,720,750)</u>	<u>(526,686)</u>	<u>(241,753)</u>	<u>3,730,748</u>	<u>758,441</u>
Restated net assets at January 1, 2018	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$3,730,748</u>	<u>\$758,441</u>

Hudson Library & Historical Society

Summit County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2018

Note 4 – Liquidity and Availability of Financial Assets

The following reflect the Library's financial assets as of December 31, 2018, reduced by the amounts not available for general use because of contractual or donor-imposed restrictions within one year.

	<u>2018</u>
Total Financial Assets, at year end	\$4,617,690
Less amounts not available to be used within one year:	
Purpose Restrictions:	
With Donor Restriction	(3,894,257)
Financial Assets available to meet cash needs for general expenditures within one year	<u>\$723,433</u>

Note 5 – Public Library Fund

A primary source of income primary source of revenue for Ohio public libraries is the Public Library Fund (PLF). The PLF was enacted in January 2008 by the State of Ohio, replacing the Library and Local Government Support Fund (LLGSF). The PLF was initially funded by 2.22% of all state tax income, which was distributed to each county monthly through the same equalization formula as the LLGSF. Due to the economic downturn in the state, the Ohio State Legislature temporarily reduced this percentage to 1.97% with the enactment of the 2009-2011 budgets. With the continued decline of the state economy during 2011, the PLF was set at 95% of the amount received in fiscal year 2011 and then set to 1.66% of all state tax income in 2013. In 2017, the PLF was temporarily set at 1.68% of the state's General Revenue Fund (GRF) for the FY 18-19 biennium.

The Summit County Budget Commission allocates these funds to the Library based on a formula developed by the Library Trustees Council of Summit County. Factors included in the formula are: population of a library's service area, size of a library, number of library branches, circulation and per capita income.

Note 6 - 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 2018 for real and public utility property taxes represents collections of the 2017 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 & Historical Society

Summit County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2018

Note 7 - Risk Management

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

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 members as of December 31, 2018.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2018.

Assets	\$15,065,412
Liabilities	<u>(10,734,623)</u>
Members' Equity	<u>\$ 4,330,789</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

The Library pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

Hudson Library & Historical Society

Summit County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2018

Note 8 - Defined Benefit Pension Plan

Ohio Public Employees Retirement System

Plan Description - The Library participates in the Ohio Public Employees Retirement 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 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 on 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 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, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or 800-222-7377, or by visiting the OPERS website at <https://www.opers.org/investments/cafr.shtml>.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2018, members in the state and local divisions contributed 10% of covered payroll. The Library employed no public safety members and no law enforcement members in 2018. The Library' contribution rate for state and local members in 2018 was 14% of covered payroll.

The Library' required contributions for pension obligations to the traditional and combined plans for the year ended December 31, 2018 was \$215,628. The Library contributed 100 percent of the required contribution for the year.

Note 9 - Postemployment Benefits

Ohio Public Employees Retirement System

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the traditional pension plan and combined plan was 0 percent during calendar year 2018.

The Library' contributions allocated to fund postemployment healthcare benefits for the years ended December 31, 2018 was \$0.

Hudson Library & Historical Society

Summit County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2018

Note 10 – Net Assets Released from Donor Restrictions

Net assets of \$138,602 were released from donor restrictions during 2018 by incurring expenses satisfying the restricted purposes.

Note 11 – 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.

Note 12 – Leases

The Library can lease buildings, vehicles and other equipment under non-cancellable leases. Currently the Library only leases copier machines and printers. The Library disbursed \$5,412 to pay lease costs for the year ended December 31, 2018. Future minimum lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2019	\$5,412
2020	5,412
2021	<u>2,706</u>
Total	<u>\$13,530</u>

Note 13 – 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 \$144,988 for services in 2018.

Note 14 – 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.

Hudson Library & Historical Society

Summit County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2018

Note 15 – 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 2018 is subject to examination by the IRS, generally for three years after it is filed.

Note 16 – Contingent Liabilities

The Library has no known contingent liabilities.

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 financial statements of the Hudson Library and Historical Society, Summit County, (the "Library"), which comprise the statement of financial position as of December 31, 2018, and the related statement of activities, statement of functional expenses, and the statement of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 14, 2020, wherein we noted the Library uses a special purpose framework other than generally accepted accounting principles. We also noted that the Library adopted the Financial Accounting Standards Board's Accounting Standards Update 2016-14 (Topic 958), *Presentation of Financial Statements of Not-for-Profit Entities* and restated the beginning net assets.

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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings that we consider a material weakness. We consider finding 2018-001 to be a material weakness.

Compliance and Other Matters

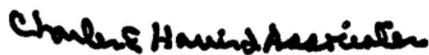
As part of reasonably assuring whether the Library's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial 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 that we must report under *Government Auditing Standards*.

Entity's Response to Finding

The Library's response to the finding identified in our audit is described in the Corrective Action Plan. We did not audit the Library's response and, accordingly, we express no opinion on it.

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.



Charles E. Harris & Associates, Inc.
July 14, 2020

**HUDSON LIBRARY AND HISTORICAL SOCIETY
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS
December 31, 2018**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2018-001

Material Weakness

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-14 Not for Profit Entities (Topic 958) – *Presentation of Financial Statements of Not for Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The amendments to this update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017.

In the report filed on the Hinkle System for the year ended December 31, 2018, the Hudson Library and Historical Society (Library) did not implement this update. The audit report has adjusted the presentation of the financial statements ending December 31, 2018 to comply with the FASB issued ASU 2016-14. The ASU has been applied retrospectively to all periods presented.

Also, we noted that the Library prepared the financial statements on the modified cash basis of accounting, but stated in the footnote of the financial statements as cash basis of accounting.

The Board of Trustees and management should review the standards and ensure preparation of its financial statements in accordance with the latest FASB updates. Implementation of these procedures would help ensure accurate and timely financial statements in accordance with the above requirements are available to the Library's community. We also recommend that the management use the correct terminology in the Summary of Significant Accounting Policies section of the footnotes.

Official's Response:

See Corrective Action Plan.

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

**CORRECTIVE ACTION PLAN – Prepared by Management
December 31, 2018**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-001	Management plans to use more care in completing the financial statements in the future and will review the report prior to filing in the future.	July 14, 2020	Molly Pandelli, Fiscal Officer

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OHIO AUDITOR OF STATE KEITH FABER



HUDSON LIBRARY AND HISTORICAL SOCIETY

SUMMIT COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 8/25/2020

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

This report is a matter of public record and is available online at
www.ohioauditor.gov