

HUDSON LIBRARY AND HISTORICAL SOCIETY

SUMMIT COUNTY, OHIO

REGULAR AUDIT

For the Years Ended December 31, 2023 and 2022



OHIO AUDITOR OF STATE
KEITH FABER



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Columbus, Ohio 43215
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Board of Trustees
Hudson Library & Historical Society
96 Liberty Street
Hudson, Ohio 44236

We have reviewed the *Independent Auditor's Report* of the Hudson Library & Historical Society, Summit County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2022 through December 31, 2023. 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 & 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

July 12, 2024

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**HUDSON LIBRARY AND HISTORICAL SOCIETY
SUMMIT COUNTY
DECEMBER 31, 2023 AND 2022
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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Hudson Library and Historical Society, Summit County, Ohio (the HLHS), (a not-for-profit corporation), which comprise the statement of financial position as of December 31, 2022 and 2023, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the HLHS, as of December 31, 2022 and 2023, and the respective changes in modified cash basis financial position, and its cash flows, thereof for the years then ended in accordance with the accounting basis described in Note 2.

Basis for Opinion

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

Emphasis of Matter - Accounting Basis

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the HLHS's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the HLHS's ability to continue as a going concern for a reasonable period of time.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2024, on our consideration of the HLHS's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the HLHS's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the HLHS's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
June 19, 2024

**Hudson Library and Historical Society
Summit County
Statement of Financial Position
December 31, 2023**

	<u>2023</u>
Assets:	
Cash and Cash Equivalents	\$ 5,531,933
Investments, at Cost	<u>2,665,712</u>
Total Assets	<u>\$ 8,197,645</u>
Net Assets:	
With Donor Restrictions	\$ 540,080
Without Donor Restrictions	<u>7,657,565</u>
Total Net Assets:	<u>\$ 8,197,645</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, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Receipts:			
Property and Other Local Taxes	\$ 2,555,139	\$ -	\$ 2,555,139
Intergovernmental Revenue	232,801	-	232,801
Public Library Fund	1,733,116	-	1,733,116
Patron Fines and Fees	7,404	-	7,404
Services Provided to Other Entities	22,014	-	22,014
Donations	22,061	141,264	163,325
Earnings on Investments	293,578	15,072	308,650
Other	38,244	-	38,244
	<u>4,904,357</u>	<u>156,336</u>	<u>5,060,693</u>
Assets Released from Restrictions	223,130	(223,130)	-
	<u>4,904,357</u>	<u>156,336</u>	<u>5,060,693</u>
Disbursements:			
Program Services	3,352,382	-	3,352,382
Management and General	1,062,099	-	1,062,099
	<u>4,414,481</u>	<u>-</u>	<u>4,414,481</u>
Excess of Support and Receipts Over (Under) Disbursements	713,006	(66,794)	646,212
Net Assets, January 1, 2023	6,944,559	606,874	7,551,433
Net Assets, December 31, 2023	<u>\$ 7,657,565</u>	<u>\$ 540,080</u>	<u>\$ 8,197,645</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
Year Ended December 31, 2023**

Expenses	Program Services	Management and General	Total Expenses
Salaries	\$ 1,408,097	\$ 446,112	\$ 1,854,209
Employee Fringe Benefits	476,494	150,962	627,456
Purchased and Contracted Services	420,242	133,141	553,383
Library Materials and Information	755,071	239,221	994,292
Supplies	44,729	14,171	58,900
Other	6,398	2,027	8,425
Capital Outlay	241,351	76,465	317,816
 Total Expenses	 <u>\$ 3,352,382</u>	 <u>\$ 1,062,099</u>	 <u>\$ 4,414,481</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, 2023**

	2023
Cash flows from Operating Activities:	
Change in Net Assets	\$ 646,212
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Earnings on investments	(308,650)
Capital outlay	317,816
Net cash (provided) by operating activities	655,378
Adjustments to reconcile change in net assets to net cash used by investing activities:	
Sale of investments	1,698,231
Earnings on investments	308,650
Capital outlay	(317,816)
Net cash (used) by investing activities	1,689,065
Net increase (decrease) in cash and cash equivalents	2,344,443
Cash and Cash Equivalents as of Beginning of the Year	3,187,490
Cash and Cash Equivalents as of End of the Year	\$ 5,531,933

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

Hudson Library and Historical Society

Notes to the Financial Statements

Year Ended December 31, 2023

Note 1 – Description of the Library and Reporting Entity

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

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

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

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

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

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

Note 2 – Summary of Significant Accounting Policies

A. Basis of Accounting

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

Hudson Library and Historical Society

Notes to the Financial Statements

Year Ended December 31, 2023

Note 2 – Summary of Significant Accounting Policies (continued)

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

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

B. Cash and Investments

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

Investments are reported as assets at the Library's cost basis. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Realized gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively. The Library's investment accounts are held at Wells Fargo in a diversified portfolio. The value of the portfolio on December 31, 2023 was \$5,631,556.

At December 31, 2023, the Library had \$2,283,884 invested in STAR Ohio. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company and is recognized as an external investment pool by the Authority. The Authority measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides NAV per share that approximates fair value.

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

C. Restricted Assets

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

D. Inventory and Prepaid Items

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

Hudson Library and Historical Society

Notes to the Financial Statements

Year Ended December 31, 2023

Note 2 – Summary of Significant Accounting Policies (continued)

E. Capital Assets

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

F. Accumulated Leave

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

G. Employer Contributions to Cost-Sharing Pension Plans

The Library recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

H. Long-term Obligations

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

I. Estimates

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

J. Net Assets

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

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

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

Hudson Library and Historical Society

Notes to the Financial Statements

Year Ended December 31, 2023

Note 3 – Liquidity and Availability of Financial Assets

The following reflect the Library's financial assets as of December 31, 2023, reduced by the amounts not available for general use because of contractual or donor-imposed restrictions within one year.

	<u>2023</u>
Total Financial Assets, at year end	\$8,197,645
Less amounts not available to be used within one year:	
Purpose Restrictions:	
With Donor Restrictions	(540,080)
Financial Assets available to meet cash needs for general expenditures within one year	<u>\$7,657,565</u>

Note 4 – Public Library Fund

A primary source of income primary source of revenue for Ohio public libraries is the Public Library Fund (PLF). The PLF was enacted in January 2008 by the State of Ohio, replacing the Library and Local Government Support Fund (LLGSF). The PLF was initially funded by 2.22% of all state tax income, which was distributed to each county monthly through the same equalization formula as the LLGSF. Due to the economic downturn in the state, the Ohio State Legislature temporarily reduced this percentage to 1.97% with the enactment of the 2009-2011 budgets. With the continued decline of the state economy during 2011, the PLF was set at 95% of the amount received in fiscal year 2011 and then set to 1.66% of all state tax income in 2013. In 2017, the PLF was temporarily set at 1.68% of the state's General Revenue Fund (GRF) for the FY 18-19 biennium. In 2019, the PLF was temporarily set at 1.7% of the state's General Revenue Fund (GRF) for the FY 20-21 biennium and was held at 1.7% for the FY 22-23 biennium.

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

Note 5 – Property Taxes

In March of 2021, the voters of the City of Hudson approved a renewal 2.9 mill, five-year levy for Library operations that will expire at the end of 2026. The levy generated over \$2.5 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 2023 for real and public utility property taxes represents collections of the 2022 taxes. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value.

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

Hudson Library and Historical Society

Notes to the Financial Statements

Year Ended December 31, 2023

Note 6 – Risk Management

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

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

Effective November 1, 2016, the OPRM elected to participate in a property loss corridor deductible. The property corridor includes losses paid between 70% and 75%. In 2018, the casualty loss corridor was eliminated and the property corridor was adjusted to losses paid between 65% and 70%. Effective November 1, 2019, the property loss corridor was adjusted to losses between 60% and 67.5% and has remain unchanged. OPRM had 773 members as of December 31, 2022 (the latest information available).

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2022.

Assets	\$ 21,662,291
Liabilities	(18,158,351)
Members' Equity	<u>\$ 3,503,940</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.

Note 7 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

The employees of the Library participate in the Ohio Public Employees Retirement System (OPERS) which administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. Participating employers are divided into state, local, law enforcement, and public safety divisions. While members may elect the Member-Directed Plan and the Combined Plan, substantially all members are in the OPERS' Traditional Plan; therefore, the following disclosure focuses on the Traditional Pension Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional and Combined Plans. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about OPERS' fiduciary net position that may be obtained by visiting <http://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (800) 222-7377.

Hudson Library and Historical Society

Notes to the Financial Statements

Year Ended December 31, 2023

Note 7 – Defined Benefit Pension Plan (continued)

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

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

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The amount of a member's pension benefit is vested upon receipt of the initial benefit payment for calculation of an annual cost-of-living adjustment.

When a Traditional Plan benefit recipient has received benefits for 12 months, current law provides for an annual cost-of-living adjustment (COLA). This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the Combined Plan receive a cost-of-living adjustment of the defined benefit portion of their pension benefit. For those who retired prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Hudson Library and Historical Society

Notes to the Financial Statements

Year Ended December 31, 2023

Note 7 – Defined Benefit Pension Plan (continued)

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined Plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-Directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions, and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the purchase of a monthly defined benefit annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options. When members choose to annuitize their defined contribution benefit, the annuitized portion of the benefit is reclassified to a defined benefit.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local	
	Traditional	Combined
2023 Statutory Maximum Contribution Rates		
Employer	14.0 %	14.0 %
Employee *	10.0 %	10.0 %
2023 Actual Contribution Rates		
Employer:		
Pension **	14.0 %	12.0 %
Post-employment Health Care Benefits **	0.0	2.0
Total Employer	14.0 %	14.0 %
Employee	10.0 %	10.0 %

* Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.

** These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with the remainder going to pension; however, effective July 1, 2022, a portion of the health care rate is funded with reserves.

The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2023 was \$258,179.

Hudson Library and Historical Society

Notes to the Financial Statements

Year Ended December 31, 2023

Note 8 – Postemployment Benefits

Ohio Public Employees Retirement System

Plan Description - Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust. The 115 Health Care Trust (115 Trust or Health Care Trust) was established in 2014, under Section 115 of the Internal Revenue Code (IRC). The purpose of the 115 Trust is to fund health care for the Traditional Pension, Combined, and Member-Directed plans. Medicare-enrolled retirees in the Traditional Pension and Combined plans may have an allowance deposited into a health reimbursement arrangement (HRA) account to be used toward the health care program of their choice selected with the assistance of an OPERS vendor. Non-Medicare retirees have converted to an arrangement similar to the Medicare-enrolled retirees, and are no longer participating in OPERS provided self-insured group plans.

With one exception, OPERS-provided health care coverage is neither guaranteed nor statutorily required. Ohio law currently requires Medicare Part A equivalent coverage or Medicare Part A premium reimbursement for eligible retirees and their eligible dependents.

OPERS offers a health reimbursement arrangement (HRA) allowance to Traditional Pension Plan and Combined Plan benefit recipients meeting certain age and service credit requirements. The HRA is an account funded by OPERS that provides tax free reimbursement for qualified medical expenses such as monthly post-tax insurance premiums, deductibles, co-insurance, and co-pays incurred by eligible benefit recipients and their dependents.

OPERS members enrolled in the Traditional Pension Plan or Combined Plan retiring with an effective date of January 1, 2022, or after must meet the following health care eligibility requirements to receive an HRA allowance:

Medicare Retirees: Medicare-eligible with a minimum of 20 years of qualifying service credit.

Non-Medicare Retirees: Non-Medicare retirees qualify based on the following age-and-service criteria:

Group A: 30 years of qualifying service credit at any age;

Group B: 32 years of qualifying service credit at any age or 31 years of qualifying service credit and minimum age 52;

Group C: 32 years of qualifying service credit and minimum age 55; or,

A retiree from groups A, B, or C who qualifies for an unreduced pension, but a portion of their service credit is not health care qualifying service, can still qualify for health care at age 60 if they have at least 20 years of qualifying health care service credit

Retirees who don't meet the requirement for coverage as a non-Medicare participant can become eligible for coverage at age 65 if they have at least 20 years of qualifying service.

Hudson Library and Historical Society

Notes to the Financial Statements

Year Ended December 31, 2023

Note 8 – Postemployment Benefits (continued)

Members with a retirement date prior to January 1, 2022 who were eligible to participate in the OPERS health care program will continue to be eligible after January 1, 2022.

Eligible retirees may receive a monthly HRA allowance for reimbursement of health care coverage premiums and other qualified medical expenses. Monthly allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverage, are provided to eligible retirees, and are deposited into their HRA account.

Retirees will have access to the OPERS Connector, which is a relationship with a vendor selected by OPERS to assist retirees participating in the health care program. The OPERS Connector may assist retirees in selecting and enrolling in the appropriate health care plan.

When members become Medicare-eligible, recipients enrolled in OPERS health care programs must enroll in Medicare Part A (hospitalization) and Medicare Part B (medical).

OPERS reimburses retirees who are not eligible for premium-free Medicare Part A (hospitalization) for their Part A premiums as well as any applicable surcharges (late-enrollment fees). Retirees within this group must enroll in Medicare Part A and select medical coverage, and may select prescription coverage, through the OPERS Connector. OPERS also will reimburse 50 percent of the Medicare Part A premium and any applicable surcharges for eligible spouses. Proof of enrollment in Medicare Part A and confirmation that the retiree is not receiving reimbursement or payment from another source must be submitted. The premium reimbursement is added to the monthly pension benefit.

The health care trust is also used to fund health care for Member-Directed Plan participants, in the form of a Retiree Medical Account (RMA). At retirement or separation, Member-Directed Plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

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

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority allowing public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, OPERS no longer allocated a portion of its employer contributions to health care for the Traditional Plan.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2023, state and local employers contributed at a rate of 14.0 percent of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Hudson Library and Historical Society

Notes to the Financial Statements

Year Ended December 31, 2023

Note 8 – Postemployment Benefits (continued)

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2023, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and beginning July 1, 2022, there was a two percent allocation to health care for the Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2022 was 4.0 percent; however, effective July 1, 2022, a portion of the health care rate was funded with reserves.

Employer contributions rates are actuarially determined and are expressed as a percentage of covered payroll. The Library's contractually required contribution was \$0 for year 2023.

Note 9 – Net Assets Released from Donor Restrictions

Net assets of \$223,130 were released from donor restrictions during 2023 by incurring expenses satisfying the restricted purposes.

Note 10 – Leases

The Library can lease buildings, vehicles and other equipment under non-cancellable leases. Currently the Library only leases copier machines and printers. The Library disbursed \$5,741 to pay lease costs for the year ended December 31, 2023. Future minimum lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2024	\$5,740.56
2025	<u>4,783.80</u>
	<u>\$10,524.36</u>

Note 11 – Joint Venture

The Library belongs to CLEVNET, a joint venture consortium of Northern Ohio area libraries created in 1982 to provide economy of scale for sharing providing cataloging and circulation systems, database resources, purchasing software and sharing of materials. Each library sends a representative to periodic meetings for sharing and coordination direction and governing CLEVNET. The Library paid dues to CLEVNET in the amount of \$134,219 for services in 2023.

Note 12 – Related Organizations

The Library has a Friends of the Hudson Library organization, which raises money for support of the Library. It is an independent organization and the Library does not direct the group in any way. The Friends organization does not supply the Library with a major source of revenue.

Note 13 – Tax Status

The Library is subject to routine audits by taxing jurisdictions, however, there are currently no audits for any tax periods in progress. The Library's Federal Return of Organization Exempt from Income Tax (Federal Form 990) for 2023 is subject to examination by the IRS, generally for three years after it is filed.

Hudson Library and Historical Society

Notes to the Financial Statements

Year Ended December 31, 2023

Note 14 – Contingent Liabilities

The Library has no known contingent liabilities.

Note 15 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June 2021 while the national state of emergency ended in April 2023. The Library will continue to spend available COVID-19 funding consistent with the applicable program guidelines.

Note 16 – Subsequent Event

Modified cash basis of accounting defines subsequent events as events or transactions that occur after the state of financial position date, but before the financial statement are issued or are available to be issued. Management has evaluated subsequent events through June 19, 2024, the date on which the financial statements were available to be issued.

**Hudson Library and Historical Society
Summit County
Statement of Financial Position
December 31, 2022**

	<u>2022</u>
Assets:	
Cash and Cash Equivalents	\$ 3,187,490
Investments, at Cost	<u>4,363,943</u>
Total Assets	<u>\$ 7,551,433</u>
Net Assets:	
With Donor Restrictions	\$ 606,875
Without Donor Restrictions	<u>6,944,558</u>
Total Net Assets:	<u>\$ 7,551,433</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, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Receipts:			
Property and Other Local Taxes	\$ 2,519,165	\$ -	\$ 2,519,165
Intergovernmental Revenue	231,058	4,800	235,858
Public Library Fund	1,647,256	-	1,647,256
Patron Fines and Fees	7,185	-	7,185
Services Provided to Other Entities	8,341	-	8,341
Donations	29,092	135,271	164,363
Earnings on Investments	106,413	19,037	125,450
Other	328	1,000	1,328
	<u>4,548,838</u>	<u>160,108</u>	<u>4,708,946</u>
Total Support and Receipts			
Assets Released from Restrictions	<u>175,152</u>	<u>(175,152)</u>	<u>-</u>
Disbursements:			
Program Services	2,847,436	-	2,847,436
Management and General	941,089	-	941,089
	<u>3,788,525</u>	<u>-</u>	<u>3,788,525</u>
Total Disbursements			
Excess of Support and Receipts Over (Under) Disbursements	935,465	(15,044)	920,421
Net Assets, January 1, 2022	<u>6,009,093</u>	<u>621,919</u>	<u>6,631,012</u>
Net Assets, December 31, 2022	<u>\$ 6,944,558</u>	<u>\$ 606,875</u>	<u>\$ 7,551,433</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
Year Ended December 31, 2022**

Expenses	Program Services	Management and General	Total Expenses
Salaries	\$ 1,216,780	\$ 402,151	\$ 1,618,931
Employee Fringe Benefits	425,764	140,717	566,481
Purchased and Contracted Services	415,927	137,465	553,392
Library Materials and Information	615,477	203,417	818,894
Supplies	35,021	11,575	46,596
Other	6,811	2,251	9,062
Capital Outlay	131,656	43,513	175,169
 Total Expenses	 \$ 2,847,436	 \$ 941,089	 \$ 3,788,525

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, 2022**

	2022
Cash flows from Operating Activities:	
Change in Net Assets	\$ 920,421
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Earnings on investments	(125,450)
Capital outlay	175,169
	970,140
Net cash (provided) by operating activities	
Adjustments to reconcile change in net assets to net cash used by investing activities:	
Sale of investments	1,558,128
Earnings on investments	125,450
Purchase of investments	(1,845,803)
Capital outlay	(175,169)
	(337,394)
Net cash (used) by investing activities	
Net increase (decrease) in cash and cash equivalents	632,746
Cash and Cash Equivalents as of Beginning of the Year	2,554,744
Cash and Cash Equivalents as of End of the Year	\$ 3,187,490

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

Hudson Library and Historical Society

Notes to the Financial Statements

Year Ended December 31, 2022

Note 1 – Description of the Library and Reporting Entity

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

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

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

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

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

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

Note 2 – Summary of Significant Accounting Policies

A. Basis of Accounting

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

Hudson Library and Historical Society

Notes to the Financial Statements

Year Ended December 31, 2022

Note 2 – Summary of Significant Accounting Policies (continued)

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

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

B. Cash and Investments

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

Investments are reported as assets at the Library's cost basis. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Realized gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively. The Library's investment portfolio is held at Wells Fargo in a diversified portfolio. The value of the portfolio on December 31, 2022 was \$5,164,355.

At December 31, 2022, the Library had \$1,579,322 invested in STAR Ohio. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company and is recognized as an external investment pool by the Authority. The Authority measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides NAV per share that approximates fair value.

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

The Library had \$465,094 in Certificates of Deposits as of December 31, 2022.

C. Restricted Assets

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

D. Inventory and Prepaid Items

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

Hudson Library and Historical Society

Notes to the Financial Statements

Year Ended December 31, 2022

Note 2 – Summary of Significant Accounting Policies (continued)

E. Capital Assets

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

F. Accumulated Leave

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

G. Employer Contributions to Cost-Sharing Pension Plans

The Library recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

H. Long-term Obligations

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

I. Estimates

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

J. Net Assets

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

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

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

Hudson Library and Historical Society

Notes to the Financial Statements

Year Ended December 31, 2022

Note 3 – Liquidity and Availability of Financial Assets

The following reflect the Library's financial assets as of December 31, 2022, reduced by the amounts not available for general use because of contractual or donor-imposed restrictions within one year.

	<u>2022</u>
Total Financial Assets, at year end	\$7,551,433
Less amounts not available to be used within one year:	
Purpose Restrictions:	
With Donor Restrictions	(606,875)
Financial Assets available to meet cash needs for general expenditures within one year	<u>\$6,944,558</u>

Note 4 – Public Library Fund

A primary source of income primary source of revenue for Ohio public libraries is the Public Library Fund (PLF). The PLF was enacted in January 2008 by the State of Ohio, replacing the Library and Local Government Support Fund (LLGSF). The PLF was initially funded by 2.22% of all state tax income, which was distributed to each county monthly through the same equalization formula as the LLGSF. Due to the economic downturn in the state, the Ohio State Legislature temporarily reduced this percentage to 1.97% with the enactment of the 2009-2011 budgets. With the continued decline of the state economy during 2011, the PLF was set at 95% of the amount received in fiscal year 2011 and then set to 1.66% of all state tax income in 2013. In 2017, the PLF was temporarily set at 1.68% of the state's General Revenue Fund (GRF) for the FY 18-19 biennium. In 2019, the PLF was temporarily set at 1.7% of the state's General Revenue Fund (GRF) for the FY 20-21 biennium and was held at 1.7% for the FY 22-23 biennium.

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

Note 5 – Property Taxes

In March of 2021, the voters of the City of Hudson approved a renewal 2.9 mill, five-year levy for Library operations that will expire at the end of 2026. The levy generated approximately \$2.5 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 2022 for real and public utility property taxes represents collections of the 2021 taxes. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value.

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

Hudson Library and Historical Society

Notes to the Financial Statements

Year Ended December 31, 2022

Note 6 – Risk Management

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

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

Effective November 1, 2016, the OPRM elected to participate in a property loss corridor deductible. The property corridor includes losses paid between 70% and 75%. In 2018, the casualty loss corridor was eliminated and the property corridor was adjusted to losses paid between 65% and 70%. Effective November 1, 2019, the property loss corridor was adjusted to losses between 60% and 67.5% and has remain unchanged. OPRM had 773 members as of December 31, 2022 (the latest information available).

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2022.

Assets	\$ 21,662,291
Liabilities	(18,158,351)
Members' Equity	<u>\$ 3,503,940</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.

Note 7 – Defined Benefit Pension Plan

The employees of the Library participate in the Ohio Public Employees Retirement System (OPERS) which administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. Participating employers are divided into state, local, law enforcement, and public safety divisions. While members may elect the Member-Directed Plan and the Combined Plan, substantially all members are in the OPERS' Traditional Plan; therefore, the following disclosure focuses on the Traditional Pension Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional and Combined Plans. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about OPERS' fiduciary net position that may be obtained by visiting <http://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (800) 222-7377.

Hudson Library and Historical Society

Notes to the Financial Statements

Year Ended December 31, 2022

Note 7 – Defined Benefit Pension Plan (continued)

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

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

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The amount of a member's pension benefit is vested upon receipt of the initial benefit payment for calculation of an annual cost-of-living adjustment.

When a Traditional Plan benefit recipient has received benefits for 12 months, current law provides for an annual cost-of-living adjustment (COLA). This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the Combined Plan receive a cost-of-living adjustment of the defined benefit portion of their pension benefit. For those who retired prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Hudson Library and Historical Society

Notes to the Financial Statements

Year Ended December 31, 2022

Note 7 – Defined Benefit Pension Plan (continued)

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined Plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-Directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions, and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the purchase of a monthly defined benefit annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options. When members choose to annuitize their defined contribution benefit, the annuitized portion of the benefit is reclassified to a defined benefit.

Effective January 1, 2022, the Combined Plan is no longer available for member selection.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>State and Local</u>
2022 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee *	10.0 %
2022 Actual Contribution Rates	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits **	<u>0.0</u>
Total Employer	<u>14.0 %</u>
Employee	<u>10.0 %</u>

* Member contributions within the Combined Plan are not used to fund the defined benefit retirement allowance.

** This employer health care rate is for the Traditional and Combined Plans. The employer contribution rate for the Member-Directed Plan is allocated 4 percent for health care with the remainder going to pension.

The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2022 was \$226,531.

Hudson Library and Historical Society

Notes to the Financial Statements

Year Ended December 31, 2022

Note 8 – Postemployment Benefits

Plan Description - Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined Plans. Currently, Medicare-eligible retirees are able to select medical and prescription drug plans from a range of options and may elect optional vision and dental plans. Retirees and eligible dependents enrolled in Medicare Parts A and B have the option to enroll in a Medicare supplemental plan with the assistance of the OPERS Medicare Connector. The OPERS Medicare Connector is a relationship with a vendor selected by OPERS to assist retirees, spouses, and dependents with selecting a medical and pharmacy plan. Monthly allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverage, are deposited into an HRA. For non-Medicare retirees and eligible dependents, OPERS sponsors medical and prescription coverage through a professionally managed self-insured plan. An allowance to offset a portion of the monthly premium is offered to retirees and eligible dependents. The allowance is based on the retiree's years of service and age when they first enrolled in OPERS coverage.

OPERS provides a monthly allowance for health care coverage for eligible retirees and their eligible dependents. The base allowance is determined by OPERS. For those retiring on or after January 1, 2015, the allowance has been determined by applying a percentage to the base allowance. The percentage applied is based on years of qualifying service credit and age when the retiree first enrolled in OPERS health care. Monthly allowances range between 51 percent and 90 percent of the base allowance. Those who retired prior to January 1, 2015, will have an allowance of at least 75 percent of the base allowance.

The health care trust is also used to fund health care for Member-Directed Plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed Plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

Effective January 1, 2022, OPERS discontinued the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 20 or more years of qualifying Ohio service credit with a minimum age of 60. Members in Group A are eligible for coverage at any age with 30 or more years of qualifying service. Members in Group B are eligible at any age with 32 years of qualifying service, or at age 52 with 31 years of qualifying service. Members in Group C are eligible for coverage with 32 years of qualifying service and a minimum age of 55. Current retirees eligible (or who become eligible prior to January 1, 2022) to participate in the OPERS health care program will continue to be eligible after January 1, 2022. Eligibility requirements change for those retiring after January 1, 2022, with differing eligibility requirements for Medicare retirees and non-Medicare retirees.

Hudson Library and Historical Society

Notes to the Financial Statements

Year Ended December 31, 2022

Note 8 – Postemployment Benefits (continued)

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

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, 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-employment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, OPERS no longer allocated a portion of its employer contributions to health care for the Traditional Plan and the Combined Plan.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2022, State and Local employers contributed at a rate of 14.0 percent of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2022, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2022 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as percentage of covered payroll. The Library's contractually required contribution was \$0 for year 2022.

Note 9 – Net Assets Released from Donor Restrictions

Net assets of \$175,152 were released from donor restrictions during 2022 by incurring expenses satisfying the restricted purposes.

Note 10 – Leases

The Library can lease buildings, vehicles and other equipment under non-cancellable leases. Currently the Library only leases copier machines and printers. The Library disbursed \$5,358 to pay lease costs for the year ended December 31, 2022. Future minimum lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2023	\$5,740.56
2024	5,740.56
2025	4,783.80
	<u>\$16,264.92</u>

Hudson Library and Historical Society

Notes to the Financial Statements

Year Ended December 31, 2022

Note 11 – Joint Venture

The Library belongs to CLEVNET, a joint venture consortium of Northern Ohio area libraries created in 1982 to provide economy of scale for sharing providing cataloging and circulation systems, database resources, purchasing software and sharing of materials. Each library sends a representative to periodic meetings for sharing and coordination direction and governing CLEVNET. The Library paid dues to CLEVNET in the amount of \$126,032 for services in 2022.

Note 12 – Related Organizations

The Library has a Friends of the Hudson Library organization, which raises money for support of the Library. It is an independent organization and the Library does not direct the group in any way. The Friends organization does not supply the Library with a major source of revenue.

Note 13 – Tax Status

The Library is subject to routine audits by taxing jurisdictions, however, there are currently no audits for any tax periods in progress. The Library's Federal Return of Organization Exempt from Income Tax (Federal Form 990) for 2022 is subject to examination by the IRS, generally for three years after it is filed.

Note 14 – Contingent Liabilities

The Library has no known contingent liabilities.

Note 15 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency ended in April 2023. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Library. The impact on the Library's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

Note 16 – Subsequent Event

Modified cash basis of accounting defines subsequent events as events or transactions that occur after the statement of financial position date, but before the financial statements are issued or are available to be issued. Management has evaluated subsequent events through June 19, 2024, the date on which the financial statements were available to be issued.

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

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

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the modified cash basis financial statements of the Hudson Library and Historical Society, Summit County, (HLHS) as of and for the years ended December 31, 2022 and 2023, and the related notes to the financial statements, which collectively comprise the HLHS's basic financial statements and have issued our report thereon dated June 19, 2024, wherein we noted the HLHS uses a special purpose framework other than generally accepted accounting principles.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the HLHS's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Charles E. Harris & Associates, Inc.
June 19, 2024

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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 7/25/2024

65 East State 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